



**INTEGRATED  
ANNUAL REPORT**

---

**2025**

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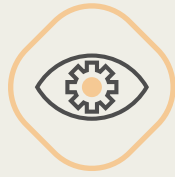
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## VISION AND MISSION



### VISION

To be a world-class agricultural development bank that stimulates development, growth and transformation; one that drives solid performance and spurs innovation.



### MISSION

To collaborate with all stakeholders to build an adaptive, transformed, sustainable and competitive agricultural sector that drives environmental, social, and economic development, and contributes to food security.

## COMPANY INFORMATION

Acting Group Company Secretary:  
Rozaan Swanepoel

### Bankers:

First National Bank Limited, a division of First Rand Limited  
ABSA Limited  
Nedbank Limited  
The Standard Bank of South Africa Limited

### Auditors:

Auditor-General of South Africa

### Business Address:

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Lakefield Office Park,  
Building A, First Floor  
Die Hoewes Centurion

### Postal Address:

Land and Agricultural Development Bank of South Africa,  
P.O. BOX 375,  
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## ACRONYMS/ABBREVIATIONS

<b>AAMP</b>	Agricultural and Agro-processing Master Plan	<b>HRRC</b>	Human Resources and Remuneration Committee
<b>ACI</b>	Agribusiness Confidence Index	<b>IFRS</b>	International Financial Reporting Standards
<b>AFC</b>	Audit and Finance Committee	<b>IMF</b>	International Monetary Fund
<b>AfCFTA</b>	African Continental Free Trade Agreement	<b>IR</b>	Integrated Reporting
<b>AfDB</b>	African Development Bank	<b>ISF</b>	InsuResilience Solutions Fund
<b>AGOA</b>	African Growth and Opportunity Act	<b>IT</b>	Information Technology
<b>AGSA</b>	Auditor General of South Africa	<b>JSE</b>	Johannesburg Stock Exchange
<b>AGP</b>	Annual Guaranteed Package	<b>KPI</b>	Key Performance Indicators
<b>AIAP</b>	Agricultural Insurance Assessor Programme	<b>KZN</b>	KwaZulu-Natal
<b>AML</b>	Anti Money Laundering	<b>LBI</b>	Land Bank Insurance
<b>ARC</b>	Audit and Risk Committee	<b>LBIC</b>	Land Bank Insurance Company
<b>ASUF</b>	Agri-Sector Unity Forum	<b>LBLIC</b>	Land Bank Life Insurance Company
<b>AYII</b>	Area Yield Index Insurance	<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>BFS</b>	Blended Finance Scheme	<b>MoA</b>	Memorandum of Association
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration	<b>MoF</b>	Minister of Finance
<b>CDBB</b>	Commercial Development and Business Banking	<b>MoU</b>	Memorandum of Understanding
<b>CEO</b>	Chief Executive Officer	<b>PDII</b>	Pasture Drought Index Insurance
<b>CFO</b>	Chief Financial Officer	<b>NAMC</b>	National Agricultural Marketing Council
<b>CFT</b>	Combating the Financing of Terrorism	<b>NDP</b>	National Development Plan
<b>CPI</b>	Consumer Price Index	<b>NED</b>	Non-Executive Director
<b>CRISA</b>	Code for Responsible Investing in South Africa	<b>NII</b>	Net Interest Income
<b>CRM</b>	Customer Relationship Management	<b>NIM</b>	Net Interest Margin
<b>DALRRD</b>	Department of Agriculture, Land Reform, and Rural Development	<b>NPL</b>	Non-Performing Loans
<b>DOA</b>	Department of Agriculture	<b>NT</b>	National Treasury
<b>DoP</b>	Delegation of Power	<b>OHS</b>	Occupational Health and Safety
<b>ERM</b>	Enterprise Risk Management	<b>ORSA</b>	Own Risk and Solvency Assessment
<b>ESG</b>	Environmental, Social and Governance	<b>PA</b>	Prudential Authority
<b>ESMS</b>	Environmental and Social Management System	<b>PAA</b>	Premium Allocation Approach
<b>ESRA</b>	Environmental and Social Risk Assessment	<b>PFMA</b>	Public Finance Management Act
<b>ESS</b>	Environmental and Social Sustainability	<b>PRB</b>	Principles for Responsible Banking
<b>EU</b>	European Union	<b>PRMAF</b>	Pension Fund Retirement Medical Aid Fund
<b>EVP</b>	Employee Value Proposition	<b>QLTC</b>	Quality Learning and Teaching Campaign
<b>EXCO</b>	Executive Committee	<b>RA</b>	Regenerative Agriculture
<b>FMD</b>	Foot and Mouth Disease	<b>RGC</b>	Risk and Governance Committee
<b>FN</b>	Foreign Nationals	<b>SADC</b>	South African Development Community
<b>FSCA</b>	Financial Sector Conduct Authority	<b>SAFDA</b>	South African Farmers Development Association
<b>FSI</b>	Financial Soundness Standards for Insurers	<b>SAM</b>	Solvency Assessment and Management
<b>FSP</b>	Financial Services Providers	<b>SAWS</b>	South African Weather Services
<b>FY2024</b>	Financial year from 1 April 2023 to 31 March 2024	<b>SCR</b>	Solvency Capital Requirement
<b>FY2025</b>	Financial year from 1 April 2024 to 31 March 2025	<b>SDG</b>	Sustainable Development Goals
<b>GCF</b>	Green Climate Fund	<b>SLA</b>	Service Level Agreement
<b>GDP</b>	Gross Domestic Product	<b>SOC</b>	State-Owned Companies
<b>GHG</b>	Greenhouse Gases	<b>SOCRIG</b>	State-Owned Companies Remuneration and Incentives Guidelines
<b>GMM</b>	General Measurement Model	<b>SOE</b>	State-Owned Enterprises
<b>GOI</b>	Governance and Operations Standards for Insurers	<b>SOP</b>	Standard Operating Procedure
<b>GRI</b>	Global Reporting Initiative	<b>TAT</b>	Turn Around Times
<b>GWP</b>	Gross Written Premium	<b>UMA</b>	Underwriting Management Agency
<b>HAF</b>	Heads of Actuarial Functions	<b>UNEP</b>	United Nations Environment Programme
<b>HDI</b>	Historically Disadvantaged Individuals	<b>UNPRI</b>	United Nations Principles for Responsible Investments
		<b>YTD</b>	Year to Date



# FOREWORDS

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“Government remains steadfast in its commitment to strengthening the contribution of state-owned entities towards structural reform and developmental impact.”

## FOREWORD BY THE MINISTER

The Land and Agricultural Development Bank of South Africa (Land Bank) continues to play a critical role in driving inclusive economic growth and transformation within the agricultural sector. As a state-owned development finance institution, its mandate – to promote greater participation of the historically disadvantaged persons in agriculture, advance agrarian reform, and foster sustainable development – is closely aligned with the founding principles of our government: economic justice and equitable development.

Government remains steadfast in its commitment to strengthening the contribution of state-owned entities towards structural reform and developmental impact. Through interventions in infrastructure investment, climate adaptation, and blended finance, we are working to build greater resilience, inclusivity and productivity across key economic sectors, including agriculture. Initiatives such as the Presidential Climate Commission, the Just Transition Framework, and the Agriculture and Agro-Processing Master Plan provide a multi-layered and integrated approach to achieving sustainable growth – with Land Bank playing a pivotal role in this framework.

The 2025 financial year marked a significant milestone for Land Bank. Following several years of constrained operations, the Bank successfully cured its debt default and commenced embedding a revised operating model and organisational structure, critical to executing its turnaround strategy. Encouragingly, this turnaround strategy has begun to yield results: financing support to the agricultural sector increased to R617 million in FY2025, up from R375.36 million in FY2024. This progress reflects, in part, the successful implementation of blended finance solutions and strengthened strategic partnerships.

Aligned with the National Development Plan (NDP) Vision 2030, Land Bank is actively advancing inclusive growth and food security. Its targeted support for black agri-businesses and emerging farmers through a combination of targeted finance and grant mechanisms, represents meaningful progress toward transformation in the agricultural sector.



The Bank's elevated levels of non-performing loans continue to pose a significant risk to its long term sustainability. I note the interventions implemented by the Board through its non-performing loan remediation strategy, which have resulted in reduction in the Rand value of this portfolio. Further improvement in the non-performing loan ratio will be driven by the Bank's concerted efforts to grow its book through the acquisition of new, high quality clients.

I commend the Bank for aligning its operations with global frameworks, including the United Nations Sustainable Development Goals (SDGs) and the Principles for Responsible Banking (PRB) under the UNEP Finance Initiative. These commitments strengthen Land Bank's position as a forward-looking and values-driven institution.

I am particularly pleased to note the Bank's continued focus on improving governance, and strengthening risk controls, culminating in the achievement of an Unqualified Audit Opinion for the year under review – an important milestone in restoring institutional stability and credibility. While the financial statements met the reporting requirements, the audit highlighted areas requiring urgent attention, including timely submission of the AFS, accurate financial reporting, procurement compliance, IT control weaknesses, and the deterioration of the loan book.

On behalf of the shareholder, I wish to acknowledge and commend the Board of Directors, Executives and all employees of the Bank for their dedication and professionalism. The progress achieved in stabilising the Land Bank is encouraging, and I trust that the Board will build on this momentum to steer the Bank towards further success.

I look forward to further achievements as Land Bank expands its reach and deepen its developmental impact in support of a thriving, inclusive agricultural economy. The state remains committed to support the Bank in the successful execution of its turnaround strategy.

**Mr Enoch Godongwana**  
*Minister of Finance*





“Our performance reflects renewed focus on supporting the Agricultural Sector through solutions that are financially sustainable, transformative and responsive to the needs of our clients.”

## FOREWORD BY THE ACCOUNTING AUTHORITY

The 2025 financial year marked a period of meaningful progress for the Land and Agricultural Development Bank of South Africa (Land Bank). It was defined by the culmination of several stabilisation measures undertaken in recent years to strengthen the Bank’s capacity to deliver on its mandate. Our performance reflects renewed focus on supporting the Agricultural Sector through solutions that are financially sustainable, transformative and responsive to the needs of our clients.

### Operating Environment

South Africa’s Agricultural sector navigated a year of mixed fortunes marked by moderate economic growth, persistent structural constraints, infrastructure limitations, rising costs and the ongoing effects of climate change, in this context, Land Bank continues to play an important role in strengthening the sector by providing financial solutions that promote resilience and inclusion, with a particular focus on underserved and priority segments.

### Progress Against Strategic Priorities

In alignment with the Shareholder’s mandate, the Board’s strategic priorities for the period focused on:

- *Strengthening organisational capacity* – Implementation of the revised operating model and restructured organisation enhanced efficiency, accountability, and decision-making.
- *Implementation of the Liability Solution* – The successful conclusion of the Liability Solution marked the end of the Bank’s default status, restoring stability and enabling the gradual scaling of developmental lending.
- *Addressing the high cost structure* – Operational cost containment measures and organisational restructuring yielded efficiencies, with further work planned to embed a leaner, more agile operating environment.
- *Diversifying revenue streams* – Work has commenced to explore fee-based services alongside lending, with targeted business cases under development.
- *Fostering partnerships* – Collaboration with DFIs and the Department of Agriculture has deepened, enabling blended finance and technical support initiatives.
- *Strengthening sector relationships* – Active engagement with sector stakeholders has enhanced alignment in



advancing land reform, agricultural development, and inclusive growth.

### Tactical Actions and Delivery

The Board's tactical priorities were advanced through:

- Re-aligning the LS5 implementation plan, including contingency scenarios and associated action plans.
- Monthly organisation-wide performance monitoring, fostering a performance-driven culture.
- Finalising the CRM system, with phased rollout to improve client experience and execution speed.
- Designing tailored incentive programmes and engaging labour experts to address poor performance where required.
- Reviewing organisational structure effectiveness, particularly at Head Office, to ensure strategic alignment.
- Initiating plans to modernise the core banking IT system, recognising this as a key enabler for efficiency, client responsiveness, and growth.

### Funding Requirements

A critical prerequisite for business growth is the Bank's ability to raise additional funding while continuing to meet its obligations under the Liability Solution, which remains in place until March 2028. While a request for capital support from the Shareholder to grow its development and transformation portfolio remains under consideration, a targeted funding strategy and implementation plan will be rolled out in the coming financial years to ensure the timely refinancing of the restructured debt and secure resources for sustainable growth.

### Lending Activities

With the conclusion of the Liability Solution and the strengthening of internal controls, the Bank is better positioned to expand its lending activities, which resumed toward the end of FY2023. While volumes remain modest, the Bank has made progress in increasing its financial support to the agricultural sector. Notably, Blended Finance disbursements grew from R355 million in FY2024 to R585.5 million in FY2025. This momentum has enabled the Bank to provide targeted financial interventions for Black-owned and emerging agribusinesses, reinforcing our commitment to agricultural transformation and inclusive growth. Initiatives such as the Agro-energy Fund continue to address sector-specific challenges, such as energy security for farming operations.

However, the total loan book declined from R17.5 billion in FY2024 to R15.4 billion in FY2025, reflecting the challenging operating environment. Addressing these constraints remains a priority to restore growth.

### Quality of the Loan Book

The Board remains focused on reducing the persistently high levels of non-performing loans, which continue to pose a challenge to the Bank's sustainability. In response,

intensive remediation efforts are underway to reduce the size of this portfolio, prevent further client deterioration, and grow the quality segment of the loan book by acquiring new, creditworthy clients and deepening relationships with existing performing clients and safeguard financial sustainability.

### Governance and Institutional Strengthening

Robust governance, risk management and internal control frameworks have been reinforced to rebuild stakeholder trust and ensure compliance.

The approval of the FY2025 - FY2029 Corporate Plan establishes a clear medium-term strategic direction, anchored on three pillars: financial sustainability, development impact, and institutional strengthening. The corporate plan prioritises inclusive growth, gender and youth empowerment, and climate resilience, while ensuring the Bank continues to deliver on its public mandate.

### Advancing Sustainable Finance

The Bank's strategy is aligned with the United Nations Sustainable Development Goals (SDGs) and the National Development Plan (NDP), and continues to integrate Environmental, Social, and Governance (ESG) principles into its operations. As a signatory to the UNEP Finance Initiative's Principles for Responsible Banking, Land Bank is strengthening its alignment with international standards for sustainable and ethical finance.

### Acknowledgments

On behalf of the Board, I extend deep appreciation to our Shareholder, the Minister of Finance, and the National Treasury for their ongoing leadership and support. We are equally grateful to our strategic partners, including the Department of Agriculture, and the Department of Land Reform and Rural Development, for their collaboration in advancing our developmental objectives.

I also wish to recognise our Board members for their steadfast guidance and oversight in steering the Bank toward renewal and to the Executive Committee and all the Bank's employees, I extend heartfelt thanks for their resilience, professionalism, and commitment during this period of transition.

Looking ahead, the Bank remains committed to increasing its developmental impact responsibly and sustainably, underpinned by strong governance, clear strategic direction, and an unwavering focus on building a sustainable and inclusive agricultural sector.

**Themba Rikhotso**  
Accounting Authority

# LETTER FROM THE CEO

The 2025 financial year represented a pivotal juncture for the Land and Agricultural Development Bank of South Africa (Land Bank). Having laid a solid foundation for financial recovery and institutional stabilisation, our focus has now shifted toward rebuilding, repositioning, and delivering on our dual mandate of financial sustainability and developmental impact.

This year marked a turning point in the Bank's journey, as we moved from stabilisation to strategic consolidation – with the ultimate goal of building a more resilient, inclusive, and developmentally impactful agricultural development finance institution.

## Restoring Stability: The Liability Solution

One of the most significant milestones in the year under review was the successful implementation of the Liability Solution, concluded with the Bank's lenders and implemented on 16 September 2024. This achievement effectively cured the Bank's default status, enabling us to stabilise operations and restore a measure of financial credibility. Our focus has now shifted to strict adherence to the Liability Solution covenants, while laying the groundwork for eventual re-entry into the debt capital markets.

## Funding and Capital Structure

The Bank remains deeply concerned about the need to secure appropriate funding as a fundamental requirement for long-term sustainability. In July 2024, a submission requesting recapitalisation was made through the MTEF budget application process, and various other positive discussions have been held with National Treasury on the need for continued support to the bank. Strengthening the Bank's funding and capital structure – with the support of National Treasury – remains a key priority. Securing sustainable funding is essential to growing the loan book, increasing revenue, and expanding the Bank's developmental impact.

## Building a Capable Organisation

The Bank continues to strengthen its strategy execution capabilities following the implementation of the revised operating model and organisational structure. Internal placements progressed well, with 97.81% of active

permanent employees successfully appointed to new or revised roles by year-end. Recruitment for the remaining roles is ongoing through internal and external processes. The year-end vacancy rate of 3.39%, against those roles which were targeted to be filled in the year under review, demonstrates significant progress toward fully capacitating the organisation to deliver on its mandate.

## Strengthened Operating Performance

Our operational performance continued to improve. The Bank achieved 83% of the Key Performance Indicator (KPI) targets on the Corporate Scorecard, a marked improvement from 61% in FY2024, reflecting enhanced execution and accountability across the organisation.

## Expanding Developmental Finance

Through the Blended Finance Scheme, the Bank made significant progress in expanding access to affordable financing:

Total disbursements increased by 63% to R1.18 billion (comprising R585.5 million in loans and R594.2 million in grants) compared to R720 million in FY2024.

We supported 62 clients from previously disadvantaged groups (black, female, and youth), exceeding our target of 50.

Pre and post finance support was provided to 65% of approved clients, surpassing the 40% target.

While these results reflect meaningful progress, we did not meet our Blended Finance loan disbursement target (R700 million in loans), nor our Commercial Portfolio (R430 million in loans) and Agro-Energy (R355 million in loans) disbursement targets. Addressing these gaps remains a key priority for FY2026.

## Building Strategic Partnerships

The establishment of our Strategic Partnerships and Ecosystem Coordination unit has enabled the Bank to initiate partnerships that enhance pre- and post-finance support, reduce credit risk for new entrants and emerging farmers, and strengthen market access. We have begun converting opportunities from our partnership pipeline, particularly with corporates procuring from our supported clients – a model we intend to scale in the coming year.

## Diversifying Revenue Streams

Progress in establishing new revenue streams was slower than planned, primarily due to delays in capacitating the specialist team responsible for driving this initiative.

“One of the most significant milestones in the year under review was the successful implementation of the Liability Solution, concluded with the Bank’s lenders and implemented on 16 September 2024.”

However, positive traction is expected in FY2026, with a targeted focus on exploring agricultural trade opportunities across the value chain, including inputs, primary production, and agro-processing.

### Enhancing Client Value

While we did not introduce new products during the reporting period, we made considerable progress in enhancing our client value proposition by:

- Strengthening client-facing services
- Simplifying product offerings
- Embarking on digitisation and process re-engineering to improve turnaround times
- Embedding pre- and post-finance support, particularly for new entrants and emerging farmers
- Addressing Non-Performing Loans (NPLs)

The high level of non-performing loans (NPLs) remains a priority concern. Encouragingly, the Rand value of NPLs decreased by R845 million, from R9.3 billion to R8.4 billion. However, the NPL ratio deteriorated due to a reduction in the gross loan book of R2.1 billion.

Our NPL strategy, adopted in FY2023 and enhanced in FY2025, has delivered sustained improvements, reducing the NPL book from R12.4 billion in March 2022 to R8.4 billion in March 2025. These efforts will continue with a dual focus: remediating distressed clients and growing the performing book through the acquisition of new, high-quality clients.

### Financial Performance

The Bank reported group profit of R469 million for FY2025, an increase of R407.7 million compared to FY2024’s group profit of R61.3 million. This performance was driven mainly by interest earned on escrow funds and a dividend from our insurance subsidiary.

Net interest income more than doubled, from R714.1 million in FY2024 to R1.8 billion in FY2025.

Operating expenditure increased by 30.3%, but remained below budget, reflecting disciplined cost management in a constrained environment.

### Rebuilding Reputation

Reputation rebuilding has remained a key priority following the adverse impacts of the default. Our Reputation Management Action Plan, which has been deliberately focused on building increased stakeholder confidence, particularly among the Shareholder, lenders, clients, and sector partners, and which is reviewed quarterly, has yielded positive outcomes. The Bank’s Net Reputation Score averaged 14%, exceeding the target of 7%.

### Looking Ahead

FY2025 marked the conclusion of the Stabilisation phase of our three-phase strategy roadmap. In FY2026, we will enter the Consolidation phase, focused on strengthening our capabilities, deepening development impact, and positioning the Bank for responsible growth. Central to this will be restoring access to the debt capital markets, which remains a critical enabler for the growth of our loan book and long-term sustainability.

I extend my gratitude to the outgoing Board for their guidance and oversight, to our Shareholder for their unwavering support, to our clients and partners for their collaboration, and most importantly, to our employees for their resilience, professionalism, and dedication during this period under review.

While challenges remain, I am confident that the Bank is now on a more sustainable and credible path – one that honours our public mandate and builds a thriving, inclusive, and resilient agricultural economy.

**Themba Rikhotso**  
CEO

## PREPARING THE ANNUAL REPORT

This Integrated Annual Report outlines how Land Bank's strategy, operations, and resource application work together to deliver long-term value. It reflects the Bank's financial performance, operational context, and sustainability practices while addressing matters material to our stakeholders. The report aligns with the principles of the King IV Code™, the Integrated Reporting (IR) Framework, and the Global Reporting Initiative (GRI) standards.

The Accounting Authority, with support from the Audit and Finance Committee, assumes ultimate responsibility for the integrity of this report. Combined assurance processes, including internal audit and management oversight, to safeguard the accuracy and reliability of both quantitative and qualitative disclosures.

### Basis of Preparation

This report is founded on integrated thinking and highlights issues that significantly impact the Bank's ability to create and maintain value. The content is sourced from internal submissions, including quarterly reports to the National Treasury, and covers strategic performance, operational risks, mitigation strategies, stakeholder engagement, and emerging opportunities. Inputs from Executive Management are evaluated by governance committees prior to final Board approval.

The aim is to provide a balanced, transparent, and accountable overview of the Bank's performance and outlook.

### Determining Materiality

Material matters are identified through frameworks approved by the Board, including the Delegation of Powers (DoP), the Materiality Framework, and the Risk Appetite Framework. In line with Section 54(2) of the Public Finance Management Act (PFMA) and Treasury Regulation 28.3, materiality is assessed based on the strategic relevance of the event, its potential impact, magnitude, and overall implications for the Bank and its stakeholders.

### Assurance

The FY2025 Integrated Annual Report is prepared in accordance with relevant legislation, governance codes, and ethical principles. The Board affirms that the content has undergone rigorous internal and external assurance processes. The Annual Financial Statements have been independently audited by the Auditor-General of South Africa (AGSA).





External Reporting Suite	Applicable Legislation / Regulation/ Framework/ Standard	Assurance Applied to Validate the Integrity of Reporting	Outcome
2025 Integrated Annual Report	International Integrated Reporting Council's Integrated Reporting Framework	Land Bank Board Land Bank Insurance Board	Directors' Approval
	The Johannesburg Stock Exchange (JSE) Debt Listing Requirements	Audit and Finance Committee Risk and Governance Committee	
		Executive Committee	
		Combined Assurance: application of Land Bank's three lines of defence, including risk-based internal audit	
Annual Financial Statements for the year ended 31 March 2025	PFMA 1999	Auditor-General	Director's Approval
	Companies Regulations 2011	Land Bank Board	
	International Financial Reporting Standards (IFRS)	Audit and Finance Committee	
		Executive Committee	
		Combined Assurance: application of Land Bank's three lines of defence, including risk-based internal audit	
2025 King IV Disclosures	Land and Agricultural Development Bank Act, 2002	Land Bank Board	Director's Approval
	Public Finance Management Act, 1999	Audit and Finance Committee Risk and Governance Committee Executive Committee	
	Insurance Act, 2017		
	Prudential Standards of the Prudential Authority: Governance and Operational Standards		
	King IV Report™ on Corporate Governance for South Africa 2016 (King IV)		
	JSE Debt Listing Requirements		

### Statement of Responsibility

The Accounting Authority confirms that this report addresses all material matters and reflects the Bank's integrated performance, strategic direction, and objectives for long-term value creation. It has been prepared in accordance with applicable governance and reporting frameworks.

### Accounting Authority Approval

This report was approved by the Land Bank Accounting Authority on 31 August 2025, following a comprehensive review process.

The Executive Committee recommended that the Accounting Authority approve the full report. The Accounting Authority assessed the completeness, relevance, and reliability of the information presented, confirming that all material matters have been appropriately addressed and that the disclosures are consistent with the audited Annual Financial Statements for the year ended 31 March 2025.

The Accounting Authority is confident that this report accurately represents the Bank's performance, risks, opportunities, and long-term value creation model.



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## 2. ABOUT US

### 2.1 Our Mandate

#### The Bank's Purpose

Guided by the Land and Agricultural Development Bank Act, No. 15 of 2002, Land Bank serves as a responsible Development Finance Institution (DFI) providing suitable financial services to:

- Increase agricultural land ownership among previously disadvantaged individuals, thereby transforming the agricultural sector;
- Encourage a more inclusive agricultural sector by promoting the participation of historically disadvantaged persons;
- Advocate for sustainable agrarian reform;
- Support the sustainable development of land and other agricultural resources; and
- Promote a competitive and profitable agricultural sector.

#### The Bank's Mandate

As a specialist agricultural DFI, Land Bank leverages financial services and products to address a critical market failure in the economy, enabling the development and transformation of the agricultural sector. To this end, the Bank aims to provide:

- Affordable finance;
- Products that bridge the equity contribution and collateral gaps of clients;
- Facilitation of access to productive agricultural land and high socio-economic impact commodities, contributing meaningfully to inclusive growth; and
- Support programmes both pre- and post-financing to minimise the risk of entrepreneurial failure among new market entrants.

The Bank's mandate is ultimately directed toward achieving the following outcomes:

- Inclusion of historically disadvantaged individuals;
- Increased contribution to Gross Domestic Product (GDP);
- Job creation and a more economically active population;
- Enhanced national food security; and
- Strengthened environmental stewardship.

In striving to fulfil this mandate, Land Bank continues to pursue financial sustainability by expanding its development loan book, making it the dominant portfolio within the overall loan book.

#### Vision

To be a world-class agricultural development bank that stimulates development, growth and transformation; one that drives solid performance and spurs innovation.

#### Mission

To collaborate with all stakeholders to build an adaptive, transformed, sustainable and competitive agricultural sector that drives environmental, social, and economic development and contributes to food security.

#### Values

- **Contribute Meaningfully** – We continuously seek to add value in all our engagements.
- **Empower** – We empower one another and ourselves in how we work and lead.
- **Build Organisational Synergy** – We strive to create unity and alignment through integration and collaboration.
- **Be Accountable** – We honour our commitments and follow through on our promises.
- **Be Proactive** – We take initiative and seek every opportunity to improve performance and unlock new possibilities.

### 2.2 Organisational Overview

Land Bank is a specialist development finance institution (DFI) that was established in 1912 to promote inclusive agricultural and rural development in South Africa. It is wholly owned by the South African Government and operates under the Land and Agricultural Development Bank Act, No. 15 of 2002. The Bank is also subject to the Public Finance Management Act, No. 1 of 1999 (PFMA), and is overseen by the National Treasury as its Executive Authority.

As a non-deposit-taking institution, Land Bank offers tailored financial solutions that facilitate land reform, sector transformation, and sustainable economic growth. The Bank plays a strategic role in enabling access to finance for both commercial and developing farmers, particularly those who have historically been disadvantaged.

The Bank's financial services are complemented by its two insurance subsidiaries – Land Bank Insurance Company (LBIC) and Land Bank Life Insurance Company (LBLIC) – both of which are State-Owned Companies (SOCs). These subsidiaries offer risk management and insurance products specifically designed for the agricultural sector, thereby supporting the Bank's broader development objectives.

Land Bank's operations encompass the primary agriculture and agribusiness sectors, guided by the principles of financial sustainability, developmental impact, and good governance.

**Figure 1: Land Bank Organisational Overview**



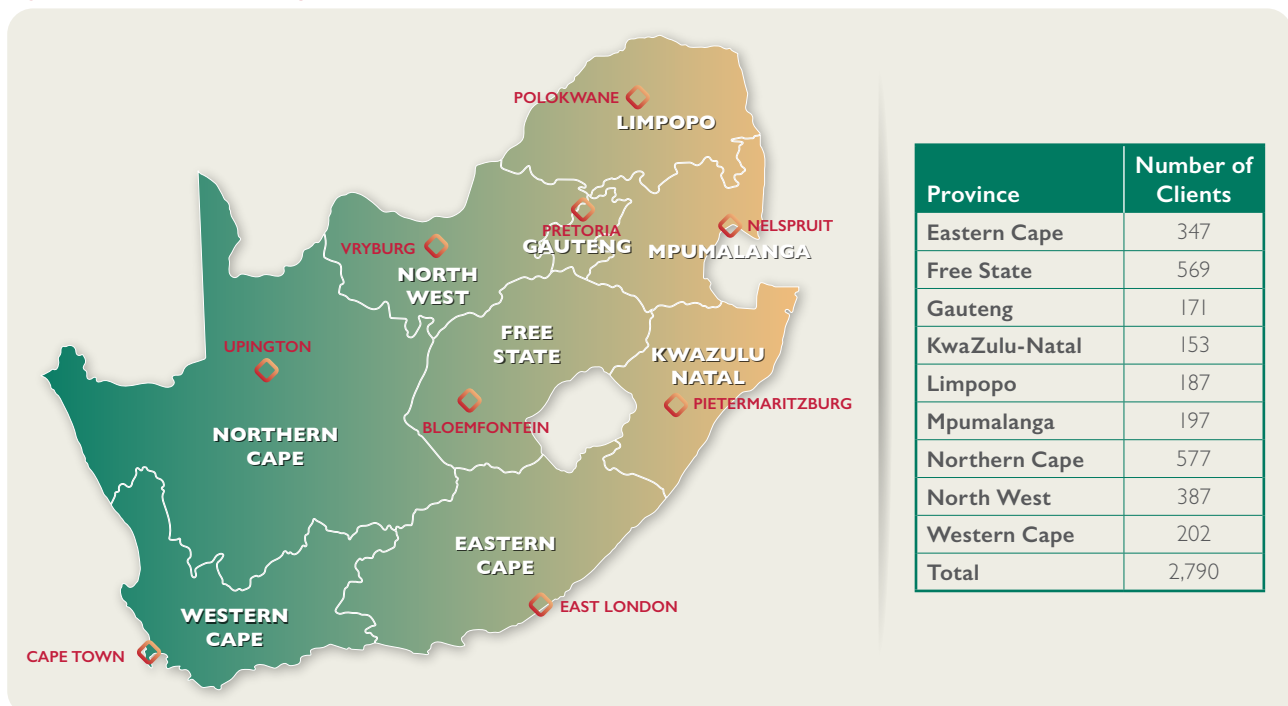
### 2.3 Land Bank's Footprint

Land Bank operates from a Head Office in Centurion, Gauteng. While its operational model is centralised, the Bank delivers services across all nine provinces through a network of provincial offices, delivery partners and stakeholders.

This national footprint enables the Bank to provide agricultural financing solutions across South Africa, ensuring access to both well-established and underserved regions. The Bank continues to deepen its presence to support inclusive growth, transformation and resilience in the agricultural sector.

As of 31 March 2025, Land Bank had a total of 2,790 active clients, distributed across provinces as follows:

**Figure 2: Land Bank's Footprint**



## 2.4 Land Bank – Board of Directors

As of 31 March 2025, the Land Bank Board of Directors (the Board) comprised nine members with extensive experience in finance, agriculture, development, economics, law, and governance. The Board is appointed by the Minister of Finance and plays a vital role in providing strategic direction, oversight, and governance in line with the Bank's mandate and transformation objectives.

The Board is supported by various committees, each contributing specialised insight and ensuring effective execution of the Bank's fiduciary responsibilities.

### Board Members and Profiles



**MS RETHABILE NKOSI**  
Chairperson of the Board

**Committee Memberships: Chair of the Nominations Committee; Member of the Human Resources and Remuneration Committee; Member of the Joint Land Bank, Land Bank Insurance and Land Bank Life Insurance Social and Ethics Committee**

Ms Nkosi is a seasoned director, agricultural economist, and business leader with over 15 years of experience in agricultural finance and business strategy. In addition to chairing the Land Bank Board, she serves as a trustee of the National Empowerment Fund and chairs its Board Investment Committee. She also chairs the Coca-Cola Mintirho Foundation and serves on various boards across the food and agriculture sector. Her prior executive roles include positions at AFGRI Group Holdings, the Public Investment Corporation, AgriSA, and the Office of the Auditor-General of South Africa. Recognised as one of the Mail & Guardian's Women of Power in 2023, she holds an MBA and Postgraduate Diploma from GIBS and a BSc in Agricultural Economics from the University of Pretoria.



**MS DINEO MAITHUFI**  
Board Member

**Committee Memberships: Chair of the Credit and Investment Committee; Member of the Risk and Governance Committee**

Ms Maithufi is a Chartered Accountant and credit risk management specialist with over 19 years of experience in the financial services sector. She is currently the Chief Executive of TRG-Mbuso Asset Management. She has previously served on several boards, including as Chair of the Audit and Risk Committee, and held senior roles at Absa Group and KPMG South Africa. She holds a BCom and BCom Honours degrees in Accounting.



**MS THULISILE NJAPA MASHANDA**  
Board Member

**Committee Memberships: Member of the Risk and Governance Committee; Member of the Audit and Finance Committee; and Member of IT SteerCo**

Ms Mashanda is a Chartered Accountant (SA) and Registered Auditor with over 30 years of experience in auditing, taxation, forensic accounting, and financial management. She has served on boards since 2001 and held leadership roles in entities including MTN Nigeria and Coopers & Lybrand. She holds a BA Honours in Accounting from the University of West London and has completed board training through Harvard and the IoDSA.



**PROF JOHANN FREDERICK  
KIRSTEN**  
Deputy Chairperson of the Board

**Committee Memberships: Member of the Credit and Investment Committee; Member of the Joint Land Bank and LBI Social and Ethics Committee; and Member of the Nominations Committee**

Prof Kirsten is Director of the Bureau of Economic Research at Stellenbosch University and a leading academic in agricultural economics. He has published over 130 peer-reviewed articles and supervised more than 100 postgraduate students. He previously headed the Department of Agricultural Economics at the University of Pretoria. He holds a BSc Honours in Agricultural Economics from Stellenbosch University and a Master's and PhD from the University of Pretoria.



**DR MONDE TOM**  
Board Member

**Committee Memberships: Chair of the Human Resources and Remuneration Committee; Member of the Nominations Committee**

Dr Tom is a highly experienced public sector leader with a career spanning treasury management, economic development and organisational turnaround. He previously served as Superintendent-General of the Eastern Cape Provincial Treasury, acting Director-General of the Economic Development Department, and turnaround specialist at the DBSA. He holds a PhD in Technology and Innovation Management (Da Vinci Institute), MSc in Financial Economics (SOAS, University of London), and several other qualifications. He is the founder of Triple Helix Technology and has served on multiple boards, including Land Bank, the NEF, and the University of Johannesburg (UJ).



**MS NONTUTHUZELO MBIKO  
(MOTSHEGOA)**  
Board Member

**Committee Memberships: Chair of the Joint Land Bank and LBI Social and Ethics Committee**

Ms Mbiko is a beef “agri-preneur” and gender advocate in agribusiness. She was the first EU Smart Agri Hub Gender Ambassador and won the 2022 Women of Stature in Agriculture Award. Her innovations in offal supply chains have benefited women vendors in Gauteng and Limpopo. She serves on numerous industry and advisory bodies, contributing to national policy processes, including the AAMP, AfCFTA, and Presidential Land Reform panel.



**MS EGASHNEE PILLAY**  
Board Member; Chair of the  
LBIC Board

**Committee Memberships: Chair of the Audit and Finance Committee; Member of the Nominations Committee, Member of the Joint Land Bank and LBI Social and Ethics Committee and LBI Board Chair**

Ms Pillay is a Chartered Accountant with deep expertise in public sector audits, assurance, risk management, and governance. She serves on several boards and audit committees. She holds a BCom (Hons) in Accounting and has completed a business risk management programme at UCT.



**ADV. DIMITRI WILHELM VAN DER  
WESTHUIZEN**  
Board Member

**Committee Memberships: Chair of the Risk and Governance Committee; Member of the Human Resources and Remuneration Committee**

Advocate van der Westhuizen is a legal and business strategy expert. He leads a consulting firm focused on business development, BEE structuring, labour relations, and skills development. He has led restructuring initiatives in the banking sector and holds an LLB from the University of KwaZulu-Natal (PMB).



**MS KETHA-OKUHLE RANTAO**  
Board Member

### **Committee Memberships: Member of the Audit and Finance Committee and Member of the Credit and Investment Committee**

Ms Rantao is a Chartered Accountant with over 17 years of experience in project finance, infrastructure development, and investment banking across sub-Saharan Africa. She is the founder of Reagalnfra Holdings and holds a Master of Philosophy in International Business, as well as a Certificate in Business in Society from Harvard Business School Online.

## **2.5 Land Bank Insurance – Board of Directors**

As of 31 March 2025, the Land Bank Insurance (LBI) Board comprised seven Non-Executive Directors and one Executive Director. Four directors – Ms Melanie Bosman, Mr Sakhile Masuku, Mr Sukdev and Ms Deshni Subbiah – had their terms renewed during the financial year, with Ms Bosman's renewal effective from 1 April 2023, and those of Mr Masuku and Ms Subbiah from 1 April 2024. Two Board vacancy remained as at 31 March 2025, which is expected to be filled in the 2026 financial year.

The Board continues to showcase a strong blend of expertise across legal, actuarial, financial, agricultural economics, and governance sectors, ensuring exceptional oversight of Land Bank Insurance and its subsidiaries.

### **Board Members and Profiles**



**MS EGASHNEE PILLAY**  
Chairperson of the Board

### **Committee Memberships: Chair of the Nominations Committee; Member of the Joint Land Bank and LBI Social and Ethics Committee**

Ms Pillay is a Chartered Accountant with a BCom in Accounting and a BCom (Hons) in Accounting. She has extensive experience in auditing, financial governance, and public sector assurance. She also serves on the Land Bank Board, where she chairs the Audit and Finance Committee and contributes to governance across both entities.



**MR SAKHILE MASUKU**  
Board Member

**Committee Memberships: Member of the Audit and Risk Committee; Member of the Investment and Actuarial Committee; Member of the Nominations Committee, Chair Joint Land Bank and LBI IT Steering Committee**

Mr Masuku is a Chartered Accountant with a BCom in Accounting and a BCom (Hons) in Accounting Science. Mr Masuku's extensive exposure to the financial services sector as well as his experience as an audit committee member across his career is of significant value to LBIC.



**MR KRISHEN SUKDEV**  
Board Member

**Committee Memberships: Chair of the Investment and Actuarial Committee; Member of the Audit and Risk Committee**

Mr Sukdev is a qualified actuary with an MBA and a BA in Business Science. He has held leadership roles in actuarial services and financial management, providing strategic insight into insurance and investment matters.



**MS MELANIE BOSMAN**  
Board Member

**Committee Memberships: Chair of the Audit and Risk Committee; Member of the Investment and Actuarial Committee; Member of the Human Resources and Remuneration Committee**

Ms Bosman is a Chartered Accountant (SA) with a BCom in Accounting and a BCom (Hons) in Accounting. She has extensive experience in financial management and internal controls across both public and private sectors.



**MS DESHNI SUBBIAH**  
Board Member

**Committee Memberships: Chair of the Investment and Actuarial Committee (effective 1 April 2025); Member of the Audit and Risk Committee; Member of the Human Resources and Remuneration Committee**

Ms Subbiah is a qualified actuary with a BSc in Actuarial Science, an MBA, and a Postgraduate Diploma in Business Administration and General Management. She brings deep insight into risk modelling and governance within the insurance and financial sectors.



**PROF JOHANN FREDERICK  
KIRSTEN**  
Board Member

**Committee Memberships: Member of the Investment and Actuarial Committee**

Prof Kirsten is a Professor of Agricultural Economics and the Director of the Bureau of Economic Research at Stellenbosch University. He contributes academic and strategic insights into agricultural finance and development policy.



**ADV. DIMITRI WILHELM VAN DER  
WESTHUIZEN**  
Board Member

**Committee Memberships: Chair of the Human Resources and Remuneration Committee; Member of the Nominations Committee**

Advocate van der Westhuizen holds an LLB and is an advocate of the High Court of South Africa. He brings extensive expertise in labour law, business strategy, and corporate governance.

## 2.6 Executive Committee

As of 31 March 2025, the Land Bank Executive Committee (EXCO) consisted of senior executives overseeing the implementation of the Bank's strategic objectives, operational functions and internal governance frameworks. Members were drawn from diverse professional backgrounds, with qualifications and experience aligned to the Bank's focus areas in finance, risk, agriculture, people and culture, strategy, legal services, and banking.

### Executive Committee Members and Profiles



**MR THEMBA RIKHOTSO**  
Chief Executive Officer

Mr Rikhotso holds a Master of Business Leadership with a focus on Strategy and Leadership, as well as a Bachelor of Commerce in Accounting and Information Systems. He has completed both the Executive and International Executive Development Programmes. As CEO, he leads the Bank's strategic direction, institutional performance and stakeholder engagement.



**MS KHENSANI MUKHARI**  
Chief Financial Officer

Ms Mukhari is a Chartered Accountant (SA) and holds a Master of Business Leadership. She is responsible for financial strategy, treasury management, budgeting and audit coordination across the Bank.



**ADV. BERNICE RASEROKA**  
Company Secretary

Advocate Raseroka holds an LLB and B Juris, along with postgraduate certificates in Compliance, Board Governance, and Money Laundering Control. She provides governance advisory services to the Board and ensures compliance with regulatory frameworks.



**MR SYDNEY SOUNDY**  
Chief Strategy Officer

Mr Soundy holds a Master of Business Administration, a Bachelor of Administration with Honours in Industrial Psychology, a Graduate Diploma in Marketing Management, and a qualification in the Global Executive Development Programme. He leads the strategic planning and communications functions of the Bank.



**MS ELIZABETH DLAMINI**  
Chief People and Culture Officer

Ms Dlamini retired in December 2024 and was appointed on a post-retirement fixed-term contract from 1 January to 31 March 2025. She holds a Bachelor of Arts in Social Science and a Master's Diploma in Human Resources Management, as well as various qualifications in business and leadership development. She led the Bank's human capital function, focusing on performance, development, and transformation.



**MR FARIDE STIGLINGH**

Executive Manager: Collections,  
Workout and Restructuring and Acting  
Chief Technology & Operations Officer  
(from December 2024)

Mr Stiglingh has completed a suite of management development programmes, including Executive, Senior Management and Corporate Governance. He is responsible for the recovery and restructuring of distressed loan accounts and mitigating credit-related risk.



**MR SAKHUMZI MAY**

Chief Agriculture Economist

Mr May holds a Master of Philosophy in Development Finance, a BSc Honours in Agricultural Economics and a BSc in Agricultural Economics. He provides technical and economic analysis in support of the Bank's agricultural finance mandate.



**MR SAKHUMZI DIZA**

Chief Risk Officer

Mr Diza holds a BSc, BSc Honours and MSc in Agricultural Economics. He oversees enterprise-wide risk management, ensuring that the Bank's risk exposure is managed within approved appetite levels.



**MR INNOCIOUS JABU MPHAMBO**  
Chief Banking Officer (Appointed 1  
November 2024)

Mr Mphambo is a Chartered Accountant (CA(SA)) and holds an MBA, a Bachelor of Business Science (Honours), and a Postgraduate Diploma in Accounting. He leads the Bank's banking operations, client relationships and product development.



**MR YAASIR HAFJEJEE**  
Chief Audit Executive

Mr Haffejee is qualified as a Certified Internal Auditor, Certified Fraud Examiner, and Certified Risk Management Assurance. He also holds a Bachelor of Commerce (BCom) with Honours in Accounting and a Master of Commerce (MCom) in Taxation. He leads the Internal Audit Division.

## 2.7 Organisational Structure

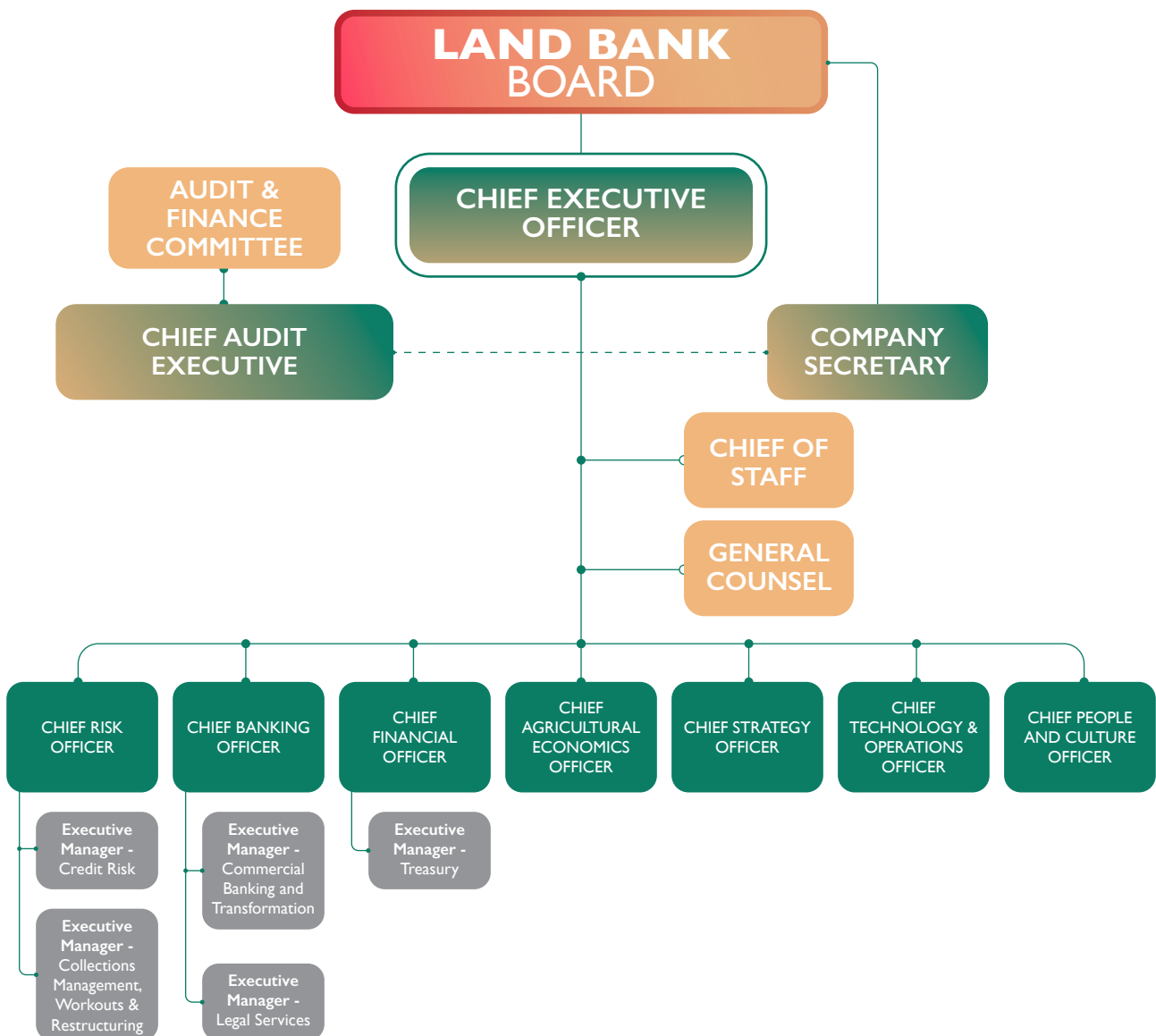
### Organisational Structure – From 01 April 2024

In FY2024, Land Bank advanced its transition to a new organisational structure aimed at enhancing efficiency, effectiveness and alignment with its Turnaround Strategy. The Bank’s revised Operating Model and Macro Structure were approved by the Board, and the Chief Executive Officer was authorised to finalise the related micro-structures and oversee their phased implementation.

The next phase of the Turnaround Strategy will prioritise the People and Culture components of the model, including performance management, succession planning, talent management, and refining the employee value proposition. These elements commenced during FY2025.

The diagram below illustrates the Bank’s new organisational structure, effective from 1 April 2024.

**Figure 3: New Organisational Structure from 1 April 2024**



## 2.8 Value Creation Model

Land Bank's value creation model reflects how the institution delivers on its dual mandate of advancing agricultural and rural development while maintaining financial sustainability. The model illustrates the interconnected steps through which the Bank creates value for its stakeholders by providing targeted financial services, driving developmental impact, and contributing to long-term systemic transformation in the agricultural sector.

The diagram below presents the Bank's value creation approach in seven interlinked steps, encompassing financing, access, risk, partnerships, and innovation:

**Figure 4: Value Creation Model**



**01** The Bank provides specialised financial products and services tailored to the agricultural sector. By offering loans, credit facilities, and other financial instruments, the Bank enables farmers, agri-businesses, and rural communities to access the capital needed for agricultural production, expansion, and modernisation.



**02** Land Bank plays a crucial role in improving access to finance for the agricultural sector; particularly for smallholder farmers and previously disadvantaged individuals. By offering inclusive financial solutions, the Bank supports the growth and transformation of the agricultural industry, helping to address historical disparities and promote economic empowerment.



**03** The Bank's value creation model goes beyond financial services. It actively contributes to the socio-economic development of rural areas and the agricultural sector. Land Bank aims to foster sustainable agriculture, rural livelihoods, job creation, poverty reduction, and food security through its financing initiatives and associated programmes.



**04** Land Bank manages and mitigates the inherent risks associated with agricultural finance. By leveraging its expertise in the sector, the Bank assesses the viability, and risk profiles of agricultural projects and accordingly structures financing solutions. Through risk sharing mechanisms, insurance products, and technical assistance, the Bank aims to minimise the risks for borrowers and lenders alike.



**05** Land Bank recognises the importance of collaboration with various stakeholders to maximise its impact. It forms partnerships with government agencies, agricultural associations, DFIs, private investors, and other key players in the agricultural value chain. These collaborations enable the Bank to leverage resources, share knowledge, and develop innovative solutions that drive sustainable agricultural development.



**06** The Bank places emphasis on long-term sustainability in its value creation model. It seeks to balance its social and developmental objectives with financial viability. By promoting sustainable agricultural practices, environmental stewardship, and climate resilience, the Bank contributes to a more sustainable and inclusive agricultural sector.



**07** The Bank embraces innovation and technology to enhance its value creation. It leverages digital solutions, data analytics, and automation to streamline its operations, improve efficiency, and provide convenient access to financial services for its customers. By staying at the forefront of technological advancements, the Bank aims to remain relevant and responsive to the evolving needs of the agricultural sector.





# OUR PERFORMANCE

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## 3. OUR PERFORMANCE

### 3.1 Summary of Results

In the 2025 financial year, Land Bank recorded a significant improvement in economic performance, achieving a net profit of R486.6 million, up from R72.8 million in the prior year. This performance was primarily driven by interest earned from funds held in escrow and a dividend received from the Bank's insurance subsidiary. Net interest income more than doubled year-on-year, increasing from R704.7 million in FY2024 to R1.8 billion in FY2025.

The gross loan book declined by 12% compared to the previous year, primarily due to customer settlements and the write-off of non-performing loans (NPLs). This contributed positively to the Bank's cash position, enabling further reductions in outstanding debt and non-performing exposures.

Operating expenditure for the Bank increased by 28.4% year-on-year, although it remained below budget, reflecting ongoing efforts to manage costs in a constrained environment. At the same time, the Bank intensified its internal turnaround initiatives, focusing on process efficiencies, loan origination, and risk management.

### HIGHLIGHTS – FY2025

Key performance highlights for the year include:

**Conclusion of the Liability Solution:** The Debt Restructure Agreement, implemented on 16 September 2024, effectively cured the Bank's default status. Focus has since shifted to ensuring full compliance with the covenants and undertakings under the Liability Solution agreed with lenders.

**Development Support Integration:** 65% of approved clients received pre- and post-financial support, significantly exceeding the annual target of 20%. This reflects the success of the provincial teams in embedding developmental support into the loan origination and implementation processes.

**Loan Approvals:** The Bank approved R1.005 billion in loans, exceeding the annual target of R1 billion and more than doubling the R489.4 million approved in FY2024.

**Targeted Financial Support:** Land Bank supported 62 clients from designated groups (Black women, Black youth, and Black persons with disabilities), surpassing the annual target of 50.

**Sustainability and ESG Integration:** The Bank achieved 93% of project milestones under the UNEP-FI Principles for Responsible Banking, outperforming both the 80% target and the 90% stretch goal.

**Reputation Management:** The Net Reputation Score (NRS) reached 14%, exceeding the 7% target. Contributing factors included the announcement of the debt restructuring agreement with lenders, improved stakeholder communication, and thought leadership in media platforms.

**Disaster Relief:** Forbearance measures were extended to clients with R574 million in exposure to disasters, including floods, avian flu, and drought, which exceeded the target of R400 million.

**Process Reengineering:** The Bank completed the reengineering of the Origination, Facility Restructure and Collateral Management processes. The phased rollout, spanning 12 to 24 months, aims to enhance automation, visibility, compliance, and workflow efficiency.

**Culture and Performance Management:** The Performance Management Policy and Culture Change Framework were approved. A Change Management Framework has also been implemented, with "Change Makers" driving cultural alignment across the institution.

**Irregular, Fruitless and Wasteful Expenditure (IFWE):** As of 31 March 2025, the Bank recorded R0 in IFWE — equal to 0% of the year-to-date operating expenses of R819.4 million, well within the 0.1% threshold.

### CHALLENGES – FY2025

The most pressing challenge faced by Land Bank during the reporting period is as follows:

**Loan Disbursements:** Total disbursements across Blended Finance, Agro-Energy, and Non-Blended Finance reached R843 million, falling short of the annual target of R1.485 billion. However, this reflects a year-on-year improvement of 88%, up from R449.06 million in FY2024. Measures to enhance disbursement efficiency are being closely monitored by management. R47.3 million in non-interest income was recorded, underperforming against the R88 million target. The shortfall is attributed to delays in rolling out the Bank's revenue diversification initiatives.

### 3.2 Success Stories

In alignment with its development mandate, Land Bank supports emerging farmers across South Africa with both pre- and post-financing assistance. This integrated approach ensures that agri-entrepreneurs receive the necessary technical, operational, and financial support to build viable and sustainable farming enterprises. Support is delivered through the Bank's internal teams, in partnership with commodity organisations and provincial departments of agriculture.

A selection of the following success stories, amongst others, illustrates the tangible impact of Land Bank's development finance interventions:



#### Mazeli Farming and Projects (Pty) Ltd – Limpopo

Established in 2016 by Masoga Tsakani Zelda, Mazeli Farming is a 100% black woman-owned agricultural business operating on 300 hectares in the Blouberg Local Municipality. Specialising in potatoes, tomatoes, and Peppadew, the farm has grown through technical training, strategic mentorship (including by VKB), and participation in the Potato SA development programme. Land Bank financed mechanisation equipment valued at R1.49 million, facilitating an expansion from 120 hectares to 160 hectares. Produce is supplied to major processors, including Simba (PepsiCo), local markets, and Peppadew International for export.



#### Lamus Holding (Pty) Ltd – North West

With over 12 years of experience, Mr BC Melamu operates a thriving livestock business near Reivilo, focused on stud and commercial cattle. The Bank approved a R7.54 million blended finance transaction for livestock acquisition and the purchase of Portion 2 of the farm Kent 913. Two permanent workers manage the operation and support food security through annual production sales and weaner auctions, conducted in collaboration with Noordkaap Lewende Hawe and André Kock and Son.



#### M&L Raisins – Western Cape

Owned by Marthinus Braaf and his son, M&L Raisins acquired a 109ha table grape farm in the Paarl District with support from Land Bank's Blended Finance Scheme. The South African Table Grape Industry provided mentorship and helped establish 22ha of new varieties. The business employs up to 10 permanent and 120 seasonal workers annually.



### Frans Tshepo Mokoena – Free State

Mr Mokoena began his relationship with Land Bank in 2019 with a R2.5 million production loan. By 2023, he had acquired an 807-hectare farm with assistance from the Blended Finance Scheme, expanding his planting area to 2,838 hectares and his livestock operations. He also acquired harvesting equipment and now holds a R12 million production loan. Mr Mokoena is recognised as one of the Bank's top performers and a leading contributor to community development in Tweespruit.



### Msimelelo Gwazhashe – Eastern Cape

Previously farming on communal land, Mr Gwazhashe transitioned into commercial farming with support from Land Bank. He obtained a mortgage to purchase his own farm, along with funding for 60 beef heifers and production inputs. Having settled his production loan early, he now operates a secured, scalable enterprise that contributes to food security, economic growth, and transformation in the Eastern Cape.

These stories reflect Land Bank's commitment to transforming the agricultural sector by equipping clients with the tools, funding, and ecosystem support needed to thrive in a competitive and evolving environment.

## 3.3 Development Effectiveness

Transformation remains a critical pillar of Land Bank's mandate. In line with this, the Bank is tasked with facilitating meaningful and inclusive participation in the agricultural sector by providing financial support to Historically Disadvantaged Individuals (HDI), including black women, youth and persons with disabilities.

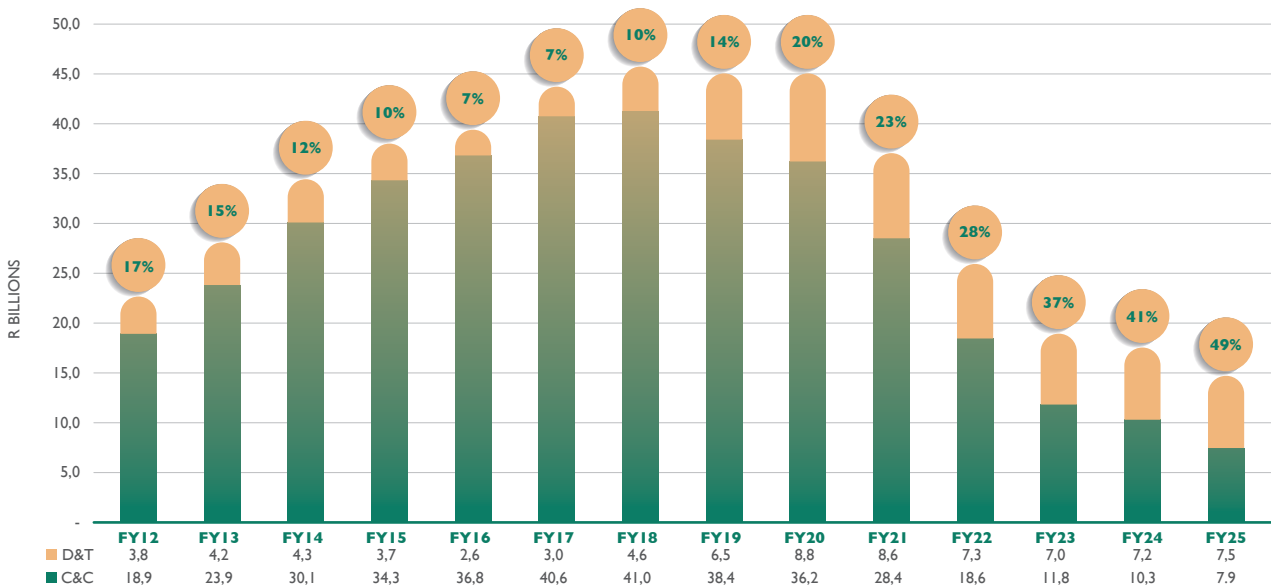
To meet this mandate while continuing to serve established commercial clients, the Bank has structured its Loan Book into two distinct segments:

- Corporate and Commercial (C&C)
- Development and Transformation (D&T)

Over the past decade, the Bank has made considerable progress in expanding the Development and Transformation Loan Book. The proportion of D&T clients within the total loan portfolio has steadily grown, reaching 49% in FY2025, up from a low of 7% in FY2016. This trajectory reflects the Bank's intentional focus on inclusive growth, particularly since the launch of the Blended Finance Scheme (BFS) in October 2022. It is important to note, however, that this percentage growth is largely attributable to the decline in the corporate and commercial portfolio of the loan book. The BFS has enabled clients who might not otherwise qualify for traditional financing to access funding through a combination of loan and grant support, thereby reducing financial risk and improving viability.



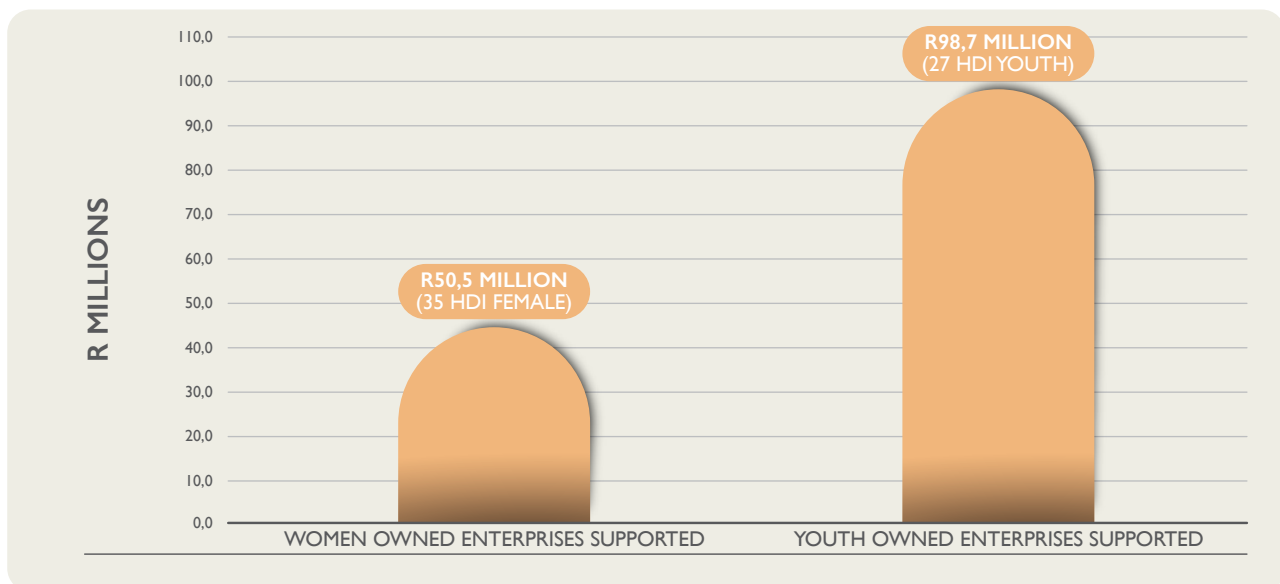
Figure 5: Land Bank Historical Loan Book Composition by Client Segments



### Proportion of Development and Transformation Disbursements amongst HDI Clients

As part of its development effectiveness drive, the Bank prioritised disbursements to HDIs in FY2025, particularly enterprises owned by women and youth. A total of 35 women-owned enterprises received R50.5 million in funding, while 27 youth-owned enterprises received disbursements totalling R98.7 million. These efforts demonstrate Land Bank's role in advancing inclusive economic participation and aligning its activities with national transformation priorities and global sustainability goals.

Figure 6: Disbursements by HDI Group



Although the Bank reached a peak in lending and development impact in 2020, this momentum was disrupted by the Bank's default and the temporary halt in new lending activities. Since then, the Bank has refocused its lending activity, particularly toward Development and Transformation clients, as evidenced by recent disbursement trends.

The partnership with the Department of Agriculture (DOA) has been instrumental in this regard. Through the Blended Finance Scheme, Land Bank has provided affordable and accessible funding to black farmers, Agro-processors, and primary producers, significantly enhancing the reach and effectiveness of its development finance mandate.

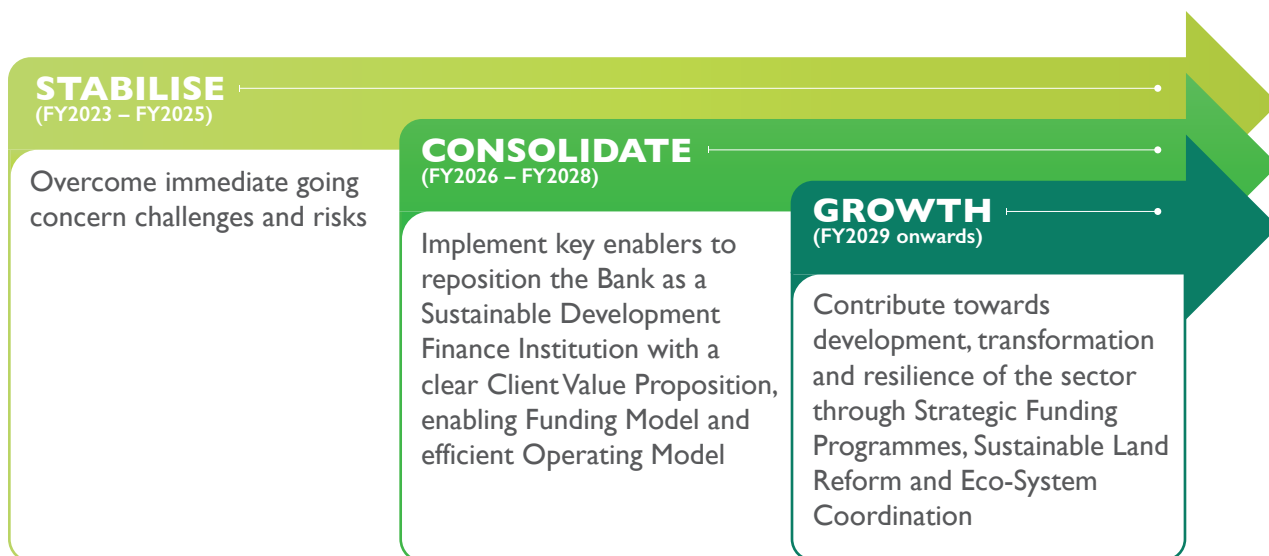
Over the past decade, Land Bank's investments have supported significant transformation across South Africa's agricultural landscape. The Bank has contributed to job creation, improved land utilisation, enhanced food security, and better environmental stewardship, affirming its long-term commitment to inclusive and sustainable development.

### 3.4 Strategic Priorities and Performance Outlook

Land Bank is a Development Finance Institution tasked with driving transformation and inclusive growth in the agricultural sector while ensuring long-term financial sustainability. The Bank's strategic focus is centred on enhancing its institutional capabilities, delivering effective developmental outcomes, and repositioning itself for sustainable growth.

The Board has approved a phased growth strategy, designed to enable the Bank to prioritise and embed strategic initiatives progressively.

**Figure 7: Phased Approach**



This phased approach guides the Bank's transition from stabilisation to consolidation, and ultimately to sustainable growth. The three defined phases are:

#### Phase 1 - Stabilisation (FY2023 – FY2025):

The "stabilisation" phase of Land Bank's strategic turnaround focuses on the Bank's immediate priorities necessary to attain stability. Initiatives undertaken during this phase will mitigate further deterioration in key identified areas and establish a solid foundation for enhanced mandate alignment and improved financial and operational performance.

#### Phase 2 - Consolidation (FY2026 – FY2028):

The "consolidation" phase will focus on aggregating the gains made during the stabilisation phase and initiate a process to reposition the bank for the growth phase. The key focus areas of this phase include changes to the Bank's operating model, as well as appropriate capability building and capacitation of the Bank in support of the journey towards the desired state. Another significant emphasis of the consolidation phase is the increased expansion of the Bank's reach through enhanced partnerships and accreditations, diversified revenue streams, and a broader ecosystem focus to establish a foundation for the Bank's growth phase.

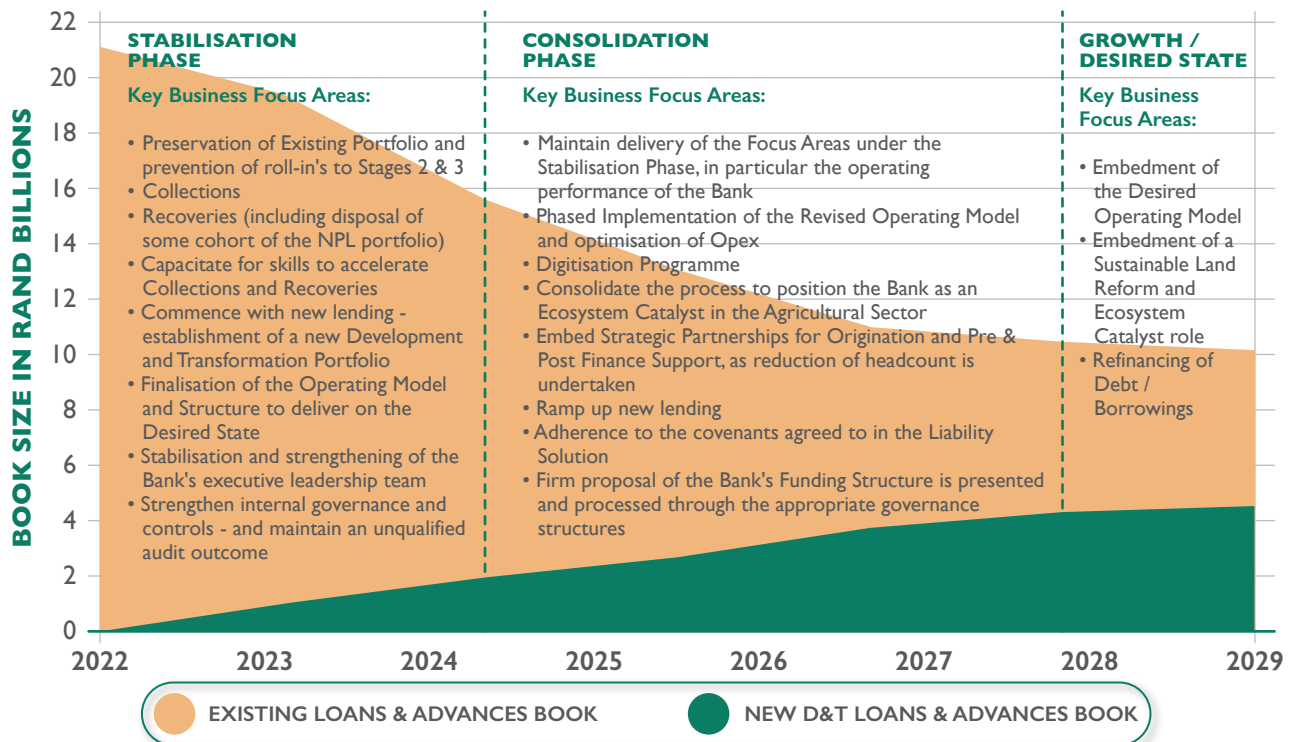


### Phase 3 - Growth (FY2029 onwards):

The “growth” phase assumes that all key objectives undertaken in the stabilisation and consolidation phases have been addressed. The Bank will have repaid its restructured debt or refinanced it while preserving the loan portfolio that will serve as the foundation for expanding the Bank’s future loan book. An appropriate funding model would have been adopted, sufficiently supported by the shareholders, and the revised operating model of the Bank would have progressed towards maturity. These critical prerequisites will enable the Bank to scale up its lending to enhance development effectiveness in a financially sustainable manner.

Having made significant progress on its stabilisation goals by the end of FY2025, the Bank will now transition into the consolidation phase. This includes rethinking key business elements, such as the funding model, client value proposition, and operating model. These changes are essential to ensure financial sustainability, deepen development effectiveness, and restore the Bank’s ability to attract capital.

**Figure 8: Strategy Execution Phases**



The Bank's strategic priorities for FY2025 are aligned with the consolidation phase and are outlined below:

### **Strategic Priority 1: Conclusion of the Liability Solution**

The Bank successfully implemented the debt restructuring agreement with its lenders on 16 September 2024. The focus now shifts to ensuring strict adherence to the covenants and undertakings outlined in the Liability Solution.

### **Strategic Priority 2: Improve Loan Book Quality**

The gross loan book declined by 12% year-on-year due to settlements and non-performing loan (NPL) write-offs. While the existing book is expected to continue to decrease, growth in the Blended Finance portfolio is expected to partially offset this trend, with projections to grow to R3.2 billion by FY2028. The Bank will focus on preserving and expanding the performing book, particularly in short- and medium-term lending. The NPL book is expected to reduce from R8.4 billion in FY2025 to R6.6 billion by FY2028 through the continued implementation of remediation strategies.

### **Strategic Priority 3: Finalise the Revised Funding Model**

The Bank submitted a capital allocation request through the FY2025 MTEF process. Although no formal response has been received from National Treasury, the request appears to have been unsuccessful, as it was not included in the FY2025 Budget Speech. This places pressure on the Bank's liquidity outlook, with projections indicating a potential shortfall by the end of FY2027. Engagements are underway to explore alternative sources of funding, including potential funders who may require state guarantees. The Bank will collaborate with the National Treasury to identify suitable options for this purpose.

### **Strategic Priority 4: Strengthen Organisational Capacity**

Following the implementation of the new operating model, 97.49% of permanent employees have been successfully placed in new or revised roles. The vacancy rate at year-end stood at just 3.39%, demonstrating steady progress. Recruitment for outstanding positions is underway, with a focus on capacitating key units to support strategy execution.

### **Strategic Priority 5: NPL Remediation**

The total NPL balance has improved significantly, from R12.4 billion in March 2022 to R8.4 billion in March 2025. The Bank will continue to implement and augment its existing NPL strategy, which includes recoveries, write-offs, and preservation of the performing book. Oversight

of this process remains with the Board's Remedial Credit and Investment Committee.

### **Strategic Priority 6: Embedment of the Bank's Role in Land Reform**

Land Bank is engaging with both the Department of Agriculture and the Department of Land Reform and Rural Development on a potential role in supporting the national land reform programme. A joint draft proposal is being developed for review through both organisations' governance structures. In parallel, the Bank has intensified its work with strategic partners to support client pipelines with integrated pre- and post-finance support.

### **Strategic Priority 7: Implementation of Key Strategic Partnerships**

The Department of Agriculture has been identified as a critical stakeholder, with engagements occurring at ministerial and executive levels. Collaboration with corporates and ecosystem actors remains a priority for originating high-quality deals and facilitating the successful participation of emerging farmers.

### **Strategic Priority 8: Implementation of Revenue Growth and Diversification**

While initial progress has been limited due to capacity constraints, the Bank plans to fully resource this initiative in FY2026. Opportunities have been identified in the agricultural trade space to participate in value chains from inputs through to processing and export.

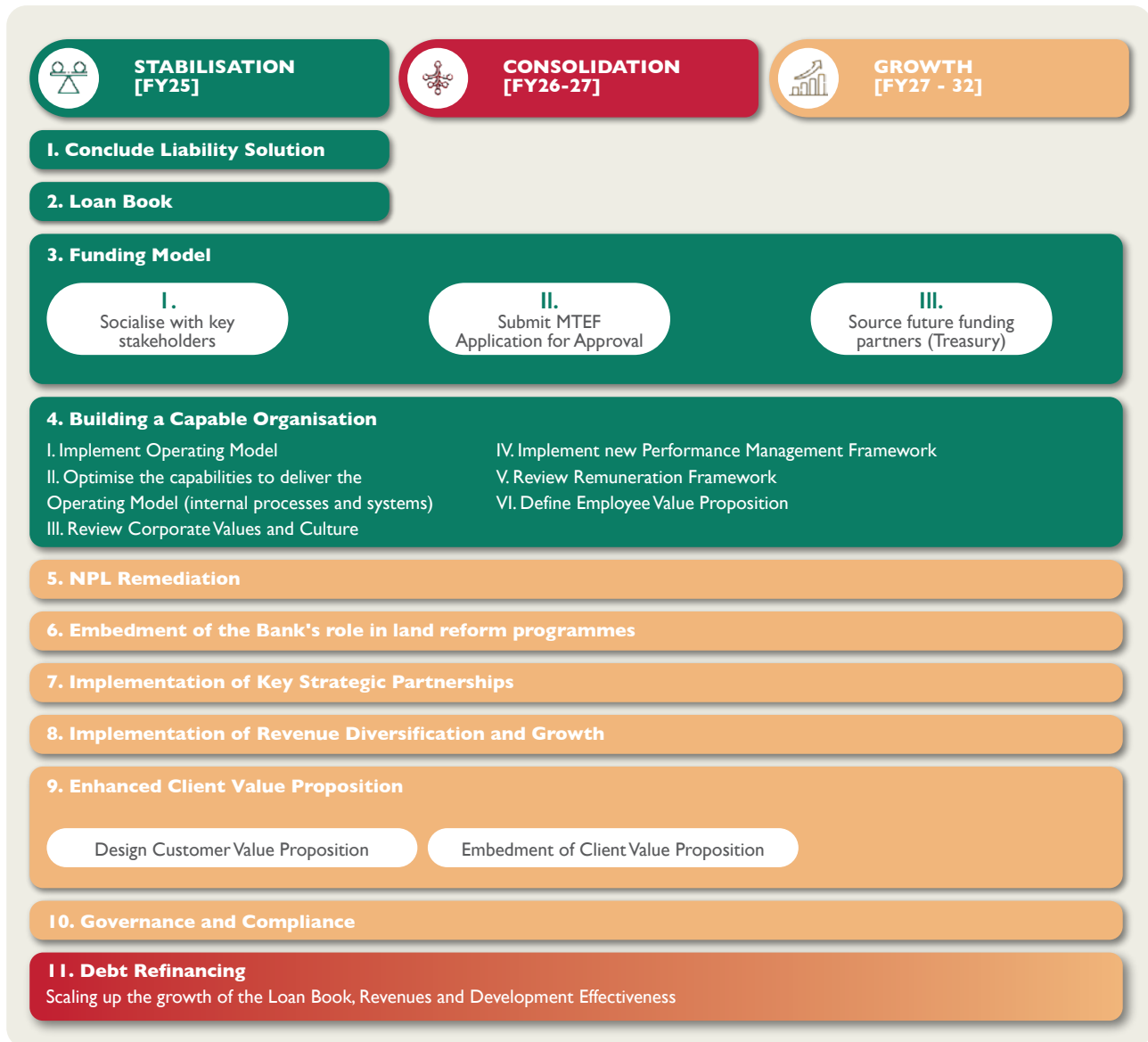
### **Strategic Priority 9: Enhanced Client Value Proposition**

Pre- and post-financing support is increasingly central to the Bank's approach. There is growing emphasis on promoting under-utilised products, such as the Agro-Energy Fund, and supporting clients with access to markets. These enhancements aim to deepen the Bank's impact and improve client retention.

### **Strategic Priority 10: Strengthen Governance and Compliance**

Robust internal control systems have been institutionalised, with full compliance with PFMA deadlines and submissions. The Bank is committed to achieving a clean audit outcome. Enterprise risk management frameworks are being embedded across the institution, alongside the implementation of the Ethics Management Plan, which supports the Bank's broader values-driven culture.

Together, these priorities underpin Land Bank's efforts to rebuild credibility, restore financial health, and accelerate the delivery of its developmental mandate in the years ahead.

**Figure 9: Land Bank's Strategic Priorities**

### 3.5 Achievement against Key Performance Indicators

Land Bank's performance for the 2025 financial year was assessed against a set of predetermined objectives, aligned to its approved Strategic Plan and Annual Performance Plan. These indicators reflect the Bank's dual focus on delivering developmental impact and maintaining financial sustainability.

The performance results presented in the scorecard below provide a comprehensive view of the Bank's achievements, highlighting progress made in key focus areas, including loan disbursements, developmental support, financial viability, and institutional strengthening. The results demonstrate continued momentum in the implementation of the Turnaround Strategy and the Bank's ability to respond to both internal priorities and stakeholder expectations.

**Table 1: FY2025 Land Bank Performance Scorecard**

KEY PERFORMANCE INDICATORS	FY2024 ACTUAL	FY2025 TARGET	FY2025 ACTUAL	MANAGEMENT COMMENTS
<b>KPA: Development Effectiveness [30%]</b>				
Blended Finance Debt Disbursements (majority black owned entities, as per BFS eligibility criteria)	R355m	R700m	R585.5m	<b>Target not achieved.</b> Management has made progress in advancing disbursements to black clients and majority black-owned entities, with R585.5 million disbursed by year-end against a target of R700 million. Although the target was not fully met, the performance reflects a significant improvement from the R355 million disbursed in FY2024, indicating positive momentum heading into FY2026.
Blended Finance Approvals (Loans)	R489.4m	R1bn	R1.005bn	<b>Target achieved.</b> Management's focus on accelerating pipeline movement resulted in loan approvals reaching R1.005 billion in FY2025, exceeding the FY2024 achievement of R489.4 million. This was driven by contributions of R777 million from Commercial Banking and Transformation, and R228 million from Corporate Banking.
Agro-Energy Fund (Loans)	R63 349	R355m	R31.5m	<b>Target not achieved.</b> Agro-Energy Loan disbursements reached R31.5 million against the R355m target. Steps are being taken to address bottlenecks and improve delivery in the next financial year.
Designated groups at participation ownership level: Black female Black youth Black disabled	36	50	62	<b>Target achieved.</b> At the end of the financial year, the Bank provided financial support to the following designated groups:  Black female: 35, Black youth: 27, Black disabled: 0
Percentage of approved clients provided with Pre and Post Finance Support.	100%	20%	65%	<b>Target achieved.</b> The Bank performed extremely well, achieving a target on the provision of Pre and Post Finance support, with 65% of approved clients having received support against an annual target of 20%.
Debt Disbursements to non-Blended Finance clients.	R94m	R430m	R226.1m	<b>Target not achieved.</b> Management has intensified efforts to drive Non-Blended Finance loan disbursements, which reached R226.1 million by year-end, against an annual target of R430 million. Although the target was not met, intense focus and targeted initiatives, such as driving the uptake of production loans, are being prioritised to mobilise improvements into FY2026.
All high-risk (Category A and B) Environmental and Social Risk Assessments (ESRAs) rated disbursed transactions contain ESRAs conditions.	100%	100% of all transactions	100%	<b>Target achieved.</b> There were no High Risk (Category A) ESRA reports generated for the financial year. 100% of all ESRA category B and C clients where disbursements have been made contain ESRA conditions guided by the National Environmental Management Act 107 of 1998 and Specific Environmental Management Acts.
Percentage achievement of the Project Plan to evidence progress towards committed Social and Natural Capital initiatives (including the annual publication of PRB Report submitted to UNEP FI).	86%	80%	93%	<b>Target achieved.</b> Significant progress continued in embedding UNEP FI Principles for Responsible Banking (PRB) commitments, with a completion of 93% of milestones set in the project plan against a year-end target of 80%. Key achievements include advancing Impact Assessments, notably identifying Financial Inclusion and Climate Stability as key intervention areas, enhancing client engagement on PRB, and strengthening stakeholder and employee awareness, with 212 employees trained.



KEY PERFORMANCE INDICATORS	FY2024 ACTUAL	FY2025 TARGET	FY2025 ACTUAL	MANAGEMENT COMMENTS
The value of Disaster Relief programmes undertaken	R785m	R400m	R574m	<b>Target achieved.</b> During FY2025, forbearance measures totalling R574 million were newly extended to clients impacted by disasters like floods, avian flu, and drought. These clients are supported through payment deferrals without legal action, following appropriate risk assessments. Cumulatively, the Bank has R1.945 billion in exposure to clients under forbearance arrangements as at the end of the financial year.
<b>KPA: Financial Sustainability [30%]</b>				
Conclude the Liability Solution	In Progress	Debt Default Cured by the end of Q2.	Complete	<b>Target achieved.</b> The Debt Restructure Agreement was implemented on 16 September 2024, effectively curing the Bank's default status. Focus has moved towards adherence to the Liability Solution covenants and undertakings.
Non-performing Loans (NPL) ratio.	53.1%	54.9%	54.7%	<b>Target achieved.</b> The NPL ratio has been maintained below the target of 54.9% by the end of FY2025. This positive shift is primarily due to successful account recoveries, with some accounts transitioning from Stage 3 to either Stage 2 or Stage 1.
Cost to Income Ratio	81.2%	91%	43%	<b>Target achieved.</b> At the end of the financial year, the CTI ratio was 43%, outperforming the target of 91%. This is due to the improved interest income from cash balances that were previously in escrow, as well as lower interest expenses and operating expenses.
Net Interest Margin (NIM): excluding interest in suspense.	3.3%	3%	6.7%	<b>Target achieved.</b> The NIM stood at 6.7% as of the end of FY2025, driven by improved net interest income, exceeding the target of 3%. This reflects strong financial performance, effective interest income management and lower cost of funds in FY2025.
Generate new Non-interest income.	R64.3m	R88m	R47.3m	<b>Target not achieved.</b> Due to capacity gaps for specialist resources to pursue the Bank's revenue diversification initiatives, this KPI was not met. Work is underway to recruit the appropriate skills in FY2026.
<b>KPA: Stakeholder Management and Client Centricity [10%]</b>				
Turn-around times: Initial Assessment to Credit Decision (working days)	33 days	90 days	49 days	<b>Target achieved.</b> An average turnaround time of 49 days, against a target of 90 days, was achieved for FY2025, despite an extended definition of the turnaround time (TAT) from Initial Assessment to Credit Decision. In the previous year, the calculation of TAT commenced at the Due Diligence stage and continued through to the Credit Decision.
Net Reputation Score, conducted by a media monitoring company	11%	7%	14%	<b>Target achieved.</b> The commendable NRS was primarily influenced by the positive sentiment gained in the latter part of the financial year, driven by strong thought leadership from within the Bank and progress on strategic initiatives. Highlights include an opinion piece by Land Bank's Agricultural Economist, which reinforces the Bank's commitment to supporting the sector's transformation, as well as favourable coverage of Land Bank's role in advancing green finance and confirmation of the debt restructuring solution.

KEY PERFORMANCE INDICATORS	FY2024 ACTUAL	FY2025 TARGET	FY2025 ACTUAL	MANAGEMENT COMMENTS
Client attrition rate	N/A	10%	9.8%	<b>Target achieved.</b> The Client attrition rate as at the end of the financial year was 9.8%, performing slightly better than the target of 10%.
<b>KPA: Organisational Effectiveness [10%]</b>				
Maintain a vacancy rate against roles that have been approved to be filled in FY2025	14.5%	10%	3.39%	<b>Target achieved.</b> The vacancy rate significantly improved to 3.39% from the previous year's rate of 14.5%. Permanent filled = 342 Permanent vacancies = 58
Re-engineering of core processes (Loan Origination, Collateral Management and Facility Restructure processes)	N/A	In line with the project plan	Complete	<b>Target achieved.</b> Detailed stakeholder identification has been completed. Lean AS-IS walkthroughs are 100% complete. Process Mapping: Loan Origination -100% Process Mapping: Collateral Management -100% Process Mapping: Facility Restructure -100% Client pain points identification has progressed well, and is complemented well through the client feedback session at the Banking Conference. Future Process design has started, currently at 100% completion. Loan Origination -100% Collateral Management -100% Facility Restructure -100% Project team formed. Project plan documented. Project budget secured.
Implement the proposed framework for culture change and performance management: Culture Change and Performance Management Framework (CCPM)	N/A	CCPM approved by the Board, and all performance targets achieved per the project plan	Complete	<b>Target achieved.</b> The Performance Management Policy and Culture Change Framework were approved at the end of the financial year.  In support of these initiatives, the Change Management Framework has been rolled out across the Bank. A network of Change Makers, representing all divisions, has been appointed and fully trained. These employees will champion and facilitate change management efforts throughout the bank.
<b>KPA: Governance [20%]</b>				
Classify 0.1% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	0.01%	<0.1%	0.04%	<b>Target achieved.</b> The Bank recorded Irregular, Fruitless and Wasteful Expenditure of R0 (0%) against full year operating expenses of R819m.
Audit outcome as per the AGSA Audit Report	Unqualified Audit Opinion	Unqualified Audit Outcome with no findings (clean outcome)	Unqualified Audit	<b>Target achieved.</b> The Bank achieved Unqualified Audit with findings for the year under review.
Enterprise Risk Management controls effectively implemented: Enterprise risk maturity level	4	Quarterly progress report – ERM Score: 3	4	<b>Target achieved.</b> At the end of the financial year, Land Bank's Risk Management Capability Maturity was assessed at Level 4 on the 5-level maturity scale. This outcome reflects that risk management practices are well-defined, consistently applied, and integrated into key decision-making processes of Land Bank.





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## 4. OPERATING ENVIRONMENT

### 4.1 Our Operations in a Global and National Context

Land Bank operates within a complex and dynamic macroeconomic landscape, shaped by both global and national economic conditions. In 2025, the International Monetary Fund (IMF) projected a slowdown in global GDP growth to 2.8%, down from 3.3% in 2024, with a modest recovery to 3.0% expected in 2026. This deceleration stems from heightened geopolitical tensions, persistent supply chain challenges, and ongoing protectionist trade policies, particularly the US-driven trade war. Headline inflation remains volatile due to temporary disinflation from energy oversupply and renewed pressures stemming from geopolitical uncertainties, retaliatory tariffs, and rising food prices. The IMF forecasts global inflation at 4.3% in 2025.

These global trends increase forward-looking credit risk, particularly for South African agricultural clients that rely on export markets. In this context, Land Bank remains committed to building financial resilience, supporting the agricultural sector during crises, and ensuring continued responsiveness to international shocks such as pandemics and animal-borne diseases.

### 4.2 South Africa's Policy Environment

Domestically, while political stability has been maintained through the formation of a Government of National Unity, South Africa recorded minimal GDP growth of 0.6% in 2024. This reflects entrenched structural impediments, including slow policy reforms, regulatory constraints, and persistent logistical inefficiencies.

A major concern for agriculture is the loss of eligibility under the African Growth and Opportunity Act (AGOA) and the imposition of US tariffs (up to 30%) on exports. These measures have a significant impact on key exports, including citrus, macadamia nuts, and wine. The South African Reserve Bank (SARB) estimates that these developments could reduce GDP growth by up to 0.69%, depending on compounding factors such as further depreciation of the rand.

Despite ongoing appeals, the uncertainty surrounding US trade policy continues to affect South Africa's global competitiveness. The government is actively pursuing an export diversification strategy, with recent engagement from China aimed at expanding citrus imports. However, new trade negotiations are lengthy, and the near-term export outlook remains under pressure, especially for emerging and commercial farmers.

### 4.3 Overview of the Agricultural Sector

In the 2024/25 season, South Africa's agricultural sector demonstrated resilience, buoyed by La Niña-induced rainfall that led to a projected 16% increase in grains and oilseed production year-on-year. However, this recovery was tempered by regional flooding, delayed planting, and crop quality issues due to excessive moisture.

The livestock sector continues to grapple with biosecurity threats, including Foot-and-Mouth Disease (FMD) and African Swine Fever (ASF), impacting productivity and trade. New market opportunities in Asia, ongoing recovery in poultry stocks, and the absence of major new FMD outbreaks in 2024 signal progress.

Energy and water costs remain elevated, threatening to erode profit margins and heighten food inflation risks. Structural inefficiencies and the effects of climate variability further challenge the sector. Strategic responses include enhanced infrastructure investment, stronger biosecurity protocols, and expanded trade relationships.

### 4.4 Managing Agriculture Risk

South Africa's agricultural landscape faces multidimensional risk. Land Bank's approach to risk management is structured, preventative, and embedded in early response and mitigation strategies. Key risk categories and corresponding mitigation strategies are detailed in the table below:


**Table 2: Agricultural Risk and Management Strategies**

Risk Type	Comments	Mitigation Strategies
<b>Global Macroeconomic Environment</b>	Global GDP growth is expected to decelerate from 3.3% in 2024 to 2.8% in 2025, according to the IMF's April 2025 Global Economic Outlook. This deceleration reflects heightened geopolitical tensions, persistent supply chain constraints, and the adverse effects of trade protectionism, particularly the ongoing US-driven trade war. While subdued energy prices, due to oversupply and reduced demand, have contributed to temporary disinflation, renewed inflationary pressures have surfaced, driven by retaliatory tariffs, geopolitical uncertainties (particularly in the Middle East), and rising food prices. Global macroeconomic headwinds increase forward-looking credit risk, particularly for export-reliant agricultural clients.	Management conducts stress testing to account for potential market uncertainties when conducting due diligence on transactions. Management overlay has been considered as part of the ECL calculation.
<b>Domestic Economic Environment</b>	Despite political stability following the formation of a Government of National Unity, South Africa's GDP grew by a marginal 0.6% in 2024. This stagnation is attributed to long-standing structural impediments: slow reform implementation, regulatory burdens, logistics infrastructure bottlenecks, and port inefficiencies.	Management conducts stress testing to account for potential market uncertainties when conducting due diligence on transactions. Management overlay has been considered as part of the ECL calculation.
<b>AGOA Eligibility</b>	The SARB forecasts that the loss of AGOA eligibility alone could reduce economic growth by 0.04%. Should this be accompanied by a 25% import tariff imposed by the United States, the impact is expected to deepen, with GDP growth declining by 0.23%. A further scenario involving both the AGOA loss, a 25% tariff, and a 15% depreciation of the rand could reduce growth by as much as 0.69%. South Africa may continue to export to the United States, but its agricultural exports to the United States will lose competitiveness, resulting in weaker export demand, lower prices, and a decline in export revenues. While the government and industry pursue export diversification, including increased citrus exports to China, new trade agreements take time, leaving agricultural exports vulnerable in the short to medium term.	The government and industry stakeholders are actively engaging and closely monitoring the evolving global trade environment. Agribusiness exports to the US market should be encouraged to actively pursue market diversification strategies with the Far East as the target export market. Europe is increasingly becoming a difficult export market for SA citrus fruits, and the Carbon Border Adjustment Mechanism (CBAM) may ultimately have a negative impact on carbon-intensive agricultural exporters. Management conducts stress testing to account for potential market uncertainties when conducting due diligence on transactions. Management overlay has been considered as part of the ECL calculation.
<b>Port Infrastructure and Logistics Challenges</b>	South African ports continue to face significant operational inefficiencies, driven by ageing infrastructure, container shortages, and workforce limitations. Underutilised rail networks and persistent truck congestion further exacerbate these challenges. In 2022, the World Bank ranked the ports of Durban and Cape Town among the least efficient globally, underscoring the severity of systemic issues within the sector. These constraints have contributed to chronic delays and congestion across key ports, disrupting the agricultural value chain. Perishable exports have been particularly affected, with some shipments spoiled while awaiting loading, resulting in substantial financial losses and eroding the global competitiveness of South African produce. The horticultural sector was notably impacted during the early 2025 export season, as logistical delays at the Cape Town Port hindered timely market access.	Ongoing efforts to optimise port efficiency through stakeholder collaboration aims to prevent further agricultural export disruptions.

Risk Type	Comments	Mitigation Strategies
<b>Climate Impact and Agricultural Performance</b>	The 2023/24 season saw a 23% decline in crop output due to El Niño-induced drought, but La Niña conditions in 2024/25 improved rainfall, with a projected 16% recovery in production. However, late summer rains may affect crop quality, and erratic weather continues to pose operational risks. Flooding in Limpopo and the Western Cape disrupted infrastructure and yields, highlighting the growing impact of climate variability. Despite these challenges, the sector showed resilience, with gross farm income rising 1.4% to R452 billion and net income up 1.8% to R128 billion, supported by a 15% improvement in domestic terms of trade.	Climate variability is becoming structurally embedded in South Africa's Agri-risk landscape. Rainfall is becoming clustered in certain areas. The Land Bank is participating through targeted forbearance programs and additional working capital for impacted farmers. Further, clients are encouraged to climate-proof their businesses through the installation of shade-netting, irrigation infrastructure, the use of the Agro-Energy Fund and others. The situation continues to be monitored for subsequent seasons.
<b>Livestock Biosecurity Risks</b>	Biosecurity threats continue to affect South Africa's livestock sector. Foot-and-mouth disease (FMD) remains active in KwaZulu-Natal and Gauteng, although the Eastern Cape has shown improvement. A limited outbreak occurred in Mpumalanga. African Swine Fever (ASF) persists among small-scale pig farmers, while Highly Pathogenic Avian Influenza (HPAI) was contained in 2024/25, allowing flock recovery. However, the risk of resurgence remains high. These diseases pose ongoing risks to productivity, market access, and business sustainability.	The government has intensified vaccination programs for cloven-hoofed animals and imposed strict quarantines to contain outbreaks and work towards eradication. Vaccination of poultry is still to be implemented, and until then, poultry growers are encouraged to follow strict biosecurity protocols. Furthermore, comprehensive business insurance is to be mandatory. Enhanced due diligence is applied to validate the biosecurity measures in place at the transaction level.
<b>Crop Pest Risks</b>	In early 2025, African armyworm infestations impacted maize, other field crops, and pasturelands across multiple provinces, including Gauteng, Mpumalanga, Limpopo, and KwaZulu-Natal. Emergency pest control interventions were implemented to contain the outbreaks, leading to increased input costs and potential implications for yields and crop quality in the 2025/26 season.	Effective management depends on a timely response, supported by robust early warning systems, coordinated regional surveillance, and access to short-term liquidity facilities to fund emergency inputs and mitigate production risks.
<b>Horticultural Export Market Access and Trade Barriers</b>	High-value horticultural exports, especially citrus, face ongoing non-tariff barriers, notably EU restrictions related to Citrus Black Spot and False Codling Moth. Compliance costs growers an estimated R3.7 billion annually.	Despite these challenges, new market access was secured for apples to Thailand and table grapes to the Philippines. Trade negotiations with China and Japan are underway to support market diversification. Management conducts stress testing to account for potential market uncertainties when conducting due diligence on transactions.
<b>Energy and Input Cost Pressures</b>	Eskom's operational performance showed marked improvement in 2024, with 281 consecutive days without load shedding and an increase in the Energy Availability Factor to 70%. However, these gains were tempered by steep utility cost hikes, including a 12.7% increase in electricity tariffs for 2025/26, alongside above-inflation water tariff increases. Rising input costs are putting pressure on profit margins, particularly in irrigation-dependent and cold-chain-intensive agricultural sectors. These cost pressures undermine export competitiveness and contribute to elevated food inflation risks.	The shift towards renewable energy is expected to ease the burden of electricity costs over time. The Land Bank's Agro Energy Fund (AEF) continues to support renewable energy investments (solar PV, biogas, biomass). Renewable uptake should be scaled up and bundled with cost-saving support (e.g., energy audits).

Source: Land Bank AEA







# DELIVERING AND PRESERVING VALUE

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## 5. DELIVERING AND PRESERVING VALUE

Land Bank's integrated annual reporting approach is informed by the six capitals set out in the International Integrated Reporting Framework. These capitals serve as the foundation for how the Bank creates, preserves, and transforms value over time. Intellectual Capital is demonstrated by the Bank's ongoing investment in digital systems and process optimisation through its phased IT Strategy. With core platforms such as Acceleris, CRM, and GIS now embedded across operations, the Bank has shifted its focus towards enhancing client-facing services and strengthening operational agility to better support its mandate.

Social and Relationship Capital is leveraged through strategic partnerships that position Land Bank as a coordinator across the agricultural value chain. Collaborations with government departments, private sector actors, commodity organisations, and development agencies facilitate expanded market access, technical support, and blended finance opportunities for development farmers. These relationships are crucial for unlocking the pipeline of viable, sustainable clients and achieving the Bank's development outcomes.

Human Capital is recognised as the backbone of the organisation. Under the People and Culture Division, the Land Bank continues to foster a high-performance culture, enhance staff engagement, and facilitate growth through skills development, internal promotions, and transformation. With over 81% ACI representation, investments in leadership development, and structured talent management processes in place, the Bank is cultivating a resilient and future-ready workforce.

Natural Capital is managed through a structured Environmental and Social Management System (ESMS), ensuring that all transactions are assessed for environmental and social risks. This system supports the Bank's role in promoting climate resilience, regulatory compliance, and responsible land stewardship across its lending portfolio.

Manufactured Capital encompasses the Bank's infrastructure and physical assets, with a phased strategy in progress to upgrade regional branches and ensure brand consistency across client touchpoints. The disposal of non-strategic properties facilitates more efficient resource allocation and reinvestment into value-adding transformation projects.

Ultimately, Financial Capital remains central to the Bank's capacity to fulfil its mandate. A new funding model is being implemented, alongside improved liquidity and a positive solvency ratio, which positions the Bank for long-term sustainability.

### 5.1 Intellectual Capital

#### The Revised IT Strategy and Its Implementation

Land Bank continues to implement its rolling IT Strategy as a key enabler of digital transformation, operational efficiency, and improved service delivery. The strategy has been structured into two distinct phases, each with defined objectives and outcomes aligned to the Bank's broader business priorities.

Phase 1, initiated in 2019 over a 24-month period, focused on deploying foundational technologies to automate core internal processes. Key systems implemented during this phase include:

- CRM for loan origination and customer service management;
- OnBase for centralised document and records management;
- Excalibur for collections and recoveries;
- Acceleris for automating loan origination, as well as technical and financial assessments;
- GIS for farm-specific technical data to support assessments; and
- An enterprise data staging platform for master data management.

This phase also included the launch of new internet and intranet platforms for both Land Bank and Land Bank Insurance (LBI). These systems are now fully embedded across the organisation and support a wide range of business functions.

Phase 2, launched in 2021 with a three-year implementation horizon, builds on these foundations. It focuses on optimising core operational systems and enhancing client-facing capabilities through an omnichannel service model. A key deliverable under this phase is the eServices portal, which provides clients with self-service capabilities including loan enquiries, request submissions, complaints management, and account information access.



## Key Investments in New Technology Initiatives include:

**Loan Origination Optimisation:** In 2024, the CRM system was further enhanced to support improved pipeline visibility through transaction age tracking. The system now facilitates end-to-end origination, including lead management, application tracking, automated client notifications, and receipt of documentation. Additional enhancements to support customer monitoring and service quality were also initiated.

**Client Servicing Optimisation:** The Bank commenced a project to re-engineer key credit origination processes through technology enablement to reduce turnaround times and improve client experience.

**Farm Management:** The Bank continues to refine its Geographic Information System (GIS) tools. Since initial deployment, customisations have been made to better align reporting capabilities with the needs of the agricultural sector.

These investments underscore Land Bank's ongoing commitment to digital innovation, process efficiency, and client-centric service. As implementation of the IT Strategy continues, the Bank remains focused on future-fit infrastructure and advanced technology solutions to support both client needs and organisational goals.

**Investment in IT, Security and Digitisation:** The Bank has undertaken a comprehensive Data Centre Infrastructure Refresh Programme to modernise and upgrade its legacy IT systems. The programme is structured into three phases:

Phase 1, implemented between 2022 and 2024, targeted the replacement of Tier 1 systems and core network infrastructure. This phase has been successfully completed. Phases 2 and 3 have been consolidated and will run in parallel to accelerate implementation. These phases will focus on refreshing Tier 3 application servers, disaster recovery infrastructure, operational storage systems, and provincial branch network infrastructure. A tender process was completed during Q4 FY2025, with implementation scheduled within the same financial year.

## 5.2 Social and Relationship Capital

### Partnerships and Ecosystem Coordination

Land Bank adopted a Leveraged Partnerships and Ecosystem Coordination approach to secure strategic collaborations across the agricultural value chain and drive inclusive agricultural transformation. Central to this approach is enhancing support for development farmers through improved financial and operational capacity. By partnering with key stakeholders, including government departments, private sector entities, commodity organisations, and development agencies, the Bank aims to function as both a value chain coordinator and ecosystem orchestrator. These high-impact partnerships provide development farmers with market access support, capacity-building initiatives (such as business development, technical training, compliance, and improved farming practices), and streamlined access to Land Bank financing facilities. This model is designed to support the transition of development farmers into sustainable, commercially viable enterprises, while also contributing to the growth of Land Bank's loan book through a stronger pipeline of financially resilient clients.

During the reporting period, Land Bank concluded eight new strategic partnerships. In the public sector, formal agreements were signed with the Eastern Cape Department of Rural Development and Agrarian Reform, as well as the Northern Cape Department of Agriculture, Environmental Affairs, Rural Development, and Land Reform. In the private sector, partnerships were secured with Heineken, McCain, and Nedbank. Collaborations were also finalised with commodity bodies and development agencies, including the South African Table Grapes Industry, the South African Wine Industry, and the Kagiso Trust's Tyala Fund. These partnerships reflect a shared commitment across sectors to enabling agricultural development, coordinated market access, and support for development farmers.

Other key deliverables during the reporting period include:

The partnership programme supported seven development farmers sourced through strategic partners, facilitating access to R17 835 932 in blended funding through Land Bank.

Additionally, 29% of approved blended finance beneficiaries accessed pre- and post-support services, exceeding the annual target of 20%.

Looking ahead, the Bank will prioritise expanding its private sector partnership portfolio and establishing an aggregator programme to unlock broader market access opportunities for development farmers. The Pre- and Post-Support framework will be redesigned to enhance scalability and impact. Planned enhancements include broadening support services, formalising a dedicated delivery partner network, and initiating structured mentorship and grower programmes. Further priorities involve mobilising external grant funding and developing innovative funding instruments such as trade finance and credit guarantees. These initiatives are expected to significantly amplify the developmental impact of Land Bank's financing and promote long-term sustainability for development farmers.

### Stakeholder Relations Management

Land Bank remains committed to transparent, responsive, and value-driven stakeholder engagement. The Bank's interactions with stakeholders are guided by an approved Stakeholder Engagement Strategy, which is implemented through quarterly reporting and ongoing dialogue across sectors. These engagements play a critical role in enabling the Bank to address sectoral concerns, strengthen strategic partnerships, and deliver on both its commercial and developmental mandate.

### Stakeholder Engagement Strategy

The table below outlines the Bank's key stakeholder groups, their expectations, methods of engagement, and how the Bank creates value through these relationships:

**Table 3: Stakeholder Expectations and Engagement**

KEY STAKEHOLDER	STAKEHOLDER EXPECTATIONS / NEEDS	HOW THE BANK ENGAGES	HOW THE BANK CREATES VALUE
Shareholder (NT/Minister of Finance)	Sound leadership. Clear strategy and execution. Good governance and ethics. Financial management and operational efficiency. Advancement of development and transformation of the agricultural sector.	Quarterly Performance Reports. Annual General Meetings. Strategy Engagement Sessions.	Fulfilment of mandate.
Department of Agriculture (DOA) / Third Party Funders	Fulfilment of the Bank's mandate in support of the sector's programmes. Administrator and implementer support for the execution of sector programmes. Strategic alignment and collaboration.	Engagement meetings. Reports on programmes administered and implemented by the Bank for the Department and other third-party funders.	Strategic alignment. Fulfilment of mandate. Support for sector priority programmes.
Legislators/ Parliament	Fulfilment of the Bank's mandate. Appropriate deployment of fiscal support. Good governance and ethics.	Reports, presentations, and oversight engagements through the relevant Parliamentary Committees – in particular; committees of Finance and Agriculture, Land Reform and Rural Development.	Deployment of funds in government and agricultural sectors' development programmes.
Funders/Lenders	Financial performance and sustainability. Good risk management and governance. Adhere to funding agreements / repayment of debt.	Lender and investor meetings. Integrated report. Results announcement sessions.	Financial performance. Lenders' Return on Investment.
Clients	Access to value adding financial products and services. Accessibility, reliability, and responsiveness. Quality client service and relationship management.	Client engagement sessions and events. Sector events. Client surveys. Client correspondences. Provincial offices and points of presence.	Financial inclusion. Client experience. Financial support to contribute to sustainability of clients' businesses.



KEY STAKEHOLDER	STAKEHOLDER EXPECTATIONS / NEEDS	HOW THE BANK ENGAGES	HOW THE BANK CREATES VALUE
Organised Agriculture	Financial support of the sector. Collaboration and support for organised agriculture's key programmes.	Organisational engagement sessions. Sector events.	Financial support towards sector growth and development, and sector transformation.
Employees / Labour Representatives	Good working environment and employee satisfaction. Responsiveness to employee needs. Transparent and honest engagements / sharing of information. Sustainable organisation to ensure job security.	Staff engagement sessions. Union / employee representative engagement structures. One-on-one employee engagements. Team and divisional engagements. Climate and employee surveys.	Employee well-being. Employee development and growth. Productive employees. Fair remuneration, rewards, and recognition. Experienced and evident transformation.
Society / Communities	Support for sustainable development goals. Environmental and social sustainability. Corporate social investments. Business opportunities for local suppliers.	Corporate social investment projects. Social and environmental assessments as part of due diligence on transactions. Supply Chain Management advertisements. Provincial offices and points of presence.	Social and community programmes. Opportunities for SMME suppliers / service providers.
Media	Transparency and responsiveness. Information and knowledge sharing.	Media releases. Media engagements. Marketing and advertisements. Updated contents on the Bank's website.	Media well-resourced with organisational information. Informed public, clients and stakeholders about the Bank's role and its products and services.



## Key Engagements in FY2025

The following is a summary of engagements with key stakeholders in FY2025.

### National Treasury

The Bank maintained a close working relationship with National Treasury throughout FY2025, focusing primarily on resolving its default position and concluding the Liability Solution. These engagements occurred at both ministerial and executive levels, involving the Board Chairperson and the CEO, respectively. Discussions centred on addressing contested areas between the Bank and its funders, while also securing the support needed to restore long-term financial sustainability.

### Parliament

Land Bank engaged with Parliamentary Oversight Committees to provide updates on performance and governance. The Standing Committee on Finance meetings took place on 21st August 2024 and again on the 27th of November 2024. The Portfolio Committee on Agriculture meeting took place on the 10th of September 2024. In all the meetings with the Committees in Parliament, the Bank's presentations were well received.

### Lenders

The cure of default was achieved on September 2024 as a result of numerous lender engagements. These engagements were conducted on a regular basis to deliberate on the liability solution proposal. The external legal representatives and debt restructure advisors were present at these meetings. Following the signing and execution of the LS5 contract there were no investors meeting held until the one of the 19 June 2025 as stipulated in the LS5 conditions information undertaking.

### Clients

Land bank invited clients to participate at the NAMPO Harvest Day, hosted by Grain SA. The Bothaville event is one of the largest agricultural exhibitions in the southern hemisphere, offering producers exposure to advanced farming technologies, products, and expert knowledge. There is also the NAMPO CAPE in partnership with Grain SA which attracts farmers mostly in the Western and Northern Cape and others travelling from across the country

The clients participated in a three themed dialogue sessions featuring the Bank's executives and sector experts, covering Blended Finance, Agro Energy Fund, inclusive growth strategies, and insurance-led risk protection offerings. The event was supported by a comprehensive PR and digital

campaign to reinforce the Bank's strategic repositioning and mandate execution.

This activation strengthened stakeholder engagement and elevated the Bank's profile as a development finance leader in agriculture, taking clients in its confidence building trust with stakeholders.

Client Communications engagement with clients is conducted through various platforms to ensure delivery of awareness and communication. The platforms include Social Media, print, broadcast, online and at events, expos, workshops and auctions.

### Employees

Employee engagement sessions have not taken place on a monthly basis throughout the financial year. Corporate Plan, Strategic Priorities and Corporate Scorecard Performance Updates form part of the employee engagement sessions.

The Bank's leadership has also undertaken Banking Conferences across all the three regions and head office to drive a common appreciation of the Bank's new operating model and organisational structure as part of change management process. The conferences took place between the 21st of November to the 6th of December 2024.

### Media

Media remains one of the conduit the bank utilises to reach various stakeholders. Land Bank works with various media platforms to disseminate information to build confidence in the credibility and competence of the Bank's leadership to steer the organization in reaching its objectives.

In ensuring transparency with stakeholders, the bank is always transparent and responsive to media enquiries and available to field media interviews. One of the highlight for the financial year under review was the announcement on the closing of the Liability Solution with lenders. This was a key milestone for the bank to be out of default. A media briefing was hosted with various media houses and interviews taken by the leadership to share more insights on the milestone.

### Farmer Organisations

The Bank intensified its engagements with organised agriculture during FY2025. In addition to inviting farmer organisations to sector events, Land Bank commenced work on formal development partnerships. These partnerships will focus on key sector areas, including advocacy, insurance, risk management, aggregation, market access, transformation, education, and farmer support.



- Department of Agriculture
- Strategic collaboration with the DOA continued to deepen across several priority areas:
- Legislative and policy alignment
- Land reform programme support
- Farmer funding initiatives
- Non-finance programmes (e.g. extension services)

## Funds under Administration

Land Bank has built a capability and capacitated itself to be a preferred Fund Administrator for the Department's funds. During the reporting period the Bank continued to administer the following funds for the Department:

### Blended Finance Scheme

A total of R2.581 billion has been received from the Department of Agriculture since inception. This comprises R1.3 billion received under the new MoA signed and concluded in October 2022, and an additional R1.258 billion received from the first Blended Finance Scheme MoA, which was concluded at the inception of the scheme in 2018. Of the above R2.581 billion, R800 million was transferred to IDC on instruction by the DoA. The last amount received was R375 million in December 2024.

Land Bank and the DoA have also concluded an Addendum to the MoA to solidify annual allocations for the remaining years of the contract and to incorporate new definitions and expand some existing clauses to provide clarity on those "grey areas" that were identified as needing such clarification by the origination teams of Land Bank.

As of 31 March 2025, a total combined investment (loans and grants) of approximately R2.677 billion has been approved and supported through this scheme since the conclusion of the current MoA. During the same period, 3597 jobs (permanent and seasonal) were also created.

As part of its oversight function, the Parliamentary Portfolio Committee on Agriculture visited several projects in the Northern Cape and North West that are supported through the Blended Finance Scheme from 24 to 28 February 2025. The visit was followed by questions, to which Land Bank has responded. Follow-up questions are being addressed as they are received.

### Kat River Farmers Fund

The fund was established in 2021 to support citrus farmers in the Eastern Cape Kat River tributary. Land Bank entered into a Memorandum of Understanding (MoU) with the Department of Agriculture (DoA) for a R15 million debt settlement write-off and R35 million in operational

support. These funds were made available from the Emerging Farmers Support Facility. Since the facility's inception, R33.5 million has been approved and disbursed to all beneficiaries.

Land Bank is currently in discussions with the Citrus Growers Association to explore which grant-supported farmers would qualify for Blended Finance going forward. These discussions also encompass challenges related to water use rights permits and any outstanding historical debts.

### DoA Jobs Fund Programme

The fund was established in July 2019 as a R600 million fund, aimed at upscaling 450 smallholder development farmers earning a minimum of R200,000.00 per annum. The Jobs Fund and the Department of Agriculture each committed to contributing 50% towards the total fund amount. Only R39.6 million of the commitment was disbursed. The targeted commodities included:

- 60% horticulture
- 30% livestock
- 10% cotton

The fund was terminated in August 2022 due to a disagreement between Land Bank and the Department of Agriculture regarding how the latter pre-screened farmers and approved even those who did not meet the qualifying criteria. Subsequently, the Department of Agriculture and Land Bank concluded a close-out Memorandum of Agreement to facilitate the completion of outstanding fund activities. These included, inter alia, outstanding disbursements, contracts with service providers, loan book management, and bank account management. The close-out Memorandum of Agreement was valid until 30 September 2024; after this date, the remaining task is the monitoring and management of the loan book by Land Bank until it amortises.

### AgriBEE

This is a grant facility where Land Bank has served as the implementing agent and fund administrator since the fund's inception in September 2006. The MoA between Land Bank and the DoA has recently been renewed for another five years.

### Uptake Initiatives:

A total of 14 applications is in the pipeline for assessment by the DoA, after which those that are supported to be progressed further would be sent to Land Bank for due diligence. The total rand value of the pipeline is R404

million. The Bank will explore opportunities to provide loan financing to bridge the “own contribution” gap.

The Centre for Scientific and Industrial Research (CSIR) assists various clients in developing new products, and the intention is for these clients to be supported so they can get these products into the market. There is already a possible pipeline. The partnership will be pursued actively once the MoA between Land Bank and DoA has been concluded.

### Emerging Farmers Support Fund

The facility was put in place through Cabinet intervention to provide security for Land Bank’s debt exposure to an initial 234 development farmers who had defaulted on their liabilities. The initial exposure was R208 million and has since reduced to the current R113 million.

The DoA has since made the decision to terminate this facility and requested that some of its funds be used for the debt settlement write-off for Kat River Farmers and to support them going forward. Additionally, it has requested that the Land Bank transfer the balance to the Blended Finance programme.

Subsequently, Land Bank presented a proposal to the DoA, wherein an assessment of the affected farms would be undertaken to determine their viability for bringing them into production. This proposal was approved by the DoA through correspondence by the DG on 5 February 2024, wherein the following were noted:

- That thorough viability assessments for the farms still indebted to the Land Bank be conducted and recommendations be made to the DoA for endorsement;
- That a year-long addendum or a new MoA be concluded between the parties for this project;
- The details of the costs associated with this project should be included as part of the MoA.
- In pursuit of implementing the intended agreement, Land Bank and the DoA are discussing the conclusion of a new MoA in this regard.

### Wines and Spirits Fund

This fund, amounting to €10 million, represents a partnership between the European Union and the Government of South Africa. The Land Bank serves solely as an implementing agent on behalf of the Department of Agriculture (DoA). The fund consists entirely of grants, offering 100% grant financing, capped at R10 million. Clients may combine the grant with a loan component, applicable only to equity acquisition transactions (see table 4 below). The fund aims to benefit participants in the wines and spirits value chain, which encompasses both primary

agriculture and processing, and includes farm workers seeking to acquire assets within the wines and spirits value chain.

**Table 4: Grant with Loan Component for Equity Acquisition Transactions**

Type	Purpose	Amount [ZAR]
Grant	To assist with funding business requirements	500,000 to 3.5 million
Equity contributor	To leverage debt financing from financial institutions	3.5 million to 10 million

The launch of the fund is scheduled for 18 June 2025. The Land Bank has been collaborating with the industry to develop a pipeline of potential applications.

### Agro Energy Fund

Execution of transactions under the Fund has had a slow start since its launch at the end of August 2023, despite a slight increase in approvals and disbursements in the first quarter of the 2025 financial year. The current economic environment, coupled with industry and logistical challenges, as well as the impact of disease outbreaks that occurred last year, such as avian influenza, are among the contributing factors that have made many farmers cautious about taking on additional and new non-critical capital investments. Uptake is expected to increase with an improving economic outlook from 2025. Although the load-shedding crisis has somewhat subsided, the continued rise in electricity tariffs remains a significant driving force for farmers to invest in alternative energy sources.

### Uptake Initiatives:

Land Bank, in partnership with Avo and Power Pulse, is launching marketing campaigns across various media platforms to raise awareness of the fund. Ongoing engagements are being conducted to share lessons on areas for improvement, including feedback from colleagues at Avo and Power Pulse. Specifically, main turnaround times and onerous requirements have been identified as priority areas for enhancement. Additionally, it would be beneficial to adjust the marketing message from load shedding to electricity cost savings.

Land Bank has recently employed a Renewable Energy Specialist in the AEA division to beef up internal technical expertise. This will facilitate a seamless interface and flow of information between the Bank’s origination efforts and Avo, Power Pulse, and other similar partners.

In addition to the Fund Administration function performed on behalf of the Department of Agriculture, Land Bank administered the Hortfin Fund:

### Hortfin

Land Bank and Hortfin are partners who established the R600 million Hortfin SPV Fund. The objectives of the fund are to support developing farmers in the deciduous fruit industry. As part of the fund, the Deciduous Fruit Producers Trust ("DFPT") is the recipient of a R200 million grant from the Jobs Fund. DFPT also provides R100 million as an interest-free loan to the Fund, and Land Bank provides debt of R300 million. The proportionate contribution by each funding partner to the SPV is therefore as per Table 5 below:

**Table 5: Breakdown of funding contributions by each participant of the SPV**

FUND	PURPOSE	CONTRIBUTION	
		TOTAL CONTRIBUTION	% OF TOTAL SPV FUND
LAND BANK	Senior debt	R 300 000 000	50%
JOBS FUND	Grants	R 200 000 000	33%
DFPT	Interest Free Loan	R 100 000 000	17%
		<b>R 600 000 000</b>	<b>100%</b>

Following a challenging relationship between Land Bank and Hortfin, the parties have agreed to terminate the agreement. The primary reason for this decision is that the partnership no longer yields the intended outcomes, with Land Bank no longer receiving any financing transactions. The termination will also include a repayment agreement in which Hortfin will assume the liability of the financed clients. Proper governance and approval processes are being followed to implement these changes.

Hortfin SPV will assume the existing book and enter into a restructured repayment agreement by the latest repayment date as stipulated in the current loan contracts. The parties are working towards finalising this termination and takeover agreement.

### Corporate Social Investment

Land Bank continues to demonstrate its commitment to inclusive development through targeted Corporate Social Investment (CSI) initiatives that focus on improving livelihoods, building agricultural capacity, and promoting food security. The Bank's CSI programmes prioritise

previously disadvantaged communities, especially black youth and women in rural areas, and aim to address both immediate needs and long-term developmental outcomes within the agricultural sector.

During the reporting period, Land Bank maintained its focus on five core CSI themes:

- Food security
- Nutrition education
- Agricultural skills training
- Agri-awareness programmes
- On-the-farm experiential learning

These interventions supported subsistence farmers while also partnering with universities and agricultural training institutions to provide placement opportunities for graduates on active farms. Notably, a flagship socio-economic initiative, the Agriculture Market Access Programme, was launched during the year. This initiative enabled subsistence farmers to become commercially viable by improving their readiness for formal funding. It also delivered pre-investment agricultural advisory services and input support, thereby enhancing future access to finance for previously unfunded farmers.



The Bank also refined and implemented its School Food Garden initiative; a food security project reviewed in partnership with the Agricultural Research Council. Following a sustainability-focused assessment, the programme was relaunched at two schools in Gauteng and Limpopo in collaboration with the Department of Basic Education's Quality Learning and Teaching Campaign (QLTC) division.

In partnership with DOA, Land Bank provided production inputs, infrastructure support, and training to emerging farmers in Soweto. DOA delivered the skills development component, while Land Bank financed inputs and infrastructure. Furthermore, the Bank piloted a short-term online agricultural training project that introduced ten young participants to plant and animal production, agribusiness, and agricultural marketing.

Looking ahead, Land Bank will continue to focus on its established CSI priorities while scaling up impact through the following initiatives:

- Expand the Market Access Programme to support an additional 30 farmers.
- Enhance support for Community Property Associations (CPAs) under the Department of Agriculture (DoA) by offering assistance in governance and regulatory compliance.
- Strengthen partnerships with agricultural development entities to broaden the reach of career awareness and business education campaigns, especially in rural and farming communities.
- Collaborate with Land Bank clients to extend on-the-farm experiential learning opportunities for graduates, start-up farmers, and unemployed rural youth.
- Continue discussions with mining houses to integrate agriculture into the socio-economic development of labour-sending communities.

Design and implement new initiatives that focus on disability inclusion in agriculture, ensuring the sector's developmental opportunities are accessible to all.

Through these initiatives, Land Bank's CSI programme plays a vital role in unlocking potential, building resilience, and driving inclusive growth throughout South Africa's agricultural value chain.

### 5.3 Our Human Capital

#### The Year in Review

The financial year in review focused on the outcome of the Organisational Design project and the implementation of the organisational structure. The revised structure naming convention included the name change of the previous Human Capital Division to the People & Culture Division, whereby the Bank is emphasising that it values its people, recognises their sacrifices and contributions, supports their aspirations in career growth, and emphasises the importance of making the Bank great through a high-performance culture.

We embarked on phase 2 of the Organisational Design project, during which Price Waterhouse Cooper (PWC) was appointed to analyse and provide key considerations on Performance Management, Talent Management, Culture, Employee Value Proposition, and Change Management. The analysis offered valuable insights, which have been incorporated into a more rigorous performance management approach to support the growth of a high-performing culture. The completion of the Employee

Value Proposition and Culture survey further enabled us to obtain valuable insights from our people, which will be incorporated into various initiatives in the next financial year.

#### Organisational Capacitation

The revised organisational structure included the development of job descriptions for newly created positions and the review of existing roles to align with the Target Operating Model, as well as the skills and expertise required for each role. Completing the job descriptions, including validation and grading of the roles, allowed us to commence the capacitation of the new microstructures. We continued to enable our people to engage in work that is meaningful, impactful, and stimulating through the placement and internal appointments of 97.81% of the active permanent employees. Career growth opportunities were provided for 31 employees who were either placed or appointed in higher-grade positions.



At the end of the financial year, the organisational capacity consisted of 370 permanent staff, 14 fixed-term contractors, and 11 learners. The total workforce represented was 395 for the financial.

**Table 6: Land Bank Employees by Category and Gender**

Land Bank Headcount 31 March 2024: Employee Category and Gender	Male	Female	Total
Permanent Employees	206	164	370
Fixed-Term Contractors	7	7	14
Learners	5	6	11
<b>Total</b>	<b>218</b>	<b>177</b>	<b>395</b>

The table below presents the workforce by age and employment category. The majority of permanent employees are within the age range of 41 to 54 years.

**Table 7: The Workforce by Age and Employment Category**

Employees by Age and Employment Category: 31 March 2025	Age 24-40	Age 41-54	Age 55-65
Permanent Employees	115	193	62
Fixed-Term Contractors	3	6	5
Learners	11		
<b>Total</b>	<b>129</b>	<b>199</b>	<b>67</b>

Land Bank employees by tenure and employment category. The majority of the permanent staff have been with the Bank for over 11 years. The Land Bank recognises tenure through the Long Service Award Policy.

**Table 8: Land Bank Employees by Tenure and Employment Category**

Employees by Tenure and Employment Category: 31 March 2025	<5 years	6 to 10 years	11 to 39 years	> 40 years
Permanent Employees	151	77	139	3
Fixed-Term Contractors	14	-	-	-
Learners	11	-	-	-
<b>Total</b>	<b>176</b>	<b>77</b>	<b>139</b>	<b>3</b>

Land Bank remains committed to transformation. The Employment Equity Plan is monitored and considered in external acquisitions in accordance with the one-year employment equity plan for the Bank. ACI accounted for 81.27% of the workforce for FY2025.



**Table 9: Transformation by Employment Position**

Permanent & Fixed Term Contractors (Excluding Learners)	Female					Female ACI	Male					Male ACI	Grand Total
	A	C	I	W	FN		A	C	I	W	FN		
Top Management	3					38,99%	7	1	1			42,28%	12
Senior Management	13			4			16	5	5	5			48
Professionally Qualified & Experienced Specialists and Mid-management	63	5	4	13	1		74	16	4	36	2		218
Skilled & Qualified Workers, Junior Management, Supervisors, Foremen, Superintendents	21	4	1	4			20	1	1	7	1		60
Semi-skilled and Discretionary Decision Making	28	4	1	1			8						42
Unskilled and Defined Decision Making	7						8						15
Total	135	13	6	22	1		133	23	11	48	3		395
<b>Total ACI</b>	<b>81,27%</b>												

### Integrated Talent Management

Land Bank prioritises the growth and development of its employees by fostering a culture of continuous learning and career advancement. Talent development and succession planning serve as critical enablers of future business continuity. Our commitment to facilitating career growth through education not only benefits our employees individually but also enhances our organisational capabilities. By supporting employees in their pursuit of academic excellence, we ensure that our people remain equipped with the latest knowledge and skills, enabling us to deliver the highest level of service and innovation to our valued clients and stakeholders.

### Skills and Experience Fit for Purpose

The placement and appointments took into account the required skills and experience in relation to the job descriptions and our personnel. A range of generic training opportunities was offered, along with internal online training for technical skills, to further enhance our institutional knowledge.

### Performance Management

We are driven to enhance performance at both individual and organisational levels. Performance contracts were completed, and regular performance monitoring has been conducted throughout the year. Performance outcomes form an integral part of our talent management, allowing us to recognise high-performing individuals and address those with low performance.

### Learning and Development

Our commitment to talent management is exemplified by our support for employees pursuing various professional development opportunities. A total of R2 445 006 was invested in our people development.

### Tertiary Qualifications

A total of 17 permanent employees benefited from the payment for tertiary qualifications (staff studies), amounting to R1 265 240.

**Table 10: Training Spend by Employee Demographic**

Permanent Employees Staff Studies	ACI – No. of Interventions	ACI - Rand Value
Top Management (P1-P3)		
Senior Management (P4-P5)	1	R128 455
Professionally Qualified and Experienced Specialists and Middle Management (P6-P7)	11	R972 721
Skilled and Qualified Workers, Junior Management, Supervisors, Foremen, Superintendents (P8-P9)	2	R40 364
Semi-skilled and Discretionary Decision Making (P10-P12)	3	R123 700
Unskilled and Defined Decision Making (P13-P14)		
<b>Total</b>	<b>17</b>	<b>RI 265 240</b>

Other upskilling opportunities: Our employee value proposition encompasses development opportunities for all our staff. We have invested a total of RI 179 826 in our workforce.

**Table 11: Development Opportunity Investment by Employee Demographic**

Generic Training, Leadership Development, Technical Training, Workshops and Conferences	ACI – No. of Interventions	ACI - Rand Value
Top Management (P1-P3)	15	R120 070
Senior Management (P4-P5)	47	R169 428
Professionally Qualified and Experienced Specialists and Middle Management (P6-P7)	240	R447 506
Skilled and Qualified Workers, Junior Management, Supervisors, Foremen, Superintendents (P8-P9)	36	R198 325
Semi-skilled and Discretionary Decision Making (P10-P12)	37	R131 600
Unskilled and Defined Decision Making (P13-P14)	8	R7 598
Learnership / Bursar	29	R105 299
<b>Total</b>	<b>412</b>	<b>RI 179 826</b>

## Attrition

We operate in an environment where we compete against various banking and agriculture organisations seeking the same skill set as our employees. While the bank strives to retain our staff, the private sector offers more competitive opportunities that we cannot match. During the financial year under review, our voluntary attrition has increased slightly, ending at 7.59%.

**Table 12: Attrition by Employee Level**

Attrition in FY2024	FY2025
1. Total Attrition: Permanent, Voluntary and Involuntary – All	34
2. Total Attrition: Permanent - Voluntary	28
3. Attrition Rate: Permanent Voluntary Only	7.59%

Table 13: Voluntary Attrition by Demographics

Voluntary Permanent: Reason and Occupational Category	Female					Male					Total	ACI
	African	Coloured	Indian	White	Total Female	African	Coloured	Indian	White	Total Male		
Early Retirement	1			2	3				2	2	5	
Senior Management	1				1				1	1	2	
Professionally Qualified & Experienced Specialists and Middle Management				1	1				1	1	2	
Skilled and Qualified Workers, Junior Management, Supervisors, Foremen, Superintendents				1	1						1	
Mutual Separation Agreement									1	1	1	
Professionally Qualified & Experienced Specialists and Middle Management									1	1	1	
Resigned	8	1		1	10	9	1	1	1	12	22	78,57%
Top Management						1				1	1	
Senior Management						2	1			3	3	
Professionally Qualified & Experienced Specialists and Middle Management	4	1		1	6	5		1	1	7	13	
Skilled and Qualified Workers, Junior Management, Supervisors, Foremen, Superintendents	4				4	1				1	5	
<b>Grand Total</b>	<b>9</b>	<b>1</b>		<b>3</b>	<b>13</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>15</b>	<b>28</b>	
	<b>35,71%</b>					<b>42,86%</b>						



## Employee Value Proposition (EVP)

Our EVP offers various benefits, including staff development, wellness programmes, generous leave provisions, and flexible working arrangements, allowing for both remote and in-office working options. The next financial year will feature a comprehensive review aimed at enhancing our Employee Value Proposition for retention and attraction.

### Remuneration

Land Bank's remuneration strategy is informed by the State-Owned Entities Remuneration and Incentives Guidelines (2018). Remuneration management within Land Bank is integrated into other people management processes, such as performance management and talent management, aligned with the overall people management policies based on a total rewards philosophy and approach. The Minister of Finance approved the Remuneration and Compensation Policy in September 2023. The Remuneration and Compensation Policy provides the remuneration philosophy and principles regarding matters related to compensation.

Our aim for remuneration remains to ensure fairness and equity. To achieve this, there is integration between our grading system ('Peromnes'), approved job descriptions that contain the required skills and experience, and the key performance outputs per role within the structure. Our pay scales are benchmarked annually, which informs the pay ranges for each Peromnes grade.

The Bank is utilising an Annual Guaranteed Package (AGP) approach and offering benefits within the AGP parameters established by the organisation. Participation in the employee benefit arrangements is compulsory for permanent employees and is regulated in accordance with the relevant benefit scheme rules and within the confines of Tax Legislation. The benefits offered to permanent employees include the closed medical aid scheme of Bankmed, a retirement fund, and risk benefits coverage, which encompasses life, disability, dread disease, and funeral cover.

Our remuneration and compensation metrics for the financial year (excluding Learners) are presented in the table below.

**Table 14: Remuneration and Compensation Metrics for FY2025**

Total remuneration of the highest-paid employee: Chief Executive Officer	R4 944 399,96
Total remuneration of the lowest-paid employee: Messenger	R 218 449,92
Average total remuneration of all employees	R989 736,70
Median total remuneration of all employees	R889 920,36

To calculate the remuneration gap reflecting the ratio between the total remuneration of the top 5% highest-paid employees and the bottom 5% lowest-paid employees, the highest and lowest 19 employee salaries were utilised. Based on that, the ratio is 8.98.

### Annual Salary Increase

For FY2025, a 5.2% cost-of-living salary increase was implemented for employees below executive management. For Executive Management, performance-based salary increases were implemented, with the final increase being 5.2%. The Minister approved a 5.2% increase for the Chief Executive Officer.

### Variable Pay

The variable pay component of remuneration comprises a short-term performance incentive. The payment of a short-term incentive for the financial year under review has not been approved, given the financial sustainability considerations.

### Governance

People management is governed by various policies and procedures, with reviews of these policies undertaken on a three-year cycle or whenever changes occur in the operating environment or legislation. People matters are monitored through quarterly reporting to the Land Bank EXCO and the Human Resources and Remuneration Committee.

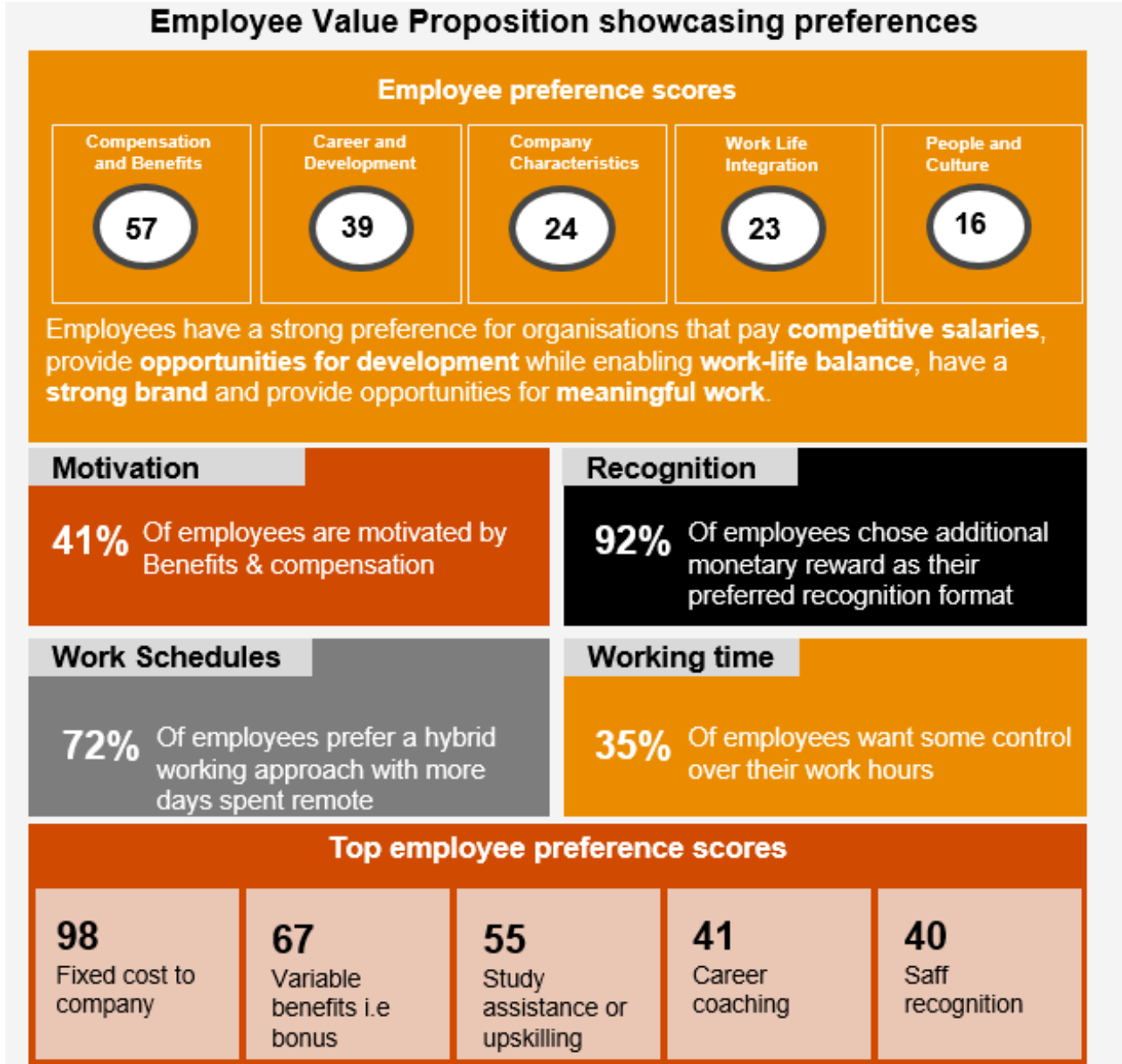
### Consequence Management

The Bank addresses consequence management in accordance with relevant labour relations legislation, as well as Land Bank policies and procedures. By maintaining an ethical and disciplined working environment and culture, the management of labour relations is facilitated through the People & Culture Support and the Legal Division. Consequence management aligns with the relevant labour relations legislation and Land Bank Insurance policies and procedures. Twelve matters have been processed for consequence management, of which outcomes for 11 have been concluded. There have been no dismissals during the financial year, and one mutual separation.

**Culture**

A comprehensive survey was conducted by PWC. The participation rate among our staff was 73%. The Culture Change Framework was approved in March 2025, paving the way for the implementation of various components in the new financial year, with a focus on fostering a high-performance culture and effective talent management. We increased our engagement with our people during the financial year through quarterly bank-wide sessions, providing feedback on our organisational performance and people matters.

*Figure 10: Culture Survey Results*



## Culture inputs based on preferred employee experiences

### Employee experience theme scores



Employees generally feel a sense of safety and belonging at Land Bank but there is room to improve experience with respect to ways of working. The team level and the line manager indicate more favourable experiences.

#### Elements employees would like to see more prominently offered

- 1 Effective performance management & recognition
- 2 Career growth and development opportunities
- 3 Investment in technology
- 4 Work-life balance

#### Factors employees believe are valued by Land Bank

- 1 Additional benefits i.e leave, insurance, education support
- 2 Positive culture
- 3 Career development opportunities
- 4 Competitive remuneration and incentives

### Restructure process experience

**26%** Of employees had a **positive** experience of the restructure

**33%** Of employees had a **negative** experience of the restructure

## 5.4 Our Natural Capital

The Land Bank implements its Environmental and Social Sustainability Strategy through a structured Environmental and Social Management System (ESMS). This system establishes the foundation for identifying and managing environmental and social risks across both internal operations and the Bank's client base while also promoting responsible stewardship of land and related natural resources.

The ESMS is designed to:

- Identify and manage exposure to environmental and social risks arising from clients and internal operations;
- Identify and respond to climate change-related risks affecting agricultural production;
- Develop opportunities for promoting the sustainable use of land and natural resources;
- Promote social welfare and inclusion by improving economic opportunities, general well-being, and quality of life for Land Bank clients, communities, and the broader society; and
- Encourage efficient use of materials and support sustainable waste management practices.

At the core of the ESMS is the Environmental and Social Risk Assessment (ESRA) process, which ensures the environmental sustainability of land use and resource management practices. All transactions processed by the Bank are subjected to environmental and social risk assessments that:

- Identify potential risks associated with client projects;
- Systematically evaluate and manage those risks through a formal process;
- Maintain appropriate documentation and records in line with best practices;
- Monitor compliance with national environmental and social regulations, as well as international standards;
- Require clients to implement mitigation plans for identified risks; and
- Enhance the Bank's reputation among clients, investors, and stakeholders by adhering to strong environmental and social governance.

### Performance Overview for FY2025:

A total of 330 ESRA reports were reviewed.

Of these, 317 were completed using the Acceleris system following the full migration from Excel; the remaining 13 were finalised on Excel for work-out and restructuring (W&R) purposes.

309 reports were classified as low risk (Category C), while three were categorised as medium risk (Category B).

10 assessments were amended based on additional information received.

Six ESRA reports underwent monitoring to ensure compliance with environmental and social conditions, whether as conditions precedent or subsequent to disbursement, during annual reviews, or for existing clients applying for new loans. Of these, one medium-risk project had outstanding non-compliance issues, including delays in obtaining water use licences and environmental certifications.

Two ad hoc ESRA queries were addressed, covering support on due diligence, environmental legislation, and technical issues related to EIA regulations.

Through these efforts, the Bank continues to integrate environmental sustainability into its development financing framework.

## 5.5 Our Manufactured Capital

As part of its broader modernisation and infrastructure strategy, the Land Bank has launched a phased initiative for corporate identity implementation to establish a consistent and recognisable brand presence across all its office locations. The goal is to deliver a seamless and uniform client experience – whether at the Head Office or a regional branch – by ensuring that every point of contact reflects the Bank's professionalism, service quality, and values.

The initiative will be implemented in phases, beginning with upgrades to four strategically selected branches: Bloemfontein, Nelspruit, Vryburg, and Upington. These locations have been prioritised for refurbishment to align with the Bank's corporate identity standards. Subsequent phases will unfold based on financial availability and strategic imperatives. Clients will benefit from enhanced service environments that are familiar, accessible, and consistently branded, regardless of their geographic location.

In parallel, the Bank has undertaken a thorough review of its national property footprint. Consequently, it will dispose of office properties that no longer align with its long-term strategic objectives. The proceeds from these disposals will be reinvested in high-impact, value-adding initiatives that support the Bank's broader transformation goals and enhance overall infrastructure efficiency.

This infrastructure upgrade initiative is not limited to visual enhancements; it acts as a strategic catalyst for operational effectiveness, client engagement, and long-term sustainability. By revitalising its physical network and aligning its facilities with its strategic vision, the Bank is positioning itself for improved brand cohesion, heightened client satisfaction, and future-focused growth.

## 5.6 Our Financial Capital

# FOREWORD BY THE CHIEF FINANCIAL OFFICER



The Land Bank Group received an unqualified audit opinion from the Auditor-General of South Africa (AGSA) on its FY2025 Annual Financial Statements. The same applies to both Land Bank Insurance companies. The Group remains committed to strive to achieve a clean audit going forward.

The Group's performance is as outlined below:

Indicator	FY2025	FY2024
Net Profit	R468.9 million	R61.3 million
Operating Expenses	R845 million	R649 million
Cash Flows from Operations	R1 billion	R2.1 billion
Group Assets	R24.2 billion	R31.5 billion
Cost-to-Income Ratio	43%	81.2%
Solvency Ratio	201.2%	117.7%

Details on group financial performance are outlined in paragraph 4.6.2.

### Key developments:

#### Banking Operations

The debt restructuring process of Land Bank (known as the Liability Solution) was finally concluded during September 2024, thereby curing the 4 year long default that Land Bank

has been operating under. We extend our gratitude to our lenders as well as the Shareholder for the support afforded to Land Bank that culminated in this agreement. This is a key achievement for the Bank and has allowed for the conditional capital injection by the Shareholder previously in the escrow account to accrue to Land Bank and the funds accordingly released to the Bank. With the Bank now out of default, focus is now on raising much needed funding to support its operations in fulfilling its mandate to ensure a sound liquidity position into the future.

The Bank's resilience in the face of challenges has seen the Bank repay 76,8% of the R41bn debt since default. The loan book has also started to show signs of stability compared to attrition rates seen in previous years since default. Growth in the Blended Finance loan book is evident driven by the origination and disbursement strategies of the Bank. Lastly the Non-Performing loan (NPL) book remediation strategy is paying dividends with the NPL book reducing by 9% from prior year. The Bank has started to implement its revenue diversification strategy which will see reliance on mainly interest income addressed in the long run.

Looking ahead, the Bank remains focused on driving its strategy and execution to ensure long-term financial sustainability while delivering on its mandate. Priority areas include continued implementation and enhancements of the following strategies: revenue diversification, origination and disbursement; as well as loan book management. In addition, the Bank will continue to improve its cost efficiency and to strengthen its liquidity position.

Land Bank Insurance Successful implementation of IFRS 17 including remediating challenges experienced with the first time adoption thereof for Land Bank Insurance Company. For details on the Land Bank Insurance business, including the key financial indicators refer pages 94 to 99.

In conclusion, Land Bank Group continues to demonstrate resilience and remains steadfast in executing its developmental mandate while ensuring its financial sustainability. We extend our sincere gratitude to our Shareholder and all stakeholders for their continued support.

**Khensani Mukhari**  
Chief Financial Officer

## Group Financial Performance

The Land Bank Group achieved an overall profit for FY2025.

The Group reported a net profit of R468.9 million, up from a restated profit of R61.3 million in FY2024.

Net interest income improved to R1.8 billion (FY2024: R714 million), with interest expense declining from R1.9 billion to R1.5 billion, following debt capital repayments of R5.4 billion.

Operating expenses increased to R845 million, largely due to debt restructuring costs and re-capacitation of the Bank.

### Assets

Group assets decreased from R31.5 billion in FY2024 to R24 billion in FY2025. Key drivers of this decline include:

Implementation of the IFRS 17 insurance accounting standard by subsidiaries

Net loan book reduction of R1.75 billion

Decrease in cash equivalents by R5.4 billion

### Banking Operations

The Bank's net profit of R486.6 million was primarily attributed to the interest earned on the capital injection previously held in Escrow and reduced interest expenses.

Net interest income increased to R1.8 billion (FY2024: R705 million), driven by higher cash balances and repo rates, partially offset by the shrinking loan book.

Net impairments for the year amounted to R878 million, including write-offs and recoveries, compared to a R114 million net charges the previous year.

Operating expenses increased to R819 million (FY2024: R638 million), with major contributors including personnel costs (from filling critical vacancies), professional fees, and travel expenses.

### Investment Income

Total investment income for the period under review amounted to R275 million, a substantial increase from the R23.6 million recorded in FY2024. This growth was largely driven by dividends received from the Bank's subsidiaries, contributing positively to overall performance.

### Cash and Cash Equivalents

As at 31 March 2025, cash and cash equivalents totalled R9 billion (FY2024: R14.4 billion), a decline of R5.4 billion. This figure includes funds of R1.6 billion administered on behalf of related parties.

The decrease is primarily attributable to:

Disbursements: R807.8 million

Operating and other costs: R819 million

Debt Capital and interest repayments: R8.5 billion

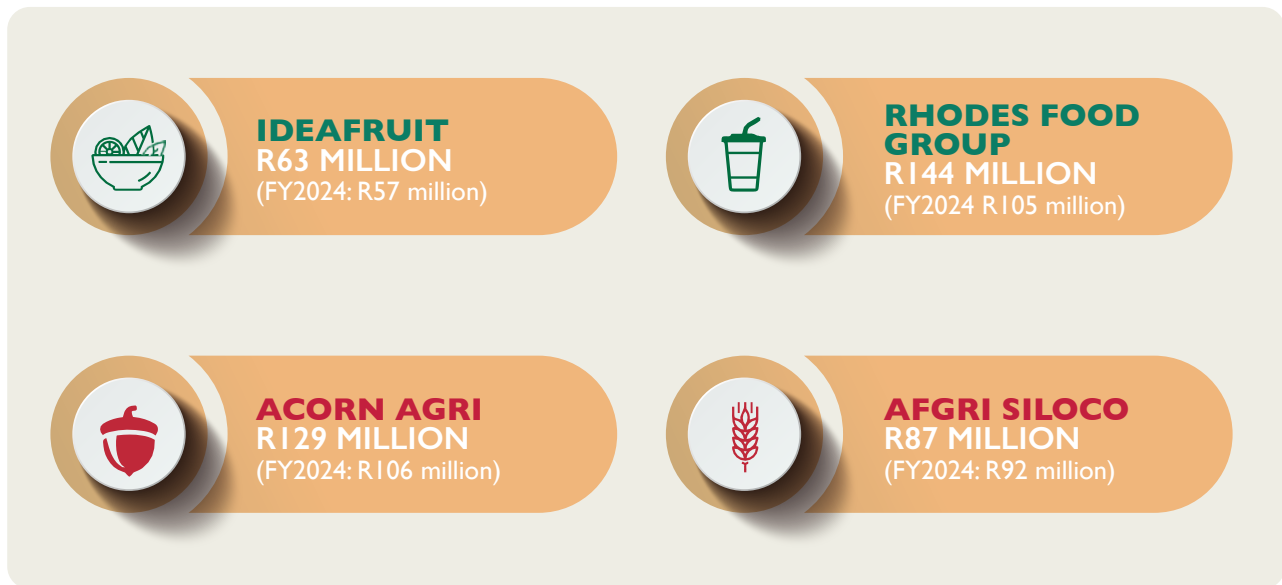
These outflows were partially offset by R3.2 billion in collections and settlements from clients.

### Investments

The Bank's R1.5 billion investment portfolio is comprised of R460 million in PRMAF assets, R650 million invested in the Insurance Subsidiaries, and equity investments in other entities.

The investment associated with the PRMAF portfolio was established to hedge against the Bank's post-retirement medical aid liability (a defined contribution fund), which amounted to R304 million. The investment is managed by an independent fund manager on behalf of the Bank, while independent actuaries evaluate the liability annually.

Other entities investments are made up of:



Total investments increased from R1.4 billion as of 31 March 2024 to R1.5 billion, due to fair value gains on some of the other remaining investments. The Bank continues its strategy of disposing of non-core investments to bolster liquidity reserves where it is commercially sensible.

#### Net Loans and Advances

Net loans and advances decreased to R11.6 billion (FY2024: R13.3 billion), driven by client settlements and attrition. Gross loans decreased by R2 billion to R15.4 billion (FY2024: R17.5 billion), primarily as a result of customer settlements.

#### Non-Performing Loans

NPLs decreased by R845 million (9%) to R8.4 billion for the year under review, down from R9.2 billion on 31 March 2024, primarily due to cures and client settlements that were offset by roll-ins. The NPL ratio rose from 53.1% reported as of 31 March 2024 to 54%, a consequence of decreased gross loans, despite the absolute value of NPLs having declined. The Bank continues to implement and enhance the following strategies to manage the NPL loan book size: NPL remediation strategy, Loan book management strategy, as well as the origination and disbursements strategies. This is supported by updated policies, strengthened credit practices.

## Irregular, Fruitless, and Wasteful Expenditure

**Table 15: Irregular, Fruitless, and Wasteful Expenditure**

Description	Group			Company		
	2024/25	2023/24	2022/23	2024/25	2023/24	2022/23
	R'000	R'000	R'000	R'000	R'000	R'000
Irregular expenditure:						
Opening balance	983 556	981 461	975 859	972 748	973 788	968 186
Prior Period Errors As Restated						
Add: Irregular expenditure confirmed	199	3 403	5 602	-	268	5 602
Less: Irregular expenditure condoned		-1 308			- 1 308	
Less: Irregular expenditure not condoned and removed						
Less: Irregular expenditure recoverable						
Less: Irregular expenditure not recovered and written off						
Closing balance	983 755	983 556	981 461	972 748	972 748	973 788
Fruitless and wasteful expenditure:						
Opening balance	53 958	69 627	69 620	53 642,55	69 354,19	66 909,00
Prior Period Errors As Restated						
Add: Fruitless and wasteful expenditure confirmed	6	1 308	2 449		816,00	2 449,00
Less: Fruitless and wasteful expenditure recoverable	-	- 16 978	- 2 442		- 16 527,64	- 3,81
Less: Fruitless and wasteful expenditure not recovered and written off						
Closing balance	53 964	53 958	69 627	53 642,55	53 642,55	69 354,19

**Reconciling notes to the annual financial statement disclosure:**

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure:		
Irregular expenditure that was under assessment in 2022/23		
Irregular expenditure that relates to 2023/24 and identified in 2024/25	-	3 403,00
Irregular expenditure for the current year	199,00	
Total	199,00	3 403,00
Fruitless and wasteful expenditure:		
Fruitless and wasteful expenditure that was under assessment in 2022/23		
Fruitless and wasteful expenditure that relates to 2023/24 and identified in 2024/25	6,00	748,00
Fruitless and wasteful expenditure for the current year	-	-
Total	6,00	748,00



Details of current and previous year irregular, fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure:		
Irregular expenditure under assessment	8 141	
Irregular expenditure under determination		
Irregular expenditure under investigation		
Total	8 141	-
Fruitless and wasteful expenditure:		
Fruitless and wasteful expenditure under assessment		
Fruitless and wasteful expenditure under determination		
Fruitless and wasteful expenditure under investigation		
Total	-	-

### Treasury Report

Land Bank successfully cured the default in September 2024 by converting all local debt into a four-year note and amending foreign loans to mature in March 2028. Since the default event in April 2020, total liabilities have been reduced by 76.8%, from R40.4 billion to R9.429 billion.

As of 31 March 2025, the accumulated cash totalled R7.389 billion (excluding Funds under Administration of R1.626 billion). Cash is invested in instruments that aim to deliver better rates while preserving capital, such as call accounts and bank deposit notes offered by banks and asset management companies.

As of 31 March 2025:

Nominal debt: R9.429 billion

Cash reserves (excl. funds under administration): R7.389 billion

Cash is strategically invested in capital-preserving instruments such as call accounts and deposit notes issued by reputable banks and asset managers, ensuring prudent stewardship of available funds.



# RISK

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## 6. RISK

### 6.1 Risk Management Approach and Strategy

The Bank recognises that effective Enterprise Risk Management (ERM) is central to achieving its developmental and commercial mandates. To this end, the Bank has adopted a risk-intelligent and integrated ERM approach that anticipates emerging threats, enhances value preservation, and creates opportunities for sustainable growth. This approach is embedded across all levels of the organisation and is aligned with key legislative and governance frameworks such as Public Finance Management Act (Section 51), Treasury Regulations, the King IV Report on Corporate Governance, ISO 31000:2018, COSO ERM Framework, and the Public Sector Risk Management Framework. The Bank’s risk management strategy is underpinned by a structured risk maturity roadmap, aiming to reach an “Optimizing” level of risk maturity where risk is embedded in decision-making, performance and culture. ERM is applied across multiple risk categories, including Operational Risk, Credit and Investment Risk, Financial Risk, Compliance and Regulatory Risk, Strategic Risk, as well as Fraud and Ethics Risk, which is managed through dedicated prevention frameworks and ethical governance.

**Figure 11: Land Bank Risk Maturity Model**



The Bank’s internal control environment and risk oversight, beginning with setting a strong tone at the top and fostering a sound risk culture aligning risk management with strategic goals identifying both risks and opportunities that may impact objectives and assessing risks in terms of likelihood and impact Risk responses are formulated through avoidance, acceptance, transfer, or active mitigation, and control activities are established to ensure these responses are effectively implemented. Information flows and communication are maintained across all levels to support sound governance and the entire risk environment is continually monitored and improved. This comprehensive and integrated strategy supports the execution of the Bank’s mandate and enhances its ability to respond proactively to a dynamic and often volatile economic, social, and regulatory environment.

The Land Bank and its Board are devoted to the principles of good corporate governance, viewing Enterprise Risk Management (ERM) as an integral part of all organisational business processes and decision-making.

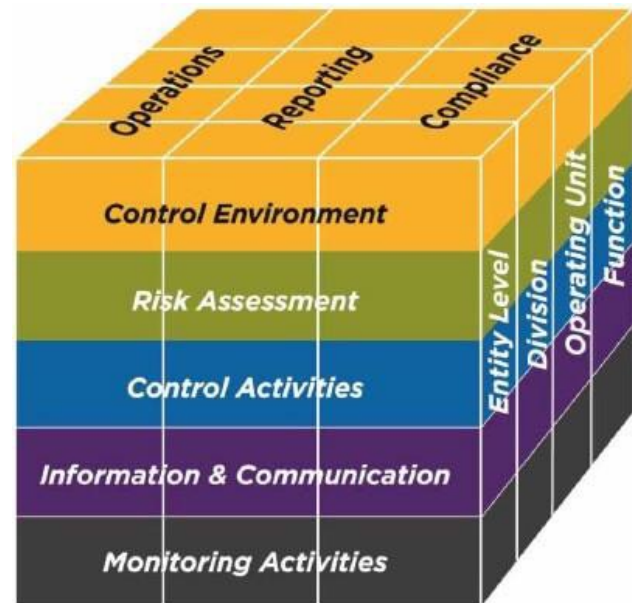
## 6.2 Risk Governance Oversight

At the Bank, risk governance is anchored in a robust and well-established oversight model, guided by the Three Lines of Defence (3LOD) framework, which ensures clarity of roles, accountability, and effective risk management across all levels of the organisation. The Board of Directors holds the ultimate responsibility for the governance of risk and is accountable for overseeing the Bank's overall risk management framework. The Board is supported by a comprehensive governance structure that cascades from Executive Management to key governance committees, including the Audit and Finance Committee, Risk and Governance Committee, Credit and Investment Committee, Social and Ethics Committee, and Human Resources Committee. The first line of defence comprises business units and management, who own and manage risks as part of their day-to-day responsibilities. This line is further reinforced by a well-established and functional network of risk champions embedded within each business unit, promoting a strong risk culture and ensuring that risks are identified, assessed, and escalated appropriately.

The second line of defence includes the risk management, compliance, ethics, fraud prevention, business continuity management as well as information and data governance functions, which provide essential oversight, expertise, and monitoring to ensure risks are being managed within the Bank's defined appetite and governance framework. The third line of defence is delivered through independent assurance providers, including Internal Audit and the Auditor-General of South Africa (AGSA), who provide objective evaluation of the adequacy and effectiveness of the risk management system and internal controls. Collectively, this layered approach to risk governance ensures that the Land Bank maintains high standards of accountability, transparency, and resilience in the face of an evolving risk landscape, thereby supporting sound decision-making and long-term sustainability.

## 6.3 Enterprise Risk Management

**Figure 12: ERM and Internal Control Framework**



The Bank adopted the above framework guiding its risk management processes. The ERM frameworks considers all the risks at a strategic environment, considering the rapid changes and uncertainties in our operating environment as well as keeping up to date with best practices, standards and regulations. The categories of our environment include Strategic risk, Regulatory & Compliance risk, Fraud & Ethics, Credit risks, Financial risk and Business Continuity, Project risk and Operational risk which takes into account losses due to failed process, systems, people and external events risks and operational incidents are monitored and reported to ensure that all the risks that we are exposed to are managed at an optimum level.

## 6.4 Project Risks and Business Continuity Management

The Bank's Board and Executive Management recognises the need for a Business Continuity Management (BCM) Program and are dedicated to effectively implement measures to manage business continuity management risk. The Bank is committed to managing and minimising risks by identifying, analysing, evaluating and treating exposures that may impact its ability to achieve continued efficiency and effectiveness of its business operations. Executive Management has taken responsibility to implement BCM in accordance to relevant legislative requirements – Disaster Recovery Management Act of 57 of 2000 and appropriate BCM (ISO 22301) standards as per best practice.

To ensure resiliency in achieving the Bank's critical objectives as well as converting risks into opportunities that create value for its stakeholders, Land Bank has integrated BCM in strategic and operational planning, day-to-day management and decision-making to mitigate risks that will prevent it from achieving its core development mandate objectives.

Furthermore, the Bank is committed to ensuring that all staff, particularly those with management, advisory, recovery role and decision-making responsibilities, obtain a sound understanding of the principle of BCM and the necessary skills to implement the BCM Program effectively. The Bank regularly monitors and reviews the progress being made in developing an appropriate culture and the effective implementation of business continuity strategies throughout the organisation as a basis for continuous improvement.

## 6.5 Credit and Investment Risk Management

Credit risk may also arise from an increased risk of default by the counterparty throughout the contract. Credit risk management is a process, effected by the Board and Management, and applied in the Credit Strategy setting and across the Credit Risk value chain, designed to identify potential events that may affect the Bank and manage risk within its credit risk appetite. Credit risk management deals with risks and opportunities, ensuring value creation or preservation.

The Bank's credit risk management process ensures that there is regular and continuous identification, measurement, management, monitoring and reporting of credit risks, which is aimed at improving the ability to reduce the impact on the Bank's balance sheet and income statement. All credit applications follow an approved governance

structure in line with the delegation of authority. The Land Bank Board took a decision to decentralise lending activities to all regional offices, enabling efficiencies and enhancing risk management at the point of origination. The Credit Division and the origination teams, which include Agricultural Specialists, Banking and Legal Divisions, have now been brought closer to regions and to clients for improved turnaround times, better understanding of clients' businesses and risk identification with improved monitoring capabilities. The Board subcommittee on Credit and Investment is an oversight structure for all credit risk activities, supported by the Risk and Governance structure of the Board.

## 6.6 Model Risk Management

Model risk remains a key area of focus within the bank's broader risk management framework, given the increasing reliance on quantitative models for credit risk assessment, pricing and provisioning, amongst others.

Model risk for the Land Bank refers to the potential for financial loss or misguided business strategy due to the failure of a financial model to accurately capture a particular phenomenon. This risk can arise from errors in the model design, development, implementation, or assumptions, and can have a significant impact on decision-making and the financial stability of the bank.

To mitigate this risk, Land Bank has established a comprehensive Model Governance Framework, Model guidance notes and policies. These frameworks are designed to ensure the integrity, accuracy, and reliability of the models used in our operations.

During the year, the bank strengthened its model governance process by enhancing model validation practices, updating model risk policies and ensuring independent validation/ review of all critical models.

A key aspect of maintaining financial sustainability is the accurate measurement of expected losses, which must be incorporated into our loan provisions. Our Model Governance Framework encompasses the development, implementation, and use of IFRS 9 models and tools. These tools are critical for measuring expected loss provisions in accordance with the standards set by the International Accounting Standards Board (IASB) for IFRS 9.

Despite our best efforts, unexpected losses can occur due to unforeseen circumstances. To ensure financial resilience, Land Bank must accurately measure the amount of capital required to cover these unexpected losses. Our Model



Governance Framework addresses this by considering the models used to measure credit risk inherent in our loan-granting activities.

The framework also covers the governance process on the models that are used to calculate Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) ratings. These risk rating models and tools are essential for understanding and managing the credit risk associated with our lending activities, ensuring that we maintain a robust and sustainable financial position.

By adhering to these comprehensive Model Governance Frameworks and continuously refining our models, Land Bank aims to uphold the highest standards of risk management and financial stability.

## 6.7 Financial Risk Management

The Bank maintains a conservative approach towards market and liquidity management and has a low tolerance for risks from open positions. The treasury function manages the Bank's assets and liabilities, balancing its liquidity and market risk exposures accordingly. The Treasury division, with the support of the assets and liability committee (ALCO), would continue to manage this risk.

Land Bank maintains a prudent and conservative approach to managing market and liquidity risks, with a low tolerance for exposure arising from open positions. The Treasury Division, supported by the Asset and Liability Committee (ALCO), is entrusted with safeguarding the Bank's financial sustainability through robust asset-liability management and liquidity oversight. This includes continuous monitoring of covenants associated with the Debt Restructure Agreement and proactive alignment of the Bank's funding strategy with both short-term liquidity requirements and long-term development objectives.

Financial risk mitigation is further supported through:

- Implementation of revised pricing mechanisms to optimise net interest margins.
- Close monitoring and remediation of non-performing loans (NPLs) in line with Board-approved strategies.
- Engagement with strategic partners to diversify funding sources and strengthen the Bank's blended finance portfolio.
- Quarterly reporting and oversight by ALCO to ensure adherence to liability solution covenants and liquidity thresholds.
- Land Bank's approach reflects its commitment to the principles of sound financial governance, ensuring

resilience across economic cycles while enabling scaled lending in support of development effectiveness.

## 6.8 Compliance Governance

The Board fully acknowledges and embraces its responsibility to oversee and promote a robust culture of compliance and integrity. To support this mandate, Land Bank has implemented a comprehensive Compliance Framework and a suite of related policies that provide clear guidance on regulatory and ethical standards.

As part of a risk-based compliance approach, the function continually identifies regulatory changes and emerging risks, developing appropriate controls and typologies to ensure the compliance risk management system—and its supporting policies—remain current, relevant, and effective.

Furthermore, Land Bank expects its third parties and suppliers to uphold high standards of corporate governance and to align with the Bank's Code of Ethics and associated policies. Their capability to responsibly manage personal information and mitigate reputational risks is assessed during onboarding and through periodic reviews, in accordance with the Bank's policies and supporting standards.

In its commitment to maintaining compliance in a dynamic regulatory environment, the bank maintains its regulatory universe to meet its compliance obligations. The Bank has categorised its regulatory requirements according to Core requirements, secondary requirements and topical requirements. This assessment is done yearly or and as when there are changes to the regulatory landscape of the Bank. Some of the core regulatory requirements that the bank is exposed to are The National Credit Act (NCA), Land and Agricultural Development Act, Public Finance Management Act and the Financial Intelligence Act (FICA).

The compliance function also ensures the below deliverables as per the Risk and Governance approved compliance operational plan:

- The function has a Fic registered Money laundering Officer (MLRO) and Money laundering Compliance Officer (MLCO)
- The functions ensure that all key Persons meet the fit and proper requirement assessments for the Land Bank are completed
- The function facilitates the necessary regulatory training.
- The function provides quarterly reports to the Land Bank's Governance and Risk Committee and the Social and Ethics Committee, giving the necessary assurance

and status updates on the level and status of compliance within the Land Bank's business using its Compliance Risk Management Plans and the Regulatory universe.

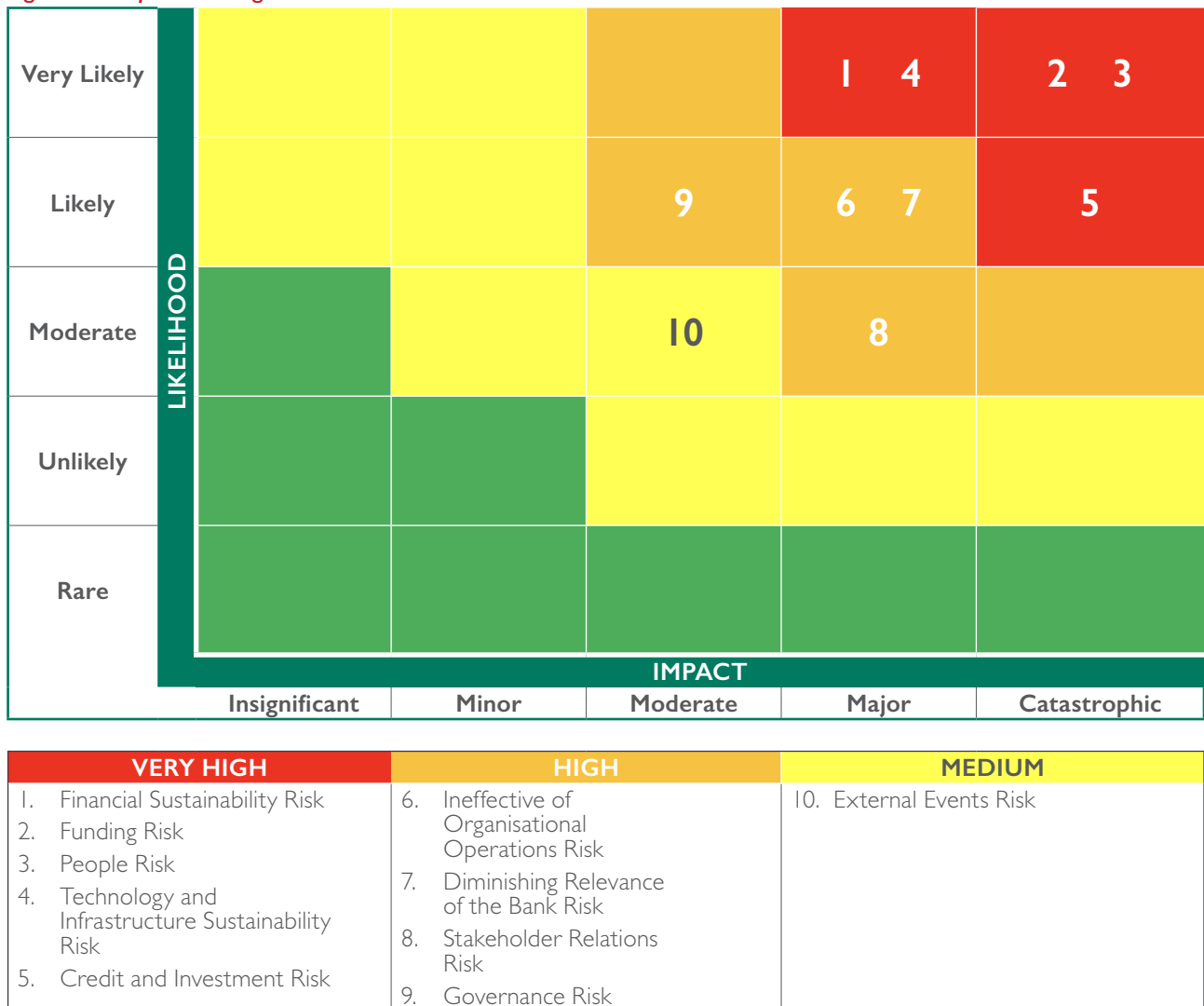
- The function is also responsible for ensuring the submission of all regulatory returns and reports to the various regulators to maintain the necessary regulatory licenses held within Land Bank
- The function also tracks the IT Governance Compliance of the bank

### 6.9 Our Top 10 Strategic Risks

The Board continue to monitor the 10 top risks which were assessed as having a material impact on the strategic objectives. These risks are rated by the Board based on residual risks and impact on the strategic goals. Targeted interventions to treat the root causes are in place for each risk item. Management monitors interventions and controls which are reported at Board on a quarterly basis for their oversight. The Board further ensures its oversight to compliance with the Risk Appetite and Tolerance Framework of the Bank in its endeavour of preserving value. The Land Bank also considers the upside risks and opportunities to ensure that all the identified opportunities are exploited to gain competitive advantage.

The following table provides the Land Bank's risk rating, mitigations and controls for the year under review.

**Figure 13: Top 10 Strategic Risks**



## 6.10 Ethics Matters

Ethics as defined by the King IV in the context of the Land Bank as an organisation, refers to ethical values applied to decision making, conduct and the relationship between the Bank, its stakeholders and broader society. Ethical culture is an essential ingredient for good corporate governance.

The Bank's commitment to continually improve its ethics management programs and processes will enable it to stay ahead of emerging ethics risks and opportunities. Regular review and updating of the Bank's Ethics Management Plan enable the Bank to remain adaptable, resilient and committed to the highest standards of ethics and integrity.

Furthermore, Institutionalisation of ethics is also essential for promoting a culture of ethics and integrity within the bank. The Bank is intentional in embedding ethics into its identity or fabric, making it an integral part of its culture, policies and practices.

Below is a brief overview of activities the Bank undertook to entrench and maintain an ethical culture:

- Resourcing of the Ethics Office by appointing the Ethics Manager;
- Development of an annual ethics operational plan setting clear ethics objectives and outlining the activities or roadmap for achieving these objectives;
- Maintaining ethical standards through promotion of the code of ethics and business conduct, organisational values and other ethics-related policies and key documents;
- Managing conflicts of interest through annual declaration of interests, declaration of conflict of interest in decision-making structures and declaration of gifts;
- Institutionalisation of Ethics through regular ethics awareness and training programs;
- Promoting a Speak-Up culture, encouraging whistle-blowing and ensuring protection of whistle-blowers against retaliation and victimisation;
- Zero tolerance on unethical behaviour and conduct, including Fraud and corruption;
- Ensuring Accountability: Investigating all whistleblowing alerts and holding employees accountable for their actions;
- Ongoing implementation of Ethics Risk Assessment (ERA), maturity strategy and survey recommendations through the annual ethics management plan; and
- Ethics monitoring and reporting to EXCO and the SEC.



07



# LAND BANK INSURANCE

LETTER FROM THE MANAGING DIRECTOR  
STRATEGY AND VALUE CREATION  
RISK MANAGEMENT STRATEGY AND PROCESS  
OUR TEAM

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## 7. LAND BANK INSURANCE

Land Bank Insurance (LBI) refers to the joint insurance businesses, namely Land Bank Insurance Company SOC Ltd (LBIC) and Land Bank Life Insurance Company SOC Ltd (LBLIC). These entities play a critical role in supporting the Bank's broader mandate of promoting inclusive growth, financial inclusion and sustainability within South Africa's agricultural sector by supporting agricultural resilience through Risk Management.

LBIC is a licensed non-life insurance company, registered with the Prudential Authority (PA) in accordance with the Insurance Act 18 of 2017. As a niche crop insurer, LBIC provides tailored cover for risks such as hail, fire and allied perils that result in yield and financial losses to farmers caused by adverse weather events. In addition, LBIC offers insurance solutions for agricultural assets commonly used in farming operations, thereby enhancing the resilience of primary producers against operational disruptions.

LBLIC, a licensed life insurer registered with both the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) in accordance with the Insurance Act 18 of 2017, has been in operation since 1954 and provides credit, life, and disability insurance products to Land Bank clients and generally farmers in South Africa. Its product offering includes both individual and group schemes (which are credit provider policies), providing critical collateral security in the event of disability or death.

Both these insurance companies provide a robust risk management framework that complements the Bank's financing solutions. By mitigating agricultural and personal risks, LBI supports farmer sustainability and enhances access to credit, thereby reinforcing the stability and transformation of South Africa's agricultural economy.

### Mandate

To support an inclusive agricultural sector by promoting greater participation of previously disadvantaged persons (transform the industry) and at the same time provide innovative risk mitigating solutions to commercial farming enterprises in South Africa.

### Vision

To be sustainable specialist insurers of agricultural risks in support of the objectives in the Agricultural Sector.

### Mission

LBIC and LBLIC exist to fulfil the objectives of the Land Bank, as envisaged in the Land Bank Act, tasked to provide insurance and risk management solutions to the Agricultural Sector.





## LETTER FROM THE MANAGING DIRECTOR

It is with a deep sense of gratitude that I reflect on the progress made during the 2025 financial year. It has been a period defined by complexity and opportunities, as we advanced the transformation and strategic redirection of our business amidst a volatile and continuously changing operating environment, both locally and globally.

Over the course of the year, we confronted a series of macroeconomic and sectoral headwinds. Globally, the changing tariffs, trade policies and persistent geopolitical tensions continued to disrupt supply chains, driving up movement in agricultural commodity prices and contributing to inflationary pressures. Domestically, climate-related volatility further tested the resilience of the agricultural sector, with unpredictable weather patterns significantly impacting crop and livestock production. These challenges were compounded by subdued economic growth and political uncertainty leading up to the national elections, and the formation of the Government of National Unity, placing additional strain on our client base and operational stability.

Despite these headwinds, LBI delivered significant progress across both the Life and Non-Life portfolios, while strengthening our institutional capabilities and control environment. Our Crop Insurance business remained the cornerstone of our Non-Life operations, with summer crops accounting for 83% of Gross Written Premiums (GWP) at R670 million. Fruit and winter crops followed with contributions of R74 million and R59 million, respectively, demonstrating portfolio diversity.

The good results of the crop business are partly underpinned by LBI embarking on rigorous remediation initiatives that fostered profitable growth, focused on four pillars being Pricing, Underwriting, Distribution and excellence in Loss Assessments in order to eliminate claims leakage.

“Despite these headwinds, LBI delivered significant progress across both the Life and Non-Life portfolios, while strengthening our institutional capabilities and control environment.”

Our Asset Insurance business started off at a low base, and ended the year on R4.3 million in annual premiums, setting the base for growth in FY26. We are encouraged by the pipeline of pending policies—many linked to Land Bank disbursements—and expect stronger conversion in the coming year. Notably, the on boarding of a UMA partner signals our intent to scale the asset insurance portfolio with increased regional reach.

A landmark achievement this year was the successful launch of the Index Insurance Pilot, following regulatory approval from the Prudential Authority. This two-year initiative marks LBI's entry into parametric insurance for smallholder farmers, offering tailored products such as Livestock, Pasture Drought Index, and Area Yield Index Insurance. The pilot, which formally launched in Q3, has already yielded critical insights for the sector. Early sales, supported by awareness and education campaigns, demonstrate a growing market appetite for innovative risk solutions.

In the Life Insurance business, we saw a 4% decrease in GWP for Credit Life products, from R5.8 million in the previous year. There has been an increase in Credit life policies due to new business written from the blended finance scheme during FY2025. However, this is offset by existing credit life business, which is in run-off and continues to decline as policy terms expire and loans are paid off.

The Crop business premium levels have remained relatively stable relative to the previous financial year, reducing by 1%, driven by the reduction in the Summer crop portfolio by 1% whilst Winter crops and Fruit and Nuts grew by 4%. Prolonged dry conditions, which extended from the previous season into the 2024/25 season, significantly impacted the North West Province and gradually spread to other regions during the critical planting window of the expiring season. These conditions made it increasingly difficult for producers to plant within the optimal timeframe, ultimately affecting policy uptake.

LBIC reported a R18.2 million insurance service profit in FY2025 as compared to an R85.6 million loss in FY2024. The profit was driven by a low crop loss ratio reported for the 2024/25 crop season. Observations for the 2024/25 crop season indicate that the severity and frequency of hail incidents were significantly lower compared to the previous underwriting year. Between November and January, a prolonged drought period dampened the seasonal peak typically associated with hail-related losses.

From a regulatory and financial perspective, both LBIC and LBLIC reported strong solvency capital positions, 212% and 415% respectively (unaudited) as at March 2025, well above target ranges.

Internally, our institutional capability build-out progressed steadily, with 68% (28 of 41) of permanent roles filled and succession planning frameworks implemented to drive business continuity. Our transformation agenda was further reinforced through the Black Assessor Programme, which now includes 22 trained, validated, and certified black crop loss assessors. The focus is predominantly on youth and women, who are gaining meaningful technical experience and a secondary income while contributing to our operational resilience.

Performance against our key performance indicators has been encouraging. Of the 42 Tier 1 KPIs under our Shareholder Compact, 34 (81%) have been achieved, positioning LBI in a favourable position. LBI received an Unqualified Audit opinion with findings of performance information and compliance with laws and regulations.

In closing, the foundation laid over the past year has positioned LBI for sustainable growth and long-term impact. We remain committed to our mandate of delivering accessible, relevant, and affordable insurance solutions to South Africa's agricultural sector by supporting livelihoods, enhancing resilience, and enabling transformation. Our gratitude goes to the Board of Directors, our shareholder being the Land & Agricultural Bank of SA, Business Partners, and Staff for their continued support and commitment to LBI's journey, as well as our Customers for their loyalty and continued trust in the LBI brand.



**Pascal Siphugu**

*Managing Director - Land Bank Insurance*



## 7.2 Strategy and Value Creation

In FY2025, Land Bank Insurance (LBI) undertook significant strategic initiatives to deepen its development impact, improve financial resilience, embed environmental, social and governance (ESG) practices, and reposition itself for long-term value creation. This section outlines key developments in the external environment, regulatory and accounting reforms, the strategic priorities underpinning the five-year plan to FY2029, and LBI's performance against agreed key performance indicators.

### Key Market Developments: Climate-Related Risk

Climate-related risks have continued to intensify over the past year, reinforcing their material impact on South Africa's agricultural economy and the insurance sector serving it. The 2024/25 season was marked by significant weather variability, including prolonged drought conditions across the Northern Cape, unseasonal heatwaves in the Western and Eastern Cape that disrupted fruit production, and devastating floods in parts of KwaZulu-Natal and the Eastern Cape.

These events severely affected farming communities and highlighted the increasing volatility associated with climate change, placing growing pressure on insurers, reinsurers, and Government to strengthen adaptive responses. In response, Land Bank Insurance Company (LBIC) has prioritised ESG integration—particularly climate risk—within its business strategy.

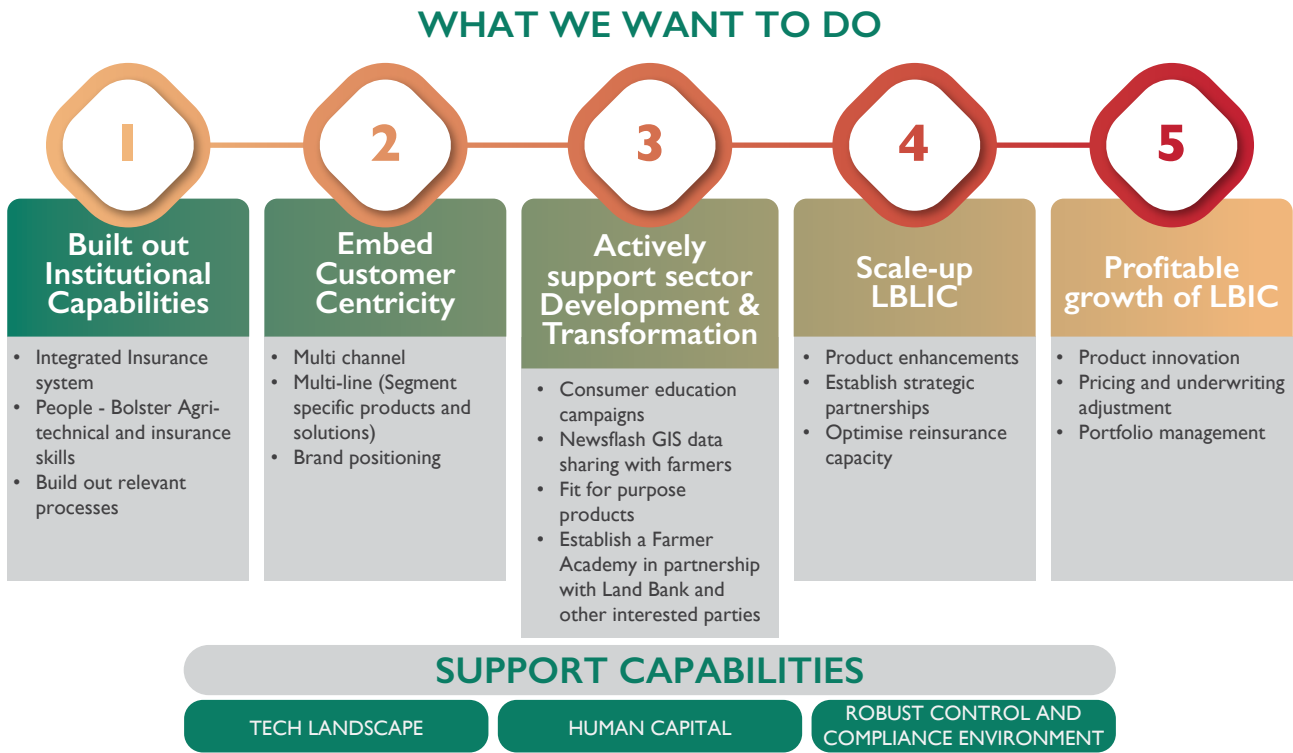
During the year under review, LBIC concluded the tender process for appointing an independent external service provider to enhance its ESG and climate risk management capabilities. This initiative is foundational to improving resilience, strengthening regulatory compliance, and embedding sustainable business practices.

A key milestone achieved in FY2025 was the launch of the Index Insurance Pilot, including the Pasture Drought Index Insurance (PDII) and Area Yield Index Insurance (AYII) products, targeted at climate-vulnerable smallholder farmers. This offering will scale in FY2026 and is a critical step towards building a climate-adaptive insurance portfolio. As extreme weather events become more frequent and severe, LBIC remains committed to transforming its risk frameworks, product innovation, and stakeholder partnerships to meet the evolving needs of the agricultural sector.

### Strategy and Strategic Priorities

During FY2024, management undertook an intensive review of the overall operations and strategy of the business. Having taken the operating environment, the SWOT analysis and the financial performance of both LBIC and LBLIC into account, a 5-year strategic plan was developed. This section sets out the strategic objectives in five (5) pathways. The FY2025 plan (Year 1) firmly sets the foundation for the FY2029 plan. The theme of the 5-year plan is 'STAGILITY', denoting the maintenance of a stable business environment, ensuring profitable growth through solution-oriented innovations and development of new channel opportunities, optimal use of data science to inform strategic planning and decision making, as well as a focus on customer centricity and stakeholder engagements.

Figure 11: The 5 Strategic Pathways



**Strategic Priority 1: Build Out Institutional Capabilities**

LBI continues to reduce its reliance on outsourced partners by building core institutional capabilities in people, processes, and ICT systems. A central initiative in FY2025 was the appointment of an ICT system provider to implement an integrated, centralised Insurance Management System. The three-year roll-out, beginning in FY2026, will support greater data control, client proximity, and operational continuity.

**Strategic Priority 2: Embed Customer Centricity**

LBI aims to place the customer at the centre of its business model by expanding access, enhancing the client experience, and promoting financial inclusion. In FY2025, this included the introduction of fit-for-purpose index products and continual offering of livestock insurance, the development of new Crop Lite product, new distribution channels (e.g. black brokers). Marketing and GIS tools were utilised to enhance awareness and inform decision-making among emerging farmers.

**Strategic Priority 3: Actively Support Sector Development and Transformation**

Through initiatives like the Farmer Academy, the Black Assessor Programme, and the Black Broker Development Programme, LBI is playing a direct role in advancing transformation in the agricultural insurance value

chain. These initiatives focus on youth and women in particular, equipping them with technical skills, creating economic opportunities, and building resilience in farming communities.

**Strategic Priority 4: Scale up LBLIC**

To reverse the decline in its credit life book and improve expense ratios, LBLIC focused on expanding distribution in FY2025. New partnerships with co-operatives and development finance institutions (DFIs) were established. There is an ongoing engagement with the Regulator regarding the application for the Whole-of-Life product.

**Strategic Priority 5: Drive Profitable Growth in LBIC**

Recognising its overreliance on crop insurance, LBIC prioritised diversification and profitability measures in FY2025. These included broadening its product offering, optimising reinsurance structures, refining pricing strategies, and scaling up new channels to enhance financial resilience and client reach.

**Maintaining Financial Sustainability**

During the reporting period, LBI remained focused on initiatives that would support both immediate growth and long-term financial sustainability. The strategic priority was to strengthen the business across all three product lines — Crop, Credit Life, and Asset Insurance — through targeted premium growth and channel expansion efforts.



In the Crop Insurance portfolio, premium levels remained relatively stable year-on-year. However, late rainfall impacted planting cycles for summer crops, limiting opportunities for significant premium growth. Despite this constraint, the portfolio continued to contribute as the core revenue driver within LBIC.

The Credit Life portfolio showed marked improvement in both policy count and Gross Written Premiums (GWP) over FY2025. This performance was largely attributable to increased lending activity from the Land Bank during the third and fourth quarters, as well as the acquisition of a group scheme. These developments contributed to a stronger book, helping to offset declines from maturing credit life policies in run-off.

The Asset Insurance portfolio experienced significant year-on-year growth. This performance was driven by deliberate market activation strategies, including the appointment of provincial managers, proactive engagement with intermediaries, and enhanced lead generation through internal business channels. The success of these efforts established a solid foundation for further growth in FY2026.

LBIC also made considerable progress in strengthening business sustainability through the implementation of a multi-channel distribution strategy. This strategy was built around three core pillars: Internal Channels, Intermediaries, and Strategic Partnerships.

**Internal Channels:** Five provincial managers were appointed to provide on-the-ground support to intermediaries and partners. These managers were assigned to key geographic regions, helping to localise engagement, improve responsiveness, and support channel performance.

A second internal initiative focused on optimising systems and processes to grow the Bancassurance relationship with the Land Bank. This relationship has been instrumental, contributing 40% of the asset portfolio and serving as the sole source for individual credit life business. Ongoing system enhancements were prioritised to improve efficiency and scale this channel.

**Intermediaries:** Efforts were made to deepen relationships with existing brokers and intermediaries to stimulate growth in the asset portfolio. Dedicated support from provincial managers was aimed at improving the productivity of these partners.

**Strategic Partnerships:** The third channel pillar focused on forming alliances with Underwriting Management Agencies (UMAs), Development Finance Institutions

(DFIs), farmer groups, cooperatives, aggregators, and organisations supporting emerging farmer development. These partnerships are viewed as critical enablers of future growth, particularly in underserved segments of the agricultural market.

All three pillars of the distribution strategy were successfully implemented during the reporting period, placing the business in a strong position to deliver improved performance and sustainable growth into FY2026.

## Contribution to Development and Transformation

LBIC continues its endeavours and programmes to achieve greater transformation and development in the agricultural sector by instigating change in the value chain and the delivery of insurance services. We remain committed to transforming the insurance sector and supporting the development of key value chain participants in the form of Brokers and Assessors from the Previously Disadvantaged Individuals (PDI) category. In this regard, we have two key initiatives, namely: The Black Broker Development Programme (BBDP) and The Agricultural Insurance Assessor Programme (AIAP). Through these programmes, the organisation has certified and onboarded 22 Black Assessors and 26 Black Brokers, who have written R7.8 million worth of policies over the reporting period.

Crop insurance in South Africa is distributed primarily through brokers. Over the past two years, LBIC has trained and accredited 97 Financial Services Providers (FSP) from historically disadvantaged backgrounds and has made significant progress in developing women-owned FSPs. While the business successfully added more brokers in FY2025, the focus will be on creating opportunities for brokers to engage with farmers and build business relationships, alongside product training and support from the provincial managers to enable their businesses to grow.

As part of its strategic focus on transformation within the agricultural insurance value chain, LBIC has targeted the crop damage assessment function, which currently relies on approximately 900 assessors nationally, mirroring the profile of the broader crop insurance broker sector. During the financial year, LBIC launched the second phase of its Assessor Inclusion Acceleration Programme (AIAP) to empower black youth and women from historically disadvantaged backgrounds. The initiative aims to create pathways for economic participation by equipping participants with the skills to conduct crop damage assessments following risk events such as hail. In addition to driving transformation, the programme supports black farmer development by providing an avenue for secondary

income generation, while enabling practical knowledge and skills transfer from the current assessor base. The training focuses on priority commodities, with the intention to deploy and integrate these newly trained assessors as accredited service providers within the business in the short to medium term. In FY2026, the business plans to extend the programme with the addition of fruit crop-based assessors.

Parametric Insurance for Smallholder and Emerging Farmers

To enhance financial inclusion by facilitating access to inclusive and affordable agricultural insurance for smallholder farmers and improving their resilience to climate-related risks, LBIC has developed Area-Yield Index Insurance (AYII) for crops and Pasture Drought Index Insurance (PDII) for livestock. The Prudential Authority granted LBIC regulatory approval under Section 5(4) of the Insurance Act 18 of 2017 to conduct a pilot project for Area-Yield Index Insurance (AYII) for crops and Pasture Drought Index Insurance (PDII) for livestock from 07 August 2024 until 30 September 2026. The pilot was launched during the 2024/25 summer season. A total of 314 farmers and 17 brokers were trained on Index Insurance in the five participating provinces.

## PERFORMANCE AGAINST KEY INDICATORS

LBIC's strategic execution is closely monitored through its Shareholder Compact. In FY2025, the organisation achieved or exceeded 34 out of 42 KPIs (81%), while the remaining 8 KPIs were not met. The AGSA audit was still in progress at the time of reporting. The table below presents the Land Bank Insurance Performance Scorecard for FY2025.

**Table 16: Land Bank Insurance Performance Scorecard (FY2025)**

#	KPA	Objective	KPI	FY2025 Annual Target	Status Update as at 31 March 2025	RAG
1	LBIC Sustainable Profitable Growth	Financial Sustainability	Portfolio Diversification	0.51% of total GWP	Diversification % as at March 2025 = 0.53% (which is made up of – Only 71 Asset policies with Gross Written Premium of R4.3m)	Achieved
2			Net Underwriting Margin	0%-1%	The net underwriting result of 0,6% based on annual financial statements as at 31 March 2025.	Achieved
3			SCR Coverage Ratio	130%-170%	SCR cover ratio (unaudited) recorded as at 212% as at 31 March 2025.	Achieved
4			Investment strategy implementation	New asset manager appointments Q3 of FY2025 and Investment returns >benchmark target	Asset managers were appointed in December 2024, and contract have been finalised, including detailed terms of reference. As of March 2025, the investment return was 11,1%, exceeding the benchmark return of 9,1%, resulting in an alpha of 2%.	Achieved
5		Sustainable Growth	UMA - Commercial Crop	R862m revenue	UMA - Commercial Crop GWP of R804m against a budget of R862m as at end of March 2025.	Not Achieved
6			Bancassurance GWP (Assets and Crop)	R13m revenue	Bancassurance GWP of R8.5m made up of R1.1m Assets and R7,4m Crop.	Not Achieved
7			Develop Crop Lite product	Approval of the product and pricing by the Exco	The crop Lite product has been developed and all necessary product protocols i.e. pricing have been reviewed and assured by the HAF. The product has been reviewed and approved by Exco.	Achieved



#	KPA	Objective	KPI	FY2025 Annual Target	Status Update as at 31 March 2025	RAG
8			Develop Livestock Insurance product	Approval of the product and pricing by the Exco	The Livestock product has been developed and all necessary product protocols i.e. pricing have been reviewed and assured by the HAF. The product has been reviewed and approved by Exco.	Achieved
9			Instigate Agri-asset sales	700 new customers	There are 53 new customers for FY2025	Not Achieved
10	Scale-up Life Business	Optimise Distribution Capability and New Sales	Generate Credit Life Sales	900 New Credit Life Sales	161 new individual credit life policies and 1 group scheme with 154 members.	Not Achieved
11		Optimised Reinsurance and Underwriting Limits	Review and enhance underwriting limits and reinsurance structure	Implement the optimal new reinsurance structure	Reinsurance optimisation was concluded in June 2024 including HAF review. However, reinsurance tender was not issued, due to lower business volumes, making it unviable for potential reinsurers that were canvassed.	Not Achieved
12		Bespoke solution for the development segment and credit provider policy	Create a new credit provider policy and Review & enhance credit life product	Development of the new credit provider policy and approval by Exco Review the current credit product.	Product review completed for both products, with the HAF assuring New Credit Provider Policy and Enhanced Credit Life product.	Achieved
13		Financial Sustainability	SCR Coverage Ratio	150% - 200%	SCR cover ratio (unaudited) recorded as at 31 March 2025 is 415%.	Achieved
14			Bancassurance GWP (Credit life)	R3,3m	YTD March 2025 overall Bancassurance GWP (Credit life) of R838k with 161 policies.	Not Achieved
15			Investment strategy implementation	New asset manager appointments Q3 of FY2025. Asset manager terms of reference Q4 of FY-2025	New asset managers for LBLIC Aluwani, Aeon, Sasfin, Independent Alternatives, Prescient and Old Mutual were issued with appointment letters in December 2024 in Q3 of FY2025. Investment Management Agreements (IMA) or terms of references were issued between January 2025 and March 2025 in Q4 of FY2025, with those agreements signed and IMA effected.	Achieved
16	Built out Institutional Capabilities	Bolster Agricultural-technical and insurance skills	Build Provincial Sales capacity to support direct selling	Appointment of 5 Provincial Managers	Full complement of 5 Provincial Managers were recruited by Quarter 3.	Achieved
17		Efficient policy administration	Management approved project plan setting out key actions and timelines from inception to system completion	Appointment of a suitable insurance system provider.	Appointment of the Insurance Management System Provider (JMR Software) was concluded in March 2025.	Achieved

#	KPA	Objective	KPI	FY2025 Annual Target	Status Update as at 31 March 2025	RAG
18		Business process optimization	Mapping of existing core business processes: Underwriting, Reinsurance and Claims	Appointment of an Operations Manager with a key focus on processes and systems	Mapping of underwriting and reinsurance processes for the crop business concluded and approved by EXCO in March 2025.	Achieved
19	Stakeholder Engagement & Customer Centricity	Product and Benefit Enhancement	Customer Satisfaction Survey	Complete the customer satisfaction survey, put in place recommendations and develop plans for implementation of remedial actions.	Customer Satisfaction Survey done and approved by EXCO. Results analysed and recommendations proposed accordingly.	Achieved
20		Improved Customer Engagement	Generating GIS Reports to assist farmers understand and manage risk	Issuing GIS reports to insured developmental farmers to contribute to the understanding of their farm risk profile to support long-term planning.	As at March 2025, a total of 24 GIS reports has been distributed to 7 provinces via the LBI Sales Regional Managers.	Achieved
21		Position the LBI brand in the market and create awareness through targeted marketing campaigns	Develop Marketing Plan	All Marketing Activities executed as per plan	Marketing plan developed, approved and implemented. Marketing activities continually executed as per the plan.	Achieved
22			Implement Brand Positioning Campaign	All Brand positioning Activities executed	Brand Positioning Campaign plan developed, approved and continually executed through Broker programmes, as well as farmers and Bancassurance channel.	Achieved
23			Create Awareness	All awareness campaigns executed	Ongoing brand awareness campaigns continually being run on LinkedIn platform, and through participation at conferences, events and publications. Count of campaigns verified from the Marketing and Sales reports.	Achieved
24			Dedicated Seasonal and Regional Campaigns	All provincial and seasonal campaigns executed	Campaigns executed as per the approved Marketing plan (Ad-hoc) as well as through a tactical approach including LinkedIn & Facebook platforms, and through participation in farmer events.	Achieved



#	KPA	Objective	KPI	FY2025 Annual Target	Status Update as at 31 March 2025	RAG
25	Developmental Effectiveness	Farmer Academy - Social Mandate: Provide Farming Support	Online / Digital Consumer Education	Reach 200 Development Farmers (Post launch)	As at March 2025, a total of 202 trainees attended the consumer education, which consisted of: The farmer academy which was successful launched via Webinar. The webinar attracted 177 developmental farmers. Key industry players i.e. brokers and agri specialist attended the session as well. Index Insurance Webinar attracted 25 development farmers. The KPI was not validated by AG due to limitation in evidencing the participants status of development farmers.	Achieved
26			Face-to-Face Consumer Education	Reach 1500 development Farmers through face-to-face training	As at March 2025, we have conducted face to face consumer education training for a total of 1 992 development farmers. The KPI was not validated by AG due to limitation in evidencing the participants status of development farmers.	Achieved
27		Corporate Social Investment	Black Assessor Programme	Development Programme Roll-out Completion of Crop Damage Assessment Course for 20 black farmers	As of March, we developed and launched the Black Assessor Program. A total of 22 Black assessors have now completed the crop damage assessment training.	Achieved
28		Value Chain Transformation	Black Broker Programme: Broker On boarding	Training and accreditation of minimum 20 new brokers FY2025	To date a total of 20 Black Brokers have been trained and accredited.	Achieved
29			Black Broker Programme: Broker Revenue Generation	Minimum four (4) crop [two (2) per season] insurance sales per broker.	As of March 2025, the target of implementing a minimum of four crop policies per Black Broker, comprising two winter crops and two summer crops was not fully achieved.  However, 11 black brokers successfully issued 112 crop policies for the summer season, no winter crop policies were issued. This is attributed to the intervention measures taken to manage the high loss ratio associated with winter crop.	Not Achieved
30	Stakeholder Engagement	Social Mandate: Identify and established strategic partnerships	Conclude 5 strategic partner agreements	Five (5) New Strategic Partners fully on boarded	Ten (10) Strategic Partners' agreements concluded.	Achieved

#	KPA	Objective	KPI	FY2025 Annual Target	Status Update as at 31 March 2025	RAG
31		Maintain capacity within LBI	Source Grants and/or Subsidies	Two (2) Grant/ Subsidy Agreements	Three (3) grant agreements signed: CelsiusPro – Grant Agreement International Finance Corporation (IFC) - Cooperation Agreement Global Parametrics Limited (GPL) - Sub-Grant Agreement	Achieved
32	Learning and Development	Creating an environment that supports learning and growth	Conduct a skills gap analysis to determine skills gaps and develop a capability skills plan focussing on upskilling and reskilling	Skills gap analysis and capability plan approved	L&D Academy developed a Capability Building Plan which was approved by EXCO on 26 February 2025.	Achieved
33		Provision of opportunities for career progression and growth	Career progression / growth	Career Paths for identified roles approved	Career Pathing Framework was approved by EXCO for identified roles and relevant Executives.	Achieved
34	Talent Management	Retention of talent and improved levels of attrition	Review and Implementation of an Employee Value Proposition (EVP) that will support talent retention	Approved Employee Value Proposition for LBI	LTI was approved as part of EVP for implementation from 01 April 2025.	Achieved
35	Succession Management	Development of successors to contribute to readiness levels	Identification and implementation of development initiatives for identified successors	Initiatives implemented as per PDP milestones	Interventions through PDP training of two (2) successors completed in March 2025. 100% interventions identified for successors completed as per the PDP.	Achieved
36	Organisation capacity	Fit for purpose structure	Review of current organisational structure	Approved organisational structure implemented	Job Profiles for all roles that are planned and approved to be filled in FY2025 have been concluded. Capacitation of the approved structure have been implemented accordingly.	Achieved
37	Risk, Compliance and Governance	Create an Effective control environment	Classify 0.1% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	<0.1%	As at March 2025, the total irregular, unauthorised, and fruitless and wasteful expenditure was R205k (consist of LBIC = R188k and LBLIC = R17k). This results in an overall irregular expenditure of 0,03%, which is below the target of 0,1% of the expenses which is R6,8m.	Achieved
38		Maintain FY2024 External Audit outcome	Audit outcome as per the AGSA Audit Report	Clean audit outcome	For FY2025 – Both LBIC and LBLIC has received an unqualified with findings audit outcome.	Not Achieved
39		Ethical behaviour	Zero appetite for unethical behaviour by a staff member	No findings on unethical behaviour by a staff member	All ethics related matters reported have been investigated accordingly with no unethical behaviour findings as at the end of March 2025.	Achieved
40		ESG – Environmental impact	Development of Climate change strategy, risk management framework and implementation plan	Approved Climate change strategy and identification and ongoing monitoring of related risks	Climate change strategy completed and approved by EXCO.	Achieved



#	KPA	Objective	KPI	FY2025 Annual Target	Status Update as at 31 March 2025	RAG
41		Comply with Insurance Regulatory	1. Draft FY2025 annual compliance and monitoring plans and obtain ARC approval by 30 April 2024. 2. Implement the FY2025 approved Compliance and Monitoring Plans.	100% CMP achieved	The annual compliance and monitoring plans were approved by ARC in July 2024. The approved FY2025 CMP has been 100% successfully Implemented	Achieved
42		Own Risk and Solvency Assessment (ORSA)	Conduct an Own Risk Assessment exercise for FY2025 and have it approved by board and submitted to the PA on or before 31 December 2024	ORSA approval supported by a detailed Independent Review report.	As of March 2025, we successfully completed the ORSA submission, which has undergone an independent review and received approval from the Board. This submission was made after business requested an extension from the PA, originally due by 31 December 2024. The revised deadline for submission was 28 February 2025, the ORSA was submitted before this extended deadline.	Achieved

### 7.3 Risk Management Strategy and Process

An effective risk management system supports the business's sustainability, growth and its ability to create long-term value for all stakeholders. Our risk management process is designed to continuously monitor the internal and external environment to identify any conditions or changes that may require us to mitigate related risks and capitalise on opportunities. This ensures that we remain within our risk appetite, achieve our business plans, and realise our strategic objectives.

The Board is mindful of the importance of risk management as it is intrinsically linked to the organisation's strategy, performance and sustainability. It sets the risk appetite and tolerance levels annually as part of its review of the risk management strategy and oversees the Land Bank Insurance (LBI) risk management system and activities through the Audit and Risk Committee (ARC). The ARC is responsible for reviewing and recommending the risk strategy and risk policy suite for LBI Board approval.

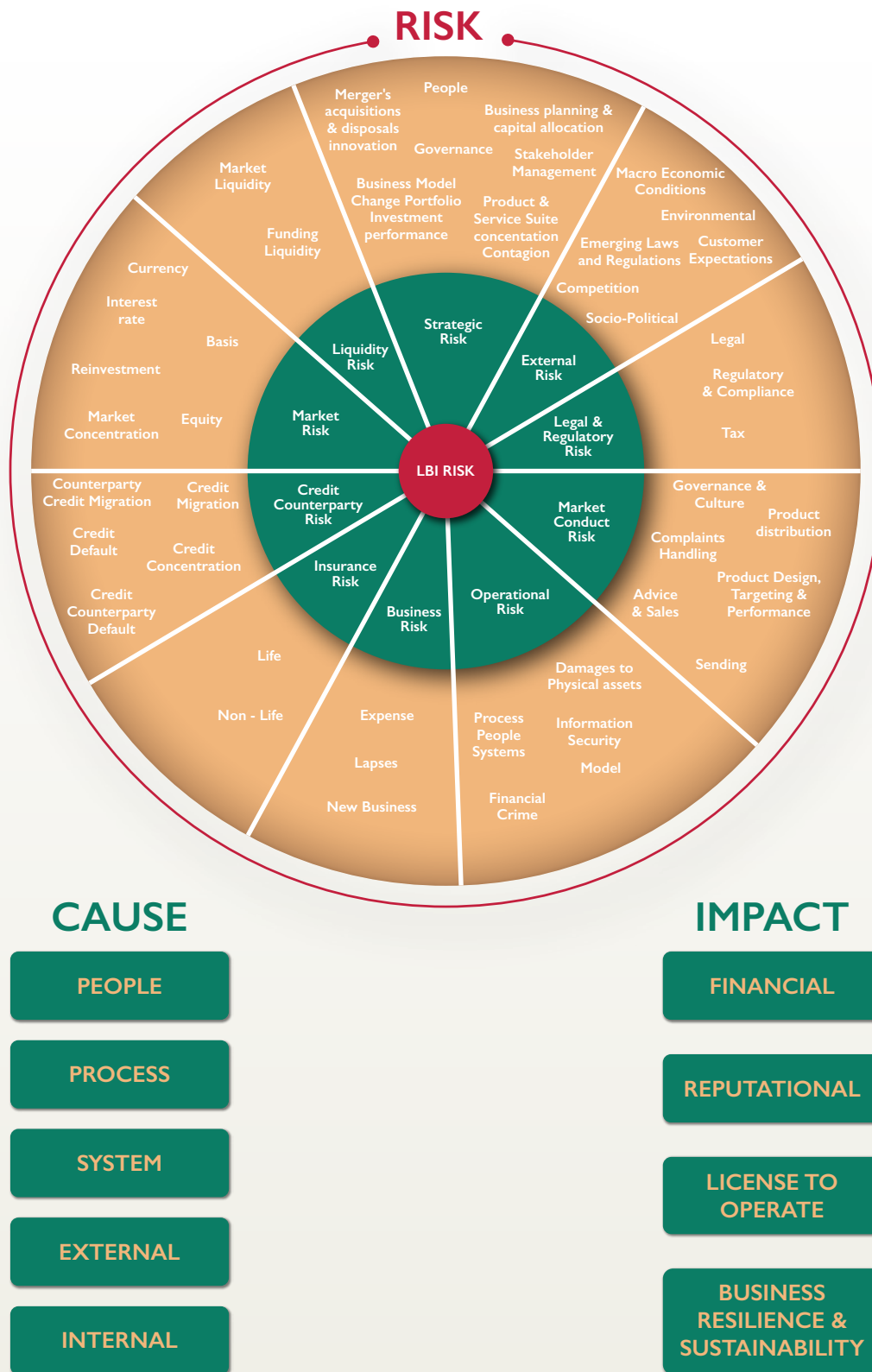
#### Risk Classification Model

The Risk Classification Model forms the foundation of risk management at LBI. This uniform model enables consistent analysis, aggregation and reporting of risks. It ensures that all key risks, both financial and non-financial, are appropriately identified, assessed and regularly monitored.

The model incorporates a causal approach, ensuring that root causes of risk are considered to improve the control environment. The classification system includes 10 Level 1 categories, which expand into Level 2 and, where necessary, Level 3 categories. The structure of the model, its causal linkages, and the range of impacts are presented in the following diagram:

**Figure 14: Risk Classification Model**

A uniform risk classification, causal and impact model permits the analysis, aggregation and reporting of risks in a structured manner.



## Our Risk Strategy Approach

Our approach to risk and strategy aligns with our vision of being a sustainable specialist insurer of agricultural risks in support of an inclusive agricultural sector. As part of our strategy, we establish a clear risk appetite that defines how much of a certain risk we are prepared to accept. This risk appetite informs our overall business strategy, facilitating a disciplined and balanced approach to risk-based decision-making and enabling active control over the risks to which our earnings and capital are exposed.

We utilise escalation mechanisms that address risk events and breaches of limits, alongside a forward-looking business plan supported by scenario and stress testing to evaluate balance sheet resilience.

When assessing risk within our strategic planning, we adopt a top-down approach. This allows us to steer risk-taking activities across the business and ensure alignment with our strategic objectives. The core principles that underpin our risk strategy and its integration with the Corporate Strategy are as follows:

- Determining Our Risk Preference for Each Risk Category - The risk classification model serves as the foundation of our risk management system. We maintain a documented risk preference for key types.
- Quantifying the metrics for risk appetite regarding financial soundness, earnings at risk, and liquidity - Risk appetite defines the level of risk exposure we are willing to accept in order to achieve our strategic objectives. Our financial resources and risk appetite determine the type and extent of growth that can be pursued, as they indicate the impact of assumed risks on capital requirements and earnings volatility. We employ stress and scenario testing to assess the resilience of earnings and the balance sheet in relation to our business plans and risk-taking activities.
- Creating target ranges for our earnings at risk and statutory capital requirements: Our risk appetite metrics assess capital requirements, earnings, and liquidity risks while ensuring compliance with the Prudential Financial Soundness Standards. These metrics are calibrated to enable us to manage an extreme downside scenario with adequate resources to avert regulatory intervention.
- Risk Management Process

Our Risk Management Process ensures we proactively monitor changes in the operating environment and implement mitigating measures where needed. This enables us to remain within our defined risk appetite while delivering on corporate and strategic objectives.

Figure 15: Risk Management Process



### Key elements of our process include:

#### Business and Risk Strategy Alignment

Risk assumptions in corporate planning are carefully mapped to our risk preferences, with attention to interdependencies and points of leverage across our control framework.

#### Risk Identification

Focused on recognising obstacles that may hinder the delivery of business goals, using our classification model to ensure consistency and coverage.

#### Risk Measurement and Response

Risks are quantified by likelihood and impact, and appropriate mitigating responses are determined to reduce exposure.

#### Risk Monitoring

We continually assess control effectiveness and residual risk ratings by considering assurance activities, internal indicators, and changes in operating conditions.

#### Risk Reporting

Exposure levels are assessed against our appetite, with detailed reporting on any risks that fall outside of acceptable thresholds.

#### Stress and Scenario Testing

Quantitative testing models assess the financial impacts of potential adverse events to ensure our capital and earnings remain robust under varied market conditions.

## Combined Assurance and Governance

Our Combined Assurance Framework, approved by the Audit and Risk Committee, fosters integrated collaboration across the organisation's three lines of defence. This guarantees adequate assurance coverage while preventing duplication and gaps.

The following table defines the LBI's three lines of assurance for risk management.

**Table 17: LBI's Three Lines of Assurance**

LINE 1 – Management	LINE 2 – Internal Assurance Provider	LINE 3 – Independent Assurance Providers
Management is responsible for implementing an effective system of internal control, risk identification, and risk management on a daily basis across the business. This line of defence also includes specialist functions such as legal, information security and quality assurance.	Internal assurance providers are responsible for assuring the appropriateness and effectiveness of the risk management system, ensuring that policies and procedures are followed, and that reporting is accurate and complete. This line of defence includes the Risk, Compliance and Actuarial control functions.	Independent assurance providers are responsible for providing independent assurance on the effectiveness of governance, line one and two functions, and the system of internal control. This line of defence includes internal and external audit functions.

### Top Material and Emerging Risks

Our primary risks are those that are likely to materialise within a short timeframe and could considerably affect our operations. These risks are reviewed and reassessed quarterly and encompass growth challenges, pricing dynamics, climate events, technology vulnerabilities, and operational resilience.

**Table 18: Top Material Risks (including Emerging Risks)**

No.	Risk	Description	Outlook	Mitigation Actions and Opportunities
1.	Life Business Sustainability	<b>Growth Risk</b> – LBLIC inability to achieve premium growth target.	↓	<ul style="list-style-type: none"> <li>Focus on the implementation of the Life-scale-up strategy.</li> <li>Mining existing Land Bank database</li> <li>Brand positioning and targeted marketing campaigns</li> </ul>
2.	Non-life - Growth Risk (Non-Crop portfolio)	<b>Lack of portfolio diversification</b> - The risk of being unable to achieve and maintain sustainable asset growth.	↑	<ul style="list-style-type: none"> <li>Enhance product proposition by developing fit for purpose customer products, i.e., crop lite, livestock and index insurance.</li> <li>Embed pricing and underwriting mechanisms.</li> <li>Optimise data analysis for efficient business decisions.</li> <li>Active portfolio management.</li> <li>Optimise distribution capability - Review and optimise the Bancassurance model.</li> <li>Forge strategic partnerships with relevant sector organisations and other DFIs.</li> <li>Engaging reinsurers and exploring capital-efficient solutions.</li> </ul>
3.	High Reinsurance Pricing	Failure to secure reinsurance on favourable terms.	↑	<ul style="list-style-type: none"> <li>Four strategic pillars revolving around pricing, underwriting, assessments and distribution have been put in place to reduce the loss ratio over time and to drive favourable performance, which will serve as a basis for negotiating better rates.</li> </ul>
4.	Unsustainable Management Expense	Expense ratios that grow at a faster rate than the growth in premiums erode LBLIC's net underwriting margins. A sustainable business model depends on robust cost containment.	↓	<ul style="list-style-type: none"> <li>Detailed budget process followed includes the projections of future expenses.</li> <li>Monthly financial performance reviews measuring actual versus budgeted expenses.</li> </ul>



No.	Risk	Description	Outlook	Mitigation Actions and Opportunities
5.	<b>People Risk</b> – Skill shortage, including attracting and retaining top talent	Specialist skills are required to deliver our strategic objectives, and increased remote working opportunities mean we are competing to retain and attract talent on a greater scale. There has been a risk of not attracting quality candidates, resulting in delays in filling vacancies timeously.	→	<ul style="list-style-type: none"> <li>Develop a robust Board-approved Retention Strategy (recognition programme).</li> <li>Continue to bolster the capacity structure.</li> <li>Build a robust succession plan.</li> <li>Fixed-term contract as a temporary mechanism.</li> </ul>
6.	<b>Technology and Information Security Risk</b>	LBI has outsourced IT services to the Land Bank. Land Bank's complex and ageing information technology infrastructure poses a threat to our targeted customer experience, as well as operating efficiencies.	↑	<ul style="list-style-type: none"> <li>Infrastructure refresh for modernising the technology.</li> <li>Optimise customer relationship management system for seamless lead generation.</li> <li>IT Audit remediation.</li> <li>IT Security and Governance – Cybersecurity Resilience.</li> <li>Multi-line policy administration system to centralise and have greater control over customer data.</li> <li>Mandatory cyber risk training awareness programmes.</li> </ul>
7.	<b>Climate risk</b>	The risk that global warming, extreme weather events and the transition to a low-carbon economy will adversely impact economic growth and insurance profitability. These, in combination with increased costs of doing business, could threaten the resilience and sustainability of our business.	↑	<ul style="list-style-type: none"> <li>Assessing the impact of climate-related risks and opportunities on our businesses, strategy, financial outcomes, and developing response plans.</li> <li>Reviewing policy terms and conditions in conjunction with pricing to ensure these accurately reflect the risk exposures.</li> <li>Continue with the extensive portfolio review focusing on multi-claimants, new clients, high-value crops and structure of policy excesses.</li> <li>Structured proportional reinsurance to allow businesses to write business at a particular level. In addition to this, a stop loss is in place to ensure that business losses are kept at an acceptable level and LBIC protects its whole account.</li> <li>Incidence of risk – risk premium is reviewed on an annual basis prior to start of the season, with margins for uncertainty on risky business.</li> <li>Risk management initiatives and interventions.</li> </ul>
8.	<b>Operational resilience risk</b>	<p>The risk of the organisation not being able to withstand operational risk-related events that could cause significant operational failure or wide-scale disruptions to servicing the agri-market, such as new or resurgence of pandemic, cyber incidents, technology failure, power grid failure, or natural disasters.</p> <p>Scenario planning assists us in assessing where we need to strengthen resilience to ensure smooth operation and a consistent customer experience despite challenges affecting the business.</p>	→	<ul style="list-style-type: none"> <li>Continue to improve and embed existing risk framework and business continuity plans.</li> <li>Continue to strengthen our business continuity planning and regular testing, including scenario planning and simulations.</li> <li>Maintain a map of our critical processes, including interdependencies.</li> <li>Cybersecurity Capabilities and Capacity.</li> <li>Cybersecurity threat intelligence and awareness.</li> </ul>

**Outlook:**

↓ = Indicates a deteriorating outlook

↑ = Indicates an improving outlook

→ = Indicates a stable outlook

### Compliance Governance

The Compliance Control Function is led by a formally appointed Head, in line with Prudential Standard GOI 3. The Control Function is governed by a Compliance Policy, approved by the Board. Risk is managed through an annual Compliance Coverage Plan and Monitoring Plan approved by the Audit and Risk Committee (ARC).

The Compliance Control Function ensures that all Key Persons meet fit and proper requirements and that any governance changes are duly reported to regulators. Training for Key Persons is facilitated to enhance understanding of the insurance regulatory framework.

Quarterly reports are submitted to the ARC, tracking compliance through risk management plans and the regulatory universe. The function also oversees the submission of all required regulatory returns, maintains all relevant licences and monitors the regulatory environment for emerging requirements or amendments to regulations, laws or standards.

### Solvency, Capital Management and Risk-Linked Investment Strategy

Effective solvency and capital management remain integral to the long-term financial sustainability, operational resilience, and ability of LBIC and LBLIC to meet policyholder obligations. Both entities have demonstrated a disciplined approach in aligning their capital adequacy, investment strategy, and regulatory compliance with the overarching risk management framework and statutory requirements set forth by the Prudential Authority.

### LBIC Capital Management and Solvency

LBIC operates within the regulatory framework established by the Insurance Act (No. 18 of 2017) and complies with the Prudential Authority's Financial Soundness Standards for Insurers (FSIs). Solvency Assessment and Management (SAM) reporting occurs quarterly and annually, with capital buffers actively maintained to surpass the minimum regulatory requirements. This ensures that the entity remains protected from solvency strain while minimising the potential for regulatory intervention.

The company's capital strategy is designed to support both business growth and protection against adverse financial shocks. LBIC utilises the Solvency Capital Requirement (SCR) coverage ratio as a fundamental measure of capital adequacy. The Minimum Capital Requirement (MCR) must always be maintained at 100%, while the SCR coverage ratio is aimed at being between 150% and 170%.

Should the SCR coverage deviate from this range, pre-identified corrective measures are available to restore capital levels within a reasonable timeframe. These include adjustments to the business mix, changes to reinsurance structures, investment rebalancing, or cost optimisation interventions.



Capital requirements are influenced by several factors, including the composition of the insurance portfolio, asset allocation, counterparty exposure, and the reinsurance programme. The capital position is reviewed and supported by the external Head of the Actuarial Function (HAF), who provides independent oversight in accordance with the requirements of the Insurance Act.

LBIC's most recent ORSA (Own Risk and Solvency Assessment) confirms that the business remains well-capitalised over the medium-term strategic horizon, with the solvency position resilient under stressed scenarios. The following table summarises the SAM balance sheet and solvency position for the past two (2) financial years:

**Table 19: SAM Balance Sheet**

LBIC SAM Balance Sheet:	31-Mar-25	31-Mar-24	31-Mar-23
	R'000	R'000	R'000
Eligible Own Funds ("EOF")	R513 977	R466 765	R521 096
Solvency Capital Requirement ("SCR")	R242 800	R199 374	R124 612
SCR Coverage Ratio	212%	234%	418%

### LBIC Investment Strategy and Risk Alignment

LBIC upholds a conservative, liquidity-focused investment strategy. The company's portfolio primarily comprises short-term, highly liquid rand-denominated instruments, which align with its short-duration liabilities. Currency risk remains minimal, and investment risk is diligently managed through external asset managers, including oversight by the Investment Consultant and the Investment and Actuarial Committee (IAC).

Investment activities are monitored quarterly by the LBIC Actuarial & Investment Committee, which assesses the performance of asset managers against strategic asset allocation (SAA) benchmarks and predefined alpha targets. The investment mandate ensures that capital preservation and solvency remain priorities, especially during periods of high market volatility or changing macroeconomic conditions.

During FY2024, an asset-liability modelling exercise resulted in a revised investment strategy and the appointment of new asset managers in FY2025. Consequently, the funds performed strongly, achieving a net alpha of 2% by year-end.

**Table 20: LBIC's Investment Fund**

Year-End	Opening Market Value	Net Cash Flows	Closing Market Value	Net Return	SAA Benchmark	Alpha
31-Mar-23	R253 659 832	R59 311 195	R332 652 658	7.60%	6.60%	1.10%
31-Mar-24	R332 652 658	(R883 920)	R361 619 699	9.00%	9.20%	-0.20%
31-Mar-25	R361 619 699	(R100 879 492)	R296 128 657	11.10%	9.10%	2.00%

### LBIC Solvency and Capital Position

LBIC's capital position is primarily influenced by market risk, given its substantial investment holdings in comparison to a smaller credit life book. Currently, market risk accounts for 99% of the company's overall Solvency Capital Requirement (SCR) exposure. Despite this concentration, the entity remains well-capitalised, with its Solvency Capital Requirement (SCR) coverage ratio consistently exceeding the upper tolerance of 200% and significantly above the 100% regulatory minimum. LBIC was able to declare and pay a dividend of R250m to its shareholder, Land Bank during the current reporting period and the business still remained highly solvent.

The SAM balance sheet below illustrates LBIC's solvency position over the last three financial years, reflecting stability in capital adequacy and excess asset cover:

**Table 21: LBLIC Capital Management and Solvency**

LBLIC SAM Balance Sheet: R'000	31-Mar-23	31-Mar-24	31-Mar-25
	R'000	R'000	R'000
Eligible Own Funds ("EOF")	RI 197 668	RI 012 298	RI 120 119
Solvency Capital Requirement ("SCR")	R312 088	R294 648	R269 862
SCR Coverage Ratio	384%	344%	415%

Stress and scenario testing, conducted as part of the ORSA process, confirms that LBLIC is financially resilient over the next five years. This encompasses consideration for potential growth associated with new policy issuance through strategic channels such as Bancassurance. The liquidity shortfall indicator also remains within a healthy range, reinforcing LBLIC's risk-bearing capacity.

### LBLIC Investment Strategy and Market Risk Exposure

LBLIC's investment portfolio is managed by several asset managers, in accordance with defined mandates that encompass equities, bonds, cash instruments, derivatives, and selected global assets. Over the years, the portfolio has exhibited variable performance, significantly shaped by macroeconomic conditions, interest rate cycles, and asset allocation positioning. The 2025 financial year concluded with outstanding performance, generating a 7.8% alpha, which is attributable to strategic positioning in interest-bearing instruments. However, the portfolio remains sensitive to market fluctuations, and sustaining consistent long-term returns has proven challenging. In light of these dynamics, LBLIC has embraced a more conservative strategy aimed at capital preservation for the next three years. This includes adjusting asset manager mandates and recalibrating performance expectations to align with a lower-risk outlook profile.

**Table 22: LBIC Investment Performance**

Year-End	Opening Market Value	Net Cash Flows	Closing Market Value	Net Return	SAA Benchmark	Alpha
31-Mar-23	RI 234 691 859	(R30 859 637)	RI 272 496 921	5.8%	11.3%	-5.5%
31-Mar-24	RI 272 496 921	(R6 988 918)	RI 353 552 581	6.9%	9.5%	-2.6%
31-Mar-25	RI 353 552 581	(R275 834 063)	RI 266 658 500	14.6%	6.8%	7.8%

Please be aware that the comprehensive financial performance details of both LBIC and LBLIC are included in Section 8 of this report.

## 7.4 Our Team

Land Bank Insurance recognises that its people are central to its ability to deliver value, maintain good governance, and fulfil its developmental and commercial mandate. During FY2025, the business continued to strengthen its human capital base, governance structures, and leadership capabilities, in line with the overarching strategic imperative of building institutional capacity. This section outlines the Board and Executive leadership, governance committee structures, and key developments in the People & Culture environment.



## Executive Leadership

Land Bank Insurance is led by an experienced executive management team with technical expertise across insurance, actuarial services, finance, risk, legal, and compliance. The leadership team guides strategic implementation and business execution while maintaining a strong emphasis on operational performance, regulatory compliance, and transformation.

**Table 23: LBIC Executive Committee Profiles**

Picture	Mr Pascal Siphugu	Mr Ryan Engle (Resigned with last day on 20 November 2024)	Ms Thamarisi Tisane	Mr Kwanda Nkwenduna	Mr Langa Mnyandu	Dr Mpho Mathithibane (Resigned with last day on 31 January 2025)	Mr Lefa Ndlovu	
Title and Names	Mr Pascal Siphugu	Mr Ryan Engle (Resigned with last day on 20 November 2024)	Ms Thamarisi Tisane	Mr Kwanda Nkwenduna	Mr Langa Mnyandu	Dr Mpho Mathithibane (Resigned with last day on 31 January 2025)	Mr Lefa Ndlovu	
Position	Managing Director (Executive Director)	Head: Finance Insurance	Head: Risk & Strategy	Chief Actuarial Officer	Head: Legal and Compliance	Executive Manager: Underwriting & Operations	Head: Sales and Distribution	
Qualifications	<ul style="list-style-type: none"> <li>BA Degree</li> <li>BA Honours Degree, Master in Business Administration (MBA)</li> <li>Post Graduate Diploma in Management Practice</li> </ul>	<ul style="list-style-type: none"> <li>CA (SA)</li> <li>Bachelor of Commerce (Accounting) Degree</li> <li>Honours Degree in Accounting/CTA</li> </ul>	<ul style="list-style-type: none"> <li>B-Tech Degree in Internal Auditing</li> <li>Risk Management Certificate</li> <li>Post Graduate in Business Administration</li> <li>Master in Business Administration (MBA)</li> </ul>	<ul style="list-style-type: none"> <li>BSc Degree in Actuarial Science</li> <li>BSc Honours Degree in Mathematical Statistics</li> <li>BSc. Honours Degree in Actuarial Science</li> <li>MSc e-Science</li> <li>Associate Member of the Actuarial Society of South Africa (AMASSA)</li> </ul>	<ul style="list-style-type: none"> <li>B-Proc Degree</li> <li>Post Graduate Diploma in Drafting and Interpretation of Contracts</li> <li>Admitted Attorney of the High Court of South Africa</li> </ul>	<ul style="list-style-type: none"> <li>Doctor of Business Administration</li> <li>Master of Business Administration (MBA)</li> <li>Postgraduate in Risk Management</li> <li>Postgraduate in Public Governance</li> <li>Bachelor of Commerce: Accounting</li> </ul>	<ul style="list-style-type: none"> <li>M-Com Business management</li> <li>B-Com Hons Degree in Business Management</li> <li>Management Development Programme</li> <li>Higher Diploma in Integrated Marketing Communication.</li> <li>National Diploma in Marketing</li> </ul>	
Personnel Area	Insurance Practitioner	Accounting, Taxation and Treasury	Enterprise Risk Management, Governance, Compliance and Internal Auditing	Actuary, Investments and Data Science	Legal and Compliance	Agricultural Insurance Solutions	Bancassurance, Marketing, Sales and distribution	

## People and Culture

Land Bank Insurance's People & Culture function is a critical enabler of its strategic pillar, Built-Out Institutional Capacity. In FY2025, the organisation continued to drive initiatives aimed at developing a high-performance culture underpinned by transformation, continuous learning, and employee wellness. The focus remained on building agricultural-technical and insurance skills while fostering an environment characterised by trust, collaboration, innovation, accountability, and inclusion.

### Cultural Transformation and Workplace Values

The organisation is committed to providing meaningful, impactful, and stimulating work that aligns with its leadership vision and desired organisational culture. A strong emphasis is placed on maintaining a work environment free from discrimination, harassment, and bullying. Clear policies and procedures are in place to support this, including confidential channels for raising concerns. Land Bank Insurance continued its cultural transformation journey through performance-driven practices and engagement-enhancing programmes, placing employee health and wellness at the centre of its people strategy. Wellness services, including external consultations and value-add programmes, were made accessible to all employees via an outsourced wellness partner.

### Organisational Capacity

In FY2025, efforts to strengthen organisational capacity were evident in the targeted 41 permanent positions. By year-end, the headcount totalled 33 employees, comprising 28 permanent staff, two (2) fixed-term contractors, and three (3) learners.

**Table 24: Land Bank Insurance Employees by Category and Gender**

Land Bank Insurance Headcount 31 March 2025: Employee Category and Gender	Male	Female	Total
Permanent Employees	14	14	28
Fixed-Term Contractors	0	2	2
Learners	2	1	3
<b>Total</b>	<b>16</b>	<b>17</b>	<b>33</b>

The following table presents the workforce by age and employment category. Most permanent employees are within the age range of 25 to 40 years.

**Table 25: Land Bank Insurance Employees by Age and Employment Category**

Employees by Age and Employment Category: 31 March 2025	Age 25-40	Age 41-54	Age 55-65
Permanent Employees	16	9	3
Fixed-Term Contractors		1	1
Learners	3		
<b>Total</b>	<b>19</b>	<b>10</b>	<b>4</b>

The following table presents the employees of Land Bank Insurance by tenure and employment category. The majority of permanent staff have been with LBI for less than five years. Land Bank Insurance recognises tenure through its Long Service Award Policy.


**Table 26: Land Bank Insurance Employees by Tenure and Employment Category**

Employees by Tenure and Employment Category: 31 March 2025	<5 years	6 to 10 years	11 to 39 years	> 40 years
Permanent Employees	24	2	2	
Fixed-Term Contractors	2			
Learners	3			
<b>Total</b>	<b>29</b>	<b>2</b>	<b>2</b>	

#### Employment Equity and Diversity

Transformation remains a cornerstone of the organisation's talent acquisition and development strategy. In line with the one-year Employment Equity Plan, African, Coloured, and Indian (ACI) employees made up 96.97% of the workforce in FY2025. Employment equity representation across all occupational categories was closely monitored and remains a key consideration in external recruitment and internal development.

**Table 27: Employment Equity Representation by Occupational Categories**

Occupational Category	Female	Female ACI	Male			Male Total	Male ACI	Grand Total
	African		African	Coloured	White			
Prof. qualified & experienced specialists and mid-management	10	51,52%	6	2	1	9	45,45%	19
Semi-skilled and discretionary decision making	1							1
Senior Management	2		3			3		5
Skilled & qual. workers, jnr mgt., supv, foremen, supt.	3		1			1		4
Top Management			1			1		1
Unskilled and defined decision making	1		2			2		3
<b>Grand Total</b>	<b>17</b>		<b>13</b>	<b>2</b>	<b>1</b>	<b>16</b>		<b>33</b>
<b>Total ACI</b>	<b>96,97%</b>							

#### Integrated Talent Management

Talent development, succession planning, and career growth formed the foundation of LBI's integrated talent management approach:

- Succession Management: Development interventions were implemented following the prior year's successor identification process.
- Career Progression: Career path frameworks were developed for pilot roles in Risk Management and Actuarial, with implementation planned for the next financial year.
- Skills Analysis: A skills analysis tool was introduced to support future upskilling and reskilling needs. Outputs will inform the FY2026 capability plan.
- Performance Management: Performance contracting and continuous performance monitoring enabled the identification and reward of high-performing individuals and the proactive management of underperformance.
- Learning Development: A total of R273,006.14 was invested in training and staff development during FY2025, covering academic qualifications, leadership development, technical training, and workshops.
- Tertiary Qualifications: A total of five permanent employees received benefits from the payment for tertiary qualifications (staff studies) amounting to R147,461.00. The fields of study include Actuarial Science, a Postgraduate Diploma in Business Administration, a Higher Certificate in Short-Term Insurance, and Actuarial Exams.

**Table 28: Training Spend by Employee Demographic**

Permanent Employees Staff Studies	ACI – No. of Interventions	ACI - Rand Value
Top Management (P1-P3)		
Senior Management (P4-P5)		
Professionally qualified and experienced specialists and middle management (P6-P7)	3	R115 301,91
Skilled and qualified workers, junior management, supervisors, foremen, superintendents (P8-P9)	2	R32 160,00
Semi-skilled and discretionary decision making (P10-P12)		
Unskilled and defined decision making (P13-P14)		
<b>Total</b>	<b>5</b>	<b>R147 461,91</b>

**Table 29: Generic Training, Leadership Development, Technical Training, Workshops and Conferences**

Generic Training, Leadership Development, Technical Training, Workshops and Conferences	ACI – No. of Interventions	ACI - Rand Value
Top Management (P1-P3)		
Senior Management (P4-P5)	1	R8 669,37
Professionally qualified and experienced specialists and middle management (P6-P7)	11	R60 904,34
Skilled and qualified workers, junior management, supervisors, foremen, superintendents (P8-P9)	4	R54 855,52
Semi-skilled and discretionary decision making (P10-P12)	1	R1 115,00
Unskilled and defined decision making (P13-P14)		
<b>Total</b>	<b>17</b>	<b>R125 544,23</b>

### Employee Turnover and Retention

Voluntary attrition increased to 25% in FY2025 (from 20% the previous year), with most resignations occurring at junior management level. The organisation remains challenged by talent competition within the broader insurance sector, where similar technical skill sets are in demand.

**Table 30: Attrition by Employee Level**

Attrition in FY2025	FY2025
1. Total Attrition: Permanent Voluntary and Involuntary	7
2. Total Attrition Rate: Permanent - Voluntary	7
3. Attrition Rate: Permanent Voluntary only (7 from 28)	25%

**Table 31: Attrition by Employee Level and Demographics**

Reason and Occupational Category	Female Total					Male Total	Grand Total	ACI &
	African		African	Coloured	Indian			
<b>Resigned</b>								<b>100,00%</b>
Professional qualified & experienced specialists and mid-management (P6 & P7)	1	1	1			1	2	
Senior Management (P4)			1	1		2	2	
Skilled & qualified workers, junior management, supervisors, foremen, supt. (P8&P9)	1	1	1		1	2	3	
<b>Grand Total</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>7</b>	



To mitigate this risk, the organisation continued to refine its retention strategies, particularly focusing on enhancing the Employee Value Proposition (EVP).

### Employee Value Proposition (EVP)

Land Bank Insurance adopts the broader Land Bank EVP framework, which is designed to attract and retain high-performing individuals aligned with the institution's long-term strategy. In the coming year, awareness campaigns will be launched to enhance understanding and uptake of EVP benefits, thereby supporting stronger employee engagement and retention outcomes.

### Remuneration and Benefits

The organisation's remuneration strategy is based on the State-Owned Entities Remuneration and Incentives Guidelines (2018) and is fully aligned with its performance and talent management processes. Key principles include:

- Equity and Fairness: All roles are evaluated using Peromnes grading, with job profiles linked to performance outputs and required qualifications.
- Benchmarking: Pay scales are benchmarked annually to ensure market competitiveness.
- Guaranteed Package (AGP): Permanent employees receive a total guaranteed package that includes participation in Bankmed (medical aid), retirement funding, and a comprehensive suite of risk benefits (life, disability, dread disease, funeral cover).

**Table 32: Remuneration and compensation metric**

Details	Amount
Total remuneration of the highest-paid employee: Managing Director	R3 150 000,00
Total remuneration of the lowest-paid employee: Administrative Assistant	R334 917,96
Average total remuneration of all employees	R1 140 872.60
Median total remuneration of all employees	R902 075,04

A 5.2% cost-of-living salary adjustment was granted to non-executive staff, while performance-based increases ranging from 5% to 5.4% were awarded to executives. The Managing Director received a 5% increase due to individual performance.

### Flexible and Remote Working

LBI functions on a hybrid working model that combines remote and office-based engagement. Regular in-office interactions promote collaboration and employee connectedness while sustaining operational agility.

### People Governance

People management is governed by a suite of policies and procedures that are reviewed on a three-year cycle or in response to changes in legislation or the operating environment. Oversight is ensured through quarterly reporting to the Executive Committee and the Human Resources and Remuneration Committee.

### Labour Relations and Consequence Management

Labour relations are co-managed by the People & Culture team and the Legal & Compliance unit to ensure alignment with all relevant labour legislation. Management measures were taken in four cases during the reporting year, none of which resulted in dismissal.

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# GOVERNANCE REPORT

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## 8. GOVERNANCE REPORT

### 8.1 Governance Framework and Philosophy

The governance framework of Land Bank is designed to ensure ethical leadership, effective oversight, strategic alignment, and operational accountability. The Bank is managed by a Board of Directors appointed by and accountable to the Minister, who also determines the composition of the Board in accordance with legislative prescripts.

The Board comprises a majority of non-executive directors and must consist of no fewer than seven (7) and no more than twelve (12) members. Directors are appointed for a term not exceeding five years. The Chief Executive Officer (CEO) serves on the Board by virtue of office, while the Chief Financial Officer (CFO) may also be appointed as a director by the Minister. The Minister further designates a Chairperson and Deputy Chairperson from among the directors, with the Deputy acting in the Chairperson's absence. The appointment of the CEO is made by the Minister in consultation with and on the recommendation of the Board.

Land Bank's subsidiary insurance companies are governed by their own Boards, appointed by the Bank as the sole shareholder. These Boards comprise an equal mix of Land Bank directors and individuals who are not part of the Bank's Board, in alignment with the requirements of the King IV Report and the Governance Standards for Insurers (GOI). The Chairperson of the insurance subsidiary Boards is appointed by the Land Bank Board, while the Managing Director of the insurance subsidiaries is appointed in consultation with and on the recommendation of the respective subsidiary Board.

The relationship between the Bank and its subsidiaries is guided by a Group Governance Framework, which ensures alignment with Land Bank's vision and objectives, while also recognising the legal autonomy of each subsidiary. Importantly, the fiduciary duties of subsidiary directors are owed to their respective companies, not to the Bank, reinforcing independent and accountable governance.

Both the Bank and its subsidiaries are committed to achieving the four governance outcomes recommended by King IV: an ethical culture, good performance, effective control, and legitimacy. Their Boards are responsible for providing strategic direction, approving policies, and ensuring robust oversight and accountability.

Board effectiveness is reinforced through adopted Charters, Codes of Ethics and Business Conduct, Conflict of Interest Policies, and Board Manuals that guide the behaviour and decision-making of all directors. These instruments apply uniformly to all members, fostering consistency and transparency.

The Boards have delegated specific responsibilities to committees, individual directors, management, and other structures through formal Delegations of Authority frameworks. These frameworks are both legally compliant and operationally tailored to meet the needs and strategic priorities of the Bank and its subsidiaries.

During the year under review, the Boards focused on the following areas, among others:

Strengthening organisational capacity to deliver on the Bank's mandate

The implementation of the new Operating Model and Organisational Structure, along with targeted process improvements and culture change efforts, has enhanced performance in FY2025 compared to FY2024.

Focus on the successful implementation of the Liability Solution to enhance the Bank's loan book quality, operational efficiencies, development effectiveness, and scale up its developmental lending in a financially sustainable manner.

Following the successful conclusion of the Liability Solution and debt restructuring agreement with lenders, the Bank has now officially resolved its default status. The focus has since shifted towards ensuring strict compliance with the covenants and undertakings outlined in the agreement. This milestone addresses the long-standing strategic concern of legacy default and significantly contributes to restoring lender confidence and operational continuity.

Implement corrective strategies to address the Bank's high-cost structure. The current restructuring of the Bank should help in developing efficient and effective means of conducting the Bank's business.

Although the organisational restructuring has increased short-term human capital costs, it is anticipated to yield long-term gains through improved efficiency and revenue generation. The revised model establishes the foundation for cost containment, strategic resource allocation, and enhanced financial performance sustainability.

Adjust “Lending only” banking model to a model that will allow it to provide fee-generating services (diversify its revenue stream).

Progress in developing new revenue streams has been delayed due to the slow capacitation of the specialist team. Momentum is expected in FY2026 once the necessary expertise is in place, with an initial opportunity identified, focusing on agricultural trade across the value chain.

Create partnerships with other Development Finance Institutions (DFIs) to provide enterprise expertise and offer funding for farming enterprises that intend to expand across the agricultural value chain.

To strengthen partnerships with DFIS, the Bank is enhancing governance, risk management, and systems to align with global standards. Digitising funding channels will improve financial access for farmers, and building sustainability capacity will enable access to multilateral funding sources such as the Green Climate Fund (GCF) and the African Development Bank (AfDB). Engaging in international networks will also boost visibility and technical collaboration.

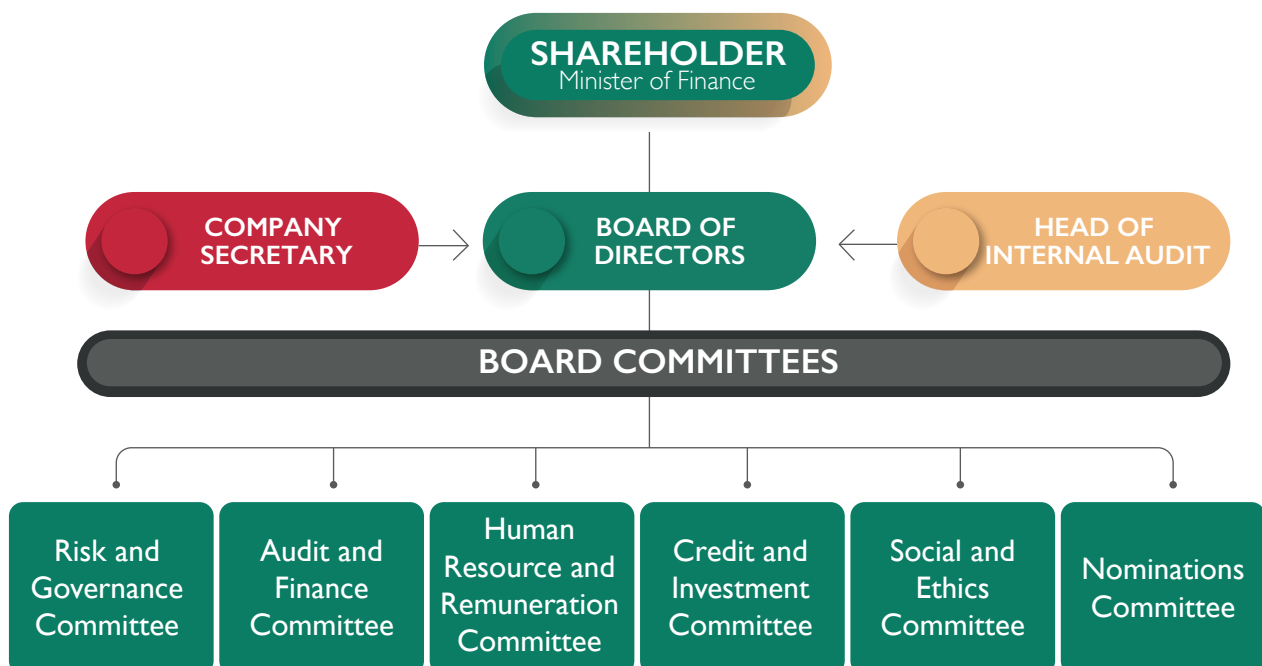
Enhance relationships with the Department of Agriculture and other stakeholders in the agricultural sector to establish and nurture partnerships that will bolster and support land reform and agricultural development for emerging farmers through grant funding and technical expertise.

The Bank actively engages with the Department of Agriculture as a critical stakeholder, prioritising regular interactions at the Board and Ministerial levels. The CEO and DG of the Department lead executive management discussions, fostering collaboration on key initiatives.

A Company Secretary, in accordance with the Companies Act of 2008 and King IV, supports the Boards and their Committees by providing independent corporate governance advisory services and company secretarial support. Effective operating procedures have been implemented across the organisation and are regularly reviewed to ensure their ongoing relevance and effectiveness.

The governance structure of the Land Bank Board is illustrated below:

**Figure 16: Governance Structure of the Land Bank Board**



The demographic composition of the Board of Directors of the Land Bank is detailed in Table 33.

**Table 33: Demographics of the Board of Directors**

Non-Executive Directors	M	F	B	I	C	W
Ms NR Nkosi		X	X			
Prof. JF Kirsten	X					X
Ms D Maithufi		X	X			
Ms TN Mashanda		X	X			
Ms NP Mbiko (Motshegoa)		X	X			
Ms E Pillay		X		X		
Dr M Tom	X		X			
Adv.DW vd Westhuizen	X					X

Executive Directors	M	F	B	I	C	W
Mr T Rikhotso	X		X			
Ms K Mukhari		X	X			

## 8.2 Land Bank - Governance Committees

The Board is supported by five standing committees: the Audit and Finance Committee, the Human Resources and Remuneration Committee, the Nominations Committee, the Risk and Governance Committee, and the Credit and Investment Committee. Additionally, the Board shares a Social and Ethics Committee with the Board of the Insurance Companies. Occasionally, the Board also establishes temporary structures, such as ad hoc committees, project teams, and task forces, to address specific time-bound issues.

The Committees of the Board and the Board's ad hoc structures are governed by Charters or terms of reference approved by the Board. The Charter or terms of reference detail the purpose, authority, responsibilities, composition, constitution of meetings, frequency of meetings, conduct of meetings, decision-making, record-keeping, and reporting and communication regarding a structure's activities to the Board.

### Audit and Finance Committee

The primary role of the Committee is to provide oversight of the financial reporting process, the audit process, the Bank's system of internal control, its financial position, and its investments and returns.

The Committee has the authority to:

Review and provide recommendations to the Board regarding financial risk management within the parameters of the risk appetite approved by the Board, aiming to maximise investment returns and earnings for given levels of risk.

Review and provide recommendations to the Board regarding effective liquidity risk management to ensure that the Bank can fund increases in assets and meet its cash flow obligations as they become due, without incurring unacceptable losses.

Review and provide recommendations to the Board regarding the capital adequacy of the Bank to ensure it can pay its debts as they fall due and increase its assets through additional lending.

Direct and control the system of internal audit that complies with and operates in accordance with Regulations and Instructions prescribed under sections 76 and 77 of the PFMA.

Oversee the system of internal controls.

Oversee the financial and non-financial reporting processes.

Oversee the quarterly and integrated reporting processes.

Manage the relationship with the AG and other external assurance providers.

Facilitate combined assurance by supervising the integration of external audit, internal audit, compliance, and risk management functions.

Advise the Board on the strategic alignment of information and technology with the business of Land Bank.

Evaluate and advise the Board on the value gained by the Bank through significant investments in technology and information, including the assessment of projects throughout their life cycles.

The Committee discharged all its responsibilities; with its primary focus for the year under review was the monitoring of the Banks Financial Sustainability and overseeing the implementation of remedial plans to address the high NPL ratio, liquidity constraints, the need for revenue diversification and the exploration of alternative funding sources to strengthen the Banks capital base. In parallel the Committee maintained oversight of the audit findings and the enhancement the Banks Information and Technology environment. This included close monitoring of critical IT projects such as the infrastructure refresh to mitigate



Cyber Security risks, the procurement of a new ERP system and supporting the appointment of a CTOO. Additionally, the Committee oversaw improvements in internal audit effectiveness, including the update of audit methodologies in line with global standards, the implementation of combined assurance plans, and continued efforts to strengthen the overall internal control environment.

## Risk and Governance Committee

The primary role of the Committee is to advise the Board of Directors of Land Bank on enterprise-wide risk management and sound corporate governance practices. The Committee is responsible for the following, among other duties:

Setting the tone and developing a risk culture within the enterprise, promoting open discussions regarding risk, integrating risk management into the organisation's goals and compensation structures, and fostering a corporate culture where individuals at all levels manage risks rather than reflexively avoiding or recklessly embracing them.

Overseeing risk governance concerning opportunities and the associated risks that must be considered when formulating organisational strategy, alongside the potential positive and negative impacts of these risks and opportunities on achieving the organisational strategy.

Coordinating the development, implementation, and annual review of a Risk Management Policy and Risk Management Plan that promote value creation and are integral to organisational processes.

Continuously monitoring risks and risk management capabilities within the Bank, including communication about escalating risks and crisis preparedness and recovery plans.

Securing reasonable assurance from management that all known and emerging risks have been identified and either mitigated or managed.

Coordinating the development, implementation, monitoring, evaluation, and annual review of the Bank's corporate governance instruments, and making appropriate recommendations to the Board regarding these instruments.

Monitoring and advising the Board on the Bank's reputation.

Monitoring, reporting on, and making recommendations to the Board concerning all matters of compliance with legislation, regulations, codes of best practice, Board policy, and Board directives.

The Committee fulfilled all its responsibilities, but its primary focus during the year under review was compiling and monitoring compliance with the Strategic Risk Register, Risk Management Plan, Regulatory Risk Universe, Stress Testing Framework and Strategic Risk Policies, providing comprehensive oversight of the Bank's risk landscape, including strategic, operational, and emerging risks. The Committee ensured the effective implementation and monitoring of the Risk Appetite, Risk Management Policies, and Combined Assurance Framework. The Committee also oversaw risk reporting and disclosures to the Board and key committees, while maintaining governance by updating the Governance Framework, Corporate Governance Instruments and monitoring compliance with legislation and best practices. IT risk management remained a priority, particularly around infrastructure enhancements, disaster recovery, and cybersecurity. These efforts collectively strengthened the Bank's risk adaptability and governance, supporting sustainable growth and performance.

## Human Resources and Remuneration Committee

The primary role of the Committee is to assist the Board of Directors of the Land Bank in fulfilling its duty to oversee the establishment of appropriate human resources policies and strategies that enable the Bank to achieve its short- and long-term business objectives. Its responsibilities include:

- Overseeing the overall human capital management strategy linked to the Bank's business strategy and recommending an appropriate structure to the Board for approval.
- Developing, implementing, monitoring, evaluating, and annually reviewing all human capital management policies and guidelines of the Bank, designed to support and facilitate the overall business strategy and the Bank's human capital management strategy.
- Advising the Board on attracting, recruiting, developing employees to optimal capability, retaining, and terminating staff to ensure a market-competitive approach in sourcing and retaining necessary talent levels.
- Overseeing the development of workforce skills and capabilities so that employees can effectively perform their duties, reach their potential, and meet required standards.
- Creating a culture and environment that enhances employee morale and the retention of scarce skills.
- Ensuring that Management has effective systems and has made adequate provisions for the overall mental, physical, emotional, and economic health of employees.
- Making certain that the Bank's values, as defined by the Board, are communicated to all employees, understood, embedded within the Bank's culture, and that any

deviations are properly addressed.

- Overseeing Management's efforts to ensure that employees feel a sense of purpose, belonging, commitment to the Bank, and the drive to fulfil that purpose or commitment.
- Overseeing the development and implementation of efficient systems and practices to ensure the health and safety of all employees and invitees, as well as compliance with all relevant laws, regulations, and best practices.
- Overseeing the development of a high-performance culture that drives and recognises success, and regularly reviewing reports, assessing, and if necessary, making recommendations to the Board on the value generated by employees within defined parameters.
- Ensuring that diversity remains a key component of the Land Bank's human resources strategy.
- Overseeing programmes for the induction and ongoing leadership and capability development of executives and key senior management.
- Overseeing the development of succession plans for executives and key senior management to maintain a suitable balance of skills, experience, and expertise for the ongoing effective management of the Land Bank.
- Reviewing and recommending to the Board for approval a remuneration framework, philosophy, and policy for all staff members of the Land Bank, including fixed and variable remuneration components.
- Ensuring compliance with all governance, accounting, legal, approval, and disclosure requirements related to remuneration.
- Reviewing and, if deemed appropriate, recommending to the Board the terms and conditions of employment contracts for all staff members of the Land Bank.

The Committee fulfilled all its responsibilities, but concentrated on matters concerning staff attrition, employee remuneration, and the implementation of the newly approved organisational structure of the Land Bank, the enhancement of performance management practices, and the development of an implementation plan to address key issues arising from the organisational culture survey. The Committee also identified focus areas for the next financial year, which will include finalising a fit-for-purpose Remuneration Policy, establishing clear career pathing frameworks, fostering a high-performance culture, and developing an enhanced Employee Value Proposition to attract, retain, and motivate top talent.

### Nominations Committee

The Committee's primary responsibility is to oversee the appointment, placement, development, performance management, rotation, suspension, and removal of members of the Board of Directors of the Land Bank. The

Committee's responsibilities include:

- Regularly reviewing the structure, size, and composition (including the skills, knowledge, experience, independence, and diversity) required of the Board compared to its current position and making recommendations to the Board regarding any changes;
- Succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Bank, as well as the skills and expertise needed on the Board in the future;
- Ensuring that appropriate succession plans are established, formalised, and implemented at the Board level, as well as at the executive and management levels;
- Staying up to date and fully informed about strategic issues and commercial changes affecting the Bank and its subsidiaries, and the markets in which they operate;
- Overseeing the process for nominating, electing, and appointing Board members, including conducting independent reference, qualification, criminal, and other background checks; and requesting confirmation from candidates of any other professional commitments or directorships held, considering whether they have sufficient time available to fulfil the responsibilities required by the Board;
- Overseeing the induction, training, and continuing development of directors (including regular briefings on legal and corporate governance developments, risks, and changes in the external environment of the Bank and its subsidiaries);
- Ensuring that inexperienced directors are developed through training or mentorship where necessary;
- Identifying, developing, and nominating for recommendation to the Minister by the Board, candidates to fill Board vacancies as they arise;
- Keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the organisation's continued ability to deliver on its mandate and to compete effectively in the marketplace;
- Ensuring that each non-executive director receives a formal letter of appointment clearly outlining expectations regarding time commitment, committee service, and involvement outside Board meetings;
- Keeping under review all legislative, regulatory, and corporate governance developments that may affect the Bank's operations, striving to ensure that the Bank remains at the forefront of best practices;
- Ensuring that the standards and disclosures required by the King Report on Corporate Governance for South Africa (2016) are upheld and reflected in disclosures made in the Integrated Report;
- Overseeing the annual performance assessment of the



Board, Board Committees, and individual non-executive members, and making recommendations to the Board based on the results of these assessments;

- Making recommendations to the Board concerning;
- Succession plans for both executive and non-executive directors, including for the key roles of Chairman and Chief Executive Officer;
- Suitable candidates for the role of Senior Independent Director as required;
- Membership of Board Committees in consultation with the chairpersons of those committees;
- The re-appointment by the Shareholder of any director, considering their performance and ability to continue contributing to the Board in light of the knowledge, skills, and experience required, alongside the need for progressive refreshing of the Board (particularly regarding directors being re-elected for a term beyond six years);
- Any matters relating to the continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Bank, subject to the provisions of the law and the executive director's contract of employment; the remuneration of Board members; and
- The appointment of any employee of the Land Bank as an executive director.

The Committee discharged all its responsibilities focussing on the outcomes of the annual Board evaluation, the training and development of Directors, and the review of Board composition to ensure effective succession planning and alignment with governance best practices.

### Social and Ethics Committee

The Committee's primary role is to review and make recommendations to the Board of Directors of the Bank and its subsidiaries on matters related to social and ethical policies and strategies, among other things. It also assists the Boards in creating value in a sustainable manner, taking into account the triple context of the economy, society, and the natural environment in which the institutions operate.

The responsibilities of the Committee include:

- Reviewing and recommending to the Boards on policies, strategies, and structures to manage social and ethics issues within the Land Bank and the Insurance Companies;
- Monitoring the activities of the Land Bank and the Insurance Companies concerning social and economic development as dictated by legislation or established best practice codes;

- Assessing the standing of the Land Bank and the Insurance Companies in relation to the aims and objectives of the ten principles outlined in the United Nations Global Compact Principles, the OECD recommendations on corruption, the Employment Equity Act, and the Broad-Based Black Economic Empowerment Act;
- Overseeing the activities of the Land Bank and the Insurance Companies regarding good corporate citizenship, which includes;
- Promoting equality, preventing unfair discrimination, reducing corruption, developing the communities in which they operate, engaging in sponsorships, donations, and charitable giving; and
- Supporting sustainable development, enhancing stakeholder relations, preventing fraud, ensuring responsible and transparent tax practices, providing fair remuneration, addressing climate change, managing pollution, waste disposal, and protecting biodiversity;
- Monitoring the impact of the activities and products of the Land Bank and the Insurance Companies on the environment, health, and public safety;
- Observing the relationships of the Land Bank and the Insurance Companies with consumers, their compliance with consumer protection laws, as well as the nature of their advertising and public relations efforts;
- Overseeing the practices of the Land Bank and the Insurance Companies with respect to labour and employment;
- Monitoring the status of the Land Bank and the Insurance Companies in relation to the International Labour Organisation Protocol on decent work and working conditions;
- Determining for approval by the Boards, and periodically reviewing, clearly articulated ethical standards (Code of Ethics) to ensure that the Land Bank and the Insurance Companies take measures to adhere to these standards in all aspects of business, thereby fostering a sustainable ethical corporate culture within both institutions;
- Reviewing and making recommendations to the Boards on policies, strategies, and structures to manage the reputation of the Land Bank and the Insurance Companies, assessing reputational risks faced by both entities, and ensuring that such risks are addressed as part of the Land Bank and the Insurance Companies' risk management programme;
- Annually obtaining external assurance of the ethics performance of the Land Bank and the Insurance Companies, and facilitating the inclusion in the Integrated Report of an assurance statement related to their ethics performance; and
- Ensuring that the organisation's ethics are managed in a manner that supports the establishment of an ethical culture.

The Committee fulfilled all its responsibilities while concentrating on issues affecting the fair treatment of clients, safeguarding the Bank's reputation, and overseeing whistleblowing processes to ensure accessibility, confidentiality, and alignment with best governance practices. All whistleblowing matters received were addressed, and the Committee continued to monitor trends and implement any process improvements to strengthen trust and integrity across the Bank and its subsidiaries.

### Credit Investment Committee

The purpose of the Committee is to assist the Board of Directors in discharging its responsibilities regarding the funding of the Bank, the provision of credit by the Bank, and the Bank's investments. The Committee ensures that the Bank's investment goals are met, that the quality of the Bank's credit portfolio and the trends affecting it are continually reviewed, and that credit-related policies are effective and properly administered. The Committee is responsible for:

- Recommending credit frameworks, strategies, policies, and practices, including prudential credit limits and guidelines to the Board;
- Making recommendations to the Board for revising the Credit Model methodology and the pricing model;
- Ensuring that the quality and management of the credit portfolio align with the Bank's Credit Policies and Risk Philosophy;
- Ensuring adequate controls and risk management for credit risk;
- Approving requests to extend credit facilities within delegated limits;
- Approving requests for restructuring credit facilities within delegated limits;
- Making recommendations to the Board on all requests for extending credit facilities beyond its delegated limits;
- Making recommendations to the Board regarding the restructuring of all credit facilities that exceed its delegated limits;
- Approving new loans, credit facilities, and credit limits or credit risk exposures within its delegated limits, while recommending to the Board for the granting of new loans, credit facilities, and credit limits that exceed its delegated limits;
- Approving the write-off of loans within its delegated limits and recommending to the Board the write-off of loans beyond those limits;
- Regularly reviewing the quality and performance of the Bank's credit portfolio;
- Regularly reviewing credit risk management and stress testing reports, and making recommendations to the Board when deemed necessary;

- Conducting biannual reviews of all credit decisions of the Bank;
- Overseeing the implementation of the approved model governance framework, including the formulation, implementation, and monitoring of credit models, along with reviewing the framework when necessary;
- Monitoring all credit decisions made by Management under delegated authority;
- Recommending to the Board the investment frameworks, strategies, policies, and practices, including prudential investment limits and guidelines;
- Overseeing the management of the Bank's investment portfolio, including developing short- or long-term strategies for acquiring and disposing of holdings to meet the Bank's specific investment objectives, and making recommendations to the Board in this regard;
- Reviewing trends in asset and portfolio composition, quality and growth, NPLs, concentration risk prudential limits, Watch List (including workout and restructuring exposures), large exposures, and any emerging risks, directing Management action where deemed necessary;
- Monitoring all investment decisions made by Management under delegated authority;
- Regularly reviewing the quality and performance of the Bank's investment portfolio;
- Ensuring that the quality and management of the investment portfolio align with the Bank's Investment Policy and Philosophy;

Conducting biannual reviews of all investment decisions of the Bank (valuations), taking necessary actions, or making recommendations to the Board and Management as considered necessary.

The Committee fulfilled all its responsibilities during the reporting period, prioritising the remediation of Non-Performing Loans (NPL) to safeguard the Bank's financial stability and support sustainable growth. In alignment with the Bank's strategic objectives, the Committee exercised rigorous oversight over loan origination and portfolio quality, ensuring prudent client selection and robust risk management. Regular reporting to the Committee highlighted both achievements and challenges, in line with the Committee Charter and Annual Work plan.

Land Bank Board and Committee Meeting Attendance  
Composition and attendance at the Land Bank Board and Board Committee sessions were as follows during the year under review:



**Table 34: Land Bank Board Composition FY2025**

LB Board of Directors: Committee Structure as at 31 March 2025	Board and Committee Composition						
	Board of Directors	Audit and Finance Committee	Credit and Investment Committee	Risk and Governance Committee	Human Resources and Remuneration Committee	Joint Social and Ethics Committee	Nominations Committee
<b>Non executive directors</b>							
Ms R Nkosi (Chair)	Ms E Pillay (Chair)	Ms D Maitlhuhi (Chair)	Adv D vd Westhuizen (Chair)	Dr M Tom (Chair)	Ms N Moiko (Chair)	Ms R Nkosi (Chair)	Ms R Nkosi (Chair)
Prof J Kirsten (Deputy Chair)	Ms K Rantao	Prof J Kirsten	Ms D Maitlhuhi	Ms R Nkosi	Ms R Nkosi	Dr M Tom	Dr M Tom
Ms D Maitlhuhi	Ms T Mashanda	Ms K Rantao	Ms T Mashanda	Adv Dvd Westhuizen	Ms E Pillay	Ms E Pillay	Ms E Pillay
Dr M Tom					Prof J Kirsten	Prof J Kirsten	Prof J Kirsten
Ms N Mbiko							
Adv D vd Westhuizen							
Ms E Pillay							
Ms T Mashanda							
Ms K Rantao <sup>1</sup>							
<b>Executive directors</b>							
Mr T Rikhotso							
Ms K Mukhari							

**Table 35: Land Bank Board Meeting Attendance FY2025**

Director Type	Name	Board	AGM	Board Workshops & Strategy Sessions	Risk & Governance	Audit & Finance	Credit & Investment Committee	Human Resources Remuneration Committee	Social & Ethics Committee	Nominations Committee
<b>Non-executive directors</b>										
Ms R Nkosi <sup>2</sup>		1	1	-	-	5	8	3	5	5
Ms D Maitlhuhi <sup>2</sup>		1	1	5	-	15	1	-	-	-
Prof J Kirsten <sup>2</sup>		1	1	-	11	15	0	2	-	-
Dr M Tom <sup>2</sup>		1	-	-	-	-	9	7	4	4
Ms N Mbiko <sup>2</sup>		1	-	-	-	3	9	0	0	0
Adv D vd Westhuizen <sup>2</sup>		-	1	5	-	-	9	-	2	2
Ms E Pillay <sup>2</sup>		1	1	-	10	-	-	-	5	5
Ms T Mashanda <sup>2</sup>		1	1	5	10	-	-	-	-	-
Ms K Rantao <sup>1</sup>		1	-	-	1	4	-	-	-	-
<b>Executive directors</b>										
Mr T Rikhotso		1	1	4	10	15	9	5	1	1
Ms K Mukhari		-	-	4	11	11	9	5	7	7

1. Appointed on 1 Nov 24

2. Term extended from 8 Dec 2024 – 7 Jun 2025

The Board and its Committees usually meet quarterly; however, due to the liquidity challenges facing the Bank, the fallout from the event of default, and the urgency in concluding the liability solution, there was a need for the Board and its Committees to meet more frequently.

### 8.3 Land Bank Insurance - Governance Committees

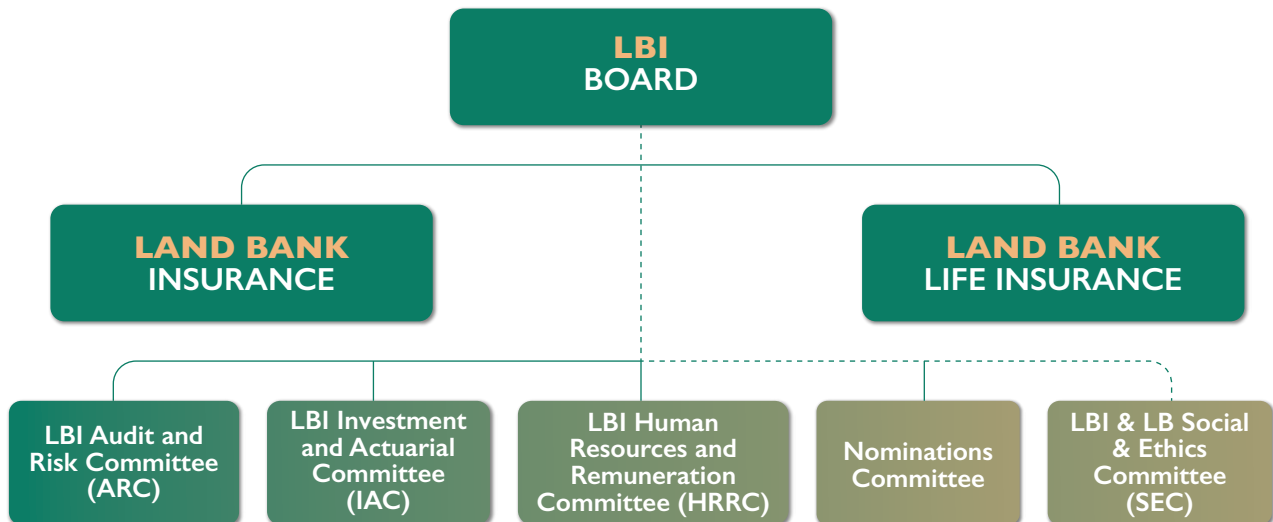
The LBI Board is supported by five standing committees:

- Audit and Risk Committee (ARC)
- Investment and Actuarial Committee (IAC)
- Human Resource and Remuneration Committee (HRRC)
- Nominations Committee
- Joint Social and Ethics Committee (SEC) – shared with Land Bank

These committees are established in accordance with relevant legal and regulatory frameworks, including the PFMA, Companies Act, and the Land Bank Act, Insurance Act, and Prudential Standards on Governance of Insurers and are governed by charters that outline their respective mandates and responsibilities. Occasionally, the Board would also establish temporary structures such as ad hoc committees, project teams, and task forces to address specific time-bound issues.

The LBI Organisational Chart, which includes Committees, is summarised in Figure 17. It illustrates the governance relationship between the LBI Board, LBIC, LBLIC, and their respective associated Committees.

**Figure 17: LBI's Summary Organisational Chart as of 31 March 2025**





## Audit and Risk Committee

The primary role of the Committee is to provide oversight of the financial reporting process, the audit process, the insurance companies' system of internal control, enterprise-wide risk, and the financial position of the insurance companies.

Its responsibilities, among others, include:

- Determining the fees payable to the Auditor General and the terms of engagement for the Auditor General.
- Establishing the nature and extent of any non-audit services that the Auditor General may provide to LBIC and LBLIC, or that the Auditor General must refrain from providing to LBIC and LBLIC or a related company.
- Pre-approving any proposed agreement with the Auditor General for the provision of non-audit services to LBIC and LBLIC.
- Monitoring the implementation and performance against the Corporate Plan, including financial and non-financial reporting requirements.
- Assisting the Board in developing its risk management framework, strategy, and policies for LBIC and LBLIC.
- Advising the Board on the implementation and adequacy of the risk management frameworks, policies, controls, records, and reporting for LBIC and LBLIC.
- Reviewing and advising the Board on the core policies of LBIC and LBLIC.
- Assisting the Board in evaluating the adequacy and effectiveness of the risk management system and ensuring that enterprise-wide risk assessments are performed annually.

The committee reviews the effectiveness of the outsourced internal audit function, which includes:

- the review and approval of its audit plan, and the internal audit charter; ensuring that internal audit function is independent and objective;
- approval of the internal audit fee hours and budget; consideration of the periodic reports from the internal auditors;
- ensuring that internal audit issues are attended to and cleared timeously; and promoted the gradual adoption of the combined assurance model
- The directors are responsible for ensuring that the LBIC and LBLIC maintains adequate records, which disclose, with reasonable accuracy, its financial performance and position.

The committee reviewed the effectiveness of the outsourced IT function, which includes:

- Ensuring that IT risks are identified, assessed, and appropriately managed as part of the broader enterprise risk management framework.
- Reviewing management's mitigation plans for cybersecurity, data privacy, business continuity, disaster recovery, and systems availability.
- Monitoring incidents of IT breaches or outages that may impact financial reporting or business operations.
- Ensuring that IT systems used for financial reporting, data processing, actuarial modelling, and IFRS 17 compliance are appropriately governed and secured.

The Committee discharged all its responsibilities. Its primary focus during the year under review was to continue ensuring the successful transition to IFRS 17, the new Accounting Standard for insurance contracts. The Committee also concentrated on enhancing the Information and Technology environment for the Insurance Companies, reviewing and strengthening internal controls, and resolving adverse audit findings.

## Investment and Actuarial Committee

The primary responsibility of the Committee is compliance with actuarial guidance, ensuring capital adequacy and considering the results of actuarial investigations, including but not limited to policyholder liability valuations and related earnings.

The responsibilities include, among others:

- Regularly reviewing and recommending to the Board for approval an Actuarial Mandate.
- Regularly reviewing and recommending to the Board for approval an Underwriting Policy, a Reinsurance and Other Forms of Risk Transfer Policy, a Capital Management Policy, the ORSA Policy, the ORSA Scenario and Planning Framework, the Credit Risk Policy, and the Liquidity Risk Policy.
- Ensuring that sound actuarial governance principles and best practices are adhered to and consistently applied.
- Evaluating the adequacy and completeness of the annual quantitative regulatory returns to the Prudential Authority in terms of applicable laws and regulations.
- Reviewing the reports of the Head of Actuarial Function (HAF) on the results of actuarial investigations, including the validation of actuarial models.
- Reviewing reports on compliance with actuarial guidance in the preparation of financial statements.

- Evaluating the capital adequacy and solvency of the Insurance Companies, including the stresses and scenarios to be used for the Own Risk and Solvency Assessment (ORSA) process of the Insurance Companies and recommending these to the Board for approval.
- Overseeing the management of the investment portfolio of the Insurance Companies and ensuring compliance by management and/or independent investment advisers, if applicable, with investment codes and regulations, and with the investment policies and guidelines of the Insurance Companies.
- Reviewing and making recommendations to the Board on the Asset-Liability Management, Liquidity Risk, Credit Risk, and Investment Policies in terms of prudential standards at least annually.
- Considering significant actuarial and financial risks and assessing the appropriateness and effectiveness of their management.
- Making recommendations to the Board regarding the appointment and dismissal of the HAF and actuarial fees, where applicable.
- The Committee fulfilled all its responsibilities and concentrated on the development of an actuarial mandate, including the appointment of new Head of Actuarial Control Functions (HAFs) during FY2025.

### Human Resource and Remuneration Committee

The role and responsibilities of the Committee are, mutatis mutandis, no different from those of the Land Bank Human Resources and Remuneration Committee. The focus was on the Remuneration Policy ensuring it remains competitive and provided oversight of Talent Management, Leadership development, Succession Planning and Employee Engagement initiatives.

### Nominations Committee

The role and responsibilities of the Committee are, mutatis mutandis, the same as those of the Land Bank Nominations Committee. During the year, the Committee was focussing on the outcomes of the annual Board evaluation, the training and development of Directors, and the review of Board composition to ensure effective succession planning and adherence with governance best practices.

### Land Bank Insurances Board and Committee Meeting Attendance

Composition and attendance at the Land Bank Insurances Board and Board Committee sessions were as follows during the year under review:

**Table 36: LBI Committee Membership for FY2025**

LB LIC Board of Directors: Committee Structure as at 31 March 2025	Board of Directors	Audit and Risk Committee	Investment and Actuarial Committee	Joint Land Bank and Land Bank Insurances Social and Ethics Committee	Human Resources and Remuneration Committee	Nominations Committee
	<b>Non executive directors</b>					
	Ms E Pillay	Ms M Bosman	Mr K Sukdev <sup>1</sup>	Ms E Pillay <sup>2</sup>	Adv D vd Westhuizen	Ms E Pillay
	Mr S Masuku	Mr K Sukdev <sup>1</sup>	Ms M Bosman		Ms M Bosman	Mr S Masuku
	Mr K Sukdev <sup>1</sup>	Mr S Masuku	Ms D Subbiah		Ms D Subbiah	Adv D vd Westhuizen
	Ms M Bosman	Ms D Subbiah	Mr S Masuku			Prof J Kirsten
	Ms D Subbiah		Prof J Kirsten			
	Prof J Kirsten					
	Adv D vd Westhuizen					
	<b>Executive directors</b>					
	Mr P Siphugu					

1. Term ended 31 Mar 2025

2. LBI Director on the Joint LB and LBI SEC meeting


**Table 37: LBI Board and Committee Meeting Attendance FY2025**

	Board	Audit and Risk Committee	Investment and Actuarial Committee	Human Resources Remuneration Committee	Joint Land Bank and Land Bank Insurances Social and Ethics Committee	Nominations Committee	Strategy Sessions	AGM
	14 meetings	12 meetings	6 meetings	8 meetings	9 meetings	2 meetings	1 meetings	1 meeting
Non-executive directors								
Ms E Pillay	13	-	-	-	7	2	1	1
Mr S Masuku	13	11	6	-	-	2	1	1
Mr K Sukdev	13	12	6	-	-	-	1	1
Ms M Bosman	14	12	6	8	-	-	1	1
Ms D Subbiah	14	12	6	8	-	-	1	1
Prof J Kirsten	12	-	4	-	-	2	1	1
Adv D vd Westhuizen	12	-	-	8	-	2	1	1
Executive directors								
Mr P Siphugu	14	12	6	7	7	1	1	1

1. LBI Director on the Joint LB and LBI SEC meeting attended 7/9 meetings on behalf of LBI

## 8.4 Alignment to King IV Principles

The Land Bank Board is dedicated to maintaining the corporate governance philosophies and principles outlined in the King IV Report on Corporate Governance for South Africa (2016). The Bank aims to achieve positive governance outcomes, including ethical leadership, performance and value creation, effective control, and legitimacy.

To this end, the Board has evaluated its alignment with each of the 17 King IV principles, along with their recommended practices, to ensure that its corporate governance systems promote sustainable value creation and effective oversight.

The table below summarises this alignment.

KING IV PRINCIPLE	LAND BANK'S ALIGNMENT
<b>1. Ethical and Effective Leadership</b>	The Boards delegate ethical oversight to the Joint Social and Ethics Committee (SEC). Members uphold a shared commitment to ethical leadership and hold one another accountable through instruments such as the Board Charter, Code of Ethics, Conflict of Interest Policy, and Board Manual. Annual and ad hoc Declarations of Interest as well as Fit and Proper declarations ensure transparency. Employee engagements reflect the Board's ethical tone.
<b>2. Governance of Ethics</b>	Codes of Ethics and Business Conduct have been adopted for both the Land Bank Board and the Insurances Companies Board, as well as for all employees. The Joint Social and Ethics Committee enforces these Codes, supported by the Ethics Office, which oversees the implementation of ethics programmes and related reporting. Ethics performance is monitored quarterly by the Joint Social and Ethics and Risk and Governance Committees.
<b>3. Responsible Corporate Citizenship</b>	The Board supports responsible citizenship through policies such as the Environmental and Social Sustainability (ESS) Policy and by subscribing to the UN Principles for Responsible Banking. These frameworks guide human rights, environmental stewardship, and sustainability practices.
<b>4. Value Creation and Strategy Integration</b>	Strategic planning aligns with the National Treasury Framework and the National Development Plan. The strategy focuses on empowerment, emerging farmers, commercial agriculture sustainability, and food security. The Board ensures strategy, risk, and performance are integrated in value creation.
<b>5. Reporting and Disclosure</b>	Reporting follows the Land Bank Act, PFMA, and National Treasury regulations. Committees validate and review all external reports for completeness and accuracy. Where applicable, internal and external assurance providers are engaged prior to the Board and Committees approval.
<b>6. Primary Governance Role</b>	The Board has ultimate responsibility for governance and the affairs of the Bank and its subsidiaries. A robust suite of governance tools is in place, including a Board Charter, supported by King IV and relevant laws and regulations.
<b>7. Board Composition</b>	Board appointments, made by the Minister, reflect diversity in skills, race, gender, and experience. A Board skills matrix is used for identifying gaps, guiding appointments, succession planning, and the structuring of Committees. During the period, two vacancies arose on the Land Board one effective 8 December 2023 and another following a resignation from 1 April 2024. One of these vacancies was filled with effect from 1 November 2024. The term of the remaining Board members was extended from 7 December 2024 to 7 June 2025. There were two vacancies on the Board of Directors of the Insurance Companies.
<b>8. Delegation of Authority</b>	The Land Bank Board is supported in the execution of its governance responsibilities by six committees, while the LBI Board is supported by five committees. One of these committees, the Social and Ethics Committee, serves both Boards. All committees operate in terms of reviewed and approved Charters, and delegate powers through formally approved Delegations of Authority frameworks. This structure enables the committees to exercise independent judgment and contributes to a balanced and effective governance framework.



KING IV PRINCIPLE	LAND BANK'S ALIGNMENT
<b>9. Performance Evaluations</b>	An external Board evaluation was conducted during the year, and the implementation of its recommendations is underway. The outcomes of the evaluation are utilised to address identified gaps, strengthen governance practices, and enhance overall Board effectiveness. This process supports continuous performance improvement, succession planning, and the ongoing development of Board capacity.
<b>10. Role Clarity in Delegation to Management</b>	Delegated powers to the CEO of the Bank and Insurance Companies MD are clear and governed by formal instruments, with built-in checks and balances to avoid power concentration and promote effective management accountability.
<b>11. Risk Governance</b>	Risk oversight is a key Board function. EXCO-led risk assessments are submitted quarterly to the Joint Social and Ethics Committee and Risk and Governance Committee, and ultimately approved by the Board. Risks are clearly defined and appropriately escalated.
<b>12. Information and Technology Governance</b>	The Board governs IT through the Land Bank Audit and Finance and the Insurances Companies Audit and Risk Committees. IT strategy focuses on securing information, value delivery, and infrastructure strengthening—especially during the Turnaround Strategy's consolidation phase.
<b>13. Compliance Governance</b>	Compliance risk is closely monitored, given the regulated environment. Oversight resides with the Land Bank Risk and Governance and the Insurance Companies Audit and Risk Committees, which ensure integration into operations and promotion of ethical compliance behaviour.
<b>14. Remuneration Governance</b>	The Human Resources and Remuneration Committees oversees remuneration strategies and practices. These align with King IV, the Companies Act, and the PFMA. Board-approved remuneration strategies aim for fairness and transparency. All executive remuneration contracts and the Remuneration Report are overseen and disclosed appropriately.
<b>15. Assurance Governance</b>	The Boards implements a Combined Assurance Model using three lines of defence: operations, compliance, and internal audit. The Combined Assurance Model is aligned to key risks, with independent review and reporting to the Land Bank Audit and Finance and Insurance Companies Audit and Risk Committees. Combined assurance plans are continuously updated and approved by Committees.
<b>16. Stakeholder Inclusivity</b>	Stakeholder engagement is governed by a Communication Policy and overseen by the Joint Social and Ethics Committee. Reports covering labour, communications, stakeholder management, social impact, and CSI are reviewed quarterly. The Bank Governance Framework supports clear roles between the Bank and its subsidiaries.
<b>17. Responsible Investment</b>	The Bank ensures that its asset and investment managers subscribe to responsible investment practices, including UNPRI and CRISA. This supports governance and long-term value creation through ethical and sustainable investment practices.

## 8.5 Alignment to the UNEP Principles for Responsible Banking

The Principles for Responsible Banking (PRB) were launched in 2019 by the United Nations Environment Programme Finance Initiative (UNEP FI) in collaboration with global banks. These principles provide a framework for ensuring that banks align their strategies and operations with the UN Sustainable Development Goals (SDGs), Paris Climate Agreement, and broader objectives for society and the environment.

Land Bank played an active role in supporting the development of the PRB Framework and became a founding signatory in 2019. Over the previous reporting period, the Bank laid the foundation for implementation by establishing the necessary governance structures and policies to operationalise its commitment to the PRB.

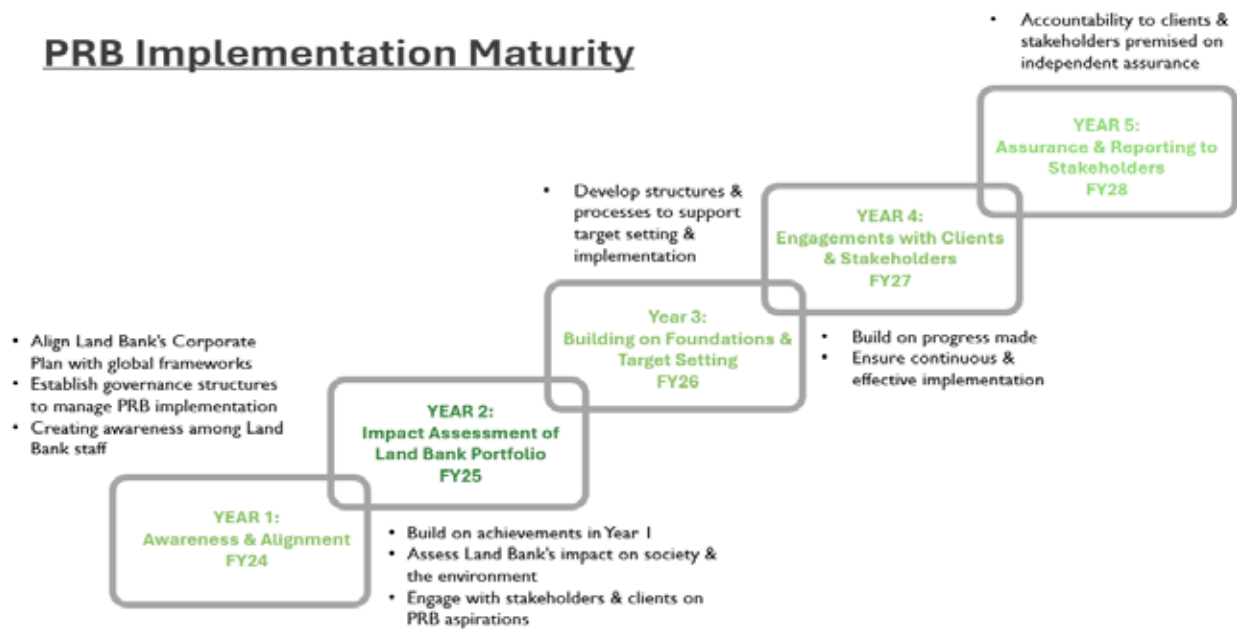
Progress Made - FY2025

The primary focus during FY2025 was to conduct an impact assessment of the Bank’s portfolio to identify its most significant areas of impact and determine priority areas for target-setting. This assessment was guided by the outputs from the first phase of implementation, which focused on building awareness and aligning internal strategies with the PRB framework.

To support this effort, Land Bank developed a PRB Implementation Plan in alignment with UNEP FI’s implementation requirements. A Project Steering Committee was established to oversee the process, meeting every three weeks to monitor progress against the deliverables outlined in the plan.

The figure below illustrates Land Bank’s current position along the PRB Maturity Path:

**Figure 18: Principles of Responsible Banking – Maturity Path**





## Key Achievements - FY2025

During the reporting period, Land Bank made the following key achievements towards advancing the implementation of the PRB.

**Policy Alignment** - The Policy and Process Committee refer all new policies and those policies up for renewal to the SteerCo for alignment with PRB.

**Impact Assessment** - An impact assessment of the Bank's activities was conducted using the UNEP FI Portfolio Assessment Tool. This assessment confirmed Financial Inclusion and Climate Stability as the Bank's primary focus areas, towards ensuring that implementation of the PRB yields meaningful outcomes for the Bank and its stakeholders.

**Renewable Energy Engagement** - The Bank conducted a client survey to understand clients' perceptions of the social and environmental impacts of its financing activities. The insights gained have supported meaningful dialogue on the relevance of the PRB within the agricultural sector. Additionally, the survey helped the Bank identify clients with an interest in renewable energy who may qualify for blended finance through the Agro Energy Fund.

**Internal Communication and Awareness**: The Bank promoted awareness of the PRB among employees through webinars and a knowledge quiz, completed by 212 staff members, to assess understanding of the initiative.

**Stakeholder Engagement**: The Bank engaged with key stakeholders to communicate its commitment to the PRB and to encourage broader support and collaboration in advancing responsible banking practices.

**Governance and Oversight**: Quarterly monitoring of PRB implementation was conducted by the Executive Committee and Social and Ethics Sub-Committee of the Board, underscoring commitment to PRB at the highest levels of the organisation.

**Performance Measurement**: The Bank achieved 93% of the deliverables outlined in the FY2025 PRB Implementation Plan, demonstrating strong progress and a commitment to sustainability objectives.

## Way Forward

Looking ahead, Land Bank will continue to strengthen the structures and processes required to support the effective implementation of the PRB. The Bank will also enhance communication with employees and key stakeholders to ensure transparency and shared accountability for its implementation journey.

Clear, measurable targets will be established to track alignment with the PRB's core principles and to evaluate the extent to which sustainability is embedded within the Bank's policies and operations. This includes setting specific targets within the Climate Stability impact area and advancing Financial Inclusion (Development and Transformation) goals through the annual Shareholder Compact between Land Bank and the Minister of Finance.










## 8.6 Support for NDP Vision 2030 and the UN SDGs

There is a clear alignment among the objectives of the Land Bank Act, the Sustainable Development Goals (SDGs), and the National Development Plan (NDP).

**Figure 19: UN Sustainable Development Goals (SDGs)**



**Table 38: Alignment Between the Objectives of the Land Bank, the NDP, and the UN SDGs**

The objectives of the Land Bank Act are the promotion, facilitation, and support of:	National Development Plan	Sustainable Development Goals
Equitable ownership of agricultural land, particularly increasing the ownership of agricultural land by historically disadvantaged persons Agrarian reform, land redistribution or development programmes aimed at historically disadvantaged persons for the development of farming enterprises and agricultural purposes. Removal of the legacy of past racial, gender and generational discrimination in agriculture	Making land reform work to unlock the potential for a dynamic, growing and employment-creating agricultural sector	 
Programmes that contribute to agricultural aspects of rural development and job creation Agricultural entrepreneurship Enhancement of productivity, profitability, investment, and innovation in the agricultural and rural financial systems	Support job creation in the upstream and downstream agri industries Develop strategies that give new entrants access to product value chains and support from better-resourced players	  
Land access for agricultural purposes Better use of land	Commercialise some underused land in communal areas and land reform projects Support the commercial agriculture sector and regions that have the highest potential for growth and employment	 
Food security	Everyone should, at all times, have access to sufficient, nutritious, and safe food	 



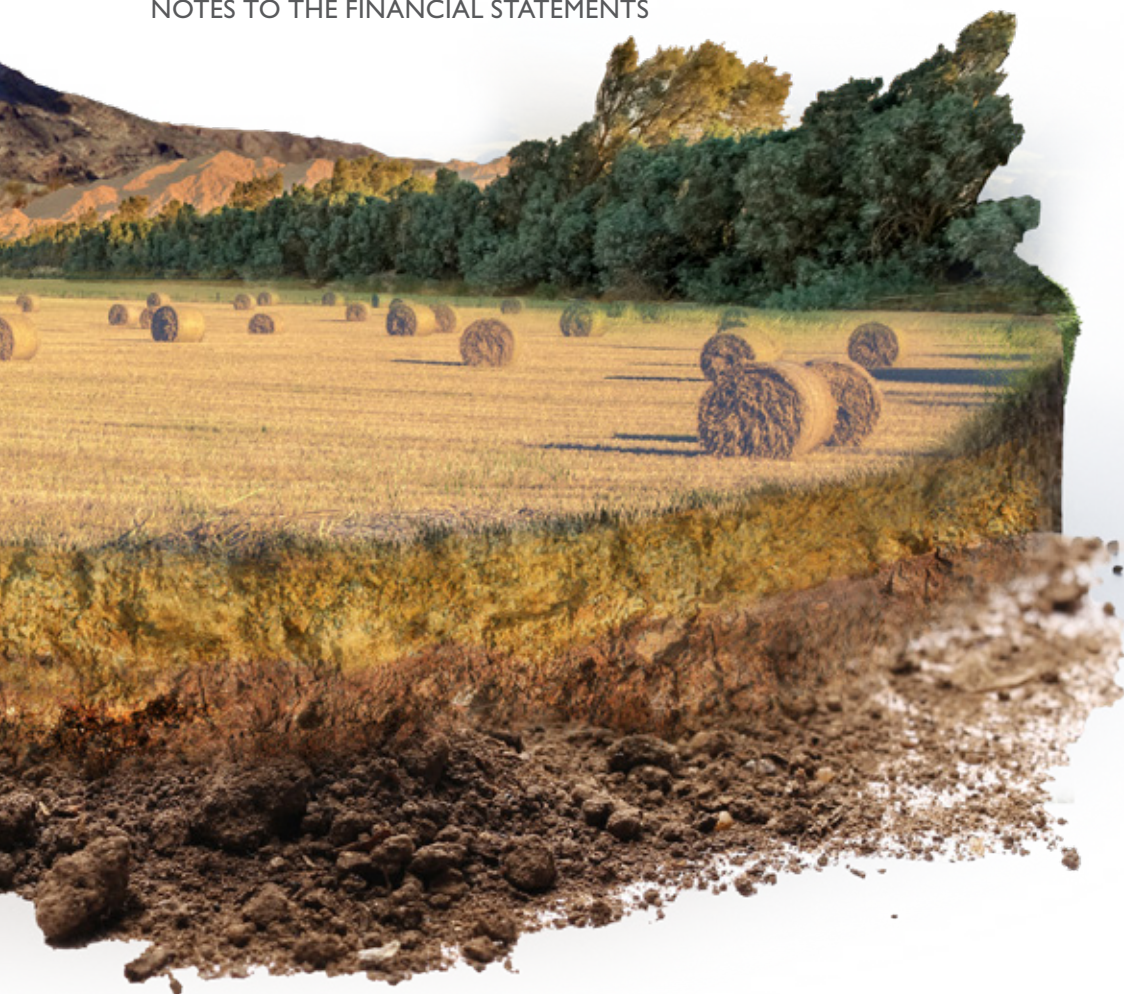
The objectives of the Land Bank Act are the promotion, facilitation, and support of:	National Development Plan	Sustainable Development Goals
Promote and develop the environmental sustainability of land and related natural resources	Expand irrigated agriculture and find creative partnerships between opportunities	       





# FINANCIAL PERFORMANCE

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## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### GENERAL INFORMATION

<b>Shareholder</b>	National Treasury, Government Department
<b>Public entity</b>	Governed by the Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002) and is a schedule 2 Public Entity in terms of the Public Finance Management Act (PFMA).
<b>Country of incorporation and domicile</b>	The Republic of South Africa
<b>Nature of business and principal activities</b>	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.
<b>Head office physical address</b>	272 West Street Lakefield Office Park, Building A, First Floor Die Hoewes Centurion
<b>Postal address</b>	P. O. Box 375 Tshwane 0001
<b>Bankers</b>	First National Bank Limited, a division of First Rand Limited ABSA Limited, Nedbank Limited, The Standard Bank of South Africa Limited
<b>Auditors</b>	The Auditor-General of South Africa
<b>Company secretary (Acting)</b>	Ms R Swanepoel
<b>Land bank subsidiaries</b>	Land Bank Life Insurance Company (SOC) Limited (LBLIC) 1954/003095/06 Land Bank Insurance Company (SOC) Limited (LBIC) 2012/115426/30 All of the above entities are incorporated in the Republic of South Africa
<b>Holding company or the Bank)</b>	Land and Agricultural Development Bank of South Africa (the Land Bank
<b>Nature of business and principal activities</b>	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 primarily crop 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.
<b>BANKERS</b>	LBLIC: ABSA Bank Limited

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

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**ACCOUNTING AUTHORITY'S  
RESPONSIBILITY FOR  
FINANCIAL REPORTING**

The term of the previous Board expired on the 7th June 2025. Land Bank therefore had a fully constituted Board for the financial year ended 31 March 2025. At the time of signing the financial statements however, the Bank did not have a duly constituted Board in place. As an interim measure the Chief Executive Officer was appointed by the Minister of Finance in line with PFMA as the Accounting Authority until the appointment of a new Board.

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

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

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

Management has developed and continues to maintain a system of internal control thereby enabling the board to meet these responsibilities. For the year under review the Board appointed Audit and Finance Committee and various other risk-monitoring committees monitored the system of internal control and its operation.

The consolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) (with consent from the Accounting Standards Board per Directive 12 of 2015) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), applying the accrual basis of accounting, the going-concern principle, and using the historical-cost basis, except where specifically indicated otherwise in the accounting policies.

The consolidated annual financial statements were prepared under the supervision of the Bank's Chief Financial Officer.

The financial statements set out on pages 149 to 300, which have been prepared on the going concern basis, were approved by the Accounting Authority on 12 August 2025.

**Mr. Themba Rikhotso***Accounting Authority*

12 August 2025

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# ACCOUNTING AUTHORITY' REPORT

The Accounting Authority has the pleasure of presenting this report on the Annual Financial statements of the Land and Agricultural Bank of South Africa for the year ended 31 March 2025.

Achievements and areas of concern for the year under review are highlighted below.

## Achievements

### State of default and impact on the going concern of the Bank

The Bank successfully concluded the debt restructuring process during September 2024 thereby curing the 4-year long default. The Bank thanks all lenders and the Shareholder for the support they demonstrated during this period and for their continued support. The full R5.6 billion equity allocation that was in an Escrow account has now vested and transferred to the Bank. The Bank is now rebuilding itself to be in the best position to deliver on its mandate. The curing of the state of default has done away with the exemption to submit the corporate plan by the Land Bank owing to the default. The Bank submitted its FY2026 corporate plan in line with the PFMA requirement.

It is on this basis and in light of the forecast of healthy cash resources, that the Accounting Authority has reasonable belief that the Bank has adequate resources to continue as a going concern for the foreseeable future.

### Leadership and Capacity

The Land Bank completed its first year in implementing the new operating model and organisational structure. The new organisational structure is aimed at ensuring the placement of fit-for-purpose skills and capabilities, which is critical to improving the execution capabilities of the organisation for the successful implementation of its strategy. The Bank has prioritised Human Capital management interventions as pivotal to the Bank's strategic turnaround.

Significant progress has been made with the filling of critical positions both at EXCO level and across the Bank.

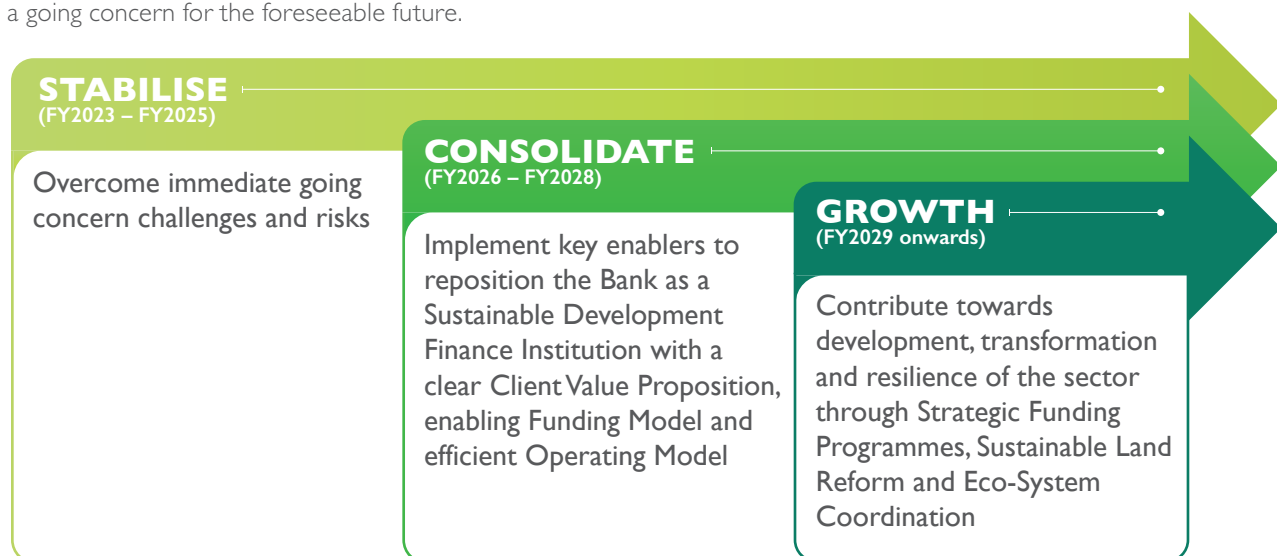
### Performance against shareholder compact

The Bank has been able to achieve more than 80% of its key performance indicators during the year under review. The improved execution capability is critical to driving the consolidation phase of the Bank's strategy.

### Strategic direction

Land Bank continues to implement its strategy to ensure continued support to the sector.

The Bank's FY25 performance indicates the extent of the challenges it is confronting as it implements priority actions that are part of the Bank's three-phased strategy. The period under review forms part of the stabilisation phase as illustrated by the figure below:





## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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The first phase (i.e. stabilisation [FY23 to FY25]) of Land Bank's strategic restructuring and repositioning focuses on the Bank's immediate priorities, which are required to achieve stability. Initiatives undertaken in this phase are focused on curbing the Bank's further deterioration in key identified areas and developing a solid basis upon which enhanced mandate alignment and improved financial and operational performance will be built.

A critical part of this phase involves key interventions aimed at achieving amongst others, the following key outcomes:

- Adherence to the Liability Solution covenants and undertakings;
- Improving the quality of the loan book amidst a challenging economic climate;
- Scaling up the Blended Finance portfolio for increased development effectiveness and improved commercial sustainability;
- Building a capable organisation to capitalise on talent;
- Resolving the funding model for sustainable mandate achievement;
- Embedding Land Reform and Ecosystem role as integral aspects of the Bank's offerings;
- Implementation of key strategic partnerships for growth;
- Introducing revenue diversification opportunities;
- Enhancing the Client Value Proposition; and
- Strengthen governance, compliance and ethical behaviour.

### Adherence to the Liability Solution covenants and undertakings

Following the conclusion of the Liability Solution with the Bank's lenders, the debt restructure agreement was implemented on 16 September 2024, effectively curing the Bank's default status. Focus has now shifted towards strict adherence to covenants and undertakings.

### Improvement of loan book quality

The gross loan book is expected to decrease from R15.4billion in FY25 to R14.8billion in FY28 driven by reduction of the existing book, through settlements, collections, recoveries, disposals and some legal book write offs. The decreasing existing book will be offset by the growing blended finance book which is expected to grow to R3.2billion by FY28, thereby limiting the reduction of the total loan book. Focus is also being placed on preservation

and growth of the existing non-Blended Finance loan portfolio, particularly the financing of short and medium term production support and capex oriented facilities.

The non-performing loan book is expected to reduce from R8.4billion in FY25 to R6.1billion by FY28, which will be achieved through effective implementation of the NPL Remediation strategy which includes curing, recoveries, write offs and loan book quality preservation.

In response to the declining loan book, which is impacted by sector events and declining overall loan book, the Bank will continue to focus on maximising growth of the Blended Finance portfolio, preservation and growth of the existing performing portfolio, and curing the non-performing loan book.

### Resolving the funding model for sustainable mandate achievement

The Bank facilitated consultations with the National Treasury team to seek guidance on the proposed funding model business case. The Bank submitted its funding request through the FY25 MTEF budget application process to seek approval of a capital allocation that will enhance the ability of the Bank to fulfil its development effectiveness and strengthen the Bank's long term financial sustainability. The Bank has not received a formal response from National Treasury on the outcome of its funding request. It, however, seems the application was not successful for the current allocation given the absence of this allocation in the 2025/2026 MTEF Budget Speech announced by the Minister of Finance on 21 May 2025. Land Bank will consider the submission of another funding request after the receipt of the formal response.

Further funding sources are also being explored by the Bank to establish alternative sources of funding, going forward.

### Building a capable organisation

The Bank continues to enhance its strategy execution capabilities following the implementation of the revised operating model. Internal placements within the new organizational structure are progressing well, with 97.81% of active permanent employees successfully placed. Recruitment for remaining roles is ongoing through both internal and external processes.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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Strengthen governance, compliance and ethical behaviour  
The Bank is making significant progress in institutionalising robust internal control systems, which are expected to facilitate the attainment of a clean audit outcome, enhance efficiency, generate savings, and streamline operations. Entrenching Enterprise Risk Management across the Bank remains a critical enabler for instilling the desired risk and governance culture. The implementation of the enterprise risk management controls aims to achieve an acceptable enterprise risk maturity score.

The Bank has approved the FY25 Ethics Management Plan (EMP) which is based on the outcome of the Ethics Risk Assessment (ERA) and Ethics Maturity Strategy. The EMP is aligned to the governance of ethics framework, as part of the Bank's continued commitment and effort to institutionalise ethics in the organisation.

The "consolidation" phase will focus on consolidating the gains that are made in the stabilisation phase, and to set the basis to reposition the bank for the growth phase. Key focus areas in this phase include a review of the operating model, as well as appropriate capability build and capacitation of the Bank. Another important focus of the consolidation phase is increased expansion of the Bank's reach through enhanced partnerships, diversified revenue streams, and a broader ecosystem focus to set the basis for the Bank's growth phase.

The "growth" phase assumes that all the key objectives undertaken in the stabilisation and consolidation phase have been addressed. The Bank will have a high performing loan book, repaid or refinanced its debt and implemented an appropriate funding model to set the foundation for growth.

These critical pre-requisites will enable the Bank to scale up its lending for increased development effectiveness in a financially sustainable way.

The Agro Energy Fund, which was launched in partnership with the DALRRD during FY24 experienced a slow start. Roll out of the fund is however expected to pick up on the back of the pipeline of transactions built by the Bank with the required support mechanisms for the implementation of the Fund having been put in place.

**Despite the gains made in a number of key areas, the operating environment remained challenging. The following macro factors significantly influenced the Bank's performance in the year under review:**

### Macroeconomic overview

In 2024, the South African economy remained stagnant growing by a marginal 0.6% per annum despite the optimism around the formation of the Government of National Unity (GNU), the easing of load shedding, a low inflationary and low interest rates environment. The less than 2% economic growth per annum for three consecutive years has been attributed to the low pace in structural reforms, the regulatory burden and bottlenecks at the ports and other critical transportation infrastructure such as the railways and roads.

The global geopolitical environment that has seen the United States propose higher import tariffs to most countries has also dimmed sentiments on the international trade front. The United States imposed a 30% tariff to all imports from South Africa including agricultural exports. The United States accounts for 7.5% of South Africa's total merchandise exports by value and for approximately 4% of South Africa's total agricultural exports by value. Although the impact of the tariff measures on South Africa have not yet been felt, it is certainly a risk in the medium term.

The SARB forecasts that the loss of AGOA eligibility alone could reduce economic growth by 0.04%. Should this be accompanied by a 25% import tariff imposed by the United States, the impact is expected to deepen, with GDP growth declining by 0.23%. A further scenario involving both the AGOA loss, a 25% tariff, and a 15% depreciation of the rand could reduce growth by as much as 0.69%. South Africa may continue to export to the United States, but South Africa's agricultural exports to the United States will lose competitiveness consequently weaker export demand, lower prices and a decline in export revenues.

Nonetheless, there are efforts underway from the authorities to pursue an export diversification strategy and find new markets for South Africa's agricultural exports. Subsequently, on 28th May 2025, the US federal trade court ruled that the tariffs that were imposed by the US President were unconstitutional as only Congress has the authority to impose tariffs. Consequently, the court has ordered the administration to revoke them within 10 days.



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These events present uncertainty in foresting and decision making in the operating environment and prudence on the side of caution has been adopted by the bank.

### Agricultural Sector Overview

The South African 2023/24 summer production season was impacted by El Niño-induced drought, reducing total crop output by 23%. However, La Niña conditions returned in 2024/25, boosting rainfall and enabling recovery. The Crop Estimates Committee (CEC) projects a 16% year-on-year increase in production for 2024/25. While there are concerns around the possible quality crop from grading point of view due to delayed end of the summer rainfall, which may affect moisture content at harvest time, the extent of an impact, if any, can only be determined as the season progresses.

Delayed planting due to erratic weather continues to pose cash flow and harvesting risks, while flooding in Limpopo (Feb 2025) and Western Cape (Apr & Jul 2024) disrupted infrastructure and seasonal outputs. Climate variability is becoming structurally embedded in South Africa's agri-risk landscape.

Agricultural exposures with climate sensitive production are to be monitored more rigorously. At this stage however given that crop estimates are pointing towards an increase in production from the previous 2024 season which was marked by low rainfall and the output prices remain relatively high, the risk is to be considered as the one that requires management monitoring.

### Climate related challenges

Storm-related flooding in the Western Cape in April and July 2024 strained infrastructure and export-linked commodities such as citrus fruits, deciduous fruits, wine and other high value horticultural products such as avocados and nuts. Widespread frost in Limpopo during July 2024 impacted potatoes and other produce, although the supply later recovered. In September 2024, snowfall across the Eastern Cape, KwaZulu-Natal, and Free State disrupted livestock operations and logistics. Then in February 2025, localized flooding in Limpopo submerged fields and critical infrastructure, including irrigation systems, pump houses, storage sheds, and homes. These events underscore the sector's growing exposure to climate shocks.

The bank has embarked on a pilot project to develop climate risk variables and data using North West province. The Bank is currently on the process of replicating the pilot project at a national level. This will enhance the credit risk modelling of the bank.

### Livestock diseases and pests

In the livestock industry animal diseases continued to present a material challenge to livestock farming in FY2025. The country remained affected by Foot and Mouth Disease (FMD), particularly in KwaZulu-Natal and the Eastern Cape, despite successful containment in other provinces. In a recent and significant development, the South African Department of Agriculture during May 2025 confirmed new cases of foot-and-mouth disease in the provinces of Mpumalanga and Gauteng. This announcement has led to China's decision to suspend imports of cloven-hoofed animals and related products from South Africa. The specific municipalities that are affected by the recent spread of the FMD are West Rand in Gauteng and Gert Sibande in Mpumalanga. The outbreaks in Gauteng and Mpumalanga were reported to have started on 30 April 2025 and 13 February 2025, respectively.

Highly Pathogenic Avian Influenza (HPAI) outbreaks from 2023 did not re-emerge in 2024/25, and poultry producers made significant progress in rebuilding production capacity. However, the sector remains on high alert ahead of the 2025 winter period. African Swine Fever (ASF) remains an ongoing biosecurity concern, especially for smallholder pig farmers. These disease pressures elevated operational risk across livestock value chains and suppressed farm-level income in affected areas.

In early 2025, reports of African armyworm infestations emerged across several provinces, including Gauteng, Mpumalanga, Limpopo, and KwaZulu-Natal. These pests posed a threat to grasslands and cereal crops, particularly maize and pastures. The outbreak added to input cost pressures for affected farmers who had to implement emergency pest control measures, with potential implications for yields in the coming season. These pests are controllable and require early warning systems, regional pest surveillance, and ensure short-term liquidity facilities are available to fund emergency inputs.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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Exposures for pork and poultry that are prone to ASF and HPAI the outbreaks have been muted and will be closely monitored by the Bank, in turn risk staging adjustments for cattle exposures will be performed in areas affected by FMD. The government has intensified vaccination programs for cloven-hoofed animals and imposed strict quarantines to contain outbreaks and work towards eradication.

Vaccination of poultry is still to be implemented and until then, poultry growers are encouraged to follow strict biosecurity protocols. Furthermore, comprehensive business insurance is to be mandatory for the Bank, risk staging adjustments should be maintained for cattle exposures in affected areas. Exposures for pork and poultry that are prone to ASF and HPAI outbreaks require management monitoring.

### Barriers to trade

The horticulture industry which is largely characterised by high exposure to export markets its trade and exports was affected by high non-tariff barriers in global markets especially for high-value horticultural exports. The European Union's phytosanitary restrictions on Citrus Black Spot (CBS) and False Codling Moth (FCM) remained a significant impediment to citrus exports. While South Africa's WTO case progressed through the dispute resolution process, the uncertainty weighed on producer margins and export planning. However, significant export gains have been made with reopened markets for apples in Thailand and table grapes in the Philippines, while logistical upgrades at Cape Town's terminal aim to support growing fruit exports. The impact has been taken into account under the global macroeconomic environment above and closer monitoring of borrower financials.

### Energy and water

Improvements in Eskom's generation fleet performance have led to a remarkable turnaround. By 31 December 2024, the country had achieved 281 consecutive days without any load shedding, reflecting enhanced maintenance strategies, increased energy availability, and better operational management. This milestone signalled growing stability in the national grid and offered renewed confidence in the efforts to restore reliable power supply.

NERSA approved a 12.7% electricity tariff increase for 2025/26, with further hikes expected in 2026 and 2027. These increases exceed inflation and intensify pressure on

both households and businesses. Meanwhile, water tariffs have also surged, often at a faster rate than electricity. This trend is especially critical for agriculture, which uses 62% of national water resources, mostly for irrigation in water-scarce regions.

The higher electricity and water tariffs are likely to erode farm profitability by raising costs for irrigation, refrigeration, processing, and machinery operations. These rising costs reduce export competitiveness and contribute to food price inflation, thereby threatening food security.

To address energy challenges, the Land Bank continued with the Agro Energy Fund (AEF), offering financing for renewable energy projects. Eligible technologies include solar PV, biomass, and biogas (anaerobic digester) energy solutions aimed at reducing electricity costs and supporting sustainable farming. The Bank continues monitoring borrower financials and stress testing of income and costs at the due diligence stage as well as providing an increase in facilities for existing clients. Take up on this fund is dependent on the stability of electricity supply by Eskom.

## INTERNAL CONTROLS AND AUDIT OUTCOME

During the year under review Land Bank obtained an unqualified audit opinion with findings. The continued implementation of the audit remediation plan which focussed largely on addressing challenges experiences with the 1st time adoption of IFRS 17 during FY2024 with oversight of the Audit and Finance sub-committee of the Board has led to this sustained audit outcome. Any remaining identified residual control deficiencies will continue being addressed. This will ensure the Bank improves to a clean audit going forward.

It is on this basis as well as information and explanations received from management that the Interim Accounting Authority is confident that the system of internal control provides reasonable assurance that the financial records are reliable for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### Financial Results

The financial results of the group are fully disclosed on pages' 149 to 300. The key financial indicators are as outlined below. The performance of the bank was largely driven by the following factors:

The Gross Loan Book decreased by 7% year-on-year driven largely by customer settlements. This has continued to improve the cash position of the bank, as well as enable further funding debt reduction. This together with improved nominal value of non-performing loans owing to the NPL remediation programme implemented by the Bank resulted in the profits realised this year.

The Bank has also continued to implement focused efforts in reducing overall operating expenditure. This resulted in the Bank realising profits, albeit this has reduced year-on-year owing to the loan book starting to stabilise post the event of default.

The financial indicators are:

- Expected credit losses on financial assets at amortised cost decreased to R3.8 billion (31 March 2024: R4.1 billion);
- NPL ratio increased to 54.7% (31 March 2024: 53.1%); nominally the NPL book has decreased by 9% year-on-year;
- ECL Coverage Ratio increased to 24.7% (31 March 2024: 23.7%);
- Cash flows generated from operations increased to R1.0 billion (31 March 2024: R2.1 billion), and total cash equivalents reduced to R7.3 billion (31 March 2024: R12.6 billion), inclusive of the capital injection from the shareholder; this balance excludes the funds under administration held on behalf of related parties.
- Net interest income increased more than doubled to R1.7 billion (31 March 2024: R704 million);
- Net profit of R486.6 million (31 March 2024: R72.8 million restated profit);
- Cost to income ratio for the bank improved to 43% (31 March 2024: 81.2%);
- Banking Gearing Ratio has improved to 93.1% (31 March 2024: 380%);
- Solvency Ratio improved to 201.2% (31 March 2024: 117.7%);
- Basel III CAR significantly improved to 46% (31 March 2024: 19.6%);

- LCR improved to 4206.4% (31 March 2024: 52.4%);
- NSFR improved to 157.8% (31 March 2024: 84.6%);

The Land Bank board with its management remain committed to seeing the Land Bank cross over onto the new dawn as it rebuilds itself and strengthens its control environment towards a sustainable development bank.

**Mr. Themba Rikhotso**

Accounting Authority

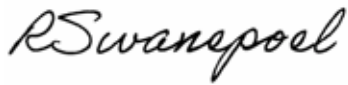
12 August 2025

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

**GROUP SECRETARY'S  
CERTIFICATION**

In terms of section 88(2)(e) of the Companies Act 71 of 2008, hereafter referred to as the Companies Act, I declare that to the best of my knowledge, for the year ended 31 March 2025 the Land and Agricultural Development Bank of South Africa has lodged with the Registrar of Companies all such returns as are required of a State Owned Company in terms of the Act and that such returns are true, correct and up to date.

**Ms. Rozaan Swanepoel***Acting Company Secretary*

12 August 2025

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON  
LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH  
AFRICA****Report on the audit of the consolidated and separate financial statements****Opinion**

I have audited the consolidated and separate financial statements of the Land and Agricultural Development Bank of South Africa (the Land Bank) and its subsidiaries (the group) set out on pages 149 to 300, which comprise the consolidated and separate statement of financial position as at 31 March 2025, 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 notes to the consolidated and separate financial statements, including a summary of material accounting policy information.

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board and the requirements of the Public Finance Management Act 1 of 1999 (PFMA), Land and Agricultural Development Bank Act, No. 15 of 2002 and the Companies Act 71 of 2008 (Companies Act of South Africa).

**Basis for opinion**

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

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

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

**Emphasis of matter**

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

**Restatement of corresponding figures**

As disclosed in note 37, note 38, note 39 and note 40 to the consolidated and separate financial statements, the corresponding figures for 31 March 2024 were restated as a result of an error in the financial statements of the public entity, at, end for the year ended, 31 March 2025.

**Responsibilities of the accounting authority for the consolidated and separate financial statements**

The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

statements in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board and the requirements of the PFMA and Companies Act of South Africa; 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.

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

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

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

A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located on page 147, forms part of my auditor's report.

### Report on the audit of the annual performance report

The Land Bank is not required to prepare a report on its performance against predetermined objectives, as it was exempt from submitting its corporate plan in terms of section 92 of the PFMA. As a result of the exemption, I did not audit and report on the usefulness and reliability of the performance information for the public entity. The exemption was published in the Government Gazette 44799 dated 2 July 2021.

### Report on compliance with legislation

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

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

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



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Financial statements

The financial statements submitted for auditing were not fully prepared in accordance with IFRS Accounting Standards, as required by section 55(1) (b) of the PFMA. Material misstatements were identified on segment reporting, cash flow statement, insurance contracts, related parties, cash and cash equivalents, funding liabilities, derivatives, interest expense, and the financial instruments and risk management note. The misstatements identified by the auditors in the submitted financial statement were subsequently corrected.

### Other information in the annual report

The accounting authority is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and the auditor's report.

My opinion on the consolidated and separate financial statements and my report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### Internal control deficiencies

I considered internal control relevant to my audit of the consolidated and separate financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

Management did not implement adequate quality assurance processes over the preparation and review of the financial statements before for submission for audit.

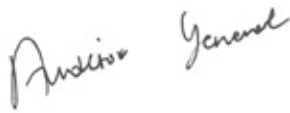
**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

**Other reports**

I draw attention to the following engagement conducted by AGSA. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on compliance with legislation.

As requested by the Land Bank, a limited assurance engagement in respect of compliance with the National Credit Act 34 of 2005 was conducted for the twelve months ended 31 March 2024. The report was submitted to the accounting authority on 2 October 2024.



Pretoria

2 September 2025

**A U D I T O R - G E N E R A L**  
**S O U T H A F R I C A***Auditing to build public confidence*



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

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

Auditor general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control  
evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

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

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

obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

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

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

### Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3); 50(3)(a); 50(3)(b); 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 52(b); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 51(1)(ii) 56; 57(b); 57(d); 66(3)(a)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.2.5; 31.2.7(a); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 27; Section 28; Section 29; Section 30; Section 31
Companies Act Regulations, 2011	Regulation 30(2); 43(2)(a)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second Amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.5; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### STATEMENT OF FINANCIAL POSITION

Notes	Group			Company			
	2025	2024*	2023*	2025	2024*	2023*	
	R'000	R'000	R'000	R'000	R'000	R'000	
<b>Assets</b>							
Cash and cash equivalents	4	9,412,876	14,824,812	17,581,338	9,015,879	14,396,189	17,179,021
Trade and other receivables	5	190,379	223,820	451,040	150,405	183,901	412,395
Insurance contract asset - Non-Life	6	316,266	41,378	58,292	-	-	-
Reinsurance contract asset - Non-life	6	5,051	99,531	20,547	-	-	-
Insurance contract asset - Life	6	-	-	2,474	-	-	-
Reinsurance contract asset -Life	6	2,089	2,741	-	-	-	-
Short-term insurance assets	6	-	-	-	-	-	-
Investments	7	2,136,860	2,152,792	1,959,513	1,534,045	1,414,202	1,280,455
Derivatives	8	361,811	677,672	689,383	361,811	677,671	689,383
Loans and advances	9	11,574,194	13,331,936	14,765,230	11,574,194	13,331,936	14,765,230
Non-current assets held-for-sale and assets of disposal groups	10	5,058	9,208	11,359	5,058	9,208	11,359
Long-term insurance assets	6	-	-	-	-	-	-
Investment property	11	141,200	106,000	98,010	141,200	106,000	98,010
Property, plant and equipment	12	51,187	59,614	34,768	51,173	59,593	34,720
Right of use assets	13.1	19,828	23,752	28,296	19,828	23,753	28,296
Intangible assets	14	760	1,062	1,555	760	1,062	1,555
<b>Total assets</b>		<b>24,217,560</b>	<b>31,554,319</b>	<b>35,701,805</b>	<b>22,854,355</b>	<b>30,203,516</b>	<b>34,500,424</b>
<b>Equity and liabilities</b>							
<b>Equity</b>							
Accumulated loss	15	(2,186,961)	(2,640,506)	(2,706,258)	(3,257,611)	(3,727,443)	(3,803,276)
Capital Fund	15	14,397,655	8,784,325	8,286,785	14,397,655	8,784,325	8,286,785
Revaluation reserve	15	144,937	145,258	143,058	144,937	145,258	143,058
Fair Value Through Other Comprehensive Income (FVTOCI)	15	(611,595)	(661,962)	(748,351)	(611,595)	(661,962)	(748,351)
<b>Total equity</b>		<b>11,744,036</b>	<b>5,627,115</b>	<b>4,975,234</b>	<b>10,673,387</b>	<b>4,540,178</b>	<b>3,878,216</b>
<b>Liabilities</b>							
Trade and other payables	16	194,138	184,033	166,728	158,997	149,848	138,863
Other financial liabilities	16.1	1,626,908	7,880,475	6,934,853	1,626,908	7,880,475	6,934,853
Insurance contract liability - Non-Life	6	-	129,387	-	-	-	-
Reinsurance contract liability - Non-Life	6	193,950	16,030	17,918	-	-	-
Insurance contract liability - Life	6	55,241	76,486	53,282	-	-	-
Reinsurance contract liability -Life	6	2,248	2,267	-	-	-	-
Funding liabilities	17	9,931,867	17,258,090	23,213,561	9,931,867	17,258,090	23,213,561
Lease liabilities	13.2	21,549	25,064	28,966	21,549	25,064	28,966
Provisions	18	143,459	73,053	32,398	137,482	67,543	27,101
Post-retirement obligation	19	304,164	282,317	278,864	304,164	282,317	278,864
<b>Total Liabilities</b>		<b>12,473,526</b>	<b>25,927,203</b>	<b>30,726,570</b>	<b>12,180,967</b>	<b>25,663,337</b>	<b>30,622,208</b>
<b>Total equity and liabilities</b>		<b>24,217,560</b>	<b>31,554,319</b>	<b>35,701,805</b>	<b>22,854,355</b>	<b>30,203,516</b>	<b>34,500,424</b>

\*The two subsidiaries of the Land Bank are in their second year of implementation of IFRS 17 Insurance Contracts and are currently correcting prior period errors on first time adoption. The Bank also corrected prior year misstatements on the valuation of a derivative swap and presentation of funds under administration. Refer to notes 37-40 for details.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Notes	Group		Company	
	2025	2024*	2025	2024*
	R'000	R'000	R'000	R'000
<b>Net interest income</b>	<b>1,806,018</b>	<b>714,192</b>	<b>1,799,591</b>	<b>704,748</b>
Interest income	20 3,351,686	2,590,232	3,345,259	2,580,788
Interest expense	21 (1,545,668)	(1,876,041)	(1,545,668)	(1,876,041)
Net impairment charges, release, claims, write-offs and recoveries	9 (878,005)	(114,049)	(878,005)	(114,049)
<b>Total income from lending activities</b>	<b>928,013</b>	<b>600,142</b>	<b>921,586</b>	<b>590,697</b>
Non-interest expense	22 (1,572)	(2,098)	(1,572)	(2,098)
Non-interest income	23 31,769	33,645	31,769	33,645
<b>Operating income from banking activities</b>	<b>958,211</b>	<b>631,690</b>	<b>951,784</b>	<b>622,245</b>
Other income	23 16,426	28,853	17,157	29,525
Insurance revenue	6 841,354	808,453	-	-
Insurance service expense	6 (489,456)	(975,174)	-	-
Net expense from reinsurance contracts held	6 (314,644)	44,311	-	-
Net finance income/expense from insurance contracts issued	6 (9,306)	(5,331)	-	-
Investment income and fees	24 104,072	130,068	275,130	23,626
Interest on post-retirement obligation	19 (32,595)	(27,912)	(32,595)	(27,912)
Interest on lease liabilities	13 (927)	(765)	(927)	(765)
(Losses) on financial instruments	25.1 (11,952)	(451)	(11,952)	(451)
Fair value gains	25.1 215,672	64,898	70,308	53,446
<b>Operating income</b>	<b>1,276,856</b>	<b>698,639</b>	<b>1,268,905</b>	<b>699,715</b>
Operating expenses	26 (845,137)	(648,566)	(819,445)	(638,152)
<b>Net operating income</b>	<b>431,719</b>	<b>50,074</b>	<b>449,461</b>	<b>61,563</b>
Non-trading and capital items	27 37,174	11,285	37,174	11,285
<b>Income for the year</b>	<b>468,893</b>	<b>61,358</b>	<b>486,634</b>	<b>72,848</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified into profit or loss</b>				
Revaluation gains of land and buildings	12 & 25.2 (321)	2,199	(321)	2,199
Actuarial gain on the post-retirement obligation	19 & 25.2 (13,020)	4,061	(13,020)	4,061
<b>Total items that will not be reclassified to profit or loss</b>	<b>(13,341)</b>	<b>6,260</b>	<b>(13,341)</b>	<b>6,260</b>
<b>Items that may be reclassified to profit or loss:</b>				
Net gains/(losses) on financial assets designated at fair value through other comprehensive income	25.2 63,388	82,330	63,388	82,330
Total Items that may be reclassified to profit or (loss):	63,388	82,330	63,388	82,330
<b>Total comprehensive income for the year</b>	<b>518,940</b>	<b>149,948</b>	<b>536,681</b>	<b>161,438</b>

\*The two subsidiaries of the Land Bank are in their second year of implementation of IFRS 17 Insurance Contracts and are currently correcting prior period errors on first time adoption. The Bank also corrected prior year misstatements on the valuation of a derivative swap and presentation of funds under administration. Refer to notes 37-40 for details.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### STATEMENTS OF CHANGES IN EQUITY

	Notes	Capital fund	Revaluation reserve	Fair Value through Other Comprehensive income	Accumulated loss	Total Equity
		R'000	R'000	R'000	R'000	R'000
<b>Group</b>						
<b>Opening Balance at 01 April 2023</b>		<b>8,286,785</b>	<b>143,058</b>	<b>(748,352)</b>	<b>(2 674 275)</b>	<b>5 007 216</b>
Correction of prior period errors <sup>1</sup>					(27 589)	(27 589)
<b>Restated Opening Balance at 01 April 2023</b>		<b>8,286,785</b>	<b>143,058</b>	<b>(748,352)</b>	<b>(2 701 864)</b>	<b>4 979 627</b>
Shareholder Equity Injection*	16.1	497,540			-	497 540
Restated profit for the year					61 358	61 358
Other comprehensive income/(loss) for the year			2,199	86,391	-	88 590
<b>Opening Balance at 01 April 2024</b>	<b>16.1</b>	<b>8,784,325</b>	<b>145,258</b>	<b>(661,961)</b>	<b>(2 640 506)</b>	<b>5 627 116</b>
Shareholder Equity Injection*					(15 347)	(15 347)
Correction of prior period errors <sup>1</sup>						468 893
Other comprehensive income for the year			(321)	50,368	-	50 047
<b>Balance at 31 March 2025</b>		<b>14,397,655</b>	<b>144,937</b>	<b>(611,595)</b>	<b>(2 186 961)</b>	<b>11 744 037</b>
<b>Company</b>						
<b>Opening Balance at 01 April 2023</b>		<b>8,286,785</b>	<b>143,058</b>	<b>(748,352)</b>	<b>(3,773,403)</b>	<b>3,908,088</b>
Correction of prior period errors <sup>1</sup>					(29,873)	(29,873)
<b>Restated Balance at 1 April 2023</b>		<b>8,286,785</b>	<b>143,058</b>	<b>(748,352)</b>	<b>(3,803,276)</b>	<b>3,878,215</b>
Shareholder Equity Injection*	16.1	497,540	-	-	-	497 540
Restated Profit for the year					72 848	72 848
Other comprehensive income/(loss) for the year			2,199	86,391	-	88 590
<b>Opening Balance at 1 April 2024</b>	<b>16.1</b>	<b>8,784,325</b>	<b>145,258</b>	<b>(661,961)</b>	<b>(3,744,245)<sup>2</sup></b>	<b>4,523,375</b>
Shareholder Equity Injection*	16.1	5,613,330				5 613 330
Profit for the year					486 634	486 634
Other comprehensive income for the year			(321)	50,368	-	50 047
<b>Balance at 31 March 2025</b>		<b>14,397,655</b>	<b>144,937</b>	<b>(611,595)</b>	<b>(3 257 611)</b>	<b>10 673 386</b>

\*The shareholder transferred the remainder of the equity appropriated to the Land Bank. Refer to note 4 for the movement in cash.

<sup>1</sup>The bank corrected a prior period error where a cross currency swap was accounted for as an embedded derivative instead of economic derivative refer note 39. The subsidiaries are implementing IFRS 17 and have corrected prior periods refer note 40

<sup>2</sup> Opening retained earnings adjusted by R16m (loss) on clean-up of long outstanding debtors project, this was further offset by the audit adjustment of R4.2 on the derivative swap asset valuation gain above.

<sup>3</sup> Immaterial rounding differences carried.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### STATEMENTS OF CASH FLOWS

Notes	Group		Company	
	2025	2024*	2025	2024*
	R'000	R'000	R'000	R'000
<b>Income/ (Loss) for the year</b>	<b>468 893</b>	<b>61 358</b>	<b>486 634</b>	<b>72 848</b>
Adjustments for non-cash profit/(loss) items and line items separately presented:	(1 101 903)	(654 060)	(1 117 739)	(579 150)
Interest expense	21 1 545 668	1 876 041	1 545 668	1 876 041
Interest income	20 (3 412 491)	(2 643 841)	(3 345 259)	(2 580 788)
Insurance Service result	6 (9 720)	42 169	-	-
Net impairments raised/ released	9 956 615	143 083	956 615	143 083
Non-interest income	23 (23 211)	(11 334)	(23 211)	(11 334)
Other income	23 (1 602)	-	(3 054)	-1 414
Non-investment income and fees - Dividends received	24 (40 173)	(41 124)	(273 443)	(19 320)
Non-investment income and fees - Other	24 (1 687)	(45 609)	(1 687)	(4 306)
Interest on lease liabilities	13 927	765	927	765
(Losses)/Gains on Financial Instruments	25.1 11 952	451	11 952	451
Fair value movement (Financial Instruments)	25.1 (215 672)	(53 446)	-70 308	(53 446)
Depreciation and amortisation	26 18 719	14 075	18 699	14 047
Fair value adjustments on properties	11 (35 200)	(7 990)	-35 200	(7 990)
Profit and loss on properties	11 (1 971)	(3 291)	-1 971	(3 291)
Movement in post-retirement medical aid liability	19 32 688	27 954	32 595	27 912
Movement in provisions	18 69 564	40 273	69 938	40 443
Losses on Foreign exchange	11 -	(3)	-	(3)
Management fees	24 3 691	7 767	-	-
<b>Changes in working capital</b>	<b>1 704 699</b>	<b>1 581 898</b>	<b>1 703 801</b>	<b>1 576 853</b>
(Increase)/decrease in Trade and other receivables	5 33 441	227 584	33 496	228 494
(Decrease)/Increase in Trade and other payables	16 10 102	16 940	9 149	10 985
(Increase)/decrease in loans and advances	9 2 071 407	1 366 368	2 071 407	1 366 368
Movement in other financial liability	16.1 (410 251)	-28 994	(410 251)	(28 994)
<b>Cash generated from operations</b>	<b>1 071 689</b>	<b>989 196</b>	<b>1 072 696</b>	<b>1 070 551</b>
<b>Cash flows from operations</b>	<b>124 132</b>	<b>1 105 445</b>	<b>119 112</b>	<b>1 097 179</b>
Interest expense paid	21 (1 721 078)	-1 826 875	(1 721 078)	(1 826 875)
Non-interest income	-	2 579	-	2 579
Interest income received	20 1 845 210	2 929 741	1 840 190	2 921 475
<b>Change in insurance/reinsurance contract asset/ liabilities</b>	<b>(125 198)</b>	<b>31 007</b>	<b>-</b>	<b>-</b>
Cash movement insurance contract asset and liability	6 (63 951)	-2 550	-	-
Cash movement reinsurance contract asset and liability	6 (61 247)	33 557	-	-
<b>Cash flows from operating activities</b>	<b>1 070 623</b>	<b>2 125 648</b>	<b>1 191 808</b>	<b>2 167 730</b>
<b>Cash flow from investing activities</b>	<b>360 996</b>	<b>58 612</b>	<b>271 437</b>	<b>(9 775)</b>
Purchase of property and equipment	12 (1 820)	-28 350	(1 806)	(28 350)
Proceeds from sale of non-current assets held-for-sale	10 6 121	5 517	6 121	5 517
Dividends received	24 17 122	13 058	267 122	13 058
Interest from money market instruments	39 (10 427)	68 387	-	-
Proceeds from disinvestment	25.1 350 000	-	-	-
Cash flow from financing activities	(6 843 555)	-4 940 787	(6 843 555)	(4 940 787)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

Notes	Group		Company		
	2025	2024*	2025	2024*	
	R'000	R'000	R'000	R'000	
Decrease in funding received from funders	17	(6 835 615)	-5 430 585	(6 835 615)	(5 430 585)
Lease liability repaid	13	(7 940)	-8 202	(7 940)	(8 202)
Equity injection	16,1	-	498 000	-	498 000
Net (decrease) / increase in cash and cash equivalents		(5 411 936)	-2 756 527	(5 380 310)	(2 782 832)
Cash and cash equivalents at beginning of year	4	14 824 812	17 581 339	14 396 189	17 179 021
<b>Cash and cash equivalents at end of year</b>	<b>4</b>	<b>9 412 876</b>	<b>14 824 812</b>	<b>9 015 879</b>	<b>14 396 189</b>

\*The two subsidiaries of the Land Bank are in their second year of implementation of IFRS 17 Insurance Contracts and are currently correcting prior period errors on first time adoption. The Bank also corrected prior year misstatements on the valuation of a derivative swap and presentation of funds under administration and the cash flow statement. Refer to notes 37-40 for details.

1 Included in cash equivalents and other financial liabilities, is R1.6 billion held on behalf of the Department of Agricultural Land Reform and Forestry. These funds are not available for use to the group. They are funds administered by the Bank on behalf of the department governed by a memorandum of administration. Refer to note 30 on the details of these funds as at 31 March 2025.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## SEGMENT REPORTING BUSINESS

## Segment reporting Business

The Group reports in four distinct segments, grouped according to the nature of products and services provided by the respective business units and divisions. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Operating Officer, supported by the executive committee. The four segments are:

- 1) Commercial Development Banking, which consists of 9 Regional Offices and 16 satellite branches spread across the country, provides finance to developing and commercial farmers.
- 2) Corporate Banking, which consists of two branches, provides finance to the corporate agri-related businesses.
- 3) Group capital consists of the treasury, finance and other central functions.
- 4) Insurance Operations consists of LBLIC and LBIC which provides Life and Non-Life Crop Insurance respectively.

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

	Commercial Development and Business Banking <sup>2</sup>	Corporate Banking and structured Investment <sup>2</sup>	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>3</sup>	Total Group	Intercompany eliminations	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Group – 2025</b>	<b>1 230 883</b>	<b>632 352</b>	<b>-63 643</b>	<b>1 799 591</b>	<b>6 427</b>	<b>1 806 018</b>	<b>-</b>	<b>1 806 018</b>
Statement of profit or loss and other comprehensive income	1 269 736	654 976	1 420 547	3 345 259	6 427	3 351 686	-	3 351 686
Interest income	(38 853)	(22 624)	-1 484 191	(1 545 668)	-	(1 545 668)	-	(1 545 668)
Interest expense		9 813 258	162	(878 005)	-	(878 005)	-	(878 005)
Impairment releases/(charges) on loans and advances								
<b>Total income/(loss) from lending activities</b>	<b>(9 460 543)</b>	<b>10 445 610</b>	<b>-63 481</b>	<b>921 586</b>	<b>6 427</b>	<b>928 013</b>	<b>-</b>	<b>928 013</b>
Non-interest expense	(956)	-616	-	(1 572)	-	(1 572)	-	(1 572)
Non-interest income	20 747	6 135	4 888	31 769	-	31 769	-	31 769
<b>Operating income/(loss) from banking activities</b>	<b>(9 440 752)</b>	<b>10 451 129</b>	<b>(58 593)</b>	<b>951 784</b>	<b>6 427</b>	<b>958 211</b>	<b>-</b>	<b>958 211</b>
Other income	-	-	17 157	17 157	721	17 878	-1 452	16 426
Insurance revenue					841 354	841 354		841 354



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### SEGMENT REPORTING BUSINESS

	Commercial Development and Business Banking <sup>2</sup>	Corporate Banking and structured Investment <sup>2</sup>	Group Capital and Inter- segment eliminations <sup>1</sup>	Total Bank R'000	Insurance Operations <sup>3</sup>	Total Group R'000	Intercompany eliminations R'000	Total Group R'000
<b>Group – 2025</b>								
Insurance service expense								
Net expense from reinsurance contracts held	0	-	275 130	275 130	224 307	499 437	(250 000)	249 437
Net finance income/expense from insurance contracts issued	(721)	0	(206)	(927)	(9 306)	(927)	-	(927)
Investment income	(4 929)	0	-7 023	(11 952)		(11 952)		(11 952)
Interest in Post Retirement Obligation	-	-	70 308	70 308		70 308		70 308
Interest on Lease Liability								
Gains and losses on financial instruments								
Fair value loss								
<b>Operating income/(loss)</b>	<b>(9 446 402)</b>	<b>10 451 129</b>	<b>264 178</b>	<b>1 268 906</b>	<b>259 403</b>	<b>1 528 309</b>	<b>-251 452</b>	<b>1 276 857</b>
Operating expenses	(28 918)	(926)	(303 545)	(333 389)	(25 691)	(359 080)		(359 080)
Staff costs	(101 159)	(8 347)	(357 851)	(467 357)		(467 357)		(467 357)
Depreciation and amortisation	(6 681)	(13)	(12 006)	(18 699)		(18 699)		(18 699)
<b>Net operating (loss)/income</b>	<b>(9 583 159)</b>	<b>10 441 844</b>	<b>(409 224)</b>	<b>449 461</b>	<b>233 712</b>	<b>683 175</b>	<b>-251 452</b>	<b>431 722</b>
Non-trading and capital items	(88)	-	37 262	37 174		37 174		37 174
Net profit/(loss)	(9 583 248)	10 441 844	(371 962)	486 635	233 712	720 348	-251 452	468 895
Other comprehensive income	-	-	50 047	50 047	-	50 047	-	50 047
Actuarial losses on the post- retirement obligation	-	-	(13 020)	(13 020)	-	(13 020)	-	(13 020)
Revaluation of land and buildings	-	-	(321)	(321)	-	(321)	-	(321)
Other comprehensive income	-	0	63 388	63 388	-	63 388	-	63 388
<b>Total comprehensive income/ (loss) for the year</b>	<b>(9 583 247)</b>	<b>10 441 844</b>	<b>(321 915)</b>	<b>536 681</b>	<b>233 712</b>	<b>770 395</b>	<b>251 452</b>	<b>518 940</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## SEGMENT REPORTING BUSINESS

## Group - 2025

	Commercial Development and Business Banking <sup>2</sup>	Corporate Banking and structured Investment <sup>2</sup>	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>3</sup>	Total Group	Intercompany eliminations	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Statement of financial position</b>								
<b>Assets</b>								
<b>Segment assets</b>	<b>1 307 756</b>	<b>10 461 217</b>	<b>11 085 381</b>	<b>22 854 355</b>	<b>2 013 236</b>	<b>24 867 591</b>	<b>-650 030</b>	<b>24 217 561</b>
Working capital (incl. net loans and advances)	1 266 137	10 129 099	9 707 053	21 102 290	436 971	21 539 261	-	21 539 261
Investments	-	322 588	1 211 457	1 534 045	1 252 845	2 786 890	-650 030	2 136 860
Investment properties	41 619	-	99 581	141 200	-	141 200	-	141 200
Property and equipment	-	9 531	61 471	71 002	14	71 016	-	71 016
Non-current assets held-for-sale	-	-	5 058	5 058	-	5 058	-	5 058
Intangible assets	-	-	760	760	-	760	-	760
Insurance assets	-	-	-	-	323 406	323 406	-	323 406
<b>Liabilities</b>								
<b>Segment liabilities</b>	<b>(735 031)</b>	<b>(5 638 691)</b>	<b>(5 807 246)</b>	<b>(12 180 968)</b>	<b>(292 557)</b>	<b>(12 473 526)</b>	<b>-</b>	<b>(12 473 526)</b>
Working capital (incl. funding liabilities)	(703 066)	(5 624 531)	(5 390 175)	(11 717 772)	(35 141)	(11 752 913)	-	(11 752 913)
Provisions	(28 884)	(4 283)	(104 315)	(137 482)	(5 977)	(143 459)	-	(143 459)
Post-retirement obligation	-	-	(304 164)	(304 164)	-	(304 164)	-	(304 164)
Lease liabilities	(3 081)	(9 878)	(8 592)	(21 550)	-	(21 550)	-	(21 550)
Insurance liabilities	-	-	-	-	(251 439)	(251 439)	-	(251 439)

<sup>1</sup> Includes reconciliation to Group results in terms of IFRS 8.

<sup>3</sup> The Insurance Operations consists of LBLIC (Life Insurance) and LBIC (Short term asset and Crop Insurance).



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### SEGMENT REPORTING BUSINESS

#### Group - 2024

	Commercial Development and Business Banking <sup>2</sup> R'000	Corporate Banking and structured Investment <sup>2</sup> R'000	Group Capital and Inter- segment eliminations <sup>1</sup> R'000	Total Bank R'000	Insurance Operations <sup>3</sup> R'000	Total Group R'000	Intercompany eliminations R'000	Total Group R'000
<b>Statement of profit or loss and other comprehensive income</b>								
<b>Net interest income/ (expense)</b>	<b>1 273 071</b>	<b>625 121</b>	<b>-1 193 444</b>	<b>704 748</b>	<b>9 433</b>	<b>714 181</b>	<b>-</b>	<b>714 181</b>
Interest income	1 317 770	653 928	609 090	2 580 788	9 433	2 590 221	-	2 590 221
Interest expense	(44 699)	(28 807)	(1 802 534)	(1 876 041)	-	(1 876 041)	-	(1 876 041)
Impairment releases/ (charges) on loans and advances	50 777	(167 744)	2 917	(114 049)	-	(114 049)	-	(114 049)
<b>Total income/(loss) from lending activities</b>	<b>1 323 848</b>	<b>457 377</b>	<b>-1 190 526</b>	<b>590 698</b>	<b>9 433</b>	<b>600 131</b>	<b>-</b>	<b>600 131</b>
Non-interest expense	(2 098)	-	-	(2 098)	-	(2 098)	-	(2 098)
Non-interest income	14 026	5 209	14 410	33 645	-	33 645	-	33 645
Operating income/(loss) from banking activities	1 335 776	462 586	(1 176 116)	622 245	9 433	631 678	-	631 678
Other Income	-	-	29 525	29 525	742	30 267	-1 414	28 853
Insurance revenue				808 453		808 453		808 453
Insurance service expense				(975 174)		(975 174)		(975 174)
Net expense from reinsurance contracts held				44 311		44 311		44 311
Net finance income/expense from reinsurance contracts issued				(5 331)		(5 331)		(5 331)

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## SEGMENT REPORTING BUSINESS

	Commercial Development and Business Banking <sup>2</sup>	Corporate Banking and structured Investment <sup>2</sup>	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>3</sup>	Total Group	Intercompany eliminations	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Investment income	0	-	23 626	23 626	117 895	141 521	-	141 521
Interest in Post Retirement Obligation	-	-	(27 912)	(27 912)	-	(27 912)	-	(27 912)
Interest on Lease Liability	(535)	(0)	(230)	(765)	-	(765)	-	(765)
Gains and losses on financial instruments	(451)	0	-	(451)	-	(451)	-	(451)
Fair value loss	-	-	53 446	53 446	-	53 446	-	53 446
Operating income/(loss)	1 334 790	462 586	(1 097 661)	699 715	329	700 044	-1 414	698 630
Operating expenses	(27 989)	(1 304)	(234 649)	(263 941)	(10 405)	(274 346)	-	(274 346)
Staff costs	(73 199)	(8 527)	(278 438)	(360 164)	-	(360 164)	-	(360 164)
Depreciation and amortisation	(4 368)	(17)	(9 662)	(14 047)	-	(14 047)	-	(14 047)
Net operating (loss)/income	1 229 234	452 738	(1 620 410)	61 562	(10 076)	51 488	-1 414	50 073
Non-trading and capital items	(62)	-	11 347	11 285	-	11 285	-	11 285
Net profit	1 229 172	452 738	(1 609 063)	72 848	(10 076)	62 773	-1 414	61 358
Other comprehensive income	-	-	88 590	88 590	-	88 590	-	88 590
Actuarial losses on the post-retirement obligation	-	-	4 061	4 061	-	4 061	-	4 061
Revaluation of land and buildings	-	-	2 199	2 199	-	2 199	-	2 199
Other comprehensive income	-	-	82 330	82 330	-	82 330	-	82 330
Total comprehensive income/(loss) for the year	1 229 172	452 738	(1 520 473)	161 437	(10 076)	151 363	-1 414	149 948

<sup>1</sup> Includes reconciliation to Group results in terms of IFRS 8.

<sup>2</sup> The Insurance Operations consists of LBLIC (Life Insurance) and LBIC (Short term asset and Crop Insurance)



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### SEGMENT REPORTING BUSINESS

	Commercial Development and Business Banking <sup>2</sup>	Corporate Banking and structured Investment <sup>2</sup>	Group Capital and Inter- segment eliminations <sup>1</sup>	Total Bank (Excluding LDFU)	Insurance Operations <sup>3</sup>	Total Group (Excluding LDFU)	Discontinued Operations LDFU	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Statement of financial position								
Assets								
Segment assets	1 746 625	13 483 358	14 973 532	30 203 516	2 000 832	32 204 348	-650 030	31 554 318
Working capital (incl. net loans and advances)	1 715 382	13 151 261	13 723 055	28 589 697	468 542	29 058 239	-	29 058 239
Investments	-	322 588	1 091 615	1 414 202	1 388 620	2 802 822	-650 030	2 152 792
Investment properties	31 244	-	74 756	106 000	-	106 000	-	106 000
Property and equipment	-	9 510	73 836	83 346	20	83 366	-	83 366
Non-current assets held-for- sale	-	-	9 208	9 208	-	9 208	-	9 208
Intangible assets	-	-	1 062	1 062	-	1 062	-	1 062
Insurance assets	-	-	-	-	143 650	143 650	-	143 650
Liabilities								
Segment liabilities	(1 532 013)	(11 644 815)	(12 486 508)	(25 663 335)	(263 865)	(25 927 203)	-	(25 927 203)
Working capital (incl. funding liabilities)	(1 517 305)	(11 632 670)	(12 138 436)	(25 288 410)	(34 185)	(25 322 595)	-	(25 322 595)
Provisions	(12 064)	(2 267)	(53 212)	(67 543)	(5 510)	(73 053)	-	(73 053)
Post-retirement obligation	-	-	(282 317)	(282 317)	-	(282 317)	-	(282 317)
Lease liabilities	(2 643)	-9 878	(12 543)	(25 065)	-	(25 065)	-	(25 065)
Insurance liabilities	-	-	-	-	(224 170)	(224 170)	-	(224 170)

<sup>1</sup> Includes reconciliation to Group results in terms of IFRS 8.

<sup>2</sup> The Insurance Operations consists of LBLIC (Life Insurance) and LBIIC (Short term asset and Crop Insurance).

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### SEGMENT REPORTING BUSINESS

#### Segmental information

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. In addition, the 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 2025. The identified reportable segments are how the Group's businesses are managed and reported to the Chief Operating Decision Maker (CODM).

#### Segmental reporting Geographic

According to the client's location, the geographical segments consist of 9 provincial offices and 14 satellite offices within the boundaries of the respective provinces of the Republic of South Africa. Group Capital and Insurance Operations 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.

Group - 2025	Interest income R'000	Interest expense R'000	Net interest income R'000	Impairment (charges)/ releases, claims and recoveries R'000	Non-interest income/ (expense) R'000	Operating income from insurance activities R'000	Fair value gains, investment income and non-trading and capital items R'000	Operating expenses excluding depreciation and amortisation R'000	Interest on Post-Retirement Medical Aid and Lease Liability R'000	Depreciation and amortisation R'000	Staff costs R'000	Net profit/ (loss) R'000	10 Other Comprehensive Income R'000	Total comprehensive income R'000
Statement of profit or loss and other comprehensive income														
Northern region	(2 742 956)	1 523 234	(1 219 722)	(4 813 285)	(15 080)	(27 948)	(358 134)	348 947	33 057	14 305	416 204	(5 621 656)	(50 047)	(5 671 703)
Southern region	(608 730)	22 435	(586 295)	5 691 290	(15 120)	-	(3 259)	10 132	465	4 394	51 153	5 152 760	-	5 152 760
Total group	(3 351 686)	1 545 668	(1 806 018)	878 005	(30 198)	(27 948)	(361 393)	359 080	33 522	18 699	467 357	(468 895)	(50 047)	(518 940)



**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

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**SEGMENT REPORTING BUSINESS****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)	Intercompany eliminations	Total assets
	R'000	R'000	R'000	R'000
Assets				
Northern region	2 422 504	22 374 844	0	24 797 348
Southern region	723 605	6 683 395	0	7 407 000
Total group	3 146 109	29 058 239	0	32 204 348
Investments	0	0	(650 030)	(650 030)
	3 146 109	29 058 239	(650 030)	31 554 318
		Working Capital (incl. funding)	Other liabilities	Total liabilities
Liabilities		R'000	R'000	R'000
Northern region		(4 294 200)	(577 292)	(4 871 493)
Southern region		(21 028 397)	(27 313)	(21 055 710)
Continuing operations		(25 322 595)	(604 605)	(25 927 203)

## ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The Annual Financial Statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS Accounting Standards), as issued by the International Accounting Standards Board (IASB), the requirements of the PFMA and sections 27 to 31 of the Companies Act, being the relevant and corresponding sections of those specified in the Land Bank Act, National Treasury Regulations These Annual Financial Statements cover the Bank and its subsidiaries.

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

#### 1. Basis of Preparation

The consolidated and separate financial statements have been prepared by 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.

A summary of significant accounting policies is set out in note 3.

The preparation of financial statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in applying the Group's accounting policies. Accordingly, 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.

Full disclosure relating to the Interim Accounting Authority's going concern assessment can be found in Note 3.2.

The Annual Financial Statements have been prepared on the historical cost basis, except for the following items, which were measured at fair value:

- Financial instruments held at fair value through profit or loss;
- Financial instruments designated at fair value through profit or loss;

- Derivative financial instruments;
- Equity investments;
- Land and buildings;
- Post-retirement medical aid benefit investment; and
- Funeral benefit and post-retirement medical aid liability.

The methods used to measure fair values are detailed in specific notes.

#### 2.1 Functional and presentation currency

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

#### 2.2 Distinction between current and non-current

The Group presents the assets and liabilities in decreasing order of liquidity as it provides information that is more reliable and relevant than a current/non-current presentation because the Group does not supply goods or services within a clearly identifiable operating cycle. In addition, other similar financial institutions also provide the information in this manner, and hence it is more comparable.

### 3. Summary of material accounting policies

The Group has not applied the following new, revised or amended pronouncements that have been issued by the International Accounting Standard Board (IASB) as they are not yet effective for the financial year beginning 1 April 2024. The Board anticipates that the new standards, amendments and interpretations will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

#### 3.1 New standards and interpretations

The Group has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# ACCOUNTING POLICIES

### New standards not yet adopted

#### Annual improvements to IFRS - IFRS 7 Financial Instruments: Disclosures, gain or loss on derecognition

Entities shall apply this amended for periods beginning on or after 1 January 2026. This might be potentially material for the Land Bank as we have material financial instruments (loans and advances). However, the impact cannot be determined currently.

#### Annual improvements to IFRS - IFRS 9 Financial Instruments, derecognition of lease liabilities

Entities shall apply this amended for periods beginning on or after 1 January 2026. The IASB decided to clarify this issue by amending paragraph 2.1(b)(ii) to add a cross-reference to paragraph 3.3.3. The amendment clarifies that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. This will not be material to the Land Bank as leases are not a material line item.

#### IFRS 18 Presentation and Disclosures in Financial Statements

Entities shall apply this amended for periods beginning on or after 1 January 2027. IFRS 18, "Presentation and Disclosure in Financial Statements," focuses on improving the communication of financial performance, particularly in the statement of profit or loss. It replaces IAS 1 and introduces new presentation requirements, including categories for income and expenses (operating, investing, financing, income taxes, and discontinued operations) and required subtotals. The standard also emphasizes the importance of structured summaries in the primary financial statements, with more detail provided in the notes. This standard will have qualitatively material implications for the Land Bank's presentation and disclosure. However, the estimate cannot be made currently as it might be more qualitative than quantitative.

#### Adoption of new and revised Standards

The group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

IAS1 Non-Current Liabilities with Covenants Effective 01 January 2024

Entities to disclose information about covenants and carrying amounts of the related liabilities. This will be material for the bank as the funding liabilities of the bank have covenants. Refer to note 17 for the relevant disclosures and impact.

#### Changes to presentation and disclosure

For presentation in the statement of financial position, the group aggregates insurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held



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# ACCOUNTING POLICIES

The group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

### 3.2 Going Concern

In determining the appropriate basis of preparation of the financial statements, the Interim Accounting Authority are required to consider whether the Group can continue in operational existence for the foreseeable future. The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Bank successfully concluded the Bank's debt restructuring process during September 2024 thereby curing the 4-year long default. The full R5.6bn equity allocation that was in an Escrow account has now vested and transferred to the Bank. The Bank is now rebuilding itself to be in the best position to deliver on its mandate. The curing of the state of default has done away with the exemption to submit the corporate plan by the Land Bank owing to the default. The Bank submitted its FY2026 corporate plan in line with the PFMA requirement.

It is on this basis and in light of the forecast of healthy cash resources, that the Interim Accounting Authority have reasonable belief that the Bank has adequate resources to continue as a going concern for the foreseeable future.

The Bank recorded a net profit of R486.6 million (2024: R61.3 million restated) for the year ended 31 March 2025, mainly driven by the interest income earned on the capital injection.

Despite the challenges of the past, the Bank's business and operational fundamentals remain strong, and further measures have been adopted to manage the Bank's financial sustainability and credit worthiness. In the last number of months since curing the default the Bank has achieved the following:

- Critical vacancies are being prioritised through the new organisational structure currently being implemented.
- The Bank collected over R3.2 billion from own customers
- At 31 March 2025 Land Bank had a cash balance of R7.3 billion (note 4), compared to R12.6 billion at 31 March 2024, this excludes the funds under administration held on behalf of related parties:
  - Implementation of the Board approved strategy of the Bank Operating model as well as the new organisational structure continues.
  - Improved liquidity position, through collections and settlements with balance at ~R7.3 billion at 31 March 2025. This allowed the Bank to repay R5 billion as part of the conclusion of LS5. The bank continues to successfully make all scheduled payments per the terms of the new LS5 note.
  - The full R10 billion appropriated to Land Bank since default has been transferred by the Shareholder with balance in Escrow account released to the Bank upon successful conclusion of the liability solution in September 2024.
  - The NPL remediation strategy yielding results with the nominal number of the NPL reducing by R0.866 billion YoY.
  - Lending continues, anchored largely by the Blended finance scheme which managed to disburse over R581.2 million loans and R594.2 million in grants, bringing total disbursements to R1.17 billion for the year under review to the agricultural sector. Continued origination will enable the Bank to rebuild its core business post the attrition experienced by the Bank on the back of the default over the past few years.
  - Appointment of critical senior management roles to strengthen the internal control environment where gaps were identified and to ensure continued operations of the Bank and delivery of services.
  - With the implementation of the new organisational structure all vacant roles are being filled, with 97.81% of active permanent employees successfully placed.
  - The Shareholder has continued to reiterate its support for the Bank and continues to work with the Bank to advance its mandate including various consultations on the proposed funding model of the Bank.
  - Lenders remain in support and engaged with the Bank post successful conclusion of the LS5.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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### ACCOUNTING POLICIES

The Interim Accounting Authority are of the view that the initiatives reflected above will ensure Land Bank meets the going concern requirement in the foreseeable future, being 12 months from the approval of these annual financial statements. Given already received and expected capital injections from National Treasury as well as current cash sources available, Land Bank is expected to have a surplus of available cash resources to be able to meet its liquidity requirements.

#### 3.3 Consolidation process

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

Consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC and LBIC as at 31 March 2025. Intra-group transactions are eliminated upon consolidation.

Investments in subsidiaries are measured at cost at acquisition and subsequent measurement on each reporting date.

The financial statements of LBLIC and LBIC are prepared using consistent accounting policies to the Land Bank. Furthermore, the annual financial statements have been prepared in accordance with the requirements of both the Insurance Act 18 of 2017.

#### 3.4 Critical accounting judgements and key sources of estimation uncertainty

The most significant judgements and estimates are summarised below:

##### 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 and 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. Please refer to note 36 for more details.

##### 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, the valuation models 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 the reported fair value of financial instruments.

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.

##### 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.

##### Management expense provisions

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



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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# ACCOUNTING POLICIES

obligation as at year-end, i.e. the amount that the Group would rationally pay to settle the obligation.

### Insurance contracts

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted below with more detail provided in the specific notes to which they relate:

Insurance contracts – note 3.17:

Unit of account

Premium allocation approach eligibility

Liability for incurred claims

Discount rates

Confidence Levels

Risk adjustment for non-financial risk

### 3.5 Revenue recognition

#### Interest income

In terms of IFRS 9 interest income is recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cash flows. The effective-interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period. Interest income include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

#### IFRS 15 Revenue from Contracts with Customers.

The group is able to identify the contract when both the client and the group have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the group will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The group recognises the revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

##### (i) Fee and commission income.

Fees and other income which are integral to the effective interest rate on a financial asset 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.

##### (ii) Dividend Income.

Dividends are recognised in the period when the shareholders' right to receive payment is established.

Dividend income from financial assets classified at fair value through profit or loss is recognised on the last date to register.

##### (iii) Investment surpluses.

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

##### (iv) Rental income.

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

##### (v) Realised gains and losses.

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

##### (vi) Unrealised gains and losses.

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

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# ACCOUNTING POLICIES

### 3.6 Fruitless and wasteful and irregular expenditure

Items of expenditure which meet the requirements of the Public Finance Management Act (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 or internal policy.

When discovered, irregular expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either condoned 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.

### 3.7 Property, plant and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably.

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

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

comprehensive income during the financial period in which they are incurred.

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

Reversals of impairment loss on a revalued asset is recognised in other comprehensive income and increases the revaluation surplus of the asset. However, to the extent that an impairment loss on that asset was recognised directly in profit and loss, that reversal shall be to profit and loss. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

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

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

Building	2.5% per annum
Motor vehicles	20% per annum
Computer equipment	33.3% per annum
Leasehold improvements	Equal months in relation to lease period
Furniture and fittings	20% per annum



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### ACCOUNTING POLICIES

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in equity is reclassified to profit and loss.

Land and Buildings are revalued annually at balance sheet date.

#### 3.8 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 recognised in the statement of profit or loss in the period in which they arise

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property

and equipment up to the date of change in use. Owner occupied property is classified as investment property when the owner occupies less than an insignificant portion of the property (less than 50%).

This threshold was set due to the Group's intention to let out any excess office space, which exists at the Group's properties.

#### 3.9 Intangible assets

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

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

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

##### (i) Computer software

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

##### 1. Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Tier I asset - Software relating to core business applications for which any change to a different application suite would require a significant investment in resources and time.

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### ACCOUNTING POLICIES

Tier 2 asset - Software that is directly integrated with the core financial systems and additional developments and modules may have been added. Other - Commodity software.

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

Item	Depreciation method	Average useful life
Tier 1 asset	Straight line	10 years
Tier 2 asset	Straight line	5 years
Other	Straight line	3 years

#### Impairment of non-financial assets

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

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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

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

### 3.10 Financial instruments

#### Classification and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual terms of the instrument.

At initial recognition, the group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

#### (i) Amortised cost and effective-interest rate

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

The effective-interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts, fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognised in profit or loss.



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### Fair value

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place.

The group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

For a detailed discussion of the fair value of financial instruments, refer to note 36.

### Modification

The group modifies the terms of the loans provided to its clients due to commercial renegotiations or in cases of distressed loans, with the aim of maximising recovery. Such restructuring activities include changes in payment frequency, payment date, term, interest rate or consolidation of borrower's loan agreements into a single agreement to mitigate credit risk.

The modified asset is assessed to determine whether it constitutes a substantial or non-substantial modification by considering both quantitative and qualitative features. For example, if the present value of the new contractual cash flows discounted using the original effective interest rate, differs by 10% when compared to the original contractual cash flows, the Land Bank deems the modification to be substantial and results in the de-recognition of the original asset. If the present value is below 10% and the qualitative assessment performed does not deem it so, the Land Bank deems the modification to be non-substantial and does not result in de-recognition of the original asset. The modification gain/loss will then be determined.

The gain/loss shall be derived by comparing the present value of the restructured loan (discounted using the original effective interest rate) to the carrying value at time of modification. derecognition.

### Financial assets

Debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

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 effective interest rate (EIR). The EIR amortization 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.

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.

### Investments in equity instruments

For equity investments that are held neither for trading nor for contingent consideration the group may irrevocably elect to present subsequent changes in the fair value of these equity investments in OCI. The cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it is reclassified into equity.

### Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: This classification is applied to derivative financial liabilities, financial liabilities held for trading and other financial liabilities designated as such at initial recognition.
- Financial guarantee contracts and loan commitments.
- The funds under

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#### Derivative financial instruments, strategic trading asset and hedge accounting

The Group elected an accounting policy choice under IFRS 9 “Financial Instruments” to apply the hedge accounting requirements under IFRS 9 “Financial Instruments: Recognition and Measurement”.

As part of the requirements to apply hedge accounting, the Group documents, at the inception of the hedge relationship, the relationship between hedging instruments and hedged items, the risk being hedged, the Group’s risk management objective and strategy for undertaking hedge transactions, and how effectiveness will be measured throughout the life of the hedge relationship.

All derivatives are recognised in the statement of financial position at fair value and are classified as trading except where they are designated as part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is measured at fair value throughout the life of the contract. Derivatives are disclosed as assets when the fair value is positive and as liabilities when the fair value is negative.

The derivative assets and derivative liabilities are offset and the net position is presented in the statement of financial position as the Group has a legal right to offset the amounts and intends to settle on a net basis. Each swap has the same counterparty and the “net asset/ liability” is as a result of movements in FVTOCI.

All strategic trading asset and repurchase agreements are recognised in the statement of financial position at fair value and are classified as trading. The carrying value of an asset is measured at fair value and are disclosed as assets when the fair value is positive and as liabilities when the fair value is negative.

#### Cash held under investments

The “Cash” held under investments is held with 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”. Please refer to note 4.

#### Derecognition of financial asset

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:
- The Group has transferred substantially all the risks and rewards of the asset, or
- 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.



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### 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.

### 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 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 "Expected Credit Loss account".

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 exists.

For subsequent measurement, the group applies a three-stage approach to 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: 12months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the 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**

If the loan's credit risk increases to the point where it is considered credit-impaired, interest revenue is calculated based on the loan's amortised cost (that is, the gross carrying amount less the loss allowance). Lifetime ECLs are recognised, as in Stage 2.

The group 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 "Expected Credit Loss account".

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The group considers its historical loss experience and adjusts this for current observable data. In addition, 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 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-indices, including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses the previously assessed significant increase in credit risk since origination, then the ECL reverts from lifetime ECL to 12-months ECL.

#### 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 group 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.

#### Collateral

Collateral refers to an asset bonded or pledged under a security document to the Bank by a borrower or surety in support of a loan granted. In the event of a default by a client or surety, collateral is a secondary source of repayment.

All collateral items ceded to the Land Bank shall be valued or revalued within the frequency timelines, failing which will be regarded as stale and in non-compliance to the Collateral Management policy.

Market values for properties (and ultimately fair value) must be conducted in line with industry standards as determined by the South African Council for the Property Valuers Profession (SACPVP), as amended from time to time. This involves the use of comparable sales of similar properties (for Land Bank it's 3 recent comparable sales).

Fair value is determined by limiting collateral reporting to the lower of registered bond/ cession amount or forced sale value (FSV).

The collateral valuation must take into account the forced sale margins (or liquidation cost provision) based on historical recovery and liquidation costs incurred by Land Bank to determine security value and/or forced sale value. These liquidations cost margins must be re-assessed annually.

#### Cash and cash equivalents

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

#### Funds administered on behalf of related parties

The Group manages funds on behalf of related parties. These funds are held as cash with a corresponding financial obligation to remit these funds on demand to the related parties. The funds are cash and cash equivalents and corresponding financial liability are measured at amortised cost.

#### Trade and other receivables

For trade and other receivables only, the Bank applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables if there is no significant financing component. Under this approach the tracking of changes in credit risk is not required, instead lifetime expected credit losses are recognised. ECLs are recognised in profit or loss. The provision matrix will be used to calculate the impairment for credit losses. The Bank will use the historically observed default rates (actual write-off) over the expected life of the trade and



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other receivables adjusted as necessary to reflect current conditions to calculate the default rate in the provision matrix. Adjustments will be made for forward-looking information based on economic conditions. The default rate calculated in the provision matrix will be adjusted for economic conditions. The total book debt is segregated into different categories of trade and other receivables and the default percentage is applied on the balance per category to calculate the ECL allowance

### 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.

### Funding Liabilities

The carrying values of all funding liabilities are measured at amortised cost in alignment with IFRS 9 requirements.

The arranging fees that are paid upon acquisition of the liability are deferred to the Statement of Other Comprehensive Income over the term of the loan facility and included in the interest expense line as these arranging fees form part of the "Effective Interest Rate" of funding instruments. The prepaid arranging fee is carried as part of the funding liabilities.

## 3.11 Tax

### Income tax

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 South African Revenue Service (SARS). Please refer to the notes of the annual financial statements for additional disclosure regarding the probabilities/possibilities of contingent liability raised in this regard.

## 3.12 Leases

### Lessee accounting policies

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. At inception of a contract, the Group assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has elected to apply the practical expedient method to account for each lease component and any non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms range from 2 to 5 years for offices and vehicles. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The interest component of the lease liability payment is presented as part of operating activities on the cash flow statement.

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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

#### Lessor accounting policies

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

#### 3.13 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 Interim Accounting Authority 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.

#### 3.14 Foreign currency transactions

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

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

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

#### 3.15 Non-current assets (disposal groups) held for sale (NCAHFS) or distribution to owners

In the statement of profit or loss and other comprehensive income of the reporting period, and of the comparable period, 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.



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### 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. The intention of the Group is to sell these properties to recover the outstanding payments on the defaulted loans.

### 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.

The Group has satisfied the following IFRS 5 conditions to classify the properties as NCAHFS:

The appropriate level of management must be committed to a plan to sell the asset; and An active programme to locate a buyer and complete the sale must have been initiated.

The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except where events and circumstances may extend the period to complete the sale beyond one year

Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

### 3.16 Employee benefits

#### Post-employment benefit plans

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

##### Defined contribution plans.

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

#### Retirement fund

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

The Land Bank Retirement Fund ("LBRF") in an umbrella fund within the Alexander Forbes Retirement Fund (AFRF).

##### Defined benefit plans.

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

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth and mortality. Discount rates are determined by reference to market

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yields at the end of the reporting periods on government bonds that have terms to maturity approximating to the terms of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included as a separate component of equity in the statement of financial position and in the statement of changes in equity. Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

#### 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 plan is the present value of the defined benefit obligation at the statement of financial position date. The benefit obligation at the statement of financial position date is not reflected net of assets since these assets are not held in a legally separate entity that is not available to the Bank's own creditors. The past service costs and interest costs are accounted for in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of profit or loss and other comprehensive income in full.

#### Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis. Accruals for employee entitlement to annual leave represents the present obligation, which the Group has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

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

#### Termination benefits

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

#### 3.17 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.



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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.

#### 3.18 Insurance Contracts LBLIC

LBLIC's insurance products, including all product features, meet the insurance risk transfer requirements and thus fall within the scope of IFRS 17 to be accounted for as insurance contracts. Likewise, all reinsurance agreements are treated as reinsurance contracts held under the same IFRS standard.

Contractual Assessment – Direct Business:  
LBLIC underwrites the following products:

- Level Individual Term Assurance
- Decreasing Individual Term Assurance · Group Credit Life

Each product's contractual terms are assessed to establish whether the products meet the requirements to be considered insurance contracts which require one party (the issuer) to accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. In particular, in accordance with the application guidance IFRS 17, the contractual terms are assessed to establish whether:

- The policyholder is a separate party to LBLIC,
- There is insurance risk transfer where the policyholder was exposed to the non-financial risk(s) insured prior to issuance of an insurance contract,
- There is at least one plausible scenario, where, on a present value basis, the premium paid by the policyholder was materially insufficient to cover the expected benefit payments and directly attributable expenses
- "The benefit payment is compensating the policyholder (whether in part or in full) for being adversely affected by the occurrence of an insured risk event; and"
- The event is itself is a future event and is uncertain (either in amount and/or timing). This would include events where the event is defined in terms of reporting the incident rather than the occurrence of the insured risk itself."

All products meet the above-listed requirements and hence qualify as insurance contracts.

Contractual Assessment – Reinsurance Agreements:

LBLIC previously reinsured its business using a single Quota Share Reinsurance Arrangement, i.e. there's no reinsurance on existing and new business as the LBLIC is currently optimising its reinsurance arrangement. However, reinsurance was assessed as follows:

The contractual terms for reinsurance agreements were assessed using the same list of requirements used for the assessment of the direct business products. Of particular importance was the establishment whether the insurance risk transferred to the reinsurer was first transferred to LBLIC from the policyholder. If this test was to fail, the agreement would not fall within the scope of an insurance contract and be treated as an expense for accounting purposes.

The reinsurance agreement qualifies as a reinsurance contract held.

An insurance contract may contain one or more components that would be within the scope of another Standard if they were separate contracts. In particular, this relates to:

- Distinct investment components,
- Embedded derivatives not closely related to host insurance contract, and
- Distinct goods and services.

LBLIC does not have exposure to investment components, embedded derivatives and distinct goods and services within any of its insurance contracts or reinsurance contracts held and has no plans to offer this product feature in the foreseeable future.

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## 2. Level of Aggregation

LBLIC's insurance contracts are aggregated into separate groups for the purpose of determining the IFRS 17 profit recognition in respect of each financial reporting period. A group is defined to include contracts issued or renewed in a particular financial year that use the same measurement approach and have a similar level of expected profitability split at a product type level. Each reinsurance treaty, further splits each underlying product type assigned to a group of its own. A contract is assigned to a group at initial recognition and this is not reassessed until the contract boundary has been reached. Where the premium allocation approach is applied, due to similar expected profitability, each portfolio cohort year's contracts are assigned to a group as a whole and not on a contract-by-contract basis.

Judgement is required to split profitable insurance contracts between those with no significant possibility of becoming onerous from those with a possibility of becoming onerous. For insurance contracts measured under the premium allocation approach and where an insurance contract issued for a particular product has been loss-making in the past, the profitability bucket for insurance contracts with no significant possibility of becoming onerous is not used. Where there is no historic data and where the present value of net cash flows calibrated to a 95th percentile is still profitable, then contracts are assigned to the no significant possibility of becoming onerous.

A 3-step process is followed to assign an insurance contract issued to a group:

Step 1: Allocate the contract to a portfolio

Step 2: Assign the contract to a group such that the issues dates are not more than a year apart

Step 3: Assign the contract to a profitability bucket, which at a minimum, subject to certain conditions, must be "Onerous", "No significant possibility of becoming onerous" ("NSPBO") or "Remaining"

Insurance Contracts that have similar risks and are managed together need to be grouped together in what is defined as a portfolio under IFRS 17.

Portfolio recommendation

Based on the above, the chosen portfolios are:

- Individual Credit Life (Level)

- Individual Credit Life (Decreasing) · Group Credit Life

The reinsurance treaty for group credit life is an annual policy and is renewed each year based on updated reinsurance terms. LBLIC proposes to group the renewals thereof where these are of a similar structure together in a portfolio. The treaty provides reinsurance cover for multiple insurance contract portfolios where the treaty is combined into one for convenience purposes. The treaty is split into multiple portfolios per product type to allow for internal management reporting to view the business on a net of reinsurance basis.

The portfolios are:

- Term Assurance (Level and Decreasing)
- Group Credit Life

Cohort Period

IFRS17 requires portfolios of contracts to be divided into buckets, referred to as cohorts. For LBLIC's groups business, overall scheme performance is measured on a financial year basis (i.e. 1 April – 31 March). The Term Assurance (Level and Decreasing) and Group Credit Life reinsurance agreement is aligned to the financial period. All cohorts are thus aligned with the financial year.

Profitability Buckets

i. Insurance contracts issued – Level of granularity

There are no legal or insurance regulations that prevent LBLIC from having the practical ability to set a different price or level of benefits for policyholders with different characteristics. As such the minimum level of aggregation required, after allocating contracts to portfolios and ensuring that issues dates are not more than one year apart, is to assign each insurance contract based on the profitability expectations at initial recognition to a profitability bucket:

- a. No significant possibility of becoming onerous ("NSPBO")
- b. Onerous
- c. Remaining

ii. Insurance contracts issued – Premium allocation approach

Under the premium allocation approach, no contracts are assumed to be onerous at initial recognition unless facts



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and circumstances indicate otherwise. For LBLIC, these facts and circumstances are informed by the process to set policy premium rates or from business-as-usual profitability monitoring and internal reporting processes.

#### Threshold for NSPBO

In order to divide the current profitable insurance contracts into those with no significant possibility of becoming onerous and those with a possibility of becoming onerous, the volatility of prior claim experience was analysed on a per product basis. If, in any of these years, a contract was loss making, the product is automatically assumed to not have a NSPBO profitability bucket. Only two profitability buckets are therefore established (i.e. Remaining and Onerous).

#### iii. Insurance contracts issued – General Measurement Model and Variable Fee Approach

For the general measurement model, an actuarial projection is carried out on a per contract basis. For all new insurance contracts written in the reporting period, the prior year IFRS 17 assumptions are used to value the present value of expected cash flows and the risk adjustment for non-financial risk at the date of initial recognition. Where this amount is positive (i.e. expected outflows are greater than expected inflows), the contract is assigned to an onerous group. Where the amount is negative, an additional step is required to assign the profitable contract in either the “remaining” bucket or the “NSPBO” bucket.

For each product, a profit threshold is set such that expected profitability above the threshold is assigned to the NSPBO and the rest is assigned to the remaining bucket. The profitability metric is defined as:

$$\text{profitability\_metric} = \frac{\text{present value of risk} - \text{adjusted cash flows}}{\text{present value of premiums}}$$

Where the present value of risk-adjusted cash flows is the present value of future cash flows plus the risk adjustment for non-financial risk.

The threshold percentage is set at a 95th percentile which is determined using the same technique used to determine the confidence level for the risk adjustment for non-financial risk.

#### iv. Reinsurance contracts held

The accounting treatment for reinsurance contracts held is the same regardless of whether a group of insurance contracts is classified as a net gain, no significant possibility of a net gain (“NSPBG”) and the remaining category. As such, where a reinsurance agreement is in a group of its own after applying the portfolio and cohort year split, there is no need to assess the profitability of the agreement. All of these groups will be assigned a “Remaining” category.

#### 3. Contract Recognition and Derecognition

LBLIC’s insurance contracts are mostly recognized from their commencement or renewal date, except where the first premium is due earlier than in which case, this date is used. Contracts expected to be onerous are usually recognised from the commencement date as this date is closely aligned to the date when LBLIC accepts the risk contained under such contracts.

The Standard requires that contracts be recognised from the earlier of one of three dates:

1. the contract start date,
2. the premium due date, or
3. the date of acceptance of risk if the contract is onerous.

In absence of a contractual due date, the first payment from a policyholder is deemed to be due when it is received [IFRS17 17.26]. Premiums paid before their due date are not recognised as part of the insurance liability, but as current financial liability.

The Standard requires a contract to be derecognised when LBLIC is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the insurance contract. The practical application of contract derecognition within LBLIC is specific to the liability component in question.

The general principals are as follows:

1. For contracts measured under the liability for remaining coverage,
  - a. when the contract’s coverage period has come to an end,
  - b. the policy has been cancelled, or
  - c. the policy has contractually terminated due to a claim and/or policyholder death if the latter isn’t an insured benefit, and all premium debtors or commission

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creditors directly related to that contract have been settled (or written off), the contract is derecognised from the liability for remaining coverage and not included in the calculations for any IFRS 17 group.

2. Under the liability for incurred claims, any liability in respect of the contract is derecognised when all of the following are true:

- a. Where a claim has been reported and this claim is fully settled or repudiated, and
- b. Where the full coverage period up until the renewal or expiry date has passed and the claim notification period for reporting claims has passed.

The requirement to derecognise a contract from a group due to a contract modification is not necessary for LBLIC as there were no contract modifications identified that would result in a change in the allocation of the IFRS 17 group.

#### 4. Expense allocation

IFRS 17 provides principle-based guidance on the determination of expenses which should be included in the measurement of insurance contracts and how each expense category should be measured. Expenses which are regarded as "directly attributable" are within the scope of IFRS 17 (as per paragraph IFRS 17. B65 and IFRS 17. B66).

LBLIC's expenses are largely considered to be directly attributable to insurance contracts. These costs are those that are incurred as a result of being an insurance entity and those incurred to write, renew or service its insurance contracts. Directly attributable costs are allocated down to a group of insurance contract level in a way that reflects the relative benefit that each group receives from the expense incurred. LBLIC has chosen to expense its insurance acquisition cash flows for groups measured under the premium allocation approach and will amortise the remainder of its insurance acquisition cash flows over the passage of time using the number of policies expected to be in force over the coverage period of each group of insurance contracts. The liability for expenses incurred that are yet to be settled is held within the liability for remaining coverage.

#### LBLIC has adopted an all-in approach in terms of expense allocation.

This approach is useful to "exclusively" insurance and reinsurance companies writing only insurance contract business. The starting point is to assume 100% of all expenses are directly attributable to insurance activities and then these are reduced by expenses that do not qualify for being directly attributable on the nature of the expense and any IFRS 17 specific exclusions.

Paragraph IFRS 17.65 lists the expenses that would be considered directly attributable. For LBLIC, these include:

- insurance acquisition cash flows;
- claim handling costs;
- policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements);
- value added taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis; and
- an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support) directly attributable to fulfilling insurance contracts.

LBLIC has defined four expense categories:

##### i. Insurance Acquisition Cash Flows

Insurance acquisition cash flows are the costs incurred to sell, underwrite or start an insurance contract issued or reinsurance contract issued.

The general principle under IFRS 17 is that insurance acquisition cash flows must be amortised over the coverage period. The exception for insurance contracts measured under the premium allocation where every contract has a coverage period under one year is that there is an option to rather expense these costs when they incur. LBLIC is proposing to adopt this accounting policy option for all insurance acquisition cash flows where these relate to groups measured under the premium allocation approach.

Theoretically, where these costs are incurred prior to the commencement of an insurance contract that is to be measured under the general measurement model, these amounts are capitalised as an "insurance acquisition cash flow asset" which is held at an IFRS 17 portfolio level (see



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the aggregation policy for more details). As the insurance contracts to which these costs are to be allocated are recognised, these costs are derecognised from this asset and recognised within the group of insurance contract's liability.

Both for the above allocated insurance acquisition cash flows and those that are incurred on or after the date of insurance contract recognition, these costs are included as part of the fulfilment cash flows within the liability for remaining coverage. A portion of the premiums receivable under the contracts are set aside to cover these insurance acquisition cash flows and these costs and the corresponding premium are recognised together over the coverage period.

LBLIC does not incur material insurance acquisition cash flows prior to the recognition of an insurance contract. The lead-time from the incurrance of these costs until the contracts for which these costs were incurred are recognised is also typically under one month. As such, LBLIC is proposing not to incorporate the use of the insurance acquisition cash flow asset. Insurance acquisition cash flows with thus be allocated directly to groups of insurance contracts as they are incurred.

#### ii. Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs

These costs are expensed as they are incurred. The expected future specific directly attributable expenses will be held within the liability for remaining coverage and released when they are expected to be incurred. A corresponding expense incurred liability will be established within the liability for incurred claims.

There are two types of specific directly attributable costs. The first category are claim-related costs that are incurred to administer, measure and settle incurred claims. The second category relates to the balance of the expenses and are referred to for the purpose of this expense allocation policy as "policy administration and maintenance expenses". As the expenses are paid, the liability for incurred claims is released

#### iii. Non-Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to fulfilling the obligations under insurance contracts but first needs an allocation methodology applied to split the costs.

Once allocated, the accounting treatment is the same as for the specific directly attributable expenses. The costs largely result from the allocation of fixed and variable overheads

#### iv. Non-Attributable Expenses

These expenses (either in total or in part) are deemed not necessary to fulfilling insurance and reinsurance contracts and therefore must not be included with the measurement of insurance contracts under IFRS 17.

These costs are expensed as they are incurred, or under the required accounting approach defined by the relevant IFRS standard

#### Expense allocation principles

Under IFRS 17, insurance acquisition cash flows and other directly attributable expenses must be allocated down to a group of (re)insurance contracts level.

The following principles shall guide the allocation of expenses under IFRS 17:

1.1 Expenses are considered to not be attributable if the cost would not have been incurred if LBLIC was not an insurance entity.

1.2 Expenses are considered to be directly attributable if the cost is incurred only as a result of entering or attempting to enter into an insurance contract or due to a contract being in-force.

1.3 Expenses shall be allocated to the insurance contract that generates the expense. The allocation shall be based on the relative benefit that the contract receives from the expense.

1.4 Insurance acquisition cash flows shall be allocated to the contract at the inception of the contract. The allocation shall be based on the expected benefits that the contract will provide over its lifetime.

1.5 A reasonable method must be used to allocated expenses where the costs are not incurred at a group of (re)insurance contracts level.

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The allocation of expenses shall be reviewed periodically to ensure that it remains reasonable and consistent.

#### Allocation Methods

The following methods are used to allocate expenses under IFRS 17:

#### Direct Tracing:

Expenses that can be traced directly to a specific (re) insurance contract are allocated to that contract.

#### Proportional Allocation:

Where a directly attributable expense benefits more than one contract, the expense shall be allocated in proportion to the benefits received by each contract

#### General Allocation:

Where an expense, such as an overhead cost, benefits all or many (re)insurance contracts and non-IFRS 17 activities, the expense shall be allocated based on a reasonable method that reflects the benefits received by each contract.

The allocation metric is chosen per expense sub-category based on both the information available and based on an analysis of the drivers affecting the size of the cost. For example, the time spent and level of skill level required to issue insurance contracts are deemed to be equal across all contracts. The number of policies in force is thus chosen as the metric to allocate these costs.

#### 5. Measurement and approach principles

The contract boundary is the policy term for the Individual Decreasing Term Assurance and Individual Level Term Assurance products, while it is one year for the Group Credit Life. The contract boundary for the aggregated reinsurance agreements is 1 year.

The GMM is used for the Individual Decreasing Term Assurance and Individual Level Term Assurance products due to their long duration, while the PAA is applied to the Group Credit Life and Quota Share reinsurance agreements due to their coverage period not exceeding a year (12 months). The default measurement approach specified by the IFRS 17 Standard is the general measurement model

("GMM"). This applies to insurance contracts issued as well as reinsurance contracts issued and held.

Where the contract boundary is one year or less, an entity has the unrestricted option to choose whether to apply the simplified approach called the Premium Allocation Approach which shall be referred to as "PAA". Contracts with a contract boundary greater than one year do not automatically qualify for the PAA but, where LBLIC does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred, the PAA may be applied in accordance with IFRS 17.53.

As a general rule, LBLIC wishes to minimise the impact of moving to IFRS 17 and thus maximise the use of existing actuarial valuation methodology. Short duration contracts will be measured using the PAA, where possible, and long duration contracts will be measured using the GMM.

#### Contract Boundary of Insurance Contracts Issued

When determining the contract boundary of a contract, LBLIC reviews the contractual terms of a contract.

The contract boundary assessed for each product is listed below:

Product	Contract boundary
Individual	Full policy term (determined at policy level)
Individual	Full policy term (determined at policy level)
Group	1 Year (determined at policy level)

#### Contract Boundary of Reinsurance Contracts Held

The contract boundary considerations are similar to those applied to insurance contracts issued with some differences.

Non-proportional agreements, such as excess of loss, catastrophe and stop loss agreements, have a defined coverage period and no ability to terminate the agreement prior to the end of the coverage period. The contract boundary is thus the end of the coverage period in all cases.

For proportional reinsurance contracts held, which include surplus and quota share agreements, there are two contract boundaries to consider. For annual agreements, there are typically no early termination clauses or the ability for the reinsurance to amend premium rates. The



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reinsurer in each agreement is obliged to provide cover for all insurance contracts issued that fall within the scope of the agreement and are issued over the coverage period of the reinsurance agreement. Once ceded, each insurance contract will remain reinsured until the end its coverage term.

The contract boundary for existing ceded contracts is the latest contract boundary on all ceded contracts.

With respect to new underlying insurance contracts still to be issued, LBLIC is obliged to cede these contracts to the reinsurer under the reinsurance agreement and the reinsurer is obliged to accept them until the end of the reinsurance agreement's coverage period. The contract boundary with respect to new insurance contracts is therefore the end of the reinsurance agreement's coverage period.

The contract boundary assessed for the aggregation of the reinsurance agreements is 1 year.

#### PAA eligibility testing

IFRS17.53 requires that the PAA must produce a measurement of the liability for remaining coverage for the group that would not differ materially from that produced under the GMM.

LBLIC proposes to apply an assessment hierarchy to test whether a group of insurance or reinsurance contracts is eligible to being estimated using the PAA using four levels.

- i. Assess whether the key criterion of a maximum of 12-month coverage period (paragraph IFRS17.53b) is met for all contracts within the group of contracts. If not,
- ii. Perform a qualitative assessment to identify and assess potential critical features to assess whether there may be a risk of a substantial misestimating by the PAA. If the test fails, then
- iii. Perform a quantitative assessment to validate the hypothesis that the measurement models do not substantially differ. If this test fails, then
- vi. Determine the materiality of the potential misstatement for LBLIC.

The sequential steps are only carried out until the test is successful. If, after step iii, the test has still failed, the general measurement model ("GMM") is applied unless

the product itself is not material. LBLIC will only use the PAA where it believes future annual testing of eligibility will produce a similar successful result. LBLIC may choose to move from test i down to step iv and not conduct the interim qualitative or quantitative tests.

Following the above assessments, the following recommended measurement approaches are applied:

Product/Reinsurance agreement	Contract boundary
Individual Decreasing Term Assurance	General Measurement Model
Individual Level Term Assurance	General Measurement Model
Group Credit Life	Premium Allocation Approach
Quota share agreement	Premium Allocation Approach

LBLIC proposes using the GMM approach for the long duration contracts (Individual Decreasing Term Assurance and Individual Level Term Assurance) to maximise the use of existing actuarial valuation methodology. These products were thus not assessed for PAA eligibility.

As the Group Credit Life length of coverage is a year, it is eligible for the PAA approach, and no further eligibility testing is required. Similarly, the aggregated reinsurance agreement has a contract boundary of a year, and thus the PAA is applied without further need for eligibility assessment.

#### 7. Discount rates

LBLIC has adopted a bottom-up approach for its discount rate methodology under IFRS 17. This will involve the use of the JSE's monthly risk-free yield curve that takes the term structure of the underlying government bonds into account. To this curve, a liquidity risk premium adjustment is applied based on the liquidity characteristics of the products. Four product liquidity characteristic buckets have been defined, namely: Fully Liquid, Partially Liquid, Moderately Illiquid and Fully Illiquid.

For all new insurance contracts written during the reporting period, the discount rate at initial recognition, prior to the addition of the liquidity risk premium, will be set equal to the prior financial year's closing discount rate. No adjustments have been made to the curve in respect of credit risk.

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8. Risk adjustment for non-financial risk methodology and the application of this methodology

The IFRS 17 carrying amount includes an explicit component called the risk adjustment ("RA") for non-financial risk that allows for the compensation required for being exposed to the insurance, lapse and expense risks contained within LBLIC's products. Operational risk specific to the fulfilment of contractual obligations with policyholders is also included.

For the Level Term Assurance and Decreasing Term Assurance products, a Margins for Adverse Deviation Technique is used to determine the Liability for Remaining Coverage risk adjustment. A Value at Risk ("VaR") approach is used for the Group Credit Life Liability for Remaining Coverage risk adjustment.

For PAA business, the RA is based on the confidence interval approach. The best estimate loss ratios are determined and assumed to represent a 99.5% confidence interval. Assuming that the loss ratios are normally distributed, the corresponding loss ratio at a 75% confidence interval is calculated. The RA is then set to the difference between the best estimate loss ratio and the ratio at a 75% confidence level.

The risk adjustment for the Liability for Incurred claims is determined through the VaR approach. The risk adjustment is calculated at a confidence level of 75%.

Using the VaR approach, a "target" VaR is derived. The SAM stresses are used as a reference point assuming that they correspond to a 99.5% confidence interval. It is further assumed that risks are normally distributed where the best estimate liabilities reflect a 50% confidence interval (i.e. 50% chance of being insufficient). Based on these assumptions, a 75% VaR is derived using the 99.5% VaR from the SAM calibrations. This is then disaggregated by IFRS 17 portfolio level and risk type whilst still accounting for any diversification benefits.

The following risks have been included in the derivation of the RA: mortality risk, longevity risk, expense risk and disability risk. Mass Lapse and Catastrophe Risks were excluded from the calculation. This was deemed reasonable given that the RA has been calibrated for a 1-in-10-year event (90% confidence interval). Operational Risk has been excluded based on the assessment that the Operational

Risk LBLIC is exposed to is not directly attributable to any contract under IFRS 17, but rather entirely general operational risk.

9. Reinsurer Risk of Non - Performance

LBLIC adjusts its expected recoveries from reinsurers downwards to allow for the risk of the reinsurers defaulting on their obligations. This adjustment is reinsurer specific and reflects the credit quality of that reinsurer, the size and duration of the expected receivables.

Paragraph 63 of IFRS 17 Insurance Contracts, requires the estimates of the present value of the future cash flows for the group of reinsurance contracts held to be adjusted for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

Contractual Service Margin (CSM) Methodology

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that LBLIC expects to recognise as it provides insurance contract service.

At initial recognition, the CSM has been determined at an individual contract level based on the profitability of the contract (i.e. fulfilment cash flows allocated to the contract and all cash flows arising from the contract are net inflows at initial recognition) or onerousness of the contract (i.e. fulfilment cash flows allocated to the contract and all cash flows arising from the contract are net outflows at initial recognition).

For contracts regarded as profitable at initial recognition (i.e.  $BEL + RA < 0$ ), the CSM is set equal to  $-(BEL + RA)$  to ensure the entity does not recognise the expected profit under the contract at inception. For contracts regarded as onerous at initial recognition (i.e.  $BEL + RA > 0$ ), a Loss Component for the LRC is set-up equal to the  $(BEL + RA)$  thereby recognising the loss immediately at initial recognition in accordance with paragraph 49 of the Standard.

The determination of either the CSM or loss components on initial recognition is identical for all contracts regardless of the measurement approach used.



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#### 10. Coverage Units

The IFRS 17 liability for expected future profits, called the contractual service margin, is held in respect of LBLIC's insurance products and reinsurance agreements where these are measured under the general measurement model. The contractual service component is released over the coverage period for each group of insurance contracts as the insurance contract services are provided in respect of these contracts. The metric (termed a coverage unit) used to determine the amount of service provided in each period is the total sum assured or total sum reinsured in respect of that period.

The impact of the time value of money on the contractual service margin is material for LBLIC and has therefore chosen to discount the coverage units used to spread the contractual service margin over the coverage term. The discount rate applied to products measured under the general measurement model approach is the rate applicable at the initial recognition of each group of insurance contracts.

#### Insurance Revenue

The insurance revenue recognised for insurance contract services provided in the period, for contracts measured under PAA, is the portion of expected premium receipts allocated to (i.e. earned in) the period.

LBLIC calculates the expected premium receipts allocated to the current period as the sum of:

- The portion of premiums due in current period, that are earned in the current period; and
- The portion of the premiums that were due in previous reporting periods, that are earned in the current period.
- LBLIC allocates expected premiums equally to each period of related insurance contract services – i.e. based on the passage of time.

#### Insurance Revenue and LRC Under GMM

LBLIC has used actuarial software to produce the IFRS 17 expected cash flows – best estimate cash flows and the RA whilst the IFRS 17 whole account was produced using an externally sourced IFRS 17 software. LBLIC undertook an assessment of its experience to develop the expense assumption that were utilised in the cash flow projection.

LRC is determined as the sum of Best Estimate Liability ("BEL"), RA, and the CSM/Loss Component ("LC"). To determine its LRC, the cash flows generated were discounted at the appropriate discount rate to generate the BEL and RA at the valuation date.

For the CSM/LC computation, the CSM/LC was recognised at contract recognition as the difference between the CSM at initial recognition (i.e. BEL+RA).

The CSM amortisation was based on the coverage units proposed for the various lines business. The coverage units were adjusted for decrements and for the time value of money.

Insurance revenue is determined as the sum of:

- Expected claims;
- Expenses;
- Amount of deferred acquisition expenses amortised over the period;
- The release of RA over the period; and,
- The amount of CSM amortised for profitable businesses.

#### 11. PAA Insurance Revenue Recognition

The pattern applied to recognise revenue over time for Group Credit Life is set to take into account past claims incidence and severity based on the outstanding loan amount. These patterns are determined by the actuarial team. Premium debtors are adjusted to allow for the probability of being written off.

The premium allocation approach ("PAA") whether applied to groups of insurance contracts issued or groups of reinsurance contracts held requires the expected premium receipts to be recognised over time in accordance with the expected insurance service expenses provided over the period.

The application of PAA methodology in calculating the IFRS 17 LRC implies that the provision comprises the IFRS 4 Unearned Premium Reserve ("UPR") (as calculated on the 365ths method), with a deduction of gross Deferred Acquisition Cost ("DAC") and premiums receivable in the case of gross LRC. A LC is added for loss-making IFRS 17 groups. LBLIC has opted to expense its insurance acquisition cash flows as incurred and will not set up a DAC asset.

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LBLIC uses the PAA for all reinsurance contracts held.

#### Loss Component

LBLIC has decided to hold one profitability cohort for its group business annual cohorts. Due to the high expense assumption all business has been classified as onerous. Once the expense assumption normalises, we recommend LBLIC assesses the book's combined ratio to test whether the group is onerous. The assessment is carried out as follows:

**Onerosity Assessment** = {*Combined Ratio* > 100%; *Onerous, Combined Ratio* < 100%; *Possibly Onerous*}

The LC is then determined as follows:

$$LC = (\text{Combined Ratio} - 1) \times \text{Premium}$$

The LC at subsequent measurement is determined as the difference between LRC and the net fulfilment cash flows expected from the contract.

The LC is therefore released based on the passage of time or the expected release of risk. This should be similar to the recognition pattern selected for LRC.

Allowance was not made for the reinsurance share of LC (LRECC) since the reinsurance agreement was annually renewable (before it was cancelled) i.e. the LRECC would be released during the financial year resulting in an impact of 0 in the financials.

#### Liability for Incurred Claims

For the liability for incurred claims, which aren't assumed to be settled within the month the claim is incurred, historic experience was used to derive the balance of claims still to be settled and the settlement pattern.

The claims reserves (incurred but not reported ("IBNR") and outstanding claim reserve ("OCR")) were subjected to the settlement pattern to come up with the projected claim payment cash flows.

LBLIC holds an IBNR reserve with respect to all business. Incurred claims data is preferred over paid claims data for the purpose of quantifying the IBNR reserve due to the quicker settlement pattern informed by incurred claims. To determine the IBNR claims reserve as at 31 March 2024, ultimate claims for each loss quarter were projected using

the Bornheutter-Ferguson method (previously used an average claim and delay assumption).

The OCR used in the valuation was obtained from LBLIC's claims registered.

#### 12. Disaggregation of Insurance Finance Income and Expenses

The impact of the time value of money on the net carrying amount of insurance contracts is presented under insurance finance income and expenses. This impact will not be disaggregated between the statement of profit or loss and other comprehensive income but instead shown in full through the profit or loss statement.

#### 13. Presentation of Reinsurance Income and Expenses

LBLIC has chosen to separately present its reinsurance income and expenses in the statement of financial performance. Amounts contingent on claim experience are presented within reinsurance income, whilst amounts not contingent on claim experience are presented as a reduction of premiums which is a reinsurance expense.

### 3.19 Insurance Contracts LBIC

#### 1. Scope and Separation

LBIC contracts are assessed individually. LBIC's insurance products, including all product features, meet the insurance risk transfer requirements and thus fall within the scope of IFRS 17 to be accounted for as insurance contracts. Likewise, all reinsurance agreements are treated as reinsurance contracts held under the same IFRS standard.

#### SCOPE

##### Contractual Assessment – Direct Business:

Each product's contractual terms were assessed to establish whether the products meet the requirements to be considered insurance contracts which require one party (the issuer) to accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. All LBIC products qualify as insurance contracts.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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### ACCOUNTING POLICIES

Contractual Assessment – Reinsurance Agreements:

The following reinsurance agreements were in place.

Crop Quota Share Agreement

Fruit Quota Share Agreement

Aggregate Stop Loss Arrangement

As at 31 March 2024, no reinsurance currently exists for asset all-risk policies. The contractual terms for reinsurance agreements were assessed using the same list of requirements used for the assessment of the direct business products. All reinsurance agreements qualify as reinsurance contracts held.

#### SEPARATION OF INSURANCE COMPONENTS

LBIC does not have exposure to investment components within any of its insurance contracts or reinsurance contracts held and has no plans to offer this product feature in the foreseeable future.

##### 2. Level of Aggregation of insurance contracts

LBIC's insurance contracts are aggregated into separate groups for the purpose of determining the IFRS 17 profit recognition in respect of each financial reporting period. A group is defined to include contracts issued or renewed in a particular financial year that use the same measurement approach and have a similar level of expected profitability split at a product type level. Each reinsurance treaty is assigned to a group of its own. A contract is assigned to a group at initial recognition and this is not reassessed until the contract boundary has been reached. Where the premium allocation approach is applied, due to similar expected profitability, each portfolio cohort year's contracts are assigned to a group as a whole and not on a contract-by-contract basis.

Judgement is required to split profitable contracts between those with no significant possibility of becoming onerous and those with. For contracts measured under the premium allocation approach and where a contract group issued for a particular product has been loss-making in the past, the profitability bucket for contracts with no significant possibility of becoming onerous is not used. Where there is no historic data and where the combined ratio calibrated to a 95th percentile is still profitable, then contracts are assigned to the no significant possibility of becoming onerous.

A 3-step process is followed to assign an insurance contract issued to a group:

Step 1: Allocate the contract to a portfolio

Step 2: Assign the contract to a group such that the issue dates are not more than a year apart

Step 3: Assign the contract to a profitability bucket, which at a minimum, subject to certain conditions, must be "Onerous", "No significant possibility of becoming onerous" ("NSPBO") or "Remaining".

Insurance Contracts that have similar risks and are managed together need to be grouped together in what is defined as a portfolio under IFRS 17.

For LBIC, four products are written, namely Winter Crop Insurance, Summer Crop Insurance, Fruit and Nut Insurance, as well as Asset All Risks Insurance. Each of the former three products have their own seasonal variation and varying risk patterns. Thus, LBIC separates these products into their own groups. In addition, the Asset All Risks Insurance product exhibits its own risk pattern and is therefore also treated as its own group.

##### Portfolio recommendation

-Winter Crop Insurance  
-Summer Crop Insurance  
-Fruit and Nut Insurance  
-Asset All Risks Insurance  
; Reinsurance

For each year, the reinsurance treaties held (where LBIC is the protected party) are unique from each other in respect of their structure, the risks covered and the cash flows expected as a result of these risks. Each treaty is also managed separately.

Reinsurance treaties are a mix of annual and multi-year policies and are renewed based on updated reinsurance terms (and reinsurance participants where there is more than one reinsurer sharing the risk under the agreement). LBIC combines the grouping of the annual and multi-year treaties where these are of a similar structure together in a portfolio, where the eligibility tests indicate that the Premium Allocation Approach ("PAA") may be used for multi-year treaties.

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# ACCOUNTING POLICIES

The portfolios are:

- Crop Quota Share
- Fruit Quota Share
- Aggregate Stop Loss

IFRS 17 requires portfolios of contracts to be divided into time buckets, referred to as cohorts. The cohorts will be based on the season for the underlying contracts. For the reinsurance contracts the cohorts will be based on the underwriting year per the treaties.

### Profitability Buckets

Under the premium allocation approach, no contracts are assumed to be onerous at initial recognition unless facts and circumstances indicate otherwise. For LBIC, these facts and circumstances are informed by the process to set policy premium rates or from business-as-usual profitability monitoring and internal reporting processes.

### 3 Contract Recognition and Derecognition

LBIC's insurance contracts are mostly recognised from their commencement or renewal date, except where the first premium is due earlier than this in which case, this date is used. Contracts expected to be onerous are usually recognised from the commencement date as this date is closely aligned to the date when LBIC accepts the risk contained under such contracts.

The Standard requires that contracts be recognised from the earlier of one of three dates:

1. the contract start date,
2. the premium due date, or
3. the date of acceptance of risk if the contract is onerous.

In absence of a contractual due date, the first payment from a policyholder is deemed to be due when it is received [IFRS17 17.26]. Premiums paid before their due date are not recognised as part of the insurance liability, but as current financial liability.

For all product types, the contract terms and conditions were assessed to determine the recommended contract recognition dates. The outcome is summarised in the table below.

Product Type	IFRS 17 contract recognition date
Winter Crop Insurance	Beginning of coverage period
Summer Crop Insurance	Beginning of coverage period
Fruit and Nut Insurance	Beginning of coverage period
Asset All Risks Insurance	Beginning of coverage period
Crop Quota Share	Initial recognition of any underlying contract
Fruit Crop Quota Share	Initial recognition of any underlying contract
Stop Loss	Beginning of coverage period

Contract derecognition for all contracts issued or held

The Standard requires a contract to be derecognised when LBIC is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the insurance contract. The practical application of contract derecognition within LBIC is specific to the liability component in question. This level of granularity is dealt with fully under the Measurement Approach Application policy. The general principals are as follows:

1. For contracts measured under the liability for remaining coverage,
  - a. when the contract's coverage period has come to an end,
  - b. the policy has been cancelled, or
  - c. the policy has contractually terminated due to a claim,

and all premium debtors or commission creditors directly related to that contract have been settled (or written off), the contract is derecognised from the liability for remaining coverage and not included in the calculations for any IFRS 17 group.

2. Under the liability for incurred claims, any liability in respect of the contract is derecognised when all of the following are true:
  - a. Where a claim has been reported and this claim is fully settled or repudiated and,
  - b. Where the full coverage period up until the renewal or expiry date has passed and the claim notification period for reporting claims has passed.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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# ACCOUNTING POLICIES

## 4 Expense allocation

LBIC's expenses are largely considered to be directly attributable to insurance contracts. These expenses are those that are incurred as a result of being an insurance entity and those incurred to write, renew or service its insurance contracts. Directly attributable expenses are allocated down to a group of insurance contract level in a way that reflects the relative benefit that each group receives from the expense incurred. LBIC has chosen to expense its insurance acquisition cash flows for groups measured under the premium allocation approach. The liability for expenses incurred that are yet to be settled is held within the liability for remaining coverage.

LBIC has chosen to adopt an all-in approach.

Paragraph IFRS 17.65 lists the expenses that would be considered directly attributable. For LBIC, these include: insurance acquisition cash flows; claim handling costs; policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements); value added taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis; and an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support) directly attributable to fulfilling insurance contracts.

The accounting treatment of expenses depends on the category to which it is allocated. LBIC has defined four expense categories:

### 4.1 Insurance Acquisition Cash Flows

Insurance acquisition cash flows are the costs incurred to sell, underwrite or start an insurance contract issued. These costs may be attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs or may need to be split first. The allocation down to an IFRS 17 group level must be done in a systematic and rational manner (see paragraph IFRS 17.28A).

Commission is included as part of the fulfilment cash flows within the liability for remaining coverage. These costs are required to be amortised in a systematic way on the basis

of the passage of time. LBIC proposes to use the same pattern as its premiums earning's pattern.

### 4.2 Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs.

These costs are expensed as they are incurred. The expected future specific directly attributable expenses will be held within the liability for remaining coverage and released when they are expected to be incurred. A corresponding expense incurred liability will be established within the liability for incurred claims.

There are two types of specific directly attributable costs. The first category are claim-related costs that are incurred to administer, measure and settle incurred claims. The second category relates to the balance of the expenses and are referred to for the purpose of this expense allocation policy as "policy administration and maintenance expenses". As the expenses are incurred, the liability for incurred claims is released.

### 4.3 Non-Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to fulfilling the obligations under insurance contracts but first need an allocation methodology applied to split the costs.

Once allocated, the accounting treatment is the same as for the specific directly attributable expenses. The costs largely result from the allocation of fixed and variable overheads.

### 4.4 Non-Attributable Expenses

These expenses (either in total or in part) are deemed not necessary to fulfilling insurance and reinsurance contracts and therefore must not be included with the measurement of insurance contracts under IFRS 17.

These costs are expensed as they are incurred, or under the required accounting approach defined by the relevant IFRS standard.

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# ACCOUNTING POLICIES

### Allocation Methods

The following methods are used to allocate expenses under IFRS 17:

#### 4.5 Direct Tracing

Expenses that can be traced directly to a specific (re) insurance contract are allocated to that contract.

#### 4.6 Proportional Allocation

Where a directly attributable expense benefits more than one contract, the expense shall be allocated in proportion to the benefits received by each contract.

#### 4.7 General Allocation

Where an expense, such as an overhead cost, benefits all or many (re)insurance contracts and non-IFRS 17 activities, the expense shall be allocated based on a reasonable method that reflects the benefits received by each contract.

The allocation metric is chosen per expense sub-category based on both the information available and based on an analysis of the drivers affecting the size of the cost. For example, the time spent and level of skill required to issue insurance contracts are deemed to be equal across all contracts. The number of policies in force is thus chosen as the metric to allocate these costs.

### 5 Measurement Approach Methodology

The contract boundary is the coverage period for all insurance contracts and reinsurance treaties. For direct business this is less than a year. For the reinsurance agreements this is three years.

The measurement approach applied to direct business is the PAA, as the coverage periods for each are less than a year. For the reinsurance treaties, a quantitative assessment indicates that the estimation error of the carrying amounts does not exceed the materiality limit on either the best estimate assumptions or under sensitivities. Thus, the PAA is also applied for these treaties.

The choice of which measurement approach to apply requires the determination of the contract boundary, classification of the contract as either a contract with or

without direct participation features and whether the contract qualifies to be measured using the simplified approach. The latter is referred to in this policy as PAA eligibility testing.

As a general rule, LBIC wishes to maximise the use of the PAA given that the majority of contracts have a short coverage period and the change required to transition to IFRS 17 will be less.

LBIC defines the contract boundary for insurance contracts issued, using the principles laid out in the Standard (paragraph IFRS17.34 and the application paragraphs B61-B64).

The contract boundary assessed for each product is listed below:

Product	Contract boundary
<b>Summer Crop</b>	Coverage period (Less than or equal to one year)
<b>Winter Crop</b>	Coverage period (Less than or equal to one year)
<b>Fruit &amp; Nut</b>	Coverage period (Less than or equal to one year)
<b>Asset All Risks</b>	Coverage period (1 month)

The contract boundary assessed for each reinsurance agreement is listed below:

Reinsurance Agreement	Contract boundary
<b>Crop Quota Share</b>	Coverage period (3 years)
<b>Fruit &amp; Nut Quota Share</b>	Coverage period (3 years)
<b>Stop Loss</b>	Coverage period (3 years)

Measurement approach applied by LBIC

Product/Reinsurance Agreement	Measurement approach
Summer Crop	Premium Allocation Approach
Winter Crop	Premium Allocation Approach
Fruit & Nut Crop	Premium Allocation Approach
Asset All Risk	Premium Allocation Approach
Crop Quota Share	Premium Allocation Approach
Fruit & Nut Quota Share	Premium Allocation Approach
Stop Loss	Premium Allocation Approach

### 6 Measurement Approach Application

LBIC does not include discounting within either its liabilities held for remaining coverage or incurred claims.



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### ACCOUNTING POLICIES

The application of IFRS 17 to LBIC is relatively straightforward. As such, there are no specific significant judgement requirements that have been identified as this time that would not already have been disclosed under IFRS 4.

#### 7 Risk adjustment for non-financial risk methodology and the application of this methodology

Risk Adjustment for Non-financial risk is the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.

The IFRS 17 carrying amount includes an explicit component called the risk adjustment for non-financial risk that allows for the compensation required for being exposed to the insurance, lapse and expense risks contained within LBIC's products. Operational risk specific to the fulfilment of contractual obligations with policyholders is also included.

For the Winter, Summer and Fruit and Nut and Asset products, the risk adjustment for non-financial risk is applied using a Value at Risk technique, where the percentile on a reserve distribution is determined to derive the risk adjustment. The Crop quota share, Fruit quota share, and Stop-Loss structures are applied to these reserve distributions to determine the reinsurance risk adjustments.

The risk is adjustment is determined at a 75% confidence level based on LBIC's risk appetite and historical experience.

#### 8 Reinsurance risk of non - performance

Paragraph 63 of IFRS 17, requires the estimates of the present value of the future cash flows for the group of reinsurance contracts held to be adjusted for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

LBIC adjusts its expected recoveries from reinsurers downwards to allow for the risk of the reinsurers defaulting on their obligations. This adjustment is reinsurer specific and reflects the credit quality of that reinsurer, the size and duration of the expected receivable.

#### 9 PAA Insurance Revenue recognition

The pattern applied to recognise revenue over time for each insurance group is set to take into account past claims incidence and severity for the Summer Crop Insurance, Winter Crop Insurance and Fruit and Nut Insurance. These patterns are determined by the actuarial team, based on past experience. Asset All Risk Insurance uses a 365ths approach, given the uniform nature of the business. Premiums debtors are adjusted to allow for the probability of default.

#### 10. Disaggregation of Insurance Finance Income and Expenses

The impact of the time value of money on the net carrying amount of insurance contracts is presented under insurance finance income and expenses. This impact is not disaggregated between the statement of profit or loss and other comprehensive income but instead shown in full through the profit or loss statement

Given the short - term nature (i.e. less than 12 months) of LBIC insurance contracts, no discounting is applied resulting in no finance income and expenses to be recognised.

#### 11. Presentation of Reinsurance Income and Expenses

LBIC has chosen to separately present its reinsurance income and expenses in the statement of financial performance. Amounts contingent on claim experience are presented within reinsurance income, whilst amounts not contingent on claim experience are presented as a reduction of premiums which is a reinsurance expense.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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# NOTES TO THE FINANCIAL STATEMENTS

## 4. CASH AND CASH EQUIVALENTS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Bank balances*	2,048,650	2,185,336	1,961,595	2,083,265
Short term deposits**	7,364,227	12,639,476	7,054,285	12,312,924
	<b>9,412,876</b>	<b>14,824,812</b>	<b>9,015,879</b>	<b>14,396,189</b>

\*Cash at banks are primarily held to mitigate the Bank's refinancing/liquidity risk. Refer to note 31, for the credit risk ratings of the counterparties where bank accounts are held.

Short-term investments are made for one day periods, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

The average rate earned on invested cash in FY2025 is 8.582% (FY2024: 8.776%). Due to the short-term nature of cash and cash equivalents, their carrying amount is considered to be the same as their fair value.

\*\*Included in Bank Balances is an amount of R1.6 billion, which is funds under administration from related parties. The R1.6bn is ring-fenced in different bank accounts for the relevant funds administered and is not available for use by the group.

Refer to note 16 for the corresponding liability as well as note 29 for further details on the funds under administration.

## 5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Trade receivables	70,419	100,300	70,419	46,433
Accrued income*	70,419	45,059	70,419	45,059
Accrued interest - hedging**	-	1,374	-	1,374
Receivable - Disposal of equity investment	-	-	-	-
Accounts Receivable	-	-	-	-
Premium receivable***	0	6,806	0	0
Reinsurance receivable***	-	47,062	-	-
Other receivables****	119,961	123,520	79,986	137,469
	<b>190,379</b>	<b>223,820</b>	<b>150,405</b>	<b>183,901</b>

\*Accrued income comprises of accrued interest on short-term investments and accrued fees from funds under admin.

\*\*The accrued interest on the hedging derivatives are offset and the net position is presented as the Group has a legal right to offset the amounts and intends to settle on a net basis.

\*\*\*The reinsurance and premium receivables have a low probability of default as the recovery is close to 100% year-on-year.

\*\*\*\*Other receivables consists of prepaid expenses, staff loans, recovery second loss and sundry debtors. Due to the short-term nature of these assets and historical experience, these assets are regarded as having a low probability of default; therefore, ECL is insignificant on these balances, because recoverability is close to 100%, staff loans are collected from staff salaries month-on-month, second loss recovery is recovered from the SLA partners' month-on-month.



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### NOTES TO THE FINANCIAL STATEMENTS

#### Classification of trade and other receivables

Prepaid expenses  
Accrued income  
Accrued interest – hedging

#### Trade and other receivables net of non-financial instruments

	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Prepaid expenses	8,594	10,060	8,594	10,060
Accrued income	70,419	45,059	70,419	45,059
Accrued interest – hedging	-	1,374	-	1,374
<b>Trade and other receivables net of non-financial instruments</b>	<b>111,366</b>	<b>167,327</b>	<b>71,393</b>	<b>127,410</b>

## 6. INSURANCE CONTRACTS

### 6.1 Life Insurance Revenue

31 March 2025

#### Contracts not measured Under the PAA

CSM recognized for services provided  
Change in risk adjustment for non-financial risk for risk expired

#### Expected insurance service expenses incurred:

Claims  
Expenses  
Recovery of insurance acquisition cash flows  
Experience adjustments not related to future services  
Restatement and Other Changes

#### Total Revenue from contracts not measured under PAA

#### Contracts Measured Under the PAA

Expected premium receipts allocation under the PAA  
Experience adjustments not related to future service

#### Total Revenue from contracts measured under PAA

#### Total Revenue from Insurance contracts

Insurance			
Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
1,275	157	-	1,432
198	51	-	249
7,115	1,477	-	8,592
497	315	-	812
6,618	1,162	-	7 780
1	7	-	8
(166)	(850)	-	(1,016)
-	-	-	-
<b>8,423</b>	<b>842</b>	<b>-</b>	<b>9,265</b>
-	-	4,128	4,128
-	-	-	-
<b>-</b>	<b>-</b>	<b>4,128</b>	<b>4,128</b>
<b>8,423</b>	<b>842</b>	<b>4,128</b>	<b>13,393</b>

31 March 2024

#### Contracts not measured Under the PAA

CSM recognized for services provided  
Change in risk adjustment for non-financial risk for risk expired

#### Expected insurance service expenses incurred:

Claims  
Expenses  
Recovery of insurance acquisition cash flows  
Experience adjustments not related to future services  
Restatement and Other Changes

#### Total Revenue from contracts not measured under PAA

#### Contracts Measured Under the PAA

Expected premium receipts allocation under the PAA  
Experience adjustments not related to future service

#### Total Revenue from contracts measured under PAA

#### Total Revenue from Insurance contracts

Insurance			
Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
-	-	-	-
232	28	-	260
7,828	861	-	8,689
1,135	256	-	1 391
6,693	605	-	7 298
-	-	-	-
129	(157)	-	(28)
-	-	-	-
<b>8,189</b>	<b>732</b>	<b>-</b>	<b>8,921</b>
-	-	3,187	3,187
-	-	-	-
<b>-</b>	<b>-</b>	<b>3,187</b>	<b>3,187</b>
<b>8,189</b>	<b>732</b>	<b>3,187</b>	<b>12,108</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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## NOTES TO THE FINANCIAL STATEMENTS

## 6. INSURANCE CONTRACTS

## 6.2.1 Life Insurance service expenses

31 March 2025

**Incurred insurance service expenses:**

Claims  
Expenses  
Other movements related to current service  
Amortisation of insurance acquisition cash flows  
Impairment Loss on Assets for Insurance Acquisition Cash Flow  
Recovery of insurance acquisition cash flows

**Changes that relate to past service:**

Experience adjustments in claims and other insurance service expenses in LIC  
Changes in estimates in LIC fulfilment cash flows

**Changes that relate to future service:**

Losses for the net outflow recognized on initial recognition  
Losses and reversal of losses on onerous contracts – subsequent measurement

**Total Insurance service expenses**

Insurance			
Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
(1320)	1,368	1,831	1,879
(580)	365	4,420	4,205
(740)	1,003	(2,589)	(2,326)
-	-	-	-
(1)	(6)	(660)	(667)
-	-	-	-
-	-	-	-
498	374	904	1,776
22	163	137	322
476	211	767	1,454
17,446	(6,998)	(7,773)	2,675
(2,711)	(37,399)	(10,035)	(50,145)
20,157	30,401	2,262	52,820
<b>16,623</b>	<b>(5,262)</b>	<b>(5,698)</b>	<b>5,663</b>

## 6.2.2 Life Insurance finance income or expenses

31 March 2025

**The effect of time value of money and changes in the time value of money, based on the locked in interest rates:**

Interest accreted on the carrying amount of the CSM  
Interest accreted on present value cash flows  
Interest accreted on risk adjustment  
Interest accreted on LRC for contracts measured under the PAA  
The effect of financial risk and changes in financial risk  
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition

**Total insurance finance income or expenses**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
(3,486)	(3,968)	-	(7,454)
-	-	-	-
(3,389)	(3,840)	-	(7,229)
(97)	(128)	-	(225)
-	-	-	-
(1,234)	(2,446)	4,176	4,96
(1,681)	(667)	-	(2,348)
<b>(6,401)</b>	<b>(7,081)</b>	<b>4,176</b>	<b>(9,306)</b>



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### NOTES TO THE FINANCIAL STATEMENTS

#### 6.2.1 Life Insurance service expenses

31 March 2024

##### Incurred insurance service expenses:

Claims  
Expenses  
Other expenses under the VFA  
Other movements related to current service  
Amortisation of insurance acquisition cash flows  
Impairment Loss on Assets for Insurance Acquisition Cash Flow

Reversal of Impairment Loss on Assets for Insurance Acquisition Cash Flow

##### Changes that relate to past service:

Changes in estimates in LIC fulfilment cash flows  
Experience adjustments in claims and other insurance service expenses in LIC

##### Changes that relate to future service:

Losses for the net outflow recognized on initial recognition  
Losses and reversal of losses on onerous contracts – subsequent measurement

##### Total Insurance service expenses

Insurance			
Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
(12,638)	(1,149)	(2,294)	(16,081)
(581)	348	(2,192)	(2,425)
(12,082)	(1,497)	(2,045)	(15,624)
-	-	-	-
25	-	1,943	1,968
-	-	-	-
-	-	-	-
702	(118)	1,207	1,791
(476)	(211)	(767)	(1,454)
1,178	93	1,974	3,245
(10,568)	(22,242)	481	(32,329)
(1,547)	(15,121)	(2,083)	(18,751)
(9,021)	(7,121)	2,564	(13,578)
<b>(22,504)</b>	<b>(23,509)</b>	<b>(606)</b>	<b>(46,619)</b>

#### 6.2.2 Life Insurance finance income or expenses

31 March 2024

##### The effect of time value of money and changes in the time value of money, based on the locked in interest rates:

Interest accreted on the carrying amount of the CSM  
Interest accreted on present value cash flows  
Interest accreted on risk adjustment  
Interest accreted on LRC for contracts measured under the PAA  
The effect of financial risk and changes in financial risk

##### Total insurance finance income or expenses

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
(3,106)	(1,660)	-	(4,766)
-	-	-	-
(3,014)	(1,605)	-	(4,619)
(92)	(55)	-	(147)
-	-	-	-
73	(609)	(29)	(565)
<b>(3,033)</b>	<b>(2,269)</b>	<b>(29)</b>	<b>(5,331)</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

## 6.2.3 Life Insurance income or expense from reinsurance contracts held

31 March 2025

**Income or expense from reinsurance contracts held**

Allocation of the premiums paid

Amounts recovered from reinsurance

Incurred insurance service expenses:

Claims

Expenses

Other movements related to current service

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Experience adjustments in claims and other insurance service expenses in LIC

Changes in estimates in LIC fulfilment cash flows

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

Loss recovery related to losses on underlying insurance contracts at initial recognition

	Reinsurance		
	Individual Life	Group Life	Total
	R'000	R'000	R'000
	(118)	88	(30)
	-	-	-
	(118)	88	(30)
	-	-	-
	-	-	-
	-	-	-
	(118)	88	(30)
	(118)	(2,143)	(2,261)
	-	2,231	2,231
	-	0	0
	-	-	-
	-	-	-

## 6.2.4 Life Insurance income or expense from reinsurance contracts held

31 March 2024

**Income or expense from reinsurance contracts held**

Allocation of the premiums paid

Amounts recovered from reinsurance

**Incurred insurance service expenses:**

Claims

Expenses

Other movements related to current service

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Experience adjustments in claims and other insurance service expenses in LIC

Changes in estimates in LIC fulfilment cash flows

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

Loss recovery related to losses on underlying insurance contracts at initial recognition

	Reinsurance		
	Individual Life	Group Life	Total
	R'000	R'000	R'000
	(3,246)	919	(2,327)
	(3,351)	(151)	(3,502)
	105	1,070	1,175
	605	-	605
	605	-	605
	-	-	-
	-	-	-
	(500)	1,590	1,090
	(651)	(1,302)	(1,953)
	151	2,892	3,043
	-	(520)	(520)
	-	(520)	(520)
	-	-	-



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

#### 6.3.1 Life Insurance - Movement in Carrying Amounts - By LRC and LIC - Direct – PAA

	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	R'000
<b>31 March 2025</b>					
Opening Insurance contract assets	-	-	-	-	-
Opening Insurance contract liabilities	(248)	2,487	462	305	3,006
<b>Net Opening balance</b>	-	<b>2,487</b>	<b>462</b>	<b>305</b>	<b>3,006</b>
<b>Insurance Revenue</b>					
Full Retrospective approach	(1,229)	-	-	-	(1,229)
Post transition	(2,899)	-	-	-	(2,899)
<b>Total insurance revenue</b>	<b>(4,128)</b>				<b>(4,128)</b>
<b>Insurance Service Expenses</b>					
<b>Incurred insurance service expenses:</b>	-	<b>(5,448)</b>	<b>3,578</b>	<b>39</b>	<b>(1,831)</b>
Claims	-	(5,448)	989	39	(4,420)
Expenses	-	-	2,589	-	2,589
Other movements related to current service	-	-	-	-	-
Amortisation of insurance acquisition cash flows	660	-	-	-	660
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(593)	(311)	(904)
<b>Changes that relate to future service</b>	-	<b>7,773</b>	-	-	<b>7,773</b>
Losses for the net outflow recognized on initial recognition	-	10,035	-	-	10,035
Losses and reversal of losses on onerous contracts - subsequent measurement	-	(2,262)	-	-	(2,262)
<b>Total Insurance Service Expenses</b>	<b>660</b>	<b>2,325</b>	<b>2,985</b>	<b>(272)</b>	<b>5,698</b>
<b>Total Insurance Service result</b>	<b>(3,468)</b>	<b>2,325</b>	<b>2,985</b>	<b>(272)</b>	<b>1,570</b>
Insurance Finance Income or Expense	-	-	-	-	-
The effect of and changes in time value of money and financial risk	-	(4,176)	-	-	(4,176)
<b>Total Insurance Finance Income or Expense</b>	<b>-</b>	<b>(4,176)</b>	<b>-</b>	<b>-</b>	<b>(4,176)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(3,468)</b>	<b>(1,851)</b>	<b>2,985</b>	<b>(272)</b>	<b>(2,606)</b>
<b>Cash flows (Actual cash flows in the period)</b>					
Premiums and premium tax received	2,899	-	-	-	2,899
Claims and other insurance service expenses paid, including investment components	-	-	(2,589)	-	(2,589)
Insurance acquisition cash flows	(660)	-	-	-	(660)
<b>Total Cash flows</b>	<b>2,239</b>	<b>-</b>	<b>(2,589)</b>	<b>-</b>	<b>(350)</b>
<b>Net Closing balance</b>	<b>(1,477)</b>	<b>636</b>	<b>858</b>	<b>33</b>	<b>50</b>
Closing Insurance contract liabilities	(1,477)	636	858	33	50
<b>Net Closing balance</b>	<b>(1,477)</b>	<b>636</b>	<b>858</b>	<b>33</b>	<b>50</b>

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## NOTES TO THE FINANCIAL STATEMENTS

## 6.3.2 Life Insurance - Movement in Carrying Amounts - By LRC and LIC - Direct – PAA

	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	R'000
<b>31 March 2024</b>					
Opening Insurance contract assets	-	-	-	-	-
Opening Insurance contract liabilities	-	2,691	1,141	833	4,665
<b>Net Opening balance</b>	-	<b>2,691</b>	<b>1,141</b>	<b>833</b>	<b>4,665</b>
<b>Insurance Revenue</b>					
Full Retrospective approach	(248)	-	-	-	(248)
Post transition	(2,939)	-	-	-	(2,939)
	<b>(3,187)</b>				<b>(3,187)</b>
<b>Insurance Service Expenses</b>					
<b>Incurred insurance service expenses:</b>	-	<b>248</b>	<b>2,044</b>	-	<b>2,292</b>
Claims	-	248	-	1,943	2,191
Expenses	-	-	2,044	-	2,044
Other movements related to current service	-	-	-	(1,943)	(1,943)
Amortisation of insurance acquisition cash flows	-	-	-	-	-
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(679)	(528)	(1,207)
<b>Changes that relate to future service</b>	-	<b>(481)</b>	-	-	<b>(481)</b>
Losses for the net outflow recognized on initial recognition	-	2,083	-	-	2,083
Losses and reversal of losses on onerous contracts - subsequent measurement	-	(2,564)	-	-	(2,564)
<b>Total Insurance Service Expenses</b>	-	<b>(233)</b>	<b>1,365</b>	<b>(528)</b>	<b>604</b>
<b>Total Insurance Service result</b>	<b>(3,187)</b>	<b>(233)</b>	<b>1,365</b>	<b>(528)</b>	<b>(2,583)</b>
Insurance Finance Income or Expense	-	-	-	-	-
The effect of and changes in time value of money and financial risk	-	28	-	-	28
<b>Total Insurance Finance Income or Expense</b>	-	<b>28</b>	-	-	<b>28</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(3,187)</b>	<b>(205)</b>	<b>1,365</b>	<b>(528)</b>	<b>(2,555)</b>
Cash flows (Actual cash flows in the period)	-	-	-	-	-
Premiums and premium tax received	2,940	-	-	-	2,940
Claims and other insurance service expenses paid, including investment components	-	-	(2,044)	-	(2,044)
Insurance acquisition cash flows	-	-	-	-	-
<b>Total Cash flows</b>	<b>2,940</b>	-	<b>(2,044)</b>	-	<b>896</b>
<b>Net Closing balance</b>	<b>(247)</b>	<b>2,486</b>	<b>462</b>	<b>305</b>	<b>3,006</b>
Closing Insurance contract liabilities	(247)	2,486	462	305	3,006
<b>Net Closing balance</b>	<b>(247)</b>	<b>2,486</b>	<b>462</b>	<b>305</b>	<b>3,006</b>



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AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

#### 6.4.1 Life Insurance - Movement in Carrying Amounts - By Component - Direct – GMM

	CSM						Total
	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	
31 March 2025	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening Insurance contract assets	-	-	-	-	-	-	-
Opening Insurance contract liabilities	71,417	2,063	-	-	-	-	73,480
<b>Net Opening balance</b>	<b>71,417</b>	<b>2,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,480</b>
<b>Changes that relate to current services</b>	<b>(7,223)</b>	<b>(650)</b>	<b>(70)</b>	<b>-</b>	<b>(1,363)</b>	<b>-</b>	<b>(9,306)</b>
CSM recognized for services provided	-	-	(70)	-	(1,363)	-	(1,433)
Change in risk adjustment for non-financial risk for risk expired	-	(650)	-	-	-	-	(650)
Experience adjustments not related to future service	(7,223)	-	-	-	-	-	(7,223)
Restatement and other changes	-	-	-	-	-	-	-
<b>Changes that relate to future services</b>	<b>(15,945)</b>	<b>(20)</b>	<b>70</b>	<b>-</b>	<b>5,448</b>	<b>-</b>	<b>(10,447)</b>
Contracts initially recognised in the year	38,798	1,312	-	-	-	-	40,110
Changes in estimates that adjust the CSM	(5,391)	(127)	70	-	5,448	-	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	(49,352)	(1,205)	-	-	-	-	(50,557)
<b>Changes that relate to past services</b>	<b>(864)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(872)</b>
Changes in estimates in LIC fulfilment cash flows	(177)	(8)	-	-	-	-	(185)
Experience adjustments in claims and other insurance service expenses in LIC	(687)	-	-	-	-	-	(687)
<b>Total Insurance Service Expenses</b>	<b>(24,032)</b>	<b>(678)</b>	<b>-</b>	<b>-</b>	<b>4,085</b>	<b>-</b>	<b>(20,625)</b>
<b>Insurance Finance Income or Expense</b>							
The effect of and changes in time value of money and financial risk	13,044	438	-	-	-	-	13,482
Foreign exchange differences on changes in the carrying amount of groups of insurance contracts	-	-	-	-	-	-	-
<b>Total Insurance Finance Income or Expense</b>	<b>13,044</b>	<b>438</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,482</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(10,988)</b>	<b>(240)</b>	<b>-</b>	<b>-</b>	<b>4,085</b>	<b>-</b>	<b>(7,143)</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

6.4.2 Life Insurance - Movement in Carrying Amounts - By Component - Direct - GMM  
continued

	CSM						Total
	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>31 March 2025</b>							
Cash flows (Actual cash flows in the period)							
Premiums and premium tax received	1,790	-	-	-	-	-	1,790
Claims and other insurance service expenses paid	(11,667)	-	-	-	-	-	(11,667)
Insurance acquisition cash flows	(1,268)	-	-	-	-	-	(1,268)
<b>Total Cash flows</b>	<b>(11,145)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,145)</b>
<b>Net Closing balance</b>	<b>49,284</b>	<b>1,823</b>	<b>-</b>	<b>-</b>	<b>4,085</b>	<b>-</b>	<b>55,192</b>
Closing Insurance contact assets	-	-	-	-	-	-	-
Closing Insurance contract liabilities	49,284	1,823	-	-	4,085	-	55,192
<b>Net Closing balance</b>	<b>49,284</b>	<b>1,823</b>	<b>-</b>	<b>-</b>	<b>4,085</b>	<b>-</b>	<b>55,192</b>
<b>Movement in Carrying Amounts - By Component - Direct - GMM</b>							



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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### NOTES TO THE FINANCIAL STATEMENTS

#### CSM

	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>31 March 2024</b>							
Opening Insurance contract assets	-	-	-	-	-	-	-
Opening Insurance contract liabilities	47,205	1,412	-	-	-	-	48,617
<b>Net Opening balance</b>	<b>47,205</b>	<b>1,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,617</b>
<b>Changes that relate to current services</b>	<b>5,324</b>	<b>(458)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,866</b>
CSM recognized for services provided	-	-	-	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired	-	(458)	-	-	-	-	(458)
Experience adjustments not related to future service	5,324	-	-	-	-	-	5,324
Restatement and other changes	-	-	-	-	-	-	-
<b>Changes that relate to future services</b>	<b>31,864</b>	<b>946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,810</b>
Contracts initially recognised in the year	16,114	554	-	-	-	-	16,668
Changes in estimates that adjust the CSM	-	-	-	-	-	-	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	15,750	392	-	-	-	-	16,142

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

## 6.4.3 Life Insurance - Movement in Carrying Amounts - By Component - Direct - GMM continued

	CSM						
	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>31 March 2024</b>							
Changes that relate to past services	(609)	25	-	-	-	-	(584)
Changes in estimates in LIC fulfilment cash flows	662	25	-	-	-	-	687
Experience adjustments in claims and other insurance service expenses in LIC	(1,271)	-	-	-	-	-	(1,271)
<b>Total Insurance Service Expenses</b>	<b>36,579</b>	<b>513</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,092</b>
<b>Insurance Finance Income or Expense</b>							
The effect of and changes in time value of money and financial risk	5,164	138	-	-	-	-	5,302
<b>Foreign exchange differences on changes in the carrying amount of groups of insurance contracts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Insurance Finance Income or Expense</b>	<b>5,164</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,302</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>41,743</b>	<b>651</b>					<b>42,394</b>
Cash flows (Actual cash flows in the period)							
Premiums and premium tax received	2,059	-	-	-	-	-	2,059
Claims and other insurance service expenses paid	(19,590)	-	-	-	-	-	(19,590)
Total Cash flows	(17,531)	-	-	-	-	-	(17,531)
<b>Net Closing balance</b>	<b>71,417</b>	<b>2,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,480</b>
<b>Net Closing balance</b>	<b>71,417</b>	<b>2,063</b>					<b>73,480</b>



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### NOTES TO THE FINANCIAL STATEMENTS

#### 6.5.1 Life Insurance - Movement in Carrying Amounts - By LRC and LIC - Reinsurance

31 March 2025	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	R'000
Opening reinsurance contract assets	(151)	-	2,829	63	2,741
Opening reinsurance contract liabilities	(2,385)	-	118	-	(2,267)
<b>Net opening balance</b>	<b>(2,536)</b>	<b>-</b>	<b>2,947</b>	<b>63</b>	<b>474</b>
<b>Allocation of the premiums paid:</b>					
Post transition	-	-	-	-	-
	-	-	-	-	-
<b>Amounts recovered from reinsurance</b>					
Recoveries of incurred claims and other insurance service expense	-	-	-	-	-
Changes related to past service (changes related to incurred claims component)	-	-	33	(63)	(30)
<b>Changes that relate to future service:</b>					
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	-	-	-	-
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>(63)</b>	<b>(30)</b>
<b>Total Net Expenses from Reinsurance</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>(63)</b>	<b>(30)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>(63)</b>	<b>(30)</b>
Cash flows (Actual cash flows in the period)					
Premiums and premium tax paid	145	-	-	-	145
Amounts recovered	-	-	(750)	-	(750)
<b>Total cash flows</b>	<b>145</b>	<b>-</b>	<b>(750)</b>	<b>-</b>	<b>(605)</b>
<b>Net Closing balance</b>	<b>(2,391)</b>	<b>-</b>	<b>2,231</b>	<b>-</b>	<b>(160)</b>
Closing reinsurance contract assets	(142)	-	2,231	-	2,089
Closing reinsurance contract liabilities	(2,249)	-	-	-	(2,249)
<b>Net Closing balance</b>	<b>(2,391)</b>	<b>-</b>	<b>2,231</b>	<b>-</b>	<b>(160)</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

## 6.5.1 Life Insurance - Movement in Carrying Amounts - By LRC and LIC - Reinsurance

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	R'000
<b>31 March 2024</b>					
Opening reinsurance contract assets	-	520	1,403	550	2,473
Opening reinsurance contract liabilities	-	-	-	-	-
<b>Net opening balance</b>	<b>-</b>	<b>520</b>	<b>1,403</b>	<b>550</b>	<b>2,473</b>
<b>Allocation of the premiums paid:</b>					
Full retrospective approach	(2,391)	-	-	-	(2,391)
Post transition	(1,111)	-	-	-	(1,111)
<b>Total Allocation of premiums paid</b>	<b>(3,502)</b>				<b>(3,502)</b>
<b>Amounts recovered from reinsurance</b>					
Recoveries of incurred claims and other insurance service expense	-	-	605	-	605
Changes related to past service (changes related to incurred claims component)	-	-	1,578	(487)	1,090
<b>Changes that relate to future service:</b>					
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	(520)	-	-	(520)
	-	(520)	-	-	(520)
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>(520)</b>	<b>2,182</b>	<b>(487)</b>	<b>1,175</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(3,502)</b>	<b>(520)</b>	<b>2,182</b>	<b>(487)</b>	<b>(2,327)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(3,502)</b>	<b>(520)</b>	<b>2,182</b>	<b>(487)</b>	<b>(2,327)</b>
<b>Cash flows (Actual cash flows in the period)</b>					
Premiums and premium tax paid	966	-	-	-	966
Amounts recovered	-	-	(638)	-	(638)
<b>Total cash flows</b>	<b>966</b>	<b>-</b>	<b>(638)</b>	<b>-</b>	<b>328</b>
Net Closing balance	(2,536)	-	2,947	63	474
Closing reinsurance contract assets	(151)	-	2,829	63	2,741
Closing reinsurance contract liabilities	(2,385)	-	118	-	(2,267)
<b>Net Closing balance</b>	<b>(2,536)</b>	<b>-</b>	<b>2,947</b>	<b>63</b>	<b>474</b>



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AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

#### 6.6.1 Non-Life – Insurance Revenue

		Insurance			
	Assets	Fruit and Nut	Summer Crop	Winter Crop	Total
<b>31 March 2025</b>					
Insurance revenue					
<b>Contracts Measured Under the PAA</b>					
Expected premium receipts allocation under the PAA	7,757	78,941	681,745	59,518	827,961
<b>Total Revenue from Contracts Measured Under PAA</b>	<b>7,757</b>	<b>78,941</b>	<b>681,745</b>	<b>59,518</b>	<b>827,961</b>
<b>Total Revenue from Insurance contracts</b>	<b>7,757</b>	<b>78,941</b>	<b>681,745</b>	<b>59,518</b>	<b>827,961</b>
<b>31 March 2024</b>					
Insurance revenue					
<b>Contracts Measured Under the PAA</b>					
Expected premium receipts allocation under the PAA	818	70,638	669,106	55,783	796,345
<b>Total Revenue from Contracts Measured Under PAA</b>	<b>818</b>	<b>70,638</b>	<b>669,106</b>	<b>55,783</b>	<b>796,345</b>
<b>Total Revenue from Insurance contracts</b>	<b>818</b>	<b>70,638</b>	<b>669,106</b>	<b>55,783</b>	<b>796,345</b>
<b>31 March 2025</b>					
Insurance revenue					
<b>Contracts Measured Under the PAA</b>					
Expected premium receipts allocation under the PAA	7,757	78,941	681,745	59,518	827,961
<b>Total Revenue from Contracts Measured Under PAA</b>	<b>7,757</b>	<b>78,941</b>	<b>681,745</b>	<b>59,518</b>	<b>827,961</b>
<b>Total Revenue from Insurance contracts</b>	<b>7,757</b>	<b>78,941</b>	<b>681,745</b>	<b>59,518</b>	<b>827,961</b>
<b>31 March 2024</b>					
Insurance revenue					
<b>Contracts Measured Under the PAA</b>					
Expected premium receipts allocation under the PAA	818	70,638	669,106	55,783	796,345
<b>Total Revenue from Contracts Measured Under PAA</b>	<b>818</b>	<b>70,638</b>	<b>669,106</b>	<b>55,783</b>	<b>796,345</b>
<b>Total Revenue from Insurance contracts</b>	<b>818</b>	<b>70,638</b>	<b>669,106</b>	<b>55,783</b>	<b>796,345</b>

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## 6.6.2 Non – Life – Insurance service expenses

31 March 2025	Insurance				Total
	Assets	Fruit and Nut	Summer Crop	Winter Crop	
<b>Incurred insurance service expenses:</b>	<b>(1,656)</b>	<b>(28 659)</b>	<b>(260,214)</b>	<b>(38,496)</b>	<b>(329,024)</b>
Claims	(1,735)	(20,706)	(181,436)	(34,753)	(238,630)
Expenses	(68)	(8,490)	(72,190)	(6,344)	(87,092)
Other movements related to current service	147	537	1,046	2,601	4,331
Risk adjustment for non-financial risk	-	-	(7,634)	-	(7,634)
<b>Amortisation of insurance acquisition cash flows</b>	<b>(730)</b>	<b>(13,000)</b>	<b>(113,275)</b>	<b>(9,789)</b>	<b>(136,795)</b>
<b>Changes that relate to past service:</b>	<b>1,016</b>	<b>2,995</b>	<b>(33,311)</b>	<b>-</b>	<b>(29,300)</b>
Experience adjustments in claims and other insurance service expenses in LIC	1,016	2,995	(33,311)	-	(29,300)
<b>Changes that relate to future service:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Losses and reversal of losses on onerous contracts – subsequent measurement	-	-	-	-	-
<b>Total Insurance service expenses</b>	<b>(1,370)</b>	<b>(38,664)</b>	<b>(406, 797)</b>	<b>(48,285)</b>	<b>(495 119)</b>

31 March 2024	Insurance				Total
	Assets	Fruit and Nut	Summer Crop	Winter Crop	
<b>Incurred insurance service expenses:</b>	<b>(1,212)</b>	<b>(37,400)</b>	<b>(651,490)</b>	<b>(19,168)</b>	<b>(709,270)</b>
Claims	(908)	(26,678)	(568,325)	(13,373)	(609,284)
Expenses	(225)	(8,882)	(86,029)	(5,796)	(100,931)
Other movements related to current service	(80)	(1,840)	2,864	(1)	945
<b>Amortisation of insurance acquisition cash flows</b>	<b>35</b>	<b>(11,072)</b>	<b>(108,662)</b>	<b>(9,084)</b>	<b>(128,783)</b>
<b>Changes that relate to past service:</b>	<b>-</b>	<b>564</b>	<b>(66,107)</b>	<b>(138)</b>	<b>(65,681)</b>
Experience adjustments in claims and other insurance service expenses in LIC	-	564	(66,107)	(138)	(65,681)
<b>Changes that relate to future service:</b>	<b>-</b>	<b>-</b>	<b>(24,780)</b>	<b>-</b>	<b>(24,780)</b>
Losses and reversal of losses on onerous contracts – subsequent measurement	-	-	(24,780)	-	(24,780)
<b>Total Insurance service expenses</b>	<b>(1,177)</b>	<b>(47,908)</b>	<b>(851,038)</b>	<b>(28,390)</b>	<b>(928,555)</b>



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### NOTES TO THE FINANCIAL STATEMENTS

#### 6.6.3 Non-Life – Income or (expense) from reinsurance contracts held

31 March 2025	Reinsurance				Total
	Fruit QS	Winter and Summer QS	Stop Loss	Assets FAC	
<b>Income or expense from reinsurance contracts held</b>	<b>(29,896)</b>	<b>(250,950)</b>	<b>(27,876)</b>	<b>(5 892)</b>	<b>(314,614)</b>
Allocation of the premiums paid	(44,328)	(415,551)	(27,876)	(5 892)	(493,647)
Amounts recovered from reinsurance	14,432	164,601	-	-	179,033
<b>Incurred insurance service expenses:</b>	<b>48,481</b>	<b>315,888</b>	<b>-</b>	<b>-</b>	<b>364,369</b>
Claims	47,453	303,626	-	-	351,079
Expenses	1 411	9,333	-	-	10,744
Other movements related to current service	(383)	2,929	-	-	2,546
<b>Changes that relate to past service (changes in fulfilment cash flows re LIC):</b>	<b>(34,049)</b>	<b>(151,287)</b>	<b>-</b>	<b>-</b>	<b>(185,336)</b>
Experience adjustments in claims and other insurance service expenses in LIC	(34,049)	(151,287)	-	-	(185,336)
<b>Changes that relate to future service:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement	-	-	-	-	-

31 March 2024	Reinsurance				Total
	Fruit QS	Winter and Summer QS	Stop Loss	Assets FAC	
<b>Income or expense from reinsurance contracts held</b>	<b>2 980</b>	<b>74,289</b>	<b>(30,631)</b>	<b>-</b>	<b>46,638</b>
Allocation of the premiums paid	(38,300)	(392,127)	(30,631)	-	(461,059)
<b>Amounts recovered from reinsurance</b>	<b>41,280</b>	<b>466,416</b>	<b>-</b>	<b>-</b>	<b>507,697</b>
<b>Incurred insurance service expenses:</b>	<b>54,268</b>	<b>577,787</b>	<b>-</b>	<b>-</b>	<b>632 055</b>
Claims	51,480	568,623	-	-	620,102
Expenses	1,510	11,080	-	-	12,591
Other movements related to current service	1,278	(1,916)	-	-	(638)
<b>Changes that relate to past service (changes in fulfilment cash flows re LIC):</b>	<b>(12,988)</b>	<b>(128,716)</b>	<b>-</b>	<b>-</b>	<b>(141,704)</b>
Experience adjustments in claims and other insurance service expenses in LIC	(12,988)	(128,716)	-	-	(141,704)
<b>Changes that relate to future service:</b>	<b>-</b>	<b>17,345</b>	<b>-</b>	<b>-</b>	<b>17,345</b>
Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement	-	17,345	-	-	17,345

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## NOTES TO THE FINANCIAL STATEMENTS

## 6.7.1 Non-Life Insurance - Movement in Carrying Amounts • By LRC and LIC - Direct- PAA

	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
<b>31 March 2025</b>					
Opening Insurance contract assets	(55,336)	-	11,910	2,047	(41,378)
Opening Insurance contract liabilities	(438,038)	24,780	540,980	1,666	129,387
<b>Net Opening balance</b>	<b>(493,374)</b>	<b>24,780</b>	<b>552,890</b>	<b>3,713</b>	<b>88,009</b>
<b>Insurance Revenue</b>					
Post transition	(827,961)	-	-	-	(827,961)
Total Insurance revenue – All Transition Methods	(827,961)	-	-	-	(827,961)
<b>Insurance Service Expenses</b>					
Claims	-	(19 668)	258 298	-	238,630
Expenses	-	(780)	87 872	-	87,092
Other movements related to current service	-	(4 332)	-	-	(4,332)
Risk adjustment for non-financial risk	-	-	-	7,634	7,634
Amortisation of insurance acquisition cash flows	136 795	-	-	-	136,795
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	33013	(3 713)	29,300
Changes that relate to future service	-	-	-	-	-
Losses for the net outflow recognized on initial recognition	-	-	-	-	-
Losses and reversal of losses on onerous contracts - subsequent measurement	-	-	-	-	-
<b>Total Insurance Service Expenses</b>	<b>136 795</b>	<b>(24 780)</b>	<b>379 183</b>	<b>3 921</b>	<b>495 119</b>
<b>Investment Components</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Insurance Service result</b>	<b>(691 166)</b>	<b>(24 780)</b>	<b>379 183</b>	<b>3 921</b>	<b>(332 842)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(691 166)</b>	<b>(24 780)</b>	<b>379 183</b>	<b>3 921</b>	<b>(332 842)</b>
Cash flows (Actual cashflows in the period)	-	-	-	-	-
Premiums and premium tax received	793 921	-	-	-	793 921
Claims and other insurance service expenses paid, including investment components	-	-	(729 789)	-	(729 789)
Insurance acquisition cash flows	(135 565)	-	-	-	(135 565)
<b>Total Cash flows</b>	<b>658 358</b>	<b>-</b>	<b>(729 789)</b>	<b>-</b>	<b>(71 433)</b>
<b>Net Closing balance</b>	<b>(526 184)</b>	<b>-</b>	<b>202 285</b>	<b>7 634</b>	<b>(316 266)</b>
Closing Insurance contract assets	(526 184)	-	202 285	7 634	(316 266)
Closing Insurance contract liabilities	-	-	-	-	-
<b>Net Closing balance</b>	<b>(526 184)</b>	<b>-</b>	<b>202 285</b>	<b>7 634</b>	<b>(316 266)</b>



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### NOTES TO THE FINANCIAL STATEMENTS

31 March 2025

	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
Opening Insurance contract assets	(55,336)	-	11,910	2,047	(41,378)
Opening Insurance contract liabilities	(438,038)	24,780	540,980	1,666	129,387
<b>Net Opening balance</b>	<b>(493,374)</b>	<b>24,780</b>	<b>552,890</b>	<b>3,713</b>	<b>88,009</b>
Insurance Revenue					
Post transition	(827,961)	-	-	-	(827,961)
<b>Total Insurance revenue – All Transition Methods</b>	<b>(827,961)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(827,961)</b>
<b>Insurance Service Expenses</b>					
Claims	-	(19 668)	258 298	-	238,630
Expenses	-	(780)	87 872	-	87,092
Other movements related to current service	-	(4 332)	-	-	(4,332)
Risk adjustment for non-financial risk	-	-	-	7,634	7,634
Amortisation of insurance acquisition cash flows	136 795	-	-	-	136,795
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	33013	(3 713)	29,300
Changes that relate to future service	-	-	-	-	-
Losses for the net outflow recognized on initial recognition	-	-	-	-	-
Losses and reversal of losses on onerous contracts - subsequent measurement	-	-	-	-	-
<b>Total Insurance Service Expenses</b>	<b>136 795</b>	<b>(24 780)</b>	<b>379 183</b>	<b>3 921</b>	<b>495 119</b>
<b>Investment Components</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Insurance Service result</b>	<b>(691 166)</b>	<b>(24 780)</b>	<b>379 183</b>	<b>3 921</b>	<b>(332 842)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(691 166)</b>	<b>(24 780)</b>	<b>379 183</b>	<b>3 921</b>	<b>(332 842)</b>
Cash flows (Actual cash flows in the period)	-	-	-	-	-
Premiums and premium tax received	793 921	-	-	-	793 921
Claims and other insurance service expenses paid, including investment components	-	-	(729 789)	-	(729 789)
Insurance acquisition cash flows	(135 565)	-	-	-	(135 565)
<b>Total Cash flows</b>	<b>658 358</b>	<b>-</b>	<b>(729 789)</b>	<b>-</b>	<b>(71 433)</b>
<b>Net Closing balance</b>	<b>(526 184)</b>	<b>-</b>	<b>202 285</b>	<b>7 634</b>	<b>(316 266)</b>
Closing Insurance contract assets	(526 184)	-	202 285	7 634	(316 266)
Closing Insurance contract liabilities	-	-	-	-	-
<b>Net Closing balance</b>	<b>(526 184)</b>	<b>-</b>	<b>202 285</b>	<b>7 634</b>	<b>(316 266)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

## 6.7.2 Non-Life Insurance - Movement in Carrying Amounts • By LRC and LIC - Direct- PAA

31 March 2024	Liabilities for Remaining Coverage		Liabilities for Incurred claims		
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	Total
Opening Insurance contract assets	(459 335)	-	399 067	1 976	(58 292)
Opening Insurance contract liabilities	-	-	-	-	-
<b>Net Opening balance</b>	<b>(459 335)</b>	<b>-</b>	<b>399 067</b>	<b>1 976</b>	<b>(58 292)</b>
Insurance Revenue	-	-	-	-	-
Post transition	(796,345)	-	-	-	(796,345)
<b>Total Insurance revenue – All Transition Methods</b>	<b>(796,345)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(796,345)</b>
<b>Insurance Service Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Incurred insurance service expenses:	-	-	705 557	3 713	709 270
Claims	-	-	604 666	4 618	609 284
Expenses	-	-	100 891	40	100 932
Other movements related to current service	-	-	-	(945)	(945)
Amortisation of insurance acquisition cash flows	128 825	-	-	-	128 825
<b>Changes that relate to past service (changes in fulfilment cash flows LIC)</b>	<b>-</b>	<b>-</b>	<b>67 656</b>	<b>(1 976)</b>	<b>65 681</b>
Changes that relate to future service	-	24 780	-	-	24 780
Losses for the net outflow recognized on initial recognition	-	-	-	-	-
Losses and reversal of losses on onerous contracts - subsequent measurement	-	24 780	-	-	24 780
<b>Total Insurance Service Expenses</b>	<b>128 825</b>	<b>24 780</b>	<b>773 213</b>	<b>1 737</b>	<b>928 555</b>
<b>Investment Components</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Insurance Service result</b>	<b>(667 520)</b>	<b>24 780</b>	<b>773 213</b>	<b>1 737</b>	<b>132 210</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(667 520)</b>	<b>24 780</b>	<b>773 213</b>	<b>1 737</b>	<b>132 210</b>
Cash flows (Actual cashflows in the period)	-	-	-	-	-
Premiums and premium tax received	754 723	-	-	-	754 723
Claims and other insurance service expenses paid, including investment components	-	-	(619 390)	-	(619 390)
Insurance acquisition cash flows	(121 243)	-	-	-	(121 243)
<b>Total Cash flows</b>	<b>633 481</b>	<b>-</b>	<b>(619 390)</b>	<b>-</b>	<b>14 091</b>
<b>Net Closing balance</b>	<b>(493 374)</b>	<b>24 780</b>	<b>552 890</b>	<b>3 713</b>	<b>88 009</b>
Closing Insurance contract assets	(55 336)	-	11 910	2 047	(41 378)
Closing Insurance contract liabilities	(438 038)	24 780	540 980	1 666	129 387
<b>Net Closing balance</b>	<b>(493 374)</b>	<b>24 780</b>	<b>552 890</b>	<b>3 713</b>	<b>88 009</b>



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### NOTES TO THE FINANCIAL STATEMENTS

#### 6.8. Movement in Carrying Amounts - By LRC and LIC - Reinsurance - PAA

Movement in Carrying Amounts - By LRC and LIC - Reinsurance - PAA	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
<b>31 March 2025</b>					
Opening reinsurance contract assets	(530 337)	17 346	610 000	2 523	99 531
Opening reinsurance contract liabilities	(16 030)	-	-	-	(16 030)
<b>Net opening balance</b>	<b>(546 367)</b>	<b>17 346</b>	<b>610 000</b>	<b>2 523</b>	<b>83 502</b>
Allocation of the premiums paid:	-	-	-	-	-
Post transition	(493 647)	-	-	-	(493 647)
<b>Total Allocation of premiums paid</b>	<b>(493 647)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(493 647)</b>
<b>Amounts recovered from reinsurance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Recoveries of incurred claims and other insurance service expense	-	(17 346)	376 598	5 116	364,368
Changes related to past service (changes related to incurred claims component)	-	-	(182 813)	(2 523)	(185 336)
<b>Changes that relate to future service:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	-	-	-	-
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>(17 346)</b>	<b>193 785</b>	<b>2 593</b>	<b>179 033</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(493 647)</b>	<b>(17 346)</b>	<b>193 785</b>	<b>2 593</b>	<b>(314 614)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(493 647)</b>	<b>(17 346)</b>	<b>193 785</b>	<b>2 593</b>	<b>(314 614)</b>
<b>Cash flows (Actual cash flows in the period)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Premiums and premium tax paid	506 029	-	-	-	506 029
Amounts recovered	-	-	(463 816)	-	(463 816)
<b>Total cash flows</b>	<b>506 029</b>	<b>-</b>	<b>(463 816)</b>	<b>-</b>	<b>42 213</b>
<b>Net Closing balance</b>	<b>(533 985)</b>	<b>-</b>	<b>339 970</b>	<b>5 116</b>	<b>(188 899)</b>
Closing reinsurance contract assets	(41 933)	-	45 255	1 729	5 051
Closing reinsurance contract liabilities	(492 052)	-	294 715	3 387	(193 950)
<b>Net Closing balance</b>	<b>(533 985)</b>	<b>-</b>	<b>339 970</b>	<b>5,116</b>	<b>(188 899)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

## 6.8.2 Movement in Carrying Amounts - By LRC and LIC - Reinsurance - PAA

## Movement in Carrying Amounts - By LRC and LIC - Reinsurance - PAA

## 31 March 2024

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
Opening reinsurance contract assets	(50 627)	-	70 133	1 041	20 547
Opening reinsurance contract liabilities	(568 729)	-	550 481	330	(17 919)
<b>Net opening balance</b>	<b>(619 356)</b>	<b>-</b>	<b>620 614</b>	<b>1 371</b>	<b>2 629</b>
Allocation of the premiums paid:	-	-	-	-	-
Post transition	(461 059)	-	-	-	(461 059)
<b>Total Allocation of premiums paid</b>	<b>(461 059)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(461 059)</b>
<b>Amounts recovered from reinsurance</b>					
Recoveries of incurred claims and other insurance service expense	-	-	629 533	2 523	632 056
Changes related to past service (changes related to incurred claims component)	-	-	(140 333)	(1 371)	(141 704)
<b>Changes that relate to future service:</b>	<b>-</b>	<b>17 346</b>	<b>-</b>	<b>-</b>	<b>17 346</b>
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	17 346	-	-	17 346
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>17 346</b>	<b>489 200</b>	<b>1 152</b>	<b>507 697</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(461 059)</b>	<b>17 346</b>	<b>489 200</b>	<b>1 152</b>	<b>46 638</b>
<b>Total Changes in the Statement of Profit and loss and comprehensive income</b>	<b>(461 059)</b>	<b>17 346</b>	<b>489 200</b>	<b>1 152</b>	<b>46 638</b>
Cash flows (Actual cash flows in the period)					
Premiums and premium tax paid	534 049	-	-	-	534 049
Amounts recovered	-	-	(499 814)	-	(499 814)
<b>Total cash flows</b>	<b>534 049</b>	<b>-</b>	<b>(499 814)</b>	<b>-</b>	<b>34 235</b>
<b>Net Closing balance</b>	<b>(546 366)</b>	<b>17 346</b>	<b>610 000</b>	<b>2 523</b>	<b>83 502</b>
Closing reinsurance contract assets	(530 336)	17 346	610 000	2 523	99 531
Closing reinsurance contract liabilities	(16 030)	-	-	-	(16 030)
<b>Net Closing balance</b>	<b>(546 366)</b>	<b>17 346</b>	<b>610 000</b>	<b>2 523</b>	<b>83 502</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

**NOTES TO THE FINANCIAL STATEMENTS****6.9 Non-Life Insurance - Movement in Carrying Amount of Assets for Insurance Acquisition Cash Flows**

	2025	2024
	R'000	R'000
Opening balance for Assets for Insurance Acquisition Cash Flows	(84 640)	(77 058)
Amount incurred during the year	(136 795)	(128 825)
Amount derecognised and included in the measurement of insurance contracts	135 565	121 243
<b>Closing balance for Assets for Insurance Acquisition Cash Flows</b>	<b>(85 870)</b>	<b>(84 640)</b>

**6.10 Non-Life Insurance - Movement in Carrying Amount of Assets for Insurance Acquisition Cash Flows**

	2025	2024
	R'000	R'000
Opening balance	(10 990)	(10 423)
Amount incurred during the year	-	(567)
Amount derecognised and included in the measurement of insurance contracts	612	-
<b>Closing balance</b>	<b>(10 378)</b>	<b>(10 990)</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# NOTES TO THE FINANCIAL STATEMENTS

## 7. INVESTMENTS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Investment in LBLIC	-	-	30	30
Investment in LBIC	-	-	650,000	650,000
Unlisted investments	278,800	254,300	278,800	254,300
Investment held with Coronation (Medical Fund)	460,841	404,387	460,841	404,387
Investment Other	-	-	-	-
Investment held with Coronation	-	-	-	-
Investment in listed shares	144,374	105,486	144,374	105,486
Investments held by LBLIC	984,853	1,061,321	-	-
Investments held by LBIC	267,992	327,299	-	-
	<b>2,136,860</b>	<b>2,152,792</b>	<b>1,534,045</b>	<b>1,414,202</b>

### Investment - Medical Fund

These are investments held with Coronation Asset Managers.

#### Listed investments

	2025	2024	2025	2024
Local equity	181,485	146,837	181,485	146,837
Local bonds	46,121	40,026	46,121	40,026
Foreign equity	106,131	139,621	106,131	139,621

#### Other

	2025	2024	2025	2024
Commodities	17,611	15,490	17,611	15,490
Local Hedge Funds	8,577	4,056	8,577	4,056
Foreign unit trusts	91,064	44,271	91,064	44,271

#### Cash

	2025	2024	2025	2024
Local	8,914	5,433	8,914	5,433
Foreign	939	8,653	939	8,653
	<b>460,841</b>	<b>404,387</b>	<b>460,841</b>	<b>404,387</b>

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 at fair value through profit or loss and are measured and disclosed at fair value, except for cash which is measured at amortised cost. These investments are exposed to interest rate risk, equity price risk and foreign exchange risk. Refer to note 32 for more information on the related risks and mitigation strategies.

Investments held with Coronation are invested as follows:

Local equities				
Local equities	38%	10%	38%	10%
Local real estate	6%	13%	6%	13%
Local hedge	2%	2%	2%	2%
Local bonds	10%	7%	10%	7%
Local cash	1%	3%	1%	3%
Foreign equities	35%	26%	35%	26%
Foreign Bonds	8%	2%	8%	2%
Foreign Cash	0%	0%	0%	0%
	0%	0%	0%	0%

Refer to note 19. for the post-retirement obligation disclosure.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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### NOTES TO THE FINANCIAL STATEMENTS

The below equity investments constitutes neither control, nor significant influence. Land Bank elected to apply its irrevocable right to designate these equity instruments at fair value through other comprehensive income.

#### Unlisted investments

Fair value

Ordinary shares in Acorn Agri (Pty) Ltd	129,200	105,600	129,200	105,600
Ordinary shares in Ideafruit (Pty) Ltd	63,100	56,900	63,100	56,900
Ordinary shares in Afagri Grain Silo Company Pty Ltd	<b>86,500</b>	<b>91,800</b>	<b>86,500</b>	<b>91,800</b>
	<b>278,800</b>	<b>254,300</b>	<b>278,800</b>	<b>254,300</b>

#### Acorn Agri & Food Ltd

Land Bank holds 5.034% interest in Acorn Agri & Food Ltd. Acorn Agri & Food Ltd investment was valued as at 31 March 2025. The valuation was based on the market related Net Asset Value (NAV) of the company, resulting in an investment value of R129.2 million (FY2024 R105.6 million) for the Bank.

#### Ideafruit (Pty) Ltd

Land Bank holds 19.91% interest in Ideafruit (Pty) Ltd and the investment was valued as at 31 March 2025. The valuation was based on the DCF valuations, resulting in an investment value of R63.1 million (FY2024: R56.9 million) for the Bank.

#### Afagri Grain Silo Company Pty Ltd

Land Bank holds 19.9% interest in Afagri Grain Silo Company (Pty) Ltd and the investment was valued as at 31 March 2025. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R86.5 million (FY2024: R91.8 million) for the Bank.

#### Listed investment

Rhodes Food Group Holdings Limited was valued in March 2025 based on the listed share price. The listed share price of Rhodes Food Group Holdings Limited as at 31 March 2025, was R18.60 per share (FY2024:R13.59), resulting in an investment value of R144.3 million (FY2024: R105.4) for the Bank. The shares are traded daily hence the share price is regarded as a fair share price.

#### Investments held by LBLIC

Equities - designated at fair value through profit and loss  
Commodities  
Investment in interest bearing assets  
Collective investment schemes  
Cash deposits and similar securities

	2025	2024
	R'000	R'000
Equities - designated at fair value through profit and loss	316,844	498,978
Commodities	17,653	(176)
Investment in interest bearing assets	520,451	430,026
Collective investment schemes	129,905	132,493
Cash deposits and similar securities	-	-
	<b>984,853</b>	<b>1,061,321</b>

#### Equities

Equities comprise:

Designated at fair value through profit and loss

	<b>316,844</b>	<b>498,978</b>
Designated at fair value through profit and loss	316,844	498,978
Commodities	17,653	(176)
Commodities and derivatives (designated at FVTPL)	17,653	(176)

#### Collective investment schemes ("CIS")

Equity - domestic

Equity - foreign

Designated at FVTPL

Equity - domestic	93,809	13,809
Equity - foreign	<b>36,096</b>	<b>118,684</b>
	-	-
Designated at FVTPL	<b>129,905</b>	<b>132,493</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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### NOTES TO THE FINANCIAL STATEMENTS

Group		Company	
2025	2024	2025	2024
R'000	R'000	R'000	R'000

#### Investments in Interest Bearing Assets

Bonds		520,451	430,025
Corporate		108,103	92,130
Government		395,781	310,288
Parastatal		16,567	21,493
Foreign		-	6,114

Classification of investment in interest bearing assets  
Designated as at fair value through profit or loss

## 8. DERIVATIVE ASSETS

The Bank's main driver of earnings is net interest income, which is the difference between interest income received on assets and interest expense incurred on funding liabilities.

Derivatives are measured at fair value through profit and loss.

Group		Company	
2025	2024	2025	2024
R'000	R'000	R'000	R'000

#### Derivative Assets

The table below sets out derivative assets and liabilities by the type of hedge relationship in which they are measured at fair value

#### Hedging derivatives

Cross currency and interest rate swaps*	361,811	677,671	361,811	677,671
---	---------	---------	---------	---------

The nominal amount of derivatives in cash flow hedge relationships is as follows (measured at fair value through profit and loss).

#### Interest rate swaps\*\*

- Asset	-	800,800	-	800,000
- Liability	-	(800,800)	-	(800,000)
	-	-	-	-

The interest rate swap derivative position closed in June 2024. However, Land Bank holds a cross currency swap on a US Dollar denominated loan that was previously netted off against the loan, and now accounted for separately. Refer to note 37. for the prior period error note and details.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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# NOTES TO THE FINANCIAL STATEMENTS

## 9. LOANS AND ADVANCES

### Group and Company

#### Gross loans per business segment

#### 2025

Corporate Banking and Structured Investments (CB&SI)	5,242,936	(1,349,190)	3,893,746
Commercial Development and Business Banking (CDBB)	10,207,873	(2,450,151)	7,757,722
Loan commitments and guarantees	-	(11,711)	(11,711)
Loan Modifications <sup>4</sup> CB&SI	(35,210)	-	(35,210)
Loan Modifications <sup>4</sup> CDBB	(30,353)	-	(30,353)
	<b>15,385,247</b>	<b>(3,811,052)</b>	<b>11,574,194</b>

#### 2024

Corporate Banking and Structured Investments	6,312,766	(1,344,604)	4,968,162
Commercial Development and Business Banking	11,212,557	(2,781,879)	8,430,678
Loan commitments and guarantees	-	(6,271)	(6,271)
Loan Modifications <sup>4</sup> CB&SI	(35,210)	-	(35,210)
Loan Modifications <sup>4</sup> CDBB	(25,424)	-	(25,424)
	<b>17,464,689</b>	<b>(4,132,754)</b>	<b>13,331,936</b>

Loans and advances are measured at amortised cost.

#### Loan type

Loan type	Nature of interest rate	Average term of repayment	Average interest rate	Average interest rate
			2025	2024
Short term loans	Variable	1 year	12.07%	11.79%
Medium term loans	Variable	1 to 5 years	10.71%	12.24%
Long term loans	Variable/ Fixed	> 5 years	10.41%	11.88%

#### Loans by maturity profile

Refer to note 32 for details about maturity analysis

#### Loans by credit quality

Loans by credit quality	Performing loans <sup>1</sup>	Under performing loans <sup>2</sup>	Non-performing loans <sup>3</sup>	Total
	R'000	R'000	R'000	R'000
2025				
Corporate Banking and Structured Investments	2,081,594	1,123,929	1,937,248	5,142,771
Commercial Development and Business Banking	3,189,897	616,027	6,497,185	10,303,109
Loan Modifications <sup>4</sup> CB&SI	(21,485)	(13,725)	-	(35,210)
Loan Modifications <sup>4</sup> CDBB	(12,619)	(7,941)	(4,864)	(25,424)
Gross loans and advances	5,237,387	1,718,290	8,429,569	15,385,246
Expected Credit Loss (ECL)	(152,561)	(177,164)	(3,469,616)	(3,799,341)
Net loans and advances	5,084,826	1,541,126	4,959,953	11,585,905

Guarantees

Loan commitments<sup>5</sup> 133,394

#### Gross loan commitments and guarantees

**133,394**

Expected Credit Loss (ECL)

(11,711)

#### Net loan commitments and guarantees

**121,683**

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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## NOTES TO THE FINANCIAL STATEMENTS

	Performing loans <sup>1</sup>	Under per- forming loans <sup>2</sup>	Non-performing loans <sup>3</sup>	Total
	R'000	R'000	R'000	R'000
<b>2024</b>				
Corporate Banking and Structured Investments	3,165,001	1,035,466	2,112,300	6,312,766
Commercial Development and Business Banking	3,383,733	661,464	7,167,359	11,212,557
Loan Modifications <sup>4</sup> CB&SI	(21,485)	(13,725)	-	(35,210)
Loan Modifications <sup>4</sup> CDBB	(12,619)	(7,941)	(4,864)	(25,424)
<b>Gross loans and advances</b>	<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>	<b>17,464,689</b>
Expected Credit Loss (ECL)	(23,873)	(102,386)	(4,000,223)	(4,126,482)
<b>Net loans and advances</b>	<b>6,490,757</b>	<b>1,572,878</b>	<b>5,274,572</b>	<b>13,338,207</b>
Guarantees				-
Loan commitments <sup>5</sup>				86,430
<b>Gross loan commitments and guarantees</b>				<b>86,430</b>
Expected Credit Loss (ECL)				(6,271)
<b>Net loan commitments and guarantees</b>				<b>80,159</b>

\*Performing loans: A significant increase in credit risk could not be recorded. These loans are of an acceptable credit quality. Repayment is expected in compliance with the credit agreement.

\*\*Under performing loans: Loans are exposed to a significant increase in credit risk as identified based on probability of defaults (PDs) and warning signals that materialises between origination and reporting. As a minimum, loans that are in arrears for 30 days and more are classified as under performing loans.

\*\*\*Non-performing loans: Loans that have failed to meet the terms and conditions of the credit agreement and there are further indicators of the unlikelihood to repay the loan. Loans that are as a minimum 90 days in arrears, are classified as non-performing.

\*\*\*\*Refer to note 32 for modification disclosure.

\*\*\*\*\*The loan commitments are undrawn balances.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

#### Expected Credit Loss provision: reconciliation of movement per business unit

Group and Company	Corporate Banking and Structured Investments	Commercial Development and Business Banking	Loan commitments and guarantees	Total
	R'000	R'000	R'000	R'000
<b>2025</b>				
Balance at the beginning of the year <sup>1</sup>	1,216,474	1,600,726	6,271	2,823,472
Movement for the year				
Credit losses written off:	(800,949)	(1,412,638)	-	(2,213,587)
- Statement of financial position write off (utilisation)	(398,512)	(520,478)	-	(918,990)
- Statement of comprehensive income write off	(402,437)	(892,159)	-	(1,294,596)
Net impairment raised to the statement of comprehensive income	173,372	768,886	5,440	947,698
Balance at the end of the year <sup>1</sup>	588,898	956,975	11,711	1,557,584
<b>2024</b>				
Balance at the beginning of the year <sup>1</sup>	1,043,747	2,018,614	15,321	3,077,682
Movement for the year				
Credit losses written off:	(10,328)	(234,881)	-	(245,209)
- Statement of financial position write off (utilisation)	(669)	(172,819)	-	(173,488)
- Statement of comprehensive income write off	(9,659)	(62,062)	-	(71,721)
Net impairment raised/ (released) to the statement of comprehensive income	183,055	(183,007)	(9,050)	(9,001)
Balance at the end of the year <sup>1</sup>	1,216,474	1,600,726	6,271	2,823,472

<sup>1</sup>The balances exclude suspended interest of R1.334 billion (FY2024: R1.309 million).

\*Second loss sharing is a recovery of losses incurred on loans acquired through the SLA partners.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# NOTES TO THE FINANCIAL STATEMENTS

### Impairment releases/ (charges), claims and recoveries

Group and Company	Corporate Banking and Structured Investments	Commercial Development and Business Banking	Loan commitments and guarantees	Total
	R'000	R'000	R'000	R'000
<b>2025</b>				
Net impairments raised to the statement of comprehensive income	173,372	768,886	5,440	947,698
Recoveries in respect of amounts previously written off <sup>1</sup>	(7,241)	(82,310)	-	(89,551)
Second loss sharing	-	19,857	-	19,857
	166,131	706,434	5,440	878,005
<b>2024</b>				
Net impairments raised/ (released) to the statement of comprehensive income	183,055	(183,007)	(9,050)	(9,001)
Recoveries in respect of amounts previously written off <sup>1</sup>	(11,611)	(17,423)	-	(29,034)
Second loss sharing <sup>2</sup>	-	152,085	-	152,085
	<b>171,444</b>	<b>(48,345)</b>	<b>(9,050)</b>	<b>114,049</b>

<sup>2</sup> Second loss sharing is a recovery of losses incurred on loans acquired through the SLA partners.

<sup>1</sup> Off balance sheet debt collection amounting to R21.8 million (2024: R15.1 million) that was previously written off is still subject to legal action.

### Forward-looking information incorporated in the ECL models

The Group uses forwards looking models (part of PD models e.g. seasonality model, macro model, PD transition model) and these models are used to calculate the final ECL that is reported as the Group is required to calculate lifetime PDs for stage 2 accounts.

### 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 collateral is determined with reference to the realisable value (recoverable amount) of security under forced-sale conditions.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

#### Collateral held as security and other credit enhancements relating to credit impaired financial assets.

Refer to note 32 for details about the maximum exposure to credit risk for each class of financial instrument exposed to credit risk as at 31 March 2025.

At the end of the Financial year ended 31 March 2025, loans where collateral held covered the carrying amount in full amounted to R63.07 million (2024: R92.78 million).

#### Collateral held as security and other credit enhancements relating to credit impaired financial assets.

	Gross Exposure	Impairment Allowance	Carrying Amount	Realisable value of collateral held
	R'000	R'000	R'000	R'000
<b>2025</b>				
Loans and advances	8 429 860	(3 469 616)	4 960 244	4,799,394
<b>2024</b>				
Loans and advances	9,296,254	(4,000,223)	5,296,032	5,466,668

#### Concentration of credit risk

Land Bank's business is exposed to credit concentration risk in the agricultural sector, as well as to certain counterparties / group of counterparties. During the year under review the Land Bank has continued to apply existing lending limits reviewed in the previous financial year, for all credit committees in the Bank. Seeing that the Bank's strategy has remained unchanged, the lending approach and related limits enabling support to development and commercial farmers also remained unchanged in the current year. The Board oversees the Bank's credit risk management processes on an ongoing basis.

During the year under review the credit concentration limits applied continue to be R73 million single obligors for new lending activities with full Board oversight. As at financial close FY2024/2025 the top 15 CB & SI clients and top 8 of CB&T clients have exposures above the single obligor limit of R73 million as these were approved prior to new lending mandates and were already condoned by the Board of Interim Accounting Authority.

## 10. NON-CURRENT ASSETS HELD-FOR-SALE

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Properties in possession	5,058	9,208	5,058	9,208
	5,058	9,208	5,058	9,208
<b>Reconciliation of movement</b>				
<b>Opening balance</b>	9,208	11,359	9,208	11,359
Plus: Additions	-	-	-	-
Less: Disposals	(4,150)	(2,151)	(4,150)	(2,151)
Re-measurement recognised	-	-	-	-
Reclassification from Investment Properties*	-	-	-	-
<b>Closing balance</b>	5,058	9,208	5,058	9,208

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# NOTES TO THE FINANCIAL STATEMENTS

### Properties in possession

These represent the properties brought 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. The Group exclusively hold these properties with a view to dispose of them. These properties in possession are farm holdings and the Group has no intention to occupy them. Some of these properties have been on sale for more than 12 months, and this is beyond the control of the Bank, as the Group remains committed to sell these properties and continue to actively advertise them for sale. In view of the current volatile market conditions, the properties in possession will only be disposed of, as and when conditions render it economically viable.

- BP 1938 located in Pietermaritzburg
- BP 2102 located in East London
- BP 2116 located in Theunissen
- BP 2118 located in Theunissen
- BP 2123 located in Fauresmith

## II. INVESTMENT PROPERTY

### Group 2025

	Cost or Revaluation	Transfers *	Fair value adjustments	Carrying value
Investment property 2024	106,000	-	35,200	141,200

	Cost or Revaluation	Transfers *	Fair value adjustments	Carrying value
Investment property*	98,010	-	7,990	106,000

### Company 2025

	Cost or Revaluation	Transfers *	Fair value adjustments	Carrying value
Investment property 2024	106,000	-	35,200	141,200

	Cost or Revaluation	Transfers *	Fair value adjustments	Carrying value
Investment property	98,010	-	7,990	106,000

### II.1 Reconciliation of movement

	2025	2024	2025	2024
Opening Balance	106,000	98,010	106,000	98,010
Transfers	-	-	-	-
Fair value adjustments	35,200	7,990	35,200	7,990
Closing Balance	141,200	106,000	141,200	106,000

The investment properties were valued by independent property valuers at year end. The fair value of investment property was determined by using the net income capitalisation method. This is a combination of capitalisation and discounting. The inputs used are gross market rentals, operating costs, the perpetual vacancy and market capitalisation rate. Refer to note 33.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

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**NOTES TO THE FINANCIAL STATEMENTS**

The Bank derived income to the value of R14.9 million in rental income for the current financial year from the following investment properties:

- Bethlehem
- Calvinia
- Polokwane
- Rustenburg
- Upington
- Vryheid

There are no restrictions on the realisability of investment properties.

The Bank is responsible for repairs and maintenance of its investment properties per each contractual agreement with its tenants.

**12. PROPERTY, PLANT AND EQUIPMENT**

Group	2025			2024		
	Cost/ Revaluation	Accumulated depreciation	Carrying value	Cost/ Revaluation	Accumulated depreciation	Carrying value
Land	5,104	-	5,104	5,499	-	5,499
Buildings	21,075	-1,479	19,595	22,399	-1,398	21,001
Furniture, fittings and office equipment	18,025	-16,079	1,946	18,000	-15,978	2,022
Motor vehicles	24,436	-4,533	19,903	24,436	-671	23,764
IT equipment	47,537	-43,179	4,358	46,490	-39,552	6,939
Leasehold improvements	1,313	-1,032	281	1,313	-924	389
<b>Total</b>	<b>117,489</b>	<b>(66,301)</b>	<b>51,187</b>	<b>118,137</b>	<b>(58,523)</b>	<b>59,613</b>

Company	2025			2024		
	Cost/ Revaluation	Accumulated depreciation	Carrying value	Cost/ Revaluation	Accumulated depreciation	Carrying value
Land	5,104	-	5,104	5,499	-	5,499
Buildings	21,075	-1,479	19,595	22,399	-1,398	21,001
Furniture, fittings and office equipment	18,010	-16,066	1,944	18,000	-15,977	2,022
Motor vehicles	24,436	-4,533	19,903	24,436	-671	23,764
IT equipment	47,537	-43,191	4,346	46,132	-39,213	6,918
Leasehold improvements	1,313	-1,032	281	1,313	-924	389
<b>Total</b>	<b>117,474</b>	<b>(66,301)</b>	<b>51,173</b>	<b>117,777</b>	<b>(58,184)</b>	<b>59,593</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

## Reconciliation of property, plant and equipment - Group - 2025

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	5,499	-	-	-394	-	5,104
Buildings	21,001	-	-	74	-1,479	19,595
Furniture, fittings and office equipment	2,025	30	-19	-	-89	1,946
Motor vehicles	23,764	-	-1	-	-3,861	19,903
IT equipment	6,965	1,776	-372	-	-4,011	4,358
Leasehold improvements	388	-	-1	-	-107	281
<b>Total</b>	<b>59,642</b>	<b>1,805</b>	<b>(393)</b>	<b>(321)</b>	<b>(9,548)</b>	<b>51,187</b>

## Reconciliation of property, plant and equipment - Group - 2024

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,479	-	-	1,020	-	5,499
Buildings	21,220	-	-	1,179	-1,398	21,001
Furniture, fittings and office equipment	2,160	-	-	-	-136	2,023
Motor vehicles	60	24,134	-1	-	-430	23,764
IT equipment	6,355	4,215	-200	-	-3,432	6,938
Leasehold improvements	496	-	-1	-	-107	389
<b>Total</b>	<b>34,770</b>	<b>28,349</b>	<b>(202)</b>	<b>2,199</b>	<b>(5,503)</b>	<b>59,614</b>

## Reconciliation of property, plant and equipment - Company - 2025

	Opening balance	Additions	Disposals	Transfers*	Revaluations/ devaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	5,499	-	-	-	-394	-	5,104
Buildings	21,001	-	-	-	74	-1,478	19,595
Furniture, fittings and office equipment	2,025	30	-19	-	-	-89	1,946
Motor vehicles	23,764	-	-	-	-	-3,826	19,939
IT equipment	6,917	1,776	-372	-	-	-4,012	4,310
Leasehold improvements	388	-	-	-	-	-108	281
<b>Total</b>	<b>59,594</b>	<b>1,805</b>	<b>(390)</b>	<b>-</b>	<b>(321)</b>	<b>(9,514)</b>	<b>51,174</b>

## Reconciliation of property, plant and equipment - Company - 2024

	Opening balance	Additions	Disposals	Transfers*	Revaluations/ devaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,479	-	-	-	1,020	-	5,499
Buildings	21,220	-	-	-	1,179	-1,398	21,002
Furniture, fittings and office equipment	2,160	-	1	-1	-	-134	2,025
Motor vehicles	60	24,134	-1	-	-	-430	23,764
IT equipment	6,307	4,214	-199	-	-	-3,407	6,916
Leasehold improvements	496	-	-1	-	-	-108	388
<b>Total</b>	<b>34,723</b>	<b>28,348</b>	<b>(199)</b>	<b>(1)</b>	<b>2,199</b>	<b>(5,477)</b>	<b>59,593</b>



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

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.

The land and buildings were valued by independent property valuers as at year end. The methods used for the valuations are based on market rentals, as obtained from independent companies who operate in the area, and the capitalisation rate for the areas, as obtained from the valuator's report. Please refer to note 33 for the fair values applied on the valuations.

## 13. LEASES

### 13.1 Right of use of assets (ROU)

#### Group

##### 2025

	Buildings*	Motor vehicles	Printers	Total
	R'000	R'000	R'000	R'000
<b>At 30 April 2024</b>	23,068	-	685	23,753
Additions	4,928	-	-	4,928
ROU derecognised	-	-	-	-
Depreciation	(8,510)	-	(343)	- 8,853
<b>At 31 March 2025</b>	<b>19,486</b>	<b>-</b>	<b>343</b>	<b>19,828</b>

##### 2024

	Buildings	Motor vehicles	Printers	Total
	R'000	R'000	R'000	R'000
<b>At 30 April 2023</b>	27,267	-	1,028	28,295
Additions	3,535	-	-	3,535
ROU derecognised	-	-	-	-
Depreciation	(7,735)	-	(343)	- 8,077
<b>At 31 March 2024</b>	<b>23,067</b>	<b>-</b>	<b>685</b>	<b>23,752</b>

#### Company

##### 2025

	Buildings*	Motor vehicles	Printers	Total
	R'000	R'000	R'000	R'000
<b>At 30 April 2024</b>	23,068	-	685	23,753
Additions	4,928	-	-	4,928
ROU derecognised	-	-	-	-
Depreciation	(8,510)	-	(343)	- 8,853
<b>At 31 March 2025</b>	<b>19,486</b>	<b>-</b>	<b>343</b>	<b>19,828</b>

##### 2024

	Buildings	Motor vehicles	Printers	Total
	R'000	R'000	R'000	R'000
<b>At 30 April 2023</b>	27,268	-	1,028	28,296
Additions	3,535	-	-	3,535
ROU derecognised	-	-	-	-
Depreciation	(7,735)	-	(343)	- 8,077
<b>At 31 March 2024</b>	<b>23,068</b>	<b>-</b>	<b>685</b>	<b>23,753</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

## 13.2 Lease Liabilities

## Group

## 2025

	Buildings*	Motor vehicles	Printers	Total
	R'000	R'000	R'000	R'000
<b>At 30 April 2024</b>	24,378	-	686	25,064
Additions	4,928	-	-	4,928
Interest expense	876	-	50	927
Lease liability derecognised	(1,429)	-	-	- 1,429
Lease payments	(7,598)	-	(342)	- 7,940
<b>At 31 March 2025</b>	<b>21,155</b>	<b>-</b>	<b>394</b>	<b>21,549</b>

## 2024

	Buildings	Motor vehicles	Printers	Total
	R'000	R'000	R'000	R'000
<b>At 30 April 2023</b>	27,963	-	1,003	28,966
Additions	3,535	-	-	3,535
Interest expense	694	-	71	765
Lease payments	(7,814)	-	(388)	- 8,202
<b>At 31 March 2024</b>	<b>24,378</b>	<b>-</b>	<b>686</b>	<b>25,064</b>

## Company

## 2025

	Buildings*	Motor vehicles	Printers	Total
	R'000	R'000	R'000	R'000
<b>At 30 April 2024</b>	24,378	-	686	25,064
Additions	4,928	-	-	4,928
Interest expense	876	-	50	927
Lease liability derecognised	(1,429)	-	-	- 1,429
Lease payments	(7,598)	-	(342)	- 7,940
<b>At 31 March 2025</b>	<b>21,155</b>	<b>-</b>	<b>394</b>	<b>21,549</b>

## 2024

	Buildings	Motor vehicles	Printers	Total
	R'000	R'000	R'000	R'000
<b>At 30 April 2023</b>	27,963	-	1,003	28,966
Additions	3,535	-	-	3,535
Interest expense <sup>1</sup>	694	-	71	765
Lease payments	(7,814)	-	(388)	- 8,202
<b>At 31 March 2024</b>	<b>24,378</b>	<b>-</b>	<b>686</b>	<b>25,064</b>

Refer to note 32 for details about maturity analysis for Land Bank as a Lessee.

\*In the current year under review the Bank renewed the Vredendal, Worcester and Pietermaritzburg leases. Refer to note 32 for the lease maturities for Land Bank as Lessee

## Maturity Analysis for Land Bank as Lessor (IFRS 16.97)

## 2025

	Less than 1 year	1 - 5 years	> 5 years	Total
Receivable rental income	972	1,023	-	1,996

## 2024

Receivable rental income	2,229	2,881	-	5,109
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## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

#### 14. INTANGIBLE ASSETS

Group	2025			2024		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	83,032	-82,272	760	83,032	-81,970	1,062

Company	2025			2024		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	83,032	-82,272	760	83,032	-81,970	1,062

##### Reconciliation of Intangible assets Group - 2025

Group	Opening balance	Additions	Amortisation	Total
Computer software	1,062	-	(302)	760

##### Reconciliation of Intangible assets Group - 2024

Group	Opening balance	Additions	Amortisation	Total
Computer software	1,555	-	(493)	1,062

##### Reconciliation of Intangible assets Company - 2025

Company	Opening balance	Additions	Amortisation	Total
Computer software	1,062	-	(302)	760

##### Reconciliation of Intangible assets Company - 2024

Company	Opening balance	Additions	Amortisation	Total
Computer software	1,555	-	(493)	1,062

The Group reassessed the useful lives of all the intangible assets at the beginning of the FY2025 financial year together in order to reflect the most correct estimated useful lives of all intangible assets.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

## 15. DISTRIBUTABLE AND OTHER RESERVES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Distributable reserves from continuing operations				
Capital fund	14,397,655	8,784,325	14,397,655	8,784,325
Accumulated loss	(2,186,961)	(2,640,506)	(3,257,611)	(3,727,443)
Total distributable reserves	12,210,694	6,143,819	11,140,044	5,056,882
FVTOCI	(611,595)	(661,961)	(611,595)	(661,961)
Revaluation reserve	144,937	145,258	144,937	145,258
	<b>11,744,037</b>	<b>5,627,116</b>	<b>10,673,387</b>	<b>4,540,179</b>

#### Accumulated loss

Comprises of accumulated retained loss.

#### 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 in FY2015, FY2021, FY2023 and FY2024 respectively.

#### FVTOCI

The reserve relates to the fair value adjustment on the unlisted and listed investments held by the Bank and actuarial gain on the post-retirement obligation.

#### 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 profit and loss only once that property is disposed of.

## 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Accrued expenses	83,918	64,205	71,363	57,517
Premiums received in advance	(6)	-	-	-
Amounts due to reinsurers (including intermediaries)	14,300	17,752	-	-
Trade payables	8,306	30,640	8,095	28,536
Loan costs and fees received in advance	32,961	26,085	32,961	26,085
Other <sup>1</sup>	12,581	10,011	9,504	7,796
Breakage penalty fee payable	21,435	21,435	21,435	21,435
Amounts due to SASRIA	5,004	5,856	-	-
Client deposits for approved loans	15,640	8,050	15,640	8,050
	<b>194,138</b>	<b>184,033</b>	<b>158,997</b>	<b>149,848</b>

<sup>1</sup> Included in the other payables are surplus amounts on client accounts.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

**NOTES TO THE FINANCIAL STATEMENTS**

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Other financial liability</b>				
Funds under administration	1,626,908	1,794,989	1,626,908	1,794,989
Conditional equity injection	-	6,085,486	-	6,085,486
	<b>1,626,908</b>	<b>7,880,475</b>	<b>1,626,908</b>	<b>7,880,475</b>

Included in Other financial liabilities is the R1.6 billion (FY2024 R1.8 billion) funds under administration on behalf of DALRRD with conditions attached to them governed through a memorandum of understanding. These funds are not available for use to the Group. The R1.6 billion is sitting in ring-fenced bank accounts solely used for these funds. Refer to note 29 for further details on the funds under administration.

The comparative figure includes the Shareholder equity injection previously held in ESCROW (including interest capitalised to the capital of R5.6 billion) pending fulfilment of conditions precedent. Upon the curing of the event of default, the funds were released to the Bank and are now recorded as equity in note 15. Refer to the statement of changes in equity for the recon.

**17. FUNDING LIABILITIES**

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
At amortised cost*	9,931,867	17,258,089	9,931,867	17,258,089

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

The Land Bank successfully cured the event of default in September 2024. The significant movement on funding liabilities between current and the prior year is due to the capital reductions as part of the implementation of LS5 as well as scheduled repayments. All the funding liabilities have key financial covenants noted below.

#### Analysis of funding 2025

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Forex translation	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
Commercial Funding									
<b>Commercial Paper</b>	<b>6,359,824</b>	<b>(58,961)</b>	<b>-</b>	<b>(6,300,864)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
Bills	618,025	(6,108)	-	(611,918)	-	-	-	-	(0)
Call bonds	15,578	(109)	-	(15,468)	-	-	-	-	1
Floating rate notes - 1 year	800,955	(3,609)	-	(797,345)	-	-	-	-	1
Floating rate notes - 2 to 5 years	39,224	(856)	-	(38,368)	-	-	-	-	(1)
Promissory notes	4,886,042	(48,278)	-	(4,837,765)	-	-	-	-	(2)
<b>“Deposits”</b>	<b>317,879</b>	<b>-</b>	<b>-</b>	<b>(66,448)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>251,431</b>
Agri-related business deposits	219,214	-	-	(68,803)	-	-	-	-	150,411
Forced stock sale deposits	98,175	-	-	2,335	-	-	-	-	100,510
Small institutional deposits	61	-	-	6	-	-	-	-	67
Rent deposits	429	-	-	14	-	-	-	-	443
<b>Facilities</b>	<b>540,520</b>	<b>(4,642)</b>	<b>-</b>	<b>(535,879)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
Committed	540,520	(4,642)	-	(535,879)	-	-	-	-	(1)
Uncommitted	-	-	-	-	-	-	-	-	-
<b>DMTN Issuances</b>	<b>6,346,975</b>	<b>(63,712)</b>	<b>-</b>	<b>(6,283,259)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>
Floating rate notes	4,901,366	(29,586)	-	(4,871,779)	-	-	-	-	2
- LBK15	594,954	(3,635)	-	(591,319)	-	-	-	-	0
- LBK18	316,745	(1,935)	-	(314,809)	-	-	-	-	0
- LBK22	244,999	(1,497)	-	(243,503)	-	-	-	-	(1)
- LBK23	263,569	(1,610)	-	(261,960)	-	-	-	-	(1)
- LBK26	105,678	(646)	-	(105,032)	-	-	-	-	0
- LBK27	871,306	(5,323)	-	(865,982)	-	-	-	-	1
- LBK30	132,166	(807)	-	(131,359)	-	-	-	-	(0)
- LBK31	396,902	(2,425)	-	(394,477)	-	-	-	-	1
- LBK32	215,669	(1,318)	-	(214,352)	-	-	-	-	(0)
- LBK33	325,276	(3,165)	-	(322,112)	-	-	-	-	(1)
- LBK35	431,339	(2,635)	-	(428,703)	-	-	-	-	0
- LBK36	86,268	(527)	-	(85,741)	-	-	-	-	0
- LBK37	343,526	(563)	-	(342,962)	-	-	-	-	1
- LBK38	221,428	(1,353)	-	(220,075)	-	-	-	-	0
- LBK39U	0	(0)	-	-	-	-	-	-	0
- LBK40U	0	(0)	-	-	-	-	-	-	0
- LBK41U	351,541	(2,148)	-	(349,393)	-	-	-	-	0
Fixed rate notes	1,445,609	(34,126)	-	(1,411,480)	-	-	-	-	2
- LBK20	343,737	(2,100)	-	(341,637)	-	-	-	-	(0)
- LBK24	361,844	(16,509)	-	(345,335)	-	-	-	-	1
- LBK28	410,052	(13,502)	-	(396,550)	-	-	-	-	0
- LBK29	329,975	(2,016)	-	(327,958)	-	-	-	-	1
Notes - Amortising -LKB4U			14,111,993	(5,897,419)	2,399	-	8,334	(32,489)	8,192,819



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

	Opening Balance	Amor- tised Cost re-align- ment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Forex transla- tion	Effective Interest Rate Ad- justment	Prepaid Arranging Fees	Closing Balance
<b>Term Loans - Amortising</b>	<b>2,333,270</b>	<b>80,471</b>	-	<b>(720,091)</b>	<b>293</b>	<b>(337,721)</b>	<b>60,525</b>	<b>(137,439)</b>	<b>1,279,306</b>
7 year syndicated loan (Gov- ernment guaranteed)	-	-	-	-	-	-	-	-	-
10 year syndicated loan (MIGA supported)	2,333,270	80,471	-	(720,091)	293	(337,721)	60,525	(137,439)	1,279,306
<b>Term Loans - Bullet Term</b>	<b>430,900</b>	<b>(2,197)</b>	-	<b>(428,703)</b>	-	-	-	-	<b>(0)</b>
3 year term facility	430,900	(2,197)	-	(428,703)	-	-	-	-	(0)
6 year syndicated loan (Gov- ernment guaranteed)	-	-	-	-	-	-	-	-	-
<b>Step Rate Notes</b>	<b>444,842</b>	<b>(4,883)</b>	-	<b>(439,959)</b>	-	-	-	-	<b>1</b>
Step Rate Notes	444,842	(4,883)	-	(439,959)	-	-	-	-	1
<b>Total Commercial Funding</b>	<b>16,774,210</b>	<b>(53,924)</b>	<b>14,111,993</b>	<b>(20,672,622)</b>	<b>2,692</b>	<b>(337,721)</b>	<b>68,859</b>	<b>(169,928)</b>	<b>9,723,559</b>
<b>Multilateral and Develop- ment Funding</b>									
<b>Term Loans - Amortising</b>	<b>359,464</b>	<b>3,438</b>	-	<b>(151,657)</b>	<b>62</b>	-	<b>440</b>	<b>(3,437)</b>	<b>208,309</b>
10 year term loan - KFW	359,464	3,439	-	(151,657)	62	-	440	(3,437)	208,309
15 year term loan - AFDB	0	(0)	-	-	-	-	-	-	0
25 year term loan - World Bank	0	(0)	-	-	-	-	-	-	(0)
<b>Total Multilateral and Development Funding</b>	<b>359,464</b>	<b>3,438</b>	-	<b>(151,657)</b>	<b>62</b>	-	<b>440</b>	<b>(3,437)</b>	<b>208,309</b>
Disaster Relief Funding									
<b>Drought Relief</b>	<b>124,415</b>	<b>(1,087)</b>	-	<b>(123,329)</b>	-	-	-	-	<b>(1)</b>
10 year term loan - IDC	124,415	(1,087)	-	(123,329)	-	-	-	-	(1)
<b>Total Disaster Relief</b>	<b>124,415</b>	<b>(1,087)</b>	-	<b>(123,329)</b>	-	-	-	-	<b>-1</b>
<b>Total Funding Liabilities</b>	<b>17,258,089</b>	<b>(51,572)</b>	<b>14,111,993</b>	<b>(20,947,608)</b>	<b>2,753</b>	<b>(337,721)</b>	<b>69,299</b>	<b>(173,365)</b>	<b>9,931,867</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

Analysis of funding  
2024

	Opening Balance	Amor-tised Cost re-align-ment	New Issues/ Utilisa-tion	Repayment/ Settlements	Accrued Interest	Forex Transla-tion	Effective Interest Rate Ad-justment	Prepaid Arranging Fees	Closing Balance
<b>Commercial Funding</b>									
<b>Commercial Paper</b>	<b>8,471,322</b>	<b>(72,410)</b>	<b>-</b>	<b>(2,098,048)</b>	<b>58,961</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,359,824</b>
Bills	823,121	(7,447)	-	(203,755)	6,107	-	-	-	618,025
Call bonds	20,747	(129)	-	(5,150)	110	-	-	-	15,578
Floating rate notes - 1 year	1,038,785	(4,514)	-	(236,926)	3,609	-	-	-	800,955
Floating rate notes - 2 to 5 years	81,158	(1,442)	-	(41,348)	856	-	-	-	39,224
Promissory notes	6,507,510	(58,877)	-	(1,610,869)	48,278	-	-	-	4,886,042
<b>“Deposits”</b>	<b>304,513</b>	<b>-</b>	<b>-</b>	<b>13,367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>317,879</b>
Agri-related business de- posits	209,723	-	-	9,491	-	-	-	-	219,214
Forced stock sale deposits	94,316	-	-	3,859	-	-	-	-	98,175
Small institutional deposits	56	€ -	-	5	-	-	-	-	61
Rent deposits	418	-	-	12	-	-	-	-	429
<b>Facilities</b>	<b>721,242</b>	<b>(6,928)</b>	<b>-</b>	<b>(178,436)</b>	<b>4,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>540,520</b>
Committed	721,242	(6,928)	-	(178,436)	4,642	-	-	-	540,520
Uncommitted	-	-	-	-	-	-	-	-	-
<b>DMTN Issuances</b>	<b>8,476,027</b>	<b>(86,534)</b>	<b>-</b>	<b>(2,106,230)</b>	<b>65,751</b>	<b>-</b>	<b>(1,986)</b>	<b>(54)</b>	<b>6,346,975</b>
Floating rate notes	6,539,630	(31,611)	-	(1,636,238)	28,856	-	764	(34)	4,901,366
- LBK15	792,207	(3,992)	-	(196,896)	3,635	-	-	-	594,954
- LBK18	421,759	(2,125)	-	(104,825)	1,935	-	-	-	316,745
- LBK22	326,228	(1,644)	-	(81,081)	1,497	-	-	-	244,999
- LBK23	350,954	(1,768)	-	(87,227)	1,610	-	-	-	263,569
- LBK26	140,715	(709)	-	(34,973)	646	-	-	-	105,678
- LBK27	1,160,181	(5,846)	-	(288,353)	5,323	-	-	-	871,306
- LBK30	175,984	(887)	-	(43,739)	807	-	-	-	132,166
- LBK31	527,307	(1,477)	-	(131,352)	2,425	-	-	-	396,902
- LBK32	289,525	(3,799)	-	(71,374)	1,318	-	-	-	215,669
- LBK33	433,509	(4,142)	-	(107,256)	2,328	-	864	(26)	325,276
- LBK35	572,025	(573)	-	(142,749)	2,635	-	-	-	431,339
- LBK36	114,869	(579)	-	(28,550)	527	-	-	-	86,268
- LBK37	457,584	(422)	-	(114,199)	671	-	(99)	(9)	343,526
- LBK38	294,840	(1,486)	-	(73,280)	1,353	-	-	-	221,428
- LBK39U	13,849	195	-	(14,044)	-	-	-	-	0
- LBK40U	0	-	-	-	-	-	-	-	0
- LBK41U	468,092	(2,358)	-	(116,340)	2,148	-	-	-	351,541
Fixed rate notes	1,936,397	(54,923)	-	(469,992)	36,896	-	(2,750)	(19)	1,445,609
- LBK20	457,701	(2,306)	-	(113,758)	2,100	-	-	-	343,737
- LBK24	481,763	(21,439)	-	(114,989)	16,940	-	(424)	(7)	361,844
- LBK28	546,787	(18,194)	-	(132,043)	15,840	-	(2,326)	(12)	410,052
- LBK29	450,146	(12,984)	-	(109,203)	2,016	-	-	-	329,975



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

	Opening Balance	Amor-tised Cost re-align-ment	New Issues/ Utilisa-tion	Repay-ment/ Set-tlements	Accrued Interest	Forex Transla-tion	Effective Interest Rate Ad-justment	Prepaid Arranging Fees	Closing Balance
<b>Term Loans - Amortising</b>	<b>2,892,864</b>	<b>(595,915)</b>	-	<b>(573,835)</b>	<b>6,606</b>	<b>690,627</b>	<b>80,891</b>	<b>(167,968)</b>	<b>2,333,270</b>
7-year syndicated loan (Government guaranteed)	-	-	-	-	-	-	-	-	-
10-year syndicated loan (MIGA supported)	2,892,864	(595,915)	-	(573,835)	6,606	690,627	80,891	(167,968)	2,333,270
<b>Term Loans - Bullet Term</b>	<b>574,061</b>	<b>(2,609)</b>	-	<b>(142,749)</b>	<b>2,197</b>	-	-	-	<b>430,900</b>
3-year term facility	574,061	(2,609)	-	(142,749)	2,197	-	-	-	430,900
6-year syndicated loan (Government guaranteed)	-	-	-	-	-	-	-	-	-
<b>Step Rate Notes</b>	<b>592,964</b>	<b>(6,508)</b>	-	<b>(146,497)</b>	<b>4,883</b>	-	-	-	<b>444,842</b>
Step Rate Notes	592,964	(6,508)	-	(146,497)	4,883	-	-	-	444,842
<b>Total Commercial Funding</b>	<b>22,032,992</b>	<b>(770,904)</b>	-	<b>(5,232,428)</b>	<b>143,040</b>	<b>690,627</b>	<b>78,905</b>	<b>(168,022)</b>	<b>16,774,210</b>
<b>Multilateral and Development Funding</b>									
<b>Term Loans - Amortising</b>	<b>1,015,833</b>	<b>(3,100)</b>	-	<b>(649,830)</b>	<b>196</b>	-	<b>(165)</b>	<b>(3,470)</b>	<b>359,464</b>
10-year term loan - KFW	479,518	4,263	-	(120,879)	196	-	(165)	(3,470)	359,464
15-year term loan - AFDB	413,802	(4,710)	-	(409,091)	-	-	-	-	0
25-year term loan - World Bank	122,513	(2,652)	-	(119,860)	-	-	-	-	0
Total Multilateral and Development Funding	1,015,833	(3,100)	-	(649,830)	196	-	(165)	(3,470)	359,464
<b>Disaster Relief Funding</b>									
<b>Drought Relief</b>	<b>164,740</b>	<b>(345)</b>	-	<b>(41,066)</b>	<b>2,488</b>	-	-	<b>(1,402)</b>	<b>124,415</b>
10 year term loan - IDC	164,740	(345)	-	(41,066)	2,488	-	-	(1,402)	124,415
<b>Total Disaster Relief</b>	<b>164,740</b>	<b>(345)</b>	-	<b>(41,066)</b>	<b>2,488</b>	-	-	<b>(1,402)</b>	<b>124,415</b>
<b>Total Funding Liabilities</b>	<b>23,213,564</b>	<b>(774,349)</b>	-	<b>(5,923,324)</b>	<b>145,725</b>	<b>690,627</b>	<b>78,740</b>	<b>(172,894)</b>	<b>17,258,090</b>

The FY2024 funding liabilities were restated to take into effect a cross currency swap derivative previously not accounted for at spot rate. Refer to note 38. for details on the prior period error.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Reconciliation of notes in issue <sup>1</sup></b>				
<b>Opening balance</b>			<b>6,283,259</b>	<b>8,389,489</b>
LBK29 Capital Reduction			-	-
LBK22 Capital Reduction			(243,503)	(81,081)
LBK36 Capital Reduction			(85,741)	(28,550)
LBK15 Capital Reduction			(591,319)	(196,896)
LBK18 Capital Reduction			(314,809)	(104,825)
LBK33 Capital Reduction			(322,112)	(107,256)
LBK23 Capital Reduction			(261,960)	(87,227)
LBK26 Capital Reduction			(105,032)	(34,973)
LBK27 Capital Reduction			(865,982)	(288,353)
LBK30 Capital Reduction			(131,359)	(43,739)
LB41U Capital Reduction			(349,393)	(116,340)
LBK28 Capital Reduction			(396,550)	(132,043)
LBK31 Capital Reduction			(394,477)	(131,352)
LBK29 Capital Reduction			(327,958)	(109,203)
LBK32 Capital Reduction			(214,352)	(71,374)
LBK20 Capital Reduction			(341,637)	(113,758)
LBK39U Capital Reduction			-	(14,044)
LBK40U Capital Reduction			-	-
LBK24 Capital Reduction			(345,335)	(114,989)
LBK35 Capital Reduction			(428,703)	(142,749)
LBK37 Capital Reduction			(342,962)	(114,199)
LBK38 Capital Reduction			(220,075)	(73,280)
<b>Closing balance</b>			<b>-</b>	<b>6,283,259</b>
Note: The conclusion of the Liability Solution resulted in all unredeemed debt exchanged for a portion of the new note - LBK42U. Since the implementation of the Liability Solution the only note in issue is the amortising note LBK42U.				
Notes in default <sup>2</sup>				
LBK30			-	327,958
LBK15			-	394,477
			-	722,435
<b>Step rate notes</b>				
<b>Reconciliation of notes in issue <sup>1</sup></b>				
<b>Opening balance</b>			<b>439,959</b>	<b>586,456</b>
Notes redeemed:				
SRN 4, capital reduction	11 May 2017	16 September 2025	(439,959)	(73,291)
			-	(73,206)
Notes issued:				
LBK42U	16 September 2024	31 March 2028	14,111,993	-
			-	-
Closing balance			14,111,993	439,959

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

**NOTES TO THE FINANCIAL STATEMENTS****17.2 Weighted average interest cost of commercial funding (NACM)**

	2025 * Spread to 3 month Jibar	2024 * Spread to 3 month Jibar
Short-term: ≤ 1 year	2.40%	1.46%
Medium-term: > 1 year ≤ 5 years	3.42%	2.70%
Long-term: > 5 years	0.00%	0.00%
Total Cost of Funding	2.93%	1.65%
Weighted average interest cost of development and multilateral funding (NACM)		
Long-term: > 5 years **	2.69%	1.11%
Weighted average interest cost of natural disaster relief funding (NACM)		
Long-term: > 5 years	3.91%	1.07%

<sup>1</sup> Excludes accrued interest, discount, premium and prepaid arranging fees

## Development and multilateral funding

Land Bank's development funds are made up as follows:

- R899 million funding line with KfW Development Bank. This facility was earmarked to finance small-sized and medium sized agricultural enterprises. The facility has been fully drawn and disbursed to qualifying projects. As at 31 March 2025 the loan balance is R211 million.

Key Financial Covenants on all the current funding liabilities:

During September 2024, Land Bank and its lenders concluded an agreement on the debt restructuring process, resulting in the collapsing of the existing note to three different notes with the same terms and conditions. Included in the agreement are the following key financial covenants:

FINANCIAL COVENANTS	IMPLICATIONS
The Borrower shall ensure that the :	
Net Debt/ Net Loan Ratio	shall not be greater than: 50% from the Measurement Period expiring on 30 September 2024 to the Measurement Period expiring on 31 March 2026; and 40% from 30 September 2026 to 31 March 2028.
Leverage Ratio	shall not be greater than: - 110% from the Measurement Period expiring on 30 September 2024 to the Measurement Period expiring on 31 March 2025; - 100% from the Measurement Period expiring on 30 September 2025 to the Measurement Period expiring on 31 March 2026; - 80% from the Measurement Period expiring on 30 September 2026 to the Measurement Period expiring on 31 March 2027; and - 75% from the Measurement Period expiring on 30 September 2027 to the Measurement Period expiring on 31 March 2028.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

**NOTES TO THE FINANCIAL STATEMENTS**

FINANCIAL COVENANTS	IMPLICATIONS
Cost to Income Ratio	shall not be greater than: - 125% from the Measurement Period expiring on 30 September 2024 to the Measurement Period expiring on 31 March 2025;95 - % from the Measurement Period expiring on 30 September 2025 to the Measurement Period expiring on 31 March 2026; and - 90% from the Measurement Period expiring on 30 September 2026 to the Measurement Period expiring on 31 March 2028;
NPL Ratio	shall not be greater than: 56% from the Measurement Period expiring on 30 September 2024 to the Measurement Period expiring on 31 March 2025; 52% from the Measurement Period expiring on 30 September 2025 to the Measurement Period expiring on 31 March 2026; 50% from the Measurement Period expiring on 30 September 2026 to the Measurement Period expiring on 31 March 2027; and 45% from the Measurement Period expiring on 30 September 2027 to the Measurement Period expiring on 31 March 2028.
Credit Loss Ratio	shall not be greater than 4% in any Measurement Period.
ECL Coverage Ratio	shall not be greater than 26% in any Measurement Period.

The Bank has missed one of the LS5 covenants at year end, the credit loss ratio. This is mainly due to accounts that sit long in NPL thereby increasing the ECL on those accounts. The revised NPL remediation strategy has a focus on curing as well as writing off long outstanding accounts in line with the Bank's write off policy, and continue to collect off balance sheet. Origination is also being ramped up. This will address the credit loss ratio breach by end of FY2026. Land Bank has a 2-year grace period until the 15th September 2026 in terms of the Liability Solution where financial covenant breach does not trigger a default. The Bank continues to focus on remediating the loan book including disbursements.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

## 18. PROVISIONS

## Reconciliation of provisions - Group - 2025

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Staff Incentives	3,138	66,364	-	-	69,502
Leave pay	37,915	32,820	(28,778)	-	41,957
Labour disputes	-	-	-	-	-
Litigation and claims	-	-	-	-	-
Other	32,000	-	-	-	32,000
	<b>73,053</b>	<b>99,184</b>	<b>(28,778)</b>	<b>-</b>	<b>143,459</b>

## Reconciliation of provisions - Group - 2024

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Staff Incentives	3,000	3,138	(3,000)	-	3,138
Leave pay	29,398	16,810	(8,293)	-	37,915
Labour disputes	-	-	-	-	-
Other	-	32,000	-	-	32,000
	<b>32,398</b>	<b>51,948</b>	<b>(11,293)</b>	<b>-</b>	<b>73,053</b>

## Reconciliation of provisions - Company - 2025

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Staff Incentives	-	66,364	-	-	66,364
Leave pay	35,543	32,351	(28,778)	-	39,117
Labour disputes	-	-	-	-	-
Litigation and claims	-	-	-	-	-
Other	32,000	-	-	-	32,000
	<b>67,543</b>	<b>98,715</b>	<b>(28,778)</b>	<b>-</b>	<b>137,481</b>

## Reconciliation of provisions - Company - 2024

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay	27,100	14,438	(5,995)	-	35,543
Labour disputes	-	-	-	-	-
Litigation and claims*	-	-	-	-	-
Other	-	32,000	-	-	32,000
	<b>27,100</b>	<b>46,438</b>	<b>(5,995)</b>	<b>-</b>	<b>67,543</b>

## \*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.

## \*\*Leave pay

Accumulated leave is payable to employees upon termination of services. Provision for leave pay is calculated on the leave

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# NOTES TO THE FINANCIAL STATEMENTS

days outstanding at the end of the year multiplied by the cost to company of the employees in terms of employment contracts.

\*\*\*Other - relates to a probable obligation for VAT for using an incorrect apportionment ratio.

## 19. POST-RETIREMENT OBLIGATION

### Medical benefit plan

The defined benefit obligation plan is unfunded. The estimated medical aid contributions for the next year effective 1 April 2025 amounts to R2 million (FY2024: R21.7 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Post-retirement obligation</b>				
<b>Medical benefit plan</b>				
<b>Movement in the present value of the:</b>				
Defined benefit obligation 1 April	282,317	278,864	282,317	278,864
Service cost - PRMA	1,232	1,374	1,232	1,374
Interest cost - PRMA	32,595	27,912	32,595	27,912
Actuarial (losses) and gains on post retirement obligation	13,020	(4,061)	13,020	(4,061)
Benefits paid	(25,000)	(21,772)	(25,000)	(21,772)
<b>Defined benefit obligation 31 March 2025</b>	<b>304,164</b>	<b>282,317</b>	<b>304,164</b>	<b>282,317</b>

Total expenses resulting from the Group's defined benefit plans charged to income statement can be analysed as follows:

Components of net periodic medical benefit cost:

Service cost - PRMA	(1,232)	(1,374)	(1,232)	(1,374)
Interest cost - PRMA	(32,595)	(27,912)	(32,595)	(27,912)
Total included in interest and staff costs	(33,827)	(29,286)	(33,827)	(29,286)
Total expenses recognised in profit or loss	(33,827)	(29,286)	(33,827)	(29,286)
<b>Actuarial (losses) recognised in other comprehensive income</b>	<b>(13,020)</b>	<b>4,061</b>	<b>(13,020)</b>	<b>4,061</b>

Total expenses resulting from the Group's defined benefit plans charged to income statement can be analysed as follows:

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

**NOTES TO THE FINANCIAL STATEMENTS****19.1 Maturity profile of members****2025****Employee status**Active  
Pensioners**Membership Profile**

Number	Average age (years)	Average past service (years)	Average number of dependents
67	54	29	1.33
240	72	-	0.25
307	126	29	2

**2024****Employee status**Active  
Pensioners**Membership Profile**

Number	Average age (years)	Average past service (years)	Average number of dependents
71	53	29	1
242	71	-	1
313	124	29	2

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 valuation is based on the Projected Unit Credit valuation method, as prescribed by IAS19. The actuarial assumptions are unbiased and mutually compatible, as required. The results of the valuation depend on the assumptions used.

**19.2 Actuarial key assumptions used:****Medical inflation**

Contribution rates on the benchmark medical option, Bankmed Comprehensive, have increased by, on average 8.8% over the period. This is higher than the medical inflation assumptions of 8.1% made at the time of the last valuation it being lower than the inflation rate of 9.1% assumed for in-service members. This resulted in a net increase in liability of some R 3.186 million, and an actuarial loss.

**Economic basis**

The net discount rate over the period has increased by 0.60% for active members. The average net discount rate has increased by 0.1%. This has caused a decrease in liability of approximately R5.524 million.

**Mortality**

The liability increased by approximately R4.375 million and an actuarial loss due to pensioner mortality being lower than expected over the period.

**Withdrawals**

There were higher withdrawals than expected during the valuation year. This has resulted in an actuarial gain of some R0.057 million.

**Miscellaneous**

Other items not fully analysed have resulted in a slight actuarial loss of some R 0.116 million

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# NOTES TO THE FINANCIAL STATEMENTS

## 19.2 Sensitivity Analysis

In-Service and Continuation Members

	Accrued Service Liabilities as at 31.03.2024 (R'000)	% Increase	Accrued Service Liabilities as at 31.03.2023. (R'000)	% Increase
Assumptions as above				
Discount rate – increases by 1% p.a.	304,165,000	0%	282,317	0%
Discount rate – reduces by 1% p.a.	279,007,000	-8%	258,996	-8%
Medical inflation – increases by 1% p.a.	333,623,000	10%	309,637	10%
Medical inflation – reduces by 1% p.a.	331,191,000	9%	307,754	9%
Retirement age – 64	279,489,000	-8%	259,169	-8%
Retirement age – 66	308,084,000	1%	285,812	1%

## 20. INTEREST INCOME

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Measured at amortised cost				
Interest from loans and advances*	1,924,721	1,971,712	1,924,721	1,971,712
Interest on short-term deposits	673,811	597,342	673,811	597,342
Interest from banks	746,727	20,970	746,727	11,734
Interest on premiums written	5,650	208	-	-
Interest on trade receivables	777	-	-	-
	<b>3,351,686</b>	<b>2,590,232</b>	<b>3,345,259</b>	<b>2,580,788</b>

\*Included in the interest income is a charge of interest in suspense of R25.1m (FY2024: charge of R321.1m)

\*\*Interest income is derived from interest earned through loans and advances and deposits held with commercial banks.

\*\*\*Interest premiums is derived from outstanding premiums earned from the insurance companies

\*\*\*\*Interest on receivables is interest earned on short-term outstanding deposits. For FY25 it also includes interest earned on the equity injection previously held in ESCROW.

## 21. INTEREST EXPENSE

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Commercial funding	(855,093)	(1,738,745)	(855,093)	(1,738,745)
Development and multilateral funding	(31,435)	(58,036)	(31,435)	(58,036)
Interest on swaps & debentures	(1,951)	(1,334)	(1,951)	(1,334)
Other**	(657,189)	(77,925)	(657,189)	(77,925)
<b>Total interest expense</b>	<b>(1,545,668)</b>	<b>(1,876,041)</b>	<b>(1,545,668)</b>	<b>(1,876,041)</b>

\*These arranging fees form part of the "Effective Interest Rate" of funding instruments. They increased due to the conclusion of the new notes on Liability Solution 5.

\*\*Other consists of interest paid on Drought Relief funding, Government guarantee fee paid.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

## 22. NON-INTEREST EXPENSE

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Account administration & Net Interest Margin fee expense <sup>1</sup>	(1,572)	(2,098)	(1,572)	(2,098)

<sup>1</sup> Account administration & Net Interest Margin fee expense 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 20, note 21 and note 9 respectively. These are expenses derived from banking activities.

## 23. NON-INTEREST INCOME AND OTHER INCOME

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Fee and commission income	31,769	33,645	31,769	33,645
Account administration fee income	23,612	16,451	23,612	16,451
Fund administration fees	8,157	17,194	8,157	17,194
<b>Other Income</b>	<b>16,426</b>	<b>28,853</b>	<b>17,157</b>	<b>29,525</b>
Administration fee from LBLIC	-	-	1,452	1,414
Investment property rentals	14,972	13,910	14,972	13,910
Sundry income*	1,454	14,943	733	14,201

## 24. INVESTMENT INCOME AND FEES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
An analysis of revenue is as follows:				
Investment income from financial assets classified as at fair value through profit or loss:	106,985	132,590	278,042	26,148
Dividend income - other investments	40,172	41,124	273,443	19,320
Interest income <sup>1</sup>	66,813	91,466	4,600	6,828
Investment management and performance fees	(2,913)	(2,522)	(2,913)	(2,522)
	<b>104,072</b>	<b>130,068</b>	<b>275,130</b>	<b>23,626</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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## NOTES TO THE FINANCIAL STATEMENTS

## 25.1 Gains and losses on financial instruments

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Losses on financial assets and liabilities measured at amortised cost<sup>3</sup></b>	(11,952)	(451)	(11,952)	(451)
<b>Fair value (losses) gains</b>				
Measured at fair value through profit or (loss)	<b>21,861</b>	<b>12,597</b>	<b>21,861</b>	<b>12,597</b>
Interest rate swap <sup>2</sup>	-	(667)	-	(667)
Foreign exchange rate swap	<b>21,861</b>	<b>13,264</b>	<b>21,861</b>	<b>13,264</b>
<b>Designated at fair value through profit or loss</b>				
Investment income	193,811	52,302	48,447	40,849
Realised gains <sup>1</sup>	96,199	43,968	20,422	25,316
Unrealised fair value gains (losses)	97,613	8,334	28,025	15,534
	<b>215,672</b>	<b>64,898</b>	<b>70,308</b>	<b>53,446</b>

## 25.2 Measured at fair value through OCI

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Revaluation gains/(losses) of land and buildings	(321)	2,199	(321)	2,199
Actuarial Gain on the post-retirement obligation	(13,020)	4,061	(13,020)	4,061
Net (loss)/gain on financial assets designated at fair value through other comprehensive income	63,388	82,330	63,388	82,330
	<b>50,047</b>	<b>88,590</b>	<b>50,047</b>	<b>88,590</b>

1 These are assets invested with asset management companies.

2 These are settled on a net basis per the contractual agreement with the asset managers

3 These are modifications gains/(losses) on loans and advances.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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### NOTES TO THE FINANCIAL STATEMENTS

## 26. OPERATING EXPENSES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Depreciation - Owned assets (Note 12)	9,545	5,477	9,545	5,477
Depreciation - Leased assets (Note 13)	8,853	8,078	8,853	8,078
Amortisation - computer software (Note 14)	302	493	302	493
Auditors remuneration - External auditors	28,724	20,518	25,977	20,518
Interim Accounting Authority' emoluments	<b>19,479</b>	<b>16,319</b>	<b>16,434</b>	<b>15,117</b>
- Executive	8,808	8,372	8,808	8,372
- Non-executive	10,671	7,947	7,626	6,745
Management fees	3,691	7,767	-	-
Professional fees	34,073	40,385	30,432	40,385
Staff costs	455,689	345,062	450,893	345,062
- Salaries and contributions	374,229	336,594	369,761	336,594
- Staff related provisions and other	81,460	8,468	81,132	8,468
Other operating expenses	284,783	204,467	277,010	203,023
- Computer and data costs	38,572	34,958	37,153	34,958
- Repairs and maintenance	2,430	3,385	2,430	3,385
- Rates and taxes	9,063	8,740	9,063	8,740
- Travel and accommodation	7,169	12,179	6,896	12,177
- Corporate social investment	4,960	6,386	4,960	6,191
- Litigation and claims	36,636	16,220	36,636	16,220
- Other <sup>1</sup>	185,952	122,600	179,872	121,353
	<b>845,137</b>	<b>648,566</b>	<b>819,445</b>	<b>638,152</b>

<sup>1</sup>Other operating expenses includes sundry operating expenses such as security, short-term lease, cleaning and marketing amongst others.

## 27. NON-TRADING AND CAPITAL ITEMS\*

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Fair value gain/(loss) on investment properties	35,200	7,990	35,200	7,990
Foreign exchange gain / (loss)	-	3	-	3
Profit /Loss on disposal of Non-Current Asset held for Sale	1,971	3,366	1,971	3,366
Profit on disposal of property and equipment	2	(75)	2	(75)
	<b>37,174</b>	<b>11,285</b>	<b>37,174</b>	<b>11,285</b>

\*Transactions that are either annually or not periodic/frequent in nature.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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## NOTES TO THE FINANCIAL STATEMENTS

## 28. FUNDS UNDER ADMINISTRATION

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Asset</b>				
	<b>1,626,908</b>	<b>1,794,989</b>	<b>1,626,908</b>	<b>1,794,989</b>
<b>Liabilities</b>				
DALRRD	<b>1,626,908</b>	<b>1,794,989</b>	<b>1,626,908</b>	<b>1,794,989</b>
<b>Funds administered on behalf of DALRRD</b>				
Agri-BEE	480,810	435,826	480,810	435,826
MAFISA Fund	18,861	17,382	18,861	17,382
Covid 19	(0)	(0)	(0)	(0)
Job Fund	14,728	12,656	14,728	12,656
Emerging Farmers' Support Facility & CGA Primary Project	150,238	138,793	150,238	138,793
Blended Finance	653,898	863,738	653,898	863,738
Kat River Farmers	2,935	4,514	2,935	4,514
Amajingqi Crop	25,066	24,999	25,066	24,999
EU Wines	40,505	40,314	40,505	40,314
Agro Energy Fund	239,867	256,768	239,867	256,768
	<b>1,626,908</b>	<b>1,794,989</b>	<b>1,626,908</b>	<b>1,794,989</b>
<b>Reconciliation of movement in funds under administration</b>				
<b>Agri-BEE</b>				
<b>Balance at the beginning of the year</b>	435,823	363,591	435,824	363,591
Receipts	19,598	49,590	19,598	49,590
Accrued interest	36,859	36,024	36,859	36,024
Disbursements	(11,471)	(13,380)	(11,471)	(13,380)
<b>Balance at the end of the year</b>	<b>480,809</b>	<b>435,826</b>	<b>480,810</b>	<b>435,826</b>
<b>MAFISA fund</b>				
<b>Balance at the beginning of the year</b>	17,382	16,050	17,382	16,050
Accrued interest	1,429	1,331	1,429	1,331
Receipts	50	-	50	-
Bank charges	-	-	-	-
Transfer from/(to) the fund	-	-	-	-
<b>Balance at the end of the year</b>	<b>18,861</b>	<b>17,382</b>	<b>18,861</b>	<b>17,382</b>
<b>Covid-19</b>				
<b>Balance at the beginning of the year</b>	(0)	92,510	(0)	92,510
Transfer from/(to) Land Bank	0	(99,712)	0	(99,712)
Accrued interest	-	7,201	-	7,201
Disbursements	-	-	-	-
<b>Balance at the end of the year</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
<b>Job fund</b>				
<b>Balance at the beginning of the year</b>	12,656	17,083	12,656	17,083
Accrued interest	1,085	1,169	1,085	1,169
Receipts	1,120	-	1,120	-
Bank charges	(3)	-	(3)	-



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### NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Disbursements	(130)	(10,580)	(130)	(10,580)
Transfer from/(to) the fund	-	4,985	-	4,985
<b>Balance at the end of the year</b>	<b>14,728</b>	<b>12,656</b>	<b>14,728</b>	<b>12,656</b>
<b>Blended Finance</b>				
<b>Balance at the beginning of the year</b>	863,739	1,175,224	863,739	1,175,224
Accrued interest	60,977	89,861	60,977	89,861
Disbursements	(650,229)	(954,509)	(650,229)	(954,509)
Receipts	1,473	-	1,473	-
Bank charges	(3)	-	(3)	-
Transfer from/(to) the fund	377,941	553,162	377,941	553,162
<b>Balance at the end of the year</b>	<b>653,898</b>	<b>863,738</b>	<b>653,898</b>	<b>863,738</b>
<b>Kat River Farmers</b>				
<b>Balance at the beginning of the year</b>	4,513	4,168	4,513	4,168
Accrued interest	320	345	320	345
Receipts	-	-	-	-
Disbursements	(1,898)	-	(1,898)	-
Transfer from/(to) the fund	-	-	-	-
<b>Balance at the end of the year</b>	<b>2,935</b>	<b>4,514</b>	<b>2,935</b>	<b>4,514</b>
<b>Amajingqi Crop</b>				
<b>Balance at the beginning of the year</b>	<b>24,999</b>	-	<b>24,999</b>	-
Accrued interest	119	(1)	119	(1)
Receipts	-	-	-	-
Bank charges	(5)	-	(5)	-
Disbursements	(47)	-	(47)	-
Transfer from/(to) the fund	-	25,000	-	25,000
<b>Balance at the end of the year</b>	<b>25,066</b>	<b>24,999</b>	<b>25,066</b>	<b>24,999</b>
<b>EU Wines</b>				
<b>Balance at the beginning of the year</b>	<b>40,314</b>	-	<b>40,314</b>	-
Accrued interest	191	-	191	-
Receipts	-	-	-	-
Bank charges	-	-	-	-
Disbursements	-	-	-	-
Transfer from/(to) the fund	-	40,314	-	40,314
<b>Balance at the end of the year</b>	<b>40,505</b>	<b>40,314</b>	<b>40,505</b>	<b>40,314</b>
<b>Agro Energy Fund</b>				
<b>Balance at the beginning of the year</b>	256,768	-	256,768	-
Accrued interest	1,150	5	1,150	5
Receipts	-	-	-	-
Bank charges	(5)	-	(5)	-
Disbursements	(18,046)	(2,948)	(18,046)	(2,948)
Transfer from/(to) the fund	-	259,712	-	259,712
<b>Balance at the end of the year</b>	<b>239,867</b>	<b>256,768</b>	<b>239,867</b>	<b>256,768</b>

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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## NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>CGA Primary Project Facility</b>				
<b>Asset</b>				
Cash balance held for the support facilities	150,238	138,792	150,238	138,792
<b>Liabilities</b>				
Emerging farmers support facility	150,238	138,792	150,238	138,792
CGA Primary Project Facility	-	-	-	-
	150,238	138,792	150,238	138,792
<b>Emerging farmers support facility</b>				
<b>Balance at the beginning of the year</b>	138,792	155,356	138,792	155,356
Accrued interest	11,446	11,659	11,446	11,659
Transfer from/(to) the fund	-	(28,222)	-	(28,222)
<b>Balance at the end of the year</b>	<b>150,238</b>	<b>138,793</b>	<b>150,238</b>	<b>138,793</b>

## 29. COMMITMENTS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
29. Loan commitments and guarantees				
Loan commitments*	133,394	86,430	133,394	86,430
	133,394	86,430	133,394	86,430

<sup>1</sup> The above guarantees are included in the clients' approved facility limits and it is unknown when the guarantees will be presented for payment.

\* Loan commitments relates to facilities that are undrawn for clients approved facilities



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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# NOTES TO THE FINANCIAL STATEMENTS

## 31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OF THE GROUP

### Financial risk management Credit risk

Credit risk refers to a loss suffered by a party whereby the counterparty fails to meet its financial obligations to the party under the contract. Credit risk may also arise if there is an increasing risk of default by the counterparty throughout the duration of the contract.

The definition of credit risk includes:

- a. Credit evaluation risk: Risk related to the decreased credit worthiness (based on recent financial performance) of a counterparty to a transaction. A creditor may subsequently charge the downgraded entity a higher lending rate to compensate for the increased risk. For a creditor, downgrade risk may eventually lead to default risk.
- b. Credit concentration risk: Risk related to any single exposure or group of exposures large enough to cause credit losses which threaten the Bank's capital adequacy or ability to maintain its core operations. It is the risk that a common factor within a risk type or across risk types fails or an event occurs which causes credit losses.
- c. Credit default risk: Risk related to the non-payment of interest and/ or capital on a loan by the borrower to the lender. This translates into a loss to the institution as a result of failure by a counterparty to meet its financial and/or contractual obligations.
- d. Counterparty risk: Counterparty risk is the risk to each party of a contract that the counterparty will not live up to its contractual obligations. Counterparty risk is a risk to both parties and should be considered when evaluating a contract. In most financial contracts, counterparty risk is also known as default risk. 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 credit worthiness, 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.

### Credit risk management process

The credit risk management process has four stages. The stage can be summarised as follows:

- Credit origination entails gathering of application information, pre-screening for viability and mandate fit, client assessment and validation of business case through a due diligence.
- Credit assessment entails validation of submitted documentation from origination, risk rating and pricing, viability and affordability assessment, risk mitigation and determining appropriate terms and conditions within the Bank's risk appetite.
- Negotiating and contracting entails drafting and signing of legal documentation, ensuring all conditions precedence have been met in order effect disbursement of the loan.
- Portfolio Monitoring entails ongoing monitoring and evaluation, including base line studies, to ensure social impact and financial expectations have been met, board representation, business development support by designated teams (agricultural, financial etc.).

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### NOTES TO THE FINANCIAL STATEMENTS

#### 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.

The maximum exposure to credit risk is presented in the table below

Financial instruments and risk management of the Group

	2025			2024		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Asset class with asset credit risk exposure *</b>	<b>27,731,526</b>	<b>(3,811,052)</b>	<b>23,920,474</b>	<b>35,430,943</b>	<b>(4,132,754)</b>	<b>31,298,189</b>
Loans and advances	15,385,247	(3,811,052)	11,574,194	17,464,689	(4,132,754)	13,331,936
Cash at bank	9,412,876	-	9,412,876	14,824,812	-	14,824,812
Trade and other receivables (excluding prepaid expenses)	111,366	-	111,366	167,327	-	167,327
Insurance contract assets	316,226	-	316,226	41,378	-	41,378
Reinsurance contract assets	7,140	-	7,140	102,272	-	102,272
Repurchase agreements	-	-	-	-	-	-
Hedging derivatives	361,811	-	361,811	677,672	-	677,672
Strategic trading assets	-	-	-	-	-	-
Investments **	2,136,860	-	2,136,860	2,152,792	-	2,152,792
			-			
<b>Total assets per statement of financial position</b>	<b>27,731,526</b>	<b>(3,811,052)</b>	<b>23,920,474</b>	<b>35,430,943</b>	<b>(4 132 754)</b>	<b>31,298,189</b>



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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### NOTES TO THE FINANCIAL STATEMENTS

2025			2024		
Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
R'000	R'000	R'000	R'000	R'000	R'000

#### Add off balance sheet items exposed to credit risk

Guarantees issued	-	-	-	-	-
Loan commitments	133,394	-	133,394	86,430	86,430
Operating lease commitments - group as lessor	-	-	-	-	-

#### Maximum credit exposure - selected items

<b>27,864,920</b>	<b>(3,811,052)</b>	<b>24,053,868</b>	<b>35,517,373</b>	<b>(4 132 754)</b>	<b>31,384,619</b>
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Credit exposure is calculated on the basis of selected items on and off the balance sheet (loan commitments).

\* This amount excludes the impact of any collateral held or credit enhancements. Refer to note 9 for collateral held against the loans and advances.

#### 2025

	Corporate Banking and Structured Investments	Commercial Development and Business Banking			Total Book Total	Classification by loan performance			
		Direct	Direct	Indirect		Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
		R'000	R'000	R'000		R'000	R'000	R'000	R'000
<b>Agricultural Sector</b>									
Agri-Business	106,559	334,007	-	334,007	440 566	6 575	11 502	422 489	
Citrus	-	244,151	-	244,151	244 151	58 674	5 441	180 036	
Cotton	-	33,809	-	33,809	33 809	5 292	-	28 517	
Dairy	159,966	224,939	-	224,939	384 905	70 752	13 705	300 449	
Deciduous fruit	309,017	172,832	-	172,832	481 849	100 055	105 262	276 532	
Feedlot	610	27,871	-	27,871	28 481	11 929	-	16 552	
Financial Services	8,655	355,334	-	355,334	363 989	197 601	71 500	94 889	
Flowers	-	4,125	-	4,125	4 125	2 188	-	1 937	
Fodder	-	261,059	-	261,059	261 059	53 334	2 050	205 675	
Game	-	159,855	-	159,855	159 855	34 370	6 691	118 794	
Grain	2,971,384	2,782,163	2,196	2,784,359	5 755 744	2 895 642	1 068 671	1 869 631	
Livestock	306,706	2,590,184	-	2,590,184	2 896 890	990 188	255 847	1 650 855	
Nuts	82,491	391,207	-	391,207	473 698	117 185	4 633	351 880	
Ostriches	-	50,824	-	50,824	50 824	15 332	-	35 492	
Other	628,805	405,462	44,087	449,548	1 078 353	56 242	-	998 677	
Pork	-	32,961	-	32,961	32 962	3 475	33	29 454	
Poultry	238,692	113,509	3,811	117,320	356 012	34 411	127 269	190 521	
Subtropical Fruit	-	27,290	-	27,290	27 290	3 303	-	23 988	
Sugarcane	105,000	269,616	-	269,616	374 616	188 370	6 939	179 307	
Table grapes	-	440,664	44,868	485,532	485 532	103 227	-	337 438	

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## NOTES TO THE FINANCIAL STATEMENTS

Agricultural Sector	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Book Total	Classification by loan performance		
	Direct	Direct	Indirect	Total	Total		Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Tea	-	18,966	-	18,966	18 966	6 582	9 713	2 671	
Timber	-	75,766	-	75,766	75 766	21 571	55	54 140	
Tobacco	-	152,109	-	152,109	152 109	3 420	13 875	148 689	
Vegetables	174,962	819,593	-	819,593	994 556	142 550	15 105	838 130	
Wine	-	203,052	6,088	209,140	209 140	115 119	-	72 828	
<b>Total</b>	<b>5,092,847</b>	<b>10,191,350</b>	<b>101,049</b>	<b>10,292,399</b>	<b>15,385,247</b>	<b>5 237 387</b>	<b>1 718 290</b>	<b>8 429 569</b>	

## 2024

Agricultural Sector	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Book	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total		Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Agri-Business	227,432	227,432	632,136	-	632,136	859,568	165,628	3,229	690,711
Agro-processing	-	-	1,076	-	1,076	1,076	-	-	1,076
Citrus	-	-	226,621	-	226,621	226,621	46,285	16,702	163,635
Cotton	-	-	30,872	-	30,872	30,872	5,387	147	25,338
Dairy	170,882	170,882	254,887	-	254,887	425,769	253,189	15,007	157,573
Deciduous fruit	318,306	318,306	139,745	-	139,745	458,051	76,588	122,919	258,544
Equipment	-	-	-	-	-	-	-	-	-
Feedlot	75,081	75,081	29,220	-	29,220	104,301	83,094	-	21,207
Financial Services	9,916	9,916	391,558	-	391,558	401,474	242,822	71,857	86,795
Flowers	-	-	4,692	-	4,692	4,692	2,321	-	2,370
Fodder	-	-	255,300	-	255,300	255,300	109,181	1,493	144,626
Game	-	-	198,034	-	198,034	198,034	45,453	2,800	149,781
Grain	3,718,961	3,718,961	3,339,857	10,217	3,350,074	7,069,035	3,242,607	1,075,062	2,751,366
Inputs supplier	-	-	30,571	-	30,571	30,571	-	-	30,571
Livestock	266,165	266,165	2,772,927	20,160	2,793,086	3,059,251	1,107,915	258,399	1,692,937
Logistics	-	-	-	-	-	-	-	-	-
Nuts	75,772	75,772	343,507	3,600	347,107	422,878	137,230	15,833	269,816
Ostriches	-	-	48,094	-	48,094	48,094	14,175	-	33,919
Other	546,178	546,178	34,017	34,899	68,916	615,095	12,625	-	602,470
Pork	-	-	32,215	-	32,215	32,215	3,607	128	28,480
Poultry	266,109	266,109	107,988	726	108,714	374,823	196,079	1,392	177,351
Subtropical Fruit	-	-	24,982	-	24,982	24,982	3,257	352	21,373
Sugarcane	298,364	298,364	243,625	- 2	243,622	541,986	173,413	2,237	366,337
Table grapes	-	-	363,335	48,379	411,714	411,714	111,947	-	299,767



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### NOTES TO THE FINANCIAL STATEMENTS

#### 2024

Agricultural Sector	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Book	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total		Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000		R'000	R'000	R'000
Tea	-	-	20,722	-	20,722	20,722	7,023	10,238	3,460
Timber	144,680	144,680	75,038	-	75,038	219,718	166,835	62	52,822
Tobacco	-	-	146,120	-	146,120	146,120	-	3,659	142,462
Vegetables	159,711	159,711	1,056,297	-	1,056,297	1,216,008	162,936	59,979	993,093
Wine	-	-	243,541	22,178	265,719	265,719	145,033	13,769	106,917
<b>Total</b>	<b>6,277,556</b>	<b>6,277,556</b>	<b>11,046,976</b>	<b>140,156</b>	<b>11,187,133</b>	<b>17,464,689</b>	<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>

#### Credit exposure by geographic/regional distribution

2025 Province	Corporate Banking and Structured Investments	Commercial Development and Business Banking	Total	Weighting	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	%	R'000	R'000	R'000
Eastern Cape	379 754	855 633	1 235 387	7%	387 828	135 565	711 994
Free State	55 096	1 714 339	1 769 436	11%	533 371	122 844	1 113 221
Gauteng	610 789	529 083	1 139 871	23%	158 029	119 709	862 134
KwaZulu-Natal	105 000	594 391	699 391	4%	173 946	49 151	476 294
Limpopo	786 101	1 482 950	2 269 052	12%	214 792	158 380	1 895 880
Mpumalanga	2 905 479	1 195 169	4 100 648	17%	2 448 188	920 050	732 368
North West	3 966	1 946 179	1 950 144	9%	214 843	18 688	603 119
Northern Cape	20 076	816 574	836 651	8%	670 874	80 200	1 199 070
Western Cape	267 932	1 116 735	1 384 668	9%	470 863	113 798	800 007
<b>Total</b>	<b>5 134 193</b>	<b>10 251 053</b>	<b>15 385 247</b>	<b>100%</b>	<b>5 272 734</b>	<b>1 718 384</b>	<b>8 394 088</b>

#### Loan Performance

2024 Province	Corporate Banking and Structured Investments	Commercial Development and Business Banking	Total	Weighting	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	%	R'000	R'000	R'000
Eastern Cape	370,529	864,458	1,234,987	7%	577,473	139,455	518,059
Free State	-	2,008,421	2,008,421	11%	578,198	152,804	1,277,419
Gauteng	1,778,798	763,714	2,542,512	15%	340,662	138,209	2,063,640
KwaZulu-Natal	298,364	540,674	839,038	3%	162,884	16,182	659,973
Mpumalanga	120,024	1,546,931	1,666,955	10%	319,258	47,212	1,300,486
Northern Cape	3,028,718	1,299,223	4,327,941	25%	2,664,341	880,723	782,877
Limpopo	273,394	1,171,818	1,445,212	8%	541,566	65,749	837,897
North West	120,271	1,991,845	2,112,116	12%	920,413	86,808	1,104,895
Western Cape	287,458	1,000,050	1,287,508	7%	409,836	148,122	729,550
<b>Total</b>	<b>6,277,556</b>	<b>11,187,133</b>	<b>17,464,689</b>	<b>98%</b>	<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>

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## NOTES TO THE FINANCIAL STATEMENTS

## 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:

	Bonds	Cash, deposits and similar securities	Collective Investment Schemes	Net working capital assets	Total
	R'000	R'000	R'000	R'000	R'000
<b>2025</b>					
AAA	322,271	145,173	-	-	467,444
AA+	4,592	28,907	-	-	33,499
AA	32,960	17,658	-	-	50,618
AA-	294,122	1,779	-	44,723	340,624
A+	5,061	-	-	-	5,061
A	150	3,069	-	-	3,219
A-	469	-	-	-	469
BBB+	393	-	-	-	393
BBB-	3,660	-	-	-	3,660
BBB	1,718	-	-	-	1,718
BB+	1,005	-	-	-	1,005
BB-	7,086	7,388,723	-	-	7,395,809
Other *	-	15,385,247	-	-	15,385,247
Not rated **	107,123	1,220,567	129,905	-	1,457,595
<b>Total</b>	<b>780,610</b>	<b>24,191,123</b>	<b>129,905</b>	<b>44,723</b>	<b>25,146,361</b>

## Credit risk concentration by credit rating (rated externally)

	Bonds	Cash, deposits and similar securities	Collective Investment Schemes	Net working capital assets	Total
	R'000	R'000	R'000	R'000	R'000
<b>2024</b>					
AAA	366 796	247,299	-	-	614 095
AA+	166 230	-	178,323	-	344 553
AA	197 812	52,327	-	-	250 139
AA-	22 655	2,836	-	36,793	62,284
A	203	4,103	-	-	4 306
A-	901	-	-	3,153	4 054
BBB	3,469	-	-	-	3,469
BB+	1,004	-	-	-	1,004
BB	606	-	-	-	606
BB-	-	14 396 189	-	-	14 396 189
Other *	-	17 465 140	-	-	17 465 140
Not rated **	-	1 142 658	-	-	1 142 658
<b>Total</b>	<b>759,677</b>	<b>33 310 552</b>	<b>178,323</b>	<b>39,946</b>	<b>34 288 498</b>

\* This includes clients that 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. Please refer to note 9 and note 4.

\*\* These assets do not have a formal rating and mainly relate to premium debtors.

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**NOTES TO THE FINANCIAL STATEMENTS**

## Credit exposure by line of business - loan book

	2025		2024	
	R'000	% Total	R'000	% Total
<b>Gross loan book</b>				
Corporate Banking and Structured Investments	5,242,936	34%	6,312,766	36%
Commercial Development and Business Banking	10,207,873	66%	11,212,557	64%
Loan Modification	- 65,563		- 60,634	
Total gross loan book from continuing operations	15,385,247		17,464,689	
Less: Expected Credit Loss (ECL)	- 3,811,052		- 4,132,754	
Carrying amount of loans from continuing operations	11,574,194		13,331,936	
<b>Balance per annual financial statements - total carrying amount</b>	<b>11,574,194</b>	<b>100%</b>	<b>13,331,936</b>	<b>100%</b>

Balance as per the following notes

The Bank's Commercial Development and Business Banking division, which provides loans to agricultural cooperatives and agribusiness companies, continues to account for the bulk of the Bank's overall credit exposure.

Credit risk management practices in relation to the recognition and measurement of expected credit losses

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
12-month and lifetime expected credit losses	Expected loss methods based on probability at default (PD), loss given default (LGD) and exposure at default (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 cyclical effects.	PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclical effects.  LGD: LGD model calibrated with own data history.  EAD: credit conversion factor (CCF) modelling with own data, inclusion of repayment schedules.
			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	

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### NOTES TO THE FINANCIAL STATEMENTS

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
Whether a credit Risk has increased significantly since initial recognition	1. 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.	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.

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
	Early Warning Indicators (a combination of macroeconomic factors (SA Maize Volatility Index - SAVI, Agricultural GDP, International Food Index ,and business rules) have been implemented for the monitoring and classification of SICR.			1. 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, unlikelihood 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 unlikelihood 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.

#### Macro-economic factors

IFRS 9 introduced the use of macro-economic factors when calculating ECL. The Group has used macro-economic factors in the ECL methodology. Such factors include but are not limited to the World Food Index as well as the Volume of Imports of Goods and Services, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indices, including any forecasts of future economic conditions are reviewed regularly.

For information on financial assets' credit risk exposure, including significant credit risk concentrations please see note 33.

#### 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 and there are no reasonable prospects of success.

As a development bank, the Land Bank will endeavor to ensure continuity of agricultural production, and the Group shall only write off bad debt when all reasonable steps have been taken to recover the debt.

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**NOTES TO THE FINANCIAL STATEMENTS**

Land Bank considers the following indicators when determining whether there is no reasonable expectation of recovery:

- Recovery of the debt is not economically justified;
- Trace of the client is unsuccessful where efforts and channels to trace the client have been fully exhausted; or
- It is to the advantage of Land Bank to effect settlement of its claims or to waive the claim; or
- The sheriff has issued a nulla bona return to the effect that there are no further assets available to liquidate; or
- The loan security and/or security documents are defective and no other basis for a claim exists; or
- A shortfall emanating from the agreed settlement discount offered by Land Bank and/or a compromise has been reached between the client and Land Bank and a condition of such compromise is that Land Bank must write off a portion of the outstanding debt; or
- The loan is secured by property where the asset has been "bought-in" following an auction or abandonment process; or
- No security exists at the date of insolvency/liquidation/ or business rescue and/or existing security has been sold and the proceeds thereof received by Land Bank leaves a shortfall; or
- A deceased estate where there are no assets and there is no security or spouse married in community of property from which the outstanding balance may be claimed; or
- A deceased estate where there are no assets however:
  - i) The estate is insolvent and will be administered in accordance with Section 34 of the Administration of Estates Act 66 of 1965; or
  - ii) If there are insufficient dividends for the estate and the assets within the estate are of minimal value and / or are not dispensable to the debtor's dependents; or
- The debt has prescribed as defined by the Prescription Act (68 of 1969) as amended; or
- Any amount exceeding in-duplum inclusive of interest and costs; or
- All avenues of recovery, including the realisation of security and sureties, have been exhausted and a shortfall exists; or
- Any circumstance which in the opinion of the Chief Executive Office, Chief Financial Officer and/or Executive Manager Legal Services prohibits the recovery of the debt (authorisation in line with the DOP); or
- Any circumstance which is in the public interest or may be required as a result of amendments or enactments of legislation.

From time to time the Group has financial assets that are written off but may still be subject to enforcement activity. Such financial assets are written off when the aforementioned criteria have been met. Any recoveries due to enforcement activities are treated as bad debt recoveries in the year which such recoveries are made. This amounted to R69.9 million (FY2024: R40.5 million) refer to note 9.

## Modification

The gross carrying amount of loans modified and the related gains/(losses) recognised where no derecognition took place:

**Loss allowance: expected credit losses**

2025	Gross loans modified	Gain/(loss) on modification	Change in expected credit loss due to modification
	R'000	R'000	R'000
Stage 1	34,104	24	15
Stage 2	21,666	4	11
Stage 3	4,864	(4,957)	667
<b>Total</b>	<b>60,634</b>	<b>(4,929)</b>	<b>692</b>

**Loss allowance: expected credit losses**

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## NOTES TO THE FINANCIAL STATEMENTS

2024	Gross loans modified	Gain/(loss) on modification	Change in expected credit loss due to modification
	R'000	R'000	R'000
Stage 1	44,196	(451)	335
Stage 2	1,856	-	-
Stage 3	2,962	-	-
<b>Total</b>	<b>49,015</b>	<b>(451)</b>	<b>335</b>

## Stage migration (Gross loans and relating expected credit losses)

		Stage 1 <sup>1</sup>	Stage 2 <sup>2</sup>	Stage 3 <sup>2</sup>	Total
	Note	R'000	R'000	R'000	R'000
Gross loans as reported for 2025	9	5,237,387	1,718,290	8,429,569	15,385,246
Stage migration - improvements		372,347	(140,259)	(232,088)	
-Stage 2 to 1		227,601	(227,601)	-	
-Stage 3 to 1		144,746	-	(144,746)	
-Stage 3 to 2		-	87,342	(87,342)	
Stage migration - deterioration		(88,669)	(12,430)	101,098	
-Stage 1 to 2		(42,981)	42,981	-	
-Stage 1 to 3		(45,688)	-	45,688	
-Stage 2 to 3		-	(55,410)	55,410	
<b>Net stage migration</b>		<b>283,678</b>	<b>(152,689)</b>	<b>(130,990)</b>	

## Stage migration (Gross loans and relating expected credit losses)

		Stage 1 <sup>1</sup>	Stage 2 <sup>2</sup>	Stage 3 <sup>2</sup>	Total
	Note	R'000	R'000	R'000	R'000
Expected credit losses as reported for 2025	9	156,400	185,036	3,469,616	3,811,052
Stage migration - improvements		2,095	2,095	(4,546)	
-Stage 2 to 1		-	-	-	
-Stage 3 to 1		1,413	1,413	(4,546)	
-Stage 3 to 2		683	683	-	
Stage migration - deterioration		(4,162)	(9,439)	13,601	
-Stage 1 to 3		(2,732)	(10,869)	13,601	
-Stage 2 to 3		(1,430)	1,430	-	
<b>Net stage migration</b>		<b>(2,067)</b>	<b>(7,344)</b>	<b>9,055</b>	
Gross loans as reported for 2024		6,514,630	1,675,264	9,274,795	17,464,689
Stage migration - improvements		902,976	(275,884)	(627,092)	
-Stage 2 to 1		406,748	(406,748)	-	



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### NOTES TO THE FINANCIAL STATEMENTS

	Stage 1 <sup>1</sup>	Stage 2 <sup>2</sup>	Stage 3 <sup>2</sup>	Total
Note	R'000	R'000	R'000	R'000
-Stage 3 to 1	496,228	-	(496,228)	
-Stage 3 to 2	-	130,864	(130,864)	
Stage migration - deterioration	(496,087)	165,259	330,829	
-Stage 1 to 2	(346,578)	346,578	-	
-Stage 1 to 3	(149,510)	-	149,510	
-Stage 2 to 3	-	(181,319)	181,319	
<b>Net stage migration</b>	<b>406,889</b>	<b>(110,625)</b>	<b>(296,264)</b>	

	Stage 1 <sup>1</sup>	Stage 2 <sup>2</sup>	Stage 3 <sup>2</sup>	Total	
Note	R'000	R'000	R'000	R'000	
Expected credit losses as reported for 2024	9	(23,873)	(102,386)	(4,000,223)	(4,126,482)
Stage migration - improvements	54,016	(41,108)	(12,908)		
-Stage 2 to 1	32,051	(19,143)	(12,908)		
-Stage 3 to 2	21,965	(21,965)	-		
Stage migration - deterioration	(26,241)	(1,726)	27,966		
-Stage 1 to 2	(23,979)	(3,987)	27,966		
-Stage 2 to 3	(2,262)	2,262	-		
<b>Net stage migration</b>					

<sup>1</sup> 12 month expected credit losses

<sup>2</sup> Life time expected credit losses

#### Liquidity risk

Liquidity risk relates to the Bank's possible inability to meet its payment obligations when they fall due. This may be caused by the Bank's possible inability to liquidate assets and/or to obtain funding to meet its liquidity needs.

- The Group is exposed to liquidity risk via its:
- Ability to borrow from the market, at market related interest rates;
- Ability to attract wholesale funders at favourable interest rates;
- Liquid assets ratios are not adequate for prudential requirements;
- Ability to raise long term funding to match long term assets;
- Lack of standby lines of credit.

To manage liquidity risk, the Bank has a treasury policy that takes into account limits to manage its liquidity. The liquidity risk/going concern is being addressed through the restructuring process that is currently underway at Land Bank. The Board instituted a Board Restructuring Committee which monitors progress on Land Bank's restructuring process.

#### Control and management

The following control measures are in place:

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# NOTES TO THE FINANCIAL STATEMENTS

Corporate finance and legal advisors were appointed to provide expert guidance on the successful implementation of the liability solution of the bank. The going concern was addressed through the restructuring process that is currently underway at Land Bank. The Board instituted a Board Restructuring Committee which monitored progress on Land Bank's restructuring process. The committee met weekly or as required.

The Shareholder is a standing invitee on the committee weekly meetings.

Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles. The company invested its surplus cash in a portfolio of short-term interest bearing assets in the current reporting period. The board decided to adopt a conservative investment strategy for the company considering the volatility of crop business.

### Liquidity Coverage Ratio

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

### Deviation from the Banking Regulations

Given the unique business model of the Land Bank, including the inability to take deposits and the requirement to have cash available, the Bank deviates from the Banking Regulations in the following areas:

- The Land Bank's previous liquidity ratio required the Bank to invest surplus cash with counterparties with rating A and above. Due to operational requirements, investing surplus funds in government bonds will cause excessive trading in bonds which increase the market risk and potential capital losses on cash. The Bank shall therefore deviate from the Banks Act in terms of classifying cash deposits and available facilities as High Quality Liquid Assets.
- Acknowledge a deviation from the regulation in terms of assumptions made regarding rollover rates with investors to assess the likelihood of rollover. The Bank will always apply the minimum rollover rate (between historic rollovers and investor discussions) to the calculations of the LCR.
- These deviations from the Banking Regulations have been included in the funding agreements as financial loan covenants.

### Net Stable Funding Ratio

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

### Cash at bank

The pool of liquid assets (in cash) is invested with reputable financial institutions as informed by the treasury policy.

### Trade and other receivables

Past trends indicate that payment has been received timeously and that the fair values post year-end fairly reflect the amounts received. The housing loans have been discounted to the present value using the prime interest rate.

### Repurchase agreements, derivative assets, strategic trading 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.

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Maturity analysis is presented on undiscounted cash flows as per IFRS 7:42E.

<b>Group - 2025</b>		<b>Less than 1 year</b>	<b>1 - 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>Notes</b>				
Financial Liabilities					
Trade and other payables	16	106,619	18,039	32,499	157,157
Other financial liabilities	16.1	1,626,909	-	-	1,626,909
Funding liabilities	18	-	9,428,841	-	9,428,841
Lease liabilities	13	8,487	14,404	-	22,890
<b>Total Financial Liabilities</b>		<b>1,742,015</b>	<b>9,461,284</b>	<b>32,499</b>	<b>11,235,798</b>

<b>Group - 2024</b>		<b>Less than 1 year</b>	<b>1 - 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Financial Liabilities					
Trade and other payables	16	171,553	9,453	28,698	209,704
Other financial liabilities	16.1	6,085,486	-	-	6,085,486
Funding liabilities	18	15,979,962	3,891,152	2,513	19,873,627
Lease liabilities	13	8,193	17,879	-	26,072
<b>Total Financial Liabilities</b>		<b>22,245,194</b>	<b>3,918,484</b>	<b>31,211</b>	<b>26,194,889</b>

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### Interest rate risk monitoring

The Asset and Liability Management Committee (ALCO) consists of the Bank's executive management and it monitors among other things, the implementation of the Bank's interest rate risk policy. ALCO considers and formulates interest rate views as the official forecast of interest rates. Sensitivity analysis is performed by the Risk Management department where the interest rate risk mismatch limit (fixed vs floating) is set.

### Interest rate risk policy

The Bank reviews its interest rate risk policy in line with market practices on an annual basis.

### Sensitivity analysis

Annually an interest rate risk sensitive analysis is performed as part of the Risk Management input to the Annual Financial Statements. The purpose of the analysis is to indicate the Land Bank's income sensitivity to interest rate changes.

Calculations were performed to determine the Bank's projected net interest income. An interest rate sensitivity analysis was performed by applying a parallel shift of 100 basis points up and down on interest rates to anticipate the projected impact on the Bank's profitability. The expected prime interest rate used in the calculations was 11.06% as per budget assumptions.

The calculation includes assumptions that will have a positive or negative impact on the net interest income for Land Bank during the 2025/26 financial year.

### 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 net interest income.

The effect of a reasonable possible change in interest rates, as explained above, and all other variables held constant, the Bank's profit would be as follows using data as at 31 March 2025:

Net Interest Income	April 2025 - March 2025	Variance
Nil with expected view	1 106 539,72	
100 basis points rate shock up	1 217 295,71	110 755,99
100 basis points rate shock down	995 783,74	110 755,99

An interest rate sensitivity analysis was performed by applying a parallel shift of 100 basis points up and down on interest rates to anticipate the projected impact on the Bank's profitability. The expected prime interest rate used in the calculations was 11.06% as per budget assumptions. The table above is that the expected impact of a 100-basis points up and down shock in interest rates is around R111m (R97m for FY24).

### Currency risk

The group is exposed to the risk of fluctuations in foreign currencies, as a result of future transactions and investments in foreign companies. The group makes use of forward exchange contracts to manage this risk.

### 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.
- To maintain healthy capital adequacy ratios in order to support its business objectives.



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- To comply with the requirements set by the regulator of the insurance markets where the company operates.

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) - the Land Bank

The Bank has adopted a Basel-like Total Capital Adequacy Ratio (TCAR) with Board approved deviations from the Regulations to determine the amount of capital needed to ensure solvency and liquidity. The TCAR calculation is underpinned by the Standardised Approach principles. The Bank targets a minimum total capital adequacy ratio of 15%. The Basel Accord requires that banks meet three minimum capital adequacy ratios, in order to ensure that banks have an acceptable mix between high quality, expensive capital and lower quality, less expensive capital, these are:

- Common Equity Tier I (CETI) minimum =  $\text{CETI} / \text{total Risk Weighted Assets (RWA)}$ ;
- Tier I minimum =  $(\text{CETI} + \text{Additional Tier I (ATI)}) / \text{total RWA}$ ; and
- Total minimum =  $(\text{CETI} + \text{ATI} + \text{Tier 2}) / \text{total RWA}$ .

The only deviation from the Banking Regulations with regards to total CAR is:

- Land Bank only has Government as shareholder and is not allowed to issue shares in the market to raise

capital. Therefore, should the government guarantee be excluded from capital the only other resource of capital would be retained earnings. The Land Bank's funding covenants all include the unutilised portion of government guarantees (those of capital/ sustainability nature) as a source of capital supply.

Risk-weightings are risk sensitive, in other words, riskier assets receive higher weightings and the Basel Capital Accord allows for basic and advanced approaches to determine RWA dependent on the sophistication of a bank.

The Land Bank (Bank) capital adequacy was estimated based on the following approaches:

- Credit risk: The Standardised Approach;
- Operational risk: The Basic Indicator Approach;
- Equity risk in the banking book: The Simple Risk-weight Approach;
- Market risk: Standardised approach; and
- Credit and operational risk have been identified as the major risk types affecting the Land Bank.

It is the intention of the Land Bank to move towards more sophisticated approaches, such as the Foundation Internal Ratings Based (F-IRB) approach for credit risk measurement. In this regard has the Bank already commenced with the development of Internal Ratings Based models.

The Land Bank is a state-owned entity (SOE) and therefore does not have the ability to issue share capital. For this reason, the bank includes Government Guarantees which are not ring-fenced for funding purposes as Tier I Capital.

To further strengthen capital management, the Bank adopted the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

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### Capital management

#### Capital Adequacy Requirements (CAR) - the Land Bank

	2025	2024
	R'000	R'000
<b>Capital adequacy</b>		
<b>Total capital adequacy</b>	<b>46.0%</b>	<b>19.6%</b>
<b>Capital supply</b>		
Ordinary shareholders' equity	14,397,655	8,784,325
Retained earnings	- 3,257,611	- 3,645,738
Accumulated other comprehensive income	<b>(466,657)</b>	<b>(581,477)</b>
Property revaluation reserve	144,937	145,258
Other reserves	- 611,594	- 726,736
<b>Common Equity Tier 1 (CET1) Capital: Instruments and reserves</b>	<b>10,673,387</b>	<b>4,557,109</b>
<b>Common Equity Tier 1 Capital: Regulatory adjustments</b>	<b>(760)</b>	<b>(195,457)</b>
Threshold deductions (investments in subsidiaries)	-	- 194,395
Intangible assets	- 760	- 1,062
<b>Total available Common Equity Tier 1 capital</b>	<b>10,672,627</b>	<b>4,361,652</b>
<b>Total available Tier 2 capital</b>	<b>232,442</b>	<b>132,531</b>
General allowance for credit impairment	232,442	132,531
<b>Total available capital</b>	<b>10,905,069</b>	<b>4,494,183</b>
<b>Capital demand</b>		
<b>Risk weighted assets</b>		
Credit risk	18,485,335	19,230,330
Counterparty risk	-	2,747
Operational risk	2,262,209	1,259,742
Equity risk	792,202	709,567
Market risk	198,785	163,315
Other assets risk	329,848	366,736
Threshold items	1,625,075	1,139,012
<b>Total</b>	<b>23,693,454</b>	<b>22,871,449</b>



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Risk Management Strategies of the insurance business

### The Life insurance business

As an Insurance entity, LBLIC is exposed to various insurance and financial risks. These risks cause uncertainty and therefore the challenge for management is to determine what level of uncertainty is acceptable for its business as it strives to enhance stakeholder value. LBLIC has adopted an enterprise risk management (ERM) approach and framework that enables management to effectively deal with uncertainty and thus enhance the capacity to build value by efficiently and effectively deploying resources in pursuit of achieving the corporate objectives. The ERM process adopted is considered appropriate to the nature, scale and complexity of the business. The LBLIC approach is aligned with the principles of the King Report on Corporate Governance for South Africa, 2016 (King IV), ISO 31000, Prudential Authority Standard – GOI 3, Solvency Assessment and Management (SAM) requirements. LBLIC's ERM framework and process is designed to assist the board in ensuring that management continually monitors risk and reports back to the Audit and Risk Committee (ARC) on the status of these risks. ISO 31000 was adopted to ensure that a structured and practical approach to risk management is implemented throughout the business. LBLIC's ERM process is well defined and business is responsible and accountable for integrating ERM in the operations. ERM adds value by being aligned to the business strategy and objectives.

### Risk assessment process

A key component of the ERM framework is the risk assessment process. LBLIC's risk assessment process consists of risk identification, risk analysis, risk evaluation and risk treatment/management of those risks that are relevant to the corporate strategic objectives. Risks are identified from a top down (strategic) and bottom up (operational) perspective to create and maintain an integrated view of material risk exposures. The top down approach is undertaken at an executive and senior management level and considers strategic risks affecting LBLIC in the medium to long term. In parallel, the bottom up approach is undertaken by enterprise risk management (ERM) at a business unit level to assess all categories of risks from their perspectives with specific focus on operational, underwriting, reinsurance and financial risks. The risk identification process is used to build an aggregated view of all significant risks faced by the organisation. Risk analysis

provides an input to risk evaluation and informs decisions on how the risks need to be treated. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences may occur. LBLIC analyses quantifiable risks by using capital requirement and ORSA models which are developed based on the prudential standard's standard formula.

The models cover the following risk categories:

- insurance risk (consisting of underwriting and reinsurance risk)
- liquidity risk
- market risk
- operational risk

A number of risks faced by LBLIC are not modelled, namely: strategic, conduct, regulatory, and outsourcing risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks. These risks are addressed in the annual ORSA process. Once the relevant risks are better understood, the risk strategy governs how the risks should be managed within the business. LBLIC has formulated a risk management strategy which guides risk-taking activities and ensures that we sustainably deliver on our strategic objectives.

### Capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the Shareholder and Policyholders. The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on creation of value to the Shareholder.

The Prudential Standards prescribed under the Insurance Act seek to improve policyholder protection and contribute to financial stability through aligning insurers'

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regulatory capital requirements with underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards. In accordance with the Prudential Standards, each insurance company must maintain own funds to cover at a minimum their capital

The company is exposed to the following main general risks:

### a. Operational Risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events and inadequate or failed internal processes and systems. Operational risks are inherent in the LBI's operations. Major sources of operational risk can include operational process reliability, information security, outsourcing of operations, dependence on key partners, implementation of strategic and operational change, fraud, human error such as not placing the necessary facultative reinsurance, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and social and environmental impact.

The LBI manage operational risk through a detailed system of internal controls. From a risk governance perspective, the three lines of defence approach is used to identify the various levels of controls, oversight and assurance, while ensuring role-player independence. Risk management processes for oversight include using a range of tools to identify, monitor and mitigate its operational risk in accordance with the Board approved Risk Strategy (which entail risk appetite statements and Risk Limits). These tools include Risk and Control Self-Assessments (RCSA), key risk indicators, scenario analyses and loss reporting. In addition, the LBI have developed a number of contingency plans including incident management and business continuity plans. Quantitative analysis of operational risk exposures material to the LBI are used to inform decisions on controls and the overall amount of capital held for potential risk exposures.

### b. Strategic Risk

The Company submits its three-year corporate plan to its Holding company, which is included in the shareholder's compact to National Treasury, as required by the PFMA, at the beginning of each financial year. One of the components of strategic risk is the risk of not achieving budgeted targets, both in forecast growth of revenue and quality of new business

## 31.2 Legal and Compliance

The LBLIC has an effective legal and compliance function that oversees and monitors that the company meets its legal and regulatory obligations, and further, promotes and sustains a sound compliance culture. The compliance function has a risk-based compliance monitoring plan to:

- monitor compliance with related internal controls, as well as legal and regulatory obligations; and
- identify, assess and report on key legal and regulatory risks

The compliance function also assesses the appropriateness of policies, processes, and controls in respect of key areas of legal, regulatory obligations and the effective monitoring thereof by the LBLIC. As part of the control functions, the legal & compliance function submits reports to the LBLIC Audit and Risk Committee on legal and compliance matters on a quarterly basis.

The Monitoring and Compliance Coverage Plans are approved by the Audit and Risk Committee as part of the governance process.

## 31.3 Market risk

Market risk is the most significant risk that the Company is exposed to. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate from changes in market variables, such as interest rates. The risk is that capital is not preserved and that investment returns earned are below expectations. Assets backing policyholders' liabilities, the risk to the Company is that the investment returns earned are below the desired benchmark. For Shareholder's assets, the risk is that capital is not preserved and that investment returns earned are below expectations.

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The Company makes use of several sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These scenario tests and stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal market risk tools and capital models to inform the Company's business planning process and risk management. The Board delegates the responsibility of Investment risk management oversight and assurance to the Investment and Actuarial Committee ("IAC"). Day-to-day management of the Company's investments are managed by appointed Investment Managers. The Company also outsources the monitoring of the investment managers' day-to-day management of the investments to an Investment Consultant. The Investment Managers (outsourced) are mandated by the Company to managing assets in terms of their investment mandate. The Investment Consultant (outsourced) is responsible for providing advice to the Company and liaising with investment managers and reported to the IAC and Board regularly.

The Company conducts its asset-liability modelling exercises every three years or earlier if there are material changes to the business or economic conditions. The latest ALM and investment strategy were approved by the Board in 2024 for the appointment of new asset managers in 2024. The Investment Policy was updated and approved by the Board in January 2025.

To manage the risk of deviation from the benchmark asset allocation, a tactical asset allocation range is set for each asset class to allow some deviation from the strategic asset allocation. This will also allow managers to add value by making asset allocation decisions. Investment managers are allowed to deviate outside the tactical limits. In such an event the reasons for this will be communicated to the Investment Consultant and IAC.

Investment portfolio concentration risk

Investment manager performance, portfolio and manager allocations are monitored and reported to the Company management and Investment and Actuarial committee on a regular basis by the Company's investment consultants. Upper and lower bounds are assigned to each asset class and are reviewed every three years, in line with the investment policy and asset-liability management policy.

**31.3.1 Price risk**

The Company 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.

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Price risk sensitivity analysis: equities

	2025		2024	
	Increase	Decrease	Increase	Decrease
	R'000	R'000	R'000	R'000
<b>Excluding the impact of derivatives</b>				
10% decrease	-	(31,684)	-	(49,898)
5% decrease	-	(15,842)	-	(24,949)
10% increase	31,684	-	48,898	-
5% increase	15,842	-	24,949	-
<b>Including the impact of derivatives</b>				
10% decrease	-	(46,440)	-	(49,880)
5% decrease	-	(23,220)	-	(24,940)
10% increase	46,440	-	49,880	-
5% increase	23,220	-	24,940	-

#### 31.3.2 Interest rate risk

LBLIC 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.

Sensitivity analysis on interest bearing assets.

The market exposure that was calculated at 31 March was as follows:

	Impact on the statement of comprehensive income	
	31 March 2025	31 March 2024
	R'000	R,000
<b>Incremental change in yield</b>		
250 Basis Points increase	(676)	(574)
150 Basis Points increase	(417)	(354)
250 Basis Points decrease	782	668
150 Basis Points decrease	455	388

A portion of the assets backing Policyholders' liabilities are held in bonds and the balance is held in cash and cash equivalents.



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#### 31.3.3 Currency risk

LBLIC is exposed to currency risk resulting in the fluctuation in the value of foreign financial instruments because of the change in foreign exchange rates. The Company's exposure to currency risk is in respect of foreign investments made in alignment 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 States Dollars. The following rand value of assets denominated in foreign currencies are included in the statement of financial position:

	United States Dollar	South African Rand
	USD	ZAR
	\$'000	R'000
<b>31 March 2025</b>		
Equities - unit trusts (USD base currency)	-	-
Balanced fund	7,724	141,383
Commodities – metals	-	-
Foreign cash	362	6,624
Foreign currency exposure	8,086	148,006
<b>Exchange rates (ZAR)</b>		
Closing rate	18.39	0.05
Average rate	18.30	0.05

	United States Dollar	South African Rand
	USD	ZAR
	\$'000	R'000
<b>31 March 2024</b>		
Equities - unit trusts (USD base currency)	-	-
Balanced fund	6,674	124,798
Commodities – metals	-	-
Foreign cash	1,850	34,590
Foreign currency exposure	8,524	159,388
<b>Exchange rates (ZAR)</b>		
Closing rate	18.87	0.05
Average rate	18.70	0.05

Sensitivity analysis of currency risk

The foreign currency exposure that was calculated at 31 March was as follows:

	Impact on the Statement of Comprehensive Income	
	31 March 2025 R'000	31 March 2024 R'000
10% decrease	(14,801)	(15,939)
5% decrease	(7,400)	(7,969)
10% increase	14,801	15,939
5% increase	7,400	7,969

#### 31.4 Liquidity Risk

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Liquidity risk is primarily managed by matching the liabilities with assets that have similar maturity profiles. Expected cash flows are considered when reviewing the investment strategy annually for the allocation of financial instruments. Most of LBLIC's assets are shareholder's assets, which are largely 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 Company is exposed to regular calls on its 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 Company actively manages its cash resources split between short 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. The Company has sufficient cash resources to cover all its obligations

The table below reflects the maturity profile of the financial assets and liabilities of the Company.

31 March 2025	< 3 months	3 - 6 months	6-9 months	9-12 months	1 -5 years	>5 years	Open ended	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Insurance contract liabilities	148	1,951	3,394	434	5,133	44,181	-	55,241
Reinsurance contract liabilities	-	-	2,248	-	-	-	-	2,248
Employee benefit liability	-	-	-	1,195	-	-	-	1,195
<b>Insurance liabilities at FSV</b>	<b>148</b>	<b>1,951</b>	<b>5,642</b>	<b>1,629</b>	<b>5,133</b>	<b>44,181</b>	<b>-</b>	<b>58,684</b>
Trade and other payables	4,322	-	-	-	-	-	-	4,322
<b>Financial liabilities at amortised cost</b>	<b>4,322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,322</b>
<b>Total financial liabilities at FSV and amortised cost</b>	<b>4,470</b>	<b>1,951</b>	<b>5,642</b>	<b>1,629</b>	<b>5,133</b>	<b>44,181</b>	<b>-</b>	<b>63,006</b>

31 March 2025	< 3 months	3 - 6 months	6-9 months	9-12 months	1 -5 years	>5 years	Open ended	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Insurance contract assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reinsurance contract assets	-	-	2,089	-	-	-	-	2,089
<b>Insurance contract assets at FSV</b>	<b>-</b>	<b>-</b>	<b>2,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,089</b>
Equities	-	-	-	-	-	-	316,844	316,844
Commodities	-	-	-	-	-	-	17,653	17,653
Collective investment schemes	-	-	-	-	-	-	129,905	129,905
Bonds	520,541	-	-	-	-	-	-	520,541
Cash and cash equivalents	293,996	-	-	-	-	-	-	293,996
Investment policy	-	-	-	-	-	-	-	-
Trade and other receivables	-	1,921	-	-	-	-	-	1,921
<b>Financial assets at amortised cost</b>	<b>814,537</b>	<b>1,921</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>464,402</b>	<b>1,280,860</b>
<b>Total financial assets at FSV and amortised cost</b>	<b>814,537</b>	<b>1,921</b>	<b>2,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>464,402</b>	<b>1,282,860</b>



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31 March 2024	< 3 months	3 - 6 months	6-9 months	9-12 months	1 -5 years	>5 years	Open ended	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Insurance contract liabilities	206	397	10,660	5,847	8,189	51,187	-	76,486
Reinsurance contract liabilities	-	-	2,267	-	-	-	-	2,267
Employee benefit liability	-	-	-	1,102	-	-	-	1,102
<b>Insurance liabilities at FSV</b>	<b>206</b>	<b>397</b>	<b>12,927</b>	<b>6,949</b>	<b>8,189</b>	<b>51,187</b>	<b>-</b>	<b>79,855</b>
Trade and other payables	3,974	-	-	-	-	-	-	3,974
<b>Financial liabilities at amortised cost</b>	<b>3,974</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,974</b>
<b>Total financial liabilities at FSV and amortised cost</b>	<b>4,180</b>	<b>397</b>	<b>12,927</b>	<b>6,949</b>	<b>8,189</b>	<b>51,187</b>	<b>-</b>	<b>83,829</b>

31 March 2024	< 3 months	3 - 6 months	6-9 months	9-12 months	1 -5 years	>5 years	Open ended	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Insurance contract assets	-	-	-	-	-	-	-	-
Reinsurance contract assets	-	-	2,741	-	-	-	-	2,741
<b>Insurance contract assets</b>	<b>-</b>	<b>-</b>	<b>2,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,741</b>
Equities	-	-	-	-	-	-	498,978	498,978
Commodities	-	-	-	-	-	-	(176)	(176)
Collective investment schemes	-	-	-	-	-	-	132,494	132,494
Bonds	430,025	-	-	-	-	-	-	430,025
Cash and cash equivalents	292,232	-	-	-	-	-	4,102	296,334
Investment policy	-	-	-	-	-	-	-	-
Trade and other receivables	-	3,126	-	-	-	-	-	3,126
<b>Financial assets</b>	<b>722,257</b>	<b>3,126</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>635,398</b>	<b>1,360,781</b>
<b>Total financial assets at FSV and amortised cost</b>	<b>722,257</b>	<b>3,126</b>	<b>2,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>635,398</b>	<b>1,363,522</b>

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### 31.5 Credit risk

The 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 the Company's 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 Company is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions in this regard

- In terms of life insurance policies issued before August 2006, the Land Bank guarantees the payment of the premium;
- For life insurance policies issued after August 2006, policyholders' debtors' outstanding for more than 60 days are not accounted for in premiums. If premium is not paid within 60 days, the policy lapses unless the client approves to the premium being added to the loan facility; and
- For group credit life business generated from 1 July 2016, the intermediary pays the premium net of brokerage and administration fees after 45 days.

### 31.6 Insurance Risk

#### 31.6.1 Mortality risk

Mortality risk is the risk to the Company 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;
- Annual reviews of mortality and morbidity experience are conducted by the actuaries to ensure that corrective action is taken where necessary.

#### 31.6.2 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 Company's reserving policy is based on actual experience and is adjusted for changes in future expectations to ensure that adequate provision is made for lapses.

#### 31.6.3 Expense risk

Before expenses are incurred, they are checked for budget availability. For any exceptional expenses, the Company has a certain approval process. This is monitored in monthly reporting by comparing actual and budgeted expenses.

#### 31.6.4 Reinsurance risk

LBLIC makes use of reinsurance cover to reduce risks proportionally, as well as to limit exposure per risk in order to limit the claims volatility and stabilize the underwriting result.

- Reinsurance is the preferred risk transfer mechanism that is placed on a proportional reinsurance share. The structure is such that a significant portion of the risk is ceded to reinsurers relative to what is retained; and
- Furthermore, additional layers of cover that limits the Life insurance company's retention are in place to manage catastrophe risk.

The Board approves the reinsurance renewal process on an annual basis with reinsurers with a minimum credit rating of AA-.

LBLIC makes use of reinsurance to:

- Access underwriting expertise;
- Enable it to underwrite risks greater than its own risk appetite and
- Protect its underwriting book against catastrophes.

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The use of reinsurance exposes the Company to credit risk. The counterparty risks of reinsurers are managed through formal contractual agreements which have been set up between the Company and Reinsurers.

These agreements include terms and conditions which regulate the relationship between the Company and Reinsurers. Credit risk in respect of reinsurance is further managed by placing the Company's reinsurance only with companies that have high credit ratings.

**31.6.5 Claims risk**

The risk that the Company 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 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 is done by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2025, the LBLIC believes that its IBNR liability for claims is adequate, as well as its outstanding claims reserve.

**31.6.5 Sensitivity analysis**

The objective of the sensitivity analysis is to demonstrate the effect on the policyholders' liability of 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 2025, 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).

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#### 31 March 2025

##### Policyholders' liability - individual life

		Value		Change	
		R'000	R'000		%
Base value		55,184			
Investment return	-1%	57,616	2,431		4,41%
Mortality	+10%	55,506	321		0,58%
Expenses	+10%	59,530	4,346		7,88%
Inflation	+1%	57,140	1,955		3,54%

#### 31 March 2025

##### Policyholders' liability - group life

		Value		Change	
		R'000	R'000		%
Base value		1,533			
Investment return	-1%	1,533	-		0,00%
Mortality	+10%	1,707	173		11,30%
Expenses	+10%	1,683	149		9,70%
Inflation	+1%	1,525	2		0,20%

#### 31 March 2024

##### Policyholders' liability - individual life

		Value		Change	
		R'000	R'000		%
Base value		71,224			
Investment return	-1%	74,231	3,007		4,22%
Mortality	+10%	71,812	588		0,83%
Expenses	+10%	78,499	7,275		10,21%
Inflation	+1%	74,122	2,898		4,07%

#### 31 March 2024

##### Policyholders' liability - group life

		Value		Change	
		R'000	R'000		%
Base value		3,361			
Investment return	-1%	3,361	-		0,00%
Mortality	+10%	3,555	195		5,80%
Expenses	+10%	3,488	127		3,79%
Inflation	+1%	3,366	6		0,17%

The life 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



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Long-term insurance average sum insured per policy by age bands

Age	31 March 2025				31 March 2024	
		Value	Average		Value	Average
	Number	R'000	R'000	Number	R'000	R'000
	-	-	-	-	-	-
20-29	42	72,962	1,737	10	21,191	2,119
30-39	85	138,559	1,630	33	51,334	1,556
40-49	135	193,494	1,433	69	54,290	787
50-59	159	121,356	763	137	94,278	688
60-69	169	119,761	709	166	89,682	540
70+	60	10,023	167	90	17,681	196
<b>Total</b>	<b>650</b>	<b>656,155</b>	<b>6,439</b>	<b>505</b>	<b>328,456</b>	<b>5,886</b>

As an Insurance entity, LBIC is exposed to various insurance and financial risks. These risks cause uncertainty and therefore the challenge for management is to determine what level of uncertainty is acceptable for its business as it strives to enhance stakeholder value. LBIC has adopted an enterprise risk management (ERM) approach and framework that enables management to effectively deal with uncertainty and thus enhance the capacity to build value by efficiently and effectively deploying resources in pursuit of achieving the corporate objectives. The ERM process adopted is considered appropriate to the nature, scale and complexity of the business. The LBIC approach is aligned with the principles of the King Report on Corporate Governance for South Africa, 2016 (King IV), ISO 31000, Prudential Authority Standard – GOI 3, Solvency Assessment and Management (SAM) requirements. LBIC's ERM framework and process is designed to assist the board in ensuring that management continually monitors risk and reports back to the Audit and Risk Committee (ARC) on the status of these risks. ISO 31000 was adopted to ensure that a structured and practical approach to risk management is implemented throughout the business. LBIC's ERM process is well defined and business is responsible and accountable for integrating ERM in the operations. ERM adds value by being aligned to the business strategy and objectives.

**Risk assessment process**

A key component of the ERM framework is the risk assessment process. LBIC's risk assessment process consists of risk identification, risk analysis, risk evaluation and risk treatment/management of those risks that are relevant to the corporate strategic objectives. Risks are identified from a top down (strategic) and bottom up (operational) perspective to create and maintain an integrated view

of material risk exposures. The top down approach is undertaken at an executive and senior management level and considers strategic risks affecting LBIC in the medium to long term. In parallel, the bottom up approach is undertaken by enterprise risk management (ERM) at a business unit level to assess all categories of risks from their perspectives with specific focus on operational, underwriting, reinsurance and financial risks. The risk identification process is used to build an aggregated view of all significant risks faced by the organisation. Risk analysis provides an input to risk evaluation and informs decisions on how the risks need to be treated. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences may occur. LBIC analyses quantifiable risks by using capital requirement and ORSA models which are developed based on the prudential standard's standard formula. The models cover the following risk categories:

- insurance risk (consisting of underwriting and reinsurance risk)
- liquidity risk
- market risk
- operational risk

A number of risks faced by LBIC are not modelled, namely: strategic, conduct, regulatory, and outsourcing risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks. These risks are addressed in the annual ORSA process. Once the relevant risks are better understood, the risk strategy governs how the risks should be managed within the business. LBIC has formulated a risk management strategy which guides risk-taking activities

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and ensures that we sustainably deliver on our strategic objectives.

### Capital Management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the Shareholder and Policyholders. The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on creation of value to the Shareholder.

The Prudential Standards prescribed under the Insurance Act seek to improve policyholder protection and contribute to financial stability through aligning insurers' regulatory capital requirements with underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards. In accordance with the Prudential Standards, each insurance company must maintain own funds to cover at a minimum their capital requirements. In practice, companies will hold a buffer above this minimum requirement. The solvency capital requirements (SCR) is the primary solvency capital requirement for South African insurers. The SCR is calibrated to correspond to the amount of own funds that an insurer needs to hold at a confidence level of 99.5% over a one-year period, calculated either using the Standard Formula or an Internal Model. The company manages has a Capital Management Policy which is reviewed regularly, including the Capital Management Strategy and Capital Management Plan reviewed annually.

The LBIC uses the standard formula to calculate its SCR coverage ratio (with capital target 150%-170%) as a measure of capital adequacy to meet its strategic business plan and objectives and to comply with regulatory requirements. The company's own funds as at 31 March 2025 amounts to R514m (unaudited) (FY2024: R469m). The SCR coverage amounts as at 31 March 2025 to 212% (unaudited) (FY2024: 235%). The SCR coverage reduced since the prior year due to the addition of agri-asset policies, increasing catastrophe risk capital charge and overall premium and reserve risk.

However, this was offset by a higher own funds amidst an improvement noted in the claims experience due to good weather and portfolio management activities.

#### a. Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events and inadequate or failed internal processes and systems. Operational risks are inherent in the LBI's operations. Major sources of operational risk can include operational process reliability, information security, outsourcing of operations, dependence on key partners, implementation of strategic and operational change, fraud, human error such as not placing the necessary facultative reinsurance, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and social and environmental impact.

The LBI manage operational risk through a detailed system of internal controls. From a risk governance perspective, the three lines of defense approach is used to identify the various levels of controls, oversight and assurance, while ensuring role-player independence. Risk management processes for oversight include using a range of tools to identify, monitor and mitigate its operational risk in accordance with the Board approved Risk Strategy (which entail risk appetite statements and Risk Limits). These tools include Risk and Control Self-Assessments (RCSA), key risk indicators, scenario analyses and loss reporting. In addition, the LBI have developed a number of contingency plans including incident management and business continuity plans. Quantitative analysis of operational risk exposures material to the LBI are used to inform decisions on controls and the overall amount of capital held for potential risk exposures.

#### b. Strategic Risk

The Company submits its three-year corporate plan to its Holding company, which is included in the shareholder's compact to National Treasury, as required by the PFMA, at the beginning of each financial year. One of the components of strategic risk is the risk of not achieving budgeted targets, both in forecast growth of revenue and quality of new business

#### c. Legal and Compliance

The LBIC has an effective legal and compliance function that oversees and monitors that the company meets its legal and regulatory obligations, and further, promotes

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and sustains a sound compliance culture. The compliance function has a risk-based compliance monitoring plan to:

- monitor compliance with related internal controls, as well as legal and regulatory obligations; and
- identify, assess and report on key legal and regulatory risks

The compliance function also assesses the appropriateness of policies, processes, and controls in respect of key areas of legal, regulatory obligations and the effective monitoring thereof by the LBIC. As part of the control functions, the legal & compliance function submits reports to the LBIC Audit and Risk Committee on legal and compliance matters on a quarterly basis.

The Monitoring and Compliance Coverage Plans are approved by the Audit and Risk Committee as part of the governance process

**d. Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate from changes in market variables, such as interest rates. The risk is that capital is not preserved and that investment returns earned are below expectations. Assets backing policyholders' liabilities, the risk to the Company is that the investment returns earned are below the desired benchmark. For Shareholder's assets, the risk is that capital is not preserved and that investment returns earned are below expectations.

The Company makes use of several sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These scenario tests and stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal market risk tools and capital models to inform the Company's business planning process and risk management. The Board delegates the responsibility of Investment risk management oversight and assurance to the Investment and Actuarial Committee ("IAC"). Day-to-day management of the Company's investments are managed by appointed Investment Managers. The Company also outsources the monitoring of the investment managers' day-to-day management of the investments to an Investment Consultant. The Investment Managers (outsourced) are mandated by the Company to managing assets in terms of their investment mandate. The Investment Consultant

(outsourced) is responsible for providing advice to the Company and liaising with investment managers and reported to the IAC and Board regularly.

The Company conducts its asset-liability modelling exercises every three years or earlier if there are material changes to the business or economic conditions. The latest ALM and investment strategy were approved by the Board in 2024 for the appointment of new asset managers in 2024. The Investment Policy was updated and approved by the Board in January 2025. To manage the risk of deviation from the benchmark asset allocation, a tactical asset allocation range is set for each asset class to allow some deviation from the strategic asset allocation. This will also allow managers to add value by making asset allocation decisions. Investment managers are allowed to deviate outside the tactical limits. In such an event the reasons for this will be communicated to the Investment Consultant and IAC.

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#### e. Interest rate risk

LBIC 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. Its investments are mainly in short dated non-convertible debentures (NCD's) and bonds, with a few longer dated corporate bonds. The majority of the bonds have floating interest rates, with some carrying fixed 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. The Company has due regard to the nature of the liabilities. Generally, the interest rate risk of such liabilities is managed by investing in fixed interest assets of similar duration.

#### i. Sensitivity analysis on interest bearing assets

ii. The market exposure that was calculated at 31 March was as follows:

	Impact on the statement of profit and loss comprehensive income	
	31 March 2025 R '000	31 March 2024 R '000
250 Basis Points increase	-4 265	-10 732
150 Basis Points increase	-2645	-6638
250 Basis Points decrease	4 981	1 286
150 Basis Points decrease	2 902	7 233

#### f. Concentration risk

##### Investment portfolio concentration risk

Investment manager performance, portfolio and manager allocations are monitored and reported to the Company management and Investment and Actuarial committee 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.

The allocation of investment portfolio as at 31 March 2025 was as follows:

Asset classes	2025		2024	
	R'000	%	R'000	%
<b>Bonds - Local</b>	<b>267 992</b>	<b>100%</b>	<b>327 299</b>	<b>100%</b>
Fixed Interest	42 855	16%	97 739	30%
Floating Rate	204 335	76%	212 589	65%
Inflation Linked	20 802	8%	16 972	5%

#### g. Liquidity risk

Liquidity risk is the risk that the business will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is a mismatch between the maturities of liabilities and assets. LBIC is exposed to daily calls on its available cash resources from claims. The company actively manages its cash resources to ensure sufficient cash is at hand to settle insurance liabilities based on cash flow projections. Reinsurance quota share accounts are settled quarterly, 45 days in arrears. Cash calls can be made to reinsurers for claims in excess of R5 million per risk on the crop cover. LBIC has sufficient cash resources to cover its obligations.



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Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles. The company invested its surplus cash in a portfolio of short-term interest bearing assets in the current reporting period.

The table below reflects the maturity profile of the financial and insurance assets and liabilities of the company:

31 March 2025	< 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	> 5 years	Open ended *	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Liabilities</b>	-	-	-	-	-	-	-	-
Insurance contract liabilities	-	-	-	-	-	-	-	-
Reinsurance contract liabilities	193,950	-	-	-	-	-	-	193,950
Provisions	-	-	4 782	-	-	-	-	4 782
<b>Other insurance liabilities</b>	<b>193,950</b>	<b>-</b>	<b>4 782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198 732</b>
Trade and other payables	-	29,793	-	-	-	-	-	29,793
<b>Financial liabilities</b>	<b>193,950</b>	<b>29,793</b>	<b>4 782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228 525</b>
								-
<b>Total liabilities</b>	<b>193,950</b>	<b>29,793</b>	<b>4 782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228 525</b>
<b>Assets</b>								
Insurance contract assets	316,266	-	-	-	-	-	-	316,266
Reinsurance contract assets	5,051	-	-	-	-	-	-	5,051
Property and equipment	-	-	-	-	1	-	-	1-
<b>Other insurance assets</b>	<b>321,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>321,318</b>
Bonds	23 787	-	-	-	220 929	23 275	-	267 992
Cash, deposits and similar securities	8 625	19 512	-	-	-	-	74,864	103 001
Trade and other receivables	-	38,053	-	-	-	-	-	38,053
<b>Financial assets</b>	<b>32 412</b>	<b>57,565</b>	<b>-</b>	<b>-</b>	<b>220 929</b>	<b>23 275</b>	<b>74,864</b>	<b>409,046</b>
<b>Total assets</b>	<b>353 729</b>	<b>57,565</b>	<b>-</b>	<b>-</b>	<b>220 929</b>	<b>23 275</b>	<b>74,864</b>	<b>730,362</b>

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Open ended refers to cash available immediately in the company's bank accounts as at 31 March 2025.

The table below reflects the maturity profile of the financial and insurance assets and liabilities of the company:

31 March 2024	< 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	> 5 years	Open ended*	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Liabilities</b>	-	-	-	-	-	-	-	-
Insurance contract liabilities	129 387	-	-	-	-	-	-	129 387
Reinsurance contract liabilities	16 030	-	-	-	-	-	-	16 030
Provisions	-	-	4 408	-	-	-	-	4 408
<b>Other insurance liabilities</b>	<b>145 417</b>	-	<b>4 408</b>	-	-	-	-	<b>149 825</b>
Trade and other payables	-	30 214	-	-	-	-	-	30 214
<b>Financial liabilities</b>	<b>145 417</b>	<b>30 214</b>	<b>4 408</b>	-	-	-	-	<b>180 038</b>
<b>Total liabilities</b>	<b>145 417</b>	<b>30 214</b>	<b>4 408</b>	-	-	-	-	<b>180 038</b>
<b>Assets</b>								
Insurance contract assets	41 378	-	-	-	-	-	-	41 378
Reinsurance contract assets	99 531	-	-	-	-	-	-	99 531
Property and equipment	-	-	-	-	20	-	-	20
<b>Other insurance assets</b>	<b>140 909</b>	-	-	-	<b>20</b>	-	-	<b>140 929</b>
Bonds	78 655	-	-	-	91 734	156 910	-	327 299
Cash, deposits and similar securities	34 320	-	-	-	-	-	97 969	132 289
Trade and other receivables	-	36 793	-	-	-	-	-	36 793
<b>Financial assets</b>	<b>112 975</b>	<b>36 793</b>	-	-	<b>91 734</b>	<b>156 910</b>	<b>97 969</b>	<b>496 381</b>
<b>Total assets</b>	<b>253 885</b>	<b>36 793</b>	-	-	<b>91 754</b>	<b>156 910</b>	<b>97 969</b>	<b>637,310</b>

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Open ended refers to immediately cash available in the company's bank accounts as at 31 March 2024.

**h. Credit risk**

Credit risk reflects the financial impact of the default of one or more of the LBIC's counterparties. The LBIC is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where the LBIC is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations
- Reinsurer default on presentation of a large claim
- Reinsurers default on their share of the LBIC's insurance liabilities
- Default on amounts due from insurance contract.

The LBIC determines the credit quality for each of its counterparties by reference to ratings from independent rating agencies such as Standard & Poor's (S&P). The table below provides an analysis of the ratings attached to the company's exposure to instruments subject to credit risk: company and reinsurers. These agreements include terms and conditions which regulate the relationship between LBIC and the reinsurers. Credit risk in respect of reinsurance is further managed by placing the LBIC's reinsurance only with companies that have high credit ratings. The LBIC has quota share and stop loss reinsurance treaty on the crop business with international reinsurance companies who at least hold a AA- credit rating. The maximum exposure to credit risk is represented by the carrying value of the financial instruments in the statement of financial position. The LBIC does not expect any counterparty to fail to meet its obligations and this has not happened in the past.

The LBIC has an Investment Consultant as well as the Investment and Actuarial Committee that reviews the credit risk on all the financial instruments and measures are put in place to minimise the credit risk. The risk on our investments is further minimised through limiting the dependency of the LBIC on any one investment manager and through requiring depth and breadth of resources and financial stability in respect of any investment manager appointed by the LBIC.

The LBIC monitors its exposure to its counterparties for regulatory reporting and policy adherence purposes.

The credit risks are further monitored to ensure that there are no risk appetite breaches. Reporting is provided to the Executive Committee monthly and the Management Risk Committee and Audit and Risk Committee on a quarterly basis.

**Credit risk on reinsurance contracts**

The LBIC makes use of reinsurance to:

- Access underwriting expertise;
- Enable it to underwrite risks greater than its own risk appetite and
- Protect its risk book against catastrophes."

Reinsurance risk arises due to uncertainty regarding the timing and amount of future cash flows from reinsurance contracts. This could be due to the financial standing of the reinsurer, or due to changes in the appropriateness of cover in the future.

The use of reinsurance exposes the company to credit risk. The counterparty risks of reinsurers are managed through formal contractual agreements which have been set up between the company and reinsurers. These agreements include terms and conditions which regulate the relationship between LBIC and the reinsurers. Credit risk in respect of reinsurance is further managed by placing the LBIC's reinsurance only with companies that have high credit ratings. The LBIC has a quota share and stop loss reinsurance treaty on the crop business with international reinsurance companies who at least hold a AA- credit rating. The maximum exposure to credit risk is represented by the carrying value of the financial instruments in the statement of financial position. The LBIC does not expect any counterparty to fail to meet its obligations and this has not happened in the past.

Published independent credit ratings of all existing and prospective reinsurers are monitored prior to entering into reinsurance transactions. The credit ratings of all existing reinsurers are also monitored on an ongoing basis throughout the year and remedial action taken if required. In addition, reinsurance contracts make allowance to replace reinsurers in the case of a downgrade of the reinsurers rating, below an acceptable level.

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Reinsurer 2025	% Cover Ceded	Credit Rating
Swiss Re	30,00%	AA-
Allianz	15,40%	AA
Axis Re	5,00%	A+
GIC Re	4,42%	BB+
Mapfire	4,28%	A+
MS Amlin	3,00%	AA-
Hannover Re	3,00%	AA-
Canopus	2,41%	AA-
Hiscox	1,50%	AA-
Helvetia	1,00%	A+

Reinsurer 2024	% Cover Ceded	Credit Rating
Swiss Re	34,56%	AA-
Allianz	11,90%	AA
Munich Re	10,00%	AA-
Mapfire	4,26%	A+
Antares	3,26%	A-
GIC Re (SA)	2,00%	BB+
Canopus	1,61%	A+
Helvetia	1,00%	A+
Hiscox	0,70%	A+
Hannover Re	0,70%	AA-

#### Insurance risk

The LBIC provides indemnity for crops, assets as well as liability policies during the year, 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.

The company manages insurance risks through its underwriting strategy and reinsurance arrangements. Insurance risk arises from:

Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;

- Unexpected claims arising from a single source;
- 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 LBIC faces 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, prove to be insufficient. Premium provision tables based on historical claims data are reviewed annually by external actuarial consultants.

External assessors assist with quantifying the value of claims reported. 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 as well as climate change, may result in unexpected large claims. Insured events are random and the actual number of claims and benefits will vary from year to year from the estimate established.

#### i. Pricing risk

The net claims ratio for the company, which is important in monitoring insurance risk is summarized in the table below:

Loss history	2025	2024
Net insurance claims expressed as a % of net earned premiums	31%	61%

One of the factors that contribute to an increase in insurance risk include, a lack of risk diversification in terms of geographical location. A stop loss reinsurance treaty mitigates the risk arising from this by capping the crop loss ratio to 105% for the season.



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#### j. Sensitivity analysis

The objective of the sensitivity analysis is to demonstrate the effect on the underwriting result of changes in key assumptions.

The sensitivity analysis illustrates the effect of change in a particular assumption on the underwriting result, but cannot be used to determine how future earnings or profits will be affected. The percentage change in an assumption for the sensitivity analysis is to illustrate the change in value given the change in assumption, but does not represent the possible range of best or worse case experience expected.

For a given change in one assumption, all other assumptions are left unchanged. No allowance has been made for possible management action in response to a particular change.

		2025			
		Incurring Loss Ratio	Gross Value	Change	
Insurance service result			R'000	R'000	%
Reported result		31%	18 228		
Premium	+10%	28%	39 308	21 081	116%
	-10%	34%	(2 853)	(21 081)	(116%)
Claims	+5%	33%	12 298	(5 930)	(33%)
	-5%	29%	32 152	13 924	76%
Expenses	+15%	30%	4 936	(13 292)	(73%)
	-15%	31%	31,519	13 292	73%

		2024			
		Incurring Loss Ratio	Gross Value	Change	
Insurance service result			R'000	R'000	%
Reported result		61%	(85 572)		
Premium	+10%	53%	(64 410)	21 162	(25%)
	-10%	65%	(106 734)	(21 162)	25%
Claims	+5%	62%	(88 639)	(3 068)	4%
	-5%	60%	(82 504)	3 068	(4%)
Expenses	+15%	58%	(100 712)	(15 140)	18%
	-15%	58%	(70,432)	15 140	(18%)

#### k. 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 both crop and agri-asset insurance business.

##### Gross written premium by business

###### Portfolio (R'000)

	2025	2024
	R'000	R'000
Insurance (crop)	804 246	806,970
Insurance (assets)	4 308	5 289
<b>Total</b>	<b>808 554</b>	<b>812,259</b>

##### Gross written premium by geographical segment (Crop)

###### Portfolio (R'000)

	2025	2024
	R'000	R'000
East	330 179	317,066
Mpumalanga	171 955	176 917

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Gauteng	17 376	16 286
Natal	100 572	89 519
Eastern Cape	40 276	34 344
West	471 066	489 906
Free State	306 776	313 846
Limpopo	22 859	26 571
North West	41 290	53 898
Northern Cape	89 402	86 030
Western Cape	10 739	9 561
Total	801 245	806 972

#### I. Claims risk

The risk that the company 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 company utilizes independent assessors who appraise and confirm claims as well as quantification by the Underwriting Manager channel. Furthermore, an actuarial valuation of outstanding claims and IBNR is done by an independent actuary annually. As at 31 March 2025, the company believes that its liabilities for claims are adequate

## 32. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

#### Determination of fair value and fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities; majority are recurring transactions with limited non-recurring

Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and majority are recurring transactions with limited non-recurring

Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data. During the year, the Group had no significant transfers between instruments in Level 1, Level 2 or Level 3.

Group		Company	
2025	2024	2025	2024
R'000	R'000	R'000	R'000

#### Fair value hierarchy of financial instruments

##### Levels of fair value measurements Level 1\*

##### Financial assets

Bonds	822,230	783,363	46,121	40,026
Local Equities	492,729	594,673	181,485	146,837
Foreign equities	106,131	139,621	106,131	139,621
Cash and cash equivalents	63,749	-	-	-



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Collective investment schemes	13,862	13,809		
Commodities	35,450	63,817	17,611	63,817
Listed Shares	144,374	105,486	144,374	105,486
<b>Total financial assets</b>	<b>1,678,525</b>	<b>1,700,769</b>	<b>495,722</b>	<b>495,787</b>

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Level 2*</b>				
<b>Financial assets</b>				
Cash and cash equivalents	9,349,127	14,784,472	9,015,879	14,383,530
Derivatives	361,811	654	361,811	654
Bonds	12,334	13,987	-	-
Local equities	4,391	44,651	-	-
Direct property	1,208	-	-	-
Cash deposits and similar securities	9,852	14,085	9,852	14,085
Collective investment schemes	116,043	118,684	-	-
Commodities	(186)	(176)	-	-
<b>Total financial assets</b>	<b>9,854,581</b>	<b>14,976,356</b>	<b>9,387,543</b>	<b>14,398,269</b>

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000

#### Level 3

#### Recurring fair value measurements

##### Assets\*

##### Financial assets

Loans and advances	11,574,194	13,331,936	11,574,194	13,331,936
Unlisted shares	278,800	254,300	278,800	254,300
Equities	-	5,780	-	-
Direct property	-	710	-	-
Trade and other receivables	190,379	223,820	150,246	183,901
Insurance assets	323,406	2,741	-	-
<b>Total financial assets</b>	<b>12,366,780</b>	<b>13,819,286</b>	<b>12,003,241</b>	<b>13,770,137</b>

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Liabilities</b>				
<b>Financial liabilities</b>				
Trade and other payables	194,138	184,033	158,997	149,848
Other financial liabilities	1,626,908	7,880,475	1,626,908	7,880,475
Insurance Liabilities	251,439	2,267	-	-
Funding Liabilities	9,931,865	17,258,089	9,931,865	17,258,089
Lease Liabilities	21,549	25,063	21,549	25,063
<b>Total financial liabilities</b>	<b>12,025,899</b>	<b>25,349,929</b>	<b>11,739,319</b>	<b>25,313,476</b>

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## Fair value hierarchy of financial instruments (continued)

## Reconciliation of assets measured at level 3

	Opening balance	Fair value adjustment for recognised in the statement of profit or loss	Re-measurement recognised in OCI	Purchases	Disposals	Reclassification on (to)/from other category of property	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Group - 2025</b>							
<b>Assets</b>							
<b>Investment property</b>							
Investment property	106,000	35,200	-	-	-	-	141,200
<b>Property, plant and equipment</b>							
Property, plant and equipment	59,593	-	(0)	-	-	-	59,593
<b>Non-current assets held-for sale</b>							
Non-current assets held-for sale	9,208	-	-	-	(4,150)	-	5,058
Equity investments at fair value through other comprehensive income							
Unlisted shares	254,300	-	24,500	-	-	-	278,800
<b>Total</b>	<b>429,102</b>	<b>35,200</b>	<b>24,500</b>	<b>-</b>	<b>(4,150)</b>	<b>-</b>	<b>484,652</b>



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	Opening balance	Fair value adjustment for recognised in the statement of profit or loss	Re-measurement recognised in OCI	Purchases	Disposals	Reclassification on (to)/from other category of property	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Group - 2024</b>							
<b>Assets</b>							
Investment property							
Investment property	98,010	7,990	-	-	-	-	106,000
<b>Property, plant and equipment</b>							
Property, plant and equipment	25,700	2,119	-	28,350	(199)	-	55,970
<b>Non-current assets held-for sale</b>							
Non-current assets held-for sale	11,359	-	-	-	(2,151)	-	9,208
<b>Equity investments at fair value through other comprehensive income</b>							
Unlisted shares	-	-	-	-	-	-	-
<b>Total</b>	<b>135,069</b>	<b>10,109</b>	<b>-</b>	<b>28,350</b>	<b>(2,350)</b>	<b>-</b>	<b>171,178</b>

Valuation techniques used to derive level 2 fair values

Level 2 investments are valued using a valuation technique based on assumptions that are supported by prices from observable current market transactions:

- Cash deposits and similar securities: Value of cash deposited
- Commodities: Foreign component at the market value of the investment determined by the asset manager.
- Collective investment schemes (other than unlisted equities) (CIS) and Investment policies: Consists of unit trust that consist of underlying investments in Level 1 investments. The value of the CIS is the aggregate of the underlying value of each Level 1 instrument at its quoted market price.
- Unlisted equity: Previously listed shares that have been delisted, based on the fair value determined by the respective Asset Managers.
- Money market instruments: The face value of the investment made.

Description of significant unobservable inputs to level 3 valuations

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## Group 2025

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Ideafruit (Pty) Ltd	<p>The implied Price-to book valuation of ACORN AGRI was calculated using the latest OTC share price information. In addition, similar agricultural companies that also trade OTCP/BV was compared to that of ACORN AGRI. The reasons we have chosen this approach as primary valuation method is due to the fact that ACORN AGRI is an investment holding company and its shares are traded Over-The-Counter ("OTC") as share transactions are negotiated directly and bilaterally between willing buyer and sellers of shares.</p> <p>Sensitivity analysis of discount rate are not applicable.</p> <p>Based on the calculations, an indicative fair value of 100% of ACORN AGRI as at 28 February 2025 is R 2.57bn. As at 28 February 2025, the fair value of the 5.34% is estimated to be R 129.2m after taking the discounts (marketability and minority) into account.</p>		
Afgri Grain Silo Company Pty Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	BDCF valuation: Discount rates range between 13.9% and 14.4%	Discount rate: -1%: R90 982 000 +1%: R63 361 000
Acorn Agri (Pty) Ltd	Net asset value utilised	Net Asset Value valuation: Discount range us 0.60x to 0.62x	Discount rate: 0.60x: R1 549 908 0.62x: R1 579 240

## Group 2025

Asset	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range:	5% - 11.2%
		Income/expense ratio range:	17.6% - 32.2%
		Capitalisation rates range:	11% - 12%
Investment property	Net income capitalisation method	Vacancy rate range:	3% - 12.5%
		Income/expense ratio range:	20.5% - 50.2%
		Capitalisation rates range:	10.5% - 12.8%
Properties in possession	Comparable sales method	Natural grazing land per ha.: R4 200 - R7 800 Irrigated pasture land per ha.: R7 000 - R30 000 Farm yard land per ha.: R0 Wasteland per ha.: R2500 - R90 000 Crop Land R0 Drylands R19 000 Industrial land per ha.: R5 Construction price for dwellings per m2: R6 500 Construction other R2 250	Market value per ha. of land: + R1000 p/ha.: R19 334 497 - R1000 p/ha.: R13 918 509



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#### Group 2025

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Acorn Agri (Pty) Ltd	<p>The implied Price-to book valuation of ACORN AGRI was calculated using the latest OTC share price information. In addition, similar agricultural companies that also trade OTCP/BV was compared to that of ACORN AGRI. The reasons we have chosen this approach as primary valuation method is due to the fact that ACORN AGRI is an investment holding company and its shares are traded Over-The-Counter ("OTC") as share transactions are negotiated directly and bilaterally between willing buyer and sellers of shares.</p> <p>Sensitivity analysis of discount rate are not applicable.</p> <p>Based on the calculations, an indicative fair value of 100% of ACORN AGRI as at 29 February 2024 is R 2.31bn. As at 29 February 2025, the fair value of the 4.565% is estimated to be R 105.6m after taking the discounts (marketability and minority) into account.</p>		
Ideafruit (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 13.8% and 15.8%	Discount rate: -1%: R58 700 000 +1%:R55 230 000
Afgri Grain Silo Company Pty Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 16.7% and 17.2%	Discount rate: -0.2%: R100 052 000 +0.2%: R83 873 000

Asset	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value	
Property and equipment	Net income capitalisation method	Vacancy rate range:	5% - 11.2%	Capitalisation rate:
		Income/expense ratio range:	17.6% - 32.2%	+1%:R23 778 332
		Capitalisation rates range:	11.0% - 12%	-1%:R28 308 175
Investment property	Net income capitalisation method	Vacancy rate range:	3% - 12.5%	Capitalisation rate:
		Income/expense ratio range:	20.5% - 50.2%	+1%: R99 517 036
		Capitalisation rates range:	10.5% - 12.8%	-1%: R117 777 619
Properties in possession	Comparable sales method	Natural grazing land per ha.:	R4 200 - R7800	Market value per ha. of land: + R1000 p/ha.: R19 334 497
		Irrigated pasture land per ha.:	R7 000 - R30 000	- R1000 p/ha.: R13 918 509
		Farm yard land per ha.:	R0	
		Wasteland per ha.:	R2500 - R90 000	
		Crop Land	R19 000 - R25 000	
		Industrial land per ha.:	R6500 - R8800	
		Construction price for dwellings per m2:	R2 250- R5 650	

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## 33 IRREGULAR EXPENDITURE AND FRUITLESS AND WASTEFUL EXPENDITURE (F&amp;WE)

Irregular Expenditure and Fruitless and Wasteful Expenditure

Description	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Irregular expenditure	199	3,346	-	211
Fruitless and wasteful expenditure	-	556	-	64
<b>Closing balance</b>	<b>199</b>	<b>3,902</b>	<b>-</b>	<b>275</b>

## (1) Amounts of material losses through criminal conduct

Incident description	R'000	R'000	R'000	R'000
<b>Total</b>				

## (2) Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure

Incident description	R'000	R'000	R'000	R'000
<b>Total</b>				

## ADDITIONAL NARRATIVES

## (3) Impracticability judgement

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**NOTES TO THE FINANCIAL STATEMENTS****34. EVENTS AFTER THE REPORTING PERIOD**

In April 2025, The adverse trade outlook and weaker export demand necessitated adjustments to macroeconomic overlays or migration of exposures in citrus (Western Cape and Northern Cape), whilst macadamia nuts and wine maintained in stage 1 as they are not in season and have time to alter volumes to other existing markets. This recommendation was informed by the fact that Citrus exports for the 2024 production season constituted 67% of the total production and only 3% of the exports were attributed to North America according to CGA (Citrus Grower Association), the removal of South Africa from AGOA, will have a more direct impact to Citrus in two provinces. Currently, only citrus from the Western and Northern Cape Provinces is shipped to the USA.

The higher electricity and water tariffs are likely to erode farm profitability by raising costs for irrigation, refrigeration, processing, and machinery operations. These rising costs reduce export competitiveness and contribute to food price inflation, thereby threatening food security. The Bank continues to monitor borrower financials and stress testing of income and costs are at the due diligence stage as well as providing an increase in facilities for existing clients.

The majority of the current Board of Interim Accounting Authority term is coming to an end at the end of June 2025. The Board awaits announcements from the Minister on the appointment of new or retention of current board members. This is a developing matter.

**Employee short term benefit incentive**

The Land Bank made a provision for a short-term incentive / bonus pool for FY2024-2025 and included this provision in the FY2025-2026 Shareholder Compact, which was approved by the Minister of Finance.

The actual determination of the final bonus pool and qualifying criteria and approval will only be presented to the Board once the FY2024-2025 financials and organisational performance has been approved. The bonus pool will take into consideration all qualifying criteria as outline in the Remuneration & Compensation policy including any Minister of Finance Directives.

It should be noted that the this is a provision for the short-term incentive / bonus and actual payment could differ post presentation and deliberations to the HRRC and the Board.

A constructive obligation was created on various communiques that the Bank would pay/ can pay an STI on condition that it meets all its KPIs, which it currently has met pending the outcome of the audit. The services have already been rendered during the past financial year, therefore as the audit outcome is favourable (unqualified). All conditions were met prior to the year end and that the Bank can raise a provision for this obligation in terms of IAS 19.

No further material conditions were noted.

**Accounting Authority**

The term of the Land Bank Board of Directors came to an end post the year. An interim accounting authority has been appointed by the Minister.

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### NOTES TO THE FINANCIAL STATEMENTS

## 35. GROUP REMUNERATION

In accordance with the Land Bank Act, the Minister of Finance determines the remuneration, allowances and associated 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.

	Board R'000	AGM R'000	Audit & Finance R'000	Risk & Governance R'000	Credit & Investment R'000	HR R'000	SEC	Nominations Committee Attendance	Strategic Workshop	Adhoc Meetings R'000	Guaranteed Package	Other Benefits, Fees & Expenses R'000	Mar 2025 Total R'000
<b>Land Bank</b>	<b>4 337</b>	<b>-</b>	<b>550</b>	<b>303</b>	<b>963</b>	<b>432</b>	<b>320</b>	<b>108</b>	<b>62</b>	<b>544</b>	<b>-</b>	<b>8</b>	<b>7 626</b>
<b>Non-Executive Directors</b>													
NR Nkosi	1 085	-	-	-	160	107	53	36	11	113	-	-	1 564
K Rantao	142	-	18	-	55	-	-	-	11	-	-	-	226
D Maithufi	426	-	-	89	304	18	-	-	-	113	-	-	950
TN Mashanda	448	-	177	89	-	-	-	-	10	101	-	-	825
JF Kirsten	448	-	106	-	249	-	-	-	10	11	-	8	832
NP Motshogoa	465	-	-	-	89	-	144	-	-	93	-	-	791
EM Pillay	427	-	248	-	53	18	-	36	10	31	-	-	824
M Tom	448	-	-	-	-	163	124	36	-	61	-	-	832
D van der Westhuizen	448	-	-	126	53	125	-	-	10	21	-	-	784
<b>Executive Director</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 808</b>	<b>147</b>	<b>8 955</b>
GEO	-	-	-	-	-	-	-	-	-	-	4 944	117	5 061
CFO	-	-	-	-	-	-	-	-	-	-	3 864	30	3 894
<b>Total Land Bank</b>	<b>4 337</b>	<b>-</b>	<b>550</b>	<b>303</b>	<b>963</b>	<b>432</b>	<b>320</b>	<b>108</b>	<b>62</b>	<b>544</b>	<b>8 808</b>	<b>155</b>	<b>16 581</b>



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# NOTES TO THE FINANCIAL STATEMENTS

Table 3: Remuneration - Land Bank non-executive Interim Accounting Authority and executive Interim Accounting Authority for 2024 (R'000)

	Board	AGM	Audit & Finance	Risk & Governance	Credit & Investment	HR	SEC	Nominations Committee	Ad hoc Meetings	Cash Salary	Other Benefits <sup>3</sup> , Fees & Expenses	2024 Total
<b>Non-executive Interim Accounting Authority</b>												
NR Nkosi	946	10	-	-	104	100	67	34	49	-	-	1,309
M Makgatho <sup>1</sup>	220	10	82	-	205	-	-	-	9	-	-	526
LA Makanete <sup>2</sup>	344	10	-	-	151	-	102	16	9	-	-	633
D Maithufi	365	10	-	91	280	-	-	-	39	-	-	784
TNI Mashanda	365	-	203	67	-	-	-	-	20	-	0	654
Prof JF Kirsten	365	-	35	-	252	-	-	-	10	-	10	672
NIP Mbiko	365	10	-	-	-	-	18	-	20	-	-	412
EMI Pillay	344	10	286	-	18	-	-	18	39	-	-	714
M Tom	345	10	-	-	-	135	-	18	39	-	-	547
D van der Westhuizen	365	-	-	79	34	100	-	-	20	-	-	580
<b>Subtotal</b>	<b>4,022</b>	<b>71</b>	<b>606</b>	<b>236</b>	<b>1,043</b>	<b>335</b>	<b>187</b>	<b>85</b>	<b>253</b>	<b>-</b>	<b>11</b>	<b>6,833</b>

Table 1: Remuneration of Land Bank non-executive Interim Accounting Authority and executive Interim Accounting Authority for 2024 (R 000)

	Board	AGM	Audit & Finance	Risk & Governance	Credit & Investment	HR	SEC	Nominations Committee	Ad hoc Meetings	Cash Salary	Other Benefits <sup>3</sup> , Fees & Expenses	2024 Total
<b>Executive Interim Accounting Authority</b>												
T Rikhotso (Chief Executive Officer)	-	-	-	-	-	-	-	-	-	4,700	120	4,820
K Mukhari (Chief Financial Officer)	-	-	-	-	-	-	-	-	-	3,672	29	3,701
<b>Total Land Bank</b>	<b>4,022</b>	<b>71</b>	<b>606</b>	<b>236</b>	<b>1,043</b>	<b>335</b>	<b>187</b>	<b>85</b>	<b>253</b>	<b>8,372</b>	<b>164</b>	<b>15,354</b>

1. Term ended December 2023

2. Term ended June 2024

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

## 31 March 2025

## Independent non-executive Interim Accounting Authority

	Fees	Other	Total
	R'000	R'000	R'000
Ms. E Pillay	732	-	732
Mr. S Masuku	444	-	444
Mr. K Sukdev	389	-	389
Ms. M Bosman	519	-	519
Ms. D Subbiah	442	-	442
Prof J Kirsten	251	-	251
Adv. D van der Westhuizen	265	-	265
	<b>3 042</b>	<b>-</b>	<b>3 042</b>

## 31 March 2024

## Independent non-executive Interim Accounting Authority

	Fees	Other	Total
	R'000	R'000	R'000
Ms. E Pillay	553	-	553
Mr. S Masuku	382	-	382
Mr. K Sukdev	331	-	331
Ms. M Bosman	365	-	365
Ms. D Subbiah	365	-	365
Prof J Kirsten	155	-	155
Adv. D van der Westhuizen	175	-	175
	<b>2,326</b>	<b>-</b>	<b>2,326</b>

Table : Remuneration - Land Bank executive officers in 2025

Title	Guaranteed Package	Bonus	Cell phone Allowance	Other Benefits	Total 2025
	R'000	R'000	R'000	R'000	R'000
ETM Dlamini (Chief People and Culture Officer)	2,432	-	18	4	2,454
SCE Soudy (Chief Strategy and Communications)	3,318	-	24	6	3,348
F Stiglingh (Acting Chief Technology and Operations Officer)	3,302	-	24	6	3,332
SN Sebueng (Executive Manager: Legal)	2,180	-	20	-	2,200
S Diza - Chief Risk Officer	2,800	-	24	-	2,824
Sakhumzi May (Chief Agricultural and Econometrics Officer)	2,911	-	24	-	2,935
Yaasir Haffejee (Chief Audit Executive)	1,635	-	10	-	1,645
Jabu Mphambo (Chief Banking Officer)	1,511	-	10	-	1,521
Vincent Potloane (Executive Manager: Treasury)	511	-	6	-	517
<b>Total</b>	<b>20,600</b>	<b>-</b>	<b>160</b>	<b>16</b>	<b>20,776</b>



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

**Table : Remuneration - Land Bank executive officers in 2024**

Title	Guaranteed Package	Retention Payment	Cell phone Allowance	Other Benefits	Total 2025
	R'000	R'000	R'000	R'000	R'000
ETM Dlamini - Human Capital	3,082	-	24	4	3,110
SCE Soundy - Strategy and Communications	3,154	-	24	307	3,485
F Stiglingh - Portfolio Management Services	3,139	-	24	291	3,454
SN Sebueng - Portfolio Management Services	2,487	-	24	-	2,511
S Diza - Chief Risk Officer	2,502	-	24	-	2,526
Sakhumzi May (Acting Executive Manager: Agricultural Economics & Advisory)	1,758	-	14	336	2,108
Theunis Coetsee – Acting Corporate Banking and Structured Investments	1,844	-	14	336	2,194
<b>Total</b>	<b>17,966</b>	<b>-</b>	<b>148</b>	<b>1,274</b>	<b>19,388</b>

#### Insurance executive officers

31 March 2025	Interim Accounting Authority Fees	Guaranteed Package	Other Benefits, Fees & Expenses	Performance Bonus	Total
	R'000	R'000	R'000	R'000	R'000
Executive director Mr. TP Siphugu	-	3,150	24	-	3,174
	-	<b>3,150</b>	<b>24</b>	-	<b>3,174</b>

31 March 2024	Interim Accounting Authority Fees	Guaranteed Package	Other Benefits, Fees & Expenses	Performance Bonus	Total
	R'000	R'000	R'000	R'000	R'000
Executive director Mr. TP Siphugu <sup>1</sup>	-	2,500	-	-	2,500
A Rakgalakane <sup>2</sup>	-	1,092	-	-	1,092
	-	<b>3,592</b>	-	-	<b>3,592</b>

1 Mr TP Siphugu commenced his duties in June 2023

2 Mr A Rakgalakane's term ended in June 2023

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

# NOTES TO THE FINANCIAL STATEMENTS

## 36. CONTINGENCIES

### Default Interest

The Land Bank underwent a process in addressing specific interpretation issues of the National Credit Act (NCA) on the portfolio that was previously administered by a Service Level Partners (SLA) of the Land Bank, following the insourcing of this portfolio. The Bank has since concluded and closed this process on the insourced accounts as such all being managed and monitored in line with Bank's internal financial reporting requirements post insourcing of accounts in FY 2021.

### Loans and advances

There is a matter that is currently pending where some customers of the Bank previously managed through a Service Level Agreement are disputing their obligation to the Bank. The matter was still under litigation at year-end.

### People and culture

There are currently two matters pending before the Labour court on charges of unfair dismissal against the Bank. The matters have not been concluded as at year end and a reliable estimate cannot be made.

## 37. CORRECTION OF PRIOR PERIOD ERROR - FUNDS UNDER ADMINISTRATION

The funds under administration were previously presented as off-balance sheet and disclosed on the notes. These funds are not available for use to the group, they are managed on behalf of related parties. However, the IFRS standard argue that there are economic benefits that flow to the Bank with corresponding obligations to remit the funds to the related parties. Refer to the following notes 4, 16.1 and note 29

The standard requires an asset to be recognised and a liability as the group has an obligation to remit these funds on demand to the related parties. The funds are governed on a contractual basis with a memorandum of agreements that sets the terms by which the bank should manage the funds.

The accounting policy will be implemented retrospectively as if it was always in place.

The affected financial statement line items are the following:

Cash and cash equivalents

Other financial liabilities

Line item affected	FY2025	FY2024	FY2023
	R'000	R'000	R'000
Cash and cash equivalents	RI 626 908	RI 794 989	RI 823 983
Other financial liability	RI 626 908	RI 794 989	RI 826 983

The net impact on equity is zero, as this results in an increase in assets and a decrease in liabilities.



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

## 38. CORRECTION OF PERIOD ERROR - CROSS CURRENCY SWAP

The Land Bank obtained a US Dollar denominated loan in 2017 and immediately hedged the foreign currency risk with a cross currency swap. The swap was not accounted for separately as the economic substance thereof is that it results in a ZAR loan in line with the currency risk elimination strategy of the Bank, and management believed this was embedded on the loan. The currency swap has now been accounted for separately retrospectively.

The affected financial statement line items are the following:

- Derivative asset (mark to market)
- Retained earnings
- Funding liabilities

	Adjustments Processed		
	Cumulative effect on Loan liability	Cumulative effect on Accumulated Loss	Cumulative effect on Swap Derivative Asset
	R'000	R'000	R'000
Mar 23	717 935 245	(29 872 827)	(688 062 417)
Mar 24	(27 308 546)	16 263 808	11 044 738
Mar 25	(337 721 405)	22 514 690	315 206 715
<b>Total</b>	<b>352 905 293</b>	<b>8 905 671</b>	<b>(361 810 964)</b>

\*The Swap and liability was modified in September 2024 as part of the Liability Solution implementation.

## 39. PRIOR PERIOD ERROR – CASH FLOW STATEMENT

During the current period the Bank identified errors on the allocation of cash and non-cash flow line items presented on the cash flow statement. These errors related to incorrect split of what is cash and not cash under operating activities. As a result, the cash generated from operations was misstated in the financial statements for the year ended 31 March 2024. The errors have been corrected on the comparative figures as follows

Impact of error on cash generated from operating activities – Company

Financial statement line item	Previously reported R'000	Adjusted amount R'000	Nature of error
Non-interest income (non-cash portion)	R0	R11 334	Cash portion double counted and non-cash portion not split and adjusted back to the accounting profit
Other income (non-cash portion)	R0	R 1 414	Non cash intercompany income not adjusted back to accounting profit.
Non-interest expense	R2 098	R0	Amount all cash paid. Double counted.
Non-interest income (cash portion)	R31 089	R2 579	Cash portion double counted and non-cash portion not split and adjusted back to the accounting profit
Interest on liabilities paid	R765	R0	Non-cash accounting entry
Movement in provisions	R8 443	R40 443	New provision addition erroneously not included in movement.
Investment income and fees – Dividends received	R6 262	R19 320	Only non-cash portion taken adjusted back to accounting profit

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

Impact of error on cash generated from operating activities – Group

Financial statement line item	Previously reported R'000	Adjusted amount R'000	Nature of error
Non-interest income (non-cash portion)	R0	R11 334	Cash portion double counted and non-cash portion not split and adjusted back to the accounting profit
Other income (non-cash portion)	R1 414	R0	Non cash intercompany income not adjusted back to accounting profit. But this is eliminated at group level.
Non-interest expense	R2 098	R0	Amount all cash paid. Double counted.
Non-interest income (cash portion)	R64 448	R0	Cash portion double counted and non-cash portion not split and adjusted back to the accounting profit
Interest on liabilities paid	R765	R0	Non-cash accounting entry
Movement in provisions	R8 655	R40 273	New provision addition erroneously not included in movement.
Investment income and fees – Dividends received	R6 262	R41 124	Only non-cash portion taken adjusted back to accounting profit

## 40. PRIOR PERIOD ERROR - TRANSITION AND APPLICATION OF IFRS 17 INSURANCE CONTRACTS.

### LBIC

During the year ended 31 March 2025, the LBIC identified errors in the initial implementation of IFRS 17 Insurance Contracts, which was adopted on 1 April 2023. These errors related to incorrect measurement of insurance contract liabilities and assets, and misclassification of fulfilment cash flows. As a result, insurance revenue, insurance service expenses, and related balance sheet items were misstated in the financial statements for the years ended 31 March 2024 and 31 March 2023.

The errors have been corrected by retrospectively restating the comparative figures in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. A third statement of financial position as at 31 March 2023 has also been presented

Impact of rectifying the error:

	Prior Period Errors	Previously Reported	Correction of Error	Restated
<b>24.1.1</b>	<b>As at 31 March 2024</b>			
	<b>Statement of Financial Position</b>			
	Insurance contract assets	30 412	10 967	41 378
	Reinsurance contract assets	43 363	56 168	99 531
	Trade and other receivables	85 592	(48 799)	36 793
	Insurance contract liabilities	(92 768)	(36 619)	(129 387)
	Reinsurance contract liabilities	(36 291)	20 261	(16 030)
	Trade and other payables	(58 901)	28 687	(30 214)
	<b>Retained earnings</b>	<b>(223 393)</b>	<b>30 666</b>	<b>(192 726)</b>
	<b>Statement of Profit or Loss and Other Comprehensive Income</b>			
	Insurance revenue	796 484	(139)	796 345
	Insurance service expenses	(922 499)	(6 056)	(928 555)
	Income/expense from reinsurance contracts	20 052	26 586	46 638



## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### NOTES TO THE FINANCIAL STATEMENTS

Prior Period Errors	Previously Reported	Correction of Error	Restated
Other operating expenses	(5 352)	2 714	(2 638)
Profit for the year	(73 234)	23 105	(50 129)
<b>Statement of changes in equity</b>			
<b>Retained Earnings</b>	<b>(223 393)</b>	<b>30 666</b>	<b>(192 726)</b>

#### 22.1.2

Prior Period Errors	Previously Reported	Correction of Error	Restated
<b>As at 31 March 2023</b>			
Statement of Financial Position			
Insurance contract assets	84 449	(26 156)	58 292
Reinsurance contract assets	5 892	14 655	20 547
Trade and other receivables	85 274	(46 370)	38 905
Insurance contract liabilities	(3 034)	3 034	-
Reinsurance contract liabilities	(56 603)	38 684	(17 919)
Trade and other payables	(49 994)	23 713	(26 281)
<b>Retained earnings</b>	<b>(150 158)</b>	<b>7 560</b>	<b>(142 597)</b>

Statement of changes in equity

#### Retained Earnings

<b>(150 158)</b>	<b>7 560</b>	<b>(142 597)</b>
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#### LBLIC

During the year ended 31 March 2025, the LBLIC identified life cohorts erroneously excluded in previous valuations. These cohorts were excluded due to an assumed assumption of cover termination at age 70 whereas it has been validated that some cohorts have cover termination ages over age 70. As a result, the transition

calculation in the initial implementation of IFRS 17 Insurance Contracts, which was adopted on 1 April 2023, was revised and the valuations conducted in 2023 and 2024 were revised in light of the additional cohort. These errors related to incorrect measurement of insurance contract liabilities, misclassification of fulfilment cash flows. As a result, insurance revenue, insurance service expenses, and related balance sheet items were misstated in the financial statements for the years ended 31 March 2024 and 31 March 2023.

The errors have been corrected by retrospectively restating the comparative figures in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. A third statement of financial position as at 31 March 2023 has also been presented.

## LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

## NOTES TO THE FINANCIAL STATEMENTS

Impact of rectifying the error:

Prior Period Errors	Previously Reported	Correction of Error	Restated
<b>As at 31 March 2024</b>			
<b>Statement of Financial Position</b>			
Reinsurance contract assets	277	2,464	2,741
Trade and other receivables	104	3,022	3,126
Insurance contract liabilities	(74,584)	(1,902)	(76,486)
Reinsurance contract liabilities	-	(2,267)	(2,267)
Trade and other payables	(953)	(3,021)	(3,974)
<b>Retained earnings</b>	<b>(1,281,369)</b>	<b>1,706</b>	<b>(1,279,663)</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>			
Insurance revenue	9,941	2,167	12,108
Insurance service expenses	(48,889)	2,270	(46,619)
Income/expense from reinsurance contracts	(1,197)	(330)	(1,527)
Finance income/(expenses) from insurance contracts	(4,805)	(526)	(5,331)
Interest income	1,178	(11)	1,167
<b>Profit for the year</b>	<b>36,483</b>	<b>3,570</b>	<b>40,053</b>
<b>As at 31 March 2023</b>			
<b>Statement of Financial Position</b>			
Reinsurance contract assets	2,462	12	2,474
Insurance contract liabilities	(47,994)	(5,288)	(53,282)
<b>Retained earnings</b>	<b>(1,244,886)</b>	<b>5,276</b>	<b>(1,239,640)</b>





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