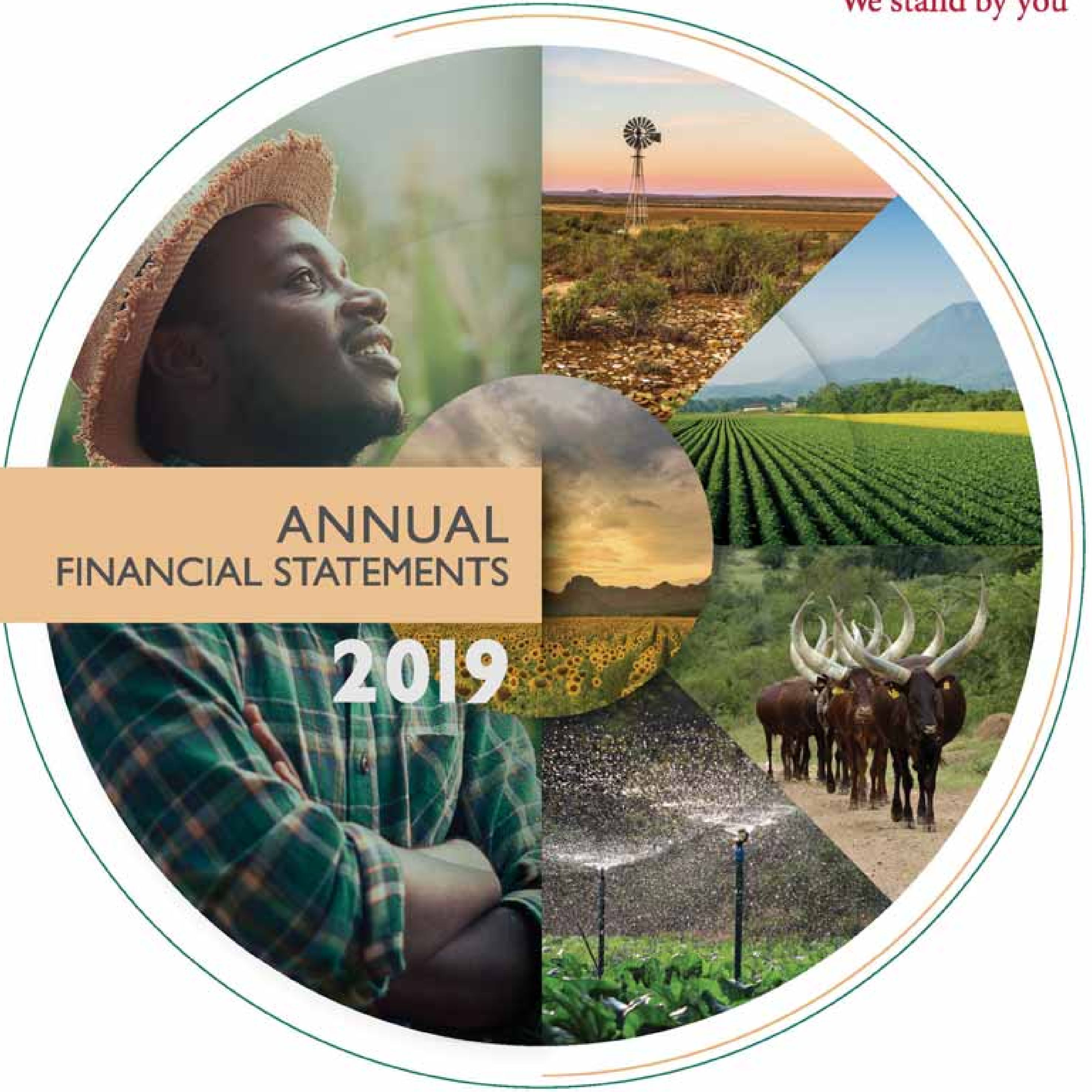
LAND BANK
We stand by you



ANNUAL FINANCIAL STATEMENTS 2019

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

INDEX

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

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

GENERAL INFORMATION

LAND BANK

SHAREHOLDER
National Treasury

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

COUNTRY OF INCORPORATION
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
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.

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

POSTAL ADDRESS
P. O. Box 375
Tshwane
0001

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

FUNDING SPONSORS
The Standard Bank of South Africa Limited

AUDITOR
The Auditor-General of South Africa

COMPANY SECRETARY
Mashumi Mzaidumi (appointed 9 October 2017).

LAND BANK GROUP SUBSIDIARIES

Land Bank Life Insurance Company (SOC) Limited (LBLIC)
Land Bank Insurance Company (SOC) Limited (LBIC)
Land Bank Insurance Services (SOC) Limited (LBIS) [1]

All of the above entities are incorporated in South Africa

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

COUNTRY OF INCORPORATION
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Land Bank Life Insurance Company (LBLIC) and Land Bank Insurance Company (LBIC) operate in the insurance sector. LBLIC offers credit life insurance products and LBIC offers 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.

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0046

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0001

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

AUDITOR
The Auditor-General of South Africa

COMPANY SECRETARY
Mashumi Mzaidumi (appointed 9 October 2017).

PUBLIC OFFICER DESIGNATE
Jenny Ragavan (appointed 4 December 2017).

[1] Dormant entity

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

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

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

The consolidated and separate annual financial statements as set out on pages 15 to 161 were approved by the Board on 29 July 2019 and were signed on their behalf by:

MA Moloto
Chairperson of the Board
29 July 2019

YA Ramrup
Acting Chief Financial Officer
29 July 2019

CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act 71 of 2008, as amended, I declare that to the best of my knowledge, for the year ended 31 March 2019, 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.

Mashumi Mzaidume
Company Secretary
29 July 2019

Opinion

1. I have audited the consolidated and separate financial statements of the Land and Agricultural Development Bank of South Africa (Land Bank) and its subsidiaries (the group) set out on pages 15 to 161, which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

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

4. I am independent of the Land Bank group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Key audit matters

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

Key audit matter	How the matter was addressed in the audit
Expected Credit Loss of loans and advances	
Loans and advances (note 11), which are a significant portion of total assets and the associated impairment provisions, are significant in the context of the consolidated and separate financial statements. The estimation of credit losses is inherently uncertain and is subject to significant judgement. Furthermore, models used to determine credit impairments are complex, and certain inputs used are not fully observable. The assessment process requires detailed knowledge of the borrower and requires credit officers to use judgement to determine whether there is an expected loss and the amount of the resulting loss. Given the combination of the inherent subjectivity in the valuation, and the material nature of the balance, I considered the calculation of the expected credit loss to be a key audit matter in my audit of the financial statements.	My audit procedures included assessing the appropriateness and reasonableness of the amount of the expected credit loss (ECL) in terms of IFRS 9. I evaluated the design, implementation, and where possible the operating effectiveness of the following controls: • The governance processes in place for credit models and inputs; • The post investment monitoring forums where key judgements are considered; and • How the accounting authority ensured they have appropriate oversight over expected credit losses I assessed whether the controls relating to monitoring of credit risk performed by management in accordance with the Corporate Banking and Structured Investment Credit Policy and Commercial Development and Business Banking Credit Policy by comparing the policy requirements against what was applied during the year, and assessed whether the conclusions reached were appropriate. I have critically considered the significant increase in credit risk triggers and assumptions applied by management in determining expected credit losses for both performing and non-performing loans, and their assessment of the recoverability and supporting collateral. I found management's estimate to be within a reasonable range to my expectations. I engaged an auditor's expert to assess the appropriateness and reasonableness of the model and assumptions used by management in determining the ECL. Before I placed reliance on the work of an auditors' expert, I assessed independency, objectivity and competency in line with the requirements of ISA 620 and I was satisfied with this. I assessed the expert's work by evaluating significant assumptions and methods as well as the relevance and reasonableness of those assumptions and methods in the circumstances.

Key audit matter	How the matter was addressed in the audit
Expected Credit Loss of loans and advances	
	The expert's conducted the following procedures: • Reviewed management's approved ECL calculation methodology documentation for the probability of default (PD), the loss given default (LGD) and exposure at default (EAD) and reviewed this against the requirements of IFRS 9. • Inspected management's ECL model in light of the requirements of IFRS 9 including key elements such as portfolio segmentation, modelling approach adopted, behavioural life including time on book post default, effective interest rate (EIR) and related discounting of cash flows, the use of forward-looking information, significant increase in credit risk (SICR), default criteria and other key judgements and assumptions relevant for the models and assessed against the requirements of IFRS 9. • Independently calculated the ECL through the use of a challenger model estimate based on the approved methodology and data provided by management. • Independently calculated model overlays based on the approved methodology and data provided by management. Based on work performed by the auditor's expert I found management's credit risk models and assumptions used to determine the expected credit losses to be reasonable and consistent with my expectations. I have determined managements estimate to be within a reasonable range to my expectations. I have assessed the IFRS 9 disclosures included in the annual financial statements and I am satisfied that the disclosures are consistent with the requirements of IFRS 9.

Key audit matter	How the matter was addressed in the audit
Valuation of complex financial instruments	
Valuation of complex financial instruments, such as derivatives and investments (Unlisted Investments), requires significant judgement in determining the appropriate valuation techniques to apply. Such assumptions include unobservable inputs, projected cash flows and the consideration of recent market developments in valuation methodologies relating to the impact of counterparty and own credit risk, and funding costs. Due to the significance of the judgements made in determining the fair value of the unlisted investments and the extent of work required to address this matter, this has been identified as a matter of most significance in the current year audit of the financial statements. The disclosure associated with valuation of complex financial instruments is set out in the following notes: Note 8 - Investments	My audit procedures included assessing the appropriateness of the valuation technique used by management to value unlisted investments. My audit procedures included assessing the appropriateness of the valuation technique used by management to value complex financial instruments. I evaluated the design, implementation, and where possible, the operating effectiveness of the following controls: • The governance processes in place to approve the valuation of complex financial instruments. • Controls over the appropriateness of data and inputs used in the valuation of complex financial instruments. For a sample of financial instruments, and with the assistance of an auditor expert, I assessed the appropriateness on the valuation models used by management in valuing financial instruments. I assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent information. I assessed the completeness, accuracy and adequacy of the disclosures. I found management's valuation of complex financial instruments to be reasonable and consistent with my expectations.

Responsibilities of board of directors for the financial statements

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

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

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

9. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

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

13. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the year ended 31 March 2019:

Objectives	Pages in annual performance report
Contribute to transformation in the agricultural sector	163
Environmental sustainability	163
Financial Sustainability	164

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

15. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objective(s):

- Contribute to transformation in the agricultural sector
- Environmental sustainability
- Financial Sustainability

Other matters

16. I draw attention to the matters below.

Achievement of planned targets

17. Refer to the annual performance report on pages 162 to 166 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

18. Material misstatements were noted in the Annual Performance Report (APR) for the "Contribute to transformation in the agricultural sector" objective. Management identified these material misstatements after submitting the annual performance report for auditing and have subsequently corrected the misstatements. As management corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

21. Material misstatements on disclosures of collateral held as security and loans by credit quality were identified during the audit in the submitted financial statements. These material misstatements were subsequently corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

Other information

22. The accounting authority is responsible for the other information. -The other information comprises the information included in the annual report, which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

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

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

25. The other information I obtained prior to the date of this auditor's report is various reports from the minister, the chairman's report, as well as the chief executive officer's review, the audit committee's report is expected to be made available to me after 2019-07-31 If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

26. When I do receive and read the audit committee's report, 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

27. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information 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 non-compliance with legislation paragraph included in this report.

Financial and performance management

28. Management did not in all instances prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

29. Management did not in all instances review and monitor compliance with applicable laws and regulations as the annual financial statements submitted for audit did not comply with disclosures on collateral held as security and loans by credit quality as required by International Financial Reporting Standards.

Auditor General

Pretoria
31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. 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 entity's compliance with respect to the selected subject matters.

Consolidated and separate financial statements

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated and separate 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 an entity to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

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

5. From the matters communicated to those charged with governance, I determine those matters that were of the most significance in the audit of the financial statements of 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.

The Audit and Finance Committee (the Committee) has used the King IV principles to continue to drive and embed good corporate governance at Land Bank. The committee's objectives included fostering an ethical culture, sustainable value creation, effective controls and trust, a good reputation and legitimacy.

COMPOSITION

The Land Bank Audit and Risk Committee comprises of independent non-executive directors who are elected annually at the company's Annual General Meeting (AGM). The members are:

Ms NV Mtetwa (Chairperson), Ms SA Lund, Ms Mathane Makgatho and Dr ST Cornelius, all of whom are independent non-executive directors of Land Bank.

The member were elected by the shareholder at the AGM held on 20 August 2018. The qualifications of the members of the committee are listed in the Land Bank Governance Report. The members possess the necessary expertise to execute their duties in relation to the committee.

The Committee has a charter which is reviewed annually and approved by the Board. The Committee also holds private sessions with the Auditor-General and the Head of Internal Audit. Executive directors comprising of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are invitees to the Committee meetings, but are excluded from the committee private sessions. During the financial year the CEO resigned to take up a position at another institution and thereafter the CFO resigned after year end. The committee maintained the objective of good governance within the organisation.

FUNCTIONS OF THE COMMITTEE

The statutory duties of the Committee are set out in the Companies Act and the Public Financial Management Act. The functions of the Committee are outlined in its charter, which is available on the Land Bank website.

The responsibility and functions of the Committee include the review of financial reporting (and their recommendation for approval to the Board), and reviewing the basis on which the company has been determined a going concern. The Committee's charter allows it to consult with external consultants to assist it with the performance of its functions, subject to a board approval process.

ANNUAL CONFIRMATIONS OF KEY FUNCTIONS FOR THE YEAR

Financial control, financial reporting and the Integrated Report

The Committee reviews the Interim Results, Annual Financial Statements, and Integrated Report, and recommend those to the Board for approval. This role includes an assessment of the accounting policies and key assumptions applied in the preparation of the financial statements, as well as dealing technical reporting matters. In doing so, the Committee also confirmed compliance of the Interim Results and Annual Financial Statements with IFRS.

The Committee confirms that it has assessed and confirms the appropriateness of the going concern basis for the preparation of the Annual Financial Statements. The Committee also considered combined assurance in the Group and specific attestations from Internal Audit, External Audit and Risk in order to consider the adequacy and effectiveness of the internal controls within the Group. Even though we are comfortable that both these aspects were in place, there is some room for improvement in order to strengthen the control environment and get the full benefits of a combined assurance.

External audit

The Auditor General of South Africa (AG (SA)) is the external auditor for Land Bank. The committee nominates the external auditor to the board for appointment by the shareholder, and the Committee approves the terms of engagement and remuneration for the external audit services. The Committee has assessed the independence of the external auditor and has obtained the assurance that the auditor's independence is not impaired.

Internal audit

The Head of internal audit reports to the chairman of the Committee and the Committee is responsible for the review and approval of the internal audit charter, the internal audit plan as well as the resources of the internal audit department. The Committee evaluated the independence of the internal audit function and is satisfied with its independence.

Expertise and experience of the finance function and the Group Financial Director

Mr YA Yamrup was appointed as the Acting Chief Financial Officer as of 15 May 2019, starting shortly after year end with the commencement of the external audit. The Committee has considered the expertise and experience of the Acting CFO and has concluded that the appropriate requirements have been met. The Board is currently in the process of finalizing the appointment of a permanent Chief Executive Officer. The Committee is satisfied that the expertise, skills and resources of the finance function are satisfactory.

KEY AUDIT MATTERS AS REPORTED BY THE EXTERNAL AUDITORS

The Committee considered the key audit matters as reported by the external auditors in the Auditor General's audit report. The key audit matters are:

- Expected credit loss on loans and dances, and
- Valuation of complex financial instruments

These area also areas of focus for the Committee and are considered as part of the interim and year end reporting process. The Committee considered the appropriate levels of provisioning and impairments. The Committee also considered the oversight role played by the Credit and Investment Committee of the Board and had discussions with the external auditor to satisfy itself in this regard.

IN CONCLUSION

The Committee is satisfied that it had fulfilled its responsibilities in terms of its charter during the year under review and believes that it complied with its legal, regulatory and governance responsibilities as set out in the Companies Act and the Public Finance Management Act.

Mtetwa

Ms NV Mtetwa
Chairman of the Audit and Finance Committee
29 July 2019

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

		Group		Bank	
		2019	2018	2019	2018
		R'000	R'000	R'000	R'000
Assets					
Cash and cash equivalents	4	**3 213 121**	2 421 069	**3 202 568**	2 362 130
Trade and other receivables	5	**829 366**	320 171	**351 562**	131 302
Short-term insurance assets	6	**254 017**	282 382	**-**	-
Repurchase agreements	7	**30 257**	15 706	**30 257**	15 706
Investments	8	**3 181 534**	2 619 887	**1 988 001**	1 406 650
Derivatives assets	10	**80 587**	8 106	**80 587**	8 106
Loans and advances	11	**44 465 456**	43 418 462	**44 465 456**	43 418 462
Assets of discontinued operation classified as held-for-sale	12	**6 259**	147 328	**6 259**	147 328
Long term insurance assets	20.5	**8 287**	10 753	**-**	-
Non-current assets held-for-sale	13	**163 036**	10 085	**163 036**	10 085
Investment property	14	**15 250**	174 590	**15 250**	174 590
Property, plant and equipment	15	**32 154**	38 202	**31 992**	37 996
Right of use of leased assets	16	**68 093**	-	**67 672**	-
Intangible assets	17	**13 548**	20 279	**13 548**	20 279
Total assets		**52 360 587**	49 487 020	**50 416 188**	47 732 634
Equity and liabilities					
Equity					
Distributable reserves	18	**6 720 931**	6 547 725	**5 581 484**	5 445 930
Other reserves	18	**93 467**	100 978	**93 467**	100 978
		6 814 398	6 648 703	**5 674 951**	5 546 908
Liabilities					
Trade and other payables	19	**499 079**	355 404	**72 645**	160 715
Short-term insurance liabilities	6	**329 860**	398 859	**-**	-
Long-term policyholders' liabilities	20	**47 124**	55 939	**-**	-
Funding liabilities	21	**44 257 919**	41 576 302	**44 257 919**	41 576 302
Lease liabilities	16.2	**70 518**	-	**70 089**	-
Provisions	22	**40 373**	82 632	**39 268**	79 528
Post-retirement obligation	23	**301 316**	369 181	**301 316**	369 181
Total equity and liabilities		**52 360 587**	49 487 020	**50 416 188**	47 732 634

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2019

		Group		Bank	
		2019	2018	2019	2018
	Notes	R'000	R'000	R'000	R'000
Continuing operations					
Net interest income		1 206 038	1 278 406	1 201 101	1 261 391
Interest income	25	5 030 321	4 846 716	5 023 465	4 826 977
Interest expense	26	(3 824 283)	(3 568 310)	(3 822 364)	(3 565 586)
Net impairment charges, claims and recoveries	11.6	(324 655)	(55 524)	(324 655)	(55 524)
Total income from lending activities		8 81 383	1 222 882	8 76 446	1 205 867
Non-interest expense	27	(262 667)	(313 627)	(251 361)	(308 015)
Non-interest income	28	113 977	89 855	105 452	85 727
Operating income from banking activities		732 693	999 110	730 537	983 579
Net insurance premium income	29.1	156 826	143 002	-	-
Net insurance claims	29.3	(165 886)	(153 008)	-	-
Other costs from insurance activities	29.4	(20 085)	(41 073)	-	-
Investment income and fees	30	104 645	62 639	21 299	16 584
Interest on post-retirement obligation	23	(22 533)	(29 757)	(22 533)	(29 757)
Interest on lease liability	16.2.2	(6 703)	-	(6 686)	-
Fair value (losses) gains	31	90 208	34 027	83 275	7 219
Operating income		869 165	1 014 940	805 892	977 625
Operating expenses	32	(628 341)	(654 531)	(602 845)	(628 740)
Net operating income		240 824	360 409	203 047	348 885
Non-trading and capital items	33	634	(1 247)	634	(1 247)
Net profit before indirect taxation		241 458	359 162	203 681	347 638
Indirect taxation	34	(73 170)	(68 922)	(73 045)	(68 922)
Net profit from continuing operations		168 288	290 240	130 636	278 716
Net profit / (loss) from discontinued operations	24	12 930	(36 023)	12 930	(36 023)
Profit for the year		181 218	254 217	143 566	242 693
Other comprehensive income					
Items that will be reclassified into profit or loss					
Net losses on financial assets designated at fair value through other comprehensive income		(279)	(44 892)	(279)	(44 892)
Cash flow hedges: (release) gains on cash flow hedging instruments		(8 106)	8 106	(8 106)	8 106
Items that will not be reclassified subsequently to profit or loss					
Actuarial loss on the post-retirement obligation		(8 012)	(23 841)	(8 012)	(23 841)
Revaluation of land and buildings		874	269	874	269
Total other comprehensive income		(15 523)	(60 358)	(15 523)	(60 358)
Total comprehensive income for the year		165 695	193 859	128 043	182 335

STATEMENTS OF CHANGES IN EQUITY

AS AT 31 MARCH 2019

	Capital fund R'000	Insurance reserve R'000	MTM reserve R'000	Revaluation reserve R'000	General reserve R'000	Cash flow hedge reserve R'000	Total R'000
Group							
Balance at 1 April 2017	4 397 655	1 440 300	1 288	136 207	479 394	-	6 454 844
Profit for the year	-	11 524	-	-	242 693	-	254 217
Total other comprehensive income for the year	-	-	(44 892)	269	(23 841)	8 106	(60 358)
Balance at 31 March 2018	4 397 655	1 451 824	(43 604)	136 476	698 246	8 106	6 648 703
Profit for the year	-	**37 652**	-	-	**143 566**	-	**181 218**
Total other comprehensive income for the year	-	-	**(279)**	**874**	**(8 012)**	**(8 106)**	**(15 523)**
Balance at 31 March 2019	**4 397 655**	**1 489 476**	**(43 883)**	**137 350**	**833 800**	-	**6 814 398**

STATEMENTS OF CHANGES IN EQUITY
AS AT 31 MARCH 2019

	Capital fund R'000	MTM reserve R'000	Revaluation reserve R'000	General reserve R'000	Cash flow hedge reserve R'000	Total R'000
Bank						
Balance at 1 April 2017	4 397 655	1 288	136 207	829 423	-	5 364 573
Profit for the year	-	-	-	242 693	-	242 693
Total other comprehensive income for the year	-	(44 892)	269	(23 841)	8 106	(60 358)
Balance at 31 March 2018	4 397 655	(43 604)	136 476	1 048 275	8 106	5 546 908
Profit for the year	-	-	-	143 566	-	143 566
Total other comprehensive income for the year	-	(279)	874	(8 012)	(8 106)	(15 523)
Balance at 31 March 2019	**4 397 655**	**(43 883)**	**137 350**	**1 183 829**	**-**	**5 674 951**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

		Group		Bank	
		2019	2018	2019	2018
	Notes	R'000	R'000	R'000	R'000
Net profit from continuing operations		168 288	290 957	130 636	278 716
Net Profit (loss) from discontinued operations		12 930	(36 023)	12 930	(36 023)
		181 218	254 934	143 566	242 693
Adjustments to reconcile profit to net cash flows:					
		3 670 415	3 499 173	3 764 869	3 564 093
Interest expense	26	3 824 283	3 568 310	3 822 364	3 565 586
Interest on post-retirement obligation	23	22 533	29 757	22 533	29 757
Interest on lease liabilities	16.2	6 703	-	6 686	-
Fair value movement (financial instruments)	31	(79 929)	1 165	(79 929)	1 165
Fair value movement (investments)	31	(10 279)	(35 192)	(3 346)	(8 384)
Dividend income	30	(33 999)	(32 322)	(17 143)	(13 335)
Interest income	30	(77 093)	(38 848)	(5 234)	(5 955)
Fund management fees	30	6 447	5 825	1 078	-
Depreciation and impairment of property and equipment	32	7 846	8 411	7 781	8 349
Depreciation of Leased Assets		23 232	-	23 164	-
Amortisation and impairment of intangibles	32	6 731	6 810	6 731	6 810
Fair value adjustments (investment properties)	33	(650)	(6 790)	(650)	(6 790)
Fair value movement in policyholders' liabilities	29.4	(4 245)	3 790	-	-
Fair value adjustment on non-current assets held-for-sale	33	1 339	(165)	1 339	(165)
Movement in provisions	22	(42 259)	(26 199)	(40 260)	(27 566)
Movement in post-retirement medical aid liability	23	24 959	7 130	24 959	7 130
Loss on disposal of property and equipment	33	22	227	22	227
Loss on disposal/ write off of intangible asset	33	-	185	-	185
(Profit)/ loss on disposal of properties in possession	33	(2 010)	9 080	(2 010)	9 080
Foreign exchange loss / (gain)	33	673	(1 089)	673	(1 089)
Impairment relating to loan commitments and guarantees	11.5	(3 881)	(711)	(3 881)	(711)
Impairment of other assets	33	(8)	(201)	(8)	(201)
Working capital adjustments:		(407 880)	73 164	(283 330)	4 364
(Increase)/ decrease in trade and other receivables	5	(509 195)	63 564	(195 260)	7 647
Decrease in trade and other payables	19	143 675	(23 797)	(88 070)	(3 283)
(Decrease)/ Increase in short-term and long-term insurance liability	6	(68 999)	136 026	-	-
Decrease/ (increase) in short-term and long-term insurance assets	6	26 639	(102 629)	-	-
Cash flow from operating activities		3 443 753	3 827 271	3 625 105	3 811 150
Cash flows from operations		(5 338 940)	(6 040 830)	(5 337 021)	(6 038 106)
Interest paid	26	(3 824 283)	(3 568 310)	(3 822 364)	(3 565 586)
Interest in post-retirement obligation	23	(22 533)	(29 757)	(22 533)	(29 757)
Increase in funding to clients	11	(1 492 124)	(2 442 763)	(1 492 124)	(2 442 763)

	Notes	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Cash flow from investing activities		**33 132**	(622 395)	**(101 829)**	(358 911)
Proceeds from disposal of property and equipment	15	**257**	143	**165**	143
Purchase of property and equipment	15	**(1 201)**	(1 685)	**(1 090)**	(1 685)
Proceeds from sale of non-current assets held-for-sale	13	**7 710**	33 091	**7 710**	33 091
Proceeds from sale of assets of discontinued operations	12	**141 069**	-	**141 069**	-
Proceeds from sale of financial instruments	7 & 8	**123 066**	68 236	**13 086**	39 652
Net loan to subsidiary	5	**-**	-	**(25 000)**	-
Purchase of financial instruments	7 & 8	**(237 769)**	(722 180)	**(237 769)**	(430 112)
Cash flow from financing activities		**2 654 107**	3 736 692	**2 654 183**	3 736 692
Funding raised	21	**9 073 311**	13 631 658	**9 073 311**	13 631 658
Funding repaid	21	**(6 391 694)**	(9 894 966)	**(6 391 694)**	(9 894 966)
Lease liability repaid	16.2	**(27 510)**	-	**(27 434)**	-
Net decrease in cash and cash equivalents		**792 052**	900 738	**840 438**	1 150 825
Cash and cash equivalents at beginning of year	4	**2 421 069**	1 520 331	**2 362 130**	1 211 305
Cash and cash equivalents at end of year	4	**3 213 121**	2 421 069	**3 202 568**	2 362 130

SEGMENT REPORTING (GEOGRAPHIC)
FOR THE YEAR ENDED 31 MARCH 2019

Group

2019

Statement of profit or loss and other comprehensive income

	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 and indirect taxes 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	Other[1] Comprehensive Income R'000	Total comprehensive income R'000
Northern region	4 305 009	(3 221 028)	1 083 981	(302 471)	(173 977)	-	105 210	(225 798)	(29 219)	(32 860)	(352 192)	72 674	(15 523)	57 151
Southern region	718 456	(601 336)	117 120	(22 184)	28 068	-	(2)	(10 280)	-	(4 816)	(49 944)	57 962	-	57 962
Insurance operations	6 856	(1 919)	4 937	-	(2 781)	(29 145)	90 279	(13 436)	(17)	(133)	(12 052)	37 652	-	37 652
Continuing operations	5 030 321	(3 824 283)	1 206 038	(324 655)	(148 690)	(29 145)	195 487	(249 514)	(29 236)	(37 809)	(414 188)	168 288	(15 523)	152 765
Discontinued operation - LDFU				12 930								12 930		12 930
	5 030 321	(3 824 283)	1 206 038	(311 725)	(148 690)	(29 145)	195 487	(249 514)	(29 236)	(37 809)	(414 188)	181 218	(15 523)	165 695

[1] Details on Other Comprehensive Income are disclosed under the Business Segment

Statement of financial position

	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment R'000	Working Capital (incl. loans and advances) R'000	Other assets R'000	Total assets R'000
Assets				
Northern region	2 259 301	65 090 038	-	67 349 339
Southern region	20 198	(16 959 608)	-	(16 939 410)
Insurance operations	1 194 116	488 927	261 926	1 944 399
Continuing operations	3 473 615	48 618 787	261 926	52 354 328
Discontinued operation - LDFU	-	6 259	-	6 259
	3 473 615	48 625 046	261 926	52 360 587

	Working Capital (incl. funding) R'000	Other liabilities R'000	Total liabilities R'000
Liabilities			
Northern region	32 326 754	394 634	32 721 388
Southern region	12 003 811	16 038	12 019 849
Insurance operations	426 434	378 518	804 952
Continuing operations	44 756 999	789 190	45 546 189
Discontinued operation - LDFU	-	-	-
	44 756 999	789 190	45 546 189

SEGMENT REPORTING (GEOGRAPHIC) continued
FOR THE YEAR ENDED 31 MARCH 2019

Group

2018

Statement of profit or loss and other comprehensive income

	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 and indirect taxes excluding depreciation and amortisation R'000	Interest on Post Retirement Medical Aid R'000	Depreciation and amortisation R'000	Staff costs R'000	Net profit/ (loss) R'000	Other Comprehensive Income R'000	Total comprehensive income R'000
Northern region	3 893 159	(2 885 510)	1 007 649	(61 875)	(211 935)	-	21 832	(237 758)	(29 757)	(14 556)	(376 344)	97 256	(60 358)	36 898
Southern region	933 818	(680 076)	253 742	6 351	(10 353)	-	724	(12 525)	-	(603)	(55 876)	181 460	-	181 460
Insurance operations	19 739	(2 724)	17 015	-	(1 485)	(51 079)	72 863	(10 527)	-	(62)	(15 201)	11 524	-	11 524
Continuing operations	4 846 716	(3 568 310)	1 278 406	(55 524)	(223 773)	(51 079)	95 419	(260 810)	(29 757)	(15 221)	(447 421)	290 240	(60 358)	229 882
Discontinued operation - LDFU				(36 023)								(36 023)	-	(36 023)
	4 846 716	(3 568 310)	1 278 406	(91 547)	(223 773)	(51 079)	95 419	(260 810)	(29 757)	(15 221)	(447 421)	254 217	(60 358)	193 859

Statement of financial position

	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment R'000	Working Capital (incl. loans and advances) R'000	Other assets R'000	Total assets R'000
Assets				
Northern region	1 641 702	37 855 439	-	39 497 141
Southern region	7 898	8 080 267	-	8 088 165
Insurance operations	1 213 444	247 807	293 135	1 754 386
Continuing operations	2 863 044	46 183 513	293 135	49 339 692
Discontinued operation - LDFU	-	147 328	-	147 328
	2 863 044	**46 330 841**	**293 135**	**49 487 020**

	Working Capital (incl. funding) R'000	Other liabilities R'000	Total liabilities R'000
Liabilities			
Northern region	34 312 733	439 059	34 751 792
Southern region	7 424 284	9 650	7 433 934
Insurance operations	194 689	457 902	652 591
Continuing operations	41 931 706	906 611	42 838 317
Discontinued operation - LDFU	-	-	-
	41 931 706	**906 611**	**42 838 317**

The geographical segments consist of 9 provincial offices and 16 satellite offices within the boundaries of the respective provinces of the Republic of South Africa according to the client's location. Group Capital is included in the Northern segment, as the head office is situated in Pretoria.
All revenue per geographical segment is attributable to the Republic of South Africa. All non-current assets are located in the Republic of South Africa.

Group

2019

Statement of profit or loss and other comprehensive income

	Commercial Development and Business Banking R'000	Corporate Banking and structured Investment R'000	Group Capital and Inter-segment eliminations[1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Net interest income/ (expense)	811 371	406 602	(16 872)	1 201 101	4 937	1 206 038	-	1 206 038
Interest income	3 724 220	1 299 245	-	5 023 465	6 856	5 030 321	-	5 030 321
Interest expense	(2 912 849)	(892 643)	(16 872)	(3 822 364)	(1 919)	(3 824 283)	-	(3 824 283)
Impairment releases/(charges) on loans and advances	(173 832)	(150 858)	35	(324 655)	-	(324 655)	12 930	(311 725)
Total income/(loss) from lending activities	637 539	255 744	(16 837)	876 446	4 937	881 383	12 930	894 313
Non-interest expense	(253 594)	2 233	-	(251 361)	(11 306)	(262 667)	-	(262 667)
Non-interest income	30 683	45 557	29 212	105 452	8 525	113 977	-	113 977
Operating income/(loss) from banking activities	414 628	303 534	12 375	730 537	2 156	732 693	12 930	745 623
Operating loss from insurance activities	-	-	-	-	(29 145)	(29 145)	-	(29 145)
Investment income	-	2 000	19 299	21 299	83 346	104 645	-	104 645
Interest in Post Retirement Obligation	-	-	(22 533)	(22 533)	-	(22 533)	-	(22 533)
Interest on Lease Liability	(1 689)	(172)	(4 825)	(6 686)	(17)	(6 703)	-	(6 703)
Fair value loss	-	-	83 275	83 275	6 933	90 208	-	90 208
Operating income/(loss)	412 939	305 362	87 591	805 892	63 273	869 165	12 930	882 095
Operating expenses	(19 544)	(2 177)	(141 312)	(163 033)	(13 311)	(176 344)	-	(176 344)
Staff costs	(76 603)	(20 734)	(304 799)	(402 136)	(12 052)	(414 188)	-	(414 188)
Depreciation and amortisation	(6 064)	(1 460)	(30 152)	(37 676)	(133)	(37 809)	-	(37 809)
Net operating (loss)/income	310 728	280 991	(388 672)	203 047	37 777	240 824	12 930	253 754
Non-trading and capital items	(91)	-	725	634	-	634	-	634
Net profit/(loss) before indirect taxation	310 637	280 991	(387 947)	203 681	37 777	241 458	12 930	254 388
Indirect taxation	-	-	(73 045)	(73 045)	(125)	(73 170)	-	(73 170)
Net profit/(loss)	310 637	280 991	(460 992)	130 636	37 652	168 288	12 930	181 218

Group

2019

Statement of profit or loss and other comprehensive income (continued)

	Commercial Development and Business Banking R'000	Corporate Banking and structured Investment R'000	Group Capital and Inter-segment eliminations[1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Net profit / (loss)	310 637	280 991	(460 992)	130 636	37 652	168 258	12 930	181 218
Other comprehensive income	-	-	(15 523)	(15 523)	-	(15 523)	-	(15 523)
Actuarial losses on the post-retirement obligation	-	-	(8 012)	(8 012)	-	(8 012)	-	(8 012)
Revaluation of land and buildings	-	-	874	874	-	874	-	874
Cash flow hedges: gains on cash flow hedging instruments	-	-	(8 106)	(8 106)	-	(8 106)	-	(8 106)
Profit on financial assets at fair value through other comprehensive income	-	-	(279)	(279)	-	(279	-	(279)
Total comprehensive income/(loss) for the year	310 637	280 991	(476 515)	115 113	37 652	152 765	12 930	165 695
Interest income								
External customers	3 724 220	1 299 245	-	5 023 465	6 856	5 030 321	-	5 030 321
Non-interest income/(expense)								
External customers	(222 911)	47 790	29 212	(145 909)	(2 781)	(148 690)	-	(148 690)

SEGMENT REPORTING (BUSINESS) continued
FOR THE YEAR ENDED 31 MARCH 2019

Group

2019

Statement of financial position

	Commercial Development and Business Banking R'000	Corporate Banking and structured Investment R'000	Group Capital and Inter-segment eliminations[1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Assets								
Segment assets	12 149 005	(4 066 053)	42 326 977	50 409 929	1 944 399	52 354 328	6 259	52 360 587
Working capital (incl. net loans and advances)	11 976 749	(4 790 516)	40 944 197	48 130 430	488 357	48 618 787	6 259	48 625 046
Investments	122 000	723 379	1 142 622	1 988 001	1 193 533	3 181 534	-	3 181 534
Investment properties	31 244	-	(15 994)	15 250	-	15 250	-	15 250
Property and equipment	19 012	1 084	79 568	99 664	583	100 247	-	100 247
Non-current assets held-for-sale	-	-	163 036	163 036	-	163 036	-	163 036
Intangible assets	-	-	13 548	13 548	-	13 548	-	13 548
Insurance assets	-	-	-	-	261 926	261 926	-	261 926
Liabilities								
Segment liabilities	32 339 715	12 139 694	261 828	44 741 237	804 952	45 546 189	-	45 546 189
Working capital (incl. funding liabilities)	32 313 187	12 137 736	(120 359)	44 330 564	426 434	44 756 998	-	44 756 998
Provisions	5 424	710	33 134	39 268	1 105	40 373	-	40 373
Post-retirement obligation	-	-	301 316	301 316	-	301 316	-	301 316
Lease Liabilities	21 104	1 248	47 737	70 089	429	70 518	-	70 518
Insurance liabilities	-	-	-	-	376 984	376 984	-	376 984

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

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

Group

2018

Statement of profit or loss and other comprehensive income

	Commercial Development Banking R'000	Corporate Banking[2] R'000	Group Capital and Inter-segment eliminations[1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Net interest income/(expense)	912 112	349 279	-	1 261 391	17 015	1 278 406	-	1 278 406
Interest income	3 405 057	1 421 920	-	4 826 977	19 739	4 846 716	-	4 846 716
Interest expense	(2 492 945)	(1 072 641)	-	(3 565 586)	(2 724)	(3 568 310)	-	(3 568 310)
Impairment releases/(charges) on loans and advances	203 500	(261 983)	2 959	(55 524)	-	(55 524)	(36 023)	(91 547)
Total income/(loss) from lending activities	1 115 612	87 296	2 959	1 205 867	17 015	1 222 882	(36 023)	1 186 859
Non-interest (expense)	(308 015)	-	-	(308 015)	(5 613)	(313 628)	-	(313 628)
Non-interest income	20 807	24 124	40 796	85 727	4 128	89 855	-	89 855
Operating income/(loss) from banking activities	828 404	111 420	43 755	983 579	15 530	999 109	(36 023)	963 086
Operating profit from insurance activities	-	-	-	-	(51 079)	(51 079)	-	(51 079)
Investment income	-	-	16 584	16 584	46 055	62 639	-	62 639
Interest in Post Retirement Obligation	-	-	(29 757)	(29 757)	-	(29 757)	-	(29 757)
Fair value loss	-	-	7 219	7 219	26 808	34 027	-	34 027
Operating income/(loss)	828 404	111 420	37 804	977 625	37 314	1 014 939	(36 023)	978 916
Operating expenses	(22 351)	(2 916)	(156 094)	(181 361)	(10 527)	(191 888)	-	(191 888)
Staff costs	(93 898)	(15 544)	(322 778)	(432 220)	(15 201)	(447 421)	-	(447 421)
Depreciation and amortisation	(1 438)	(73)	(13 648)	(15 159)	(62)	(15 221)	-	(15 221)
Net operating (loss)/income	710 717	92 887	(454 719)	348 885	11 524	360 409	(36 023)	324 386
Non-trading and capital items	718	(18)	(1 947)	(1 247)	-	(1 247)	-	(1 247)
Net profit/(loss) before indirect taxation	711 435	92 869	(456 666)	347 638	11 524	359 162	(36 023)	323 139
Indirect taxation	-	-	(68 922)	(68 922)	-	(68 922)	-	(68 922)
Net profit/(loss)	711 435	92 869	(525 589)	278 716	11 524	290 240	(36 023)	254 217

SEGMENT REPORTING (BUSINESS) continued
FOR THE YEAR ENDED 31 MARCH 2019

Group

2018

Statement of profit or loss and other comprehensive income (continued)

	Commercial Development Banking R'000	Corporate Banking[2] R'000	Group Capital and Inter-segment eliminations[1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Net profit/(loss)	711 435	92 869	(525 589)	278 716	11 524	290 240	(36 023)	254 217
Other comprehensive income								
Actuarial losses on the post-retirement obligation	-	-	(23 841)	(23 841)	-	(23 841)	-	(23 841)
Revaluation of land and buildings	-	-	269	269	-	269	-	269
Cash flow hedges: gains on cash flow hedging instruments	-	-	8 106	8 106	-	8 106	-	8 106
Profit on financial assets at fair value through other comprehensive income	-	-	(44 892)	(44 892)	-	(44 892)	-	(44 892)
Total comprehensive income/(loss) for the year	711 435	92 869	(585 947)	218 358	11 524	229 882	(36 023)	193 859
Interest income								
External customers	3 405 057	1 421 920	-	4 826 977	19 739	4 846 716	-	4 846 716
Non-interest income/(expense)								
External customers	(287 208)	24 124	40 796	(222 288)	(1 485)	(223 773)	-	(223 773)

Group

2018

Statement of financial position

	Commercial Development and Business Banking[2] R'000	Corporate Banking and structured Investment [2] R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group (Excluding LDFU) R'000
Assets								
Segment assets	**30 251 865**	**12 170 769**	**5 162 673**	**47 585 306**	**1 754 386**	**49 339 692**	**147 328**	**49 487 020**
Working capital (incl. net loans and advances)	30 220 343	11 459 492	4 255 872	45 935 706	247 808	46 183 514	-	46 330 842
Investments	-	711 228	695 422	1 406 650	1 213 237	2 619 887	-	2 619 887
Investment properties	31 244	-	143 346	174 590	-	174 590	-	174 590
Property and equipment	278	49	37 669	37 996	206	38 202	-	38 202
Non-current assets held-for-sale	-	-	10 085	10 085	-	10 085	-	10 085
Intangible assets	-	-	20 279	20 279	-	20 279	-	20 279
Insurance assets	-	-	-	-	293 135	293 135	-	293 135
Liabilities								
Segment liabilities	**30 795 642**	**12 811 083**	**(1 420 999)**	**42 185 726**	**652 591**	**42 838 317**	**-**	**42 838 317**
Working capital (incl. funding liabilities)	30 778 262	12 807 304	(1 848 549)	41 737 017	194 689	41 931 706	-	41 931 706
Provisions	17 380	3 779	58 369	79 528	3 104	82 632	-	82 632
Post-retirement obligation	-	-	369 181	369 181	-	369 181	-	369 181
Insurance liabilities	-	-	-	-	454 798	454 798	-	454 798

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

[2] During FY 2018 the Bank undertook an organisational review in which the previously reported segment "Business & Corporate Banking" was rebranded to "Corporate Banking", while the previously reported "Retail Commercial Banking" and "Retail Emerging Markets" were rolled up into a new segment "Commercial Development Banking".

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

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

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

Quantitative thresholds

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

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

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

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

The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies. Cost of funding is allocated based on the monthly average cost of funding for Land Bank and the segment's loan book net of non-performing loan balances as at 31 March 2019.

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

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

1. General information

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

2. Basis of preparation

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

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

2.1 Functional and presentation currency

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

2.2 Distinction between current and non-current

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

3. Summary of significant accounting policies

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

3.1.1 Adoption of new and revised pronouncements

In the current year, the company has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2019.

At the date of authorisation of these financial statements for the year ended 31 March 2019, the following new IFRSs were adopted:

IFRS/ IFRIC	Details	Effect
IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS	The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Applicable to annual periods commencing on or after 1 January 2018.	No significant impact
IFRS 16 LEASES	The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease. Applicable to annual periods commencing on or after 1 January 2019.	Disclosure and impact of change in Accounting policy amended accordingly.

3.1.2 Financial Impact of change in accounting policy

IFRS 16 Leases

Effective April 1, 2018, the Group early adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability as recorded below with no net impact on retained earnings.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at April 1, 2018. The weighted-average rate applied is 8.8%.

The following table reconciles the Group's operating lease obligations at 31 March 2018, as previously disclosed in the Group's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at 01 April 2018.

	Buildings R'000	Vehicles R'000
Operating lease commitment at 31 March 2018[1]	(50 858)	-
Discounted using the incremental borrowing rate at 01 April 2018.	9 094	-
Extension options reasonable certain to be exercised (discounted)	(38 797)	-
Statement of Financial Position - Lease liability at 01 April 2018	(80 561)	(10 989)
Statement of Financial Position - Right of use of leased Assets at 01 April 2018	80 561	10 989

[1] There was no lease commitments for motor vehicles for FY2018, as there was only month to month contract after the old contract expired.

3.1.3 New standards and interpretations not yet adopted

The company has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the financial year beginning 1 April 2018 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). 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 company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

Statement	Effective date
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
Annual improvements 2015-17 cycle	1 January 2019
IFRS 17 Insurance Contracts	1 January 2022

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The group is currently exempt from Income Tax and therefore the interpretation will have no impact on the Group's Financial Statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to longterm interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed.

IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

Determining the current service cost and net interest.

When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

Effect on asset ceiling requirements

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Early application is permitted and should be disclosed.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 and will be effective for annual periods beginning on or after 1 January 2022. The previous IFRS Standard on insurance contracts, IFRS 4, was an interim standard that allowed entities to use a wide variety of accounting practices for insurance contracts, reflecting national accounting requirements and variations of those requirements. In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct and reinsurance), regardless of the type of entity that issue these contracts. The General Model (also referred to as building block approach) forms the core of IFRS 17. It is supplemented by:

- A specific adaption for contracts with direct participation features ("the variable fee approach"); and
- A simplified approach ("the premium allocation approach") mainly for short-duration contracts.

The implementation of IFRS 17 will have different financial and operational implications for each entity that adopts the standard. It is, however, expected that fundamental changes will be required in the following areas:

- Liability measurement
- Data requirements
- Operations and the underlying systems
- Management reporting

3.2 Business combinations

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

The consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC, LBIC and LBIS (which is currently dormant) as at 31 March 2019.

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

Associates

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

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

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

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

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

3.3 Revenue recognition

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 cashflows. 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 amortisation 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 assesses the contract and determines whether the fees identified in the contract are in the scope of IFRS If so, the revenue will be recognised only when the group can:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Raising/ structuring fees are recognised immediately as the costs are incurred as they relate to the execution of a significant act.

(ii) Dividend Income

Dividends are recognised in the period when the shareholders' right to receive payment is established.

Dividend income from financial assets classified at fair value through profit or loss is recognised on the last date to register. Preference share dividends are recognised using the effective interest rate method.

(iii) Investment surpluses

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

(iv) Rental income

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

(v) Realised gains and losses

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

(vi) Unrealised gains and losses

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

(vii) Insurance premium income

Refer to note 3.24.1 and note 3.24.2.

3.4 Expenses

(i) Administration costs

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

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

(ii) Commission

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

3.5 Fruitless and wasteful and irregular expenditure

Items of expenditure which meet the requirements of the PFMA for fruitless and wasteful as well as irregular expenditure are separately disclosed in the notes to the financial statements. "Fruitless and wasteful expenditure" means expenditure which was made in vain and would have been avoided had reasonable care been exercised. "Irregular expenditure" means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation or internal policy.

"Fruitless and wasteful expenditure" is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the statement of profit or loss and other comprehensive income.

When discovered, irregular expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either 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.

3.6 Leases

The Group accounts for Leases in terms of IFRS 16.

The Group adopted IFRS 16 effective from 1 April 2018. IFRS 16 specifies how to recognize, measure, present and disclose leases.

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. The impact of the transition is shown in note 3.1.2

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 remeasurements of the lease liability.

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 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 and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

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.

3.7 Post-employment benefits and short-term employee benefits

Post-employment benefit plans

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

(i) Defined contribution plans

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

Retirement fund

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

During FY2017, the Land Bank Retirement Fund (“LBRF”) was migrated into an umbrella fund within the Alexander Forbes Retirement Fund (AFRF). The Land Bank Retirement Fund has since applied for liquidation and is awaiting the Financial Services Conduct Authority (“FCSA”) approval, after which the process of liquidation will commence.

(i) 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 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 plans is the present value of the defined benefit obligation at the statement of financial position date. The benefit obligation at the statement of financial position date is not reflected net of assets since these assets are not held in a legally separate entity that is not available to the Bank's own creditors. The past service costs and interest costs are accounted for in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of profit or loss and other comprehensive income in full.

Short-term employee benefits

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

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

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

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the 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.

3.8 Income taxation

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

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

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

3.9 Property and equipment

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

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

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

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

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

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

Building	3% 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

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

3.10 Investment property

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Owner occupied property is classified as investment property where the tenant occupies a significant portion (more than 50%) of the lettable space of the property. This threshold was set due to the Group's intention to let out any excess office space which exists at the Group's properties.

3.11 Intangible assets

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

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

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

3.11.1 (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.

3.11.2 (ii) Amortisation

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

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

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

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

3.12 Impairment of non-financial assets

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

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

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

3.13 Financial instruments

3.13.1 Classification and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual terms of the instrument. Regular way purchase and sales of financial assets are recognised on trade date, the date on which the group commits to purchase or sell the asset.

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 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 ECL, is recognised for financial assets measured at amortised cost and investments in debt instruments measured at 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 (ie 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. For purchased or originated credit impaired financial assets (assets that are credit-impaired at initial recognition) the group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cashflows.

When the group revises the estimates of future cashflows, 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.

(ii) 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 11.

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.

The Group has classified loans, trade receivables and cash at bank as amortised cost. These debt instruments are initially recognised at fair value plus directly attributable transaction costs.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. A provision for impairment of loans and receivables is established using the expected credit loss approach on date of initial recognition. A provision is raised using either a 12-month expected credit loss or lifetime expected credit loss approach.

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

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 may be reclassified in 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. Gains or losses on financial liabilities designated as FVTPL are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability).

- Financial liabilities arising from the transfer of financial assets that did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the group recognises any expenses incurred on the financial liability.

- Financial guarantee contracts and loan commitments.

(iii) Derivative financial instruments 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.

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable, and typically comprise of instruments such as swaps, forward rate agreements, futures and options.

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 mark-to-market movements.

(iv) 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".

(vi) Renegotiated loans

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

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

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

Refer to modifications in note 42.5.

3.13.3 Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.13.4 Derecognition of financial instruments

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

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

Financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (i) The Group has transferred substantially all the risks and rewards of the asset, or
  (ii) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial liabilities

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

3.13.5 Impairment of financial instruments

(i) 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".

(ii) Assets carried at amortised cost

The Group's accounting policy for impairment of financial assets changed significantly having early adopted IFRS 9, with effect 1 April 2015 (FY2016), and the expected credit loss model is now applied. The IFRS 9 impairment requirements are based on an expected credit loss model.

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

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

A 12-month expected loss approach is used for the following instruments:

- Purchased or newly originated financial assets that are not credit impaired.

A lifetime expected loss approach is used for the following instruments:

- Purchased or newly originated credit impaired financial assets.

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

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

1. Stage 1: 12-months 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.

2. Stage 2: Lifetime ECL - not credit impaired

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

3. Stage 3: Lifetime ECL - credit impaired

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.

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

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

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

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

The Bank considers its historical loss experience and adjusts this for current observable data. In additional, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macro-economic factors that which include but are not limited to the World Food Index as well as the Volume of Imports of Goods and Services, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indicies, including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses the previously assessed significant increase in credit risk since origination, then the ECL reverts from lifetime ECL to 12-months ECL.

3.13.6 Day 1 profit

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

3.13.7 Amortised cost of financial instruments

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

3.14 Sale and repurchase agreements

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

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

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

3.15 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.

3.16 Trade and other receivables

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

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

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

3.17 Funds administered on behalf of related parties

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

3.18 Trade and other payables

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

3.19 Funding liabilities

Funding liabilities were previously carried at amortised cost with certain liabilities being carried at fair value, with the fair value movements being accounted for in profit or loss throughout the year. Upon adoption of IFRS 9, with effect 1 April 2015 (FY2016), the Bank elected to carry all of it's funding liabilities at amortised cost. The arranging fees that are paid upon acquisition of the liability, are deferred to the 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.

3.20 Provisions

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

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

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

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

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

3.21 Foreign currency translation

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

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

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

3.22 Related parties

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

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

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

3.23 Contingencies

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

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

3.24 Insurance contracts

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

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

3.24.1 Short-term insurance

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

(i) Recognition and measurement

Premiums

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

Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums written that relate to risk periods extending into the following year. The Unearned Premium Reserve (UPR) is established to recognise the unexpired risk for which premiums have already been written. The UPR is set with reference to the remaining days of each the contracts as at the valuation date for assets and winter crops. This method is in line with the requirements of the Insurance Act of 2017.

For the "Hail Summer", "Multi Peril Summer" and "Horticulture" crop portfolios in the current reporting period, the UPR calculation is based on the incidence of risk over the term of the policy. The risk incidence pattern was set with reference to recent historic claims experience provided by the underwriting manager. In the prior reporting period, the crop insurance was written as a reinsurance inwards agreement over a period of twelve months and the UPR was earned on the remaining days method. The change of earning the UPR on summer crops is a prospective change considering the change from crop being written as reinsurance inward agreement in the previous reporting period to an underwriting management agreement in the current reporting period.

Commission

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

Fee income

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

Provision for unexpired risk

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

Provision for notified claims (outstanding claims)

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

Provision for claims incurred but not reported (IBNR)

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Group at that date. The provision is calculated based on the requirements of the Insurance Act of 2017 of 1998.

Deferred acquisition costs (DAC)

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

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

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

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

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

Administration costs

Administration costs on short-term insurance business consist of directly attributable costs payable to the underwriting manager and are deferred over the period in which the related premiums are earned. Administration costs that are directly attributable to long-term recurring premium insurance policy contracts will be recognised directly to the statement of comprehensive income.

Receivables and payables related to insurance contracts

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

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

3.24.2 Long-term insurance

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

(i) Recognition and measurement

Premiums

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

Fees and commission earned

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

Underwriting benefits

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

Liability adequacy test

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

Reinsurance contracts held

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

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

Long-term insurance liability

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

- The best estimate of future experience;
- The compulsory margins prescribed in the Insurance Act of 2017; and
- Actuarial guidance also provides for the use of discretionary margins where deemed appropriate.

The best estimate of future experience is determined as follows:

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

Acquisition costs

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

3.25 Critical accounting judgements and key sources of estimation uncertainty

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

3.25.1 Impairment losses on loans and advances

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

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

(i) LDFU loan impairments

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

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

During 2018 the Group contracted independent professional valuators to obtain up to date valuations in order to ensure that the carrying values of these loans do not exceed the net realisable values. Where the valuations obtained exceed the carrying values, the directors opted to maintain the current values due to uncertainties surrounding the potential conditions of disposal and legalities. The independent valuation is used, unless there is an unconditional offer of sale on the security held. The realisable value is then adjusted to the value of the offer received.

3.25.2 Fair value of financial instruments

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

3.25.3 Insurance

(i) Unlisted investments

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

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

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

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

The following process is followed to determine the valuation assumptions:

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

The best estimate of future experience is determined as follows:

Investment return

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

Decrements

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

Policy expenses

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

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

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

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

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

Process to determine significant assumptions

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

Outstanding claims

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

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

Claims incurred but not reported (IBNR)

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

For short-term business, the incurred but not reported reserve (IBNR) is based on the minimum requirements of the Insurance Act of 2017, as required by the Financial Sector Counduct Authority (FSCA) Board, previously FSB Board Notice 169 issued on 28 October 2011 and effective for the year ends after January 1, 2012. In line with this computation, premiums in different classes of business for the last six financial years are multiplied by an industry wide historical claims development factors introduced separately and the outcomes are added up. The Group underwrites crop insurance under the property class as well as agri-asset reinsurance inwards cover under the motor and property classes. A separate calculation is carried out to calculate the reinsurance portion of the IBNR reserve.

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

Premium provisions - short-term

The Group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires according to the remaining days method for the assets and winter crop policies. In the current reporting period, for the new crop policies written through the underwriting management agreement, the unearned premium for "summer hail", "summer multi-peril" and "horticulture" is calculated according to the claims occurring patterns based on an historic claims analysis of claims incurred. In the prior reporting period, crops written through the reinsurance agreement were released according to the remaining days method over the period of the reinsurance treaty. This is a prospective change with the change in the nature of the underlying transaction from a reinsurance agreement to an underwriting management agreement.

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

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

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

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

3.25.5 Basis of allocation of segment revenue, assets and liabilities

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

3.25.6 Depreciation rates, methods and residual values

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

3.25.7 Post employment medical benefits

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

3.25.8 Management expense provisions and accruals

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

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

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

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

3.26.1 Properties in possession

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

3.26.2 Disposal of properties in possession

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

	Group		Bank	
4. Cash and cash equivalents	**2019 R'000**	**2018 R'000**	**2019 R'000**	**2018 R'000**
Favourable cash balances				
Cash balances - commercial	**1 108 251**	1 654 987	**1 097 743**	1 596 091
Cash balances - short term investments	**2 104 870**	766 082	**2 104 825**	766 039
	3 213 121	2 421 069	**3 202 568**	2 362 130

Cash at banks are primarily held to mitigate the Group's refinancing/liquidity risk. Refer to note 42 for the credit risk ratings of the counterparties where bank accounts are held.

At 31 March 2019, the amount of undrawn borrowing facilities amounted to R 2.65 billion (FY2018:R 2.65 billion), of which R2.15 billion (FY2018: R2.15 billion) was unconditional.

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

	Group		Bank	
5. Trade and other receivables	**2019 R'000**	**2018 R'000**	**2019 R'000**	**2018 R'000**
Trade receivables	**676 082**	289 842	**128 724**	30 797
Accrued income [1]	**55 009**	18 860	**55 009**	18 860
Accrued interest - hedging [2]	**73 715**	11 937	**73 715**	11 937
Premium receivable	**311 094**	237 296	**-**	-
Reinsurance receivable	**236 264**	21 749	**-**	-
Other receivables	**153 284**	30 329	**222 838**	100 505
Intercompany loans - LBLIC [3]	**-**	-	**111 352**	85 327
Prepaid expenses	**7 579**	5 205	**7 579**	5 205
Recovery - Loss sharing WFF	**21 074**	-	**21 074**	-
Recovery - Loss sharing SLA	**68 235**	-	**68 235**	-
Loans to current employees [4]	**560**	697	**560**	697
Loans to former employees [4]	**67**	87	**67**	87
- Gross	**92**	120	**92**	120
- Impairments	**(25)**	(33)	**(25)**	(33)
Fruitless and wasteful expenditure receivable [5]	**-**	29	**-**	29
Sundry receivables [6]	**55 769**	24 311	**13 971**	9 159
	829 366	320 171	**351 562**	131 302

[1] Accrued income comprises of Accrued interest on short-term investments, accrued interest on loans and avdances and accrued fees from funds under admin.

[2] 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.

[3] Refer to note 39.2.2 for the detail on the intercompany loan.

[4] Loans to employees consists of:

Housing loans

Staff home loans granted by Land Bank which are receivable between 18 years to 20 years with an average remaining period of 17.5 years. The interest rate on the employee home loans is fixed at 3% per annum and the fair value of the loans is R0.2 million (FY2018: R0.2 million). The practice to grant home loans to employees was discontinued during 1998.

Pension backed housing loans

During FY2017, the Land Bank Retirement Fund ("LBRF") approached the Land Bank as participating employer to purchase the pension fund backed housing loans in order for the LBRF to be compliant with legislation as they would move the administration of the fund assets to a more effective administration platform. The Fund and participating employer had taken a decision to migrate the Fund into an umbrella fund within the Alexander Forbes Retirement Fund (AFRF). Before the LBRF could be transferred to the AFRF umbrella arrangement all existing housing loans in the fund had to be settled. The LBRF ceded all its rights under these loans to the Land Bank as participating employer.

The LBRF previously issued to members of the Fund in terms of Section 19(5) of the Pension Fund Act (PFA) and the Rules of the Fund allowed for loan repayment terms of 30 years or until retirement, which ever comes first. The Fund ceased granting loans at the commencement of the National Credit Act (Act 34 of 2005).

All pension backed housing loans are derecognised upon repayment, or retirement at which point outstanding balances are settled from Member's Fund Credits.

[5] Refer to note 46 and note 47 for the details on fruitless and wasteful and irregular expenditure receivable.

[6] The sundry receivables consist of sundry debtors which are non-interest bearing with no fixed terms of repayment.

5.1 Classification of trade and other receivables

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

	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Prepaid expenses	**7 579**	5 205	**7 579**	5 205
Trade and other receivables net of non-financial instruments (refer note 43)	**821 787**	314 966	**343 983**	126 097

Group receivables amounting to R2.1 million (FY2018: R2.1 million) are expected to be recovered after more than 12 months.

The carrying amount of trade and other receivables approximates their fair value. There are no other customer who represent more than 5% of trade receivables.

	Less than 1 year R'000	More than 1 year less than 2 years R'000	More than 2 years R'000	Total R'000
5.2 Trade and other receivables past due but not impaired				
2019				
Group				
Loans to current employees				
Gross loan amount	**9**	**9**	**542**	**560**
Portion of gross loan amount past due but not impaired	**9**	**9**	**542**	**560**
Loans to former employees				
Gross loan amount	**8**	**8**	**76**	**92**
Portion of gross loan amount past due but not impaired	**8**	**8**	**51**	**67**
2018				
Group				
Loans to current employees				
Gross loan amount	10	10	677	697
Portion of gross loan amount past due but not impaired	10	10	677	697
Loans to former employees				
Gross loan amount	8	8	104	120
Portion of gross loan amount past due but not impaired	8	8	71	87

6. Short-term insurance assets and liabilities

	Group 2019 R'000	Group 2018 R'000
Short-term insurance liabilities	**329 860**	398 859
Technical provision	**292 051**	358 857
Outstanding claims	**211 309**	229 619
Incurred but not reported claims	**50 543**	41 248
Provision for unearned premiums	**26 146**	87 990
Provision for unexpired risk reserve	**4 053**	-
Unearned commission income	**37 809**	40 002
Less: Short-term insurance assets	**(254 017)**	(282 382)
Reinsurers' share of technical provisions	**(205 515)**	(235 503)
Outstanding claims	**(148 531)**	(145 035)
Incurred but not reported claims	**(35 414)**	(28 775)
Provision for unearned premiums	**(18 675)**	(61 693)
Provision for unexpired risk reserve - ceded portion	**(2 895)**	-
Deferred acquisition costs	**(48 502)**	(46 879)
Net short-term insurance technical provisions	**75 843**	116 477

The crop UPP is calculated on the claims occurring basis for the published accounts, based on historical claims occurrence tables, which are reviewed annually. For the FSCA statutory reporting, the approved straight line basis over the term of the policy is used. The winter crop premium is fully earned by 31 March. Below are the provisions calculated according to the statutory basis.

	Statutory basis Group 2019 R'000	Statutory basis Group 2018 R'000
Short-term insurance liabilities	**316 187**	544 497
Technical provision	**278 378**	504 495
Provision for unearned premiums	**26 146**	235 645
Outstanding claims	**211 309**	229 619
Incurred but not reported claims	**36 870**	39 231
Provision for unexpired risk reserve	**4 053**	-
Unearned commission income	**37 809**	40 002
Short-term insurance assets	**(244 752)**	(385 349)
Reinsurers' share of technical provisions	**(196 250)**	(338 470)
Reinsurance on provision for unearned premiums	**(18 675)**	(165 753)
Reinsurance on outstanding claims	**(148 531)**	(145 035)
Reinsurance on Incurred but not reported claims	**(26 149)**	(27 682)
Provision for unexpired risk reserve - ceded portion	**(2 895)**	-
Deferred acquisition costs	**(48 502)**	(46 879)
Net short-term insurance technical provisions : statutory basis	**71 435**	159 148

	Group		
Unearned Premium Reserve movement	**Gross R'000**	**Reinsurance R'000**	**Net R'000**
Balance at 31 March 2017	(89 509)	64 404	(25 105)
Provision earned	89 509	(64 404)	25 105
New provision raised	87 990	(61 693)	26 297
Balance at 31 March 2018	87 990	(61 693)	26 297
Provision earned	**(87 990)**	**61 693**	**(26 297)**
Provision increased	**26 146**	**(18 675)**	**7 471**
Balance at 31 March 2019	**26 146**	**(18 675)**	**7 471**
Deferred acquisition costs			
Balance at 31 March 2017	39 851	(33 781)	6 070
Provision earned	(39 851)	33 781	(6 070)
Provision increased	46 879	(40 002)	6 877
Balance at 31 March 2018	46 879	(40 002)	6 877
Provision earned	**(46 879)**	**40 002**	**(6 877)**
Provision increased	**48 502**	**(37 809)**	**10 693**
Balance at 31 March 2019	**48 502**	**(37 809)**	**10 693**

Claims development table

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

Gross claims incurred

	Group		
Accident year	**2017**	**2018**	**2019**
	R'000	**R'000**	**R'000**
At end of accident year	362 175	503 458	**520 509**
One year later	15 377	-	-
Current estimate of gross cumulative claims incurred	377 552	503 458	**520 509**

Net claims incurred

At end of accident year	106 548	150 370	**152 803**
One year later	4 613	-	-
Current estimate of net cumulative claims incurred	111 161	150 370	**152 803**

Gross claims paid

At end of accident year	(256 237)	(270 157)	**(228 195)**
One year later	(208 255)	-	**(280 274)**
Current estimate of gross cumulative claims paid	(464 492)	(270 157)	**(508 469)**

Net claims paid

At end of accident year	(74 967)	(80 726)	**(68 458)**
One year later	(64 143)	-	**(84 082)**
Current estimate of net cumulative claims paid	(139 110)	(80 726)	**(152 540)**

	Group		
Outstanding claims movement	**Gross R'000**	**Reinsurance R'000**	**Net R'000**
Balance at 31 March 2017	109 673	**(145 035)**	**(35 362)**
Provision utilised	(109 673)	145 035	35 362
Provision increased	229 619	(145 035)	84 584
Balance at 31 March 2018	229 619	(145 035)	84 584
Provision utilised	**(229 619)**	**145 035**	**(84 584)**
Provision increased	**211 309**	**(148 531)**	**62 778**
Balance at 31 March 2019	**211 309**	**(148 531)**	**62 778**

Incurred but not reported movement			
Balance at 31 March 2017	27 253	**(19 080)**	**8 173**
Claims paid against provision	(21 190)	14 833	(6 357)
Provision utilised	(6 063)	4 247	(1 816)
New provision raised	41 246	(28 775)	12 471
Balance at 31 March 2018	41 246	(28 775)	12 471
Claims paid against provision	**(12 471)**	**8 730**	**(3 741)**
Provision released	**(28 775)**	**20 046**	**(8 729)**
Provision increased	**50 541**	**(35 414)**	**15 127**
Balance at 31 March 2019	**50 541**	**(35 413)**	**15 128**

	Group		Bank	
7. Repurchase agreements	**2019 R'000**	**2018 R'000**	**2019 R'000**	**2018 R'000**
- R186	**11 057**	5 533	**11 057**	5 776
- R208	**-**	10 173	**-**	9 930
- R2030	**9 219**	-	**9 219**	-
Republic of South Africa bonds	**20 276**	15 706	**20 276**	15 706
- LBK 28	**9 981**	-	**9 981**	-
Landbank issued bonds	**30 257**	15 706	**30 257**	15 706

The Group enters into sale and repurchase agreements to cover any short positions that the Group may experience from time to time.

Interest relating to these instruments is disclosed in note 25.

	Group		Bank	
	2019	2018	2019	2018
8. Investments	R'000	R'000	R'000	R'000
Investment in subsidiary - LBLIC	-	-	30	30
Investment in subsidiary - LBIC	-	-	350 000	350 000
Unlisted investments	1 250 203	565 124	1 250 203	565 124
Assets earmarked for medical aid liabilities	260 083	345 182	260 083	345 182
Investment in listed shares	127 685	146 314	127 685	146 314
Investments held by LBLIC	1 346 520	1 271 199	-	-
Investments held by LBIC	197 043	292 068	-	-
	3 181 534	2 619 887	1 988 001	1 406 650

Analysis of investments

8.1 Assets earmarked for medical aid liabilities

These are investments held with Coronation Asset Managers:

Listed investments	249 999	335 088	249 999	335 088
Local equity	167 509	245 654	167 509	245 654
Local bonds	44 217	50 075	44 217	50 075
Foreign equity	38 273	39 359	38 273	39 359
Commodities	5 076	2 290	5 076	2 290
Local ETF	5 076	2 290	5 076	2 290
Cash	5 008	7 804	5 008	7 804
Local	5 008	3 506	5 008	3 506
Foreign	-	4 298	-	4 298
	260 083	345 182	260 083	345 182

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 trough profit or loss and are measured and disclosed at fair value. These investments are exposed to interest rate risk, equity price risk and foreign exchange risk. Refer to note 40 for more information on the related risks and mitigation strategies.

	Bank	
	2019	2018
	%	%
Assets earmarked for medical aid liabilities are invested as follows:		
Local equities		
Financial (excl. real estate)	16%	25%
Basic materials	22%	18%
Industrials	1%	1%
Consumer goods	15%	16%
Health care	4%	8%
Consumer services	20%	21%
Telecommunications	5%	8%
Other securities	16%	2%

Refer to the note 23 for the post-retirement obligation disclosure.

		Group		Bank	
8.2	**Unlisted investments**	**2019 R'000**	**2018 R'000**	**2019 R'000**	**2018 R'000**
	Fair value				
	Ordinary shares in Capespan Capital (Pty) Ltd	**105**	1 498	**105**	1 498
	Ordinary shares in Acorn Agri (Pty) Ltd	**114 408**	119 699	**114 408**	119 699
	Ordinary shares in Mouton Holdings (Pty) Ltd	**155 890**	140 186	**155 890**	140 186
	Ordinary shares in Southern Cross Investment Holdings (Pty) Ltd	**89 960**	170 281	**89 960**	170 281
	Ordinary shares in Cavalier Group of Companies (Pty) Ltd	**51 227**	48 975	**51 227**	48 975
	Ordinary shares in Ideafruit (Pty) Ltd	**92 853**	84 485	**92 853**	84 485
	Ordinary shares in Riverside Holdings (Pty) Ltd	**124 000**	-	**124 000**	-
	Ordinary shares in Afgri Grain Silico Company Pty Ltd	**94 383**	-	**94 383**	-
	Ordinary shares in Investment in Bosveld	**525 252**	-	**525 252**	-
	Ordinary Shares in Investment in ETG	**2 125**	-	**2 125**	-
		1 250 203	565 124	**1 250 203**	565 124

The above equity investments constitute 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.

Capespan Capital (Pty) Ltd

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

Capespan Capital (Pty) Ltd was valued as at 31 March 2019. The valuation was based on the Net Asset Value (NAV) of the company. The NAV of the business amounts to R0.552 million (FY2018: R7.89 million), which results in an investment value of R0.1 million (FY2018: R1.50 million) for the Bank.

Acorn Agri & Food Ltd

During the 2017 financial year, the Land Bank acquired 47,159,495 ordinary shares to the value of R75 million in Acorn Agri (Pty) Ltd, in a conversion transaction of preference share investment in Afrifresh Group (Pty) Ltd. The effective date of the agreement was 23 March 2017.

At the time of acquisition, the acquired shares represented approximately 5.4% of the equity in Acorn Agri (Pty) Ltd.

During the 2018 financial year, the Land Bank acquired additional 27,009,507 ordinary shares to the value of R50 million in Acorn Agri (Pty) Ltd, in a debt to ordinary share conversion. The effective date of this transaction was 21 August 2017.

During the 2019 financial year, Acorn Agri (Pty) Ltd and Overberg Agri Ltd amalgamated to form Acorn Agri & Food Ltd, in Swap Ratio of 150.95718 Acorn Agri (Pty) Ltd shares for every 1 Acorn Agri & Food Ltd share, hence 4 664 313 shares were issued to Land Bank. The effective date of this transaction was 2 May 2018.

Acorn Agri (Pty) Ltd was valued as at 31 March 2018. The valuation was based on the Net Asset Value (NAV) per share, which amounts to R24.56per share, resulting in an investment value of R114.4 million (FY2017: R119.70 million) for the Bank.

Mouton Holdings (Pty) Ltd

The Land Bank acquired a 17.40% interest in Mouton Holdings (Pty) Ltd, for a nominal amount of R117.60 million in a debt to ordinary share conversion. The effective date of the agreement was 31 May 2017. The debt to ordinary share conversion was part of the original terms and conditions of the loan and was not a distressed asset restructure.

Mouton Holdings (Pty) Ltd was valued as at 31 March 2019. The valuation was based on the Discounted Cash flow method (DCF) of the company, resulting in an investment value of R155.9 million (FY2018: R140.2 million) for the Bank.

Southern Cross Investment Holdings (Pty) Ltd

The Land Bank acquired a 19.90% interest in Southern Cross Investment Holdings (Pty) Ltd, for a nominal amount of R174.60 million. This is phase 1 of the BEE transaction, phase 2 will involve a BEE partner that will buy 9.9% of Land Bank's shares (reducing our investment to 10%). The effective date of the agreement for phase 1 was 3 November 2017.

Southern Cross Investment Holdings (Pty) Ltd was valued as at 31 March 2019. The valuation was based on the DCF, resulting in an investment value of R89.96 million (FY2018: R170.3 million) for the Bank.

Cavalier Group of Companies (Pty) Ltd

The Land Bank acquired a 19.9% interest in Cavalier Group of Companies (Pty) Ltd for a nominal amount of R56.42 million. The effective date of the agreement was 7 July 2017.

Cavalier Group of Companies (Pty) Ltd was valued as at 31 March 2019. The valuation was based on the DCF, resulting in an investment value of R51.2 million (FY2018: R49.0 million) for the Bank.

Ideafruit (Pty) Ltd

The Land Bank acquired 17.5% of the shares in Ideafruit (Pty) Ltd for R83.90 million. The effective date of the agreement was 18 October 2017.

Ideafruit (Pty) Ltd was valued as at 31 March 2019. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R92.9 million (FY2018: R84.5 million) for the Bank.

Riverside (Pty) Ltd

The Land Bank acquired 19.9% of the shares in Riverside (Pty) Ltd for R124.00 million. The effective date of the agreement was 25 October 2018.

Given the investment was acquired less than six months before the financial year end and the purchase price was considered to be at fair value, the Bank recommends that no changes be made to the valuation amount as at 31 March 2019.

ETG Group (% holding in Bosveld)

In the prior periods, after a process of business rescue, the Bank gained control of the business operations of one of it's distressed assets. On the 13 April 2018, the board approved the sale of the said operations and assets to the ETG Group. On the 20 June 2018, the Bank entered into an Asset-for-shares swop agreement with the ETG group which entitled the bank to an effective 0.24 % shareholding in the ETG group as well as 19.9% shareholding in Bosveld. The Competition Commission approved the transactions subject to certain contitions being fulfilled. The conditions precedents were fulfilled on the 01 March 2019.

The ETG Group was valued as at 31 March 2019. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R2.1 million for the Bank.

Bosveld was valued as at 31 March 2019. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R525.3 million for the Bank.

Afgri Grain Silico Company Pty Ltd

The Land Bank acquired 19.9% of the shares in Afgri Grain Silo Company (Pty) Ltd for R94.38million. The effective date of the agreement was 29 March 2019.

The investment was aquired effective date 29 March 219 and the purchase price was considered to be at fair value, the Bank recommends that no changes be made to the valuation amount as at 31 March 2019.

8.3 Investments in Listed Shares	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Rhodes Food Group Holdings Limited	127 685	146 314	127 685	146 314

Rhodes Food Group Holdings Limited was valued in March 2019 based on the listed share price. The listed share price of Rhodes Food Group Holdings Limited as at 31 March 2019, was R16.45 per share (FY2018:R18.85), resulting in an investment value of R127.69 million (FY2018: R146.31 million) for the Bank.

8.4 Investment in LBLIC (100%)	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
LBLIC shares (15,000 ordinary shares at par value of R2 each)	-	-	30	30
Actuarial valuation (LBLIC)			1 244 539	1 169 884

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

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

The company provides life insurance cover to clients of the Land Bank under mortgage loans. The company's actuarial value of the surplus as at 31 March 2019 amounted to R1.24 billion (FY2018: R1.17 billion). In terms of the shareholder's agreement, the Land Bank guarantees the solvency of LBLIC. The Land Bank, as a holding company, does not expect to be called upon to perform under this guarantee. The shares are accounted for at cost in terms of IFRS.

8.5 Investment in LBIC (100%)	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
LBIC shares (1,250 ordinary shares at no par value)	-	-	350 000	350 000

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

With effect from 1 April 2014, Land Bank acquired all the LBIC shares from LBIS at Rnil. LBIC is therefore a direct subsidiary of the Land Bank.

LBIC now houses the Insurance Act of 2017ivities of the Group, such as short-term asset and crop insurance.

The shares are accounted for at cost in terms of IFRS.

During FY2017, the Land Bank contributed R150 million capital as part of the shareholder's support towards the operations of LBIC. The contribution was converted into 150 no par value shares in LBIC in March 2017, therefore increasing the issued shares of LBIC from 1,100 to 1,250.

		Group		Bank	
8.6	**Investment in LBIS (100%) - dormant**	**2019 R'000**	**2018 R'000**	**2019 R'000**	**2018 R'000**
	LBIS shares (1,000 ordinary shares at no par value)	-	-	-	-

In May 2014, the Minister approved that LBIS be dissolved and that the two insurance companies be held directly by the Land Bank.

Land Bank Insurance Services (SOC) Limited (LBIS), which is currently dormant, was the ultimate holding company of LBIC and LBLIC until 31 March 2014. LBIS is now a fellow subsidiary of LBLIC and LBIC.

The shares are accounted for at cost in terms of IFRS.

8.7 Investments held by LBLIC

These are investments held by subsidiaries with the following Asset Managers:

- Coronation Fund Managers Limited
- Momentum Asset Management
- Argon Asset Management
- Investec Asset Management
- Old Mutual Investment Group (South Africa) (Pty) Ltd

	Group	
	2019 R'000	**2018 R'000**
Equities	**439 510**	378 665
Commodities	**15 450**	28 366
Collective investment schemes	**163 991**	338 983
Bonds	**447 050**	241 418
Cash deposits and similar securities	**268 381**	274 737
Investment policy	**12 138**	9 030
	1 346 520	1 271 199

Designated at fair value through profit or loss

8.7.1 Equities

Equities comprise:		
Ordinary shares listed on the JSE [1]	**439 510**	368 825
Preference shares listed on the JSE [1]	**-**	9 840
	439 510	378 665

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

8.7.2 Commodities

ETF's - local [1]	**15 450**	23 633
ETF's - foreign (at market value)	**-**	4 733
	15 450	28 366

Commodity ETF's are classified as designated as at fair value through profit or loss.

[1] Investments at market prices per the JSE.

	Group	
	2019	2018
	R'000	R'000
8.7.3 Collective investment schemes ("CIS")		
Equity - foreign unit trusts	**129 107**	215 433
Balanced fund - foreign	**36 197**	35 529
Currency derivatives	**-**	(172)
Property - listed shares (REITs & REHD's)	**-**	66 492
Unlisted shares	**-**	21 701
Foreign cash	**(1 313)**	-
	163 991	338 983

CIS are classified at fair value through profit or loss.

8.7.4 Investments in interest bearing assets

	2019	2018
Bonds listed on the BESA - at market value	**447 050**	241 418
Government	**226 103**	143 855
Parastatal and municipal	**34 782**	5 292
Corporate	**186 165**	92 271
Cash, deposits and similar securities	**268 381**	274 737
Deposits with banks - local	**179 251**	216 148
Deposits with banks - foreign	**-**	66
Money market instruments	**89 130**	58 523
	715 431	516 155
Classification of investments in interest bearing assets		
- Amortised cost instruments	**179 251**	216 214
- Fair value through profit or loss	**536 180**	299 941
	715 431	**516 155**

8.7.5 Investment policy

	2019	2018
Other non-cash	**12 138**	9 030
	12 138	9 030

The Investment policy is classified at fair value through profit or loss.

Investments in foreign equities were made utilising pooled funds. The risk is managed by the LBLIC Investment and Actuarial Committee.

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

		Group	
		2019	2018
		R'000	R'000
8.8	**Investments held by LBIC**		
	This investment is held by Futuregrowth Asset Managers:		
	Investments in interest bearing assets		
	Bonds listed on the BESA - at market value	**133 062**	121 383
	Local/ Government	**133 062**	121 383
	Cash, deposits and similar securities	**63 981**	170 685
	Deposits with banks - local	**63 981**	170 685
		197 043	292 068
	Classification of investments in interest bearing assets		
	- Designated as at fair value through profit or loss	**197 043**	292 068

9. Strategic trading

The main objectives of strategic trading, in the absence of making a market in Land Bank bonds/ notes, are as follows:

- To remain visible in the secondary market;
- To monitor debt capital market developments and rate movements;
- To maintain relationships with brokers and banks; and
- To maintain Treasury systems, Nutron connectivity and training of junior traders.

As at 31 March 2019 the bank had no open positions (2018: no open positions)

10. 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. The Bank is exposed to "basis risk" as a result of different underlying reference rates of interest earning assets and interest incurring liabilities, wiz. Prime and Jibar respectively.

To manage the Bank's exposure to "basis risk" and in an effort to protect the Bank's net interest margin, the Land Bank Board approved an Interest Rate Risk Management Strategy during FY2018; hedging the mismatch moderately between the lending and funding rate.

The Bank's Interest Rate Management Strategy was drafted and is reviewed annually in the context of the Corporate Plan, Risk Appetite Framework, Borrowing and Funding Plan and Treasury Policy Framework.

In the current year under review, management's review revealed that the current hedge documentation and the Interest Rate Risk Management Strategy would strictly not meet the requirements in IFRS 9 to hedge account the interest rate basis swaps. If hedge accounting is not applied to a derivative, IFRS 9 requires gains and losses to be recognised in profit or loss and not in other comprehensive income (OCI).

The table below sets out derivative assets and liabilities by the type of hedge relationship in which they are designated.

	Group		Bank	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Interest rate swap derivatives [1]				
- Asset	**93 643**	9 297	**93 643**	9 297
- Liability	**(13 056)**	(1 191)	**(13 056)**	(1 191)
	80 587	8 106	**80 587**	8 106

[1] 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 mark-to-market movements.

The nominal amount of derivatives designated in cash flow hedge relationships is as follows:

	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Interest rate swaps				
- Asset	**11 370 000**	2 800 000	**11 370 000**	2 800 000
- Liability	**(11 370 000)**	(2 800 000)	**(11 370 000)**	(2 800 000)
	-	-	**-**	-

The following tables show the notional amount of derivatives in time bands based on the maturity of the derivatives:

	0 to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Over 5 years R'000	Total R'000
2019					
Group and Bank					
Interest rate swaps					
- Pay fixed	-	-	**11 370 000**	-	**11 370 000**
- Receive fixed	-	-	**11 370 000**	-	**11 370 000**
2018					
Group and Bank					
Interest rate swaps					
- Pay fixed	-	-	2 800 000	-	2 800 000
- Receive fixed	-	-	2 800 000	-	2 800 000

11. Loans and advances

11.1 Gross loans per business segment

	Group		
	Gross loans R'000	Expected Credit Loss (ECL) [1] R'000	Net loans R'000
2019			
Corporate Banking and Structured Investments	**10 604 785**	**(120 010)**	**10 484 775**
Commercial Development and Business Banking	**34 605 245**	**(619 885)**	**33 985 360**
Loan commitments and guarantees	**-**	**(4 679)**	**(4 679)**
	45 210 030	**(744 574)**	**44 465 456**
2018			
Corporate Banking and Structured Investments	13 261 165	(1 644 933)	11 616 232
Commercial Development and Business Banking	32 290 154	(479 364)	31 810 790
Loan commitments and guarantees	-	(8 560)	(8 560)
	45 551 319	(2 132 857)	43 418 462

Loan type	Nature of interest rate	Average term of repayment	Average interest rate 2019	Average interest rate 2018
Short term loans	Variable	1 year	**11.10%**	11.60%
Medium term loans	Variable	1 to 5 years	**11.80%**	11.65%
Long term loans	Variable/Fixed	> 5 years	**10.64%**	11.00%

11.2 Loans by maturity profile [1]	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
< 3 months	**5 828 827**	7 964 107	**5 828 827**	7 964 107
3 - 6 months	**4 843 555**	3 674 340	**4 843 555**	3 674 340
6 - 9 months	**1 717 825**	3 417 370	**1 717 825**	3 417 370
9 - 12 months	**2 349 087**	1 356 877	**2 349 087**	1 356 877
1 - 5 years	**6 761 331**	5 503 718	**6 761 331**	5 503 718
> 5 years	**23 707 260**	23 615 117	**23 707 260**	23 615 117
Total	**45 207 885**	45 531 529	**45 207 885**	45 531 529

[1] This maturity profile excludes the insolvent loan balances of R2.1 million.

11.3 Loans by credit quality	Performing loans [1] R'000	Under performing loans [2] R'000	Non performing loans [3] R'000	Total R'000
2019				
Corporate Banking and Structured Investments	**9 199 043**	**1 354 849**	**50 893**	**10 604 785**
Commercial Development and Business Banking	**27 924 933**	**2 774 907**	**3 905 405**	**34 605 245**
Gross loans and advances	**37 123 976**	**4 129 756**	**3 956 298**	**45 210 030**
Expected Credit Loss (ECL)	**(168 934)**	**(73 140)**	**(502 500)**	**(744 574)**
Net loans and advances	**36 955 042**	**4 056 616**	**3 453 798**	**44 465 456**
Guarantees				**9 790**
Loan commitments				**5 062 053**
Gross loan commitments and guarantees				**5 071 843**
Expected Credit Loss (ECL)				**(4 679)**
Net loan commitments and guarantees				**5 067 164**
2018				
Corporate Banking and Structured Investments	10 875 737	2 125 079	260 349	13 261 166
Commercial Development and Business Banking	28 150 886	1 361 186	2 778 082	32 290 153
Gross loans and advances	39 026 623	3 486 265	3 038 431	45 551 319
Expected Credit Loss (ECL)	(159 874)	(1 417 756)	(555 227)	(2 132 857)
Net loans and advances	38 866 749	2 068 509	2 483 204	43 418 462
Guarantees				815 573
Loan commitments				6 751 717
Gross loan commitments and guarantees				7 567 290
Expected Credit Loss (ECL)				(8 560)
Net loan commitments and guarantees				7 558 730

Included in the ECL is an amount of R50.9 million (FY2018: R56.4 million) relating to interest in suspense.

[1] Performing loans: A significant increase in credit risk could not be recorded. These loans are of an acceptable credit quality. Repayment is expected in compliance with the credit agreement.

[2] 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.

[3] Non-performing loans: Loans that have failed to meet the terms and conditions of the credit agreement and there are further indicators of the unlikeliness to repay the loan. Loans that are as a minimum 90 days in arrears, are classified as non-performing.

	Group	
	2019	2018
	R'000	R'000
11.4 Loans and advances past due not impaired		
0 to 30 days past due	**161 011**	169 180
31 to 90 days past due	**236 888**	144 856
90+ days past due	**2 393 481**	1 747 349
Total loans and advances past due but not impaired	**2 791 380**	2 061 385

Gross past due loans not impaired are covered in full by underlying collateral.
Refer to note 11.7 for details on the collateral.

11.5 Expected Credit Loss provision: reconciliation of movement per business unit

Group and Bank	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	Loan commitments and guarantees R'000	Total R'000
2019				
Balance at the beginning of the year [1]	**1 639 354**	**428 560**	**8 560**	**2 076 474**
Movement for the year				
Credit losses written off:	**(210 521)**	**(33 326)**	**-**	**(243 847)**
- Statement of financial position write off (utilisation)	**(166 244)**	**(12 751)**	**-**	**(178 995)**
- Statement of comprehensive income write off	**(44 277)**	**(20 575)**	**-**	**(64 852)**
Utilisation due to client restructuring	**(1 472 766)**	**-**	**-**	**(1 472 766)**
Impairment related to second loss sharing not raised in comprehensive income	**-**	**135 691**	**-**	**135 691**
Net impairment raised/ (released) to the statement of comprehensive income	**157 659**	**44 303**	**(3 881)**	**198 081**
Balance at the end of the year [1]	**113 726**	**575 228**	**4 679**	**693 633**
2018				
Balance at the beginning of the year [1]	1 650 370	640 884	7 849	2 299 103
Movement for the year				
Credit losses written off:	(252 508)	(35 515)	-	(288 023)
- Statement of financial position write off (utilisation)	(216 494)	(26 795)	-	(243 289)
- Statement of comprehensive income write off	(36 014)	(8 720)	-	(44 734)
Net impairment raised/ (released) to the statement of comprehensive income	241 492	(176 809)	711	65 394
Balance at the end of the year [1]	1 639 354	428 560	8 560	2 076 474

[1] The balances exclude suspended interest of R50.9 million (FY2018: R56.4 million).

11.6 Impairment releases/ (charges), claims and recoveries

Group and Bank	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	Loan commitments and guarantees R'000	Total R'000
2019				
Net impairments raised/ (released) to the statement of comprehensive income	**157 659**	**179 994**	**(3 881)**	**333 772**
Recoveries in respect of amounts previously written off	**(6 190)**	**(2 927)**	**-**	**(9 117)**
	151 469	**177 067**	**(3 881)**	**324 655**
2018				
Net impairments raised/ (released) to the statement of comprehensive income	241 492	(176 809)	711	65 394
Recoveries in respect of amounts previously written off	(1 772)	(8 098)	-	(9 870)
	239 720	(184 907)	711	55 524

11.7 Collateral held as security

The Group holds collateral which it is entitled to sell in the case of default by the owner of the collateral. The amount and type of collateral held for the exposure depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of the types of collateral. The value of the collateral are determined with reference to the realisable value of security under forced-sale conditions.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the Group does not occupy repossessed properties for business. The repossessed properties are accounted for as non-current assets held-for-sale in terms of IFRS 5. The bank did not reposses any assets against loans in the current year (FY2018: collateral value taken in possession was R4.1 million).

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

Nature of assets	Estimated value %	Bank 2019 R'000	Bank 2018 R'000
Biological assets	10% - 100%	**3 359 049**	1 426 665
Commodities	50% - 90%	**694 772**	786 724
Debtors	30% - 70%	**4 948 012**	7 336 709
Deposits	90% - 100%	**313 921**	121 645
Guarantee	95% - 100%	**543 935**	44 629
Land and buildings*	10% - 75%	**48 422 694**	37 977 141
Office equipment and computers	10%	**-**	39 987
Plant and equipment	30% - 50%	**1 533 562**	1 985 734
Shares and investments	30% - 100%	**3 593 900**	4 295 800
Specialised infrastructure	50%	**-**	163 291
Stock	10%-70%	**1 630 937**	2 112 011
Trademarks	50%	**16 807**	18 021
Vehicles	30% - 50%	**120 932**	235 909
Suretyship	10%	**1 611 532**	-
Cessions held over unpaid shares	30%	**-**	1 417
Other	10%	**3 885 369**	497 695
Total		**70 675 420**	57 043 378

* The Land and buildings is disclosed net of the collateral agreement limits.

Concentration of credit risk

By the very nature of the Bank's business it is exposed to credit concentration risk in the agricultural sector, as well as to certain counterparties / group of connected parties mainly within the Corporate Banking loan portfolio. Notwithstanding these risks, there is strategic benefit to the Bank by holding such exposures as the traditional large agri-businesses are often better positioned than financiers to mitigate risk in the agricultural value chain. Furthermore large agri-businesses are characterised by a spread in geographical locations, product /commodity diversification, vertical or horizontal integration in their respective value chains and diverse client risk profiles which mitigates the concentration risk for the Bank.

The current Group policy on credit concentration risk requires that the full Board of Directors approves any exposure in excess of 20% (FY2017: 25%) (50% for certain strategic clients who meets specific credit criteria) of the Bank's own equity[1] to any counterparty or group of connected parties. Furthermore, all acquired loan books managed through Service Level Agreements have credit concentration risk limits imposed by the Bank to mitigate concentration risk.

As at year-end there was one counterparty (FY2018: one) with individual exposure of more than 25% of the Bank's own equity[1]. This counterparty is also a strategic partner and falls below the 50% threshold. The total exposure of this counterparty at year-end amounted to R2.61 billion (FY2018: R3.5 billion). The exposure was approved by Credit and Investment Committee and the Land Bank Board. The counterparty is abiding to its loan repayment terms and conditions.

[1] Own equity is defined as equity plus unutilised government guarantees

12. Assets of discontinued operation classified as held-for-sale

12.1 Analysis of loans per category

Group and Bank	Gross loans R'000	Total impairment R'000	Net loans R'000
2019			
Land for development	**67 857**	**(61 598)**	**6 259**
2018			
Land for development*	504 093	(356 765)	147 328

* Judgment by consent was obtained against one client on 9 November 2016 on condition that Land Bank will only execute on the client's assets after six months from the judgment. The client was unsuccessful in selling its assets and the assets were bought in by Land Bank on the Sheriff's execution auction on 27 February 2018. These assets were on sold to third parties and are in the process of being transferred from Land Bank to the Purchaser, resulting in a reduction of the gross loans.

12.2 Loans by credit quality

	Non performing loans R'000	Total R'000
2019		
Land for development	**67 857**	**67 857**
Gross loans and advances	**67 857**	**67 857**
Expected Credit Loss (ECL)	**(61 598)**	**(61 598)**
Net loans and advances	**6 259**	**6 259**
2018		
Land for development	504 093	504 093
Gross loans and advances	504 093	504 093
Expected Credit Loss (ECL)	(356 765)	(356 765)
Net loans and advances	147 328	147 328

		2019 R'000	2018 R'000
12.3	Loans and advabces past due not impaired		
	0 to 30 days past due	-	-
	31 to 90 days past due	-	-
	90+ days past due	6 259	147 328
	Total loans and advances past due but not impaired	**6 259**	147 328

12.4 Provision for impairment: reconciliation of movement per business unit

	2019	2018
Balance at the beginning of the year	**356 765**	433 466
Movement for the year:		
Credit losses written off:	**(283 954)**	(112 724)
- Statement of financial position write off (utilisation)	**(295 167)**	(97 434)
- Statement of comprehensive income recovery (write off)	**11 213**	(15 290)
Net impairment raised/ (released) to the statement of comprehensive income	**(61 598)**	(61 598)
Balance at the end of the year	**61 598**	356 765

12.5 Impairment (charges)/ releases, claims and recoveries

	2019	2018
Net impairments raised/ (released) to the statement of comprehensive income	**(11 213)**	36 023

12.6 Collateral held as security

	2019	2018
Land and buildings	**6 259**	169 252

The properties, where relevant, were valued by independent professional valuators to obtain up to date valuations in order to ensure that the carrying values of these loans do not exceed the net realisable values. Where unconditional offers were received, the market value was adjusted to reflect the value of the offer received. The total market value of the collateral held for this portfolio amounts to R6.3 million (FY2018: R398.17 million), forced sale value amounts to R6.3 million (FY2018: R169.3 million). As disclosed in note 24., the LDFU loans entered into by the Group in 2007, were outside the mandate of the Group in terms of the Land Bank Act.

As at 31 March 2019, the situation is as follows:
The bank has only one liquidated estate in this category. The Final liquidation order was granted on 23 March 2018. Land Bank proved its claim at the first meeting of creditors on 29 August 2018. The security was sold in liquidation and after deduction of the Section 89 costs, an award of R6.3 million will be made to Land Bank. The outstanding rates and taxes were deducted from the purchase price before a dividend can be declared for Land Bank. The dividend payable to Land Bank will further be reduced once legal costs are deducted. A Third Party creditor lodged claim for enrichment they have made a settlement offer to liquidators which is being negotiated. Any settlement figure will further reduce the dividend due to Land Bank. There is also a refund due to Land Bank for security costs paid. Land Bank awaits the final Liquidation & Distribution account and the dividend.

13. Non-current assets held-for-sale

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Properties in possession	**4 385**	10 085	**4 385**	10 085
Previously held as Investment Properties	**158 651**	-	**158 651**	-
	163 036	10 085	**163 036**	10 085

13.1 Reconciliation of movement

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Opening balance	**10 085**	47 993	**10 085**	47 993
Plus: Additions	**-**	4 099	**-**	4 099
Less: Disposals	**(5 700)**	(42 172)	**(5 700)**	(42 172)
Re-measurement recognised in OCI	**(1 339)**	-	**(1 339)**	-
Reversal of prior year impairment losses	**-**	165	**-**	165
Reclassification from Investment Properties	**159 990**	-	**159 990**	-
Closing balance	**163 036**	10 085	**163 036**	10 085

These represent the properties bought in by the Group due to clients defaulting on their loan payments. The intention of the Group is to sell these properties to recover the outstanding payments on the defaulted loans. In view of the current volatile market conditions and low property valuations, the properties in possession will only be disposed of as and when conditions render it economically viable. The Group exclusively hold these properties with a view to dispose of them:

- BP 1938 located in Pietermaritzburg
- BP 2102 located in East London
- BP 2114 located in Nelspruit
- BP 2116 located in Welkom

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

31 March 2019	**Carrying amount**	**Selling Price**	**VAT**	**Profit/ (Loss) after tax**
BP 2110 located in Pietermaritzburg	**1 565**	**3 442**	**-**	**1 877**
BP 2112 located in Pretoria	**500**	**632**	**-**	**132**
BP 2117 located in Pretoria	**3 635**	**5 000**	**-**	**1 365**
	5 700	**9 074**	**-**	**3 374**

31 March 2018	**Carrying amount**	**Selling Price**	**VAT**	**Profit/ (Loss) after tax**
BP 2107 located in North West	40 167	30 491	-	(9 676)
BP 2115 located in Polokwane	2 005	2 964	364	595
	42 172	33 455	364	(9 081)

Refer to note 45 for the methods used to determine the fair values for these assets.

13.2 Previously held as Investment Properties

These represent the properties that were previously held as Investment properties. The intention of the Group is to sell these properties hence they have now been reclassified as Non-current assets held for sale. The Group exclusively hold these properties with a view to dispose of them:

- Potchefstroom Building ERF 132
- Port Elizabeth Building ERF 3127
- Bethlehem Building Erf 180.3
- George Building ERF 2108
- Rustenburg Building ERF 1480/1
- Beaufort West Building ERF 577
- Cradock Building ERF 3825
- Kroonstad Building ERF 7777
- Lichtenburg Building ERF 107/7

14. Investment property

	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Opening balances	**174 590**	167 800	**174 590**	167 800
Transfer to non-current-asset-held for sale	**(159 990)**	-	**(159 990)**	-
Fair value adjustments	**650**	6 790	**650**	6 790
Closing balance	**15 250**	174 590	**15 250**	174 590
Investment property comprises the following:				
Office buildings	**15 250**	174 590	**15 250**	174 590
Rental income derived from investment properties	**17 575**	14 898	**17 575**	14 898

A register containing details of the investment properties and fair value adjustments is available for inspection at the Group's registered office. There are no restrictions on the title of the property and no property has been pledged as security.

The fair value of investment property was determined by using the opportunity cash flow method (OCF). This is a combination of capitalisation and discounting. The inputs used are gross market rentals, operating costs, the perpetual vacancy, market capitalisation rate and net present value of the OCF.

Please refer to note 45 for the fair value hierarchy and methods used to determine the fair value of these assets.

15. Property and equipment

15.1 Group

2019	Land R'000	Buildings R'000	Computer equipment R'000	Furniture, fittings and office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
Open market value/cost at 1 April 2018	3 818	20 682	34 508	18 188	522	15 331	93 049
Additions	-	-	595	606	-	-	1 201
Disposals	-	-	(304)	(315)	-	-	(619)
Revaluation [1]	10	(160)	-	-	-	-	(150)
Open market value/cost at 31 March 2019	3 828	20 522	34 799	18 479	522	15 331	93 481
Accumulated depreciation and impairment losses at 1 April 2018	-	-	(25 631)	(15 278)	(412)	(13 526)	(54 847)
Depreciation	-	(1 024)	(5 183)	(787)	(4)	(846)	(7 844)
Depreciation write-back as a result of the revaluation	-	1 024	-	-	-	-	1 024
Disposals	-	-	54	286	-	-	340
Accumulated depreciation and impairment losses at 31 March 2019	-	-	(30 760)	(15 779)	(416)	(14 372)	(61 327)
Net carrying value at 31 March 2019	3 828	20 522	4 039	2 700	106	959	32 154

2018	Land R'000	Buildings R'000	Computer equipment R'000	Furniture, fittings and office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
Open market value/cost at 1 April 2017	3 722	21 527	37 911	19 820	522	15 331	98 833
Additions	-	-	811	874	-	-	1 685
Disposals	-	-	(4 214)	(2 506)	-	-	(6 720)
Revaluation [1]	96	(845)	-	-	-	-	(749)
Open market value/cost at 31 March 2018	3 818	20 682	34 508	18 188	522	15 331	93 049
Accumulated depreciation and impairment losses at 1 April 2017	-	-	(24 175)	(16 432)	(406)	(12 584)	(53 597)
Depreciation	-	(1 019)	(5 572)	(1 075)	(6)	(942)	(8 614)
Depreciation write-back as a result of the revaluation	-	1 019	-	-	-	-	1 019
Disposals	-	-	4 116	2 229	-	-	6 345
Accumulated depreciation and impairment losses at 31 March 2018	-	-	(25 631)	(15 278)	(412)	(13 526)	(54 847)
Net carrying value at 31 March 2018	3 818	20 682	8 877	2 910	110	1 805	38 202

	Land R'000	Buildings R'000	Computer equipment R'000	Furniture, fittings and office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
Bank							
2019							
Open market value/cost at 1 April 2018	3 818	20 682	34 265	17 894	522	15 331	92 512
Additions	-	-	474	616	-	-	1 090
Disposals	-	-	(235)	(289)	-	-	(524)
Revaluation [1]	10	(160)	-	-	-	-	(150)
Transfer to subsidiary	-	-	-	(27)	-	-	(27)
Open market value/cost at 31 March 2019	3 828	20 522	34 504	18 194	522	15 331	92 901
Accumulated depreciation and impairment losses at 1 April 2018	-	-	(25 547)	(15 031)	(412)	(13 526)	(54 516)
Depreciation	-	(1 024)	(5 120)	(787)	(4)	(846)	(7 781)
Depreciation write-back as a result of the revaluation	-	1 024	-	-	-	-	1 024
Depreciation effect of the transfer to subsidiary	-	-	-	27	-	-	27
Disposals	-	-	76	261	-	-	337
Accumulated depreciation and impairment losses at 31 March 2019	-	-	(30 591)	(15 530)	(416)	(14 372)	(60 909)
Net carrying value at 31 March 2019	3 828	20 522	3 913	2 664	106	959	31 992

	Land R'000	Buildings R'000	Computer equipment R'000	Furniture, fittings and office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
2018							
Open market value/cost at 1 April 2017	3 722	21 527	37 737	19 508	522	15 331	98 347
Additions	-	-	811	874	-	-	1 685
Disposals	-	-	(4 185)	(2 466)	-	-	(6 651)
Revaluation [1]	96	(845)	-	-	-	-	(749)
Transfer to subsidiary	-	-	(98)	(22)	-	-	(120)
Open market value/cost at 31 March 2018	3 818	20 682	34 265	17 894	522	15 331	92 512
Accumulated depreciation and impairment losses at 1 April 2017	-	-	(24 132)	(16 172)	(406)	(12 584)	(53 294)
Depreciation	-	(1 019)	(5 510)	(1 073)	(6)	(942)	(8 550)
Depreciation write-back as a result of the revaluation	-	1 019	-	-	-	-	1 019
Depreciation effect of the transfer to subsidiary	-	-	8	20	-	-	28
Disposals	-	-	4 087	2 194	-	-	6 281
Accumulated depreciation and impairment losses at 31 March 2018	-	-	(25 547)	(15 031)	(412)	(13 526)	(54 516)
Net carrying value at 31 March 2018	3 818	20 682	8 718	2 863	110	1 805	37 996

[1] Refer to note 45.4 for the methods used to determine the fair values for these assets.

The land and buildings were valued by independent property valuators as at year end. The methods used for the valuations are based on market rentals, as obtained from independent companies who operate in the area, and the capitalisation rate for the areas, as obtained from the valuator's report.

There are no restrictions on the title of the property and no property has been pledged as security. The Group does not have any contractual commitments for the acquisition of property.

IFRS requires that the carrying values of land and buildings if they had to be carried using the historical cost method should be disclosed. As a result of the buildings being purchased many years ago, the latest being 1998, it is not possible for the Bank to determine and disclose the carrying values of each property and in addition to this the values at which the properties were purchased are negligible in comparison to the current carrying values disclosed using the revaluation method.

A register containing details of the owner-occupied properties and the revaluation thereof is available for inspection at the Group's registered office.

The opening accumulated depreciation on 1 April 2017 was written back to the carrying amount of buildings when revalued in terms of the net replacement value method.

16. Leased Assets.

Group

2019

16.1.1 Right of use of assets	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2018			
Initial recognition	80 560	10 765	91 325
Depreciation	(21 737)	(1 495)	(23 232)
At 31 March 2019	58 823	9 270	68 093

16.1.2 Lease Liabilities	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2018			
Initial recognition	80 561	10 765	91 326
Interest expense	6 329	374	6 703
Lease payments	(25 806)	(1 705)	(27 511)
At 31 March 2019	61 084	9 434	70 518

16.1.3 Maturity analysis for lease liabilities	< 12 months R'000	1 - 5 years R'000	> 5 years R'000	Total R'000
Lease liabilities Buildings	21 580	39 505	-	61 085
Lease liabilities Motor vehicles	3 472	5 961	-	9 433
	25 052	45 466	-	70 518

Bank

2019

16.2.1 Right of use of assets

	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2018			
Initial recognition	80 560	10 276	90 836
Depreciation	(21 737)	(1 427)	(23 164)
At 31 March 2019	58 823	8 849	67 672

16.2.2 Lease Liabilities

	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2018			
Initial recognition	80 561	10 276	90 837
Interest expense	6 329	357	6 686
Lease payments	(25 806)	(1 628)	(27 434)
At 31 March 2019	61 084	9 434	70 089

16.2.3 Maturity analysis for lease liabilities

	< 12 months R'000	1 - 5 years R'000	> 5 years R'000	Total R'000
Lease liabilities Buildings	21 580	39 504	-	61 084
Lease liabilities Motor vehicles	3 675	5 330	-	9 005
	25 255	44 834	-	70 089

17. Intangible assets

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Computer software				
Net carrying Value	**13 548**	20 279	**13 548**	20 279
Cost at the beginning of the year	**81 789**	81 974	**81 789**	81 974
Accumulated amortisation	**(68 241)**	(61 510)	**(68 241)**	(61 510)
Disposal/ write-off	**-**	(185)	**-**	(185)
Reconciliation of movement during the year				
Carrying value at the beginning of the year	**20 279**	27 275	**20 279**	27 275
Amortisation	**(6 731)**	(6 811)	**(6 731)**	(6 811)
Disposal/ write-off	**-**	(185)	**-**	(185)
Net carrying value at the end of the year	**13 548**	20 279	**13 548**	20 279

Included in the cost of intangible assets are computer software that has been fully amortised however still in use with a historical cost of R13.5 million (FY2018: R13.5 million). The Group reassess the useful lives of all the intangible assets during the FY2019 together with the review of the accounting policy in order to reflect the most correct estimated useful lives of all intangible assets.

18. Distributable and other reserves

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Distributable reserves from continuing operations				
Capital fund	**4 397 655**	4 397 655	**4 397 655**	4 397 655
General reserve	**833 800**	698 246	**1 183 829**	1 048 275
Insurance reserve	**1 489 476**	1 451 824	**-**	-
Total distributable reserves	**6 720 931**	6 547 725	**5 581 484**	5 445 930
Other reserves	**93 467**	100 978	**93 467**	100 978
Mark-to-market reserve	**(43 883)**	(43 604)	**(43 883)**	(43 604)
Cash flow hedge reserve	**-**	8 106	**-**	8 106
Revaluation of property	**137 350**	136 476	**137 350**	136 476
	6 814 398	6 648 703	**5 674 951**	5 546 908

18.1 Description of equity components

General reserve

The General reserve comprises of accumulated retained earnings.

Capital fund

The Capital fund consists of an initial loan by government which was converted to equity in 2006 as part of the government commitment to support the Bank as well as further capital injections from the National Treasury in FY2015.

Insurance reserve

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

Mark-to-market reserve

The Mark-to-market reserve relates to the fair value adjustment on the unlisted and listed investments held by the Bank. Please refer to notes 8.2 and 8.3.

Cash flow hedge reserve

The cash flow hedge reserve records the effective portion of changes in the fair valuation of derivatives designated as cash flow hedging instruments.

Revaluation reserve

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

19. Trade and other payables

	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Accrued expenses	**14 635**	29 716	**8 606**	15 199
Amounts due to intermediaries	**37 912**	13 258	**-**	-
Amounts due to reinsurers	**378 660**	159 474	**-**	-
Trade payables	**11 577**	47 107	**11 577**	47 107
Deferred Income	**1 286**	-	**1 286**	-
Loan costs and fees received in advance	**42 226**	47 542	**42 226**	47 542
Other	**6 922**	52 953	**6 100**	47 854
Premiums received in advance	**3**	108	**-**	-
Amounts due to SASRIA	**3 008**	2 233	**-**	-
Client deposits for approved loans	**2 850**	3 013	**2 850**	3 013
	499 079	355 404	**72 645**	160 715

The trade and other payables are classified as other financial liabilities and are carried at amortised cost. Trade and other payables are generally paid as follows:

- Accrued expenses: one month;
- Loan costs and fees received in advance: one to three months;
- Client deposits for approved loans: one to three months; and
- Other: one month.

As noted in the maturity analysis, Group payables amounting to R45.3 million (FY2018: R59.9 million) are expected to be settled after more than 12 months.

		Group	
		2019	2018
20.	**Long-term policyholders' liabilities**	R'000	R'000
	Policyholders' liabilities under insurance contracts	**44 760**	51 880
	Notified claims	**92**	2 076
	Claims (incurred but not reported)	**2 272**	1 983
		47 124	55 939

20.1 Policyholders' liability excluding Incurred But Not Reported (IBNR) and notified claims

	2019	2018
Present value of policy liabilities	**20 963**	28 276
Plus: present value of future expenses	**17 523**	24 254
Less: present value of future premiums	**(15 665)**	(20 828)
Liability excluding AIDS reserve	**22 821**	31 702
Plus: AIDS reserve	**500**	554
Plus: expense overrun reserve	**21 439**	19 624
Total policyholders' liability excluding IBNR and notified claims	**44 760**	51 880

20.2 Movement in the long-term policyholders' liability

	2019	2018
Balance at the beginning of the year	**51 880**	50 469
Movement in the long-term policyholders' liability	**(7 120)**	1 411
Balance at the end of the year	**44 760**	51 880

20.3 Movement in the IBNR

	Group		
	Gross R'000	Ceded R'000	Net R'000
2019			
Balance at the beginning of the year	**1 983**	**(1 246)**	**737**
Movement in the IBNR	**289**	**(153)**	**136**
Balance at the end of the year	**2 272**	**(1 399)**	**873**
2018			
Balance at the beginning of the year	3 617	(2 863)	754
Movement in the IBNR	(1 634)	1 617	(17)
Balance at the end of the year	1 983	(1 246)	737

20.4 Movement in notified (outstanding) claims

	Gross R'000	Ceded R'000	Net R'000
2019			
Balance at the beginning of the year	**2 076**	**(1 108)**	**968**
Movement in the IBNR	**(1 984)**	**1 062**	**(922)**
Balance at the end of the year	**92**	**(46)**	**46**
2018			
Balance at the beginning of the year	672	(281)	391
Movement in the IBNR	1 404	(827)	577
Balance at the end of the year	2 076	(1 108)	968

20.5 Total long-term insurance liabilities	Group		
	Gross R'000	Ceded R'000	Net R'000
2019			
Long-term policyholders' liability	**44 760**	**(6 464)**	**38 296**
Notified claims	**92**	**(46)**	**46**
IBNR	**2 272**	**(1 399)**	**873**
Total long-term insurance liabilities	**47 124**	**(7 909)**	**39 545**
2018			
Long-term policyholders' liability	51 880	(8 399)	43 481
Notified claims	2 076	(1 108)	968
IBNR	1 983	(1 246)	737
Total long-term insurance liabilities	55 939	(10 753)	45 186

	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
21. Funding liabilities				
At amortised cost	**44 257 919**	41 576 302	**44 257 919**	41 576 302

The carrying value of funding liabilities comprise of amounts measured at amortised cost.

21.1 Analysis of funding

Group and Bank		Non-cash	Cash		Non-cash	Cash			
2019	Opening balance R'000	Re-alignment of amortised cost [1] R'000	New issues/ utilisation R'000	Repayment/ settlements R'000	Accrued interest R'000	Discount/ premium R'000	Prepaid arranging fees R'000	Closing balance R'000	Fair value R'000
Commercial funding									
Commercial paper	17 656 416	773 440	1 646 358	(114 282)	1 188	(699 886)	-	19 263 234	19 461 039
Bills	997 981	329 390	250 000	-	-	(264 974)	-	1 312 397	1 370 515
Call bonds	175 968	(1 038)	-	(25 930)	888	-	-	149 888	149 853
Floating rate notes - 1 year	683 573	3 512	1 350 450	-	-	(19 741)	-	2 017 794	2 033 632
Floating rate notes - 2 to 5 years	2 648 345	36 331	45 908	-	-	(39 754)	-	2 690 830	2 771 487
Promissory notes	13 150 549	405 245	-	(88 352)	300	(375 417)	-	13 092 325	13 135 552
Deposits	707 233	-	10 847	(22 396)	-	-	-	695 684	695 667
Agri-related business deposits	254 493	-	-	(22 396)	-	-	-	232 097	232 094
Forced stock sale deposits	452 699	-	10 844	-	-	-	-	463 543	463 529
Small institutional deposits	41	-	3	-	-	-	-	44	44
Facilities	992	(1 126)	2	-	4 441	-	-	4 309	-
Committed	992	(1 126)	2	-	3 011	-	-	2 879	-
Uncommitted	-	-	-	-	1 430	-	-	1 430	-
DMTN issuances	10 946 917	(197 115)	5 125 000	(2 620 000)	194 983	9 198	(1 615)	13 457 368	13 434 792
Floating rate notes	8 548 406	(88 604)	3 426 000	(2 620 000)	63 968	2 576	(1 419)	9 330 927	9 385 638
- LBK05	757 674	(5 673)	-	(752 000)	-	-	-	1	-
- LBK08	329 906	(4 905)	-	-	4 916	-	-	329 917	325 115
- LBK14U	511 043	(11 043)	-	(500 000)	-	-	-	-	-
- LBK15	1 413 876	(38 876)	-	-	29 442	-	(548)	1 403 894	1 427 877
- LBK16	191 239	(1 439)	-	-	1 523	-	(32)	191 291	189 813
- LBK17	523 949	(949)	-	-	1 297	-	(170)	524 127	526 504
- LBK18	736 693	(3 693)	-	-	2 008	-	(376)	734 632	760 409
- LBK21	874 321	(6 321)	-	(868 000)	-	-	-	-	-
- LBK22	573 111	(5 111)	-	-	3 791	-	-	571 791	568 790
- LBK23	617 156	(6 156)	-	-	4 249	-	(8)	615 241	623 222

21.1 Analysis of funding

Group and Bank		Non-cash	Cash		Non-cash	Cash			
2019	Opening balance R'000	Re-alignment of amortised cost [1] R'000	New issues/ utilisation R'000	Repayment/ settlements R'000	Accrued interest R'000	Discount/ premium R'000	Prepaid arranging fees R'000	Closing balance R'000	Fair value R'000
Floating rates (continued)									
- LBK25	501 014	(1 014)	-	(500 000)	-	-	-	-	-
- LBK26	245 520	(520)	-	-	406	-	-	245 406	246 282
- LBK27	1 272 904	(2 904)	750 000	-	3 603	-	(39)	2 023 564	2 038 358
- LBK30	-	-	306 000	-	855	-	(25)	306 830	306 005
- LBK31	-	-	920 000	-	2 752	-	(82)	922 670	920 011
- LBK32	-	-	500 000	-	6 475	-	(46)	506 429	500 041
- LBK33	-	-	500 000	-	1 985	2 576	(48)	504 513	503 216
- LBK35	-	-	450 000	-	666	-	(45)	450 621	449 995
Fixed rate notes	2 398 511	(108 511)	1 699 000	-	131 015	6 622	(196)	4 126 441	4 049 154
- LBK11	506 014	(16 014)	-	-	16 014	-	-	506 014	491 617
- LBK12U	201 809	(1 809)	-	-	1 862	-	-	201 862	204 664
- LBK20	849 444	(54 444)	-	-	24 882	-	(32)	819 850	817 788
- LBK24	841 244	(36 244)	-	-	39 261	-	(72)	844 189	830 655
- LBK28		-	925 000	-	25 305	6 622	(27)	956 900	923 220
- LBK29		-	774 000	-	23 691	-	(65)	797 626	781 210
Term loans - amortising	4 855 754	499 630	-	(1 170 262)	13 946	-	(456 517)	3 742 551	4 708 404
5 year syndicated loan	389 171	(282)	-	(222 222)	125	-	-	166 792	168 310
7 year syndicated loan (Government guaranteed) [2]	942 286	5 754	-	(948 040)	-	-	(5 191)	(-5 191)	-
10 year syndicated loan (MIGA supported)	3 524 297	494 158	-	-	13 821	-	(451 326)	3 580 950	4 540 094
Term loans - bullet term	1 598 231	5 769	1 000 000	(1 604 000)	4 767	-	(9 155)	995 612	1 045 602
3 year syndicated loans	-	-	1 000 000	-	4 767	-	(3 952)	1 000 815	1 045 602
6 year syndicated loan (Government guaranteed) [2]	1 598 231	5 769	-	(1 604 000)	-	-	(5 203)	(5 203)	-
Step rate notes	4 299 866	(47 866)	-	(291 000)	53 047	-	-	4 014 047	4 140 158
Total commercial funding	40 065 409	1 032 732	7 782 207	(5 821 940)	272 372	(690 688)	(467 287)	42 172 805	43 485 662

21.1 Analysis of funding

Group and Bank		Non-cash	Cash		Non-cash	Cash			
2019	Opening balance R'000	Re-alignment of amortised cost [1] R'000	New issues/ utilisation R'000	Repayment/ settlements R'000	Accrued interest R'000	Discount/ premium R'000	Prepaid arranging fees R'000	Closing balance R'000	Fair value R'000
Total commercial funding	40 065 409	1 082 732	7 789 207	(5 821 940)	272 372	(690 688)	(467 287)	42 172 805	43 465 662
Development and multilateral funding									
Term loans - amortising	1 193 149	(2 513)	662 250	(90 909)	12 457	-	(7 815)	1 766 619	1 939 258
10 year term loan - KFW [3]	318 494	8 506	572 250	-	487	-	(7 815)	891 922	1 027 566
12 year term loan - EIB [4]	-	-	-	-	-	-	-	-	-
15 year term loan - AfDB	874 655	(11 019)	-	(90 909)	9 955	-	-	782 682	803 497
25 year term loan - World Bank [5]	-	-	90 000	-	2 015	-	-	92 015	108 195
Total development and multilateral funding	1 193 149	(2 513)	662 250	(90 909)	12 457	-	(7 815)	1 766 619	1 939 258
Disaster relief funding									
Drought relief									
10 year amortising term loan - IDC	317 744	(635)	1 522	-	3 607	-	(3 743)	318 495	299 029
Total disaster relief	317 744	(635)	1 522	-	3 607	-	(3 743)	318 495	299 029
Total funding liabilities	41 576 302	1 029 584	8 445 979	(5 912 849)	288 436	(690 688)	(478 845)	44 257 919	45 723 949

[1] Realignment of amortised cost includes reversals of prior year, year end accruals in relation to accrued interest, premium/discounts and prepaid arranging fees.

[2] As of 28 September 2018, the Bank's R2.7 billion guaranteed syndicated loan has been prepaid in full.

[3] As of 31 March 2019 the funding line of EUR 55 million (R899 million) was fully drawn.

[4] During the year under review there have been no draw downs against the EUR 50 million funding line from the European Investment Bank.

[5] During the year under review an amount of USD 3 million (R90 million) was drawn down under the USD 93 million World Bank funding line.

The Land Bank carries no foreign currency risk on any of its US Dollar or EUR denominated multilateral or international funding lines supported by multilateral agencies, as the Bank converts these facilities as well as interest rates into ZAR denominations and South African JIBAR-linked interest rates on day one.

Group and Bank	Non-cash		Cash		Non-cash	Cash			
2018	Opening balance R'000	Re-alignment of amortised cost [1] R'000	New issues/ utilisation R'000	Repayment/ settlements R'000	Accrued interest R'000	Discount/ premium R'000	Prepaid arranging fees R'000	Closing balance R'000	Fair value R'000
Commercial funding									
Commercial paper	20 215 160	310 016	607 371	(2 702 691)	1 038	(774 478)	-	17 656 416	17 885 259
Bills	756 432	13 568	557 371	-	-	(329 390)	-	997 981	1 081 678
Call bonds	658 924	(4 294)	-	(479 700)	1 038	-	-	175 968	174 900
Floating rate notes - 1 year	2 687 077	(29 077)	-	(1 970 915)	-	(3 512)	-	683 573	687 140
Floating rate notes - 2 to 5 years	2 926 670	(32 670)	-	(209 324)	-	(36 331)	-	2 648 345	2 752 382
Promissory notes	13 186 057	362 489	50 000	(42 752)	-	(405 245)	-	13 150 549	13 189 159
Deposits	736 405	(4 465)	23 285	(47 992)	-	-	-	707 233	707 233
Agri-related business deposits	231 076	135	23 282	-	-	-	-	254 493	254 493
Department of Agriculture, Forestry and Fisheries Funds	4 600	(4 600)	-	-	-	-	-	-	-
Employee deposits	26	-	-	(26)	-	-	-	-	-
Forced stock sale deposits	500 665	-	-	(47 966)	-	-	-	452 699	452 699
Small institutional deposits	38	-	3	-	-	-	-	41	41
Facilities	2 899 587	2 135	-	(2 901 856)	3 690	-	(2 564)	992	992
Committed	2 399 587	2 135	-	(2 401 856)	3 690	-	(2 564)	992	992
Uncommitted	500 000	-	-	(500 000)	-	-	-	-	-
DMTN issuances	5 643 750	(68 950)	6 317 000	(1 142 000)	154 347	44 597	(1 827)	10 946 917	10 835 927
Floating rate notes	4 935 980	(51 180)	4 717 000	(1 142 000)	74 332	15 973	(1 699)	8 548 406	8 478 711
- LBK05	757 764	(5 764)	-	-	5 706	(32)	-	757 674	749 986
- LBK07	388 605	(1 605)	-	(387 000)	-	-	-	-	-
- LBK08	330 033	(5 033)	-	-	4 906	-	-	329 906	325 331
- LBK14U	499 252	748	-	-	11 043	-	-	511 043	500 013
- LBK15	1 409 709	(34 709)	-	-	30 230	9 411	(765)	1 413 876	1 375 207
- LBK16	191 352	(1 552)	-	-	1 518	-	(79)	191 239	189 894
- LBK17	524 323	(1 323)	-	-	1 293	-	(344)	523 949	523 295
- LBK18	233 650	(650)	500 000	-	2 003	2 193	(503)	736 693	750 960
- LBK19	601 292	(1 292)	155 000	(755 000)	-	-	-	-	-
- LBK21	-	-	868 000	-	5 313	1 008	-	874 321	868 284

Group and Bank		Non-cash	Cash		Non-cash	Cash			
2018	Opening balance R'000	Re-alignment of amortised cost [1] R'000	New issues/ utilisation R'000	Repayment/ settlements R'000	Accrued interest R'000	Discount/ premium R'000	Prepaid arranging fees R'000	Closing balance R'000	Fair value R'000
Floating rates (continued)									
- LBK22	-	-	568 000	-	3 645	1 466	-	573 111	568 298
- LBK23	-	-	611 000	-	4 237	1 927	(8)	617 156	611 314
- LBK25	-	-	500 000	-	1 014	-	-	501 014	500 283
- LBK26	-	-	245 000	-	520	-	-	245 520	245 138
- LBK27	-	-	1 270 000	-	2 904	-	-	1 272 904	1 270 708
Fixed rate notes	707 770	(17 770)	1 600 000	-	80 015	28 624	(128)	2 398 511	2 357 216
- LBK11	506 014	(16 014)	-	-	16 014	-	-	506 014	494 695
- LBK12U	201 756	(1 756)	-	-	1 809	-	-	201 809	209 529
- LBK20	-	-	795 000	-	25 327	29 159	(42)	849 444	822 890
- LBK24	-	-	805 000	-	36 865	(535)	(86)	841 244	830 102
Term loans - amortising	1 506 208	7 592	4 018 455	(176 871)	14 917	-	(514 547)	4 855 754	5 367 790
5 year syndicated loan	500 128	(128)	-	(111 111)	282	-	-	389 171	389 992
7 year syndicated loan (Government guaranteed)	1 006 080	7 720	-	(65 760)	847	-	(6 601)	942 286	958 012
10 year syndicated loan (MIGA supported)	-	-	4 018 455	-	13 788	-	(507 946)	3 524 297	4 019 786
Term loans - bullet term	3 893 134	5 866	-	(2 295 000)	1 377	-	(7 146)	1 598 231	1 619 148
1 year term loan	506 773	(6 773)	-	(500 000)	-	-	-	-	-
3 year syndicated loans	1 791 003	3 997	-	(1 795 000)	-	-	-	-	-
6 year syndicated loan (Government guaranteed) [2]	1 595 358	8 642	-	-	1 377	-	(7 146)	1 598 231	1 619 148
Step rate notes									
Step rate notes	1 836 741	(25 741)	2 441 000	-	47 866	-	-	4 299 866	4 268 169

Group and Bank		Non-cash	Cash		Non-cash	Cash			
2018	Opening balance R'000	Re-alignment of amortised cost [1] R'000	New issues/ utilisation R'000	Repayment/ settlements R'000	Accrued interest R'000	Discount/ premium R'000	Prepaid arranging fees R'000	Closing balance R'000	Fair value R'000
Total commercial funding	36 730 985	226 453	13 407 111	(9 266 410)	223 235	(729 881)	(526 084)	40 065 409	40 684 518
Development and multilateral funding									
Term loans - amortising	966 444	(11 899)	327 000	(90 909)	11 196	-	(8 683)	1 193 149	1 150 015
10 year term loan - KFW	-	-	327 000	-	177	-	(8 683)	318 494	330 283
12 year term loan - EIB [3]	-	-	-	-	-	-	-	-	-
15 year term loan - AfDB	966 444	(11 899)	-	(90 909)	11 019	-	-	874 655	819 732
25 year term loan - World Bank	-	-	-	-	-	-	-	-	-
Total development and multilateral funding	966 444	(11 899)	327 000	(90 909)	11 196	-	(8 683)	1 193 149	1 150 015
Disaster relief funding									
Drought relief									
10 year amortising term loan with IDC	142 181	(631)	175 559	-	3 515	-	(2 880)	317 744	290 723
Total disaster relief	142 181	(631)	175 559	-	3 515	-	(2 880)	317 744	290 723
Total funding liabilities	37 839 610	213 923	13 909 670	(9 357 319)	237 946	(729 881)	(537 647)	41 576 302	42 125 256

Commercial funding

The R30 billion Domestic Medium Term Note Programme

- Original Programme of R10bn established 18 October 2010;
- Program size increased to R20bn on 3 November 2015; and
- Program size increased to R30bn on 11 May 2018.

To enhance transparency, investor protection mechanisms and investor confidence, the DMTN Programme was amended in March 2017, to include:

* Information undertakings regarding matters of governance
* Information undertakings regarding changes in board members/ Board committees and Executive Management
* Mandatory redemption events in relation to:
  - Change in control specific w.r.t. Land Bank's Executive Authority
  - Change in the Land Bank's business (linked to a change in the Land Bank Act.)
  - Breach of anti corruption laws or corporate governance (linked to material adverse change)
  - Disposal of all or greater part of the business
  - Breach of environmental matters
* Inclusion of notes that may qualify as "Regulatory Capital" following the Land Bank's recent adoption of a Basel like Capital Adequacy Ratio

Reconciliation of notes in issue [1]			2019 R'000	2018 R'000
Opening balance			**10 749 800**	5 574 800
Notes issued:	**Issue date**	**Maturity date**		
LBK19 1st Tap	13 April 2017	23 March 2018	-	155 000
LBK18 1st Tap	18 April 2017	22 March 2022	-	500 000
LBK20	8 June 2017	8 June 2022	-	150 000
LBK21	4 September 2017	4 September 2018	-	331 000
LBK22	4 September 2017	4 September 2020	-	243 000
LBK23	4 September 2017	5 September 2022	-	426 000
LBK20 1st Tap	12 September 2017	8 June 2022	-	500 000
LBK21 1st Tap	14 September 2017	4 September 2018	-	307 000
LBK20 2nd Tap	18 September 2017	8 June 2022	-	145 000
LBK21 2nd Tap	27 September 2017	4 September 2018	-	180 000
LBK22 1st Tap	27 September 2017	4 September 2020	-	325 000
LBK23 1st Tap	27 September 2017	5 September 2022	-	105 000
LBK21 3rd Tap	3 October 2017	4 September 2018	-	50 000
LBK24	10 October 2017	10 October 2024	-	305 000
LBK24 1st Tap	27 October 2017	10 October 2024	-	500 000
LBK23 2nd Tap	16 November 2017	5 September 2022	-	80 000
LBK25	23 March 2018	25 March 2019	-	500 000
LBK26	23 March 2018	21 March 2021	-	245 000
LBK27	23 March 2018	23 March 2023	-	1 270 000
LBK28	15 May 2018	15 May 2028	**625 000**	-
LBK27 1st Tap	18 May 2018	23 March 2023	**750 000**	-
LBK29	07 June 2018	07 June 2023	**500 000**	-
LBK29 1st Tap	20 September 2018	07 June 2023	**274 000**	-
LBK30	20 September 2018	20 September 2021	**306 000**	-
LBK31	20 September 2018	20 September 2023	**920 000**	-
LBK32	08 November 2018	08 November 2023	**500 000**	-
LBK33	07 December 2018	07 December 2025	**250 000**	-
LBK28 1st Tap	26 March 2019	15 May 2028	**300 000**	-
LBK33 1st Tap	26 March 2019	07 December 2025	**250 000**	-
LBK35	26 March 2019	26 June 2024	**450 000**	-
Notes redeemed:				
LBK07	16 September 2014	16 September 2017	-	(387 000)
LBK19	23 March 2017	23 March 2018	-	(755 000)
LBK05	28 February 2014	28 February 2019	**(752 000)**	
LBK14U	31 March 2016	31 March 2018	**(500 000)**	
LBK21	04 September 2017	04 September 2018	**(868 000)**	
LBK25	23 March 2018	25 March 2019	**(500 000)**	
Closing balance			**13 254 800**	10 749 800

[1] Excludes accrued interest, discount premium and prepaid arranging fees.

Step rate notes

Step rate notes secures long dated funding for the Bank but provides investors a put option every 3 months (notes are automatically reinvested if put option is not exercised). Interest rates under these notes increase quarterly if the put potion is not exercised.

Reconciliation of step rate notes in issue [1]			2019 R'000	2018 R'000
Opening balance			**4 252 000**	1 811 000
Notes issued:	**Issue date**	**Maturity date**		
SRN 1, tranche 1	19 October 2016	19 October 2019	-	-
SRN 1, tranche 2	28 October 2016	28 November 2019	-	-
SRN 1, tranche 3	25 November 2016	25 November 2019	-	-
SRN 2, tranche 1	1 November 2016	1 November 2019	-	-
SRN 3, tranche 1	8 November 2016	8 November 2019	-	-
SRN 4, tranche 1	10 May 2017	11 May 2022	-	500 000
SRN 4, tranche 2	11 May 2017	17 May 2022	-	500 000
SRN 5, tranche 1	24 May 2017	24 May 2022	-	482 000
SRN 5, tranche 2	25 May 2017	25 May 2022	-	418 000
SRN 6, tranche 1	26 July 2017	26 July 2018	-	41 000
SRN 7, tranche 1	26 March 2018	26 March 2021	-	500 000
SRN 5, tranche 1	24 February 2019	24 May 2022	**575 000**	
SRN 5, tranche 2	25 February 2019	25 May 2022	**575 000**	
Notes redeemed:				
SRN 6, tranche 1	26 July 2017	26 July 2018	**(41 000)**	
SRN 7, tranche 1	26 March 2018	20 December 2018	**(500 000)**	
SRN 5, tranche 1	24 May 2017	24 February 2019	**(482 000)**	
SRN 5, tranche 2	25 May 2017	25 February 2019	**(418 000)**	
Closing balance			**3 961 000**	4 252 000

[1] Excludes accrued interest, discount premium and prepaid arranging fees.

21.2 Development and multilateral funding

Land Bank has the following development and multilateral funding lines available:

- R1.0 billion loan with the African Development Bank. The purpose of the loan is to on-lend to the Land Bank's commercial and development clients whom meet qualifying usage criteria. To date R743 million has been utilised with a further R257 million available for qualifying projects.
- $93 million funding line with the World Bank. This facility is earmarked to give financial aid to participating financial intermediaries and direct beneficiaries. As at 31 March 2019 R90 million has been utilised.
- R899 million funding line with KfW Development Bank. This facility is earmarked to finance small-sized and medium-sized agricultural enterprises. To date the facility has been fully drawn and the Bank expects utilisation to commence in FY2020.

- EUR50 million funding line from the European Investment Bank. The facility is project based and will be drawn as and when qualifying projects are financed. As of 31 March 2019, there had been no draw downs against the facility and the Bank expects utilisation to commence during FY2020.

  This is a general purpose funding facility which aims to promote "Climate Adaption" within the agricultural sector.

Disaster relief

The Land Bank has secured a R400 million facility with the Industrial Development Corporation for the sole purpose of providing concessionary loans to drought affected customers and is applicable to declared disaster areas as per the Government Gazette.

The loan may be used for :

* Production rehabilitation
* Working capital and operational expenses required minimising further losses to current farming operations
* Re-stocking of live stock
* Preparing for future seasons necessary to continue the farmers' normal sustainable farming operations
* Enabling "carry-over" debt and consolidation of debt.

Loans under this arrangement would only be extended where there is a viable business case with repayment ability, as well as sufficient collateral to cover the potential losses to the Bank. To date R317 million has been utilised with a further R83 million available for qualifying projects.

21.3 Financial Loan Covenants

In terms of section 2(b)(ii) of the Banks Act, 1990 (Act No 94 of 1990), the Land Bank is exempt from the requirements of calculating the Capital Adequacy Ratio (CAR), Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Notwithstanding the aforementioned exemption from the Banks Act, and although the Land Bank is not Basel compliant, the Bank, with effect 1 April 2016, voluntarily adopted certain capital, funding and liquidity risk management principles from the Basel accord with certain Board approved deviations (to cater for the Land Bank's unique business model) in an effort to enhance the risk management principles relating to Capital, Funding and Liquidity management.

As at 31 March 2019, the Bank has deviated from the standard Regulations to the Banks Act and Circulars, Directives and Guidance notes in issuance in respect of the CAR and LCR calculations as follows:

Deviations from CAR requirements:

As the Bank only has the Government as shareholder and is not allowed to issue shares in the market to raise capital. Therefore should these 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, which are not ring-fenced for funding purposes as Tier 1 Capital, (those of capital/ sustainability nature) as a source of capital supply.

Deviations from LCR requirements:

Given the unique business model of the Land Bank, including the inability to take deposits and the requirement to have cash available, the Bank deviates from the Banking Regulations in the following areas:

- The Land Bank's previous liquidity ratio required the Bank to invest surplus cash with counterparties with rating A and above. Due to operational requirements, investing surplus funds in government bonds will cause excessive trading in bonds which increase the market risk and potential capital losses on cash. The Bank shall therefore deviate from the Banks Act in terms of classifying cash deposits and available facilities as High Quality Liquid Assets.
- The Bank has historically enjoyed a 100% roll-over rate from PIC and CPD debt investments and this behaviour is expected to continue. For this reason, the Bank excludes contractual maturities from these institutions from the 30 day maturity profile.
- Acknowledge a deviation from the regulation in terms of assumptions made regarding roll-over rates with investors to assess the likelihood of roll-over. The Bank will always apply the minimum roll-over rate (between historic roll-overs and investor discussions) to the calculations of the LCR.

These deviations from the Banking Regulations were negotiated with investors and have been included in the funding agreements as financial loan covenants.

Below a summary of the financial loan covenants included in the funding agreements:

Performance Measure

	2019		2018	
	Target	Actual	Target	Actual
Financial Loan Covenants	%	%	%	%
Total Capital Adequacy Ratio	≥15%	**16.46%**	≥15%	17.3%
Liquidity Coverage Ratio [3]	≥80%	**549.8%**	≥70%	214.3%[2]
Net Stable Funding Ratio	≥100%	**102.0%**	≥90%	108.6%
Cost to Income Ratio (Continuing Operations) [1]	≤65%	**57.1%**	≤65%	60.5%
NPL (IFRS 9)	≤10%	**8.8%**	≤10%	6.7%
Open Credit Exposure [4]	≤25%	**56.6%**	≤25%	

[1] CTI is negatively impacted by certain FY2018 audit outcomes which included a reclassifications in respect of the Bank's legacy LDFU portfolio from a "Discontinued Operations: Disposal Group" to "Discontinued Operations. Excluding the impact of the LDFU adjustment CTI is 57.1% (FY2018: 60.5%).
On 24 October 2018, the Bank approached all its funders to renegotiate the Cost-to-Income covenant level from current level of 65% to 70%. Many of the funders were supportive of the amendment, and the funding agreements are in the process of being amended to include the revised CTI ratio.

[2] Excl. Available committed facilities. LCR = 452.3% (FY2018: 409.3%) incl. Available committed facilities of R2.65 billion (FY2018: R2.65 billion)

[3] Target of 90% in respect of the financial year ending 31 March 2020 and 100% in respect of the financial year ending 31 March 2021 and each financial year thereafter.

[4] The Open Credit Exposure ratio is only applicable to a multilateral loan agreement with KfW in lieu of the NPL covenant

On 12 April 2019 the Bank advised the lender of a potential Event of Default ("EOD") as a result of the resolution of the last remaining "legacy distressed asset", which would be resolved for the reporting date. The "EOD" has since manifested and discussions are ongoing with the lender to resolve the matter. These discussions include assessing whether this covenant in its current form is still appropriate. Key to note is that the lender has agreed not to call on the "EOD"

If a fully Basel compliant view were to be presented in respect of the CAR, LCR and NSFR the following is noted:

Performance Measure

	2019	2018
	Actual	Actual
Financial Loan Covenants	%	%
Total Capital Adequacy Ratio [5]	**11.4%**	11.9%
Liquidity Coverage Ratio [6]	**0.0%**	0.0%
Net Stable Funding Ratio	**102.8%**	108.9%

[5] The minimum capital requirement of the SARB is currently 9.25%, excluding any Bank specific (Pillar 2B) capital charge, any Domestic Systemically Imported Bank capital charge, any capital conservation buffer and any countercyclical buffer capital charge per Directive 5/2013.

[6] Cash in Bank accounts does not qualify as Liquid Assets

		2019	2018
		* Spread to 3 month Jibar	* Spread to 3 month Jibar
21.4	**Weighted average interest cost of commercial funding (NACM)**		
	Short-term: ≤ 1 year	**1.00%**	0.68%
	Medium-term: > 1 year ≤ 5 years	**2.34%**	2.47%
	Long-term: > 5 years	**3.12%**	3.22%
	Total Cost of Funding	**1.72%**	1.73%
	Weighted average interest cost of development and multilateral funding (NACM)		
	Long-term: > 5 years **	**1.62%**	0.68%
	Weighted average interest cost of natural disaster relief funding (NACM)		
	Long-term: > 5 years	**(0.36%)**	(1.41%)

* Weighted average Jibar

** Only includes those funding lines for which there has been utilisation.

22. Provisions

	Opening balance R'000	Additional provision raised released R'000	Provision utilised R'000	Reversal of provision R'000	Closing balance R'000
Group					
2019					
Staff incentives	**58 412**	**24 091**	**(55 643)**	**(2 769)**	**24 091**
Leave pay	**11 453**	**(2 044)**	**(2 641)**	**(238)**	**6 530**
Labour disputes	**5 010**	**1 026**	**(968)**	**-**	**5 068**
Legal fees	**6 461**	**-**	**(6 461)**	**-**	**-**
Government Guarantees	**-**	**8 678**	**(3 994)**	**-**	**4 684**
Other	**1 296**	**-**	**(1 296)**	**-**	**-**
	82 632	**31 751**	**(71 003)**	**(3 007)**	**40 373**
2018					
Staff incentives	29 469	58 412	(29 469)	-	58 412
Leave pay	8 734	6 205	(3 486)	-	11 453
Labour disputes	3 730	2 285	(340)	(665)	5 010
Legal fees	40 845	-	(14 384)	(20 000)	6 461
Other	26 053	-	(24 757)	-	1 296
	108 831	66 902	(72 436)	(20 665)	82 632
Bank					
2019					
Staff Incentives	**55 791**	**23 215**	**(53 489)**	**(2 302)**	**23 215**
Leave pay	**10 970**	**(2 028)**	**(2 641)**	**-**	**6 301**
Labour disputes	**5 011**	**1 025**	**(968)**	**-**	**5 068**
Legal fees	**6 461**	**-**	**(6 461)**	**-**	**-**
Government Guarantees	**-**	**8 678**	**(3 994)**	**-**	**4 684**
Other	**1 295**	**-**	**(1 295)**	**-**	**-**
	79 528	**30 890**	**(68 848)**	**(2 302)**	**39 268**

2018	Opening balance R'000	Additional provision raised R'000	Provision utilised R'000	Reversal of provision R'000	Closing balance R'000
Staff Incentives	28 135	55 791	(28 135)	-	55 791
Leave pay	8 332	5 912	(3 274)	-	10 970
Labour disputes	3 730	2 286	(340)	(665)	5 011
Legal fees	40 845	-	(14 384)	(20 000)	6 461
Other	26 052	-	(24 757)	-	1 295
	107 094	63 989	(70 890)	(20 665)	79 528

22.1 Staff incentives

The provision for discretionary performance bonuses is payable to employees and is determined by taking into account both the performance of the Bank as well as the performance of individual employees.

22.2 Leave pay

Accumulated leave is payable to employees upon termination of services. Provision for leave pay is calculated on the leave days outstanding at the end of the year multiplied by the cost to company of the employees in terms of employment contracts.

22.3 Labour disputes

Provision raised in respect of certain labour related disputes regarding legacy matters which are likely to result in probable settlements by the Group. This provision only includes the compensation portion of the disputes, the legal related costs are included under the legal costs category. These legal costs are expected to be paid out within the next 12 months.

22.4 Government Guarantees

Provision raised in respect of government guarantee fees payable to National Treasury. The fees are charged at 0.3% of the issued government guarantee.

23. Post-retirement obligation

23.1 Medical benefit plan

The defined benefit obligation plan is unfunded. However, the Group does have an investment earmarked specifically for this obligation (refer to note 8.1). The estimated medical aid contributions for the next year effective 1 April 2019 amounts to R18.84 million (FY2018: R24.4 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

Movement in the present value of the benefit obligations:	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Defined benefit obligation 1 April	**369 181**	338 210	**369 181**	338 210
Current service cost	**2 426**	2 005	**2 426**	2 005
Interest cost	**22 533**	29 757	**22 533**	29 757
Settlement	**(82 242)**	-	**(82 727)**	-
Realised gain on settlement	**(3 150)**	-	**(3 150)**	-
Recognised actuarial losses	**11 162**	23 841	**11 162**	23 841
Benefits paid	**(18 594)**	(24 632)	**(18 109)**	(24 632)
Defined benefit obligation 31 March	**301 316**	369 181	**301 316**	369 181

Total expenses resulting from the Group's defined benefit plans can be analysed as follows:

	Group		Bank	
Components of net periodic medical benefit cost:	**2019 R'000**	**2018 R'000**	**2019 R'000**	**2018 R'000**
Current service cost	**(2 426)**	(3 792)	**(2 426)**	(2 005)
Interest costs	**(22 533)**	(29 775)	**(22 533)**	(29 757)
Total included in interest and staff costs	**(24 959)**	(33 567)	**(24 959)**	(31 762)
Total expenses recognised in profit or loss	**(24 959)**	(33 567)	**(24 959)**	(31 762)
Actuarial (losses) recognised in other comprehensive income	**(8 012)**	(23 841)	**(8 012)**	(23 841)

23.2 Maturity profile of members

	2019 Membership Profile			
Employee status	**Number**	**Average age (years)**	**Average past service (years)**	**Average number of dependents ***
Active	**116**	**50.70**	**25.50**	**1.99**
Pensioners	**279**	**69.90**	**-**	**0.56**
	395	**64.26**	**25.50**	**0.99**

	2018 Membership Profile			
Employee status	**Number**	**Average age (years)**	**Average past service (years)**	**Average number of dependants ***
Active	122	49.11	24.70	1.97
Pensioners	378	69.11	-	0.58
	500	64.22	24.70	0.92

The actuarial valuation report complies with the requirements of Advisory Practice Note (APN) 301 of the Actuarial Society of South Africa in all respects that are deemed to be in the context of the exercise undertaken. The number of members reduced due to the impact of the organisational review.

* The average number of dependents only reflects dependents who are receiving a medical scheme contribution subsidy.

23.3 Sensitivity analysis

	Effect on current service and interest cost		Effect on accumulated post-medical aid defined benefit obligation	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
Increase in medical inflation by 1%	**30 041**	36 034	**337 493**	411 431
Decrease in medical inflation by 1%	**26 762**	28 689	**270 051**	322 473

24. Discontinued operation classified as held-for-sale

During FY2007, the Land for Development Finance Unit (LDFU) entered into loans that were deemed to be outside the mandate of the Group in terms of the Land Bank Act. An independent forensic investigation concluded in September 2007 indicated alleged irregularities in the origination, management and administration of these loans. During October 2007, a moratorium was placed on the approval of any new loans and pay-outs on existing loans.

During July 2008, as part of the formalisation of the turnaround strategy, a decision was made to discontinue the LDFU operation and to dispose of the loan portfolio. The discontinuance decision formed part of the stabilisation phase of the turnaround strategy and has been encapsulated in the then corporate plan approved by the Board of Directors.

As at 31 March 2009, the LDFU operations is a separate reportable operating segment of the Group and it was classified as a disposal group held-for-sale and as a discontinued operation. The disposal of some of the properties have taken place since the discontinuance decision, however, in view of the current market conditions, properties in this portfolio will only be disposed of as and when conditions render it economically viable.

In FY2018 it became evident that the LDFU portfolio no longer meets the definition of a "disposal group" as these properties will not be disposed of together in a single transaction. Upon settlement of these assets, no associated liabilities will be transferred either. Given this, the LDFU portfolio satisfies the definition of a discontinued operation. This was accordingly reported as a subsequent event affecting FY2018 figures and the necessary amendments were effected to FY2018 balances to conform to the FY2018 disclosure framework.

The results of LDFU for the year are presented below:

		Group		Bank	
		2019	2018	2019	2018
	Notes	R'000	R'000	R'000	R'000
Impairment charge on loans and advances	12.5	11 213	(36 023)	11 213	(36 023)
Bad debts recovered		1 717	-	1 717	-
Net loss from discontinued operations		12 930	(36 023)	12 930	(36 023)

The major classes of assets of LDFU classified as held-for-sale as at year end are as follows:

		Group		Bank	
Assets					
Loans and advances classified as assets held-for-sale	12	**6 259**	147 328	**6 259**	147 328

		Group		Bank	
		2019	2018	2019	2018
	Notes	R'000	R'000	R'000	R'000
25. Interest income					
Measured at amortised cost					
Interest from loans and advances		**4 753 574**	4 640 964	**4 753 574**	4 640 964
Interest on short-term deposits		**178 057**	87 511	**178 057**	87 511
Interest from banks		**85 469**	104 468	**81 226**	92 363
Interest hedging		**1 720**	1 282	**1 720**	1 282
Interest on swaps		**8 872**	2 802	**8 872**	2 802
Interest on debentures		**16**	2 055	**16**	2 055
Interest on premiums written		**2 613**	7 300	**-**	-
Interest on trade receivables		**-**	334	**-**	-
		5 030 321	4 846 716	**5 023 465**	4 826 977

26. Interest expense

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Commercial funding	**3 553 606**	3 433 201	**3 553 606**	3 433 201
Development and multilateral funding	**118 618**	74 314	**118 618**	74 314
Disaster relief funding	**20 412**	13 710	**20 412**	13 710
Other	**131 647**	47 085	**129 728**	44 361
Total interest expense	**3 824 283**	3 568 310	**3 822 364**	3 565 586

26.1 Interest expense incurred per class of funding

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Financial liabilities at amortised cost				
Interest paid on commercial funding	**3 553 606**	3 433 201	**3 553 606**	3 433 201
- Commercial paper	**1 446 898**	1 502 265	**1 446 898**	1 502 265
- Deposits	**64 664**	82 187	**64 664**	82 187
- Facilities	**21 034**	66 128	**21 034**	66 128
- DMTN issuances	**1 091 934**	774 744	**1 091 934**	774 744
- Term loans - amortising	**482 991**	447 041	**482 991**	447 041
- Term loans - bullet term	**67 402**	249 533	**67 402**	249 533
- Step rate notes	**378 683**	311 303	**378 683**	311 303
Interest paid on development and multilateral funding	**118 618**	74 314	**118 618**	74 314
- Term loans - amortising	**118 618**	74 314	**118 618**	74 314
Interest paid on disaster relief funding	**20 412**	13 710	**20 412**	13 710
- Drought relief	**20 412**	13 710	**20 412**	13 710
Other	**131 647**	47 085	**129 728**	44 361
- Government guarantee fees [1]	**8 678**	(9 727)	**8 678**	(9 727)
- Arranging fees - effective interest rate method [2]	**64 661**	54 088	**64 661**	54 088
- Penalty Interest on Breakage Costs	**56 389**	-	**56 389**	-
- Credit balances [3]	**1 919**	2 724	**-**	-
Total interest expense	**3 824 283**	3 568 310	**3 822 364**	3 565 586

[1] During FY2018 an amount of R7.3 million was paid. The credit balance is as a result of a reversal of excess provisions.

[2] During the FY2018 the arranging fees were reclassified from operating expenses to interest expense as these arranging fees form part of the "Effective Interest Rate" of funding instruments.

[3] Crop policy holders have an option to defer payment of premium to the end of the crop season. The interest accrued under these arrangements is ceded to the reinsurers in line with the quota share treaty ceding ratios. 40% of premium payable to non-approved reinsurers on the quota share treaty is retained as a deposit premium. Settlement is effected 12 months later, with interest.

27. Non-interest expense

	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Account administration fee expense [1]	**340 670**	308 015	**340 670**	308 015
Loss sharing recovery - SLA [2]	**(68 235)**	-	**(68 235)**	-
Loss sharing recovery - WFF [2]	**(21 074)**	-	**(21 074)**	-
Sundry expense	**11 306**	5 612	**-**	-
	262 667	313 627	**251 361**	308 015

[1] Account administration fees relate to management fees paid to intermediaries in terms of service level agreements relating to the Bank's acquisition loan books. Net interest income (interest income less interest expense) earned from, and impairments incurred on these books are included under note 25, note 26.1 and note 11.5 respectively.

[2] During the year under review, managee=ment decided to exercise their contractual right to recover loss incurred in the Service Level Agreement (SLA) partners and Wholesale Financing Facility (WFF) partners.

The full amount of R341 million (FY2018: R308 million) relates to fee expenses of financial instruments not measured at fair value through profit or loss and the Bank did not incur any fees and commission expenses due to trust and fiduciary activities resulting from the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions.

28. Non-interest income

	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Fee and commission income	**72 348**	51 162	**73 465**	52 231
Account administration fee income	**71 286**	50 017	**71 286**	50 017
Fund administration fees	**1 062**	1 145	**1 062**	1 145
Administration fee from LBLIC	**-**	-	**1 117**	1 069
Other	**41 629**	38 693	**31 987**	33 496
Investment property rentals	**17 575**	14 898	**17 575**	14 898
Sundry income	**24 054**	23 795	**14 412**	18 598
	113 977	89 855	**105 452**	85 727

29. Operating profit from insurance activities

29.1 Net premium income

	Group	
	2019 R'000	2018 R'000
Gross written premium	**577 647**	555 006
Long-term insurance contracts	**5 891**	10 165
Short-term insurance contracts	**571 756**	544 841
Gross written premium	**504 386**	543 322
Change in the unearned premium reserve	**61 844**	11 099
Change in the unexpired risk reserve	**5 526**	(9 580)
Less: reinsurance premium	**(420 821)**	(412 004)
Long-term insurance contracts	**(2 522)**	(5 536)
Short-term insurance contracts	**(418 299)**	(406 468)
Reinsurance premium written	**(377 528)**	(403 757)
Change in the unearned premium reserve	**(40 771)**	(2 711)
	156 826	143 002

		Group	
		2019	2018
		R'000	R'000
29.2	**Net movement in the unearned premium reserve**		
	Published basis		
	Premium income	(67 370)	(1 519)
	Reinsurance premium paid	40 771	2 711
		(26 599)	1 192
	Statutory basis		
	Premium income	(209 499)	(11 047)
	Reinsurance premium paid	147 079	11 267
		(62 420)	220
29.3	**Net insurance claims**		
	Long-term insurance contract claims	(1 495)	(5 563)
	Gross claims paid	(3 082)	(20 376)
	Movement in the expected cost of outstanding claims	-	(1 404)
	Reinsurance recoveries	1 587	15 390
	Movement in the expected reinsurance ceded cost of outstanding claims	-	827
	Short-term insurance contract claims	(164 391)	(147 445)
	Gross claims paid	(309 200)	(378 996)
	Incurred but not reported claims	(47 002)	(14 065)
	Movement in the expected cost of outstanding claims	(196 442)	(119 947)
	Reinsurance recoveries	204 308	265 992
	Reinsurance: Incurred but not reported claims	35 414	9 696
	Movement in the expected reinsurance ceded cost of outstanding claims	148 531	89 875
		(165 886)	(153 008)
29.4	**Other costs from insurance activities**		
	Movement in policyholders' liability	4 245	(1 808)
	Net commission and administration fees	(24 330)	(39 265)
		(20 085)	(41 073)

		Group		Bank	
30.	**Investment income and fees**	2019	2018	2019	2018
		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:	111 092	71 170	22 377	19 290
	Dividend income	33 999	32 322	17 143	13 335
	Interest income	77 093	38 848	5 234	5 955
	Investment management and performance fees	(6 447)	(8 531)	(1 078)	(2 706)
		104 645	62 639	21 299	16 584

31. Fair value (losses) gains

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Designated at fair value through profit or (loss)	**79 929**	(1 165)	**79 929**	(1 165)
Strategic trading assets	**(439)**	(689)	**(439)**	(689)
Instruments in (Repos)	**(220)**	(476)	**(220)**	(476)
Interest rate swap1	**80 588**	-	**80 588**	-
Investment income	**10 279**	35 192	**3 346**	8 384
Realised gains	**99 495**	72 132	**4 302**	34 858
Unrealised fair value gains (losses)	**(89 216)**	(36 940)	**(956)**	(26 474)
	90 208	34 027	**83 275**	7 219

[1] To manage the Bank's exposure to "basis risk" and in an effort to protect the Bank's net interest margin, the Land Bank Board entered into an interest rate swap arrangent; hedging the mismatch moderately between the lending and funding rate. IFRS 9 require gains and losses on this derivatives to be recognised in profit or loss when hedge accounting is not applied.

32. Operating expenses

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Depreciation - owned assets	**7 846**	8 411	**7 781**	8 349
Depreciation - leased assets	**23 232**	-	**23 164**	-
Amortisation - computer software	**6 731**	6 810	**6 731**	6 810
Audit fees	**15 476**	15 923	**12 729**	14 409
- External	**9 655**	8 410	**7 224**	6 896
- Internal	**5 821**	7 513	**5 505**	7 513
Directors' emoluments	**21 170**	20 665	**16 799**	15 816
- Executive	**12 472**	13 775	**8 501**	10 365
- Non-executive	**8 698**	6 890	**8 298**	5 451
Leases	**5 422**	30 437	**5 275**	30 437
- Actual payment	**5 422**	31 047	**5 275**	31 047
- Effect of straight-lining	**-**	(610)	**-**	(610)
Management fees	**963**	646	**963**	646
Professional fees	**31 304**	22 986	**27 582**	20 764
Staff costs	**405 687**	447 489	**393 635**	432 220
- Salaries and contributions	**359 971**	341 365	**348 598**	331 371
- Staff related provisions and other	**45 716**	106 124	**45 037**	100 849
Cost of restructuring	**-**	2 611	**-**	2 611
- Staff cost	**-**	2 611	**-**	2 611
Other operating expenses	**110 510**	98 553	**108 186**	96 678
- Computer and data costs	**18 371**	23 559	**18 291**	23 559
- Repairs and maintenance	**5 724**	7 075	**5 712**	7 075
- Rates and taxes	**9 209**	8 000	**9 209**	8 000
- Travel and accommodation	**11 764**	15 384	**10 965**	14 698
- Corporate social investment	**11 792**	11 053	**11 792**	11 053
- Other[2]	**53 650**	33 482	**52 217**	32 293
	628 341	654 531	**602 845**	628 740

[2] This includes sundry operating expenses such as security, legal fees, cleaning and marketing amongst others.

	Group		Bank	
	2019	2018	2019	2018
33. Non-trading and capital items	R'000	R'000	R'000	R'000
Fair value gain on investment properties (note 14)	**650**	6 790	**650**	6 790
Foreign exchange gain	**(673)**	1 089	**(673)**	1 089
Impairment of other assets	**8**	201	**8**	201
Non-current assets held-for-sale fair value adjustment (note 13.1)	**(1 339)**	165	**(1 339)**	165
Loss on disposal of property and equipment	**(22)**	(227)	**(22)**	(227)
Loss on write-off intangible assets (note 17)	**-**	(185)	**-**	(185)
Loss on disposal of non-current assets held-for-sale	**2 010**	(9 080)	**2 010**	(9 080)
	634	(1 247)	**634**	(1 247)
34. Indirect taxation				
Value Added Tax [1]	**73 170**	68 922	**73 045**	68 922

[1] Value-added taxation comprises the portion that is irrecoverable as a result of the interest earned in the South African financial services sector.

	Group		Bank	
	2019	2018	2019	2018
35. Funds under administration	R'000	R'000	R'000	R'000
Asset				
Cash balance held for the funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)	**582 394**	198 080	**582 394**	198 080
Liabilities				
DAFF	**582 394**	188 417	**582 394**	188 417
DRDLR	**-**	9 663	**-**	9 663
	582 394	198 080	**582 394**	198 080
35.1 Funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)				
Agri-BEE fund	**201 992**	150 605	**201 992**	150 605
DAFF administration fund - flood relief	**35**	34	**35**	34
MAFISA fund	**12 551**	11 769	**12 551**	11 769
Development subsidy	**-**	26 009	**-**	26 009
DAFF-Blended Finance	**367 816**	-	**367 816**	-
	582 394	188 417	**582 394**	188 417
35.2 Funds administered on behalf of the Department of Rural Development and Land Reform (DRDLR)				
Land for Redistribution and Agricultural Development (LRAD) grant	**-**	9 663	**-**	9 663
35.3 Reconciliation of movement in funds under administration				
Agri-BEE				
Balance at the beginning of the year	**150 605**	102 508	**150 605**	102 508
Receipts	**42 496**	40 166	**42 496**	40 166
Accrued interest	**10 036**	7 931	**10 036**	7 931
Credit transfer	**(1 145)**	-	**(1 145)**	-
Balance at the end of the year	**201 992**	150 605	**201 992**	150 605
35.3.1 DAFF poverty fund				
Balance at the beginning of the year	**34**	33	**34**	33
Accrued interest	**1**	1	**1**	1
Balance at the end of the year	**35**	34	**35**	34

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	R'000	**R'000**	**R'000**	**R'000**
35.3.2 MAFISA fund				
Balance at the beginning of the year	**11 769**	10 021	**11 769**	10 021
Receipts	**-**	1 000	**-**	1 000
Accrued interest	**782**	748	**782**	748
Balance at the end of the year	**12 551**	11 769	**12 551**	11 769
35.3.3 LRAD grant				
Balance at the beginning of the year	**9 663**	9 019	**9 663**	9 019
Receipts	**-**	17	**-**	17
Accrued interest	**370**	627	**370**	627
Debit Transfer	**(10 033)**	-	**(10 033)**	-
Balance at the end of the year	**-**	9 663	**-**	9 663
35.3.4 DAFF development subsidy				
Balance at the beginning of the year	**26 009**	-	**26 009**	-
Receipts	**-**	100 000	**-**	100 000
Accrued interest	**1 234**	90	**1 234**	90
Transfer to Land Bank	**(27 243)**	(74 081)	**(27 243)**	(74 081)
Balance at the end of the year	**-**	26 009	**-**	26 009
35.3.5 DAFF Blended Finance				
Balance at the beginning of the year	**-**	-	**-**	-
Receipts	**374 639**	-	**374 639**	-
Accrued interest	**6 025**	-	**6 025**	-
Debit transfer	**(12 848)**	-	**(12 848)**	-
Balance at the end of the year	**367 816**	-	**367 816**	-

35.4 Description of the funds under administration

Agri-BEE fund

Parliament approved a sector specific allocation for the Agri-BEE Fund that will allocate grants to promote the rural community based empowerment groups. The bank acts as an agent on behalf of the DAFF in the administration of the Fund. Disbursements amounted to Rnil (FY2018:Rnil). An injection of R42.5 million (FY2018:R40.2 million) from DAFF and Rnil (FY2018: Rnil) from clients own contributions was received during the current financial year.

DAFF poverty fund

The fund has been set up by the DAFF to respond to any food crisis by means of procurement of agricultural implements and starter packs.

MAFISA fund

The MAFISA Fund has been set up on request of the DAFF to invest money in approved projects of the Department through on-lending to individuals. Monies received from the DAFF for the MAFISA Fund is invested in a separate bank account on behalf of the DAFF. No on-lending has taken place during the period under review. There were no injections during the current period under review (FY2018:R1 million).

Land for Redistribution and Agricultural Development (LRAD) grant

The fund has been set up on behalf of the DRDLR. There was a transfer of R10 million out of the fund to DAFF for closing of an account (FY2018:Rnil).

DAFF development subsidy

Land Bank received R100 million from the Department of Agriculture, Forestry and Fisheries on the 26th of March 2018. The funds were meant to subsidise Development farmers on interest rates in order to enhance their financial sustainability. In FY2018, the Land Bank utilised its own funds to grant loans to Development farmers at concessionary rates and recouped foregone interest income of R74.1 million. No funds were recouped in the current financial period.

DAFF Blended Finance

The fund was set up on request by DAFF to provide an affordable financial solution to Black Commercial Producers in the agricultural sector in an attempt to accelerate agricultural development and to transform the sector. The support will include blended funding, skills and technical support required by these producers. The Land Bank provides it's own existing infrastructure and exercises its discretion to consider loan applications from Black Commercial Producers. Funds are received in an interest bearing account. DAFF injected R220 million and R152.5 million was received from Rural Development which is used to support the said farmers either in the form of equity contributions ,interest rate subsidy as well as technical support.

35.5 Emerging farmers` support facility & REM wholesale finance facility

	Group		Bank	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Asset				
Cash balance held for the support facilities	**173 582**	305 660	**173 582**	305 660
Liabilities				
Emerging farmers support facility	**171 898**	304 080	**171 898**	304 080
REM wholesale finance support facility	**1 684**	1 580	**1 684**	1 580
	173 582	305 660	**173 582**	305 660

35.5.1 Emerging farmers support facility

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Balance at the beginning of the year	**304 080**	284 295	**304 080**	284 295
Accrued interest	**20 318**	19 785	**20 318**	19 785
Transfer to Blended Finance	**(152 500)**	-	**(152 500)**	-
Balance at the end of the year	**171 898**	304 080	**171 898**	304 080

35.5.2 REM wholesale finance support facility

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
Balance at the beginning of the year	**1 580**	11 032	**1 580**	11 032
Accrued interest	**104**	386	**104**	386
Disbursements	**-**	(9 838)	**-**	(9 838)
Balance at the end of the year	**1 684**	1 580	**1 684**	1 580

35.6 Description of the emerging farmers support & REM wholesale finance support facility

Emerging farmers support facility

The Land Bank received R208.0 million from the Department of Rural Development and Land Reform on the 17th of August 2011. The transfer received is a guarantee for identified deserving emerging farmers which require rescue packages. The identified farmers all have mortgage loans with the Land Bank and the Bank can only access the guarantee after complying with conditions as set by the Department of Rural Development and Land Reform. In March 2019, R152.5 million was transfered to the Blended Finance support facility.

REM wholesale finance support facility

The Land Bank received a total of R150 million from the Department of Rural Development and Land Reform between October 2011 and July 2016 under this facility. The funds are meant to subsidise interest payable to the Land Bank and remunerate appointed intermediaries that identify and provide technical assistance to the emerging market farmers under this wholesale finance facility. The Land Bank and the appointed intermediaries receive interest of 4% p.a each on the loans disbursed by Land Bank to the intermediaries. The intermediaries charge the emerging farmers farmers 4% p.a on the value of the loans disbursed for their role of supporting the emerging farmers with skills and other facilities that enhance their success. This interest is paid from the aforesaid funds.There were no injections into the fund during the current period under review (FY2018: Rnil). Disbursements amounted to R9.8 million (FY2018: Rnil).

36. Contingent liabilities

36.1 LBLIC Tax

The former LBIC as a wholly owned subsidiary of Land Bank, was exempt from Income Tax in terms of section 10(1)(cA)(ii) of the Income Tax Act, 1962 (Act No. 58 of 1962).

With effect 01 April 2012, LBIC was restructured in line with Ministerial approval of its revised business model, which was based on a preferred "Hold Co" structure by the Financial Sector Conduct Authority ("FSCA"). The restructured insurance group now consisted of LBIS Holding Co, LBIC (Short-term insurance co) and LBLIC (Long-term insurance co).

As part of the implementation of LBIC's restructure during FY2014 LBIS group management approached the South African Revenue Services ("SARS") for a tax ruling to confirm that the tax privileges of the former LBIC, would still apply to the restructured group, as in effect nothing has changed, i.e. all companies effectively remain 100% owned by the Land Bank, albeit "indirectly".

The tax ruling received back from SARS was negative, stating that because of the inclusion of the LBIS holding company within the insurance group structure, the LBIC and LBLIC operating companies would not be entitled to exemption from Income Tax, as unlike the former LBIC - these companies were not "direct" wholly owned subsidiaries of the Land Bank.

LBIS group management then approached the Minister of Finance requesting approval for the removal of the LBIS holding company, from the group structure.

The Minister of Finance granted approval for the request to remove the LBIS holding company on 14 May 2014. This approval indicated that in terms of the new group structure both LBIC (ST Co) and LBLIC (Ltd Co) can apply for tax exemption in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962. Furthermore, the Minister requested that the company engage with the FSCA regarding the approved revised structure.

Following the Ministerial approval, management has re-engaged SARS with the application for retrospective tax exemption effective 01 April 2012, for both LBIC and LBLIC to apply for tax exemption in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962.

In the unlikely event that SARS does not grant retrospective approval for exemption for these two companies, the Group will be liable for tax for the period 01 April 2012 to 14 May 2014, at which point the implications will be quantified and reported on accordingly. Management is of the view that it is improbable that this approval will not be granted. This possible contingent liability relates only to LBLIC as LBIC was dormant and not trading in the prior years.

The Bank awaits feedback from SARS on the exemption applications submitted.

37. Contingent assets

As at 31 March 2018, LBIC was still in the process of finalising an agreement with ABSA, whereby ABSA would settle half of the benefits they derived from their reinsurance treaties for the 2014/2015 crop season in the form of commission revenue and stop loss protection agreed on the 30% line, less expenses they had incurred in term of broker commission and underwriting management fees.

During the current year under review, LBIC paid an amount of R28.41 million in final settlement to ABSA of the liability that arose on finalisation of the agreement.

38. Commitments

	Group		Bank	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
38.1 Loan commitments and guarantees				
Guarantees [1]	**9 790**	815 573	**9 790**	815 573
Loan commitments	**5 062 053**	6 751 717	**5 062 053**	6 751 717
	5 071 843	7 567 290	**5 071 843**	7 567 290

[1] The above guarantees are included in the clients› approved facility limits and it is unknown when the guarantees will be presented for payment.

		Group		Bank	
		2019	2018	2019	2018
38.2	**Debentures/ stock purchased**	**R'000**	**R'000**	**R'000**	**R'000**
	Repo's				
	- R186 (Nominal value: R10 million (2018:R5 million)	**11 057**	5 776	**11 057**	5 776
	- R208 (Nominal value: R10 million)	**-**	9 930	**-**	9 930
	- R2030 (Nominal value: R10 million)	**9 219**	-	**9 219**	-
	- LBK28 (Nominal value: R10 million)	**9 981**	-	**9 981**	-
		30 257	15 706	**30 257**	15 706

38.3 Lease commitments

The Group has entered into various lease agreements with third parties in respect of equipment and premises for its day-to-day operations. The lease periods on equipment range from three to five years and one to five years on buildings.

As at 31 March the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Operating lease commitments - Group as lessee

During the current year under review, the bank adopted IFRS 16 Leases and therefore what was previously disclosed as operating lease commitments - lessee now forms part of liabilities in the Statement of Financial Posistion. Please refer to note 16.3 for the maturity analysis of lease liabilities.

	Group		Bank	
	2019	2018	2019	2018
Operating lease commitments - Group as lessor	**R'000**	**R'000**	**R'000**	**R'000**
Receivable within one year	**5 082**	3 266	**5 082**	3 266
Receivable between one to five years	**3 109**	2 212	**3 109**	2 212
	8 191	5 478	**8 191**	5 478

A register containing details of the existence and terms of renewal and escalation clauses is available for inspection at the Group's registered office.

39. Related party transactions

39.1 Relationships between parents, subsidiaries and associates

The ultimate controlling party of the Land Bank is government, National Treasury, both incorporated in South Africa.

The following represents the significant subsidiaries of the Bank:	Ownership Interest	
	2019	**2018**
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	**100%**	100%
Land Bank Insurance Company (SOC) Limited (LBIC)	**100%**	100%
Land Bank Insurance Services (SOC) Limited (LBIS) [1]	**100%**	100%

[1] In May 2014, the Minister approved that the former holding company (LBIS) be dissolved and that the two insurance companies (LBIC and LBLIC) be held directly by Land Bank. As at 31 March 2019 LBIS has not been dissolved and remains in a dormant state.

39.2 Transactions with related parties other than key management personnel

39.2.1 Amounts received from related parties during the year

	2019 R'000	2018 R'000
i) Land Bank Life Insurance Company (SOC) Limited - Subsidiary		
Policy administration fees received by Land Bank	**223**	92
Portion of non-executive directors emoluments paid by LBLIC	**80**	80
Property and equipment transferred (from)/ to LBLIC (at NAV)	**18**	(6)
Land Bank interest bearing assets held by LBLIC through the investment portfolio	**-**	708
	322	874

LBLIC is a 100% owned subsidiary of the Land Bank. An administration and management fee of R223k per annum (FY2018: R92) is paid by LBLIC to Land Bank for support services such as finance, human resources, compliance and information technology.

At year end LBLIC holds, through the investment portfolio, Land Bank interest bearing investments valued at R0 million (FY2018: R0.7 million).

	2019 R'000	2018 R'000
ii) Land Bank Insurance Company (SOC) Limited - Subsidiary		
Policy administration fees received by Land Bank	**894**	943
Property and equipment transferred to LBLIC (at NAV)	**22**	95
Portion of non-executive directors emoluments paid by Land Bank	**320**	320
	1 236	1 358
Capital contribution from Land Bank		
- Cash	**25 000**	70 000
- Intercompany receivable	**-**	(70 000)
	25 000	-

During the FY2019 reporting period, the Land Bank made a net advance payment of R25 million to LBIC in order to assist the company in the payment of claims. This was done by means of three R25 milhon payments made to LBIC on the 03rd May 2018, 20th December 2018 and 13th March 2019 respectively. LBIC was able to settle back Landbank R50 million by the 31st March 2019 with the other R25 million only refunded on the 08th April 2019. There were no contributions m FY2018 reporting period save for the actual cash payment relating to the R70 million intercompany receivable.

LBIC is a 100% owned subsidiary of the Land Bank. An administration and management fee of R894k per annum (FY2018: RR943k) is paid by LBIC to Land Bank for support services such as finance, human resources, compliance and information technology.

iii) National Treasury - Stakeholder

With effect from 14 July 2008, the administrative powers over the Bank were transferred from the Ministry of the Department of Agriculture to the Ministry of Finance and, in accordance with The Land Bank Act, 2002, has the following role and responsibilities:

The Minister in terms of paragraph 7 -

(a) Is responsible for the development of policy with regard to agriculture, agrarian reform and matters incidental thereto; and

(b) May from time to time issue policy directives to the Board not inconsistent with this Act.

The Minister in terms of paragraph 9(1) -

May appoint a Board Member for such period as the Minister may determine in the case of each member but the period may not exceed five years.

Transactions during the year

No financial support in the form of cash injections was received during the current and previous financial year.

Government Support - Financial Guarantees

As at 31 March 2019, the Land Bank held a total of R9.6 billion guarantees which can be broken down as follows:

- R1.5 billion sustainability guarantee (issued during May 2017)
- R8.0 billion funding guarantees, of which R5.0 billion has been drawn (R3.7 billion on balance sheet and R1.3 billion in support of the World Bank's R90 million which to date has not been utilised), with R2.8 billion repaid.
- R0.1 billion historic "consolidation of debt" guarantee.

An annual fee of 0.3% per annum is payable to National Treasury on the guarantees granted (refer to note 25).

iv) Other related parties

The Bank obtains funding from institutions, of which the most significant nominal values are disclosed below:

Funding received	2019 R'000	2018 R'000
Corporation for Public Deposits	**1 312 500**	1 312 500
Industrial Development Corporation	**618 631**	611 168
National Housing Finance	**80 000**	60 000
Petro SA	**957 371**	957 371
Post Bank	**460 000**	615 000
Public Investment Corporation	**9 695 000**	9 795 000
Magalies Water	**7 322**	6 750
SA Police Medical Fund	**-**	10 000
South African Special Risks Insurance Association	**100 000**	100 000
	13 230 824	13 467 789
Other government related parties:		
African Development Bank	**772 727**	863 636
	14 003 551	14 331 425

The funding from related parties are all short-term financial instruments which are repayable within a year. The funding consists mainly of promissory notes and bonds. These transactions were made on terms equivalent to those that prevail in arm's length transactions.

39.2.2 Amounts owed by/(to) related parties

i) Subsidiaries	Note	2019 R'000	2018 R'000
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	5.	**81 110**	81 211
Land Bank Insurance Company (SOC) Limited (LBIC)		**30 242**	4 116

The intercompany account is held as a trading account between LBIC, LBLIC and it's holding company, Land Bank. In terms of the shareholders' agreement, interest on the outstanding loan balance is charged at the prime overdraft rate, the loan is unsecured and has been sub-ordinated by Land Bank. Settlement will take place in cash. A decision was taken by the executive of the holding company that no interest would be charged on the outstanding loan balance during the current and prior financial periods under review.

There was no ECL at the statement of financial position date and no bad debt expense in the year (FY2018: Rnil).

39.2.3 Amounts owed to related parties

	Note	2019 R'000	2018 R'000
DAFF	35.1	**582 394**	188 417
Micro-Agricultural Finance Institution		**12 551**	11 769
Agricultural Broad Based Black Economic Empowerment		**201 992**	150 605
DAFF Development Subsidy		**-**	26 009
DAFF Flood Relief		**35**	34
DAFF Blended Finance		**367 816**	-
Department of Rural Development and Land Reform	35.2	**-**	9 663
Emerging Farmers' Support Facility & REM Wholesale Finance Facility	35.5	**173 583**	305 660
		755 976	503 740
i) Funds under administration			
DAFF	35.1	**582 394**	188 417
DRDLR	35.2	**-**	9 663
		582 394	198 080
Cash balances held for funds administered		**582 394**	198 080

ii) Micro-Agricultural Finance Institution (MAFISA)

The Bank was appointed as administrator of the state owned scheme, known as MAFISA by the DAFF. The Bank maintains separate accounting records for MAFISA which reflected the following balances at the reporting date.

		2019 R'000	2018 R'000
Bank balances of the MAFISA fund	35.3.2	**12 551**	11 769
MAFISA fund balance		**12 551**	11 769

iii) Agricultural Broad Based Black Economic Empowerment (Agri-BEE)

The Bank was appointed as administrator of the Agri-BEE funds in September 2006 in which monies, appropriated by parliament, was paid for the implementation of Agri-BEE. An injection of R40.2 million (FY2018:R38.2 million) from DAFF and Rnil (FY2018: Rnil) from clients own contributions was received during the current financial year.

iv) Emerging Farmers' Support Facility & REM Wholesale Finance Facility		2019 R'000	2018 R'000
Emerging farmers support facility	35.5.1	**171 898**	304 080
REM wholesale finance support facility	35.5.2	**1 684**	1 580
		173 582	305 660
Cash balance held for the support facilities		**173 582**	305 660

v) Blended Finance Facility

Blended Finance Facility		**367 816**	-
Cash balance held for the support facilities		**367 816**	-

39.2.4 Transactions between subsidiaries

An administration fee of R11.3 million (FY2018: R10.2 million) was charged to LBIC, the short-term company, for services rendered by LBLIC.

	2019 R'000	2018 R'000
Amounts owed to LBLIC by LBIC	**15 742**	4 964

There was no ECL at the statement of financial position date and no bad debt expense in the year (FY2018: Rnil) relating to this intercompany transaction.

Revenue transactions for the year ended 31 March

	2019 R'000	2018 R'000
Total subsidiary salary costs (including executive director)	**15 798**	13 534
Service fees charged to LBIC for salaries	**(11 445)**	(10 141)
LBLIC salaries	**4 353**	3 393
Total subsidiary contributions to medical aid fund	**464**	529
Service fees charged to LBIC for medical aid	**(371)**	(423)
LBLIC medical aid	**93**	106
Total subsidiary contributions to retirement fund	**1 029**	1 012
Service fees charged to LBIC for Group Life Insurance	**(823)**	(810)
LBLIC retirement fund	**206**	202
Remuneration recharge to LBIC	**(12 639)**	(11 374)

39.2.5 Transactions with key management personnel

	2019 R'000	2018 R'000
Short-term employee benefits	**43 850**	40 288
Other long-term benefits	**534**	771
Termination benefits	**508**	459

Key management personnel comprises of the Group's executive management (including executive directors) and non-executive directors.

Other transactions

There were no other transactions with key management personnel during the period under review.

40. Financial instruments

40.1 Credit risk

Definition

Credit risk refers to a loss suffered by a party whereby the counterparty fails to meet its financial obligations to the party under the contract. Credit risk may also arise if there is an increasing risk of default by the counterparty throughout the duration of the contract.

The definition of credit risk includes:

a) Credit evaluation risk: Risk related to the decreased 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 precedance 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.).

Risk classification

The Bank monitors the repayment record of its customers on an ongoing basis to ensure that any deterioration in repayment records is detected as early as possible. As part of the collection process, customers are classified according to risk, and the classification is updated on receipt of new information about the customer.

The main objectives of risk classification are to rank the Bank's customer base according to risk so as to estimate the probability of default (PD) of each customer. The risk classifications used in the day-to-day credit process are based on point-in-time estimates. This means that the Bank uses a customer's present general and financial situation as a starting point. A change in the customer's situation or financial position therefore results in an upgrade or downgrade of that customer. The Bank adheres to the principle that all classifications should reflect the customer's current situation to the greatest extent possible.

Credit risk - insurance activities

LBLIC is exposed to credit risk through its investment portfolios. To counteract this risk, investment portfolios are managed in terms of investment mandates that are aligned to Insurance companies' investment strategy. Investment mandates provide guidelines in terms of the average credit quality of financial instruments in the portfolio as well as limits on concentration risk.

The insurance companies are also exposed to credit risk in respect of their working capital assets from balances owed by counterparties. The following are some of the main credit risk management actions:

- In terms of long-term insurance policies issued before August 2006, the Land Bank guarantees the payment of the premium;
- Long-term insurance policies issued after August 2006, policyholder debtors outstanding for more than 60 days are not accounted for in premiums. If premium income is not paid within 60 days, the policy lapses if the client does not approve the premium to be added to the loan facility;
- For Group credit life business from 1 July 2016, the intermediary pays the premium net of brokerage and admin fees after 45 days;
- Short-term crop insurance is sold either as a cash or credit policy in the current financial period. Cash premiums need to be settled within 45 days. Credit policies are settled at the end of the season. Policy premiums outstanding after 45 days are then submitted to the attorneys, unless a new agreement is reached with the policyholder;
- On the reinsurance agreement in the prior reporting period, LBIC received the quota share bordereaux from the insurer 45 day after quarter end, which were then settled 30 days later. Outstanding settlements are then referred for legal opinion.
- As reinsurers, LBIC receives quota share bordereaux from the insurer 45 days after quarter end, which are then settled 30 days later; and
- Short-term asset insurance policy premiums are paid to the lead underwriter within 45 days on a co-insurance agreement. Policies are cancelled if premiums are not received in the 45 day period.

Reinsurance credit risk

LBLIC and LBIC makes use of reinsurance to:

- Access underwriting expertise;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/ risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed through formal contractual agreements which have been set up between the Group and reinsurers. These agreements include terms and conditions which regulates the relationship between the Group and reinsurers. Credit risk in respect of reinsurance is further managed by placing the Group's reinsurance only with companies that have high credit ratings. LBLIC and LBIC has quota share reinsurance treaties with internationally AA rated reinsurance companies. In addition to the proportional reinsurance treaty, another layer of reinsurance in the form of a stop loss is in place to limit the total exposure per individual claim. For overseas reinsurers, LBLIC retains 40% of ceded written premiums under quota share treaties and settles payments with the reinsurers 1 year after the placement in order to reduce the credit risk.

LBIC has a stop loss insurance treaty on the crop business with internationally AA- rated reinsurance companies.

For foreign reinsurers on the crop portfolio, LBIC retains 40% of ceded written premium as deposit premium on the quota share treaty, which is released twelve months later. A portion of the outstanding claims is also retained on the quota share accounts each quarter, which is recalculated the following quarter. For the foreign approved reinsurer, the company is issued with an updated bank guarantee through domestic AA rated bank for outstanding balances each quarter.

			Group		Bank	
			2019	2018	2019	2018
40.2	**Credit exposure**		**R'000**	**R'000**	**R'000**	**R'000**
	The Group's maximum credit exposure at 31 March was as follows:					
	Asset class with asset credit risk exposure		**52 053 018**	49 227 906	**50 117 111**	47 484 479
	Loans		**44 471 715**	43 565 790	**44 471 715**	43 565 790
	Cash at bank		**3 213 121**	2 421 069	**3 202 568**	2 362 130
	Trade and other receivables (excluding prepaid expenses)		**821 787**	314 966	**343 983**	126 097
	Short-term insurance assets		**254 017**	282 382	**-**	-
	Repurchase agreements		**30 257**	15 706	**30 257**	15 706
	Hedging derivatives		**80 587**	8 106	**80 587**	8 106
	Investments *		**3 181 534**	2 619 887	**1 988 001**	1 406 650
	Asset class without asset credit risk exposure		**307 569**	259 114	**299 077**	248 155
	Intangibles		**13 548**	20 279	**13 548**	20 279
	Prepaid expenses		**7 579**	5 205	**7 579**	5 205
	Investment property		**15 250**	174 590	**15 250**	174 590
	Long-term insurance assets		**7 909**	10 753	**-**	-
	Non-current assets held-for-sale		**163 036**	10 085	**163 036**	10 085
	Right of use of leased assets		**68 093**	-	**67 762**	-
	Property and equipment		**32 154**	38 202	**31 992**	37 996
	Total assets per statement of financial position		**52 360 587**	49 487 020	**50 416 188**	47 732 634
	Add off balance sheet items exposed to credit risk					
	Guarantees issued	38.1	**9 790**	815 573	**9 790**	815 573
	Loan commitments	38.1	**5 062 053**	6 751 717	**5 062 053**	6 751 717
	Operating lease commitments - group as lessor	38.3	**8 191**	5 478	**8 191**	5 478
			57 440 621	57 059 788	**55 494 222**	55 305 402
	Maximum credit exposure - selected items		**57 133 052**	56 800 674	**55 197 145**	55 057 247

Credit exposure is calculated on the basis of selected items on and off the balance sheet (guarantees and loan commitments).

Collateral

Refer to note 11.7 for collateral held against the loans and advances.

* Included in the Group investments is an amount of R831.1 million (FY2018: R1 012.6 million) which relates to investments under asset management which do not have credit exposure (Bank: R210.9 million; FY2018: R285.0 million).

41. Credit risk continued

Gross loan book exposure by agricultural sector

2019

Agricultural Sector	Corporate Banking and Structured Investments			Commercial Development and Business Banking			Classification by loan performance			
	Direct	Indirect	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agri-Business	453 229	-	453 229	38 494	1 434 226	1 472 719	1 925 949	1 325 797	123 471	476 682
Agro-processing	-	-	-	-	366 421	366 421	366 421	332 795	20 389	13 237
Citrus	642 672	-	642 672	82 395	443 723	526 118	1 168 789	1 091 052	62 912	14 824
Cotton	-	-	-	1 681	76 338	78 020	78 020	65 637	4 349	8 034
Dairy	-	-	-	331 403	275 185	606 588	606 588	509 724	4 948	91 916
Deciduous fruit	388 766	-	388 766	184 292	168 407	352 699	741 466	671 445	10 993	59 027
Equipment	-	-	-	-	81 937	81 937	81 937	73 068	556	8 312
Feedlot	42 634	-	42 634	27 457	(0)	27 457	70 091	55 018	14 192	881
Financial Services	1 018 761	-	1 018 761	563 306	535 460	1 098 766	2 117 527	1 915 268	126 559	75 701
Flowers	-	-	-	4 665	-	4 665	4 665	4 665	-	-
Fodder	-	-	-	84 268	332 170	416 438	416 438	344 134	21 368	50 936
Game	-	-	-	194 675	48 925	243 600	243 600	172 281	13 458	57 860
Grain	5 918 367	-	5 918 367	1 112 586	19 297 929	20 410 515	26 328 881	22 382 001	2 238 723	1 708 157
Inputs	-	-	-	-	140 471	140 471	140 471	140 471	-	-
Inputs supplier	26 712	-	26 712	80	92 477	92 557	119 269	96 984	22 285	-
Livestock	58 728	-	58 728	2 621 775	878 413	3 500 188	3 558 915	2 878 770	51 973	628 173
Logistics	-	-	-	-	214 183	214 183	214 183	211 362	2 821	-
Nuts	133 552	-	133 552	154 013	293 385	447 399	580 951	507 145	-	73 806
Ostriches	4 408	-	4 408	54 034	-	54 034	58 442	35 027	16 850	6 565
Other	-	-	-	7 382	314 515	321 896	321 896	257 841	44 883	19 172
Pork	-	-	-	26 312	-	26 312	26 312	16 878	-	9 434
Poultry	321 715	-	321 715	306 430	161 611	468 041	789 755	695 110	108	94 537
Subtropical Fruit	-	-	-	51 484	78 237	129 722	129 722	85 329	-	44 393
Sugarcane	662 000	-	662 000	369 279	260 008	629 288	1 291 288	1 175 667	-	115 620
Table grapes	-	-	-	111 167	58 255	169 422	169 422	166 884	700	1 838
Tea	24 906	-	24 906	27 801	-	27 801	52 707	27 162	-	25 545
Timber	618 485	-	618 485	68 706	439 242	507 947	1 126 433	1 091 180	-	35 253
Tobacco	-	-	-	4 858	790 915	795 773	795 773	379 592	269 967	146 214
Vegetables	-	-	-	394 653	311 031	705 684	705 684	516 313	52 498	136 874
Wine	280 231	-	280 231	298 576	399 629	698 205	978 435	927 682	-	50 754
Total	10 595 167	-	10 595 167	7 121 770	27 493 092	34 614 863	45 210 030	38 152 281	3 104 003	3 953 745

2018

Agricultural Sector	Corporate Banking and Structured Investments			Commercial Development and Business Banking			Classification by loan performance			
	Direct R'000	Indirect R'000	Total R'000	Direct R'000	Indirect R'000	Total R'000	Total R'000	Stage 1: Performing R'000	Stage 2: Under-performing R'000	Stage 3: Non-performing R'000
Agri-Business	2 356 670	-	2 356 670	38 635	863 024	901 659	3 258 329	900 311	2 151 178	206 838
Agro-processing	-	-	-	-	281 312	281 312	281 312	268 744	10 964	1 604
Citrus	486 689	-	486 688	102 597	131 352	233 949	720 637	639 578	4 822	76 238
Cotton	-	-	-	1 932	59 694	61 626	61 626	59 782	-	1 844
Dairy	399 573	-	399 573	329 040	273 430	602 470	1 002 043	906 162	2 077	93 804
Deciduous fruit	619 330	-	619 330	191 845	19 606	211 451	830 781	744 468	19 780	66 533
Equipment	-	-	-	-	23 140	23 140	23 140	23 140	-	-
Feedlot	45 877	-	45 877	9 807	39 293	49 100	94 977	93 107	-	1 869
Financial services	415 070	-	415 070	555 085	1 552 818	2 107 903	2 522 973	2 311 772	49 502	161 698
Flowers	-	-	-	4 930	-	4 930	4 930	4 395	-	535
Fodder	-	-	-	85 757	74 529	160 286	160 286	103 589	1 624	55 072
Game	-	-	-	197 308	4 332	201 640	201 640	154 198	13 490	33 952
Grain	6 607 425	-	6 607 426	1 126 046	18 560 786	19 686 832	26 294 258	24 543 529	1 085 467	665 260
Inputs supplier	24 098	-	24 098	180	71 799	71 979	96 077	38 854	-	57 223
Irrigations scheme	-	-	-	-	35 320	35 320	35 320	705	-	34 616
Livestock	44 495	-	44 495	2 544 212	576 392	3 120 604	3 165 099	2 539 856	44 455	580 789
Logistics	-	-	-	-	367 048	367 048	367 048	367 048	-	-
Nuts	96 577	-	96 577	167 204	97 475	264 679	361 256	360 468	369	418
Ostriches	4 408	-	4 408	45 570	-	45 570	49 978	44 562	-	5 416
Other	-	-	-	7 444	227 125	234 569	234 569	177 335	-	57 235
Pork	-	-	-	24 957	-	24 957	24 957	18 698	-	6 259
Poultry	339 880	-	339 880	332 039	142 145	474 184	814 064	687 500	20 487	106 078
Subtropical fruit	-	-	-	52 771	171 731	224 502	224 502	163 398	5 555	55 549
Sugar cane	662 000	-	662 000	395 203	223 052	618 255	1 280 255	1 204 733	18 551	56 971
Table grapes	-	-	-	20 065	35 647	55 712	55 712	53 869	1 843	-
Tea	145 091	-	145 091	15 776	-	15 776	160 867	15 658	-	145 209
Timber	680 101	-	680 101	62 261	439 781	502 042	1 182 143	1 178 336	-	3 807
Tobacco	(7 338)	-	(7 338)	4 979	12 807	17 786	10 448	(1 932)	-	12 379
Vegetables	-	-	-	379 378	667 242	1 046 620	1 046 620	540 038	17 459	489 124
Wine	341 219	-	341 219	325 968	318 285	644 253	985 472	884 719	38 642	62 110
Total	13 261 165	-	13 261 165	7 020 989	25 269 165	32 290 154	45 551 319	39 026 620	3 486 265	3 038 430

42. Credit risk continued

42,1 Credit exposure by geographic/regional distribution

2019						Loan Performance		
Province	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	LDFU R'000	Total R'000	Total %	Stage 1: Preforming R'000	Stage 2: Under-performing R'000	Stage 3: Non-performing R'000
Eastern Cape	922 439	1 089 965	-	2 012 404	4%	1 863 355	27 379	121 670
Free State	68 369	7 005 900	-	7 074 269	16%	5 142 063	600 450	1 331 756
Gauteng	5 651 633	5 545 634	67 857	11 265 125	25%	10 421 952	557 457	148 635
KwaZulu-Natal	552 523	1 552 617	-	2 105 141	5%	1 489 401	157 729	458 011
Mpumalanga	-	1 869 771	-	1 869 771	4%	1 120 122	476 392	273 257
Northern Cape	380 260	6 077 253	-	6 457 513	14%	5 950 075	275 544	231 895
Limpopo	-	3 278 304	-	3 278 304	7%	2 798 313	164 337	315 653
North West	970 046	5 440 325	-	6 410 371	14%	4 680 149	733 121	997 100
Western Cape	2 059 514	2 745 474	-	4 804 988	11%	4 549 770	111 595	143 623
Gross loan book	10 604 785	34 605 245	67 857	45 277 886	100%	38 015 201	3 104 003	4 021 602

2018						Loan Performance		
Province	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	LDFU R'000	Total R'000	Total %	Stage 1: Preforming R'000	Stage 2: Under-performing R'000	Stage 3: Non-performing R'000
Eastern Cape	888 874	1 129 433	-	2 018 307	4%	1 930 600	8 722	78 985
Free State	78 681	6 159 386	-	6 238 067	14%	5 465 841	329 863	442 364
Gauteng	5 467 535	5 392 681	504 093	11 364 309	25%	10 474 907	270 826	618 577
KwaZulu-Natal	547 730	1 377 626	-	1 925 356	4%	1 774 217	14 567	136 572
Mpumalanga	611 925	5 833 797	-	6 445 722	14%	6 207 386	71 254	167 081
Northern Cape	1 404 075	4 462 475	-	5 866 550	13%	5 284 116	209 923	372 512
Limpopo	-	1 314 053	-	1 314 053	3%	413 472	90 034	810 548
North West	3 214 646	3 668 253	-	6 882 899	15%	3 799 773	2 341 325	741 801
Western Cape	1 047 699	2 952 450	-	4 000 149	9%	3 676 312	149 752	174 086
Gross loan book	13 261 165	32 290 154	504 093	46 055 412	100%	39 026 622	3 486 266	3 542 524

42.2 Credit risk continued

Credit risk concentration by credit rating (rated externally)

The table below provides an analysis of the ratings attached to the Group's exposure to instruments subject to credit risk:

31 March 2019	Bonds R'000	Cash, deposits and similar securities R'000	Collective Investment Schemes R'000	Net working capital assets R'000	Total R'000
			-		
AAA	**817 400**	**238 979**		**-**	**1 056 379**
AA+	**96 311**	**97 646**	**-**	**-**	**193 957**
AA	**217 714**	**246 377**	**-**	**-**	**464 091**
AA-	**23 743**	**3 029**	**-**	**-**	**26 771**
A+	**-**	**1 733**	**-**	**-**	**1 733**
A	**409**	**-**	**-**	**-**	**409**
A-	**1 822**	**927**	**-**	**-**	**2 749**
BB+	**30 257**	**2 101 992**	**-**	**-**	**2 132 249**
BBB+	**-**	**166 000**	**-**	**-**	**166 000**
Other *	**-**	**44 471 715**	**-**	**-**	**44 471 715**
Not rated **	**9 832**	**428 591**	**586 286**		**1 024 709**
Total	**1 197 487**	**47 756 991**	**586 286 -**	**-**	**49 540 764**

31 March 2018					
AAA	401 910	286 348	79 132	-	767 390
AA+	230 349	36 638	-	-	266 987
AA	73 003	17 869	-	-	90 872
AA-	8 216	1 912 704	-	-	1 920 920
A+	10 077	-	-	-	10 077
A	2 435	2 231	-	-	4 666
A-	5 247	4 071	-	-	9 318
BB+	-	32 951	-	-	32 951
BBB+	-	150 000	-	-	150 000
BBB	1 452	-	-	-	1 452
BBB-	15 706	-	-	-	15 706
Other *	-	43 730 069	-	-	43 730 069
Not rated **	10 768	2 762	-	270 344	283 874
Total	759 163	46 175 643	79 132	270 344	47 284 282

Refer to notes 4, 7 and 8 for Bond movements

* This includes the Corporate Banking and Structured Investments, Commercial Development and Business Banking and LDFU loans. These clients are not rated externally. The Bank has its own credit rating system for these clients. The Bank performs a credit assessment by verifying security provision, cash flow forecasts the level of financial leverage which determines the level of financial risk and indicates the extent that debt is covered by assets.

** These assets do not have a formal rating and mainly relate to premium debtors.

42.3 Credit exposure by line of business - loan book

	2019		2018	
Gross loan book	**R'000**	**% Total**	**R'000**	**% Total**
Continuing operations				
Corporate Banking and Structured Investments	**10 604 785**	**23%**	13 261 165	29%
Commercial Development and Business Banking	**34 605 245**	**77%**	32 290 154	70%
Total gross loan book from continuing operations	**45 210 030**		45 551 319	
Less: Expected Credit Loss (ECL)	**(744 574)**		(2 132 857)	
Carrying amount of loans from continuing operations	**44 465 456**		43 418 462	
Discontinued operations				
LDFU	**67 857**	**0%**	504 093	1%
Total gross loan book from discontinued operations	**67 857**		504 093	
Less: Expected Credit Loss (ECL)	**(61 598)**		(356 765)	
Carrying amount of loans from discontinued operations	**6 259**		147 328	
Balance per annual financial statements - total carrying amount	**44 471 715**	**100%**	41 172 693	100%

Balance as per the following notes: 12 & 24

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. The LDFU loans constitute less than 1 percent (FY2018: 1 percent) of total loans and the LDFU operations have been classified as discontinued.

42.4 Credit exposure by maturity - Gross loan book

Based on the maturity of the loans as disclosed in note 11 and 12, the credit exposure (excluding insolvent loan balances) by maturity is as follows:

	2019		2018	
	R'000	**%**	R'000	%
Short-term	**14 739 294**	**33%**	16 412 694	36%
Medium-term	**6 761 331**	**15%**	5 503 718	12%
Long-term	**23 707 260**	**52%**	23 615 117	52%
	45 207 885	**100%**	45 531 529	100%

In terms of the exposure profile by maturity, the Land Bank's exposure concentrates on the long-term - i.e. loans extended for periods of five years and longer. The exposure as at 31 March is R23.57 billion (FY2018: R23.61 billion).

42.5 Credit risk management practices in relation to the recognition and measurement of expected credit losses

Having early adopted IFRS 9 - Financial Instruments with effect 1 April 2015, the Group applies a three-stage approach to the measuring expected credit loss (ECL) on debt instruments accounted for at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

1. Stage 1: 12-months ECL

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

2. Stage 2: Lifetime ECL - not credit impaired

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

3. Stage 3: Lifetime ECL - credit impaired

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.

Methods, inputs, assumptions and estimation techniques used to measure expected credit losses

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
12-month and lifetime expected credit losses	Expected loss methods based on PD, LGD and EAD; expected credit losses are discounted to the reporting date using the effective interest rate.	PD, LGD and EAD over the lifetime of the loan.	Current PDs are the output of the calibrated rating model; PDs in subsequent years are determined based on migration, seasoning and cyclicality effects. The current LGD is the output of the LGD model; analyses showed that the subsequent LGDs are the same as the first year's LGD. Lifetime is the contractual tenor of the loan; no prepayments assumed.	PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclicality. LGD: LGD model calibrated with own data history. EAD: CCF modelling with own data, inclusion of repayment schedules.
Whether a credit risk has increased significantly since initial recognition	According to the Stage 2 definition; different Land Bank specific identifiers including the minimum 30 days past due criteria have been selected for the identification of SICR. 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.	Information on single loan level, such as Loans management risk indicators, arrears information, etc.	While each loan is firstly considered on its own, the final classification is performed on a client-level, i.e. the worst stage of all loans is assumed to be the correct stage for all loans of the same client.	Stage classification is fact based using current flags and information available in the Land Bank's data base. Maximum stage across all loans per client rule applies.

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
Whether a financial asset is a credit-impaired financial asset	According to default definition; in general, unlikeliness to pay as well as >90 days past due are the criteria considered; these criteria are interpreted in terms of Land Bank's identifier e.g. for specific cases of unlikeliness to pay.	Information on single loan level, such as Loans management risk indicators, arrears information, etc.	While each loan is firstly considered on its own, the final classification is performed on a client-level, i.e. if one loan is considered to be credit-impaired (stage 3) then all loans of the same clients are considered to be so as well.	Stage classification is fact based using current flags and information available in the Land Bank's data base. Maximum stage across all loans per client rule applies.

Low credit risk

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

Macro-economic factors

IFRS 9 introduced the use of macro-economic factors when calculating ECL. To the extent that is is relevant and practical the Group has used macro-economic factors in the ECL methodology. Such factors include but are not limited to the World Food Index as well as the Volume of Imports of Goods and Services, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indicies, including any forecasts of future economic conditions are reviewed regularly.

For information on financial assets' credit risk exposure, including significant credit risk concerntrations please see note 40.1

Defaults and write offs: expected credit losses

Land Bank defines a default as unwillingness to pay and/ or past due > 90 days.

In order to determine whether financial assets are credit-impaired Land Bank considers:
- 90 days past due on a material debt obligation;
- Credit obligation put on non-accrual status, i.e. Interest is suspended;
- Any bad debt write off, or account specific provisions;
- Sale of credit obligation at a material economic loss;
- Distressed restructuring of credit obligations;
- Obligor's bankruptcy or similar protection such as business rescue.

Write off policy

The Group defines bad debt as an irrecoverable debt or uncollectible debt, where all the recovery processes and or steps are exhausted and the client or counter parties do not have any means whatsoever to repay the debt that is due and payable and there are no reasonable prospects of success.

As a development bank, the Land Bank will endeavour 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.

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 issue 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 is insufficient dividends for the estate and the assets within the estate are of minimal value and / or are not dispensable to the debtor's dependants; 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 has 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 R9.1 million (FY2018: R9.9 million) refer to 11.6.

Modification

During the year 15 accounts to the value of R154.8 million (gross loans at 31 March 2018) were modified, which resulted in expected credit loss provision releases of R5.40 million during the year. As at 31 March 2019 the gross loans relating to the modified accounts amounted to R159.7 million. The following table shows the impact of modifications during the reported period:

Loss allowance: expected credit losses

	Gross loans		Expected credit losses	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Gross loans	159 717	154 786	865	6 258
- Stage 1	26 358	107 141	252	136
- Stage 2	132 732	18 132	607	13
- Stage 3	626	29 513	7	6 109

Stage migration (Gross loans and relating expected credit losses)

Group and Bank 2019	Note	Stage 1 [1] R'000	Stage 2 [2] R'000	Stage 3 [2] R'000	Total R'000
Gross loans as reported for 2018	11.3	39 026 623	3 486 265	3 038 431	45 551 319
Stage migration - improvements		504 236	(225 156)	(279 079)	
- Stage 2 to 1		290 308	(290 308)	-	
- Stage 3 to 1		213 928	-	(213 928)	
- Stage 3 to 2		-	65 151	(65 151)	
Stage migration - deterioration		(4 055 159)	2 523 823	1 531 336	
- Stage 1 to 2		(2 806 740)	2 806 740	-	
- Stage 1 to 3		(1 248 419)	-	1 248 419	
- Stage 2 to 3		-	(282 917)	282 917	
Net stage migration		(3 550 923)	2 298 667	1 252 257	
Expected credit losses as reported for 2018	11.3	(159 874)	(1 417 756)	(555 227)	(2 132 857)
Stage migration - improvements		2 791	36 760	(39 551)	
- Stage 2 to 1		1 561	(1 561)	-	
- Stage 3 to 1		1 230	-	(1 230)	
- Stage 3 to 2		-	38 321	(38 321)	
Stage migration - deterioration		(161 071)	23 322	137 749	
- Stage 1 to 2		(47 304)	47 304	-	
- Stage 1 to 3		(113 766)	-	113 766	
- Stage 2 to 3		-	(23 982)	23 982	
Net stage migration		(158 280)	60 082	98 198	

[1] 12 month expected credit losses
[2] Life time expected credit losses

Group and Bank 2018	Note	Stage 1 [1] R'000	Stage 2 [2] R'000	Stage 3 [2] R'000	Total R'000
Gross loans as reported for 2017	11.3	**36 283 685**	**3 997 481**	**3 062 973**	**43 344 139**
Stage migration - improvements		**1 143 369**	**(735 795)**	**(407 574)**	
- Stage 2 to 1		778 923	(778 923)	-	
- Stage 3 to 1		364 446	-	(364 446)	
- Stage 3 to 2		-	43 128	(43 128)	
Stage migration - deterioration		**(1 189 725)**	**228 851**	**960 874**	
- Stage 1 to 2		(638 476)	638 476	-	
- Stage 1 to 3		(551 249)	-	551 249	
- Stage 2 to 3		-	(409 625)	409 625	
Net stage migration		**(46 356)**	**(506 944)**	**553 300**	
Expected credit losses as reported for 2017	11.3	**220 415**	**1 360 601**	**787 569**	**2 368 585**
Stage migration - improvements		**9 532**	**35 750**	**(45 282)**	
- Stage 2 to 1		1 263	(1 263)	-	
- Stage 3 to 1		8 269	-	(8 269)	
- Stage 3 to 2		-	37 013	(37 013)	
Stage migration - deterioration		**(53 889)**	**(126 170)**	**180 059**	
- Stage 1 to 2		(8 306)	8 306	-	
- Stage 1 to 3		(45 583)	-	45 583	
- Stage 2 to 3		-	(134 476)	134 476	
Net stage migration		**(44 357)**	**(90 420)**	**134 777**	

[1] 12 month expected credit losses

[2] Life time expected credit losses

42.6 Liquidity risk

Definition

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. A borrowing and funding plan and a liquidity contingency plan will be maintained taking into account the structure of the Group's balance sheet as well as its dynamics within the South African agricultural market.

Control and management

The following control measures are in place:
- The Bank monitors the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) measurements as underpinned by the internationally accepted Basel Accord on monthly basis.
- A liquidity committee (a sub-committee of ALCO) meets on a monthly basis to determine the required liquidity levels for the following three months.
- Active and detailed monitoring of clients cash flow requirements.
- The Bank reviews its treasury policies in line with market best practices on an annual basis.
- Actively attracting new investors and funding sources.
- Increased investor limits and appetite.
- A Domestic Medium Term Note (DMTN) programme.
- Active management of maturities.

Monitoring the liquidity position

The Asset and Liability Management Committee (ALCO) monitors the group's liquidity and maturity mismatches. ALCO reviews the quality of funding and ensures that the sources of funding are adequately diversified. It is the Bank's policy to maintain an adequate liquidity buffer to meet its cash flow requirements.

The Bank manages its liquidity requirements by the issuance of call bonds, Land Bank bills, Land Bank debentures and promissory notes. Loans, undrawn facilities and committed overdraft facilities are also available to the bank should the need for additional funding arise.

Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles. Expected cash flows are taken into account when reviewing the investment strategy annually for the allocation of financial instruments.

The Bank's Liquidity risk is managed by maintaining a pool of unencumbered assets and additional liquidity as calculated by a behavioural model for credit, market and operational risk. The Bank voluntary adopted certain liquidity and funding risk management principles from the Basel accord with Board approved deviations (to cater for the Bank's unique business model of being a single-shareholder, non-deposit taking institution that cannot offer transactional products) to report Liquidity Coverage Ratio (LCR) and Net Stable Funding Ration (NSFR).

Insurance activities

Liquidity risk is first of all managed by matching the liabilities with assets that have similar maturity profiles. Expected cash flows are taken into account when reviewing the investment strategy annually for the allocation of financial instruments. Most of the insurance company's assets are shareholder's assets, which are held in highly liquid, open ended instruments. The investment strategy, furthermore allocates assets backing policyholders' liabilities to short term liquid instruments in the form of cash and bonds in equal proportions.

The insurance companies are exposed to daily calls on their available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The companies actively manage their cash resources split between short-term and long-term requirements to ensure that sufficient cash is at hand to settle insurance liabilities and operating expense obligations based on cash flow projections. Reinsurance quota share accounts are settled quarterly, 45 days in arrears. Cash calls can be made to reinsurers for claims in excess of R5 million per risk on the crop cover for LBIC. Both LBLIC and LBIC have sufficient cash resources to cover their obligations.

Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles.

LBIC 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.

(i) Asset Liability matching risk

Asset Liability Matching (ALM) risk is the risk that the company's assets are not adequately matched to back the company's insurance contract liabilities and financial liabilities.

The main factor effecting the ALM risk is the investment performance of financial assets backing the underlying insurance contract and financial liabilities.

The investment policy allocates assets backing policyholder's liabilities to cash and bonds. The bonds have varying maturities, but are all immediately tradeable on the bond market. The policyholders' liability was calculated using the discounted mean term of the liability in the current year. In the prior year, the liability was calculated using the prevailing average medium and long term government bond rates less fund manager fees. The risk is that the rate earned on the investments does not match the rate use to calculate the liabilities. There is a notional allocation of assets to liabilities, with sufficient surplus assets to cover any ALM mismatch.

The remaining financial liabilities, most notably the intercompany loan, are backed by a mixture of cash, bonds and equity.

Liquidity Coverage Ratio

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

Deviation from the Banking Regulations

Given the unique business model of the Land Bank, including the inability to take deposits and the requirement to have cash available, the Bank deviates from the Banking Regulations in the following areas:

- The Land Bank's previous liquidity ratio required the Bank to invest surplus cash with counterparties with rating A and above. Due to operational requirements, investing surplus funds in government bonds will cause excessive trading in bonds which increase the market risk and potential capital losses on cash. The Bank shall therefore deviate from the Banks Act in terms of classifying cash deposits and available facilities as High Quality Liquid Assets.
- The Bank has historically enjoyed a 100% roll-over rate from PIC and CPD debt investments and this behaviour is expected to continue. For this reason, the Bank excludes contractual maturities from these institutions from the 30 day maturity profile.
- Acknowledge a deviation from the regulation in terms of assumptions made regarding roll-over rates with investors to assess the likelihood of roll-over. The Bank will always apply the minimum roll-over rate (between historic roll-overs and investor discussions) to the calculations of the LCR.

These deviations from the Banking Regulations have been 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.

The tables below summarise the maturity analysis for financial liabilities:

	Group		Bank	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
Financial liabilities				
Trade and other payables	**499 523**	355 404	**72 645**	160 715
Lease Liabilities	**70 815**	-	**70 089**	-
Short-term insurance liabilities	**329 860**	398 859	**-**	-
Long-term policyholder liability	**47 124**	55 939	**-**	-
Funding and liabilities at amortised cost	**44 257 919**	41 576 302	**44 257 919**	41 576 302
Total financial liabilities	**45 204 500**	42 386 504	**44 400 653**	41 737 017

43.1 Liquidity risk continued

Maturity analysis for financial liabilities

2019	**< 3 months**	**3 - 6 months**	**6 - 9 months**	**9 - 12 months**	**1 - 5 years**	**> 5 years**	**Drawn facilities**	**Open ended**	**Total**
Financial liabilities	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Other financial liabilities									
Trade and other payables (excluding deferred income)	24 557	-	-	5 299	808	-	-	41 981	72 645
Lease liability	6 321	6 488	6 377	5 713	45 191	-	-	-	70 089
Funding at amortised cost	8 301 704	4 561 034	5 279 867	3 999 385	14 138 796	7 972 824	4 309	-	44 257 919
Bank at 31 March 2019	**8 332 582**	**4 567 522**	**5 286 244**	**4 010 397**	**14 184 795**	**7 972 824**	**4 309**	**41 981**	**44 400 653**
Less: intercompany loan (LBLIC)	(81 110)	-	-	-	-	-	-	-	(81 110)
Less: intercompany loan (LBIC)	(30 242)	-	-	-	-	-	-	-	(30 242)
Less: intercompany loan (LBIC to LBLIC)	(15 742)	-	-	-	-	-	-	-	(15 742)
LBLIC									
Other financial and insurance liabilities									
Trade and other payables	86 316	-	-	-	-	-	-	-	86 316
Long-term policyholders' liabilities	2 468	2 467	1 765	1 326	21 720	17 378	-	-	47 124
LBIC									
Other financial and insurance liabilities									
Trade and other payables	244 383	188 860	12 518	17 612	3 839	-	-	-	467 212
Lease liability	37	38	39	41	274	-	-	-	429
Short-term insurance liabilities	329 860	-	-	-	-	-	-	-	329 860
Group at 31 March 2019	**8 868 552**	**4 758 887**	**5 300 566**	**4 029 376**	**14 210 628**	**7 990 202**	**4 309**	**41 981**	**45 204 500**

2018	< 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	> 5 years	Drawn facilities	Open ended	Total
Financial liabilities	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other financial liabilities									
Trade and other payables (excluding deferred income)	84 630	-	-	16 116	12 583	-	-	47 386	160 715
Funding at amortised cost	7 251 587	4 918 648	2 149 508	3 621 400	17 822 316	5 811 852	991	-	41 576 302
Bank at 31 March 2018	7 336 217	4 918 648	2 149 508	3 637 516	17 834 899	5 811 852	991	47 386	41 737 017
Less: intercompany loan (LBLIC)	(81 211)	-	-	-	-	-	-	-	(81 211)
Less: intercompany loan (LBIC)	(4 116)	-	-	-	-	-	-	-	(4 116)
Less: intercompany loan (LBIC to LBLIC)	(4 964)								(4 964)
LBLIC									
Other financial and insurance liabilities									
Trade and other payables	85 137	-	-	-	-	-	-	-	85 137
Long-term policyholders' liabilities	3 715	2 886	2 064	1 551	25 401	20 322	-	-	55 939
LBIC									
Other financial and insurance liabilities									
Trade and other payables	148 292	6 538	356	43 849	810	-	-	-	199 845
Short-term insurance liabilities	398 857	-	-	-	-	-	-	-	398 857
Group at 31 March 2018	7 881 927	4 928 072	2 151 928	3 682 916	17 861 110	5 832 174	991	47 386	42 386 504

43.2 Market risk

Definition

Market risk is defined as the risk of loss due to adverse movements in interest rates, credit spreads and in the prices of equities, currency and commodities.

In other words, values of financial instruments may change resulting in both potential gains and losses as a result of:
- Changes in interest rates (fair value and cash flow interest rate risk); and
- Changes in market prices (price risk).

For the Group, market risk mainly emanates from interest rate risk arising from its lending portfolio as well as wholesale funding. The Group's asset and liability management of the balance sheet is exposed to market risk via interest rate movements. This impacts the Bank's profitability and net interest margin earned. In other words, the Bank's main market risk exposure sits in its banking book, as it does not have an active trading book where market risk is assumed.

A Treasury policy as well as a Hedging policy takes into account interest rate movement and various limits have been established to effectively manage market risk of the Group.

Objective of market risk monitoring

The objective of market risk monitoring is to prevent or restrict the impact that adverse movements in market rates or prices, such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices would have on the Group.

Market risk - Insurance activities

For assets backing policyholders' liabilities, the risk to the company is that the investment returns earned are below the actuary's assumptions. For shareholder's assets, the risk is that capital is not preserved and that investment returns earned are below expectations. The company manages market risk through the following:

i) Appointment of an Investment and Actuarial Committee. The mandate of this Board sub-committee includes the following:
- Implementation of an investment strategy which sets out the investment objectives of the company, the nature and term of liabilities and the risks to which the assets and liabilities of the company are exposed. Assets backing policyholders' liabilities are limited to interest bearing assets, and are therefore exposed to limited market risks, while shareholders' assets can include equity and are therefore exposed to greater market risks;
- Appointment of investment managers and establishing investment mandates with each investment manager. Investment mandates set out investment guidelines which cover limitations on exposures to volatile assets, the use of derivatives; limits on asset concentration and limits on exposure to particular types of assets such as unlisted equities and property and hedge funds;
- Monitoring of the performance of investment managers against "appropriate benchmarks" as well as compliance with mandates; and
- Ensuring proper governance in the investment process.

ii) Appointment of an independent investment advisor. The responsibilities of the investment advisor are set out below:
- Setting of appropriate mandates and benchmarks for the asset managers for performance monitoring;
- Monitor implementation of investment strategies; and
- Monthly monitoring of and reporting on investment performance.

The investment advisor provides quarterly feedback on the performance of investment managers to the Investment and Actuarial Committee who in turns provides quarterly feedback to the LBLIC Board.

43.3 Interest rate risk

Interest rate risk is the risk of an adverse impact on earnings and market values of assets due to movements of interest rates. Most of the statement of financial position items of the Group generate interest rate related revenues and costs.

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.

Fixed/ floating rate funding

When interest rates are expected to change, the ratio of the interest rate mismatch between fixed and floating interest rates applicable to assets and liabilities can be adjusted in such a manner that the bank benefits from the expected interest rate view. The current interest rate risk mismatch limit is a maximum of 25%, i.e. that the Bank cannot hold more than 25% fixed rate funding as part of its funding mix. The funding split percentage as at 31 March 2019 was 88.8% floating (FY2018: 91.7% floating).

Interest rate risk policy

The Bank reviews its interest rate risk policy in line with market practices on an annual basis.

Sensitivity analysis

Sensitivity analysis has been determined based on the exposure to interest rates for derivatives and other financial liabilities and assets at the statement of financial position date. A 100 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of a reasonably possible change in interest rates on the Group's 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 2019:

	31 March 2019		31 March 2018	
Bank	**Net interest income R'000**	**Effect on equity R'000**	**Net interest income R'000**	**Effect on equity R'000**
Incremental change in yield				
Expected NII	**1 402 570**	**-**	1 325 651	-
Potential movement: 100 Basis point up	**1 572 271**	**169 701**	1 490 200	164 549
Potential movement: 100 Basis point down	**1 232 869**	**(169 701)**	(1 161 101)	(164 549)

The Land Bank's sensitivity to interest rates has increased slightly over the past year from R165 million to R170 million and this can be ascribed to the fact that a larger portion of the Land Bank's funding is fixed. At 31 March 2018, the Land Bank relied on 8.3% fixed funding expressed as a percentage of its total funding while this number stood at 11.2% on 31 March 2019.

The Land Bank implemented an interest rate swaps program in the 2017/18 financial year with the implementation of the program being conducted on an increasing scale over a time period of five years, as per the Bank's Interest Rate Risk Management Policy. The interest rate risk swaps program involves hedging the basis risk that emanates from the mismatch between the Bank's JIBAR-linked funding liabilities and its prime-linked assets. The underlying nominal values of the Bank's swaps remain too small to markedly influence the Bank's interest rate risk sensitivity. As the underlying nominal amounts of the interest rate risk swaps are increased over the next five years as per the Bank's Interest Rate Risk Management Policy, the effect of the hedging on the Bank's interest rate risk sensitivity is expected to become more pronounced.

Details of the Bank's hedging program can be found in note 10.

Interest rate risk - Insurance activities

The company is subject to interest rate risk resulting in the fluctuation of the fair value of future cash flows of interest bearing assets because of the change in interest rates. Interest rate risk arises primarily from investments in long-term fixed income securities, although the short-term money market instruments are also effected, albeit to a lesser extent. The company holds a variety of government and corporate bonds with varying maturities, which carry fixed and floating interest rates. Exposure to interest rate risk is monitored through various methods including scenario and stress testing which calculates the market exposure based on interest rate movements (of -50/100 Basis Points and +50/100 Basis Points).

Sensitivity analysis on interest bearing assets

The market exposure that was calculated at 31 March was as follows:

	Impact on the statement of profit or loss and other comprehensive income	
	31 March 2019	31 March 2018
LBLIC	**R'000**	**R'000**
Incremental change in yield		
100 Basis Points decrease	**10 386**	13 391
50 Basis Points decrease	**4 681**	5 513
50 Basis Points increase	**(4 454)**	(5 334)
100 Basis Points increase	**(9 374)**	(12 382)
LBIC		
Incremental change in yield		
100 Basis Points decrease	**150**	1 167
50 Basis Points decrease	**75**	583
50 Basis Points increase	**(75)**	(583)
100 Basis Points increase	**(150)**	(1 167)

A portion of the assets backing policyholders' liabilities are held in bonds and the balance is held in cash and cash equivalents.

43.4 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.

The company closely and continuously monitors the exposure on currency risk. Since the South African Rand is pegged to US dollars, there is no significant exposure expected on US dollars transactions and balances. Even South African Rand is not pegged to Renminbi, the historical exchange rate fluctuation on Renminbi is insignificant. Thus, there is no significant exposure expected on Renminbi transactions and balances. In case of any significant fluctuation expected, the Renminbi transactions and balances would also be monitored and controlled in the same manner as other foreign currencies.

LBLIC is exposed to currency risk resulting in the fluctuation in the value of foreign financial instruments because of the change in foreign exchange rates. The company's exposure to currency risk is in respect of foreign investments made in line with the investment strategy, approved by the Board, for seeking desirable international diversification of investments. The fund managers make use of currency derivatives to limit the currency exposure of instruments in the pooled funds to United Stated Dollars. The following Rand value of assets denominated in foreign currencies are included in the statement of financial position:

In respect of purchases and payables, the company controls its volume of purchase orders to a tolerable level and avoids concentrating the purchases in a single foreign currency by diversifying such foreign currency risk exposure.

Group	United States Dollar US$'000	South African Rand R'000
31 March 2019		
Equities - unit trusts (USD base currency)	**9 863**	**129 107**
Balanced funds	**2 765**	**36 197**
Commodities - metals	**362**	**4 733**
Cash on deposit at call	**(100)**	**(1 313)**
Foreign currency exposure	**12 889**	**168 723**
Exchange rates (ZAR:USD):		
Closing rate - 31 March 2019	**14.30**	**0.07**
Average rate	**13.09**	**0.08**

Group	United States Dollar US$'000	South African Rand R'000
31 March 2018		
Equities - USD base currency unit trusts	16 546	215 261
Balanced funds	2 731	35 529
Commodities - metals	364	4 733
Cash, deposits and similar securities	5	66
Foreign currency exposure	19 646	255 589
Exchange rates (ZAR:USD):		
Closing rate - 31 March 2018	11.87	0.08
Average rate	13.01	0.08

Sensitivity analysis - currency risk

The foreign currency exposure that was calculated at 31 March was as follows:

	Impact on the statement of profit or loss and other comprehensive income	
LBLIC	**31 March 2019**	**31 March 2018**
Incremental change in yield *	**R'000**	**R'000**
USD		
10% decrease	**(16 872)**	(25 559)
5% decrease	**(8 436)**	(12 779)
5% increase	**8 436**	12 779
10% increase	**16 872**	25 559

Impairment

Sensitivity analysis

The sensitivity analysis on impairment has been determined based on the exposure to the percentage of the balance outstanding which the Land Bank expects not to recover when a loan defaults on its payment (loss given default - LGD) at the statement of financial position date. A 5% increase or decrease in the LGD is used when reporting impairment risk and represents management's assessment of a reasonably possible change in impairment expenses on the Group's profit.

Based on the effect of a reasonable possible change in interest rates, and all other variables held constant, the Bank's profit would be as follows using data as at 31 March:

Rate analysis	Interest income R'000	Net impairment charges, claims and recoveries R'000	Non-interest (expense)/ income R'000	Loans and advances R'000	Effect on equity R'000
31 March 2019					
As at 31 March 2019 : Base	**5 023 465**	**324 655**	**145 909**	**44 465 456**	**-**
Potential movement: -5%	**5 019 550**	**136 170**	**145 909**	**44 541 217**	**(80 952)**
Potential movement: 5%	**5 018 799**	**17 253**	**145 909**	**44 582 841**	**(39 328)**
31 March 2018					
As at 31 March 2018 : Base	4 826 977	55 524	222 288	43 418 462	-
Potential movement: -5%	4 823 523	233 308	222 288	43 237 224	(181 238)
Potential movement: 5%	4 823 140	(137 354)	222 288	43 221 747	(196 715)

43.5 Insurance risk

43.5.1 Insurance risk - long-term

LBLIC provides mortgage and credit life insurance for persons who take out loans with the Land Bank. Until 2008, LBLIC only had one product in issue which was a non profit decreasing term assurance that paid the outstanding amount of a Land Bank mortgage loan at death. Since then, LBLIC in conjunction with its actuaries, has developed and issued a number of new generation mortgage and credit life products.

Mortality risk

Mortality risk is the risk to the Group that mortality experience in future is worse than provided for in premium rates. Higher than expected mortality will give rise to losses and will necessitate an increase in valuation assumptions.

This risk is mitigated by the following factors:

- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Adequate pricing and reserving;
- Specific testing for HIV/ AIDS is carried out in cases where applications for risk cover exceed a set limit; and
- Annual reviews of mortality and morbidity experience are conducted by the statutory actuary to ensure that corrective action is taken where necessary.

Persistency risk

Persistency risk (lapse risk) relates to policies being terminated before their final due dates as a result of an increased number of mortgage loans that are paid up before their final settlement dates and an increasing number of farmers transferring loans to trusts, close corporations and companies which result in the cancellation of policies.

The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses.

Expense risk

Before expenses are incurred, they are checked for budget availability. For the exceptional expenses, the company has a certain approval process. This is monitored in monthly reporting by comparing actual and budgeted expenses.

Reinsurance risk

LBLIC has reinsurance cover to reduce risks proportionally, as well as to limit exposure per event in order to limit the impact per event on the current year's earnings.

The cover is placed on the local reinsurance market. The core components of the reinsurance program comprise:
- Individual excess of loss which limits exposure per policyholder to R1 million, prior to the effect of the 50% quota share treaty; and
- Individual quota share which provides protection of 50% of the risk per policy, to the maximum of R1 million.

The LBLIC Board approves the reinsurance renewal process on an annual basis. The reinsurance program is in place with a local reinsurer which has a credit rating of AA-.

Claims risk

The risk that the Group may pay out fraudulent claims is mitigated by trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

It is also the risk that a change in value caused by the ultimate costs for full contractual obligations which varies from those assumed when these obligations were estimated. Estimated claims are monitored periodically and updated based on the latest information if needed. Furthermore, an actuarial valuation by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2019, LBLIC believes that its IBNR liability for claims is adequate. There were no outstanding claims.

Sensitivity analysis

The objective of the sensitivity analysis is to demonstrate the effect on the policyholders' liability for changes in key assumptions underlying the valuation of liabilities.

The sensitivity analysis illustrates the effect of a change in a particular assumption on the value of the policyholders' liability as at 31 March 2018, 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).

2019 Policyholders' liability - Individual Life			Value R'000	Change R'000	%
Base value			39 649		
Investment return	1% -1%	from 8.3% to 9.3% from 8.3% to 7.3%	38 611 40 785	(1 039) 1 135	(2.62%) 2.86%
Mortality	10% -10%	1.1 x mortality 0.9 x mortality	41 274 37 984	1 625 (1 665)	4.10% (4.20%)
Expenses	5% -5%	from 80% to 84% from 80% to 76%	40 526 38 771	877 (878)	2.21% (2.21%)

2019*

Policyholders' liability - Group Life

Base value			-		
Investment return	1% -1%	from 7.3% to 8.3% from 7.3% to 6.3%	- -	- -	
Mortality	10% -10%	1.1 x mortality 0.9 x mortality	- -	- -	

* The results at group are all zero mainly because of only negative reserves coming through this year in the currect year. This is a results of inflow being significantly higher than outflow. With the SAP 104 methodology, we do not recognise negative liabilities, these are made zero.

2018 Policyholders' liability - Individual Life			Value R'000	Change R'000	%
Base value			41 356		
Investment return	+1% -1%	from 7.0% to 8.0% from 7.0% to 6.0%	40 462 42 358	(894) 1 002	(2,25%) 2,53%
Mortality	+10% -10%	1.1 x mortality 0.9 x mortality	42 415 40 274	1 059 (1 082)	2,67% (2,73%)
Expenses	+5% -5%	from 80.0% to 84.0% from 80.0% to 76.0%	42 079 40 667	723 (689)	1,82% (1,74%)

2018

Policyholders' liability - Group Life

Base value			1 302		
Investment return	+1% -1%	from 6.5% to 7.5% from 6.5% to 5.5%	1 292 1 311	(10) 9	(1%) 1%
Mortality	+10% -10%	1.1 x mortality 0.9 x mortality	1 409 1 231	107 (71)	8% (5%)

43.5.2 Insurance risk - short-term

LBIC provides indemnity for crops, motor vehicles and property, as well as liability cover. LBIC manages insurance risks through its underwriting strategy and reinsurance arrangements.

LBIC provides indemnity for crops while still on the field, against hail, drought, fire and excessive rain fall. Cover ceases as soon as harvesting has taken place, or when certain date limits have been reached. Motor cover insures risks associated with the possession and use of vehicles. Property cover insures risks associated with the ownership of moveable and immovable assets, other than those covered specifically in another class.

Engineering cover insures risks associated with the possession and use of machinery or equipment in the form of irrigation systems on farms. Liability cover insures risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Insurance risk arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Inaccurate pricing of risks when underwritten;
- Inadequate reinsurance protection;
- Inadequate reserving; and
- Fraudulent claims.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. The principal risks the insurance companies face are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, provide to be insufficient. 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. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established.

(i) Pricing risk

Both LBLIC and LBIC bases their pricing policy on the theory of probability, with consideration to historical claims data. Acquisition and administration costs, as well as reinsurance costs are included in the pricing considerations as well as a profit loading for the cost of capital.

Underwriting limits are set for the underwriting manager and brokers. Underwriting performance is monitored continuously and the pricing is adjusted accordingly. Risk factors considered as part of the review include factors such as the type of asset covered and the related commodity price, past loss experiences and risk measures taken by the insured.

The net claims ratio for LBIC, which are important in monitoring insurance risk are summarised below:

Loss history	**2019**	**2018**
LBIC: Net insurance benefits and claims on short-term business expressed as a % of net earned premiums	**(102%)**	**(107%)**

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location, catastrophic events and agricultural sectors covered. A stop loss reinsurance treaty mitigates the risk arising from this by capping the crop loss ratio to 105% for the season.

Sensitivity analysis

The objective of the sensitivity analysis is to demonstrate the effect on the underwriting result the change is in key assumptions.

The sensitivity analysis illustrates the effect or change in a particular assumption on the underwriting result, but cannot be used to determine how future earnings or profits will be effected. 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 once assumption, all other assumptions are left unchanged. No allowance has been made for possible management action in response to a particular change.

2019 Underwriting result		Loss Ratio	Value R'000	Change R'000	%
Reported results			(54 913)		
Premium	+10% -10%		(53 257) (56 568)	1 656 (1 656)	(3%) 3%
Claims	+5% -5%	107% 97%	(63 132) (46 693)	(8 220) 8 220	15% (15%)
Expenses	+15% -15%		(57 892) 51 934	(2 979) 2 979	5% (5%)

2018 Underwriting result		Loss Ratio	Value R'000	Change R'000	%
Reported results			(68 088)		
Premium	+10% -10%		(66 305) (69 872)	1 783 (1 783)	(3%) 3%
Claims	+5% -5%	112% 102%	(75 461) (60 716)	(7 372) 7 372	11% (11%)
Expenses	+15% -15%		(71 128) (65 049)	(3 040) 3 040	4% (4%)

(ii) Claims risk

The risk that the Group may pay out fraudulent claims is mitigated by trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

It is also the risk that a change in value caused by the ultimate costs for full contractual obligations which varies from those assumed when these obligations were estimated. Estimated claims are monitored periodically and updated based on the latest information if needed. The Group utilises independent assessors who appraise and confirm claims as well as quantification by the underwriting manager channel. Furthermore, an actuarial valuation is done by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2019, both LBLIC and LBIC believe that their liabilities for claims are adequate.

(iii) Reinsurance

LBLIC and LBIC have third party reinsurance cover to reduce risks from single events or accumulations of risks that could have a significant impact on the current year's earnings and capital.

This cover is placed on the international reinsurance market. The core components of the reinsurance programme comprise of:

Long-term insurance contracts

- Individual excess of loss which limits exposure to R1 million per client, prior to the quota share treaty; and
- Individual quota share which provides protection to 50% of the retained portion after excess of loss.

Short-term insurance contracts

- Individual quota share cover on crop, which provides protection to limit losses to 30% per event;
- Individual quota share cover on agri-assets, which provides protection to limit losses to 40% of 100% on the 70% co-insurance agreement per risk; and
- Stop loss cover for losses over 105% to 250% of the total crop exposure.

The LBLIC and LBIC Boards approve the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is in place with foreign reinsurers which have a credit rating of no less than A+ for Life Insurance and AA- for short-term insurance.

(iv) Concentration risk

LBLIC
Investment portfolio concentration risk
The allocation of investment portfolio as at 31 March was as follows:

	2019		2018	
Asset classes	**R'000**	**%**	**R'000**	**%**
Equities - local	**439 510**	**33 %**	466 860	38 %
Resources	**110 711**	**25 %**	74 495	16%
Financials	**136 334**	**31 %**	162 505	39%
Industrials	**192 465**	**44 %**	229 860	46%
Commodities - local	**15 451**	**1 %**	23 633	2 %
Bonds - local	**447 050**	**33 %**	241 417	19 %
Fixed interest	**346 659**	**78 %**	156 214	65 %
Floating rate	**44 134**	**10 %**	42 006	17 %
Inflation linked	**56 257**	**13 %**	42 991	18 %
Other	**-**	**0 %**	206	0 %
Cash, deposits and similar securities - local	**268 380**	**20 %**	274 670	21 %
Investment policy - property (local)	**12 139**	**1 %**	9 030	0 %
Foreign assets	**163 990**	**12 %**	255 589	20 %
Total LBLIC	**1 346 520**	**100 %**	1 271 199	100 %

16.8% of the portfolio was held in RSA Central Government bonds as at 31 March 2019 (FY2018: 11.35%)
6.6% of the portfolio was held in an Investec Money Market fund as at 31 March 2019 (FY2018: 7.66%)
4.9% of the portfolio was held in an Investec Global Equity Fund as at 31 March 2019 (FY2018 : 5.16%)

LBIC
Investment portfolio concentration risk
The allocation of investment portfolio as at 31 March was as follows:

	2019		2018	
	R'000	**%**	**R'000**	**%**
Bonds - local	**133 063**	**68 %**	121 383	42 %
Fixed interest	**46 728**	**35 %**	49 518	41 %
Floating rate	**78 654**	**59 %**	68 049	56 %
Inflation linked	**7 681**	**6 %**	3 816	3 %
Cash, deposits and similar securities - local	**63 980**	**32 %**	170 685	58 %
NCD's	**62 887**	**98 %**	169 206	99 %
Other	**1 093**	**2 %**	1 479	1 %
Total LBIC	**197 043**	**100 %**	292 068	100 %

The NCD's are split about equally amongst the five main banks.

Investment manager performance, portfolio and manager allocations are monitored and reported to the company management and Investment and Actuarial Board on a regular basis by the company's investment consultants. Upper and lower bounds are assigned to each asset class and are reviewed annually, with the investment policy. All classes were within bounds as at 31 March 2019.

LBIC	2019	
Asset classes	**Lower bound**	**Upper bound**
Equities - local	**0 %**	**5 %**
Bonds - local	**30 %**	**50 %**
Bonds - inflation linked	**0 %**	**10 %**
Cash, deposits and similar securities - local	**40 %**	**80 %**
Foreign assets	**0 %**	**5 %**

LBLIC	2018	
Asset classes	**Lower bound**	**Upper bound**
Equities - local	30 %	50 %
Bonds - local	15 %	35 %
Cash, deposits and similar securities - local	10 %	30 %
Foreign assets	5 %	25 %

Insurance concentration risk

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the company's resources. The company operates in the long-term insurance business.

Long-term insurance concentration risk

The long-term insurance portfolio is based on credit life insurance. Although the company does not consider any aggregate concentration for catastrophic risks, the company does, however, consider the age bands of the client base for reinsurance rating purposes.

Long-term insurance gross written premium by class of business

Portfolio	2019 R'000	2018 R'000
Credit life insurance - Group	**3 441**	6 048
Credit life insurance - Individual	**2 450**	4 117
	5 891	10 165

Long-term insurance gross written premium by age bands

Portfolio	2019 R'000	2018 R'000
20 - 29	**2**	23
30 - 39	**47**	357
40 - 49	**374**	1 250
50 - 59	**1 219**	2 699
60 - 69	**2 213**	4 270
70+	**2 036**	1 566
	5 891	10 165

	2019			2018		
	Number	Value R'000	Average R'000	Number	Value R'000	Average R'000
Portfolio						
20 - 29	**14**	**4 594**	**328**	222	19 029	86
30 - 39	**102**	**53 587**	**525**	773	238 465	308
40 - 49	**283**	**114 786**	**406**	1 342	437 441	326
50 - 59	**575**	**163 000**	**283**	1 556	463 661	298
60 - 69	**586**	**157 711**	**269**	1 428	362 380	254
70+	**914**	**278 025**	**304**	113	35 755	316
	2 474	**771 703**	**312**	5 434	1 556 731	286

Short-term insurance concentration risk - LBIC

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the short-term company's resources. The company operates on both crop and agri-asset insurance business.

Gross written premium by business

Portfolio	2019 R'000	2018 R'000
Short-term insurance (crop)	**504 386**	543 322
Short-term insurance (assets)	**-**	-
	504 386	543 322

Short-term crop insurance gross written premium by class of business

	2019		2018	
Portfolio	Gross Written Premium R'000	Net Written Premium R'000	Gross Written Premium R'000	Net Written Premium R'000
Winter hail	**53 133**	**32 544**	70 521	18 512
Multi-peril winter	**1 875**	**399**	6 518	1 711
Horticulture	**46 543**	**8 145**	52 553	11 498
Grapes	**15 048**	**2 633**	16 878	3 692
Other fruits	**18 326**	**3 207**	25 149	5 503
Nuts	**13 169**	**2 305**	10 526	2 303
Hail Summer	**385 166**	**101 106**	394 508	103 558
Maize	**153 833**	**40 381**	131 018	34 392
Beans	**170 716**	**44 813**	212 911	55 889
Other	**60 617**	**15 912**	50 579	13 277
Multi-peril summer	**17 669**	**4 638**	19 222	5 046
Maize	**14 964**	**3 928**	12 234	3 211
Beans	**1 527**	**401**	4 806	1 262
Other	**1 178**	**309**	2 182	573
Total	**504 386**	**146 832**	543 322	140 325

Multi peril is limited to 15% of the total crop portfolio.

Short-term asset insurance gross written premium by class of business

	2019 R'000	2018 R'000
Portfolio		
Motor	-	-
Non-motor	-	-
	-	-

Short-term crop insurance gross written premium by geographical segment

	2019 R'000	2018 R'000
Portfolio		
Northern Cape	**98 725**	44 972
KwaZulu-Natal	**73 676**	83 408
Eastern Cape	**44 217**	34 431
Mpumalanga/ Gauteng	**181 562**	135 252
Limpopo	**38 256**	33 536
Free State	**21 312**	167 921
North West	**41 131**	33 170
Western Cape	**5 507**	10 632
	504 386	543 322

43.6 Equity price risk

The equity risk exposures arise from the medical aid fund assets and the LBLIC investment portfolio. Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

The effect on equity (as a result of a change in the fair value of equity instruments held-for-trading in the category financial assets through profit or loss at 31 March) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Group		Bank	
	Change in equity price %	Effect on equity R'000	Change in equity price %	Effect on equity R'000
2019				
Individual stocks and indices	**10**	**79 493**	**10**	**21 086**
2018				
Individual stocks and indices *	10	90 977	10	28 730

The effect on equity has been calculated using the equity balances at year end.

Price risk - LBLIC

LBLIC is subject to market price risk resulting from daily changes in the fair value of market prices of the instruments within its investment portfolios. The company's objective is to earn competitive returns for the shareholder by investing in a diverse portfolio of high quality, liquid securities. The company holds a variety of equity derivatives for transaction management and hedging purposes. The company does not invest policyholders' funds in equity.

Sensitivity analysis on equity instruments

Impact on the statement of profit or loss and other comprehensive income

	2019 R'000	2018 R'000
Incremental change in price		
Excluding the impact of derivatives		
10% decrease	**(45 515)**	(34 850)
5% decrease	**(22 788)**	(17 437)
5% increase	**22 833**	17 464
10% increase	**45 696**	34 955
Including the impact of derivatives		
10% decrease	**(19 190)**	(29 317)
5% decrease	**(9 564)**	(14 662)
5% increase	**9 637**	14 637
10% increase	**19 200**	29 165

43.7 Investment strategy

LBIC

The Investment Policy was updated and approved on 21 February 2018. The Company has taken a risk based approach to setting investment strategy. The Company investable assets will be notionally tiered into three buckets representing different levels of market risk. The notional allocation to these buckets will be reviewed at least annually. Each bucket will make use of a strategic asset allocation appropriate for the risk profile it represents.

Bucket	Matching assets	Definition
Short	Cash & Bonds	Current liabilities minus cash needed for operations as defined in the Cash Management Policy Statement.
Medium	Cash & Bonds	Additional capital needed to augment the short-term bucket should the business meets short-term objectives.
Long	Exposure to growth assets such as equities targeting a long-term real return unless there are liabilities requiring a specific matching assets.	Balance of assets to be invested long-term as the business was not likely to draw on these assets.

The following notional asset allocations have been chosen to represent each bucket. The allocations recognise that the Company is in start-up phase and do not necessarily represent the asset allocations once it is in full operation. Given that the bulk of investments are held for 6 to 9 months, with a maximum of 12 months, and the lack of appetite for any losses the full portfolio should be considered short term until the business builds up more surplus capital. As such all assets are considered to fall into the short-term bucket.

	Local equity	Local nominal bonds	Local inflation linked bonds	Local cash	Foreign	Expected long-term real return
Short term	0 %	40 %	0 %	60 %	0 %	1.6%
Medium term	0 %	50 %	20 %	30 %	0 %	2.1%
Long term	55 %	20 %	10 %	5 %	10 %	5.1%

To measure the overall investment objective for all investable assets, the buckets will be consolidated into a single strategic asset allocation strategy. To manage the risk of deviation from the benchmark asset allocation, a tactical asset allocation range will be 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. Asset managers will be allowed to deviate outside the tactical limits. In such an event the reasons for this will be communicated to the Investment Consultant and Investment Committee.

The table below this shows the Company's strategic and tactical asset allocation limits for the short-term insurance business.

	Long-term target	Lower bound	Upper bound	Benchmark index
Local equity	0 %	0 %	5 %	JSE Capped SWIX
Local Nominal Bonds	40 %	30 %	50 %	All Bond Index (ALBI)
Local Inflation Linked Bonds	0 %	0 %	10 %	Inflation Linked Bond Index (ILBI)
Local cash	60 %	40 %	80 %	STeFI Composite
Foreign Multi-Assert Class	0 %	0 %	5 %	60% MSCI World + 40% Citigroup Gov Bonds

Fund benchmarks

The assets of the fund are short term in nature and the fund therefore only invests in cash and short-term bonds. The fund benchmark is a long term return objective of CPI + 1.0% net of fees.

Fund performance

The investment was made during June 2017. For the 9 months from July 2017 to the end of March 2018 the fund returned 6.20% (8.35% annualised). The fund has outperformed against the target of CPI + 1.0% which was 5.0% over the 12 month period.

LBLIC

The Investment Policy was updated and approved on 21 February 2018. In deriving the investment objective, the Company notionally allocated its assets into three buckets representing different levels of risk (Short-term, medium-term and long-term) as follows:

Bucket	Matching assets	Definition
Short	Cash & Bonds	Policyholder & current liabilities plus CAR minus cash needed for operations as defined in the Cash Management Policy Statement.
Medium	Cash & Bonds	Additional capital needed to augment the short-term bucket should the business meets its short-term objectives.
Long	Exposure to growth assets such as equities targeting a long-term real return unless there are liabilities requiring a specific matching assets.	Balance of assets to be invested long-term as the business was not likely to draw on these assets.

The above allocations were consolidated to produce a target real return for the Company assets.

The Company will firstly aim to match its assets and liabilities and with the excess assets target an appropriate real return. With this in mind, the Company has selected the following investment objective:

A real return, after investment fees and gross of tax of 4.0% per annum measured over rolling 3 year periods. For the purpose of calculating the real return in the primary objective, inflation will be taken as the published Consumer Price Inflation (CPI) rate.

The Company has taken a risk based approach to setting investment strategy. The Company investable assets will be notionally tiered into three buckets representing different levels of market risk. The notional allocation to these buckets will be reviewed at least annually. Each bucket will make use of a strategic asset allocation appropriate for the risk profile it represents.

The following notional asset allocations have been chosen to represent each bucket. The table below shows the asset allocation for each bucket and its real return expectation.

	Local equity	Local bonds	Local cash	Foreign	Expected long-term real return
Short term	0 %	40 %	60 %	0 %	1.6%
Medium term	0 %	60 %	40 %	0 %	1.9%
Long term	45 %	22 %	15 %	18 %	4.7%

To measure the overall investment objective for all investable assets, the buckets will be consolidated into a single strategic asset allocation strategy. To manage the risk of deviation from the benchmark asset allocation, a tactical asset allocation range will be 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. Asset managers will be allowed to deviate outside the tactical limits. In such an event the reasons for this will be communicated to the Investment Consultant and Investment Committee.

The table below shows the Company's strategic and tactical asset allocation limits for the long-term insurance business.

	Long-term target	Lower bound	Upper bound	Benchmark index
Local equity	40 %	30 %	50 %	JSE Capped SWIX
Local bonds	25 %	15 %	35 %	All Bond Index (ALBI)
Local cash	20 %	10 %	30 %	STeFI Composite
Foreign multi-asset class	15 %	5 %	25 %	60% MSCI World + 40% Citigroup Gov Bonds

The fund has a CPI + 4% performance objective (FY2018: CPI+4%).
The fund returned 5.6% for the 12 months to end March 2019 (FY 2019: 4.7%) which is below the CPI + 4% target (net of fees) with an 8.0%.

44. Capital management

The primary source of capital used by the Group is shareholder's equity funds. The amount of capital required is directly linked to risks arising from insurance business underwritten, as well as the Group's credit and operational risk. Accordingly risk management is an important component of effective capital management.

Capital management objectives and approach

The Group has established the following capital management objectives and approach to managing the risks that affect its capital position:

- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholder;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders and stakeholder;
- To maintain healthy capital ratios in order to support its business objectives; and
- To support the credit rating of the Bank.

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover statutory requirements.

The following main strategies were applied to achieve capital management objectives:

- Effective management of credit risk;
- Effective management of underwriting risk,
- Effective management of operational risk - a sound internal control framework reduces operational risk, which in turn has a positive effect in the calculation of required capital; and
- Routine forecasts of capital requirements, assessment against both available capital as well as the expected internal rate of return - including risk and sensitivity analyses.

The purpose of the Group's capital management is to ensure an efficient use of capital in relation to risk appetite and business development. The Group does not have to comply with any regulatory capital requirements.

Capital Adequacy Requirements (CAR) - 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 1 (CET1) minimum = CET1 / total Risk Weighted Assets (RWA);
- Tier 1 minimum = (CET1 + Additional Tier 1 (AT1)) / total RWA; and
- Total minimum = (CET1 + AT1 + Tier 2) / total RWA.

The only deviation from the Banking Regulations with regards to total CAR is:

- Land Bank only has Government as shareholder and is not allowed to issue shares in the market to raise capital. Therefore should the government guarantee be excluded from capital the only other resource of capital would be retained earnings. The Land Bank's funding covenants all include the unutilised portion of government guarantees (those of capital/ sustainability nature) as a source of capital supply.

Risk-weightings are risk sensitive, in other words, riskier assets receive higher weightings and the Basel Capital Accord allows for basic and advanced approaches to determine RWA dependent on the sophistication of a bank.

The Land Bank (Bank) capital adequacy was estimated based on the following approaches:

- Credit risk: The Standardised Approach;
- Operational risk: The Basic Indicator Approach;
- Equity risk in the banking book: The Simple Risk-weight Approach;
- Market risk: Standardised approach;
  and
- Credit and operational risk have been identified as the major risk types affecting the Land Bank.

It is the intention of the Land Bank to move towards more sophisticated approaches, such as the Foundation Internal Ratings Based (F-IRB) approach for credit risk measurement. In this regard has the Bank already commenced with the development of Internal Ratings Based models.

The Land Bank is an SOE and therefore does not have the ability to issue share capital. For this reason the bank includes Government Guarantees which are not ring-fenced for funding purposes as Tier 1 Capital.

To further strengthen capital management, the Bank adopted the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

	Bank 2019	
Capital adequacy		
Total capital adequacy	**16.4%**	17.3%

	Bank	
Capital supply	**2019 R'000**	**2018 R'000**
Ordinary shareholders' equity	**4 401 597**	4 397 655
Retained earnings	**1 183 829**	1 048 275
Accumulated other comprehensive income	**93 467**	100 978
Property revaluation reserve	**137 350**	136 476
Other reserves	**(43 883)**	(35 498)
Common Equity Tier 1 (CET1) Capital: Instruments and reserves	**5 678 893**	5 546 908
Common Equity Tier 1 Capital: Regulatory adjustments	**(17 490)**	(20 279)
Distributable reserves relating to the discontinued operation	**(3 942)**	
Intangible assets	**(13 548)**	(20 279)
Total available Common Equity Tier 1 capital	**5 661 403**	5 526 629
Total available Tier 2 capital	**201 395**	586 162
General allowance for credit impairment	**201 395**	586 162
Total available capital	**5 862 798**	6 112 791
National Treasury guarantee *	**2 710 000**	2 800 000
Capital demand		
Risk weighted assets		
Credit risk	**46 251 814**	46 847 991
Counterparty risk	**138 878**	45 003
Operational risk	**2 535 342**	2 445 016
Equity risk	**1 591 719**	998 899
Market risk	**38 273**	43 657
Other assets risk	**861 582**	360 333
Threshold items	**875 075**	875 075
Total	**52 292 682**	51 615 974

* Refer to the Note 39.2 on related parties.

45. Fair value hierarchy of financial instruments

45.1 Carrying amount and fair value of financial instruments

Group	2019 Carrying amount R'000	2019 Fair value R'000	2018 Carrying amount R'000	2018 Fair value R'000
Financial assets				
Fair value through profit or loss				
Repurchase agreements	**30 257**	**30 257**	15 706	15 706
Investments	**3 181 534**	**3 181 534**	2 619 887	2 619 887
Loans and receivables				
Cash and cash equivalents	**3 213 121**	**3 213 121**	2 421 069	2 421 069
Trade and other receivables	**829 366**	**828 939**	320 171	319 585
Loans and advances	**44 471 715**	**44 634 390**	43 565 790	43 565 790
Total financial assets	**51 725 993**	**51 888 241**	48 942 623	48 942 037
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	**499 079**	**499 079**	355 404	355 404
Funding	**44 257 919**	**45 723 949**	41 576 302	42 125 256
Policyholders' liabilities	**47 124**	**47 124**	55 939	55 939
Total financial liabilities	**44 804 122**	**46 270 152**	41 987 645	42 536 599

Bank	2019 Carrying amount R'000	2019 Fair value R'000	2018 Carrying amount R'000	2018 Fair value R'000
Financial assets				
Fair value through profit or loss				
Repurchase agreements	**30 257**	**30 257**	15 706	15 706
Investments	**1 988 001**	**1 988 001**	1 406 650	1 406 650
Loans and receivables				
Cash and cash equivalents	**3 202 568**	**3 202 568**	2 362 130	2 362 130
Trade and other receivables	**351 562**	**351 135**	131 302	137 544
Loans and advances	**44 471 715**	**44 634 390**	43 565 790	43 565 790
Total financial assets	**50 044 103**	**50 206 351**	47 481 578	47 487 820
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	**72 645**	**72 645**	160 715	160 715
Funding	**44 257 919**	**45 723 949**	41 576 302	42 125 256
Total financial liabilities	**44 330 564**	**45 796 594**	41 737 017	42 285 971

Methods used to determine fair values for the Group

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following assumptions and methods were used to estimate the fair values:

Those held at fair value are fair valued with reference prices quoted in the market that are readily available. Included in this classification are equities, debt instruments and cash.

Cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Swaps, if applicable, are valued using inputs obtained from independent sources. The inputs are loaded into the Aford model, a derivative valuation tool that is customised to the South African environment and developed by an independent third party. The fair value of a swap is equal to the present value of all future cash flows using the daily market swap curve. The model uses fixed and floating future cash flows. The fixed cash flows are known and are easily calculated. The floating cash flows are unknown and are calculated using the cubic splines interpolation method.

Changes in fair value are attributable to interest rate fluctuations. There have been no changes in fair value that are attributable to the change in credit risk as there have been no upward or downward movements in the credit risk as per the Fitch rating.

45.2 Determination of fair value and fair value hierarchy

Financial assets and liabilities measured at fair value in the balance sheet are categorised in its entirety into the following three levels of the fair value hierarchy based on the basis of the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities;

Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and

Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data.

During the year, the Group had no significant transfers between instruments in Level 1, Level 2 or Level 3.

31 March 2019	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Bank				
Repurchase agreements		30 257	-	30 257
Equities	141 242	-	-	141 242
Real estate	26 267	-	-	26 267
Commodities	5 076	-	-	5 076
Bonds	44 217	-	-	44 217
Cash deposits and similar securities	-	5 008	-	5 008
Foreign equities	38 273	-	-	38 273
Rhodes Food Group Holdings Limited	127 685	-	-	127 685
Investment in Acorn Agri (Pty) Ltd	-	-	114 408	114 408
Investment in Capespan Capital (Pty) Ltd	-	-	105	105
Ordinary shares in Mouton Holdings (Pty) Ltd	-	-	155 890	155 890
Ordinary shares in Southern Cross Investment Holdings (Pty) Ltd	-	-	89 960	89 960
Ordinary shares in Cavalier Group of Companies (Pty) Ltd	-	-	51 227	51 227
Ordinary shares in Ideafruit (Pty) Ltd	-	-	92 853	92 853
Ordinary shares in Riverside Holdings (Pty) Ltd	-	-	124 000	-
Ordinary shares in Afgri Grain Silo Company Pty Ltd	-	-	94 383	-
LBLIC				
Equities	439 510	-	-	439 510
Commodities	15 450	-	-	15 450
Bonds	447 050	-	-	447 050
Cash deposits and similar securities	-	179 251	-	179 251
Collective investment schemes	-	163 991	-	163 991
Equity - foreign unit trusts	-	129 107	-	129 107
Balanced fund - foreign	-	36 197	-	36 197
Currency derivatives: FEC's	-	-	-	-
Interest bearing instruments	-	(1 313)	-	(1 313)
Unlisted equity	-	-	-	-
Property - listed shares	-	-	-	-
Money market instruments	-	89 130	-	89 130
Investment policy	-	12 138	-	12 138
LBIC				
Bonds	133 062	-	-	133 062
Cash deposits and similar securities	-	63 981	-	63 981
Total financial assets	1 417 832	543 756	722 826	2 466 031
Non-financial assets				
Bank				
Non-current assets held-for-sale	-	-	163 036	163 036
Investment properties	-	-	15 250	15 250
Property and equipment	-	-	31 992	31 992
Total non-financial assets	-	-	210 278	210 278
Financial liabilities				
LBLIC				
Policyholders' liabilities	-	-	47 124	47 124
Total financial liabilities	-	-	47 124	47 124

31 March 2018	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Bank				
Repurchase agreements	15 706	-	-	15 706
Equities	184 241	-	-	184 241
Real estate	61 414	-	-	61 414
Commodities	2 290	-	-	2 290
Bonds	50 075	-	-	50 075
Cash deposits and similar securities		7 804	-	7 804
Foreign equities	39 359	-	-	39 359
Rhodes Food Group Holdings Limited [1]	146 314	-	-	146 314
Investment in Acorn Agri (Pty) Ltd	-	-	119 699	119 699
Investment in Capespan Capital (Pty) Ltd	-	-	1 498	1 498
Ordinary shares in Mouton Holdings (Pty) Ltd	-	-	140 186	149 186
Ordinary shares in Southern Cross Investment Holdings (Pty) Ltd	-	-	170 281	170 281
Ordinary shares in Cavalier Group of Companies (Pty) Ltd	-	-	48 975	48 975
Ordinary shares in Ideafruit (Pty) Ltd	-	-	84 485	84 485
LBLIC				
Equities	378 665	-	-	378 665
Commodities	23 633	4 733	-	28 366
Bonds	241 418	-	-	241 418
Cash, deposits and similar securities	-	216 214	-	216 214
Collective investment schemes	66 492	272 491	-	338 983
Equity - foreign unit trusts	-	215 433	-	215 433
Balanced fund - foreign	-	35 529	-	35 529
Currency derivatives	-	(172)	-	(172)
Interest bearing instruments	-	21 701	-	21 701
Property - listed shares	66 492	-	-	66 492
Money market instruments	-	58 523	-	58 523
Investment policy	-	9 030	-	9 030
LBIC				
Bonds	121 383	-	-	121 383
Cash, deposits and similar securities	-	170 685	-	170 685
Total financial assets	1 330 989	739 480	565 124	2 635 593
Non-financial assets				
Bank				
Non-current assets held-for-sale	-	-	10 085	10 085
Investment properties	-	-	174 590	174 590
Property and equipment	-	-	37 996	37 996
Total non-financial assets	-	-	222 671	222 671
Financial liabilities				
LBLIC				
Policyholders' liabilities	-	-	55 939	55 939
Total financial liabilities	-	-	55 939	55 939

45.3 Reconciliation of recurring fair value measurements categorised within level 3 of the fair value hierarchy

Unquoted equity shares	Southern Cross Investment Holdings (Pty) Ltd R'000	Capespan Capital (Pty) Ltd R'000	Acorn Agri (Pty) Ltd R'000	Mouton Holdings (Pty) Ltd R'000	Cavalier Group of Companies (Pty) Ltd R'000	Ideafruit (Pty) Ltd R'000	Riverside Holdings (Pty) Ltd R'000	Afgri Grain Silico Company Pty Ltd R'000	Bosveld R'000	ETG R'000	Total R'000
As at 31 March 2017	-	1 288	75 000	-	-	-	-	-	-	-	76 288
Purchases	174 566	-	50 000	117 600	56 420	83 898	-	-	-	-	482 484
Re-measurement recognised in OCI	(4 285)	210	1 506	22 586	(7 445)	587	-	-	-	-	13 159
Dividends	-	-	559	-	-	-	-	-	-	-	559
Disposal	-	-	(7 366)	-	-	-	-	-	-	-	(7 366)
As at 31 March 2018	170 281	1 498	119 699	140 186	48 975	84 485	-	-	-	-	565 124
Purchases	-	-	-	-	-	-	124 000	231 440	499 378	41 109	895 927
Re-measurement recognised in OCI	4 394	(1 393)	(5 291)	15 704	2 252	8 368	-	-	25 874	(-38 984)	10 924
Disposal	(84 715)	-		-	-	-	-	-	-	-	(84 715)
As at 31 March 2019	89 960	105	114 408	155 890	51 227	92 853	124 000	231 440	525 252	2 125	1 387 260

Property	Non-current assets held-for-sale R'000	Investment property R'000	Property and equipment R'000	Total R'000
As at 31 March 2017	47 993	167 800	25 249	241 042
Purchases	4 099	-	-	4 099
Fair value adjustment for recognised in the statement of profit or loss	165	6 790	-	6 955
Re-measurement recognised in OCI	-	-	(749)	(749)
Disposal	(42 172)	-	-	(42 172)
As at 31 March 2018	10 085	174 590	24 500	209 175
Re-measurement recognised in OCI	(1 339)	650	(150)	(839)
Disposal	(5 700)	-	-	(5 700)
Reclassification (to)/from other category of property	159 990	(159 990)	-	-
As at 31 March 2019	163 036	15 250	24 350	202 636

	Group	
	2019	2018
Policyholders' liabilities	R'000	R'000
Present value of policy liabilities	**20 963**	28 276
Plus: Present value of future expenses	**17 523**	24 254
Less: Present value of future premiums	**(15 665)**	(20 828)
Liability excluding AIDS reserve	**22 821**	31 702
Plus: AIDS reserve	**500**	554
Plus: Expense overrun reserve	**21 439**	19 624
Total long-term policyholders' liability excluding IBNR and notified claims	**44 760**	51 880

Refer to note: 20.1

45.4 Description of significant unobservable inputs to level 3 valuations

As at 31 March 2019

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Capespan Capital (Pty) Ltd	NAV. Joint venture company, value derived from investment activities (BS approach).	Audited Financial Statements	N/A
Acorn Agri (Pty) Ltd	NAV. Investment holding company, value derived from the investment activities (BS approach).	Audited Financial Statements	N/A
Mouton Holdings (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 18.3% and 20.3%	Discount rate: +1%: -R141 570 000 -1%: +R172 460 000
Southern Cross Investment Holdings (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 17.5% and 23.5%	Discount rate: +1%: -R84 763 200 -1%: +R97 314 000
Cavalier Group of Companies (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 19.0% and 20.0%	Discount rate: +1%: -R55 798 000 -1%: +R66 210 000
Ideafruit (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rate was 20.9%	Discount rate: +1%: -R76 622 573 -1%: +R101 910 483
Riverside Holdings (Pty) Ltd	No valution was done. Acquired at Fair Value during the current year.	No valution was done. Acquired at Fair Value during the current year.	No valution was done. Acquired at Fair Value during the current year.
Afgri Grain Silico Company Pty Ltd	No valution was done. Acquired at Fair Value during the current year.	No valution was done. Acquired at Fair Value during the current year.	No valution was done. Acquired at Fair Value during the current year.
ETG Group (including stake Bosveld)	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rate was 14.3%	Discount rate: -1%: +R554 907

As at 31 March 2019

Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	3% - 10% 20.2% - 28.3% 11.5% - 12%	Capitalisation rate: +1%: R21 995 073 -1%: R26 122 727
Investment property	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	3.5% - 4% 18.4% - 28.3% 10.5% - 12.5%	Capitalisation rate: +1%: R14 861 668 -1%: R17 823 818
Properties in possession	Comparable sales method	Natural grazing land per ha.: Irrigated pasture land per ha.: Farm yard land per ha.: Wasteland per ha.: Crop Land Drylands Industrial land per ha.: Construction price for dwellings per m2: Construction price for other structures per m2:	R4 000 - R10 000 R43 225 - R46 550 R0 - R7000 R0 R0 - R 20 000 R22 100 - R 23 800 R2 R7 000 - R9 060 R2 150 - R2 423	Market value per ha. of land: + R1000 p/ha.: R17 714 190 - R1000 p/ha.: R13 522 324

As at 31 March 2018

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Capespan Capital (Pty) Ltd	NAV. Joint venture company, value derived from investment activities (BS approach).	Audited Financial Statements	N/A
Acorn Agri (Pty) Ltd	NAV. Investment holding company, value derived from the investment activities (BS approach).	Audited Financial Statements	N/A
Mouton Holdings (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 18.2% and 20.2%	Discount rate: +1%: -R126 480 000 -1%: +R155 990 000
Southern Cross Investment Holdings (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 17.3% and 27.3%	Discount rate: +1%: -R154 259 000 -1%: +R188 521 000
Cavalier Group of Companies (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 19.0% and 20.0%	Discount rate: +1%: -R5 541 238 -1%: +R6 520 717
Ideafruit (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 19.0% and 21.0%	Discount rate: +1%: -R91 864 600 -1%: +R76 622 573

As at 31 March 2018

Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	2.5% - 10% 18.9% - 26.4% 11.5% - 12%	Capitalisation rate: +1%: R22 025 713 -1%: R26 157 205
Investment property	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	2% - 8% 16.6% - 47.2% 9.8% - 13%	Capitalisation rate: +1%: R161 934 358 -1%: R193 986 878
Properties in possession	Comparable sales method	Natural grazing land per ha.:	R5 250 - R98 000	Market value per ha. of land: + R1000 p/ha.: R27 420 792 - R1000 p/ha.: R25 647 973
		Irrigated pasture land per ha.:	R46 500 - R46 550	
		Farm yard land per ha.:	R7 000 - R25 000	
		Wasteland per ha.:	R0	
		Industrial land per ha.:	R2	
		Construction price for dwellings per m2:	R6 850 - R8 712	
		Construction price for other structures per m2:	R2 150 - R2 550	

45.5 Description of level 2 valuation techniques

Level 2 investments are valued using a valuation technique based on assumptions that are supported by prices from observable current market transactions:

- Repurchase transactions: Market value of the underlying bonds.
- 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.

46. Fruitless and wasteful expenditure (F&WE)

The F&WE relates to isolated incidences where penalties and interest were levied on late payments of utility accounts.

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
46.1 Reconciliation of amounts transferred to receivables for recovery				
Opening balance	29	-	29	-
Add: F&WE for the current year transferred to receivables	-	29		29
Less: amounts recovered in current year	-	-	-	-
Less: amounts written off	(29)	-	(29)	-
Closing balance	-	29	-	29

In terms of regulatory requirements the accounting officer must determine who the responsible party is from whom the amount of F&WE must be recovered. The receivables relates to traffic fines expected to be recovered from the responsible employees.

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
46.2 Analysis of current F&WE				
Current matters				
- Penalties and interest	50	115	48	115
- Overpayment of investment advisory services	-	1 700	-	1 700
As per statement of profit or loss and other comprehensive income	50	1 815	48	1 815

The fruitless and wasteful expenditure of the prior year relates mainly to to the overpayment of the post-retirement medical aid expenses of R111 600 and for investment advisory services of R1.7m.

47. Irregular expenditure

	Group 2019 R'000	Group 2018 R'000	Bank 2019 R'000	Bank 2018 R'000
47.1 Reconciliation of irregular expenditure				
Opening balance	2 677	2 718	2 256	2 297
Expenditure deemed as irregular relating to prior year discovered in the current year	-	-	-	-
Expenditure deemed as irregular relating to current year	140	2 080	140	2 080
Expenditure recovered in the current year	-	(41)		(41)
Expenditure approved and derecognised by the Board	(140)	(2 080)	(140)	(2 080)
Amounts recommended by the Board for the condonation from National Treasury	2 677	2 677	2 256	2 256
Amounts submitted to National Treasury	2 677	2 677	2 256	2 256

47.2 Analysis of current irregular expenditure

Incident	2019 R'000
Expenditure incurred for legal services without following the SCM process or obtaining approval. The transaction, conditions or events have not resulted in the Bank suffering any loss, value for money was derived from the use of the goods procured or services rendered.	140
	140

Incident	2018 R'000
Expenditure incurred for services rendered where prior approval was not obtained before commencement of work related to the validation of collateral held by intermediaries of the Bank. Detail investigations were conducted on the services rendered and these transactions, conditions or events have not resulted in the Bank suffering any loss, there was no fraudulent activity and value for money was derived from the use of the goods procured or services rendered.	82
Expenditure incurred for services rendered in relation to the development of a credit and pricing model for the Structured Investments' transactions that the Bank offered from FY2018, where prior approval and contract was not in place before commencement of work. Detail investigations were conducted on the services rendered and these transactions, conditions or events have not resulted in the Bank suffering any loss, there was no fraudulent activity and value for money was derived from the use of the goods procured or services rendered.	1558
Expenditure incurred in respect of a tender that was only advertised for 12 days, instead of for a minimum of 14 days as required by the procurement policy. This transaction has not resulted in the Bank suffering any loss, there was no fraudulent activity and value for money was dervied from use of the goods procured or services required.	440
	2 080

48. Event after the balance sheet date

The following management changes occured post year end:
- Mr. Bennie van Rooy who was Acting CEO resigned from the Bank with effect 30 June 2019
- Ms. Kone Gugushe was appointed as Acting CEO with effect 14 May 2019
- Mr. Yatheen Ramrup was appointed as Acting CFO as at 14 May 2019
- Ms. G Mtetwa has resigned from the Board with effect 31 August 2019

The Bank has successfully renegotiated the CTI covenant level from 65% to 70% with all bilateral funders, save for two whom were not amenable to the revised level of 70
These two funders hold bilateral Step Rate Notes as follows:
- Funder 1. R1 .04 billion for which the facilities expire in totality In November 2019; and
- Funder 2: R1 .56 billion for which one facility of ca R0.56 billion expires in November 2019, while the other expires in May 2022.

The Bank is currently engaging with these funders on the way forward given that they were not amenable to revised covenant levels.

As reported, at 31 March 2019, as a result of the successful resolution of Profert and the "base effect" thereof, the Bank had breached the "Open Credit Exposure Ratio" with one of its multilateral funders and the Bank had notified the funder of the breach in April 2019. The Bank had subsequently entered into discussions with the funder to rectify the position. As it's unlikely that the Bank will be able to meet this ratio target in the medium term, the Bank has proposed that this ratio be replaced with the Bank's standard NPL ratio. The multilateral funder has confirmed that they will replace the Open Credit Exposure covenant with the Bank's standard NPL covenant.

49. Group Remuneration

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

Table 1: Remuneration of Land Bank non-executive directors and executive directors for 2018/19 (R' 000)

	Board	AGM	Audit & Finance	Risk	Credit Risk	HR	SEC	Ad hoc Meetings	Guaranteed Package	Performance Bonuses	Other Benefits[2], Fees & Expenses	2019 Total
Non-Executive Directors												
Arthur Moloto	831	8	-	-	260	91	61	36	-	-	-	1 287
Dudu Hlatshwayo	274	8	-	-	214	61	76	35	-	-	6	674
Njabulo Zwane	53	-	44	-	-	15	15	-	-	-	-	127
Sue Lund[1]	292	8	107	93	-	-	-	44	-	-	6	550
Nomagugu Mtetwa	273	8	197	61	-	-	-	45	-	-	2	586
Thembekile Ngcobo	311	8	-	61	-	123	109	62	-	-	4	678
Davina Motau	311	8	-	-	308	-	-	45	-	-	8	680
Sandra Coetzee	311	8	-	61	-	76	61	45	-	-	2	564
Mathane Makgatho	311	8	121	-	229	-	-	28	-	-	5	702
M Makgobo	258	8	-	46	202	-	-	44			63	621
S Cornelius	258	8	77	16	94	61	-	53	-	-	13	580
Subtotal	3 483	80	546	338	1 307	427	322	437	-	-	109	7 049
Executive Directors												
TP Nchocho[3] Chief Executive Officer	-	-	-	-	-	-	-	-	3 141	1 092	83	4 316
Bennie van Rooy[4] Chief Financial Officer & Acting Chief Executive Officer	-	-	-	-	-	-	-	-	3 489	668	28	4 185
Total Land Bank	3 483	80	546	338	1 307	427	322	437	6 630	1 760	220	15 550

[1] 50% was paid to Transnet Foundation in terms of Ms Lund's employer policy on non-exective directorship

[2] Other benefits include vitality benefits

[3] Resigned on 07 December 2018

[4] Acting Chief Executive Officer from 07 December 2018

[5] Acting Chief Financial Officer from 07 December 2018

Table 2: Remuneration of Land Bank Insurance Services non-executive directors and executive directors for 2018/19 (R' 000)

	Board	AGM	Audit & Risk	Investment & Actuarial	Ad hoc Meetings	Guaranteed Package	Performance Bonuses	Other Benefits[1], Fees & Expenses	2019 Total
Non-Executive Directors									
Davina Motau	68	8	58	40	35	-	-	-	209
Thembekile Ngcobo	68	8	-	-	27	-	-	-	103
Njabulo Zwane	-	-	-	-	-	-	-	-	-
Dudu Hlatshwayo	496	8	-	-	36	-	-	-	540
Sandra Coetzee	68	-	-	-	9	-	-	-	77
Mathane Makgatho	55	8	24	39	36	-	-	-	162
Mark Scharneck	136	8	30	49	9	-	-	4	236
Sakhile Masuku	150	8	100	9	9	-	-	2	278
M Makgoba	-	8	-	-	18	-	-	-	26
S Cornelius	-	8	-	-	9	-	-	-	17
Subtotal	**1 041**	**64**	**212**	**137**	**188**	**-**	**-**	**6**	**1 648**
Executive Director									
Adam Rakgalakane Managing Director	-	-	-	-	-	3 176	767	28	3 971
Total LBIS	**1 041**	**64**	**212**	**137**	**188**	**3 176**	**767**	**34**	**5 619**

[1] Other benefits include vitality benefits

Table 3: Remuneration - Land Bank non-executive directors and executive directors for FY2018 (R'000)

	Board	AGM	Audit & Finance	Risk and Governance	Credit and Investment	HR	SEC	Ad hoc Meetings	Cash salary	Performance Bonuses	Other Benefits[2], Fees & Expenses	Total
Non-Executive Directors												
Arthur Moloto	752	23	-	-	212	114	15	24	-	-	-	1 140
Dudu Hlatshwayo	239	17	-	-	184	114	15	24	-	-	5	598
Njabulo Zwane	273	17	85	-	-	100	15	24	-	-	-	514
Mohammad Karaan	100	-	-	-	93	R'000	-	-	-	-	-	193
Sue Lund[1]	273	17	100	87	-	-	-	24	-	-	7	508
Thembekile Ngcobo	273	17	-	57	-	144	20	49	-	-	4	564
Davina Motau	239	-	-	-	232	-	-	16	-	-	9	496
Sandra Coetzee	238	17	-	57	-	114	15	33	-	-	1	475
Mathane Makgatho	239	17	71	-	170	-	-	24	-	-	4	525
Nomagugu Mtetwa	221	-	148	43	-	-	-	24	-	-	2	438
Subtotal	2 847	125	404	244	891	586	80	242	-	-	32	5 451
Executive Directors												
TP Nchocho Chief Executive Officer	-	-	-	-	-	-	-	-	4 362	1 737	102	6 201
Bennie van Rooy Chief Financial Officer	-	-	-	-	-	-	-	-	3 254	883	27	4 164
Total Land Bank	2 847	125	404	244	891	586		242	7 616	2 620	161	15 816

[1] 50% was paid to Transnet Foundation in terms of Ms Lund's employer policy on non-exective directorship

[2] Other benefits include vitality benefits

Table 4: Remuneration - Land Bank Insurance Services non-executive directors and executive directors for FY2018 (R'000)

	Board	Audit & Risk	Investment & Actuarial	Ad hoc Meetings	Cash Salary	Performance Bonuses	Other Benefits[1], Fees & Expenses	Total
Non-Executive Directors								
Dudu Hlatshwayo	501	-	-	16	-	-	-	517
David Bergman	138	83	36	8	-	-	3	268
Davina Motau	89	46	46	8	-	-	-	189
Thembekile Ngcobo	114	-	-	8	-	-	-	122
Sandra Coetzee Luthuli	125	-	-	8	-	-	-	133
Mathane Makgatho	26	55	46	-	-	-	-	127
Njabulo Zwane	75	-	-	8				83
Subtotal	1 068	184	128	56	-	-	3	1 439
Executive Director								
Adam Rakgalakane Managing Director	-	-	-	-	2 968	414	28	3 410
Total LBIS	1 068	184	128	56	2 968	414	31	4 849

[1] Other benefits include vitality benefits

Table 5: Remuneration - Land Bank executive officers in FY2019 (R'000)

Title	Guaranteed Package	Bonus	Cellphone Allowances	Other benefits[1]	Total
Ms ETM Dlamini Executive Manager: Human Capital	2 729	520	24	3	3 276
Ms L Ndlovu Executive Manager: Commercial Development and Business Banking	2 594	430	24	-	3 048
Mr SCE Soundy Executive Manager: Strategy and Communications	2 797	502	24	4	3 327
Mr GJM Conway[2] Executive Manager: Corporate Banking and Structured Investements	748	-	8	1	757
Ms K Gugushe Chief Risk Officer	2 915	576	24	3	3 518
Mr F Stiglingh Executive Manager: Portfolio Management Services	2 777	519	24	4	3 324
Mr SN Sebueng Executive Manager: Legal	2 200	452	24	-	2 676
Dr LL Magingxa Executive Manager: Agricultural Economics & Advisory	2 500	-	24	4	2 528
Mrs U Magwentshu[3] Executive Manager: Corporate Banking and Structured Investements	225	-	2	-	227
Total	**19 485**	**2 999**	**178**	**19**	**22 681**

1 Other benefits include vitality benefits

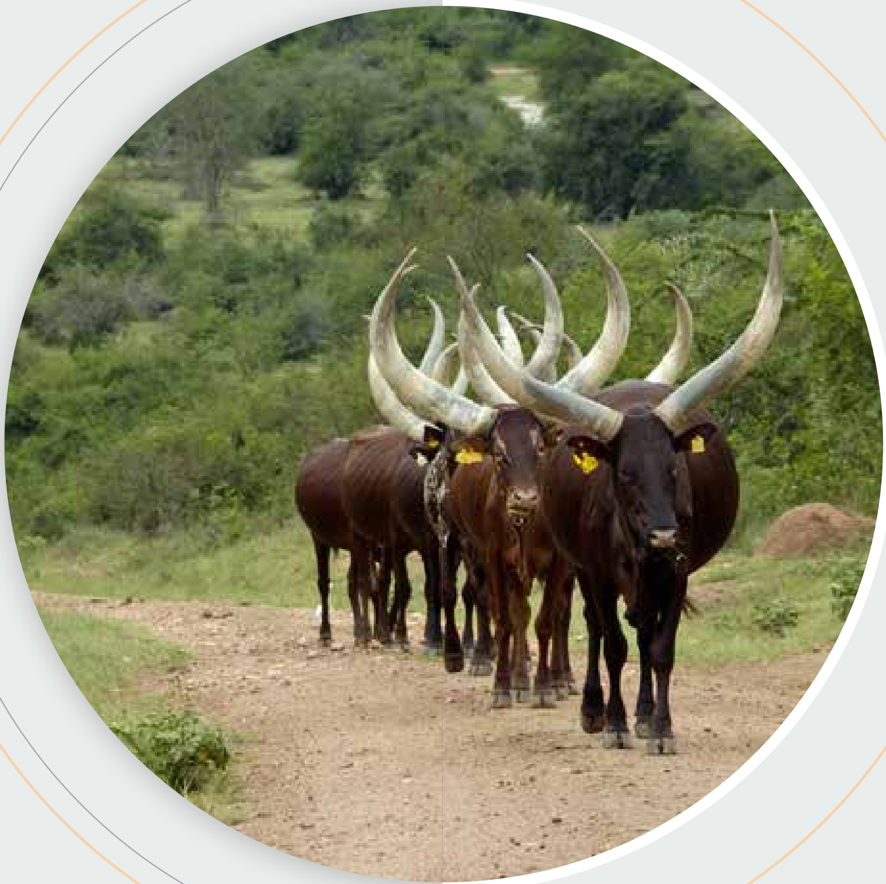
2 Resigned as at 13 July 2018

3 Appointed as at 01 March 2019

Table 6: Remuneration of Land Bank executive officers in 2017/18 (R 000)

Title	Basic Salary	Bonus	Cellphone Allowances	Other benefits[1]	Total
Mr JS Mthembu[2] Executive Manager: Legal Services	1 672	657	16	-	2 345
Ms ETM Dlamini Executive Manager: Human Capital	2 544	732	24	4	3 304
Ms L Ndlovu Executive Manager: Commercial Development and Business Banking	2 429	632	24	-	3 085
Mr WJ Jacobs[3] Executive Manager: Agricultural Economics and Advisory	1 658	619	16	2	2 295
Mr SCE Soundy Executive Manager: Strategy and Communications	2 614	694	24	4	3 336
Mr GJM Conway Executive Manager: Corporate Banking and Structured Investments	2 599	671	24	4	3 298
Ms K Gugushe Chief Risk Officer	2 718	714	24	3	3 459
Mr F Stiglingh Executive Manager: Portfolio Management Services	2 595	561	24	4	3 184
Mr SN Sebueng[4] Executive Manager: Legal	550	-	6	-	556
Dr LL Magingxa[5] Executive Manager: Agricultural Economics & Advisory	209	-	2	-	211
Total	**19 588**	**5 280**	**184**	**21**	**25 073**

[1] Other benefits include vitality benefits
[2] Resigned as at 30 November 2017
[3] Resigned as at 30 November 2017
[4] Appointed as at 01 January 2018
[5] Appointed as at 01 March 2018



ANNUAL PERFORMANCE REPORT

FY2019 Corporate Plan Scorecard for Land Bank

KPA	KPI	Weighting	Measures	FY2019 Performance	Year end Target as per budget	Quarterly status	Annual Status
1. Contribute to transformation in the agricultural sector	Increase productive land ownership by historically disadvantaged individuals and contribute to land reform	2.5%	Disburse R2.5 billion to increase ownership of agricultural land and enable agricultural production by historically disadvantaged individuals: CRITERIA: (i) At least 50% of disbursements to majority Black ownership; or	R4.877bn	R2.5bn	Achieved	Achieved
		2.5%	(ii) BBBEE Level 4 and higher and ≥ 30% Black ownership	R191.1m		Achieved	Achieved
		5%	Provide R0.5bn proprietary equity financing/investments (including preference shares) to enable economic ownership transformation	R611.9m	R500m	Achieved	Achieved
		5%	Originate transactions to provide R500 million Land Bank funding to leverage third party funding to co-finance majority Black owned transactions including grants, private equity, syndicated debt, etc.	R2,25bn	R500m	Achieved	Achieved
	Support projects to promote social inclusivity aimed at women and youth in the sector	5%	Finance projects/ enterprises with majority Black participation by women, youth and/or employees to support inclusivity in the sector with aggregate value of R600 million , as part of the total disbursement of R2.5bn (or, In addition to R2.5bn above)	R2,468bn	R600m	Achieved	Achieved
	Focus on growth and expansion of sector capacity	2.5%	Finance projects/enterprises aimed at expanding productive capacity (greenfields and brownfields) in the sector with an aggregate value of R300 million, as part of the total disbursement of R2.5bn	R307.4m	R300m	Achieved	Achieved
2. Environmental sustainability	Support the sector to become more climate resilient	2.5%	Utilisation of at least R80m of EIB climate facility (R250 million dedicated to climate adaptation over three years)Utilisation of at least R80m of EIB climate facility (R250 million dedicated to climate adaptation over three years)	R118m	R100m	Achieved	Achieved

KPA	KPI	Weighting	Measures	FY2019 Performance	Year end Target as per budget	Quarterly status	Annual Status
3. Financial Sustainability	Profitability	5%	Achieve R310 million in profit.	R130.6m (R135.7m pre-reclassification of LDFU)[1]	R309.4m	Not Achieved	Not Achieved
	Net Interest income generated	5%	3.1% interest income margin to equate to R1.38 billion in net interest income generated	2.7% (R1.2 billion) (2.7% pre-reclassification of LDFU)[1]	3,1%	Not Achieved	Not Achieved
	Cost management	5%	Cost-to-income ratio ≤ 54%	57.1% (57.1% pre-reclassification of LDFU)[1]	54,9%	Not Achieved	Not Achieved
	Debt ratio management	5%	Gearing Ratio ≤ 535% calculated as Interest Bearing Debt divided by Capital at a Land Bank Group level	649.5% (602.3%: Net of Cash)	535,0%	Not Achieved	Not Achieved
	Credit risk management	5%	NPL ≤ 7% (IFRS 9 definition)	8,8%	7,0%	Not Achieved	Not Achieved
	Maintain investor defined sustainability ratios	10%	External validation certificate and audited financial statements confirming compliance with all financial loan covenants	Certificates provided	N/a	Achieved	Achieved

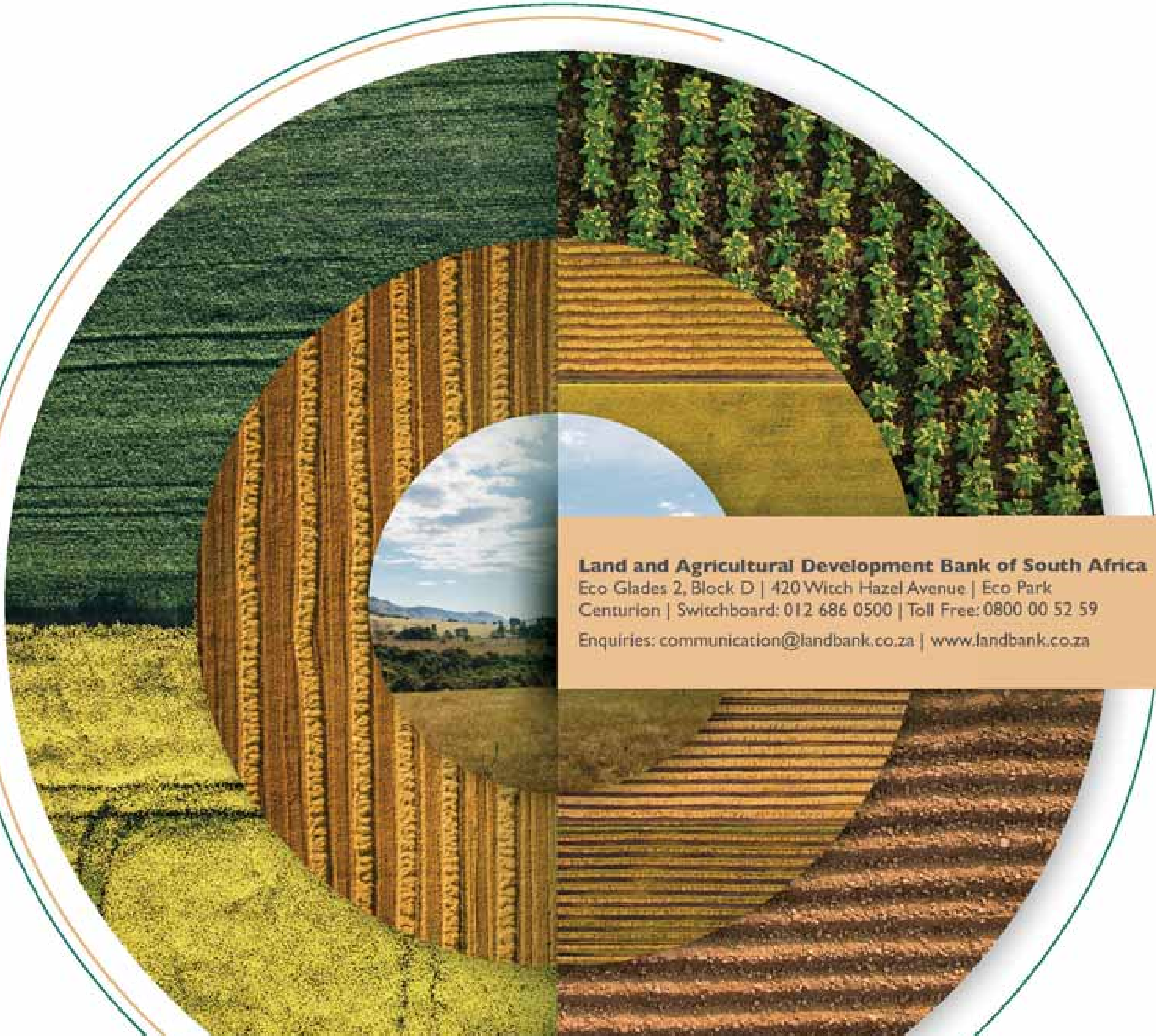
KPA	KPI	Weighting	Measures	FY2019 Performance	Year end Target as per budget	Quarterly status	Annual Status
4. Talent management	Inclusivity and diversity of labour force	2.5%	% of Black women in Senior and Executive Management: 25%	25.00%	25,00%	Achieved	Achieved
		2.5%	% of Black women in Professional qualified & Mid-Management: 25%	21.76%	25,00%	Not Achieved	Not Achieved
		2.5%	% of ACI staff: 65%	68,69%	65,00%	Achieved	Achieved
		2.5%	90% of critical roles retained (average over year)	92,30%	90,00%	Achieved	Achieved
5. Training	Employee engagement	2.5%	Implement 50% of culture survey initiative plan based on survey results from 2018/2019 to improve employee value proposition	60%	45%	Achieved	Achieved
	Skills development of staff	2.5%	At least 65% of training budget spend on ACI staff	72,00%	65,00%	Achieved	Achieved
6.Corporate Governance	Irregular expenditure	5%	Classify 0% (R value) of operating expenses as irregular, fruitless or wasteful expenditure	0,03%	0%	Achieved	Achieved
	Ethical behaviour	10%	No findings on unethical behaviour by a staff member	There are 2 incidents of unethical behaviour as at year end	0 findings	Not Achieved	Not Achieved
	Audit	5%	Achieve clean audit	Unqualified audit with findings	N/a	Not Achieved	Not Achieved

Note:
1. During the FY2018 financial period, the Land Bank reclassified the LDFU portfolio as a discontinued operation. The portfolio was previously classified as a disposal group in terms of the requirements of IFRS5. This reclassification impacted the relevant measures.

FY2019 Corporate Plan Scorecard for LBIC & LBLIC

KPAs	KPI (FY2019)	Weighting	Measures	FY2019 Performance	Status
Contributing to transformation in the agricultural insurance sector	Black Broker programme	10%	≤5% of premium income derived from Black Broker programme	0.2% Only R833 822 was written over R504m	Not achieved
	Black Assessor programme	10%	Introduce a Black assessor programme (needs analysis, programme development, identification of assessors)	Needs analysis done. Program has been developed. Selection and identification of assessors is complete. 20 Assessors were appointed and a launch of the assessor program took place at WSU in March.	Achieved
Financial Sustainability	LBIC GWP	15%	Attain a GWP of R536 million to attain financial stability	R504m	Not achieved
	LBLIC GWP	5%	Attain a GWP of R11 million to attain financial stability	R5.891m	Not achieved
	LBIC COR	5%	Attain Net COR of 118% in order to attain financial stability	135.8%	Not achieved
	Diversification of premium income across product lines	10%	≤ 98% of premium income from crop insurance	98.9% (Crop income/(Crop income+Non crop income) Refer to management accounts	Not achieved
	LBIC SCR	5%	≥ 1.5 times	1.77 times	Achieved
Governance and compliance	Annually review BN 158 policies and have them approved by Board	5%	Annually review BN 158 policies and have them approved by Board	All BN 158 policies have been approved	Achieved
	Annual cumulative incidents relating to procurement, irregular, fruitless, wasteful and unauthorised expenditures limited to less than 0% of Gross Written Premium	5%	Annual cumulative incidents relating to procurement, irregular, fruitless, wasteful and unauthorized expenditures limited to 0% of Gross Written Premium to support good governance and risk management through cost containment.	No incidents reported to date	Achieved
	Audit	5%	Achieve positive audit outcomes: Clean Audit (100%) Unqualified audit (50%)	LBLIC - Unqualified audit LBIC - clean audit	Achieved
	Management of ethical behaviour	10%	No findings on unethical behaviour by a staff member	No evidence of unethical behaviour to date	Achieved
	ORSA	5%	Conduct an Own Risk Assessment exercise and have it approved by board	ORSA conducted, audited, approved by board and submitted to FSCA	Achieved
	Compliance with Insurance Regulations	5%	Draft and implement an annual compliance monitoring plan approved by Board	Compliance monitoring plan has been approved by ARC	Achieved
Talent management	% of Black Women in Senior Management: 25%	1%	% of Black Women in Senior Management: 25%	20%	Not achieved
	% of Black women in Professional positions: 25%	1%	% of Black women in Professional positions: 25%	0%	Not Achieved
	% of ACI staff in workforce: 65%	3%	% of ACI staff in workforce: 65%	100%	Achieved

NOTES



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