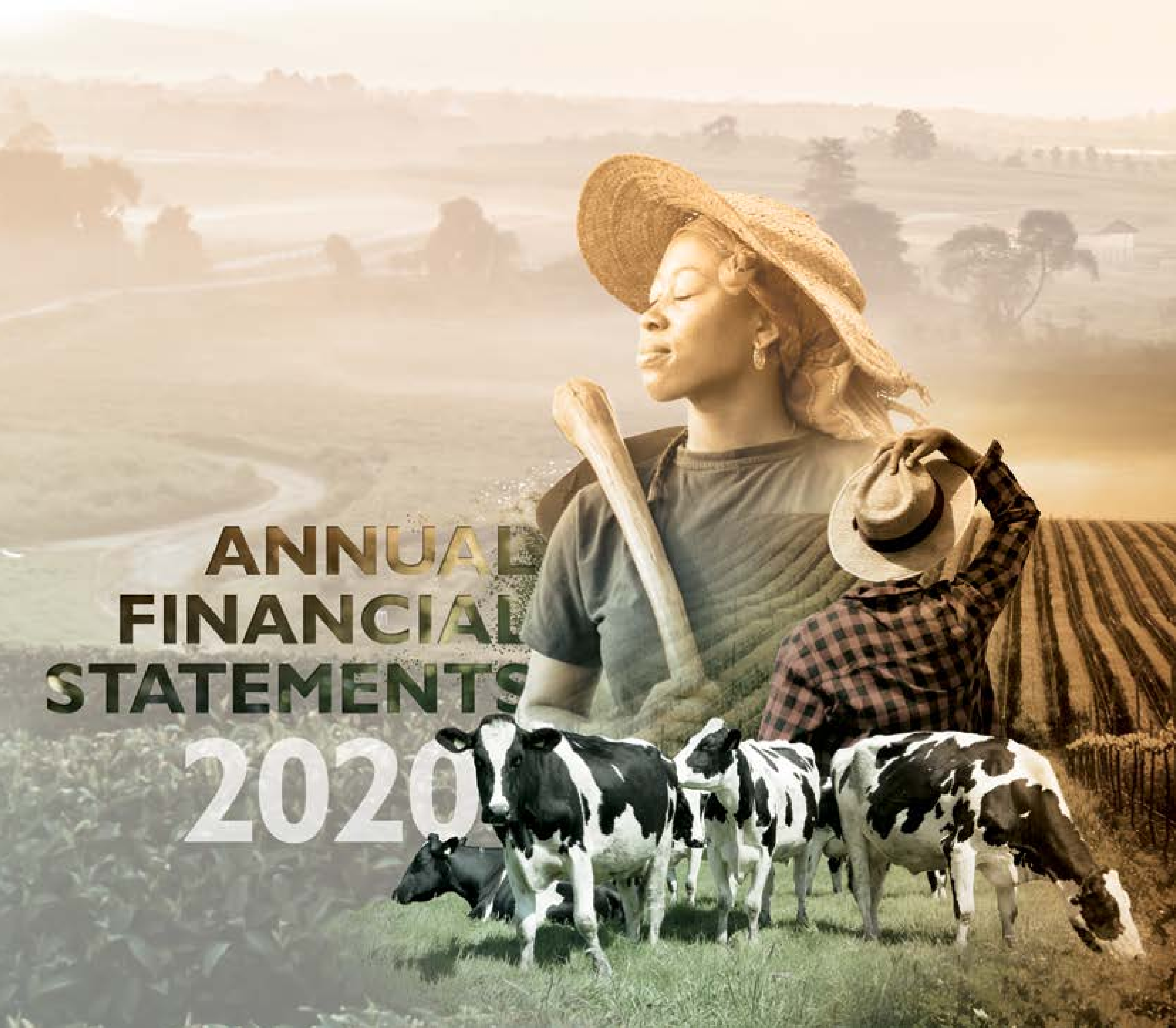
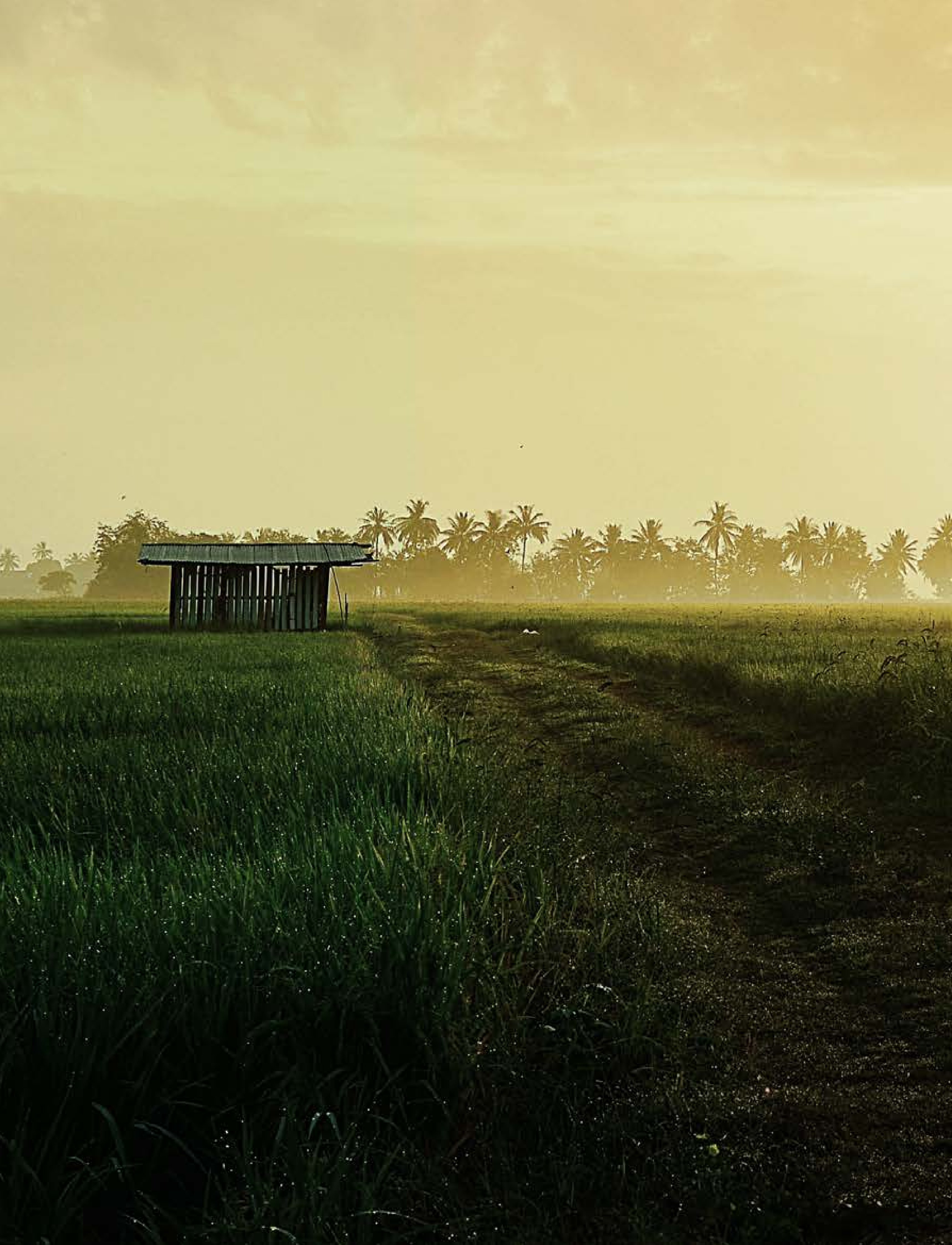
LAND BANK
We stand by you

ANNUAL FINANCIAL STATEMENTS 2020





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The reports and statements set out below comprises the consolidated annual financial statement presented to the Shareholder:

These audited Group annual financial statements were prepared by Land Bank Financial Reporting under the direction and supervision of CFO, Ms. Khensani Mukhari CA(SA).

LAND BANK

SHAREHOLDER
National Treasury, Government Department

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 Public Finance Management Act (PFMA).

COUNTRY OF INCORPORATION
The Republic of 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 Mzaidume (appointed 9 October 2017).

LAND BANK GROUP SUBSIDIARIES	Company registration number
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	1954/003095/06
Land Bank Insurance Company (SOC) Limited (LBIC)	2012/115426/30
Land Bank Insurance Services (SOC) Limited (LBIS)	2012/060770/30

All of the above entities are incorporated in the Republic of South Africa

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

COUNTRY OF INCORPORATION
The Republic of 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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P. O. Box 375
Tshwane
0001

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

AUDITOR
The Auditor-General of South Africa

COMPANY SECRETARY
Mashumi Mzaidume (appointed 9 October 2017).

PUBLIC OFFICER DESIGNATE
Thamarisi Tisane (Acting: Appointed 18 December 2019)
- Deregistered 30 August 2019

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.

Through the past three years of the Auditor General's audit reports, the Directors were informed of identified control weaknesses in the management of expected credit loss (ECL) of the loans and advances book as well as maintenance of reliable ECL input data, with most challenges linked to the component of the book managed by Service Level Agreement intermediaries (SLAs). During this period, it had also become evident to the Board that contracting and management of the book through SLAs was problematic. Measures were initiated to address these challenges, including amongst others, an independent audit of all intermediaries managing Land Bank's loan book, credit approval rights of some SLAs were revoked and performed by the Bank, insourcing of the SLA book was initiated, the SLA improvement plan was developed and implementation thereof started.

Key vacancies that arose as a result of resignations during calendar year 2019 and first quarter of 2020 calendar year further compromised the control environment, causing a stalling of the interventions in progress. Further to this, Land Bank was plagued by a major liquidity challenge during April 2020, leading to the Bank defaulting on some of its liabilities. This has led to a disclaimer opinion issued by the AGSA on the 2020 financial audit, sighting her inability to provide an opinion on the going concern basis of preparation of the FY2020 Annual Financial Statements as well as the valuation of the loan book, owing to ECL models not having been recalibrated since 2016 when they were developed and implemented, and the inability to validate inputs thereto, due to the weakened control environment.

The Board has approved a remediation plan that will ensure restoration of good governance and improved control environment. The Board is also looking into steps that it may need to take as regards consequence management.

Towards the end of April 2020 the Land Bank experienced a liquidity shortfall which resulted in the Bank defaulting on some of its obligations. This triggered a cross default and resulted in suspension of capital and interest payments to its funders. Interest payments were subsequently resumed on 11 August 2020. The Bank appointed legal and corporate finance advisors to support the process of turning the organisation around. The Bank together with its advisors and supported by the Shareholder are working on a solution which comprises of the asset solution, liability solution, equity

solution as well as the review of the Land Bank's repurposing strategy and the operating model. Successful implementation of these solutions will ensure Land Bank remains a going concern.

In addition, the Shareholder has further recapitalised the Land Bank with R3 billion in the appropriations budget tabled on 24 June 2020. Over and above the June recapitalisation, the Minister of Finance signalled the need for a further R7 billion for Land Bank in his Medium Term Budget Policy statement. The restructuring process is still underway that is intended to cure the default by terming out the Banks' lenders. Successful closure of this process will enable Land Bank to commence with the delivery of its 5-year strategic plan. It is against this background that the going concern basis was adopted in preparing the financial statements.

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 17 to 188 were approved by the Board on 18 December 2020 and were signed on their behalf by:

MA Moloto	**Mr. Ayanda Kanana**
Chairperson of the Board	Chief Executive Officer
18 December 2020	18 December 2020

In terms of the 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 2020, 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
18 December 2020

Disclaimer of opinion

1. I have audited the consolidated and separate financial statements of the Land and Agricultural Bank of South Africa and its subsidiaries (the group) set out on pages 17 to 188, which comprise the consolidated and separate statement of financial position as at 31 March 2020, consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

Presentation of the annual financial statements

3. I was unable to confirm whether the entity's financial statements achieve fair presentation in accordance with International Accounting Standard (IAS 1), Presentation of financial statements, as management was unable to provide the assessment of the entity's ability to continue as a going concern. Additionally, the entity incurred a loss of R2.4 billion in the current financial year, the entity's cash and cash equivalents had significantly decreased by R2,6 billion as at year end, and the entity was unable to meet the repayment obligations due to liquidity shortfall. These conditions and events indicate a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. As a result, I was unable to conclude on whether the going concern basis of accounting in the preparation of the consolidated and separate financial statements is appropriate.

Loans and advances, net impairment charges, claims and recoveries and modification gains or losses

4. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for expected credit losses (ECL), which is included in loans and advances under Note 11, in accordance with the requirements of International Financial Reporting Standard (IFRS) 9, Financial Instruments (IFRS 9). This was due to inadequate internal controls over the management of the ECL model as the entity did not regularly re-calibrate the model, and did not maintain reliable ECL input data including collateral, staging of loans and loan modifications. I was unable to confirm the measurement of ECL by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the net loans and advances of R41,6 billion (2018/19: R43,2 billion) and net impairment charges, claims and recoveries of R1,8 billion (2018/19: R1,1 billion) to the consolidated and separate financial statements.

Collateral held as security

5. I was unable to obtain sufficient appropriate audit evidence that collateral held as security was properly accounted in accordance with the requirements of IFRS 7, Financial Instruments: Disclosures (IFRS 7). This was due to lack of supporting information for collateral valuations and inadequate collateral registers. I was unable to confirm this disclosure note by alternative means. In some cases, the collateral register included collateral of R7.01 billion that the entity is not entitled to in the event of default. Consequently, I was unable to determine whether any adjustments were necessary to the collateral held as security stated at R45,9 billion (2018/19: R43 billion) in note 11.7 to the consolidated and separate financial statements.

Risk management – credit risk

6. I was unable to obtain sufficient appropriate audit evidence that the credit risk disclosure in note 40.1 to 42.5 to the financial statements was properly accounted for in accordance with the requirements of IFRS 7. This was due to the entity not maintaining reliable ECL input data including collateral, staging of loans and loan modifications. I was unable to confirm this disclosure note by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the credit risk note to the consolidated and separate financial statements.

Context for the opinion

7. 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.

8. I am independent of the group in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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.

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

Other matter

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

Restatement of corresponding figures

11. The corresponding figures for 31 March 2019 were restated as a result of errors in the consolidated and separate financial statements of the entity at, and for the year ended, 31 March 2020. This restatement has resulted in the entity's reported profit of the prior year being restated to a loss, as disclosed in note 49 to the consolidated and separate financial statements. We have however, disclaimed our opinion in terms of the financial statements.

Responsibilities of the accounting authority for the financial statements

12. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the International Financial Reporting Standards and the requirements of the Public Finance Management Act (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.

13. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the entity'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

14. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

15. I am independent of the group in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' (including International Independence Standards) (IESBA codes) as well as the ethical requirements that are relevant to my audit of the consolidated and separate financial statements. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

Report on the audit of the annual performance report

Introduction and scope

16. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. My procedures address the usefulness and reliability of 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 / measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do 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.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2020:

Objectives	Pages in the Annual Performance Report
Contribute to transformation in the agricultural sector	102 – 107

19. I performed procedures to determine whether the reported performance information 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.

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:

- Contribute to transformation in the agricultural sector

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on pages 80 to 117 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

24. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

25. 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. Material misstatements of net loans and advances, funding liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Procurement and contract management

26. Some goods, works or services were not procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. In some cases, new procurement processes were not followed to appoint new service providers when contracts expired, and/or there were no approvals justifying that it was impracticable to procure new contracts.

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported on in this auditor's report.

28. As a result of the disclaimer of opinion expressed on the financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this other information, I am required to report that fact.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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

30. 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 basis for the disclaimer of opinion.

AUDITOR GENERAL'S REPORT
FOR THE YEAR ENDED 31 MARCH 2020

31. Leadership did not implement effective human resource management to ensure that there is stability and adequate succession plan for key positions. As a result, the control environment of the entity was negatively impacted by the number of resignations in these key positions.

32. Leadership did not exercise oversight responsibility regarding the development, implementation and monitoring of action plans to address internal control deficiencies relating to collateral held as security and loans by credit quality as required by IFRS.

33. Leadership did not adequately oversee financial reporting, compliance and related internal controls as it did not ensure that there were sound internal controls in the daily operations of the entity. Material misstatements were identified on the submitted financial statements. Effective internal controls had not been implemented over monthly processing and reconciling of transactions from the external service providers used to manage the indirect loan book.

34. Management did not prepare financial statements that are supported and evidenced by reliable information as data inputs to the ECL had errors and there was no regular re-calibration of the credit model. This is due to slow response in addressing the previous years' audit findings. This slow response resulted in material misstatements identified in this year impacting opening balances as well. Furthermore, the reviews of the financial statements were not properly planned and performed to detect and correct errors timeously.

35. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

    Management did not in all instances review and monitor compliance with applicable laws and regulations. Management did not comply with the requirements of Treasury Instruction note 3 of 2016/17, in the renewal/extension of contracts with Service Level Partners (SLAs) that manage the indirect loan book on behalf of the bank, as from 1 May 2016. These SLA contracts were renewed/extended and/or entered into after 1 May 2016. When a contract expires, a new procurement process must be followed to appoint a new service provider. Renewal of existing contracts is effectively a deviation. Hence it must be justifiable that it is impractical to procure a new contract. This has resulted in non-compliance with laws and regulations as indicated in paragraph 26 above.

36. Management did not implement appropriate risk management activities to ensure that regular risk assessments, including consideration of liquidity risks and credit risks, are conducted and that an effective risk strategy to address the risks is developed and monitored.

Auditor-General

Pretoria
18 December 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

I herewith present the report of the Land Bank Audit and Finance Committee (the Committee) for the financial year ended 31 March 2020. The Committee acts in consultation with other Committees of the entity in particular the Risk and Governance Committee. The Committee is responsible for overseeing:

- Quality and integrity of the entity's integrated planning and reporting, including its financial statements and sustainability reporting;
- Appointment, remuneration independence and performance of the external auditor and the integrity of the audit process, including the approval of non-audit services;
- Effectiveness of internal financial controls and systems of internal control and risk management; and
- Effectiveness of the governance and assurance processes within the entity, in particular, that the internal audit function is adequately resourced and capacitated.

STATUTORY DUTIES

The Committee is constituted as a statutory committee of the Land Bank in line with the Principles of King IV, the Companies Act and the Public Finance Management Act, and is accountable in this regard, to both the Board and the Land Bank representative shareholder, the Ministry of Finance. It is a committee of the Board in respect of all the duties that the Board assigns to it and has been delegated extensive powers to perform its functions in accordance with the Companies Act, and the National Treasury Regulations issued in terms of the Public Finance Management Act. The Committee also provides oversight of the entity's information and technology (IT) functions. In this regard, the Committee reviews management's IT reports and IT Governance.

The Committee has a charter which is reviewed annually and approved by the Board. The functions of the Committee are outlined in its charter, which is available on the Land Bank website.

The Committee, acting in consultation with the Risk and Governance Committee of the Bank, provided significant oversight and monitoring of the following key areas:

- The volatile macro-economic environment and management's responses thereto;
- Internal controls, risk management and compliance processes, delegations of authority, combined assurance and business continuity; and
- Controls to prevent irregular, fruitless and wasteful expenditure.

COMPOSITION

The Committee comprises of independent non-executive directors who are elected annually at the company's Annual General Meeting (AGM).

The members are: Ms Mathane Makgatho (Acting Chairperson), Ms SA Lund, and Dr ST Cornelius, who are independent non-executive directors of Land Bank. The members were elected by the shareholder at the AGM held on 04 November 2019. The qualifications of the members of the Committee are listed in the Land Bank Governance Report. Following the resignation of the former Committee Chairperson in Ms NV Mtetwa, on 31 August 2019 and pending the appointment of new Board members by the Minister of Finance, the Board has since co-opted the Deputy Chairperson of the Board, Ms Dudu Hlatshwayo, to also serve as a member of the Committee. These members collectively possess the experience and expertise needed to execute their duties in relation to the Committee's mandate.

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's private sessions with the Auditor-General and the head of Internal Audit.

The Committee has met all legal and regulatory requirements in respect of independence and corporate governance experience, but the Board is awaiting confirmation from the shareholder on non-executive directorship appointments that will bolster the Board's financial accounting and auditing qualifications and experience.

AUDIT AND FINANCE COMMITTEE REPORT
FOR THE YEAR ENDED 31 MARCH 2020

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 recommends these 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 with technical reporting matters. In doing so, the Committee also confirmed compliance of the Interim Results and Annual Financial Statements with International Financial Reporting Standards (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. This is based on the on-going discussions that the Bank is having with its lenders to ensure successful conclusion of the Liability solution and anticipation of the R7 billion equity investment that the Shareholder signalled during the Medium Term Budget Policy Statement. The additional R7 billion equity injection, together with the successful conclusion of the Liability Solution, will ensure that the Land Bank continues to operate as a going concern.

The Committee considered the maturity of combined assurance in the Group and the specific attestations from Internal Audit, External Audit and Risk in regard to the adequacy and effectiveness of the internal controls within the Group. We are not comfortable that these controls are adequately in place. There is significant room for improvement to strengthen the control environment and to realise the full benefits of 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 Chief Financial Officer

The Group Chief Financial Officer, Ms Khensani Mukhari, was appointed as of 03 February 2020, starting shortly before year-end and the commencement of the external audit. The Committee has considered the expertise and experience of the CFO and has concluded that the appropriate requirements have been met.

Key vacancies arose in the finance function as a result of resignations during calendar year 2019 and first quarter of the 2020 calendar year which compromised the control environment, causing a stalling of the control interventions in progress. Critical roles have since been filled. The Finance function has been reviewed to ensure its focus and skills are adequately directed to supporting and enabling the organisation. The Committee continues to monitor progress in this regard.

EXTERNAL AUDIT REPORT

External Audit Opinion

Land Bank received a "Disclaimer of Opinion" audit outcome from the Auditor General of South Africa on the FY2020 audit, sighting mainly her inability to provide an opinion on the going concern basis of preparation of the FY2020 Annual Financial Statements as well as the valuation of the loan book, owing to Expected Credit Loss (ECL) models not having been recalibrated since 2016 when they were developed and implemented, and the inability to validate inputs thereto, due to the weakened control environment.

The Board has since approved a comprehensive remediation plan, that is currently being implemented by management to address the specific deficiencies that led to the disclaimed audit opinion. The Committee is closely monitoring progress on implementation of the remediation plan.

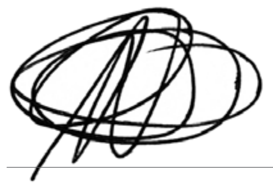
Other key audit matters as reported by the external auditors.

Procurement and contract management
The AG highlighted that some goods, works or services were not procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a) ci) of the PFMA. In some cases, new government procurement processes were not followed to appoint new service providers when contracts expired, and/or there were no approvals justifying that it was impracticable to procure new contracts. This matter relates to contract extensions of the Land Bank's SLA partners. Land Bank has approached National Treasury for clarification on the application of the practice note in question. The Committee is monitoring progress on this item.

IN CONCLUSION

The Committee is not satisfied with the audit outcome for the year, and has drawn up an audit remediation plan to address the identified control deficiencies. The plan has been signed off by the Board and the Committee is fully committed to correcting the matters that gave rise to the control deficiencies. Where appropriate, consequence management is being considered.

The Committee believes that it has complied with its legal, regulatory and governance responsibilities as set out in the Companies Act and the Public Finance Management Act, and that, despite the disclaimed opinion, the financial statements are a fair representation of the Land Bank's financial position.



Ms Mathane Makgatho
Acting Chairperson of the Audit and Finance Committee

		Group			Bank		
	Notes	2020 R'000	Restated 2019* R'000	Restated 2018* R'000	2020 R'000	Restated 2019* R'000	Restated 2018* R'000
Assets							
Cash and cash equivalents	4	**722 711**	3 213 121	2 421 069	**585 008**	3 202 568	2 362 130
Trade and other receivables	5	**1 237 652**	829 366	320 171	**720 780**	351 562	131 302
Short-term insurance assets	6	**169 906**	254 017	282 382	**-**	-	-
Repurchase agreements	7	**19 495**	30 257	15 706	**19 495**	30 257	15 706
Investments	8	**2 148 223**	3 181 534	2 619 887	**1 418 546**	1 988 001	1 406 650
Strategic trading assets	9	**5 153**	-	-	**5 153**	-	-
Derivatives assets	10	**79 064**	80 587	8 106	**79 064**	80 587	8 106
Loans and advances	11	**41 560 074**	43 225 160	43 149 619	**41 560 074**	43 225 160	43 149 619
Assets of discontinued operation classified as held-for-sale	12	**-**	6 259	147 328		6 259	147 328
Non-current assets held-for-sale	13	**105 112**	163 036	10 753	**105 112**	163 036	-
Long term insurance assets	20.5	**11 786**	7 909	10 085	**-**	-	10 085
Investment property	14	**15 000**	15 250	174 590	**15 000**	15 250	174 590
Property, plant and equipment	15	**28 971**	32 154	38 202	**28 808**	31 992	37 996
Right of use assets	16.1	**47 993**	68 093	-	**47 735**	67 672	-
Intangible assets	17	**8 044**	13 548	20 279	**8 044**	13 548	20 279
Total assets		**46 159 184**	51 120 291	49 218 177	**44 592 819**	49 175 892	47 463 791
Equity and liabilities							
Equity							
Distributable reserves	18	**3 131 576**	5 233 329	6 127 847	**2 357 739**	4 076 057	5 010 648
Other reserves	18	**(608 139)**	93 467	100 978	**(608 139)**	93 467	100 978
		2 523 437	5 326 796	6 228 825	**1 749 600**	4 169 524	5 111 626
Liabilities							
Trade and other payables	19	**1 334 646**	481 254	340 001	**824 776**	72 645	160 715
Short-term insurance liabilities	6	**237 227**	329 860	398 859	**-**	-	-
Long-term policyholders' liabilities	20	**44 341**	47 124	55 939	**-**	-	-
Funding liabilities	21	**41 283 820**	44 257 919	41 576 302	**41 283 820**	44 257 919	41 576 302
Lease liabilities	16.2	**50 609**	70 518	-	**50 335**	70 089	-
Provisions	22	**399 743**	305 504	249 071	**398 926**	304 399	245 967
Post-retirement obligation	23	**285 362**	301 316	369 181	**285 362**	301 316	369 181
Total equity and liabilities		**46 159 184**	51 120 291	49 218 177	**44 592 819**	49 175 892	47 463 791

* Refer to note 49 for details

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Group 2020 R'000	Group Restated 2019* R'000	Bank 2020 R'000	Bank Restated 2019* R'000
Continuing operations					
Net interest income		651 138	1 102 877	646 822	1 097 938
Interest income	25	4 698 792	4 927 160	4 692 661	4 920 302
Interest expense	26	(4 047 654)	(3 824 283)	(4 045 839)	(3 822 364)
Net impairment charges, claims and recoveries	11.6	(1 807 700)	(1 188 033)	(1 807 700)	(1 188 033)
Total (loss / income from lending activities		(1 156 562)	(85 156)	(1 160 878)	(90 095)
Non-interest expense	27	(125 231)	(262 667)	(120 556)	(251 361)
Non-interest income	28	99 407	113 977	93 589	105 452
Operating (loss) / income from banking activities		(1 182 386)	(233 846)	(1 187 845)	(236 004)
Net insurance premium income	29.1	143 126	156 826	-	-
Net insurance claims	29.3	(131 261)	(165 886)	-	-
Other costs from insurance activities	29.4	(32 497)	(20 085)	-	-
Investment income and fees	30	91 138	104 645	314 243	21 299
Interest on post-retirement obligation	23	(26 672)	(22 533)	(26 672)	(22 533)
Interest on lease liability	16.2	(5 249)	(6 703)	(5 218)	(6 686)
Gains and losses on financial instruments	31.2	(19 153)	(4 912)	(19 153)	(4 912)
Fair value (losses) gains	31.1	(142 468)	90 208	(21 714)	83 275
Operating (loss) / income		(1 305 423)	(102 286)	(946 359)	(165 561)
Operating expenses	32	(712 777)	(697 008)	(688 550)	(673 934)
Net operating (loss) / income		(2 018 200)	(799 294)	(1 634 909)	(839 495)
Non-trading and capital items	33	(40 951)	(26 968)	(40 951)	(26 969)
Net (loss) / profit before indirect taxation		(2 059 151)	(826 262)	(1 675 860)	(866 464)
Indirect taxation	34	(65 764)	(73 170)	(65 622)	(73 045)
Net (loss) /profit from continuing operations		(2 124 915)	(899 432)	(1 741 482)	(939 509)
Net profit / (loss) from discontinued operations	24	363	12 930	363	12 930
(Loss) Profit for the year		(2 124 551)	(886 502)	(1 741 119)	(926 579)
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	18 & 8	(702 728)	(279)	(702 728)	(279)
Cash flow hedges: gains / (release) on cash flow hedging instruments	18	-	(8 106)		(8 106)
		-		-	
Items that will not be reclassified subsequently to profit or loss					
Actuarial (Loss) / Gain on the post-retirement obligation	23	22 800	(8 012)	22 800	(8 012)
Revaluation of land and buildings	18	1 122	874	1 122	874
Total other comprehensive (loss) / income		(678 806)	(15 523)	(678 806)	(15 523)
Total comprehensive (loss) / income for the year		(2 803 357)	(902 025)	(2 419 925)	(942 102)

* Refer to note 49 for details

STATEMENTS OF CHANGES IN EQUITY (GROUP AND BANK)

FOR THE YEAR ENDED 31 MARCH 2020

Group	Notes	Capital fund R'000	Insurance reserve R'000	FVTOCI R'000	Revaluation reserve R'000	General reserve R'000	Cash flow hedge reserve R'000	Total R'000
Restated balance at 1 April 2018*		4 397 655	1 467 227	(43 604)	136 476	262 964	8 106	6 228 824
Restated profit for the year*		-	40 074	-	-	(926 579)	-	(886 505)
Total other comprehensive income for the year	18	-	-	(279)	874	(8 012)	(8 106)	(15 523)
Restated balance at 31 March 2019*		4 397 655	1 507 301	(43 883)	137 350	(671 627)	-	5 326 796
Loss for the year		-	(83 432)	-	-	(2 041 119)	-	(2 124 551)
								-
Total other comprehensive income for the year	18	-	-	(702 728)	1 122	22 800	-	(678 806)
Balance at 31 March 2020		4 397 655	1 423 869	(746 611)	138 472	2 689 947	-	2 523 437

Bank	Notes	Capital fund R'000	Insurance reserve R'000	FVTOCI R'000	Revaluation reserve R'000	General reserve R'000	Cash flow hedge reserve R'000	Total R'000
Restated balance at 1 April 2018*		4 397 655	-	(43 604)	136 476	612 993	8 106	5 111 626
Restated profit for the year*		-	-	-	-	(926 579)	-	(926 579)
Total other comprehensive (loss) / income for the year	18	-	-	(279)	874	(8 012)	(8 106)	(15 523)
Restated balance at 31 March 2019*		4 397 655	-	(43 883)	137 350	(321 598)	-	4 169 524
Loss for the year		-	-	-	-	(1 741 119)	-	(1 741 119)
Total other comprehensive (loss) / income for the year	18	-	-	(702 728)	1 122	22 800	-	(678 806)
Balance at 31 March 2020		4 397 655	-	(746 611)	138 472	2 039 917	-	1 749 600

* Refer to note 49 for details

	Notes	Group 2020 R'000	Group Restated 2019* R'000	Bank 2020 R'000	Bank Restated 2019* R'000
Net (Loss) /Profit from continuing operations		(2 124 915)	(899 432)	(1 741 482)	(939 509)
Net (Loss)/ Profit from discontinued operations		363	12 930	363	12 930
		(2 124 551)	(886 502)	(1 741 119)	(926 579)
Adjustments to reconcile profit to net cash flows:					
		4 315 960	3 917 925	3 976 982	4 012 379
Interest expense	26	4 047 654	3 824 283	4 045 839	3 822 364
Interest on lease liabilities	16.2	5 249	6 703	5 218	6 686
Fair value movement (financial instruments)	31.1	2 384	(79 929)	2 384	(79 929)
Fair value movement (investments)	31.1	140 084	(10 279)	19 330	(3 346)
Gains and losses on financial instruments	31.2	19 153	4 912	19 153	4 912
Dividend income - other investments	30	(28 647)	(33 999)	(12 818)	(17 143)
Dividend income - Subsidiary	30	-	-	(300 000)	-
Interest income	30	(72 336)	(77 093)	(5 963)	(5 234)
Fund management fees	30	9 845	6 447	4 538	1 078
Depreciation and impairment of property and equipment	32	6 084	7 846	6 025	7 781
Depreciation on right of use assets		25 399	23 232	25 236	23 164
Amortisation and impairment of intangibles	32	6 052	6 731	6 052	6 731
Fair value adjustments (investment properties)	33	250	(650)	250	(650)
Fair value movement in policyholders' liabilities	29.4	(6 661)	(4 245)	-	-
Fair value adjustment on non-current assets held-for-sale	33	11 899	1 339	11 899	1 339
Movement in provisions	22	94 239	222 872	94 527	224 871
Movement in post-retirement medical aid liability	23	24 377	24 959	24 377	24 959
Loss on disposal of property and equipment	33	10	22	10	22
Profit on disposal of non-current assets held-for-sale	33	(12 104)	(2 010)	(12 104)	(2 010)
Foreign exchange loss	33	40 904	28 275	40 904	28 275
Impairment relating to loan commitments and guarantees	11	2 133	2 371	2 133	2 371
Impairment of other assets	33	(8)	(8)	(8)	(8)
Working capital adjustments:		448 739	(410 305)	489 023	(283 330)
(Increase) in trade and other receivables	5	(408 286)	(509 195)	(263 108)	(195 260)
Increase in trade and other payables	19	865 547	141 250	752 131	(88 070)
Decrease in short-term and long-term insurance liability	6	(92 633)	(68 999)	-	-
Decrease in short-term and long-term insurance assets	6	84 111	26 639	-	-
Cash flow from operating activities		2 640 147	2 650 230	2 724 887	2 831 582
Cash flows from operations		(2 612 730)	(4 553 485)	(2 510 884)	(4 551 549)
Interest paid		(4 052 903)	(3 830 986)	(4 051 057)	(3 829 050)
Dividend received		6 912	-	106 912	-
Decrease / (Increase) in funding to clients		1 433 261	(722 499)	1 433 261	(722 499)
Net cash flow from operating activities		27 417	(1 903 255)	214 003	(1 719 967)
Net cash flow from investing activities		481 479	34 496	167 589	(100 465)
Proceeds from disposal of property and equipment		1 041	257	1 041	165
Purchase of property and equipment	15	(1 863)	(1 201)	(1 863)	(1 090)
Purchase of intangible assets	17	(547)	-	(547)	-
Proceeds from sale of non-current assets held-for-sale	13	58 129	9 074	58 129	9 074
Proceeds from sale of assets of discontinued operations	12	5 747	141 069	5 747	141 069
Proceeds from sale of financial instruments	7 & 8	418 972	123 066	98 972	13 086
Net Loan (advanced to) / repaid by subsidiary	5	-	-	106 110	(25 000)
Purchase of financial instruments	7 & 8	-	(237 769)	(100 000)	(237 769)

	Notes	Group 2020 R'000	Group Restated 2019* R'000	Bank 2020 R'000	Bank Restated 2019* R'000
Net cash flow from financing activities		(2 999 305)	2 660 811	(2 999 151)	2 660 870
(Decrease) / Increase in funding received from funders	21	(2 974 098)	2 681 618	(2 974 098)	2 681 618
Lease liability repaid	16.2	(25 207)	(20 807)	(25 053)	(20 748)
Net (decrease) / increase in cash and cash equivalents		(2 490 410)	792 052	(2 617 560)	840 438
Cash and cash equivalents at beginning of year	4	3 213 121	2 421 069	3 202 568	2 362 130
Cash and cash equivalents at end of year	4	722 711	3 213 121	585 008	3 202 568

* Refer to note 49 for details

SEGMENT REPORTING (GEOGRAPHIC SEGMENTS)

FOR THE YEAR ENDED 31 MARCH 2020

Group - 2020	Interest income	Interest expense	Net interest income	Impairment (charges)/ releases, claims and recoveries	Non-interest income/ (expense)	Operating income from insurance activities	Fair value gains, investment income and non-trading and capital items	Operating expenses and indirect taxes excluding depreciation and amortisation	Interest on Post Retirement Medical Aid and Lease Liability	Depreciation and amortisation	Staff costs	Net profit/ (loss)	[1]Other Comprehensive Income	Total comprehensive income
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Statement of profit or loss and other comprehensive income														
Northern region	4 010 584	(3 463 303)	547 281	(1 740 215)	(52 098)	-	232 425	(318 339)	(31 889)	(31 682)	(337 001)	(1 731 519)	(678 806)	(2 410 325)
Southern region	681 775	(582 235)	99 540	(67 485)	25 125	-	-	(9 782)	-	(5 631)	(51 726)	(9 959)	-	(9 959)
Insurance operations	6 129	(1 815)	4 314	-	1 143	(20 633)	(343 859)	(3 972)	(31)	(222)	(20 175)	(383 435)	-	(383 435)
Continuing operations	**4 698 488**	**(4 047 353)**	**651 135**	**(1 807 700)**	**(25 830)**	**(20 633)**	**(111 434)**	**(332 093)**	**(31 920)**	**(37 535)**	**(408 902)**	**(2 124 912)**	**(678 806)**	**(2 803 718)**
Discontinued operation - LDFU	-	-	-	362	-	-	-	-		-	-	362	-	362
	4 698 488	(4 047 353)	651 135	(1 807 338)	(25 830)	(20 633)	(111 434)	(332 093)	(31 920)	(37 535)	(408 902)	(2 124 551)	(678 806)	(2 803 357)

Statement of financial position	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment	Working Capital (incl. loans and advances)	Total assets
Assets			
Northern region	1 609 823	36 210 339	37 820 162
Southern region	18 575	6 754 082	6 772 657
Insurance operations	-	1 566 366	1 566 366
Continuing operations	1 628 398	44 530 787	46 159 185
Discontinued operation - LDFU	-	-	-
	1 628 398	44 530 787	46 159 185

	Working Capital (incl. funding)	Other liabilities	Total liabilities
	R'000	R'000	R'000
Liabilities			
Northern region	32 612 494	717 817	33 330 311
Southern region	9 496 102	16 808	9 512 910
Insurance operations	509 870	282 657	792 527
Continuing operations	42 618 466	1 017 282	43 635 748
Discontinued operation - LDFU	-	-	-
	42 618 466	1 017 282	43 635 748

SEGMENT REPORTING (GEOGRAPHIC SEGMENTS)

FOR THE YEAR ENDED 31 MARCH 2020

Group - 2019	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
Statement of profit or loss and other comprehensive income														
Northern region	4 192 163	(3 210 574)	981 589	(1 088 790)	(173 977)	-	72 693	(295 189)	(29 219)	(32 861)	(352 192)	(917 946)	(15 523)	(933 469)
Southern region	717 685	(601 336)	116 349	(100 932)	28 068	-	-	(10 280)	-	(4 816)	(49 944)	(21 556)	-	(21 556)
Insurance operations	6 856	(1 919)	4 937	-	(2 781)	(29 145)	90 279	(11 017)	(17)	(133)	(12 052)	40 071	-	40 071
Continuing operations	**4 916 704**	**(3 813 829)**	**1 102 875**	**(1 189 722)**	**(148 690)**	**(29 145)**	**162 972**	**(316 487)**	**(29 236)**	**(37 810)**	**(414 188)**	**(899 431)**	**(15 523)**	**(914 954)**
Discontinued operation - LDFU	-	-	-	12 929	-	-	-	-		-	-	12 929	-	12 929
	4 916 704	(3 813 829)	1 102 875	(1 176 793)	(148 690)	(29 145)	162 972	(316 487)	(29 236)	(37 810)	(414 188)	(886 502)	(15 523)	(902 025)

Statement of financial position	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment	Working Capital (incl. loans and advances)	Total assets
Assets			
Northern region	2 259 299	39 854 802	42 114 101
Southern region	20 198	7 041 592	7 061 790
Insurance operations	-	1 944 399	1 944 399
Continuing operations	**2 279 497**	**48 840 793**	**51 120 290**
Discontinued operation - LDFU	-	-	-
	2 279 497	48 840 793	51 120 290

Liabilities	Working Capital (incl. funding) R'000	Other liabilities R'000	Total liabilities R'000
Northern region	34 635 151	659 767	35 294 918
Southern region	10 610 261	16 038	10 626 299
Insurance operations	408 609	378 519	787 128
Continuing operations	**45 654 021**	**1 054 324**	**46 708 345**

The geographical segments consist of 9 provincial offices and 14 satellite offices within the boundaries of the respective provinces of the Republic of South Africa 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.

SEGMENT REPORTING (BUSINESS SEGMENTS)
FOR THE YEAR ENDED 31 MARCH 2020

Statement of profit or loss and other comprehensive income Group - 2020	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 R'000
Net interest income/ (expense)	**632 600**	**156 738**	**-**	**789 338**	**4 316**	**793 656**	**-**	**793 656**
Interest income	3 820 299	1 074 120	-	4 894 419	6 131	4 900 550	-	4 900 550
Interest expense	(3 187 699)	(917 382)	-	(4 105 081)	(1 815)	(4 106 894)	-	(4 106 894)
Impairment releases/(charges) on loans and advances	(1 705 362)	(104 109)		(1 809 471)	-	(1 809 471)	362	(1 809 109)
Total income/(loss) from lending activities	**(1 072 762)**	**52 629**	**-**	**(1 020 133)**	**4 316,00**	**(1 015 815)**	**362**	**(1 015 453)**
Non-interest expense	(154 342)	-	33 778	(120 563)	(4 668)	(125 231)	-	(125 231)
Non-interest income	26 218	44 477	22 895	93 590	13 088	106 677	-	106 677
Operating income/(loss) from banking activities	**(1 200 886)**	**97 106**	**56 673**	**(1 047 105)**	**12 736,00**	**(1 034 369)**	**362**	**(1 034 006)**
Operating profit from insurance activities	-	-	-	-	(21 265)	(21 265)	-	(21 265)
Investment income	-	4 007	310 237	314 243	76 895	91 138	-	91 138
Interest in Post Retirement Obligation	-	-	(26 672)	(26 672)	-	(26 672)	-	(26 672)
Interest on Lease Liability	(1 638)	(130)	(3 449)	(5 217)	(31)	(5 249)	-	(5 249)
Fair value loss	-	-	(21 712)	(21 712)	(120 754)	(142 468)	-	(142 468)
Operating income/(loss)	**(1 202 524)**	**100 983**	**315 077**	**(786 463)**	**(52 419)**	**(1 138 885)**	**362**	**(1 138 523)**
Operating expenses	(31 681)	(1 878)	(414 935)	(448 495)	3 830	(444 665)	(290)	(444 955)
Staff costs	(80 394)	(20 882)	(287 451)	(388 728)	(17 052)	(405 780)	-	(405 780)
Depreciation and amortisation	(7 206)	(1 511)	(28 595)	(37 312)	(222)	(37 534)	-	(37 534)
Net operating (loss)/income	**(1 321 807)**	**76 711**	**(415 904)**	**(1 660 999)**	**(65 863)**	**(2 026 865)**	**72**	**(2 026 792)**
Non-trading and capital items	(9)	(10)	(40 932)	(40 951)	-	(40 951)	-	(40 951)
Net profit/(loss) before indirect taxation	**(1 321 816)**	**76 701**	**(456 836)**	**(1 701 950)**	**(65 863)**	**(2 067 816)**	**72**	**(2 067 743)**
Indirect taxation	-	-	(65 622)	(65 622)	(142)	(65 764)	-	(65 764)
Net profit/(loss)	**(1 321 816)**	**76 701**	**(522 459)**	**(1 767 572)**	**(66 005)**	**(2 133 580)**	**72**	**(2 133 506)**
Other comprehensive income	**-**	**-**	**(669 851)**	**(669 851)**	**-**	**(669 851)**	**-**	**(669 851)**
Actuarial losses on the post-retirement obligation	-	-	22 800	22 800	-	22 800	-	22 800
Revaluation of land and buildings	-	-	1 122	1 122	-	1 122	-	1 122
Cash flow hedges: gains on cash flow hedging instruments	-	-	-	-	-	-	-	-
Profit on financial assets at fair value through other comprehensive income	-	-	(693 773)	(693 773)	-	(693 773)	-	(693 773)
Total comprehensive income/(loss) for the year	**(1 321 814)**	**76 702**	**(1 192 309)**	**(2 437 423)**	**(66 005)**	**(2 803 430)**	**72**	**(2 803 358)**

SEGMENT REPORTING (BUSINESS SEGMENTS)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of financial position Group - 2020	Commercial Development and Business Banking[2] 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[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Assets								
Segment assets	13 460 081	46 552 375	(13 307 220)	46 705 236	1 565 968	48 271 203	4 000	48 275 203
Working capital (incl. net loans and advances)	13 417 066	45 983 701	(14 327 736)	45 073 031	824 086	45 897 117	4 000	45 901 117
Investments	-	563 812	863 689	1 427 501	729 677	2 157 178	-	2 157 178
Investment properties	31 244	-	(16 244)	15 000	-	15 000	-	15 000
Property and equipment	11 771	4 862	59 915	76 548	419	76 967	-	76 967
Non-current assets held-for-sale	-	-	105 112	105 112	-	105 112	-	105 112
Intangible assets	-	-	8 044	8 044	-	8 044	-	8 044
Insurance assets	-	-	-	-	11 786	11 786	-	11 786
Liabilities								
Segment liabilities	31 630 119	9 708 165	1 504 936	42 843 221	792 527	43 635 748	-	43 635 748
Working capital (incl. funding liabilities)	31 609 015	9 702 302	797 278	42 108 596	509 870	42 618 466	-	42 618 466
Provisions	5 530	794	392 604	398 928	815	399 743	-	399 743
Post-retirement obligation	-	-	285 362	285 362	0	285 362	-	285 362
Lease liabilities	15 574	5 069	29 692	50 335	274	50 609	-	50 609
Insurance liabilities	-	-	-	-	281 568	281 568	-	281 568

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

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

SEGMENT REPORTING (BUSINESS SEGMENTS)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of profit or loss and other comprehensive income Group - 2019	Commercial Development Banking R'000	Corporate Banking R'000	Group Capital and Inter-segment eliminations 1 R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations3 R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Net interest income/ (expense)	811 372	374 299	(16 872)	1 168 799	4 937	1 173 736	-	1 173 736
Interest income	3 716 113	1 264 458	-	4 980 571	6 856	4 987 427	-	4 987 427
Interest expense	(2 904 741)	(890 159)	(16 872)	(3 811 772)	(1 919)	(3 813 691)	-	(3 813 691)
Impairment releases/(charges) on loans and advances	(173 832)	(142 449)	35	(316 246)	-	(316 246)	12 930	(303 316)
Total income/(loss) from lending activities	**637 540**	**231 851**	**(16 838)**	**852 553**	**4 937**	**857 489**	**12 930**	**870 420**
Non-interest (expense)	(251 361)	-	-	(251 361)	(11 306)	(262 667)	-	(262 667)
Non-interest income	30 684	45 557	29 211	105 452	8 525	113 977	-	113 977
Operating income/(loss) from banking activities	**416 863**	**277 408**	**12 373**	**706 644**	**2 156**	**708 800**	**12 930**	**721 730**
Operating profit 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)	(4 824)	(6 685)	(17)	(6 702)	-	(6 702)
Fair value loss	-	-	83 275	83 275	6 933	90 208	-	90 208
Operating income/(loss)	**415 174**	**279 235**	**87 591**	**781 999**	**63 273**	**845 272**	**12 930**	**858 203**
Operating expenses	(19 543)	(2 177)	(212 403)	(234 124)	(13 311)	(247 435)	-	(247 435)
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)	(37 677)	(133)	(37 810)	-	(37 810)
Net operating (loss)/income	**312 964**	**254 865**	**(459 765)**	**108 063**	**37 777**	**145 840**	**12 930**	**158 771**
Non-trading and capital items	(91)	-	(26 877)	(26 968)	-	(26 968)	-	(26 968)
Net profit/(loss) before indirect taxation	**312 873**	**254 865**	**(486 642)**	**81 095**	**37 777**	**118 871**	**12 930**	**131 802**
Indirect taxation	-	-	(73 045)	(73 045)	(125)	(73 170)	-	(73 170)
Net profit/(loss)	**312 873**	**254 865**	**(559 687)**	**8 050**	**37 652**	**45 703**	**12 930**	**58 633**
Other comprehensive income								
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	**312 873**	**254 864**	**(575 208)**	**(7 473)**	**37 652**	**30 180**	**12 930**	**43 109**

SEGMENT REPORTING (BUSINESS SEGMENTS)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of financial position Group - 2019	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[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Assets								
Segment assets	**12 142 455**	**(4 900 600)**	**42 875 337**	**50 117 193**	**1 944 399**	**52 061 592**	**6 259**	**52 067 851**
Working capital (incl. net loans and advances)	11 970 199	(5 083 253)	40 950 747	47 837 693	488 357	48 326 050	6 259	48 332 309
Investments	122 000	181 569	1 684 432	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	**33 907 844**	**10 571 507**	**527 018**	**45 006 369**	**804 952**	**45 811 321**	**-**	**45 811 321**
Working capital (incl. funding liabilities)	33 881 316	10 569 549	(120 301)	44 330 564	426 434	44 756 998	-	44 756 998
Provisions	5 424	710	298 266	304 400	1 105	305 505	-	305 505
Post-retirement obligation	-	-	301 316	301 316	-	301 316	-	301 316
Lease liabilities	21 104	1 248	47 737	70 089	429,00	70 518	-	70 518
Insurance liabilities	-	-	-	-	376 984	376 984	-	376 984

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

[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 2020.

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 impact of Covid-19 on the Land Bank has been assessed, and the Land Bank has concluded that Covid-19 will have a minimal impact on the business of the Land Bank because the loan book of the bank is highly concentrated in grain. Economic studies of various agricultural sectors have estimated that the impact of Covid-19 will be minimal on the grain sector.

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

2.1 Functional and presentation currency

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

2.2 Distinction between current and non-current

The Group presents the assets and liabilities in decreasing order of liquidity as it provides information that is more reliable and relevant than a current/non-current presentation because the Group does not supply goods or services within a clearly identifiable operating cycle. In addition, other similar financial institutions also provide the information in this manner, and hence it is more consistent.

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 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 International Accounting Standard Board (IASB) as they are not yet effective for the financial year beginning 1 April 2019 (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
IFRS 3 Business Combinations (amendment)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
IAS 1 amendments on classification	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023

IFRS 3 Business Combinations (amendment)

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendment is not expected to have a material impact on the group.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the Interbank offered rate (IBOR) reform could have on financial reporting.

The changes in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7):
- Modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- Are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- Are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
- Require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

The amendment is not expected to have a material impact on the group.

IAS 1 amendments on classification

The International Accounting Standards Board (IASB) has issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the ""right"" to defer settlement by at least twelve months and make explicit that only rights in place ""at the end of the reporting period"" should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment is not expected to have a material impact on the group.

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 2023. 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

The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. The group will commence assessing the impact of IFRS 17 in 2022 financial year.

3.2 Business combinations

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

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 acquire 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 acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquirer's identifiable net assets.

The consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC, LBIC and LBIS (which was deregistered on 30 August 2019) as at 31 March 2020.

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

3.3 Revenue recognition

Interest income
In terms of IFRS 9 interest income is recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cash flows. The effective-interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period. Interest income include the 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 15 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 which are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate.

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

(ii) Dividend Income
Dividends are recognised in the period when the shareholders' right to receive payment is established.

Dividend income from financial assets classified at fair value through profit or loss is recognised on the last date to register. Preference share dividends are recognised using the effective interest rate method where preference shares as classified as liabilities in accordance with IAS 32.

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

When discovered, irregular expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either condoned by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of profit or loss and other comprehensive income.

3.6 Leases

Lessee accounting policies
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.

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 group applies the cost model subsequent to the initial measurement of the right of use assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The interest component of the lease liability payment is presented as part of operating activities on the cash flow statement.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Lessor accounting policies
Leases where the Group is the lessor and retains substantially all the risk and benefits of ownership of the asset are classified as operating leases. The Bank leases out its investment properties as operating leases, thus generating rental

income. The rental income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term of the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.7 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.

The Land Bank Retirement Fund ("LBRF") in an umbrella fund within the Alexander Forbes Retirement Fund (AFRF).

(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 probabilities/possibilities of contingent liability raised in this regard.

3.9 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably.

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

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

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2020

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

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

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

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

Building	2.5% per annum
Motor vehicles	20% per annum
Computer equipment	33.3% per annum
Leasehold improvements	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.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in respect of an individual item of property and equipment is transferred directly to retained earnings in the statement of changes in equity.

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

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 fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) , is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

(i) Amortised cost and effective-interest rate

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

The effective-interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts, fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(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 and advances, 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 advances 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, strategic trading asset and hedge accounting

The Group elected an accounting policy choice under IFRS 9 "Financial Instruments" to apply the hedge accounting requirements under IFRS 9 "Financial Instruments: Recognition and Measurement". As part of the requirements to apply hedge accounting, the Group documents, at the inception of the hedge relationship, the relationship between hedging instruments and hedged items, the risk being hedged, the Group's risk management objective and strategy for undertaking hedge transactions, and how effectiveness will be measured throughout the life of the hedge relationship.
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.

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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.

All strategic trading asset and repurchase agreements are recognised in the statement of financial position at fair value and are classified as trading. The carrying value of a asset is measured at fair value and are disclosed as assets when the fair value is positive and as liabilities when the fair value is negative.

(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 and advances 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 and advances to ensure that all criteria are met and that future payments are likely to occur.

Loans and advances with renegotiated terms are loans and advances 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 and advances 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 and advances continue to be subject to an individual or collective impairment assessment, calculated using the loan's original Effective Interest Rate (EIR).

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

The group assesses whether the new terms are substantially different to the original terms. Should the terms be substantially different, the group derecognises the original financial asset and recognises a 'new' financial asset at fair value and recalculates a new effective-interest rate for the asset. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

Refer to modifications in note 42.5.

3.13.3 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.

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

In determining whether credit risk has increased significantly since initial recognition, the group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset. The 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 group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

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

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 introduces the use of macro-economic factors that which include but are not limited to the World Food Index as well as the Volume of Imports of Goods and Services, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indices, including any forecasts of future economic conditions are reviewed regularly.

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

3.13.5 Day 1 profit

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

3.13.6 Amortised cost of financial instruments

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

3.14 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.

The group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

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.

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

3.23 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

Gross written 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.

Unearned Premium Provision
The provision for unearned premiums represents the portion of the current year's premiums written that relate to risk periods extending into the following year. The Unearned Premium Provision (UPP) is established to recognise the premiums already written that will be earned in future. The UPP is set with reference to the development of claims as per the recent historical claims experience.

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
Unexpired risks refer to policies that have already been written, but the period for which premium was received or is receivable has not expired as at the measurement date and extends into the following period. The Unexpired Risk Provision (URP) comprises of the Unearned Premium Provision (UPP) and the Additional Unexpired Risk Provision (AURP).

Notified Outstanding Claims Provision
The Notified Outstanding Claims Provision (NOCP) is held in respect of those claims that have been notified but have not been paid or fully settled by the measurement date. These are estimated based on management expert estimation and are reviewed to be in line with recent historical claims experience.

Provision for claims incurred but not reported (IBNR)
The Incurred But Not Reported (IBNR) Claims Provision is held in respect of those claims that have occurred but are yet to be reported by the measurement date. The number of IBNR claims are determined with reference to claim reporting delays patterns as per recent claims experience, to which the severity of the claims is applied to arrive at the IBNR Claims Provision.

Deferred acquisition costs (DAC)
Deferred Acquisition Costs (DAC) consist of commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. Deferred acquisition costs are amortised at incidence of risk basis and 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.

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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 addition, the Group uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 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 to reduce any differences between loss estimates ad actual loss experience.

(i) Land development finance unit (LDFU) loan and advances 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 and advances do not exceed the fair value. 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 fair 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.

We have considered and assessed the Impact of COVID 19 and the Lockdown restrictions on our business operations, and we have concluded that there aren't any events that existed at year end that will require us to adjust the Annual Financial Statements.

The LBLIC has a reinsurance cover that limits the company's exposure to a maximum:

- R1m per policy for individual life and;
- R2m per policy for group life
- The LBLIC credit life portfolio consist of farmers that are geographically spread across the country

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 Conduct 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.

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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 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

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	
		2020	2019	2020	2019
4.	Cash and cash equivalents	R'000	R'000	R'000	R'000
	Favourable cash balances				
	Cash balances - commercial	685 073	1 108 251	547 418	1 097 743
	Cash balances - short term investments	37 638	2 104 870	37 590	2 104 825
		722 711	3 213 121	585 008	3 202 568

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

At 31 March 2020, there was no undrawn borrowing facilities (FY2019:R 2.65 billion).

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 bank, and earn interest at the respective short-term investment rates.

Due to the short-term nature of cash and cash equivalents, their carrying amount is considered to be the same as their fair value.

		Group		Bank	
		2020	2019	2020	2019
5.	Trade and other receivables	R'000	R'000	R'000	R'000
	Trade receivables	788 831	676 082	120 575	128 724
	Accrued income[1]	3 699	55 009	3 699	55 009
	Accrued interest - hedging [2]	116 876	73 715	116 876	73 715
	Premium receivable	442 595	311 094	-	-
	Reinsurance receivable	225 661	236 264	-	-
	Other receivables	448 821	153 284	600 205	222 838
	Intercompany loans - LBLIC [3]	-	-	5 242	111 352
	Prepaid expenses	7 091	7 579	7 091	7 579
	Recovery - Loss sharing WFF	98 267	21 074	98 267	21 074
	Recovery - Loss sharing SLA	26 341	68 235	26 341	68 235
	Loans to current employees [4]	449	560	449	560
	Loans to former employees [4]	60	67	60	67
	- Gross	76	92	76	92
	- Impairments	(16)	(25)	(16)	(25)
	Dividend receivable from LBLIC	-	-	200 000	-
	Fruitless and wasteful expenditure receivable	-	-	-	-
	Sundry receivables [5]	316 613	55 769	262 755	13 971
		1 237 652	829 366	720 780	351 562

[1] Accrued income comprises of accrued interest on short-term investments, accrued interest on loans and advances 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 R0.2million (FY2019: 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]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 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Prepaid expenses	7 091	7 579	7 091	7 579
Trade and other receivables net of non-financial instruments	1 230 561	821 787	713 689	343 983

5.2 Trade and other receivables past due but not impaired 2020 Group	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
Loans to current employees				
Gross loan amount	9	9	430	448
Portion of gross loan amount past due but not impaired	9	9	430	448
Loans to former employees				
Gross loan amount	6	6	63	75
Portion of gross loan amount past due but not impaired	6	6	63	75

2019 Group	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
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

6. Short-term insurance assets and liabilities	Group 2020 R'000	Group 2019 R'000
Short-term insurance liabilities	**237 227**	329 860
Technical provision	**231 911**	292 051
Outstanding claims	**190 245**	211 309
Incurred but not reported claims	**6 331**	50 543
Provision for unearned premiums	**29 818**	26 146
Provision for unexpired risk reserve	**5 517**	4 053
Unearned commission income	**5 316**	37 809
Less: Short-term insurance assets	**(169 906)**	(254 017)
Reinsurers' share of technical provisions	**(162 452)**	(205 515)
Outstanding claims	**(133 171)**	(148 531)
Incurred but not reported claims	**(4 431)**	(35 414)
Provision for unearned premiums	**(21 262)**	(18 675)
Provision for unexpired risk reserve - ceded portion	**(3 588)**	(2 895)
Deferred acquisition costs	**(7 454)**	(48 502)
Net short-term insurance technical provisions	**67 321**	75 843

The crop unearned premium provision (UPP) is calculated on the claims occurring basis for the published accounts, based on historical claims occurrence tables, which are reviewed annually. The winter crop premium is fully earned by 31 March. Below are the provisions calculated according to the statutory basis.

Unearned Premium Reserve movement	Gross R'000	Reinsurance R'000	Net R'000
Balance at 31 March 2018	**87 990**	**(61 693)**	**26 297**
Provision earned	(87 990)	61 693	(26 297)
New provision raised	26 146	(18 675)	7 471
Balance at 31 March 2019	**26 146**	**(18 675)**	**7 471**
Provision earned	(26 146)	18 675	(7 471)
Provision increased	29 818	(21 262)	8 556
Balance at 31 March 2020	**29 818**	**(21 262)**	**8 556**

Deferred acquisition costs	Gross R'000	Reinsurance R'000	Net R'000
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
Provision earned	(48 502)	37 809	(10 693)
Provision increased	7 454	(5 316)	2 138
Balance at 31 March 2020	7 454	(5 316)	2 138

Claims development table

The following tables show claims paid in the year that it occurred as well as one year thereafter. Historically, no claims have been paid more than one year after the end of each accident year.

Gross claims paid

Accident year	2019 R'000	2020 R'000
At end of accident year	(228 195)	(138 660)
One year later	(280 274)	(347 464)
Current estimate of gross cumulative claims paid	(508 469)	(486 124)

Net claims paid

Accident year	2019 R'000	2020 R'000
At end of accident year	(80 726)	(41 598)
One year later	(86 324)	(104 239)
Current estimate of net cumulative claims paid	(167 050)	(145 837)

Outstanding claims movement	Gross R'000	Reinsurance R'000	Net R'000
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
Provision utilised	(211 309)	148 531	(62 778)
Provision increased	190 245	(133 171)	57 074
Balance at 31 March 2020	190 245	(133 171)	57 074

Incurred but not reported movement	Gross R'000	Reinsurance R'000	Net R'000
Balance at 31 March 2018	41 246	(28 775)	12 471
Claims paid against provision	(12 471)	8 730	(3 741)
Provision utilised	(28 775)	20 045	(8 730)
New provision raised	50 541	(35 414)	15 127
Balance at 31 March 2019	50 541	(35 414)	15 127
Provision released	(50 541)	35 414	(15 127)
Provision increased	6 330	(4 431)	1 899
Balance at 31 March 2020	6 330	(4 431)	1 899

	Group		Bank	
7. Repurchase agreements	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Republic of South Africa bonds				
- R186	10 305	11 057	10 305	11 057
- R2030	-	9 219	-	9 219
- LBK 28	9 190	9 981	9 190	9 981
	19 495	30 257	19 495	30 257

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	
8. Investments	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Investment in subsidiary - LBLIC	-	-	30	30
Investment in subsidiary - LBIC	-	-	450 000	350 000
Unlisted investments	640 198	1 250 203	640 198	1 250 203
Assets earmarked for medical aid liabilities	210 335	260 083	210 335	260 083
Investment in listed shares	117 983	127 685	117 983	127 685
Investments held by LBLIC	1 118 338	1 346 520	-	-
Investments held by LBIC	61 369	197 043	-	-
	2 148 223	3 181 534	1 418 546	1 988 001

Analysis of investments

8.1 Assets earmarked for medical aid liabilities These are investments held with Coronation Asset Managers.	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Listed investments	189 567	249 999	189 567	249 999
Local equity	111 362	167 509	111 362	167 509
Local bonds	40 719	44 217	40 719	44 217
Foreign equity	37 486	38 273	37 486	38 273
Other	6 030	5 076	6 030	5 076
Commodities	3 291	5 076	3 291	5 076
Local Hedge Funds	2 739		2 739	
Cash	14 738	5 008	14 738	5 008
Local	8 906	5 008	8 906	5 008
Foreign	5 832	-	5 832	-
	210 335	260 083	210 335	260 083

The funds are entrusted to portfolio managers for investment purposes. The funds are earmarked to fund the future medical aid contributions of retired employees. The investments are classified at fair value through profit or loss and are measured and disclosed at fair value, except for cash which is measured at amortised cost. These investments are exposed to interest rate risk, equity price risk and foreign exchange risk. Refer to note 40 for more information on the related risks and mitigation strategies.

Assets earmarked for medical aid liabilities are invested as follows:	Group 2020 %	Group 2019 %	Bank 2020 %	Bank 2019 %
Local equities				
Financial (excl. real estate)	16%	16%	16%	16%
Basic materials	15%	22%	15%	22%
Industrials	1%	1%	1%	1%
Consumer goods	15%	15%	15%	15%
Health care	5%	4%	5%	4%
Consumer services	31%	20%	31%	20%
Telecommunications	1%	5%	1%	5%
Other securities	16%	16%	16%	16%

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

8.2 Unlisted investments	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Fair value				
Ordinary shares in Capespan Capital (Pty) Ltd	-	105	-	105
Ordinary shares in Bosveld (Pty) Ltd	-	525 252	-	525 252
Ordinary shares in ETG	-	2 125	-	2 125
Ordinary shares in Acorn Agri (Pty) Ltd	72 200	114 408	72 200	114 408
Preference shares in Afri Fresh (Pty) Ltd	80 000	-	80 000	-
Ordinary shares in Mouton Holdings (Pty) Ltd	85 000	155 890	85 000	155 890
Ordinary shares in Southern Cross Investment Holdings (Pty) Ltd	75 000	89 960	75 000	89 960
Ordinary shares in Cavalier Group of Companies (Pty) Ltd	44 100	51 227	44 100	51 227
Ordinary shares in Ideafruit (Pty) Ltd	83 898	92 853	83 898	92 853
Ordinary shares in Riverside Holdings (Pty) Ltd	105 000	124 000	105 000	124 000
Ordinary shares in Afgri Grain Silo Company Pty Ltd	95 000	94 383	95 000	94 383
	640 198	1 250 203	640 198	1 250 203

Refer to notes 45.3 and 45.4 for the reconciliation of recurring fair value measurements disclosure and valuation basis.

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.

During December 2018 a decision was taken to wind down the company, due to anticipated opportunities not materialising. Land Bank received a a residual dividend of R1.7m during the 2019 financial year. Land Bank sold its shares during June 2020 for R114.

Capespan Capital (Pty) Ltd was impaired to R0 million (2019: R 0.1million) as at 31 March 2020.

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 its 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 (Pty) Ltd. The Competition Commission approved the transaction subject to certain conditions being fulfilled. The conditions precedents were fulfilled on the 01 March 2019.

Bosveld (Pty) Ltd was impaired to R0 million (2019: R525.3 million) as at 31 March 2020 due to Land Bank not able to fund the recommissioning of the plant owing to liquidity constraints.

The corresponding investment in ETG was impaired to R0 million (2019: R2.1 million), due to the Profert (Land Bank client) assets not realising the required value.

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 & Food Ltd was valued as at 31 March 2020. The valuation was based on the Net Asset Value (NAV) of the company. The NAV of the business amounts to R 2038 million (2019: R 3 394 million), which result in an investment value of R72.2 million (FY2019: R114.408 million) for the Bank.

Afri Fresh (Pty) Ltd

As part of the Workout and Rrestructure of the Afrifresh loan of R360m, the Land Bank received R200 million in cash and converted the remaining R160 million debt into preference shares. The preference shares were redeemed in June 2020 for R80 million resulting in an impairment of R80 million. The investment is therefore carried at this value in the annual financial statements.

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.
During the financial year the investment in Mouton Holdings (Pty) Ltd was reduced to 10% valued at R89.6 million though a sale of shares.

The Land Bank accepted an offer for the purchase of Mouton Holdings (Pty) Ltd shares for R85 million. The investment is therefore carried at this value in the annual financial statements.

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.

The Land Bank received and accepted an offer for the purchase of Southern Cross Investment Holdings (Pty) Ltd shares for R75 million. The investment is therefore carried at this value in the annual financial statements.

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 2020. The valuation was based on the DCF, resulting in an investment value of R44.1 million (FY2019: R51.2 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.

The valuation for Ideafruit (Pty) Ltd could not be completed as at 31 March 2020 due to unavailability of financial projections and latest audited financial statements. Land Bank has therefore taken a decision to write down the value of the investment to the acqusition value. This resulted in the carrying value of R83.9 million (FY2019: R92.9million) for the Bank.

Riverside (Pty) Ltd

The Land Bank acquired 19.9% of the shares in Riverside (Pty) Ltd for R124.0 million in FY2019.

Riverside (Pty) Ltd was valued as at 31 March 2020. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R105 million (FY2019: R124.0 million) for the Bank.

Afgri Grain Silo 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.

Afgri Grain Silo Company Pty Ltd was valued as at 31 March 2020. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R95.0 million (FY2019: R94.3 million) for the Bank.

		Group		Bank	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
8.3	Investments in Listed Shares				
	Rhodes Food Group Holdings Limited	117 983	127 685	117 983	127 685

Rhodes Food Group Holdings Limited was valued in March 2020 based on the listed share price. The listed share price of Rhodes Food Group Holdings Limited as at 31 March 2020, was R15.2 per share (FY2019:R16.45), resulting in an investment value of R117.98 million (FY2019: R127.69 million) for the Bank.

		Group		Bank	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
8.4	Investment in LBLIC (100%)				
	LBLIC shares (15,000 ordinary shares at par value of R2 each)	-	-	30	30
	Actuarial valuation (LBLIC)	-	-	901 528	1 244 539

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 2020 amounted to R901.5 million (FY2019: R1.24 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.

	Group		Bank	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
8.5 Investment in LBIC (100%)				
LBIC shares (1,607 ordinary shares at no par value)	-	-	450 000	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 2017 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. During FY2020, Land Bank further recapitalised LBIC with R100 million, increasing issued shares to 1,607.

	Group		Bank	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
8.6 Investment in LBIS (100%) - deregistered				
LBIS shares (1,000 ordinary shares at no par value)	-	-	-	-

Land Bank Insurance Services (SOC) Limited (LBIS), which is deregistered ,was the holding company of LBIC and LBLIC until 31 March 2014.

In May 2014, the Minister of Finance approved that LBIS be dissolved and that the two insurance companies be held directly by the Land Bank. LBIS was deregistered in 31 August 2019.

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

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	Group	
	2020 R'000	2019 R'000
Equities	299 311	439 510
Commodities	(2 321)	15 450
Bonds	429 953	163 991
Collective investment schemes	130 780	447 050
Cash deposits and similar securities	256 514	268 381
Investment policy	4 101	12 138
	1 118 338	1 346 520

Designated at fair value through profit or loss

	Group	
	2020 R'000	2019 R'000
8.7.1 Equities		
Equities comprise:		
Ordinary shares listed on the JSE [1]	299 311	439 510
Preference shares listed on the JSE [1]	-	-
	299 311	439 510

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

	Group	
	2020 R'000	2019 R'000
8.7.2 Commodities		
ETF's - local [1]	(2 321)	15 450
ETF's - foreign (at market value)	-	-
	(2 321)	15 450

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

8.7.3 Collective investment schemes ("CIS")

	Group 2020 R'000	Group 2019 R'000
Equity - foreign unit trusts	116 214	129 107
Balanced fund - foreign	21 871	36 197
Currency derivatives	-	-
Property - listed shares (REITs & REHD's)	-	-
Unlisted shares	-	-
Foreign cash	(7 304)	(1 313)
	130 781	163 991

CIS are classified at fair value through profit or loss.

[1] Investments at market prices per the JSE.

8.7.4 Investments in interest bearing assets

	Group 2020 R'000	Group 2019 R'000
Bonds listed on the JSE Debt Market - at market value	429 952	447 050
Government	80 922	226 103
Parastatal and municipal	-	34 782
Corporate	349 030	186 165
Cash, deposits and similar securities [1]	256 514	268 381
Deposits with banks - local	241 539	179 251
Deposits with banks - foreign	-	-
Money market instruments	14 975	89 130
	686 466	715 431
Classification of investments in interest bearing assets		
- Amortised cost instruments	256 514	268 381
- Fair value through profit or loss	429 952	447 050
	686 466	715 431

[1] Due to the short-term nature of Cash, deposits and similar securities , their carrying amount is considered to be the same as their fair value

8.7.5 Investment policy

	Group 2020 R'000	Group 2019 R'000
Other non-cash	4 101	12 138
	4 101	12 138

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.

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8.8 Investments held by LBIC

This investment is held by Future growth Asset Managers.

	Group 2020 R'000	Group 2019 R'000
Investments in interest bearing assets		
Bonds listed on the JSE Debt Market - at market value	4 980	133 062
Local/ Government	4 980	133 062
Cash, deposits and similar securities	56 389	63 981
Deposits with banks - local	56 389	63 981
	61 369	197 043
- Amortised cost instruments	56 389	63 981
- Designated as at fair value through profit or loss	4 980	133 062
	61 369	197 043

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, Neutron connectivity and training of junior traders.

As at 31 March 2020 the bank had an open positions (2019: no open positions)

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Strategic Asset	5 153	-	5 153	-

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 with 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.

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

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Interest rate swap derivatives [1]				
- Asset	79 064	93 643	79 064	93 643
- Liability	-	(13 056)	-	(13 056)
	79 064	80 587	79 064	80 587

[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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Interest rate swaps				
- Asset	17 170 000	11 370 000	17 170 000	11 370 000
- Liability	(17 170 000)	(11 370 000)	(17 170 000)	(11 370 000)
	-	-	-	-

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

2020 Group and Bank	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
Interest rate swaps					
- Pay fixed	-	-	17 170 000	-	17 170 000
- Receive fixed	-	-	17 170 000	-	17 170 000

During May 2020 one of the commercial banks cancelled a swap trading account that the Land Bank had with them citing the default status of the Land Bank. This reduced the hedged portfolio from R17bn to R13bn. Refer note 48.

2019 Group and Bank	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
Interest rate swaps					
- Pay fixed	-	-	11 370 000	-	11 370 000
- Receive fixed	-	-	11 370 000	-	11 370 000

11. Loans and advances

Group and Bank

11.1 Gross loans per business segment

	Gross loans R'000	Expected Credit Loss (ECL) R'000	Net loans R'000
2020			
Corporate Banking and Structured Investments	10 296 671	(337 391)	9 959 280
Commercial Development and Business Banking	34 869 517	(3 236 335)	31 633 182
Loan commitments and guarantees	-	(8 323)	(8 323)
Loan Modifications	(24 065)		(24 065)
	45 142 123	(3 582 049)	41 560 074
2019*			
Corporate Banking and Structured Investments	10 572 483	(392 944)	10 179 539
Commercial Development and Business Banking	34 605 245	(1 548 522)	33 056 723
Loan commitments and guarantees	-	(6 190)	(6 190)
Loan Modifications	(4 912)		(4 912)
	45 172 816	(1 947 656)	43 225 160

*Amount restated refer to note 49

Loan type	Nature of interest rate	Average term of repayment	Average interest rate 2020	Average interest rate 2019
Short term loans	Variable	1 year	9,81%	11,10%
Medium term loans	Variable	1 to 5 years	9,75%	11,80%
Long term loans	Variable/ Fixed	> 5 years	9,58%	10,64%

11.2 Loans by maturity profile

	Group		Bank	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
< 3 months	6 685 864	5 828 827	6 685 864	5 828 827
3 - 6 months	5 470 730	4 843 555	5 470 730	4 843 555
6 - 9 months	2 093 075	1 717 825	2 093 075	1 717 825
9 - 12 months	806 832	2 349 087	806 832	2 349 087
1 - 5 years	5 936 487	6 761 331	5 936 487	6 761 331
> 5 years	24 125 180	23 672 191	24 125 180	23 672 191
Total	45 118 168	45 172 816	45 118 168	45 172 816

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
2020				
Corporate Banking and Structured Investments	8 707 986	1 294 690	293 994	10 296 671
Commercial Development and Business Banking	23 726 932	3 255 856	7 886 729	34 869 517
Loan Modifications	(20 465)	(3 715)	115	(24 065)
Gross loans and advances	32 414 453	4 546 831	8 180 838	45 142 123
Expected Credit Loss (ECL)	(311 591)	(170 749)	(3 091 387)	(3 573 726)
Net loans and advances	32 102 862	4 376 082	5 089 451	41 568 397

Guarantees	10 550
Loan commitments	4 552 431
Gross loan commitments and guarantees	4 562 981
Expected Credit Loss (ECL)	(8 323)
Net loan commitments and guarantees	4 554 658

	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	9 199 042	1 053 706	319 735	10 572 483
Commercial Development and Business Banking	27 914 528	2 658 449	4 032 267	34 605 245
Loan Modifications	(1 442)	(3 470)		(4 912)
Gross loans and advances	37 112 128	3 708 685	4 352 003	45 172 816
Expected Credit Loss (ECL)	(341 016)	(125 461)	(1 474 989)	(1 941 466)
Net loans and advances[4]	36 771 112	3 583 224	2 877 013	43 231 350
Guarantees*				9 790
Loan commitments				5 062 053
Gross loan commitments and guarantees				5 071 843
Expected Credit Loss (ECL)				(6 190)
Net loan commitments and guarantees				5 065 653

[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.
[4] Net loans and advances have been restated, refer to note 49

* In the prior year financial statements Land Bank omitted to disclose a guarantee in favour of BMCE Bank for $13.9 million. The guarantees' triggering conditions actually occurred in March 2018 would have resulted in a provision. This omission resulted in a provision of (R166 million 2018 and R48 million 2019) not being disclosed. Interest accrued on the debt increasing the outstanding amount to $15.01million at 31 March 2020. Profert paid $750 thousand, reducing the amount owing by the Land Bank to $14.25 million. This guarantee has been accounted for as a provision in the current year and the prior year figures have been restated. The conditions creating a liability were present in the previous financial year. Refer to note 49.

11.4 Loans and advances past due not impaired

	Group and Bank 2020 R'000	Group and Bank 2019 R'000
0 to 30 days past due	1 117 209	161 011
31 to 90 days past due	448 264	236 888
90+ days past due	1 235 165	2 393 481
Total loans and advances past due but not impaired	**2 800 638**	**2 791 380**

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
2020				
Balance at the beginning of the year [1]	386 829	1 432 836	4 637	1 824 301
Movement for the year				
Credit losses written off:	(61 342)	(188 890)	-	(250 232)
- Statement of financial position write off (utilisation)	(17 495)	(55 059)	-	(72 554)
- Statement of comprehensive income write off	(43 847)	(133 831)	-	(177 678)
Net impairment raised to the statement of comprehensive income	10 543	1 810 075	2 133	1 822 751
Balance at the end of the year [1]	336 030	3 054 021	6 770	3 396 820
2019				
Balance at the beginning of the year [1]	1 908 197	428 560	7 007	2 343 764
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)
Net impairment raised/ (released) to the statement of comprehensive income	161 919	1 037 602	(2 371)	1 197 150
Balance at the end of the year [1]	386 829	1 432 836	4 636	1 824 301

[1] The balances exclude suspended interest of R183.5 million (FY2019: R121.7 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
2020				
Net impairments raised to the statement of comprehensive income	10 543	1 810 075	2 133	1 822 751
Recoveries in respect of amounts previously written offl	(13 088)	(1 964)	-	(15 051)
	(2 545)	1 808 111	2 133	1 807 700

2019*				
Net impairments raised/ (released) to the statement of comprehensive income	161 919	1 037 602	(2 371)	1 197 150
Recoveries in respect of amounts previously written off	(6 190)	(2 927)	-	(9 117)
	155 729	1 034 675	(2 371)	1 188 033

*Amount restated refer to note 49

[1] Off balance debt collection amount of R62.5 million (2019 R61.4 million) that was previously written off is still subject to legal action.

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 is determined with reference to the realisable value of security under forced-sale conditions.

It is the bank's policy to dispose of repossessed properties in an orderly fashion. In general, the bank 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 repossess any assets against loans in the current year (FY2019: R0 million).

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

	Bank	
Nature of assets	2020 R'000	2019 R'000
Cession	153 448	17 325
Guarantee	186 631	14 292
ISF None Bond	31 941	39 671
Limited Surety	-	-
Unlimited Surety	-	-
Land and Buildings*	35 589 647	33 211 938
Notarial Bond	614 285	362 466
Vehicle, Plant & Equipment	2 942 970	2 522 633
Pledge of Security	4 355	4 315
Trade Debtors	2 025 792	1 777 890
Pledge over other	193 658	179 249
Trademarks	14 579	16 699
Biological Assets	2 097 877	2 048 804
Stock	2 122 770	2 094 844
Cash Deposit	146 570	145 453
Commodities	292 018	433 382
Shares & Investments	412 021	180 496
Listed Shares	830 000	842 000
Total	47 658 562	43 891 456

* The Land and buildings is disclosed net of the collateral agreement limits.
The collateral policy of Landbank, is that collateral is valued at inception and in three year intervals. The collateral is also valued when a facility is renewed or restructured.

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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 Board of Directors approves any exposure in excess of 20% (FY2019: 20%) (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 were two counterparty (FY2019: one) with individual exposure of more than 25% of the Bank's own equity. Those counterparty are also strategic partners and falls below the 50% threshold. The total exposure of those counterparty at year-end amounted to R2.8 billion (FY2019: R2.61 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

Bank	Gross loans R'000	Expected Credit Loss (ECL) R'000	Net loans R'000
2020			
Land for development finance unit (LDFU)	62 109	(62 109)	-
2019			
Land for development finance unit (LDFU)	67 857	(61 598)	6 259

12.2 Loans by credit quality

	Non performing loans R'000	Total R'000
2020		
Land for development	62 109	62 109
Gross loans and advances	62 109	62 109
Expected Credit Loss (ECL)	(62 109)	(62 109)
Net loans and advances	-	-
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

12.3 Loans and advances past due not impaired	2020 R'000	2019 R'000
0 to 30 days past due	-	-
31 to 90 days past due	-	-
90+ days past due	-	6 259
Total loans and advances past due but not impaired	-	6 259

12.4 Provision for impairment: reconciliation of movement per business unit	2020 R'000	2019 R'000
Balance at the beginning of the year	61 598	356 765
Movement for the year:		
Credit losses written off:	-	(283 954)
- Statement of financial position write off (utilisation)	-	(295 167)
- Statement of comprehensive income write off	-	11 213
Net impairment raised/ (released) to the statement of comprehensive income	511	(11 213)
Balance at the end of the year	62 109	61 598

12.5 Impairment (charges)/ releases, claims and recoveries	2020 R'000	2019 R'000
Net impairments raised/ (released) to the statement of comprehensive income	511	(11 213)

12.6 Collateral held as security	2020 R'000	2019 R'000
Land and buildings	-	6 259

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 fair value. 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 R0 million (FY2019: R6.3 million), forced sale value amounts to R0 million (FY2019: R6.3 million).

As at 31 March 2020 Land Bank received the final dividend of all the assets in the liquidated estate and remaining balance was impaired.

13. Non-current assets held-for-sale	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Properties in possession	4 149	4 385	4 149	4 385
Previously held as Investment Properties	100 963	158 651	100 963	158 651
	105 112	163 036	105 112	163 036
Opening balance	163 036	10 085	163 036	10 085
Plus: Additions	-	-	-	-
Less: Disposals	(46 025)	(5 700)	(46 025)	(5 700)
Re-measurement recognised	(11 899)	(1 339)	(11 899)	(1 339)
Reversal of prior year impairment losses	-	-	-	-
Reclassification from Investment Properties	-	159 990	-	159 990
Closing balance	105 112	163 036	105 112	163 036

Properties in possession
These represent the properties brought in by the Group due to clients defaulting on their loan payments. The intention of the Group is to sell these properties to recover the outstanding payments on the defaulted loans. 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

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

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

2020	Carrying amount	Selling Price	VAT	Profit/(Loss) after tax
BP 2116 located in Welkom Free State2	236	3 829	-	3 593
Cape Town Building ERF 3865	36 700	43 100	-	6 400
Modimolle Building ERF 203	9 089	11 200	-	2 111
	46 025	58 129	-	12 104

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	614	751
	5 700	9 074	614	2 760

Refer to note 45.2 for the methods used to determine the fair values for these assets.
* The properties in Bethlehem and George are in the process of being disposed. The bank received and accepted offers to purchase the two properties and transfer process is underway.

	Group		Bank	
14. Investment property	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Opening balances	15 250	174 590	15 250	174 590
Transfer to non-current-asset-held for sale	-	(159 990)	-	(159 990)
Fair value adjustments	(250)	650	(250)	650
Closing balance	15 000	15 250	15 000	15 250
Investment property comprises the following:				
Office buildings	15 000	15 250	15 000	15 250
Rental income derived from investment properties	17 978	17 575	17 978	17 575

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. Refer to note 45.2.

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15. Property and equipment

15.1

2020 Group	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 2019	3 828	20 522	34 799	18 479	522	15 331	93 481
Additions	-	-	1 261	602	-	-	1 863
Disposals	-	-	(138)	(313)	-	-	(451)
Revaluation [1]	415	(365)	-	-	-	-	50
Open market value/cost at 31 March 2020	4 243	20 157	35 922	18 768	522	15 331	94 943
Accumulated depreciation and impairment losses at 1 April 2019	-	-	(30 760)	(15 779)	(416)	(14 372)	(61 327)
Depreciation	-	(1 072)	(3 700)	(602)	(3)	(706)	(6 083)
Depreciation write-back as a result of the revaluation	-	1 072	-	-	-	-	1 072
Disposals	-	-	84	282	-	-	366
Accumulated depreciation and impairment losses at 31 March 2020	-	-	(34 376)	(16 099)	(419)	(15 078)	(65 972)
Net carrying value at 31 March 2020	4 243	20 157	1 546	2 669	103	253	28 971

2019 Group	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

2020 Bank	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 2019	3 828	20 522	34 504	18 194	522	15 331	92 901
Additions	-	-	1 261	602	-	-	1 863
Disposals	-	-	(113)	(317)	-	-	(430)
Revaluation [1]	415	(365)	-	-	-	-	50
Transfer to subsidiary	-	-	(99)	-	-	-	(99)
Open market value/cost at 31 March 2020	4 243	20 157	35 553	18 479	522	15 331	94 285
Accumulated depreciation and impairment losses at 1 April 2019	-	-	(30 591)	(15 530)	(416)	(14 372)	(60 909)
Depreciation	-	(1 072)	(3 641)	(604)	(3)	(706)	(6 026)
Depreciation write-back as a result of the revaluation	-	1 072	-	-	-	-	1 072
Depreciation effect of the transfer to subsidiary	-	-	34	1	-	-	35
Disposals	-	-	69	282	-	-	351
Accumulated depreciation and impairment losses at 31 March 2020	-	-	(34 129)	(15 851)	(419)	(15 078)	(65 477)
Net carrying value at 31 March 2020	4 243	20 157	1 424	2 628	103	253	28 808

2019 Bank	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	34 265	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

[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.

The opening accumulated depreciation on 1 April 2019 was written back to the carrying amount of buildings when revalued in terms of the net replacement value method.

16. Leased Assets

16.1 Right of use of assets

Group 2020	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2019	58 823	9 270	68 093
Additions	5 299		5 299
Depreciation	(21 811)	(3 588)	(25 399)
At 31 March 2020	42 311	5 682	47 993

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

Bank 2020	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2019	58 823	8 849	67 672
Additions	5 299		5 299
Depreciation	(21 811)	(3 425)	(25 236)
At 31 March 2020	42 311	5 424	47 735

2019	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2018	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 Lease Liabilities

Group 2020	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2019	61 084	9 434	70 518
Additions	5 299		5 299
Interest expense	4 554	695	5 249
Lease payments	(26 363)	(4 094)	(30 457)
At 31 March 2020	44 574	6 035	50 609

Maturity analysis for lease liabilities

	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	Total R'000
Lease liabilities	7 151	7 180	7 193	7 231	27 120	55 875
	7 151	7 180	7 193	7 231	27 120	55 875

2019	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2018	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

Maturity analysis for lease liabilities

	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	Total R'000
Lease liabilities	7 844	7 871	7 616	7 137	55 780	86 248
	7 844	7 871	7 616	7 137	55 780	86 248

Bank 2020	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2019	61 084	9 005	70 089
Additions	5 299		5 299
Interest expense	4 554	664	5 218
Lease payments	(26 363)	(3 908)	(30 271)
At 31 March 2020	44 574	5 761	50 335

Maturity analysis for lease liabilities

	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	Total R'000
Lease liabilities	7 104	7 134	7 146	7 185	27 012	55 581
	7 104	7 134	7 146	7 185	27 012	55 581

2019	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2018	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	9 005	70 089

Maturity analysis for lease liabilities

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	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	Total R'000
Lease liabilities	7 797	7 824	7 570	7 091	55 486	85 768
	7 797	7 824	7 570	7 091	55 486	85 768

17. Intangible assets

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Computer software				
Net carrying Value	8 044	13 548	8 044	13 548
Cost at the beginning of the year	81 789	81 789	81 789	81 789
Accumulated amortisation	(74 292)	(68 241)	(74 292)	(68 241)
Additions- current year	547		547	
Disposal/ write-off	-	-		-
Reconciliation of movement during the year				
Carrying value at the beginning of the year	13 548	20 279	13 548	20 279
Additions- current year	547	-	547	-
Amortisation	(6 051)	(6 731)	(6 051)	(6 731)
Disposal/ write-off	-			-
Net carrying value at the end of the year	8 044	13 548	8 044	13 548

Included in the cost of intangible assets are computer software that has been fully amortised however still in use with a historical cost of R17.9 million (FY2019: R13.5 million). The Group will reassess the useful lives of all the intangible assets at the beginning of the FY2020 financial year 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 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Distributable reserves from continuing operations				
Capital fund	4 397 655	4 397 655	4 397 655	4 397 655
General reserve	(2 689 945)	(671 627)	(2 039 916)	(321 598)
Insurance reserve	1 423 866	1 507 301	-	-
Total distributable reserves	3 131 576	5 233 329	2 357 739	4 076 057
Other reserves	(608 139)	93 467	(608 139)	93 467
Mark-to-market reserve	(746 611)	(43 883)	(746 611)	(43 883)
Revaluation of property	138 472	137 350	138 472	137 350
	2 523 437	5 326 796	1 749 600	4 169 524

*Amount restated refer to note 49

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 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Accrued expenses	43 636	12 213	42 685	8 606
Amounts due to intermediaries	-	37 912	-	-
Amounts due to reinsurers	501 214	363 257	-	-
Trade payables	1 894	11 577	1 894	11 577
Deferred Income	989	1 286	989	1 286
Loan costs and fees received in advance	45 013	42 226	45 013	42 226
Funds Under Admin utilised by the Land Bank *	727 769		727 769	
Other [1]	4 691	6 922	1 541	6 100
Premiums received in advance	6	3	-	-
Amounts due to SASRIA	4 549	3 008	-	-
Client deposits for approved loans	4 885	2 850	4 885	2 850
	1 334 646	481 254	824 776	72 645

* During quarter 4 of the 2020 financial year Landbank experienced significant liquidity challenges. In a bid to prevent a default the Land Bank utilised third party funds from the Department of Agriculture, Forestry and Fisheries of R630 million and R257m from the African Finance Development Bank (AFDB). These funds were fully restored during June 2020.

[1] Included in the other payables is conditional deposits from sale repossessed properties.
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 R45.1 million (FY2019: R45.3 million) are expected to be settled after more than 12 months.

20. Long-term policyholders' liabilities

20.1 Policyholders' liability excluding Incurred But Not Reported (IBNR) and notified claims	Group 2020 R'000	Group 2019 R'000
Present value of policy liabilities	17 039	20 963
Plus: present value of future expenses	14 243	17 523
Less: present value of future premiums	(12 733)	(15 665)
Liability excluding AIDS reserve	18 549	22 821
Plus: AIDS reserve	826	500
Less : reinsurance reserve	(6 437)	(6 464)
Plus: expense overrun reserve	18 459	21 439
Total policyholders' liability excluding IBNR and notified claims	31 397	38 296

20.2 Movement in the long-term policyholders' liability	Group 2020 R'000	Group 2019 R'000
Balance at the beginning of the year	38 295	43 481
Movement in the long-term policyholders' liability	(6 898)	(5 186)
Balance at the end of the year	31 397	38 295

20.3 Movement in the IBNR	Gross R'000	Ceded R'000	Net R'000
2020			
Balance at the beginning of the year	2 272	(1 399)	873
Movement in the IBNR	(1 971)	1 183	(788)
Balance at the end of the year	301	(216)	85
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

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20.4 Movement in notified (outstanding) claims	Gross R'000	Ceded R'000	Net R'000
2020			
Balance at the beginning of the year	92	(46)	46
Movement in the IBNR	6 105	(5 087)	1 018
Balance at the end of the year	6 197	(5 133)	1 064
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

20.5 Total long-term insurance liabilities	Gross R'000	Ceded R'000	Net R'000
2020			
Long-term policyholders' liability	37 843	(6 437)	31 406
Notified claims	6 197	(5 133)	1 064
IBNR	301	(216)	85
Total long-term insurance liabilities	44 341	(11 786)	32 555
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)	39 215

21. Funding liabilities	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
At amortised cost	41 283 820	44 257 919	41 283 820	44 257 919

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

21.1 Analysis of funding

2020	Non-cash		Cash		Non-cash	Cash			
Group and Bank	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	**19 263 234**	**595 579**	**24 140 736**	**(28 812 030)**	**477**	**(443 786)**	**-**	**14 744 210**	**14 767 705**
Bills	1 312 397	264 974	840 000	(990 000)	-	(183 809)	-	1 243 562	1 278 221
Call bonds	149 888	(888)	-	(112 920)	167	-	-	36 247	36 240
Floating rate notes - 1 year	2 017 794	(20 794)	1 582 400	(1 964 092)	-	(4 693)	-	1 610 615	1 611 260
Floating rate notes - 2 to 5 years	2 690 830	(22 830)	283 500	(2 353 202)	-	(5 629)	-	592 669	624 684
Promissory notes	13 092 325	375 117	21 434 836	(23 391 816)	310	(249 655)	-	11 261 117	11 217 300
Deposits	**695 684**	**-**	**81 906**	**(1 452)**	**-**	**-**	**-**	**776 138**	**776 138**
Agri-related business deposits	232 097	-	81 127	-	-	-	-	313 224	313 224
Forced stock sale deposits	463 543	-	-	(1 452)	-	-	-	462 091	462 091
Small institutional deposits	44	-	4	-	-	-	-	48	48
Rent deposits	-	-	775	-	-	-	-	775	775
Facilities	**4 310**	**(4 309)**	**1 651 966**	**-**	**10 932**	**-**	**(3 587)**	**1 659 311**	**1 650 000**
Committed	2 879	(2 879)	1 651 966	-	10 932	-	(3 587)	1 659 311	1 650 000
Uncommitted	1 430	(1 430)	-	-	-	-	-	-	-
DMTN issuances	**13 457 367**	**(202 567)**	**4 528 252**	**(1 727 800)**	**194 086**	**-**	**(1 840)**	**16 247 498**	**16 191 513**
Floating rate notes	9 330 925	(65 125)	4 528 252	(1 037 800)	68 425	-	(1 745)	12 822 932	12 876 629
- LBK08	329 916	(4 916)	-	(325 000)	-	-	-	-	-
- LBK15	1 403 894	(28 894)	-	-	29 165	-	(331)	1 403 834	1 411 185
- LBK16	191 291	(1 491)	-	(189 800)	-	-	-	-	-
- LBK17	524 127	(1 127)	-	(523 000)	-	-	-	-	-
- LBK18	734 632	(1 632)	-	-	1 523	-	(250)	734 273	752 407
- LBK22	571 791	(3 791)	-	-	3 511	-	-	571 511	571 274
- LBK23	615 242	(4 242)	-	-	3 951	-	(4)	614 947	622 135
- LBK26	245 406	(406)	-	-	427	-	(59)	245 368	245 623
- LBK27	2 023 564	(3 564)	-	-	3 848	-	(25)	2 023 823	2 056 341
- LBK30	306 830	(830)	-	-	695	-	(14)	306 681	305 932
- LBK31	922 670	(2 670)	-	-	2 271	-	(64)	922 207	924 833
- LBK32	506 429	(6 429)	-	-	5 937	-	(36)	505 901	500 497
- LBK33	504 513	(4 513)	250 000	-	4 100	-	(87)	754 013	755 535
- LBK35	450 621	(621)	550 000	-	1 234	-	(137)	1 001 097	1 002 003
- LBK36	-	-	200 000	-	261	-	(11)	200 250	199 995
- LBK37	-	-	800 000	-	1 150	-	(156)	800 994	799 980
- LBK38	-	-	513 252	-	4 924	-	(137)	518 039	513 888
- LBK39U	-	-	980 000	-	1 830	-	(195)	981 635	980 000
- LBK40U	-	-	420 000	-	753	-	(83)	420 670	420 000
- LBK41U	-	-	815 000	-	2 845	-	(156)	817 689	815 000
Fixed rate notes	4 126 442	(137 442)	-	(690 000)	125 661	-	(95)	3 424 566	3 314 885
- LBK11	506 014	(16 014)	-	(490 000)	-	-	-	-	-
- LBK12U	201 862	(1 862)	-	(200 000)	-	-	-	-	-
- LBK20	819 850	(24 850)	-	-	25 327	-	(22)	820 305	826 493
- LBK24	844 189	(39 189)	-	-	39 488	-	-	844 488	856 740
- LBK28	956 900	(31 900)	-	-	36 949	-	(24)	961 925	828 432
- LBK29	797 627	(23 627)	-	-	23 897	-	(49)	797 848	803 219
Term loans - amortising	**3 742 551**	**442 571**	**-**	**(166 667)**	**11 717**	**-**	**(398 339)**	**3 631 833**	**4 438 956**
5 year syndicated loan	166 792	(125)	-	(166 667)	-	-	-	-	-
7 year syndicated loan (Government guaranteed)	(5 191)	5 191	-	-	-	-	(3 778)	(3 778)	-
10 year syndicated loan (MIGA supported)	3 580 950	437 505	-	-	11 717		(394 561)	3 635 611	4 438 956

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

Term loans - bullet term	995 613	4 387	-	-	4 361	-	(5 861)	998 500	1 030 894
3 year syndicated loans	1 000 816	(816)	-	-	4 361	-	(2 607)	1 001 754	1 030 894
6 year syndicated loan (Government guaranteed) [2]	(5 203)	5 203	-	-	-	-	(3 254)	(3 254)	-
Step rate notes									
Step rate notes	4 014 047	(53 047)		(2 961 000)	13 972			1 013 972	1 056 975
Total commercial funding	42 172 805	782 615	30 402 860	(33 668 949)	235 545	(443 786)	(409 627)	39 071 462	39 912 181
Development and multilateral funding									
Term loans - amortising	1 766 618	(4 641)	300 000	(143 806)	13 706	-	(6 945)	1 924 932	2 117 322
10 year term loan - KFW	891 922	7 328	-	(52 897)	458	-	(6 945)	839 866	949 670
12 year term loan - EIB	-	-	-			-	-	-	
15 year term loan - AfDB	782 682	(9 955)	-	(90 909)	8 048	-	-	689 866	708 071
25 year term loan - World Bank	92 015	(2 015)	300 000	-	5 200	-	-	395 200	459 581
Total development and multilateral funding	1 766 618	(4 641)	300 000	(143 806)	13 706	-	(6 945)	1 924 932	2 117 322
Disaster relief funding									
Drought relief									
10 year amortising term loan - IDC	318 496	135	19 048	(50 000)	3 021	-	(3 274)	287 426	274 225
Total disaster relief	318 496	135	19 048	(50 000)	3 021	-	(3 274)	287 426	274 225
Total funding liabilities	44 257 919	778 109	30 721 908	(33 862 755)	252 272	(443 786)	(419 846)	41 283 820	42 303 728

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

		Non-cash	Cash		Non-cash	Cash			
2019	Opening balance	Re-alignment of amortised cost [1]	New issues/ utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value
Group and Bank	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Commercial funding									
Commercial paper	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

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

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
-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)	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 loan	-	-	1 000 000	-	4 767	-	(3 952)	1 000 815	1 045 602
6 year syndicated loan (Government guaranteed)	1 598 231	5 769	-	(1 604 000)	-	-	(5 203)	(5 203)	-
Step rate notes									
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**
Development and multilateral funding									
Term loans - amortising									
10 year term loan - KFW	318 494	8 506	572 250	-	487	-	(7 815)	891 922	1 027 566
12 year term loan - EIB	-	-	-	-	-	-	-	-	-
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 with 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**

Reconciliation of notes in issue [1]			2020 R'000	2019 R'000
Opening balance			13 254 800	10 749 800
Notes issued:	Issue date	Maturity date		
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
LBK33 2nd tap	25 April 2019	07 December 2025	250 000	-
LBK35 1st tap	25 April 2019	26 March 2024	550 000	-
LBK36	25 June 2019	25 June 2020	200 000	-
LBK37	25 June 2019	25 June 2024	800 000	-
LBK38	17 February 2020	16 February 2023	513 252	-
LBK41U	16 March 2020	16 March 2021	815 000	-
LBK39U	23 March 2020	23 March 2025	980 000	-
LBK40U	23 March 2020	23 March 2023	420 000	-
Notes redeemed:				
LBK07	16 September 2014	16 September 2017	-	
LBK19	23 March 2017	23 March 2018	-	
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)
LBK08	30 October 2014	30 October 2019	(325 000)	-
LBK11	28 November 2014	28 November 2019	(490 000)	-
LBK16	30 November 2016	30 November 2019	(189 800)	-
LBK12U	25 February 2015	25 February 2020	(200 000)	-
LBK17	22 March 2017	22 March 2020	(523 000)	-
Closing balance			16 055 252	13 254 800

[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 notes in issue [1]			2020 R'000	2019 R'000
Opening balance			3 961 000	4 252 000
Notes issued:	Issue date	Maturity date		
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)
SRN 1, tranche 1	20 October 2016	21 October 2019	(465 000)	-
SRN 1, tranche 2	28 October 2016	28 October 2019	(465 000)	-
SRN 2, tranche 1	01 November 2016	01 November 2019	(200 000)	-
SRN 3, tranche 1	08 November 2016	08 November 2019	(565 000)	-
SRN 1, tranche 3	25 November 2016	25 November 2019	(116 000)	-
SRN 5, tranche 1	24 May 2017	27 January 2020	(575 000)	-
SRN 5, tranche 2	25 May 2017	27 January 2020	(575 000)	-
Closing balance			1 000 000	3 961 000

[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.
- US$93 million (limited to R1.3 billion) 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 2020 R390 million (R90m prior year) 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 2020, 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 R394 million has been utilised, the remainder of R6 million is no longer available as the facility has expired during the financial year under review.

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 from 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 2020, 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.

- 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	2020 Target	2020 Actual	2019 Target	2019 Actual
Financial Loan Covenants	%	%	%	%
Total Capital Adequacy Ratio[3]	≥15%	9.3%	≥15%	14.3%
Liquidity Coverage Ratio[2, 3]	90%	36.7%	90%	698.4%
Net Stable Funding Ratio[3]	≥100%	95.5%	≥100%	101.4%
Cost to Income Ratio (Continuing Operations)[1]	≤70%	114%	≤65%	73%
NPL (IFRS 9)	≤10%	18.1%	≤10%	9.6%

[1] CTI is negatively impacted by margin compression (poor interest income received & higher cost of funding)
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] Target of 90% in respect of the financial year ending 31 March 2020 and 100% for each financial year thereafter.
[3] The CAR, LCR and NSFR for the 2019 financial year has been restated as a result of restatements to the 2019 annual financial statements.

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

	2020 Actual	2019 Actual
Financial Loan Covenants	%	%
Total Capital Adequacy Ratio[5]	4.1%	8.8%
Liquidity Coverage Ratio[6]	0.0%	0.0%
Net Stable Funding Ratio	95.3%	101.4%

[5] The minimum capital requirement of the SARB is currently 9%, 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 6/2016.
[6] Cash in Bank accounts does not qualify as Liquid Assets

Refer to note 48 for the details on the actions the Land Bank is taking to remediate the financial loan covenants breach.

		2020 * Spread to 3 month Jibar	2019 * Spread to 3 month Jibar
21.4	Weighted average interest cost of commercial funding (NACM) ***		
	Short-term: ≤ 1 year	1,86%	1,00%
	Medium-term: > 1 year ≤ 5 years	3,39%	2,34%
	Long-term: > 5 years	3,97%	3,12%
	Total Cost of Funding	2,77%	1,72%
	Weighted average interest cost of development and multilateral funding (NACM)		
	Long-term: > 5 years **	3,03%	1,62%
	Weighted average interest cost of natural disaster relief funding (NACM)		
	Long-term: > 5 years	0,73%	(0.36%)

* Weighted average Jibar
** Only includes those funding lines for which there has been utilisation.
*** This is the weighted average per maturity bucket of each contract's daily balance over the financial year, divided by the interest rate applicable for that day, then converted to a common compounding period (NACM), shown as a spread to 3 month Jibar as at 31 March 2020.

22. Provisions

Group	Opening balance R'000	Additional provision raised released R'000	Provision utilised R'000	Reversal of provision R'000	Closing balance R'000
2020					
Staff Incentives	24 091	25 000	(30 564)	(18 000)	527
Leave pay	6 530	4 742	(3 787)	-	7 485
Labour disputes	5 068	3 697	(53)	-	8 712
Government Guarantees	4 684	7 770	(3 270)	-	9 184
Litigation and claims	265 131	108 704	-	-	373 835
	305 504	**149 913**	(37 674)	**(18 000)**	**399 743**
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
Litigation and claims*	173 520	91 611		-	265 131
	254 856	123 362	(69 707)	(3 007)	305 504

Bank	Opening balance R'000	Additional provision raised R'000	Provision utilised R'000	Reversal of provision R'000	Closing balance R'000
2020					
Staff Incentives	23 215	25 000	(30 215)	(18 000)	-
Leave pay	6 301	4 681	(3 787)	-	7 195
Labour disputes	5 068	3 697	(53)	-	8 712
Government Guarantees	4 684	7 770	(3 270)	-	9 184
Litigation and claims	265 131	108 704	-	-	373 835
	304 399	**149 852**	**(37 325)**	**(18 000)**	**398 926**
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
Litigation and claims*	173 520	91 611	-	-	265 131
	251 753	122 501	(67 553)	(2 302)	304 399

*Amount restated refer to note 49

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

22.5 Litigation and claims
Provision raised in respect of debtors loan guarantee and breakage fee.

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 2020 amounts to R20.3 million (FY2019: R18.84 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

	Group		Bank	
	2020	2019	2020	2019
Movement in the present value of the benefit obligations:	R'000	R'000	R'000	R'000
Defined benefit obligation 1 April	301 316	369 181	301 316	369 181
Current service cost	(2 295)	2 426	(2 295)	2 426
Interest cost	26 672	22 533	26 672	22 533
Settlement	-	(82 242)	-	(82 727)
Realised gain on settlement	-	(3 150)	-	(3 150)
Actuarial (losses) and gains	(22 800)	11 162	(22 800)	11 162
Benefits paid	(17 531)	(18 594)	(17 531)	(18 109)
Defined benefit obligation March	285 362	301 316	285 362	301 316

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

	Bank		Bank	
	2020	2019	2020	2019
Components of net periodic medical benefit cost:	R'000	R'000	R'000	R'000
Current service cost	2 295	(2 426)	2 295	(2 426)
Interest costs	(26 672)	(22 533)	(26 672)	(22 533)
Total included in interest and staff costs	(24 377)	(24 959)	(24 377)	(24 959)
Total expenses recognised in profit or loss	(24 377)	(24 959)	(24 377)	(24 959)
Actuarial (losses) recognised in other comprehensive income	22 800	(8 012)	22 800	(8 012)

23.2 Maturity profile of members

	Membership Profile 2020			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependents *
Active	114	51,50	26,30	1,83
Pensioners	266	70,40	-	0,59
	380	64,30	26,30	0,99

	Membership Profile 2019			
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

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	
	2020	2019	2020	2019
Sensitivity analysis	R'000	R'000	R'000	R'000
Increase in medical inflation by 1%	35 880	30 041	313 940	337 493
Decrease in medical inflation by 1%	29 361	26 762	259 719	270 051

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	
		2020	2019	2020	2019
	Notes	R'000	R'000	R'000	R'000
Impairment (charge) / release on loans and advances	12	(511)	11 213	(511)	11 213
Bad debts recovered		874	1 717	874	1 717
Net income /(loss) from discontinued operations		363	12 930	363	12 930

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

Assets					
Loans and advances classified as assets held-for-sale	12	-	6 259	-	6 259

25. Interest income

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Measured at amortised cost				
Interest from loans and advances	4 347 242	4 650 413	4 347 242	4 650 411
Interest on short-term deposits	299 541	178 057	299 541	178 057
Interest from banks	50 801	85 469	45 521	81 226
Interest hedging	2 707	1 720	2 707	1 720
Interest on swaps	(2 404)	8 872	(2 404)	8 872
Interest on debentures	54	16	54	16
Interest on premiums written	851	2 613	-	-
Interest on trade receivables	-	-	-	-
	4 698 792	4 927 160	4 692 661	4 920 302

*Amount restated refer to note 49

26. Interest expense

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Commercial funding	3 776 239	3 553 606	3 776 239	3 553 606
Development and multilateral funding	158 208	118 618	158 208	118 618
Disaster relief funding	21 186	20 412	21 186	20 412
Other	92 021	131 647	90 206	129 728
Total interest expense	4 047 654	3 824 283	4 045 839	3 822 364

26.1 Interest expense incurred per class of funding

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Financial liabilities at amortised cost				
Interest paid on commercial funding	3 776 239	3 553 606	3 776 239	3 553 606
- Commercial paper	1 504 218	1 446 898	1 504 218	1 446 898
- Deposits	76 950	64 664	76 950	64 664
- Facilities	34 790	21 034	34 790	21 034
- DMTN issuances	1 353 395	1 091 934	1 353 395	1 091 934
- Term loans - amortising	420 504	482 991	420 504	482 991
- Term loans - bullet term	84 874	67 402	84 874	67 402
- Step rate notes	301 508	378 683	301 508	378 683
Interest paid on development and multilateral funding	158 208	118 618	158 208	118 618
- Term loans - amortising	158 208	118 618	158 208	118 618
Interest paid on disaster relief funding	21 186	20 412	21 186	20 412
- Drought relief	21 186	20 412	21 186	20 412
Other	92 021	131 647	90 206	129 728
- Government guarantee fees	7 770	8 678	7 770	8 678
- Arranging fees - effective interest rate method	65 741	64 661	65 741	64 661
- Penalty Interest on Breakage Costs	16 695	56 389	16 695	56 389
- Credit balances	1 815	1 919	-	-
Total interest expense	4 047 654	3 824 283	4 045 839	3 822 364

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27. Non-interest expense

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Account administration fee expense [1]	357 209	340 670	357 209	340 670
Loss sharing recovery - SLA 2	(159 453)	(68 235)	(159 453)	(68 235)
Loss sharing recovery - WFF 2	(77 193)	(21 074)	(77 200)	(21 074)
Sundry expense	4 668	11 306	-	-
	125 231	262 667	120 556	251 361

[1] Account administration fees under Bank 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] The full amount of R357 million (FY2019: R340 million) relates to fee expenses of financial instruments not measured at fair value through profit or loss.

28. Non-interest income

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Fee and commission income	71 462	72 348	72 628	73 465
Account administration fee income	64 546	71 286	64 546	71 286
Fund administration fees	6 916	1 062	6 916	1 062
Administration fee from LBLIC	-	-	1 166	1 117
Other	27 945	41 629	20 961	31 987
Investment property rentals	17 978	17 575	17 978	17 575
Sundry income *	9 967	24 054	2 983	14 412
	99 407	113 977	93 589	105 452

* Included in the group sundry income is clearing reinsurance creditor against debtor (R15.4m).

29. Operating profit from insurance activities

29.1 Net premium income

	Group 2020 R'000	Group 2019 R'000
Gross written premium	563 557	577 648
Long-term insurance contracts	5 404	5 891
Short-term insurance contracts	558 153	571 757
Gross written premium	563 289	504 386
Change in the unearned premium reserve	(3 672)	61 844
Change in the unexpired risk reserve	(1 464)	5 527
Less: reinsurance premium	420 431	420 822
Long-term insurance contracts	2 632	2 523
Short-term insurance contracts	417 799	418 299
Reinsurance premium written	421 081	377 528
Change in the unearned premium reserve	(3 282)	40 771
	143 126	156 826

29.2 Net movement in the unearned premium reserve

Published basis	Group 2020 R'000	Group 2019 R'000
Premium income	5 135	(67 370)
Reinsurance premium paid	(3 282)	40 771
	1 853	(26 599)

29.3 Net insurance claims

2020	Gross R'000	Reinsurance R'000	Net R'000
Long-term insurance contracts			
Claims paid	(4 925)	4 521	(404)
Movement in notified claims (OCR)	6 105	(5 087)	1 018
Total long-term insurance contract benefits	**1 180**	**(566)**	**614**
Short-term insurance contracts			
Claims & assessment fees paid	505 246	(355 666)	149 580
Movement in IBNR	(44 211)	30 983	(13 228)
Movement in outstanding claim provisions	(21 064)	15 359	(5 705)
Total short-term insurance contract claims	439 971	(309 324)	130 647
Net insurance claims	441 151	(309 890)	131 261

2019	Gross R'000	Reinsurance R'000	Net R'000
Long-term insurance contracts			
Claims paid	5 066	(2 649)	2 417
Movement in notified claims (OCR)	(1 984)	1 062	(922)
Total long-term insurance contract benefits	**3 082**	**(1 587)**	**1 495**
Short-term insurance contracts			
Claims & assessment fees paid	538 819	(364 211)	174 608
Movement in IBNR	47 002	(35 414)	11 588
Movement in outstanding claim provisions	(18 310)	(3 496)	(21 806)
Total short-term insurance contract claims	567 511	(403 121)	164 390
Net insurance claims	570 593	(404 708)	165 885

29.4 Other costs from insurance activities

	Group 2020 R'000	Group 2019 R'000
Movement in policyholders' liability	6 661	4 245
Net commission and administration fees	(39 158)	(24 330)
	(32 497)	(20 085)

30. Investment income and fees

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
An analysis of revenue is as follows:				
Investment income from financial assets classified as at fair value through profit or loss:	100 983	111 092	318 781	22 377
Dividend income - Subsidiary	-	-	300 000	-
Dividend income - other investments	28 647	33 999	12 818	17 143
Interest income	72 336	77 093	5 963	5 234
Investment management and performance fees	(9 845)	(6 447)	(4 538)	(1 078)
	91 138	104 645	314 243	21 299

31.1 Fair value (losses) gains

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Designated at fair value through profit or (loss)	(2 384)	79 929	(2 384)	79 929
Strategic trading assets	(723)	(439)	(723)	(439)
Instruments in (Repos)	(139)	(220)	(139)	(220)
Interest rate swap[1]	(1 522)	80 588	(1 522)	80 588
Investment income	(140 084)	10 279	(19 330)	3 346
Realised gains	15 747	99 495	19 745	4 302
Unrealised fair value gains (losses)	(155 831)	(89 216)	(39 075)	(956)
	(142 468)	90 208	(21 714)	83 275

[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 arrangement; 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.

31.2 Gains and losses on financial instruments

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Derecognition gains/(losses) on financial assets measured at amortised cost	19 153	4 912	19 153	4 912
	19 153	4 912	19 153	4 912

*Amount restated refer to note 49

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
32. Operating expenses				
Depreciation - Owned assets	6 084	7 846	6 025	7 781
Depreciation - Leased assets	25 399	23 232	25 236	23 164
Amortisation - computer software	6 052	6 731	6 052	6 731
Audit fees - External	15 139	7 549	13 919	7 224
- Current	11 671	7 549	10 451	7 224
- Prior year	3 468	-	3 468	-
Audit fees - Internal	1 210	5 505	1 210	5 505
Directors' emoluments	16 225	21 170	11 574	16 799
- Executive	7 856	12 472	4 536	8 501
- Non-executive	8 369	8 698	7 038	8 298
Management fees	1 355	963	1 355	963
Professional fees	33 527	31 304	29 888	27 582
Staff costs	397 924	405 687	384 192	393 635
- Salaries and contributions	387 735	359 971	374 399	348 598
- Staff related provisions and other	10 189	45 716	9 793	45 037
Other operating expenses	209 862	187 021	209 099	184 547
- Computer and data costs	28 752	18 371	28 679	18 291
- Repairs and maintenance	3 864	5 724	3 856	5 712
- Rates and taxes	9 229	9 209	9 229	9 209
- Travel and accommodation	8 008	11 764	7 582	10 965
- Corporate social investment	9 976	11 792	9 976	11 792
- Litigation and claims	67 970	21 091	67 970	21 091
- Other[2]	82 063	109 070	81 807	107 487
	712 777	697 008	688 550	673 931

*Amount restated refer to note 49

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

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
33. Non-trading and capital items				
Fair value gain on investment properties (note 14)	(250)	650	(250)	650
Foreign exchange gain / (loss)*	(40 904)	(28 275)	(40 904)	(28 275)
Impairment of other assets	8	8	8	8
Non-current assets held-for-sale fair value adjustment (note 13.1)	(11 899)	(1 339)	(11 899)	(1 339)
Loss on disposal of property and equipment	(10)	(22)	(10)	(22)
Loss on write-off intangible assets (note 17)	-	-	-	-
Profit on disposal of non-current assets held-for-sale	12 104	2 010	12 104	2 010
	(40 951)	(26 968)	(40 951)	(26 968)

*The foreign exchange loss was as a result of the guarantee issued by the Land Bank to an international bank in favour of one the Land Bank clients. The 2019 figure has been restated. For details refer to note 49

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
34. Indirect taxation				
Value Added Tax [1]	65 764	73 170	65 622	73 045

[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 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
35. Funds under administration				
Asset				
Cash balance held for the funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)	276 402	582 394	276 402	582 394
Liabilities				
DAFF	276 402	582 394	276 402	582 394
35.1 Funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)				
Agri-BEE fund	258 980	201 992	258 980	201 992
DAFF administration fund - flood relief	37	35	37	35
MAFISA fund	13 387	12 551	13 387	12 551
DAFF-Blended Finance	3 999	367 816	3 999	367 816
	276 403	582 394	276 403	582 394

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
35.2 Reconciliation of movement in funds under administration				
Agri-BEE				
Balance at the beginning of the year	201 992	150 605	201 992	150 605
Receipts	43 754	42 496	43 754	42 496
Accrued interest	14 455	10 036	14 455	10 036
Credit transfer	(1 222)	(1 145)	(1 222)	(1 145)
Balance at the end of the year	258 979	201 992	258 979	201 992
35.2.1 DAFF poverty fund				
Balance at the beginning of the year	35	34	35	34
Accrued interest	2	1	2	1
Balance at the end of the year	37	35	37	35

35.2.2 MAFISA fund				
Balance at the beginning of the year	12 551	11 769	12 551	11 769
Accrued interest	836	782	836	782
Balance at the end of the year	13 387	12 551	13 387	12 551
35.2.3 LRAD grant				
Balance at the beginning of the year	-	9 663	-	9 663
Accrued interest	-	370	-	370
Debit Transfer	-	(10 033)	-	(10 033)
Balance at the end of the year	-	-	-	-
35.2.4 DAFF development subsidy				
Balance at the beginning of the year	-	26 009	-	26 009
Accrued interest	-	1 234	-	1 234
Transfer to Land Bank	-	(27 243)	-	(27 243)
Balance at the end of the year	-	-	-	-
35.2.5 DAFF Blended Finance				
Balance at the beginning of the year	367 816	-	367 816	-
Receipts	148 061	374 639	148 061	374 639
Accrued interest	22 069	6 025	22 069	6 025
Debit transfer	(1 480)	(12 848)	(1 480)	(12 848)
Disbursements	(532 467)	-	(532 467)	-
Balance at the end of the year	3 999	367 816	3 999	367 816

35.3 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 (FY2019:Rnil). An injection of R43.8 million (FY2019:R42.5 million) from DAFF and Rnil (FY2019: 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 (FY2019:Rnil)

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Land for Redistribution and Agricultural Development (LRAD) grant
The fund has been set up on behalf of the DRDLR. There were no transfers made during the current financial year (FY2019: 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 Blended Finance fund has been set up on request of the DAFF to provide blended support to Black Commercial Producers in the agricultural, forestry and fisheries sectors in an attempt to accelerate agricultural development and to transform these sectors. The support will include blended funding, skills and technical support required by these producers. The Land Bank is responsible for the utilisation of it's own existing infrastructure and discretion to consider loan applications from Black Commercial Producers, and all funds are received in an interest bearing account. The DAFF injected R148.1 million (FY2019:R374.6 million) which is used to support Black Commercial Producers either in the form of equity contributions or interest rate subsidy, technical support contributions.

35.4 Emerging farmers` support facility & REM wholesale finance facility	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Asset				
Cash balance held for the support facilities	185 527	173 582	185 527	173 582
Liabilities				
Emerging farmers support facility	183 733	171 898	183 733	171 898
REM wholesale finance support facility	1 795	1 684	1 795	1 684
	185 528	173 582	185 528	173 582

35.4.1 Emerging farmers support facility	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Balance at the beginning of the year	171 898	304 080	171 898	304 080
Accrued interest	11 834	20 318	11 834	20 318
Transfer to Blended Finance	-	(152 500)	-	(152 500)
Balance at the end of the year	183 732	171 898	183 732	171 898

35.4.2 REM wholesale finance support facility	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Balance at the beginning of the year	1 684	1 580	1 684	1 580
Accrued interest	111	104	111	104
Balance at the end of the year	1 795	1 684	1 795	1 684

35.5 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. No transfers (FY2019:R152.5million) to the Blended Finance support facility in the current financial period.

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 Retail 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 REM farmers 4% p.a. on the value of the loans disbursed for their role of supporting the emerging farmers with skills and other facilities that enhance their success. This interest is paid from the aforesaid funds. There were no injections into the fund during the current period under review (FY2019: Rnil). There we no Disbursements in the current period under review (FY2019: R9.8mil).

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, 58 of 1962.

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, with effect 1 April 2014. LBIS was deregistered on 30 August 2019. This approval allows that in terms of the new group structure both LBIC (ST Co) and LBLIC (LT Co) can apply for tax exemption in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962.

Following the Ministerial approval, management is re-engaging SARS with the application for an tax exemption from 1 April 2012 - 31 March 2019 for both LBLIC and LBIC, and pre 1 April 2012 for LBLIC, to apply for tax exemption in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962, as well as to waive the tax liability for LBLIC for the period 1 April 2012 to 31 March 2014. The FSB has approved the new structure.

In the unlikely event that SARS does not waive the tax liability for the period when the holding company was in place, LBLIC will be liable for R68 million tax for the period 01 April 2012 to 31 March 2014. Management is of the view that it is improbable that this approval will not be granted and consultations with SARS are ongoing.

36.2 Commission and cost on sale of properties

Upon Land Bank realising that the appointment of a certain service provider was not in accordance with Land Bank processes, Land Bank approached the High Court seeking an order to declare such appointment as unlawful and invalid. Subsequent to the service provider being informed of the fact that their appointment may be irregular and unlawful, the service provider issued two invoices, first in an amount of R201 thousand for the advertising and auction costs and the second in the amount of R3.2 million relating to the 10% commission which the service provider alleges Land Bank is liable to pay in terms of the purported agreement between Land Bank and the service provider (which Land Bank believes is unlawful and invalid). It must be noted that the 10% commission amount of R3.2 million was purely based on an estimate by the service provider based on the reserve price of the total possible purchase price of the properties that they were supposed to auction. The auction never took place and it remains uncertain whether or not the properties in question would have yielded the expected purchase price as estimated by the service provider. Management is of the view that it is improbable that the envisaged claim by the service provider will be successful.

37. Contingent assets

Contingent assets in the current year R230.5m (2019:R28.4m).

Penalty fee:
The contingent asset relates to an early withdrawal penalty fee charged on an investment that the Land Bank had made with one of the banks during the year. This penalty fee was expensed in the 2020 financial year. A process is underway to recover the R16.5m penalty fee. The recovery is contingent upon successfully litigation of the matter.

Boslved Investment
The contingent asset relates to Bosveld Investment currently reflected in the AFS as nil value, as Land Bank believed there was a Nil value to this investment on 31 March 2020. The bank was unable to get projected cash flows and the plant has been decommissioned since 2013. The due diligence requested by the Land Bank in 2019 has not made any reliable progress due to lack of information from the investee. The bank should be entitled to the guarantee of R270m less the non-recoverable debtors of R56m which equates to R214m. Recovering this amount will need to follow the legal process as guided by the agreements and will entail Land Bank successfully surrendering the warrant certificates to ETG Group.

38. Commitments

38.1 Loan commitments and guarantees

	Group		Bank	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Guarantees [1] *	10 550	9 790	10 550	9 790
Loan commitments	4 552 431	5 062 053	4 552 431	5 062 053
	4 562 981	5 071 843	4 562 981	5 071 843

[1] The above guarantees are included in the clients' approved facility limits and it is unknown when the guarantees will be presented for payment.
* In the prior year a Guarantee in favour of BMCE Bank was omitted in error. This has been accounted for in the current year as a prior year error. Refer to note 49.

	Group		Bank	
	2020	2019	2020	2019
38.2 Debentures/ stock purchased	R'000	R'000	R'000	R'000
Repo's				
- R186 (Nominal value: R10 million)	10 305	11 057	10 305	11 057
- R2030 (Nominal value: R10 million)	-	9 219	-	9 219
- LBK28 (Nominal value: R10 million)	9 190	9 981	9 190	9 981
Market Making				
- R186 (Nominal value: R5 million)	5 153	-	5 153	-
	24 648	30 257	24 648	30 257

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
The Group 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 Position. Please refer to note 16.2 for the maturity analysis of lease liabilities.

	Group		Bank	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Operating lease commitments - Group as lessor				
Receivable within one year	2 612	5 082	2 612	5 082
Receivable between one to five years	1 208	3 109	1 208	3 109
	3 820	8 191	3 820	8 191

39. Related party transactions

39.1 Relationships between parents, subsidiaries and associates

The ultimate controlling party of the Land Bank is the Government of the Republic of South Africa, represented by National Treasury.

The following represents the significant subsidiaries of the Bank:	Ownership Interest	
	2020	2019
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 of Finance approved that the former holding company (LBIS) be dissolved and that the two insurance companies (LBIC and LBLIC) be held directly by Land Bank. LBIS was deregistered in 30 August 2019.

39.2 Transactions with related parties other than key management personnel

39.2.1 Amounts received from related parties during the year	2020	2019
i) Land Bank Life Insurance Company (SOC) Limited - Subsidiary	R'000	R'000
Policy administration fees received by Land Bank	233	223
Portion of non-executive directors emoluments paid by LBLIC	80	80
Property and equipment transferred (from)/ to LBLIC (at NAV)	25	18
	338	321

LBLIC is a 100% owned subsidiary of the Land Bank. An annual administration and management fee is paid by LBLIC to Land Bank for support services such as finance, human resources, compliance and information technology. The amount for the year was R233k (FY2019: R223k)

ii) Land Bank Insurance Company (SOC) Limited - Subsidiary		
Policy administration fees received by Land Bank	933	894
Portion of non-executive directors emoluments paid by Land Bank	320	320
Property and equipment transferred to LBIC (at NAV)	108	22
	1 361	1 236
Capital contribution from Land Bank		
- Cash	100 000	25 000

LBIC is a 100% owned subsidiary of the Land Bank. An annual administration and management fee is paid by LBIC to Land Bank for support services such as finance, human resources, compliance and information technology. The amount for the year was R933k (FY2019: R894k)

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 2020, 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	2020 R'000	2019 R'000
Corporation for Public Deposits	992 500	1 312 500
Industrial Development Corporation	587 679	618 631
National Housing Finance	120 000	80 000
Petro SA	957 371	957 371
Post Bank	1 030 000	460 000
Public Investment Corporation	7 870 000	9 695 000
Magalies Water		7 322
Trans-Caledon Tunnel Authority	100 000	322 000
South African Special Risks Insurance Association		100 000
	11 657 550	13 552 824
Other government related parties:		
African Development Bank	681 818	772 727
	12 339 368	14 325 551

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	2020 R'000	2019 R'000
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	-	81 110
Land Bank Insurance Company (SOC) Limited (LBIC)	6 683	30 242

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 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.

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39.2.3 Amounts owed to related parties

	Note	2020 R'000	2019 R'000
DAFF	35.1	276 403	582 394
Micro-Agricultural Finance Institution		13 387	12 551
Agricultural Broad Based Black Economic Empowerment		258 980	201 992
DAFF Development Subsidy		37	35
DAFF Flood Relief		3 999	367 816
Emerging Farmers' Support Facility & REM Wholesale Finance Facility	35.4	185 528	173 583
		461 931	755 977
i) Funds under administration			
DAFF	35.1	276 402	582 394
		276 402	582 394
Cash balances held for funds administered		276 402	582 394

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.

		2020 R'000	2019 R'000
Bank balances of the MAFISA fund	35.2.2	13 387	12 551
MAFISA fund balance		13 387	12 551

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		2020 R'000	2019 R'000
iv) Emerging Farmers' Support Facility & REM Wholesale Finance Facility	35.4.1	185 528	173 582
		185 528	173 582
Cash balance held for the support facilities		185 528	173 582

v) Blended Finance Facility *	2020 R'000	2019 R'000
Blended Finance Facility	3 999	367 816
Cash balance held for the support facilities	3 999	367 816
Total amount owed to related parties	651 457	1 297 375
Total cash balance held for the support facilities	479 316	1 136 343

* During quarter 4 of the 2020 financial year Landbank experienced significant liquidity challenges. In a bid to prevent a default the Land Bank utilised third party funds from the Department of Agriculture, Forestry and Fisheries of R630 million. These fund were fully restored during June 2020.

39.2.4 Transactions between subsidiaries

An administration fee of R13.3 million (FY2019: R12.6 million) was charged to LBIC, the short-term company, for services rendered by LBLIC.

	2020 R'000	2019 R'000
Amounts owed to LBLIC by LBIC	13 556	15 742

There was no ECL at the statement of financial position date and no bad debt expense in the year (FY2019: Rnil) relating to this intercompany transaction.

Revenue transactions for the year ended 31 March	2020 R'000	2019 R'000
Total subsidiary salary costs (including executive director)	14 587	15 798
Service fees charged to LBIC for salaries	(12 091)	(11 445)
LBLIC salaries	2 496	4 353
Total subsidiary contributions to medical aid fund	513	464
Service fees charged to LBIC for medical aid	(410)	(371)
LBLIC medical aid	103	93
Total subsidiary contributions to retirement fund	1 030	1 029
Service fees charged to LBIC for Group Life Insurance	(824)	(823)
LBLIC retirement fund	206	206
Remuneration recharge to LBIC	(13 325)	(12 639)

39.2.5 Transactions with key management personnel

	2020 R'000	2019 R'000
Short-term employee benefits	778	43 850
Other long-term benefits	5	534
Termination benefits	1 024	508

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. Risk management

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 precedence have been met in order effect disbursement of the loan.

- Portfolio Monitoring entails ongoing monitoring and evaluation, including base line studies, to ensure social impact and financial expectations have been met, board representation, business development support by designated teams (agricultural, financial etc.).

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	
40.2 Credit exposure The Group's maximum credit exposure at 31 March 2020 was as follows:	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Asset class with asset credit risk exposure	45 946 973	50 814 372	44 381 029	48 870 556
Loans	41 560 074	43 225 160	41 560 074	43 225 160
Cash at bank	722 711	3 213 121	585 008	3 202 568
Trade and other receivables (excluding prepaid expenses)	1 230 561	821 787	713 689	343 983
Short-term insurance assets	169 906	254 017		
Long-term insurance assets	11 786	7 909		
Repurchase agreements	19 495	30 257	19 495	30 257
Strategic trading assets	5 153	-	5 153	-
Hedging derivatives	79 064	80 587	79 064	80 587
Strategic trading assets				
Investments *	2 148 223	3 181 534	1 418 546	1 988 001
Asset class without asset credit risk exposure	212 211	299 660	211 790	299 077
Intangibles	8 044	13 548	8 044	13 548
Prepaid expenses	7 091	7 579	7 091	7 579
Investment property	15 000	15 250	15 000	15 250
Right of Use of Leased Assets	47 993	68 093	47 735	67 672
Non-current assets held-for-sale	105 112	163 036	105 112	163 036
Property and equipment	28 971	32 154	28 808	31 992
Total assets per statement of financial position	46 159 184	51 114 032	44 592 819	49 169 633
Add off balance sheet items exposed to credit risk				
Guarantees issued	10 550	9 790	10 550	9 790
Loan commitments	4 552 431	5 062 053	4 552 431	5 062 053
Operating lease commitments - group as lessor	3 821	8 191	3 821	8 191
	50 725 986	56 194 066	49 159 621	54 249 667
Maximum credit exposure - selected items	50 513 775	55 894 406	48 947 831	53 950 590

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 R1.09 billion (FY2019: R831.1 million) which relates to investments under asset management which do not have credit exposure (Bank: R154.9 million; FY2019: R210.9 million).

41. Credit risk continued

Gross loan book exposure by agricultural sector

2020

Agricultural Sector	Corporate Banking and Structured Investments Direct R'000	Corporate Banking and Structured Investments Total R'000	Commercial Development and Business Banking Direct R'000	Commercial Development and Business Banking Indirect R'000	Commercial Development and Business Banking 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	449 030	**449 030**	69 938	700 814	**770 752**	**1 219 782**	708 487	340 466	170 829
Agro-processing	-	**-**	-	504 202	**504 202**	**504 202**	415 440	10 763	77 998
Citrus	337 443	**337 443**	84 093	497 541	**581 634**	**919 076**	794 739	75 119	49 219
Cotton	-	**-**	1 505	291 181	**292 686**	**292 686**	213 518	39 234	39 934
Dairy	-	**-**	301 836	455 359	**757 195**	**757 195**	368 614	59 523	329 058
Deciduous fruit	369 591	**369 591**	174 958	187 011	**361 968**	**731 559**	637 207	32 639	61 712
Equipment	-	**-**	-	64 336	**64 336**	**64 336**	54 689	2 914	6 733
Feedlot	43 184	**43 184**	24 628	-	**24 628**	**67 811**	55 439	-	12 372
Financial Services	1 049 197	**1 049 197**	599 108	1 327 744	**1 926 852**	**2 976 049**	2 614 387	77 949	283 714
Fishing	-	**-**	-	-	**-**	**-**	-	-	-
Flowers	-	**-**	4 431	-	**4 431**	**4 431**	4 431	-	-
Fodder	-	**-**	86 634	157 891	**244 525**	**244 525**	172 876	11 697	59 951
Game	-	**-**	190 823	29 223	**220 046**	**220 046**	131 517	-	88 528
Grain	5 438 209	**5 438 209**	1 339 164	17 356 469	**18 695 633**	**24 133 842**	16 065 892	2 998 618	5 069 336
Inputs	-	**-**	-	54 390	**54 390**	**54 390**	33 290	3 369	17 731
Inputs supplier	26 694	**26 694**	67	66 723	**66 790**	**93 484**	34 287	3 158	56 040
Irrigations scheme	-	**-**	-	253 253	**253 253**	**253 253**	225 895	404	26 954
Livestock	219 515	**219 515**	2 772 529	2 067 637	**4 840 166**	**5 059 681**	3 608 105	302 186	1 149 390
Logistics	-	**-**	-	272 065	**272 065**	**272 065**	272 065	-	-
Nuts	216 551	**216 551**	155 434	81 184	**236 618**	**453 169**	403 422	13 164	36 583
Ostriches	4 408	**4 408**	54 357	-	**54 357**	**58 765**	28 145	5 387	25 233
Other	370 996	**370 996**	6 785	636 724	**643 509**	**1 014 504**	740 726	243 534	30 244
Pork	39 614	**39 614**	22 872	-	**22 872**	**62 486**	42 147	8 700	11 639
Poultry	402 343	**402 343**	229 643	182 807	**412 450**	**814 793**	737 948	871	75 975
Subtropical Fruit	-	**-**	32 784	104 113	**136 897**	**136 897**	96 847	9 447	30 604
Sugarcane	633 486	**633 486**	269 337	267 346	**536 684**	**1 170 170**	961 764	128 532	79 874
Table grapes	-	**-**	239 586	187 212	**426 798**	**426 798**	345 633	8 592	72 573
Tea	-	**-**	28 204	-	**28 204**	**28 204**	24 017	-	4 187
Timber	504 196	**504 196**	70 487	415 463	**485 950**	**990 145**	950 275	8 632	31 239
Tobacco	-	**-**	4 725	147 191	**151 916**	**151 916**	77 190	34 312	40 413
Vegetables	-	**-**	369 962	567 111	**937 072**	**937 072**	641 891	113 210	181 971
Wine	192 214	**192 214**	327 333	509 239	**836 572**	**1 028 786**	953 571	14 412	60 804
Total	**10 296 671**	**10 296 671**	**7 461 223**	**27 384 229**	**34 845 452**	**45 142 123**	**32 414 454**	**4 546 832**	**8 180 838**

2019

Agricultural Sector	Corporate Banking and Structured Investments Direct R'000	Corporate Banking and Structured Investments Total R'000	Commercial Development and Business Banking Direct R'000	Commercial Development and Business Banking Indirect R'000	Commercial Development and Business Banking 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	453 229	**453 229**	38 494	1 434 226	**1 472 719**	**1 925 949**	1 325 797	410 182	189 971
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	7 481	89 383
Deciduous fruit	388 766	**388 766**	184 292	168 407	**352 699**	**741 466**	671 445	11 512	58 508
Equipment	-	**-**	-	81 937	**81 937**	**81 937**	73 068	556	8 312
Feedlot	42 634	**42 634**	27 457	-	**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	153 668	48 592
Fishing	-	**-**	-	-	**-**	**-**	-	-	-
Flowers	-	**-**	4 665	-	**4 665**	**4 665**	4 665	-	-
Fodder	-	**-**	84 268	332 170	**416 438**	**416 438**	344 134	30 550	41 754
Game	-	**-**	194 675	48 925	**243 600**	**243 600**	172 281	13 458	57 860
Grain	5 895 684	**5 895 684**	1 102 966	19 297 928	**20 400 894**	**26 296 579**	22 003 847	1 715 103	2 572 718
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	-
Irrigations scheme	-	**-**	-	-	**-**	**-**	-	-	-
Livestock	58 728	**58 728**	2 621 775	878 413	**3 500 188**	**3 558 915**	2 878 770	181 200	498 945
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	309 603	**316 984**	**316 984**	257 841	44 883	19 172
Pork	-	**-**	26 312	-	**26 312**	**26 312**	16 878	255	9 179
Poultry	321 715	**321 715**	306 430	161 611	**468 041**	**789 755**	695 110	109	94 537
Subtropical Fruit	-	**-**	51 484	78 237	**129 722**	**129 722**	85 329	1 265	43 128
Sugarcane	662 000	**662 000**	369 279	260 008	**629 288**	**1 291 288**	513 667	663 137	114 483
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	56 303	133 068
Wine	280 231	**280 231**	298 576	399 629	**698 205**	**978 435**	927 682	4 558	46 196
Total	**10 572 483**	**10 572 483**	**7 112 152**	**27 488 180**	**34 600 332**	**45 172 816**	**37 112 128**	**3 708 685**	**4 352 003**

42. Credit risk continued

42.1 Credit exposure by geographic/regional distribution

2020 Province	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	LDFU R'000	Total R'000	Total %	Loan Performance Stage 1: Preforming R'000	Loan Performance Stage 2: Under-performing R'000	Loan Performance Stage 3: Non-performing R'000
Eastern Cape	1 083 222	1 401 725	-	**2 484 947**	**5%**	2 254 149	46 343	184 455
Free State	74 233	4 981 475	-	**5 055 707**	**11%**	3 624 458	560 839	870 410
Gauteng	5 436 563	6 832 642	62 109	**12 331 314**	**27%**	7 222 971	769 984	4 276 252
KwaZulu-Natal	136 574	1 018 336	-	**1 154 910**	**3%**	853 235	163 621	188 054
Mpumalanga	-	1 903 956	-	**1 903 956**	**4%**	1 276 797	404 051	223 109
Northern Cape	1 094 972	6 857 870	-	**7 952 842**	**18%**	7 227 894	317 005	407 942
Limpopo	1 136 717	4 448 465	-	**5 585 182**	**12%**	3 445 759	1 423 909	715 514
North West	765 754	3 945 719	-	**4 711 473**	**10%**	2 803 743	770 271	1 137 459
Western Cape	568 636	3 455 264	-	**4 023 900**	**9%**	3 705 448	140 809	177 643
Gross loan book	10 296 671	34 845 452	62 109	45 204 233	100%	32 414 454	4 546 832	8 180 838

2019 Province	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	LDFU R'000	Total R'000	Total %	Loan Performance Stage 1: Preforming R'000	Loan Performance Stage 2: Under-performing R'000	Loan Performance 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	5 619 332	5 540 723	67 857	**11 227 911**	**25%**	9 928 880	752 138	479 038
KwaZulu-Natal	552 523	1 552 617	-	**2 105 141**	**5%**	1 079 401	567 729	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	10 572 483	34 600 333	67 857	45 240 672	100%	37 112 128	3 708 685	4 352 003

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:

2020	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	220 699	516 008	-	-	**736 707**
AA+	125 125	92 417	130 781	-	**348 323**
AA	151 349	6 439	-	-	**157 788**
AA-	309	7 249	-	-	**7 558**
A+	98	-	-	-	**98**
A	-	-	-	-	**-**
A-	404	-	-	-	**404**
BBB+	-	-	-	-	**-**
BBB	-	-	-	-	**-**
BBB-	-	-	-	-	**-**
BB+	-	-	-	-	**-**
BB	-	248 859	-	-	**248 859**
Other *	-	41 536 119	-	-	**41 536 119**
Not rated **	1 617	2 074 387	-	719 546	**2 795 550**
Total	499 601	44 481 478	130 781	719 546	45 831 406

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	-	-	26 772
A+	-	1 733	-	-	1 733
A	409	-	-	-	409
A-	1 822	927	-	-	2 749
BBB+	-	166 000	-	-	166 000
BBB	-	-	-	-	-
BBB-	-	-	-	-	-
BB+	30 257	2 101 992	-	-	2 132 249
BB	-	-	-	-	-
Other *	-	43 225 160	-	-	43 225 160
Not rated **	9 832	428 591	586 286	-	1 024 709
Total	1 197 488	46 510 434	586 286	-	48 294 208

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

Gross loan book	2020 R'000	% Total	2019 R'000	% Total
Continuing operations				
Corporate Banking and Structured Investments	10 296 671	23%	10 572 483	23%
Commercial Development and Business Banking	34 845 452	77%	34 600 332	76%
Total gross loan book from continuing operations	45 142 123		45 172 816	
Less: Expected Credit Loss (ECL)	(3 582 049)		(1 947 656)	
Carrying amount of loans from continuing operations	41 560 074		43 225 160	
Discontinued operations				
LDFU	62 109	0%	67 857	0%
Total gross loan book from discontinued operations	62 109		67 857	
Less: Expected Credit Loss (ECL)	(62 109)		(61 598)	
Carrying amount of loans from discontinued operations	-		6 259	
Balance per annual financial statements - total carrying amount	41 560 074	100%	43 231 419	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 (FY2019: 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:

	2020 R'000	%	2019 R'000	%
Short-term	15 056 501	33%	14 739 294	33%
Medium-term	5 936 487	13%	6 761 331	15%
Long-term	24 125 180	53%	23 672 191	52%
	45 118 168	100%	45 172 816	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 2020 is R24.1 billion (FY2019: R23.7 billion).

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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.
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.

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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 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-indices, including any forecasts of future economic conditions are reviewed regularly.
For information on financial assets' credit risk exposure, including significant credit risk concentrations please see note 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 R15 million (FY2019: R9.1 million) refer to 11.6.

Modification

The gross carrying amount of loans modified and the related gains/(losses) recognised where no derecognition took place:

	Gross loans modified FY2020 R'000	Gain/(loss) on modification FY2020 R'000	Change in expected credit loss due to modification FY2020 R'000
Stage 1	1 070 502	(19 023)	(376)
Stage 2	59 930	(245)	(109)
Stage 3	41 462	115	(25)
Total	**1 171 894**	**(19 153)**	**(510)**

	Gross loans modified FY2019 R'000	Gain/(loss) on modification FY2019 R'000	Change in expected credit loss due to modification FY2019 R'000
Stage 1	26 588	(1 442)	(30)
Stage 2	84 542	(3 470)	(205)
Stage 3	626	-	-
Total	**111 756**	**(4 912)**	**(235)**

Stage migration (Gross loans and relating expected credit losses)

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2020	Note	Stage 1 [1] R'000	Stage 2 [2] R'000	Stage 3 [2] R'000	Total R'000
Gross loans as reported for 2020	11.3	32 414 453	4 546 831	8 180 839	45 142 123
Stage migration - improvements		351 206	(104 867)	(246 339)	
- Stage 2 to 1		263 577	(263 577)	-	
- Stage 3 to 1		87 629	-	(87 629)	
- Stage 3 to 2		-	158 710	(158 710)	
Stage migration - deterioration		(7 325 539)	2 273 521	5 052 018	
- Stage 1 to 2		(3 148 111)	3 148 111	-	
- Stage 1 to 3		(4 177 428)	-	4 177 428	
- Stage 2 to 3		-	(874 590)	874 590	
Net stage migration		(6 974 333)	2 168 654	4 805 679	
Expected credit losses as reported for 2020	11.3	(311 591)	(170 749)	(3 091 387)	(3 573 726)
Stage migration - improvements		4 743	149 277	(154 020)	
- Stage 2 to 1		4 149	(4 149)	-	
- Stage 3 to 1		594	-	(594)	
- Stage 3 to 2		-	153 426	(153 426)	
Stage migration - deterioration		(1 480 398)	(272 739)	1 753 137	
- Stage 1 to 2		(87 741)	87 741	-	
- Stage 1 to 3		(1 392 657)	-	1 392 657	
- Stage 2 to 3		-	(360 480)	360 480	
Net stage migration		(1 475 655)	(123 462)	1 599 117	

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

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 2019	11.3	37 112 128	3 708 685	4 352 003	45 172 816
Stage migration - improvements		504 236	(225 157)	(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)	2 298 666	1 252 257	
Expected credit losses as reported for 2019	11.3	(341 016)	(125 461)	(1 474 989)	(1 941 466)
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		(161 070)	23 322	137 748	
- 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		(158 279)	60 082	98 197	

[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
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.

	Group		Bank	
	2020	2019	2020	2019
The tables below summarise the maturity analysis for financial liabilities:	R'000	R'000	R'000	R'000
Financial liabilities				
Trade and other payables	1 334 646	481 254	824 776	72 645
Lease liabilities	50 609	70 518	50 335	70 089
Short-term insurance liabilities	237 227	329 860		
Long-term policyholders' liabilities	44 341	47 124		
Funding and liabilities at amortised cost	41 283 820	44 257 919	41 283 820	44 257 919
Total financial liabilities	42 950 643	45 186 675	42 158 931	44 400 653

43. Maturity analysis for financial assets and liabilities

Maturity analysis is presented on undiscounted cash flows as per IFRS 7.42E.

2020	Notes	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	> 5 years R'000	Open ended R'000	Total R'000
Financial Assets									
Cash and cash equivalents	4			-	-	-	-	722 711	722 711
Trade and other receivables	5	638 413	211 844	991	69 693	37	509	340 120	1 261 607
Short-term insurance assets	6	169 906	-	-	-	-	-	-	169 906
Repurchase agreements	7	-	-	-	-	-	-	19 495	19 495
Investments	8	686 473	56 384	-	-	4 877	103	1 409 341	2 157 178
Strategic trading assets	9	-	-	-	-	-	-	5 153	5 153
Derivatives assets	10	-	-	-	-	-	-	79 064	79 064
Loans and advances	11	248 326	15 113 847	946 258	3 582 068	10 548 321	12 899 791	-	43 338 611
Long term insurance assets		3 707	-	-	6 401	1 678	-	-	11 786
Total assets		**1 746 825**	**15 382 075**	**947 249**	**3 658 162**	**10 554 913**	**12 900 403**	**2 575 884**	**47 765 512**
Financial Liabilities									
Trade and other payables	19	1 131 876	85 662	51 412	65 538	158	-	-	1 334 646
Short-term insurance liabilities	6	237 227	-	-	-	-	-	-	237 227
Long-term policyholders' liabilities	20	(750)	-	-	30 483	14 608	-	-	44 341
Funding liabilities	21	8 534 516	7 396 468	3 364 051	3 585 441	24 760 037	4 801 951	-	52 442 465
Lease liabilities	16.2	7 151	7 180	7 193	7 231	27 120	-	-	55 875
Total Financial Liabilities		**9 910 020**	**7 489 310**	**3 422 656**	**3 688 693**	**24 801 924**	**4 801 951**	**-**	**54 114 553**

2019	Notes	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	> 5 years R'000	Open ended R'000	Total R'000
Financial Assets									
Cash and cash equivalents	4	95 560	96 034	18 942	56 639	22 842	97	2 923 007	3 213 121
Trade and other receivables	5	661 230	9 225	37 597	42 031	149	628	78 506	829 366
Short-term insurance assets	6	254 017	-	-	-	-	-		254 017
Repurchase agreements	7	-	-	-	-	-	-	30 257	30 257
Investments	8	80 541	12 733	2 040	82 959	157 734	231 273	2 614 254	3 181 534
Derivatives assets	10	-	-	-	-	-	-	80 587	80 587
Loans and advances	11	263 711	408 458	370 606	314 509	27 521 732	15 816 880	-	44 695 897
Long term insurance assets	20,5	2 802	211	259	493	2 177	2 057	-	7 999
Total assets		**1 357 861**	**526 661**	**429 444**	**496 631**	**27 704 634**	**16 050 935**	**5 726 611**	**52 292 777**
Financial Liabilities									
Trade and other payables	19	210 337	188 860	12 518	22 911	4 647	-	41 981	481 254
Short-term insurance liabilities	6	329 860							329 860
Long-term policyholders' liabilities	20	2 468	2 467	1 765	1 326	21 720	17 378		47 124
Funding liabilities	21	9 282 622	5 585 931	6 029 336	4 931 774	42 517 763	8 799 531		77 146 957
Lease liabilities	16.2	7 844	7 871	7 616	7 137	55 780			86 248
Total Financial Liabilities		**9 833 131**	**5 785 129**	**6 051 235**	**4 963 148**	**42 599 909**	**8 816 909**	**41 981**	**78 091 443**

43.1 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) 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:
- 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.

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43.2 Interest rate risk

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 2020 was 89.62%floating (FY2019: 88.8% floating).

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 2020 was 89.62%floating (FY2019: 88.8% 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 2020:

Bank Incremental change in yield	31 March 2020 Net interest income R'000	31 March 2020 Effect on equity R'000	31 March 2019 Net interest income R'000	31 March 2019 Effect on equity R'000
Expected NII	723 600	-	1 402 570	-
Potential movement: 100 Basis point up	782 810	59 206	1 572 271	169 701
Potential movement: 100 Basis point down	664 400	(59 206)	1 232 869	(169 701)

An interest rate sensitivity analysis was performed by applying a parallel shift of 100 basis points up and down on interest rates to anticipate the projected impact on the Bank's profitability. The expected view is based on the inclusion of the latest 200bps cut in the repo rate and the assumption that there will not be changes in the repo rate for the remainder of the financial year.

It is noteworthy that the Land Bank's sensitivity to interest rates has decreased over the past year from R170m to R59m, this can be ascribed to the fact that the Bank has already accounted for 200bps repo rate reduction announced during first quarter of 2021, in its forecast.

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 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 2020	31 March 2019
LBLIC	R'000	R'000
Incremental change in yield		
100 Basis Points decrease	3 845	10 386
50 Basis Points decrease	1 923	4 681
50 Basis Points increase	(1 923)	(4 454)
100 Basis Points increase	(3 845)	(9 374)
LBIC		
Incremental change in yield		
100 Basis Points decrease	43	150
50 Basis Points decrease	22	75
50 Basis Points increase	(22)	(75)
100 Basis Points increase	(43)	(150)

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

43.3 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.

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

Group	United States Dollar US$'000	South African Rand R'000
31 March 2020		
Equities - unit trusts (USD base currency)	7 863	116 214
Balanced funds	1 480	21 871
Commodities - metals	320	4 733
Cash on deposit at call	(494)	(7 304)
Foreign currency exposure	9 169	135 514
Exchange rates (ZAR:USD):		
Closing rate - 31 March 2020	17,56	0,06
Average rate	14,78	0,07

Group	United States Dollar US$'000	South African Rand R'000
31 March 2019		
Equities - USD base currency unit trusts	9 863	129 107
Balanced funds	2 765	36 197
Commodities - metals	362	4 733
Cash, deposits and similar securities	(100)	(1 313)
Foreign currency exposure	12 889	168 723
Closing rate - 31 March 2019	14,30	0,07
Average rate	13,09	0,08

Sensitivity analysis - currency risk
The foreign currency exposure that was calculated at 31 March was as follows:

LBLIC Incremental change in yield *	Impact on the statement of profit or loss and other comprehensive income 31 March 2020 R'000	31 March 2019 R'000
USD		
10% decrease	(13 551)	(16 872)
5% decrease	(6 776)	(8 436)
5% increase	6 776	8 436
10% increase	13 551	16 872

Expected credit loss
Sensitivity analysis

The sensitivity analysis on Expected credit loss 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	Loans and advances R'000	Effect on equity R'000
31 March 2020				
As at 31 March 2020 : Base	4 692 661	1 807 700	41 560 074	
Potential movement: -5%	4 701 838	1 365 000	42 011 951	451 877
Potential movement: 5%	4 683 484	2 254 447	41 104 150	(455 924)
31 March 2019				
As at 31 March 2019 : Base	4 920 302	1 188 033	43 225 160	
Potential movement: -5%	4 926 385	921 953	43 497 323	272 163
Potential movement: 5%	4 914 219	1 462 017	42 945 093	(280 067)

43.4 Insurance risk

43.4.1 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 2020 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 2020, 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).

2020			Value		Change
Policyholders' liability - Individual Life			R'000	R'000	%
Base value			30 874		
Investment return	-1%		31 453	579	1,90%
Mortality	+10%		31 442	568	1,80%
Expenses	+1%		31 432	558	1,80%
	+10%		34 023	3 149	10,20%

2020*			Value [1]		Change
Policyholders' liability - Group Life			R'000	R'000	%
Base value			-		
Investment return	+1%	from 7.3% to 8.3%	-	-	
	-1%	from 7.3% to 6.3%	-	-	
Mortality	+10%	1.1 x mortality	-	-	
	-10%	0.9 x mortality	-	-	

* The results at group are all zero mainly because of negative reserves coming through in the correct 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.

2019			Value		Change
Policyholders' liability - Individual Life			R'000	R'000	%
Base value			39 649		
Investment return	1%	from 8.3% to 9.3%	38 611	(1 039)	(2,62%)
	-1%	from 8.3% to 7.3%	40 785	1 135	2,86%
Mortality	10%	1.1 x mortality	41 274	1 625	4,10%
	-10%	0.9 x mortality	37 984	(1 665)	(4,20%)
Expenses	5%	from 80% to 84%	40 526	877	2,21%
	-5%	from 80% to 76%	38 771	(878)	(2,21%)

2019			Value		Change
Policyholders' liability - Group Life			R'000	R'000	%
Base value					
Investment return	1%	from 7.3% to 8.3%	-	-	-
	-1%	from 7.3% to 6.3%	-	-	-
Mortality	10%	1.1 x mortality	-	-	-
	-10%	0.9 x mortality	-	-	-

43.4.2 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	2020	2019
LBIC: Net insurance benefits and claims on short-term business expressed as a % of net earned premiums	93.08%	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.

Underwriting result		Loss Ratio	Value R'000	Change R'000	%
Reported results			(49 294)		
Premium	+10%		(47 445)	1 849	(4%)
	-10%		(51 143)	(1 849)	4%
Claims	+5%	98%	(55 827)	(6 532)	13%
	-5%	88%	(42 762)	6 532	(13%)
Expenses	+15%		(52 243)	(2 948)	6%
	-15%		(46,346)	2 948	(6%)

2019 Underwriting result		Loss Ratio	Value R'000	Change R'000	%
Reported results			(54 913)		
Premium	+10%		(53 257)	1 656	(3%)
	-10%		(56 568)	(1 656)	3%
Claims	+5%	107%	(63 132)	(8 220)	15.%
	-5%	97%	(46 693)	8 220	(15%)
Expenses	+15%		(57 892)	(2 979)	5%
	-15%		51 934	2 979	(5%)

(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 of outstanding claims and IBNR is done by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2020, both LBLIC and LBIC believe that their liabilities for claims are adequate.

(iii) Reinsurance risk

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.

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Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2020, both LBLIC and LBIC believe that their liabilities for claims are adequate.

(iii) Reinsurance risk
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:

Asset classes	2020 R'000	%	2019 R'000	%
Equities - local	299 311	27 %	439 510	33 %
Resources	141 126	47 %	110 711	25%
Financials	97 616	33 %	136 334	31%
Industrials	60 568	20 %	192 465	44%
Commodities - local	(2 321)	-0 %	15 450	1 %
Bonds - local	429 953	38 %	447 050	33 %
Fixed interest	279 806	65 %	346 659	78 %
Floating rate	148 181	34 %	44 134	10 %
Inflation linked	1 966	0 %	56 257	13 %
Other	-	0 %	-	0 %
Cash, deposits and similar securities - local	256 514	23 %	268 381	20 %
Investment policy - property (local)	4 101	0 %	12 138	1 %
Foreign assets	130 781	12 %	163 991	12 %
Total LBLIC	1 118 338	100 %	1 346 520	100 %

16.24% of the portfolio was held in RSA Central Government bonds as at 31 March 2020 (2019 : 16.8%)
2.99% of the portfolio was held in an Investec Money Markey Fund as at 31 March 2020 (2019 : 6.6%)
6.73% of the portfolio was held in an Investec Global Equity Fund as at 31 March 2020 (2019 : 4.87%)

LBIC

Investment portfolio concentration risk

The allocation of investment portfolio as at 31 March was as follows:

	2020		2019	
	R'000	%	R'000	%
Bonds - local	4 980	8 %	133 062	68 %
Fixed interest	2 538	51 %	46 728	35 %
Floating rate	2 339	47 %	78 654	59 %
Inflation linked	103	2 %	7 681	6 %
Cash, deposits and similar securities - local	56 389	92 %	63 981	32 %
NCD's	56 384	100 %	62 887	98 %
Other	6	0 %	1 093	2 %
Total LBIC	61 369	100 %	197 043	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 2020.

LBIC	2020	
Asset classes	Lower bound	Upper bound
Equities - local	0 %	35 %
Bonds - local	0 %	20 %
Bonds - inflation linked	0 %	20 %
Cash, deposits and similar securities - local	25 %	95 %
Foreign assets	0 %	10 %

LBLIC	2019	
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.

	2020			2019		
Portfolio	Number	Value R'000	Average R'000	Number	Value R'000	Average R'000
20 - 29	22	5 429	523	14	4 594	328
30 - 39	109	66 783	2 074	102	53 587	525
40 - 49	261	97 820	970	283	114 786	406
50 - 59	513	150 333	1 285	575	163 000	283
60 - 69	532	146 537	1 226	586	157 711	269
70+	149	33 146	887	914	278 025	304
	1 586	500 048	315	2 474	771 703	312

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

	2020	2019
Portfolio	R'000	R'000
Short-term insurance (crop)	563 209	504 386
Short-term insurance (assets)	80	-
	563 289	504 386

Short-term crop insurance gross written premium by class of business

	2020		2019	
Portfolio	Gross Written Premium R'000	Net Written Premium R'000	Gross Written Premium R'000	Net Written Premium R'000
Winter hail	32 410	18 241	53 133	32 544
Multi-peril winter	1 787	342	1 875	399
Fruit & Nuts	52 380	9 167	46 543	8 145
Hail Summer	466 933	110 313	385 166	101 106
Multi-peril summer	9 699	2 291	17 669	4 638
Total	563 209	140 354	504 386	146 831

Multi peril is limited to 15% of the total crop portfolio.

Short-term asset insurance gross written premium by class of business

Portfolio	2020 R'000	2019 R'000
Motor	24	-
Non-motor	56	-
	80	-

Short-term crop insurance gross written premium by geographical segment

	2020 R'000	2019 R'000
Mpumalanga	124 478	90 925
Gauteng	9 625	7 799
KwaZulu-Natal	89 120	73 676
Eastern Cape	34 864	44 217
Free State	210 436	181 562
Limpopo	28 727	38 256
North West	25 883	21 312
Northern Cape	34 542	41 131
Western Cape	5 534	5 507
	563 209	504 386

43.5 Equity price risk

The equity risk exposures arise from the medical aid fund assets and the LBLIC investment portfolio. Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

The effect on equity (as a result of a change in the fair value of equity instruments held-for-trading in the category financial assets through profit or loss at 31 March) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Group		Bank	
	Change in equity price %	Effect on equity R'000	Change in equity price %	Effect on equity R'000
2020				
Individual stocks and indices	10	56 534	10	15 214
2019				
Individual stocks and indices	10	79 493	10	21 086

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.

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Sensitivity analysis on equity instruments	Impact on the statement of profit or loss and other comprehensive income 31 March 2020 R'000	31 March 2019 R'000
Incremental change in price		
Excluding the impact of derivatives		
10% decrease	(29 931)	(45 515)
5% decrease	(14 966)	(22 788)
5% increase	14 966	22 833
10% increase	29 931	45 696
Including the impact of derivatives		
10% decrease	(29 699)	(19 190)
5% decrease	(14 850)	(9 564)
5% increase	14 850	9 637
10% increase	29 699	19 200

43.6 Investment strategy

LBIC

The Investment Policy was updated and approved in May 2019. 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 %	5 %
Medium term	0 %	50 %	20 %	30 %	0 %	5 %
Long term	35 %	20 %	10 %	25 %	10 %	6 %

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	35 %	0 %	35 %	JSE Capped SWIX
Local Nominal Bonds	20 %	0 %	20 %	All Bond Index (ALBI)
Local Inflation Linked Bonds	10 %	0 %	20 %	Inflation Linked Bond Index (ILBI)
Local cash	25 %	25 %	95 %	STeFI Composite
Foreign Multi-Assert Class	10 %	0 %	10 %	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 the 2018 FYE and generated an annual equivalent of 8.35% as return. In the March 2020 year end, the investment reflected 4,4% return with a net disinvestment of R140m being made throughout the financial year. This performance was below the target of CPI + 1.0% which was around 5.0%.

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	Current Liabilities plus Solvency Capital Requirement (SCR) 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.

Investment strategy
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 yearly CPI + 4% performance objective (FY2019: CPI+4%).
The fund returned a negative performance at an average rate of 3.9% for the 12 months to end March 2020 which is far off the CPI + 4% target (net of fees).

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;
- 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	
Capital adequacy	2020	2019
Total capital adequacy	9,3%	14.3%

Capital supply	2020 R'000	2019 R'000
Ordinary shareholders' equity	4 397 655	4 397 655
Retained earnings	(2 036 047)	(321 598)
Accumulated other comprehensive income	(608 139)	93 467
Property revaluation reserve	138 472	137 350
Other reserves	(746 611)	(43 883)
Common Equity Tier 1 (CET1) Capital: Instruments and reserves	1 753 469	4 169 524
Common Equity Tier 1 Capital: Regulatory adjustments	(287 757)	(17 490)
Distributable reserves relating to the discontinued operation	(3 869)	(3 942)
Threshold deductions (investments in subsidiaries)	(275 844)	
Intangible assets	(8 044)	(13 548)
Total available Common Equity Tier 1 capital	1 465 712	4 152 034
Total available Tier 2 capital	515 024	476 313
General allowance for credit impairment	515 024	476 313
Total available capital	1 980 736	4 628 347
National Treasury guarantee *	2 410 000	2 710 000
Capital demand		
Risk weighted assets		
Credit risk	42 626 489	45 471 195
Counterparty risk	299 457	138 878
Operational risk	2 319 891	2 470 865
Equity risk	912 729	1 591 719
Market risk	48 642	38 273
Other assets risk	677 718	909 007
Threshold items	435 389	875 075
Total	47 320 315	51 495 012

* Refer to the Note 39.2 on related parties.

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45. Fair value hierarchy of financial instruments

45.1 Carrying amount and fair value of financial instruments

	2020		2019	
Group	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Financial assets				
Fair value through profit or loss				
Repurchase agreements	19 495	19 495	30 257	30 257
Investments	2 148 223	2 148 223	3 181 534	3 181 534
Strategic trading assets	5 153	5 153	-	-
Derivatives assets	79 064	79 064	80 587	80 587
Insurance assets	181 692	181 692	261 926	261 926
Loans and receivables				
Cash and cash equivalents	722 711	722 711	3 213 121	3 213 121
Trade and other receivables	1 237 652	1 237 652	829 366	829 366
Loans and advances	41 560 074	41 560 074	43 225 160	43 225 160
Total financial assets	45 954 064	45 954 064	50 821 951	50 821 951
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	1 334 646	1 334 646	481 254	481 254
Funding	41 283 820	41 283 820	44 257 919	44 257 919
Policyholders' liabilities	281 568	281 568	376 984	376 984
Total financial liabilities	42 900 034	42 900 034	45 116 157	45 116 157

	2020		2019	
Bank	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Financial assets				
Fair value through profit or loss				
Repurchase agreements	19 495	19 495	30 257	30 257
Investments	1 418 546	1 418 546	1 988 001	1 988 001
Strategic trading assets	5 153	5 153	-	-
Derivatives assets	79 064	79 064	80 587	80 587
Loans and receivables				
Cash and cash equivalents	585 008	585 008	3 202 568	3 202 568
Trade and other receivables	720 780	720 780	351 562	351 562
Loans and advances	41 560 074	41 560 074	43 225 160	43 225 160
Total financial assets	44 388 120	44 388 120	48 878 135	48 878 135
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	824 776	824 776	72 645	72 645
Funding	41 283 820	41 283 820	44 257 919	44 257 919
Total financial liabilities	42 108 596	42 108 596	44 330 564	44 330 564

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, are valued using inputs obtained from independent sources. The inputs are loaded into market accepted valuation models, a derivative valuation tool that is customised to the South African environment and developed by an independent third party.

Equity investments that are held neither for trading nor for contingent consideration are valued at their fair value using independent valuators.

Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance.

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;

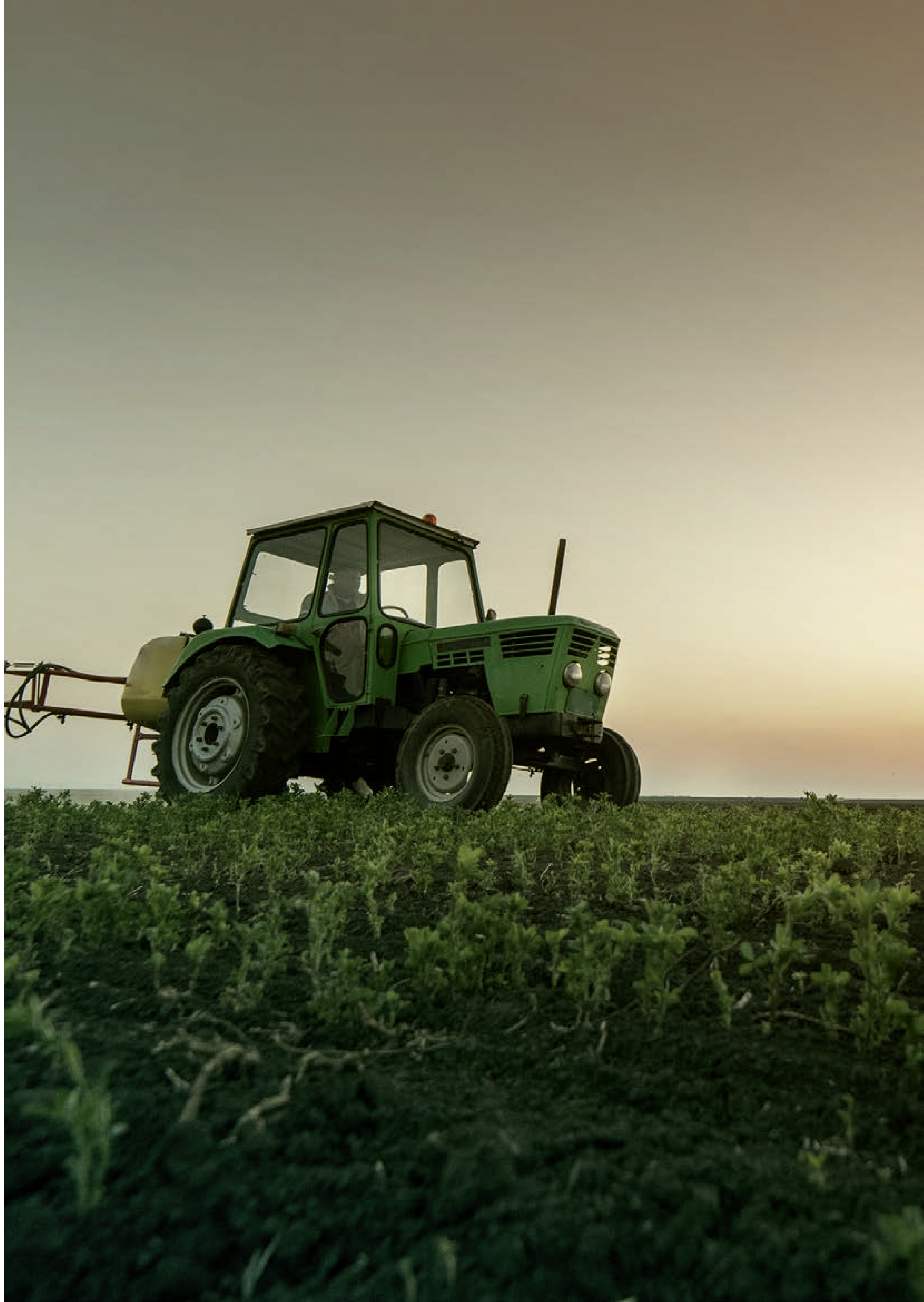
Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and

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.

2020	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Bank				
Repurchase agreements	-	19 495	-	**19 495**
Strategic trading assets	-	5 153	-	**5 153**
Derivatives assets	-	79 064	-	**79 064**
Cash and cash equivalents	-	585 008	-	**585 008**
Trade and other receivables	-	-	720 780	**720 780**
Loans and advances	-	-	41 560 074	**41 560 074**
Equities	111 362	-	-	**111 362**
Real estate	-	-	-	**-**
Commodities	6 030	-	-	**6 030**
Bonds	40 719	-	-	**40 719**
Cash deposits and similar securities	-	14 738	-	**14 738**
Foreign equities	37 486	-	-	**37 486**
Investment in listed shares	117 983	-	-	**117 983**
Unlisted investments	-	-	640 198	**640 198**
LBLIC & LBIC				
Equities	299 311	-	-	**299 311**
Commodities	(2 321)	-	-	**(2 321)**
Bonds	434 933	-	-	**434 933**
Collective investment schemes	-	130 780	-	**130 780**
Cash deposits and similar securities	-	312 903	-	**312 903**
Investment policy	-	4 101	-	**4 101**
Insurance assets	-	-	181 692	**181 692**
Cash and cash equivalents	-	137 703	-	**137 703**
Trade and other receivables	-	-	516 872	**516 872**
Total financial assets	1 045 503	1 288 945	43 619 616	45 954 064

2019	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Repurchase agreements	-	30 257	-	**30 257**
Strategic trading assets	-	-	-	**-**
Derivatives assets	-	80 587	-	**80 587**
Cash and cash equivalents	-	3 202 568	-	**3 202 568**
Trade and other receivables	-	-	351 562	**351 562**
Loans and advances	-	-	43 225 160	**43 225 160**
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**
Investment in listed shares	127 685	-	-	**127 685**
Unlisted investments	-	-	1 250 203	**1 250 203**
LBLIC & LBIC				
Equities	439 510	-	-	**439 510**
Commodities	15 450	-	-	**15 450**
Bonds	297 053	-	-	**297 053**
Collective investment schemes	-	447 050	-	**447 050**
Cash deposits and similar securities	-	332 362	-	**332 362**
Investment policy	-	12 138	-	**12 138**
Insurance assets	-	-	261 926	**261 926**
Cash and cash equivalents	-	10 553	-	**10 553**
Trade and other receivables	-	-	477 804	**477 804**
Total financial assets	1 134 773	4 120 523	45 566 655	50 821 951



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	Afrifresh Group (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 Silo Company Pty Ltd R'000	Bosveld R'000	ETG R'000	Total R'000
As at 31 March 2018	170 281	1 498	119 699	-	140 186	48 975	84 485	-	-	-	-	565 124
Purchases								124 000	94 383	499 378	41 109	758 870
Re-measurement recognised in OCI	4 394	(1 393)	(5 291)		15 704	2 252	8 368	-	-	25 874	(38 984)	10 924
Dividends	-				-	-	-	-	-	-	-	-
Disposal	(84 715)	-		-	-	-	-	-	-			(84 715)
As at 31 March 2019	89 960	105	114 408	-	155 890	51 227	92 853	124 000	94 383	525 252	2 125	1 250 203
Purchases				160 000								160 000
Re-measurement recognised in OCI	(14 960)	(105)	(42 208)	(80 000)	(4 592)	(7 127)	(8 955)	(19 000)	617	(525 252)	(2 125)	(703 706)
Dividends												-
Disposal					(66 298)							(66 298)
As at 31 March 2020	**75 000**	**-**	**72 200**	**80 000**	**85 000**	**44 100**	**83 898**	**105 000**	**95 000**	**-**	**-**	**640 198**

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 2018	10 085	174 590	24 500	209 175
Purchases	-	-	-	-
Fair value adjustment for recognised in the statement of profit or loss	-		-	-
Re-measurement recognised	(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
Purchases	-	-	-	-
Fair value adjustment for recognised in the statement of profit or loss	-	-	-	-
Re-measurement recognised	(11 899)	(250)	50	(12 099)
Disposal	(46 025)	-	-	(46 025)
Reclassification (to)/from other category of property			-	-
As at 31 March 2020	**105 112**	**15 000**	**24 400**	**144 512**

45.4 Description of significant unobservable inputs to level 3 valuations

As at 31 March 2020

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Capespan Capital (Pty) Ltd	Land bank sold its investment at Capespan Capital (Pty) Ltd for R14. The investment therefore carried at no value in the annual financial statements.		
Acorn Agri (Pty) Ltd	NAV. Investment holding company, value derived from the investment activities (BS approach).	NAV valuation: Adjust range between: 0.5% Up and 0.5% Down	-0.5%: R68 760 136 +0.5%: R75 733 104
Mouton Holdings (Pty) Ltd	The Land Bank accepted an offer for the purchase of Mouton Holdings (Pty) Ltd shares for R85 million. The investment therefore carried at this value in the annual financial statements.		
Southern Cross Investment Holdings (Pty) Ltd	The Land Bank received and an offer for the purchase of Southern Cross Investment Holdings (Pty) Ltd shares for R75 million. The investment therefore carried at this value in the annual financial statements.		
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 14.8% and 15.8%	Discount rate: -0.5%: R47 623 184 +0.5%: R40 981 757
Ideafruit (Pty) Ltd *	The valuation for Ideafruit (Pty) Ltd could not be completed as at 31 March 2020 due to unavailability of financial projections and latest audited financial statements. Land Bank has therefore taken a decision to use the acquisition price of the investment. This resulted in the carrying value of R83.9 million (FY2019: R92.9million) for the Bank.		
Riverside Holdings (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 18.5% and 19.5%	Discount rate: -0.5%: R110 495 385 +0.5%: R101 521 870
Afgri Grain Silico Company Pty Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 12.3% and 12.9%	Discount rate: -0.3%: R115 057 807 +0.3%: R76 826 194

* The valuation for Ideafruit (Pty) Ltd could not be completed as at 31 March 2020 as investee management had not finalised their financial projections and latest financial statements. The Land Bank has reviewed the management accounts for the investee, which reflected moderate to strong year-on-year growth for the past financial year. Land Bank has taken decision to retain the prior year investment value after assessing the management accounts, resulting in an investment value of R92.9 million (FY2019: R92.9.0 million) for the Bank.

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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:	5% - 10% 26.3% - 29.4% 11.5% - 12%	Capitalisation rate: +1%: R21 887 483 '-1%: R25 995 156
Investment property	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	3.5% - 4% 20.1% - 30.5% 10.5% - 12.5%	Capitalisation rate: +1%: R14 532 500 '-1%: R17 436 205
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:	R3 750 - R11 000 R0 - R45 000 R0 - R8000 R0 R0 - R 20 000 R0 - R 20 000 R3 R7 000 - R12 000 R2 250 - R2 330	Market value per ha. of land: + R1000 p/ha.: R11 668 640 - R1000 p/ha.: R8 514 094

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 valuation was done. Acquired at Fair Value during the current year.	No valuation was done. Acquired at Fair Value during the current year.	No valuation was done. Acquired at Fair Value during the current year.
Afgri Grain Silo Company Pty Ltd	No valuation was done. Acquired at Fair Value during the current year.	No valuation was done. Acquired at Fair Value during the current year.	No valuation 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

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

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.

46.1 Reconciliation of amounts transferred to receivables for recovery

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Opening balance	-	29	-	29
Add: F&WE for the current year transferred to receivables	-	-	-	
Expenditure recovered in the current year	16 613	48	16 613	48
F&WE relating to prior year discovered in the current year	50 000	-	50 000	-
Expenditure approved and derecognised by the Board	-	(48)	-	(48)
Less: amounts recovered in current year	-	-	-	-
Less: amounts written off	-	(29)	-	(29)
Closing balance	66 613	-	66 613	-

46.2 Analysis of current F&WE

	Group 2020 R'000	Restated Group 2019 R'000	Bank 2020 R'000	Restated Bank 2019 R'000
Current matters				
- Penalties and interest*	16 613	50 000	16 613	50 000
As per statement of profit or loss and other comprehensive income	16 613	50 000	16 613	50 000

*The 2020 fruitless and wasteful expenditure relates to an early withdrawal penalty fee charged of R16.5 million on an investment that the Land Bank had made with one of the banks during the year and Jackets for R103 thousand received late from a supplier for an event. A process is underway to recover the penalty fee. This fee has been disclosed as a contingent asset, please refer to note 37.

The 2019 fruitless and wasteful expenditure relates mainly to a breakage fee of R50 million on unutilised funds that the Land Bank had raised with a related party as well as traffic fines and interest on late payments.

	2020 R'000	2019 R'000
F&WE relating to prior year discovered in the current year:	-	50 000

47. Irregular expenditure

47.1 Reconciliation of irregular expenditure*

	Group 2020 R'000	Group 2019 R'000	Bank 2020 R'000	Bank 2019 R'000
Opening balance	456 948	2 677	456 527	2 256
Expenditure deemed as irregular relating to prior year**	-	454 271	-	454 271
Expenditure deemed as irregular relating to current year	312 109	140	312 109	140
Expenditure recovered in the current year	-	-	-	
Expenditure approved and derecognised by the Board	-	(140)	-	(140)
Closing Balance	769 057	456 948	768 636	456 527

*During FY2020 R330 million was invested in an unlisted entity, without prior approval from the Minister of Finance as required per section 23 (2) of the Land and Agricultural Development Bank Act, 2002

** In 2010 Land Bank embarked on an initiative to grow its loan book by acquiring the assets from existing market players within the agricultural finance sector. To that effect, Land Bank concluded sale agreements and service level agreements with some of these players in the market, collectively referred to as Service Level Agreement Partners (SLAs). In terms of these agreements the SLAs will originate and sell the book to Land Bank subject to meeting prescribed conditions (sale agreement), as well as manage the book on behalf of Land Bank (service level agreement). The service level agreements had a fixed tenure upon expiration of which Land Bank and the SLAs are required to renegotiate the new terms.

The SLA Agreement provides that a year prior to the termination of the SLA Agreement, the parties must issue a notice for the renegotiation to commence the renegotiation process which would lead to the parties electing to either terminate the service level agreement or agreeing to new terms and conditions of the service level agreement or continuing with the existing terms and conditions of the service level agreement.

In terms of the service level agreements the renegotiation process must be concluded within a specified time, failing which the service level agreement will automatically be renewed for a period of 2 (two) years on the same terms and conditions.

As it became clear during the renegotiation process that the renegotiations would not be concluded before the renegotiation period stipulated in the service level agreement, Land Bank, in agreement with the SLA Partners extended the renegotiation periods, which consequently extended the service level agreements on the same terms and conditions. The extension of the renegotiation process and consequently of the service level agreements were concluded without prior approval of National Treasury as required in terms of National Treasury SCM Instruction Note 3 of 2016/17 Admin fees paid relating to such extensions from FY 2016 to FY 2019 amounted to R454 million, with R310 million incurred in FY 2020.

47.2 Analysis of current irregular expenditure

Incident	2020 R'000
In May 2019, Land Bank procured the services of a temporary employee from an audit firm to fill the vacancy for the head of Internal Audit. Investigations have revealed that not all procurement processes were correctly followed in the filling of this vacancy.	1 596
Service level agreements were extended without prior approval of National Treasury as required in terms of National Treasury SCM Instruction Note 3 of 2016/17. 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..	310 513
	312 109

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
Service level agreements were extended without prior approval of National Treasury as required in terms of National Treasury SCM Instruction Note 3 of 2016/17. 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.	454 271
	454 411

48. Events after the balance sheet date

The following events occurred post year end:

1. The liquidity position of the Land Bank deteriorated completely towards the end of April 2020. This came on the back of the Bank's downgrade by Moody's in January 2020 and again in March 2020 (this downgrade was to recalibrate against the sovereign). This together with the deteriorating performance by the Bank as reflected in the loan financial covenants made it challenging to raise funding to meet maturing debt. As a result the Bank defaulted on some of its maturing funding liabilities, triggering cross defaults on both listed and unlisted debt. As a result the Bank ended up in a de-facto stand still on capital and interest payments on maturing debt. Several SENS announcements were issued by the Bank in this regard. Legal and corporate advisors were appointed by the Bank to support its efforts in remediating the situation.

The Land Bank together with its advisors, and supported by the shareholder are engaging with its funders to obtain a long term sustainable solution for the bank addressing the following areas:
- Emergency liquidity funding
- A liability solution - debt restructure
- Equity solution
- Review of the Banks repurposing strategy and operating model

This is expected to result a in financially stable and performing organisation.

This process is expected to be completed by the end of September 2020.

2. Third party funds utilised as referred to in note 19 were fully restored in June 2020.

3. The Shareholder through the budget review on 24 June 2020 appropriated R3bn capital injection into the Land Bank, this amount was received in September 2020.

4. The Bank runs a hedging programme (refer to note 10). During May 2020 one of the commercial banks cancelled a swap trading account that the Land Bank had with them citing the default status of the Bank. This reduced the hedged portfolio from R17 billion to R13 billion. The Land Bank will resume with the hedging programme once the default position has been cured.

5. The property George was sold for R7.75 million.

6. During the restructure of the Profert (Pty) Ltd loan, the Land Bank issued a $13.9 million guarantee to an international bank who were the other significant creditor to Profert. The triggering clause in the agreement was that if Profert was liquidated or entered into business rescue, Land Bank will be liable for the debt. Profert entered into business rescue on the 17 March 2017.The counter party called on the guarantee issued by the Land Bank in their favour during the workout and restructure of the Profert loan asset. The amount called upon is the interest and capital of USD 5.2 million accrued on the underlying debt.

7.The impact of Covid-19 on the Land Bank has been assessed, and the Land Bank has concluded that Covid-19 will have a minimal impact on the business of the Land Bank because the loan book of the bank is highly concentrated in grain. Economic studies of various agricultural sectors have estimated that the impact of Covid-19 will be minimal on the grain sector, however tobacco will be greatly affected. The Land Bank has a low exposure to the tobacco sector.

8. The Afrifresh investment valued at R 80 million was settled in July 2020.

9. The Bank sold the Mouton Holdings shares as well as Southern Cross shares at an offer price of R85 million and R75 million respectively.

10. Land Bank has taken a decision to insource management of the loan book from two SLA partners. This will result in a book totalling R17.8 billion being transferred to the direct book of Land Bank and managed as such.

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11. On the 18th of August 2020, Standard Chartered Bank ("SCB") served a court application on Land Bank to recover certain debt owing by Land Bank.

Land Bank worked with its advisers and opposed the application.

On 2 December 2020 in the High Court of South Africa, Gauteng Division, Pretoria, the Honourable Justice Janse van Nieuwenhuizen, granted an order against the Land Bank, the salient terms of the judgment can be summarised as follows:

1. Land Bank is required to make payment to SCB of the amount owing plus interest.
2. However, this court order and such payment is suspended for 17 months, until 30 April 2022, unless certain designated milestones are not achieved, in which event the court order will become immediately enforceable.

49. Comparative figures

Correction of prior year periods

During the year the Landbank recorded the following prior period errors.

Profert

In the prior year financial statements the Landbank carried a receivable amount from Profert (Pty) Ltd of R286 million. Profert (Pty) Ltd was put into business rescue on the 17 March 2017. There was no improvement in the financial position of Profert by the 31 March 2018 and this loan ought to have been classified as at stage 3 and fully impaired due to the low probability of recoverability of the loan amount at that time. The impact of this error is that the impairment amount for the 2018 financial year is understated by R286 million.

Debtors Loan Guarantee

During the restructure of the Profert (Pty) Ltd loan, the Land Bank issued a $13.1 million guarantee to an international bank who were the other significant creditor to Profert. The triggering clause in the agreement was that if Profert was liquidated or entered into business rescue, Land Bank will be liable for the debt. Profert entered into business rescue on the 17 March 2017. In the statement of financial position as at 31st March 2018 Land Bank needed to raise a provision for this guarantee. As a result the impact of this error is that on the financial statements for the year ended 31 March 2018 Land Bank needed to raise a provision and an expense of R166m and increased it by R48m in 2019 to take into account the interest accrued and the forex valuation.

Interest accrued on the debt increasing the outstanding amount to $15.01million at 31 March 2020. Profert paid $750 thousand, reducing the amount owing by the Land Bank to $14.25 million.

Breakage fee

On the 24th April 2016 Landbank secured a Facility of R5 billion with a related party for development farming finance. One of the terms of this agreement was that if the facility was not fully utilised within a period of 24 months after concluding the agreement, Landbank will be liable to 1% of the unutilised funds. On the 24th April 2018 the full R5 billion had still not been utilised and R50 million became payable to the related party. This obligation was not recognised on the 24th April 2018. This omission means that the provisions and expenses for the year ended 31 March 2019 are understated by R50 million.

Expected Credit Loss Provision

The expected credit loss (ECL) calculation was corrected and revised in the current year. The revision was related to the actual model calculation where previously collateral was deducted from the exposure at default (EAD). In the current calculation collateral is not deducted from EAD however it is used as input in loss given default (LGD) calculation. For staging classification the Bank reviewed the default date from 120 days in the indirect book to 90 days. This was done partly to align to the Bank's direct loan book definition and also because this reflected a better presentation of the Bank's non-performing loans based on current credit experience. Collateral was corrected to ensure that all collateral items were classified correctly and all collateral was valued at the lower of the registered bond amount or market value. These corrections have been applied retrospectively with the exception of the staging classification which has been treated as a change in estimate and changed prospectively. The impact is R76m increase in interest in suspense (IIS) due to the increase in non performing loans (NPL) by R396m.

The following line items have been corrected in FY2019:

Statement of financial position

- "Investments"
- "Loan and advances "
- " Equity"
- " Provisions"

Statement of profit or loss and other comprehensive income

- "Interest Income"
- "Net impairment charges, claims and recoveries"
- "Operating expenses"
- "Non-trading and capital items"

Statement of profit or loss and other comprehensive income Group Continuing operations	Notes	Previously Reported 2019 R'000	Correction of error 2019 R'000	Restated 2019 R'000
Net interest income		1 206 038	(103 161)	1 102 877
Interest income	25	5 030 321	(103 161)	4 927 160
Interest expense	26	(3 824 283)	-	(3 824 283)
Net impairment charges, claims and recoveries	11.6	(324 655)	(863 378)	(1 188 033)
Total income from lending activities		881 383	(966 539)	(85 156)
Non-interest expense	27	(262 667)	-	(262 667)
Non-interest income	28	113 977	-	113 977
Operating income from banking activities		732 693	(966 539)	(233 846)
Net insurance premium income	29.1	156 826	-	156 826
Net insurance claims	29.3	(165 886)	-	(165 886)
Other costs from insurance activities	29.4	(20 085)	-	(20 085)
Investment income and fees	30	104 645	-	104 645
Interest on post-retirement obligation	23	(22 533)	-	(22 533)
Interest on lease liability	16.2	(6 703)	-	(6 703)
Gains and losses on financial instruments		-	(4 912)	(4 912)
Fair value (losses) gains	31	90 208	-	90 208
Operating income		869 165	(971 451)	(102 286)
Operating expenses	32	(628 341)	(68 667)	(697 008)
Net operating income		240 824	(1 040 118)	(799 294)
Non-trading and capital items	33	634	(27 602)	(26 968)
Net profit / (Loss)before indirect taxation		241 458	(1 067 720)	(826 262)
Indirect taxation	34	(73 170)	-	(73 170)
Net profit / (loss) from continuing operations		168 288	(1 067 720)	(899 432)
Net profit / (loss) from discontinued operations	24	12 930	-	12 930
Profit / (Loss) for the year		181 218	(1 067 720)	(886 502)

Other comprehensive income	Previously Reported 2019 R'000	Correction of error 2019 R'000	Restated 2019 R'000
Items that will be reclassified into profit or loss			
Net losses on financial assets designated at fair value through other comprehensive income			
Cash flow hedges: gains / (release) on cash flow hedging instruments	(279)	-	(279)
	(8 106)	-	(8 106)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (Loss) / Gain on the post-retirement obligation	(8 012)	-	(8 012)
Revaluation of land and buildings	874	-	874
Total other comprehensive income	(15 523)	-	(15 523)
Total comprehensive income for the year	165 695	(1 067 720)	(902 025)

Statement of financial position Group Assets	Notes	Previously Reported 2019 R'000	Correction of error 2019 R'000	Restated 2019 R'000	Previously Reported 2018 R'000	Correction of error 2018 R'000	Restated 2018 R'000
Cash and cash equivalents	4	3 213 121	-	3 213 121	2 421 069	-	2 421 069
Trade and other receivables	5	829 366	-	829 366	320 171	-	320 171
Short-term insurance assets	6	254 017	-	254 017	282 382	-	282 382
Repurchase agreements	7	30 257	-	30 257	15 706	-	15 706
Investments	8	3 181 534	-	3 181 534	2 619 887	-	2 619 887
Derivatives Assets	10	80 587	-	80 587	8 106	-	8 106
Loans and advances	11	44 465 456	(1 240 296)	43 225 160	43 418 462	(268 843)	43 149 619
Assets of discontinued operation classified as held-for-sale	12	6 259	-	6 259	147 328	-	147 328
Long term insurance assets	20.5	7 909	-	7 909	10 753	-	10 753
Non-current assets held-for-sale	13	163 036	-	163 036	10 085	-	10 085
Investment property	14	15 250	-	15 250	174 590	-	174 590
Property, plant and equipment	15	32 154	-	32 154	38 202	-	38 202
Right of Use of Leased Assets	16	68 093	-	68 093	-	-	-
Intangible assets	17	13 548	-	13 548	20 279	-	20 279
			-			-	
Total assets		52 360 587	(1 240 296)	51 120 291	49 487 020	(268 843)	49 218 177
						-	

Equity and liabilities Equity	Notes	Previously Reported 2019 R'000	Correction of error 2019 R'000	Restated 2019 R'000	Previously Reported 2018 R'000	Correction of error 2018 R'000	Restated 2018 R'000
Distributable reserves	18	6 720 931	(1 487 602)	5 233 329	6 547 725	(419 878)	6 127 847
Other reserves	18	93 467	-	93 467	100 978	-	100 978
		6 814 398	(1 487 602)	5 326 796	6 648 703	(419 878)	6 228 825
Liabilities							
Trade and other payables	19	499 079	(17 825)	481 254	355 404	(15 403)	340 001
Short-term insurance liabilities	6	329 860	-	329 860	398 859	-	398 859
Long-term policyholders' liabilities	20	47 124	-	47 124	55 939	-	55 939
Funding liabilities	21	44 257 919	-	44 257 919	41 576 302	-	41 576 302
Lease liabilities	16.2	70 518	-	70 518	-	-	-
Provisions	22	40 373	265 131	305 504	82 632	166 439	249 071
Post-retirement obligation	23	301 316	-	301 316	369 181	-	369 181
Total equity and liabilities		52 360 587	(1 240 296)	51 120 291	49 487 020	(268 843)	49 218 177

Statement of profit or loss and other comprehensive income

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Bank Continuing operations	Notes	Previously Reported 2019 R'000	Correction of error 2019 R'000	Restated 2019 R'000
Net interest income		1 201 101	(103 163)	1 097 938
Interest income	25	5 023 465	(103 163)	4 920 302
Interest expense	26	(3 822 364)	-	(3 822 364)
Net impairment charges, claims and recoveries	11.6	(324 655)	(863 378)	(1 188 033)
Total income from lending activities		876 446	-	(90 095)
Non-interest expense	27	(251 361)	-	(251 361)
Non-interest income	28	105 452	-	105 452
Operating income from banking activities		730 537	(966 541)	(236 004)
Net insurance premium income	29.1	-	-	-
Net insurance claims	29.3	-	-	-
Other costs from insurance activities	29.4	-	-	-
Investment income and fees	30	21 299	-	21 299
Interest on post-retirement obligation	23	(22 533)	-	(22 533)
Interest on lease liability	16.2	(6 686)	-	(6 686)
Gains and losses on financial instruments		-	(4 912)	(4 912)
Fair value (losses) gains	31	83 275	-	83 275
Operating income		805 892	(971 453)	(165 561)
Operating expenses	32	(602 845)	(71 089)	(673 934)
Net operating income		203 047	(1 042 542)	(839 495)
Non-trading and capital items	33	634	(27 603)	(26 969)
Net profit / (Loss)before indirect taxation		203 681	(1 070 145)	(866 464)
Indirect taxation	34	(73 045)	-	(73 045)
Net profit / (loss) from continuing operations		130 636	(1 070 145)	(939 509)
Net profit / (loss) from discontinued operations	24	12 930	-	12 930
Profit / (Loss) for the year		143 566	(1 070 145)	(926 579)
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)	-	(279)
Cash flow hedges: gains / (release) on cash flow hedging instruments		(8 106)	-	(8 106)
Items that will not be reclassified subsequently to profit or loss				
Actuarial (Loss) / Gain on the post-retirement obligation		(8 012)	-	(8 012)
Revaluation of land and buildings		874	-	874
Total other comprehensive income		(15 523)	-	(15 523)
Total comprehensive income for the year		128 043	(1 070 145)	(942 102)

Statement of financial position

Bank

Assets	Notes	Previously Reported 2019 R'000	Correction of error 2019 R'000	Restated 2019 R'000	Previously Reported 2018 R'000	Correction of error 2018 R'000	Restated 2018 R'000
Cash and cash equivalents	4	3 202 568	-	3 202 568	2 362 130	-	2 362 130
Trade and other receivables	5	351 562	-	351 562	131 302	-	131 302
Short-term insurance assets	6	-	-	-	-	-	-
Repurchase agreements	7	30 257	-	30 257	15 706	-	15 706
Investments	8	1 988 001	-	1 988 001	1 406 650	-	1 406 650
Strategic trading assets	9	-	-	-	-	-	-
Derivatives Assets	10	80 587	-	80 587	8 106	-	8 106
Loans and advances	11	44 465 456	(1 240 296)	43 225 160	43 418 462	(268 843)	43 149 619
Assets of discontinued operation classified as held-for-sale	12	6 259	-	6 259	147 328	-	147 328
Long term insurance assets	20.5	-	-	-	-	-	-
Non-current assets held-for-sale	13	163 036	-	163 036	10 085	-	10 085
Investment property	14	15 250	-	15 250	174 590	-	174 590
Property, plant and equipment	15	31 992	-	31 992	37 996	-	37 996
Right of Use of Leased Assets	16	67 672	-	67 672	-	-	-
Intangible assets	17	13 548	-	13 548	20 279	-	20 279
Total assets		50 416 188	(1 240 296)	49 175 892	47 732 634	(268 843)	47 463 791
Equity and liabilities							
Equity							
Distributable reserves	18	5 581 484	(1 505 427)	4 076 057	5 445 930	(435 282)	5 010 648
Other reserves	18	93 467	-	93 467	100 978	-	100 978
		5 674 951	(1 505 427)	4 169 524	5 546 908	(435 282)	5 111 626
Liabilities							
Trade and other payables	19	72 645	-	72 645	160 715	-	160 715
Short-term insurance liabilities	6	-	-	-	-	-	-
Long-term policyholders' liabilities	20	-	-	-	-	-	-
Funding liabilities	21	44 257 919	-	44 257 919	41 576 302	-	41 576 302
Lease liabilities	16.2	70 089	-	70 089	-	-	-
Provisions	22	39 268	265 131	304 399	79 528	166 439	245 967
Post-retirement obligation	23	301 316	-	301 316	369 181	-	369 181
Total equity and liabilities		50 416 188	(1 240 296)	49 175 892	47 732 634	(268 843)	47 463 791

50. GROUP REMUNERATION

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

Table 1: Remuneration of Land Bank non-executive directors and executive directors for 2020 (R 000)

	Board	AGM	Audit & Finance	Risk	Credit Risk	HR	SEC	Adhoc Meetings	Guaranteed Package	Performance Bonuses	Other Benefits[4], Fees & Expenses	2020 Total
Non-Executive Directors												
MA Moloto	924	10	-	-	192	63	63	73	-	-	-	**1 325**
DR Hlatshwayo	347	10	-	-	160	63	32	82	-	-	5	**699**
SA Lund[1]	347	10	79	113	-	-	-	64	-	-	5	**618**
NV Mtetwa[2]	103	10	79	31	-	-	-	27	-	-	1	**251**
TT Ngcobo	366	10	-	63	-	113	97	91	-	-	4	**744**
DN Motau	366	10	-	-	226	-	-	73	-	-	4	**679**
SJ Coetzee[3]	308	10	-	31	-	47	48	19	-	-	1	**464**
ME Makgatho	366	10	136	-	160	-	-	64	-	-	4	**740**
ME Makgobo	366		16	63	176	-	-	73	-	-	50	**744**
ST Cornelius	347	10	95	-	160	78	-	73	-	-	15	**778**
Subtotal	**3 840**	**90**	**405**	**301**	**1 074**	**364**	**240**	**639**	**-**	**-**	**89**	**7 042**
Executive Directors												
Bennie van Rooy[5] Chief Financial Officer & Acting Chief Executive Officer	-	-	-	-	-	-	-	-	842	-	7	**849**
Konehali Gugushe[6] Chief Risk Officer & Acting Chief Executive Officer	-	-	-	-	-	-	-	-	2 754	-	49	**2 803**
Ayanda Kanana[7] Chief Executive Officer	-	-	-	-	-	-	-	-	308	-	8	**316**
Khensani Mukhari[8] Chief Financial Officer	-	-	-	-	-	-	-	-	564	-	4	**568**
Total Land Bank	**3 840**	**90**	**405**	**301**	**1 074**	**364**	**240**	**639**	**4 468**	**-**	**157**	**11 578**

[1]50% was paid to Transnet Foundation in terms of Ms Lund's employer policy on non-executive directorship

[2]Resigned - 30 August 2019

[3]Resigned - 30 April 2020

[4]Other benefits include vitality benefits, Cell Phone Allowance And Petrol Card

[5]Resigned - 30 June 2019

[6]Resigned Acting Chief Executive Officer - 31 December 2019

[7]Chief Executive Officer from 1 March 2020

[8]Chief Financial Officer from 1 February 2020

Table 2: Remuneration of Land Bank Insurance Services non-executive directors and executive directors for 2020 (R 000)

	Board	AGM	Audit & Risk	Investment & Actuarial	Ahoc Meetings	Guaranteed Package	Performance Bonuses	Other Benefits[3], Fees & Expenses	2020 Total
Non-Executive Directors									
Ms D Motau	71	9	51	30	9	-	-	-	170
Ms T Ngobo	71	9	-	-	9	-	-	-	89
Ms D Hlatshwayo	492	9	-	-	9	-	-	-	510
Adv. S Coetzee[1]	28	-	-	-	-	-	-	-	28
Ms M Makgatho	70	9	-	41	9	-	-	-	129
Mr M Scharneck[2]	70	-	20	30	-	-	-	2	122
Mr S Masuku	156	-	115	11	-	-	-	1	283
Subtotal	**958**	**36**	**186**	**112**	**36**	**-**	**-**	**3**	**1 331**
Executive Director									
Adam Rakgalakane Managing Director	-	-	-	-	-	3 291	-	29	3 320
Total LBIS	**958**	**36**	**186**	**112**	**36**	**3 291**	**-**	**32**	**4 651**

[1]Resigned - 30 April 2020

[2]Resigned - 30 September 2019

[3]Other benefits include vitality benefits

Table 3: Remuneration - Land Bank non-executive directors and executive directors for FY2019 (R'000)

	Board	AGM	Audit & Finance	Risk	Credit Risk	HR	SEC	Ahoc Meetings	Guaranteed Package	Performance Bonuses	Other Benefits[5], 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[1]	53	-	44	-	-	15	15	-	-	-	-	**127**
Sue Lund[2]	292	8	107	93	-	-	-	44	-	-	6	**550**
Nomagugu Mtetwa[3]	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[4]	311	8	-	61	-	76	61	45	-	-	2	**564**
Mathane Makgatho	311	8	121	-	229	-	-	28	-	-	5	**702**
Matome Makgobo	258	8	-	46	202	-	-	44	-	-	63	**621**
Steven 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[6] Chief Executive Officer	-	-	-	-	-	-	-	-	3 141	1 092	83	**4 316**
Bennie van Rooy[7] 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]Paid to Transnet Foundation until Q4 which 50% was paid to Ms Lund in terms of her employer policy on non-executive directorship
[2]Retired - 31 May 2018
[3]Resigned - 30 August 2019
[4]Resigned - 30 April 2020
[5]Other benefits include vitality benefits
[6]Resigned - 07 December 2018
[7]Resigned - 30 June 2019

Table 4: Remuneration - Land Bank Insurance Services non-executive directors and executive directors for FY2019 (R'000)

	Board	AGM	Audit & Risk	Investment & Actuarial	Ahoc Meetings	Guaranteed Package	Performance Bonuses	Other Benefits[4], Fees & Expenses	2019 Total
Non-Executive Directors									
Davina Motau	68	8	58	40	35	-	-	-	209
Thembekile Ngcobo	68	8	-	-	27	-	-	-	103
Njabulo Zwane[1]	-	-	-	-	-	-	-	-	-
Dudu Hlatshwayo	496	8	-	-	36	-	-	-	540
Sandra Coetzee[2]	68	-	-	-	9	-	-	-	77
Mathane Makgatho	55	8	24	39	36	-	-	-	162
Mark Scharneck[3]	136	8	30	49	9	-	-	4	236
Sakhile Masuku	150	8	100	9	9	-	-	2	278
Matome Makgoba	-	8	-	-	18	-	-	-	26
Steven 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]Retired - 31 May 2018
[2]Resigned - 30 April 2020
[3]Resigned - 30 September 2019
[4]Other benefits include vitality benefits

Table 5: Remuneration - Land Bank executive officers in FY2020 (R'000)

Title	Guaranteed Package	Bonus	Cell phone Allowances	Other benefits[1]	Total
Ms ETM Dlamini Executive Manager: Human Capital	2 834	-	24	3	2 861
Ms L Ndlovu Executive Manager: Commercial Development and Business Banking	1 124	-	10	2	1 136
Mr SCE Soundy[2] Executive Manager: Strategy and Communications	2 898	-	24	5	2 927
Mr F Stiglingh Executive Manager: Portfolio Management Services	2 883	-	24	4	2 911
Mr SN Sebueng Executive Manager: Legal	2 281	-	24	-	2 305
Dr LL Magingxa Executive Manager: Agricultural Economics & Advisory	2 623	-	24	4	2 651
Mrs U Magwentshu Executive Manager: Corporate Banking and Structured Investments	2 700	-	24		2 724
Total	17 343	-	154	18	17 515

[1]Other benefits include vitality benefits
[2]Acting Chief Executive Officer from 15.01.2020 till 29.02.2020

Title	Basic Salary	Bonus	Cell phone 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 Investments	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 Investments	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

NOTES

NOTES

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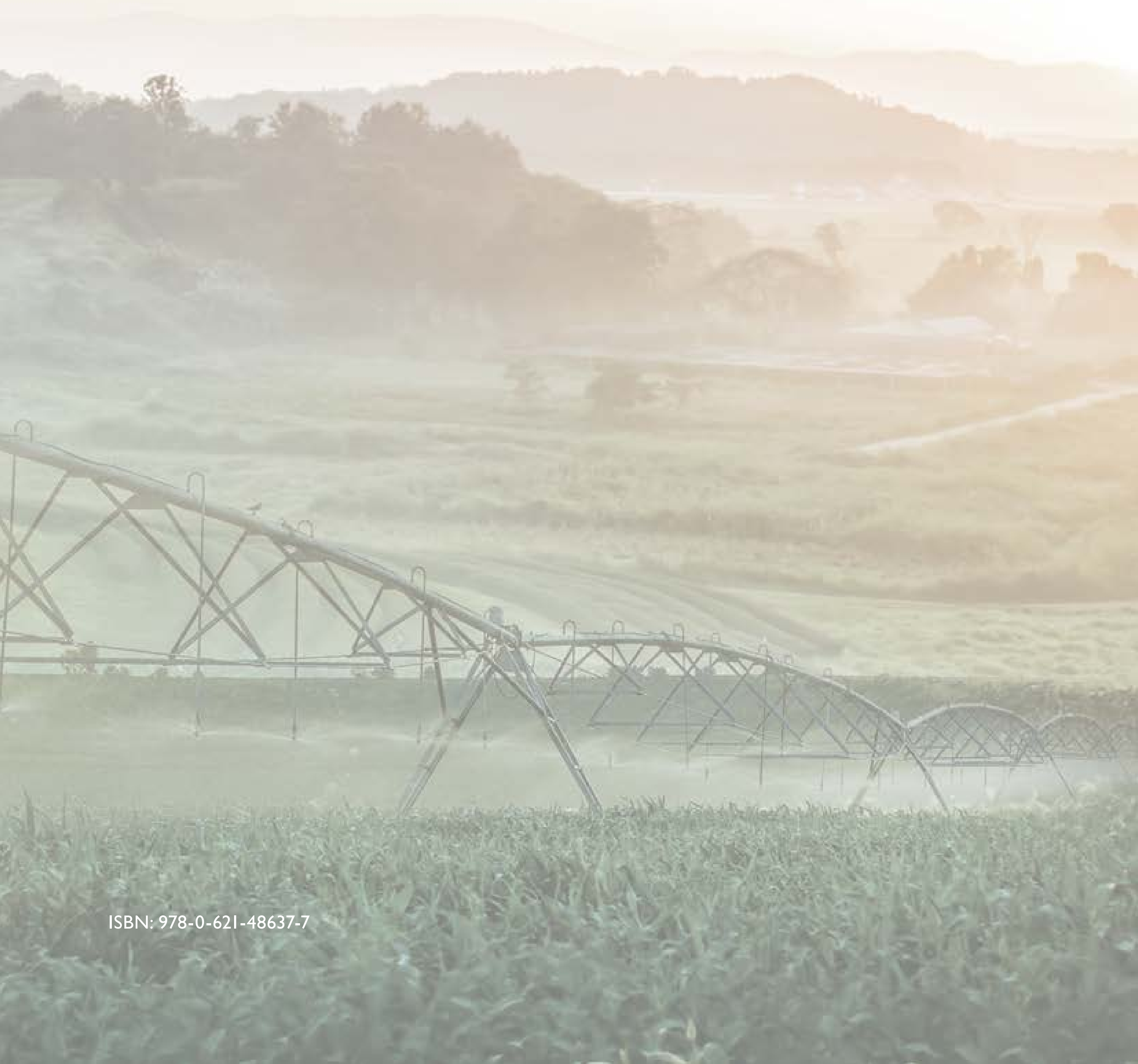

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