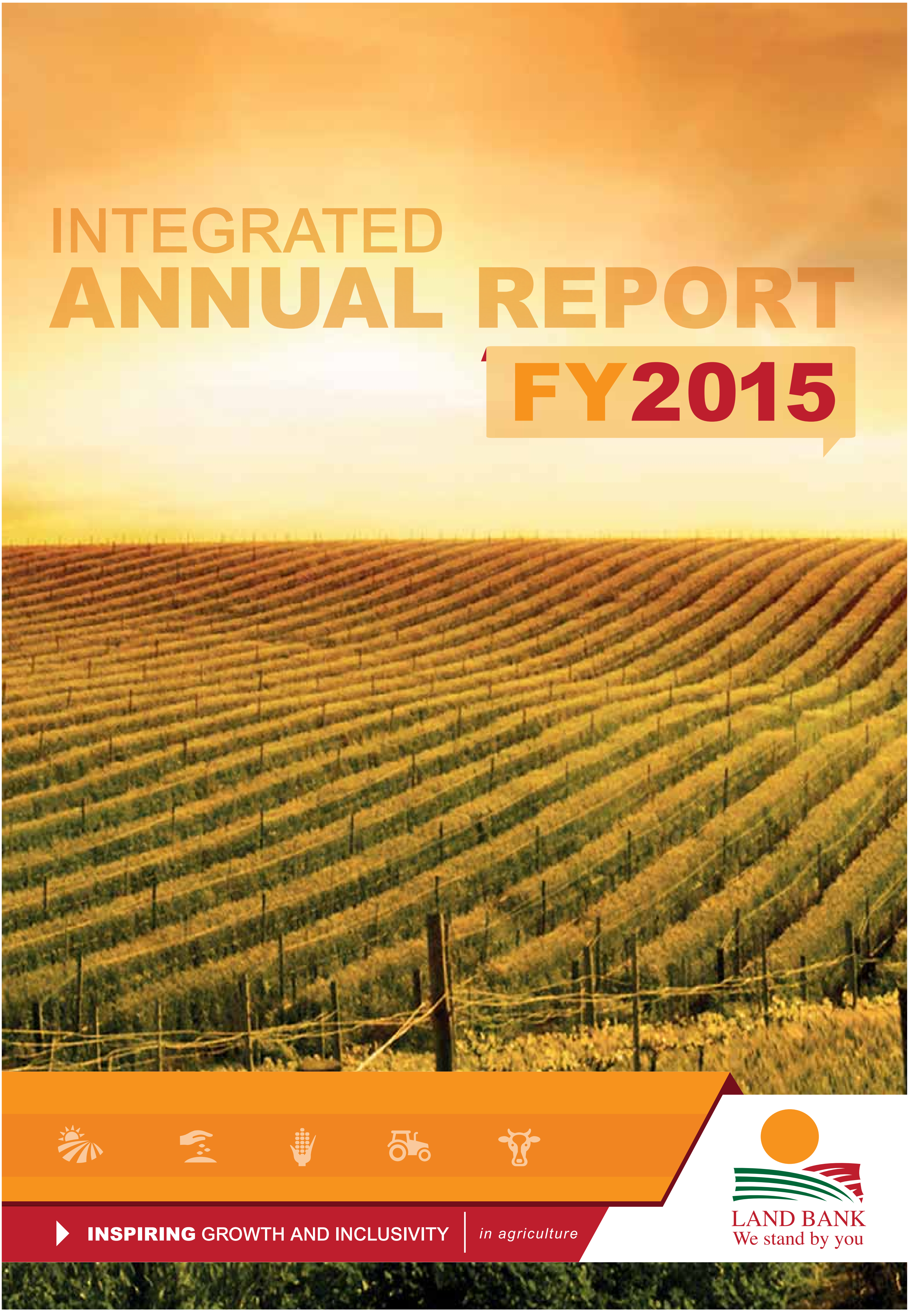

INTEGRATED ANNUAL REPORT FY2015

INSPIRING GROWTH AND INCLUSIVITY | *in agriculture*

LAND BANK
We stand by you

ACRONYMS

AFASA	African Farmers Association of South Africa
AGM	Annual General Meeting
ASUF	Agriculture Sector Unity Forum
B&CB	Business & Corporate Banking
B-BBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
COSO	Committee of Sponsoring Organisations
CSI	Corporate Social Investment
DAFF	Department of Agriculture, Forestry and Fisheries
DFI	Development Finance Institution
DRDLR	Department of Rural Development and Land Reform
ERM	Enterprise Risk Management
FAIS	Financial Advisory and Intermediary Services
FICA	Financial Intelligence Centre Act
FSB	Financial Services Board
FSV	Financial Soundness Valuation
GDP	Gross Domestic Product
GFADA	Grain Farmer Development Association
ICT	Information and Communication Technology
ISO	International Organisation for Standardisation
IT	Information Technology
LBI	Land Bank Insurance
LBIS	Land Bank Insurance Services
LBUAC	Land Bank University Agricultural Chairs
LBLIC	Land Bank Life Insurance Company
LDFU	Land for Development Finance Unit
MoU	Memorandum of Understanding
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
NCR	National Credit Regulator
NCA	National Credit Act
NDP	National Development Plan
NERPO	National Emergent Red Meat Producer Organisation
NNP	National Nutrition Programme
NPL	Non Performing Loans
NT	National Treasury
PAIA	Promotion of Access to Information Act
PFMA	Public Finance Management Act
RCB	Retail and Commercial Banking
REM	Retail Emerging Markets
SAHRC	South African Human Rights Commission
SAM	Social Accounting Matrix/ Solvency Assesement Management
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASBO	South African Society of Bank Officials
SCOPA	Standing Committee on Public Accounts
SETA	Sector Education and Training Authority
SOE	State Owned Entity
TAUSA	Transvaal Agricultural Union of South Africa
TIGF	Thembani International Guarantee Fund

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INTRODUCTION & KEY MESSAGES

ABOUT THE LAND BANK

Vision

To be a fully integrated development finance institution that promotes, facilitates and supports agricultural and rural development through the provision of finance and insurance solutions.

Mission

Our mission is to:

- Promote and facilitate access to ownership of land by the historically disadvantaged;
- Increase the productive use of agricultural land;
- Assist emerging farmers with finance and technical support;
- Provide finance to commercial farmers;
- Promote agricultural entrepreneurship;
- Contribute to food security and facilitate poverty eradication; and
- Facilitate rural development and job creation.

Supporting values

Our values are:

- Integrity – Honest and ethical conduct in all interactions, honouring the dignity and worth of all and ensuring fairness and equitable access to all stakeholders;
- Professionalism and service excellence – Executing all activities professionally, ensuring delivery beyond expectations, being responsive to customers and providing them with quality and value;
- Accountability – Taking personal ownership of our commitments';
- Cost-consciousness – Using our resources in the most cost-effective manner; and
- Innovation – Being open and receptive to new ways of personal and business conduct.

ABOUT THE LAND BANK

Established in 1912, the Land Bank is wholly owned by the South African Government. It generates its income from extending agricultural loans (production, instalment sale, finance and mortgage loans) to emerging and commercial farmers and large agribusinesses. It also earns interest on cash invested. In addition, significant income is generated from its insurance portfolio investments.

The Bank mobilises funding through institutional investors and by issuing long-term bonds. Recently, the Bank has been accessing developmental capital from multi-lateral institutions. The government provides guarantees and occasionally provides additional capital. The Bank is credit rated on an annual basis.

Mandate

The Bank's objectives are determined by the Land Bank Act and are aligned with government policies and the country's socio-economic needs. The Bank is expected to play a pivotal role in advancing agriculture and rural development. Its broad mandate, as expressed in the act, is to facilitate, support and promote:

- Equitable ownership of agricultural land, particularly by historically disadvantaged people;
- Agrarian reform, land redistribution or development programmes for historically disadvantaged people;
- Land access for agricultural purposes;
- Agricultural entrepreneurship;
- Removal of the legacy of racial and gender discrimination in agriculture;
- Productivity, profitability, investment and innovation;
- Growth of the agricultural sector and better use of land;
- Environmental sustainability of land and related natural resources;
- Rural development and job creation;
- Commercial agriculture; and
- Food security.

Sustainability

In an endeavour to ensure sustainability, the Bank undertook several turnaround strategies. The latest strategy was launched in 2009 to address organisational challenges and consists of the following three implementation phases:

- The clean-up phase: focused on audit findings and the improvement of existing systems and processes to achieve cleaner audit reports;
- The stabilisation phase: designed to address deterioration of the balance sheet, enhance human capacity and ensure effective systems; and
- The sustainability phase: aimed at the sustained performance of a "transformed" Land Bank by building the loan book, prioritising development and improving efficiencies.

The Land Bank is currently implementing the third phase to build the organisation's sustainability. The vehicles that are used to ensure its successful implementation are the Land Bank 2016 Corporate Landscape and the Fit for Future Programme (FFF). The FFF aims to achieve the following sustainability goals:

- Predictable and enhanced customer interaction;
- Development impact;
- A sustainable delivery channel network; and
- A growing business that is based on clear, achievable targets.

The Bank has also developed a sustainability framework, comprising seven pillars that represent strategic areas of performance. The seven pillars of sustainability are designed to ensure that the "transformed" Bank delivers on its business strategy. The framework informs the corporate plan and key performance indicators:

The Bank's sustainability business model has three core income generating business areas to sustain the Retail Emerging Markets (REM) division. They are:

- Retail Commercial Banking (RCB);
- Business & Corporate Banking (B&CB); and
- Retail Emerging Markets (REM).

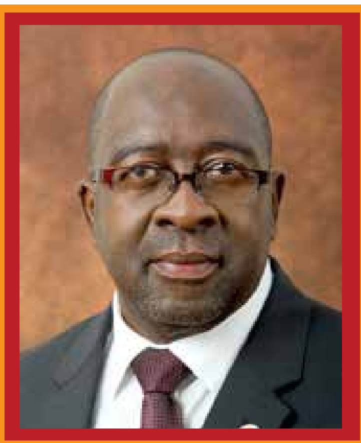
Government and multilateral funding is also used to supplement the REM division's capital requirements.

Figure 1: The seven pillars of sustainability

1. Implement development as core to the business				
2. Maintain financial sustainability and secure affordable funding	3. Provide a sustainable pipeline of critical skills in support of sustainability	4. Implement systems, and drive research and innovation	5. Improve service delivery	6. Ensure partnerships and stakeholder engagement
7. Good governance, risk management and compliance				

Standing Committee on public accounts resolutions

The Bank currently does not have any unresolved resolutions with the Standing Committee on Public Accounts.



Nhlanhla Nene, MP
Minister of Finance

MESSAGE FROM THE MINISTER OF FINANCE

For many years, the agricultural sector has been highlighted as one of the major sectors in the economy that can reduce unemployment, food insecurity and drive economic growth. Government has therefore identified the revitalisation of the agricultural and agro-processing sectors as one of the key priorities to ignite economic growth and ensure food security in our country.

As Government's key delivery agency in the agricultural sector, the Land Bank plays a strategic role in implementing measures to reduce poverty, strengthen sustainable economic performance, and drive development and transformation in the agriculture sector.

Government has expanded the capital base of the Land Bank, to enhance its capacity to partner with other institutions in financing agricultural development. The National Treasury (NT) is also working with the Departments of Agriculture, Forestry and Fisheries (DAFF) and Rural Development and Land Reform (DRDLR) to support agricultural investment and employment. Over the next three years, R7 billion has been allocated to improve access to finance for emerging farmers and acquire a further 1.2 million hectares of land.

The financial health and capacity of development finance institutions like the Land Bank is crucial to achieving the goals outlined in the National Development Plan. In this regard, several initiatives are in progress to strengthen the Land Bank. An organisational review was initiated under the leadership of the new Chairperson of the Board and the new Chief Executive Officer (CEO) to enhance organisational efficiency so that the Bank provides greater support to both emerging and commercial farmers.

Building on the Bank's experience in supporting black farmers through the Retail Emerging Markets segment, the Land Bank will enhance cooperation with the DRDLR to bring rural restitution and redistribution projects to full production. Efforts are currently underway to improve the provision of both private and public funding in an integrated and coordinated way given that the funding of farmers has been uncoordinated with many programmes targeting the same consumer. In the past year, the Agricultural Development Finance Forum (ADFF) was established to enhance such coordination. The first step is to integrate the public funding programmes. As the only DFI with a sole agricultural focus, the Land Bank is expected to play a leading role in this regard. Together with critical Government departments, the Bank should initiate interaction with the private sector involved in financing agriculture.

I wish to welcome the new leadership of the Land Bank - the Chairperson and new members of the Board, as well as the CEO, Mr TP Nchocho; and to thank the previous Board and Chairperson, Dr B Ngubane and Acting CEO Mrs L Mdlalose for the hard work and strong contribution made during the reporting year.

Mr MN Nene, MP
Minister of Finance

Mr M.A Moloto
Chairperson: The Land Bank Board of Directors

MESSAGE FROM THE CHAIRPERSON

This year's annual report is presented at a critical time in our country's evolution. It is the time when our government is redefining South Africa's new land and agricultural trajectory. This new trajectory as mainly championed by the DRDLR and DAFF has to some extent unsettled stakeholders across the agricultural sector. The two pieces of legislation which are the main source of contention are the Policy on Strengthening The Relative Rights of People Working The Land –known as the 50/50 Policy Framework and the Regulation of Landholding Bill which will introduce land ceilings and prohibition of land ownership by foreign nations.

Undoubtedly, these policies will have a direct impact on the Bank's main clients and stakeholders. There is no way that we can ignore the potential impact of these on the land and agricultural landscape as we are directly affected as a Development Finance Institution (DFI).

Government is proposing these changes in order to promote agricultural production and food security in the country. These interventions are necessary for the transformation of the agricultural sector and to redress the negative and devastating impact that the Land Act of 1913 had on the Black farmers in general and African peasantry in particular.

The Land Bank has initiated a process of engagement with various Ministries that are crucial in as far as these policies are concerned. We have expressed our willingness to work with government in a way that would enable the industry to grow.

The agriculture sector is still facing structural and transformational challenges. For instance, the contribution of agriculture to the GDP of the country has declined over recent years, with the secondary and tertiary sectors increasing. However, this does not diminish the significance of the role that this sector plays in food security, economic growth and employment.

The GDP of the country grew by 1.5% in 2014, down from 2.2% in 2013 (preliminary estimates of real GDP released by Statistics SA). Agriculture is the industry that grew the fastest in 2014, expanding by 5.6%. The growth outlook for 2015 is expected to remain weak, which will have a bearing on demand for food. To this effect, agriculture will face additional challenges in the year, such as electricity supply constraints, increasing input costs.

The ensuing year bears its own challenges for farmers. In 2014 the maize industry experienced a bumper crop which adversely impacted commodity prices from the highs experienced in 2012 and 2013. This had a positive impact on livestock enterprises through low feed cost and food inflation. The 2015 maize crop is however expected to be smaller due to dry conditions in the North West (NW), Gauteng and Free State (FS), being the major maize producing areas in the country. This resulted in maize prices rebounding and a reversal of the cycle seen in early 2014. To compound matters further, KwaZulu-Natal (KZN) farmers experienced a severe drought, which has left the sugarcane industry suffering losses estimated at R920 million.

This agribusiness sentiment has resulted in a few developments. A selection of agribusinesses is consolidating their businesses in this country and the rest of Africa. The positive developments in the agribusiness sector present attractive opportunities for the Business & Corporate Banking (B&CB) division of the Land Bank.

Despite slow global economic recovery, one cannot overlook the progress made. The Land Bank was affected by the 2008 financial crisis, with the share of the Bank (of total farm debt) declining from 25% in 2008 to 21% in 2010. Since 2011, the Land Bank's share of agricultural debt has increased from 26% to 31% in December 2014.

The Land Bank recognised that expanded lending to agriculture in general and emerging farmers in particular, is a critical requirement for both food security and job creation. In its efforts to strengthen its balance sheet and improve operational efficiencies, the Bank embarked on an organisational review that is further expanded on in the CEO report.

In the past, the Land Bank provided targeted development loans. It will continue engaging multilateral development banks in order to secure affordable funding, and will partner with other local DFIs in large scale development projects. Through the Wholesale Financing Facility (WFF), the Bank has been able to offer lower interest rates for emerging farmers. In order to achieve enhanced coordination and delivery of development funds, the Land Bank is considering the possibility of also playing a role as an aggregator of various agricultural grant programmes.

I wish to express my gratitude to my predecessor, Dr B Ngubane, the outgoing Board members and former Acting CEO Mrs L Mdlalose, as well as her Executive Team and staff for the contributions they made during the reporting year. I wish to welcome the new CEO, Mr TP Nchocho, with whom we'll work together to steer Land Bank towards a new trajectory.

Mr M.A Moloto
Chairperson: The Land Bank Board of Directors

PERFORMANCE, STAKEHOLDERS & GOVERNANCE

Tshokolo Petrus Nchocho
Chief Executive Officer: The Land Bank

REPORT OF THE CHIEF EXECUTIVE OFFICER

INTRODUCTION AND CONTEXT

During the year that marks twenty-one years since the dawn of democracy, the NDP has underlined the crucial importance of agriculture as one of the cornerstones of South Africa's economy. It is clear that farming and related industries hold significant potential to increase GDP, add to job creation, enhance quality of employment and provide growth impetus to agri-processing and manufacturing.

As the nation grapples with the task of ensuring adequate food production, we are simultaneously faced with the real challenges of resource constraints (such as water scarcity), negative environmental impacts, and the pressing need for transformation (inclusivity) in the farming sector.

In its 103 years of existence, the Land Bank has faced an enormous challenge of meaningfully contributing to both the productivity growth of existing farmers, whilst simultaneously stimulating inclusivity and greater participation in the sector by a new generation of bona fide commercial farmers.

Going forward, the Land Bank sees significant value to proactively drive sector inclusivity and growth. South African agriculture is at a crossroad and the Land Bank is positioning itself to ensure it plays a significant role in serving the sector.

AGRICULTURAL SECTOR PERFORMANCE FY2015

The contribution of the agricultural sector to the national GDP in FY2015 was estimated at 2.5%. During the first three quarters of FY2015, agriculture grew by 7.5% on average, declining to 2.2% at the end of financial year due to severe drought conditions in parts of the country and low seasonal output activity.

While the total area planted for summer crops increased by 3.3%, the total production is projected to fall by 29.3% in FY2016. The disparity between the level of decline of total production and area planted reflects the extent of the drought that affected most of the maize producing areas of Free State and North West.

Some marginal positive intentions to plant, which improves expectations for winter cereals (with the exception of canola) is forecast.

Amid the subdued performance and estimates of the current crop, the sector's financial performance for FY2015 was stronger than FY2014. Gross farm income increased by 13.2% (from approximately R195.5 billion to R221.2 billion). This was attributed to all subsectors of field crops, animal products and horticulture.

Total farm costs increased by 4.3% (to R147.1 billion in 2014). The greater portion of these costs emanated from the intermediate expenditure that increased by 3.6%. Most of the cost items expenditure was higher. This expenditure was however mitigated by a strong decline (21.7%) in expenditure on fuel which was driven by lower oil prices.

The overall price trends for farm products was 4.9%, as compared to farm inputs (5.6%), resulting in very marginal decline in domestic terms of trade.

The net farm income increased by 33.7% to R78.9 billion, with the cash flow increasing by 33.4% to about R80.5 billion.

In 2014, South Africa was a net exporter of agricultural, forestry and fisheries products. This may imply some net benefit that accrued to farmers due to weaker Rand.

BUSINESS PERFORMANCE FOR FY2015

Within the business environment as sketched above, the Bank managed to achieve a number of notable successes during the past financial year (FY2015), including:

- The Bank achieved growth in its performing loan book of 10.4%to R36.4 billion;
- Gross Interest Revenue growth of 25.9% to R3.1 billion;
- Continued decline of operating costs with the cost to income ratio falling to 54.9% (FY2014: 59.9%);
- Net profit from continuing operations of R352 million;
- Emerging farmers sector advances grew to R2.3 billion (FY2014: R2.0 billion);
- Nationally, the Land Bank now has approximately 31% market share of all agricultural finance in South Africa;

- The Bank began executing an Environmental and Social Sustainability strategy that was established last year.
- Additionally, the Bank developed an Environmental and Social Management System (ESMS) to enhance the assessment and management of environmental and social (E&S) risks associated with agricultural lending; and
- The Bank has achieved Level 3 Broad-Based Black Economic Empowerment status.

The Land Bank has continued to service the country's established commercial agricultural sector and remains deeply committed to supporting and fostering growth to the emerging farmer sector.

THE ROAD AHEAD: ENHANCED DEVELOPMENT EFFECTIVENESS AND SUSTAINABILITY

It is evident that today, the Land Bank is a more stable and resilient institution. However, the Bank's current strategic focus, operating and funding models are incongruent with its need to be a strategically relevant institution and more importantly, an institution that proactively drives inclusivity across the agricultural sector.

In particular, the Bank is facing pressure points, emanating primarily from increased funding, and high operating costs, which despite recent improvements remain unsustainably high. Other challenges relate to operating efficiency, gearing and the need to execute more robust funding strategies to manage the Bank's asset and liability maturity mismatch and develop and implement long-term tailored funding programmes.

Whilst these challenges are real, the Bank is committed to ensuring they are dealt with decisively. As a consequence, the Bank is in the process of undertaking a comprehensive organisational review. McKinsey & Company have been appointed to assist with the review which is well underway for completion in the new financial year. The organisational review is focusing on the following:

- The Bank's strategic focus and business model, including processes, systems and people;
- Improvement of the Bank's sustainability by rebuilding its capital base and optimising its balance sheet;
- Optimisation of the Land Bank's distribution channels, driving operational efficiencies and reduction of costs; and
- Development of an appropriate long-term funding model that will ensure the Bank is able to sustainably grow the business while inclusively meeting the needs of our stakeholders.

The Bank has made significant progress in identifying issues that required immediate remedial action. A number of executive appointments have recently been made to improve operational performance and accountability. Additionally, the Bank is undertaking a comprehensive analysis of its loan portfolio and pricing models. In parallel, the Bank has already completed detailed risk management diagnostics and identified gaps and opportunities for improvement to its credit risk processes. Work is underway to implement significant changes that will enhance operating efficiencies and mitigate lending and enterprise risks.

The management team is committed to ensuring the Bank is positioned in a manner that will contribute to sustainable, inclusive growth in the South African agricultural sector. Inclusivity and strategic relevance will be at the core of the services we provide to our stakeholders.

We look forward to confronting the challenges we face in the sector and in particular defining and developing the organisational capabilities needed to deliver upon our strategy.

Tshokolo Petrus Nchocho
Chief Executive Officer: The Land Bank

Patrick Mathidi

Chairperson: Audit Committee

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is an independent committee constituted to review the control, governance and risk management of the Land Bank. In terms of regulation 27(1) of the Public Finance Management Act (1999) (PFMA), as amended; the Audit Committee reports that it has discharged its responsibilities as contained in the Audit Committee Charter.

The Audit Committee meets at least four times per annum, and has the authority to convene additional meetings as and when necessary. Six meetings were held during FY2015. Critical issues were discussed and minutes were recorded. The minutes of the Audit Committee meetings were made available to the Board as a whole on request.

In FY2015, the Audit Committee:

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

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

The Internal Audit department reports to the Land Bank's Audit Committee functionally and to the Land Bank's CEO administratively. The Head of Internal Audit has a direct reporting line to the Chairperson of the Audit Committee. The Internal Audit department consists of staff with qualifications such as MBAs, MBLs, CIAs, CISAs, B Coms in Internal Audit, B Coms in Accounting, BScs in Computer Science and CCSAs. In addition, they are continuously developing their skills.

The Audit Committee notes that there were some instances brought to its attention suggesting that control breakdown occurred in the functioning of the Group's systems, procedures and controls that could lead to losses, contingencies or uncertainties that would require disclosure in the financial statements. Control deficiencies identified by the internal and external auditors were brought to the attention of the Audit Committee and corrective action was taken by management.

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

- The internal controls of the Group were effective in most material aspects throughout the year under review;
- Appropriate policies, supported by reasonable and prudent judgements and estimates were applied;
- Proper accounting records were maintained;
- The adequacy and effectiveness of controls that are in place safeguarded the Group's assets;
- The financial statements comply, in all material respects, with the relevant provisions of the PFMA and International Financial Reporting Standards; and
- The skills, independence, audit plan reporting and overall performance of the external auditors were acceptable.

The overall control environment for the Bank is rated "Requires Improvement" however, the following areas were found to be "Satisfactory":

- Information Technology;
- Retail credit;
- Operations (B&CB; RCB and REM);
- Treasury; and
- Financial reporting

The Audit Committee concurs that it is appropriate to prepare the group financial statements on a going concern basis, and the Bank has no reason to doubt that it will continue to be a going concern in the year ahead. The Audit Committee therefore recommends that the financial statements as submitted be approved by the Board of Directors.

Patrick Mathidi
Chairperson: Audit Committee

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE PARLIAMENT ON THE LAND AND AGRICULTURE DEVELOPMENT BANK OF SOUTH AFRICA

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of the Land and Agricultural Development Bank of South Africa (the Land Bank) and its subsidiaries set out on pages 82 to 240, which comprise the consolidated and separate statement of financial position as at 31 March 2015, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

Auditor-general's responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Land Bank and its subsidiaries as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with IFRS and the requirements of the PFMA.

Report on other legal and regulatory requirements

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

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:

The Land Bank

- Development mandate on page 21
- Financial sustainability and affordable funding on page 21
- Research and innovation on page 23
- Service delivery on page 24.

Subsidiaries

- Financial stability and sustainability on pages 27
- Customer centricity on pages 27
- Governance, risk management, regulations and compliance on pages 27.

9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

REPORT OF THE AUDITOR-GENERAL (CONTINUED)

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

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

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

The Land Bank

- Development mandate on page 21
- Financial sustainability and affordable funding on page 21
- Research and innovation on page 23
- Service delivery on page 24.

Subsidiaries

- Financial stability and sustainability on page 27
- Customer centricity on page 27
- Governance, risk management, regulations and compliance on page 27.

Additional matters

13. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

14. Refer to the annual performance report on pages 19 to 27 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

15. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the Land Bank for the development objective, the research and innovation objective, and the service delivery objective and for the subsidiaries, the financial stability and sustainability objective and the customer centricity objective. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

16. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

17. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Other reports

Investigations

18. The previously reported investigations relating to irregularities in the Land for Development Finance Unit and in respect of AgriBEE and Mafisa funds administered on behalf of the Department of Agriculture, Fisheries and Forestry are still in progress.

19. Discrepancies in the disbursement of a loan were identified and investigated. It was recommended that a case of fraud be opened against the clients of the Land Bank. A criminal case has since been opened with the South African Police Services.

Audit-related services and special audits

20. As requested by the Land Bank, an engagement was conducted during the year under review on compliance with the National Credit Act of South Africa, 2005 (Act No. 34 of 2005). This report covered the period 1 April 2013 to 31 March 2014 and was issued on 25 August 2014.

21. As requested by the Land Bank, engagements were conducted during the year under review on compliance with the Securities Services Act, 2004 (Act No. 36 of 2004). The first report covered the period 1 April 2014 to 31 July 2014 and was issued on 11 September 2014. The subsequent report covered the period 1 April 2014 to 31 August 2014 and was issued on 24 October 2014. The last report covered the period 1 April 2014 to 30 September 2014 and was issued on 26 November 2014.

REPORT OF THE AUDITOR-GENERAL (CONTINUED)

22. As requested by the Land Bank Life Insurance Company SOC Limited, an engagement was conducted during the year regarding the review of statutory returns, as required by section 36 of the Long Term Insurance Act, 1998 (Act No. 52 of 1998), to be submitted to the Registrar of Long Term Insurance. This report covered the period 1 April 2013 to 31 March 2014 and was issued on 31 July 2014.

23. As requested by the Land Bank Life Insurance Company SOC Limited and the Land Bank Insurance SOC Limited, an engagement was conducted during the year regarding the review of the confirmation of share transfers of the Land Bank Life Insurance Company SOC Limited (Registration number: 1954/003095/30) and the Land Bank Insurance SOC Limited (Registration number: 2012/115426/30) from the Land Bank Insurance Services SOC Limited (Registration number: 2012/060770/30) to the Land Bank. This confirmation was issued on 10 December 2014.

Auditor General

Pretoria
31 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

KEY PERFOMANCE INDICATORS

Summary of Key Perfomance Indicators

A summary of the status of key perfomance indicators as at 31 March 2015 is outlined in table 1 and 2.

Achieved >>100%

Substantially achieved >> More than 80%, but less than 100%

Partially achieved >> More than 50%, but less than 80%

Not achieved >> less than 50%

KEY PERFOMANCE INDICATORS

Table 1: The Land Bank key perfomance indicators

Key Performance Area	Key Performance Indicator	Actual Result	Status indicator
Guarantee conditions	100% of guarantee conditions met Maintain a capital adequacy ratio of at least 20%. CP target: 24.2%	Excl. Guarantee: 20.3% Incl. Guarantee: 37.1% The ratio includes cash injections of: R1 billion in December 2009 R750 million in November 2010 R400 million in May 2011 R350 million in October 2011 R200 million in April 2012 R300 million in April 2013 R500 million has been converted into cash in FY2015 The Bank has remaining guarantees of R5.5 billion.	Achieved
	Quarterly report on the progress made in implementing the turnaround strategy	The Bank submits quarterly progress reports to NT on the turnaround strategy measured against key performance indicators.	Achieved
	Projected annual cash flow statements & quarterly cash flow performance reports	The Bank submits quarterly reports to NT on the actual and projected cash flow statement.	Achieved
	Quarterly progress reports on loan recoveries demonstrating sound management of non-performing loans (NPL's)	The Bank submits quarterly reports to NT on loan recovery progress, demonstrating sound management of the non-performing loan book. The results achieved are disclosed under the recoveries and loan book quality key performance areas.	Achieved
	Performance updates on its development indicators as contained in the development policy statement	The Bank provides NT with quarterly performance updates on its development indicators as contained in the development policy statement (section 8 of this report).	Achieved
Portfolio Committee undertakings	Portfolio Committee undertakings (Agriculture: 9 July 2009) Ministers dealing with agriculture, rural development and finance are to work together to resolve the issues relating to development clients of the Bank – the Bank will implement a Value Chain Financing (VCF) model	Status update on the implementation of the Distressed Farms Resuscitation (RaboBank Project): Farms are continuously reclassified as and when visits reveal that the status has changed. This includes: where DAFF or other Government institutes has granted assistance without notifying the Land Bank, where the farmer has leased out the farm, where the farmer has put the farm up for sale; or where vandalism is happening or has happened. Status as at 31 March 2015: Farms awaiting DRDLR consideration* – 80 Farms of Deceased Estates – 18 Farms Regularised/Recapped – 42 Farm loans closed – 100 Farms in Debt collection/litigation – 26 Farms on Communal land & Production loans only – 17 **Total – 283** **The farms "Awaiting DRDLR consideration" are currently being jointly visited and assessed by the Land Bank and DRDLR for recommendation to NLARCC for final recap or acquisition decision. These also include farms with land claims and farms offered to DRDLR to consider purchasing.*	Achieved

KEY PERFOMANCE INDICATORS (CONTINUED)

Key Performance Area	Key Performance Indicator	Actual Result	Status indicator
Development			
Implement development as core to business	R1.05 billion – total proposed target	Actual development disbursements per management accounts: RCB: R 107.7 million REM: R 204.6 million B&CB: R456.9 million **Total: R769.1 million**	Partially Achieved
Financial sustainability and affordable funding			
Growth in the loan book (gross)	10% as revised	Gross loan book amounted to R37.80 billion at the end of FY2015, increased by 10.95% from FY2014. RCB: R374 million REM: R98 million B&CB: R3.3 billion Total year-on-year increase: R3.7 billion (10.95%)	Achieved
Cost to income ratio	68.2% (Incl. discontinued operations)	Incl. discontinued operations: 57.4% Excl. discontinued operations: 54.9%	Achieved
Diversification of income streams (year-on-year increase)	Target income: R57.97m 8% increase year-on-year	Gross non-interest income from loan transactions: R57.89 million	Substantially Achieved
Reduce non-performing loans (NPLs)	Reduce NPL's to 6.3% of total loan book	Excluding Land for Development Finance Unit (LDFU): Incl. insolvencies: 3.72% (3.86% as % of Performing) Excl. insolvencies: 2.76% (2.84% as % of Performing) Including LDFU: Incl. insolvencies: 5.21% (5.50% as % of Performing) The Bank has focussed efforts to continue to regularise NPLs. The ratio excluding the LDFU remains well below the 6.33% target set for the year.	Achieved
Liquidity	Maintain liquidity as per the liquidity model Minimum target is 7.5% of short term debt	The Bank maintained liquidity above the defined minimum level. At 31 March 2015 the ratio was 8.20%.	Achieved
Financial plan: Net profit	Target for the year is R143.1 million	R420.5 million profit R220.5 million profit when excluding the R200m intercompany dividend which was utilised to capitalise the Group's insurance operations.	Achieved
Financial plan: Gross interest margin	29%	34.1%	Achieved
Financial plan: Net interest margin	2.9%	3%	Achieved

KEY PERFOMANCE INDICATORS (CONTINUED)

Key Performance Area	Key Performance Indicator	Actual Result	Status indicator
Human capital			
Ensure the provision of key talent in support of sustainable growth	Internal recruitment aligned to best practice	Recruitment turnaround measured: Non-managerial: 86 days Managerial: 78 days Implementation of SAP e–recruitment tool is in its advanced stage and will further be finalised in FY2016. SAP demonstration conducted but delivered after targeted date.	Substantially Achieved
	Retention mechanisms entrenched Critical Workforce Segmentation (CWS) succession mechanisms embedded	Talent Management Retention Framework was endorsed. - Talent Forums commenced - Succession plans were updated and validated CWS succession plans were updated and validation has not been completed. The schedules of the BU Chiefs could not accommodate the planned validation sessions. Carried over to 1st quarter of FY2016.	Substantially Achieved
Develop internal organisational capacity in support of sustainability	Organisational leadership capacity enhanced Organisational skills proficiency measured 70% organisational skills competency rated 3+	Leadership effectiveness measured at 3.55. AFC proficiency measurement performed at all AFCs. Organisational competency measured at 3.37.	Achieved
Model organisational design on best practice	Achieve "positive" rating (3.62 -3.7) in the Best Company To Work For survey.	Organisational outcome rating 3.63 out of a possible 5, which is a positive rating.	Achieved
Entrench leading employee relations practice	Enhanced industrial relations competence with internalised capacity Company values and culture entrenched	10 Disciplinary cases with 90% internal utilisation. 4 Grievances with 87.5% internal utilisation. Total internal utilisation: 89.3%. The climate survey was conducted in May 2014, the results of which were presented to EXCO and placed on the intranet. Employer Value Proposition (EVP) and values information banners and posters were distributed throughout the bank and AFCs.	Achieved
Develop an integrated total rewards model	Compensation management model developed and implemented Pay structure reviewed	Entry level pay range approved and implemented. Market salary benchmark conducted.	Achieved
Achieve company employment equity/ transformation targets in respect of ACI targets	ACI: 58% PWD: 3% Women: 46% Diversity targets established and measured for all levels	**EE company representation:** ACI: 57.9% PWD: 4.2% (2.9% excl. the PWD learners) Women: 44.5% **Female Managerial:** Executive management: 2/7 = 28.6% Senior management: 4/28 = 14.3% Middle management: 33/87 = 37.9%	Substantially Achieved

KEY PERFOMANCE INDICATORS (CONTINUED)

Key Performance Area	Key Performance Indicator	Actual Result	Status indicator
Information technology			
Enable the business through the implementation of appropriate technologies	Automation of current manual processes and implementation of suitable workforce collaboration tools	Automation of three standard reports for Land Bank Life Insurance Company (SOC) Ltd (LBLIC) reporting and HR EE reporting was completed. Automation of turnaround time tracker reporting for B&CB was completed.	Achieved
	Implementation of market intelligence mining	The current intranet was equipped with the ability to upload and search for data, which will be a feature of the new website scheduled to go live in FY2016.	Achieved
	Enhance and expand web presence	A new website was developed with a new look and feel and content and it is scheduled to go live in FY2016.	Achieved
Research and innovation			
Scanning of the environment for Land Bank business	Expanded internal circulation and usage of Land Bank insights publication by 15% and established baseline for external stakeholders	A data collection instrument was developed and circulated online. Feedback was recorded and analysed. A final report was concluded with 15% of circulation achieved.	Achieved
Advice and advocacy	Increased participation on Land Bank branded platforms by 10%	During the year, the Land Bank: • Hosted 7 branded platforms (meetings/ seminars); • Presented at 12 platforms (workshops/ TV & Radio interviews/ conferences); and • Participated in 9 workshops.	Achieved
Research publication	Report on climate change, water, energy, agriculture and Land Bank implications published	Management took a decision to postpone the energy study due to capacity constraints within the Research Team and as a result only climate change and water scarcity studies were done in FY2015. The Energy study will be done during FY2016.	Partially Achieved
Market share (2016 Corporate Landscape)	31% market share	31% as per year end report.	Achieved

KEY PERFOMANCE INDICATORS (CONTINUED)

Key Performance Area	Key Performance Indicator	Actual Result	Status indicator
Service delivery			
Retail credit turnaround time	12 working days maximum loan application response time (From credit analyst in the HUB to Retail Credit Committee decision)	Measured on the year-to-date average as at 31 March: South HUB: 2.31 days North HUB: 1.96 days RCC: 2.91 days a) Both HUBS are within target b) RCC is within target	Achieved
AFC network optimisation	All new AFCs implemented	Due to budget considerations none of the new offices were implemented as recommended by FFF: Partial Service – new Kimberley Point of Presence – new De Aar Aliwal North Umtata Empangeni However the following branches were converted during the year: East London Branch – remained a full branch due to phenomenal growth of the loan book Swellendam Branch – transitioned from a full branch to a Point of Presence Potchefstroom Branch – transitioned from a full branch to a Point of Presence Middleburg Branch – transitioned from a full branch to a Point of Presence	Not Achieved
Enhanced product offering	New product development framework developed	Establishment loans product is in its advanced stage. Group insurance product is under discussion with Land Bank Insurance Company (LBIC) and the discussions are likely to go into the next FY. LBIC discussions of crop insurance with their partners were concluded towards the end of the current FY.	Partially Achieved
Ensure partnerships and stakeholder engagement			
Stakeholder platforms and channels	Enhanced distribution systems across media platforms	The procurement team managed to conduct an evaluation of the service providers and two companies were shortlisted. The process will however only proceed as soon as the organisational review has been concluded.	Not Achieved
	Implementation of the stakeholder engagement framework	Quarterly reporting on implementation progress of stakeholder engagement commenced.	Achieved
	Inclusion of stakeholder engagement in the Bank's annual integrated report	Stakeholder engagement was included in the Land Bank's annual report for FY2014.	Achieved
Formalise service delivery partnerships	Increase partnerships in finance, development and agriculture sectors.	A MoU between the Land Bank and the ADA was concluded. A MoU Between the Land Bank and AFASA is currently in a draft phase. There are two draft MoU's for women and youth development initiatives in place, but it still needs to be signed.	Substantially Achieved

KEY PERFOMANCE INDICATORS (CONTINUED)

Key Performance Area	Key Performance Indicator	Actual Result	Status indicator
Good governance, risk management and compliance			
Integrate enterprise-wide risk management	Implement systems for risk management for early warning and monitoring Implement an integrated risk report	Integrated Risk Register was presented to the Risk Committee and Board on 17 November 2014 and was approved	Achieved
	Maintain risk register at a process level	Monitoring of risk registers is performed on an on-going basis.	Achieved
	Roll out the identification of risks at process level	Process level assessments were developed and tracked on CURA for the following critical areas: 1.ESS 2.HR: recruitment and selection	Achieved
	Continuous risk training focusing on the Bank's priority areas	Electronic awareness conducted on POPI, FICA & cost containment guidelines.	Achieved
Ensure statutory and regulatory compliance	Ensure statutory and regulatory compliance	The Bank has a repository for policy and procedure manuals. The repository was updated on a monthly basis based on the review of policies and procedures. In addition, a dashboard had been developed to track the review of policies during the financial year. This dashboard was updated and reported to EXCO on a monthly basis. February and March EXCO's cancelled due to Board meetings. The following documents were outstanding in terms of the dashboard: • B-BBEE strategy - finalised by CLO for approval by the Board in FY2016. • Workout & Restructuring Policy to be submitted for approval by the Board in FY2016. **Management Committee Charters** • Management Committee charters (IT Steerco/ Operational Risk Committee (ORCO)/Asset & Liability Committee (ALCO)/Credit Risk Management Committee (CRMC)/Retail Credit Committee (RCC)) were reviewed and approved. • CRMC Charter submitted to CRC in April'15. **Board Charters** Board Charters (excl. CRC) approved in Feb 2015. CRC Charter to be tabled at CRC in the April 2015 meeting. **Repository of Procedure Manuals updated** • Records management finalised and communicated in November 2014. • ICT manuals finalised. • Review in progress with Workout & Restructuring awaiting approval of policy. To be submitted to CRC in March 2015.	Substantially Achieved
	Monitor compliance to 38 key identified policies	Roll out of monitoring plan developed and tabled at ORCO. Policies monitored on a quarterly basis. Q4 – monitoring to be completed in Q1 of FY2016	Substantially Achieved
	Monitor compliance with high risk regulatory requirements in terms of the approved compliance universe	Compliance universe updated. Compliance Monitoring Plan developed. Updated checklist on Legal Deposit Act, Annual Tax. Clearance requests and requirements of The Use of Official Languages Act.	Achieved

KEY PERFOMANCE INDICATORS (CONTINUED)

Key Performance Area	Key Performance Indicator	Actual Result	Status indicator
Good governance, risk management and compliance (continued)			
Ensure statutory and regulatory compliance	Develop impact analysis of high risk emerging legislation that are applicable to Land Bank	Working on the review of the new NCR amendments. Started with the review of Government policies that may have an impact on the Bank. Reviewed NCR publication for comments and submitted comments accordingly.	Achieved
Identify and quantify relevant strategic and operational risks	Embed the use of risk quantitative models: Re-calibration of credit risk scoring and pricing models	Business case was approved. Scoping requirements for retail credit was completed and are awaiting requirements from B&CB Credit in order to proceed with tender process. RCB memo indicating changes to the credit model was completed. Awaiting memo from B&CB Credit for procurement to proceed with the appointment of a service provider. Implementation is awaiting approval and appointment of a service provider. The project was removed from ICT project plans as it took several months and is not implemented yet.	Substantially Achieved
	Annual review of risk thresholds in line with the 2016 Corporate Landscape	Risk appetite report completed.	Achieved
	Maintain and oversee the testing of business continuity plans	Consolidation of BU and AFC Business impact analysis. Involvement in DR test. Review of the Business Continuity Management (BCM) policy. Development of BCM awareness amongst all staff. Training of BCM key stakeholders/coordinators. Handover of Business Continuity Plans to Risk/BCM Champions to communicate the BCPs with staff members in their BUs. Tracking of BCM activities on BCM dashboard. Coordination of the BU BCP test. Review and sign off of the Incident Management Plan.	Substantially Achieved
	Enhance system for monitoring of risk registers: Annual review of the strategic risk register	Head Office's risk registers were reviewed and are monitored on an ongoing basis. The AFC's risk operational risk registers were reviewed and are monitored on an ongoing basis.	Achieved
	Enhance the monitoring and reporting of operational and strategic risks	Annual BU operational risk register reviewed. Annual AFC's operational risk register reviewed. Continuous monitoring and review of operational risks through CURA software (AFCs and Head Office). Conducted an Enterprise Risk Management (ERM) maturity assessment. Reviewed the ERM policy.	Achieved
	Design system for IT governance strategy monitoring: Review the IT Governance framework	The integrated risk report which includes global and strategic risks, as well as combined assurance, was developed and discussed with the Head of Internal Audit and Acting Chief Risk Officer. The Report was populated with feedback from BUs and Internal Audit and was presented to the EXCO for approval and recommendation to the Board.	Achieved
	Review and monitor the implementation of an IT governance roadmap	The IT governance roadmap was reviewed and is monitored on an ongoing basis.	Achieved

KEY PERFOMANCE INDICATORS (CONTINUED)

Table 2: The Land Bank Insurance operations key perfomance indicators

Key Performance Area	Key Perfomance Indicator	Actual Result	Status indicator
Financial stability and sustainability			
Net Premium Income:	R 41.2 million	R 91.7 million	Achieved
Operating Expenses:	R 15.6 million	R 19.0 million	Not Achieved
Underwriting Loss:	R 16.5 million	R 50.7 million	Not Achieved
Investment Income:	R 73.5 million	R 108.9 million	Achieved
Net Profit:	R 57.0 million	R 71.9 million	Achieved
Investment Value:	R 1,071.0 million	R 1,240.4 million	Achieved
Operational efficiencies			
Information Technology	Automation of manual processes when it makes business sense and projects to be agreed before the beginning of each FY	Automation of three standard reports for Land Bank Life Insurance Company (LBLIC) reporting was completed.	Achieved
	Automated data transfers from partners	Data transfers from partners were automated.	Achieved
Accessible distribution channels	80% of relationship bankers, to be FAIS accredited to sell insurance products	19/50 passed the exams to date (38%). This is due to not enough people passing the RE exam.	Not Achieved
	70% of B&CB partners accredited to sell insurance products	Agreements have since been signed with the B&CB partners.	Achieved
	15 brokers in place to sell to emerging farmers	Brokers have signed to service emerging farmers.	Achieved
GWP as a percentage of REM portfolio	REM - 10%	58%	Achieved
Customer Centricity			
A compelling value proposition for the client	Develop products and processes aligned to segmentation	Whole life product specification was developed. Product pricing and policy wording was also drafted and finalised.	Achieved
Extension of Land Bank brand to include insurance	Active media presence and displays in agri-shows	A list of 14 shows was compiled and specific shows were identified. 11 identified shows were attended.	Partially Achieved
	Form partnerships with relevant stakeholders	LBIC signed an agreement (to co-insure and re-insure) as per the partnership model.	Achieved
Governance, risk management, regulations and compliance			
Statutory and regulatory compliance	Train staff in risk related disciplines of fraud awareness, FICA, ethics, new regulations and legislation	Training was conducted at 100% of the Land Bank branches.	Achieved
Relevant strategic and operational risks	Design and draft an Enterprise-wide Risk Management (ERM) Framework	An ERM framework was drafted in the previous FY and was reviewed and presented to the board in March 2015.	Achieved
	Design and draft a risk appetite framework	A risk appetite framework was developed with appropriate risk thresholds.	Achieved
	Design and draft a risk appetite measurement tool	A risk appetite measurement tool was developed.	Achieved
	Design and draft a risk register	A risk register was developed in the previous FY and was reviewed and updated.	Achieved
	Design and draft an integrated risk management reporting tool	A combined risk assurance matrix was completed, presented to the Audit & Risk Committee (ARC) on 17 February 2015 and recommended to the Board, who approved it.	Achieved

STAKEHOLDER ENGAGEMENT

To remain relevant and competitive in the agriculture sector, the Bank has developed and implemented an effective stakeholder engagement framework which has enabled it to provide appropriate guidance on how it should interact with its own stakeholders. The Bank employs the stakeholder engagement as a means to , gain better understanding of its stakeholders' perspectives on strategically important issues in order to ensure that it remains strategically relevant and important to the agriculture sector.

The role of our stakeholders is critical to the Bank's competitiveness and sustainability. During the year under review, the Bank conducted a well-structured and managed stakeholder engagement where crucial and strategic business matters were considered. This interaction resulted in influencing the Bank's business offering to its clients and stakeholders.

Over the past years, the stakeholder engagement has provided the necessary business intelligence that continues to shape and transform the Bank into a more relevant and effective organisation. During the FY2015 financial year, the Bank has consolidated its stakeholder engagement activities in a formal report, highlighting matters of discussion and importance. Table1 below presents the Bank's engagement activities with various stakeholders, grouped according to the nature of their business and influence in the agricultural sector.

Table1: Key stakeholder engagements

Stakeholders	Methods of engagements	What matters to them	Response to their concerns
Clients (Development & commercial farmers and Agribusiness (Corporate)	• Formal meetings • Sponsoring of sector events • Scheduled road-shows • Written and verbal communication • Formal visits to clients	• Improved customer services • Simplified application process • Improved communication • Access to funding for summer crops • B-BBEE Compliance and transformation • Enhanced client relationships • Improved turnaround times	• Regular written and verbal communication to clients. • Scheduled visits were held that were aimed at investigating potential deals for funding by the Bank and promoting transformation through B-BBEE compliance. • Enhanced and more concise application documentation and streamlined credit process. • The Bank is looking at a number of options to automate the application process which is aimed at improving customer response.
Emerging farmers	• Workshops and conferences with organised agriculture structures such as: - National African Farmers Union (NAFU); - National Emergent Red Meat Producers Organisation (NERPO); - African Farmers Association of South Africa (AFASA); - Grain Farmer Development Agency (GFADA); etc.	• The Land Bank's funding strategy • The mandate of the Bank • Fundamental and structural problems facing emerging farmers as a result of the country's agricultural history • Access to land • Access to infrastructure • Limited access to funding to enable economically viable production • Inherent financial challenges relating to normal credit practices, viz: - Lack of collateral - No financial history, little of no equity - Relative lack of managerial, financial and/ or agricultural skills - Technical skills	• The current organisational design is aimed at increasing the Bank's focus on its development mandate • Established focussed business unit to drive the promotion of emerging farmers • Engagement of pertinent government departments and select private sector strategic partners to drive development projects • The Bank's objective to become government's preferred partner when it comes to determining economic viability of farm property, including government acquired for farms for land reform

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholders	Methods of engagements	What matters to them	Response to their concerns
Investors	• Investor road- shows • Regular consultations • Written and verbal communication	• Continued and sustainable shareholder support • Improved capital adequacy/ gearing • Funding of development • Loan book quality and sustainability • Credit rating issues • Strategy	• The new CEO has recently conducted investor road-shows jointly with the shareholder. • Reaffirmation of shareholder's commitment for recapitalisation; good progress is being made to improve equity through retained earnings for operations. • Raising of affordable and appropriate funding for development from multilateral institutions and government. • The Bank is fully committed to continuous improvement for cost-to-income and growth of business as per corporate plan. The declining cost to income ratio is evidence of the Bank's commitment. • Credit ratings were maintaned at AA+ (long term) and F1+ (short term). • 2016 Corporate Landscape discussed and is being regularly reviewed to meet business objectives. • The Bank has embarked on an organisational review to improve its business' efficiencies in key areas of delivery.
Employees	• Employee climate surveys • Employee engagement surveys • Monthly HR newsletters • Union quarterly meetings • Wellness awareness campaigns • Employee health portals	• Culture and work environment • Career development prospects • Timeous communication • Salary and benefits matters • Compliance and legislation updates • Health and wellness matters	• Communication of survey results to organisation distributed. Focus groups per business unit (BU) established to discuss interventions required. • Career paths in the process of being introduced and career plans to be established. • Career discussions conducted at BU's and departmental meetings. • Monthly HR newsletter introduced. • Annual bargaining forums/consultations conducted with recognised union (Sasbo). • Wellness health articles published monthly and wellness portal activated for use by employees.
National Government • The National Treasury (NT) • Department of Rural Development and Land Reform (DRDLR) • Department of Agriculture, Forestry and Fisheries (DAFF)	• Formal consultative sessions • Participating in relevant portfolio committees • Relevant policies and plans (Land Reform Act, National Development Plan (NDP) • Written and verbal communication • Monthly HR newsletters • Union quarterly meetings • Wellness	• Promote inclusion of previously disadvantaged individuals (PDI's) in mainstream agriculture • Fulfilment of the mandate • Sustainable models for funding to development famers • Ensure food security • Facilitate job creation	• Wholesale Finance Facility (WFF) was revised to accommodate more development farmers. REM continues to facilitate lending to the development market. • Conducted a number of presentations on finding innovative and collaborative solutions for supporting black farmers. • Secured affordable funding from multilateral institutions and government to fund development • Established Working Committees with DAFF, DRDLR, and NT to facilitate appropriate support for development farmers by coordinating various government programmes. Dedicating special attention to the resuscitation of distressed farms. • A number of distressed farmers were successfully restored in collaboration with DRDLA and provincial governments. • Continuous engagement with other potential multilateral financial institutions to secure appropriate and affordable funding for development. • A new memorandum of understanding (MoU) was drafted between the African Farmers' Association of South Africa (AFASA) and the Bank. Engagements regarding areas of collaboration. • Continued support of organised agriculture to promote food security and job creation through lending activities.

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholders	Methods of engagements	What matters to them	Response to their concerns
Organised Agriculture • AgriSA • GrainSA • AFASA • Transvaal Agricultural Union of South Africa(TAU SA) • Agriculture Sector Unity Forum (ASUF) • National Emergent Red Meat Producers' Organisation (NERPO)	• Formal consultative sessions • Sponsoring of sector events • Participating in programmes and special committees and working groups • Written and verbal communication	• Transformation of the agricultural sector • Financing of development farmers • Understanding of the Bank's strategy • Sponsorship of annual events • Innovative and appropriate models for funding to development famers • Ensure food security • Facilitate job creation • Relevant policies and plans (Land Reform Act, NDP)	• The Bank continued with consultative sessions with organised agriculture where the Bank presented its plans for sector transformation. • Clarity was offered on various fora on how the Bank is funded to be able to finance development and the funding constraints it's facing in this regard. • The Bank has repeatedly reassured its commitment in financing commercial farmers during sponsored events. • The Bank sponsored a number of important events such as annual general meetings (AGM's) and national agricultural shows, organised by these associations. During these events the Bank had the opportunity to present its strategy. • The Bank engaged and consulted with AgriSA at both national and provincial structures on land reform matters. The Bank's position on land matters were deliberated as they were a serious concern for commercial agriculture. The Bank reassured commercial farmers about the certainty of support based on economic viability and property rights adherence as endorsed by the constitution.
Regulators • National Credit Regulator (NCR) • Financial Services Board (FSB) • Department of Arts and Culture • NT • Human Rights Commission • Financial Intelligence Centre • South African Revenue Services (SARS) • Department of Justice	• Continuous interaction through meetings • Written and verbal communication	• Good governance • Transparency • Reporting as per provided guidelines • Compliance with: - National Credit Act (NCA) and conditions of registration - Financial Advisory and Intermediary Services Act (FAIS) - Long & Short Term - Insurance Acts - The Use of Official Languages Act - Promotion of Access to Information Act - Financial Intelligence Centre Act - Tax Administration Act and other relevant legislation	• The Language policy was reviewed for alignment and compliance with the NCR. • Adequate systems and procedures were implemented through the Bank to ensure compliance with all applicable legislation • Presentation of results to the media and tabling of the Land Bank annual report in parliament in September 2015. • Continuous and regular reporting in terms of the reporting requirements provided in relevant legislation.
Land Bank Chairs • University of Venda • North-West University • University of Fort Hare	• Formal meetings • Sponsoring of sector events • Written and verbal communication • Formal visits • Formal meetings	• Funding and advancement of research agenda for agricultural innovation • Funding inter-alia used to promote research in: - Lending market in the rural communities; - Identification of new lending markets; and - Analysis of new market trends which will inform the Bank's strategy.	• The Bank continued funding for universities to support research capacity building as well as for farmer support. • Specific research assignments aimed at facilitating and informing credit decisions were completed and new ones were commissioned based on the developed agenda. • The research topics were guided by business needs with the aim to provide useful intelligence. Completed assignments are due by end of FY2015. Good progress has been made so far.

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholders	Methods of engagements	What matters to them	Response to their concerns
Strategic joint ventures • Grain Farmer Development Association (GFADA)	• Written and verbal communication • Participating in programmes and special committees and working groups	• Promotion of access to finance for development farmers • Provision of expert advice and technical service to qualifying development clients	• The Bank and GFADA signed an MoU to work together for the provision of business support for development clients in the grain sector. • Through AGRISA leadership, GFADA identified a new opportunity for grain production projects in the Eastern Cape. The Bank is investigation a special purpose vehicle (SPV) to facilitate the project implementation. • Both parties identified suitable intermediaries for collaboration. The Bank will evaluate the intermediaries' suitability and viability for credit management. • A number of presentations on finding innovative and collaborative solutions for supporting black farmers were conducted.
Assurance providers The Auditor-General of South Africa (AGSA)	• Planning meetings • Audit stakeholder • Closeout meetings • Audit Committee meetings	• Compliance with: • PFMA; • Treasury Regulations; • Land Bank Act; • NCA; and • FAIS.	• Formal engagements were proposed. • Formal management responses to audit findings were made. • Appropriate corrective measures were actioned accordingly.
Commercial Banks and Development Finance Institutions (DFI's)	• Due-diligences on Land Bank • Annual ratings review	• Financial sustainability • Levels of debt • Liquidity • Strategy	• Systems and procedures in place. • Managing the Land Bank's balance sheet. • Presentation of results via media. • Increased development impact, including levels of funding to different priority sectors, in line with mandate.
Rating Agency Fitch	• Official meetings with Land Bank and shareholder • Follow up conference calls • Final review of draft report before publication • Email requests	• Moderate profit expectations • High reliance on investment portfolio • Capital support from authorities • Fast loan growth • Asset quality can be volatile • Single sector focus • Uncertain prospects of land reform • Reliance on market funding	• Fitch engaged directly with the relevant BU's of the Bank according to the project schedule. • Fitch visited the Bank on 5 November and interviewed Finance, Treasury, Risk and Operations. • On the 17th of December 2014, Land Bank was affirmed AA+, with a stable outlook. • Fitch released the Bank's final ratings report on 1 April 2015.
Parliament (Portfolio Committee)	• Formal consultative sessions • Participating in relevant portfolio committee meetings • Written and verbal communication	• Promote inclusion of PDI's in mainstream agriculture • Innovative and appropriate models for funding development famers • Ensure food security • Facilitate job creation	• The Bank successfully implemented the REM business model which promotes the inclusion of developing farmers into mainstream agriculture. • The Bank also developed a dedicated product (wholesale financing facility) for emerging farmers. • The Bank increased its lending activities in the agricultural sector, which consequently resulted in improved food security and job creation.

Conclusion

Through stakeholder engagement, the Bank has managed to improve and strengthen vital partnerships and to be in touch with developments in the agriculture sector. There was a greater appreciation for the Bank's business challenges and future plans by the agricultural community. Whilst noting the benefits of the stakeholder engagement derived by the Bank, it is important to be cognisant of the fact there is still room for enhancement of the quality of interaction and reporting with its stakeholders.

Stakeholder engagement has enabled the Bank to develop better planned and more informed strategies, policies, projects, programmes and services to make it more strategically relevant. Stakeholder engagement has proven to make the Bank a better organisation, by being mutually beneficial for the Bank and its clients. Through the continuous improvement of stakeholder engagement, the Bank aspires to be the "go to Bank", the one of choice for agriculture finance.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

By virtue of its business, the Land Bank operates in an environmental and social space. The Bank therefore prioritises protection of the environment and society to ensure shared value creation with the South African community at large. To ensure this noble objective, the Land Bank developed an Environmental and Social Sustainability (ESS) strategy in 2012 as a vehicle to implement environmental and social sustainability in the Bank and implementation started in FY2013. The strategy covers five key priority areas, viz:

- Greening the Bank value chain, i.e., walking the talk, which focuses on reducing resource consumption to contain costs, promote environmental conservation and reduce carbon footprint. This focus area targets greening of the Bank by reducing material consumption through direct internal use, procurements and travel;
- Sustainable finance which endeavors to ensure responsible lending by complying with national and global E&S sustainability laws and principles, and optimising benefits presented by E&S sustainability;
- Empowered corporate culture which aims to embed ESS in the Bank's corporate culture and ensures occupational health and safety at all times;
- Green/shared value research to ensure continuous research on E&S risks, such as climate change, and/or opportunities for the Bank's preparedness for any such risks and opportunities; and
- Social responsibility towards contributing to socio-economic development through shared value creation.

The Strategy is supported by an ESMS which also presents the Bank's declaration and commitment to E&S sustainability in compliance with the national and international laws. Above all, it showcases the Bank's pledge to be a good corporate citizen and its desire to lead by example in pursuing sustainable development. This report covers the E&S sustainability commitment of the whole Bank, including Head Office and the Agricultural Finance Centres (AFCs).

Environmental and Social Management System (ESMS)

Due to the nature of the Bank's business, E&S impacts are indirect and largely emanate from the activities the Bank finances. To guard against any E&S risks that may arise from such activities, the Bank is guided by a robust ESMS which helps it to effectively deliver on sustainable finance, demonstrate stewardship in E&S, comply with national and global sustainability protocols and principles and minimise costs associated with potential E&S risks.

The Board and Executive Management of the Bank bear final responsibility of the ESMS which comprise the following:

- Policy commitments – which state the Land Bank Group's commitment to managing the E&S risks it may be exposed to due to transactions and clients in its portfolio;
- mplementation guideline – which provides guidance on how to screen and categorise transactions based on their E&S risks, conduct E&S due diligence and monitor the client's E&S performance;
- Implementation tools – for identifying, assessing and managing the E&S risks;
- Capacity and training needs – which comprise the roles and responsibilities of staff involved at each stage of E&S risk assessment, training plan and roles and responsibilities of the Land Bank Group's clients; and
- Documentation and record keeping requirements – for tracking the E&S performance of each transaction and assessing the financial institution's overall exposure to risk.

Key environmental figures

Material Consumption

Through greening the Bank value chain, the Bank committed to reducing material consumption (energy, water and paper) by 10% from the base year, viz was FY2014. It also committed to tracking and consciously reducing CO2 emissions through travel, thereby contributing towards reducing effects of climate change. The tables below show progress made towards reducing material consumption over the period of two years and baseline CO2 emissions, respectively.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY (CONTINUED)

Table 1: Material consumption

	FY2015	FY2014	Variance
ENERGY CONSUMPTION			
Total electricity consumption (kWh)[i]	2,916,300	4,038,406	(28%)
Per capita electricity consumption (kWh)[ii]	5,207.6	7,211.4	
Fuel consumption (L)[iii]	170,750	172,469	(1%)
WATER CONSUMPTION			
Total water consumption (L)[iv]	10,581	20,344	(48%)
Per capita water consumption (L)	18.8	36.3	
PAPER CONSUMPTION			
Total paper usage (boxes)	2,970	9,199	(68%)
Per capita paper usage	5	16	

i. Electricity usage for Swellendam and Rustenburg offices was not available due to challenges in their municipalities

ii. Per capita electricity consumption includes electricity used in the canteen, irrigation system and air conditioning

iii. Fuel includes petrol & diesel

iv. Water used for sanitation, drinking, irrigation of plants and cleaning in AFC's, excluding head office.

Table 2: CO_2 emissions from travel

	No of flights	Distance (km)	Emission Factor	Total CO2 (Kg)	Total Carbon (kg)
AIR TRAVEL[i]					
Short Haul (1 hr)	139	62 828	0.18	11 309	3 084
Medium Haul (2 hrs)	540	918 000	0.13	119 340	32 547
Total		***980 828***		***130 646***	***35 631***
CAR TRAVEL					
Car Rentals[ii]		70 000	0.18	14 973	4 084
Private Cars[ii]		325 200	0.13	61 170	16 683
Total		***395 200***		***76 143***	***20 767***
FLEET CARS					
Medium cars - Diesel		75 692	0.18	14 238	3 883
Medium cars - Petrol		72 206	0.13	15 445	4 212
Total		***147 898***		***29 683***	***8 095***
GRAND TOTAL		**1 523 926**		**236 472**	**64 493**

i. Air travel definitions and factors are from the GHG Protocol Mobile Combustion tool. Short haul = distance less than 452km and medium haul = distance less than 1600km.

ii. Assumes medium petrol consuming cars such as Toyota Corolla, Jetta, BMW

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY (CONTINUED)

Energy consumption: To minimise electricity use, the Bank has converted to energy saving technologies in all its buildings, such as fluorescent bulbs, energy saving printers, laptops and cooling systems. In addition, the Bank is in the process of conducting a feasibility study on the use of alternative green energy resources such as solar energy. Notably, the use of fuel consumption was not reduced by the targeted percentage. This is mainly attributable to load shedding as the Bank had to rely on diesel fuelled generators for electricity generation.

Water consumption: To reduce water consumption, the Bank intensified its efforts to identify and repair all water leaks timely. To further support the Bank's objective to utilise water more efficiently, the Facilities Department also rolled out a number of campaigns to create awareness on efficient water usage.

Paper consumption: The most significant reduction in the usage of materials is observed in the Bank's paper usage, as there was a 68% reduction in paper usage from FY2014 to FY2015. This proves the Bank's commitment to significantly reduce its environmental footprint by printing less and decreasing its paper usage. This remarkable achievement was, amongst others, made possible by the implementation of paperless credit meetings, which in the past used to consume a lot of paper. The Bank also introduced recycling bins to ensure that all the printed paper is disposed of in a sustainable way. The bins are emptied monthly and their contents are shredded and recycled. The total amount of paper recycled in FY2015 was 1266.5 kg, which equates to a reduction of 27% compared to FY2014.

CO_2 Emissions: As a commitment towards minimising carbon foot print from travel, the Bank committed to collecting baseline information on carbon emissions during the year under review as the basis for measuring progress going forward. The total CO_2 emissions for the Land Bank are estimated at 236 472kg, 55% of which were contributed by air travel.

Procurement practices

The Bank has a procurement policy which is aligned to the B-BBEE requirements. The policy dictates that the Bank should prioritise local suppliers when procuring services and products and especially those that are previously disadvantaged. During FY2015, services and products to the total value of R88 275 098 were procured from locally owned companies. Approximately 45% of these were secured from previously disadvantaged owned companies, 30% of which are women owned.

Sustainable finance: products and services

The Bank is committed to ensuring that all activities it finances are implemented in a sustainable manner to protect the environment and society and promote sustainable development. In FY2015, the Bank funded a total number of 10 intensive enterprises[1], among which were piggery and broiler enterprises. For these, Environmental and Social Impact Assessments (EIAs) were conducted to mitigate E&S risks as per the South African environmental laws. In addition, all activities requiring water certification as per the national laws were requested to produce water certificates before finance was granted.

Environmental and social risk management

Through its green research priority area, the Bank has committed to proactively and continuously do an active scan of E&S risks, as well as opportunities, to better prepare and position the Bank towards fulfilment of its mandate to contribute to food security and sustainable development. During FY2015, the Bank identified two strategic environmental and social risks. Table 3 below provides a summary of these risks, progress made towards mitigating them, as well as their future outlook.

[1] Intensive enterprises are the projects that are highly likely to have a negative impact to the environment or society.

Table 3: FY2015 Environmental and social risks

Risks	Mitigants	Progress and future outlook
Inadequate system for assessing and managing environmental and social risks associated with the activities of the Bank's clients, leading to the following risks: • Litigation • Credit • Failure to secure funding • Bad reputation to investors and stakeholders	Development of an ESMS with implementation guidelines and tools	The ESMS has been developed and in FY2016 the system will be integrated into Credit, Risk and Operations policies for implementation
Inadequate information on main environmental and social risks such as Climate Change (CC), water scarcity, and energy costs; and farm labour strikes, respectively. If unattended, these might lead to: • Credit risk • Loss of market share, and • Bad reputation of the Bank	To generate information on environmental and social risks and opportunities, the Bank committed to, first, conduct research on CC and water scarcity during FY2015	• The CC and water scarcity study has been completed and recommendations from the report are expected to be implemented during FY2016. • Furthermore, the green research will be expanded to include energy.

The CC and water scarcity study was conducted to assess the impact of climate change on South African agriculture, its implications for the business of the Bank and what the Bank needs to do to better prepare for the climate change, and associated risks such as water scarcity, and opportunities. A summarised version of the results is presented in the Table 4 on the following page.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY (CONTINUED)

Table 4: Climate change risks and opportunities

Climate change risks	Climate change opportunities
The agricultural sector is already impacted by climate change through increased temperatures; changes in rainfall patterns according to time, geographical space and quantity, with some regions experiencing floods while others receive very limited amounts; and persistent droughts in some regions.	• Opportunities to mitigate against and adapt to climate change effects exist in the form of partnerships with government to implement government's green economy initiative; collaborative research with research institutions and green funding provided by government, multilateral Development Financial Institutions (DFIs) and other investors. • To harness green funding opportunities, the Land Bank has to create a conducive environment for such funding. This involves having a distinct green credit line with green funding products and green funding instruments (e.g., green bonds, government green funds, multi- and bi-lateral green funds).
Generally, climate change is expected to be harmful to agriculture and more so to crop farming. However, its effects will be different for different farming systems, with the most harmful effects likely to be felt in dry land farming and by emerging development and resource-poor farmers as they have relatively few capital resources and management technologies at their disposal.	• The Bank must also ensure institutional capacity and develop green products (green credit line) to secure green funding, and • Work with policy makers to realise the transition to integrated climate change adaptation.
This will affect the Land Bank's mandate to drive development farming and will greatly impact on the development farmers' livelihoods and negatively contribute to food security.	

Key social figures

Empowered corporate culture: skills development of employees

The Land Bank recognises the importance of building its human capital to ensure sustainability. As such, the Bank continuously improves the skills of its employees across all categories, races and gender in order to keep up with the emerging and changing economic and environmental factors. It also acknowledges the ageing of the experienced employees and therefore empowers the new generation of its employment cadre by developing their skills capacity. The Bank spent a total of R6 956 730 on skills development in FY2014, which dropped by 1% to R6 912 605 in FY2015. The table below shows the split in this spend.

Table 5: Skills development spend (R)

	FY2015	FY2014	Variance
Executive Training	450,251	362,973	24%
Generic Training	1,037,946	1,035,486	0%
Leadership Training	598,098	1,245,888	52%
Learnership Expenses	1,339,306	946,360	42%
Staff Study Scheme	582,364	756 945	(23%)
Technical Training	932,225	1,251,113	(25%)
External Bursaries	410,670	883,979	(54%)
Travel	**446,960**	**241,396**	85%
• *Foreign air tickets*	*9,552*	*51,000*	
• *Local air tickets*	*285,558*	*97,427*	
• *Car Hire*	*114,538*	*43,429*	
• *Fuel*	*4,368*	*2,384*	
• *Travel reimbursements*	*32,945*	*47,156*	
Accommodation and subsistence	**1,114,786**	**232,590**	379%
• *Local accommodation*	*1,078,029*		
• *Subsistence and meals*	*36,757*		
TOTAL	**6,912,605**	**6,956,730**	**(1%)**

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY (CONTINUED)

In addition to its normal cadre of employees, the Land Bank provides opportunities for young graduates to gain working experience through its Internship Programme. To develop their skills for the Bank's and related job market's requirements, the Bank enrols the interns on learnerships, where they are trained in different aspects of banking. These result into recognised qualifications. Investment in learnerships increased by 42% between FY2014 and FY2015. The Bank also provides bursaries to qualified students as part of its corporate social responsibility and at the same time develops a pipeline of talent from which the Bank can source its future employees. This is a perfect example of shared value creation. The support however dropped significantly (by 54%) from FY2014 to FY2015, due to financial constraints.

Social responsibility

As a good corporate citizen, the Bank endeavours to always invest in social responsibility and shared value creation with the society within which it operates. This is done through direct financial investment and employee community outreach.

Corporate social investment

Through its Corporate Social Investment (CSI) Strategy, the Bank is committed to promoting development by supporting vulnerable communities. In FY2015, the Bank invested R1.5 million in community development initiatives. The table below presents such initiatives.

Table 6: CSI initiatives

CSI Area	Details
Balimi Food Security at Nkang Mahlale Secondary and Tiang Primary Schools in the North West Province.	• Focused on promoting food security through infrastructure development (boreholes, irrigation system, fencing, and garden tools) in the schools' food gardens.
Mangweni Village, Mpumalanga.	• Building of a skills centre for a physically challenged children school (deaf, blind and intellectually impaired).
The Land Bank University Agricultural Chair Programme – Universities of Limpopo, Fort Hare and Venda.	• The objective is to improve research capacity at previously disadvantaged institutions through providing funding for empowering mainly historically disadvantaged lecturers and post graduate students in agriculture and rural development. • The main support areas are: agricultural research, capacity building, innovation and farmer support.

Employee outreach

The Bank allows its employees to participate voluntarily in community outreach activities during its working hours. During FY2015, the Bank mobilised a huge employee outreach in commemoration of the Mandela Day campaign. These initiatives were entirely conceived and sponsored by the employees.

Table 7: Employee outreach

Initiative	Details
Head Office staff	• Purchased groceries for a home of 20 orphans at Mama Health Children's Home in Mamelodi Township, Pretoria.
Head Office and AFCs staff	• Painted homes, bathed, prepared meals and read story books to vulnerable kids. • Old age visits and distribution of toiletries and groceries. • Donation of radios and cricket bats to disadvantaged children.

FINANCIAL PERFORMANCE

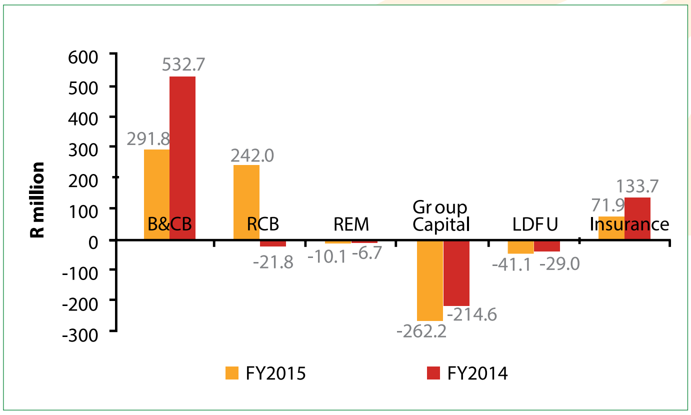
FINANCIAL PERFORMANCE

Low capital inflows and the collapse of ABIL resulted in a liquidity crunch in the domestic market, and general re-pricing of perceived heightened credit risk. Coupled with an upward interest rate cycle, this resulted in contracting margins in the financial services industry. The South African Reserve Bank (SARB) hiked the Repo rate by 50 basis points on 30 January 2014, followed by a further 25 basis points in July 2014. The governor of the Reserve Bank has indicated that further increases could be on the cards if inflationary pressure continues to pose a threat to the local economy. This could result in adverse financial performance for local businesses, including the Land Bank. Both costs of funding and the ability of customers to meet their payment obligations could be negatively impacted.

Prevailing economic conditions of interrupted electricity supply, low demand, rising inflation and low growth did not spare the Land Bank, as some of its clients were adversely affected by the slow economy. As a result, the Bank increased impairment provisions for doubtful debts, which had an unfavourable effect on overall profitability. Government support in the form of guarantees, coupled with internal initiatives aimed at continually improving and re-aligning the operations of the Land Bank contributed to navigating the institution through these economic tides.

Notwithstanding these challenges, for the year ending 31 March 2015, the Land Bank Group recorded a net profit of R292.4 million which represented a decline of R101.9 million or 25.8% when compared to the R394.3 million Group profit (restated) achieved in FY2014. The Land Bank Insurance Operations (LBI), which comprise LBLIC and LBIC - wholly owned subsidiaries of the Land Bank, contributed R71.9 million (FY2014: R133.7 million) while the banking operations contributed a net profit of R220.5 million excluding an intercompany dividend (FY2014: R260.7 million). Group investment income declined by 16.0% or R30.1 million to R151.8 million (FY2014: R181.9 million). This was mainly as a result of low performance emanating from a relatively subdued stock market. Banking operations saw gross loans increase by 10.9% or R3.7 billion to R37.8 billion (FY2014: R34.1 billion), while performing loans increased by R3.4 billion (10.4%) to R36.4 billion (FY2014: R33.0 billion). Total impairments (inclusive of suspended interest and fees) increased by 38.4% to R1.1 billion (FY2014: R784.0 million). The growth in impairments was not a result of an overall deterioration of the quality of the Land Bank's loan book portfolio, but rather because of a small concentration of corporate clients that went into distress.

Figure 1: Group total comprehensive income/ (loss)



Internal performance targets

The Land Bank Group submits an annual corporate plan to the National Treasury. The plan contains key performance and strategic targets informed by the Bank's mandate. The key financial performance targets and results set for FY2015 are detailed in the table below:

Table 1: Key financial performance targets and results for FY2015

KPI	FY2015 Actual	FY2015 Target
Gross interest margin	34.9%	>34.1%
Net interest margin	3.0%	>2.9%
Cost-to-income ratio	54.9%	<69.0%
Capital adequacy/Gearing ratio	37.1%	=>20.0%
Loan book quality (distressed loans)	3.72%	<6.3%

Despite a challenging year, the Land Bank managed to meet all its key performance targets as highlighted in the table above. The Bank continues to enhance its operational environment in order to support its strategic objectives. Cost containment coupled with growth in revenue has continued to improve operational efficiency as reflected in the cost to income ratio of 54.9% (FY2014: 59.5%). Government support also continues to play a pivotal role as reflected in the improved gearing ratio of 37.1% (FY2014: 26.0%). The National Treasury issued an additional R4.0 billion guarantee to the Land Bank in March 2015 to augment the existing R1.5 billion guarantee. Despite the significant growth in its loan portfolio over the last five years, the Bank has managed to keep the distressed loans within acceptable levels relative to its portfolio size. However, the Bank is wary that distressed loans could increase in the short- to medium-term if current economic conditions prevail.

FINANCIAL PERFORMANCE (CONTINUED)

Banking operations

Excluding a R200 million intercompany dividend from the Group's insurance operations, the banking operations achieved a total comprehensive income of R220.5 million (FY2014: R260.7 million). Total impairment charges amounted to R364.9 million (FY2014: R118.9 million), but were partially offset by reversals in interest claim provisions amounting to R200.7 million. In the same period, operating expenses declined by 2.9% or R15.3 million to R510.5 million (FY2014: R525.8 million).

Operating income from banking activities increased by R25.4 million or 3.4% to R762.8 million (FY2014: R737.4 million). This was mainly driven by growth in net interest income that increased to R1.06 billion (FY2014: R931.9 million). The containment of operating costs continues to play a pivotal role in the core operations of the Bank.

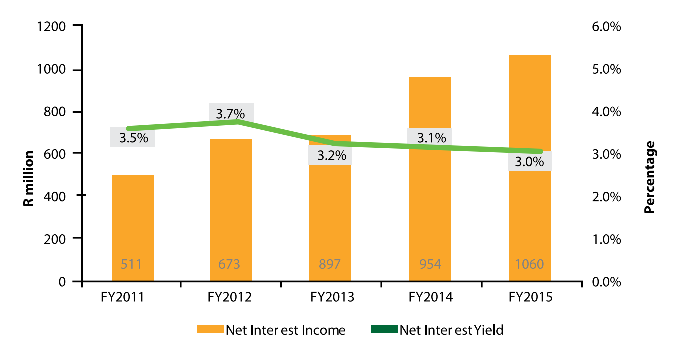
Table 2: Summary of banking operations results

	FY2015 R million	FY2014 R million	Variance
Net interest income	1,059.9	931.9	13.7%
Impairment (charges)/releases	(166.7)	(140.9)	(18.3%)
Non-interest (expense)/income	(130.5)	(53.5)	(+100%)
Operating income from banking activities	762.8	737.4	3.4%
Investment income	242.9	56.3	+100%
Fair value gains/losses	9.2	5.0	84.0%
Operating expenses	(510.5)	(525.8)	2.9%
Non-trading capital items	14.5	9.5	52.6%
Loss from Discontinued Operations	(41.1)	(29.0)	(41.7%)
Other comprehensive income	(19.1)	34.8	(+100%)
Total comprehensive income	420.5	260.7	61.3%
Cash and cash equivalent	1,369.4	1,227.7	11.5%
Loans and advances	36,711.6	33,281.3	10.3%
Funding liabilities	30,847.1	28,206.6	9.4%
Funding liabilities (incl. Discontinued Operations)	31,671.8	28,990.6	9.3%

Net interest income

Net interest income increased by 13.7% to R1.06 billion (FY2014: R931.9 million). Continued growth in the performing loan book (10.4%) and well-managed borrowing costs have increased the Bank's net interest-related income. Over the years, the Bank has diversified its funding base, resulting in robust and open assessment of possible funding options. In addition, the government's support through capital injections and guarantees has allowed the Bank to source funds at affordable rates.

Figure 2: Net interest margin



Impairments

During the reporting period, impairment charges increased by 18.3%, or R28.5 million, to R166.7 million (FY2014: R140.9 million). Major contributors to the increase were two B&CB clients that went into distress, resulting in an additional R364.9 million charge. This was partially offset by interest claim adjustments of R200.7 million (Refer to note 20 of the annual financial statements). Continued growth in the loan book, as well as prevailing economic conditions could inevitably attract impairment charges in the short- to medium term.

Table 3: Impairments

	FY2015 R million	FY2014 R million	Variance
Net impairment charges	(166.7)	(140.9)	(18.3%)
Total impairment	**(166.7)**	**(140.9)**	**18.3%**

Non-interest income/(expense)

Gross non-interest income before administration fees on acquired loan books increased by R2.3 million to R58.6 million (FY2014: R56.3 million). For the same period, administration fees relating to the acquired loan books increased by R79.3 million or 72.2% to R189.1 million (FY2014: R109.8 million), resulting in an overall net non-interest expense of R130.5 million (FY2014: R53.5 million). It must be emphasised that the increase in administration fees on acquired books is within acceptable levels as it is far outweighed by increases in the net interest income from the same portfolio. The Land Bank pays a fee for the administration of these books to the service provider based on the size of the book managed as well as the margins achieved.

FINANCIAL PERFORMANCE (CONTINUED)

Table 4: Non-interest income

	FY2015 R million	FY2014 R million	Variance
Fee and commission income/(expense)	(163.4)	(77.9)	(+100%)
Account admin fee and commission income	25.7	31.9	(19.4%)
Account admin fee expense	(189.1)	(109.8)	(72.2%)
Other income (sundry income, investment property rentals and income from properties in possession)	32.9	24.4	34.8%
Total	**(130.5)**	**(53.5)**	**(+100%)**

Investment income

Investment income of the banking operations increased to R242.9 million (FY2014: R56.3 million) due to the R200.0 million intercompany dividend received from the Group's insurance arm. When excluding this dividend, investment income for the year declined by 23.8% or R13.4 million due to lower realised gains of R17.2 million (FY2014: R40.9 million), on the back of a relatively subdued stock market. The increase in unrealised gains to R15.2 million (FY2014: R6.0 million) was not significant enough to compensate for the decline in realised gains.

Table 5: Investment income

	FY2015 R million	FY2014 R million	Variance
Unrealised fair value gains	15.2	6.0	+100%
Dividends	206.1	3.9	+100%
Realised gains	17.2	40.9	(58.0%)
Interest	6.2	7.3	(15.1%)
Investment management fees	(1.8)	(1.8)	-
Total	**242.9**	**56.3**	**+100%**

Operating expenses

The Bank's drive to contain cost has been successful. Overall, the Bank's operating expenses decreased by 2.9% or R15.3 million to R510.5 million (FY2014: R525.8 million). This was mainly as a result of a 6.5% decrease in staff costs. Costs classified under other operating expenses are disclosed in Note 29 to the annual financial statements.

Table 6: Operating expenses

	FY2015 R million	FY2014 R million	Variance
Notable movements			
Staff costs	344.2	368.2	(6.5%)
Amortisation computer software	6.0	2.3	+100%
Professional fees	19.2	18.7	2.7%
Legal fees	10.3	1.8	+100%
Other operating expenses	130.8	134.8	(3.0%)
Total	**510.5**	**525.8**	**(2.9%)**

Discontinued operations

Losses from discontinued operations amounted to R41.1 million (FY2014: R 29 million), increasing by 41.7%. The losses primarily relate to the funding cost of the LDFU loan portfolio. The unit was discontinued in FY2009 as the loans granted fell outside the Bank's operating mandate. Since its reclassification as a discontinued operation, no interest income has been accrued or recognised. The Bank continues to explore commercially sound disposal options for the remaining assets.

Other comprehensive income

The Bank provides a post-retirement medical aid benefit to those who were either employees or pensioners of the institution at 1 December 2005. This fund primarily functions as a defined benefit scheme. The fund, which is subject to an annual actuarial valuation, reported an actuarial loss of R16.7 million in the period under review (FY2014: R28.7 million gain) due to increases in medical inflation and the decrease in discount rates applied in discounting the liability. Overall, the liability increased by R30.3 million or 11.3% to R297.8 million (FY2014: R267.5 million).

The Land Bank has assessed potential options relating to the mitigation of the adverse movements in the post-retirement medical aid liability and the implementation of some of the recommendations will take place after consultations with relevant stakeholders. The Bank is exercising due care to ensure that the matter is finalised in the interest of all affected parties.

Table 7: Other comprehensive income

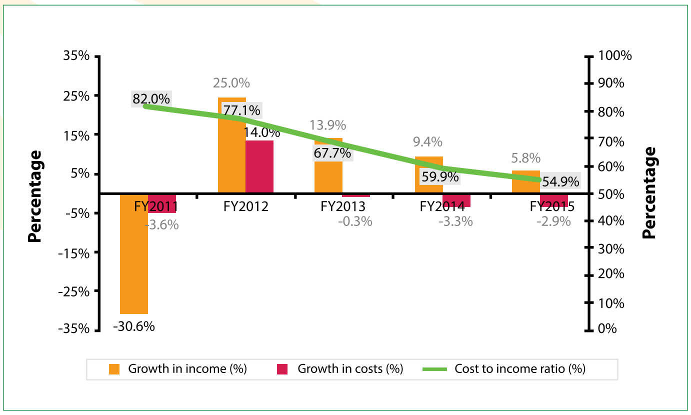
	FY2015 R million	FY2014 R million	Variance
Actuarial (loss)/gain on post-retirement medical aid liability	(16.7)	28.7	(+100%)
Revaluation of land and buildings	1.2	6.1	(80.0%)
(Losses)/gains on financial assets at fair value through other comprehensive income	(3.6)	-	(+100%)
Total	**19.1**	**34.8**	**(45.1%)**

Cost-to-income ratio

The Bank continues to manage its costs within acceptable levels while exploring revenue generating opportunities. These efforts have resulted in the Bank's cost-to-income ratio improving to 54.9% (FY2014: 59.9%).

FINANCIAL PERFORMANCE (CONTINUED)

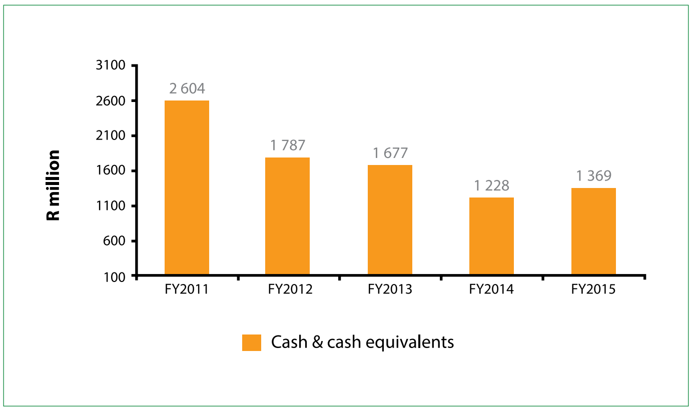
Figure 3: Cost-to-income ratio



Cash and cash equivalents

Cash balances are held to provide the Bank with a sufficient liquidity buffer to mitigate against refinancing risk and prevailing operational demands. The Bank's cash and cash equivalents increased by 11.5%, to R1.37 billion (FY2014:R1.23 billion).

Figure 4: Cash and cash equivalents



Trade and other receivables

Trade and other receivables increased by 2.7% to R351.3 million (FY2014:R342.0 million). Sundry receivables, accrued investment income and pre-paid expenses contributed R27.6 million, R22.2 million and R8.7 million respectively. Intercompany balances between the Land Bank and its insurance operations amounted to R283.8 million (FY2014: R283.8 million)

Non-current assets held for sale

Non-current assets held for sale increased to R53.1 million (FY2014: R52.6 million). This asset class comprises land and buildings amounting to R5.7 million (FY2014: R5.7 million) and properties in possession to the value of R47.4 million (FY2014: R46.9 million). Land and buildings have remained unchanged year-on-year, whilst properties in possession increased by R0.5 million. Approval of certain sale of the land and buildings was received from the Minister of Finance in September 2009 and the Land Bank continues to actively look for potential buyers. Properties in possession relate to assets held by the Bank for disposal in an effort to recover outstanding debts from defaulting clients. Note 8.2 of the financial statements provide further detail on these properties.

Investments

The year under review saw investments increase by R224.8 million or 65.4% to R568.6 million (FY2014: R343.8 million). Listed investments (equities, bonds, foreign equities) increased by R47.9 million to R333.6 million (FY2014: R285.7 million) while commodities increased by R6.9m to R13.1 million and cash holdings decreased to R10.1 million (FY2014: R36.6 million). A further contributing factor to the increase was an R200.0 million shareholder's contribution to capitalise the Group's short-term insurance subsidiary LBIC.

The Land Bank holds assets that serve as a hedge for the post-retirement medical aid liability. At the end of the reporting period, the value of assets held was R356.7 million (FY2014: R328.4 million), resulting in a surplus of R59.0 million when compared with the hedged liability of R297.8 million (FY2014: R267.5 million). These investments are classified as "fair value through profit and loss", and are measured and disclosed at fair value.

Unlisted equities also included under investments which amounted to R11.8 million (FY2014: R15.4 million). These were acquired by the Bank in prior periods on the back of restructuring and credit agreements with respective corporate clients. The value of these unlisted equities was determined by independent professional valuators. Note 9.4 to the annual financial statements provide further detail on unlisted equities.

Loans and advances

For FY2015, the Bank's performing loan book grew by R3.4 billion (FY2014: R6.5 billion) or 10.4% to R36.4 billion (FY2014: R33.0 billion). Distressed loans in the same period increased by R310.5 million or 28.4% to R1.40 billion (FY2014: R1.09 billion). B&CB contributed R2.9 billion to the growth in performing loans, while RCB and REM contributed R431.6 million and R94.3 million respectively. Overall, gross loans grew by R3.7 billion or 11.0% to R37.8 billion (FY2014: R34.1 billion).

Net loans increased by 10.3% to R36.7 billion (FY2014: R33.3 billion), while total impairments (including provisions for suspended interest and administration fees) increased by R301.1 million to R1.09 billion (FY2014: R784.0 million), on the back of two B&CB clients being in distress. The Bank continues to maintain prudent lending procedures and monitoring mechanisms to contain potential client defaults. The Bank's overall loan portfolio remains in a good state as indicated by the NPL ratio of 3.72%.

FINANCIAL PERFORMANCE (CONTINUED)

Figure 5: Loan book performance

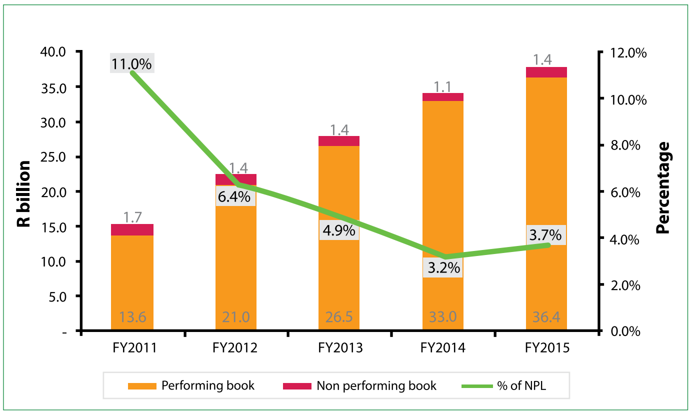
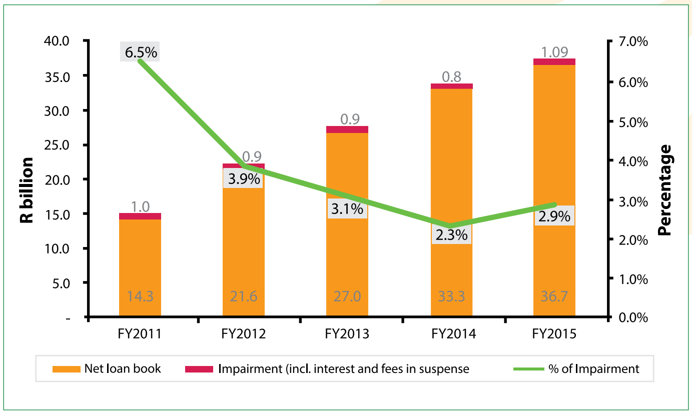


Figure 6: Impairments trend



Assets held for sale

This category comprises the assets of the discontinued LDFU. No interest accruals have been raised since the unit suspended operations. Net assets declined by R0.3 million to R141.9 million (FY2014: R142.2 million). The marginal decrease in net loans was as a result of a R0.3 million increase in impairments across the portfolio. Gross loans in the portfolio remained unchanged from the prior year with a balance of R630.6 million.

The assets of the discontinued operations were valued by independent professional valuators at R280.0 million (forced sale value ranges between 50% and 70%). Where the valuations exceeded the carrying values, the Directors opted to maintain the current values due to uncertainties surrounding the potential conditions of disposal legalities. The final valuation of the remaining assets in the portfolio was R199 million (FY2014: R199 million).

Intangible assets

The value of intangible assets, initially measured at cost, are reduced by accumulated amortisation and impairment losses. At the end of the reporting period, the Bank's intangible assets declined by R2.7 million to R37.2 million (FY2014: R39.9 million). Additions during the period amounted to R3.2 million (FY2014: nil). During the course of the financial period, the Bank revised its estimated useful life of computer software from 20 years to 3, 5 and 10 years respectively based on the tier of the intangible assets, which is deemed to be more appropriate and in line with industry norms.

Property and equipment

The net carrying values of property and equipment decreased to R87.2 million (FY2014: R93.8 million). Additions and disposals during the period amounted to R2.7 million (FY2014: R5.2 million) and R6.5 million (FY2014: R7.0 million) respectively. The additions related to computer equipment of R1.8 million (FY2014: R4.8 million), furniture and fittings of R0.5 million (FY2014: R0.4 million), and leasehold improvements of R0.4 million (FY2014: nil). Disposals comprised computer equipment and furniture, fittings and office equipment of R5.6 million and R0.9 million respectively. Net devaluations across the land and building portfolio amounted to R0.6 million (FY2014: R4.7 million revaluation surplus).

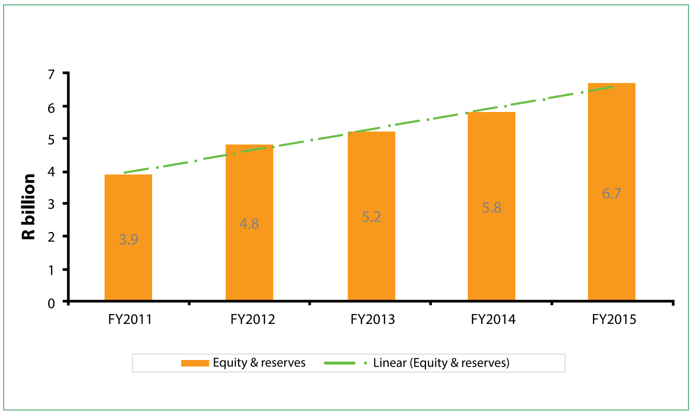
Investment properties

This asset class comprises owned office buildings and property held for rental income. Investment properties increased by 18.3% or R15.4 million to R99.8 million (FY2014: R84.4 million). The increase is solely related to fair value adjustments of R15.4 million (FY2014: R0.3 million).

Capital and reserves

Capital and reserves amounted to R6.7 billion at the end of the reporting period (FY2014: R5.8 billion).

Figure 7: Capital and reserves

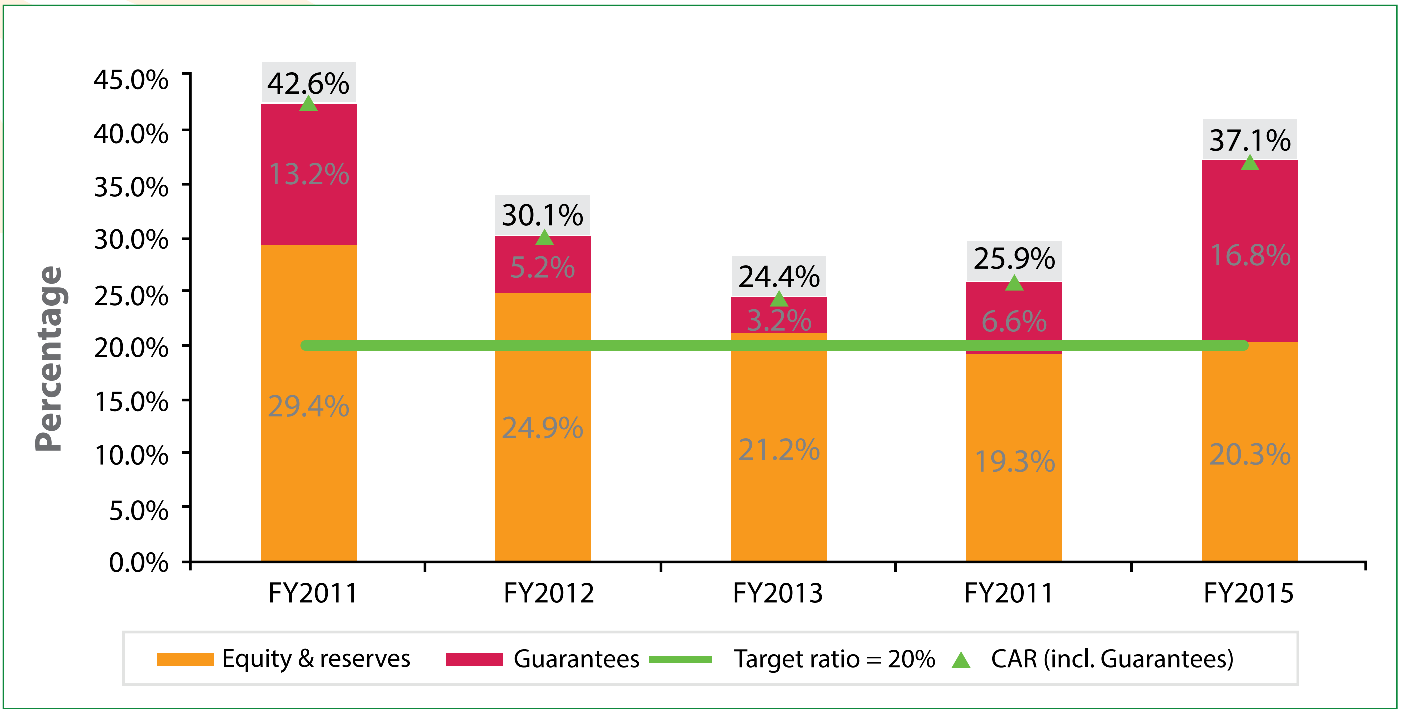


Capital adequacy (gearing)

In response to the significant asset growth over the last couple of years, the Bank's funding requirements increased significantly, thereby putting pressure on the capital adequacy/gearing ratio. The Bank continuously strives to optimise the use of capital and as such undertook a number of initiatives, which includes (but is not limited to): loan book portfolio optimisation, funding mix optimisation and an organisational review. The capital adequacy/gearing ratio increased from 25.9% to 37.1% at the end of the reporting period. The increase stems mainly from continued support by the Bank's shareholder, the National Treasury, who provided a further R4.0 billion guarantee during March 2015, of which R2.7 billion was immediately accessible to the Bank, whilst the remaining R1.3 billion will be made available as soon as the organisational review has been completed. Total guarantees received amount to R5.5 billion.

FINANCIAL PERFORMANCE (CONTINUED)

Figure 8: Capital adequacy/ gearing



Funding liabilities (incl. LDFU)

Although the Bank received government recapitalisation support, its lending activities are funded by participating in the open market through issuances of instruments such as promissory notes, call bonds, bills, floating rate notes and debentures. At 31 March 2015, funding liabilities increased by R2.7 billion; or 9.3% to R31.7 million (FY2014: R29.0 billion). Although the Bank's refinancing risk has improved over the last couple of years due to successfully diversifying its investor base, it remains vulnerable to market liquidity. As such, the Bank continues to diversify its sources of funding to mitigate refinancing risk.

Figure 9: Funding composition, FY2015

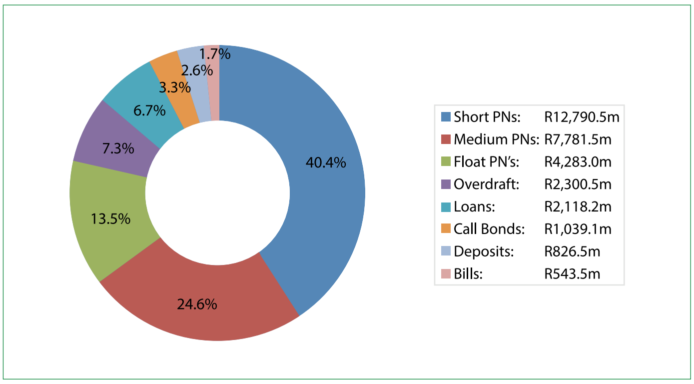


Figure 10: Funding composition, FY2014

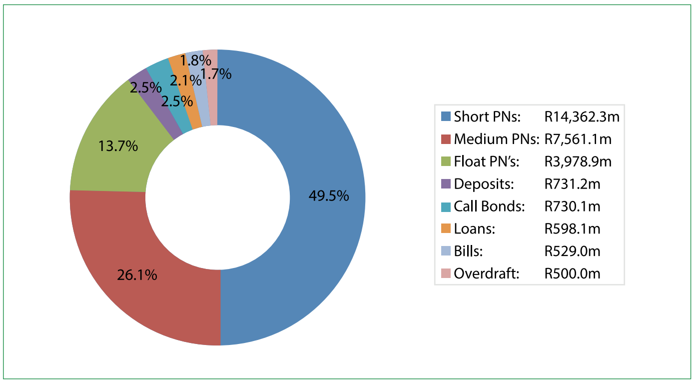


Figure 11 and 12 below show the Bank's funding maturity profile for the current and previous reporting periods

Figure 11: Funding maturity, FY2015

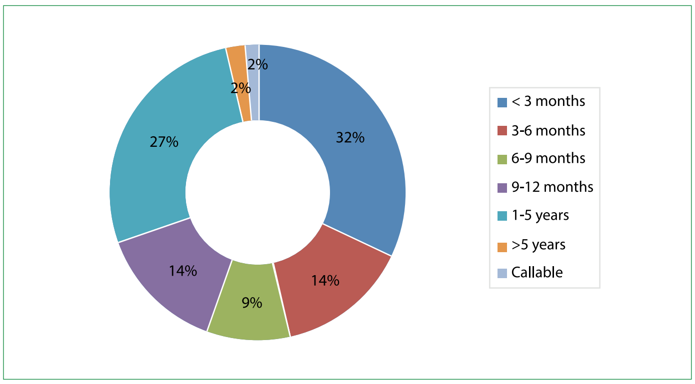
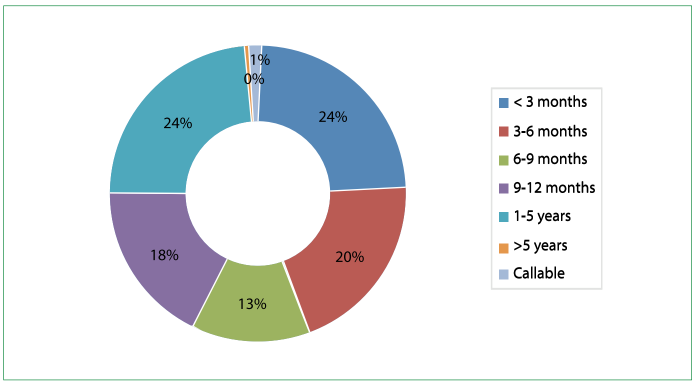


Figure 12: Funding maturity, FY2014



FINANCIAL PERFORMANCE (CONTINUED)

Provisions

Overall, provisions (excluding impairments) decreased by R243.4 million, or 55.6% to R194.6 million (FY2014: R438.0 million). Provisions raised during the year were mainly for staff related matters and legal fees, which contributed R56.0 million and R6.0 million respectively. Reversals and utilisations amounted to R222.1 million and R110.3 million respectively, while additions totalled R87.0 million. Reversals consisted of administration and penalty fees and staff-related costs, amounting to R200.7 million and R14.5 million. Staff related costs (R75.1 million), legal fees (R2.9 million), and administration and penalty fees (R21.4 million) made up the provisions utilised. At R96.2 million, provisions for administration and penalty fees make up the bulk of the total provisions for FY2015.

Figure 13: Provisions, FY2015

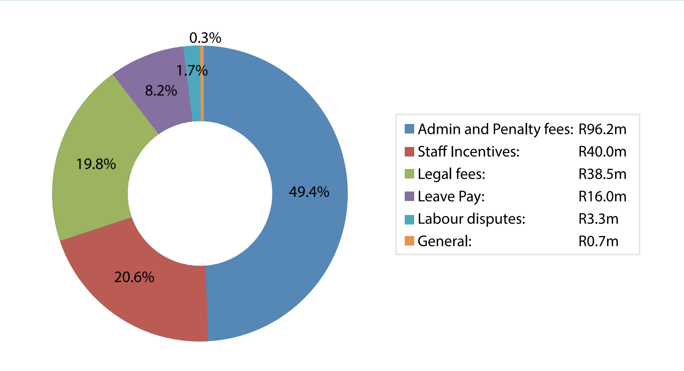
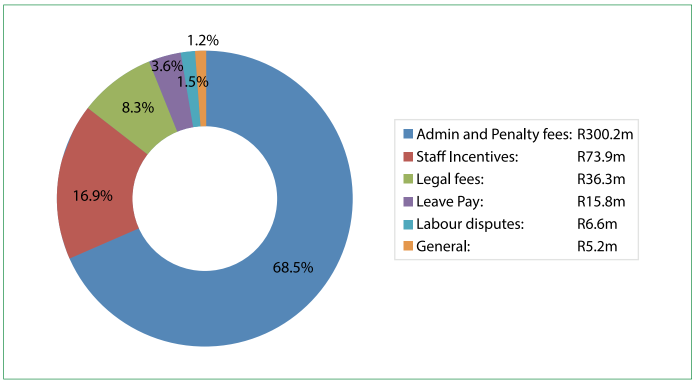


Figure 14: Provisions, FY2014



DIVISIONAL PERFORMANCE

Table 8: Summary of divisional financial performance

	FY2015 R million	FY2014 R million	Variance
Net operating income/(loss)			
B&CB	295.4	532.6	(44.6%)
RCB	242.1	(21.2)	+100%
REM	(10.1)	(6.7)	(50.8%)
Group Capital	(222.9)	(231.9)	3.9%
Net operating income	304.4	272.9	11.5%
Non-trading and capital items	14.5	9.5	52.6%
Indirect taxation	(38.3)	(27.5)	39.3%
Net profit from continuing operations	**280.6**	**254.9**	**10.1%**

Business & Corporate Banking

The B&CB division provides wholesale funding to agricultural cooperatives and businesses, which often on-lend funds to their customer base. The division operates in Cape Town and Pretoria. The profile of the B&CB loan book portfolio is mainly concentrated on the short term maturity bracket.

Highlights

- Gross interest income increased by 29.4%; and
- Performing loan book increased by 10.4%, R2.9 billion.

Table 9: B&CB financial performance

	FY2015 R million	FY2014 R million	Variance
Net interest income	834.6	722.5	15.4%
Net impairment charges	(341.4)	(71.8)	+100%
Non-interest income/(expense)	(172.5)	(89.2)	93.4%
Operating income	320.7	561.5	(43.0%)
Operating expenses including depreciation and amortisation	(25.3)	(28.8)	(12.5%)
Net operating income	**295.4**	**532.6**	**(44.6)**

Despite a 15.4% increase in net interest income to R834.6 million (FY2014: R722.5 million), the net operating income decreased by R237.2 million to R295.4 million (FY2014: R532.6 million). This was as a result of increases in impairment charges that amounted to R341.4 million compared to the prior year's R71.8 million charge, on the back of two clients with significant exposures within the portfolio going into distress. Operating expenses inclusive of depreciation and amortisation decreased by 12.5% to R25.3 million (FY2014: R28.8 million).

Non-interest expenses relating to the management of acquired loan books managed on behalf of the Bank increased in line with the growth of the loan book under this portfolio. The Bank pays administration and margin fees to service providers based on the size of the loan book and the margins achieved in managing the respective portfolios. Performing loans increased by 10.4% to R30.8 billion (FY2014: R27.9 billion), whilst distressed loans increased by R363.6 million or 80.5% to R815.4 million (FY2014: R451.8 million). The Bank continues to enforce prudent lending practices and collect loans in arrears.

FINANCIAL PERFORMANCE (CONTINUED)

Figure 15: B&CB year-on-year performance

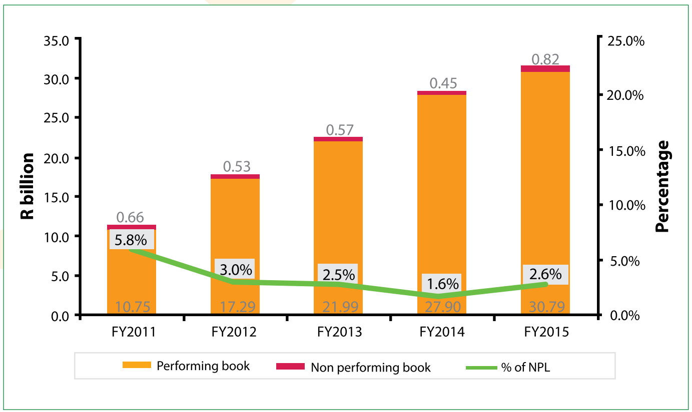
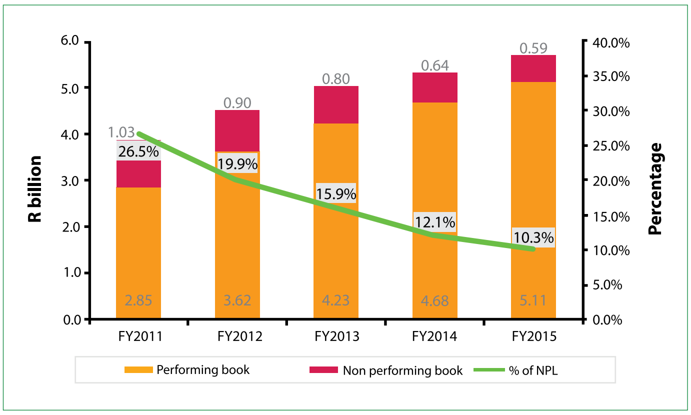


Figure 16: RCB year-on-year performance



Retail Commercial Banking

The RCB division mostly provides funding to farmers and commercial agribusinesses. The division operates from 25 AFCs, two hubs and three points of presence across the country. The profile of the RCB loan book portfolio is mainly concentrated on the medium- and long-term maturity brackets.

Highlights

- Gross interest income increased by 9.4%; and
- Performing loan book increased by 9.2%, or R431.6 million.

Table 10: RCB financial performance

	FY2015 R million	FY2014 R million	Variance
Net interest income	225.6	233.0	(3.2%)
Net impairment	179.0	(64.2)	+100%
Non-interest income	18.8	10.3	82.5%
Operating income	**423.4**	**179.1**	**+100%**
Operating expenses including depreciation and amortisation	(181.4)	(200.9)	9.7%
Net operating income/ (loss)	**242.0**	**(21.8)**	**+100%**

Despite a 3.2% decrease in net interest income to R225.6 million (FY2014: R233.0 million), the net operating income increased by R263.8 million to R242.0 million (FY2014: R21.8 million loss). This was as a result of reversal of impairment charges amounting to R179.0 million compared to the prior year's R64.2 million charge, on the back of reversal of an admin and penalty fees provision of R200.7m. Excluding the effect of these reversals, the net operating income amounted to R41.3 million (FY2014: R21.8 million loss). Operating expenses inclusive of depreciation and amortisation decreased by 9.7% to R181.4 million (FY2014: R200.9 million). Non-interest income increased to R18.8 million (FY2014: R 10.3 million).

Performing loans increased by 9.2% to R5.1 billion (FY2014: R4.7 billion), whilst distressed loans decreased by R57.8 million or 8.8% to R585.8 million (FY2014: R642.5 million). The Bank continues to enforce prudent lending practices and collect loans in arrears.

Development (including REM)

Total disbursements under the development loan book amounted to R769.1 million (FY2014: R919.3 million), bringing the total development book to R2.33 billion (FY2014: R1.99 billion). During the period under review, B&CB contributed R456.9 million towards the reported disbursements, whilst RCB and REM contributed R107.7 million and R204.6 million respectively. The lower growth in the development loan book achieved during the year is in line with the moderate growth adopted by the Bank during FY2015.

Highlights

- Growth in REM performing loans of 24.1% to R485.4 million; and
- REM NPLs of only 0.74%, since inception.

Group Capital

Group Capital provides support to business divisions through the following units: Treasury, Finance, Risk and Internal Audit, IT, Strategy, HR, the CEO Office, Legal and the Board Secretariat.

Group Capital manages the Bank's capital, cash and funding requirements through the Treasury unit. Funding is provided to the B&CB, RCB and REM divisions through an internal transfer pricing model.

Table 11: Group Capital financial performance

	FY2015 R million	FY2014 R million	Variance
Net expenses	**(222.8)**	**(231.9)**	**3.9%**

Net operating losses from Group Capital improved by 3.9% to R222.8 million (FY2014:R231.9 million loss) due to an improvement in operating income.

FINANCIAL PERFORMANCE (CONTINUED)

Land Bank Life Insurance Company (LBLIC) performance

	FY2015 R million	FY2014 R million	Variance
Gross premiums	6.0	9.7	(38.1%)
Net premium income	3.4	5.0	(32%)
Operating expenses	(12.8)	(11.9)	(7.6%)
Underwriting loss	(4.5)	(2.9)	(55.2%)
Investment income	108.9	125.6	(13.3%)
Net profit	114.9	133.7	(14.1%)
Investments	1,240.4	1,136.0	9.2%

LBLIC achieved a net profit of R114.9 million (FY2014: R133.7 million). The 14.1% decline in profitability is attributable to the decrease in investment income and lower net premium income. Underwriting losses further deteriorated from the previous year to R4.5 million (FY2014: R 2.9 million). Despite a 9.2% growth in the investment portfolio which stands at R1.24 billion (FY2014: R1.14 billion), investment returns were lower for the year as a result of a subdued stock market. Operating expenses increased by 7.6% to R12.8 million (FY2014: R 11.9 million). LBLIC is adequately capitalised in terms of solvency requirements.

Land Bank Insurance Company (LBIC) performance

	FY2015 R million
Gross premiums	138.4
Net premium income	88.3
Operating expenses	(6.2)
Underwriting loss	(46.2)
Investment income	-
Net loss	(43.0)
Cash at bank earmarked for investment	200.0

LBIC started trading during the course of the period under review and achieved an underwriting and net loss of R44.6 million. These results are expected with start-up insurance operations. Operating expenses incurred for the period under review amounted to R6.2 million. LBIC currently does not have an investment portfolio, but holds R200 million in cash which is earmarked to be invested once fund managers have been appointed. LBIC is adequately capitalised in terms of solvency requirements.

DEVELOPMENT PERFORMANCE

REPORTING ON DEVELOPMENT

REM

REM is premised on an "Inclusive Business Model" to foster development and growth of qualifying black emerging farmers through a hybrid of wholesale and direct lending channels to ensure sustainable farming enterprises.

The business unit continues to grow from strength to strength with a 24% increase in the loan book that grew from R391 million in FY2014 to R488 million in FY2015 against a target of R430 million. The unit is looking to grow, focusing on ensuring quality loans. As a result, REM has 0.74% NPL's to date, which was mainly due to unfavourable weather conditions. This reflects as a leading indicator for the sustainable financing of black emerging farmers.

For the financial year under review, REM has disbursed R205 million. Total disbursements made since 2011 amounted to R658.4 million with approximately 95% of funds channelled through the wholesale financing facility (WFF). REM's financial support resulted in social and economic impact with more than 250 projects financed.

There is collaboration with strategic partners such as the National Treasury and DAFF to provide end to end business support funding of R100 million over the MTEF.

Financing black emerging farmers presents a challenge at the best of times due to interrelated production risks such as unreliable rainfall, lack of irrigation, pests and diseases and price volatility. In spite of these constraints the model has shown proof of concept and ability for sustainability over the last four years.

Demand for growth of business is evident from interested potential clients, however up-scaling of REM operations is dependent on financial resources from government matching the current and projected growth and other sources that may be available from time to time.

Distressed Farms as at end March 2015

Farms awaiting DRDLR consideration	80
Farms of Deceased Estates	18
Farms Regularised/Recapped	42
Farm loans closed	100
Farms in Debt collection/litigation	26
Farms on Communal land & Prod loans only	17
Total	**283**

The farms "Awaiting DRDLR consideration" are currently being jointly visited and assessed by Land Bank and DRDLR for recommendation to NLARCC for final Recap or acquisition decision. These also include farms with Land Claims and farms offered to DRDLR to consider purchasing.

DEVELOPMENT IMPACT

Historical perspective

As part of the broader public sector, the Land Bank may claim public funds to support its development funding responsibility. The Bank is obligated to invest or lend in a rational manner that reflects the preferences of government and society. In pursuing its mandate, the Bank seeks to make a development impact by funding the agriculture value chain and focusing on dynamics that enhance economic and social benefits, and which ultimately improve quality of life.

The Bank's objectives are determined by the Land and Agricultural Bank Act, 2002 and are aligned with government policies and the country's socio-economic needs. The Bank is expected to play a pivotal role in advancing agriculture and rural development. Our broad mandate, as expressed in the act, can be categorised into three core themes: transformation, growth and integration.

Government imperatives

In line with its mandate, the Bank has put development at the heart of its business strategy. Following the success of its turnaround strategy in prior years, the Bank is now working to ensure a sustainable business model, which includes improving its impact on the development sector. These instruments will aid the Bank's outreach to its key development clients while reducing financing, outreach and management risks.

Social Accounting Matrix impact and methodology

The Social Accounting Matrix (SAM) model estimates the direct, indirect and induced development impact of the Bank's lending on the economy and also estimates economic and socioeconomic impacts ("potential impact" presented by approvals of loans and "actual impact" presented by disbursements) achieved by the Bank during FY2015.
The variables selected to estimate the development impact of the Bank's lending are as follows:

- Gross Domestic Product (GDP) (value added to the national economy);
- The employment opportunities created or maintained – where employment creation implies the creation of jobs (person years) during the construction phase and the number of permanent jobs created during the operational phase for the year under consideration (production phase);

DEVELOPMENT PERFOMANCE (CONTINUED)

- Capital utilisation (the use of machinery, transport equipment, buildings and other social and economic infrastructure);
- Additional income accrued to households; and
- Additional government revenue.

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

The Land Bank funding

The estimated SAM potential impact analysis for FY2015 is based on loans approved during the year, irrespective of whether all conditions have been complied with, or the loan offer has been accepted.

The estimated SAM actual impact analysis for FY2015 is based on all amounts disbursed, irrespective of year of approval, and inclusive of second and further disbursements (re-advancements) on active loans. It should be noted that whilst the impact is generated in the year of approval and/or disbursement, the actual impact may accrue over subsequent years.

During FY2015, the Bank approved new loans to the value of R5.7 billion. Disbursements during the same period increased to R36.5 billion. The composition of the loans respectively approved and disbursed by the Bank for FY2015 is depicted in Figures 1 and 2 below:

Figure 1: FY2015 New approvals

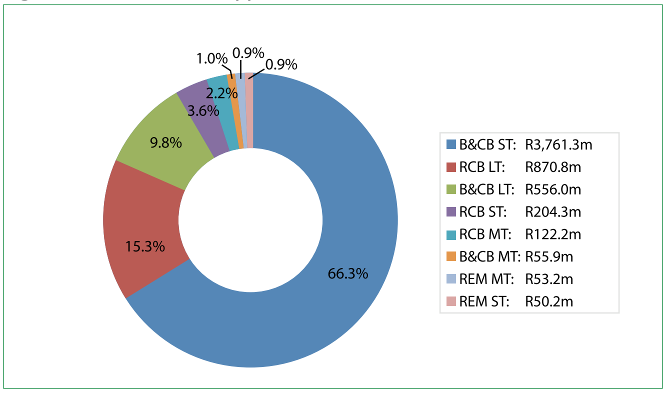
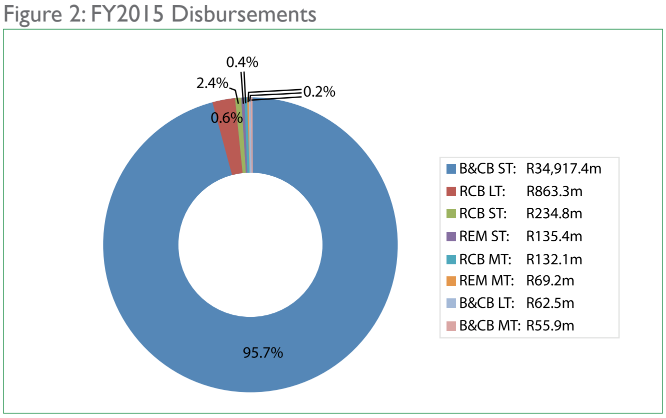


Figure 2: FY2015 Disbursements



It should be noted that the estimated development impact is determined by the long-, medium- and short-term values of the loan book. The development loans portfolio disbursed by the Bank for FY2015, is included under the B&CB, RCB and REM books respectively, for purposes of estimation of the development impact on the South African economy.

Table 1: Development impact of the Land Bank funding for FY2015

Indicator	Value
Total Land Bank funding disbursed (R million)	**36 471**
Impact on GDP (R million)	**40 941**
Capital employed (R million)	**127 706**
Household Income (R million)	**26 214**
Low Income Households	*4 802*
Medium Income Households	*5 329*
High Income Households	*16 083*
Government Revenue (R million)	**12 860**
Job opportunities (Numbers)	**337 379**
Skilled Labour	*37 815*
Semi-Skilled Labour	*141 573*
Unskilled Labour	*157 990*
Nature of jobs (Numbers)	
New jobs	*23 975*
Maintenance of jobs	*313 404*

Impact on GDP

The potential impact of the Bank's disbursement on GDP is estimated at R40.9 billion. Economic growth alleviates poverty because it supports a general improvement of welfare.

Impact on capital employed

To support economic activity sparked by the Bank's lending approvals, the Bank had a disbursement of R36.5 billion during the period under review, which includes a capital amount of R127.7 billion which was supposed to be applied directly and indirectly in the economy. The estimated capital applied in the amount of R127.7 billion includes the Bank's loan approvals of R17.4 billion.

Impact on household income

The estimated actual value is R26.2 billion for FY2015. Potential impact can be accrued to low-, medium- and high-income households as defined by the household income levels published by Statistics South Africa.

Impact on government revenue

The fiscus receives additional revenue from economic sectors as a result of increased economic activity due to the Bank's funding. The Bank's funding has an indirect impact on additional government spending. The actual increase is R12.9 billion and could result in greater government expenditure on social services and general service delivery. This development impact estimate excludes the Bank's disbursement impact on social services provision (health, education, etc.).

DEVELOPMENT PERFOMANCE (CONTINUED)

Impact on employment

Given prevailing vast unemployment and poverty in South Africa, the Bank's shareholder prioritises maintenance and creating of jobs. The Bank is therefore obligated to report on its contribution toward employment in a national context.

The actual estimated impact of the Bank's disbursements on employment opportunities in South Africa is estimated at 92 640 and comprises 5 305 new employment opportunities, whilst actual employment maintained is at 87 335 for the year under consideration. One employment opportunity constitutes 240 days worked per year.

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

Broad-Based Black Economic Empowerment Reporting

To support our country's transformation objectives and ensure compliance with the B-BBEE Codes of Good Practice as amended in October 2013, the Land Bank has developed a formal B-BBEE policy and strategy.

The approach to B-BBEE

The Land Bank has a holistic approach to B-BBEE that aims to embed B-BBEE in all areas of its activities. The approach is collaborative and the strategy provides a target per each element of the scorecard, subject to available resources within the respective business units which in turn informs the overall B-BBEE target of the Bank.

B-BBEE achievement

The Land Bank has achieved a Level 3 (B-BBEE rating for FY2014 and a value-added supplier status for the third successive year. This confirms a ranking that is within the average benchmark for SOEs. The table below summarises the B-BEE achievement per element for FY2014.

Table 2: B-BBEE achievements

B-BBEE elements	Target Score	Actual Score[1]
Management control	15 points	15 points
Employment Equity	15 points	10.64 points
Skills Development	20 points	16.14 points
Preferential Procurement	20 points	19.22 points
Enterprise Development	15 points	15 points
Socio-Economic Development	15 points	8.08 points

[1]The score represents the latest available rating based on the FY2014 results.

HUMAN CAPITAL PERFORMANCE

HUMAN CAPITAL PERFORMANCE

During the financial year under review, the Land Bank's Human Resources (HR) service delivery model was streamlined into three streams namely:

- Organisational Development and Employee Relations;
- Talent Management and Development; and
- Performance and Rewards Management.

This streamlining is proving to be beneficial for both the department and organisation as a whole as it has resulted in overall improvement of efficiency, especially in aspects relating to governance, retention of key staff, succession planning and recruitment turnaround time.

In general, the staff turnover was contained to remain within the stated risk appetite range of 6 - 8%. In respect of Industrial Relations, all CCMA cases were concluded.

As the HR department of the organisation matures further, it aims to play an even more prominent role in the business to ensure that it keeps on adding value and that it supports the Bank's future sustainability. Key activities undertaken during the course of the year are detailed below.

Organisational Development and Employee Relations

For the first time, the Bank participated fully in Deloitte's "Best Company to Work For" survey and achieved an overall score of 3.63 on a 5 point rating scale. This positioned the Bank in Deloitte's "positive/favourable" category which puts the organisation well on track to become a preferred employer.

On the IR front, relationships with the Bank's recognised union Sasbo, continued to be amicable. Ten disciplinary hearings together with four grievances were conducted during the year with no CCMA awards against the Bank. As a result of continued IR training, the managers now have well advanced skills in chairing and prosecuting enquiries.

A new wellness service provider was appointed during the year under review to provide employees with wellness programmes and to make medical assessments available to top and senior management.

The employee utilisation rate of the services provided is encouraging and currently stands at 21.8%.

Employment Equity

The Bank was successful in achieving its ACI (Africans, Coloureds and Indians) Employment Equity (EE) annual target of 57.9%. Of the 553 total staff complement, ACI comprise 58% with females constituting 45%. People with Disabilities (PWD) accounted for 4% while Foreign Nationals make up 1% of the total staff (see illustration below):

Table 1: EE Statistics as at 31 March 2015

	Gender			PWD				
Race	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**	**Grand Total**	**Percentage**
African	126	123	249	6	4	10	259	47%
Coloured	18	22	40	0	0	0	40	7%
Indian	12	8	20	1	0	1	21	4%
White	77	140	217	4	8	12	229	41%
Foreign National	2	2	4	0	0	0	4	1%
Total	**235**	**295**	**530**	**11**	**12**	**23**	**553**	**100%**

Another prominent area within our EE drive is that of women occupying managerial roles within the company. Progress in this regard is tracked and reported on as the Bank endevours to achieve gender equality within management as follows:

Table 2: Female managerial representation

Management level	Number	Percentage
Executive management	2/7	29%
Senior management	4/28	14%
Middle management	33/87	38%

HUMAN CAPITAL PERFORMANCE (CONTINUED)

TALENT MANAGEMENT AND DEVELOPMENT

Talent management

A company-wide Talent Management Retention Framework (TMRF) designed to attract and retain top talent within the organisation was presented to and adopted by the Human Resources Management Committee (HR MANCO).

Talent forums were introduced during the year with the purpose of identifying individuals with talent as well as those with potential. These talent forums will be a feature within all BU's and will be reviewed bi-annually.

Critical Workforce Segmentation (CWS) succession plans identifying those that are considered to have the potential to assume these roles in the future continued to be developed, updated and circulated to Business Unit (BU) Chiefs for endorsement. Grooming for succession from within the organisation is considered key to career development, retention of key staff and organisational sustainability. Succession plans continue to play a pivotal role in the determination of future placements and ensure business continuity.

Learning and Development

In conjunction with the BANKSETA, the Bank placed 17 of its interns in the Certificate in Banking Learnership Programme with 14 of them having completed the programme successfully.

The Bank furthermore awarded six of its interns an extended six months fixed term contract, post the attainment of their learnership qualification. This was largely due to their exceptional performance and capability displayed during their initial 12 month contract.

A number of bursaries in the field of agriculture were awarded whilst a variety of staff study sponsorships continued during the reporting period.

Executive development (including participation in the International Executive Development programme), leadership development, technical and generic training programmes continued to be offered to employees of the organisation as illustrated below:

Table 3: Training participation comparison

Training category	FY2015	FY2014
Generic Training	586	395
Learnerships	33	33
Leadership	39	40
Technical	83	75
Degrees/diplomas/certificates	54	44
External bursaries	10	10
Total	**805**	**597**

Continued cooperation with the BANKSETA led to the Learning & Development team attending their Skills Development Sub-Committee meeting during March 2015 where the budget, initiatives and funding windows for FY2016 were approved. The Land Bank was also represented at a BANKSETA information session where the guidelines and requirements for the workplace skills planning and implementation report were shared with the banking sector.

Performance and rewards management

The Land Bank's performance and remuneration philosophy is designed to ensure that optimal employee performance is rewarded in a fair and consistent manner by ensuring:

- A remuneration strategy that is aligned to the business strategy, performance objectives and results;
- Pay practices that encourage highly skilled individuals who can consistently apply their skills to enhance business performance;
- Pay levels designed on a total cost to employer basis that reflect an individual's worth to the Bank;
- A performance management system that serves both to differentiate individual and/or team performance and as a link to learning and development for employees;
- A structured and transparent communication policy regarding the Land Bank's reward practices; and
- A reward system that can operate flexibly in response to change.

The adoption of this philosophy has enabled the Bank to deliver on a number of fronts including, but not limited to:

- A revised Compensation Policy ensuring equal pay for work of equal value;
- The introduction of an entry level remuneration model;
- An aligned industry related salary benchmarking structure;
- Containment of staff turnover to within acceptable limits; and
- Successful conclusion of salary negotiations with the recognised union Sasbo.

In terms of salary increases, the Bank's annual increase process takes place in April each year which takes into account increases granted in the market, individual performance as well as other relevant economic indicators including the overall performance of the company.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

The Land Bank's approach to risk management is based on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. The Bank has embedded governance, risk management and compliance principles throughout the organisation. During FY2015, the Bank undertook the following key initiatives to achieve 80% towards the defined risk maturity level:

- Refined and maintained the operational risk registers at BU level;
- Reviewed risk tolerance levels in the enterprise-wide risk appetite framework for quarterly reporting to management and the Board;
- Reported on regulatory and ethics matters to the Risk Committee on a continuous basis;
- Ensured that new strategic risks are aligned to key risk indicators;
- Benchmarked strategic risks with global risks and other SOE's;
- Implemented the disaster risk management framework as a risk control for the Bank to deal with disasters that affect the agricultural sector;
- Developed and monitored a BCM dashboard for tracking and monitoring purposes; and
- Reviewed and enhanced an IT governance roadmap.

Corporate governance

Corporate governance encompasses concepts of sound business principles and best practice, both of which are an integral part of the Land Bank's culture. The Bank is committed to good governance, providing its shareholder and other stakeholders with assurance that the Group is managed with due consideration to risk and in compliance with best practice on a sound ethical foundation.

The Land Bank's corporate governance system consists of external regulations and codes, and internal principles. The governance framework enables the Board of Directors to provide risk oversight and counsel, while ensuring that regulatory requirements and risk tolerance levels are adhered to.

The Board discharges its duties through policies and frameworks, as well as through several Board committees. Executive management, together with these committees, manages the business through a system of internal controls. The Bank complies with the governance requirements as contained in the Land Bank Act and the PFMA, and it subscribes to the King III guidelines.

The Land Bank holds itself accountable to the shareholder and stakeholders for its performance. The Bank aims to enhance the accuracy, completeness and reliability of its annual financial and non-financial reporting through internal controls, assurance and independent audits. Reporting helps the shareholder and stakeholders assess the actions of the Board and management.

Board of Directors and executive management

The Bank has a two-tier governance structure consisting of the Board of Directors and executive management. The two bodies are separate and only the CEO and CFO serve on both structures.

On behalf of the shareholder, the Board:

- Determines the Group's overall strategy and helps develop the Bank as a focused DFI;
- Acts as the custodian of corporate governance; and
- Supervises executive management in its decisions and operations.

The CEO is responsible for the Bank's day-to-day management, under the direction of the Board, and is supported by the executive management team. The team allocates resources, determines and implements strategies and policies, sets direction, ensures timely reporting and provides information to the Board and stakeholders. The Executive Committee(EXCO) delegates some of these responsibilities to sub-committees, chaired by members of the Bank's executive and senior management.

See "Board, management and remuneration" for further information on the Board's members, committees and remuneration.

Policies, procedures, objectives and performance measurement

The Bank's philosophy, policies, values and objectives are determined by the Board, with input and guidance from the Executive Committee (EXCO). Management is charged with the detailed planning and implementation of all approved policies in accordance with appropriate risk parameters.

The Bank's dedicated policies and procedures department developed minimum standards to govern the creation and maintenance of policies and procedures. Policy sponsors and line managers are responsible for ensuring that policies are adhered to and compliance to key policies is monitored in terms of the internal audit plan.

IT governance

IT governance focuses on the performance, compliance and risk management in respect of IT systems and processes. The Risk Committee assists the Board with this responsibility. The Land Bank subscribes to the King III principles in executing all IT functions and related projects and has adopted an IT governance model aligned to best practice. The IT governance framework defines the organisational structure as well as the policies and procedures that are required to facilitate good governance and compliance in the areas of technology and information security management. The IT Steering Committee is responsible for ensuring alignment of the IT strategy with the business strategy. The committee makes recommendations to EXCO on all IT related strategy, policies, projects and investments

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE (CONTINUED)

and reports to the Board Risk Committee on a quarterly basis. The IT governance roadmap was reviewed by management and enhancements were approved by the Board.

Governance of ethics

In line with the King Code of Governance principle 1.1, which states that the board should provide effective leadership on an ethical foundation, all the Land Bank Board members are required to acknowledge and sign the Board Ethics Statement to demonstrate their continued commitment to the Land Bank values. All Board members have acknowledged and signed the statement during this financial year. The Executive Committee also developed its own code of conduct to subscribe and commit to the Land Bank's values and policies.

Ethical and trustworthy employees are key to the Bank's continued success, and the required level of ethical behaviour is achieved through ongoing employee awareness training, and a culture of zero tolerance for ethical misconduct. During the reporting period, awareness training sessions on ethics and the Banks values have been rolled out throughout the Bank.

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

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

Where Board members have a direct or indirect personal or business interest, they must recuse themselves from the proceedings when the matter is being considered by the Board and its committees, unless the Board determines that the member's interest is immaterial or irrelevant. No related-party transactions with Board members occurred during the financial year, except for payments in respect of attendance at Board and Board committee meetings. The Bank is a member of the Ethics Institute of South Africa and the compliance officers continue to be part of the activities of the institute.

Compliance Risk

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

The Bank has a professional and proactive relationship with all its regulators. The NT is the Bank's lead regulator. The Land Bank Act, PFMA, NT Regulations, NCA, FICA and Financial Markets Act regulate the Bank's business. Requests for information are dealt with according to the Bank's Promotion of Access to Information Act Manual.

The Board, with support from the Audit and Risk Committees, is responsible for ensuring that the Group complies with applicable laws, supervisory requirements, non-binding rules, codes and standards. Processes are in place to ensure that the Board is adequately informed of significant developments in applicable laws, emerging legislation, rules, codes and standards. The Bank's compliance department assists the Board and management in complying with all applicable statutory, regulatory and supervisory requirements. The compliance officer reports to the Audit and Risk Committees every quarter.

The Bank has a dedicated compliance function which manages its compliance risk to ensure adequate and efficient compliance with the applicable statutory and regulatory requirements. The Bank's compliance universe consists of all applicable industry codes, statutory and regulatory requirements. Periodic reviews of the compliance universe are done to ensure that it is comprehensive and up to date.

The following key compliance objectives were achieved during FY2015:

- Strengthened the Bank's governance framework by developing and reviewing all charters, policies, procedure manuals and processes;
- Continued with ethics awareness campaigns.
- Developed impact analyses and risk management plans for emerging legislations that had an impact on Bank's operations; and
- Implemented developments in corporate governance, legislation and industry regulations.

In addition, the compliance function relies on the expertise and capacity of other functions in the Bank. Regular training is provided to ensure that all employees are familiar with their regulatory obligations. BU risk champions were appointed to drive the process. This enables the compliance department to design, introduce and maintain appropriate controls. Adherence to controls is tested by either internal audit or the central compliance function. The department is also charged with the development and maintenance of constructive working relationships with regulators and supervisory bodies.

A fine was imposed on the Bank by the SARS for the late payment of the June 2014 employee tax deductions. This was later reversed in full by SARS in line with the Tax Administration Act. There were no other regulatory sanctions against the Bank or penalties imposed as a result of non-compliance during the period under review.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE (CONTINUED)

Fraud prevention

The Bank maintains a zero tolerance approach to unethical or dishonest behaviour and any employee found to be acting unethically is subject to disciplinary action. The Bank holds regular fraud awareness campaigns, including newsletters, posters and presentations. A fraud hotline is available to employees and clients to report dishonesty. Anonymous tip-offs are investigated by the internal audit department, which reports to the CEO, administratively.

Investigation continues

Forensic investigations into mismanagement of funds involving the LBDFU, AgriBEE, MAFISA and the Bank's IT unit continued during FY2015. These units and agencies were separately accused of fraud and mismanagement in the years between 2006 and 2008. One of the accused pleaded guilty to charges and was sentenced to six years, wholly suspended for four years and is prepared to testify against his co-accused. The date of trial is still to be confirmed.

Employee empowerment

In order to ensure the continued attraction, development and retention of staff, the Bank continued to offer a variety of leadership and task specific development programmes to develop key talent and build a competent workforce in support of sustainable growth.

Development of all staff remained a top priority with the introduction of some new interventions, such as the development of a Retention Framework. The concept of talent forums together with the validation of succession planning were also revitalised during the year - adding a new dimension to the HR landscape.

Reporting

The Land Bank is committed to transparent reporting and disclosure. Information provided to our shareholder and stakeholders, including quarterly reports to the National Treasury, financial results and the annual report, are presented in a lucid and relevant manner to enable users to gain a clear and objective perspective of the Group.

King III

The Board is committed to complying with the principles contained in the King III Code. The Bank has undertaken an annual review of the code, and where appropriate, the corporate governance structure was amended to comply with it.

Risk management and internal control

The Land Bank is committed to effective Enterprise-Wide Risk Management (ERM). ERM is an integrated approach that supports the alignment of strategy, processes, people and systems to allow the bank to identify, prioritise and efficiently manage risk.

The Bank recognises that the management of business risk is crucial to continued growth and success and that ERM is central to the Bank's business as a going concern. The Bank developed comprehensive systems and risk management processes to control and monitor all its activities. While ultimate accountability for risk lies with the Board, risk is closely monitored by the ERM division and the relevant risk management committees.

The Land Bank uses an ERM framework to implement the risk management strategy across the organisation. This is a structured and disciplined approach to risk management that aims to effectively balance risk and control.. Aligning strategy, processes, people, technology and knowledge enables the Bank to evaluate and manage the opportunities, threats and uncertainties that it faces. The framework consists of policies, methodologies, governance and reporting structures based on ISO 31000, the Committee of Sponsoring Organisations (COSO) governance principles, the King III Code, the Land Bank Act and the PFMA.

The primary objectives of the framework are to:

- Protect the Bank against possible losses;
- Provide early warning of adverse risk conditions;
- Integrate risk management at all levels of decision-making;
- Anticipate and mitigate risk events before they occur;
- Ensure earnings stability; and
- Optimise the use of capital.

The Bank maintains and continuously develops its formal risk policies and frameworks to help management address categories of risk associated with its risk appetite and business operations.

Risk management processes

The ERM framework and policy were enhanced and approved by the Board.

Figure 1: Risk management overview

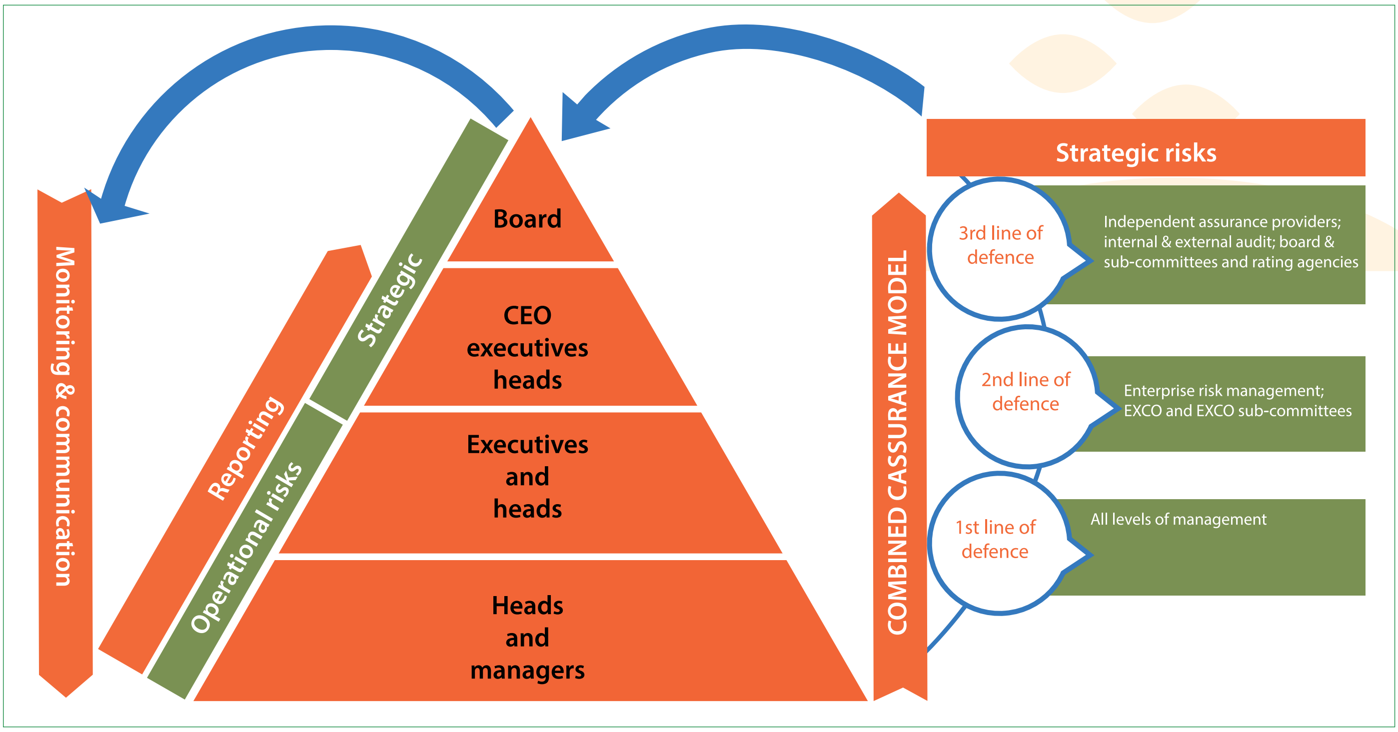
The ERM division oversees the risk management processes. The internal auditors assist the Audit and Risk Committees in evaluating the effectiveness of the risk management processes.

The Bank's risk management frameworks – including credit risk management, compliance, treasury, IT governance and enterprise risk management – are continuously reviewed to ensure they conform to international best practice. The Bank applies a practical and systematic methodology to identify, analyse, assess, mitigate and monitor all known risks that might affect it.

The Board is responsible for the risk management processes, assisted by the Audit and Risk Committees. Management is responsible for managing risk and designing and discharging appropriate processes in support of this function.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE (CONTINUED)

Figure 1: Risk management overview



Risk governance

The ERM framework and the risk appetite framework ensure that the Bank has a well structured approach to risk management. Risks are identified, measured, monitored and responded to through various control mechanisms. The risk management process is designed to ensure that:

- All relevant risks are identified and evaluated, based on their potential impact and likelihood of occurrence;
- Risks and the required processes and controls to manage them are assessed in line with the Bank's risk appetite; and
- Appropriate management information and monitoring processes are in place so that necessary remedial action can be taken.

Annual risk assessments are conducted with BU's and quarterly risk reports are submitted to the Risk Committee.

Risk management mechanisms

The Bank has made considerable progress in implementing the risk mitigation strategies outlined in the Corporate Plan. Risk management implementation is monitored through risk management and governance mechanisms, as well as oversight bodies.

Risk Committee

This committee oversees the Bank's risk management. It reviews the risk identification and evaluation processes, and it ensures that risk assessment is a continuous process. The committee oversees the management of these risks through subcommittees and other structures within the organisation.

The responsibilities of the committee are set out in its Charter.

Risk maturity

The Bank has made significant progress in embedding a risk management culture. However, more emphasis will be placed on prudent management of enterprise risk to achieve the 2016 Corporate Landscape.

The Bank has institutionalised risk management as follows:

- The Board champions the process of risk management;
- The Board Risk Committee oversees risk management processes;
- The Chief Risk Officer coordinates risk management functions;
- The risk register is continually reviewed and aligned with corporate strategy;
- Thresholds for key indicators in risk appetite are reviewed annually; and
- Internal and external audits review how the risk management strategy is being discharged.

Focus areas in FY2015

The Bank focused on six categories of risk in FY2015: operational risk and business continuity, credit risk, liquidity risk, human capital risk, systems risk, and new business and sustainability risk.

Operational risk and business continuity management

The Land Bank defines operational risk as the failure of people, processes, systems and the internal and external environments. The Operational Risk Committee (ORCO) monitors operational risk governance and management. The committee governs and coordinates operational risk management processes in accordance with an approved framework and policy that set out the expectations and responsibilities relating to operational risk management.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE (CONTINUED)

Operational risk measurement, processes and reporting

Risk profile reviews were carried out in each area of the business involving all staff. Management within the Bank are responsible for recording and reviewing risks in their area of responsibility and on a continuous basis on Cura (risk management software). Standard and customised reports are also being generated from the Cura risk management software.

As part of monitoring, the operational risk department liaises with the various risk champions to monitor the progress made by management in implementing their respective risk mitigation strategies. Further to this, a formal risk assessment was conducted with BU's as part of the bottom up approach to document the strategic risk register.

The operational risk reports are tabled monthly at the ORCO where potential high risk areas and mitigating actions to address these vulnerabilities are discussed. Discussion of operational risk exposures in all the BU's in the Bank in one forum assists the organisation in having a common viewpoint and integrated understanding of its risk exposures.

In FY2015, the following key initiatives were completed:

- Refined and maintained the operational risk registers at business unit level;
- Reviewed the strategic risk register;
- Enhanced Cura functionality;
- Provided input into each BU's strategy incorporating ERM principles;
- Provided input into performance contracts, to ensure that risk management principles are incorporated therein; and
- Reviewed and developed new Business Continuity Plans (BCPs)

Risk monitoring and reporting is performed through the approved governance structures in the framework for ERM. This includes the use of the combined assurance forum.

Business continuity risk management

The Land Bank is committed to a process of Business Continuity Management (BCM) that is aligned to the principles of British Standard BS 25999 and best practices as espoused by the Business Continuity Institute. The BCM strategy and policy are designed to provide a framework for operational resilience and to ensure the survival of the Land Bank in the event of a disruption. ORCO oversees the successful execution of the BCM process within the Land Bank. The BCM lifecycle model consists of the following elements:

- BCM policy and programme management;
- Embedding BCM in the organisation's culture;
- Understanding the organisation;
- Determining the BCM strategy;
- Developing and implementing a BCM response; and
- Exercising, maintaining and reviewing of BCM plans.

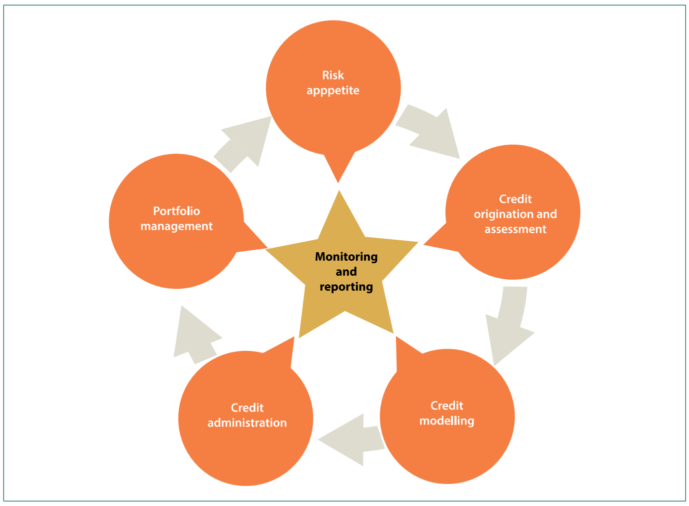
The BCM implementation included the review of all head office BCP's and the development of the same for the AFCs. A BCM dashboard was also developed which will be used to track all the BCM related activities.

Credit risk

Credit risk is the hazard that the Bank will incur financial losses due to its customers, clients or counterparties failing to fulfil their contractual obligations. The Bank regularly reviews the charters of the committees tasked with credit risk to improve governance.

Credit risk is guided by the Land Bank Act and managed by delegating the Board's authority, charters and credit policies that cover specific credit risks. The credit risk management framework is regularly reviewed to ensure that it is aligned with the latest best practice.

Figure 2: Credit risk management process



The credit risk management process has five steps, as reflected in the figure above. The steps can be summarised as follows:

- Annually determine the risk appetite for credit extension through the risk appetite framework and the Corporate Plan to optimise returns while maintaining credit risk within predetermined limits;
- Maintain a process for credit origination and assessment to approve new credit facilities and renew existing facilities. Granting of credit is informed by the Bank's risk appetite;
- Conduct credit modelling, which entails credit risk scoring of clients to determine the probability of default. Portfolios are assessed based on a range of variables that are both qualitative and quantitative. Data is being collected to enable the Bank to build a statistical model. The models facilitate the calculation of an input into the impairment model of the Land Bank portfolio;
- Support and control credit extension and maintenance. This includes credit administration, disbursements, billing and repayments, maintenance of credit files and collateral documents; and
- Manage the credit portfolio, collections, legal collections, provisions and write-off of credit in line with the agreed controls.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE (CONTINUED)

Each step above is monitored by the Credit Risk Monitoring Department and supported by an inspectorate team on individual credit transaction. Monitoring reports are submitted on a monthly basis to the Credit Risk Monitoring Committee and the Executive Committee and quarterly to the Board.

Credit concentration risk may arise from excessive exposure to individual counterparties, related counterparties, and a group(s) of connected counterparties with similar characteristics. The Board reviews the credit concentration risk policy and limits annually. These limits are monitored monthly and reported to the Board quarterly. The risks associated with concentration or breach are identified and mitigated in their infancy stages within the different agricultural industries. Credit concentration risks are inherent and cannot be eliminated but they can be limited and reduced by adopting robust risk controls and diversification strategies.

Liquidity and market risk

The Bank manages its market and liquidity operations within a Board approved set of risk tolerance levels, defined by the risk appetite framework.

Liquidity risk – defined as the inability to generate cash quickly at a reasonable cost – is inherently present in all banking operations. The Bank maintains a conservative liquidity management approach. The treasury function manages the Bank's assets and liabilities, balancing its liquidity and market risk exposures.

The ALCO assesses the probability that these risks might materialise and positions the Bank's balance sheet to address these scenarios with minimum deterioration in performance and profitability.

The Bank received a further guarantee from the shareholder during FY2015. The guarantee strengthens the Bank's capital base to further assist on delivering on its mandate.

The Bank's Liquidity Committee, a subcommittee of the ALCO, uses a cash flow model to determine the required level to be maintained for a specified period. During the year under review the following steps were taken:

- The Bank continuously engaged with existing and new investors to maintain and build new relationships. The Bank continued to explore and expand its available funding resources;
- The Treasury Policy Framework was reviewed by the Executive Committee and the Board. This ensures that current market practices remain relevant in the Bank's treasury risk environment;
- In order to manage the debt maturity profile and the associated refinancing risk, the Bank continued to issue paper through the DMTN programme; and
- The Bank continued to manage its exposure to interest rate risk due to prime-linked assets, which are mainly funded by short-term liabilities.

Human capital risk

The challenge of attracting critical workforce skills has not subsided due to the demand by industry at large. As such, the preservation and retention of these skills remain paramount.

Staff turnover of the CWS personnel in particular, is closely monitored to mitigate any risk in this regard. Staff turnover is targeted and tracked on a monthly basis to ensure continuity of the business.

The appointment of a new CEO in February 2015 was also welcomed by the organisation.

Systems risk

The Bank continuously improves its internal governance processes. Extensive attention is given to the annual testing of the ICT Disaster Recovery Plans which was successfully undertaken during the course of the year.

New business and sustainability risk

The Bank is generating new business using different models for REM, RCB and B&CB. The REM model mainly uses the WFF, which mitigates risk in two ways: it provides a comprehensive project solution to ensure sustainability is provided, and it benefits the Bank by providing presence in rural areas. The RCB model focuses on financial products that assist commercial primary agriculture, predominantly for acquisition of land and other farming requirements.

The evaluation model for RCB is based on long-term average trends within the agricultural sector to ensure viability and sustainability of the farming venture. The B&CB model mainly drives new business through corporates on a service level agreement basis, with risk sharing arrangements and provision of comprehensive product offerings to ensure viable and sustainable farming ventures. The Bank will be reviewing the above models in the coming financial year to ensure a balance between growth and service delivery for its clients. In FY2016, the Bank will continue to review risk management processes in order to:

- Enhance systems for risk management for early warning and monitoring;
- Enhance compliance monitoring with a view to strengthen the compliance culture within the Bank;
- Ensure regular reviews and updating of policies and procedure manuals;
- Monitor and maintain risk quantitative models;
- Align assurance recommendations from internal and external auditors;
- Implement developments in corporate governance, legislation and industry regulations; and
- Continuously monitor the implementation of the IT governance roadmap.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE (CONTINUED)

Credit rating

The Bank's long-term rating was maintained as it received a scoring of AA+ from Fitch rating agency on 1 April 2015. The short-term rating remained unchanged at F1+, given the prevailing negative economic environment.

Stress testing

The Land Bank has a stress testing programme that helps the Board and management understand the business model's resilience. Stress testing is conducted for credit, liquidity, interest rate and business risk, as well as capital adequacy. It also plays a key role in changes to credit granting rules and loan pricing. The risk management function ensures that stress testing is embedded within operational processes so that it is intuitive, relevant and part of mainstream business activities.

Internal controls

Assurance

Both the external auditors and the internal audit department observe the highest levels of business and professional ethics. Management encourages regular coordination and consultation between the external and internal auditors to ensure an efficient audit process. The Bank has a combined assurance framework for all assurance providers, which is coordinated by the internal audit department.

External audit

The Auditor-General audits and assesses the Group's financial reporting and the adequacy of the internal controls over financial reporting processes. The Audit Committee sets external audit fees in advance every year. The extent of the audit determines the fee.

Internal audit

The Land Bank has an independent internal audit department, which has direct access to the Board's Chairperson and the Audit Committee. The department reports functionally to the Audit Committee and administratively to the CEO. The internal audit function has the necessary resources, budget, and standing authority within the Bank to enable it to discharge its authority.

The internal audit function operates in accordance with a charter approved by the Audit Committee. The charter formally defines the purpose, authority and responsibility of the internal audit function. The charter is aligned with the Institute of Internal Auditors' principles and is reviewed annually by the Board.

The internal audit department forms an integral part of the combined assurance matrix and focuses on adding value to the operations of the Bank. It performs the following functions:

- Evaluates the appropriateness of and adherence to company policies and procedures;
- Prevents fraud, unethical behaviour and irregularities;
- Produces quality management information; and
- Ensures sound business processes and associated controls.

The internal audit department annually submits a coverage plan and budget to the Audit Committee for approval. The plan encompasses the entire organisation and is also prepared with the Bank's strategic objectives in mind.

The internal auditors submit an annual assessment to the Audit Committee on the system of internal controls. The operations environment is closely monitored to ensure that controls are adequate and operating effectively.

The Bank is focused on developing centralised monitoring. In this process, any deficiency detected in governance is referred to management for remedy. The implementation of audit recommendations is measured to ensure adequate results are realised.

The head of the internal audit department attends all Audit and Risk Committee meetings and submits a report at each meeting.

In 2015, an internal quality assessment was conducted and the results of the review were positive. Significant improvement was made from the external review done in 2013 and the peer review done in 2014. The internal audit function was seen as "generally conforming" with the institute's standards and displaying an "established" maturity level. The next external review is planned for 2017.

The King III Code requires Internal Audit to provide assurance and an opinion to the Board on the adequacy and effectiveness of the enterprise risk management (ERM) process, internal financial controls and systems of internal controls. Based on these requirements, Internal Audit conducted these audits during the year in order to provide an opinion to the Board.

Effectiveness of Enterprise Risk Management

The assessment of each of the four ERM performance components (governance, risk management, integrated risk capabilities and business level performance) was conducted through an assessment of the adequacy and effectiveness of the ERM processes. The objective was to assess whether the Land Bank's ERM system and process are adequate in design and whether they operate effectively in terms of COSO and the King III Code.

The overall control environment within Enterprise Risk Management is acceptable.

Internal Audit conducted a review of the ethics function which included strategies, structure, systems of institutionalising ethics within the Bank, training and awareness sessions, monitoring effectiveness of ethical processes and reporting on ethics. The overall rating was satisfactory with no area requiring improvement.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE (CONTINUED)

Effectiveness and adequacy of internal financial controls
Internal Audit conducted a Critical Financial Reporting Controls review to test the adequacy and effectiveness of internal controls. The scope of the work covered the following key areas:

- Financial close process;
- Revenue and receivables;
- Procure to pay;
- Loans and advances;
- Properties, plant & equipment;
- Investment properties;
- Payroll; and
- Treasury.

Overall opinion of our system of internal controls based on audits conducted during the year

Internal Audit achieved 100% coverage for the year and completed all of the additional management requests which formed part of consulting services. The planned audits were to test for the adequacy and effectiveness of the system of internal control in order to manage and/or mitigate risk exposures.

Corrective action plans were recommended to management and agreed upon with Internal Audit in order to improve control weaknesses identified by Internal Audit.

In our opinion, the overall control environment for the Bank is rated “Requires Improvement” however, the following areas were found to be satisfactory:

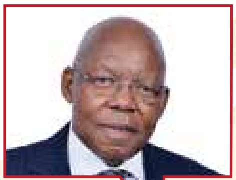
- Information Technology;
- Retail credit;
- Operations (Retail emerging markets, Retail and commercial banking and Business and corporate banking);
- Treasury; and
- Financial reporting

BOARD, MANAGEMENT AND REMUNERATION

BOARD, MANAGEMENT AND REMUNERATION

LAND BANK BOARD OF DIRECTORS: PROFILES

NON-EXECUTIVE DIRECTORS



Ben Ngubane, 73
Outgoing Chairperson
Director since 1 January 2010
(Term of office expired
31 December 2014).

Mmakeaya Magoro Tryphosa Ramano, 43
Director since 5 September 2011
(Term of office expired 5 January 2015).

Abdus Salam Mohammad Karaan, 46
Director

Bafana Patrick Mathidi, 45
Director

Nomavuso Patience Mnxasana, 58
Director

Shamila Singh, 56
Director since 5 September 2011
(Term of office expired 5 January 2015).

Sue Lund, 53
Director

John Luscombe Purchase, 56
Director

Davina Nodumo Motau, 52
Director

Thembekile Thelma Ngcobo, 66
Director

Mabotha Arthur Moloto, 47
Chairperson
Director since 1 January 2015

Njabulo Zwane, 55
Director

Doris Rosemary Hlatshwayo, 52
Director

BOARD, MANAGEMENT AND REMUNERATION

BOARD, MANAGEMENT AND REMUNERATION

LAND BANK BOARD OF DIRECTORS: PROFILES

EXECUTIVE DIRECTORS

Lindiwe Violet Mdlalose, 53
Acting Chief Executive Officer of Land Bank from 4 December 2013 to 31 January 2015.

Lebogang Serithi, 35
Chief Financial Officer, Director from 5 July 2012 to 4 July 2015.

Tshokolo Petrus Nchocho, 47
Chief Executive Officer, Director since 1 February 2015.

BOARD, MANAGEMENT AND REMUNERATION (CONTINUED)

LAND BANK BOARD OF DIRECTORS: QUALIFICATIONS, EXPOSURES AND DIRECTORSHIPS.

NON-EXECUTIVE DIRECTORS:

Ben Ngubane, 73
Chairperson
Director since 1 January 2010 (Term of office expired 31 December 2014).

Qualifications: MBChB; Postgraduate diploma in Tropical Medicine; Diploma in Public Health; Masters in Family Medicine and Primary Care; Postgraduate diploma in Economic Principles (University of London).

Honorary degrees: LLD (University of Natal); PhD (University of Zululand); PhD (Medical University of South Africa); PhD (Tshwane University of Technology); PhD (University of Free State); PhD (International Christian University, Tokyo).

Directorships: Gade Holdings; Gade Investments; Gade Mine Investments; Mitsui & Company; Development Bank of Southern Africa Development Fund; Blue Horizon Investments Limited; Yokogawa South Africa; Southey Holdings (Pty) Limited; Toyota South Africa; Huntrex 305 (Pty) Ltd t/a Stanger Brick & Tile company; Ngubane Family Trust; Global Colleries Fuel Distributors; Gade Oil & Gas Exploration (Pty) Ltd.

Exposures: Ambassador Extraordinary and Plenipotentiary of the Republic of South Africa to Japan; Minister of Arts and Culture; Premier: KwaZulu-Natal.

Mmakeaya Magoro Tryphosa Ramano, 43
Director since 5 September 2011 (Term of office expired 5 January 2015).

Qualifications: Chartered Accountant (Public Accountants' and Auditors' Board).

Directorships: PPC Ltd (and subsidiaries); Airports Company South Africa; Black Business Council; Association of Black Securities and Investment Professionals; South African Institute of Chartered Accountants.

Abdus Salam Mohammad Karaan, 46
Director since 1 January 2010 (non-executive).

Qualifications: PhD Agriculture.
Directorships: Pioneer Foods Ltd; Terrasan Holdings (Pty) Ltd; Bester Feed & Grain Exchange; Fruitways (Pty) Ltd; Max Deals; Cape Essential Oils Ltd; Southern Oil (Pty) Ltd; Tesselaarsdal Farming (Pty) Ltd; Austen (Pty) Ltd; Riparian Investments Consortium 1 (Pty) Ltd; M Karaan Issuer Investments (RF) (Pty) Ltd; Triple Advanced Investments no 107 (RF) (Pty) Ltd; Clusten 30 (Pty) Ltd; Quantum Foods Holding Ltd; Agrifusion (Pty) Ltd Friedshelf 1550 (Pty) Ltd; Terrasan Pelagic Fishery (Pty) Ltd; Aquafarm Development (Pty) Ltd; Roman Bay Sea Farm (Pty) Ltd; Market Matters Non-Profit Company; Riparian Investments (Pty) Ltd; Ripa Issuer Subco Investments (RF) (Pty) Ltd; Ripa Issuer Investments (RF) (Pty) Ltd.

Membership: National Planning Commission.

Bafana Patrick Mathidi, 45
Director since 5 March 2008 (non-executive).

Qualifications: B Compt Honours (Accountancy); Masters in Finance (University of London). Membership: Investment Analysts Society of Southern Africa.

Nomavuso Patience Mnxasana, 58
Director since 5 March 2008 (non-executive).

Qualifications: B Compt Honours/Certificate in Theory of Accounting; Chartered Accountant (South Africa).

Directorships: Winhold Limited Group; AWCA Investment Holdings; Nedbank Group Limited; Nedbank Limited; Gundco Investments*; Gundle Plastics Group*; Inmico Investments*; Inmins Trading*; New Capital Investment Holdings (Dormant); Pareto Limited; Noma Namuhla Trading and Projects (Pty) Ltd; Tamarron Trading 181 (Dormant); Umgubho Logistics (Dormant); JSE Limited; Transnet SOC Ltd; Accelor Mittal; Psalms Primary Co-Operative Limited; Leviticus Trading and Projects Co-Operative Limited; SPM Enterprise Primary Co-Operative Limited; Amavuso Projects Primary Co-Operative Limited; Umhlobo Wothando Trading and Projects. Umgubho Transport Primary Co-Operative Limited; Mms Tar Manufacturers (Pty) Ltd; Noma Namuhla Engineering (Pty) Ltd; Novara Profile Extrusions (Pty) Ltd; Star Strider 126 Non-Profit Company.

*Part of Winhold Limited Group

Membership: International Aviation Council.

Shamila Singh, 56
Director since 5 September 2011(Term of office expired 5 January 2015).

Qualifications: BA (Law); LLB; Aspirant Women Judges Programme (Advanced School of Judicial Education and Training). Directorships: Sha Singh & Associates; Commissioner: Broadcasting Complaints Commission of South Africa.

Sue Lund, 53
Director since 5 September 2011 (non-executive).

Qualifications: BA (Hons) African Studies; MA (Rural Development Planning); Senior Executive Programme (Harvard and Wits Business Schools).

Membership: Institute of Directors Southern Africa - Sustainable Development Forum.

John Luscombe Purchase, 56
Director since 5 July 2012 (non-executive).
Qualifications: MSc Hons (Agric); PhD (Agric Econ).

BOARD, MANAGEMENT AND REMUNERATION (CONTINUED)

Directorships: Agricultural Business Chamber; National Agricultural Marketing Council; The Maize Trust.

Memberships: FAO High Level Panel of Experts on Food Security and Nutrition; AgriBEE Charter Council; NEPAD Business Foundation; International Food and Agribusiness Management Association; Grain Farmer Development Association; Business Unity – South Africa.

Davina Nodumo Motau, 52
Director since 01 October 2013 (non-executive).

Qualifications: B Com (UNISA); Certificate in Business Project Management (Wits); Diploma in Advanced Banking (RAU).
Directorships: Aphiwa Risk Consultants; Amakha Farms; Shama Conference Venue.

Thembekile Thelma Ngcobo, 66
Director since 01 October 2013 (non-executive).

Qualifications: BA (Social Science); Management Development Programme (Harvard Business School Boston USA); Post Graduate Diploma in Management.
Directorships: Manyuswa Petroleum (Pty) Ltd; Omanyuswa Spearheading Investments (Pty) Ltd; Thelma Ngcobo and Associates CC.

Mabotha Arthur Moloto, 47
Chairperson
Director since 1 January 2015 (non-executive).

Qualifications: MSc (Finance and Financial Law); Postgraduate Diploma in Economic Principles; BA Honours (Development Studies); BA Education.

Directorships: Omricon Capital; SA Corporate Real Estate; Seboka Resources; SA Corporate Real Estate Fund Managers; Centre For Education in Economics and Finance Africa; Harith General Partners; Kansai Plascon Africa; Development Bank of South Africa.
Membership: Institute of Directors.

Njabulo Zwane, 55
Director since 6 January 2015 (non-executive).

Qualifications: MSc (Agricultural Science); BSc (Chemistry and Botany).
Membership: Forum for Agriculture Research in Africa (FARA).

Doris Rosemary Hlatshwayo, 52
Director since 6 January 2015 (non-executive).

Qualifications: BSc Honours (Social Science); MBA.
Directorships: Lanseria Holdings; Turnkey Development Properties; K2014256909 (SA); Lanseria International Airport; KKR Investments; Nokubusa Holdings; Afmetco; Public Investment Corporation; Change EQ; Ditaola Technologies.

Memberships: Institute of Business Advisors of Southern Africa; Institute of Directors.

EXECUTIVE DIRECTORS

Lindiwe Violet Mdlalose, 53
Acting Chief Executive Officer of Land Bank from 04 December 2013 - 31 January 2015. Qualifications: BCom (Accounting).

Lebogang Serithi, 35
Chief Financial Officer, Director from 5 July 2012 to 4 July 2015. Qualifications: BCom Honours/CTA (Accounting Science); Master of Commerce (Financial Management); Chartered Accountant (South Africa).

Tshokolo Petrus Nchocho, 47
Chief Executive Officer, Director since 1 February 2015.
Qualifications: BCom; MBL; MSC (Development Finance and Economics).
Memberships: Board of Trustees and Investment Committee; Old Mutual Housing Impact Fund.

BOARD & COMMITTEES

The Board's role and Charter

The Land Bank's Board of Directors meets quarterly and provides strategic guidance to the Bank by:

- Instituting and approving institution-wide frameworks, policies and strategic plans;
- Monitoring risk management, internal controls and compliance;
- Approving budgets for major capital expenditure and operations and monitoring adherence to them; and
- Ensuring proper conduct of the Bank's operations.

The Board is guided by the Board Charter, which covers aspects such as the Board's constitution, Directors' terms, remuneration guidelines and management of confidentiality and conflict of interest.

The Charter requires that each new Director attend a comprehensive training session on his or her rights and responsibilities, that existing Directors attend regular training on the Land Bank's business environment, legislation and compliance matters to stay abreast of developments, and that the Board performs an annual performance self-assessment. The shareholder also performs an annual Board assessment in terms of the Shareholder's Compact.

Board composition

The Minister of Finance appoints the Land Bank's Board of Directors, most of who serve in a non-executive capacity. As at 31 March 2015, the Board had 12 members: ten independent Non-Executive directors and two executive directors (the CEO and the CFO). It is chaired by an independent non-executive director. The roles of the Chairperson and CEO are separated.

BOARD, MANAGEMENT AND REMUNERATION (CONTINUED)

The Board may resolve to delegate any of its powers or duties to the CEO.

The Minister determines each Director's term of office, limited to five years. A Director may be reappointed after his or her term has expired, subject to the requirements of the Land Bank Act. The Land Bank Directors have freedom of affiliation to external associations, including social, cultural and political formations.

Board members have unrestricted access to all the Land Bank's information and documents, and are provided with comprehensive information packs before meetings.

Board committees

The Land Bank Act allows the Board to form committees to help it properly discharge its duties and responsibilities. All committees receive a charter from the Board, setting out their terms of reference and the context within which they are to function. Board committees are chaired by an independent non-executive director. In carrying out their duties, they are free to seek independent external professional advice. However, no external advisors were engaged during the reporting period. Ad-hoc committees are occasionally mandated to attend to specific business matters.

Four committees sat in FY2015:

- The Audit Committee;
- The Risk Committee;
- The Human Resources and Remuneration Committee; and
- The Credit Risk Committee.

Audit Committee

The Audit committee consists of six members (including the chairperson) who are independent Non-Executive Directors. Non-members such as the CEO, CFO, internal and external auditors may attend meetings by invitation.

The committee's primary objective is to provide additional assurance regarding the quality and reliability of financial information used by the directors in discharging their duties. Specific responsibilities include:

- Satisfying the Board that adequate, appropriate financial and operating controls are in place;
- Ensuring compliance with appropriate standards of governance, reporting and other regulations;
- Reviewing and approving internal audit, risk and compliance activities, reports and findings; and
- Reviewing annual financial statements and making recommendations about adoption.

The Bank's internal audit function reports to the Audit Committee. Both internal and external auditors have unrestricted access to the committee, ensuring that their independence is maintained at all times. The committee also meets independently with management to discuss relevant issues privately and independently.

The Audit Committee satisfied its terms of reference for FY2015 and complied with its legal and regulatory responsibilities.

Risk Committee

The Risk Committee consists of five members (the CFO and four independent Non-Executive Directors) who are independent non-executive Directors. Non-members may attend by invitation. The committee is primarily responsible for ensuring that suitable risk management practices, policies, resources and systems are in place and functioning effectively. It has to:

- Demonstrate effective discharge of corporate governance, risk management and PFMA responsibilities;
- Demonstrate improved understanding of the Bank, the risks that threaten it and how these are being managed. Potential risk areas include operational risks, market risks, liquidity risks, systems risks and strategic risks; and
- Effectively drive the monitoring of risk management activities within the Bank.

The Risk Committee satisfied its terms of reference for FY2015.

Group Human Resources and Remuneration Committee

The Group Human Resources and Remuneration Committee has five members (the CFO and four independent Non-Executive Directors). Non-members may attend by invitation.

The committee ensures that the Group's remuneration policies are properly implemented. Its main objective is to assure the Board that executives and employees are being fairly and competitively compensated, and that individuals are rewarded according to their contribution to the Group's success. The committee oversees and reviews short-term incentive schemes and fringe benefits.

The Group Human Resources and Remuneration Committee satisfied its terms of reference for FY2015.

Credit Risk Committee

The Credit Risk Committee has five members. All members, including the chairperson, are independent Non-Executive Directors. Non-members may attend by invitation.

The committee is primarily responsible for the credit risk management process, credit strategy and the Bank's credit risk management policies. It considers annual reviews, credit risk issues, policy matters, loan approvals and recommendations to the Board for approval.

The Credit Risk Committee satisfied its terms of reference for FY2015.

BOARD, MANAGEMENT AND REMUNERATION (CONTINUED)

Committee membership and meetings

The following table indicates membership of the various Board committees.

Table 1: Land Bank Board and committee members for FY2015

Board members	Audit Committee	Risk Committee	Credit Risk Committee	Human Resources and Remuneration Committee
Non-Executive Directors				
Mabotha Arthur Moloto (Chair)[2]			X	X
Ben Ngubane (outgoing Chair)[3]			X	
Abdus Salaam Mohammad Karaan	X		X	
Shamila Singh[4]				
Sue Lund	X	X (Chair)[5]	X[1]	
Bafana Patrick Mathidi	X (Chair)	X(Chair)[6]	X[1]	
Nomavuso Mnxasana	X		X (Chair)	
Doris Rosemary Hlatshwayo[7]	X			X
John Purchase		X		X
Njabulo Zwane[8]	X		X	
Davina Nodumo Motau			X	
Mmakeaya Magoro Tryphosa Ramano[9]	X(Chair)			
Thembekile Thelma Ngcobo		X		X (Chair)
Executive Directors				
Tshokolo Petrus Nchocho [10]				
Lindiwe Violet Mdlalose[11]				
Lebogang Serithi				

[1] Alternate membership term expired 23 January 2015.
[2] Appointed 1 January 2015.
[3] Term expired 31 December 2014.
[4] Term expired 5 January 2015.
[5] Appointed Chairperson 1 February 2015
[6] Chairpersonship expired 31 January 2015
[7] Appointed 6 January 2015.
[8] Appointed 6 January 2015.
[9] Term expired 5 January 2015.
[10] Appointed 1 February 2015.
[11] Term expired 31 January 2015.

Board and committee meetings

The Board and its committees meet quarterly and as needed. The committees held the following number of meetings in FY2015:

- Board of Directors: 11 meetings;
- Audit Committee: 6 meetings;
- Risk Committee: 4 meetings;
- Human Resources and Remuneration Committee: 7 meetings; and
- Credit Risk Committee: 16 meetings.

BOARD, MANAGEMENT AND REMUNERATION (CONTINUED)

Table 2: Land Bank Board and committee meeting attendance

Board members	Board Meetings	Audit Committee	Risk Committee	Credit Risk Committee	Human Resources and Remuneration Committee
Non-Executive Directors					
Mabotha Arthur Moloto (Chair)	3/3			4/4	1/1
Ben Ngubane (outgoing Chair)	8/8			12/12	5/5
Abdus Salaam Mohammad Karaan	10/11	4/6		11/16	
Doris Rosemary Hlatshwayo	3/3	2/2			2/2
Njabulo Zwane	3/3	2/2		4/4	
Sue Lund	10/11	5/6	3/4		
Bafana Patrick Mathidi	7/11	5/6	4/4		
Nomavuso Mnxasana	10/11	6/6		15/16	
John Purchase	8/11		4/4		7/7
Tryphosa Ramano	3/8	2/4	0/3		
Shamila Singh	8/8		3/3		4/5
Davina Nodumo Motau	10/11			15/16	
Thembekile Thelma Ngcobo	11/11		1/1		7/7
Executive Directors					
Tshokolo Petrus Nchocho	2/2	2/2	1/1	4/4	1/1
Lindiwe Violet Mdlalose	7/8	4/4	2/3	10/12	5/6
Lebogang Serithi	9/10	6/6	3/4	6/16	2/7

The Land Bank Insurance (LBI)[1]

Land Bank Insurance (LBI) Board is mandated to carry out specific insurance operations delegated to it by the Land Bank Board of Directors. The LBIS Board has adopted all Land Bank policies as far as they are applicable.

LBI Committees

As with Land Bank, LBI may form committees to help it properly discharge its duties and responsibilities. Two LBI committees sat in FY2015: the LBI Audit and Risk Committee, and the Investment and Actuarial Committee. LBI's HR and remuneration issues are addressed by the Land Bank's Human Resources and Remuneration Committee, as LBI does not have a separate Human Resources and Remuneration Committee.

LBI Audit and Risk Committee

The LBI Audit and Risk Committee has three members who are all independent Non-Executive Directors.

The committee meets at least quarterly to review financial and operating results, and to monitor adherence to risk management practices and policies. Its main role is to help the LBI Board fulfil its responsibilities regarding:

- Financial and auditing oversight, as well as ensuring the overall quality and integrity of financial and actuarial reporting and internal control matters;
- Its enterprise risk management framework and compliance; and
- The performance of prescribed statutory requirements. This includes recommending an internal auditor for the LBI Board every three years, agreeing on the scope of the audit and budgeted audit fees in the annual internal and external audit plan presentation, and approving the final internal and external audit fees.

The LBI Audit and Risk Committee satisfied its terms of reference for FY2015.

[1] *The Land Bank Insurance consists of Land Bank Life Insurance Company (LBLIC) and Land Bank Insurance Company (LBIC)*

BOARD, MANAGEMENT AND REMUNERATION (CONTINUED)

Investment and Actuarial Committee

The Investment and Actuarial Committee has three members, all of whom are independent Non-Executive Directors. The committee meets at least quarterly to review the performance of investment managers, the adherence to investment mandates and other policy matters. Its primary mandate includes:

- Implementing an investment strategy that sets out LBIS's investment objectives, the nature and term of liabilities and the risks to which LBIS's assets and liabilities are exposed;
- Appointing investment managers and establishing investment mandates with each manager;
- Setting guidelines to cover limitations on exposures to volatile assets, limits on asset concentration and limits on exposure to particular types of assets such as unlisted equities, property and hedge funds;
- Monitoring the performance of investment managers, including compliance with mandates; and
- Ensuring proper governance in the investment processes.

The Investment and Actuarial Committee satisfied its terms of reference for FY2015.

LBI Board and committee meetings

The LBI committees held the following number of meetings in FY2015:

- Board of Directors: 7 meetings;
- Audit and Risk Committee: 6 meetings; and
- Investment and Actuarial Committee: 5 meetings.

LBI committee membership and meetings

Table 3 below indicates membership of the various Board committees.

Table 3: LBI Board and committee members for FY2015

Board of Directors	Audit and Risk Committee	Investment and Actuarial Committee
Non-Executive Directors		
Nomavuso Mnxasana (Chair)		X
Ranti Mothapo	X	X (Chair)
David Bergman	X (Chair)	
John Luscombe Purchase		X
Davina Nodumo Motau	X	
Doris Rosemary Hlatshwayo[4]		
Thembekile Thelma Ngcobo [1]		
Executive Directors		
Lindiwe Violet Mdlalose[3]		
Mpumi Tyikwe		
Tshokolo Petrus Nchocho[2]		
Lebogang Serithi		

[1] Appointed 1 September 2014.
[2] Appointed 1 February 2015.
[3] Term expired 31 January 2015.
[4] Appointed 1 March 2015.

Board self-assessments

The Office of the Company Secretary facilitated the self-assessments of the Land Bank's Board, the Board committees and individual Directors of both the Land Bank and LBI.

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 CEO. The remuneration for executives and Bank employees is determined through market benchmarking and best practice under the guidance of the Group's Human Resources and Remuneration Committee.

Table 1: Remuneration of the Land Bank's Non-Executive Directors and Executive Directors for FY2015 (R 000)

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

[1] Paid to Transnet Foundation.
[2] Paid to Momentum Asset Management.
[3] Appointed as at 1 February 2015.
[4] Bonus Payment from 1 April 2013 to 3 December 2013 for former CEO.
[5] Acting CEO ended as at 31 January 2015.
[6] Includes R64 000 Group Life, Capital Disability and Total & Temporary Disability Benefits for Executive Directors.

GROUP REMUNERATION (CONTINUED)

Table 2: Remuneration of LBI's Non-Executive Directors and Executive Directors for FY2015 (R 000)

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

[1] Includes R63 000 Group Life, Capital Disability and Total & Temporary Disability Benefits for Executive Directors.

GROUP REMUNERATION

Table 3: Remuneration of the Land Bank's Non-Executive Directors and Executive Directors for FY2014 (R 000)

	Board	Audit	Risk	Credit Risk	HR & Remco	Ad hoc Meetings	Cash Salary	Performance Bonuses	Other Benefits, Fees & Expenses	Total
Non-Executive Directors										
Ben Ngubane	691	-	-	180	42	112	-	-	4	1,029
Mohammad Karaan	185	69	-	153	-	-	-	-	2	409
Sue Lund[1]	234	83	56	28	-	40	-	-	8	449
Partrick Mathidi[2]	184	83	85	14	-	8	-	-	4	378
Nomavusa Mnxasana	234	97	-	265	-	64	-	-	7	667
Theodorus Potgieter	93	-	-	125	40	56	-	-	9	323
John Purchase	217	-	42	-	42	-	-	-	3	304
Tryphosa Ramano	150	138	14	-	-	-	-	-	-	302
Shamila Singh	250	-	56	-	56	40	-	-	22	424
Thembekile Ngcobo	117	-	-	-	24	24	-	-	1	166
Davina Motau	117	-	-	69	-	-	-	-	4	190
Subtotal	**2,472**	**470**	**253**	**834**	**204**	**344**	**-**	**-**	**64**	**4,641**
Executive Directors										
Phakamani Hadebe[3] Chief Executive Officer							2,915	1,860	27	4,802
Lindiwe Mdlalose[4] Acting Chief Executive Officer							675	-	8	683
Lebogang Serithi Chief Financial Officer							2,094	983	87	3,164
Total Land Bank	**2,472**	**470**	**253**	**834**	**204**	**344**	**5,684**	**2,843**	**186**	**13,290**

[1] Paid to Transnet Foundation.

[2] Paid to Momentum Asset Management.

[3] Resigned as at 28 February 2014.

[4] Appointed as Acting CEO as at 4 December 2013.

[5] Includes R63 000 Group Life, Capital Disability and Total & Temporary Disability Benefits for Executive Directors.

GROUP REMUNERATION (CONTINUED)

Table 4: Remuneration of LBI' Non-Executive Directors and Executive Directors for FY2014 (R 000)

	Board	Audit & Risk	Investment & Actuarial	Ad hoc Meetings	Cash Salary	Performance Bonuses	Other Benefits, Fees & Expenses	Total
Non-Executive Directors								
Nomavusa Mnxasana	511	-	36	8	-	-	-	555
Ranti Mothapo	150	63	71	8	-	-	6	298
Theodorus Potgieter	50	36	27	-	-	-	-	113
John Purchase	12	-	-	8	-	-	-	20
David Bergman	162	118		24	-	-	4	308
Davina Motau	25	9	-	8	-	-	-	42
Subtotal	**910**	**226**	**134**	**56**	**-**	**-**	**10**	**1,336**
Executive Director								
Mpumelelo Tyikwe Managing Director					2,052	695	87	2,834
Total LBI	**910**	**226**	**134**	**56**	**2,052**	**695**	**97**	**4,170**

[1] Includes R63 000 Group Life, Capital Disability and Total & Temporary Disability Benefits for Executive Directors.

The combined total remuneration expenditure for the Land Bank and LBI directors was R19.5 million (FY2014: R17.5 million)

GROUP REMUNERATION (CONTINUED)

Remuneration Report of Executive Officers

Table 5: Remuneration of the Land Bank's executive officers in FY2015 (R 000)

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

[1]Chief Risk Officer from 1 February 2015.
[2]Includes R64 000 Group Life, Capital Disability and Total & Temporary Disability Benefits for Executive Directors.

Table 6: Remuneration of the Land Bank's executive officers in FY2014 (R 000)

	Basic Salary	Bonus	Cell phone Allowances	Other benefits[5]	Total
Vincent Potloane Group Operations and Investments Officer	2,188	1,100	24	63	3,375
Jerome Mthembu[1] Chief Legal Officer Acting Chief Strategy Officer	1,912	900	24	63	2,899
Lindiwe Mdlalose[2] Chief Risk Officer	1,347	935	16	63	2,361
Mpule Dlamini[3] Chief Human Resources Officer	1,241	314	21	16	1,592
Gregory van Wyk[4] Chief Human Resources Officer Acting Chief Strategy Officer	-	835	-	-	835
Total	**6,688**	**4,084**	**85**	**205**	**11,062**

[1] Acting Chief Strategy Officer from 1 April 2013.
[2] Chief Risk Officer until 3 December 2013.
[3] Chief Human Resource Officer from 15 August 2013.
[4] Resigned from the Land Bank on 28 March 2013.
[5] Includes R63 000 Group Life, Capital Disability and Total & Temporary Disability Benefits for Executive Directors.

GROUP ANNUAL FINANCIAL STATEMENTS

INDEX TO THE ANNUAL FINANCIAL STATEMENTS OF THE LAND BANK GROUP

for the year ended 31 March 2015

INDEX TO THE ANNUAL FINANCIAL STATEMENTS OF THE LAND BANK GROUP (CONTINUED) for the year ended 31 March 2015

C CONTENT	NOTES

These audited group annual financial statements were prepared by Land Bank Financial Reporting under the direction and supervision of the CFO L Serithi CA(SA).

GENERAL INFORMATION

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

1 The Land Bank

1.1 Shareholder

National Treasury

1.2 Public entity

Governed by the Land and Agricultural Development Bank Act, 2002 (Act number 15 of 2002)

1.3 Auditor

The Auditor-General of South Africa

1.4 Banker

Main bank:	First National Bank, division of FirstRand Limited
Other banks:	ABSA Bank Limited
	Nedbank Limited
	The Standard Bank of South Africa Limited

1.5 Financial year-end

31 March

1.6 Head office physical address

Block D Eco Glades 2
Witch Hazel Avenue
Ecopark
Centurion
0046

1.7 Postal address

P O Box 375
Tshwane
0001

1.8 Company secretary

Nazir Ebrahim

1.9 Country of incorporation

South Africa

1.10 Business activities

The Land Bank provides retail and wholesale finance to emerging and commercial farmers. In addition to its banking operations, the Land Bank extends its services to the insurance sector through its subsidiaries, Land Bank Life Insurance Company (LBLIC) and Land Bank Insurance Company (LBIC). LBLIC offers credit life insurance products and LBIC offers short-term insurance products. LBLIC and LBIC are incorporated in terms of the Companies of South Africa, 2008 (Act No. 71 of 2008) and are schedule 2 Public Entities in terms of the PFMA.

GENERAL INFORMATION (CONTINUED)

2 The Land Bank Group Subsidiaries

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

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

2.3 Auditor
The Auditor-General of South Africa

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

2.5 Financial year-end
31 March

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

2.7 Postal address
P O Box 375
Tshwane
0001

2.8 Public officer designate
Mpumi Tyikwe

2.9 Company secretary
Nazir Ebrahim

2.10 Country of incorporation
South Africa

2.11 Business activities

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

[1] The Minister of Finance approved that LBIS, be dissolved and that the Land Bank be the direct holding company of the two insurance companies in May 2014. As at 31 March 2015, LBIS is dormant but not yet dissolved.

DIRECTORS' RESPONSIBILITY FOR THE GROUP ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

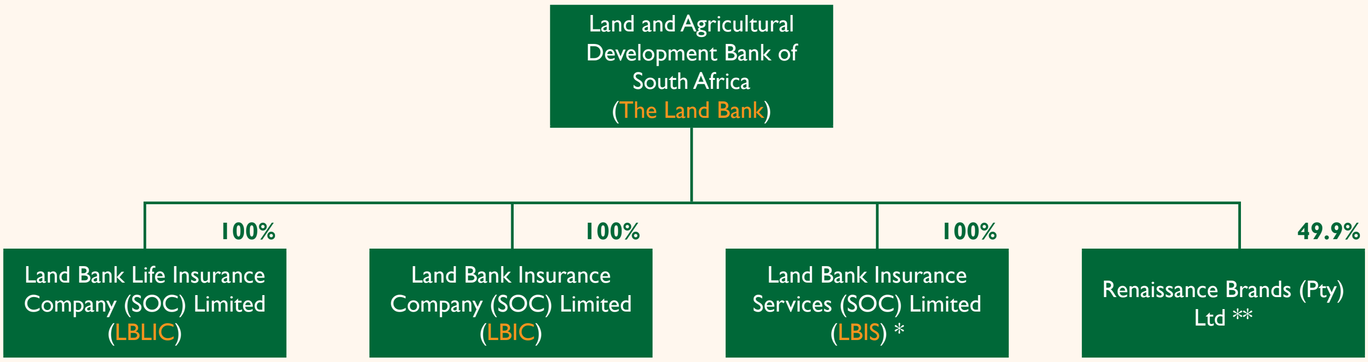
The Group annual financial statements for the year ended 31 March 2015 as set out on pages 82 to 240 were approved by the Board in terms of section 55(1)c of the Public Finance Management Act, 1999 (Act number 1 of 1999) on 31 July 2015 and signed on its behalf by:

MA Moloto
Chairperson of the Board
Date: 31 July 2015

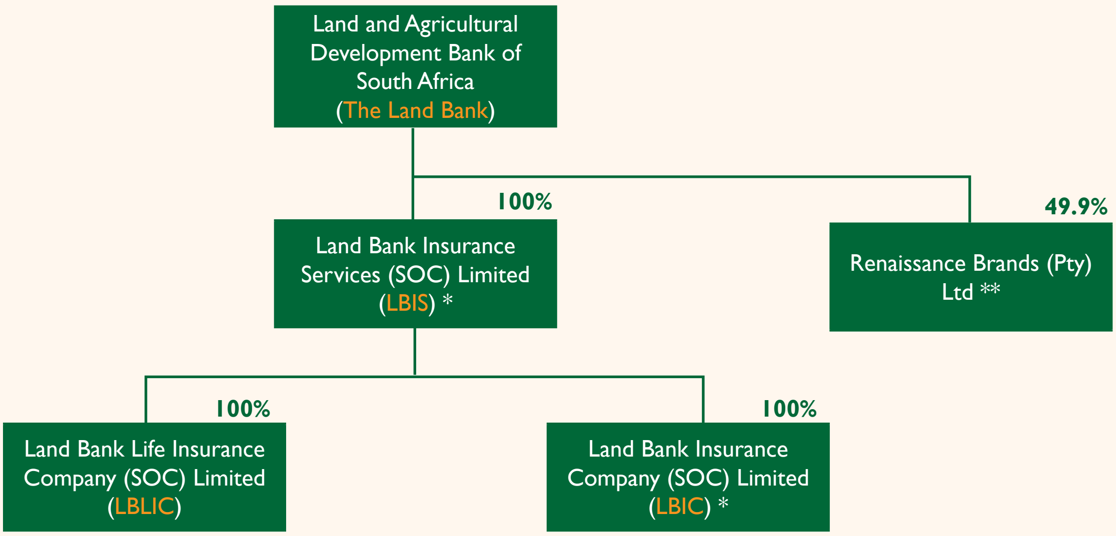
TP Nchocho
Chief Executive Officer
Date: 31 July 2015

GROUP STRUCTURE

**The Land Bank Group
as at 31 March 2015**



**The Land Bank Group
as at 31 March 2014**



* Dormant
** Associate Company

STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

		Group		Bank	
		2015	2014	2015	2014
	Note	R'000	R'000	R'000	R'000
Assets					
Cash and cash equivalents	4	**1 605 673**	1 474 854	**1 369 418**	1 227 729
Trade and other receivables	5	**174 084**	149 268	**351 256**	342 000
Short-term insurance assets	6	**12 311**	1 432	**-**	-
Repurchase agreements	7	**15 720**	15 062	**15 720**	15 062
Inventory		**240**	-	**240**	-
Non-current assets held-for-sale	8	**53 092**	52 567	**53 092**	52 567
Investments	9	**1 608 987**	1 479 812	**568 624**	343 806
Market-making assets	10	**-**	9 250	**-**	9 250
Loans and advances	11	**36 711 573**	33 281 280	**36 711 573**	33 281 280
Assets of disposal group classified as held-for-sale	12	**141 902**	142 204	**141 902**	142 204
Long-term insurance assets	18	**675**	1 202	**-**	-
Intangible assets	13	**37 162**	39 900	**37 162**	39 900
Investment properties	14	**99 800**	84 400	**99 800**	84 400
Property and equipment	15	**87 330**	93 868	**87 211**	93 753
Total assets		**40 548 549**	36 825 099	**39 435 998**	35 631 951
Equity and Liabilities					
Capital and reserves		**7 617 762**	6 825 405	**6 666 132**	5 745 669
Distributable reserves	16	**7 482 987**	6 688 270	**6 531 357**	5 608 534
Other reserves	16	**134 775**	137 135	**134 775**	137 135
Liabilities					
Trade and other payables	17	**647 720**	253 714	**605 648**	184 368
Short-term insurance liabilities	6	**82 454**	2 004	**-**	-
Market-making liabilities	10	**-**	5 812	**-**	5 812
Long-term policyholders' liabilities	18	**33 097**	40 065	**-**	-
Funding liabilities	19	**30 847 066**	28 206 620	**30 847 066**	28 206 620
Provisions	20	**197 903**	440 017	**194 605**	438 020
Post-retirement obligation	21	**297 780**	267 453	**297 780**	267 453
Liabilities directly associated with the assets classified as held-for-sale	22	**824 767**	784 009	**824 767**	784 009
Total equity and liabilities		**40 548 549**	36 825 099	**39 435 998**	35 631 951

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2015

		Group		Bank	
			Restated[1]		Restated[1]
		2015	2014	2015	2014
	Note	R'000	R'000	R'000	R'000
Continuing operations					
Net interest income		**1 073 749**	942 889	**1 059 928**	931 892
Interest income	23	**3 120 531**	2 479 734	**3 106 710**	2 468 617
Interest expense	24	**(2 046 782)**	(1 536 845)	**(2 046 782)**	(1 536 725)
Net impairment charges, claims and recoveries	11	**(166 669)**	(140 941)	**(166 669)**	(140 941)
Total income from lending activities		**907 080**	801 948	**893 259**	790 951
Non-interest expense	25	**(131 245)**	(54 258)	**(130 460)**	(53 517)
Operating income from banking activities		**775 835**	747 690	**762 799**	737 434
Operating (loss)/profit from insurance activities	26	**(31 635)**	9 024		
Investment income	27	**151 768**	181 906	**242 915**	56 281
Fair value gains	28	**9 202**	4 971	**9 202**	4 971
Operating income		**905 170**	943 591	**1 014 916**	798 686
Operating expenses	29	**(528 844)**	(537 070)	**(510 515)**	(525 840)
Net operating income		**376 326**	406 521	**504 401**	272 846
Non-trading and capital items	30	**14 461**	9 490	**14 491**	9 490
Net profit before indirect taxation		**390 787**	416 011	**518 892**	282 336
Indirect taxation	31	**(38 263)**	(27 458)	**(38 263)**	(27 458)
Net profit from continuing operations		**352 524**	388 553	**480 629**	254 878
Net operating income					
Share of after-tax loss of associated companies	32	**-**	-	**-**	-
Discontinued operations					
Net loss from discontinued operations	22	**(41 060)**	(29 008)	**(41 060)**	(29 008)
Profit for the year		**311 464**	359 545	**439 569**	225 870
Other comprehensive income [2]					
Items that will not be reclassified to the profit or loss component of the statement of comprehensive income					
Actuarial (loss)/gain on the post-retirement obligation	21	**(16 746)**	28 743	**(16 746)**	28 743
Revaluation of land and buildings	15	**1 197**	6 049	**1 197**	6 049
		(15 549)	34 792	**(15 549)**	34 792
Items that are or may be subsequently reclassified to the profit or loss component of the statement of comprehensive income					
(Losses)/gains on financial assets at fair value through other comprehensive income	37.7.2	**(3 557)**	4	**(3 557)**	4
Total other comprehensive (loss)/profit for the year		**(19 106)**	34 796	**(19 106)**	34 796
Total comprehensive income for the year		**292 358**	394 341	**420 463**	260 666

[1] Certain numbers reported above do not correspond with the 2014 annual financial statements and reflect prior period reclassifications made as detailed in note 41.

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2015

	Capital Fund R'000	General Reserve R'000	Insurance Reserve R'000	MTM Reserve [1] R'000	Revaluation Reserve R'000	Discontinued Operations R'000	Total R'000
Group							
Balance at 31 March 2013	**3 597 655**	**1 914 696**	**1 096 061**	**10 400**	**125 049**	**(612 797)**	**6 131 064**
At 1 April 2013	**3 597 655**	**1 914 696**	**1 096 061**	**10 400**	**125 049**	**(612 797)**	**6 131 064**
Profit/(loss) for the year	-	254 878	133 675	-	-	(29 008)	359 545
Other comprehensive income	-	28 743	-	4	6 049	-	34 796
Total comprehensive income/(loss)	**3 597 655**	**2 198 317**	**1 229 736**	**10 404**	**131 098**	**(641 805)**	**6 525 405**
Recapitalisation by National Treasury [2]	300 000	-	-	-	-	-	300 000
Reversal of revaluation surplus on building sold	-	4 367	-	-	(4 367)	-	-
Balance at 31 March 2014	**3 897 655**	**2 202 684**	**1 229 736**	**10 404**	**126 731**	**(641 805)**	**6 825 405**
At 1 April 2014	**3 897 655**	**2 202 684**	**1 229 736**	**10 404**	**126 731**	**(641 805)**	**6 825 405**
Profit/(loss) for the year	-	280 599	71 924	-	-	(41 060)	311 463
Other comprehensive (loss)/income	-	(16 746)	-	(3 557)	1 197	-	(19 106)
Total comprehensive income/(loss)	**3 897 655**	**2 466 537**	**1 301 660**	**6 847**	**127 928**	**(682 865)**	**7 117 762**
Recapitalisation by National Treasury [2]	500 000	-	-	-	-	-	500 000
Balance at 31 March 2015	**4 397 655**	**2 466 537**	**1 301 660**	**6 847**	**127 928**	**(682 865)**	**7 617 762**

[1] MTM = Mark-to-Market
[2] Refer to note 35.2.1(iii)

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 March 2015

	Capital Fund R'000	General Reserve R'000	MTM Reserve [1] R'000	Revaluation Reserve R'000	Discontinued Operations R'000	Total R'000
Bank						
Balance at 31 March 2013	**3 597 655**	**2 064 696**	**10 400**	**125 049**	**(612 797)**	**5 185 003**
At 1 April 2013	**3 597 655**	**2 064 696**	**10 400**	**125 049**	**(612 797)**	**5 185 003**
Profit/(loss) for the year	-	254 878	-	-	(29 008)	225 870
Other comprehensive income	-	28 743	4	6 049	-	34 796
Total comprehensive income	**3 597 655**	**2 348 317**	**10 404**	**131 098**	**(641 805)**	**5 445 669**
Recapitalisation by National Treasury [2]	300 000	-	-	-	-	300 000
Reversal of revaluation surplus on building sold	-	4 367	-	(4 367)	-	-
Balance at 31 March 2014	**3 897 655**	**2 352 684**	**10 404**	**126 731**	**(641 805)**	**5 745 669**
At 1 April 2014	**3 897 655**	**2 352 684**	**10 404**	**126 731**	**(641 805)**	**5 745 669**
Profit/(loss) for the year	-	480 629	-	-	(41 060)	439 569
Other comprehensive (loss)/income	-	(16 746)	(3 557)	1 197	-	(19 106)
Total comprehensive income/(loss)	**3 897 655**	**2 816 567**	**6 847**	**127 928**	**(682 865)**	**6 166 132**
Recapitalisation by National Treasury [2]	500 000	-	-	-	-	500 000
Balance at 31 March 2015	**4 397 655**	**2 816 567**	**6 847**	**127 928**	**(682 865)**	**6 666 132**

[1] MTM = Mark-to-Market
[2] Refer to note 35.2.1(iii)

STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

	Note	Group 2015 R'000	Group Restated[1] 2014 R'000	Bank 2015 R'000	Bank Restated[1] 2014 R'000
Net profit from continuing operations		**352 524**	388 553	**480 629**	254 878
Net loss from discontinued operations		**(41 060)**	(29 008)	**(41 060)**	(29 008)
		311 464	359 545	**439 569**	225 870
Adjustment to reconcile profit to net cash flows					
Non-cash items:[2]		**1 652 408**	1 372 647	**1 564 744**	1 503 148
Interest expense	23	**2 046 782**	1 536 845	**2 046 782**	1 536 725
Fair value movement (financial instruments)	28	**(9 202)**	(4 971)	**(9 202)**	(4 971)
Fair value movement (investments)	27	**(108 123)**	(141 544)	**(32 398)**	(46 840)
Dividend income	27	**(24 291)**	(20 054)	**(206 109)**	(3 936)
Interest income	27	**(35 550)**	(33 120)	**(6 245)**	(7 312)
Fund management fees	29	**14 361**	10 895	**-**	-
Depreciation and impairment of property and equipment	15	**10 215**	13 373	**10 179**	13 332
Amortisation and impairment of intangibles	13	**5 986**	2 307	**5 987**	2 307
Fair value adjustments (investment properties)	30	**(15 400)**	(335)	**(15 400)**	(335)
Fair value movement in policyholders' liabilities	18	**(4 776)**	(5 661)	**-**	-
Fair value adjustment on non-current assets held-for-sale	7, 30	**982**	(696)	**982**	(696)
Movement in provisions	20	**(242 114)**	11 746	**(243 414)**	11 012
Movement in post-retirement medical aid liability	21	**13 581**	12 306	**13 581**	12 306
(Profit)/loss on disposal of property and equipment	30	**(39)**	(6 168)	**35**	(6 168)
Loss/(profit) on disposal of properties in possession	30	**30**	(2 269)	**30**	(2 269)
Gain on recognition of investment in subsidiary	30	**-**	-	**(30)**	-
Foreign exchange gain		**(27)**	-	**(27)**	-
Impairment of other assets	30	**(7)**	(7)	**(7)**	(7)
Working capital adjustments:		**436 855**	87 771	**411 784**	73 755
(Increase)/decrease in trade and other receivables	4	**(24 816)**	11 255	**(9 256)**	(2 788)
Increase in inventory		**(240)**	-	**(240)**	-
Increase in trade and other payables	17	**394 005**	75 105	**421 280**	76 543
Increase/(decrease) in short-term and long-term insurance liability	5	**73 482**	(2 220)	**-**	-
(Increase)/decrease in short-term and long-term insurance assets	5	**(5 576)**	3 631	**-**	-
Cash flows from operating activities		**2 400 727**	1 819 963	**2 416 097**	1 802 773
Cash flows from operations		**(5 476 772)**	(7 847 719)	**(5 476 772)**	(7 847 599)
Interest paid	24	**(2 046 782)**	(1 536 845)	**(2 046 782)**	(1 536 725)
Increase in funding to clients	10	**(3 429 990)**	(6 310 874)	**(3 429 990)**	(6 310 874)

STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 March 2015

		Group		Bank	
			Restated[1]		Restated[1]
		2015	2014	2015	2014
	Note	R'000	R'000	R'000	R'000
Cash flow from investing activities		**16 867**	25 927	**12 367**	10 540
Proceeds from disposal of property and equipment	15	**156**	11 411	**156**	11 426
Purchase of property and equipment	15	**(2 655)**	(5 213)	**(2 655)**	(5 213)
Additions to intangible assets	13	**(3 248)**	-	**(3 248)**	-
Proceeds from sale of non-current assets held-for-sale	7	**1 763**	4 531	**1 763**	4 531
Proceeds from sale of financial instruments		**22 005**	29 950	**17 505**	14 548
Purchase of financial instruments		**(1 154)**	(14 752)	**(1 154)**	(14 752)
Cash flow from financing activities		**3 189 997**	5 585 300	**3 189 997**	5 585 300
Increase in funding	18	**2 689 997**	5 285 300	**2 689 997**	5 285 300
Capital injection from shareholder		**500 000**	300 000	**500 000**	300 000
Net decrease in cash and cash equivalents		**130 819**	(416 529)	**141 689**	(448 986)
Cash and cash equivalents at beginning of year		**1 474 854**	1 891 383	**1 227 729**	1 676 715
Cash and cash equivalents at end of year	3	**1 605 673**	1 474 854	**1 369 418**	1 227 729

[1] Certain numbers reported above do not correspond with the 2014 annual financial statements and reflect prior period reclassifications made as detailed in note 41.

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

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

SEGMENT REPORTING

Segment reporting per reportable segment for the year ended 31 March 2015

Group - 2015	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Business & Corporate Banking R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Statement of profit or loss and other comprehensive income									
Net interest income[3]	225 586	(223)	834 565	-	**1 059 928**	13 821	**1 073 749**	(40 762)	**1 032 987**
Interest income	508 409	22 464	2 575 837	-	**3 106 710**	13 821	**3 120 531**	8	**3 120 539**
Interest expense	(282 823)	(22 687)	(1 741 272)	-	**(2 046 782)**	-	**(2 046 782)**	(40 770)	**(2 087 552)**
Impairment releases/ (charges) on loans and advances	179 021	(4 247)	(341 443)	-	**(166 669)**	-	**(166 669)**	(298)	**(166 967)**
Total income/ (loss) from lending activities	404 607	(4 470)	493 122	-	**893 259**	13 821	**907 080**	(41 060)	**866 020**
Non-interest income/ (expense)	18 812	800	(172 532)	22 460	**(130 460)**	(785)	**(131 245)**	-	**(131 245)**
Operating income/ (loss) from banking activities	423 419	(3 670)	320 590	22 460	**762 799**	13 036	**775 835**	(41 060)	**734 775**
Operating loss from insurance activities	-	-	-	-	**-**	(31 635)	**(31 635)**	-	**(31 635)**
Investment income	-	-	-	42 915	**42 915**	108 853	**151 768**	-	**151 768**
Fair value loss	-	-	-	9 202	**9 202**	-	**9 202**	-	**9 202**
Operating income/ (loss)	423 419	(3 670)	320 590	74 577	**814 916**	90 254	**905 170**	(41 060)	**864 110**
Operating expenses	(179 529)	(6 457)	(25 086)	(283 266)	**(494 338)**	(18 294)	**(512 632)**	-	**(512 632)**
Depreciation and amortisation	(1 832)	(10)	(156)	(14 179)	**(16 177)**	(35)	**(16 212)**	-	**(16 212)**
Net operating (loss)/ income	242 058	(10 137)	295 348	(222 868)	**304 401**	71 925	**376 326**	(41 060)	**335 266**

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year ended 31 March 2015

Group - 2015	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Business & Corporate Banking R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Non-trading and capital items	(29)	(6)	-	14 496	**14 461**	-	**14 461**	-	**14 461**
Net profit/(loss) before indirect taxation	242 029	(10 143)	295 348	(208 372)	**318 862**	71 925	**390 787**	(41 060)	**349 727**
Indirect taxation	-	-	-	(38 263)	**(38 263)**	-	**(38 263)**	-	**(38 263)**
Net profit/(loss)	242 029	(10 143)	295 348	(246 635)	**280 599**	71 925	**352 524**	(41 060)	**311 464**
Other comprehensive income									
Actuarial losses on the post-retirement obligation	-	-	-	(16 746)	**(16 746)**	-	**(16 746)**	-	**(16 746)**
Revaluation of land and buildings	-	-	-	1 197	**1 197**	-	**1 197**	-	**1 197**
Losses on financial assets at fair value through other comprehensive income	-	-	(3 557)	-	**(3 557)**	-	**(3 557)**	-	**(3 557)**
Total comprehensive income/(loss) for the year	242 029	(10 143)	291 791	(262 184)	**261 493**	71 925	**333 418**	(41 060)	**292 358**
Interest income									
External customers	508 409	22 464	2 575 837	-	**3 106 710**	13 821	**3 120 531**	**8**	**3 120 539**
Non-interest income/(expense)									
External customers	18 812	800	(172 532)	22 460	**(130 460)**	(785)	**(131 245)**	**-**	**(131 245)**

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year ended 31 March 2015

Group - 2015	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Business & Corporate Banking R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Statement of financial position									
Assets									
Segment assets	5 582 753	499 781	32 055 802	671 933	**38 810 269**	1 596 378	**40 406 647**	141 902	**40 548 549**
Working capital (incl. net loans and advances)[3]	5 553 361	499 794	32 043 717	67 538	**38 164 410**	342 880	**38 507 290**	141 902	**38 649 192**
Investments	-	-	11 848	356 746	**368 594**	1 240 393	**1 608 987**	-	**1 608 987**
Investment properties	24 725	-	-	75 075	**99 800**	-	**99 800**	-	**99 800**
Property and equipment	4 667	(13)	237	82 320	**87 211**	119	**87 330**	-	**87 330**
Non-current assets held-for-sale	-	-	-	53 092	**53 092**	-	**53 092**	-	**53 092**
Intangible assets	-	-	-	37 162	**37 162**	-	**37 162**	-	**37 162**
Insurance assets	-	-	-	-	**-**	12 986	**12 986**	-	**12 986**
Liabilities									
Segment liabilities	5 208 516	488 121	30 982 905	(4 734 443)	**31 945 099**	160 921	**32 106 020**	824 767	**32 930 787**
Working capital (incl. funding liabilities)[3]	5 089 062	490 374	30 978 128	(5 104 850)	**31 452 714**	42 072	**31 494 786**	824 767	**32 319 553**
Provisions	119 454	(2 253)	4 777	72 627	**194 605**	3 298	**197 903**	-	**197 903**
Post-retirement obligation	-	-	-	297 780	**297 780**	-	**297 780**	-	**297 780**
Insurance liabilities	-	-	-	-	**-**	115 551	**115 551**	-	**115 551**

[1] Includes reconciliation to group results in terms of IFRS 8.
[2] The Insurance Operations consists of LBLIC (life insurance) and LBIC (short-term asset and crop insurance).
[3] During FY2015, it was decided to reallocate working capital assets and liabilities held by Group Capital to the underlying Operating Business Units, as these assets and liabilities are held for managing liquidity with regards to business requirements. Similarly, the net interest income carried by Group Capital was reallocated to the Operating Business Units. Basis for reallocation was gross loan book excluding insolvencies. FY2014 presentation has been re-aligned to conform to FY2015 disclosure.

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year ended 31 March 2015

Group - 2014	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Business & Corporate Banking R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Statement of profit or loss and other comprehensive income									
Net interest income[3]	233 039	(1 699)	722 457	(21 905)	**931 892**	10 997	**942 889**	(27 563)	**915 326**
Interest income	464 625	13 077	1 990 915	-	**2 468 617**	11 117	**2 479 734**	-	**2 479 734**
Interest expense	(231 586)	(14 776)	(1 268 458)	(21 905)	**(1 536 725)**	(120)	**(1 536 845)**	(27 563)	**(1 564 408)**
Impairment (charges)/ releases on loans and advances	(64 208)	(4 888)	(71 845)	-	**(140 941)**	-	**(140 941)**	(1 241)	**(142 182)**
Total income/(loss) from lending activities	168 831	(6 587)	650 612	(21 905)	**790 951**	10 997	**801 948**	(28 804)	**773 144**
Non-interest income/ (expense)	10 337	5 127	(89 184)	20 203	**(53 517)**	(741)	**(54 258)**	-	**(54 258)**
Operating income/ (loss) from banking activities	179 168	(1 460)	561 428	(1 702)	**737 434**	10 256	**747 690**	(28 804)	**718 886**
Operating profit from insurance activities	-	-	-	-	**-**	9 024	**9 024**	-	**9 024**
Investment income	-	-	-	56 281	**56 281**	125 625	**181 906**	-	**181 906**
Fair value loss	-	-	-	4 971	**4 971**	-	**4 971**	-	**4 971**
Operating income/ (loss)	179 168	(1 460)	561 428	59 550	**798 686**	144 905	**943 591**	(28 804)	**914 787**
Operating expenses	(197 539)	(5 179)	(28 540)	(278 515)	**(509 773)**	(11 188)	**(520 961)**	(204)	**(521 165)**
Depreciation and amortisation	(2 862)	(14)	(230)	(12 961)	**(16 067)**	(42)	**(16 109)**	-	**(16 109)**
Net operating (loss)/ income	(21 234)	(6 653)	532 658	(231 926)	**272 846**	133 675	**406 521**	(29 008)	**377 513**

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year ended 31 March 2015

Group - 2014	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Business & Corporate Banking R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Non-trading and capital items	(529)	-	(1)	10 020	**9 490**	-	**9 490**	-	**9 490**
Net (loss)/profit before indirect taxation	(21 763)	(6 653)	532 657	(221 906)	**282 336**	133 675	**416 011**	(29 008)	**387 003**
Indirect taxation [2]	-	-	-	(27 458)	**(27 458)**	-	**(27 458)**	-	**(27 458)**
Net (loss)/profit	(21 763)	(6 653)	532 657	(249 364)	**254 878**	133 675	**388 553**	(29 008)	**359 545**
Other comprehensive income									
Actuarial losses on the post-retirement obligation	-	-	-	28 743	**28 743**	-	**28 743**	-	**28 743**
Revaluation of land and buildings	-	-	-	6 049	**6 049**	-	**6 049**	-	**6 049**
Gains on financial assets at fair value through other comprehensive income	-	-	4	-	**4**	-	**4**	-	**4**
Total comprehensive (loss)/income for the year	(21 763)	(6 653)	532 661	(214 572)	**289 674**	133 675	**423 349**	(29 008)	**394 341**
Interest income									
External customers	464 625	13 077	1 990 915	-	**2 468 617**	11 117	**2 479 734**	-	**2 479 734**
Non-interest income/ (expense)									
External customers	10 337	5 127	(89 184)	20 203	**(53 517)**	(741)	**(54 258)**	-	**(54 258)**

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year ended 31 March 2015

Group - 2014	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Business & Corporate Banking R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[2] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Statement of financial position									
Assets									
Segment assets	5 148 603	401 747	29 005 030	650 610	**35 205 990**	1 476 905	**36 682 895**	142 204	**36 825 099**
Working capital (incl. net loans and advances)[3]	5 118 132	401 744	28 989 243	82 445	**34 591 564**	338 150	**34 929 714**	142 204	**35 071 918**
Investments	-	-	15 405	328 401	**343 806**	1 136 006	**1 479 812**	-	**1 479 812**
Investment properties	24 725	-	-	59 675	**84 400**	-	**84 400**	-	**84 400**
Property and equipment	5 746	3	382	87 622	**93 753**	115	**93 868**	-	**93 868**
Non-current assets held-for-sale	-	-	-	52 567	**52 567**	-	**52 567**	-	**52 567**
Intangible assets	-	-	-	39 900	**39 900**	-	**39 900**	-	**39 900**
Insurance assets	-	-	-	-	**-**	2 634	**2 634**	-	**2 634**
Liabilities									
Segment liabilities	4 518 846	324 827	23 506 548	468 479	**28 818 700**	396 985	**29 215 685**	784 009	**29 999 694**
Working capital (incl. funding liabilities)[3]	4 380 081	325 556	23 497 536	(89 946)	**28 113 227**	352 919	**28 466 146**	783 975	**29 250 121**
Provisions	138 765	(729)	9 012	290 972	**438 020**	1 997	**440 017**	34	**440 051**
Post-retirement obligation	-	-	-	267 453	**267 453**	-	**267 453**	-	**267 453**
Insurance liabilities	-	-	-	-	**-**	42 069	**42 069**	-	**42 069**

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

[2] During FY2014 insurance operations included "LBLIC" that housed the combined long-term and short-term insurance activities, although short-term activities were in "run off" and LBIC (dormant). LBLIC now houses long-term activities, whilst LBIC houses short-term activities of the Group.

[3] During FY2015, it was decided to reallocate working capital assets and liabilities held by Group Capital to the underlying Operating Business Units, as these assets and liabilities are held for managing liquidity with regards to business requirements. Similarly, the net interest income carried by Group Capital was reallocated to the Operating Business Units. Basis for reallocation was gross loan book excluding insolvencies. FY2014 presentation has been re-aligned to conform to FY2015 disclosure.

SEGMENT REPORTING (CONTINUED)

for the year ended 31 March 2015

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

- RCB, which consists of 24 AFC's, 3 points of presence and 2 back office hubs spread across the country, provides finance to developing and commercial farmers.
- REM, which is run from Head Office and AFC networks provides finance to "emerging" farmers.
- B&CB, 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:

1) Its reported revenue, from both external clients and other segments, is 10% or more of the combined revenue of all operating segments.
2) 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.
3) 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 the Land Bank and the segment's loan book net of non-performing loan balances as at 31 March 2014.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Except for cost of funding, other operating costs incurred for central functions managed at Group Capital are not allocated to the operating segments. The Group evaluates performance on the basis of profit or loss from reportable operating segments, excluding non-recurring gains and losses.

SEGMENT REPORTING GEOGRAPHIC SEGMENTS

Segment reporting per reportable segment for the year ended 31 March 2015

Group - 2015	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 (loss) 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	Depreciation and amortisation R'000	Net profit/ (loss) R'000	Actuarial losses on the post-retirement obligation R'000	Revaluation of land and buildings and fair value gains on financial assets R'000	Total comprehensive income R'000
Statement of profit or loss and other comprehensive income													
Northern region	2 388 815	(1 428 453)	960 362	(62 656)	(139 933)	-	66 596	(434 154)	(15 420)	374 795	(16 746)	(2 488)	355 561
Southern region	717 895	(618 329)	99 566	(104 013)	9 473	-	(18)	(98 447)	(757)	(94 196)	-	128	(94 068)
Insurance operations	13 821	-	13 821	-	(785)	(31 635)	108 853	(18 294)	(35)	71 925	-	-	71 925
Continuing operations	**3 120 531**	**(2 046 782)**	**1 073 749**	**(166 669)**	**(131 245)**	**(31 635)**	**175 431**	**(550 895)**	**(16 212)**	**352 524**	**(16 746)**	**(2 360)**	**333 418**
Discontinued operation: LDFU	8	(40 770)	(40 762)	(298)	-	-	-	-	-	(41 060)	-	-	(41 060)
	3 120 539	**(2 087 552)**	**1 032 987**	**(166 967)**	**(131 245)**	**(31 635)**	**175 431**	**(550 895)**	**(16 212)**	**311 464**	**(16 746)**	**(2 360)**	**292 358**

SEGMENT REPORTING GEOGRAPHIC SEGMENTS (CONTINUED)

for the year ended 31 March 2015

	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment	Working Capital (including loans and advances)	Other assets	Total assets
	R'000	R'000	R'000	R'000
Statement of financial position				
Assets				
Northern region	643 564	29 593 798	-	30 237 362
Southern region	2 295	8 570 612	-	8 572 907
Insurance operations	1 240 512	342 880	12 986	1 596 378
Continuing operations	**1 886 371**	**38 507 290**	**12 986**	**40 406 647**
Discontinued operation - LDFU	-	141 902	-	141 902
	1 886 371	**38 649 192**	**12 986**	**40 548 549**

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

SEGMENT REPORTING GEOGRAPHIC SEGMENTS (CONTINUED)

Segment reporting per reportable segment for the year ended 31 March 2015

Group - 2014	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 (loss) 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	Depreciation and amortisation R'000	Net profit/ (loss) R'000	Actuarial losses on the post-retirement obligation R'000	Revaluation of land and buildings and Fair value gains on financial assets R'000	Total comprehensive income R'000
Statement of profit or loss and other comprehensive income													
Northern region	1 851 065	(1 063 711)	787 354	(72 794)	(60 757)	-	70 750	(431 459)	(14 770)	278 324	28 743	5 749	312 816
Southern region	617 552	(473 014)	144 538	(68 147)	7 240	-	(8)	(105 773)	(1 297)	(23 447)	-	304	(23 143)
Insurance operations	11 117	(120)	10 997	-	(741)	9 024	125 625	(11 188)	(41)	133 676	-	-	133 676
Continuing operations	**2 479 734**	**(1 536 845)**	**942 889**	**(140 941)**	**(54 258)**	**9 024**	**196 367**	**(548 420)**	**(16 108)**	**388 553**	**28 743**	**6 053**	**423 349**
Discontinued operation: LDFU	-	(27 563)	(27 563)	(1 241)	-	-	-	(204)	-	(29 008)	-	-	(29 008)
	2 479 734	**(1 564 408)**	**915 326**	**(142 182)**	**(54 258)**	**9 024**	**196 367**	**(548 624)**	**(16 108)**	**359 545**	**28 743**	**6 053**	**394 341**

SEGMENT REPORTING GEOGRAPHIC SEGMENTS (CONTINUED)

for the year ended 31 March 2015

	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment R'000	Working Capital (including loans and advances) R'000	Other assets R'000	Total assets R'000
Statement of financial position				
Assets				
Northern region	611 786	9 683 271	-	10 295 057
Southern region	2 639	24 908 293	-	24 910 932
Insurance operations	1 136 122	338 150	2 634	1 476 906
Continuing operations	**1 750 547**	**34 929 714**	**2 634**	**36 682 895**
Discontinued operation - LDFU	-	142 204	-	142 204
	1 750 547	**35 071 918**	**2 634**	**36 825 099**

Liabilities	Working Capital (including funding) R'000	Other liabilities R'000	Total liabilities R'000
Northern region	2 817 706	693 300	3 511 006
Insurance operations	352 919	44 065	396 984
Continuing operations	**28 466 146**	**749 539**	**29 215 685**
Discontinued operation - LDFU	783 975	34	784 009
	29 250 121	**749 573**	**29 999 694**

	2015 R'000	2014 R'000
Additions to non-current assets		
Northern region	**4 016**	14 088
Southern region	**1 958**	-
LBLIC	**-**	3
Continuing operations	**5 974**	14 091
Discontinued operation - LDFU	**-**	-
	5 974	14 091

The geographical segments consist of 24 AFC's, 3 points of presence and 2 hubs within the boundaries of the respective provinces of the Republic of South Africa according to the client's location. Group Capital is included in the Northern segment, as the head office is situated in Pretoria.

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

Information about major customers

The Bank earned R417 million (FY2014: R401 million) in interest revenue from one of the Gauteng-based customers in the B&CB Unit. This represents approximately 13.4% (FY2014: 16.2%) of the Bank's gross revenue.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2015

1 Corporate information

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

In addition to its banking operations, the Land Bank extends its services to the insurance sector through its subsidiaries, LBLIC and LBIC. LBLIC offers credit life insurance products and LBIC offers short-term insurance products. LBLIC and LBIC are incorporated in terms of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and are schedule 2 Public Entities in terms of the PFMA.

During the current reporting period, LBIC started writing short-term insurance business in line with its mandate and with the licence granted by the FSB in April 2014.

The financial statements were authorised for issue by the Directors on 31 July 2015.

2 Basis of presentation of financial statements

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

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

2.1 Functional and presentation currency

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

2.2 Distinction between current and non-current

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

3 Summary of significant accounting policies

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

3.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 April 2014.

i) Offsetting of financial assets and financial liabilities (amendments to IFRS 7 Financial Instruments Disclosures ("IFRS 7"))

The amendments introduced additional disclosures to include information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognised financial assets and recognised financial liabilities, on the statement of financial position. The effective date for this amendment was 1 April 2014.

The amendment does not have an impact on the Group's annual financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

ii) Consolidated financial statements (IFRS 10 Consolidated Financial Statements ("IFRS 10")

This standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements ("IAS 27") and SIC 12 Consolidation – Special Purpose Entities (SPE) ("SIC 12"). The standard sets out how to apply the control principle inter alia to voting rights, circumstances involving agency relationships and circumstances when the investor has control over specified assets of the investee. The consolidation principles have remained unchanged and are now incorporated as part of IFRS 10. The effective date for this amendment was 1 April 2014.

The Group does not have any SPE's and as a result IFRS 10 had no impact on the consolidated financial statements.

iii) Joint arrangements (IFRS 11 Joint Arrangements ("IFRS 11")

The new standard replaces IAS 31 Interests in Joint Ventures ("IAS 31") and SIC Interpretation 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers ("SIC 13") and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then accounting for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations (rights to assets and obligations) or joint ventures (rights to net assets).

The proportionate consolidation method for accounting for joint ventures has now been eliminated and all joint ventures will be equity accounted. The effective date for this amendment is 1 January 2016.

The Group does not have any investments in joint ventures and as a result IFRS 11 had no impact on the consolidated financial statements.

iv) Employee benefits (amendments to IAS 19)

The amendments revise the requirements for pensions and other post-retirement benefits, termination benefits and other changes. The key amendments include eliminating the "corridor approach" as permitted by the previous version of IAS 19, introducing more enhanced disclosures relating to defined benefit plans, modifying accounting for termination benefits and clarifying the classification of employee benefits, current estimates of mortality rates and other miscellaneous issues. The effective date for this amendment is annual periods after 1 July 2014.

The Land Bank therefore discloses the employee benefits in line with the amended requirements.

v) Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36)

The objective of the amendment is to amend the disclosure requirements in IAS 36 impairment of Assets with regard to the measurement of the recoverable amount of impaired assets that were made as a consequence of issuing IFRS 13 Fair Value Measurement in May 2011. The effective date for this amendment was 1 April 2014.

The amendment applies retrospectively and had no impact on the Group annual financial statements.

vi) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

This amendment is a limited-scope amendment to IAS 16 and IAS 38 to clarify the use of a revenue-based depreciation or amortisation method. The effective date for this amendment is 1 January 2016.

This amendment is not relevant to the Group as the Group does not use this method of depreciation or amortisation.

vii) Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendment includes 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The effective date for this amendment is 1 January 2016.

The Group does not own any 'bearer plants' and as a result the amendment had no impact on the Group annual financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

viii) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

1) Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations.
2) Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The effective date for this amendment is 1 January 2016.

The Group has not sold/contributed any assets to it's associate and the Group does not have any joint ventures, and as a result the amendment has no impact on the Group annual financial statements.

ix) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying certain points. The effective date for this amendment is 1 January 2016.

The Group no longer has intermediate holding companies that would have been considered for consolidation exception and as a result the amendment has no impact on the Group annual financial statements.

x) Investments in associates and joint ventures (amendments to IAS 28 Investments in Associates and Joint Ventures ("IAS 28")
This standard supercedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Group already applies the equity method for investments in associates and joint ventures in accordance with the amendments in IAS 28 and as a result the amendment had no impact on the Group annual financial statements.

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for the year ended 31 March 2015

3.2 Standards issued but not yet effective

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

Standard or interpretation	Effective date
IFRS 7 Financial Instruments Disclosures Amendments requiring disclosures about the initial application of IFRS 9. The Group is currently in the process of assessing IFRS 9's full impact and the related disclosures (IFRS 7) which will need to be given on first time adoption of IFRS 9 and IFRS 7.	Effective for annual periods beginning on or after 1 January 2015
IFRS 9 Financial Instruments (2014)- A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. **The standard contains requirements in the following areas:** - **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. - **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. - **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. - **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The Group is currently in the process of assessing IFRS 9's full impact and initial indications are that it is likely to affect the Bank's accounting for certain types of financial assets. Investments in certain listed debt instruments currently classified as financial assets designated at fair value through profit or loss will be permitted to be measured at amortised cost. Investments in structured notes currently accounted for as host debt instruments (measured at amortised cost) and embedded derivatives (measured at fair value) are required to be measured at fair value in their entirety, with fair value gains and losses being recognised in profit or loss. IFRS 9 will also impact the measurement of financial liabilities currently classified as financial liabilities designated at fair value through profit or loss, as changes in fair value resulting from changes in the Group's credit risk will be recognised in other comprehensive income (OCI) and not in profit or loss. IFRS 9 will have an impact on the Group's impairment calculations as the Group's impairment model will change from "incurred loss" to "expected loss" models in line with requirements.	Effective for annual periods beginning on or after 1 January 2018
IFRS 9 Financial Instruments (Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013) Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The Group is currently in the process of assessing IFRS 9's full impact and the related disclosures which will need to be given on first time adoption of IFRS 9.	The effective date remains open pending the finalisation of the impairment and classification and measurement requirements
IFRS 14 Regulatory Deferral Accounts The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. As the Land bank is not a first time adopter of IFRS, this standard will not have an impact on the financial statements.	Effective for annual periods beginning on or after 1 January 2016

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for the year ended 31 March 2015

Standard or interpretation	Effective date
IFRS 15 Revenue from Contracts with Customers The standard provides a single, principles based five-step model to be applied to all contracts with customer. The five steps in the model are as follows: - Identify the contract with the customer; - Identify the performance obligations in the contract; - Allocate the transaction price to the performance obligations in the contracts; - Recognise revenue when (or as) the entity satisfies a performance obligation. The Group is currently in the process of assessing IFRS 15's full impact and the related disclosures which will need to be given on first time adoption of IFRS 15.	Effective for annual periods beginning on or after 1 January 2017

Annual improvements not yet effective

Standard or interpretation	Effective date
IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.	Effective for annual periods beginning on or after 1 July 2014
IFRS 3 — Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.	
IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.	
IFRS 13 — Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).	
IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.	
IAS 24 — Clarifies how payments to entities providing management services are to be disclosed.	
IFRS 1 — Clarifies which versions of IFRS can be used on initial adoption (amends basis for conclusions only)	
IFRS 3 — Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.	
IFRS 13 — Clarifies the scope of the portfolio exception in paragraph 52.	
IAS 40 — Clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	
IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held-for-sale to held-for-distribution or vice versa and cases in which held-for-distribution accounting is discontinued.	Effective for annual periods beginning on or after 1 July 2016
IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.	
IAS 9 — Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.	
IAS 34 — Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.	

3.3 Consolidation

The consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC, LBIC and LBIS (which is currently dormant) and associate, Renaissance Brands (Pty) Ltd as at 31 March 2015.

The financial statements of LBLIC and LBIC are prepared for the same reporting year as the 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

3.3.1 Subsidiaries

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

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

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

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

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

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

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

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

3.3.2 Investments in associates

Investments in associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits and losses is recognised in the statement of profit or loss and other comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted for against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses arising from transactions with equity-accounted investments are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

Investments in associates in the Bank's separate financial statements are carried at fair value. Profits and losses arising in investments in associates are recognised in the statement of profit or loss and other comprehensive income.

3.4 Revenue recognition

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

3.4.1 Interest income

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale, loans and receivables, at fair value through profit or loss financial investments, interest income or expense is recognised in the statement of profit or loss and other comprehensive income using the effective interest rate (EIR), which is the rate that

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the 'Net interest income' in the statement of profit or loss and other comprehensive income.

3.4.2 Other income

3.4.2.1 Fee and commission income

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

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

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

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

3.4.2.2 Dividend income

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

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

3.4.2.3 Investment surpluses

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

3.4.2.4 Penalty fee income

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

3.4.2.5 Rental income

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

3.4.2.6 Realised gains and losses

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

3.4.2.7 Unrealised gains and losses

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

3.4.2.8 Insurance premium income

Refer to note 3.26.1 and note 3.26.2.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

3.5 Expenses

3.5.1 Administration costs

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

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

3.5.2 Commission

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

3.6 Fruitless, wasteful and irregular expenditure

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

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

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

3.7 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3.7.1 The Group as lessee

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

3.7.2 The Group as a lessor

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

3.8 Employee benefits

3.8.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlement to wages, salaries and annual leave represents the amount which the Group has a present obligation to pay as a result of employees' services provided during the period under review. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

3.8.2 Post retirement benefits

3.8.2.1 Defined contribution plans

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

Retirement fund

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

3.8.2.2 Defined benefit plans

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

Medical aid fund

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

Actuarial valuations of the Bank's liability are conducted on a bi-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. 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. The past service costs and interest costs are accounted for in the statement of profit or loss.

3.8.2.3 Termination benefits

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

3.8.2.4 Short-term benefits

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

3.9 Taxation

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

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

As part of the restructuring of the operations, the tax status of the Land Bank Insurance Company (SOC) Limited and Land Bank Life Insurance Company (SOC) Limited are currently under review by SARS. Refer to note 34.4.4 for additional disclosure regarding the possible contingent liability raised in this regard.

3.10 Property and equipment

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

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

a) It is probable that future economic benefits associated with the item will flow to the Group; and
b) The cost of the item can be measured reliably.

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

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

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

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

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

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

3.11 Investment property

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

Investment properties are recognised as an asset when, and only when:

a) It is probable that future economic benefits associated with the investment property will flow to the Group; and
b) The cost of the investment property can be measured reliably.

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

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

3.12 Intangible assets

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

a) It is probable that future economic benefits associated with the asset will flow to the Group; and
b) The cost of the intangible asset can be measured reliably.

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

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

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

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

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

3.12.1 Computer software

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

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

During the financial year a change of estimate took place with respect to the useful life of the computer software. Previously the software was amortised over a period of 20 years however after the annual review of the estimated useful life of the software, it was decided that a useful life of 3, 5 and 10 years was more appropriate based on the tier of the intangible asset. The change was applied prospectively from 1 April 2014. The software will now be amortised using the straight-line method over a period as tabled below (refer to note 13):

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

3.12.2 Computer software licence fees

Computer software licence fees are paid for in advance, recognised as a prepayment and expensed to the statement of profit or loss and other comprehensive income over the period of the license agreement. Should the licence 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 licence agreement.

3.13 Impairment of non-financial assets

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

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

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

3.14 Financial instruments

3.14.1 Recognition and initial measurement

(i) Date of recognition

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

(ii) Initial measurement of financial instruments

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

(iii) Derivatives recorded at fair value through profit or loss

The Group uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Operating income'.

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held–for–trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

(iv) Financial assets or financial liabilities held–for–trading

Financial assets or financial liabilities held–for–trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Operating income'. Interest and dividend income or expense is recorded in 'Operating income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

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

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition.

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Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

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

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

Included in this classification are loans and advances to customers which are economically hedged by credit derivatives and do not qualify for hedge accounting, as well as notes issued which are managed on a fair value basis.

(vi) Held–to–maturity financial investments

Held–to–maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held–to–maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairment of such investments are recognised in the statement of profit or loss and other comprehensive income.

If the Group were to sell or reclassify more than an insignificant amount of held–to–maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available–for–sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

(vii) Due from Banks and loans and advances to customers

'Due from Banks' and 'Loans and advances to customers', include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- Those that the Group intends to sell immediately or in the near term and those that the Group upon initial recognition designates as at fair value through profit or loss;
- Those that the Group, upon initial recognition, designates as available for sale; and
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

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

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held–for–trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

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Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (for example, due to a counterparty credit event).

(viii) Cash held under investments

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

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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

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

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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

3.14.2 Subsequent measurement

Subsequent to initial recognition, the Group classifies financial instruments as 'at fair value through profit or loss', 'loans and receivables' and 'other financial liabilities'. The measurement of each is set out below.

Financial assets

Held-to-maturity

Held–to–maturity financial instruments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairment of such investments are recognised in the statement of profit or loss and other comprehensive income.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

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Loans and receivables

The Group has classified loans, trade receivables and cash at bank as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. It arises when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms.

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

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

Renegotiated loans

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

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

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

Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held-for -trading are recognised in the statement of profit or loss and other comprehensive income.

Loans and Borrowings

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

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

3.14.3 Derecognition

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

Financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;

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

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

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

Financial liabilities

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

3.14.4 Impairment of financial instruments

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairments are recognised through profit and loss.

Assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets' original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss and other comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the

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previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to bad debts recovered in the statement of profit or loss and other comprehensive income.

3.14.5 Day 1 profit

Where the transaction price in a non-active market is different from other observable current market transactions in the same instrument or based on a valuation technique whose variables include data from observable markets, the 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.

3.14.6 Financial guarantees

Financial guarantee contracts are contracts that require the Group as the issuer of the guarantee to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. When such contracts are entered into by the Group, a liability is recognised initially at fair value and subsequently measured at the higher of the amount determined in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and the initial fair value less cumulative amortisation in accordance with IAS 18.

3.14.7 Fair value of financial instruments

The fair value of financial assets and liabilities that are actively traded in financial markets is determined by reference to quoted market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques such as discounted cash flow analysis.

3.14.8 Amortised cost of financial instruments

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

3.15 Derivatives

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swaps, forward rate agreements and option contracts to hedge these exposures as and when received. During the FY2015 financial year, there was no hedging done in the Group. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives. The Group does not apply hedge accounting to its economic hedging activities.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income.

3.16 Subordinated debt

Subordinated debt is measured at amortised cost using the effective interest rate method under IAS 39.

3.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.18 Sale and repurchase agreements

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

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate (EIR). When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral, as

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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.

3.19 Cash and cash equivalents

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

3.20 Funds administered on behalf of related parties

The Group manages funds on behalf of related parties. These amounts are disclosed at amortised cost. The net position in terms of legal right to offset of these funds administered on behalf of related parties are separately disclosed in note 33. These funds are not carried on the statement of financial position for the Group.

3.21 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 are to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

3.22 Foreign currency transactions

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

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

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

3.23 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.

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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.

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

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

3.24 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.

3.25 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.

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

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

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

Recognition and measurement

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

Provision for unearned premiums
The provision for unearned premiums represents the portion of the current year's premiums receivable that relate to risk periods extending into the following year. The Unearned Premium Reserve (UPR) is established to recognise the unexpired risk for which premiums have already been collected. Apart from the 'Hail Summer', 'Multi-peril Summer' and 'Horticulture'

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classes of short-term insurance, the UPR was set with reference to the remaining days of each contract as at the valuation date. This method is in line with the requirements of the Short-term Insurance Act of 1998.

For the 'Hail Summer', 'Multi-peril Summer' and 'Horticulture' classes, the UPR calculation is based on the incidence of risk over the term of the policy. The risk incidence pattern was set with reference to recent historic claims experience provided by the underwriting manager.

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.

Provision for unexpired risk

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

Provision for notified claims

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

Provision for claims incurred but not reported (IBNR)

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

Deferred acquisition costs (DAC)

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

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

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The Group assesses its short-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. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

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.

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

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

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders and are included under loans and receivables and trade and other payables.

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

3.26.2 Long-term insurance

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

Recognition and measurement

Premiums

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

Fees and commission earned

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

Underwriting benefits

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

Liability adequacy test

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

Reinsurance contracts held

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

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

Long-term insurance liability

In terms of IFRS 4 - Insurance contracts, defined insurance liabilities are allowed to be measured under existing local practice.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

The company used the FSV method, as described in the Standard of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (Actuarial Society), to determine the actuarial value of the policyholders' liabilities. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:
- The best estimate of future experience;
- The compulsory margins prescribed in the Long-term Insurance Act of 1998; and
- Actuarial guidance also provides for the use of discretionary margins where deemed appropriate.

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

Acquisition costs

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

3.27 Segment information

The segment information is based on the information about the components of the Group that management uses to make decisions about operating matters. The operating segments are identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

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

The principal segments of the Group have been identified on a business segment basis, namely:
- Group Capital, including Treasury (Investment) activities in equity, bonds and cash instruments;
- Retail Commercial Banking;
- Retail Emerging Markets;
- Business & Corporate Banking;
- Land for Development; and
- Insurance operations, consisting of long-term and short-term insurance.

And on a geographical segmentation namely:
- Northern regions of South Africa; and
- Southern regions of South Africa.

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Assets, liabilities and operating expenses of LBLIC and LBIC are apportioned to a segment based on a notional apportionment ratio of 30% short-term insurance business and 70% long-term insurance, unless the assets, liabilities and operating expenses can be directly attributable to a specific segment. Management reviews the appropriateness of this apportionment ratio annually.

3.28 Critical accounting estimates and judgments in applying accounting policies

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

i) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at each financial reporting date. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Group makes judgments as to whether there is any observable evidence indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on the contractual cash flows of the assets within the portfolio and the historical-loss experience for assets with homogeneous credit risk characteristics to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(a) LDFU loan impairments

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

The Group suspended the accrual of interest on all LDFU loans. No further disbursements were made since the last disbursement in October 2007. All the loans have since been regarded as non-performing. Refer to note 22 for information regarding this discontinued operation.

During 2014 and 2015 the group contracted independent professional valuators to obtain up to date valuations in order to ensure that the carrying values of these loans do not exceed the net realisable values. Where the valuations obtained exceed the carrying values, the directors opted to maintain the current values due to uncertainties surrounding the potential conditions of disposal and legalities. (Refer to note 12.)

(b) Provision for onerous contracts - LDFU loans

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

The Group performed an assessment to ascertain whether or not provision is required for onerous contracts arising out of the LDFU loans in terms of IAS37 – Provisions, Contingent Liabilities and Contingent Assets for the undisbursed loan commitments. As set out in Note 34.4.1 the quantification of possible claims, if any, is not possible and as such no provision had been raised.

(c) Retail impairment model and the recognition of related fees

Historical system data shortcomings prohibit the Group from applying the effective contractual interest rate to discount cash flows in the retail impairment model. As an alternative measure, the Group has applied the Weighted Average Cost of Capital (WACC) to discount cash flows. For the current year the Group used an average interest rate to discount the cash flows from the date of default onwards. This is the average of all effective interest rates after default and is split by client type, loan type, default date and duration from default. In the retail model, the impairment is triggered when a contractual payment is missed. The impairment calculation is based on the probability of default (PD) methodology. The PD is the percentage of assets moving from the initial delinquency/ current state to defaults, based on historical default experience. The impairment also takes into account the loss given default (LGD). The LGD estimates are based on historical loss experience and are adjusted to add current economic conditions.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

ii) 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.

iii) Insurance

a) 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.

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

The following process is followed to determine the valuation assumptions:

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

The best estimate of future experience is determined as follows:

Investment return

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

Decrements

Assumptions with regard to future mortality and lapse rates are consistent with the experience for the five years up to 31 March 2015. Mortality rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS.

Policy expenses

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

c) 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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.

- 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, and adjustments resulting from 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 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.

- 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 provision is based on the minimum requirements of the Short-term Insurance Act of 1998. The computation has changed as required by the FSB Board Notice 169 issued on 28 October 2011. The Board notice is effective for the year that ends after 1 January 2012. In line with the new computation, net earned premiums in different classes for the last six financial years are multiplied by the development factors introduced separately and the outcomes are added up.

The Group underwrites crop reinsurance inwards cover under the property class, as well as agri-asset reinsurance inwards cover under the motor and property classes.

- 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. For 'Summer Hail', 'Multi-peril Summer' and 'Horticulture' classes, unearned premium is calculated according to claim occurrence patterns whereas in the other classes, the remaining days method is used.

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 it performed annually.

The provision for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue is recognised on a basis that is consistent with the related provisions for unearned premiums.

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

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

v) 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

vii) 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.

viii) Provisions and expense 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.

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

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

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

In the statement of profit or loss and other comprehensive income for 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.

3.30.1 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.

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

3.31 Change in accounting estimate
During the current reporting period, the Bank revised the estimated useful lives of intangible assets from twenty years to ten, five and three years respectively, based on the core nature of the asset. The change in accounting estimate has been accounted for prospectively from 1 April 2014 in accordance with IAS 8. (Refer to note 13).

3.32 Inventory
The Group holds inventory in the form of branded merchandise which is sold at cost to employees. The inventory is recognised and carried at historical cost less any write offs. The inventory cost is made up of the cost from the suppliers as well as any transport costs to get the inventory to the head office.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
4 Cash and cash equivalents				
Cash at bank				
- Commercial banks	**1 059 128**	1 259 754	**822 908**	1 012 663
- Short-term deposits	**546 545**	215 100	**546 510**	215 066
	1 605 673	1 474 854	**1 369 418**	1 227 729

Classification of cash and cash equivalents

Loans and receivables at amortised cost.

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

The amount of undrawn borrowing facilities as at 31 March 2015: R nil (FY2014: R1.05 billion).

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

5 Trade and other receivables

	Group 2015 R'000	Group 2014 R'000	Bank 2015 R'000	Bank 2014 R'000
Accrued investment income	**22 184**	19 006	**22 184**	19 006
Fruitless and wasteful expenditure receivable (note 37)	**1**	1	**1**	1
LBLIC - intercompany balances [1]	**-**	-	**283 797**	283 758
Loans to current employees [2]	**755**	835	**755**	835
Loans to former employees [2]	**186**	194	**186**	194
- Gross loans	**622**	636	**622**	636
- Impairments	**(436)**	(442)	**(436)**	(442)
Premium receivable	**63 604**	3 035	**-**	-
Prepaid expenses	**8 681**	7 921	**8 681**	7 921
Reinsurance receivable [4]	**26 623**	71 610	**-**	-
REM debtors	**8 060**	-	**8 060**	-
Sundry receivables [3,5]	**43 990**	46 666	**27 592**	30 285
	174 084	149 268	**351 256**	342 000

5.1 Classification of trade and other receivables

Loans and receivables at amortised cost.

As noted in the maturity analysis in note 37.3, the Group receivables of R8.7 million (FY2014: R19.1 million) are expected to be recovered after more than 12 months.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Less than 1 year	More than 1 year less than 2 years	More than 2 years	Total
	R'000	R'000	R'000	R'000
5.2 Aging of past due receivables not individually impaired				
2015				
Group				
Loans to current employees				
Gross loan amount	33	33	689	755
Portion of gross loan amount past due but not impaired	-	-	-	-
Loans to former employees				
Gross loan amount	20	20	582	622
Portion of gross loan amount past due but not impaired	12	-	-	12
Other				
Gross loan amount	165 338	6 366	1 003	172 707
Portion of gross loan amount past due but not impaired [4, 5]	43 021	2 311	-	45 332
Bank				
Other				
Gross loan amount	58 713	290 163	1 002	349 878
Portion of gross loan amount past due but not impaired	-	2 311	-	2 311
2014				
Group				
Loans to current employees				
Gross loan amount	33	33	769	835
Portion of gross loan amount past due but not impaired	-	-	-	-
Loans to former employees				
Gross loan amount	20	20	596	636
Portion of gross loan amount past due but not impaired	7	-	-	7
Other				
Gross loan amount	130 149	16 702	946	147 797
Portion of gross loan amount past due but not impaired	-	8 601	-	8 601
Bank				
Other				
Gross loan amount	39 123	300 460	946	340 529
Portion of gross loan amount past due but not impaired	-	8 601	-	8 601

[1] Refer to note 35.2.2 for detail on the intercompany loan.
[2] Loans to employees consist of home loans which are receivable between 7 years to 25 years with an average remaining period of 20 years. The interest rate on the employee home loans is fixed at 3% per annum and the fair value of the loans is R1.1 million (FY2014: R1.2million). The practice to grant home loans to employees was discontinued during 1998.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

[4] R22.5 million of the R26.7 million due from the reinsurers as at 31 March 2015 was received in April 2015. The remaining balance is expected to be received within 12 months. Refer to note 40 on Events after the Statement of Financial Position date.

[5] Sundry receivables from LBLIC was made up of R16 million due from SARS. This full balance was settled in April 2015. Refer to note 40 on Events after the Statement of Financial Position date.

	Group	
	2015	2014
	R'000	R'000
6 Short-term insurance assets and liabilities		
Short-term insurance liabilities	82 454	2 004
Outstanding claims	41 622	1 394
Incurred but not reported claims	6 430	610
Provision for unearned premiums	34 402	-
Unearned commission income	-	-
Less: Short-term insurance liabilities	(12 311)	(1 432)
Reinsurers' share of technical provisions		
Outstanding claims	-	(976)
Incurred but not reported claims	(167)	(456)
Provision for unearned premiums	(5 211)	-
Unearned commission income	(6 933)	-
Net short-term insurance provisions	70 143	572

Claims development table

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

Claims development tables relating to LBLIC

Gross claims incurred

	2010	2011	2012 onwards [1]	Total
Accident year	R'000	R'000	R'000	R'000
At end of accident year	107 778	219 070	132 134	
One year later	125 842	221 860	115 430	
Two years later	126 563	218 608	112 959	
Three years later	123 296	218 631	112 621	
Four years later	123 221	217 785		
Five years later	122 624			
Current estimate of gross cumulative claims incurred	122 624	217 785	112 621	453 030

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Net claims incurred

Accident year	2010 R'000	2011 R'000	2012 onwards [1] R'000	Total R'000
At end of accident year	31 866	65 425	39 135	
One year later	37 476	62 517	34 272	
Two years later	37 948	61 273	36 219	
Three years later	36 958	61 355	35 968	
Four years later	37 027	60 761		
Five years later	36 581			
Current estimate of net cumulative claims incurred	**36 581**	**60 761**	**35 968**	**133 310**

Gross claims paid

Accident year	2010 R'000	2011 R'000	2012 onwards [1] R'000	Total R'000
At end of accident year	(86 490)	(137 059)	(73 467)	
One year later	(39 352)	(80 072)	(36 063)	
Two years later	(11)	(156)	(74)	
Three years later	(4)	(6)		
Four years later	(53)	-		
Five years later				
Current estimate of gross cumulative claims paid	**(125 910)**	**(217 293)**	**(109 604)**	**(452 807)**

Net claims paid

Accident year	2010 R'000	2011 R'000	2012 onwards [1] R'000	Total R'000
At end of accident year	(25 935)	(40 274)	(21 914)	
One year later	(11 806)	(24 740)	(10 819)	
Two years later	(4)	2 370	(22)	
Three years later	(1)	1 655	-	
Four years later	(16)	-		
Five years	26			
Current estimate of net cumulative claims paid	**(37 736)**	**(60 989)**	**(32 755)**	**(131 480)**

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Claims development tables relating to LBIC

Gross claims incurred

	2015	2014	Total
Accident year	**R'000**	**R'000**	**R'000**
At end of accident year	107 164	-	107 164
Current estimate of gross cumulative claims incurred	**107 164**	**-**	**107 164**

Net claims incurred

	2015	2014	Total
Accident year	**R'000**	**R'000**	**R'000**
At end of accident year	107 164	-	107 164
Current estimate of net cumulative claims incurred	**107 164**	**-**	**107 164**

Gross claims paid

	2015	2014	Total
Accident year	**R'000**	**R'000**	**R'000**
At end of accident year	(59 328)	-	(59 328)
Cumulative gross claims paid	**(59 328)**	**-**	**(59 328)**

Net claims paid

	2015	2014	Total
Accident year	**R'000**	**R'000**	**R'000**
At end of accident year	(59 328)	-	(59 328)
Cumulative net claims paid	**(59 328)**	**-**	**(59 328)**

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
7 Repurchase agreements				
Financial instruments purchased				
Republic of South Africa bonds				
- R 186	**6 023**	5 812	**6 023**	5 812
- R 208	**9 697**	9 250	**9 697**	9 250
	15 720	15 062	**15 720**	15 062

The Group enters into sale and repurchase agreements for periods between one day and one month to cover any short positions that the Group may experience from time to time. Interest on these are disclosed in note 24.

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
8 Non-current assets held-for-sale				
Land and buildings	**5 700**	5 700	**5 700**	5 700
Properties in possession	**47 392**	46 867	**47 392**	46 867
	53 092	52 567	**53 092**	52 567

Analysis of non-current assets held-for-sale

8.1 Land and buildings

	Group 2015	Group 2014	Bank 2015	Bank 2014
Opening balance	**5 700**	5 035	**5 700**	5 035
Fair value adjustment [1]	**-**	665	**-**	665
Closing balance	**5 700**	5 700	**5 700**	5 700

Approval for the sale of these properties have been obtained from the Minister of Finance in September 2009 and the properties were classified as non-current assets held-for-sale on 7 March 2010.

The period to sell the Pietermaritzburg building (Erf 2413) has extended beyond 1 year. Management is however still committed to the sale and the building is being marketed at a reasonable price (market value). During FY2015 the property was auctioned, yet the highest bidder subsequently withdrew his bid and the Bank has since contacted the second highest bidder in an effort to get this property sold. As at year end the property has not yet been sold, but a buyer has been identified.

8.2 Properties in possession

	Group 2015	Group 2014	Bank 2015	Bank 2014
Opening balance	**46 867**	47 297	**46 867**	47 297
Plus: Additions	**3 300**	1 790	**3 300**	1 790
Less: Disposals	**(1 793)**	(2 250)	**(1 793)**	(2 250)
Fair value adjustment [1]	**(982)**	30	**(982)**	30
Closing balance	**47 392**	46 867	**47 392**	46 867

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

- BP 1938 located in Pietermaritzburg
- BP 2009 located in Potchefstroom
- BP 2039 located in Tzaneen
- BP 2102 located in East London
- BP 2107 located in North West
- BP 2109 located in Hartbeespoort
- BP 2110 located in Pietermaritzburg
- BP 2111 located in Gauteng
- BP 2112 located in Pretoria

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

	Carrying Amount R'000	Selling Price R'000	Profit/ (Loss) R'000
2015			
BP 2107 located in North West	**1 233**	**1 491**	**258**
BP 2050 located in Polokwane	**560**	**530**	**(30)**
	1 793	**2 021**	**228**
2014			
BP2103 located in Pretoria	515	700	185
BP2105 located in Gauteng	275	219	(56)
BP2106 located in Thabazimbi	60	100	40
BP2108 located in Hekpoort	1 400	3 500	2 100
	2 250	4 519	2 269

	Group		Bank	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
9 Investments				
Investments held by subsidiaries	**1 240 393**	1 136 006	**-**	-
Medical aid fund assets	**356 746**	328 402	**356 746**	328 402
Unlisted investments	**11 848**	15 404	**11 848**	15 404
Investment in subsidiary (LBLIC)	**-**	-	**30**	-
Investment in subsidiary (LBIC)	**-**	-	**200 000**	-
Investment in subsidiary (LBIS)	**-**	-	**-**	-
	1 608 987	1 479 812	**568 624**	343 806

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

Refer to the group structure diagram on page 81.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Analysis of investments

9.1 Investments held by subsidiaries

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

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

	Group	
	2015	2014
	R'000	R'000
Equities*	449 547	480 675
Commodities*	26 170	14 457
Collective investment schemes	313 226	254 039
Bonds	259 204	214 433
Cash deposits and similar securities	147 942	124 946
Investment policy	44 304	47 456
	1 240 393	1 136 006

Designated at fair value through profit or loss

9.1.1 Equities

Equities comprise:

	2015 R'000	2014 R'000
Ordinary shares listed on the JSE**	425 535	453 051
Preference shares listed on the JSE**	24 012	27 624
	449 547	480 675

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

* The comparative disclosure has been enhanced to conform to the 2015 presentation as Commodities have been stripped from Equities.
** Investments at market prices per the JSE.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group 2015 R'000	Group 2014 R'000
9.1.2 Commodities		
ETF's **	**26 170**	14 457

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

	Group 2015 R'000	Group 2014 R'000
9.1.3 Collective investment schemes ("CIS")		
Equity - foreign unit trusts and hedge fund	**144 016**	130 954
Balanced fund - Foreign	**21 433**	-
Listed property collective investment schemes	**52 345**	32 742
Money market - Local	**95 432**	71 526
Capital market - Foreign	**-**	18 817
	313 226	254 039

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

	Group 2015 R'000	Group 2014 R'000
9.1.4 Investments in interest bearing assets		
Bonds *	**259 204**	214 433
- Local/ Government	**120 897**	82 085
- Corporate	**138 307**	132 348
Cash, deposits and similar securities *	**147 942**	124 946
- Deposits with banks - local	**77 053**	75 307
- Deposits with banks - foreign	**9 282**	-
- Money market instruments	**61 607**	49 639
	407 146	339 379
Classification of investments in interest bearing assets		
Designated as loans and receivables	**86 335**	75 307
Designated as at fair value through profit or loss	**320 811**	264 072

* The comparative disclosure has been enhanced to conform to the 2015 presentation as Commodities have been stripped from Equities.
** Investments at market prices per the JSE.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group	
	2015	2014
	R'000	R'000
9.1.5 Investment policy		
Investment policy		
- Equity	**33 929**	37 268
- Bonds	**1 770**	3 651
- Cash	**5 349**	1 657
- Property	**3 256**	4 880
	44 304	47 456

The Investment Policy is classified as designated as at fair value through profit or loss.

Investments in foreign equities were made utilising pooled funds. The risk is managed by the LBLIC Investment and Actuarial Committee set up to monitor the performance and activities of the portfolio managers.

Register of investments

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

9.2 Assets earmarked for medical aid liabilities

These are investments held with Coronation Asset Managers

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Listed investments	**333 577**	285 705	**333 577**	285 705
- Local equity	**212 177**	181 290	**212 177**	181 290
- Local bonds	**62 185**	53 020	**62 185**	53 020
- Foreign equity	**59 215**	51 395	**59 215**	51 395
Commodities	**13 051**	6 143	**13 051**	6 143
- Local ETF	**13 051**	6 143	**13 051**	6 143
Cash	**10 118**	36 554	**10 118**	36 554
- Local	**10 118**	36 554	**10 118**	36 554
	356 746	328 402	**356 746**	328 402

The funds are entrusted to portfolio managers for investment purposes. The funds are earmarked to fund the future medical aid contributions of retired employees. The investments are classified as held-for-trading and are measured and disclosed at fair value. These investments are exposed to interest rate risk, equity price risk and foreign exchange risk. Refer to note 37 for more information on the related risks and mitigation strategies.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Bank 2015 %	Bank 2014 %
Assets earmarked for medical aid liabilities invested as follows:		
Local equities		
Financial	**0%**	0%
Oil and gas	**0%**	4%
Financial (excl. real estate)	**13%**	14%
Listed real estate	**24%**	18%
Basic materials	**24%**	24%
Industrials	**4%**	6%
Consumer goods	**17%**	16%
Healthcare	**0%**	1%
Consumer services	**16%**	11%
Telecommunications	**4%**	6%
Internal equity portfolios	**0%**	0%
Other securities	**0%**	0%

The post-retirement obligation is disclosed in note 21.

	Bank 2015 R'000	Bank 2014 R'000
9.3 Investment in Associate		
49.9% Ordinary shares in Renaissance Brands (Pty) Ltd	-	-
	-	-

Renaissance Brands (Pty) Ltd

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

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

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

Renaissance Brands (Pty) Ltd was valued by an independent valuator as at 31 March 2015. The valuation was based on the Discounted Cash Flow (DCF), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple and the Price Earnings (PE) multiple. The output of the valuation indicated a negative equity value and therefore there was no reversal of the prior year impairment.

The Land Bank furthermore has credit risk exposure to Renaissance Brands (Pty) Ltd to the extent of R178.9 million (FY2014: R173.9 million). Included in this exposure is an amount of R16.4 million (FY2014: R16.4 million) relating to a non-interest bearing subordinated loan from the Land Bank. Total impairment of R18.13 million (FY2014: R12.80 million) is held against the credit exposure of the Group. Refer to note 32.

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Bank	
	2015	2014
	R'000	R'000
9.4 Unlisted investments		
10% Ordinary shares in Free State Maize (Pty) Ltd	**11 416**	15 100
19% Ordinary shares in Capespan Capital (Pty) Ltd	**432**	304
	11 848	15 404

At acquisition these investments were designated at fair value through other comprehensive income.

Free State Maize (Pty) Ltd

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

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

The Free State Maize (Pty) Ltd investment was valued by an independent valuator as at 31 March 2015. The valuation was based on the, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple and the Net Asset Value basis (NAV). The average value of the valuation methods was R114.1 million (FY2014: R151 million). The Land Bank's 10% share therefore amounts to R11.4 million (FY2014: R15.1 million).
A fair value loss adjustment of R3.7 million (2014: R0.3 million gain) was therefore recorded in other comprehensive income.

The Land Bank furthermore has credit risk exposure to Free State Maize (Pty) Ltd to the extent of R397.8 million (FY2014: R394.5 million). Total impairment of R3.7 million (FY2014: R3.8 million) is held against the credit exposure of the Group.

Capespan Capital (Pty) Ltd

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

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

Capespan Capital (Pty) Ltd was valued by an independent valuator as at 31 March 2015. The valuation was based on the Net Asset Value (NAV) of the company. The NAV of the business amounts to R2.27 million (FY2014: R1.6 million), which results in an investment value of R0.4 million (FY2014: R0.3 million) for the Bank.

The Land Bank has credit risk exposure to Capespan Capital (Pty) Ltd to the extent of R55.5 million (2013: R22.6 million). Total impairment of R59 thousand (2014: R301 thousand) is held against the credit exposure of the Group.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Bank	
	2015	**2014**
	R'000	**R'000**
9.5 Investment in LBLIC (100%)		
LBLIC shares (15,000 ordinary shares at par value of R2 each)	**30**	-
Actuarial valuation (LBLIC)	**994 646**	1 079 734

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

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

The company provides life insurance cover to clients of the Land Bank under mortgage loans as well as short-term crop insurance. The company's actuarial value of the surplus as at 31 March 2015 amounted to R994.6 million (FY2014: R1.1 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.

	Bank	
	2015	**2014**
	R'000	**R'000**
9.6 Investment in LBIC (100%)		
LBIC shares (1,000 ordinary shares at no par value)	-	-
Shareholder contributions[1]	200 000	-
	200 000	-

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

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

LBIC has been dormant until the current financial year. LBIC now houses the short-term insurance activities of the Group, such as short-term asset and crop insurance.

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

[1] During the current year, the Land Bank contributed R200 million capital as part of the shareholders' support towards the operations of LBIC. The contribution will be converted into share capital once all the regulatory matters have been finalised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Bank 2015 R'000	Bank 2014 R'000
9.7 Investment in LBIS (100%) - dormant		
LBIS shares (1,000 ordinary shares at no par value)	-	-

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

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

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

10 Market-making assets and liabilities

Market-making is the practice of quoting bid and offer prices to the market on a regular basis. This encourages buying and selling of the Land Bank bonds and creates market liquidity in the Land Bank bonds.

	Group		Bank	
	2015	2014 *	2015	2014 *
	R'000	R'000	R'000	R'000
Government bonds				
At fair value				
Asset				
- R208	-	9 250	-	9 250
Liability				
- R186	-	(5 812)	-	(5 812)
Contractual amount receivable/(payable) on maturity				
Asset				
- R208	-	10 000	-	10 000
Liability				
- R186	-	(5 000)	-	(5 000)

Contractual amount receivable represents the face value of amounts that the Land Bank has purchased in the capital market.

As these financial assets and liabilities are held-for-trading, they are classified as financial assets/liabilities at fair value through profit or loss.

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

* The comparative disclosures have been realigned to conform to the FY2015 presentation, whereby the assets and liabilities have been grossed up.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

11 Loans and advances

	Group 2015 R'000	Group 2014 R'000	Bank 2015 R'000	Bank 2014 R'000
Short-term loans	**17 315 658**	16 778 591	**17 315 658**	16 778 591
Retail Commercial Banking	**449 262**	464 126	**449 262**	464 126
Retail Emerging Markets	**415 615**	386 429	**415 615**	386 429
Business & Corporate Banking	**16 450 781**	15 928 036	**16 450 781**	15 928 036
Medium-term loans	**1 382 108**	766 263	**1 382 108**	766 263
Retail Commercial Banking	**217 174**	220 885	**217 174**	220 885
Retail Emerging Markets	**67 872**	1 396	**67 872**	1 396
Retail Emerging Markets: Instalment sale loans	**5 412**	3 327	**5 412**	3 327
Retail Commercial Banking: Instalment sale loans	**242 416**	236 591	**242 416**	236 591
Business & Corporate Banking	**849 234**	304 064	**849 234**	304 064
Long-term loans	**18 966 728**	16 297 370	**18 966 728**	16 297 370
Retail Commercial Banking	**4 674 606**	4 223 082	**4 674 606**	4 223 082
Business & Corporate Banking	**14 292 122**	12 074 288	**14 292 122**	12 074 288
Total loans and advances net of suspended interest and fees	**37 664 494**	33 842 224	**37 664 494**	33 842 224
Less: Impairment	**(952 921)**	(560 944)	**(952 921)**	(560 944)
Total loans and advances	**36 711 573**	33 281 280	**36 711 573**	33 281 280

The information presented in this note is per product type and does not take into account the remaining maturities as at year-end. Full details of maturity analysis is provided in note 37.3.

The loan balances above, exclude the LDFU loans which are discontinued, and disclosed separately in note 12.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Gross loans R'000	Suspended interest and fees * R'000	Loans net of suspended interest and fees R'000	Total impairment R'000	Net loans R'000
Group and Bank					
11.1 Analysis of loans per category					
2015					
Business & Corporate Banking	31 607 333	(15 196)	31 592 137	(697 475)	30 894 662
Retail Commercial Banking	5 700 304	(116 846)	5 583 458	(240 113)	5 343 345
Retail Emerging Markets	489 051	(152)	488 899	(15 333)	473 566
	37 796 688	**(132 194)**	**37 664 494**	**(952 921)**	**36 711 573**
2014					
Business & Corporate Banking	28 348 652	(42 264)	28 306 388	(340 803)	27 965 585
Retail Commercial Banking	5 325 465	(180 781)	5 144 684	(209 055)	4 935 629
Retail Emerging Markets	391 152	-	391 152	(11 086)	380 066
	34 065 269	**(223 045)**	**33 842 224**	**(560 944)**	**33 281 280**

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

	Type of security	Nature of interest rate	Average term of repayment	Average interest rate 2015	Average interest rate 2014
Loan type					
11.2 Information on loans					
Short-term loans	None	Variable	1 year	9.27%	8.89%
Medium-term loans	Notarial bonds	Variable	1-5 years	10.43%	10.26%
Long-term loans	Mortgage bonds	Variable	>5 years	9.79%	9.59%

Refer to note 11.7 for disclosure on the collateral.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

11.3 Reconciliation of movements in impairments per business unit

	Business & Corporate Banking R'000	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Total R'000
2015				
Balance at the beginning of the year	**340 803**	**209 055**	**11 086**	**560 944**
Movements for the year:				
Reclassification of interest in suspense to impairment	15 410	61 324	-	76 734
Credit losses written off	(720)	(48 909)	-	(49 629)
- Statement of financial position write-off (utilisation)	-	(28 914)	-	(28 914)
- Statement of profit or loss and other comprehensive income write-off	(720)	(19 995)	-	(20 715)
Net impairments raised to the statement of profit or loss and other comprehensive income	341 982	18 643	4 247	364 872
Balance at the end of the year	**697 475**	**240 113**	**15 333**	**952 921**
2014				
Balance at the beginning of the year	**285 574**	**275 728**	**6 198**	**567 500**
Movements for the year:				
Recognition of impairment to acquired loan book [1]	2 121	-	-	2 121
Reclassification of impairment relating to claim accounts	-	11 590	-	11 590
Credit losses written off	(18 036)	(121 121)	-	(139 157)
- Statement of financial position write-off (utilisation)	(18 030)	(74 940)	-	(92 970)
- Statement of profit or loss and other comprehensive income write-off	(6)	(46 181)	-	(46 187)
Net impairments raised to the statement of profit or loss and other comprehensive income	71 144	42 858	4 888	118 890
Balance at the end of the year	**340 803**	**209 055**	**11 086**	**560 944**

[1] Impairment balance relating to the loan book acquired during the year.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Business & Corporate Banking R'000	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Total R'000
11.4 Impairment charges/(releases), claims and recoveries				
2015				
Net impairments raised to the statement of profit or loss and other comprehensive income	341 982	18 643	4 247	364 872
Recoveries in respect of amounts previously written off	(539)	(10 986)	-	(11 525)
Claims provision [3]	-	(186 678)	-	(186 678)
	341 443	**(179 021)**	**4 247**	**166 669**
2014				
Net impairments raised to the statement of profit or loss and other comprehensive income	71 144	42 858	4 888	118 890
Recoveries in respect of amounts previously written off	(1 988)	(5 029)	-	(7 017)
Claims provision [3]	2 688	26 380	-	29 068
	71 844	**64 209**	**4 888**	**140 941**

[3] Claims provision represent the movement in provision for admin fees - refer note 20.

	Business & Corporate Banking R'000	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Total R'000
11.5 Performing and non-performing loans per category				
2015				
Performing loans				
Gross amount	30 791 905	5 114 553	485 413	36 391 871
Impairment [4]	(297 926)	(73 057)	(12 758)	(383 741)
	30 493 979	**5 041 496**	**472 655**	**36 008 130**
Non-performing loans				
Gross amount	815 428	585 751	3 638	1 404 817
Suspended interest and fees	(15 196)	(116 846)	(152)	(132 194)
Impairment	(399 549)	(167 056)	(2 575)	(569 180)
	400 683	**301 849**	**911**	**703 443**
	30 894 662	**5 343 345**	**473 566**	**36 711 573**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Business & Corporate Banking R'000	Retail Commercial Banking R'000	Retail Emerging Markets R'000	Total R'000
2014				
Performing loans				
Gross amount	27 896 812	4 682 955	391 152	32 970 919
Impairment [4]	(47 823)	(86 012)	(11 086)	(144 921)
	27 848 989	**4 596 943**	**380 066**	**32 825 998**
Non-performing loans				
Gross amount	451 840	642 510	-	1 094 350
Suspended interest and fees	(42 264)	(180 781)	-	(223 045)
Impairment	(292 980)	(123 043)	-	(416 023)
	116 596	**338 686**	**-**	**455 282**
	27 965 585	**4 935 629**	**380 066**	**33 281 280**

[4] The emergence period concept is applied to ensure that only impairments that exist at the reporting date are captured. The emergence period is defined as the time lapse between the occurrence of a trigger event and the impairment being identified at an individual account level. The probability of default for each exposure class is based on historical default experience, scaled for the emergence period relevant to the exposure class. The probability of default is then applied to the total population for which specific impairments have not been recognised. The resulting figure represents an estimation of the impairment that occurred during the emergence period and therefore has not specifically been identified by the Group at the reporting date.

Group and Bank

Past due for:	Less than 1 year R'000	More than 1 year less than 2 years R'000	More than 2 years and defaulted * R'000	Total R'000
11.6 Ageing of past due loans not individually impaired				
2015				
Business & Corporate Banking				
Gross loan balance	30 404 230	806 701	396 402	**31 607 333**
Portion of gross loan balance past due not impaired	1 386 960	33 324	8 408	**1 428 692**
Retail Commercial Banking				
Gross loan balance	4 884 932	202 020	613 352	**5 700 304**
Portion of gross loan balance past due not impaired	19 312	2 135	63 419	**84 866**
Retail Emerging Markets				
Gross loan balance	484 810	4 241	-	**489 051**
Portion of gross loan balance past due not impaired	42	985	-	**1 027**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Past due for:	Less than 1 year	More than 1 year less than 2 years	More than 2 years and defaulted *	Total
	R'000	R'000	R'000	R'000
2014				
Business & Corporate Banking				
Gross loan balance	28 051 239	76 539	220 874	**28 348 652**
Portion of gross loan balance past due not impaired	225 601	1 151	164 312	**391 064**
Retail Commercial Banking				
Gross loan balance	4 470 515	245 242	609 708	**5 325 465**
Portion of gross loan balance past due not impaired	22 392	3 455	112 322	**138 169**
Retail Emerging Markets				
Gross loan balance	390 765	387	-	**391 152**
Portion of gross loan balance past due not impaired	2 598	92	-	**2 690**

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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 encumbered assets . The amount and type of collateral held for the exposure depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of the types of collateral. The value of the collaterals are determined with reference to the realisable value of security under forced-sale conditions.

The Group has developed an appropriate collateral management system ("CMS") that went live during FY201213. During FY2015 a data validation exercise was conducted and the Bank is satisfied it can now report its full collateral held position, in relation to its entire loan asset portfolio.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the Group does not occupy the repossessed properties for business. The repossessed properties are accounted for as non-current assets held-for-sale in terms of IFRS5. The carrying amount of collateral taken in possession during the financial year is R3.3 million (FY2014: R1.8 million).

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

	Estimated recovery value	2015	2014 [1]
	%	R'000	R'000
Nature of assets			
Biological assets	10% - 100%	**1 702 854**	1 307 364
Commodities	50% - 90%	**923 003**	748 271
Debtors	30% - 70%	**5 111 802**	5 516 165
Deposits	90% - 100%	**167 718**	119 586
Guarantee	95% - 100%	**991 800**	991 800
Land and buildings	10% - 75%	**12 407 526**	5 375 216
Office equipment and computers	10%	**16 037**	16 635
Plant and equipment	30% - 50%	**1 510 867**	960 889
Shares and investments (listed)	30% - 100%	**2 329 024**	1 400 365
Specialised infrastructure	50%	**119 991**	-
Stock	10% - 70%	**2 887 894**	2 605 192
Subleases	75%	**-**	93 750
Trademarks	50%	**682 912**	705 273
Vehicles	30% - 50%	**334 527**	113 899
Cession held over unpaid shares	30%	**5 939**	6 635
Other	10%	**6 992**	6 636
Sub Total		**29 198 886**	19 967 676
Less limits of collateral agreements		**(2 373 239)**	(679 910)
Total		**26 825 647**	19 287 766

[1] Previously only information pertaining to B&CB was reported.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Concentration of credit risk

By the very nature of the Group'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 B&CB loan portfolio. Notwithstanding these risks, there is strategic benefit to the Group by holding such exposures as the traditional large agri-businesses are often better positioned than financiers to mitigate risk in the agricultural value chain. Furthermore large agri-businesses are characterised by a spread in geographical locations, product /commodity diversification, vertical or horizontal integration in their respective value chains and diverse client risk profiles which mitigates the concentration risk for the Bank.

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

As at year-end there was one counterparty (FY2014: one) with individual exposure of more than 25% of the Bank's own equity. This counterparty is also a strategic partner and falls below the 50% threshold. The total exposure of this counterparty at year-end amounted to R3.53 billion (FY2014: R2.24 billion). The exposure was approved by the Credit Risk Committee and full Board. The counterparty is abiding to its loan repayment terms and conditions.

	Group		Bank	
	2015	**2014**	**2015**	**2014**
	R'000	**R'000**	**R'000**	**R'000**
12 Assets of disposal group classified as held-for-sale				
Land for development loans				
Total loans and advances net of suspended interest and fees	**502 449**	502 442	**502 449**	502 442
Less: Impairment	**(360 547)**	(360 238)	**(360 547)**	(360 238)
	141 902	142 204	**141 902**	142 204

	Gross loans	Suspended interest and fees	Loans net of suspended interest and fees	Total impairment	Net loans
	R'000	**R'000**	**R'000**	**R'000**	**R'000**
Group and Bank					
12.1 Analysis of loans per category					
2015					
Land for development	**630 614**	(128 165)	**502 449**	(360 547)	**141 902**
2014					
Land for development	**630 607**	(128 165)	**502 442**	(360 238)	**142 204**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	2015 R'000	2014 R'000
12.2 Reconciliation of movements in impairments of land for development loans		
Balance at the beginning of the year	**360 238**	372 441
Movements for the year:		
Credit losses written off	**-**	(13 444)
- Statement of financial position write-off (utilisation)	-	(13 444)
Net impairments raised to the statement of profit or loss and other comprehensive income	**309**	1 241
Balance at the end of the year	**360 547**	360 238
12.3 Impairments raised, claims and recoveries		
Net impairments raised to the statement of profit or loss and other comprehensive income	**309**	1 241
12.4 Non-performing loans per category		
Non-performing loans		
Gross amount	**630 614**	630 607
Suspended interest and fees	**(128 165)**	(128 165)
Impairment	**(360 547)**	(360 238)
	141 902	142 204

Group and Bank

Past due for:	More than 1 year less than 2 years R'000	More than 2 years and defaulted* R'000	Total R'000
12.5 Ageing of past due loans not individually impaired			
2015			
Gross loan balance	-	630 614	**630 614**
Portion of gross loan balance past due not impaired	-	138 969	**138 969**
2014			
Gross loan balance	-	630 607	**630 607**
Portion of gross loan balance past due not impaired	-	138 969	**138 969**

* Gross loans that are past due but not impaired are covered in full by underlying collateral. Refer to note 12.6 for details on the collateral.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	2015 R'000	2014 R'000
12.6 Collateral held as security		
Land and buildings	**199 016**	199 016

The properties were valued by independent professional valuators to obtain up to date valuations in order to ensure that the carrying values of these loans do not exceed the net realisable values. The total market value amount per the valuations amounted to R280 million (forced sale value ranges between 50% and 70% which amounts to R140 million and R196 million). 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.

	Group		Bank	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
13 Intangible assets				
Computer software				
Net carrying value	**37 162**	39 900	**37 162**	39 900
Cost at the beginning of the year	**84 011**	84 011	**84 011**	84 011
Accumulated amortisation	**(50 097)**	(44 111)	**(50 097)**	(44 111)
Additions/new developments - current year	**3 248**	-	**3 248**	-
Reconciliation of movement during the year				
Carrying value at the beginning of the year	**39 900**	42 206	**39 900**	42 206
Additions/new developments	**3 248**	-	**3 248**	-
Amortisation	**(5 986)**	(2 306)	**(5 986)**	(2 306)
Net carrying value at the end of the year	**37 162**	39 900	**37 162**	39 900

During the year a change of estimate took place with respect to the useful life of the computer software. Previously the software was amortised over a period of 20 years however after the annual review of the estimated useful life of the software, it was decided that a useful life of 3, 5 and 10 years was more appropriate based on the tier of the intangible asset. As per IAS 8 the change has been applied prospectively from 1 April 2014. The software will now be amortised using the straight-line method over periods of 3, 5 and 10 years. Included in the cost of intangible assets are computer software that has been fully amortised however is still in use with a historical cost of R16.9 million. The Group will reassess the useful lives of all the intangible assets at the beginning of the FY2016 financial year together with the review of the accounting policy in order to reflect the most correct estimated useful lives of all intangible assets. The effect of this change of estimate in the current year's amortisation and future effects to profits is as follows:

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	2015 R'000	2014 R'000
Effect of change in estimate with respect to amortisation charge:		
Current year before change in estimate	**2 361**	13 371
Effect of change in accounting estimate	**3 625**	(11 064)
Current year after change in estimate	**5 986**	2 307

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
14 Investment properties				
Balance at the beginning of the year	**84 400**	65 800	**84 400**	65 800
Reclassification from property and equipment [1]	**-**	18 265	**-**	18 265
Fair value adjustments [2]	**15 400**	335	**15 400**	335
Net carrying amount at the end of the year	**99 800**	84 400	**99 800**	84 400
Investment property comprises the following:				
Office buildings	**99 800**	84 400	**99 800**	84 400
Rental income derived from investment properties	**14 330**	10 399	**14 330**	10 399
Direct operating expenses generating rental income	**(85)**	(2 140)	**(85)**	(2 140)
Net profit arising from investment properties carried at fair value	**14 245**	8 259	**14 245**	8 259

A register containing details of the investment properties and fair value adjustments is available for inspection at the Group's registered office.

There are no restrictions on the title of the property and no property has been pledged as security.

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

The investment properties are measured at fair value subsequent to initial recognition.The entire fair value of the Group's investment properties as at 31 March 2015 and 31 March 2014 has been determined based on valuations performed by independent valuators who hold a recognised and relevant professional qualification.

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

Refer to note 37.7.1 for the fair value hierarchy.

[1] The R18.3 million in FY2014 relates to the following buildings that were reclassified from property and equipment to non-current assets held-for-sale:
- Modimolle on 1 April 2013 (refer to note 15)
- Port Elizabeth on 1 February 2014 (refer to note 15)

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

15 Property and equipment

Property and equipment was transferred from the Land Bank to LBLIC during the 2014 and 2015 financial year at net carrying value.

2015	Land [1]	Buildings [1]	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Total
Group	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Open market value/ cost at 1 April 2014	16 362	61 035	35 774	26 491	903	11 984	152 549
Additions	-	-	1 833	486	19	412	2 750
Disposals	-	-	(5 625)	(922)	-	-	(6 547)
Devaluation[1]	(4 292)	(9 453)	-	-	-	-	(13 745)
Revaluation surplus[1]	5 431	7 715	-	-	-	-	13 146
Open market value/cost at 31 March 2015	**17 501**	**59 297**	**31 982**	**26 055**	**922**	**12 396**	**148 153**
Accumulated depreciation and impairment losses at 1 April 2014	-	-	27 356	20 472	644	10 209	58 681
Depreciation	-	1 795	5 085	1 661	41	1 678	10 260
Depreciation write-back as a result of the revaluation	-	(1 795)	-	-	-	-	(1 795)
Disposals	-	-	(5 529)	(794)	-	-	(6 323)
Accumulated depreciation and impairment losses at 31 March 2015	**-**	**-**	**26 912**	**21 339**	**685**	**11 887**	**60 823**
Net carrying value as at 31 March 2015	**17 501**	**59 297**	**5 070**	**4 716**	**237**	**509**	**87 330**

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2014 Group	Land [1] R'000	Buildings [1] 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 2013	25 830	70 155	31 328	28 139	882	11 984	168 318
Additions	-	-	4 779	413	21	-	5 213
Disposals	(3 227)	(1 374)	(333)	(2 061)	-	-	(6 995)
Devaluation[1]	(98)	(178)	-	-	-	-	(276)
Reclassification to investment property	(6 143)	(12 257)	-	-	-	-	(18 400)
Revaluation surplus[1]	-	4 689	-	-	-	-	4 689
Open market value/cost at 31 March 2014	**16 362**	**61 035**	**35 774**	**26 491**	**903**	**11 984**	**152 549**
Accumulated depreciation and impairment losses at 1 April 2013	-	-	20 922	19 555	605	7 748	48 830
Depreciation	-	1 780	6 741	2 352	39	2 461	13 373
Depreciation write-back as a result of the revaluation	-	(1 636)	-	-	-	-	(1 636)
Depreciation effect of the reclassification to investment property	-	(134)	-	-	-	-	(134)
Disposals	-	(10)	(307)	(1 435)	-	-	(1 752)
Accumulated depreciation and impairment losses at 31 March 2014	**-**	**-**	**27 356**	**20 472**	**644**	**10 209**	**58 681**
Net carrying value at 31 March 2014	**16 362**	**61 035**	**8 418**	**6 019**	**259**	**1 775**	**93 868**

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2015 Bank	Land [1] R'000	Buildings [1] 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 2014	16 362	61 035	35 604	26 152	903	11 984	152 040
Additions	-	-	1 759	484	19	412	2 674
Disposals	-	-	(5 551)	(922)	-	-	(6 473)
Devaluation[1]	(4 292)	(9 453)	-	-	-	-	(13 745)
Revaluation surplus[1]	5 431	7 715	-	-	-	-	13 146
Transfer to subsidiary	-	-	(74)	(3)	-	-	(77)
Open market value/cost at 31 March 2015	**17 501**	**59 297**	**31 738**	**25 711**	**922**	**12 396**	**147 565**
Accumulated depreciation and impairment losses at 1 April 2014	-	-	27 222	20 212	644	10 209	58 287
Depreciation	-	1 795	5 024	1 641	41	1 678	10 179
Depreciation write-back as a result of the revaluation	-	(1 795)	-	-	-	-	(1 795)
Disposals	-	-	(5 525)	(792)	-	-	(6 317)
Accumulated depreciation and impairment losses at 31 March 2015	**-**	**-**	**26 721**	**21 061**	**685**	**11 887**	**60 354**
Net carrying value at 31 March 2015	**17 501**	**59 297**	**5 017**	**4 650**	**237**	**509**	**87 211**

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2014	Land [1]	Buildings [1]	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Total
Bank	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Open market value/ cost at 1 April 2013	25 830	70 155	31 174	27 800	882	11 984	167 825
Additions	-	-	4 778	413	21	-	5 212
Disposals	(3 227)	(1 374)	(333)	(2 061)	-	-	(6 995)
Devaluation[1]	(98)	(178)	-	-	-	-	(276)
Reclassification to investment property	(6 143)	(12 257)	-	-	-	-	(18 400)
Revaluation surplus[1]	-	4 689	-	-	-	-	4 689
Transfer to subsidiary	-	-	(15)	-	-	-	(15)
Open market value/cost at 31 March 2014	**16 362**	**61 035**	**35 604**	**26 152**	**903**	**11 984**	**152 040**
Accumulated depreciation and impairment losses at 1 April 2013	-	-	20 806	19 318	605	7 748	48 477
Depreciation	-	1 780	6 723	2 329	39	2 461	13 332
Depreciation write-back as a result of the revaluation	-	(1 636)	-	-	-	-	(1 636)
Depreciation effect of the reclassification to investment property	-	(134)	-	-	-	-	(134)
Disposals	-	(10)	(307)	(1 435)	-	-	(1 752)
Accumulated depreciation and impairment losses at 31 March 2014	**-**	**-**	**27 222**	**20 212**	**644**	**10 209**	**58 287**
Net carrying value at 31 March 2014	**16 362**	**61 035**	**8 382**	**5 940**	**259**	**1 775**	**93 753**

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

The land and buildings were valued by independent property valuators as at 31 March 2015. The methods used for the valuations are based on market rentals, as obtained from independent companies who operate in the area, and the capitalisation rate for the areas, as obtained from the valuator's report.

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

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

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

The opening accumulated depreciation on 1 April 2014 was written back to the carrying amount of buildings when revalued in terms of the net replacement value method.

Properties reclassified as investment properties	Land	Buildings	Total
2014	R'000	R'000	R'000
Erf 203 Modimolle (Reclassified on 1 April 2013 - refer to note 14)	1 115	6 977	8 092
Erf 3127 Port Elizabeth (Reclassified on 1 February 2014 - refer to note 14)	5 028	5 145	10 173
	6 143	**12 122**	**18 265**

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
16 Capital and reserves				
Distributable reserves from continuing operations				
Capital fund	**4 397 655**	3 897 655	**4 397 655**	3 897 655
General reserve	**2 466 537**	2 202 684	**2 816 567**	2 352 684
Insurance reserve	**1 301 660**	1 229 736		
Total distributable reserves	**8 165 852**	7 330 075	**7 214 222**	6 250 339
Less: Distributable reserves relating to the discontinued operation (refer note 22)	**(682 865)**	(641 805)	**(682 865)**	(641 805)
Distributable reserves from continuing operations	**7 482 987**	6 688 270	**6 531 357**	5 608 534
Other reserves	**134 775**	137 135	**134 775**	137 135
Mark-to-Market reserve	**6 847**	10 404	**6 847**	10 404
Revaluation of property	**127 928**	126 731	**127 928**	126 731
	7 617 762	6 825 405	**6 666 132**	5 745 669

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

16.1 Description of equity components

General reserve

The General reserve comprises of accumulated retained earnings.

Capital fund

The Capital fund consists of an initial loan by government which was converted to equity in 2006 as part of the government commitment to support the Bank as well as further capital injections from the National Treasury. (Refer to note 35.2.1(iii)).

Guarantees

Refer to note 37.6

Insurance reserve

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

Mark-to-Market reserve

The Mark-to-Market reserve relates to the fair value adjustment on the unlisted investments in Free State Maize (Pty) Ltd, Capespan Capital (Pty) Ltd and Renaissance Brands (Pty) Ltd. (Refer to note 9.3 and note 9.4).

Revaluation reserve

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

17 Trade and other payables

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Accrued expenses	**130 284**	102 462	**121 043**	97 314
Amounts due to intermediaries	**50**	137		
Amounts due to reinsurers	**22 813**	64 018		
Client deposits for approved loans	**715**	7 380	**715**	7 380
Trade payables	**41 634**	34 695	**31 739**	34 695
Deferred income	**1 056**	1 370	**1 056**	1 370
Loan costs and fees received in advance	**35 986**	32 510	**35 986**	32 510
Premiums received in advance	**73**	43		
Other [1]	**415 109**	11 099	**415 109**	11 099
	647 720	253 714	**605 648**	184 368

As noted in the maturity analysis, the Group payables of R39.2 million (FY2014: R38 million) are expected to be settled after more than 12 months.

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

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

[1] Other increased by some R400 milllion due to a timing difference relating to settlement of a Treasury transaction. As a result of this timing difference the settlement was delayed in a "Commercial Bank suspense" account and cleared on 1 April 2015.

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for the year ended 31 March 2015

	Group 2015 R'000	Group 2014 R'000
18 Long-term policyholders' liabilities		
Policyholders' liabilities under insurance contracts	**31 747**	36 523
Notified claims	**-**	2 052
Claims (incurred but not reported)	**1 350**	1 490
	33 097	40 065
18.1 Long-term policyholders' liability excluding Incurred But Not Reported (IBNR) and notified claims		
Present value of policy liabilities	**30 726**	42 038
Plus: Present value of future expenses	**21 647**	32 485
Less: Present value of future premiums	**(28 921)**	(42 203)
Liability excluding AIDS reserve	**23 452**	32 320
Plus: AIDS reserve	**1 147**	1 671
Plus: Expense overrun reserve	**7 148**	2 532
Total long-term policyholders' liability excluding IBNR and notified claims	**31 747**	36 523
18.2 Movement in the long-term policyholders' liability		
Balance at the beginning of the year	**36 523**	42 184
Movement in the long-term policyholders' liability	**(4 776)**	(5 661)
Balance at the end of the year	**31 747**	36 523

18.3 Movement in the IBNR

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

2014	Gross R'000	Ceded R'000	Net R'000
Opening balance	1 860	(930)	930
Movement in the IBNR	(370)	185	(185)
Balance at the end of the year	**1 490**	**(745)**	**745**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

18.4 Movement in notified claims

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

	Gross	Ceded	Net
2014	**R'000**	**R'000**	**R'000**
Opening balance	1 247	(55)	1 192
Movement in the notified claims	805	(402)	403
Balance at the end of the year	**2 052**	**(457)**	**1 595**

18.5 Total long-term policyholders' liability

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

	Gross	Ceded	Net
2014	**R'000**	**R'000**	**R'000**
Long-term policyholder's liability	36 523	-	36 523
Notified claims	2 052	(457)	1 595
IBNR	1 490	(745)	745
	40 065	**(1 202)**[1]	**38 863**

[1] Represents long-term insurance assets.

	Group		Bank	
	2015	**2014**	**2015**	**2014**
19 Funding liabilities	**R'000**	**R'000**	**R'000**	**R'000**
At fair value	**6 303 298**	4 476 943	**6 303 298**	4 476 943
At amortised cost	**25 368 535**	24 513 686	**25 368 535**	24 513 686
Total funding	**31 671 833**	28 990 629	**31 671 833**	28 990 629
Less: Funding relating to the discontinued operation (refer to note 22)	**(824 767)**	(784 009)	**(824 767)**	(784 009)
Funding of continuing operations	**30 847 066**	28 206 620	**30 847 066**	28 206 620

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
19.1 Analysis of funding				
At fair value				
Development financing institutions	**500 168**	498 062	**500 168**	498 062
Floating rate notes - LBK02	**-**	1 343 274	**-**	1 343 274
Floating rate notes - LBK03	**1 001 584**	1 002 680	**1 001 584**	1 002 680
Floating rate notes - LBK05	**748 952**	499 985	**748 952**	499 985
Floating rate notes - LBK06	**1 134 679**	1 132 942	**1 134 679**	1 132 942
Floating rate notes - LBK07	**387 308**	-	**387 308**	-
Floating rate notes - LBK08	**326 230**	-	**326 230**	-
Fixed rate notes - LBK11	**484 393**	-	**484 393**	-
Fixed rate notes - LBK12U	**199 860**	-	**199 860**	-
3 year syndicated loan	**1 020 083**	-	**1 020 083**	-
5 year syndicated loan	**500 041**	-	**500 041**	-
	6 303 298	4 476 943	**6 303 298**	4 476 943
Movement in the fair values				
Development Financing Institutions				
Opening balance	**498 062**	-	**498 062**	-
New issues	**-**	500 000	**-**	500 000
Fair value adjustments	**2 106**	(1 938)	**2 106**	(1 938)
	500 168	498 062	**500 168**	498 062
Floating rate notes - LBK02				
Opening balance	**1 343 274**	1 345 877	**1 343 274**	1 345 877
Fund Repaid	**(1 338 033)**	-	**(1 338 033)**	-
Fair value adjustments	**(5 241)**	(2 603)	**(5 241)**	(2 603)
	-	1 343 274	**-**	1 343 274
Floating rate notes - LBK03				
Opening balance	**1 002 680**	-	**1 002 680**	-
New issues	**-**	1 000 000	**-**	1 000 000
Fair value adjustments	**(1 096)**	2 680	**(1 096)**	2 680
	1 001 584	1 002 680	**1 001 584**	1 002 680
Floating rate notes - LBK05				
Opening balance	**499 985**	-	**499 985**	-
New issues	**252 000**	500 000	**252 000**	500 000
Fair value adjustments	**(2 899)**	(15)	**(2 899)**	(15)
Discount	**(134)**	-	**(134)**	-
	748 952	499 985	**748 952**	499 985

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Floating rate notes - LBK06				
Opening balance	1 132 942	-	1 132 942	-
New issues	-	1 133 000	-	1 133 000
Fair value adjustments	1 737	(58)	1 737	(58)
	1 134 679	1 132 942	1 134 679	1 132 942
Floating rate notes - LBK07				
Opening balance	-	-	-	-
New issues	387 000	-	387 000	-
Fair value adjustments	(416)	-	(416)	-
Discount	724	-	724	-
	387 308	-	387 308	-
Floating rate notes - LBK08				
Opening balance	-	-	-	-
New issues	325 000	-	325 000	-
Fair value adjustments	1 230	-	1 230	-
	326 230	-	326 230	-
Fixed rate notes - LBK11				
Opening balance	-	-	-	-
New issues	490 000	-	490 000	-
Fair value adjustments	(5 607)	-	(5 607)	-
	484 393	-	484 393	-
Fixed rate notes - LBK12U				
Opening balance	-	-	-	-
New issues	200 000	-	200 000	-
Fair value adjustments	(140)	-	(140)	-
	199 860	-	199 860	-

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
3 year syndicated loan				
Opening balance	-	-	-	-
New issues	1 020 000	-	1 020 000	-
Fair value adjustments	83	-	83	-
	1 020 083	-	1 020 083	-
5 year syndicated loan				
Opening balance	-	-	-	-
New issues	500 000	-	500 000	-
Fair value adjustments	41	-	41	-
	500 041	-	500 041	-
At nominal value				
Development financing institutions	500 000	500 000	500 000	500 000
Floating rate notes - LBK02	-	1 338 032	-	1 338 032
Floating rate notes - LBK03	1 000 000	1 000 000	1 000 000	1 000 000
Floating rate notes - LBK05	752 000	500 000	752 000	500 000
Floating rate notes - LBK06	1 133 000	1 133 000	1 133 000	1 133 000
Floating rate notes - LBK07	387 000	-	387 000	-
Floating rate notes - LBK08	325 000	-	325 000	-
Fixed rate notes - LBK11	490 000	-	490 000	-
Fixed rate notes - LBK12U	200 000	-	200 000	-
3 year syndicated loan	1 020 000	-	1 020 000	-
5 year syndicated loan	500 000	-	500 000	-
	6 307 000	4 471 032	6 307 000	4 471 032

Development Financing Institutions

On 10 September 2012 a loan facility of R1.0 billion was obtained from the African Development Bank (AfDB). On 3 May 2013 the loan was drawn down by R500 million, therefore leaving a further R500 million available on the facility. The purpose of the loan was to on-lend to the commercial and development clients of the Bank and the tenor of the loan is 15 years. The AfDB loan is a floating rate loan held at fair value with changes in its value being reflected through the statement of profit or loss and other comprehensive income. No further draw downs have been effected to date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

The R10 billion Domestic Medium Term Note Programme
Listed floating rate notes
The R500 million senior unsecured floating rate note (LBK02) that was issued on 26 March 2012, matured during the financial year on 26 March 2015.

On 26 September 2013 the Bank issued a R1.0 billion senior unsecured floating rate note (LBK03) due on 01 October 2016 pursuant to the R10 billion Domestic Medium Term Note Programme.

On 28 February 2013 the Bank issued a private placement of R500 million senior unsecured floating rate note (LBK05) due on 28 February 2019 pursuant to the R10 billion Domestic Medium Term Note Programme.

On 6 March 2014 the Bank issued a further R1.1 billion senior unsecured floating rate notes (LBK06) due on 6 March 2017 pursuant to the R10 billion Domestic Medium Term Note Programme.

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

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

Unlisted fixed rate note issued through the Domestic Medium Term Note Programme
A 5 year R200 million fixed rate note (LBK12U) was issued on 25 February 2015 and is due on 25 November 2020 at a rate compounded semi-annually.

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

The Bank has elected to carry the floating and fixed rate notes, as well as the syndicated loans at fair value through profit or loss. Changes in fair value are attributable to interest rate fluctuations. There were changes in the fair value that were attributable to the change in credit risk as there was an upward movement in credit risk as per the rating agency.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
At amortised cost				
Industrial Development Corporation of South Africa Limited	**87 500**	100 000	**87 500**	100 000
Promissory notes	**12 790 477**	14 362 298	**12 790 477**	14 362 298
Medium term promissory notes	**47 277**	379 072	**47 277**	379 072
Floating rate note - 1 year	**3 380 688**	3 770 647	**3 380 688**	3 770 647
Floating rate note - 2, 3 and 5 years	**4 353 522**	3 411 410	**4 353 522**	3 411 410
Bills	**543 494**	529 042	**543 494**	529 042
Call bonds overnight	**1 039 050**	730 050	**1 039 050**	730 050
Treasury overdraft facility	**2 300 000**	500 000	**2 300 000**	500 000
Agri-related businesses deposits	**489 364**	383 592	**489 364**	383 592
Small institutional deposits	**33**	31	**33**	31
Forced stock sale deposits	**329 122**	301 555	**329 122**	301 555
Department of Agriculture, Forestry and Fisheries fund	**4 600**	4 600	**4 600**	4 600
Employee deposits	**3 408**	3 730	**3 408**	3 730
Irrigation Board deposit	**-**	37 659	**-**	37 659
	25 368 535	24 513 686	**25 368 535**	24 513 686
Average effective interest rate				
Short-term promissory notes	**7.21%**	6.07%	**7.21%**	6.07%
Bills	**6.84%**	5.81%	**6.84%**	5.81%
Call bonds	**6.04%**	5.84%	**6.04%**	5.84%

Loan: Industrial Development Corporation of South Africa Limited

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

20 Provisions

Group

	Staff incentives R'000	Leave pay R'000	Labour disputes R'000	Administration and penalty fees R'000	Legal fees R'000	Other R'000	Total R'000
At 1 April 2013	**56 094**	**15 495**	**18 541**	**293 034**	**42 349**	**2 758**	**428 271**
Additional provision raised [1]	75 383	16 214	2 666	28 501	7 783	2 507	133 054
Utilised	(55 857)	(1 264)	(1 888)	(21 295)	(4 652)	(122)	(85 078)
Reversal of provision	(172)	(14 231)	(12 676)	-	(9 151)	-	(36 230)
At 31 March 2014	**75 448**	**16 214**	**6 643**	**300 240**	**36 329**	**5 143**	**440 017**
Additional provision raised [1]	42 693	16 513	1 265	18 000	6 006	5 787	90 264
Utilised	(73 883)	(1 273)	(626)	(21 374)	(2 912)	(10 280)	(110 348)
Reversal of provision	(1 500)	(14 940)	(3 955)	(200 692)	(943)	-	(222 030)
At 31 March 2015	**42 758**	**16 514**	**3 327**	**96 174**	**38 480**	**650**	**197 903**

Bank

	Staff incentives R'000	Leave pay R'000	Labour disputes R'000	Administration and penalty fees R'000	Legal fees R'000	Other R'000	Total R'000
At 1 April 2013	**55 000**	**15 326**	**18 541**	**293 034**	**42 349**	**2 758**	427 008
Additional provision raised [1]	73 883	15 782	2 666	28 501	7 783	2 507	131 122
Utilised	(54 828)	(1 264)	(1 888)	(21 295)	(4 652)	(122)	(84 049)
Reversal of provision	(172)	(14 062)	(12 676)	-	(9 151)	-	(36 061)
At 31 March 2014	**73 883**	**15 782**	**6 643**	**300 240**	**36 329**	**5 143**	438 020
Additional provision raised [1]	40 000	15 974	1 265	18 000	6 006	5 787	87 032
Utilised	(73 883)	(1 246)	(626)	(21 374)	(2 912)	(10 280)	(110 321)
Reversal of provision	-	(14 536)	(3 955)	(200 692)	(943)	-	(220 126)
At 31 March 2015	**40 000**	**15 974**	**3 327**	**96 174**	**38 480**	**650**	**194 605**

[1] Additional provision raised on the administration and penalty fees provision relates to the interest for the 2015 financial year on these fees. The reversal of provision is due to changing the method of calculating debit and credit interest historically and the application of prescription from 31 March 2009. (Refer to note 34.4.2).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

20.1 Staff incentives

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

20.2 Leave pay

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

20.3 Labour disputes

Provision raised in respect of certain labour related disputes regarding legacy matters which are likely to result in probable settlements by the Group. This provision only includes the compensation portion of the disputes, the legal related costs are included under the legal costs category.

20.4 Administration and penalty fees

During 2002 the Land Bank Act was amended, which allowed the bank to charge administration and penalty fees on clients' accounts. Subsequent to this amendment, the Bank had, without amending the existing client loan agreements at the time, levied such charges on all client accounts and not only loan agreements entered into after the amendment of the Act. Notwithstanding the amendment in the Act, these charges levied on the client accounts were in contravention of the loan agreements and any claims arising in this regard are being regarded as invalid. Full provision for administration and penalty fees, including interest there-on, has been raised for such fees recognised in prior periods.

20.5 Legal fees

Provision raised for the estimated legal costs in respect of specific legal cases currently in progress at year end.

20.6 Other

Other provisions include the guarantee fee payable to the National Treasury.

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
21 Post-retirement obligation				
21.1 Medical benefit plan				
Movement in the present value of the benefit obligations:				
Defined benefit obligation at 1 April	**267 453**	283 890	**267 453**	283 890
Service cost	**3 990**	3 977	**3 990**	3 977
Interest cost	**24 051**	21 905	**24 051**	21 905
Recognised actuarial loss/(gain)	**16 746**	(28 743)	**16 746**	(28 743)
Benefits paid	**(14 460)**	(13 576)	**(14 460)**	(13 576)
Defined benefit obligation at 31 March	**297 780**	267 453	**297 780**	267 453

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Components of net periodic medical benefit cost				
Current service cost	**(3 990)**	(3 977)	**(3 990)**	(3 977)
Interest cost	**(24 051)**	(21 905)	**(24 051)**	(21 905)
Total included in interest and staff cost	**(28 041)**	(25 882)	**(28 041)**	(25 882)
Recognised actuarial (loss)/gain	**(16 746)**	28 743	**(16 746)**	28 743
Benefits paid	**14 460**	13 576	**14 460**	13 576
	(30 327)	16 437	**(30 327)**	16 437

The defined benefit obligation plan is unfunded. The Group does however have an investment earmarked specifically for this obligation (refer to note 9.2). The estimated medical aid contributions for the next year effective 1 April 2015 amounts to R15.9 million (6 months in FY2014: R6.5 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

Refer to note 37.3 for the maturity profile of the post-retirement obligation.

21.2 Maturity profile of members

	Membership profile 2015			
	Number	Average age (years)	Average past service (years)	Average number of dependants *
Employee status				
Actives	275	49.93	24.81	1.72
Pensioners	319	70.75	-	0.58
Total	**594**	**61.11**	**24.81**	**1.11**

	Membership profile 2014			
	Number	Average age (years)	Average past service (years)	Average number of dependants *
Employee status				
Actives	293	49.05	23.68	1.71
Pensioners	303	70.32	-	0.65
Total	**596**	**59.86**	**23.68**	**1.17**

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

22 Disposal group classified as held-for-sale (discontinued operation)

During 2006/07, 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 corporate plan approved by the Board of Directors.

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

The results of LDFU for the year are presented below:

		Group		Bank	
		2015	2014	2015	2014
	Note	R'000	R'000	R'000	R'000
Net interest expense		**(40 762)**	(27 563)	**(40 762)**	(27 563)
Interest income	23	**8**	-	**8**	-
Interest expense	24	**(40 770)**	(27 563)	**(40 770)**	(27 563)
Impairment charge on loans and advances	12.3	**(298)**	(1 241)	**(298)**	(1 241)
Operating expenses	29	**-**	(204)	**-**	(204)
Net loss from discontinued operations		**(41 060)**	(29 008)	**(41 060)**	(29 008)
The major classes of assets and liabilities of the LDFU classified as held-for-sale as at 31 March 2015 are as follows:					
Assets					
Loans and advances classified as assets held-for-sale	12	**141 902**	142 204	**141 902**	142 204
Liabilities					
Liabilities directly associated with assets classified as held-for-sale	19	**(824 767)**	(784 009)	**(824 767)**	(784 009)
Net liabilities directly associated with disposal group		**(682 865)**	(641 805)	**(682 865)**	(641 805)
Equity and reserves of disposal group classified as held-for-sale		**(682 865)**	(641 805)	**(682 865)**	(641 805)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
The net cash flows incurred by the LDFU are as follows:				
Cash flows from operating activities				
Operating expenses	-	(204)	-	(204)
Cash flow from financing activities				
Interest income	**8**	-	**8**	-
Interest expense	**(40 770)**	(27 563)	**(40 770)**	(27 563)
Net cash outflow	**(40 762)**	(27 767)	**(40 762)**	(27 767)

23 Interest income

	Group 2015 R'000	Group 2014 R'000	Bank 2015 R'000	Bank 2014 R'000
Loans and receivables				
Interest from loans and advances	**2 987 616**	2 318 438	**2 987 616**	2 318 438
Interest on short-term deposits	**68 229**	101 691	**68 229**	101 691
Interest from banks	**64 686**	59 605	**50 865**	48 488
	3 120 531	2 479 734	**3 106 710**	2 468 617

24 Interest expense

	Group 2015 R'000	Group 2014 R'000	Bank 2015 R'000	Bank 2014 R'000
Funding deposits	**1 916 462**	1 453 003	**1 916 462**	1 453 003
Deposits and credit balances	**71 994**	53 792	**71 994**	53 792
Commercial banks	**28 275**	166	**28 275**	46
Government guarantee fee	**6 000**	7 979	**6 000**	7 979
Interest cost on post-retirement obligation (note 21) [1]	**24 051**	21 905	**24 051**	21 905
	2 046 782	1 536 845	**2 046 782**	1 536 725

[1] Refer to note 41 for the restatement of the post-retirement obligation past service cost and interest cost from other comprehensive income to profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
		Restated[1]		Restated[1]
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
24.1 Interest expense incurred per class of funding				
Designated at fair value through profit or loss	**411 905**	219 672	**411 905**	219 672
Interest on debentures	**204**	184	**204**	184
Interest hedging	**(1 129)**	(600)	**(1 129)**	(600)
Interest paid - AfDB	**31 670**	25 251	**31 670**	25 251
Interest paid on floating rate notes - LBK01	**-**	45 567	**-**	45 567
Interest paid on floating rate notes - LBK02	**95 281**	87 092	**95 281**	87 092
Interest paid on floating rate notes - LBK03	**71 972**	31 878	**71 972**	31 878
Interest paid on floating rate notes - LBK05	**48 764**	3 060	**48 764**	3 060
Interest paid on floating rate notes - LBK06	**79 189**	5 335	**79 189**	5 335
Interest paid on floating rate notes - LBK07	**15 239**	-	**15 239**	-
Interest paid on floating rate notes - LBK08	**10 807**	-	**10 807**	-
Interest paid on floating rate notes - LBK11	**15 885**	-	**15 885**	-
Interest paid on fixed rate notes - LBK12U	**1 809**	-	**1 809**	-
Interest paid on the 3 year syndicated loan	**10 876**	-	**10 876**	-
Interest paid on the 5 year syndicated loan	**7 287**	-	**7 287**	-
Interest cost on post-retirement obligation (note 21)[1]	**24 051**	21 905	**24 051**	21 905
Financial liabilities at amortised cost	**1 675 647**	1 344 736	**1 675 647**	1 344 616
Interest paid on deposits	**71 994**	53 792	**71 994**	53 792
Interest paid on call bonds	**67 714**	38 644	**67 714**	38 644
Interest paid on bills	**9 496**	62 290	**9 496**	62 290
Interest paid on promissory notes	**805 358**	868 192	**805 358**	868 192
Interest paid on floating promissory notes - 1 year	**313 562**	145 857	**313 562**	145 857
Interest paid on floating promissory notes - 2, 3 and 5 years	**333 965**	155 462	**333 965**	155 462
Interest paid on treasury overdraft	**39 283**	11 449	**39 283**	11 449
Interest paid - IDC	**-**	905	**-**	905
Fees paid on government guarantees	**6 000**	7 979	**6 000**	7 979
Interest paid - commercial banks	**28 275**	166	**28 275**	46
Total interest expense	**2 087 552**	1 564 408	**2 087 552**	1 564 288
Less: Interest expense relating to the discontinued operation (refer note 22)	**(40 770)**	(27 563)	**(40 770)**	(27 563)
	2 046 782	1 536 845	**2 046 782**	1 536 725

[1] Refer to note 41 for the restatement of the post-retirement obligation past service cost and interest cost from other comprehensive income to profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
25 Non-interest expense				
Fee and commission income	**(164 157)**	(78 636)	**(163 371)**	(77 895)
Account administration fee income [1]	**23 802**	23 315	**23 802**	23 315
Account administration fee expense [2]	**(189 110)**	(109 802)	**(189 110)**	(109 802)
Fund administration fees	**990**	7 759	**990**	7 759
Administration fee from LBLIC	**-**	-	**786**	741
Commission earned	**161**	83	**161**	83
REM rebate income	**-**	9	**-**	9
Other	**32 911**	24 378	**32 911**	24 378
Income from properties in possession	**1**	50	**1**	50
Investment property rentals	**14 330**	10 399	**14 330**	10 399
Sundry income	**18 580**	13 929	**18 580**	13 929
	(131 245)	(54 258)	**(130 460)**	(53 517)

[1] Impact of the suspended fees: Release of R0.5 million (FY2014: R6.1 million).

[2] Account administration fees relate to management fees paid to intermediaries in terms of service level agreements relating to the Bank's acquisition loan books. Net interest income (interest income less interest expense) earned from, and impairments incurred on these books are included under note 23, note 24 and note 11.4 respectively.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group	
	2015	2014
	R'000	R'000
26 Operating (loss)/ profit from insurance activities		
Gross written premium	109 999	9 717
- Long-term insurance contracts	6 179	7 435
- Short-term insurance contracts	103 820	2 282
Gross earned premium	138 222	2 282
Change in the unearned premium reserve	(34 402)	-
Less: reinsurance premium	(18 297)	(4 684)
- Long-term insurance contracts	(2 664)	(3 087)
- Short-term insurance contracts	(15 633)	(1 597)
Reinsurance premium	(20 844)	(1 597)
Change in the unearned premium reserve	5 211	-
Net premium income	91 702	5 033
Long-term insurance contract claims	(304)	(2 074)
- Gross claims paid	(3 449)	(3 491)
- Movement in the expected cost of outstanding claims	2 052	(805)
- Reinsurance recoveries	1 550	1 820
- Movement in the expected reinsurance ceded cost of outstanding claims	(457)	402
Short-term insurance claims	(106 667)	425
- Gross claims paid	(59 328)	(133)
- Incurred but not reported claims	(5 820)	3 090
- Movement in the expected cost of outstanding claims	(40 228)	(434)
- Reinsurance recoveries	(26)	1 750
- Reinsurance: Incurred but not reported claims	(289)	(2 495)
- Movement in the expected reinsurance ceded cost of outstanding claims	(976)	(1 353)
Net insurance claims	(106 971)	(1 649)
Movement in policyholders' liabilities	4 847	5 846
Net commission and administration fees	(21 213)	(206)
Operating (loss)/profit	(31 635)	9 024

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
27 Investment income and fees				
Investment income from financial assets classified as at fair value through profit or loss:	**59 842**	53 174	**212 354**	11 248
- Dividend income [1]	**24 291**	20 054	**206 109**	3 936
- Interest income	**35 550**	33 120	**6 245**	7 312
	108 123	141 544	**32 396**	46 840
Realised gains	**71 612**	98 239	**17 236**	40 880
Unrealised fair value gains	**36 511**	43 305	**15 160**	5 960
Investment management and performance fees	**(16 196)**	(12 812)	**(1 835)**	(1 807)
	151 768	181 906	**242 915**	56 281

[1] Refer to note 35.2.1 and 35.2.2

	Group 2015 R'000	Group 2014 R'000	Bank 2015 R'000	Bank 2014 R'000
28 Fair value gains				
Held-for-trading	**(1 001)**	91	**(1 001)**	91
Market-making assets	**(505)**	(220)	**(505)**	(220)
Instruments in (Repos)	**(496)**	311	**(496)**	311
Designated at fair value through profit or (loss)	**10 203**	4 880	**10 203**	4 880
AfDB loan	**(2 106)**	1 937	**(2 106)**	1 937
Floating rate notes - LBK01	**-**	2 946	**-**	2 946
Floating rate notes - LBK02	**5 242**	2 604	**5 242**	2 604
Floating rate notes - LBK03	**1 097**	(2 680)	**1 097**	(2 680)
Floating rate notes - LBK05	**2 899**	15	**2 899**	15
Floating rate notes - LBK06	**(1 737)**	58	**(1 737)**	58
Floating rate notes - LBK07	**416**	-	**416**	-
Floating rate notes - LBK08	**(1 231)**	-	**(1 231)**	-
Floating rate notes - LBK11	**5 607**	-	**5 607**	-
Fixed rate note - LBK12U	**140**	-	**140**	-
3 year syndicated loan	**(83)**	-	**(83)**	-
5 year syndicated loan	**(41)**	-	**(41)**	-
	9 202	4 971	**9 202**	4 971

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

29 Operating expenses

	Group 2015 R'000	Group Restated[1] 2014 R'000	Bank 2015 R'000	Bank Restated[1] 2014 R'000
Amortisation – computer software	**5 986**	2 307	**5 986**	2 307
- Current year before change in estimate	**2 361**	13 371	**2 361**	13 371
- Effect of changes in accounting estimates[2]	**3 625**	(11 064)	**3 625**	(11 064)
Audit fees (external audit)	**9 520**	5 949	**8 304**	5 301
Audit fees (internal audit)	**2 379**	5 352	**2 495**	5 352
Depreciation	**10 215**	13 373	**10 179**	13 332
Directors' emoluments	**20 218**	17 508	**15 647**	13 338
- Executive directors	**13 333**	11 533	**10 209**	8 699
- Non-executive directors	**6 885**	5 975	**5 438**	4 639
Leases	**27 058**	24 880	**27 058**	24 880
- Actual payment	**28 681**	26 819	**28 681**	26 819
- Effect of straight-lining	**(1 623)**	(1 939)	**(1 623)**	(1 939)
Legal fees	**10 332**	1 776	**10 332**	1 776
Management fees	**645**	661	**645**	661
Professional fees	**21 899**	20 152	**19 174**	18 708
Staff costs	**351 836**	371 758	**344 246**	368 185
- Salaries and contributions	**343 562**	362 059	**336 060**	358 561
- Other [1]	**8 274**	9 699	**8 185**	9 624
Other operating expenses	**68 756**	73 354	**66 450**	72 000
	528 844	537 070	**510 515**	525 840

[1] Refer to note 41 for the restatement of the post-retirement obligation past service cost and interest cost from other comprehensive income to profit or loss.
[2] Change in accounting estimate is due to a change in the useful lives of the intangible assets (refer to note 13).

30 Non-trading and capital items

	Group 2015 R'000	Group Restated[1] 2014 R'000	Bank 2015 R'000	Bank Restated[1] 2014 R'000
Fair value adjustment on investment properties (note 14)	**15 400**	335	**15 400**	335
Foreign exchange gain	**27**	-	**27**	-
Gain on investment recognition (note 9)	**-**	-	**30**	-
Impairment of other assets	**7**	7	**7**	7
Non-current assets held-for-sale fair value adjustment (note 8)	**(982)**	695	**(982)**	695
Profit on disposal of property and equipment	**39**	6 183	**39**	6 183
Profit on disposal of moveable assets bought in	**-**	1	**-**	1
(Loss)/profit on disposal of properties in possession (note 8.2)	**(30)**	2 269	**(30)**	2 269
	14 461	9 490	**14 491**	9 490

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
31 Indirect taxation				
Value added tax [1]	**38 263**	27 458	**38 263**	27 458

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

32 Income from associate

During the 2014 financial year the Land Bank acquired a non-controlling 49.9% holding in Renaissance Brands (Pty) Ltd. As a result of this, Renaissance Brands (Pty) Ltd is classified as an associate.

Earnings from associate	-	-	-	-

As at 31 March 2014, the investment in Renaissance Brands (Pty) Ltd was written off to Rnil (refer to note 9.3).

During the period over which the company has been recognised as an associate (since 17 February 2014), the accumulated losses attributable to Land Bank amounted to R1.8 million (FY2014: R2.0 million). The profits attributable to Land Bank for the period ended 31 March 2015 was R144 thousand (FY2014: R2.0 million loss). As a result of the investment being carried at a value of Rnil, no profit/loss was recognised during the year.

An independent business review has been performed and it is expected that the business will turn around in the future. Unrecognised losses will be accumulated and profits only recognised once these losses have been reversed.

No liability has been raised as the Land Bank does not have any constructive or legal obligations to make payments on behalf of Renaissance Brands (Pty) Ltd.

33 Funds under administration

Asset				
Cash balance held for the funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)	**59 598**	21 542	**59 598**	21 542
Liabilities				
DAFF	**43 696**	6 318	**43 696**	6 318
DRDLR	**7 939**	7 587	**7 939**	7 587
GDARD	**7 963**	7 637	**7 963**	7 637
	59 598	21 542	**59 598**	21 542

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
33.1 Funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)				
Agri-BEE Fund	**35 847**	3 763	**35 847**	3 763
DAFF Administration Fund - Flood Relief	**32**	31	**32**	31
MAFISA Fund	**7 817**	2 524	**7 817**	2 524
DAFF Flood Relief Programme	**-**	-	**-**	-
	43 696	6 318	**43 696**	6 318
33.2 Funds administered on behalf of the Department of Rural Development and Land Reform (DRDLR)				
Land for Redistribution and Agricultural Development (LRAD) grant	**7 939**	7 587	**7 939**	7 587
33.3 Funds administered on behalf of Gauteng Department of Agriculture and Rural Development (GDARD)				
Gauteng Department of Agriculture and Rural Development	**7 963**	7 637	**7 963**	7 637
	59 598	21 542	**59 598**	21 542
33.4 Reconciliation of movement in funds under administration				
33.4.1 Agri-BEE				
Balance at the beginning of the year	**3 763**	197 503	**3 763**	197 503
Receipts	**36 209**	33 347	**36 209**	33 347
Accrued interest	**1 763**	6 992	**1 763**	6 992
Credit transfer	**-**	(228 577)	**-**	(228 577)
Disbursements	**(5 888)**	(5 502)	**(5 888)**	(5 502)
Balance at the end of the year	**35 847**	3 763	**35 847**	3 763
33.4.2 DAFF Poverty Fund				
Balance at the beginning of the year	**31**	5 881	**31**	5 881
Accrued interest	**1**	202	**1**	202
Credit transfer	**-**	(6 052)	**-**	(6 052)
Balance at the end of the year	**32**	31	**32**	31

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
33.4.3 MAFISA Fund				
Balance at the beginning of the year	**2 524**	160 146	**2 524**	160 146
Receipts	**5 150**	13 161	**5 150**	13 161
Accrued interest	**143**	4 725	**143**	4 725
Credit transfer	**-**	(136 280)	**-**	(136 280)
Disbursements	**-**	(39 228)	**-**	(39 228)
Balance at the end of the year	**7 817**	2 524	**7 817**	2 524
33.4.4 Flood Relief Programme				
Balance at the beginning of the year	**-**	90 099	**-**	90 099
Accrued interest	**-**	1 853	**-**	1 853
Credit transfer	**-**	(91 952)	**-**	(91 952)
Balance at the end of the year	**-**	-	**-**	-
33.4.5 LRAD grant				
Balance at the beginning of the year	**7 587**	7 223	**7 587**	7 223
Accrued interest	**352**	364	**352**	364
Balance at the end of the year	**7 939**	7 587	**7 939**	7 587
33.4.6 GDARD				
Balance at the beginning of the year	**7 637**	-	**7 637**	-
Transfers received	**-**	25 326	**-**	25 326
Accrued interest	**432**	988	**432**	988
Credit transfer	**-**	(18 677)	**-**	(18 677)
Disbursements	**(106)**	-	**(106)**	-
Balance at the end of the year	**7 963**	7 637	**7 963**	7 637

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

33.5 Description of the funds under administration

Agri-BEE Fund

Parliament approved a sector specific allocation for the Agri-BEE Fund that will allocate grants to promote the rural community based empowerment groups. The Bank acts as an agent on behalf of the DAFF in the administration of the Fund. Disbursements amounting to R5.89 million (FY2014: R5.5 million) were disbursed and an injection of R36.2 million (FY2014:R33.3 million) from DAFF was received during the current financial year.

DAFF Poverty Fund

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

MAFISA Fund

The MAFISA Fund has been set up on request of the DAFF to invest money in approved projects of the Department through on-lending to individuals. Monies received from the DAFF for the MAFISA Fund is invested in a separate bank account on behalf of the DAFF. No on-lending has taken place during the period under review. An injection of R5.15 million from Gauteng Enterprise Propeller was received during the current year. The disbursements of 2014 constitutes transfers to other institutions for on-lending on instruction of the DAFF.

Flood Relief Programme

The fund has been set up on behalf of the DAFF to administer a recovery programme as a result of the extensive flooding that occurred early in the year 2000. All uncommitted funds were transferred to the National Revenue Fund in the FY2014 financial year.

Land for Redistribution and Agricultural Development (LRAD) grant

The fund has been set up on behalf of the DRDLR.

Gauteng Department of Agriculture and Rural Development (GDARD)

The objective of the fund is to provide an infrastructure support programme for on-farm infrastructure development.

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
33.6 Emerging Farmers' Support Facility & REM Wholesale Finance Facility				
Asset				
Cash balance held for the support facilities	**290 701**	255 380	**290 701**	255 380
Liabilities				
Emerging farmers support facility	**250 178**	236 689	**250 178**	236 689
REM wholesale finance support facility	**40 523**	18 691	**40 523**	18 691
	290 701	255 380	**290 701**	255 380
33.6.1 Emerging farmers support facility				
Balance at the beginning of the year	**236 689**	225 302	**236 689**	225 302
Accrued interest	**13 489**	11 387	**13 489**	11 387
Balance at the end of the year	**250 178**	236 689	**250 178**	236 689

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
33.6.2 REM wholesale finance support facility				
Balance at the beginning of the year	**18 691**	24 009	**18 691**	24 009
Receipts	**50 000**	-	**50 000**	-
Accrued interest	**1 430**	1 044	**1 430**	1 044
Disbursements	**(29 598)**	(6 362)	**(29 598)**	(6 362)
Balance at the end of the year	**40 523**	18 691	**40 523**	18 691

33.7 Description of the Emerging farmers support & REM wholesale finance support facility

Emerging Farmers Support Facility

The Land Bank received R208.0 million from the Department of Rural Development and Land Reform on the 17th of August 2011. The transfer received is a guarantee for identified deserving emerging farmers whom require rescue packages. The identified farmers all have mortgage loans with the Land Bank and the Bank can only access the guarantee after complying with conditions as set by the Department of Rural Development and Land Reform. The only movement in the facility to date has been the interest accrued on the transfer received.

REM wholesale finance support facility

The Land Bank received R30 million from the Department of Agriculture, Forestry and Fisheries on the 27th of October 2012 under this facility. The transfer is meant to subsidise interest payable to the Land Bank and appointed intermediaries by REM farmers under the wholesale finance facility. The Land Bank and the appointed intermediaries receive interest of 4% p.a each on the loans disbursed by the Land Bank to the intermediaries. The intermediaries charge the REM farmers 4% p.a on the value of the loans disbursed for their role of supporting the emerging farmers with skills and other facilities that enhance their success. This interest is paid from the aforesaid funds. An injection of R50 million was received during the current year from the National Revenue Fund, and R29.6 million (FY2014: 6.4 million) was disbursed.

34 Commitments, guarantees and contingent liabilities and assets

34.1 Commitments

	Group 2015	Group 2014	Bank 2015	Bank 2014
Loans granted but not yet disbursed				
Individual farmers	**287 265**	347 858	**287 265**	347 858
Agri-related businesses	**34 905**	69 291	**34 905**	69 291
	322 170	417 149	**322 170**	417 149
Debentures/ stock purchased				
Repo's				
- R186 (Nominal value: R5 million)	**6 023**	5 812	**6 023**	5 812
- R208 (Nominal value: R10 million)	**9 697**	9 250	**9 697**	9 250
	15 720	15 062	**15 720**	15 062
Market-making assets				
- R186 (Nominal value: R5 million)	-	5 812	-	5 812
- R208 (Nominal value: R10 million)	-	9 250	-	9 250
	-	15 062	-	15 062

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
34.2 Financial guarantees				
Individual farmers	**123 186**	145 435	**123 186**	145 435
Agri-related businesses	**391 686**	220 828	**391 686**	220 828
	514 872	366 263	**514 872**	366 263

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

34.3 Lease commitments

34.3.1 Operating leases

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

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

Operating lease commitments - Group as lessee

	Group 2015	Group 2014	Bank 2015	Bank 2014
Payable within one year	**23 227**	16 371	**23 227**	16 371
Payable between one to five years	**42 938**	2 140	**42 938**	2 140
	66 165	18 511	**66 165**	18 511

Operating lease commitments - Group as lessor

	Group 2015	Group 2014	Bank 2015	Bank 2014
Receivable within one year	**8 901**	3 608	**8 901**	3 608
Receivable between one to five years	**11 454**	8 398	**11 454**	8 398
	20 355	12 006	**20 355**	12 006

The Group has entered into a five year lease agreement on a new building for its head office on 1 December 2014 which accounts for more than 75% of the total lease expense. The agreement has a renewal option for a further five years and an escalation clause of 10% annually. The lease expenses payable within the next financial year amounts to R17.8 million (FY2014: R12 million) and the amount payable between one and five years amounts to R32.8 million (F2014: Rnil).

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

34.4 Contingent liabilities

34.4.1 Onerous contracts - LDFU loans

As disclosed in note 22, the LDFU loans entered into by the Group in 2007, were outside the mandate of the Group in terms of the Land Bank Act.

As at 31 March 2015, the situation is as follows:
The Group has:

- Concluded a settlement agreement with one of the clients with the largest exposure and payment is expected during June 2015.
- An agreement was entered into with another client that its asset may be sold on public auction.
- One of the client's estates has been liquidated and the Bank's claim has been proofed.
- No further settlements were concluded during this financial period for the remaining three clients and litigation is actively being pursed against these clients.

34.4.2 Change in the interest rate method

The Bank changed the method of calculating interest on loans. This has led to current and past legal claims. Judgement was handed down on 9 March 2012 in the North Gauteng High Court in a "test" case on the Land Bank Interest Calculation Methodology.
In essence the case related to two issues:

1. The reasonableness or unreasonableness of the Land Bank interest rates as applied and variation therein since 1999 - the court found in favour of the Land Bank; and
2. The charging of interest on arrear (default) interest - the court found against the Land Bank.

After considering the legal opinion received from the Bank's Senior Council indicating that an appeal has a reasonable prospect of success, the Land Bank decided to lodge an appeal against the part of the judgement which was not found in its favour. The appeal was heard on 20 May 2013 and judgment has since been handed down.

The North Gauteng High Court heard the matter on 31 March 2014, and judgement was handed down on 17 April 2014. An aspect not previously ruled on by the court in terms of the interest methodology was ruled not in favour of the Bank. The Bank accepted the judgment in relation to the "test" case, and although the Bank had the option to appeal the judgment, it was decided against for pragmatic reasons. All the "test" case matters have been settled in the 2015 financial year.

All matters outside of the "test" case population will be tried in court on a case by case basis. Furthermore, prescription will be pleaded in all such matters going forward.

34.4.3 Agri-BEE Funds administered on behalf of the DAFF

Possible irregularities in the administration of the funds administered on behalf of the DAFF, currently under investigation by the relevant authorities, could give rise to an obligation in terms of an indemnity clause included in the memorandum of understanding between the DAFF and the Group. A reasonable estimate of the amount of the resulting loss, if any, could not be made.

34.4.4 LBLIC Tax

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

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

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

As at the 2015 financial year end, this matter has not yet been concluded.

34.5 Contingent assets

LBIC is in the process of finalising an agreement with ABSA whereby ABSA will cede the benefits they derive from their reinsurance treaties in the form of commission revenue, and stop loss protection agreed on the 30% line, as well as interest earned. ABSA will also transfer the expenses they have incurred in terms of broker commission and underwriting management fees.

Once these issues have been contracted, the revised net loss will reflect as follows:

Net loss reported :	**(43 016)**
Adjustment to commission expense incurred	(11 409)
Reinsurance commission revenue to be earned	54 535
Administration fees to be incurred	(30 966)
Adjustment to interest earned	7 500
Expected loss after contract concluded :	**(23 356)**
Increase in trade debtors	65 035
Increase in trade creditors (including VAT)	(48 309)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

35 Related Parties

35.1 Relationships between parents, subsidiaries and associates

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

The following represents the significant subsidiaries of the bank:

	Ownership Interest	
	2015	**2014**
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	**100%**	100%
Land Bank Insurance Company (SOC) Limited (LBIC)	**100%**	100%
Land Bank Insurance Services (SOC) Limited (LBIS) *	**100%**	100%

* In May 2014, the Minister approved that the former holding company (LBIS) be dissolved and that the two insurance companies (LBIC and LBLIC) be held directly by the Land Bank. As at 31 March 2015 LBIS has not been dissolved and remains in a dormant state.

The following represents the associate of the Bank:

Renaissance Brands (Pty) Ltd was acquired on 17 Feb 2014 through a debt restructuring process. As at 31 March 2015, the Bank owns 49.9% of Renaissance Brands (Pty) Ltd and is being accounted for as an associate as no control exists, only significant influence over the entity. A notional equity value of Rnil has been recognised for the investment. (Refer to note 9.3).

35.2 Transactions with related parties other than key management personnel

35.2.1 Amounts received from related parties during the year	2015	2014
	R'000	**R'000**
(i) Land Bank Life Insurance Company (SOC) Limited - Subsidiary		
Dividend declared by LBLIC	**200 000**	-
Policy administration fees received by the Land Bank	**694**	741
Commission received by the Land Bank	**82**	80
Portion of non-executive directors emoluments paid by LBLIC	**353**	400
Property and equipment transferred to LBLIC (at NAV)	**77**	15
The Land Bank interest bearing assets held by LBLIC through the investment portfolio	**4 481**	-
	205 687	1 236

LBLIC is a 100% owned subsidiary of the Land Bank. An administration and management fee of R0.7 million per annum (FY2014: R0.7 million) is paid by LBLIC to the Land Bank for support services such as finance, human resources, compliance and information technology.

At year end LBLIC holds, through the investment portfolio, the Land Bank interest bearing investments valued at R4.481 million.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	2015 R'000	2014 R'000
(ii) Land Bank Insurance Company (SOC) Limited - Subsidiary		
Policy administration fees received by the Land Bank	**92**	-
Portion of non-executive directors emoluments paid by the Land Bank	**47**	-
	139	-
(iii) National Treasury - Stakeholder		
Recapitalisation	**500 000**	300 000

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

The Minister in terms of paragraph 7 -
(a) Is responsible for the development of policy with regard to agriculture, agrarian reform and matters incidental thereto; and
(b) May from time to time issue policy directives to the Board not inconsistent with this Act.

The Minister in terms of paragraph 9(1) -
May appoint a Board Member for such period as the Minister may determine in the case of each member but the period may not exceed five years.

Transactions during the year
During the course of the financial year, the Land Bank received an amount of R500 million (FY2014: R300 million) from the National Treasury as part of the R3.5 billion recapitalisation, and this has been included in the capital fund in the statement of changes in equity.

Government Support - Letter of guarantee
In 2010, the National Treasury issued the Land Bank a R3.5 billion guarantee that was to be reduced by cash transfers to the Bank as part of the shareholder`s recapitalisation initiative. As at 31 March 2015, a total of R3.5 billion (FY2014: R3.0 billion) had been transferred to the Land Bank with a balance of R nil (FY2014: R500 million) remaining on this guarantee. The R500 million was transferred to the Bank in the current year.

In March 2014,the National Treasury issued the Bank a R1.5 billion guarantee resulting in the guaranteed amount increasing to R2.0 billion as at the end of March 2014. The fee payable on the guarantee is 0.3% per annum (refer to note 24).

In March 2015, the National Treasury issued the Bank a further R4 billion guarantee resulting in the guaranteed amount increasing to R5.5 billion (FY2014: R2.0 billion) as at the end of March 2015. The fee payable on the guarantee is 0.3% per annum (refer to note 24). The Land Bank was granted approval to utilise R2.7 billion of this R4 billion guarantee immediately, and the remaining R1.3 billion can only be utilised after the Bank completes its organisational review as requested by its shareholder.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

(iv) Other related parties

Funding received

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

	2015 R'000	2014 R'000
African Development Bank	**500 000**	500 000
Corporation for Public Deposits	**742 500**	652 500
National Housing Finance	**60 000**	40 000
Petro SA	**986 214**	422 670
Post Bank	**650 000**	700 000
Public Investment Corporation	**8 925 000**	7 615 000
Magalies Water	**11 508**	-
Trans-Caledon Tunnel Authority	**100 000**	100 000
City of Johannesburg	**1 050**	201 050
	11 976 272	10 231 220

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.

35.2.2 Amounts owed by related parties

(i) LBLIC - Subsidiary

	2015	2014
Land Bank Life Insurance Company (SOC) Limited (LBLIC) (note 5)	**283 797**	283 758

The intercompany account is held as a trading account between LBLIC and it's holding company, the Land Bank. In terms of the shareholders' agreement, interest on the outstanding loan balance is charged at the prime overdraft rate, the loan is unsecured and has been sub-ordinated by the Land Bank. Settlement will take place in cash. A decision was taken by the executive of the holding company that no interest would be charged on the outstanding loan balance during the current and prior financial periods under review. All the intercompany arrangements will be revisited as part of the restructuring of the Group. It is not expected that the loan will be repaid within 12 months.

There was no provision for doubtful debts at the statement of financial position date and no bad debt expense in the year (FY2014: Rnil).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	2015 R'000	2014 R'000
(ii) Renaissance Brands (Pty) Ltd - Associate		
Senior Debt (3 Loans with differing terms)	**50 000**	50 000
Loan 1 - 52.5%	**26 250**	26 250
Loan 2 - 22.5%	**11 250**	11 250
Loan 3 - 25.0%	**12 500**	12 500
New Senior Debt Facility	**5 000**	-
Preference Shares	**107 500**	107 500
Subordinated Shareholders Loan	**16 400**	16 400
	178 900	173 900

With respect to the above balances, an impairment balance of R 18.1 million (FY2014: R12.8 million) has been raised.

In terms of the shareholders' agreement, the preference shares shall be considered for redemption once the company is in a profit making position and has sufficient cash flows to settle the share payment. As at 31 March 2015 this was assessed and the company was not yet in a position to redeem the preference shares. This will be continually assessed going forward.

35.2.3 Amounts owed to related parties

	2015 R'000	2014 R'000
DAFF (note 33.1)	**43 696**	6 318
- Micro-Agricultural Finance Institution (MAFISA)	**7 817**	2 524
- Agricultural Broad Based Black Economic Empowerment (Agri BEE)	**35 847**	3 763
- DAFF Flood Relief	**32**	31
Department of Rural Development and Land Reform (note 33.2)	**7 939**	7 587
Gauteng Department of Agriculture and Rural Development (note 33.3)	**7 963**	7 637
Emerging Farmers' Support Facility & REM Wholesale Finance Facility (note 33.6)	**290 701**	255 380
	350 299	276 922

	2015 R'000	2014 R'000
(i) Funds under administration		
DAFF (note 33.1)	**43 696**	6 318
DRDLR (note 33.2)	**7 939**	7 587
GDARD (note 33.3)	**7 963**	7 637
	59 598	21 542
Cash balances held for funds administered	**59 598**	21 542

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

(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.

	2015 R'000	2014 R'000
Bank balances of the MAFISA fund (note 33.4.3)	**7 817**	2 524
MAFISA fund balance (note 33.4.3)	**7 817**	2 524

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

The Bank was appointed as administrator of the Agri-BEE funds in September 2006 in which monies, appropriated by parliament, was paid for the implementation of Agri-BEE. An injection of R36.2 million (FY2014: R33.3 million) was received from the DAFF during the current financial year. A directive, dated 17 October 2013, was received from National Treasury to transfer uncommitted DAFF Funds to the National Revenue Fund. A total of R nil (FY2014: R 228.6 million) was transferred to the National Revenue Fund. Management fees are calculated at 2,5% per annum on the amount deposited.

	Group		Bank	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
(iv) Emerging Farmers' Support Facility & REM Wholesale Finance Facility				
Emerging farmers support facility (note 33.6.1)	**250 178**	236 689	**250 178**	236 689
REM wholesale finance support facility (note 33.6.2)	**40 523**	18 691	**40 523**	18 691
	290 701	255 380	**290 701**	255 380
Cash balance held for the support facilities	**290 701**	255 380	**290 701**	255 380

35.2.4 Transactions between subsidiaries

An administration fee of R2.6 million was charged to LBIC, the short-term company, for services rendered by LBLIC.

	2015 R'000	2014 R'000
Amounts owed to LBLIC by LBIC	**3 436**	-

There was no provision for doubtful debts at the statement of financial position date and no bad debt expense in the year (FY2014: Rnil) relating to this intercompany transaction.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	2015 R'000	2014 R'000
Revenue transactions for the year that ended 31 March		
Total subsidiary salary costs (including executive director)	6 183	-
Service fees charged to LBIC for salaries	(2 340)	-
LBLIC salaries	3843	-
Total subsidiary contributions to medical aid fund	298	-
Service fees charged to LBIC for medical aid	(80)	-
LBLIC medical aid	218	-
Total subsidiary contributions to retirement fund	515	-
Service fees charged to LBIC for Group Life Insurance	(137)	-
LBLIC retirement fund	378	-
Remuneration recharge to LBIC	(2 557)	-

36 Directors' and key management interest

	2015 R'000	2014 R'000
Transactions with key management personnel		
Short-term employee benefits	30 356	25 521
Other long-term benefits	1 105	929

Key management personnel comprises executive- and non-executive directors (refer to page 68 to 72 of the remuneration report).

Other transactions

The following presents detail of loans granted by the Group to key management personnel, which are included within loans and receivable financial assets:

The Land Bank does not advance any direct loans to key management, however a non-executive director of the Bank, Prof ASM Karaan is also a non-executive director and shareholder of one of the Bank's clients Southern Oils Limited. Southern Oils Limited has a loan balance of R127 million (FY2014: R141 million) at year end.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

37 Risk management

37.1 The Land Bank's risk management strategy and processes

Brief description of the Land Bank's Risk Environment

The Group's financial liabilities, other than derivatives, comprise bank loans and overdrafts, debentures, promissory notes, policy liabilities, repurchase agreements and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as loans and advances, repurchase agreements, trade receivables and cash and short-term deposits which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps to manage the interest risk arising from the Group's sources of finance. During the year under review, no new interest rate swaps were entered into.

It is the Group's policy not to trade in derivatives unless there is an underlying exposure.

Risk types

The Group is exposed to the following main risks:

	Risk category (primary)	Risk type (secondary) and description
General risk	Operational	**Operational risk:** the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes: **Information and technology risk:** the risk of obsolescence of infrastructure, deficiency in integration, failures/ inadequacies in systems/ networks and the loss of accuracy, confidentiality, availability and integrity of data. **Going concern/ business continuity risk:** the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future. **Legal risk:** the risk that the Group will be exposed to contractual obligations which have not been provided for, as well as benefits agreed that have not been contracted. **Compliance risk:** the risk of not complying with laws and regulations, as well as investment management mandates. **Human resources risk:** the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk. **Fraud risk:** the risk of financial crime and unlawful conduct occurring within and/ or against the Group.
	Reputational	**Reputational risk** is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.
	Legal and Regulatory	**Legal risk:** the risk that the Group's strategy is inappropriate and that the Group is unable to implement its strategy. **Regulatory risk:** the risk of not complying with laws and regulations.
	Strategic	**Strategic risk:** the risk that the Group's strategy is inappropriate or that the group is unable to implement its strategy.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Risk category (primary)	Risk type (secondary) and description
Financial and business specific risks	**Market**	**Market risk** is the risk that the value of a financial instrument will fluctuate as a result of changes in the market. Market risk includes: **Equity price risk:** the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices. **Interest rate risk:** the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates. **Currency risk:** the risk that a rand value of a financial instrument will fluctuate owing to changes in foreign exchange rates. **Concentration risk:** the risk of losses associated with inadequately diversified asset portfolios. This may arise from a lack of diversification in the asset portfolio.
		Asset liability mismatching risk: the risk that losses will be incurred as a result of a deviation between asset and liability cash flows, prices or carrying amounts. **Property risk:** the risk that the value of investment properties will fluctuate as a result of changes in the environment. **Market liquidity risk**: risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or realise the required profit).
	Liquidity	Liquidity risk is the risk relating to the difficulty to accessing funds to meet commitments associated with financial instruments or policy contracts.
	Credit	**Credit risk** is the risk of default and change in credit quality of issuers of securities, counterparties and intermediaries to whom the company has exposure. Credit risk includes: **Default risk:** credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.
Insurance specific	**Insurance risk (life business)**	**Insurance risk (life business):** the risk arising from the underwriting of life insurance contracts in relation to the perils covered and the processes used in the conduct of business. It includes: **Mortality risk:** the risk that the actual experience relating to mortality will deviate negatively from the expected experience used in the pricing of contracts and valuation of policy liabilities. **Persistency risk:** the risk of financial loss owing to negative lapse experience. **Expense risk:** the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. **Claims risk:** refers to a) a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated, b) the risk that the Group may pay out fraudulent claims.
	Insurance risk (short-term insurance business)	**Insurance risk (short-term insurance business):** the risk arising from the underwriting of non life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes: **Claims risk:** refers to a) a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated, b) the risk that the Group may pay out fraudulent claims. **Concentration risk:** the risk that an event imposes significant economic strain on the financial resources of the company because of the accumulation of risks in a particular region.
	Credit risk	**Reinsurance counterparty risk:** concentration risk with individual reinsurers, owing to the nature of the reinsurance market.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Risk culture

Although there is significant improvement in the risk culture of the Group there is still room for improvement. The Risk Champion concept is extended to the AFC's. The role and responsibility will focus on branch activity rather than on a specific function or discipline.

Operational risk

The Land Bank has identified a maturity level of defined that it aspires to acquire by 2016. All enterprise risk management related activities are designed to achieve this desired risk maturity level. Risk management is central to the Land Bank's business. Ultimate accountability for risk lies with the Board of the Land Bank, the management of operational risk is closely monitored by the Enterprise Risk Management Division through the Operational Risk Department and the relevant risk management committees.

The Group has a risk policy and framework which are reviewed annually to ensure relevance and alignment to best practises and business changes. The maintenance and development of which is undertaken on a continuous basis in order to assist management to address systematic categories of risk associated with this.

The Group mitigates this risk through internal controls, internal audit and compliance functions. Segregation of duties exists to ensure the completeness, accuracy and validity of transactions. The following functions assist in mitigating controls:

- Regular Operational Risk Committee (ORCO) meetings are held to:
  - Monitor risk mitigating strategies;
  - Set risk management policy;
  - Facilitate communication and interaction between business units; and
  - Identify emerging risks.
- Internal audit carries out regular reviews of internal controls;
- External audit provides an independent assessment of internal financial controls relied upon to express an independent audit opinion on the annual financial statements;
- For the period under review, the Board is of the opinion that adequate resources exist to continue business and that the companies will remain a going concern in the foreseeable future; and
- Both LBLIC and LBIC maintain risk registers.

Operational risk assessments have been conducted throughout the organisation. This was to ensure that we employ a bottom up approach to our strategic risk profile.

Legal and Compliance risk

Legal and compliance risk is the risk that the company will fall foul of the insurance regulator and incur penalties for non-compliance.
There have been numerous changes in the insurance regulatory environment over the past few years, which will continue to evolve in the foreseeable future, which impact on the operations of the insurance business.

Management and the Board continue to monitor and implement these new requirements.

37.2 Credit risk

Definition

Credit risk is the risk that the Group will incur a loss as a result of its customers, clients or counterparties failing to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual/ group of related counterparties, for geographical and industry concentrations by monitoring such exposures. The Group has identified a one single obligor who is in excess of the concentration limits, however this is softened by the diversified portfolio, statement of financial position and statement of profit or loss and other comprehensive income of this counterparty. The Group is aware of the consolidation that is taking place within the secondary sector of agriculture which might lead to potential breach of the set concentration limits for large exposures. The Bank monitors credit risk through the Credit Risk Monitoring Committee of management which reports to both the Risk and Credit Risk Committees of the Board.

As an important partner in the execution of the Bank's development mandate, the Bank however needs to comply with statutory and regulatory requirements to ensure that the Bank's activities do not lead over indebtedness in this market segment.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

The key components of the current general credit policy are the following:
- The primary role of the Bank is to provide finance to the agricultural sector;
- In its mandate, the Bank seeks to satisfy the needs of its customer base while maintaining a sound credit portfolio;
- The Bank insists on a thorough assessment of the client's financial position and repayment ability during the loan decision process, resulting in better quality credit decisions which result in timeous loan repayments and reduced losses in the event of a default;
- For the vast majority of the products, credit is granted on the basis of insight into the customer's circumstances and of specific assessments that provide a context for such credits;
- The facilities should match the customer's creditworthiness, capital position or assets, and the customer should be able to substantiate his or her repayment ability, and
- The Group may assume risks only within the limits of applicable legislation and other rules, including the rules of good practice for financial enterprises.

Approval process

When the Bank processes a credit application from a customer, the following minimum information is needed:
- Background of applicant;
- Specific purpose of the credit facility supported by a viable business plan;
- Financial statement analysis and cash flow projections;
- Assessment of major risks and key mitigants;
- Credit checks;
- Overview of the facility and collateral;
- Mentorship and aftercare for developing farmers; and
- Signatures of credit committee members approving the transaction.

Monitoring Process

Monthly Credit Risk Monitoring Committee meetings are held to monitor the trending of:
- Loan book performance;
- Arrears;
- Non-performing loans;
- Legal collections;
- Insolvent cases;
- Properties in possession;
- Service level agreement exposures;
- Top 20 exposures per division, pre-legal NPLs and legal NPLs;
- Credit concentration limits; and
- Regular monitoring of credit granting and adherence to policies by the Credit Risk Monitoring Unit.

Risk classification

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

The main objectives of risk classification are to rank the Bank's customer base according to risk so as to estimate the probability of default (PD) of each customer. The risk classifications used in the day-to-day credit processes 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 the 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

- In terms of long-term insurance policies issued before August 2006, the Land Bank guarantees the payment of the premium;
- Long-term insurance policies issued after August 2006, policyholder debtors outstanding for more than 60 days are not accounted for in premiums. If premium income is not paid within 60 days, the policy lapses if the client does not approve the premium to be added to the loan facility;
- Short-term crop insurance policy premiums need to be paid within 45 days. Premiums outstanding for more than 45 days are submitted to the attorneys unless a new agreement is reached with the policyholder;
- 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 need to be paid within 45 days. Policies are cancelled if the premium is not received in the 45 day period.

Reinsurance credit risk

LBLIC and LBIC make use of reinsurance to:

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

37.2.1 Credit exposure

The Group's maximum credit exposure at 31 March was as follows:

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Asset class with asset credit risk exposure	**40 270 250**	36 553 162	**39 158 493**	35 361 331
Loans	**36 853 475**	33 423 484	**36 853 475**	33 423 484
Cash at bank	**1 605 673**	1 474 854	**1 369 418**	1 227 729
Trade and other receivables	**174 084**	149 268	**351 256**	342 000
Short-term insurance assets	**12 311**	1 432		
Repurchase agreements	**15 720**	15 062	**15 720**	15 062
Market-making assets	**-**	9 250	**-**	9 250
Investments [1]	**1 608 987**	1 479 812	**568 624**	343 806
Asset class without asset credit risk exposure	**278 299**	271 937	**277 505**	270 620
Intangibles	**37 162**	39 900	**37 162**	39 900
Inventory	**240**	-	**240**	-
Investment property	**99 800**	84 400	**99 800**	84 400
Long-term insurance assets	**675**	1 202		
Non-current assets held-for-sale	**53 092**	52 567	**53 092**	52 567
Property and equipment	**87 330**	93 868	**87 211**	93 753
Total assets per statement of financial position	**40 548 549**	36 825 099	**39 435 998**	35 631 951
Add off balance sheet items exposed to credit risk				
Guarantees issued (note 34.2)	**514 872**	366 263	**514 872**	366 263
Loan commitments (note 34.1)	**322 170**	417 149	**322 170**	417 149
Operating lease commitments - group as lessor (note 34.3.1)	**20 355**	12 006	**20 355**	12 006
	41 405 946	37 620 517	**40 293 395**	36 427 369
Maximum credit exposure - selected items	**41 127 647**	37 348 579	**40 015 890**	36 156 749

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.

[1] Included in the Group investments is an amount of R1 027.6 million (FY2014: R763.9 million) which relates to investments which do not have credit exposure (Bank: R296.9 million; FY2014: R254.2 million).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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

Credit risk concentration by credit rating (rated externally)

31 March 2015	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	151 660	78 248	27 361	-	257 269
AA+	12 780	11 495	1 174	-	25 449
AA	43 944	272 308	63 389	-	379 641
AA-	61 797	2 944	643	-	65 384
A+	25 376	1 005	3 391	-	29 772
A	26 524	2 701	402	-	29 627
A-	5 663	629 930	-	-	635 593
BBB+	4 603	-	-	-	4 603
BBB	905	941 260	-	-	942 165
BBB-	662	148 785	-	-	149 447
Other [1]	987	36 921 883	2 185	-	36 925 055
Not rated [*]	1 608	24 403	4 007	110 903	140 921
Total	**336 509**	**39 034 962**	**102 552**	**110 903**	**39 584 926**

31 March 2014	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	110 765	269 579	5 106	-	385 450
AA+	13 782	378	13 640	-	27 800
AA	91 914	79 984	6 631	-	178 529
AA-	20 893	24 247	39 901	-	85 041
A+	18 839	16 396	1 943	-	37 178
A	12 853	176	4 305	-	17 334
A-	1 813	1 326 809	-	-	1 328 622
BBB+	1 231	2 312	-	-	3 542
BBB	-	31 802	-	-	31 802
BBB-	-	122 873	-	-	122 873
Other [1]	-	33 482 292	-	-	33 482 292
Not rated [*]	7 435	44 393	-	93 660	145 488
Total	**279 525**	**35 401 241**	**71 526**	**93 660**	**35 845 951**

[1] This includes the B&CB, Retail, REM and LDFU loans. These clients are not rated externally by Fitch. The Bank has its own credit rating system for these clients. The Bank performs a credit assessment by verifying security provision, cash flow forecasts, the level of financial leverage which determines the level of financial risk and indicates the extent that debt is covered by assets.

[*] These assets do not have a formal rating grade. The most significant assets in this group relate to outstanding reinsurance recoveries, with an international AA- rated reinsurer, and outstanding balances from SARS in LBLIC. (Refer to note 39 as these two significant assets were settled in April 2015). Furthermore, the cash in the foreign call account has not been rated.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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Gross loan book exposure by agricultural sector

2015

Business & Corporate Banking

Animal products	Total loan R'000	% Animal Products Loans	% Loan Book	Arrears R'000	% Arrears Animal Products	% Total Arrears
Cattle	408 631	65%	1%	182 269	97%	9%
Ostriches	160 831	26%	2%	5 070	3%	0%
Poultry	57 593	9%	0%	-	0%	0%
Total	**627 055**	**100%**	**3%**	**187 339**	**100%**	**9%**

Field crops	Total loan R'000	% Field Crop Loans	% Loan Book	Arrears R'000	% Arrears Field Crops	% Total Arrears
Grain	7 934 879	32%	25%	3	0%	0%
Sugar	91 371	0%	0%	-	0%	0%
Maize	4 220	0%	0%	60	7%	0%
Oil seeds	16 868 562	68%	53%	782	93%	0%
Tobacco	34 331	0%	0%	-	0%	0%
Wheat	-	0%	0%	-	0%	0%
Total	**24 933 363**	**100%**	**78%**	**845**	**100%**	**0%**

Horticultural products	Total loan R'000	% Horticultural Products Loans	% Loan Book	Arrears R'000	% Arrears Horticultural Products	% Total Arrears
Citrus fruit	664 063	27%	2%	397 774	91%	20%
Cash crops	277 738	11%	1%	40 129	9%	2%
Deciduous fruit	846 395	34%	3%	547	0%	0%
Plantations	105 449	4%	0%	-	0%	0%
Subtropic fruits	73 414	3%	0%	-	0%	0%
Wine	533 808	21%	2%	1 469	0%	0%
Total	**2 500 867**	**100%**	**8%**	**439 919**	**100%**	**22%**

Miscellaneous	Total loan R'000	% Miscellaneous Loans	% Loan Book	Arrears R'000	% Arrears Miscellaneous	% Total Arrears
Agri-business	2 242 426	63%	7%	1 180 518	84%	58%
Feedlot	137 630	4%	0%	24 107	2%	1%
Forestry products	623 433	18%	2%	-	0%	0%
Other	542 559	15%	2%	200 311	14%	10%
Total	**3 546 048**	**100%**	**11%**	**1 404 936**	**100%**	**69%**
Grand total	**31 607 333**	**100%**	**100%**	**2 033 039**	**100%**	**100%**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2014

Business & Corporate Banking

Animal products	Total loan R'000	% Animal Products Loans	% Loan Book	Arrears R'000	% Arrears Animal Products	% Total Arrears
Cattle	404 898	72%	1%	17 184	69%	4%
Ostriches	78 118	14%	0%	7 801	31%	2%
Poultry	80 587	14%	0%	-	0%	0%
Total	**563 603**	**100%**	**1%**	**24 985**	**100%**	**6%**

Field crops	Total loan R'000	% Field Crop Loans	% Loan Book	Arrears R'000	% Arrears Field Crops	% Total Arrears
Grain	2 142 418	10%	8%	89 307	53%	19%
Sugar	77 409	0%	0%	-	0%	0%
Maize	5 229 464	24%	18%	11 485	7%	2%
Oil seeds	14 331 991	66%	51%	68 416	40%	14%
Tobacco	48 297	0%	0%	-	0%	0%
Wheat	-	0%	0%	-	0%	0%
Total	**21 829 579**	**100%**	**77%**	**169 208**	**100%**	**35%**

Horticultural products	Total loan R'000	% Horticultural Products Loans	% Loan Book	Arrears R'000	% Arrears Horticultural Products	% Total Arrears
Citrus fruit	722 697	30%	3%	-	0%	0%
Cash crops	300 301	12%	1%	3 438	8%	1%
Deciduous fruit	764 262	32%	3%	138	0%	0%
Plantations	114 588	5%	1%	22	0%	0%
Subtropic fruits	69 754	3%	0%	34 098	81%	7%
Wine	442 870	18%	2%	4 368	11%	1%
Total	**2 414 472**	**100%**	**10%**	**42 064**	**100%**	**9%**

Miscellaneous	Total loan R'000	% Miscellaneous Loans	% Loan Book	Arrears R'000	% Arrears Miscellaneous	% Total Arrears
Agri-business	2 106 136	59%	7%	168 781	71%	35%
Feedlot	66 145	2%	0%	35 981	15%	8%
Forestry products	606 563	17%	2%	-	0%	0%
Other	762 154	22%	3%	32 149	14%	7%
Total	**3 540 998**	**100%**	**12%**	**236 911**	**100%**	**50%**
Grand total	**28 348 652**	**100%**	**100%**	**473 168**	**100%**	**100%**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2015

Retail [1]

Animal products	Total loan R'000	% Animal Products Loans	% Loan Book	Arrears R'000	% Arrears Animal Products	% Total Arrears
Cattle	1 519 634	49%	25%	92 908	54%	20%
Feedlot	14 101	0%	0%	9 350	5%	2%
Game	125 170	4%	2%	2 136	1%	0%
Goats	46 678	2%	1%	1 512	1%	0%
Pigs	17 202	1%	0%	2 338	1%	0%
Poultry	250 136	8%	4%	40 711	24%	9%
Sheep	1 138 168	36%	17%	21 769	14%	5%
Total	**3 111 089**	**100%**	**49%**	**170 724**	**100%**	**36%**

Field crops	Total loan R'000	% Field Crop Loans	% Loan Book	Arrears R'000	% Arrears Field Crops	% Total Arrears
Fodder crops	84 920	6%	1%	6 816	4%	1%
Maize	771 729	53%	12%	82 832	54%	17%
Oil seeds	73 895	5%	1%	827	1%	0%
Sugar cane	473 910	32%	8%	60 548	41%	13%
Cotton	4 501	0%	0%	609	0%	0%
Wheat	54 548	4%	1%	556	0%	0%
Total	**1 463 503**	**100%**	**23%**	**152 188**	**100%**	**31%**

Horticultural products	Total loan R'000	% Horticultural Products Loans	% Loan Book	Arrears R'000	% Arrears Horticultural Products	% Total Arrears
Cash crops	325 427	26%	6%	51 310	43%	11%
Citrus fruit	199 964	16%	3%	4 208	3%	1%
Deciduous fruit	251 008	20%	4%	24 743	20%	5%
Flowers	2 182	0%	0%	-	0%	0%
Hops	10	0%	0%	10	0%	0%
Nuts	101 043	8%	2%	418	0%	0%
Plantations	22 596	2%	0%	1 230	1%	0%
Subtropical fruit	31 041	2%	1%	12 727	10%	3%
Tea	9 838	1%	0%	21	0%	0%
Vineyards	311 672	25%	6%	28 235	23%	7%
Total	**1 254 781**	**100%**	**22%**	**122 902**	**100%**	**27%**

Miscellaneous	Total loan R'000	% Miscellaneous Loans	% Loan Book	Arrears R'000	% Arrears Miscellaneous	% Total Arrears
Agri-business	33 038	9%	1%	26 945	90%	6%
Ostriches	13 860	4%	0%	996	3%	0%
Dairy	268 487	75%	4%	465	2%	0%
Other	44 598	12%	1%	1 553	5%	0%
Total	**359 983**	**100%**	**6%**	**29 959**	**100%**	**6%**
Grand total	**6 189 356**	**100%**	**100%**	**475 772**	**100%**	**100%**

[1] The analysis includes RCB and REM.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2014

Retail [1]

Animal products	Total loan R'000	% Animal Products Loans	% Loan Book	Arrears R'000	% Arrears Animal Products	% Total Arrears
Cattle	1 538 053	52%	27%	118 563	65%	22%
Feedlot	21 303	1%	0%	7 479	4%	1%
Game	125 620	4%	2%	1 096	1%	0%
Goats	47 212	2%	1%	2 181	1%	0%
Pigs	18 845	1%	0%	2 261	1%	0%
Poultry	190 863	7%	3%	37 486	20%	8%
Sheep	989 645	33%	17%	14 145	8%	4%
Total	**2 931 541**	**100%**	**50%**	**183 211**	**100%**	**35%**

Field crops	Total loan R'000	% Field Crop Loans	% Loan Book	Arrears R'000	% Arrears Field Crops	% Total Arrears
Fodder crops	68 170	5%	1%	7 214	5%	1%
Maize	610 444	49%	11%	81 558	53%	17%
Oil seeds	21 651	2%	0%	775	1%	0%
Sugar cane	495 284	40%	9%	61 415	40%	12%
Cotton	5 031	0%	0%	859	1%	0%
Wheat	52 025	4%	1%	548	0%	0%
Total	**1 252 605**	**100%**	**22%**	**152 369**	**100%**	**30%**

Horticultural products	Total loan R'000	% Horticultural Products Loans	% Loan Book	Arrears R'000	% Arrears Horticultural Products	% Total Arrears
Cash crops	390 350	32%	8%	57 141	37%	12%
Citrus fruit	167 722	14%	3%	4 972	3%	1%
Deciduous fruit	245 593	20%	4%	34 923	23%	7%
Flowers	5 237	0%	0%	2 400	2%	0%
Hops	10	0%	0%	10	0%	0%
Nuts	63 939	5%	1%	722	0%	0%
Plantations	16 338	1%	0%	975	1%	0%
Subtropical fruit	29 994	2%	1%	13 524	9%	3%
Tea	8 309	1%	0%	20	0%	0%
Vineyards	304 719	25%	6%	38 057	25%	7%
Total	**1 232 211**	**100%**	**23%**	**152 744**	**100%**	**30%**

Miscellaneous	Total loan R'000	% Miscellaneous Loans	% Loan Book	Arrears R'000	% Arrears Miscellaneous	% Total Arrears
Agri-business	33 855	11%	1%	22 150	85%	5%
Ostriches	15 435	5%	0%	1 795	7%	0%
Dairy	182 910	61%	3%	229	1%	0%
Other	68 060	23%	1%	1 759	7%	0%
Total	**300 260**	**100%**	**5%**	**25 933**	**100%**	**5%**
Grand total	**5 716 617**	**100%**	**100%**	**514 257**	**100%**	**100%**

[1] The analysis includes RCB and REM.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

37.2.2 Credit exposure by line of business - loan book

	2015		2014	
Group and Bank	R'000	% Total	R'000	% Total
Gross loan book				
Continuing operations				
Business & Corporate Banking	**31 607 333**	**82%**	28 348 652	82%
Retail Commercial Banking	**5 700 304**	**15%**	5 325 465	15%
Retail Emerging Markets	**489 051**	**1%**	391 152	1%
Total gross loan book from continuing operations	**37 796 688**	**98%**	34 065 269	98%
Less:	**(1 085 115)**		(783 989)	
Suspended interest and fees	**(132 194)**		(223 045)	
Impairment provision	**(952 921)**		(560 944)	
Carrying amount of loans from continuing operations	**36 711 573**		33 281 280	
Discontinued operations				
LDFU	**630 614**	**2%**	630 607	2%
Total gross loan book from discontinued operations	**630 614**	**2%**	630 607	2%
Less:	**(488 712)**		(488 403)	
Suspended interest and fees	**(128 165)**		(128 165)	
Impairment provision	**(360 547)**		(360 238)	
Carrying amount of loans from discontinued operations	**141 902**		142 204	
Balance per annual financial statements - total carrying amount (notes 11 and 12)	**36 853 475**	**100%**	33 423 484	100%

The Bank's B&CB division, which provides loans to agricultural cooperatives and agribusiness companies, continues to account for the bulk of the Bank's overall credit exposure. The LDFU loans constitute 2% (FY2014: 2%) of total loans and the LDFU operations have been classified as discontinued (notes 12 and 22).

37.2.3 Credit exposure by maturity - Gross loan book

Based on the maturity of the loans as disclosed in note 11 and 12, the credit exposure by maturity is as follows:

	2015 R'000	2015 % Total	2014 R'000	2014 % Total
Short-term	**18 729 230**	**49%**	11 431 825	33%
Medium-term	**2 666 842**	**7%**	9 206 633	27%
Long-term	**17 031 230**	**44%**	14 057 418	40%
	38 427 302	**100%**	34 695 876	100%

In terms of the exposure profile by maturity, the Land Bank's exposure concentrates on the long-term - i.e. loans extended for periods of five years and longer. The exposure as at 31 March is R18.7 billion (FY2014: R14.1 billion). For a breakdown per product refer to note 11.1. Included in the medium term, is a 3 year facility which gets reviewed on an annual basis and therefore has a short-term profile.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Credit exposure by geographic/regional distribution

2015	Business & Corporate Banking	Retail Commercial Banking	Retail Emerging Markets	LDFU	Total	Total
Province	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**
Eastern Cape	619 116	814 327	110 091	-	1 543 534	4%
Free State	3 322 446	980 963	486	-	4 303 895	11%
Gauteng	4 261 430	100 134	290 769	92 857	4 745 190	12%
KwaZulu-Natal	222 504	367 247	915	439 980	1 030 646	3%
Mpumalanga	6 669 840	574 541	49 684	-	7 294 065	19%
Northern Cape	1 846 772	1 148 886	17 198	-	3 012 856	8%
Limpopo	50 300	302 984	1 597	-	354 881	1%
North West	11 381 204	670 124	18 310	97 777	12 167 415	32%
Western Cape	3 233 721	741 098	1	-	3 974 820	10%
Gross loan book	**31 607 333**	**5 700 304**	**489 051**	**630 614**	**38 427 302**	**100%**

2014	Business & Corporate Banking	Retail Commercial Banking	Retail Emerging Markets	LDFU	Total	Total
Province	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**
Eastern Cape	823 889	748 086	60 130	-	1 632 105	5%
Free State	2 419 712	929 554	484	-	3 349 750	10%
Gauteng	7 643 771	90 234	272 324	92 848	8 099 177	23%
KwaZulu-Natal	85 295	357 871	53	439 981	883 200	3%
Mpumalanga	142 024	1 020 715	893	-	1 163 632	3%
Northern Cape	4 935 520	545 533	48 245	-	5 529 298	16%
Limpopo	1 705 948	358 625	1 924	-	2 066 497	6%
North West	7 453 997	577 305	7 094	97 777	8 136 173	23%
Western Cape	3 138 496	697 543	5	-	3 836 044	11%
Gross loan book	**28 348 652**	**5 325 466**	**391 152**	**630 606**	**34 695 876**	**100%**

37.3 Liquidity risk

Definition

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities as they become due and payable.

Liquidity risk can develop when short-term assets cannot be readily converted into cash to match the net outflow of liabilities. The liquidity situation of the bank is captured by the maturity profile of projected uses and sources of funds. These determine the time profile of the "gap" between uses and sources of funds. The magnitude of these gaps, and their stability over time, provide an overall image of its liquidity position.

The group faces the following types of liquidity risk:

- Funding of the Bank's net increase in lending;
- Insurance claims which are due for payment; and
- A net withdrawal of funds.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Control and management

The following control measures are in place:
- A liquidity committee meets on a monthly basis to determine liquidity ranges
- Active monitoring of clients cash flow projections
- A dynamic liquidity management policy and a liquidity contingency plan
- Actively attracting new investors and funding sources
- Increased investor limits and appetite
- 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 buffer of liquidity to be able to address fluctuations in its cash flow position.

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

Liquidity risk is first of all managed by matching the liabilities with assets that have similar maturity profiles. Expected cash flows are taken into account when reviewing the investment strategy annually for the allocation of financial instruments. Most of the insurance company's assets are shareholder's assets, which are held in highly liquid, open ended instruments. The investment strategy, furthermore allocates assets backing policyholders' liabilities to short term liquid instruments in the form of cash and bonds in equal proportions. The statutory CAR for LBLIC was calculated to be 95.2 times, which means that the insurance company has ample surplus assets to cover liabilities.

The insurance companies are exposed to regular calls on their available cash resources from claims and expenses. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The companies actively manage their cash resources split between short-term and long-term requirements to ensure that sufficient cash is at hand to settle insurance liabilities and operating expense obligations based on cash flow projections. Both LBLIC and LBIC have sufficient cash resources to cover their obligations.

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.

Cash at bank

The pool of liquid assets (in cash) is invested with reputable financial institutions according to an approved counterparty risk policy.

Trade and other receivables

Past trends indicate that payment has been received timeously and that the fair values post year end fairly reflect the amounts received. The housing loans have been discounted to the present value using the prime interest rate.

Repurchase agreements, derivative assets, market making assets and investments

The amounts are receivable from reputable institutions and funds invested are managed by reputable asset managers. Past trends indicate that payment has been received timeously and that the fair values post year end fairly reflect the amounts received.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

The tables below summarise the maturity analysis for financial liabilities:

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Financial liabilities				
Trade and other payables	**647 720**	253 714	**605 648**	184 368
Short-term insurance liabilities	**82 454**	2 004		
Market-making liabilities	**-**	5 812	**-**	5 812
Long-term policyholder liability	**33 097**	40 065		
Funding and liabilities held-for-sale [1]	**31 671 833**	28 990 629	**31 671 833**	28 990 629
Post-retirement obligation	**297 780**	267 453	**297 780**	267 453
Total financial liabilities	**32 732 884**	29 559 677	**32 575 261**	29 448 262

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2015 Financial liabilities	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	> 5 years R'000	Open ended R'000	Total R'000
Financial liabilities at fair value through profit or loss								
Funding at fair value through profit or loss [1]	-	-	-	-	5 803 130	500 168	-	**6 303 298**
Other financial liabilities								
Trade and other payables	557 389	-	-	9 101	7 568	2 234	29 356	**605 648**
Funding at amortised cost [1]	10 228 095	4 513 656	2 912 764	4 311 813	2 817 303	87 500	497 404[2]	**25 368 535**
Post-retirement obligation	-	-	-	-	-	297 780	-	**297 780**
Bank at 31 March 2015	**10 785 484**	**4 513 656**	**2 912 764**	**4 320 914**	**8 628 001**	**887 682**	**526 760**	**32 575 261**
Less: intercompany loan (LBLIC)	-	-	-	-	(283 797)	-	-	**(283 797)**
Less: intercompany loan (LBIC)	(3 436)	-	-	-	-	-	-	**(3 436)**
LBLIC								
Other financial liabilities								
Trade and other payables	7 754	2 151	428	-	283 622	-	-	**293 955**
Short-term insurance liabilities	-	-	223	-	-	-	-	**223**
Long-term policyholders' liabilities	2 685	1 335	4 659	1 335	20 483	2 600	-	**33 097**
LBIC								
Other financial liabilities								
Trade and other payables	35 174	-	-	-	176	-	-	**35 350**
Short-term insurance liabilities	67 443	13 874	-	-	838	76	-	**82 231**
Group at 31 March 2015	**10 895 104**	**4 531 016**	**2 918 074**	**4 322 249**	**8 649 323**	**890 358**	**526 760**	**32 732 884**

[1] Refer to note 19 for the split of the funding liabilities.
[2] Represents callable deposits.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2014 Financial liabilities	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	> 5 years R'000	Open ended R'000	Total R'000
Financial liabilities at fair value through profit or loss								
Funding at fair value through profit or loss [1]	-	-	-	1 343 274	3 133 670	-	-	**4 476 944**
Market-making liabilities	5 812	-	-	-	-	-	-	**5 812**
Other financial liabilities								
Trade and other payables	139 745	-	-	6 609	8 502	2 233	27 279	**184 368**
Funding at amortised cost [1]	7 064 956	5 762 801	3 743 430	3 815 503	3 744 075	100 000	282 920	**24 513 685**
Post-retirement obligation	-	-	-	-	-	267 453	-	**267 453**
Bank at 31 March 2014	**7 210 513**	**5 762 801**	**3 743 430**	**5 165 386**	**6 886 247**	**369 686**	**310 199**	**29 448 262**
Less: intercompany loan	-	-	-	-	(283 758)	-	-	**(283 758)**
LBLIC								
Other financial liabilities								
Trade and other payables	15 427	53 239	564	116	283 758	-	-	**353 104**
Short-term insurance liabilities	1 394	-	610	-	-	-	-	**2 004**
Long-term policyholders' liabilities	4 250	1 845	2 760	1 845	24 636	3 592	1 137	**40 065**
Group at 31 March 2014	**7 231 584**	**5 817 885**	**3 747 364**	**5 167 347**	**6 910 883**	**373 278**	**311 336**	**29 559 677**

[1] Refer to note 19 for the split of the funding liabilities.
[2] Represents callable deposits.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

The tables below summarise the contractual maturity analysis for financial assets:

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Financial assets	**40 270 925**	36 554 364	**39 158 493**	35 361 331
Cash and cash equivalents	**1 605 673**	1 474 854	**1 369 418**	1 227 729
Trade and other receivables	**174 084**	149 268	**351 256**	342 000
Short-term insurance assets	**12 311**	1 432		
Repurchase agreements	**15 720**	15 062	**15 720**	15 062
Market-making assets	**-**	9 250	**-**	9 250
Loans and advances and assets held-for-sale	**36 853 475**	33 423 484	**36 853 475**	33 423 484
Long-term insurance assets	**675**	1 202		
Investments	**1 608 987**	1 479 812	**568 624**	343 806
Total financial assets per statement of financial position	**40 270 925**	36 554 364	**39 158 493**	35 361 331
Reconciliation of financial assets to maturity pockets				
Total of financial assets per above	**40 270 925**	36 554 364	**39 158 493**	35 361 331
Suspended interest and fees	**260 359**	351 210	**260 359**	351 210
Impairment provision	**1 313 468**	921 182	**1 313 468**	921 182
Less: Insolvencies	**(467 917)**	(274 269)	**(467 917)**	(274 269)
	41 376 835	37 552 487	**40 264 403**	36 359 454

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2015	< 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	> 5 years	Open ended	Total
Financial assets	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Financial assets at fair value through profit or loss								
Repurchase agreements	15 720	-	-	-	-	-	-	**15 720**
Investments	-	-	-	-	5 330	52 596	510 698	**568 624**
Loans and receivables								
Trade and other receivables	47 293	-	-	11 473	290 216	942	1 332	**351 256**
Gross loan book	4 994 900	5 064 011	3 882 104	722 570	7 570 515	15 725 285	-	**37 959 385**
Cash and cash equivalents	-	-	-	-	-	-	1 369 418	**1 369 418**
Bank at 31 March 2015	**5 057 913**	**5 064 011**	**3 882 104**	**734 043**	**7 866 061**	**15 778 823**	**1 881 448**	**40 264 403**
Less: Intercompany investment	-	-	-	-	-	-	(30)	**(30)**
Less: Intercompany loan (LBLIC)	-	-	-	-	(283 797)	-	-	**(283 797)**
Less: Intercompany loan (LBIC)	(3 436)	-	-	-	-	-	-	**(3 436)**
LBLIC								
Loans and receivables								
Trade and other receivables	44 111	2 668	1 489	475	-	-	-	**48 743**
Short-term insurance assets	-	-	167	-	-	-	-	**167**
Long-term insurance assets	675	-	-	-	-	-	-	**675**
Cash and cash equivalents	-	-	-	-	-	-	33 058	**33 058**
Financial assets at fair value through profit or loss								
Investments	33 910	20 848	13 025	15 327	87 642	180 767	888 874	**1 240 393**
LBIC								
Loans and receivables								
Trade and other receivables	61 318	-	-	-	-	-	-	**61 318**
Short-term insurance assets	12 144	-	-	-	-	-	-	**12 144**
Cash and cash equivalents	-	-	-	-	-	-	203 197	**203 197**
Group at 31 March 2015	**5 206 635**	**5 087 527**	**3 896 785**	**749 845**	**7 669 906**	**15 959 590**	**2 806 547**	**41 376 835**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

2014	< 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	> 5 years	Open ended	Total
Financial assets	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Financial assets at fair value through profit or loss								
Repurchase agreements	15 062	-	-	-	-	-	-	**15 062**
Market-making assets	9 250	-	-	-	-	-	-	**9 250**
Investments	-	-	-	-	9 852	47 062	286 892	**343 806**
Loans and receivables								
Trade and other receivables	27 945	-	-	11 231	300 513	1 029	1 282	**342 000**
Gross loan book	1 282 158	4 605 372	2 036 945	3 507 350	9 206 633	13 777 032	6 117	**34 421 607**
Cash and cash equivalents	-	-	-	-	-	-	1 227 729	**1 227 729**
Bank at 31 March 2014	**1 334 415**	**4 605 372**	**2 036 945**	**3 518 581**	**9 516 998**	**13 825 123**	**1 522 020**	**36 359 454**
Less: Intercompany loan	-	-	-	-	(283 758)	-	-	**(283 758)**
LBLIC								
Loans and receivables								
Trade and other receivables	45 304	28 103	17 000	619	-	-	-	**91 026**
Short-term insurance assets	976	-	456	-	-	-	-	**1 432**
Long-term insurance assets	1 202	-	-	-	-	-	-	**1 202**
Cash and cash equivalents	-	-	-	-	-	-	247 125	**247 125**
Financial assets at fair value through profit or loss								
Investments	138 465	9 315	6 002	67 916	16 875	141 974	755 459	**1 136 006**
Group at 31 March 2014	**1 520 362**	**4 642 790**	**2 060 403**	**3 587 116**	**9 250 115**	**13 967 097**	**2 524 604**	**37 552 487**

Liquidity analysis tables were prepared according to the certain and expected maturity dates of the assets and liabilities. There is no restriction on the ability to liquidate assets. Open ended asset and liabilities are those which do not have any maturity date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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37.4 Market risk

Definition

Market risk is the risk of adverse deviations of the mark-to-market value of the trading portfolio during the period required to liquidate the transactions. Market risk exists for any period of time.

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

Objective of market risk monitoring

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

Market risk - Insurance activities

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

(a) Appointment of an Investment and Actuarial Committee. The mandate of this Board sub-committee includes the following:
   i) 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;
   ii) 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;
   iii) Monitoring of the performance of investment managers against "appropriate benchmarks" as well as compliance with mandates; and
   iv) Ensuring proper governance in the investment process.

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

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

Interest rate risk

Interest rate risk is the risk of declines of earnings and market values of assets due to movements of interest rates. Most of the statement of financial position items of the Group generate revenue and costs which are interest rate related.

Interest rate risk monitoring

ALCO consisting of the bank's executive management monitors the implementation of the Bank's interest rate risk policy. ALCO formulates medium to long-term interest rate views as the official forecast of interest rates. Sensitivity analysis is performed by the independent risk monitoring department where the interest rate risk limit is set.

Fixed/ floating rate funding

When interest rates are expected to change, the ratio of the interest rate mismatch between fixed and floating interest rates applicable to assets and liabilities can be adjusted in such a manner that the Bank benefits from the expected interest rate view.

Interest rate risk policy

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

Sensitivity analysis

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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 2015:

Bank

	2015		2014	
	Net interest income R'000	Effect on equity R'000	Net interest income R'000	Effect on equity R'000
Incremental change in yield				
Expected NII	**1 200 530**	**-**	1 147 060	-
Potential movement: 100 Basis point up	**1 290 300**	**90 000**	1 380 900	233 840
Potential movement: 100 Basis point down	**1 110 750**	**(90 000)**	913 220	(233 840)

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. The company holds a variety of government and corporate bonds with varying maturities, which carry fixed and floating interest rates. Exposure to interest rate risk is monitored through various methods including scenario and stress testing which calculates the market exposure based on interest rate movements (of -100 Basis points and +100Basis points).

Sensitivity analysis on interest bearing assets

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

LBLIC

	Impact on the statement of profit or loss and other comprehensive income	
	2015 R'000	2014 R'000
Incremental change in yield		
100 Basis points decrease	**10 989**	13 576
100 Basis points increase	**(10 266)**	(13 039)

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

Equity price risk

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

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for the year ended 31 March 2015

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 2015) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Group		Bank	
	Change in equity price	Effect on equity	Change in equity price	Effect on equity
	%	R'000	%	R'000
2015				
Individual stocks and indices	**10**	**76 016**	**10**	**28 444**
2014				
Individual stocks and indices	10	72 782	10	23 269

The effect on equity has been calculated using the equity balances at year end.

Price risk - LBLIC

LBLIC is subject to market price risk resulting from daily changes in the fair value of market prices of the instruments within its investment portfolios. The company's objective is to earn competitive returns for the shareholder by investing in a diverse portfolio of high quality, liquid securities. The company holds a variety of equity derivatives for transaction management and hedging purposes.

Sensitivity analysis on equity instruments

	Impact on the statement of profit or loss and other comprehensive income	
	2015	2014
	R'000	R'000
Incremental change in price		
Excluding the impact of derivatives		
10% decrease	**(56 133)**	(56 514)
5% decrease	**(28 067)**	(28 257)
5% increase	**28 067**	28 257
10% increase	**56 133**	56 514
Including the impact of derivatives		
10% decrease	**(51 097)**	(51 554)
5% decrease	**(25 548)**	(25 777)
5% increase	**25 548**	25 777
10% increase	**51 097**	51 554

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Currency risk

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

Group

	United States Dollar	Total
	US$'000	R'000
31 March 2015		
Equities - USD base currency unit trusts	11 886	144 016
Cash, deposits and similar securities	766	9 282
Hedge funds	1 769	21 433
Foreign currency exposure	14 421	174 731
Exchange rates (ZAR:USD):		
Closing rate - 31 March 2015	12.12	0.08
Average rate	11.32	0.09

Group

	United States Dollar	Total
	US$'000	R'000
31 March 2014		
Equities - USD base currency unit trusts	11 211	117 939
Cash, deposits and similar securities	379	3 989
Hedge funds	1 237	13 015
Bonds	1 410	14 828
Foreign currency exposure	14 237	149 771
Exchange rates (ZAR:USD):		
Closing rate - 31 March 2014	10.52	0.10
Average rate	10.12	0.10

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Sensitivity analysis - currency risk

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

LBLIC

	Impact on the statement of profit or loss and other comprehensive income 2015 R'000	2014 R'000
Incremental change in yield		
USD		
10% decrease	**(17 473)**	(14 977)
5% decrease	**(8 737)**	(7 489)
5% increase	**8 737**	7 489
10% increase	**17 473**	14 977

Impairment

Sensitivity analysis

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

Based on the effect of a reasonable possible change in interest rates, and all other variables held constant, the Bank's profit would be as follows using data as at 31 March 2015:

	Interest income R'000	Net impairment charges, claims and recoveries R'000	Non-interest (expense)/ income R'000	Loans and advances R'000	Effect on equity R'000
Rate analysis					
31 March 2015					
As at 31 March 2015: 5%	**3 106 718**	**212 618**	**(130 879)**	**36 870 320**	**-**
Potential movement: 10%	**3 116 797**	**233 966**	**(129 695)**	**36 902 931**	**32 611**
Potential movement: 0%	**3 096 640**	**191 270**	**(132 063)**	**36 837 709**	**(32 611)**
31 March 2014					
As at 31 March 2014: 5%	2 468 617	142 182	(53 517)	33 281 280	-
Potential movement: 10%	2 479 573	165 204	(54 810)	33 316 552	35 272
Potential movement: 0%	2 457 658	119 160	(52 225)	33 246 009	(35 272)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

37.5 Insurance risk

37.5.1 Insurance risk - long-term

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

Mortality risk

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

This risk is mitigated by the following factors:

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

Persistency risk

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

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

Expense risk

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

Reinsurance risk

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

The cover is placed on the local reinsurance market. The core components of the reinsurance programme comprise:

- Individual excess of loss which limits exposure per policyholder to R1 million, prior to the effect of the quota share treaty.
- Individual quota share which provides protection of 50% of the retained portion, after the excess of loss.

The LBLIC Board approves the reinsurance renewal process on an annual basis. The reinsurance program is in place with a local reinsurer which has a credit rating of AA-.

Claims risk

The risk that the Group may pay out fraudulent claims is mitigated by trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

It is also the risk that a change in value caused by the ultimate costs for full contractual obligations which varies from those assumed when these obligations were estimated. Estimated claims are monitored periodically and updated based on the latest information if needed. Furthermore, an actuarial valuation by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2015, 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 2015, 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

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).

2015			Value	Change	
Policyholders' liabilities			**R'000**	**R'000**	**%**
Base value			**32 422**		
Investment return	+1%	from 6.05% to 7.05%	31 057	(1420)	(4.37%)
	-1%	from 6.05% to 5.05%	34 057	1 580	4.86%
Mortality	+10%	1.1 x mortality	35 039	2 561	7.89%
	-10%	0.9 x mortality	29 863	(2 615)	(8.05%)
Expenses	+10%	from 55.0% to 60.5%	35 298	2 820	8.68%
	-10%	from 55.0% to 49.5%	29 698	(2 780)	(8.56%)

2014			Value	Change	
Policyholders' liabilities			**R'000**	**R'000**	**%**
Base value			**37 269**		
Investment return	+1%	from 5.65% to 6.65%	35 424	(2 417)	(6.48%)
	-1%	from 5.65% to 4.65%	39 905	2 064	5.45%
Mortality	+10%	1.1 x mortality	41 286	3 445	9.24%
	-10%	0.9 x mortality	33 691	(4 150)	(11.14%)
Expenses	+10%	from 55.0% to 60.5%	41 028	3 187	8.55%
	-10%	from 55.0% to 49.5%	34 049	(3 791)	(10.17%)

37.5.2 Insurance risk - short-term

LBIC provides indemnity for crops, motor vehicles and property.

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. 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.

Insurance risk arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks when underwritten;
- Inadequate reinsurance protection;
- Inadequate reserving; and
- Fraudulent claims.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. The principal risks the insurance companies face are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, provide to be insufficient.

By the very nature of an insurance contract, this risk is random and therefore unpredictable. Changing risk parameters and unforeseen factors, such as patterns of economic and geographical circumstances, may result in unexpected large claims. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

37.5.2.1 Pricing

Both LBLIC and LBIC bases their pricing policy on the theory of probability. Underwriting limits are set for the underwriting manager and brokers to ensure that this policy is consistently applied.

The net claims ratio for LBLIC and LBIC, which are important in monitoring insurance risk are summarised below:

	2015	2014
Loss history		
LBLIC: Net insurance benefits and claims on short-term business expressed as a % of net earned premiums	**476%**	(62%)
LBIC: Net insurance benefits and claims on short-term business expressed as a % of net earned premiums	**(98%)**	

As the LBLIC short-term portfolio is in the third year of run-off, the main effect of claims has been the release of claims reserves. 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 catastrophe reinsurance programme mitigates the risk arising from this.

37.5.2.2 Claims risk

The risk that the Group may pay out fraudulent claims is mitigated by trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

It is also the risk that a change in value caused by the ultimate costs for full contractual obligations which varies from those assumed when these obligations were estimated. Estimated claims are monitored periodically and updated based on the latest information if needed. The Group utilises independent assessors who appraise and confirm claims as well as quantification by the underwriting manager channel. Furthermore, an actuarial valuation is done by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2015, both LBLIC and LBIC believe that their liabilities for claims are adequate.

37.5.2.3 Reinsurance

LBLIC and LBIC have third party reinsurance cover to reduce risks from single events or accumulations of risks that could have a significant impact on the current year's earnings.

This cover is placed on the international reinsurance market. The core components of the reinsurance programme comprise 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 for claims, which provides protection to limit losses to 30% per event; and
- Catastrophe cover to the extent of 300% of the total exposure across the board by stop loss treaty.

The LBLIC and LBIC Boards approve the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is in place with external reinsurers which have a credit rating of no less than A+ for Life Insurance and AA- for short-term insurance .

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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37.5.2.4 Concentration risk

Investment portfolio concentration risk

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

	2015		2014	
	R'000	%	R'000	%
Asset classes				
Equities - local *	**531 906**	**43%**	550 684	49%
Resources	**79 786**	**15%**	137 671	25%
Financials	**175 529**	**33%**	132 164	24%
Industrials	**276 591**	**52%**	280 849	51%
Commodities - local *	**26 170**	**2%**	14 457	1%
Bonds - local	**260 975**	**21%**	218 085	19%
Cash, deposits and similar securities - local	**239 413**	**20%**	198 129	17%
Investment policy - property	**3 256**	**0%**	4 880	1%
Foreign assets	**178 676**	**14%**	149 771	13%
Total	**1 240 396**	**100%**	1 136 006	100%

*The comparative disclosure breakdown has been realigned to conform to the FY2015 presentation.

8.72% of the portfolio was held in RSA central government bonds as at 31 March 2015 (7.26%: FY2014)

6.92% of the portfolio was held in an Investec Money Markey fund as at 31 March 2015 (7.3%: FY2014)

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 have been assigned to each asset class. All classes were within bounds as at 31 March 2015.

Asset classes	Lower bound	Upper bound
Equities - local	30%	50%
Bonds - local	20%	40%
Cash, deposits and similar securities - local	10%	30%
Foreign assets	5%	15%

The investment policy bounds effective in FY2014 were as follows :

Asset classes	Lower bound	Upper bound
Equities - local	30%	60%
Bonds - local	10%	30%
Cash, deposits and similar securities - local	5%	40%
Foreign assets	0%	15%

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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Insurance concentration risk

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the company's resources. The company operates in the long-term insurance business, with a small run-off portfolio of short-term insurance (crop) business.

Gross written premium by business - LBLIC

	2015 R'000	2014 R'000
Portfolio		
Long-term insurance	**6 178**	7 435
Short-term insurance	**(159)**	2 282
	6 019	9 717

Short-term insurance concentration risk (run-off)

The company monitored the short-term insurance concentration risk by class of business and geographical segment.

Short-term insurance gross written premium by class of business (run-off)

	2015 R'000	2014 R'000
Portfolio		
Hail summer	**-**	1 347
Hail winter	**-**	175
Horticulture	**-**	650
Multi-peril winter	**(159)**	110
	(159)	2 282

Short-term insurance gross written premium by geographical segment (run-off)

	2015 R'000	2014 R'000
Portfolio		
Northern Cape	**-**	1 347
Limpopo/ Mpumalanga/ Gauteng	**-**	650
Western Cape	**(159)**	285
	(159)	2 282

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.

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Long-term insurance gross written premium by class of business

	2015 R'000	2014 R'000
Portfolio		
Declining term	**5 514**	6 815
Level term	**664**	620
	6 178	7 435

Long-term insurance gross written premium by age bands

	2015 R'000	2014 R'000
Portfolio		
20 - 29	**13**	20
30 - 39	**156**	176
40 - 49	**435**	510
50 - 59	**1 667**	1 975
60 - 69	**2 578**	3 112
70+	**1 329**	1 642
	6 178	7 435

	2015			2014		
Portfolio	Number	Value R'000	Average R'000	Number R'000	Value R'000	Average R'000
20 - 29	**7**	**3 075**	**439**	5	1 350	270
30 - 39	**65**	**28 636**	**441**	93	32 000	344
40 - 49	**295**	**66 375**	**225**	347	74 895	216
50 - 59	**637**	**131 859**	**207**	767	149 565	195
60 - 69	**562**	**116 896**	**208**	616	113 320	184
70+	**206**	**32 911**	**160**	224	33 360	149
	1 772	**379 752**	**214**	2 052	404 490	197

37.5.2.4 Concentration risk

Short-term 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 short-term company's resources. The company operates on both crop and agri-asset insurance business.

Gross written premium by business

	2015 R'000	2014 R'000
Portfolio		
Short-term insurance (crop)	**137 503**	-
Short-term insurance (assets)	**878**	-
	138 381	-

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for the year ended 31 March 2015

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

	2015 R'000	2014 R'000
Portfolio		
Hail summer	85 934	-
Hail winter	21 033	-
Horticulture	15 497	-
Multi-peril summer	13 468	-
Multi-peril winter	1 571	-
	137 503	-

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

	2015 R'000	2014 R'000
Portfolio		
Motor	494	-
	384	-
	878	-

Short-term crop insurance gross written premium by geographical segment

	2015 R'000	2014 R'000
Portfolio		
Northern Cape	16 867	-
KwaZulu-Natal	23 810	-
Eastern Cape	7 905	-
Limpopo/ Mpumalanga/ Gauteng	28 570	-
Free State	44 625	-
North West	13 044	-
Western Cape	2 682	-
	137 503	-

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37.6 Capital management

The primary source of insurance capital used by the Group is equity shareholder's funds and borrowings. The Group also utilises where it is efficient to do so, sources of capital such as reinsurance, in addition to more traditional sources of funding. The amount of capital required is directly linked to risks arising from insurance business underwritten, as well as the Group's financial 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 maintain the required level of stability of the Group thereby providing a degree of security to policyholders;
- 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 retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- 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; and
- To maintain healthy capital ratios in order to support its business objectives.

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:

- Appropriate matching of assets and liabilities;
- Effective management of operational risk - a sound internal control framework reduces operational risk, which in turn has a positive effect on 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. The Group uses an internal guideline issued by National Treasury for capital management. This ratio is calculated as a percentage of the capital and reserves plus the support provided by the government over total weighted assets.

Capital Adequacy Requirements (CAR) - Insurance activities

The Long-term and Short-term Insurance Acts of 1998 specify a standard approach to be used in the insurance industry to assess the level of solvency (or financial strength) of an insurance company. The methodology requires the calculation of an amount representing the minimum level of capital required by each insurer to adequately cover risks inherent in the business it conducts. This measure is the Capital Adequacy Requirement (CAR).

The Statutory CAR calculation is performed on a prescribed methodology for long-term insurance, as set out in the FSB Board Notice 14 of 2010. The calculation has a number of distinct components designed to put a numerical value to the different risks in the business. The CAR is not included in the policy liabilities as a contingency reserve, it is the additional amount required, over and above the actuarial liabilities, to ensure the company is able to meet material deviations in the main assumptions effecting the assurer's business. It is an independent benchmark against which the solvency level of an insurer can be measured. The FSB has been reviewing the prudential regulatory regime for insurers, in line with Solvency II in Europe, under the SAM regime. Pillar 1 focuses on capital adequacy. A Quantitative Impact Study was done on the prior reporting period's results, in preparation for SAM, as well as parallel runs on statutory returns in the current reporting period. The company remains solvent under the new requirements that are expected to come into effect in 2016.

With effect from 1 January 2012, the prescribed methodology for short-term insurance was revised to reflect a more risk-based approach in CAR management. This is in line with the current development considered as part of the Solvency and Assessment Management (SAM) framework which is expected to become effective in 1 January 2016. This measure is called the Solvency Capital Adequacy Requirement (or SCR).

One of the requirements of SAM is that all insurance companies conduct an ORSA (Own Risk Solvency Assessment) to assess, monitor, manage and report on the risks faced by the company, to ensure the company's solvency needs are sufficiently met at all times.

The long-term insurance licence was issued by the FSB in the prior financial year, in July 2013. The short-term insurance licence was issued in the current financial period, in April 2014. The company meets the minimum CAR requirements as per the Long-term Act. As the short-term business is in the third year of run-off, no CAR has been calculated.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

For the long-term insurance portfolio, a minimum CAR has been allowed for as would be required by the FSB, based on the higher of:

- Ordinary CAR (OCAR) - R3.6 million (FY2014: R4.4 million); or
- Minimum CAR (MCAR) - Higher of R10.0 million and 13 weeks' operating expenditure (R2.6 million; FY2014: R2.4 million).

CAR for long-term insurance is calculated to be R10.0 million (FY2014: R10.0 million).

Excess assets over liabilities, on a statutory basis, are R 951.7 million (FY2014: R1.037 billion). CAR cover remains strong at 95.2 times (FY2014: 103.7 times) on the statutory requirements, which means that the Life Insurance Company is well capitalised. The reduction in the CAR ratio is mainly from the R200 million dividend being paid to the shareholder, whom then injected R200 million into the short term insurance company.

For the short-term legacy run-off insurance portfolio (in LBLIC), no CAR has been raised (FY2014: nil).

For the short-term insurance portfolio, a minimum CAR has been allowed for as would be required by the FSB, based on the higher of:

- R10 million;
- 15% of premium income, net of reinsurance, which amounts to R17.6 million;
- 13 weeks' operating expenditure, which amounts to R25.7 million; and
- The SCR risk based CAR which is calculated to be R40.9 million.

The CAR for short-term insurance is calculated to be R40.9 million.

Excess assets over liabilities, on a statutory basis, are R157 million (FY2014: R nil). CAR cover is strong at 2.0 times (FY2014: nil times) on the statutory requirements, which means that the LBIC is well capitalised.

Capital Adequacy Requirements (CAR) - the Land Bank

In the absence of any statutory regulation prescribing the levels of the CAR to be maintained by the Land Bank, the Bank uses a 20% gearing benchmark which is informed by part of the National Treasury guarantee conditions. This ratio is calculated by summing up the total equity and the remaining balance on the guarantee and then dividing the result by the total liabilities. The guarantee amount is reduced every time the Land Bank receives cash transfers as part of Government's commitment towards the recapitalisation of the Bank. As at 31 March 2015, the balance of the guarantee was R5.5 billion (FY2014: R2 billion). The CAR calculation is based on the National Treasury requirements.

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for the year ended 31 March 2015

	Group			Bank		
			Weighted assets			Weighted assets
	R'000	Risk %	R'000	R'000	Risk %	R'000
Assets						
Property and equipment and Intangible assets	124 492	100%	124 492	124 373	100%	124 373
Investments	1 608 987	100%	1 608 987	568 624	100%	568 624
Loans and advances[1]	36 853 475	100%	36 853 475	36 853 475	100%	36 853 475
Trade and other receivables	174 084	100%	174 084	351 256	100%	351 256
Other assets	181 838	100%	181 838	168 852	100%	168 852
Cash and cash equivalents	1 605 673	20%	321 135	1 369 418	20%	273 884
Contingent liabilities						
Individual farmers - if irrevocable	287 265	20%	57 453	287 265	20%	57 453
Agri-related businesses	34 905	20%	6 981	34 905	20%	6 981
Total weighted assets			**39 328 445**			**38 404 898**
Total liabilities			**32 930 787**			**32 769 866**
Total capital and reserves			**7 617 762**			**6 666 132**
Government guarantee			**5 500 000**			**5 500 000**
Capital adequacy ratio						
Capital divided by total liabilities			**23.13%**			**20.34%**
Capital divided by total liabilities - including guarantee			**39.83%**			**37.13%**

[1]Include assets of disposal group classified as held-for-sale.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

37.7 Carrying amount and fair value of financial instruments

	2015 Carrying amount R'000	2015 Fair value R'000	2014 Carrying amount R'000	2014 Fair value R'000
Group				
Financial assets				
Fair value through profit or loss				
Repurchase agreements	**15 720**	**15 720**	15 062	15 062
Investments	**1 608 987**	**1 608 987**	1 479 812	1 479 812
Market-making assets [1]	**-**	**-**	9 250	9 250
Loans and receivables				
Cash and cash equivalents	**1 605 673**	**1 605 673**	1 474 854	1 474 854
Trade and other receivables	**174 084**	**173 843**	149 268	149 981
Loans and advances	**36 853 475**	**36 853 475**	33 423 484	33 423 484
Total financial assets	**40 257 939**	**40 257 699**	36 551 730	36 552 443
Financial liabilities				
Fair value through profit or loss				
Funding - debentures and floating rate notes	**6 303 298**	**6 303 298**	4 476 943	4 476 943
Market-making liabilities [1]	**-**	**-**	5 812	5 812
Financial liabilities at amortised cost				
Trade and other payables	**647 720**	**647 720**	253 714	253 714
Funding	**25 368 535**	**25 368 535**	24 513 686	24 513 686
Provisions	**197 903**	**197 903**	440 017	440 017
Post-retirement obligation	**297 780**	**297 780**	267 453	267 453
Policyholders' liabilities	**33 097**	**33 097**	40 065	40 065
Total financial liabilities	**32 848 333**	**32 848 333**	29 997 690	29 997 690

[1]Financial assets/ liabilities designated as held-for-trading.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	R'000	R'000	R'000	R'000
Bank				
Financial assets				
Fair value through profit or loss				
Repurchase agreements	**15 720**	**15 720**	15 062	15 062
Investments	**568 624**	**568 624**	343 806	343 806
Market-making assets [1]	**-**	**-**	9 250	9 250
Loans and receivables:				
Cash and cash equivalents	**1 369 418**	**1 369 418**	1 227 729	1 227 729
Trade and other receivables	**351 256**	**351 015**	342 000	341 714
Loans and advances	**36 853 475**	**36 853 475**	33 423 484	33 423 484
Total financial assets	**39 158 493**	**39 158 252**	35 361 331	35 361 045
Financial liabilities				
Fair value through profit or loss				
Funding - debentures and promissory notes	**6 303 298**	**6 303 298**	4 476 943	4 476 943
Market-making liabilities [1]	**-**	**-**	5 812	5 812
Financial liabilities at amortised cost				
Trade and other payables	**605 648**	**605 648**	184 368	184 368
Funding	**25 368 535**	**25 368 535**	24 513 686	24 513 686
Provisions	**194 605**	**194 605**	438 020	438 020
Post-retirement obligation	**297 780**	**297 780**	267 453	267 453
Total financial liabilities	**32 769 866**	**32 769 866**	29 886 282	29 886 282

[1] Financial assets/liabilities designated as held-for-trading.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Swaps, if applicable, are valued using inputs obtained from independent sources. The inputs are loaded into the Aford model, a derivative valuation tool that is customised to the South African environment and developed by an independent third party. The fair value of a swap is equal to the present value of all future cash flows using the daily market swap curve. The model uses fixed and floating future cash flows. The fixed cash flows are known and are easily calculated. The floating cash flows are unknown and are calculated using the cubic splines interpolation method.

Changes in fair value are attributable to interest rate fluctuations. There have been no changes in fair value that are attributable to the change in credit risk as there have been no upward or downward movements in the credit risk as per the Fitch rating.

37.7.1 Determination of fair value and fair value hierarchy

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Included in level 3 category are financial assets and liabilities that are measured using valuation techniques that incorporate information other than observable market data. Reasonable assumptions are made for significant inputs which are based on market conditions.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 March 2015				
Financial assets				
Bank				
Repurchase agreements	15 720	-	-	**15 720**
Equities	162 231	-	-	**162 231**
Real estate	49 946	-	-	**49 946**
Commodities	13 051	-	-	**13 051**
Bonds	62 185	-	-	**62 185**
Cash deposits and similar securities	-	10 118	-	**10 118**
Foreign equities	-	59 215	-	**59 215**
Investment in Free State Maize (Pty) Ltd	-	-	11 416	**11 416**
Investment in Capespan Capital (Pty) Ltd	-	-	432	**432**
Investment in Renaissance Brands (Pty) Ltd	-	-	-	**-**
LBLIC				
Equities	449 547	-	-	**449 547**
Commodities	26 170	-	-	**26 170**
Bonds	259 204	-	-	**259 204**
Collective investment schemes	52 345	260 881	-	**313 226**
Equity - foreign unit trusts	-	144 016	-	**144 016**
Balanced fund - foreign	-	21 433	-	**21 433**
Interest bearing instruments	-	95 432	-	**95 432**
Property - listed shares	52 345	-	-	**52 345**
Money market instruments	-	61 607	-	**61 607**
Investment policy	-	44 304	-	**44 304**
Total financial assets	**1 090 399**	**436 125**	**11 848**	**1 538 372**
Non-financial assets				
Bank				
Non-current assets held-for-sale	-	-	53 092	**53 092**
Investment properties	-	-	99 800	**99 800**
Property and equipment	-	-	76 798	**76 798**
Total non-financial assets	**-**	**-**	**229 690**	**229 690**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 March 2015				
Financial liabilities				
Bank				
Development Financing Institutions	-	500 168	-	**500 168**
Floating rate notes - LBK03	1 001 584	-	-	**1 001 584**
Floating rate notes - LBK05	748 952	-	-	**748 952**
Floating rate notes - LBK06	1 134 679	-	-	**1 134 679**
Floating rate notes - LBK07	387 308	-	-	**387 308**
Floating rate notes - LBK08	326 230	-	-	**326 230**
Fixed rate notes - LBK11	484 393	-	-	**484 393**
Fixed rate note - LBK12U	-	199 860	-	**199 860**
3 year Syndicated Loan	-	1 020 083	-	**1 020 083**
5 year Syndicated Loan	-	500 041	-	**500 041**
Post-retirement obligation	-	-	297 780	**297 780**
LBLIC				-
Policyholders' liabilities	-	-	31 747	**31 747**
Total financial liabilities	**4 083 146**	**2 220 152**	**329 527**	**6 632 825**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 March 2014				
Financial assets				
Bank				
Repurchase agreements	15 062	-	-	**15 062**
Equities	147 492	-	-	**147 492**
Preference shares	961	-	-	**961**
Real estate	32 838	-	-	**32 838**
Commodities	6 143	-	-	**6 143**
Bonds	53 089	-	-	**53 089**
Cash deposits and similar securities	-	36 484	-	**36 484**
Foreign equities	-	51 395	-	**51 395**
Investment in Free State Maize (Pty) Ltd [1]	-	-	15 100	**15 100**
Investment in Capespan Capital (Pty) Ltd	-	-	304	**304**
Investment in Renaissance Brands (Pty) Ltd	-	-	-	**-**
Market-making assets	9 250	-	-	**9 250**
LBLIC				
Equities *	480 675	-	-	**480 675**
Commodities *	14 457	-	-	**14 457**
Bonds	214 433	-	-	**214 433**
Collective investment schemes	32 742	221 297	-	**254 039**
Equity - foreign unit trusts	-	130 954	-	**130 954**
Interest bearing instruments	-	90 343	-	**90 343**
Property - listed shares	32 742	-	-	**32 742**
Money market instruments	-	124 946	-	**124 946**
Investment policy	-	47 456	-	**47 456**
Total financial assets	**1 007 142**	**481 578**	**15 404**	**1 504 124**
Non-financial assets				
Bank				
Non-current assets held-for-sale	-	-	5 700	**5 700**
Investment properties	-	-	84 400	**84 400**
Property and equipment	-	-	77 397	**77 397**
Total non-financial assets	**-**	**-**	**167 497**	**167 497**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial liabilities				
Bank				
AfDB loan	-	498 062	-	**498 062**
Floating rate notes - LBK02	1 343 274	-	-	**1 343 274**
Floating rate notes - LBK03	1 002 680	-	-	**1 002 680**
Floating rate notes - LBK05	499 985	-	-	**499 985**
Floating rate notes - LBK06	1 132 942	-	-	**1 132 942**
Market-making liabilities	5 812			**5 812**
Post-retirement obligation	-	-	267 453	**267 453**
LBLIC				
Policyholders' liabilities	-	-	36 523	**36 523**
Total financial liabilities	**3 984 693**	**498 062**	**303 976**	**4 786 731**

[1] Investment in Free State Maize (Pty) Ltd was moved to Level 3 due to the implementation of IFRS 13.

* The comparative disclosure has been enhanced to conform to the 2015 presentation.

37.7.2 Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy

	Capespan Capital (Pty) Ltd R'000	Free State Maize (Pty) Ltd R'000	Renaissance Brands (Pty) Ltd R'000	Unlisted shares held by insurance companies R'000	Total R'000
Unquoted Equity Shares					
As at 1 April 2013	**-**	**15 400**	**-**	**655**	**16 055**
Purchases	-	-	-	-	-
Fair value adjustment for unrealised loss recognised through OCI as part of investment returns	-	-	-	(9)	(9)
Fair value adjustment for realised profit recognised through OCI as part of investment returns	-	-	-	98	98
Re-measurement recognised in OCI	304	(300)	-		4
Disposal	-	-	-	(744)	(744)
As at 31 March 2014	**304**	**15 100**	**-**	**-**	**15 404**
Purchases	-	-	-	-	-
Re-measurement recognised in OCI	128	(3 685)	-	-	(3 557)
Disposal	-	-	-	-	-
As at 31 March 2015	**432**	**11 415**	**-**	**-**	**11 847**

Refer to note 9.3

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Non-current assets held-for-sale R'000	Investment Property R'000	Property and equipment R'000	Total R'000
Property				
As at 1 April 2013	52 332	65 800	95 985	214 117
Purchases	1 790	-	-	**1 790**
Fair value adjustment for recognised in the statement of profit or loss	695	335	-	**1 030**
Re-measurement recognised in OCI	-	-	4 413	**4 413**
Reclassification from property and equipment to investment property	-	18 265	(18 400)	**(136)**
Disposal	(2 250)	-	(4 601)	**(6 851)**
As at 31 March 2014	52 567	84 400	77 397	214 362
Purchases	3 300	-	-	**3 300**
Fair value adjustment for recognised in the statement of profit or loss	(982)	15 400	-	**14 418**
Re-measurement recognised in OCI	-	-	(599)	**(599)**
Disposal	(1 793)	-	-	**(1 793)**
As at 31 March 2015	53 092	99 800	76 798	229 688
Refer to notes:	8	14	15	

	Group 2015 R'000	Group 2014 R'000
Policyholders' liabilities		
Present value of policy liabilities	**30 726**	42 038
Plus: Present value of future expenses	**21 647**	32 485
Less: Present value of future premiums	**(28 921)**	(42 203)
Liability excluding AIDS reserve	**23 452**	32 320
Plus: AIDS reserve	**1 147**	1 671
Plus: Expense overrun reserve	**7 148**	2 532
Total long-term policyholders' liability excluding IBNR and notified claims	**31 747**	36 523

Refer to note 18.1

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Post-retirement obligation	**297 780**	267 453	**297 780**	267 453
Movement in the present value of the benefit obligations:				
Defined benefit obligation at 1 April	**267 453**	283 890	**267 453**	283 890
Service costs	**3 990**	3 977	**3 990**	3 977
Interest cost	**24 051**	21 905	**24 051**	21 905
Recognised actuarial loss/(gain)	**16 746**	(28 743)	**16 746**	(28 743)
Benefits paid	**(14 460)**	(13 576)	**(14 460)**	(13 576)
Defined benefit obligation at 31 March	**297 780**	267 453	**297 780**	267 453

Refer to note 21

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

37.7.3 Description of significant inputs to level 2 valuations

As at 31 March 2015

Loan	Valuation Technique	Significant Adjusted Observable Inputs
Development financing institutions	Bond pricing formula	Discounting spread of 34 basis points used. The Bank used the credit spread of the most liquid listed debt from other listed debt secured by the South African government to derive the 34 basis points discounting spread. The closest bond that was obtained is the ES26 that matures on 2 April 2026. The spread as on valuation date equals 0.61%. The following adjustments were made to the ES26 spread: • A decrease of 12 basis points for regulatory risk due to a relaxation of regulatory requirements compared to other SOEs; • A further decrease of 15 basis points was applied for reporting lines of the Land Bank – which reports directly to the National Treasury, which is more direct than other SOEs who report to other departments that in turn reports to the National Treasury; • A decrease of 10 basis points was applied due to less financial risks faced by Land Bank relative to other SOEs (they do not face direct commodity and FX risks); and • A final increase of 10 basis points for sector specific risks was done due to the concentration risk faced by the Land Bank in the financing environment. Given the above, it can be concluded that the spread was derived from an input observed in the market.
3 year syndicated loan	Bond pricing formula	Discounting spread of 175 basis points used. The Bank used the credit spread of the most liquid listed debt from its listed debt to derive the 175 basis points discounting spread. The benchmark bond that was used was the LBK07 that matures on 16 September 2017. The spread as on valuation date equals 135 basis points. The following adjustments were made to the LBK07 spread: • An increase of +25 basis points for organisation risk due to the time it took for the Land Bank to appoint its permanent CEO; • A further increase of +5 basis points for covenant risk was factored due to the capital adequacy ratio of 20% as part of government's guarantee condition; and • A final increase of +10 basis points for sector specific risks was done due to the concentration risk faced by the Land Bank in the financing environment.
5 year syndicated loan	Bond pricing formula	Discounting spread of 190 basis points used. The Bank used the credit spread of the most liquid listed debt from its listed debt to derive the 165 basis points discounting spread. The benchmark bond that was used was the LBK05 that matures on 28 February 2019. The spread as on valuation date equals 135 basis points. The following adjustments were made to the LBK05 spread: • An increase of +25 basis points for organisation risk due to the time it took for the Land Bank to appoint its permanent CEO. Given the above, it can be concluded that the spread was derived from an input observed in the market.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

As at 31 March 2014

Loan	Valuation Technique	Significant Adjusted Observable Inputs
Fixed rate note - LBK12U	Discounted Cash Flow	Discounting spread of +260 basis points used. The Bank used the credit spread of the most liquid listed debt from its listed debt to derive the +260 basis points discounting spread. The benchmark bond that was used was the LBK11 that matures on 28 November 2019. The spread as on valuation date equals 265 basis points. The following adjustments were made to the LBK11 spread: • A further decrease of 15 basis points was applied for reporting lines of the Land Bank – which reports directly to the National Treasury, which is more direct than other SOEs who report to other departments that in turn reports to the National Treasury; and • A final increase of 10 basis points for sector specific risks was done due to the concentration risk faced by Land Bank in the financing environment. Given the above, it can be concluded that the spread was derived from an input observed in the market.

Floating rate loan	Valuation Technique	Significant Adjusted Observable Inputs
Development financing institutions	Bond pricing formula	Discounting spread of 33 basis points used. The Bank used the credit spread of the most liquid listed debt from other listed debt secured by the South African government to derive the 33basis points discounting spread. The closest bond that was obtained is the ES26 that matures on 2 April 2026. The spread as on valuation date equals 0.61%. The following adjustments were made to the ES26 spread: • A decrease of 12 basis points for regulatory risk due to a relaxation of regulatory requirements compared to other SOEs; • A further decrease of 15 basis points was applied for reporting lines of the Land Bank – which reports directly to the National Treasury, which is more direct than other SOEs who report to other departments that in turn reports to the National Treasury; • A decrease of 10 basis points was applied due to less financial risks faced by the Land bank relative to other SOEs (they do not face direct commodity and FX risks); and • A final increase of 9 basis points for sector specific risks was done due to the concentration risk faced by the Land Bank in the financing environment. Given the above, it can be concluded that the spread was derived from an input observed in the market.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

37.7.4 Description of significant unobservable inputs to level 3 valuations

As at 31 March 2015

Unquoted Equity	Valuation Technique	Significant Unobservable Inputs	Sensitivity of the input to the fair value
Capespan Capital (Pty) Ltd	NAV	Audited Financial Statements	N/A
Free State Maize (Pty) Ltd	DCF/earnings multiple/NAV	PE Valuation: Comparative listed company PE multiples DCF Valuation: Discount rate - 16.03% Growth Assumption - 1.5%	PE movement of 1: R9 366 013 Discount rate: +1%: -R745 318 336 -1%: -R894 984 455 Growth rate: +1%: -R856 461 188 -1%: -R745 478 150
Renaissance Brands (Pty) Ltd	DCF/earnings multiple	PE Valuation: Comparative listed company PE multiples DCF Valuation: Discount rate - 20.29% Growth Assumption - 1.5%	PE movement of 1: R1 634 774 Discount rate: +1%: -R29 929 999 -1%: -R24 369 392 Growth rate: +1%: -R28 271 291 -1%: -R24 749 312

Property and equipment	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range: Income/Expense ratio range: Capitalisation rates range:	3% - 8% 15.8% - 37.9% 10.5% - 14%	Capitalisation Rate: +1%: R70 694 725 -1%: R84 004 044

Investment Property	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Investment property	Net income capitalisation method	Vacancy rate range: Income/Expense ratio range: Capitalisation rates range:	2% - 4.6% 18.6% - 34.5% 10% - 13%	Capitalisation Rate: +1%: R91 730 084 -1%: R109 591 946

Non-current assets held-for-sale	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Properties in possession	Comparable sales method	Natural grazing land per ha.: Irrigated pasture land per ha.: Farm yard land per ha.: Wasteland per ha.: Industrial land per ha.: Construction price for dwellings per m^2: Construction price for other structures per m^2: Depreciated value:	R4 750 - R30 000 R 20 000 R15 000 - R27 000 R4 800 - R5 000 R 30 000 R5 000 - R6 100 R1 700 - R3 800 11% - 49%	Market value per ha. of land: + R1000 p/ha.: R14 382 093 - R1000 p/ha.: R11 060 993
Property for sale	Net income capitalisation method	Vacancy rate: Income/Expense ratio: Capitalisation rate:	4% 22.1% 11%	Capitalisation rate: +1%: R7 099 258 -1%: R8 519 110

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

As at 31 March 2014

Post-retirement obligation	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Post-retirement obligation	Projected unit credit method	Discount rate - In-service members[1]: Discount rate - Continuation members[1]: Continuation of membership at retirement: Average retirement age: Medical cost trend rate - In-service members: Medical cost trend rate - Continuation members: Real discount rate - In-service members: Real discount rate - Continuation members: Number of in-service members: Number of continuation members [2]:	8.4% 7.8% 100% 65 years 7.0% 6.3% 1.45% 1.3% 275 319	Medical aid inflation: +1%: R338 610 791 -1%: R264 000 890 Medical aid inflation - effect on current service and interest costs: +1%: R15 810 920 -1%: R11 978 850 Discount rate: +1%: R264 000 890 -1%: R338 610 791

[1] The medical cost trend rate has been factored in determining the discount rate used in the actuarial valuation.
[2] Refers to the pensioners.

Unquoted Equity	Valuation Technique	Significant Unobservable Inputs	Sensitivity of the input to the fair value
Capespan Capital (Pty) Ltd	NAV	Audited Financial Statements	N/A
Free State Maize (Pty) Ltd	DCF/earnings multiple/NAV	PE Valuation: Comparative listed company PE multiples DCF Valuation: Discount rate - 8.79% Growth Assumption - 3.8%	PE movement of 1: R1 868 724 Discount rate: +1%: -R2 764 535 -1%: R39 667 072 Growth rate: +1%: R36 681 155 -1%: -R843 602
Renaissance Brands (Pty) Ltd	DCF/earnings multiple	PE Valuation: Comparative listed company PE multiples DCF Valuation: Discount rate - 18.12% Growth assumption - 3.8%	PE movement of 1: R6 111 871 Discount rate: +1%: -R4 204 339 -1%: -R7 054 262 Growth rate: +1%: -R9 575 838 -1%: -R18 464 618

Property and equipment	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Property and equipment	Rode valuation method/ Opportunity cash flow method	Vacancy rate: Hurdle/discount rate range: Capitalisation rates range:	5% 0% - 16.8% 10.7% - 12.5%	Capitalisation rate: +1%: R71 463 464 -1%: R85 106 868

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

As at 31 March 2014

Investment Property	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Investment property	Rode valuation method/ Opportunity cash flow method	Vacancy rate: Hurdle/Discount rate range: Capitalisation rates range:	3% - 5% 15% - 17.1% 10% - 12.2%	Capitalisation rate: +1%: R82 314 381 -1%: R98 982 076

Non-current assets held-for-sale	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Properties in possession	Comparable sales method	Natural grazing land per ha.:	R3 000 - R20 000	Market value per ha. of land: + R1000 p/ha.: R19 664 079 - R1000 p/ha.: R16 899 940
		Irrigated pasture land per ha.:	R10 000 - R15 000	
		Agricultural land per ha.:	R 120 300	
		Orchard land per ha.:	R25 000- R30 000	
		Construction price for dwellings per m^2:	R3 500 - R4 300	
		Construction price for other structures per m^2:	R1 700 - R3 800	
		Depreciated value:	15% - 35%	
Property for sale	Rode valuation method/ Opportunity cash flow method	Vacancy rate: Capitalisation rates range:	5% 11.9%	Capitalisation rate: +1%: R5 631 100 -1%: R6 664 330

Post-retirement obligation	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Post-retirement obligation	Projected unit credit method	Discount rate - In-service members[1]:	9.1%	Medical aid inflation: +1%: R307 481 000 -1%: R239 771 000
		Discount rate - Continuation members[1]:	8.6%	
		Continuation of membership at retirement:	100%	Medical aid inflation - effect on current service and interest costs: +1%: R15 571 000 -1%: R11 826 000
		Average retirement age:	65 years	
		Medical cost trend rate - In-service members:	7.4%	
		Medical cost trend rate - Continuation members:	7.2%	Discount rate: +1%: R239 771 000 -1%: R307 481 000
		Real discount rate - In-service members:	1.6%	
		Real discount rate - Continuation members:	1.3%	
		Number of in-service members:	293	
		Number of continuation members[2]:	303	

[1] The medical cost trend rate has been factored in determining the discount rate used in the actuarial valuation.

[2] Refers to the pensioners.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

38 Fruitless and wasteful expenditure (F&WE)

The F&WE relates to isolated incidences where penalties and interest were levied on late payments of utility accounts.

	Group		Bank	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
38.1 Reconciliation of amounts transferred to receivables for recovery				
Opening balance	1	25	1	25
Less: Amounts written off	-	(24)	-	(24)
Closing Balance	1	1	1	1

In terms of regulatory requirements the accounting officer must determine who the responsible party is from whom the amount of F&WE must be recovered. The receivables relates to historical overpayments to employees.

There was no irregular expenditure noted in the current year.

38.2 Analysis of current fruitless and wasteful expenditure

	2015	2014
	R'000	R'000
Current matters		
- Penalties and interest	7	7
As per statement of profit or loss and other comprehensive income	7	7

39 Irregular expenditure

	Group		Bank	
	2015	2014	2015	2014
39.1 Reconciliation of irregular expenditure	R'000	R'000	R'000	R'000
Opening balance	-	-	-	-
Add: Irregular expenditure relating to current year	40	-	40	-
Less: Amounts condoned	-	-	-	-
Irregular expenditure awaiting condonation	40	-	40	-

39.2 Analysis of current irregular expenditure

		2015
Incident	**Disciplinary steps taken**	**R'000**
Usage of service provider without following proper supply chain management procedures	Final written warning was issued to official	40
Total		40

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

40 Events after Statement of Financial Position Date

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

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

The following events after statement of financial position date have been taken into account:

Events specifically related to the Land Bank

The Bank has approved a restructuring agreement relating to a corporate client with a significantly large exposure, which is in implementation phase.

Furthermore, two of the existing Executive Committee members, Messrs. Lebogang Serithi (CFO) and Vincent Potloane (GOIO) has resigned and will be leaving the organisation with effect from 30 September 2015. Mr. Bennie van Rooy was appointed as CFO with effect from 8 June 2015, while Mr Serithi will be deployed in other areas of the business until his term of office expires.

Events specifically related to the Insurance Operations - LBLIC

LBLIC had a significant accounts receivable balance from SARS relating to a VAT claims dispute. The full amount of R16 million was received in April 2015.

LBLIC had another significant accounts receivable balance at year end due from reinsurers. R22.5 million of the R26.7 million was received after year end in April 2015.

As debtors over 12 months are disallowed for solvency purposes, had these settlements been effected prior to 31 March 2015, the statutory value of assets for the solvency calculation, and resultant CAR in the actuaries report would have looked as follows :

	After Deposits	As Reported
	R'000	R'000
Assets per published reporting basis	1 322 313	1 322 313
Less: VAT debtor disallowed	-	(16 398)
Less: Reinsurance debtors disallowed	(4 055)	(26 598)
Assets per statutory basis	1 318 258	1 279 317
Excess assets over liabilities	990 621	951 680
Times CAR covered by excess assets on statutory basis	99.1	95.2

41 Comparative numbers

The following comparative figures have been restated to correct the reclassification errors in the prior years' financial statements and to conform to the changes in presentation in the current year.

In the prior year, the actuarial gains/(losses) on the post retirement medical aid liability was disclosed net of the service and interest costs in the Statement of Profit or Loss and Other Comprehensive Income. This has been corrected to disclose the past service cost as operating expenses (note 29) and the interest cost as interest expense (note 24). The actuarial gains/(losses) is disclosed as other comprehensive income.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Group

Statement of profit or loss and other comprehensive income for the year ended 31 March 2014

	Note	Previously Reported 2014 R'000	Reclassifications 2014 R'000	Restated 2014 R'000
Continuing operations				
Net interest income		964 794	(21 905)	**942 889**
Interest income	23	2 479 734	-	**2 479 734**
Interest expense	24	(1 514 940)	(21 905)	**(1 536 845)**
Net impairment charges, claims and recoveries	11	(140 941)	-	**(140 941)**
Total income from lending activities		823 853	(21 905)	**801 948**
Non-interest expense	25	(54 258)	-	**(54 258)**
Operating income from banking activities		769 595	(21 905)	**747 690**
Operating profit from insurance activities	26	9 024	-	**9 024**
Investment income	27	181 906	-	**181 906**
Fair value gains	28	4 971	-	**4 971**
Operating income		965 496	(21 905)	**943 591**
Operating expenses	29	(546 669)	9 599	**(537 070)**
Net operating income		418 827	(12 306)	**406 521**
Non-trading and capital items	30	9 490	-	**9 490**
Net profit before indirect taxation		428 317	(12 306)	**416 011**
Indirect taxation	31	(27 458)	-	**(27 458)**
Net profit from continuing operations		400 859	(12 306)	**388 553**
Share of after-tax loss of associated companies	32	-	-	**-**
Discontinued operations				
Net loss from discontinued operations	22	(29 008)	-	**(29 008)**
Profit for the year		**371 851**	**(12 306)**	**359 545**
Other comprehensive income				
Items that will not be reclassified to the profit or loss component of the statement of comprehensive income				
Actuarial gains on the post-retirement obligation	21	16 437	12 306	**28 743**
Revaluation of land and buildings	15	6 049	-	**6 049**
		22 486	12 306	**34 792**
Items that are or may be subsequently reclassified to the profit or loss component of the statement of comprehensive income				
Gains on financial assets at fair value through other comprehensive income	37.7.2	4	-	**4**
Total other comprehensive profit for the year		22 490	12 306	**34 796**
Total comprehensive income for the year		394 341	-	**394 341**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

Bank

Statement of profit or loss and other comprehensive income for the year ended 31 March 2014

	Note	Previously Reported 2014 R'000	Reclassifications 2014 R'000	Restated 2014 R'000
Continuing operations				
Net interest income		953 797	(21 905)	**931 892**
Interest income	23	2 468 617	-	**2 468 617**
Interest expense	24	(1 514 820)	(21 905)	**(1 536 725)**
Net impairment charges, claims and recoveries	11	(140 941)	-	**(140 941)**
Total income from lending activities		812 856	(21 905)	**790 951**
Operating income from banking activities		759 339	(21 905)	**737 434**
Operating profit from insurance activities	26		-	**-**
Investment income	27	56 281	-	**56 281**
Fair value gains	28	4 971	-	**4 971**
Operating income		820 591	(21 905)	**798 686**
Operating expenses	29	(535 439)	9 599	**(525 840)**
Net operating income		285 152	(12 306)	**272 846**
Non-trading and capital items	30	9 490	-	**9 490**
Net profit before indirect taxation		294 642	(12 306)	**282 336**
Indirect taxation	31	(27 458)	-	**(27 458)**
Net profit from continuing operations		267 184	(12 306)	**254 878**
Share of after-tax loss of associated companies	32	-	-	**-**
Discontinued operations				
Net loss from discontinued operations	22	(29 008)	-	**(29 008)**
Profit for the year		238 176	(12 306)	**225 870**
Other comprehensive income				
Items that will not be reclassified to the profit or loss component of the statement of comprehensive income				
Actuarial gains on the post-retirement obligation	21	16 437	12 306	**28 743**
Revaluation of land and buildings	15	6 049	-	**6 049**
		22 486	12 306	**34 792**
Items that are or may be subsequently reclassified to the profit or loss component of the statement of comprehensive income				
Gains on financial assets at fair value through other comprehensive income	37.7.2	4	-	**4**
Total other comprehensive profit for the year		22 490	12 306	**34 796**
Total comprehensive income for the year		260 666	-	**260 666**

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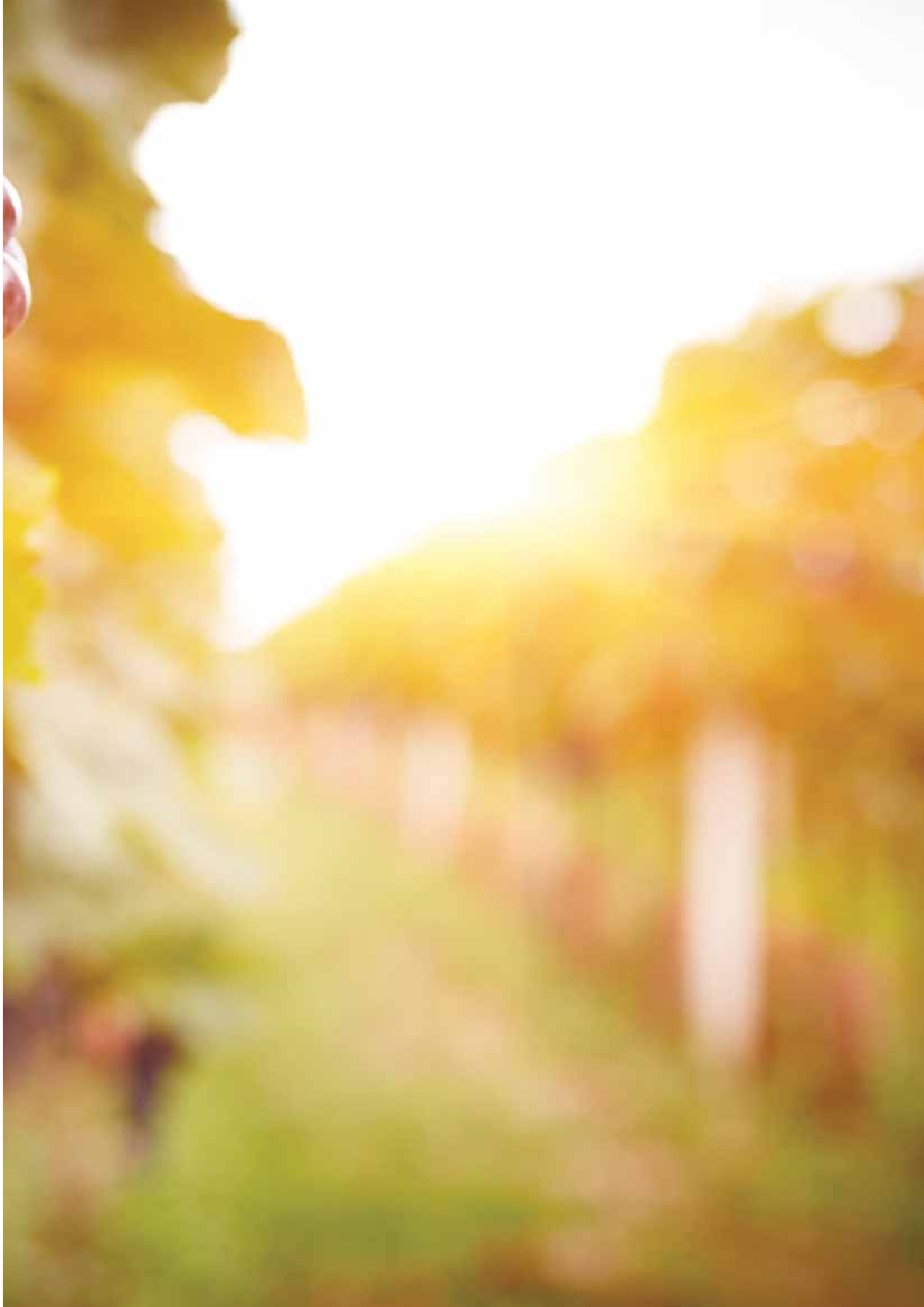

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