







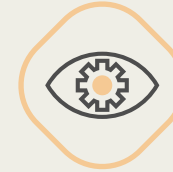
LAND BANK  
We stand by you

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**2024 INTEGRATED**  
ANNUAL REPORT



## VISION AND MISSION



### VISION

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



### MISSION

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

## COMPANY INFORMATION

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### Company Secretary:

Adv. Bernice Raseroka

### Bankers:

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

### Auditors:

Auditor-General of South Africa

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### Business Address:

272 Lenchen Avenue,  
Lakefield Office Park,  
Building A, First Floor  
Die Hoewes Centurion

### Postal Address:

Land and Agricultural Development Bank  
of South Africa,  
P.O. BOX 375,  
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WE STAND BY YOU



01

ABOUT  
THIS REPORT

10

02

PERFORMANCE  
OVERVIEW

24

03

ABOUT  
LAND BANK

36

04

OUR OPERATING  
ENVIRONMENT

50

05

DELIVERING AND  
PRESERVING VALUE

66

06

RISK

84

07

LAND BANK  
INSURANCE

94

08

GOVERNANCE

136

09

UNAUDITED  
FINANCIALS

158

## LIST OF FIGURES

<b>Figure 1:</b>	Land Bank Historical Loan Book Composition by Client Segments	29
<b>Figure 2:</b>	Disbursements by HDI Group	30
<b>Figure 3:</b>	Strategy Execution Methodology	31
<b>Figure 4:</b>	Land Bank's Strategic Priorities	32
<b>Figure 5:</b>	Land Bank Organisational Overview	40
<b>Figure 6:</b>	Organisational Structure	46
<b>Figure 7:</b>	New Organisational Structure from 1 April 2024	47
<b>Figure 8:</b>	Value Creation Model	48
<b>Figure 9:</b>	Employee Value Proposition	74
<b>Figure 10:</b>	Ethics Management Process	93
<b>Figure 11:</b>	LBI's Summary Organisational Chart as at 31 March 2024	105
<b>Figure 12:</b>	The 5-Strategic Pathways	109
<b>Figure 13:</b>	Risk Classification Model	120
<b>Figure 14:</b>	Risk Management Process	121
<b>Figure 15:</b>	Governance Structure of the Land Bank Board	140

## LIST OF TABLES

<b>Table 1:</b>	Agricultural Risk and Management Strategies	54
<b>Table 2:</b>	Stakeholder Expectations, Engagements and Value Creation	55
<b>Table 3:</b>	Land Bank Performance Scorecard, FY24	60
<b>Table 4:</b>	Land Bank Employees by Category and Gender	70
<b>Table 5:</b>	Land Bank Employees by Age and Employment Category	70
<b>Table 6:</b>	Land Bank Employees by Tenure and Employment Category	70
<b>Table 7:</b>	Land Bank Internal Appointments by Position and Demographic	71
<b>Table 8:</b>	External Permanent Appointments by Demographic	71
<b>Table 9:</b>	Learner Appointments in FY24	72
<b>Table 10:</b>	Transformation by Employment Position	72
<b>Table 11:</b>	Attrition by Employee Level	73
<b>Table 12:</b>	Attrition by Demographics	73
<b>Table 13:</b>	Training Spend by Employee Demographic	76
<b>Table 14:</b>	Policies Reviewed by Human Capital Governance	77

<b>Table 15:</b>	Reconciliation of Irregular, Fruitless and Wasteful Expenditure	81
<b>Table 16:</b>	Notes on Irregular Expenditure	81
<b>Table 17:</b>	Irregular Expenditure Condoned	82
<b>Table 18:</b>	NPL Strategies	83
<b>Table 19:</b>	Land Bank Risk Mitigations and Controls	89
<b>Table 20:</b>	LBIC Board of Directors	104
<b>Table 21:</b>	LBI Committee Meeting Attendance (FY24)	108
<b>Table 22:</b>	LBIC Board and Committee Meeting Attendance (FY24)	108
<b>Table 23:</b>	Land Bank Insurance Employees by Category and Gender	114
<b>Table 24:</b>	Land Bank Insurance Employees by Age and Employment Category	114
<b>Table 25:</b>	Land Bank Insurance Employees by Tenure and Employment Category	114
<b>Table 26:</b>	Learner Appointments in FY24	115
<b>Table 27:</b>	Employment Equity Representation by Occupational Categories	115
<b>Table 28:</b>	Attrition by Employee Level	116
<b>Table 29:</b>	Attrition by Demographics	116
<b>Table 30:</b>	Training Spend by Employee Demographic	118
<b>Table 31:</b>	Policies Reviewed by Human Capital Governance	119
<b>Table 32:</b>	LBI's Three Lines of Assurance	122
<b>Table 33:</b>	LBIC Products as at 31 March 2024	127
<b>Table 34:</b>	Number of Active Insurance Policies	128
<b>Table 35:</b>	LBIC's Investment Fund	129
<b>Table 36:</b>	SAM Balance Sheet	130
<b>Table 37:</b>	LBIC Investment Performance	131
<b>Table 38:</b>	LBIC Capital Management and Solvency	132
<b>Table 39:</b>	Land bank Insurance Performance Scorecard (FY24)	133
<b>Table 40:</b>	Demographics of the Board of Directors	140
<b>Table 41:</b>	Land Bank Board Composition FY24	146
<b>Table 42:</b>	Land Bank Board Meeting Attendance FY24	147
<b>Table 43:</b>	Alignment Between the Objectives of the Land Bank, the NDP and the UN SDGs	157

## ACRONYMS/ABBREVIATIONS

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



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## **ABOUT** THIS REPORT



## ABOUT THIS REPORT

The Land and Agricultural Development Bank of South Africa (Land Bank), along with its Insurance Subsidiaries, Land Bank Insurance SOC Limited (LBIC), and Land Bank Life Insurance SOC Limited (LBLIC), is pleased to present its Integrated Annual Report for the financial year ending 31 March 2024. This Report provides a comprehensive view of our performance, value creation, and our contribution to society during the year under review, and a balanced assessment of our ability to create sustainable value and the execution of our statutory mandate under the Land Bank Act.

The Report focuses on matters relevant to shareholders, stakeholders, regulators, and clients and encompasses the financial and operational activities of all entities within the Land Bank. The Report outlines our financial and non-financial performance, strategy, opportunities, material risks, governance, and social and environmental issues. There were no significant changes in our scope, size, structure, or shareholding during the reporting period that would affect comparability to the previous year's report.





## WHO WE ARE

The Land Bank is a wholly government-owned agricultural bank, established in 1912 and reconstituted in 2002 under the Land and Agricultural Bank Act. Our mandate is to support commercial and new entrance farmers, and agri-enterprise by delivering tailored financial services, which enable access to land, equipment, asset improvements, and production credit. As a responsible lender and a key player in the agriculture sector, the Bank plays a vital role in promoting inclusive growth, transformation, employment, and food security.

At Land Bank, transformation is core to our service delivery model. Our role is to enable more inclusive and equitable access to the agriculture sector for previously disadvantaged groups, with emphasis on black people, women, and youth across South Africa. We are also committed to sound environmental practices internally, and through efforts to ensure that our clients do not harm the environment but instead add value over the long term. This approach is closely aligned to the Constitution, the National Development Plan (NDP, Vision 2030) and other legislative and policy mandates.

Within Land Bank are the Land Bank, Land Bank Insurance Company (LBIC) and Land Bank Life Insurance Company (LBLIC), wholly owned subsidiaries of Land Bank mandated to provide insurance solutions. The LBIC offers crop and asset insurance products to both Land Bank clients and other farmers. LBLIC has provided credit life insurance products to the Land Bank's client base since its inception in 1954.



# FOREWORD

## BY THE MINISTER

A founding principle of our government is the commitment to economic and social justice and a reduction in the inequality gap. Key to this is the leveraging of state institutions as a catalyst for value creation. The Land Bank is one such institution, mandated to deliver financial services broadly across the agriculture sector in support of sustainable growth and transformation.

Government has embarked on an agenda of structural reform aimed at accelerated and equitable growth, including interventions in the energy, logistics, water, and telecommunications sectors. In addition, government has also approved a series of climate interventions, including creating a Presidential Climate Commission, National Climate Change Adaptation Strategy, the Just Transition Framework, and the creation of a Climate Change Response Fund. This multi-layered approach is risk-based and designed to build climate resilience, promote adaptation responses, and ensure that capacity, resources, and systems are established to respond to climate change impacts.

Government's interventions in infrastructure, structural reform, and climate change will leave the agriculture sector well positioned for growth and transformation. These interventions, which align to the Agriculture and

Agro-Processing Master Plan, will help create a supportive environment for both emerging and established farmers, creating greater opportunity for investment by Land Bank. We continue to rely on the critical developmental role that Land Bank and its subsidiaries play to support our agricultural and socio-economic ambitions.

I commend Land Bank for its financial discipline in the FY24 financial year, during which the entity reported a group profit of R21 million. The Bank also decreased the non-performing loan book from R9.7bn in FY23 to R9.3bn in FY24. However, the NPL ratio increased from 51.9% to 53.2% due to the decrease in the gross loan book. I further note the continued application of good governance and internal controls, as evidenced by another unqualified audit for the 2024 financial year.

I am also encouraged by Land Bank's contribution to the transformation of the agricultural sector with the Bank's advancement of R723 millions of finance facilities to Black Agri-business enterprises through the Blended Finance Scheme, which is supported by grant contributions from the Department of Agriculture. Ninety-nine (99) Black (or majority Black-owned) agri-businesses were financed through R358 million in loans and R365 million in grants.

Improvements in the support of development and transformation by Land Bank will be dependent on its sustained turnaround, with the successful conclusion of the entity's debt restructuring process forming an important milestone which will end Land Bank's current state of default. I am therefore encouraged by the progress made in this process thus far. Land Bank has concluded agreements with all its lenders, which effectively brings to an end the debt default status. The end of the Bank's default status will present the Bank with opportunities to

start pursuing potential alternative sources of funds. The process for the conclusion of the Liability Solution has been supported by National Treasury, which allocated a portion of the R7 billion budgeted for the Land Bank from 2021/22 to 2023/24 to repay its remaining guaranteed debt during the year under review (2023/24).

I express my gratitude to the Board of Directors and management of the Land Bank for their service and commitment. I encourage the Board to continue to implement focused improvement interventions to build a sustainable performance momentum going forward, and to remain steadfast in balancing financial prudence with their mandate of inclusive agricultural development.



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



“I commend the entity for its financial discipline in **FY24**, as evidenced by its reported group profit of **R21 million.**”



# FOREWORD

## BY THE CHAIRMAN

**L**and Bank stands as South Africa's sole development finance institution devoted to the agricultural sector. This unique position enables us to play a vital role in rural development by providing financial support to agricultural entrepreneurs. Our efforts contribute to the financial inclusion of historically disadvantaged communities, foster employment, ensure food security, and enhance livelihoods. Land Bank is a cornerstone in the sustainable growth and transformation of South Africa's agricultural sector, reinforcing the agricultural value chain.

### Consolidating Strategic Gains

Since its inception in 1912, Land Bank has been a driving force in the growth of the agricultural sector. While our contributions have been significant, we recognise that our transformational impact has yet to reach its full potential. Before the debt default, the Bank had begun making strides in transforming the sector by delivering finance and support to Black, emerging farmers. However, a misalignment between our funding structure, operating model, and mandate became increasingly apparent, ultimately contributing to the Bank's 2020 loan default and threatening our sustainability.

In response, the Board approved a new five-year strategy in 2022, designed to halt the decline post-default and rebuild the Bank as an effective and sustainable

development finance institution. Our priority for FY24 was to consolidate the gains from our stabilisation efforts by finalising the liability solution with all lender groups, implementing a new operating model, improving collections, and continuing to meet our funding liabilities. Additionally, we focused on strengthening the organisation's execution capabilities while strategically reducing operational costs.

### Funding Structure

In FY24, the Board approved a new funding business case to better align our funding and operating models. We are actively engaged with our shareholder, National Treasury, and believe that the proposed funding model will enable us to create sustainable value while fulfilling our development mandate.

### Resumption of Lending Activities

The resumption of lending activities marked a significant milestone, with the launch of the Blended Finance Scheme (BFS) in October 2022. In its first full financial year (FY24), the Bank provided R723 million in finance facilities, including R358 million in loans and R365 million in grants, to ninety-nine Black-owned or majority Black-owned agri-businesses. Although disbursements fell short of targets, there was considerable improvement over the year, and the scheme is well-positioned as we move into FY25.

In August 2023, we jointly launched the Agro-energy Fund with the Department of Agriculture, Land Reform, and Rural Development (DALRRD). This blended finance initiative supports farmers in mitigating ongoing energy constraints, particularly for energy-intensive

agricultural activities. Despite lower-than-expected uptake in FY24, we are focused on building a pipeline of potential beneficiaries and refining the origination process. We remain committed to increasing the number of transactions assessed and improving our approval and disbursement processes moving forward.

## Conclusion of the Liability Solution

The conclusion of the liability solution was a key priority throughout the reporting period and is essential to the Bank's financial sustainability. After extensive negotiations, an agreement was reached with all the Bank's lenders. This achievement has resolved the Bank's debt default status. We extend our appreciation to all lenders for their continued commitment to this process.

The Board is also grateful for the unwavering support from our shareholder, who has consistently backed the Bank's efforts to fulfil its mandate, including the debt restructuring process to resolve the default.

## Operating Environment

The macroeconomic environment plays a crucial role in shaping the Bank's performance and future direction. The period under review was characterised by marginal quarterly economic growth, stable yet high interest rates, relatively high commodity prices, and a weak exchange rate. These conditions required farmers to exercise strict financial management despite favourable production outcomes in certain commodities.

Food inflation has moderated, benefiting consumers after months of rising living costs. The agricultural sector, which contracted by 4.8% year-on-year in Q4 2023, rebounded with 13.5% year-on-year growth in Q1 2024. Despite this rebound, the industry continues to face structural challenges but has demonstrated resilience. In these challenging conditions, the Bank remains committed to supporting its clients and the broader sector.

## Operating Performance

The Bank's stabilisation efforts are yielding positive results. In FY24, Land Bank, including Land Bank Insurance SOC (LBIC) and Land Bank Life Insurance (LBLIC), reported a more than 15% increase in net interest income, reaching R714 million. We continue to reduce operating expenses as part of our strategy to build an agile, highly capable organisation committed to sound financial governance.

While we are strengthening our financial position, our development effectiveness remains below target. Loan and grant disbursements totalled R723 million, against a target of R1.48 billion. We also fell short on the number of clients supported, though we remained focused on funding clients from designated groups. As we move into FY25, we are building a stronger transaction pipeline and investing in relationship management to better fulfil our development mandate.

Despite the ongoing default status in FY24, the Bank's financial position remains healthy, with a full-year group profit of R21 million, driven by an improved cash position and lower operating costs.

## Acknowledgments

On behalf of the Board, I would like to express our deepest appreciation to the Minister of Finance, Hon Enoch Godongwana, and the National Treasury team for their continued guidance and support. We also extend our gratitude to our partners in the Department of Agriculture and the Department of Land Reform and Rural Development.

I would like to thank the Bank's CEO, Mr. Themba Rikhotso, the management team, and all employees for their dedication and hard work. My sincere thanks also go to my fellow Board Members for their unwavering support and commitment to the Bank's success. Finally, we are immensely grateful for the ongoing support of our lenders, clients, and partners as we strive to re-establish Land Bank as a leading development finance institution.



**Ms. Rethabile Nkosi**  
*Chairman of the Board*



## LETTER FROM THE CEO

For more than a century the Land Bank has delivered financial services to South African farmers, contributing to a robust agri-sector. While the Bank has undergone incredible change, in step with South Africa's transformation, we remain, at our core, a development organisation. Thus, while we review our value proposition, the Bank will not compromise on our mandate to support inclusive development of the agri-sector. Nor do we underestimate the importance of our strategic repositioning, to ensure we can deliver on this mandate.

This year marked my first full year as CEO of the Land Bank. I wish to thank the Board, management, and our shareholders for their support and trust during this time. The 2024 Integrated Annual Report is an opportunity to reflect on our achievements over the past financial year, and to present a fair and transparent view of our finances and the challenges faced by the Bank and agri-sector. I wish to thank those who read the Annual Report for taking time to better understand our organisation.

For the Land Bank, FY24 was a year of transition as we continued to implement our new strategy towards a more sustainable organisation. Our revised Operating Model and Macro Structure were approved by the Board and will be implemented over the next financial year. This

Model will strengthen our banking and risk management functions, streamline our agricultural economics advisory section, improve our technology and operations, and enable a more effective working environment. We are also engaging National Treasury and the Department of Agriculture to establish an effective funding model.

Our continued efforts to improve customer services has resulted in the Bank exceeding the average turn-around time (TAT) target set at the beginning of the financial year. Although we achieved an average for the year of 33 days, against a target of 50 days, we have seen some transactions take as little as 3 days from due diligence to credit decision. In keeping with improving customer services, we have also assisted clients who have suffered Disaster (floods, drought, hail, fire, pandemic, energy supply, disease, water supply, and pests) to the tune of R785m in forbearance relief. We have also provided financing support to 36 clients from designated groups (i.e. women, youth and people with disabilities).

The Bank progressed well against milestones set in the implementation of the Principles of Responsible Banking (PRB), achieving 86% of milestones set for the financial year. Our Net Reputation Score averaged 11% for year, indicating appreciation of the efforts and direction the Bank is taking in terms of improving our reputation with Stakeholders.

Despite these efforts, the Land Bank's performance was significantly influenced by our debt default status, which was triggered in April 2020. This past year the Bank prioritised concluding the liability solution. I am happy to report that the Bank has reached an agreement with all the lenders and the agreement will be implemented

in September 2024. I would like to thank the Minister of Finance for his unwavering support throughout this process.

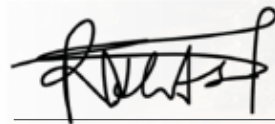
Land Bank is further constrained by our diminishing Loan Book, which is expected to fall from R17.4 billion this financial year (FY24) to R16.6 billion by FY28, owing to settlements, collections, recoveries, disposals, and some legal write-offs. In response, the Bank will continue to consolidate and grow the Blended Finance portfolio while preserving our existing performance portfolio. We are also confident that the Agro-Energy Fund, which was launched this year in partnership with the Department of Agriculture, will continue to gain momentum.

The Land Bank reported a group profit of R21 million for the financial year, compared to the prior year's profit of R515 million. The reduced profit is driven by net impairment charges of R114 million, largely due to the Non-Performing Loan (NPL) book. A reduction of non-performing loans is underway through implementation of the NPL Strategy. The non-performing loan book is expected to reduce from R9.3 billion in FY24 to R8.2 billion by FY28. Land Bank Insurance has, however, reported less favourable results, earning a loss of R37 million.

The Land Bank experienced a decrease in net loans and advances, from R14.7 billion in FY23 to R13.3 billion in FY24. This is largely due to a slowdown in lending to our existing client base. Nevertheless, since the resumption of lending activities in FY23, the Bank has built up a significant pipeline of potential transactions. We anticipate this will result in an increase in net loans and advances, and transactions in the next financial year.

Our performance over FY24 thus reflect a Bank in transition. While we continue to strengthen our foundation, by advancing the Bank's operations and funding models, we are also faced with deep-rooted financial challenges. These are addressed by negotiating in good faith with our creditors, engaging with National Treasury, and better positioning our organisation within the sector. Looking ahead, Land Bank will continue to implement our turnaround strategy such that we can effectively fulfil our development mandate.

I wish to thank the Minister of Finance, Hon Enoch Godongwana, and the Board for their ongoing support as we navigate this transition. I am also grateful to the Land Bank team for your commitment as we make the necessary changes to ensure our organisations' future. To our shareholders, stakeholders and clients, thank-you for your ongoing faith in the Land Bank. We look forward to a fruitful relationship in the years to come.



**Themba Rikhotso**  
Land Bank, CEO



**“The 2024 Integrated Annual Report is an opportunity to reflect on our achievements over the past financial year, and to present a fair and transparent view of our finances and the challenges faced by the Bank and agri-sector.”**

## PREPARING THE ANNUAL REPORT

The Annual Report demonstrates how Land Bank applies its resources, strategy, and business model to deliver holistic value for stakeholders, including financial performance. The Report reflects all matters considered to be of material value, as well as those which impact the Bank's stakeholders and sustainability. The Report is compiled in accordance with the King IV Code™ of Corporate Governance, Integrated Report (IR) framework, and Global Reporting Initiative (GRI) standard.

The Board, with the support of the Audit and Finance Committee (AFC), is accountable for the effectiveness of the Bank's combined assurance, which supports the integrity of the information in the Annual Report. This includes the design and operation of our internal control system to prevent material misstatement and loss. The Bank's management and internal audit function play a crucial role in assessing the effectiveness of this internal control environment. The assurance applied to this report covers both figures and factual statements.

### Basis of Preparation of the Annual Report

The Annual Report showcases Land Bank's adoption and application of integrated thinking. It focuses on issues that significantly affect the Bank's capacity to create and sustain value for stakeholders. The content is sourced from the Bank's records, including quarterly reports submitted to the National Treasury, and encompasses details on the operational context, strategic performance, risks and mitigation measures, stakeholder engagement, and identified business opportunities. Contributions

from the Executive Management team are incorporated, with all information reviewed by various committees and ultimately approved by the Board. The Board strives to provide an accurate and transparent account of the Bank's performance for the period.

### Determining Materiality

The Bank has formulated the Delegation of Powers (DoP) Framework, the Materiality Framework, and the Risk Appetite Framework, in which the materiality determination process is defined in line with Section 54(2) of Public Finance Management Act (PFMA) and Treasury Regulation 28.3. Whether an event is deemed material, major, significant, or substantial is determined by considering the event's strategic relevance, intrinsic value, magnitude, impact, and implications.

### Forward-Looking Statements

This report contains various forward-looking statements concerning potential future financial positions, business operations, strategies, and management plans. These statements are not factual at present, as they are based on current estimates, assumptions, and expectations for the Bank, which are contingent on future circumstances. Land Bank does not commit to publicly updating or revising these statements to reflect new information, future events, or otherwise.

### Assurance

The FY24 Land Bank Integrated Annual Report is compiled in line with the Bank's ethical values, statutory legislative frameworks, and reporting best practice. The Board of Directors has reviewed the report and believes, to the best of its knowledge, that it accurately and truthfully represents the organisation's position. The financial statements included in this Report have been assured through an audit conducted by the Auditor-General of South Africa (AGSA).



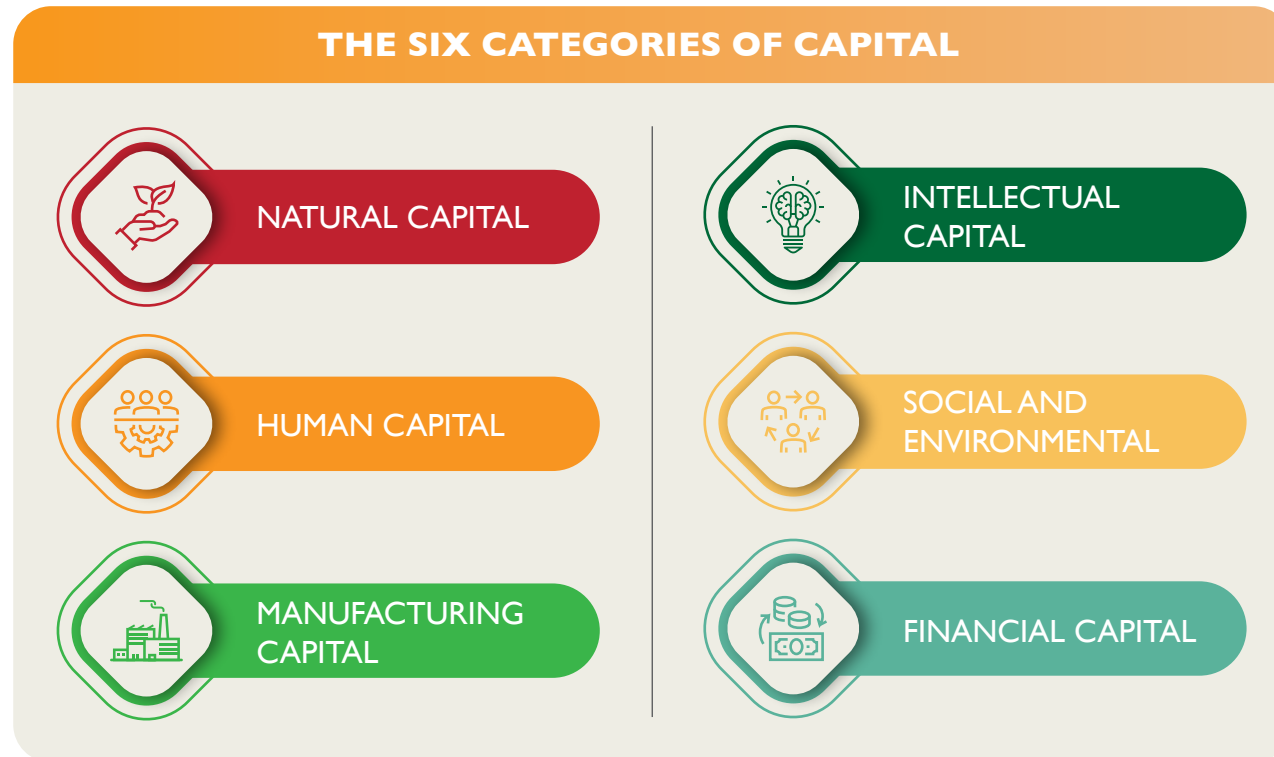
## Statement of Responsibility

The Board has evaluated the content of the FY24 Annual Report, confirming that it addresses all material matters, the Bank's integrated performance, its strategy, and its short-, medium-, and long-term value creation and opportunities. The Annual Report was prepared in adherence to the following framework:

External Reporting Suite	Applicable Legislation / Regulation/ Framework/ Standard	Assurance Applied to Validate the Integrity of Reporting	Outcome
2024 Integrated Annual Report	<ul style="list-style-type: none"> <li>International Integrated Reporting Council's Integrated Reporting Framework</li> <li>The Johannesburg Stock Exchange (JSE) Debt Listing Requirements</li> </ul>	<ul style="list-style-type: none"> <li>Land Bank Board</li> <li>Land Bank Insurance Board</li> <li>Audit and Finance Committee</li> <li>Risk and Governance Committee</li> <li>Executive Committee</li> <li>Combined Assurance: application of Land Bank's three lines of defence, including risk based internal audit</li> </ul>	Directors' approval
Annual Financial Statements for the year ended 31 March 2024	<ul style="list-style-type: none"> <li>PFMA 1999</li> <li>Companies Regulations 2011</li> <li>International Financial Reporting Standards (IFRS)</li> </ul>	<ul style="list-style-type: none"> <li>Auditor-General</li> <li>Land Bank Board</li> <li>Audit and Finance Committee</li> <li>Executive Committee</li> <li>Combined Assurance: application of Land Bank's three lines of defence, including risk-based internal audit</li> </ul>	Directors' approval
2024 King IV Disclosures	<ul style="list-style-type: none"> <li>Land and Agricultural Development Bank Act, 2002</li> <li>Public Finance Management Act, 1999</li> <li>Insurance Act, 2017</li> <li>Prudential Standards of the Prudential Authority: Governance and Operational Standards</li> <li>King IV Report™ on Corporate Governance for South Africa 2016 (King IV)</li> <li>JSE Debt Listing Requirements</li> </ul>	<ul style="list-style-type: none"> <li>Land Bank Board</li> <li>Audit and Finance Committee</li> <li>Risk and Governance Committee</li> <li>Executive Committee</li> </ul>	Directors' approval

## Navigating This Report

This report contains feedback pertaining to the six capitals, defined in the (IR) Framework as stocks of value that are affected or transformed by the activities and outputs of an organisation. Each of these capitals is indicated as follows:



The Land Bank applies a combined assurance model with clear accountability for managing the effective execution of the assurance function. The model comprises three lines of defence and clearly defines the roles and responsibilities for the management of risk within the Bank. Our approach relies on shared oversight and responsibility for the assurance process by drawing first on senior management, then the Enterprise Risk Management (ERM) team and Executive Committee, and finally Independent Assurance Providers. Combined assurance has assisted with reducing the duplication of effort in several key audit projects during the financial year. Combined assurance is still in a fledgling state and will continue to be institutionalised as it is being implemented.

## BOARD APPROVAL

This Report was approved by the Land Bank Board of Directors (Board) and authorised for release on 27 September 2024. The Board acknowledges its responsibility to ensure the integrity of the FY24 Integrated Annual Report and supplementary information referenced therein. The Bank's Audit and Finance Committee (AFC) reviewed the Report and recommended it to the Board for approval. The Risk and Governance Committee (RGC) reviewed the 2024 King IV Code disclosures and recommended them to the Board for approval. The Board has thoroughly reviewed the Integrated Annual Report, considering the operating context, strategy, and value creation model. It has evaluated the completeness of the material aspects addressed in the Report and the relevance and reliability of the reported performance information.

As a result, the Board is satisfied that the FY24 Integrated Annual Report addresses material matters that have, or potentially have, a significant effect on the Bank's ability to create value, and that the information in the report accurately represents the Bank's strategy and integrated performance. To the best of the Board's knowledge and belief, it confirms that all information and amounts disclosed in this report are consistent with the Annual Financial Statements for the financial year ended 31 March 2024, which have been audited by the office of the Auditor General of South Africa (AGSA) and approved by the Board on 26 September 2024.





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**PERFORMANCE** OVERVIEW



## SUMMARY OF RESULTS

Land Bank's Gross Loan Book decreased by 7% year-on-year driven largely by customer settlements. This has continued to improve the cash position of the Bank, as well as enable further funding debt reduction. The Bank also focused on reducing overall operating expenditure.

The Bank's improved cash position and lower operating costs have resulted in profits, albeit reduced year-on-year owing to the loan book starting to stabilise which meant reduced settlements. Land Bank recorded an increase in net interest income of more than 16% to R704 million in the FY24 financial year, compared to R607 million in FY23. Net profit for FY24 was positive at R60 million, compared to R482 million the previous year.

## HIGHLIGHTS - FY24

Land Bank presents the following highlights for FY24.

**Development Effectiveness:** The Bank provided disaster relief, including CSI and Client Repayment Forbearance Measures, to the value of R785 million against a target of R50 million for the financial year.

**Finance Priority Commodities in line with the Agricultural and Agro-Processing (AAMP) objectives:** 100% of the Bank's approvals are in line with the AAMP priority commodities against a target of 80% for the financial year. This highlights the Bank's commitment to supporting priority commodities which contribute to food security and economic growth.

**Principles of Responsible Banking (PRB):** The Bank achieved 86% of the project milestones in the implementation of the PRB against a target of 80% by the end of the financial year.

**Loan Book Size and Quality:** The NPL ratio decreased from 54.4% in December 2023 to 53.1% at year-end, indicating the positive impact of remediation activities.

**Cost to Income Ratio:** The Bank recorded a year-end Cost-to-Income (CTI) ratio of 79% against a target of 87.3%, largely attributed to lower operating expenses and higher non-interest income.

**Launch of the Agro-Energy Fund:** Land Bank and the Department of Agriculture launched the Agro-Energy Fund in August 2023, approving 4 transactions, while building a pipeline of potential borrowers.

**Increase in Non-Interest Income (excluding once-off):** The Bank reported an increase in Non-Interest Income (excluding once off) in relation to Net Interest Income of 6.6% against a target of 5%. This is largely due to additional administrative fees earned by the Bank for third-party funds.

**Increase in Non-Interest Income (including once off):** The Bank reported an increase in Non-Interest Income (including once-off) of 8.8% against the target of 5%. This was driven by once off income because of client restructuring (Humansdorp and Farmprop), and a legal decision in Land Bank's favour (GroBank recovery).

**Net Reputation Score:** The Bank's Net Reputation Score averages 11% for the year against a target of 5%. The Bank

received positive media coverage of its involvement in conference events and from articles published on thought leadership by the CEO and the Agricultural Economics and Advisory Division.

**Turn-Around Time (TAT):** The Bank recorded an average TAT of 33 days for client applications, from due diligence to credit decision, against a target of 50 days. This reflects the Bank's efforts to streamline processes and improve efficiency in loan evaluations and credit decision-making, and close monitoring of the process improvement benefits.

**Talent Attraction and Retention:** The Bank resumed with building organisational capacity including the filling of critical vacancies to support the resumption of lending activities and execution of the non-performing loan strategy.

## CHALLENGES - FY24

Land Bank faced the following key challenges which impacted our operations and performance in the year under review.

**Lending Restrictions:** The Bank remained in default status pending the conclusion of the Liability Solution. Consequently, lending restrictions remained in place throughout the reporting period.

**Economic Conditions:** A weak economy, characterised by slow growth, rising interest rates, and persistently high inflation, placed pressure on the Land Bank's client base and lowered the demand for finance.

**Development Effectiveness:** The disbursement rate, for both loans and grants, was slower than expected at R720 million for the year against a target of R1.48 billion. The Bank continues to build a robust transaction pipeline and saw improved performance towards the end of the reporting period.

**Development Effectiveness:** The Bank delivered financial support to 36 clients in designated groups, achieving only 75% of the annual target of 48 clients supported. To address this, the Bank has assigned a Client Analyst for each Relationship Manager and an Office Administrator for each satellite and provincial office. This will allow support for the Relationship Manager to focus on client acquisition and cross selling whilst also preserving the loan book. Each province will also have a dedicated Credit Manager to offer guidance and support during the credit application process.

**Net Interest Margin (NIM):** The NIM improved slightly from 2.1% in March 2023 to 3.3% in March 2024, owing to lower interest expenses. Nevertheless, NIM remains below the 5% target.

**Financial Performance:** The Bank reported a profit of R60 million, driven by higher net impairment charges. The increase in the NPL book, as well as an increase in the number of days in arrears, have resulted in the Bank holding a higher amount of Expected Credit Losses.

## SUCCESS STORIES

Land Bank provides emerging farmers with **pre-and-post finance support** to create agri initiatives that are properly researched and packaged for implementation. Support is delivered internally by the Land Bank team and in partnership with commodity organisations and Provincial Agriculture Departments. The following stories showcase successful farmers who have benefited from this support.



### Simon Phophi Raletjena – Limpopo

Simon has a long history of farming in Limpopo's Blouberg region. He is an established potato anchor farmer for Simba, the potato chip manufacturer, was selected by industry to mentor other Black farmers, and was awarded 'Farmer of the Year' by Potatoes South Africa through their Enterprise Development Programme.

For 20 years, Land Bank has provided Simon with funding and other support. In 2023, Simon received Jobs Fund Grant Funding, comprising a 50% grant / 50% loan of R4.6 million for the purchase of farming implements.



### Thabo Dithakgwe – North West

Thabo farms livestock near Terra Firma in the North West Province. In FY24 he received a Medium-Term Loan and Instalment Sale Finance from the Land Bank in the amount of R3 million. Thabo used this funding to expand his farm to 160 cattle, hire local farmworkers and purchase a light delivery vehicle. These investments have enabled him to achieve financial sustainability.



### **Annelly Khulelaphi Mokwena – Gauteng**

Annelly is a successful grain and livestock farmer in Bronkhorstspuit, Gauteng. With her own savings, Annelly planted 150 hectares of crops on leased farmland. Since then, and with the help of several Land Bank loans and Post Investment Support, Annelly has expanded her farm and invested in mechanisation.

In 2023 Annelly was recognised by the Department of Agriculture as the Young and Upcoming Female Farmer of the Year. Her goal over the next five years is to purchase her own farm and establish herself as a commercial farmer.



### **Moses Khoza – Mpumalanga**

Moses is an entrepreneur and founder of Imvelo Kraal (Pty) Ltd, near Mbombela. With Mortgage Finance from the Land Bank, Moses expanded his sugarcane operations to 583 hectares and established a 2.979-hectare cattle farm. In 2022, Moses received a second loan from the Land Bank to finance agricultural inputs and working capital, used to implement mechanisation and generate higher yields.

Most recently, Moses was awarded funding from the Land Bank Blended Finance Scheme to purchase a second sugarcane farm, cover input costs, acquire farm implements and machinery, and streamline operations. This funding will advance his vision of a diversified and sustainable enterprise capable of creating jobs, combatting poverty and building food security.



### **Sefale Petrus Letsitsa – Free State**

Sefale, also known as Happy Letsitsa, farms in Free State's Welkom District. Using two loans from the Land Bank Blended Finance Scheme, Happy planted maize and sunflower, purchased equipment, and increased his production capacity by 50%. In 2023, Happy delivered 1 500 tons of grain to Grain SA.

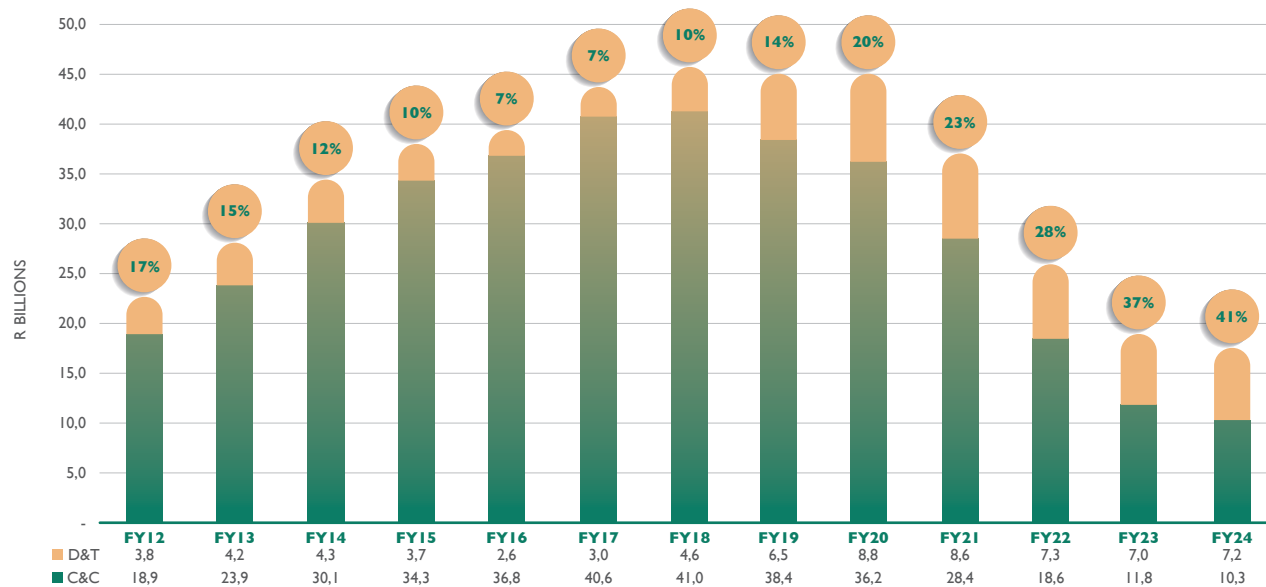
# DEVELOPMENT EFFECTIVENESS

## Land Bank Finance to Historically Disadvantaged Persons

Transformation is a critical part of Land Bank’s mandate. The Bank is assigned with the responsibility of facilitating meaningful contribution to the development and transformation of South African agriculture by providing financing support to previously disadvantaged groups such as black women, youth, and people with disability. To achieve the mandate, without neglecting the already successful Commercial & Corporate Clients, the Bank resolved to split the Loan Book into two segments, namely; Commercial & Corporate (C&C) and Transformation & Developments (T&D).

Over the past 10 years, significant efforts have been made to grow the Development & Transformational (D&T) Loan Book. The size of this portfolio as a percentage of total Loan Book continues to increase. The proportion of the Transformation & Development segment to Commercial & Corporate (C&C) segment improved from 10% in FY18 to 41% in FY24. This was achieved notwithstanding the challenges that the Bank has had to encounter, chief amongst them the debt default, that led to an increase in the Bank’s cost of funding.

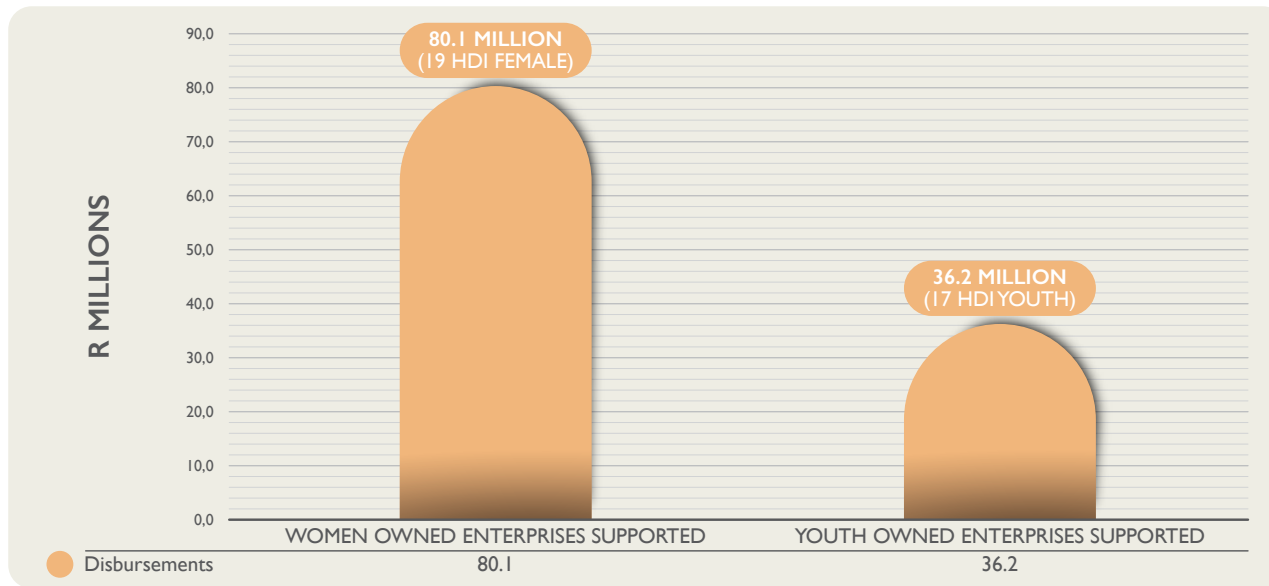
Figure 1: Land Bank Historical Loan Book Composition by Client Segments



## Proportion of Development and Transformation Disbursements amongst HDIs Clients

This subsection seeks to further elaborate on the Bank’s financing support to Historically Disadvantaged Persons with emphasis on women and youth. It does so by outlining the Development and Transformation disbursements that were aimed at supporting the HDI such as Women and Youth enterprises for FY24. As depicted in Figure 1, a total of 19 women owned enterprises were provided with financial support, amounting to R80.1 million. Furthermore, about R36.2 million was disbursed to provide support to 17 Youth owned enterprises. In doing so, the Bank continues to enable a more inclusive participation in the agricultural value chain, which speaks directly to the sustainable development goals by advancing Equity, Transformation and Inclusivity.

Figure 2: Disbursements by HDI Group



Despite generating significant impacts and benefits at the peak of its lending activities in 2020 through its investment in the industry, in the form of loans, by 2023 these gains had to a large degree been reversed due to the disruption caused by the Land Bank's default and the subsequent halt in new lending activities.

Recently, the Bank has directed more funding toward Development and Transformation clients, especially women and youth, as seen in its disbursement trends. The Bank has partnered with Department of Agriculture to launch the Blended Finance Scheme (BFS), offering affordable financial solutions to black farmers, agro-processors, and producers and allowing the Bank to direct funds to development and transformational clients.

Over the last decade, Land Bank delivered significant benefits and contributed towards economic impact within South Africa. The analysis illustrates that the investment into farmers by Land Bank was instrumental in creating and supporting jobs, combating food insecurity, improving land utilisation, and environmental stewardship, in line with its developmental mandate.

## PERFORMANCE OUTLOOK

Looking ahead to FY25, Land Bank is committed to further stabilising its operations and improving performance. The Board approved a transformative strategy in 2022 to realign and fortify the institution's trajectory, balancing financial sustainability and development effectiveness. These ambitions are defined in three phases:

### Phase 1 - Stabilisation (FY24):

The first phase of Land Bank's strategic restructuring focused on the Bank's immediate priorities, which are required to achieve stability. Initiatives undertaken in this phase will curb further deterioration in key areas and establish a solid basis for enhanced mandate alignment and improved financial and operational performance.

### Phase 2 - Consolidation (FY25 – FY27)

Assuming that the Bank's funding liabilities have been successfully restructured and that its state of default has been cured, Phase 2 will focus on consolidating these gains and repositioning the Bank for success. This will include changes to the Bank's operating model.

Revision of the Bank's funding model will remain a core focus area to ensure the Bank is positioned to sustainably deliver its development mandate at the scale and pace required. The Revised Funding Model design and proposal will be concluded in FY25 and is expected to come into effect during the medium-term.

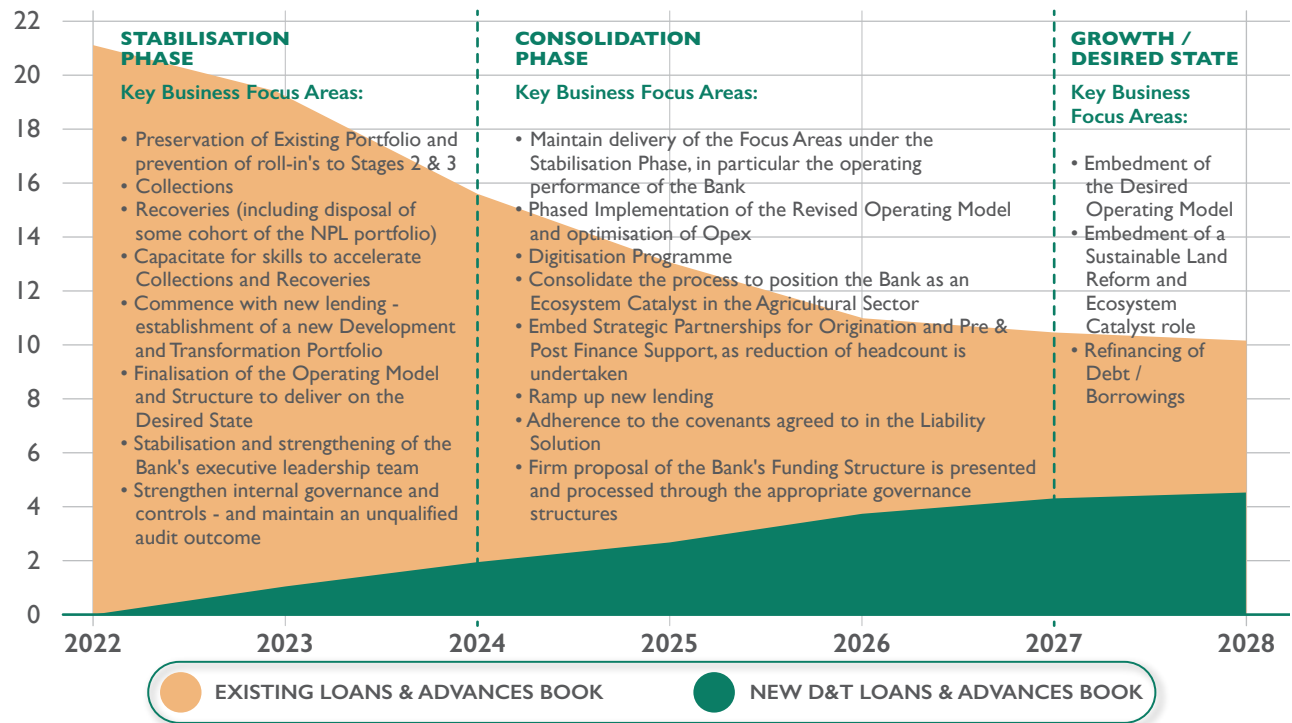
### Phase 3 - Growth (FY28 onwards):

Having demonstrated tangible financial and operating performance, as well as developmental outcomes, the Bank will focus on expanding its reach through enhanced partnerships, a diversified funding mix and a broader ecosystem focus.

Land Bank has adopted a budget and targets that are realistic given current challenges, guided by the need for long term financial sustainability, and capable of delivering on the development mandate. The defined targets also measure the fulfilment of the Bank's responsibilities towards its lenders during the debt restructure period.

Land Bank has achieved, or significantly progressed, on most of the objectives and initiatives which fall within the stabilisation phase. The Bank will therefore embark on initiatives contained in the consolidation phase during FY25, as set out in the Board approved strategy (Figure 3).

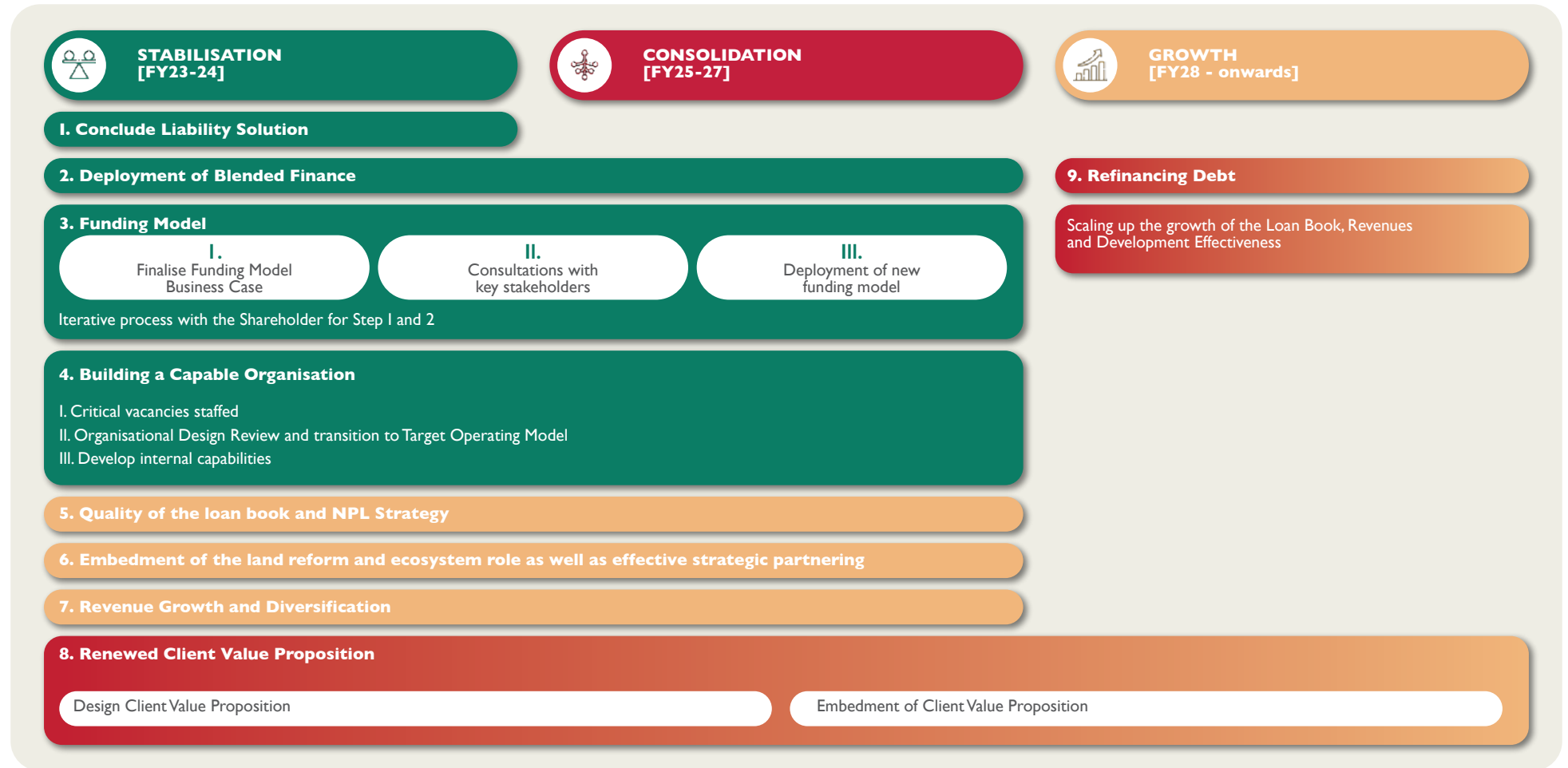
Figure 3: Strategy Execution Methodology



# STRATEGIC PRIORITIES

The Land Bank's Strategic Plan (FY24 – FY28) sets out three phases, each with its own strategic priorities. These phases and priorities are presented in Figure 4 and explained in detail below.

Figure 4: Land Bank's Strategic Priorities



## Strategic Priority 1: Conclude Liability Model

The top priority for the Land Bank in FY24 was to conclude the liability model, necessitated by the 2020 loan default. Subsequent to the year end, the Bank has concluded the debt restructure agreement with all its lenders. This is a critical milestone for the Bank as it cures the long standing default the Bank has been operating under since April 2020.

## Strategic Priority 2: Deployment of Blended Finance

The Bank remains focused on both Development Effectiveness and Commercial Sustainability:

- To give effect to Development Effectiveness the Bank continued to accelerate the implementation of Blended Finance solutions.
- To contribute towards the realisation of Commercial Sustainability, the Bank will grow its revenues through the Corporate and Commercial segments.

## Strategic Priority 3: Funding Model

From its inception the Land Bank supported the agriculture sector with long-dated affordable loans, disaster relief and production finance. However, over the last three decades the Bank has deviated from this approach. As a result of limited capital deployment from the state, more reliance was placed on funding from capital markets.

The consequence was a Land Bank with a high gearing ratio, funding miss-match, high cost of funding and low tolerance for NPLs, which contributed to the current default position.

Resolving the Bank's funding model is thus critical to fulfilling our mandate and achieving sustainability. The Land Bank Act makes provision for several funding sources, including state funds. The Board believes that the Bank's balance sheet should consist of a blend of funds to ensure an appropriate cost of funding that enables sustainable development finance. To this effect, the Land Bank will:

- Continue consulting key stakeholders regarding the new Funding Model Business Case, including National Treasury, the Minister of Finance, and the Department of Agriculture.
- Submit the MTEF application to seek funding approval to enhance development initiatives.
- Secure Credit Enhancement Guarantees through the National Treasury, which will support good relations with lenders and boost initiatives to acquire additional funding.
- Explore other avenues to secure alternative funds from identified sources.

## Strategic Priority 4: Building a Capable Organisation

The Organisational Review and Design project is progressing well towards finalisation of the Bank's fit-for-purpose operating model and organisational structure. In FY25 the Bank will take further measures to enhance organisational effectiveness and efficiency, including:

- Implementation of the revised Operating Model, including macro and micro-structures and change management.
- Optimisation of capabilities to deliver the Operating Model, including processes, systems, review policies, SOPs and improved execution.
- Implementation of our Corporate Values and Ethical Culture Change.
- Reviewing and implementing an Improved Performance Management Framework.
- Reviewing and implementing the Remuneration Framework.
- Defining and implementing the Employee Value Proposition.

## Strategic Priority 5: Quality of the Loan Book and NPL Strategy

In response to the deteriorating loan book the Bank has focused on preserving the existing performing loan portfolio as well as consolidation of the growth of the Blended Finance Portfolio whose prime focus is on small and medium scale farmers. Growth of the book will come from offering of short, to medium-term facilities for production and mechanisation support, and long-term loans to promote land acquisition to support transformation of land ownership patterns in the sector.

In addition, the Bank is implementing a non-performing loan book remediation plan to arrest the further deterioration of the portfolio and to cure as much of the non-performing loans as possible.

## Strategic Priority 6: Embedment of the Land Reform and Ecosystem Role as well as Effective Strategic Partnering

The Land Bank should be a partner of choice for the State and key agricultural stakeholders to deliver land reform and transformation in the agriculture sector. The Bank seeks to define its active role in the Land Reform programme, which goes beyond financing.

Land Bank is contemplating the following questions to determine the best option for involvement:

- The nature of the Bank's role as envisaged and/or provided for by the Land Bank Act, and other relevant legislation.
- The political and practical acceptability of the proposal.

## Strategic Priority 7: Revenue Growth and Diversification

Several revenue streams have been identified and further evaluation is underway to assess their viability. Once approved by the Board, business cases for proposed solutions will be developed.

Possible revenue streams to be pursued in FY25 are:

- Land Management
- Trade Finance
- Escrow
- Leverage Bancassurance

## Strategic Priority 8: Renewed Client Value Proposition

The Client Value Proposition is aligned to Land Bank's efforts to address market failure gaps and is underpinned by the operating and funding models. The Bank seeks to define a uniform and enhanced Client Value Proposition that will be customer centric and recognisable across the organisation.







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**ABOUT** LAND BANK



## OUR PURPOSE AND MANDATE

### The Bank's Purpose

The Land Bank, guided by the Land and Agricultural Development Bank Act, No. 15 of 2002, serves as a responsible DFI providing suitable financial services to:

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



### The Bank's Mandate

As a specialist agricultural DFI, Land Bank uses financial services and products to address a crucial market failure in the economy, fostering the development and transformation of the agriculture sector. The Bank aims to provide:

- Affordable finance,
- Products to bridge the equity contributions and collateral gaps of clients,
- Facilitation of access to productive agricultural land and high socio-economic impact commodities, contributing significantly to socio-economic outcomes, and
- Support programmes pre- and post-finance to minimise the risk of entrepreneurial failures for new market entrants.

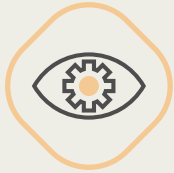
The Bank's mandate aims to achieve the following outcomes:

- Inclusion of historically disadvantaged individuals,
- Contribution to the Gross Domestic Product (GDP),
- Job creation and an increased economically active population,
- Food security, and
- Environmental stewardship.

The Bank continues to strive for financial sustainability by expanding the development loan book, aiming for it to become a dominant portfolio within the total loan book.



# VISION AND MISSION



## VISION

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



## MISSION

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



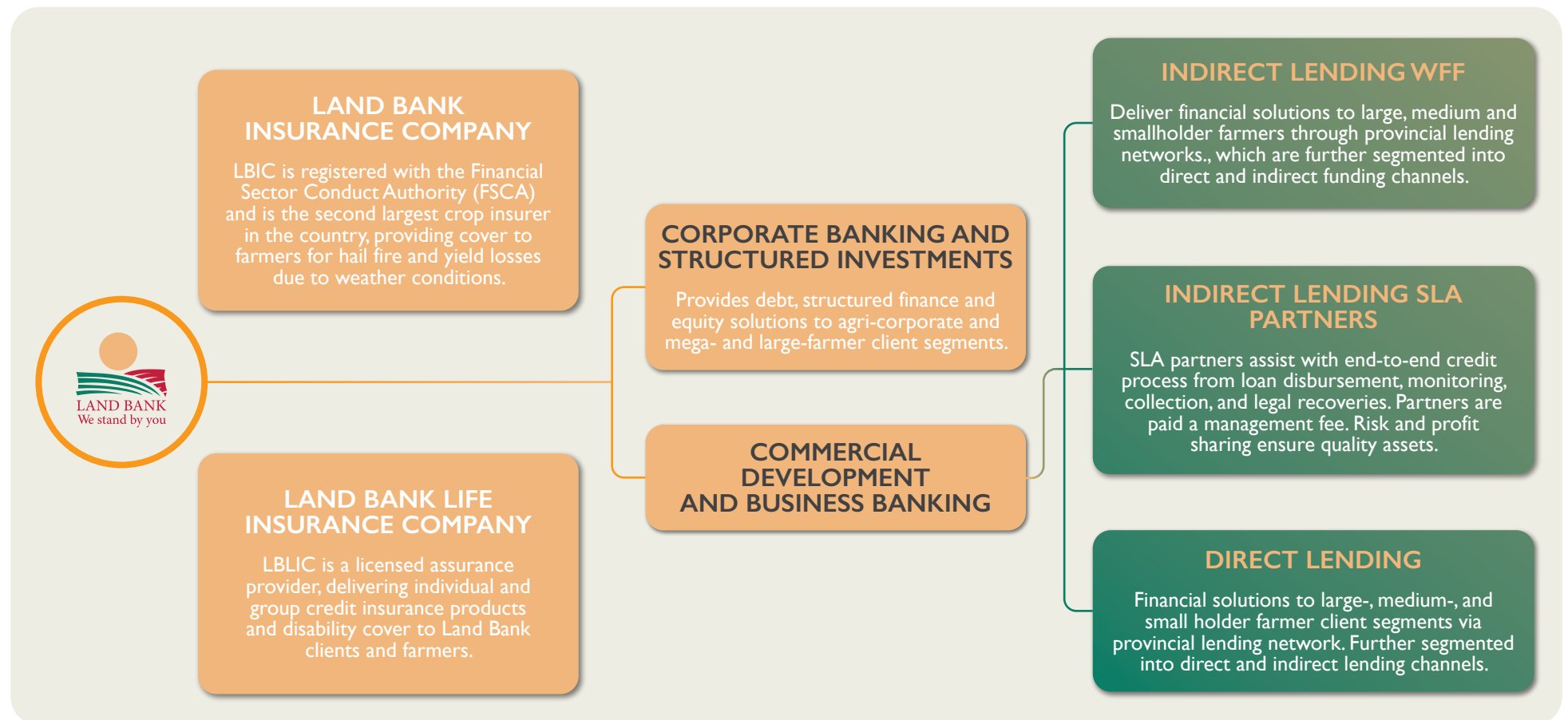
## VALUES

- **Contribute Meaningfully:** Continuously seek to add value to our engagements.
- **Empower:** Seek to empower each other and ourselves in the way the work is undertaken.
- **Build Organisational Synergy:** Seek to create a sense of oneness by continuously integrating.
- **Be Accountable:** We do what we say and follow through on our promises.
- **Be Proactive:** Seek opportunities to improve performance at all levels, taking all conceivable measures to create new opportunities.

## ORGANISATIONAL OVERVIEW

The Land Bank, a government-owned Development Finance Institution (DFI), fosters inclusive agricultural and rural development. Its insurance subsidiaries, the Land Bank Insurance Company (LBIC) and Land Bank Life Insurance Company (LBLIC), both State-Owned Companies (SOCs), supplement the Bank's financial services by offering insurance and risk management solutions to the agricultural sector. Operating within the primary agriculture and agribusiness sectors, the Bank is regulated by the Land and Agricultural Development Bank Act of 2002 and the Public Finance Management Act of 1999. Figure 5 provides an overview of the Bank and its subsidiaries.

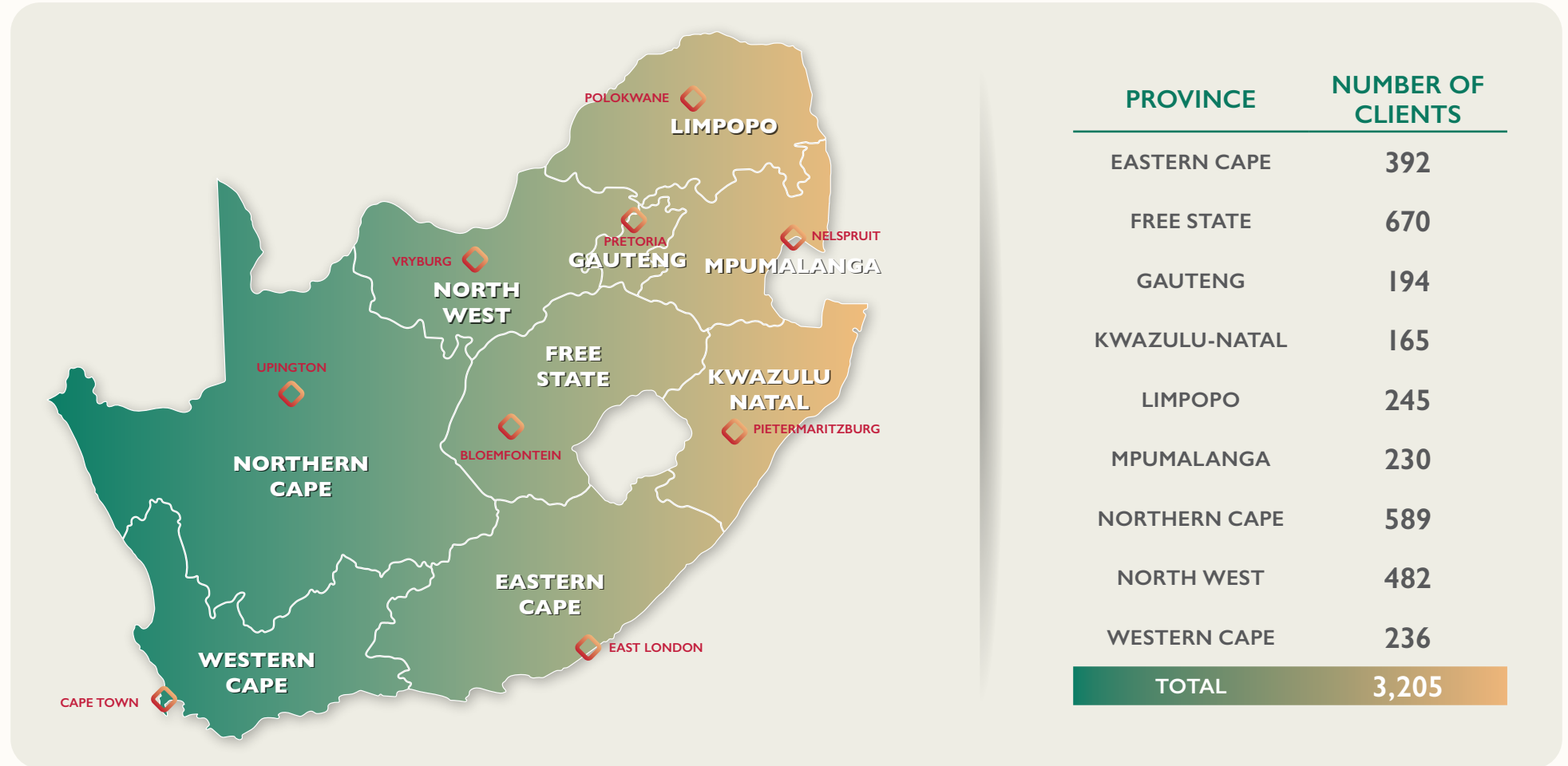
Figure 5: Land Bank Organisational Overview



N.B: Note that the Bank's lending activities through SLA and Wholesale Funding Facility (WFF) partners currently account for less than 10% of the Bank's total lending portfolio.

## LAND BANK'S FOOTPRINT

The Land Bank is a national organisation, headquartered in Pretoria, South Africa. The Bank has nine provincial offices and 12 satellite offices to ensure its clients are adequately reached and supported.



## OUR BOARD



**MS RETHABILE NKOSI**

### Qualifications

- Master in Business Administration (MBA)
- BSc in Agricultural Economics
- Postgraduate Diploma from GIBS

### Committee Membership

Board Chairman. Board Sub-Committees: Chair Nominations Committee, Human Resources and Remuneration Committee Member, Joint Land Bank and Land Bank Insurance and Land Bank Life Insurance Social and Ethics Committee



**MR LEHLOHONOLO  
ANDREW MAKENETE**

### Qualifications

- MSc in Agricultural Management
- BSc in Agricultural Economics

### Committee Membership

Board Sub Committees: Chair Joint Land Bank, Land Bank Insurance and Land Bank Life Insurance Social and Ethics Committee Nominations Committee Member

Board member resigned (last day 31 March 2024).



**MS MATHANE  
MAKGATHO**

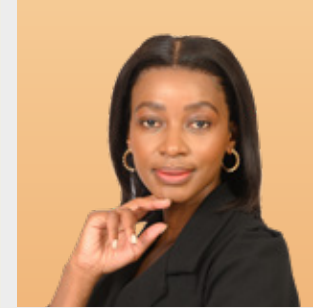
### Qualifications

- Master's Degree in Development Finance
- BCom (Hon) Economics
- BCom Accounting, Economics and Business

### Committee Membership

Board Sub Committees: Chair Credit and Investment Committee; Audit and Finance Committee Member

Term ended 7 December 2023



**MS DINEO MAITHUFI**

### Qualifications

- BCom (Hon.) Accounting
- CA (SA)

### Committee Membership

Board Sub Committees: Chair Risk and Governance, Credit and Investment Committee Member



**MS THULISILE NJAPA  
MASHANDA**

### Qualifications

- BA (Hon.) Accounting
- BA Accounting
- Certified Director
- CA (SA)

### Committee Membership

Board Committees: Risk and Governance Committee Member, Audit and Finance Committee Member

## OUR BOARD (CONT.)



**PROF. JOHANN  
FREDERICK KIRSTEN**

### Qualifications

- PhD Agricultural Economics
- MSc Agric
- BSc Agric (Hon)
- BSc Agric

### Committee Membership

Board Committees: Credit and Investment Committee Member



**DR. MONDE TOM**

### Qualifications

- PhD Technology and Innovation management
- Masters in Financial Economics
- PG Dip Economic Principles
- BSc Applied Mathematics and Physics
- ND in Cost and Management Accounting

### Committee Membership

Board Sub Committees: Chair Human Resources and Remuneration Committee Member, Nominations Committee Member



**MS N (MBIKO)  
MOTSHEGOA**

### Qualifications

- Agripreneur

### Committee Membership

Board Sub Committees: Previous chair Joint Land Bank and Land Bank Insurance and Land Bank Life Insurance Social and Ethics Committee (up to Nov 22), Credit and Investment Committee Member (Up to Nov 22)



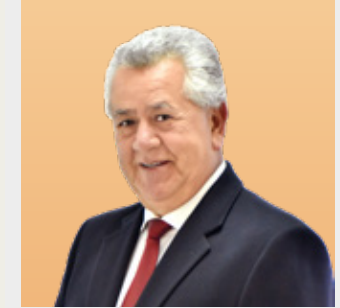
**MS EGASHNEE PILLAY**

### Qualifications

- BCom (Hon) Accounting
- BCom Accounting
- CA (SA)

### Committee Membership

Board Committees: Chair: Audit and Finance Committee and LBI Board Chair



**ADV. DIMITRI WILHELM  
VAN DER WESTHUIZEN**

### Qualifications

- LLB PMB
- Admitted Advocate of the High Court of South Africa

### Committee Membership

Board Sub Committees: Human Resources and Remuneration Committee Member, Risk and Governance Committee Member

## EXECUTIVE COMMITTEE



**MR THEMBA RIKHOTSO**

Chief Executive Officer

**Qualifications**

- Master of Business Leadership: Strategy, and Leadership
- Bachelor of Commerce: Accounting and Information Systems
- Executive Development Programme
- International Executive Development Programme

**Personnel Area**

Office of the Chief Executive



**MS KHENSANI MUKHARI**

Chief Financial Officer

**Qualifications**

- Master of Business Leadership
- Chartered Accountant (SA)

**Personnel Area**

Finance, Treasury and IT



**MR STEPHEN SEBUENG**

Executive Manager: Legal Services

**Qualifications**

- LLB
- Admitted Attorney of the High Court of South Africa
- Advanced Company Law Certificate

**Personnel Area**

Legal Services



**MR SYDNEY SOUNDY**

Executive Manager: Strategy and Communications; and Acting Executive Manager: Commercial Development and Business Banking

**Qualifications**

- Master of Business Administration
- Bachelor of Administration Honours in Industrial Psychology
- Graduate Diploma in Marketing Management
- Global Executive Development Programme

**Personnel Area**

Strategy and Communications



**MS ELIZABETH DLAMINI**

Executive Manager: Human Capital

**Qualifications**

- Bachelor of Arts (Social Science)
- Masters Diploma in Human Resources Management
- Advanced Diploma in Business Management
- Programme in Advanced Marketing Management
- Leadership Development Programme for Senior Managers (Land Bank)
- International Executive Development Programme

**Personnel Area**

Human Capital

## EXECUTIVE COMMITTEE (CONT.)



**MR FARIDE STIGLINGH**

Executive Manager: Post-Investment Management Services; and Acting Executive Manager: Intermediary Channel Partnerships

**Qualifications**

- Executive Management Development Programme
- Senior Management Development Programme
- Senior Retail Development Programme
- Product Development Programme
- Corporate Governance Programme

**Personnel Area**

Post Investment Management Service



**MR THEUNIS COETZEE**

Acting Executive Manager: Corporate Banking and Structured Investment

**Qualifications**

- Bachelor of Economic Science
- Bachelor of Accounting Science
- Post Graduate Diploma in Financial Accounting
- Management Development Programme
- Leadership Development Programme for Senior Managers
- Financial Management in Rural Development

**Personnel Area**

Corporate Banking & Structured Finance



**MR SAKHUMZI MAY**

Acting Executive Manager: Agricultural Economics & Advisory

**Qualifications**

- MPHIL in Development Finance
- International Executive Development Programme
- Bachelor of Science Honours in Agricultural Economics
- Bachelor of Science in Agricultural Economics

**Personnel Area**

Agriculture Economics & Advisory



**MR SAKHUMZI DIZA**

Chief Risk Officer

**Qualifications**

- Bachelor of Science Honours in Agricultural Economics
- Master of Science in Agricultural Economics

**Personnel Area**

Risk Management



**ADV. BERNICE RASEROKA**

Company Secretary (appointed 1 November 2023)

**Qualifications**

- Advocate
- LLB & B Juries
- Compliance Post Graduate Certificate
- Board Governance Post Graduate Certificate
- Money Laundering Control Post Graduate Certificate

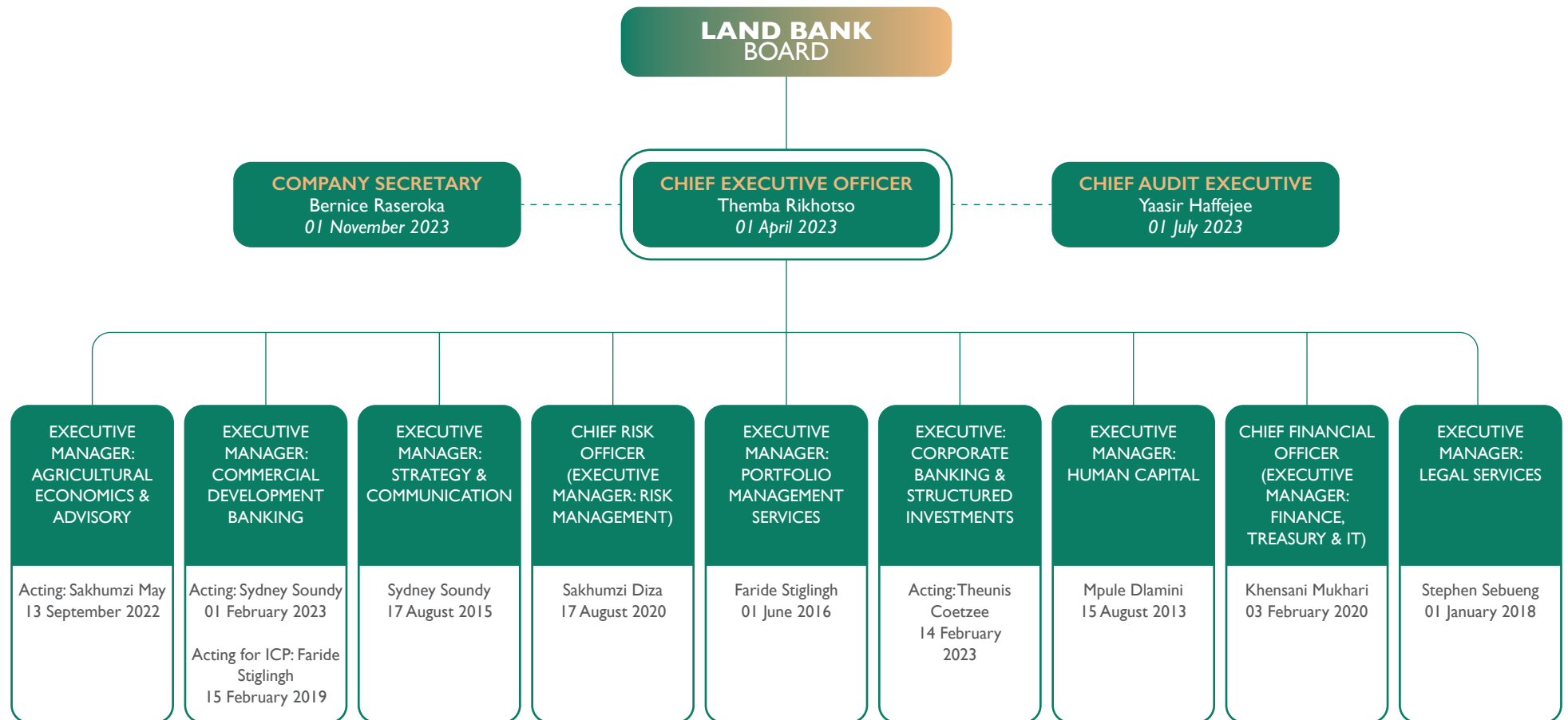
Mr. Mashumi Mzaidume  
Former Company Secretary  
(retired 31 December 2023)

# ORGANISATIONAL STRUCTURE

## Current Organisational Structure - FY24

The Land Bank's organisational structure for the year under review is presented below:

Figure 6: Organisational Structure

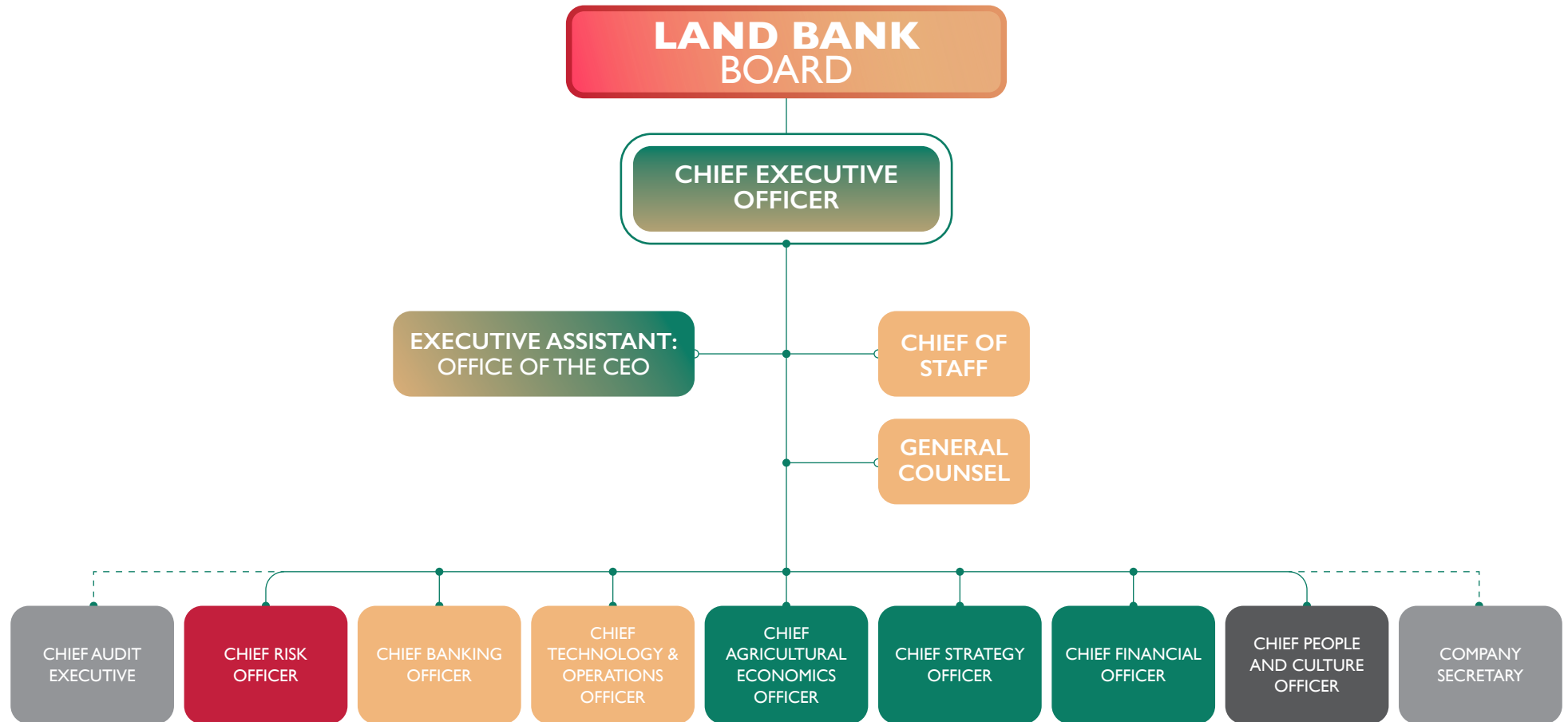


## New Organisational Structure – From 01 April 2024

In FY24 Land Bank progressed towards a new organisational structure to enhance organisational effectiveness and efficiency, in line with the Turnaround Strategy. The Operating Model and Macro Structure were approved by the Board, and the CEO was authorised to finalise the micro-structures and begin implementation. The next phase of the Strategy will include Human Capital components such as performance management, succession and talent management, and the employee value proposition, to be implemented in FY25.

The following diagram illustrates the Bank's new organisational structure, from 1 April 2024.

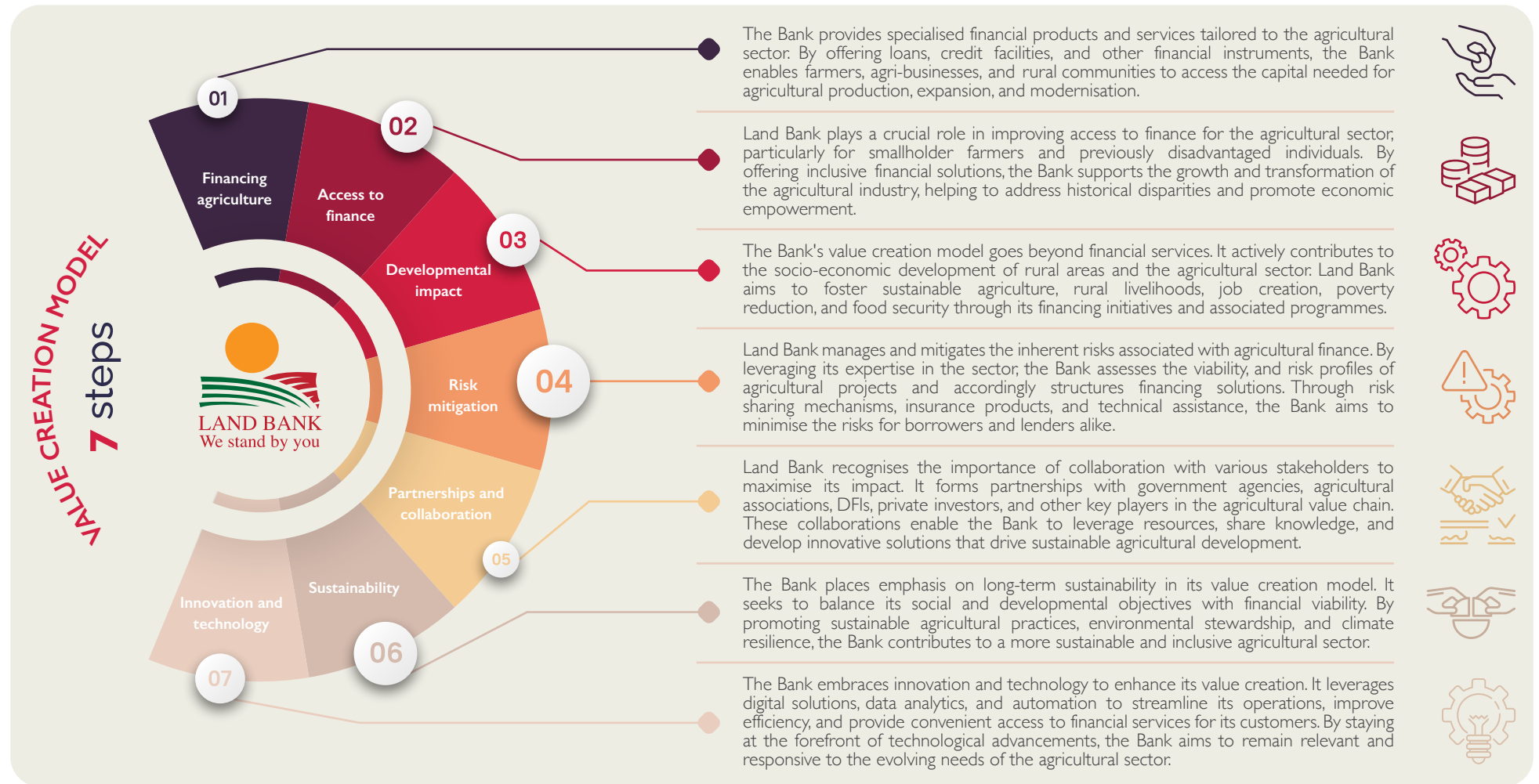
Figure 7: New Organisational Structure from 1 April 2024



# VALUE CREATION MODEL

Land Bank follows a value creation model, centred on its mission to facilitate agricultural and rural development while maintaining financial sustainability. The key elements of the Bank's value creation model are shown below:

Figure 8: Value Creation Model







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**OUR** OPERATING ENVIRONMENT

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On a global scale, **Land Bank** acknowledges the interconnectedness of **financial markets, trade flows,** and **geopolitical dynamics.**

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OUR OPERATIONS IN A GLOBAL AND NATIONAL CONTEXT	52
SOUTH AFRICA'S POLICY ENVIRONMENT	52
OVERVIEW OF THE AGRICULTURAL SECTOR	52
MANAGING AGRICULTURE RISK	53
STAKEHOLDER RELATIONS MANAGEMENT	55
PARTNERSHIP FUNDS	57
CORPORATE SOCIAL INVESTMENT	59
ACHIEVEMENT AGAINST KEY PERFORMANCE INDICATORS	60

## OUR OPERATIONS IN A GLOBAL AND NATIONAL CONTEXT

Our operations are intricately intertwined with both global and national contexts. As Land Bank, we recognise the importance of understanding and adapting to the broader economic trends and policies that shape our environment. In February 2024 the World Bank noted that global economic activity showed signs of stabilising on the back of slower economic growth in 2023. Ratings agencies and economic analysts shared these sentiments.

On a global scale, Land Bank acknowledges the interconnectedness of financial markets, trade flows, and geopolitical dynamics. The fluctuations in commodity prices, shifts in international trade agreements, and geopolitical tensions all have ripple effects on our operations. The COVID-19 pandemic disrupted supply chains, dampened consumer demand, and triggered sharp contractions in economic activity. Geopolitical tensions compounded the challenges posed by the pandemic. The Russia-Ukraine conflict reverberated across the world causing global energy and food prices to rise. Risk aversion also rose sharply when the Israel-Gaza war began.

Land Bank continues to monitor and respond to the macro-economic environment. As we build organisational sustainability, it is important that we remain capable of supporting key sectors in times of distress, responding to international disasters such as another pandemic or animal borne disease, and building financial resiliency.

## SOUTH AFRICA'S POLICY ENVIRONMENT

South Africa continues to experience slow economic growth. This is attributed to intense power outages through much of 2023, higher than usual inflation, and structural challenges including diminished infrastructure. The National Treasury anticipates a modest 1.3% growth in GDP in 2024, owing to improvements in energy supply and lower levels of inflation.

Political shifts following the national elections in May 2024 are expected to have an impact on South Africa's policy framework, including the approach to SOEs. Nevertheless, the government is expected to continue with structural reforms aimed at accelerating growth and job creation. This includes interventions to boost the agriculture sector, such as implementation of the Agriculture and Agro-Processing Master Plan, investments in energy, water and logistics, and efforts to curb and mitigate climate change.

Both commercial and emerging farmers will continue to face tough economic conditions, exacerbated by high interest rates. This may create even greater challenges for the Land Bank as we work to improve our loan book through an increased uptake of Blended Financing and the resolution of Non-Performing Loans.

## OVERVIEW OF THE AGRICULTURAL SECTOR

The year under review was a mix of blessings and challenges for South Africa's agriculture sector. Several crops including maize, wheat and soybeans reported strong harvests, but faced falling prices. The Crop Estimate Committee (CEC) indicated in February 2024 that the area planted for all crops increased by 1.2% in 2024 compared to the previous year. However, the total forecast for 2024 shows a decrease in yield across most crops, with notable reductions in maize and soybeans, contributing to an overall decrease in production of 13.5%.

Agriculture exports also softened in 2023, down from a record high the previous year. This is attributed to falling prices, EU import restrictions on citrus, and a worsening of South Africa's key ports. Animal diseases also pose ongoing challenges to South Africa's sustainable livestock farming and the poultry industry is struggling to restock flocks following previous outbreaks of avian flu.

On the upside, strategic investments in ports and rail should lower the cost of exporting. The agriculture sector is also developing new export opportunities. The government recently secured market access to Saudi Arabia and China for avocados, beef and other livestock products. Implementation of the AfCFTA may also create opportunities for agriculture trade in Africa, beyond SADC. Finally, farmers and agri-business are also benefiting from improved energy stability, as Eskom stabilises its fleet and private producers come online.

## MANAGING AGRICULTURE RISK

Primary agriculture plays a significant role in South Africa's economy, despite its small share of total GDP. Agriculture is a large employer, particularly in rural areas, and a considerable source of foreign money.

Agriculture also plays a significant indirect role in the economy due to its links with other sectors. Purchases of fertilizers, chemicals, and tools create backward linkages with the manufacturing sector while supplying raw materials establishes forward linkages.

Despite an ample field crop and harvest in the past year, energy shortages affected irrigation and farm operations, especially in horticulture. At the same time, a recurrence of biosecurity issues, especially foot and mouth disease in cattle and avian flu in poultry, negatively impacted the livestock subsector. In FY24 the Bank also had to contend with the outbreak of diseases and other macro-economic challenges to the Agricultural sector.

These adverse shocks were exacerbated by inefficiencies at ports and resulted in agriculture exports contracting by 4.8% in 2023. The real output of the agricultural sector however expanded by 13.5% in the first quarter of 2024 following two successive quarterly contractions, supported by the higher production of horticultural products. Throughout the review period, the Bank has had to contend with macro-economic challenges, primarily influenced by environmental factors and global health issues.



**Table 1: Agricultural Risk and Management Strategies**

Risk Type	Comments	Mitigation Strategies
<b>El Niño drought</b>	The severe drought caused by El Niño weather patterns significantly reduced rainfall and led to heat stress during critical crop growth periods in the FY24 summer season. This severely impacted grain production across key agricultural regions and led to the liquidation of livestock.	The government is facilitating financial interventions to support affected farmers and the Bank is part of this collaboration. The Land Bank is participating through targeted forbearance programs and additional working capital for impacted livestock farmers. The situation continues to be monitored for subsequent seasons.
<b>Bird flu</b>	Outbreaks of avian flu have disrupted the poultry sector and the risk remains high as the vaccine is still untested on farms. While there have been no new cases since November 2023, the potential for recurrence remains.	The industry has implemented new protocols to enable quick importing of fertile eggs in case of further outbreaks. Ongoing communication with stakeholders aims to improve mitigation strategies. Monitoring continues.
<b>Foot and mouth disease</b>	Active outbreaks, particularly in KwaZulu-Natal, continue to pose an ongoing threat to livestock. This disease remains a key concern.	The government and industry bodies have intensified vaccination programs and strict quarantines to contain outbreaks and work towards eradication.
<b>Energy crisis</b>	Consistent load shedding has constrained irrigation systems and farming operations, especially in horticulture. This contributed to slowed economic growth in 2023.	The shift towards renewable energy is expected to ease the burden of electricity costs over time. The Agro-Energy Fund provides targeted relief to the agriculture sector.
<b>Western Cape floods</b>	Severe flooding in the Western Cape damaged infrastructure and crops. Western Cape experienced flooding during June and September 2023. The April 2024 stormy weather meanwhile replenished dam levels.	While damaging, the rainfall should support upcoming seasons through improved water availability for crops.
<b>Cape Town port disruptions</b>	Previous inefficient operations at the Cape Town Port caused export disruptions during peak fruit seasons. Recent improvements have mitigated this risk.	Ongoing efforts to optimise port efficiency aim to prevent further agricultural export disruptions.
<b>African swine fever</b>	Though outbreaks continue, they have been largely contained to specific areas rather than spreading to commercial farms.	Effective surveillance and control measures by industry bodies have maintained an overall low risk to commercial production.
<b>Geopolitical tensions</b>	Global conflicts have strained oil and commodity markets, causing price volatility and supply chain issues.	The Land Bank conducts stress testing and assessments to account for potential market fluctuations.
<b>False codling moth</b>	EU regulations have obstructed orange exports, though new markets offer alternatives.	Export market diversification provides an outlet while contesting EU regulations.
<b>COVID-19</b>	With restrictions lifted, the sector has returned to normal operations.	The Land Bank assists clients' financial recovery to ensure stability.

Source: Land Bank AEA

# STAKEHOLDER RELATIONS MANAGEMENT

Land Bank engages with stakeholders across various sectors in line with an approved Stakeholder Engagement Strategy and reports on these engagements quarterly. The engagements allow Land Bank to address concerns and strengthen opportunities within the agricultural and finance sectors.

## Stakeholder Engagement Strategy

The following table provides an overview of the Land Bank Stakeholder Engagement Strategy.

**Table 2: Stakeholder Expectations, Engagements and Value Creation**

KEY STAKEHOLDER	STAKEHOLDER EXPECTATIONS / NEEDS	HOW THE BANK ENGAGES	HOW THE BANK CREATES VALUE
<b>Shareholder (NT/Minister of Finance)</b>	<ul style="list-style-type: none"> <li>• Sound leadership.</li> <li>• Clear strategy and execution.</li> <li>• Good governance and ethics.</li> <li>• Financial management and operational efficiency.</li> <li>• Advancement of development and transformation of the agricultural sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Performance Reports.</li> <li>• Annual General Meetings.</li> <li>• Strategy Engagement Sessions.</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfilment of mandate.</li> </ul>
<b>Department of Agriculture/ Third Party Funders</b>	<ul style="list-style-type: none"> <li>• Fulfilment of the Bank's mandate in support of the sector's programmes.</li> <li>• Administrator and implementer support for the execution of sector programmes.</li> <li>• Strategic alignment and collaboration.</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement meetings.</li> <li>• Reports on programmes administered and implemented by the Bank for the Department and other third-party funders.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic alignment.</li> <li>• Fulfilment of mandate.</li> <li>• Support for sector priority programmes.</li> </ul>
<b>Legislators/ Parliament</b>	<ul style="list-style-type: none"> <li>• Fulfilment of the Bank's mandate.</li> <li>• Appropriate deployment of fiscal support.</li> <li>• Good governance and ethics.</li> </ul>	<ul style="list-style-type: none"> <li>• Reports, presentations, and oversight engagements through the relevant Parliamentary Committees – in particular, committees of Finance and Agriculture, Land Reform and Rural Development.</li> </ul>	<ul style="list-style-type: none"> <li>• Deployment of funds in government and agricultural sectors' development programmes.</li> </ul>
<b>Funders/Lenders</b>	<ul style="list-style-type: none"> <li>• Financial performance and sustainability.</li> <li>• Good risk management and governance.</li> <li>• Adhere to funding agreements / repayment of debt.</li> </ul>	<ul style="list-style-type: none"> <li>• Lender and investor meetings.</li> <li>• Integrated report.</li> <li>• Results announcement sessions.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial performance.</li> <li>• Lenders' Return on Investment.</li> </ul>

KEY STAKEHOLDER	STAKEHOLDER EXPECTATIONS / NEEDS	HOW THE BANK ENGAGES	HOW THE BANK CREATES VALUE
<b>Clients</b>	<ul style="list-style-type: none"> <li>• Access to value adding financial products and services.</li> <li>• Accessibility, reliability, and responsiveness.</li> <li>• Quality client service and relationship management.</li> </ul>	<ul style="list-style-type: none"> <li>• Client engagement sessions and events.</li> <li>• Sector events.</li> <li>• Client surveys.</li> <li>• Client correspondences.</li> <li>• Provincial offices and points of presence.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial inclusion.</li> <li>• Client experience.</li> <li>• Financial support to contribute to sustainability of clients' businesses.</li> </ul>
<b>Organised Agriculture</b>	<ul style="list-style-type: none"> <li>• Financial support of the sector.</li> <li>• Collaboration and support for organised agriculture's key programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• Organisational engagement sessions.</li> <li>• Sector events.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial support towards sector growth and development, and sector transformation.</li> </ul>
<b>Employees/ Labour Representatives</b>	<ul style="list-style-type: none"> <li>• Good working environment and employee satisfaction.</li> <li>• Responsiveness to employee needs.</li> <li>• Transparent and honest engagements / sharing of information.</li> <li>• Sustainable organisation to ensure job security.</li> </ul>	<ul style="list-style-type: none"> <li>• Staff engagement sessions.</li> <li>• Union / employee representative engagement structures.</li> <li>• One-on-one employee engagements.</li> <li>• Team and divisional engagements.</li> <li>• Climate and employee surveys.</li> </ul>	<ul style="list-style-type: none"> <li>• Employee well-being.</li> <li>• Employee development and growth.</li> <li>• Productive employees.</li> <li>• Fair remuneration, rewards, and recognition.</li> <li>• Experienced and evident transformation.</li> </ul>
<b>Society/ Communities</b>	<ul style="list-style-type: none"> <li>• Support for sustainable development goals.</li> <li>• Environmental and social sustainability.</li> <li>• Corporate social investments.</li> <li>• Business opportunities for local suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate social investment projects.</li> <li>• Social and environmental assessments as part of due diligence on transactions.</li> <li>• Supply Chain Management advertisements.</li> <li>• Provincial offices and points of presence.</li> </ul>	<ul style="list-style-type: none"> <li>• Social and community programmes.</li> <li>• Opportunities for SMME suppliers / service providers.</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Transparency and responsiveness.</li> <li>• Information and knowledge sharing.</li> </ul>	<ul style="list-style-type: none"> <li>• Media releases.</li> <li>• Media engagements.</li> <li>• Marketing and advertisements.</li> <li>• Updated contents on the Bank's website.</li> </ul>	<ul style="list-style-type: none"> <li>• Media well-resourced with organisational information.</li> <li>• Informed public, clients and stakeholders about the Bank's role and its products and services.</li> </ul>

## KEY ENGAGEMENTS IN FY24

The following is a summary of engagements with key stakeholders in FY24.

### NATIONAL TREASURY

Land Bank continued to maintain a close relationship with National Treasury, focusing on the Bank's efforts to resolve the current default position. This includes developing solutions to the areas of contestation between the Bank and its funders. Relationships exist between the Board, represented by the Chairman, and the Minister of Finance; and between the Executive Team, led by the CEO, and the National Treasury Team.

### PARLIAMENT

Land Bank engaged with Parliamentary Oversight Committees in the year under review to update the Committees on progress and to address questions regarding Land Bank's performance and approach.

On 18 April 2023, Land Bank met with the Select Committee on Finance to address questions regarding the Bank's loan funding model and financial sustainability. Land Bank provided an update on the Bank's status, indicating that while the default status remained in place, the Bank had made significant progress on profitability and interventions to restore a clean audit.

### LENDERS

The Land Bank made significant progress in engagements with lenders regarding the Liability Solution. An agreement has been reached with lenders, and legal contracting of an agreement is in its final stages. The Board expects the Bank's default status to be cured in the FY25.

### FARMER ORGANISATIONS

In FY24 Land Bank also invited farmer organisations to attend agricultural events, contribute to the activities organised by these organisations and also provide sector information to members of associations. The Bank has commenced with a process to develop specific farmer development partnerships with farmers organisations in areas of advocacy, insurance, risk management, aggregation/market access, transformation coordination, accountability and transparency, change management, agricultural education and farmer support programmes (among other sector areas).

### DEPARTMENT OF AGRICULTURE

Land Bank and the Department of Agriculture continued a process to strengthen collaboration towards individual and shared objectives. Focus areas include:

1. Legislative and Policy alignment and influencing/lobbying;
2. Land Reform Programme;
3. Farmer Funding Support; and
4. Non-Finance Programmes, such as Extension Services.

Land Bank continues to provide fund management services for the Department, summarised below.

## PARTNERSHIP FUNDS

Land Bank has entered into several strategic partnership agreements with the Department of Agriculture to leverage grant funding and stretch our resources for greater development impact. Through these partnerships Land Bank serves either as co-financer or fund manager.

### Blended Finance Scheme

The fund is a blended finance programme, established in partnership with the Department of Agriculture to commercialise emerging farmers with the objective of facilitating meaningful participation of Black producers and majority Black-Owned enterprises in the agriculture value-chain. The fund targets small and medium scale producers in the primary agriculture and agro-processing subsectors within the Land Bank's mandate. The fund seeks to support producers engaged in value chain and aggregation activities. The objective is to assist projects to achieve sustainability and growth with priority given to projects with high development impact.

The following commodities are targeted in-line with the Agriculture and Agro-Processing Master Plan:

- Grains and Oilseeds
- Fruits and Nuts: Citrus, deciduous, sub-tropical fruits and nuts
- Livestock: Poultry, piggeries and red meat
- Other Food Sectors / Agro-processing: Dairy, sugarcane, aquaculture and vegetables
- Non-food Sectors: Wool and mohair
- Industrial Crops: Cotton

## Agro-Energy Fund

The fund was launched by the Department of Agriculture on 29 August 2023 in response to electricity challenges faced by the agricultural sector. It is a blended finance instrument consisting of both grant and loan components. The initial capitalisation was R1.21 billion, with Land Bank making R700 million available for loan financing and the Department providing R500 million in grant funding.

## AgriBEE

The fund has been in existence since 2006 and has undergone recent modifications following a Ministerial directive for its review. This was meant in the main to improve its impact. Land Bank continues to be the implementing partner and fund manager. The current agreement between the parties will expire in May 2024 and is expected to be renewed for a further five years. There is approximately R430 million in the fund account available for qualifying applicants.

## EU Wines and Spirits Fund

The fund was set up with grant funding support from the European Union to address transformation in the South African wines and spirits sector. Targeted beneficiaries include farm workers, Black farm owners, and Black-owned brands. The total programme is valued at €15 million (Euros) comprising of €10 million for the transformation component, and €5 million for the marketing and distribution component. Support under the transformation component of the programme will include: (i) More equitable access to land; (ii) Education, training, and development; and (iii) Socio-economic development.

Land Bank has been appointed to serve as the implementing agency for the transformation component of the programme and will receive and disburse €10 million to the targeted beneficiaries of the programme. The fund will be officially launched in June 2024.

## Kat Rivers Farmers Fund

The Fund was established as an intervention by the Department of Agriculture to assist citrus farmers in the Upper Kat River and Keiskammass (Ripplemead) region of the Eastern Cape. These farmers were struggling to meet their debt repayment obligations to the Industrial Development Corporation (IDC) and Eastern Cape Rural Development Agency (ECRDA) as well as Lona Citrus Proprietary Limited (LONA). They also needed support with their operational cost requirements. Grant funding from the Emerging Farmers Support Fund was used by the Department to create the Kat Rivers Farmers Fund through a facility of R50 million and a Memorandum of

Agreement concluded on 21 July 2021 between Land Bank and the Department for the following interventions:

- R15 million: settlement towards the LONA debt exposure
- R35 million: for inputs and related operational costs for the existing citrus crop preparation

Since the inception of the facility, R31.6 million has been approved and disbursed to the initial 15 beneficiaries. A subsequent request to include two additional farmers who are farming adjacent to the initial beneficiaries but were not included in the initial applications has been approved by the Department and the required support will be made available as soon as the required approvals have been granted by the relevant Land Bank committee.

## Hortfin

Land Bank is also a co-financier and fund manager for the Hortfin Fund, which was formed in partnership with the Jobs Fund and the Deciduous Fruit Producers Trust ("DFPT") to support the development of deciduous fruit farmers. The fund was initially capitalized at R600 million, with Land Bank providing R300 million in senior debt financing, the Jobs Fund R200 million in grant funding, and DFPT R100 million in interest free loan financing. The fund has gone on to attract other financing partners.

For its part, Land Bank has supported five farming enterprises with a capital amount of R83.3 million. The plan going forward is for both Land Bank and Hortfin to explore if there would be opportunities to jointly finance more transactions.

## CORPORATE SOCIAL INVESTMENT

Land Bank continued to implement Corporate Social Investment (CSI) initiatives. These interventions remained targeted within the focus areas of food security; nutrition education; agricultural skills training programmes; agri-awareness programmes; and disaster relief. The programmes prioritised support for subsistence farmers and previously disadvantaged communities (especially black youth and women) in rural areas and local communities. During the reporting period, the socio economic development initiatives supported included Farmer Support Programme for 10 subsistence farmers, online agricultural training for youth agricultural entrepreneurs, disaster relief for subsistence producers, infrastructure development support to Department of Agriculture recipient farms, development of food and community gardens and a project review of our School Food Security programme. Land Bank also reviewed the CSI policy during the reporting period.

Looking ahead, Land Bank aims to enhance our assistance to beneficiaries of the Department of Agriculture land reform programme (i.e. Community Property Associations and Community Trusts), especially on governance training, youth agricultural development, agricultural business/career awareness and graduate farm placements. We also aim to work with our clients towards on-the-farm experiential learning and with mining companies to assist in developing mining communities through agriculture.



## ACHIEVEMENT AGAINST KEY PERFORMANCE INDICATORS

The following table shows the Land Bank's achievements against Key Performance Indicators (KPIs) for the year under review.

**Table 3: Land Bank Performance Scorecard, FY24**

KEY PERFORMANCE INDICATORS	FY23 ACTUAL	FY24 ANNUAL TARGET	FY24 ACTUAL	MANAGEMENT COMMENTS
<b>KPA: Development Effectiveness [30%]</b>				
Blended Finance Debt Disbursements (majority Black owned entities, as per BFS eligibility criteria).	R3.6m	R840m	R355m	<b>Target not achieved.</b> Management has increased its focus on removing potential hurdles that have been impacted the movement of transactions towards disbursements. Management has heightened performance monitoring and interventions with weekly tracking sessions being held with Provincial Managers. The performance trajectory has shown improvement over the financial year which provides a basis for expected improved performance in FY25.
Blended Finance Grant Disbursement (majority black owned entities, as per BFS eligibility criteria).	R3.3m	R638m	R365m	<b>Target not achieved.</b> The same interventions as indicated above regarding the acceleration of loan disbursements as part of Blended Finance are applicable to the grant component of the transactions. Improved performance is expected in FY25.
Financial support provided to individuals and or entities from designated groups – Black Female, Black Youth and Black People with Disabilities.	N/A	48	36	<b>Target not achieved.</b> The Bank has continued to support clients from designated groups, having supported 36 clients in FY24, missing the target of 48. The number of clients supported from designated groups has gone down by 7 from 43 to 36, due to changes in reporting interpretation.
New Loan Approvals are aligned to the AAMP priority commodities (% of Rand value approved for producers of priority commodities)	97.4%	80%	100%	<b>Target achieved.</b> Keeping consistency across the year, the Bank's approved transactions were 100% aligned to AAMP priority commodities, resulting in the Bank achieving 100% for the full financial year.

KEY PERFORMANCE INDICATORS	FY23 ACTUAL	FY24 ANNUAL TARGET	FY24 ACTUAL	MANAGEMENT COMMENTS
Disburse funds (debt and CSI) to provide Disaster Relief.  Disaster relief addresses: Floods, drought, hail, fire, pandemic, energy supply, disease, water supply, pests, etc.	R6.7m	R50m	R785m	<b>Target achieved.</b> In the current financial year, the Bank has provided disaster funding forbearance measures to clients who were affected by different types of disasters and fell into arrears with their scheduled repayments of loan facilities with the Bank. The Bank's deferral of these repayments provided farmers with reasonable time to overcome their liquidity challenges, and to give them the chance to recover from the disasters. This intervention has resulted in avoidance of foreclosures of farming enterprises which would have contributed to a negative impact, and/or contraction of the sector. <b>R2.9m</b> was disbursed for disaster relief projects through the Bank's Corporate Social Investment (CSI) programme. <b>R785m</b> worth of forbearance measures has been confirmed by the Bank's Internal Audit unit. Focus will be placed on improving the approvals and disbursements for the Agro-Energy Fund in FY25. <b>R211 000</b> has been disbursed from the AEF fund with <b>R63 349</b> in loans and <b>R147 815</b> in grants.
PRB Report tracking performance against stated milestones submitted to UNEP FI, evidencing progress towards Social and Natural capital initiatives.	N/A	80%	86%	<b>Target achieved.</b> Good progress has been made in the current financial year to deliver on the set project milestones.
<b>KPA: Financial Sustainability [30%]</b>				
Implement milestones as per the Liability Solution Tracker.	N/A	Progress against Tracker due 31 March 2024	Target not met	<b>Target not achieved.</b> Whilst the target to conclude the liability solution by the end of the financial year was not met, as of 16 September 2024, the Bank has concluded the debt restructure agreement with all its lenders. With this agreement, the Bank has officially moved out of the debt default status.
Non Performing Loans ratio.	51.9%	53.7%	53.1%	<b>Target achieved.</b> The Bank's NPL Remediation Plan has been diligently implemented enabling the Bank to reduce the NPL ratio below 53.1%.
Cost to Income Ratio.	76.7%	87.3%	79%	<b>Target achieved.</b> The Bank recorded a favourable cost to income ratio ("CTI") of 79% for the financial year. This was attributable to lower operating expenses and higher non-interest income.
Net Interest Margin (NIM: excluding interest in suspense).	2.1%	5%	3.3%	<b>Target not achieved.</b> The NIM has performed consistently throughout the year, albeit below the target of 5%. The Bank had initially planned higher lender repayments in the budget. This was subsequently revised.

KEY PERFORMANCE INDICATORS	FY23 ACTUAL	FY24 ANNUAL TARGET	FY24 ACTUAL	MANAGEMENT COMMENTS
Increase Non-interest Income in relation to Interest Income.	N/A	5%	6.6%	<b>Target achieved.</b> Non-Interest Income ended the year favourably at 6.6% against the target of 5%. This was mainly as a result of additional administration fees earned by the Bank for additional third-party funds that were received as part of the Bank's fund administration role.
Business Case (including funding model) submitted to NT (31 August 2023).	N/A	Business Case due for submission on 31 August 2023	Target not met	<b>Target not achieved.</b> The Funding Business Case has been finalised, incorporating all inputs and contributions of the Board. On-going engagements with the National Treasury team to seek their views and inputs were undertaken.
<b>KPA: Stakeholder Management and Client Centricity [10%]</b>				
Debt Disbursements to existing clients (across all client segments and divisions, excluding Blended Finance).	N/A	R433m	R94m	<b>Target not achieved.</b> Disbursements for the full financial year are R94m, which is made up of: <ul style="list-style-type: none"> <li>• Commercial disbursements: R73.6m</li> <li>• Development disbursements: R20.3m</li> </ul> Whilst the Bank has implemented interventions to increase take-up of production loan facilities by existing clients, including pricing adjustments, the annual target could not be achieved.
Turn-Around Times: Due Diligence to Credit Decision (working days).	N/A	50 days	33 days	<b>Target achieved.</b> An average turn-around time of 33 days, against a target of 59 days was achieved for the financial year.
Number of strategic partnerships contracted to enable funding, origination support, technical support and / or ESG opportunities.	N/A	4	7	<b>Target achieved.</b> MoUs with Potatoes SA, SAPPO, CASIDRA, Western Cape DoA and SAFDA were finalised in the latter part of the year. This increased the number of strategic partnerships that were concluded in FY24 to 7.
Net Reputation Score, conducted by media monitoring company.	7%	5%	11%	<b>Target achieved.</b> Land Bank realised good media coverage for the period under review. The articles that attributed to good media coverage included the thought leadership articles by the CEO and the Agricultural and Economics Advisory Division.

KEY PERFORMANCE INDICATORS	FY23 ACTUAL	FY24 ANNUAL TARGET	FY24 ACTUAL	MANAGEMENT COMMENTS
<b>KPA: Organisational Capacity &amp; People [10%]</b>				
Maintain a Vacancy Rate (both critical and non-critical roles) against roles that have been approved to be filled in 2023/24.	38.5%	20%	14.5%	<p><b>Target achieved.</b></p> <p>By the end of FY24 the Bank had filled 342 positions against the budgeted headcount of 400:</p> <ul style="list-style-type: none"> <li>• Permanent filled = 342</li> <li>• Permanent vacancies = 58</li> </ul> <p>The vacancy rate has consistently performed well against target throughout the year.</p>
Complete and commence the implementation of the Revised Organisational Structure.	N/A	Implementation to commence by 31 March 2024	Macro and Micro structures approved and implementation commenced	<p><b>Target achieved.</b></p> <p>The Operating Model and Macro Structure were approved by the Board. The CEO was authorised to finalise the Micro structures and to commence with implementation. The next phase of the project to be implemented in FY25 will include various Human Capital components such as performance management, succession and talent management and the employee value proposition.</p>
All performance contracting for FY25 concluded by: 30 June 2023.	N/A	100%	76.76%	<p><b>Target not achieved.</b></p> <p>76.8% of employees had signed performance contracts by 30 June 2023. However, all employees (100%) had their performance contracts completed by 31 October 2023.</p> <p>The Shareholder Compact was approved by the Minister at the end of August 2023, as such it impacted on the Performance Contracting of the CEO by the Board, resulting in delays in contracting of the Executives reporting to the CEO and some of the Senior roles in the Bank.</p>
All Performance reviews for FY24 concluded by: 30 June 2024.	N/A	100%	99.05%	<p><b>Target not achieved.</b></p> <p>99.05% of reviews were completed as at 31 December 2023. Outstanding reviews relate to employees on sick leave. The actual performance for the full year's performance reviews is still to be determined in line with the target to complete all reviews by 30 June 2024.</p>

KEY PERFORMANCE INDICATORS	FY23 ACTUAL	FY24 ANNUAL TARGET	FY24 ACTUAL	MANAGEMENT COMMENTS
<b>KPA: Governance [20%]</b>				
Classify 0.1% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure.	N/A	<0.1%	0.01%	<b>Target achieved.</b> For FY24 the Bank recorded Fruitless and Wasteful Expenditure of R68 200 (0.01%) against operating expenses of R583.7 million. Consequence management was applied in terms of the Bank's Disciplinary Policy and a verbal warning was issued to the employee.
Audit outcome as per the AGSA Audit Report.	N/A	Clean Audit	Unqualified Audit Opinion	The FY24 audit outcome is an unqualified opinion with findings.
Enterprise Risk Management controls effectively implemented: I. Enterprise risk maturity level.	3	Full Financial Year progress report – ERM Score: 3	4	<b>Target achieved.</b> Despite resource challenges that hindered the function to deliver fully on some of the activities as committed to on the risk implementation and maturity plans, the Bank's FY24 ERM self-assessment maturity rating score remains at a 4/5 (90% - top down rating) approaching a 5/5 (100% - systematic rating) since some of the activities within that range are already implemented.





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**DELIVERING** AND  
**PRESERVING** VALUE

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**Land Bank’s** Remuneration Strategy is informed by the **State-Owned Entities Remuneration and Incentives Guidelines (2018)**.

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GROWING OUR INTELLECTUAL CAPITAL	68
PRESERVING OUR NATURAL CAPITAL	69
DEVELOPING OUR HUMAN CAPITAL	69
FINANCIAL CAPITAL	79

## GROWING OUR INTELLECTUAL CAPITAL

### The Revised IT Strategy and its Implementation

Land Bank revised and embraced its rolling IT Strategy aimed at implementing critical enabling technologies within the organisation. This strategy was designed to achieve operational efficiency gains across the business and, ultimately, enhance service delivery to our valued customers. The IT Strategy execution was planned in two distinct phases, each with specific objectives and outcomes.

Phase 1, which commenced in 2019 and spanned 24 months, focused on enabling various technologies to deliver immediate benefits by automating all core internal business processes. This included the implementation of key systems such as CRM for loan origination and customer service management, On Base for customer-centric document and records management, Excalibur for collections and recoveries management, Acceleris system for automation of loan origination, technical and financial assessments, GIS for farm technical data used in assessments, and enterprise data staging for operational master data management. Additionally, new internet and intranet sites were developed for Land Bank and Land Bank Insurance (LBI).

Building upon the achievements of Phase 1, Phase 2 of the IT Strategy commenced in 2021 and spans over three years. This phase is dedicated to further optimising core business operations system capabilities and enhancing client-facing capabilities through the adoption of an Omni-channel strategy.

### The key Investments for New Technology Initiatives include:

**Loan Origination Optimisation:** Continuous improvements were implemented to the Customer Relationship Management system (CRM) during 2023. The CRM system tailors for the Bank's loan origination processes with features like leads management, application tracking, client notification and application document receipt management. The system streamlines the entire origination process from client contact to loan approval. Customisable banker task workflows and management reporting capabilities have been adapted to specific lending requirements in 2023, e.g. Blended Finance, Agro Energy Fund etc. Further improvements such as escalations and service level agreements are under implementation to improve management of client turnaround times.

**Client Servicing Optimisation:** The Bank is leveraging the eServices portal which was deployed in 2021 through enablement of further business optimisation improvements. The eServices portal is a digital client channel for managing client service requests with features such as loan enquiries, complaints and queries, self-service ticket creation and tracking, real time automated client notifications, application supporting documents submission and client portfolio view – account information, statements and tax certificates. The Bank is exploring the viability of implementing other client virtual channels such Call Centre capability and Mobile App to further improve accessibility to clients.

**Farm Management:** The Bank is leveraging the Geographic Information System (GIS) technology, a powerful tool that promises to reshape the way farmers

utilise and manage their land. Since its launch many adjustments have been made to tailor reports to better suit the agricultural environment. In 2023 clients now have an option to subscribe to the reports necessary for farm management at a minimal cost.

These initiatives demonstrate Land Bank's commitment to harnessing technology to improve efficiency and deliver exceptional digital experiences to our customers. As we progress through Phase 2, we will continue to prioritise the adoption of innovative technologies and optimise our IT infrastructure to support the evolving needs of our clients and the organisation as a whole.

### Investment in IT, Security and Digitisation

The Bank embraced the Data Centre Infrastructure Refresh Programme aimed at upgrading all legacy IT infrastructure. The programme execution was planned in three distinct phases, each with specific objectives and outcomes.

- **Phase one** – This phase which started in 2022 and spanned over 18 months targeted the refresh of all Tier 1 systems and core network infrastructure.
- **Phase two** – This phase commenced during November 2023, targeting all Tier 2 systems and DR site infrastructure.
- **Phase three** – This phase which is expected to be completed during FY25 is targeted at upgrading the Bank's backup infrastructure and expansion of storage infrastructure to further improve the Bank's historical data retention period.

## PRESERVING OUR NATURAL CAPITAL

The Environmental and Social Management System (ESMS) exists in the Bank to guide the implementation of the Environmental and Social Sustainability strategy where it is responsible for:

- Identifying and managing its exposure to Environmental and Social risks induced by its clients and internal operations.
- Identifying and managing climate change induced risks for agricultural production.
- Identifying and developing opportunities for promoting sustainable use of land and related natural resources.
- Promoting social welfare and inclusion, defined as the improvement of economic opportunities, general well-being and quality of life of Land Bank's clients, communities and wider agricultural sector.
- Promoting efficient utilisation of materials and sustainable waste management.

The ESMS furthermore directly addresses the Land Bank's objective of ensuring Environmental Sustainability of land and related natural resources through the Environmental and Social Risk Assessment (ESRA) process as an element of the Environmental and Social Management System. All transactions are subjected to environmental and social assessment that requires the Land Bank to:

- Identify environmental and social risks associated with clients/projects;
- Systematically assess and manage environmental and social risks;

- Implement the necessary steps within the system including documentation and record keeping;
- Monitor clients' project's compliance with national environmental and social regulations and international best practices and standards;
- Require clients/projects to implement mitigation measures for identified environmental and social risks; and
- Develop a good reputation among clients, investors and other relevant parties in the financial market.

Performance for the financial year under review was as follows:

- ESRA REVIEWS FY24: A total of 343 Environmental and Social Risk Assessment (ESRA) reports were reviewed for the FY24.
- A total of 328 ESRA reports were completed on Acceleris following the total migration of all ESRA reports from excel to Acceleris and an additional of 15 were completed on Excel.
- Of the ESRA reports reviewed, 304 were categorised as low risk, seven (7) as medium risk, and six (6) that were not categorised at the time of reporting. Eleven (11) ESRA reviews were amended with additional information received.
- Fifteen (15) ESRA reviews were monitored for ES compliance either as conditions precedent/ subsequent to disbursement, as part of annual reviews or monitoring of existing clients applying for new loans.
- Eleven (11) ESRA reports were attended to as queries which entailed providing guidance/support on ES due diligence requirements, technical ES issues and EIA regulations.

## DEVELOPING OUR HUMAN CAPITAL

The FY24 yielded some key positive movements in relations to people management.

- Career Growth and Retention: Five internal employees were appointed in higher positions and five internal employees were appointed as lateral movement but in different roles in support of their career aspirations.
- Capacity Acquisition: The provision of permanent capacity increased whereby the financial year commenced with 301 permanent employees and ended with 342 permanent employees.
- Attrition and Retention: Significant decrease in staff attrition from 17% for the previous financial year to 4.7% for the year under review.
- Performance Management: In the last two financial years, performance contracting commenced late in the year with contracts only finalised eight months into the financial year. For the financial year, the contracting process was completed timeously to enable mid-year reviews.
- Capability Building: The year-to-date training interventions have increased. A total of R746 190 was spent on staff studies, technical training and generic training.
- Culture and Engagement: The culture and engagement survey were completed. The results were presented to EXCO and the Board. Staff engagement sessions were held to share the results with employees. The survey results and analysis will form valuable input into the organisational restructure project phase 2.

## Organisational Capacity

The Human Capital Division remains a strategic partner to the organisation and the employees. The focus is on contributing to Land Bank being sustainable and ensuring that there is adequate capacity and that human resources are optimised. The employee-life cycle underpins the management of talent through attraction, on-boarding, development, performance management, remuneration, and separation.

Land Bank organisational capacity consisted of 342 permanent employees, 77 fixed-term contractors and 13 learners. The total workforce represented was 432 for the financial year. Table 4 provides the workforce by category and gender. Of the total workforce, 46.9% were female during the year under review, with rates of female participation higher for learners and fixed contractors, then for permanent employees.

**Table 4: Land Bank Employees by Category and Gender**

Land Bank Headcount 31 March 2024: Employee Category and Gender	Male	Female	Total
Permanent Employees	192	150	342
Fixed-Term Contractors	33	44	77
Learners	4	9	13
<b>Total</b>	<b>229</b>	<b>203</b>	<b>432</b>

Table 5 provides the workforce by age and employment category. The majority of permanent employees are within the age range of 41 to 54 years.

**Table 5: Land Bank Employees by Age and Employment Category**

Employee's by Age and Employment Category: 31 March 2024	Age 25-40	Age 41-54	Age 55-65
Permanent Employees	85	193	64
Fixed-Term Contractors	33	30	14
Learners	13	-	-
<b>Total</b>	<b>131</b>	<b>223</b>	<b>78</b>

Table 6 shows Land Bank employees by tenure and employment category. The majority of permanent staff have been with the Bank for more than 11 years. The Land Bank recognises tenure through the Long Service Award Policy.

**Table 6: Land Bank Employees by Tenure and Employment Category**

Employee's by Tenure and Employment Category: 31 March 2024	<5 years	6 to 10 years	11 to 39 years	> 40 years
Permanent Employees	107	80	150	5
Fixed-Term Contractors	77	-	-	-
Learners	13	-	-	-
<b>Total</b>	<b>197</b>	<b>80</b>	<b>150</b>	<b>5</b>

Organisational capacity was improved in the latter part of the year through the filling of vacancies to enable and support the Land Bank strategy for resumption of lending activities and a focus on the non-performing loan recoveries strategy. A total of 144 external appointments in vacant positions were made which includes 13 Learners and 63 permanent appointments. Table 7 describes the Land Bank's internal appointments by position and demographics. Land Bank supports internal employee career opportunities and career progression. A total of 10 internal appointments were made during the year under review.

**Table 7: Land Bank Internal Appointments by Position and Demographic**

<b>Internal Appointments resulting in career growth: 5</b>	
Senior Management: x 2 Employees were in Middle Management (P6) and appointed in Senior Management Roles (P5)	Middle Management: x 2 Commercial Bankers (P7) to Provincial Managers (P6); x1 Agricultural Specialist (P7) to Senior Specialist: Agriculture Horticulture (P6)
<b>Internal Appointments: Lateral movement: 5</b>	
4 Lateral movements at Middle Management	1 Lateral movement in Junior Management

Category and Level	Female				Male				ACI
	African	Indian	Coloured	White	African	Indian	Coloured	White	
Senior Management (P4-P5)	-	-	-	-	1	-	-	1	
Professionally qualified and experienced specialists and mid-management (P6-P7)	1	-	-	-	3	-	2	1	
Skilled and qualified junior workers, junior management, supervisors, foremen, superintendents (P8-P9)		-	-	-	1	-	-	-	
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>80%</b>

**Table 8: External Permanent Appointments by Demographic**

**External Permanent Appointments made in FY24**

Category and Level	Female			Male				ACI
	African	Indian	White	African	Indian	Coloured	White	
Top Management (P1-P3)	1	-	-	1	1	-	-	
Senior Management (P4-P5)		-	1	1	1	-	-	
Professionally qualified and experienced specialists and mid-management (P6-P7)	11	-	1	21	2	4	3	
Skilled and qualified workers, junior management, supervisors, foremen, superintendents (P8-P9)	4	1	-	4	-	-	1	
Semi-skilled and discretionary decision making (P10 to P12)	4	-	-	1	-	-	-	
<b>Total</b>	<b>20</b>	<b>1</b>	<b>2</b>	<b>28</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>90.48%</b>

The Bank commenced with the Learnership Programme since the default position. A total of 13 Learners were appointed.

**Table 9: Learner Appointments in FY24**

Occupational Category	Total appointed	Female African	Total ACI Females	Male African	Total ACI Male
	Learner	-	-	-	-
Unskilled and defined decision making	13	9	69.23%	4	30.77%

The Bank ensured that critical vacancies were capacitated through acting arrangements to ensure business and leadership continuity. The acting arrangement served not just as provision of capacity and leadership, but at the same time exposed internal employees to personal career development. Acting arrangements in positions ranged from semi-skilled level to Middle Management, Senior Management, and Top Management.

Land Bank remains committed to transformation as illustrated in Table 10. The Employment Equity and Skills Development Committee monitors progress made on the three-year employment equity plan for the Bank. ACI represented 77.1% of the Bank’s staff complement (excluding learners) compared to 73.2% in FY23.

**Table 10: Transformation by Employment Position**

Permanent & Fixed Term Contractors (Excluding Learners)	Female					Female Total ACI	Male					Male Total ACI	Grand Total	ACI
	A	C	I	W	FN	A	C	I	W	FN				
Top Management	3	-	-	-	-	33.3%	4	1	1			66.7%	9	100.0%
Senior Management	5	-	1	4	-	21.4%	11	1	2	3	1	50.0%	28	71.4%
Middle Management	46	2	1	17	2	24.4%	63	18	7	42	3	43.8%	201	68.2%
Junior Management	37	7	4	7		48.0%	26	4	2	11	2	32.0%	100	80.0%
Semi-Skilled	43	6	3	4	-	69.3%	19	-	-	-	-	25.3%	75	94.7%
Unskilled	2	-	-	-	-	33.3%	4	-	-	-	-	66.7%	6	100.0%
<b>Total</b>	<b>136</b>	<b>15</b>	<b>9</b>	<b>32</b>	<b>2</b>	<b>38.2%</b>	<b>127</b>	<b>24</b>	<b>12</b>	<b>56</b>	<b>6</b>	<b>38.9%</b>	<b>419</b>	<b>77.1%</b>

## Attrition and Retention

The majority of attrition in the year under review was at the Middle Management level. Table 15 illustrates attrition by employment type in 2023/24.

**Table 11: Attrition by Employee Level**

Attrition in FY24	FY24
1. Total Attrition: Permanent Voluntary and Involuntary – All	18
2. Total Attrition rate: Permanent - Voluntary	16
3. Attrition rate: Permanent Voluntary only (16 from 342)	4.68%

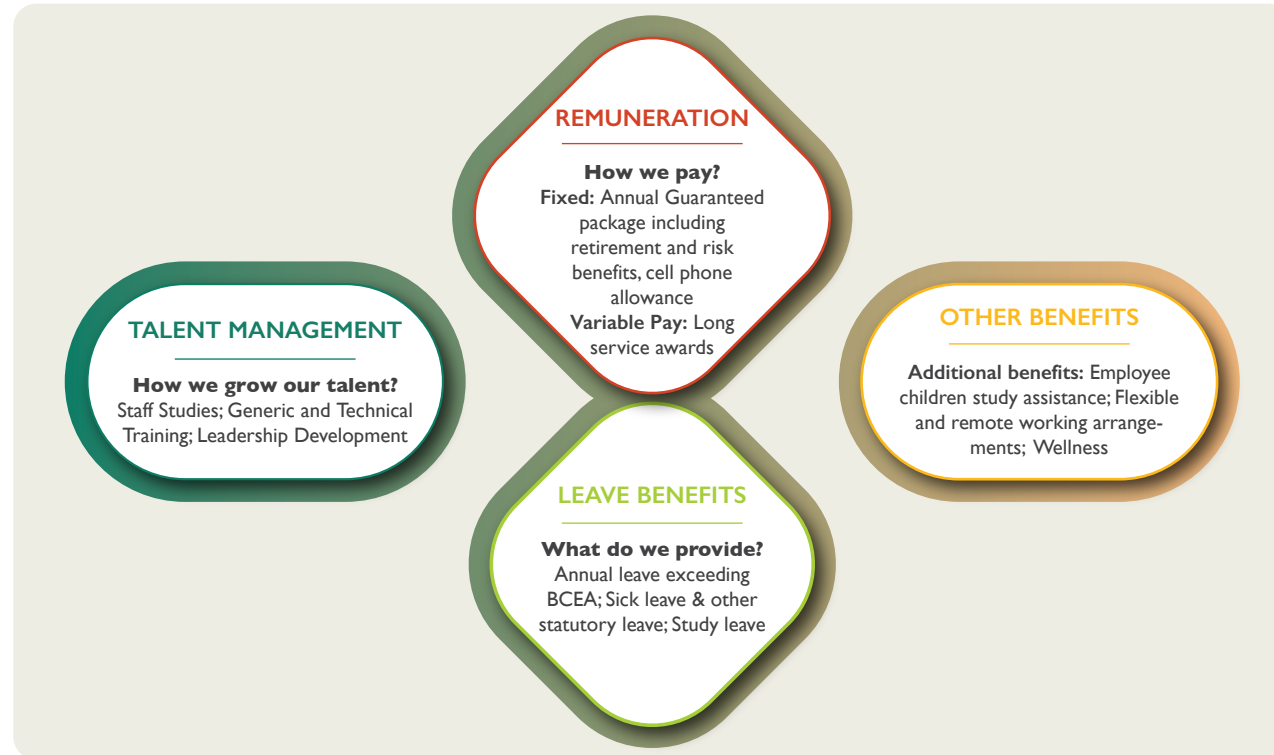
**Table 12: Attrition by Demographics**

Voluntary and Involuntary Row Labels	Female			ACI Female % (against occupational level and total)	Male		ACI Male % (against occupational level and total)	Grand Total	Total ACI %
	A	I	W		A	W			
Senior Management	-	-	-	-	1	1	50.0%	2	50.0%
Professionally qualified and experienced specialists and mid-management	2	2	1	40.0%	2	3	20.0%	10	60.0%
Skilled and qualified workers, junior management, supervisors, foremen	2	-	1	50.0%	1	-	25.0%	4	75.0%
Semi-skilled and discretionary decision making	1	-	-	50.0%	1	-	50.0%	2	100.0%
<b>Grand Total</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>38.9%</b>	<b>5</b>	<b>4</b>	<b>55.6%</b>	<b>18</b>	<b>66.7%</b>

## Employee Value Proposition

Figure 9 shows the Employee Value Proposition for the organisation, which is designed to attract and retain the right employees to support fulfilment of the Land Bank's mandate.

Figure 9: Employee Value Proposition



## Remuneration

Land Bank's Remuneration strategy is informed by the State-Owned Entities Remuneration and Incentives Guidelines (2018). Remuneration management within Land Bank is integrated into other people management processes such as the performance management and talent management processes within the ambit of the overall Human Capital policies and will be based on a total rewards philosophy and approach. The Remuneration and Compensation Policy was reviewed during the financial year and submitted to the Minister of Finance, who approved the Policy in September 2023. The Remuneration and Compensation policy provides for the remuneration philosophy and principles for matters related to compensation.

### Fixed Remuneration

The Bank is using an Annual Guaranteed Package (AGP) approach and offering benefits within the AGP parameters set out by the organisation. Participation in the employee benefit arrangements is compulsory for permanent employees and participation is regulated in accordance with the relevant benefit scheme rules and within the constraints of Tax Legislation. The benefits offering for permanent employees includes the closed medical aid scheme of Bankmed, retirement fund and risk benefits cover which includes life, disability, dread disease and funeral cover.

A cost-of-living salary increase for qualifying bargaining unit (P7 to P14) and the non-bargaining unit (P4 to P6) employees were implemented between 4.7% and 7.1%.

## Variable Pay

The Bank recognises long service as per the Long Service Award Policy.

## Talent Management

At Land Bank, we prioritise the growth and development of our employees by fostering a culture of continuous learning and career advancement. Our commitment to talent management is exemplified by our support for employees pursuing higher education. In the past year alone, we have proudly facilitated the enrolment of 10 employees in tertiary studies that are strategically aligned with the skill sets essential for the Bank's success. This initiative has resulted in a substantial investment of R406 769 underlining our dedication to empowering our workforce with the knowledge and skills necessary to excel in their roles and contribute meaningfully to the Bank's growth and success.

These educational pursuits encompass a diverse array of fields that directly correspond to the expertise required within the Bank. Ranging from programs such as Master of Management in Strategic Marketing, Management Development Programme, Diploma in Financial Accounting, Bachelor of Law, Master of Commerce in Quantitative Management, Postgraduate Diploma Management, Postgraduate Diploma in Public Management, BCom Accounting, Masters of Commerce, and Bachelor of Business Administration, these educational pathways contribute to a well-rounded and highly skilled workforce.

Our dedication to enabling career growth through education not only benefits our employees on an individual level but also enhances our organisational capabilities. By supporting employees in their pursuit of academic excellence, we ensure that the Bank remains equipped with the latest knowledge and skills, enabling us to deliver the highest level of service and innovation to our valued clients and stakeholders.

The Bank invested a total of R339 420 in training interventions related to generic and technical training and workshops and conferences during the year under review. Most of the investment was made to ACI employees of which females comprise 61%.

The Land Bank Induction programme is designed to facilitate the integration of new employees into the organisation. The Induction programme is presented at the Bank for new employees every month. The programme is conducted over two days for new employees and includes presentations from Divisions across the Bank, which may include sessions on Security and Facilities, Human Resources, Risk Management, Travel and Events, Marketing and Communications and Information Technology, among others. Our service providers such as ICAS (Land Bank Wellness Programme), Alexander Forbes (Pension Fund), and Bankmed (Medical Aid) are also part of the programme.



Table 13 provides a breakdown of funds spent by the Bank on employee training, by demographic, during the year under review. More than 70 employees were supported with training in the amount of R339 421. Of this, R310 650 was allocated to training employees in targeted ACI (African, Coloured or Indian) groups.

**Table 13: Training Spend by Employee Demographic**

	Female: Number of Interventions			Male: Number of Interventions			ACI Rand Value	% ACI Female Spend	% ACI Male Spend
	ACI	White	Female Rand Value	ACI	White	FNM			
Top Management (P1-P3)	-	-	-	1	-	-	R1 190		
Senior Management (P4-P5)	1	1	R16 950	2	-	-	R6 590		
Professionally qualified and experienced specialists and middle management (P6-P7)	12	3	R60 169	16	4	1	R88 531	R310 650	58.35%
Skilled and qualified workers, junior management, supervisors, foremen, superintendents (8-P9)	12	-	R111 352	6	2	-	R37 979		
Semi-skilled and discretionary decision making (P10-P12)	9	-	R15 577	1	-	-	R1 083		
Unskilled and defined decision making (P13-P14)	-	-	-	-	-	-	-		
<b>Total</b>	<b>34</b>	<b>4</b>	<b>R204 048.13</b>	<b>26</b>	<b>6</b>	<b>1</b>	<b>R135 372.78</b>		<b>91.52%</b>

## Other Benefits

Land Bank assists employees' children to further their education at tertiary level. Children are sponsored for their undergraduate qualification. In the period under review, the Bank assisted 14 employees' children to a total amount of R302 821 to study at registered tertiary institutions.

There is currently a policy in place which provides for flexible and remote working arrangements. Land Bank is, however, working towards a return to office, for all employees.

Land Bank continues to provide employees with employee wellness programmes through a service provider. The programme includes a contact centre whereby employees are encouraged to make use of the service available for counselling. Several wellness seminars were offered and presented to employees during the year.

## Human Capital Governance

Human Capital is an environment that is highly regulated by legislation, policies, and procedures; and it ensures that fairness in the working environment is adhered to. Human Capital has embedded Enterprise Risk Management through the Bank's Strategic Risk register and the Human Capital Operational Risk register, which included staff attrition as a Strategic Risk. Matters related to performance management, recruitment, employee wellness, and leave management are contained in the Operational Risk register.

Mitigating action plans are monitored and implemented and progress reports are provided to the internal governance Committees. The Compliance matrix register outlines all elements related to legislative and regulations compliance for the function.

Human Capital, as a strategic business partner, ensures that policies are in place to guide the organisation. As such, policies and procedures are regularly reviewed. Human Capital reviewed nine policies and standard operating procedures during the year.

**Table 14: Policies Reviewed by Human Capital Governance**

Policy/SOP	Category
Acting Arrangement Policy	1 – Board
Retention Policy	1 - Board
Recruitment and Selection Policy	1 - Board
Leave Management Policy	1 - Board
Cellular Phone Policy	2 – EXCO
Long Service Awards Policy	2 – EXCO
Job Profiling and Grading Policy	2 – EXCO
Learning and Development Policy	2 – EXCO
Bursary Policy	2 – EXCO
Guidelines on Religions and Beliefs Practices in the Workplace	2 – EXCO
Employment Equity Policy	2 – EXCO
Secondment and Rotation Management Policy	2 – EXCO

## Consequence Management

The Human Capital Division, together with the Legal Service Division, facilitates matters related to discipline and grievances. The Bank deals with consequence management in line with the relevant labour relations legislation, as well as Land Bank policies and procedures.

During the financial year six disciplinary matters were dealt with relating to misconduct. Five grievance matters were concluded. Five CCMA matters were dealt with and there are three matters at the Labour Court for which the Bank is awaiting a set down date for the proceedings.



## Culture

The Bank conducted a short culture and engagement survey. The survey measured employee's perception on both the culture and the engagement levels in the Bank. The participation rate was 65%, with 56% completing the entire survey. The survey results were presented to the Executive Committee, the Land Bank Board and to employees. An action plan will be developed as part of the Organisation Restructure Project Phase 2 in FY25.

Measuring	Questions
1. Culture - How employees feel about the way things work at Land Bank, more on the employee's perception of the Bank as a whole, and on how they feel about their jobs and work environment	1.1 In your view is Land Bank people-orientated or task-orientated? 1.2 What motivates you? 1.3 What demotivates you? 1.4 Is Land Bank an internal collaborative organisation or an internal competitive organisation? 1.5 Overall, is the Land Bank culture a positive culture that enables innovation, sharing of knowledge, sense of belonging, or is the culture negative where the fear of failure and consequence management determine delivery. 1.6 At which level do you think an organisational culture is set? 1.7 Employees are held accountable for achieving or not achieving performance targets?
2. Engagement levels: The emotional and professional connection employees feel toward the Land Bank, colleagues and work	2.1 Does the Bank provide a safe environment to raise issues with the EXCO? 2.2 How likely are you to recommend to external references to work at Land Bank? 2.3 Do you think your opinions, input and views count at work? 2.4 Does your job give you the flexibility to balance work and meet the needs of your personal life? 2.5 Do you feel that your immediate manager cares about you as a person and acknowledges your contribution? 2.6 Do you feel as though you can depend on the other members of your team? 2.7 Do you trust that the senior leaders can lead the Land Bank to future success? 2.8 Propensity to leave Land Bank employment: How likely are you to leave Land Bank? 2.9 Considering the past few years working environment – do you recommend the Land Bank to others? 2.10 The tools / systems and process are available to me to get my work done efficiently and effectively. 2.11 Business decisions are implemented timeously to achieve business success.



## FINANCIAL CAPITAL

### FOREWORD BY THE CHIEF FINANCIAL OFFICER

Land Bank continued to operate under a state of default for the period under review. Despite this, the business fundamentals of the Bank remain intact.

- The Bank remains solvent.
- 60% of debt at default has been repaid to date with the debt restructuring process (referred to internally as the Liability Solution) focusing on the remaining 40% (R16.2bn). On implementation of the Liability Solution a further R5.38bn will be repaid to lenders, reducing the overall debt to approximately R10.8bn from R40.5bn at default.
- The debt restructuring process was concluded and implemented subsequent to year end. This is a critical milestone for the Bank as it cures the long standing default the Bank has been operating under since April 2020. For this we extend our heartfelt gratitude to the lenders for walking this journey with, and continued support for Land Bank.
- Lending continues, anchored largely by the Blended finance scheme which managed to disburse over R358 million loans and R365 million in grants, bringing total disbursements to R723 million for FY2024 to the sector. This is however a significant milestone for the Bank as this is the highest amount in at least the past decade that has been disbursed for development purposes. This sets a good base for transformation of the sector.

- A new proposed funding model for the Bank has been developed and approved by the Board and is being implemented.

Looking towards the future, in order to remain financially sustainable, the Bank will need to continue to improve its strategies and execution thereof to address the following areas: Funding; Origination and Disbursements; Proactive management of the loan book end to end; Revenue diversification; Liquidity management and Cost management.

In terms of Financial performance and liquidity the Bank has achieved the following:

- Improved liquidity position, through collections and settlements with cash sitting at approximately R12.6bn at 31 March 2024, including the equity injection funds in escrow pending curing of the event of default by the Bank at which point the funds will accrue to Land Bank. The funds in escrow have since been released to the Bank.
- Key Financial Indicators:
- Net profit of R60 million (31 March 2023: R482 million profit);
- Expected credit losses on financial assets at amortised cost increased to R4.1 billion (31 March 2023: R4.0 billion);
- Net interest income increased by more than 16% to R704 million (31 March 2023: R607 million);
- Cost to income ratio for the Bank regressed to 79% (31 March 2023: 81%);
- Banking Gearing Ratio has improved to 364% (31 March 2023: 576%);

- NPL ratio increased to 53.1% (31 March 2023: 51,9%) and nominally the NPL book has decreased by 5.1% year-on-year;
- Solvency Ratio improved to 119.6% (31 March 2023: 113.8%);
- ECL Coverage Ratio increased to 23.7% (31 March 2023: 21,6%);
- Cash flows generated from operations reduced to R2.2 billion (31 March 2023: R6.2 billion), although total cash equivalents reduced to R12.6 billion, inclusive of the ring-fenced capital injection from the shareholder.

The Bank received an unqualified audit opinion from the AGSA for FY24 on its Annual Financial Statements. Unfortunate incidences of misstatements that were subsequently corrected led to the audit outcome being classified as “unqualified with findings”. The Bank will continue to enhance its internal control environment as it strives for a clean audit going forward.

In conclusion, the Bank remains resilient and continues to operate and drive execution on its mandate to transform the sector while ensuring financial sustainability of the organisation.

We remain grateful and appreciative for the continued support of the Shareholder.



**Khensani Mukhari**  
Land Bank, CFO

## GROUP RESULTS

The Group achieved an overall profit for FY23/24. The Bank's margins continue to experience pressure due to the declining loan book, changes in portfolio mix, and high cost of funding. The Group's net profit of R21 million (compared to the prior year restated profit of R515 million) was driven mainly by a decrease in interest expense of R274 million. The Group's Net Interest Income stood at R714 million compared to R616 million reported in March 2023. Interest expense decreased from R2.1 billion to R1.9 billion, a reduction of R274 million, as funding liabilities reduced by R5.9 billion due to capital repayments made to investors. The Group's operating expenses were slightly higher than the previous year, at R596 million, predominantly due to costs incurred on the restructuring of the Bank and the work over the remediation of the loan book.

The Group's assets for the financial year 2024 amounted to R29 billion, showing a decrease from R33 billion reported at 31 March 2023, primarily due to the initial adoption of the new insurance accounting standard, IFRS 17 by the subsidiaries, net loan book reduction of R1.4 billion, and a decrease in trade receivables of R224 million.

### Banking Operations

The performance of banking operations continued to improve for the year under review, with a net profit of R60 million, primarily driven by a reduction in interest expense.

### Net Interest Income

Net interest income for the year amounted to R714 million, which is R98 million above the prior year's figure of R616 million.

The Net Interest Margin (NIM) increased in the year under review due to the increase in cash balances and increase in repo rates offset by the decreasing loan book.

### Net Impairment and Recoveries

The net impairment charge for the year amounted to R114 million, write-offs, compared to the prior net impairment release of R368 billion as at 31 March 2023. The gross impairment charge was largely driven by increase in the ECL coverage ratio although there was a nominal reduction in non-performing loans.

### Operating Expenses

Total operating expenses stood at R585 million, which is an increase compared to the prior year figure of R499 million. The main drivers for the increase in operating costs are higher personnel costs due to filling of critical vacancies and increased professional fees and travel costs.

## Irregular, Fruitless and Wasteful Expenditure

The irregular, fruitless and wasteful expenditure relates to isolated incidences where procurement processes were not followed.

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

Description	Group		Company	
	2023/2024	2022/2023	2023/2024	2022/2023
	R'000	R'000	R'000	R'000
<b>Irregular-expenditure:</b>				
<b>Opening Balance</b>	<b>980,564</b>	<b>974,962</b>	<b>972,891</b>	<b>967,289</b>
Add: Irregular expenditure confirmed	3,192	5,602	57	5,602
Less: Irregular expenditure condoned	(1,308)		(1,308)	
<b>Closing balance</b>	<b>982,448</b>	<b>980,564</b>	<b>971,640</b>	<b>972,891</b>
<b>Fruitless-and-wasteful-expenditure.</b>				
<b>Opening Balance</b>	<b>69,627</b>	<b>69,620</b>	<b>69,354</b>	<b>66,909</b>
Add: Fruitless and wasteful expenditure confirmed	1,308	2,449	816	2,449
Less: Fruitless and wasteful expenditure recoverable	(16,978)	(2,442)	(16,528)	(4)
<b>Closing-balance</b>	<b>53,958</b>	<b>69,627</b>	<b>53,643</b>	<b>69,354</b>

**Table 16: Reconciling notes to the annual financial statements disclosure**

Description	2023/2024	2022/2023
	R'000	R'000
<b>Irregular expenditure:</b>		
Irregular expenditure that was under assessment in 2022/23	-	-
Irregular expenditure that relates to 2022/23 and identified in 2023/24	3,192	5,602
Irregular expenditure for the current years	-	-
<b>Total</b>	<b>3,192</b>	<b>5,602</b>
<b>Fruitless and Wasteful expenditure:</b>		
Fruitless and wasteful expenditure that was under assessment in 2022/23	-	-
Fruitless and wasteful expenditure that relates to 2022/23 and identified in 2023/24	748	2,441
Fruitless and wasteful expenditure for the current year	556	2,449
<b>Total</b>	<b>1,304</b>	<b>4,890</b>

**Table 17: Details of current and previous year irregular expenditure condoned and recovered**

Description	FY23/24	FY22/23
	R'000	R'000
Irregular expenditure condoned	(1,308)	-
<b>Total</b>	<b>(1,308)</b>	<b>-</b>
Irregular expenditure recovered	-	-
Fruitless and wasteful expenditure recovered	(16,978)	(2,442)
<b>Total</b>	<b>(16,978)</b>	<b>(2,442)</b>

Two cases of the above irregular expenditure have been condoned in the current year. The closing balance is currently under investigation to conclude on the matter.

## Investment Income

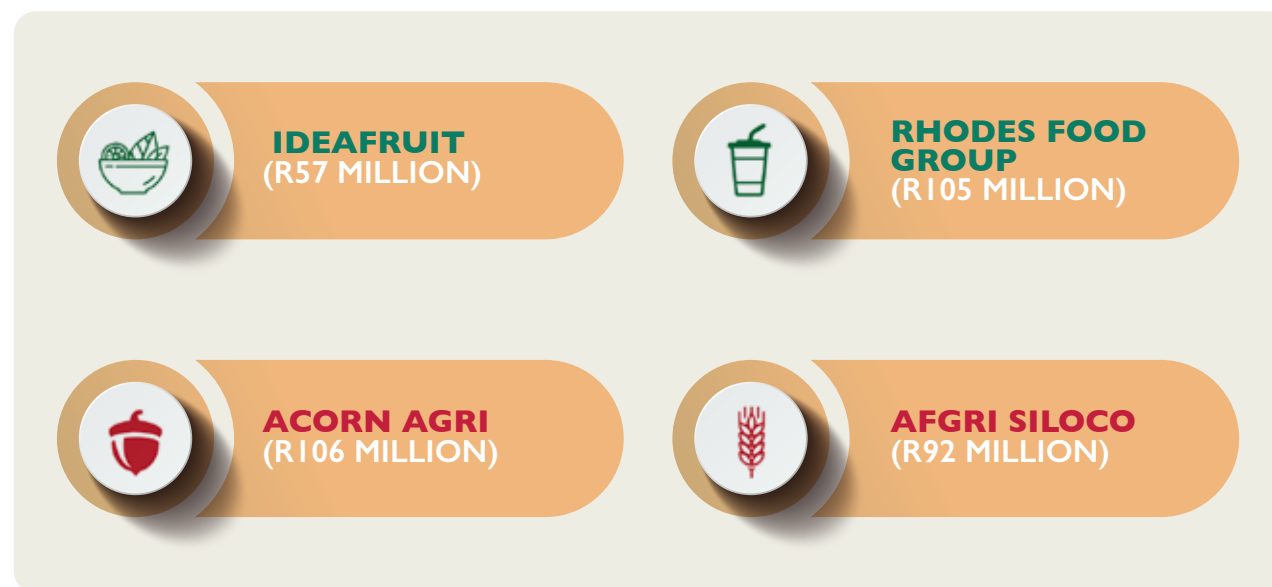
Total investment income for the period under review amounted to R24 million, higher than the prior year of R18 million. This investment income is primarily driven by the Pension Fund Retirement Medical Aid Fund (PRMAF) assets, which has increased in value, contributing to the current year results.

## Cash and Cash Equivalents

Cash and cash equivalents stood at R12.6 billion as at the end of March 2024, a decrease of R2.8 billion from the R15.3 billion recorded on 31 March 2023. The decrease mainly comprises of disbursements of R543 million, operating and other costs of R474 million, as well as capital and interest payments of R7.2 billion. This was partially offset by R4 billion in collections & settlements from clients, R500 million capital injection received from the Shareholder as well as other income of R965 million.

## Investments

The Bank's R1.4 billion investment portfolio consisted of R404 million in PRMAF assets, R650 million investments in the Insurance Subsidiaries, and equity investments in the following entities:



The investment associated with the PRMAF portfolio was established to hedge against the Bank's post-retirement medical aid liability (a defined contribution fund), which amounted to R282 million. The investment is managed by an independent fund manager on behalf of the Bank, while independent actuaries evaluate the liability annually. Total investments increased from R1.280 billion as at 31 March 2023 to R1.414 billion due to fair value gains on some of the other remaining investments. The Bank maintains its strategy of disposing of non-core investments to reinforce liquidity reserves to honour funding maturities.

## Net Loans and Advances

Net loans and advances declined to R13.3 billion from R14.7 billion reported at 31 March 2023. The primary contributor is the reducing loan book due to customer settlements as clients move to other institutions for funding. Gross loans decreased by R1 billion to R17.5 billion from the R18.8 billion reported at 31 March 2023, mainly due to customer settlements.

## Non-Performing Loans

NPLs decreased by R502 million (5%) to R9.3 billion for the year under review, from R9.8 billion at 31 March 2023, predominantly due to cures and client settlements which were offset by roll-ins. The NPL ratio increased from 51.9% reported as at 31 March 2023 to 53.1% due to decreased gross loans, even though the absolute value of NPLs has declined. Prioritising the finalisation of the Liability Solution is crucial, as it will allow the Bank to resume some normalcy in conducting its business. The Bank needs to sustain an effective strategy to halt the loan book quality deterioration and to continue improving collections to facilitate faster repayment of funding liabilities. To address further loan book deterioration and achieve a substantial reduction of under-performing loans and NPLs, management has initiated the deployment of the following six strategies/solutions.

## NPL Strategies

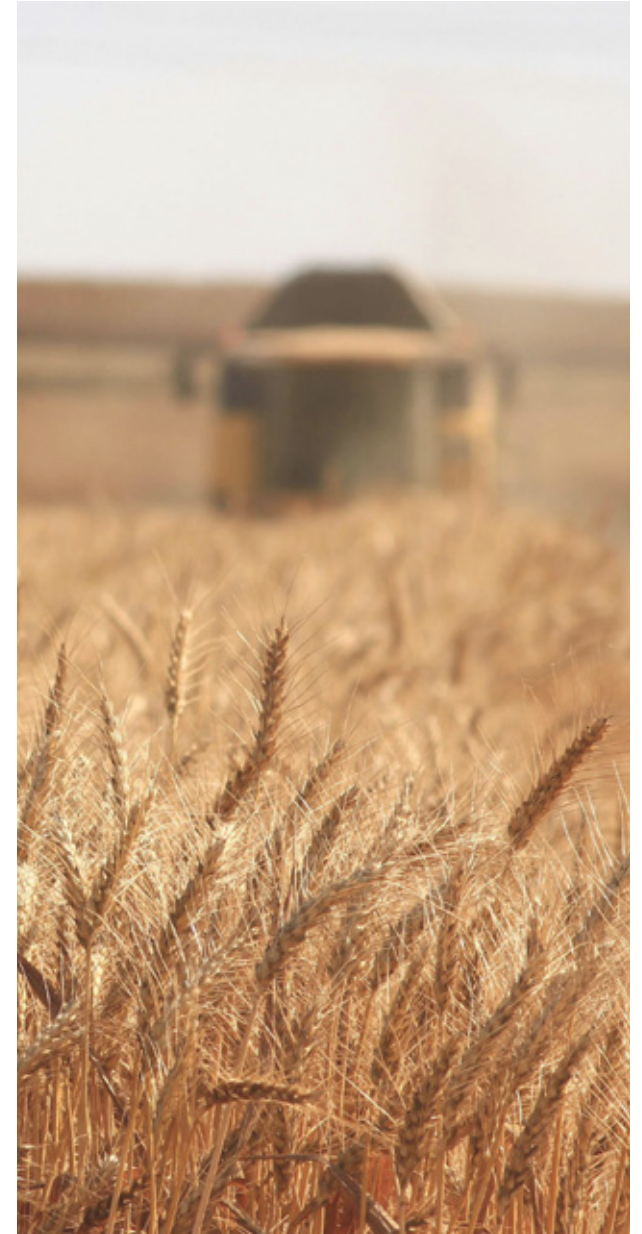
**Table 18: NPL Strategies**

Adopted Strategy	Purpose of the adopted strategy	Progress
Preservation Strategy	Prevent Roll In and prevent Asset Reduction	Target achieved
Rehabilitation Strategy	Provide Soft restructures to Stage 2 (Includes solutions for technical arrears)	Target achieved
Growth Strategy	Restructure low risk and solvent Clients Disbursements to new and existing clients	Target not achieved
Legal Cash Recoveries	Maximise legal recoveries	Target achieved
Legal Write Offs	Write off identified legal accounts	Not achieved

## TREASURY REPORT

Land Bank has been in default since April 2020 and negotiations with all lenders and the shareholder to find a solution to cure the default are ongoing. Since the default, the Bank has managed to reduce its liabilities by 59.75% (R24 billion) of the original amount outstanding. As at 31 March 2024, total nominal debt that has reached maturity is R12.03 billion and the total nominal debt stands at R16.198 billion.

Accumulated cash as at 31 March 2024 amounted to R6.233 billion. Cash is invested in instruments which aim to deliver better rates while preserving capital, such as, call accounts and bank deposit notes offered by banks and asset management companies.





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**RISK**

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**The Board** conducted a risk assessment to identify potential threats that could hinder the **implementation** and **realisation of strategic goals** laid out in the **Strategic Plan**.

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RISK MANAGEMENT STRATEGY

86

ETHICS MATTERS

92

## RISK MANAGEMENT STRATEGY

The Bank recognises a need for a risk intelligent and integrated risk management approach to anticipate and mitigate potential threats, while creating opportunities for business growth and preserving value. This effective risk management approach and improved control environment has enabled the Bank to maintain good governance, contain impact of ongoing challenges on the balance sheet and income statement, while enabling growth opportunities and execution of the Bank's strategic plan.

The Land Bank and its Board are devoted to the principles of good corporate governance, viewing Enterprise Risk Management (ERM) as an integral part of all organisational business processes and decision-making. The Board continues to sustain a robust risk management and control environment through its ERM and Risk Appetite Framework (RAF). This integrated Risk Management Strategy has helped the Bank not only maintain but also continually improve its risk management and control environments in line with its risk maturity strategy.

### Risk Governance Oversight

The ultimate responsibility for the Bank's risk governance lies with the Board, who is accountable for the Bank's overall risk management and governance. The Board's main responsibilities are to employ their specialist expertise to guide risk management and leverage benefits and opportunities. The Board has established effective governance structures starting from Management to full Board which cover amongst others, risk and governance,

investment and credit risks, finance and audit, social and ethics, and people and culture oversight bodies.

### Risk Management Process

On both ERM and ORM frameworks, Land Bank has adopted the iterative ISO 31000: 2018 risk management process which consists of consulting and communicating with stakeholders; establishing the scope, context and criteria; conducting risk assessment (identify-analyse-evaluate); treating the risks; ongoing monitoring and review; and recording and reporting to the governance structures.

### Combined Assurance Process

The Bank has established a combined assurance model and developed a plan using the outcome of the strategic and operational risk analysis for the current financial year. The objectives of the combined assurance include the following:

- Identify and specify the sources of assurance over the Institutions risks;
- Provide the Audit and Finance Committee, the Chief Executive Officer and Executive Management with a framework of the various assurance parties;
- Link risk management activities with assurance activities. This will also assist the Board to review the effectiveness of the risk management system; and
- Provide a basis for identifying any areas of potential assurance gaps as well as duplication.

Through the three-lines-of-defence Model, Land Bank maintained sound risk governance for all functions in the Bank.

### Risk Categories

The risk management process is iterative, ensuring continuous alignment with the Bank's strategic goals. Usually, risk assessment and risk management strategy maintain a medium-term (three-year) focus, fostering a culture of building risk foresight. According to the ERM Framework and Operational Risk Management Framework, the Bank's risk universe comprises credit and investment risk, model risk, financial risk, operational risk, and strategic risk. The Board has adequately prioritised risks accordingly and established detailed risk registers at strategic risk level and other levels. The Board's risk appetite is expressed through its Risk Appetite Framework which enables tracking and monitoring of its strategic risks, and operational risks.

### Credit and Investment Risk Management

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

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

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

## Model Risk Management

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

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

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

Despite our best efforts, unexpected losses can occur due to unforeseen circumstances. To ensure financial resilience, Land Bank must accurately measure the amount of capital required to cover these unexpected losses. Our Model Governance Framework addresses this by considering the models used to measure credit risk inherent in our loan-granting activities.

The framework includes models for calculating Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) metrics. Additionally, it involves the use of rating tools to assess and rate the creditworthiness of our clients. These metrics and tools are essential for understanding and managing the credit risk associated with our lending activities, ensuring that we maintain a robust and sustainable financial position.

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

## Financial Risk Management

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

## Operational Risks

Operational risk is the risk of loss due to inadequate or failed processes, systems, people, or external events, including legal risk. Through operational risks management (ORM) policy, processes and systems, Land bank monitors and manages this risk. The ERM and ORM gives guidance on how business is managing operational risks and operational incidents. Regulatory Compliance risk, Ethics, and Business Continuity risk, which are sub-categories of operational risk, continue to be managed, monitored and reported.

## Compliance Governance

Land Bank has established an independent compliance function with the primary role to assist the Board, Management and staff members in discharging their responsibilities to comply with applicable compliance obligations, laws and regulations. The Bank upholds a forward-looking approach in identification, assessment, management and monitoring of regulatory change in the industry. The Bank as an accountable institution, understands the need to engage with regulators and other key stakeholders within the sector and continue to do so.

The Bank has established Compliance Framework and Policies to provide management with basis for complying with all applicable laws, regulations, rules, codes of conduct, standards of good practice, supervisory requirements and internal policies that affect the Bank. Some of the core legislations Land Bank is exposed to are the NCA, POPIA, anti-money laundering (AML) legislations such as FICA, the PFMA, and the Land Bank Act.



## Strategic Risk Management

The Board conducted a risk assessment to identify potential threats that could hinder the implementation and realisation of strategic goals laid out in the Strategic Plan. This process enabled the organisation to establish control measures and risk mitigations to address existing risks, treat them accordingly, and continues to prevent potential or emerging risks from occurring in the future. The Board further introduced a Stress Testing Framework in support of its Risk Appetite Framework and enhanced its ability to better anticipate future threats and planning. The Bank continues to deploy macro-economic models as outlined under the model risk section to better estimate future events and adequately provide for these within its risk absorption capacity and risk bearing capacity.

## Our Top Enterprise Risks

The Board identified the 10 top risks which were assessed as having material impact on the strategic plans. The following risks are monitored by the Board on an ongoing basis throughout the financial year with more emphasis on Management to address the root causes linked to each risk item, establishing adequate controls to minimise the potential impact, and preserve value. The Board has also been able to exploit identified opportunities which helped in attaining its key objectives in line with its risk management process.

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

**Table 19: Land Bank Risk Mitigations and Controls**

Corporate Objectives	Risk Name and Description	Residual Risk Rating	Risk Mitigations and Key Controls
FINANCIAL SUSTAINABILITY	<b>Financial Sustainability:</b> Solvency and liquidity positions, including the conclusion of the liability solution, event of default, going concern status.	Very High	<ul style="list-style-type: none"> <li>• Conclusion of agreements on the proposed liability solution 5 (LS5) to cure default</li> <li>• Board approved revenue diversification initiatives and balance sheet mismatches</li> <li>• Implement Risk appetite indicators with risk bearing capacity</li> <li>• Loan book growth through blended finance with good and profitable assets</li> </ul>
	<b>Credit Risk:</b> Quality of the loan book, including credit recoveries and disposal of quality loans.	Very High	<ul style="list-style-type: none"> <li>• Continue implementing legal collections within approved processes/ ensure compliance</li> <li>• Implement write-offs as per write-off policy</li> <li>• Ongoing implementation of approved NPL strategy-including the forbearance mechanisms and restructures</li> <li>• Ongoing validation of existing collateral instruments as per policy</li> <li>• Implementation of approved Credit policies and credit SOPs</li> </ul>
ORGANISATIONAL CAPACITY & PEOPLE	<b>Optimisation of Human Resources:</b> Insufficient HR capacity and capability to execute organisational strategy, including staff attraction and retention strategy (i.e. poor employee value proposition).	Medium	<ul style="list-style-type: none"> <li>• Implementation of organisational redesign underway-to address fit for purpose structure and skills set, enable execution of Bank strategy</li> <li>• Embedding high-performance management culture to drive origination and improve execution capabilities</li> <li>• Remuneration policy approved to deal with inconsistencies and pay discrepancies, to manage flight risk</li> <li>• Retention; attrition and attraction policies and processes in place to manage people risks</li> <li>• Building and managing talent pipeline for key risks and business continuity</li> </ul>
	<b>Effectiveness of Organisational Operations:</b> Inadequate business systems and processes undermining ability to execute mandate and client centricity.	High	<ul style="list-style-type: none"> <li>• Accelerated process optimisation, automation and digitisation to enable and improve service delivery through implementation of the ICT Moderation Strategy:                             <ul style="list-style-type: none"> <li>- Ongoing E-services portal enhancements</li> <li>- Implementation of CRM enhancements</li> <li>- Implementation of Acceleries (Technical and Financial assessment models)</li> </ul> </li> </ul>

Corporate Objectives	Risk Name and Description	Residual Risk Rating	Risk Mitigations and Key Controls
DEVELOPMENT EFFECTIVENESS	<b>Funding Risk:</b> Limited funding for transformational mandate, and limited ability to attract other funding sources.	Very High	<ul style="list-style-type: none"> <li>• Ongoing implementation of Strategic partnership with the Department of Agriculture and execute on blended finance and other programmes under Land Bank's management</li> <li>• Developed business case and funding model for future funding requirements</li> </ul>
	<b>Diminishing Relevance of the Bank:</b> Unclear positioning and value proposition in the agricultural market.	Medium	<ul style="list-style-type: none"> <li>• Land Bank continues to designate itself as a Specialist Agricultural Bank (DFI) in South Africa based on its funding and product offering</li> <li>• Improving product development capability to develop new products and innovate</li> <li>• Complaints and escalation process is in place</li> <li>• Customer Relationship Management system developed to support loan origination</li> <li>• Acceleries back-end credit automation system developed.</li> <li>• Customer E-service portal &amp; Omni-channel portal developed</li> <li>• Decentralised lending approach implemented</li> </ul>
STAKEHOLDER MANAGEMENT & CLIENT CENTRICITY	<b>Maintaining Stakeholder Relations:</b> Managing of reputational risk, mapping and satisfying expectations of primary, secondary and tertiary stakeholders.	High	<ul style="list-style-type: none"> <li>• Ongoing implementation of the Reputation Management Strategy and Action Plan</li> <li>• Developed and implemented a stakeholder management plan and engagement plan</li> <li>• Ongoing Board oversight on the execution of specific key components of the Strategic Plan and stakeholder management</li> <li>• Media monitoring services in place</li> <li>• Clear communication strategy and capabilities (use of all available communication platforms)</li> </ul>

Corporate Objectives	Risk Name and Description	Residual Risk Rating	Risk Mitigations and Key Controls
GOVERNANCE	<b>Governance Risks:</b> Compliance, risk management, control environment, oversight and accountability.	Medium	<ul style="list-style-type: none"> <li>• Periodic reviewing of both Management and Board committee charters</li> <li>• Annual corporate calendar.</li> <li>• Reviewed and streamlined management committees</li> <li>• Ongoing oversight by EXCO and Board on enterprise risks, compliance and governance</li> <li>• Ongoing regulatory training on E-Learning Management System and in-person training provided.</li> <li>• Periodic review of policies and regulatory universe including use of statutory returns register and compliance profiles</li> <li>• Development and implementation of CRMP's across all core legislations</li> <li>• Ongoing AML, CFT and sanction screening compliance in place</li> </ul>
	<b>Technology and infrastructure sustainability Risks:</b> Unsustainable Technology and Infrastructure resulting in business operations failures, unavailability of critical systems and limitations in the IT governance controls.	High (High to moderate)	<ul style="list-style-type: none"> <li>• The Bank continues to invest in its IT capabilities to enable business operations sustainability and manage any risks associated with cyber threats</li> <li>• The Bank has already refreshed and modernised 80% of its core infrastructure at the production data center, e.g. servers, network</li> <li>• Key client processes have been fully automated to enable the necessary client servicing efficiencies e.g. loan origination management, client service management, client document management, loan technical / financial assessment, and client digital e-services portal</li> <li>• Various initiatives planned and in different stages of execution to further optimise business processes and decommission legacy applications</li> <li>• The IT organisational design has been reviewed and in the process of capacitation to enable sustainability and delivery of IT strategy</li> </ul>
ORGANISATIONAL EFFECTIVENESS	<b>External Events:</b> External events affecting the operating environment of the Bank.	Medium	<ul style="list-style-type: none"> <li>• Maintaining membership platforms like Agbiz, organised agriculture; farmer unions, the Department of Agriculture, NAMC, ARC and management attending conferences, symposiums, webinars-to enable research work and updates</li> <li>• Agricultural Disaster Risk Management Framework (ADRMF) in place to manage climatic risk, natural disasters and disease outbreaks</li> <li>• Implemented Agro-Energy Fund for the sector to mitigate energy related risks</li> <li>• Embedding of ESG principles in credit granting processes to manage environmental social and good governance risks</li> <li>• Introduced a stress testing and scenario planning model to manage downside risk</li> </ul>

The following key deliverables / outputs were notable during the financial year:

- **Risk Governance, Policy and Process reviews:** ERM Framework, RAF framework. The Code of ethics and business conduct. Gift Policy & SOP. AML, CFT and Sanctions RMCP. Ethics Implementation Plan. Statutory returns register & calendar. BCM Policy, SOP and Crisis Management and Emergency Response Plan. Compliance suite of policies. ORM policy. Ethics investigation SOP. POPI/ information privacy policy.
- **Strategic Risk Register:** ongoing update of controls and action plans with Risk Owners.
- **Statutory Returns register:** monthly and quarterly submissions to the shareholder, the Bank's Regulators such as the NCR, FIC, AG(SA), Information Regulator, Department of Labour are up to date and were successfully filed for FY25. However, the BBBEE Report remains outstanding as it was not finalised.
- **Review of policies, procedures and other governance documents:** overdue documents reduced from 21 (Q1 FY24) to 8 at financial year end.
- **Risk reporting:** Quarterly reporting to EXCO and Board committees in line with approved work-plans on Strategic Risks, Risk appetite and key risks, integrated risk reporting via CRO report (covering details on Emerging risks, Key risks, Regulatory Compliance, Operational risk management, Business continuity management, IT and Information governance, policy governance, anti-money laundering and sanctions compliance, Credit governance and monitoring, Model validation).

- **Assurance on risk management functions:** Internal audit conducted audits on business continuity management, information privacy compliance management, enterprise risk management and ethics management. The majority of the evidence required to close of the findings is being finalised. It was noted that the common denominator for the audit findings was due to unavailability of Risk resources.



## ETHICS MATTERS

**Ethics is an essential foundation for the sound governance of the Bank and the promotion of a culture of accountability, integrity and transparency.**

The Ethics Office's primary mandate is to manage the ethics governance and performance of the Bank in a manner that enhances its ethical culture in line with King IV. Ethics management includes the planning, organising, directing, leading, monitoring and controlling of all formal ethics-related activities, operational ethics management or ethics performance.

The scope of activities adopted and undertaken to entrench ethics culture and maintain ethics maturity includes:

1. Leadership commitment statement on Ethics;
2. Ethical standards: code of ethics and business conducted, adopted values, ethics disclosure investigation pro and gift declaration policies;
3. Annual declaration of outside interests;
4. Awareness and training to enforce ethics, bank-wide;
5. Promotion of anonymous whistle-blowing through the confidential ethics and fraud hotline;
6. Zero tolerance risk appetite on 'findings of unethical behaviour by staff';
7. Ongoing implementation of Ethics Risk Assessment (ERA), maturity strategy and survey recommendations through the annual ethics management plan; and
8. Ethics monitoring and reporting to EXCO and the SEC.

Figure 10: Ethics Management Process





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**LAND BANK** INSURANCE

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Our approach to **risk and strategy** are aligned to our vision of being a **sustainable specialist insurer** of agricultural risks in support of **an inclusive agricultural sector.**

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OVERVIEW OF LAND BANK INSURANCE	96
WHO WE ARE	96
LETTER FROM THE MANAGING DIRECTOR	97
KEY MARKET DEVELOPMENTS	99
REGULATORY ENVIRONMENT	99
LAND BANK INSURANCE – BOARD OF DIRECTORS	100
LAND BANK INSURANCE – GOVERNANCE COMMITTEES	105
STRATEGY AND VALUE CREATION	109
HUMAN RESOURCES	113
RISK MANAGEMENT	119
LBIC AND LBLIC FINANCIAL PERFORMANCE	127
ACHIEVEMENT AGAINST KEY PERFORMANCE INDICATORS	133

## OVERVIEW OF LAND BANK INSURANCE

Land Bank Insurance (LBI) refers to our two operating insurance companies within the Land Bank. Land Bank Insurance SOC (LBIC) is a non-life insurance company registered with the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) in terms of the Insurance Act 18 of 2017. LBIC is a niche insurer of crop risks in the country, providing cover to farmers for hail and fire (among other risks), and yield losses due to weather conditions. We also provide cover for agricultural assets typically used on the farm.

Land Bank Life Insurance SOC (LBLIC) is a licensed life assurance provider that has provided individual and group credit life insurance products, as well as disability cover to Land Bank clients and other farmers since its inception in 1954. The Insurance Companies complement the Bank's financial services by providing insurance and risk management solutions to the agricultural community within the borders of South Africa.



## WHO WE ARE

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

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

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



## LETTER FROM THE MANAGING DIRECTOR

Having joined Land Bank Insurance (LBI) as Managing Director in June 2023, I look back with pride on what has been achieved by management in laying the base and creating momentum towards achieving our medium to long term strategic objectives. The progress made was against a flux of changes, both at Macro and Micro level. From a global perspective, we experienced the impact of geo-political tensions on world logistics and its direct impact on agricultural commodity prices. Further to this was the impact of climate change and the volatility on weather patterns which has a direct bearing on farmer production and yield, which impacts the sustainable profitability of insurers servicing this market. This is further compounded by the subdued economic environment that was also attributable to political uncertainties leading up to the elections in South Africa.

### Key highlights and lowlights

Despite these challenges, notable progress was made in achieving our objective of managing the complex balance of maintaining commercial sustainability while supporting an inclusive agricultural sector through strategic development impact initiatives.

During the year under review, we made significant progress with our two flagship development initiatives i.e. the black broker development program and the black crop damage assessor programs.

The Black Broker Programme made further advances in its effort to identify, on-board and train black brokers in

crop and assets insurance products, and bringing the total number of trained brokers to just over 100. We consider this to be a remarkable milestone in that while this creates a new income opportunity for the brokers who will now participate in the agricultural sector, it also provides emerging farmers with access to insurance advice from brokers closer to where they farm.

We also launched the Black Assessor Programme, training 15 students to estimate crop damage following hailstorms, fire and other events. Of the 16 students, 9 are now employed at Land Bank as Assistant Agricultural Specialists and thereby creating the much needed job opportunity to the youth.

We will continue these two programs in the coming year and in our effort to bring more inclusivity to the value chain in the sector.

During the year under review, the LBIC Gross Written Premium (GWP) increased by 5% year on year to R806,9 million. The hectares insured increased by 11% mostly in areas of targeted growth in the west (North West and western Free State). The areas in the west are less prone to hail therefore carry a low premium rate. Thus the increase in hectares does not proportionately result in a similar increase in GWP. Despite this growth, the two insurance companies made a combined loss of R37 million, mainly attributable to the losses incurred in the crop portfolio due to excessive claims incurred. Management will be implementing remedial actions in the coming year to ensure that we turn the crop portfolio to profitability at the same time focusing on introducing more assets to the business to help diversify the portfolio, which is currently crop heavy.

Despite the underwriting loss posted during the period, our businesses remain in a strong capital position with Solvency Capital Reserves (SCR) well in excess of regulatory requirement. LBIC reported an SCR of 235% against our risk tolerance of between 130-170%. LBLIC on the other hand, end the year with SCR of 425% against a tolerance level of 150-200%.

A key lowlight during the year under review has been the notable regression in the audit opinion of both insurance entities. Compared to clean audit outcomes in prior year, LBIC received a qualified opinion while the LBLIC received an unqualified opinion with material findings. The regression is mainly attributable to the complexity introduced by the new reporting standard, IFRS 17 which tested and exposed our capacity constraints, limited resource and fit for purpose data capability to effectively and timeously conclude our Annual Financial statements. Work has already begun to remediate the short-comings well ahead of the next audit.

## Business outlook

Key to our financial sustainability is the strengthening of our distribution channels and expansion of key lines of business, particularly in the Asset and Life Portfolios. During FY24, the team focused on establishing a network of intermediaries and brokers to support our Asset Portfolio, with a focus on Crop Intermediaries and the Black Brokers already engaged with LBI. We also focused on building the Life Portfolio, by leveraging the Land Bank's Blended Finance Scheme to build our client base. While the numbers are still modest, the ground is laid for faster traction in the coming year. Looking ahead, we will continue to prioritise revenue diversification by focusing

on growing our Bancassurance partnership with the Land Bank and forging partnerships with strategic commodity groups.

We also remain steadfast in our commitment to support transformation within the sector and will accordingly be working on bringing to market, bespoke and comprehensive insurance solutions for emerging farmers. These products (Index insurance, also called parametric insurance) will play a crucial role in providing farmers, especially small scale farmers, the much needed protection against drought and floods.

In conclusion, I wish to thank all my colleagues at LBI for their continued commitment and dedication to ensure that LBI plays its part in supporting an inclusive agricultural sector. I also wish to recognise and appreciate the support of my colleagues and shareholder at the Land Bank, under CEO, Mr Themba Rikhotso 's leadership.

We are extremely grateful to the Board for their strategic guidance and support, as we navigate changes in our organisation and country. Finally, I also want to thank our customers and business partners for continuing to trust our brand and choosing to partner with us.



**Pascal Siphugu**  
*Managing Director - Land Bank Insurance*



## KEY MARKET DEVELOPMENTS

### Climate change

Over the last decade there has been a noticeable increase in the frequency and severity of weather related risks. This trend is expected to continue as heat wave conditions are more likely, a lengthened dry spell and rainfall intensity increases. It is expected that climate change impact will reduce the amount of land suitable for arable and pastoral agriculture, in addition to reducing the length of the growing season and decreasing crop yields. Changing rain patterns and increased evaporation will escalate the likelihood of extreme droughts. Agriculture is one of the main sectors greatly impacted by climate change and variability because of its size and sensitivity. Therefore, the subject of climate risk and related mitigation and adaptation actions is rapidly becoming a critical point of discussion in local and global discourse.

The heightened climate risk environment elevates and puts into sharp focus the importance of crop insurance as a tool for building climate resilience against climate shocks. However, recent economic realities are among key factors that constrain farmer's profit margins and act as a barrier for crop insurance uptake. The knock-on effect is a contraction of the agricultural insurance market where crop insurance premium rates are on the increase, further alienating small-scale farmers from formal risk insurance markets, and inadvertently increasing exposure to vulnerability and threatening their sustainability

Our view is that different risk transfer alternatives for smallholder farmers are urgently required. Motivated by

the gap identified, and the mandate to address market failures, LBIC is finalising an Area Yield Index Insurance (AYII) for crop a Pasture Drought Index Insurance (PDII) for livestock. The concept of index insurance, albeit nascent in the South African market has emerged globally as a solution for inclusive insurance. The insurance company has successfully applied to the Prudential Authority for permission to bring these innovative solutions to the South African market as a direct response to closing the insurance protection gap through affordable and accessible insurance. Index insurance further plays a multi-purpose role serving as a sheet anchor for reducing vulnerability to climate related losses for marginalised and underserved insured communities.

## REGULATORY ENVIRONMENT

### IFRS 17

International Financial Reporting Standards IFRS 17 Insurance Contracts (effective for reporting periods beginning or after 1 January 2023, replacing IFRS 4, and to be applied retrospectively) addresses the establishment of principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the standard. Both, Land Bank Insurance SOC (LBIC) and Land Bank Life Insurance (LBLIC) are first time adopters of IFRS 17 for the financial year ended 31 March 2024.

The LBIC portfolio comprises mainly of crop insurance and agri-asset insurance, which are generally short-term insurance contracts and therefore, the Premium Allocation Approach (PAA) is applied to the insurance portfolio for LBIC and group credit life products. For

individual credit life products, LBLIC will primarily use the General Measurement Model (GMM).

The standard introduced a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting but has a significant impact across the LBI's operating model. Due to the fundamental changes required and to ensure successful implementation, an IFRS 17 project team was established in conjunction with an implementation partner. This was supported by LBI's Audit and Risk committee, Investment and Actuarial committee and an IFRS 17 steering committee comprised of senior management from various functions.

New accounting policy papers, actuarial methodologies and disclosure requirements have been adopted in order to comply with IFRS 17 requirements. The presentation of the Statement of Profit or Loss and Other Comprehensive Income as well as the Statement of Financial position has changed as per IFRS 17 requirements. The Actuarial and Finance teams remain up to date and closely monitor all technical developments from the Internal Accounting Standards Board (IASB) and industry to evaluate the effects of any new developments and, where applicable, will align the policy and methodology papers accordingly.

The tax implications regarding the adoption of IFRS 17 have been noted, however they will not apply given both entities are exempt from income tax.

## LAND BANK INSURANCE – BOARD OF DIRECTORS

The LBLIC Board has one vacancy that will be filled during the FY25. Three Director's terms have been renewed i.e. Ms Bosman from 01 April 23 and Mr Masuku and Ms Subbiah from 1 April 2024.

### LBIC BOARD



**MS EGASHNEE PILLAY**

Ms Pillay is a Chartered Accountant and holds a BCom (Hon) Accounting and BCom Accounting.

#### **Committee Membership**

Board Chair, Member Joint LB/ LBIC Social and Ethics Committee and Nominations Committee Chair



**MR SAKHILE MASUKU**

Mr Masuku is a qualified Chartered Accountant and holds a BCom (Hon) Accounting Science and BCom Accounting.

#### **Committee Membership**

Chairperson of the LBIC/ LBLIC Audit and Risk Committee (up to 30 April 24), Member Investment and Actuarial Committee



**MR KRISHEN SUKDEV**

Mr Sukdev is a qualified Actuary and holds a Master in Business Administration (MBA) and BA Business Science.

#### **Committee Membership**

Chairman Member Investment and Actuarial Committee, Member of Audit and Risk Committee



**MRS MELANIE BOSMAN**

Mrs Bosman is a Chartered Accountant (SA) and holds a BCom (Hon) Accounting and BCom Accounting.

#### **Committee Membership**

Member of Audit and Risk Committee (Chair from 1 May 24), Investment and Actuarial Committee and Human Resources and Remuneration Committee

## LBIC BOARD (CONT.)



**MRS DESHNI SUBBIAH**

Mrs Subbiah is a qualified Actuary and holds a BSc Actuarial Science, a Master in Business Administration (MBA) and a PD in Business Administration and General Management.

### **Committee Membership**

Member of Audit and Risk Committee, Investment and Actuarial Committee and Human Resources and Remuneration Committee

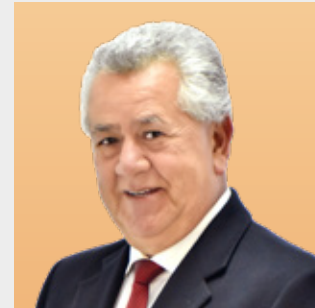


**PROF. JOHANN  
FREDERICK KIRSTEN**

Prof JF Kirsten holds a PhD in Agricultural Economics, MSc Agric, and a BSc Agric (hon).

### **Committee Membership**

Member Investment and Actuarial Committee



**ADV. DIMITRI WILHELM  
VAN DER WESTHUIZEN**

Advocate DW van der Westhuizen holds an LLB (PMB) and is an admitted advocate of the High Court of South Africa.

### **Committee Membership**

LBI Human Resources and Remuneration Committee Chair, Nominations Committee Member



**ADV. BERNICE RASEROKA**

Company Secretary (appointed 1 November 2023)

### **Qualifications**

- Advocate
- LLB & B Juries
- Compliance Post Graduate Certificate
- Board Governance Post Graduate Certificate
- Money Laundering Control Post Graduate Certificate

Mr. Mashumi Mzaidume  
Former Company Secretary  
(retired 31 December 2023)

## LBIC EXECUTIVE COMMITTEE



**MR PASCAL SIPHUGU**

Managing Director (Executive Director)

**Qualifications**

- BA Degree
- BA Honours Degree
- Master in Business Administration (MBA)
- Post Graduate Diploma in Management Practice

**Personnel Area**

Insurance Practitioner



**MR RYAN ENGLE**

Head: Finance Insurance

**Qualifications**

- CA (SA)
- Bachelor of Commerce (Accounting) Degree
- Honours Degree in Accounting/CTA

**Personnel Area**

Accounting, Taxation and Treasury



**MS THAMARIES TISANE**

Head: Risk & Strategy

**Qualifications**

- B-Tech Degree in Internal Auditing
- Risk Management Certificate
- Post-Graduation in Business Administration
- Master in Business Administration (MBA)

**Personnel Area**

Enterprise Risk Management, Governance, Compliance and Internal Auditing



**MR KWANDA NGWENDUNA**

Chief Actuarial Officer

**Qualifications**

- BSc Degree in Actuarial Science
- BSc Honours Degree in Mathematical Statistics
- BSc. Honours Degree in Actuarial Science
- MSc e-Science
- Associate Member of the Actuarial Society of South Africa (AMASSA)

**Personnel Area**

Actuary, Investments and Data Science



**MR LANGA MNYANDU**

Head: Legal and Compliance

**Qualifications**

- B-Proc Degree
- Post Graduate Diploma in Drafting and Interpretation of Contracts
- Admitted Attorney of the High Court of South Africa

**Personnel Area**

Legal and Compliance

## LBIC EXECUTIVE COMMITTEE (CONT.)



**DR. MPH  
MATHITHIBANE**

Executive Manager: Underwriting & Operations

### Qualifications

- Doctor of Business Administration
- Master of Business Administration (MBA)
- Postgraduate in Risk Management
- Postgraduate in Public Governance
- Bachelor of Commerce: Accounting

### Personnel Area

Post Investment Management Service



**MR LEFA NDLOVU**

Head: Sales and Distribution

### Qualifications

- M-Com Business management
- B-Com Hons Degree in Business Management
- Management Development Programme
- Higher Diploma in Integrated Marketing Communication.
- National Diploma in Marketing

### Personnel Area

Corporate Banking & Structured Finance



**Table 20: LBIC Board of Directors**

LBIC Board of Directors: Committee Structure as at 31 March 2024 (*)/(**)	Board of Directors	Audit and Risk Committee	Investment and Actuarial Committee	Social and Ethics Committee	Human Resources and Remuneration Committee	Nominations Committee
	<b>Non-Executive Directors</b>					
	Ms E Pillay	Mr S Masuku <sup>2</sup>	Mr K Sukdev	Ms E Pillay	Adv. DW vd Westhuizen	Ms E Pillay
	Mr S Masuku <sup>2</sup>	Mr K Sukdev	Mrs M Bosman <sup>1</sup>		Mrs M Bosman	Mr S Masuku <sup>2</sup>
	Mr K Sukdev	Mrs M Bosman <sup>1</sup>	Mrs D Subbiah		Mrs D Subbiah <sup>3</sup>	Adv. DW vd Westhuizen
	Mrs M Bosman <sup>1</sup>	Mrs D Subbiah <sup>3</sup>	Mr S Masuku <sup>2</sup>			Prof. JF Kirsten
	Mrs D Subbiah <sup>3</sup>		Prof. JF Kirsten			
	Prof. JF Kirsten					
	Adv. DW vd Westhuizen					
<b>Executive Directors</b>						
	Mr P Siphugu <sup>4</sup>					

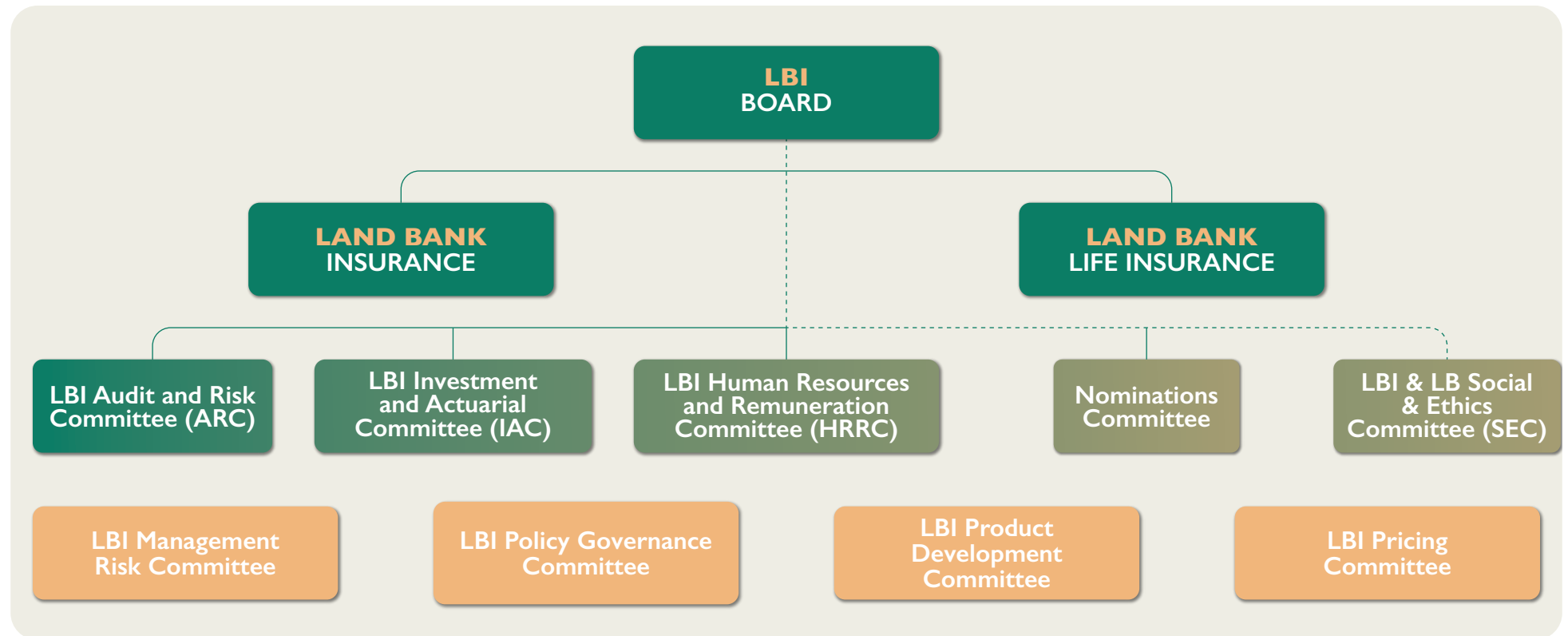
1. Term extended from 01 April 2023 - 31 March 2026
2. Term extended from 01 April 2024 - 31 March 2027
3. Term extended from 01 April 2024 - 31 March 2027
4. Appointed 01 June 2023

## LAND BANK INSURANCE - GOVERNANCE COMMITTEES

The Board is supported by five (5) standing committees, namely: An Audit and Risk Committee (ARC), an Investment and Actuarial Committee (IAC), a Human Resource and Remuneration Committee (HRRC) and a Nominations Committee. The Board shares the Social and Ethics Committee (SEC) with the Land Bank. The committees are established in terms of Sections 76(4) (d) and 77 of the PFMA, section 94 of the Companies Act of 2008, Clause 7 of GOI 2 and Section 15 of the Land Bank Act. From time to time, the Board also establish temporary structures such as ad hoc committees, project teams and task teams to deal with specific time bound issues.

The LBIC Organisational Chart, with Committees, is summarised in Figure 11. It shows the relationship between the LBI Board, LBI and LBLI, and the Committees serving these entities.

**Figure 11: LBI's Summary Organisational Chart as at 31 March 2024**



These Committees are governed by charters or terms of reference approved by the Board. The charters or terms of reference set out the purpose, authority, responsibilities, composition, constitution of meetings, frequency of meetings, conduct of meetings, decision-making, record keeping, and reporting and communication by a structure on its activities to the Board.

## Audit and Risk Committee

The primary role of the Committee is to provide oversight over the financial reporting process, the audit process, the insurance companies' system of internal control, enterprise-wide risk, the financial position of the insurance companies'. Its responsibilities among others are:

- a. To determine the fees to be paid to the Auditor General and the Auditor General's terms of engagement.
- b. To determine the nature and extent of any non-audit services that the Auditor General may provide to LBIC and LBLIC, or that the Auditor General must not provide to LBIC and LBLIC, or a related company.
- c. To pre-approve any proposed agreement with the Auditor General for the provision of non-audit services to LBIC and LBLIC.
- d. To monitor implementation and performance against the Corporate Plan including financial and non-financial reporting requirements.
- e. To assist the Board in developing its risk management framework, strategy and policies for LBIC and LBLIC.
- f. To advise the Board on the implementation and adequacy of the risk management frameworks, policies, controls, records and reporting of LBIC and LBLIC.

- g. To review and advise the Board on the core policies of LBIC and LBLIC.
- h. To assist the Board in evaluating the adequacy and effectiveness of the risk management system, and ensuring that enterprise-wide risk assessments are performed annually.

The Committee discharged all its responsibilities. Its primary focus for the year under review was to ensure the successful transition to IFRS 17 which the new Accounting Standard for insurance contracts. The committee reviewed and recommended the audited Annual Financial Statement (AFS) to the Board. The committee ensured transparency, accuracy and integrity of the financial reporting process. The implementation of IFRS 17 introduced complexities that led to an unfavorable audit opinion for LBIC. On the other hand, LBIC overall audit opinion remained qualified with material findings. The Committee also focused on improving the information and technology environment for the Insurance Companies, reviewing and strengthening of internal controls, and resolution of adverse audit findings.

## Investment and Actuarial Committee

The primary responsibility of the Committee is to

- a. Review and advise the Board on compliance with actuarial guidance, ensuring capital adequacy, reviewing embedded value calculations and considering the results of actuarial investigations including, but not limited to, policyholder liability valuations and related earnings.
- b. Ensure the reliability and accuracy of any significant and material statutory reporting to the Prudential Authority.

- c. Consider the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions.

The duties of the Committee include:

- a. Regularly review and recommend to the Board for approval an Actuarial Mandate.
- b. Regularly review and recommend to the Board for approval an Underwriting Policy, Reinsurance and Other Forms of Risk Transfer Policy, a Capital Management Policy, the ORSA Policy, the ORSA Scenario and Planning Framework, the Credit Risk Policy and the Liquidity Risk Policy.
- c. Ensuring that sound actuarial governance principles and best practices are adhered to and consistently applied.
- d. Evaluating of the adequacy and completeness of the annual quantitative regulatory returns to the Prudential Authority in terms of the applicable laws and regulations.
- e. Reviewing the reports of the Head of Actuarial Function (HAF) on the results of actuarial investigations, including the validation of actuarial models.
- f. Reviewing reports on compliance with actuarial guidance in the preparation of financial statements.
- g. Evaluating the capital adequacy and solvency of the Insurance Companies, including stresses and scenarios to be used for the Own Risk and Solvency Assessment (ORSA) process of the Insurance Companies and recommending these to the Board for approval.
- h. Monitoring and reviewing underwriting conditions and advising the Board on underwriting strategy and policy.

- i. Monitoring and reviewing underwriting and reinsurance arrangements as well as actuarial related audit finding.
- j. Recommending investment strategies and policies for the Insurance Companies.
- k. Reviewing the investment policy, guidelines, objectives and strategies of the Insurance Companies.
- l. Advising on the appointment and delegation to independent investment advisers of the authority to execute individual investment transactions on behalf of the Insurance Companies.
- m. Receiving periodic reports from management and/or the independent investment advisers of the Insurance Companies, on the conformance of the invested assets of the Insurance Companies to its investment policy, strategies and objectives.
- n. Reviewing periodic reports on the performance of the invested assets of the Insurance Companies.
- o. Overseeing the management of the investment portfolio of the Insurance Companies and compliance by management and/or independent investment advisers, if applicable, with applicable investment codes and regulations, and with the investment policies and guidelines of the Insurance Companies.
- p. Reviewing and making recommendations to the Board on the Asset-Liability Management, Liquidity Risk, Credit Risk and Investment Policies in terms of prudential standards at least on an annual basis.
- q. Considering significant actuarial and financial risks and the appropriateness and effectiveness of the management of those risks.
- r. Making recommendations to the Board regarding the appointment and dismissal of the HAF and actuarial fees where applicable.

The Committee discharged all its responsibilities and focused on the development of an actuarial mandate and role clarity of the HAF.

### Human Resource and Remuneration Committee

The role and responsibilities of the Committee are mutatis mutandis no different from the roles and responsibilities of the Land Bank Human Resources and Remuneration Committee.

### Nominations Committee

The role and responsibilities of the Committee are mutatis mutandis no different from the roles and responsibilities of the Land Bank Nominations Committee.

The following tables provide the LBI and LBIC Board and Committee meeting attendance for FY24.



**Table 21: LBI Committee Meeting Attendance (FY24)**

Committee	Audit and Risk Committee	Investment and Actuarial Committee	Human Resource and Remuneration Committee	Social and Ethics Committee	Nominations Committee
Ms E Pillay	-	-	-	✓	✓
Mr K Sukdev	✓	✓	-	-	-
Mr S Masuku	✓	✓	-	-	✓
Mrs M Bosman	✓	✓	✓	-	-
Mrs D Subbiah	✓	✓	✓	-	-
Prof. JF Kirsten	-	✓	-	-	-
Adv. DW vd Westhuizen	-	-	✓	-	✓



**Table 22: LBI Board and Committee Meeting Attendance (FY24)**

	Board 7 meetings	Audit and Risk Committee 6 meetings	Investment and Actuarial Committee 5 meetings	Human Resource and Remuneration Committee 5 meetings	Social and Ethics Committee 7 meetings	Nominations Committee 2 meetings	Strategy Sessions 1 meeting	AGM 1 meeting
<b>Non-executive directors</b>								
Ms E Pillay	7	-	-	-	7	2	1	1
Mr S Masuku	7	6	5	-	-	2	1	1
Mr K Sukdev	7	6	5	-	-	-	1	1
Mrs M Bosman	7	6	5	5	-	-	1	1
Mrs D Subbiah	7	6	5	5	-	-	1	1
Prof. JF Kirsten	7	-	4	-	-	-	1	1
Adv. DW vd Westhuizen	7	-	-	5	-	2	1	1
<b>Executive directors</b>								
Mr P Siphugu <sup>1</sup>	6	5	4	4	6	-	1	1
Mr M Rakgalakani <sup>2</sup>	1	1	1	-	1	-	-	-

1. Appointed from 1 June 2023

2. Term ended 31 May 2023

# STRATEGY AND VALUE CREATION

## Strategic Priorities

During FY24, management undertook an intensive review of the overall operations and strategy of the business. Having taken the operating environment, the SWOT analysis and the financial performance of both LBIC and LBLIC into account, a 5-year strategic plan was developed. This section sets out the strategic objectives in five pathways. The FY25 plan (Year 1) firmly sets the foundation for the FY29 plan. The theme of the 5-year plan is STAGILITY which denotes the stability we want to maintain but we also recognise the need to introduce agility to ensure profitable growth through innovative solutions, optimal use of data science to drive decision making, development of new channels and focus on customer centricity and stakeholder management.

Figure 12: The 5-Strategic Pathways



## Strategic priority 1: Build out institutional capabilities

LBI had primarily outsourced most of its functions and capabilities to business partners. Management aims to reduce this dependency and to invest in building brand recognition and affiliation with its clients, strengthen broker relationships, and have better control over our data by building institutional capability over the next five years. Our objective is to bolster the structure with technical skills, deploy capacity closer to customers and source an insurance system that can host all our current and future products and to cater for the different channels, thus ensuring that the business is self-reliant and resilient to the risk of a potential loss of strategic partners. The main focus of our institutional capability centres around three core competencies;

- People
- Processes
- Systems

In order to integrate, leverage and build its data and client servicing capabilities, LBIC plans to procure its own insurance administration system that is able to accommodate all our insurance products on a single platform.

By owning and controlling its own insurance system LBIC will significantly reduce dependency on external third party systems and, over time reduce associated costs. The journey of establishing a robust policy administration system is multifaceted, requiring the right skills, expertise and financial commitment to achieve desired outcomes should be within the set time frame and budget. It is

expected that the journey from commencement to full commissioning of the system will take 3-years, with FY25 set to be the planning period.

## Strategic priority 2: Embed customer centricity

The goal is to place the customer at the center of LBI's business, both before and after sale. This will help improve the customer experience leading to brand recognition, increased customer retention, improved business growth and thereby create opportunities for cross-selling. The aim is to embed customer centricity in all customer touch points by offering a seamless and frictionless way of doing business.

This will be achieved by:

- Developing a *multi-channel* business to cater for the different needs of the key segments. LBI has traditionally distributed its products through specialist crop brokers. In addition to the current traditional intermediary channel, new distribution channels are required driven by advances in technology, the need for financial inclusion and changing consumer preferences. We plan to introduce additional channels where products can be accessed with ease and convenience. i.e. black brokers, key commodity groups and strategic partners.
- Develop a *multi-line* business. LBIC has traditionally been a mono-line business providing hail insurance to crop farmers and credit life insurance on the life license. However, the evolving needs of the agricultural sector, mainly driven by production related weather risks suggest that this is no longer adequate to

address the sector's risk transfer needs. There is a need to introduce new product variations targeting different segments of the farming community. During FY25, we plan to introduce the following solutions, subject to regulatory approval, i.e. index insurance (subject to regulatory approval), livestock insurance and a variation of the current crop product (crop lite).

- Brand positioning – introduce a targeted marketing strategy, underpinned by effective brand positioning to create awareness and support LBIs product offering.

## Strategic priority 3: Actively support sector development and transformation

The development and transformation pathway seeks to bring about and support key initiatives that will advance the development of emerging farmers in the agricultural sector. We aim to play a key role in transforming the agricultural insurance value chain and providing the much needed consumer education to assist with filling the knowledge gap. Focus is intended to be on previously disadvantaged groups with deliberate bias directed towards women and youth. Collaboration with key partners to achieve development and transformation objectives is central to the work we plan to do. We will focus on the following initiatives:

- Launch the Farmer Academy - this is a service offering to farmers that aims to promote, facilitate and support the development of the agricultural sector by addressing the issues concerning financial literacy, knowledge of risk mitigation and insurance solutions and business sustainability through consumer education. The Farmer Academy will be delivered

jointly in collaboration with strategic partners. Content will be delivered through online and face to face platform.

- Black Assessor Program - following the successful completion of the maiden Black Assessor Programme in FY24, LBI intends to roll-out the second cohort of candidates in FY 2025. This programme will target farmers across the country, especially women and youth who could fulfil the role of Crop Damage Assessors alongside their primary occupation of being farmers. This program seeks to create additional income streams for development farmers.
- Black Broker Development Program - To date, LBIC has trained more than 100 Financial Services Providers (FSPs) from historically disadvantaged backgrounds. Whilst the business will continue to add more brokers in FY25, the focus will be turned to investing more resources in creating opportunities for them to generate income for themselves. This will mainly be driven by incorporating black brokers into the Bancassurance model. Further to this, the roll-out of the Index Insurance products is the ideal opportunity to create a market for the black brokers. LBI intends to train the black brokers to distribute Index Insurance specifically to small-scale farmers.

### Strategic priority 4: Scale up LBLIC

LBLIC continues to experience a decline in its existing book with policies coming to end of term as the underlying debt is paid up. This is further compounded by the slow momentum in writing new business. The outcome of this is that the per policy expenses remain high. To mitigate this risk, management have a deliberate plan to increase focus on growing the book in FY25.

The following interventions will be prioritised in FY25;

- a. Optimise distribution capability - scaling up the business would require the incremental and consistent generation of new business through multiple distribution channels. In addition to the current Bancassurance channel, we plan to forge strategic partnerships with co-operatives and other Development Funding Institutions.
- b. Introduce a Whole of Life (WoL) product - LBI has applied to the Regulator to approve license variation to enable us to develop and distribute a risk WoL product parallel to the current credit life product.

### Strategic priority 5: Profitable Growth of LBIC

LBIC is currently completely dependent on its crop insurance revenue and has poor penetration in other product lines. Historical claims experience of the crop book remains poor mainly due to weather volatility and resulting in losses incurred.

It is imperative that LBIC generates consistent and sustainable growth and profitability to continue fulfilling its development mandate and financial sustainability. Management aims to place enhanced focus on initiatives that would support sustained profitability and business growth. Sustainable profitable growth will enable LBIC to grow its footprint and serve clients more appropriately, creating client centricity whilst financially sustainable and optimising value creation.

Sustainable Growth: Extending LBI's product offering and partner networks and diversifying distribution channels and products to grow new business volumes and revenue.

Sustainable Profitability: Improving the profitability of the business through improved pricing, deployment cost containment mechanisms, implement optimised investment strategy, optimising reinsurance structures, and portfolio management activities.

### Maintaining Financial Sustainability

The LBIC GWP is predominantly derived from crop insurance. We will continue to support crop farmers as part of our mandate to ensure food security is guaranteed. However, the focus for the coming financial year remains on diversification, specifically into asset insurance and life insurance products. In this regard, we have engaged and on boarded several intermediaries in the open market to improve our distribution network and with focus on growing the agricultural asset insurance portfolio.

The second area of focus is on the Bancassurance opportunity working with our Shareholder, The Land Bank. In essence, Bancassurance is a bi-lateral partnership between a bank and an insurance company allowing the insurance company to insure the insurance risks of the Bank's client base. The insurance company develops and distributes products and the Bank provides access to its customer database. The Bank is typically able to generate non-interest review whilst providing their customers with more than banking products and thereby benefiting from improved customer satisfaction. The Bancassurance Model has gained traction supported by the necessary business processes and systems.

Thirdly, we would like to improve our product diversification through the introduction of the “Whole of Life” proposition. The Whole of Life product is a pure risk policy which is different to the Credit Life Class which LBLIC is currently licensed to offer. The introduction of this product will assist in providing scale to our LBLIC business and also provide the diversification we need and give customers more compelling value propositions.

## Contribution to Development and Transformation

LBI continues in its endeavours and programmes to bring about greater transformation and development in the agricultural sector by instigating change in the value chain and delivery of insurance services. We remain committed to transform the insurance sector and support the development of key value chain participants in the form of Brokers and Assessors. In this regard, we have two key initiatives, namely: The Black Broker Development Programme (BBDP) and The Assessor Insurance Assessor Programme (AIAP). Through these programmes, the organisation identifies and develops previously disadvantaged individuals for inclusion into both the financial and the agricultural sectors.

Crop insurance in South Africa is distributed primarily through brokers. Over the last few years, LBIC has trained and accredited well over 100 Financial Services Providers (FSP’s) from historically disadvantaged backgrounds and has made significant progress to develop women-owned FSP’s. Whilst the business will continue to add more brokers into FY25, the focus will be turned to investing more resources in developing the brokers and enabling

opportunities for them to receive business leads, and meet potential clients in order to break the barrier of entry to the sector.

The other area of the agricultural insurance market value chain, which LBIC has targeted for transformation impact is the assessors used to quantify damage to crops after any risk events such as hail. At this stage there are approximately 900 assessors used by the crop insurance providers in South Africa and this has a similar profile to the crop insurance broker sector. During the financial year, LBIC developed and launched its second instalment of the AIAP, with the aim of creating opportunities for black youth and women in agriculture from historically disadvantaged backgrounds and to support the overall development of black farmers by providing opportunities for them to earn a secondary income by conducting crop damage assessments on behalf of the insurance company. This programme facilitates knowledge and skills transfer from the existing assessor base and introduces a new skill set to those recruited within the programme. The programme focusses on key commodities and actionable training that will see the cohort of assessors deployed to the field and integrated in the business as service providers within the short-to-medium term.

## Parametric Insurance for Smallholder and Emerging Farmers

To improve access to inclusive and affordable agricultural insurance for smallholder farmers and to improve their resilience to climate related risks, LBIC has developed Area-Yield Index Insurance (AYII) for crops and Pasture Drought Index Insurance (PDII) for livestock. These products are designed to predominantly cover drought risk which is a pervasive and perennial risk in South African Agriculture. The two products have been approved by the Minister of Finance. Index Insurance has gained prominence globally as a reliable Fintech solution for inclusive growth. LBIC has developed active plans to launch these products for the FY25 summer planting season, pending regulatory approval in terms of Section 5(4) of the Insurance Act 18 of 2017.

## HUMAN RESOURCES

The FY24 yielded some key positive movements in relation to people management.

- **Career Growth and Retention:** One (1) internal employee was appointed in a position higher than the current level.
- **Organisation capacitation:** Capacity Acquisition: A total of nineteen (19) appointments were made, which consisted of eleven (11) permanent appointments, four (4) learners, (3) fixed term contractors and one (1) internal appointment.
- **Performance Management:** For the financial year the performance contracting with employees was concluded within the time-lines of contracting period, which then enabled the process to do mid-year reviews.
- **Capability Building:** The year-to-date training interventions have increased. A total of R295338.00 was spent on staff studies, technical training and generic training.
- **Culture and Engagement:** In the previous year a culture and engagement survey was conducted. The results were shared with the management team and all staff. A remedial plan was put in place and interventions were effected in the current financial year. Implementing the culture and engagement remedial plan delivered 81% achievement and completion of the remedial plan.

## Organisational Capacity

The Human Capital Division remains a strategic partner to Land Bank Insurance and the employees. The focus is on contributing to Land Bank Insurance being sustainable and ensuring that there is adequate capacity and that human resources are optimised. The employee-life cycle underpins the talent management process - attraction, on-boarding, development, performance management, remuneration, and separation.

Land Bank Insurance organisational capacity consisted of twenty-five (25) permanents, 1 fixed-term contractor and four (4) learners. The total workforce represented was thirty (30) for the financial year.



Table 23 provides the workforce by category and gender. Of the total workforce, 50% were African, Coloured and Indian Females.

**Table 23: Land Bank Insurance Employees by Category and Gender**

Land Bank Insurance Headcount 31 March 2024: Employee Category and Gender	Male	Female	Total
Permanent Employees	13	12	25
Fixed-Term Contractors	0	1	1
Learners	2	2	4
<b>Total</b>	<b>15</b>	<b>15</b>	<b>30</b>

Table 24 provides the workforce by age and employment category. The majority of permanent employees are within the age range of 25 to 40 years.

**Table 24: Land Bank Insurance Employees by Age and Employment Category**

Employee's by Age and Employment Category: 31 March 2024	Age 25-40	Age 41-54	Age 55-65
Permanent Employees	16	7	2
Fixed-Term Contractors	1	-	-
Learners	4	-	-
<b>Total</b>	<b>21</b>	<b>7</b>	<b>2</b>

Table 25 shows Land Bank Insurance employees by tenure and employment category. The majority of permanent staff has been with the Bank for less than 5 years. Land Bank Insurance recognises tenure through the Long Service Award Policy.

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

Employee's by Tenure and Employment Category: 31 March 2024	<5 years	6 to 10 years	11 to 39 years	> 40 years
Permanent Employees	20	3	2	
Fixed-Term Contractors	1			
Learners	4			
<b>Total</b>	<b>25</b>	<b>3</b>	<b>2</b>	

**Table 26: Learner Appointments in FY24**

Occupational Category	Total appointed	Female	Total ACI Females	Male	Total ACI Male
		African		African	
Learner	-	-	-	-	-
Unskilled and defined decision making	4	2	50%	2	50%

Land Bank Insurance remains committed to transformation as illustrated in Table 28. The Employment Equity and Skills Development Committee monitors progress made on the one-year employment equity plan for the Bank. ACI represented 100% of the workforce for FY24.

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

Permanent & Fixed Term Contractors (Excluding Learners)	Female					Female Total ACI	Male					Male Total ACI	Grand Total	ACI
	A	C	I	W	FN		A	C	I	W	FN			
Top Management	0	0	0	0	0	0%	1					100%	1	100%
Senior Management	1	0	0	0	0	20%	3	1				80%	5	100%
Middle Management	5	0	0	0	0	63%	3					38%	8	100%
Junior Management	6	0	0	0	0	55%	4		1			45%	11	100%
Semi-Skilled	1	0	0	0	0	100%						0%	1	100%
Unskilled	2	0	0	0	0	50%	2					50%	4	100%
<b>Total</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50%</b>	<b>13</b>	<b>1</b>	<b>1</b>			<b>50%</b>	<b>30</b>	<b>100%</b>

## Attrition and Retention

Significant increase in staff attrition from 5,26% for the previous financial year to 20% for the financial year was noted. The attrition rate of 20% includes both voluntary resignations and dismissals. Due to the actual permanent headcount of LBI being only 25 at the time, the five terminations (voluntary) translate into 20%. There were four resignations and one dismissal. If we exclude the dismissal, there were four resignations for the period under review which translate to an attrition rate of 16%. This is however still a significant increase from the previous year. Also from an exit interview perspective out of the four resignations, three people completed exit interviews, indicating amongst others the following as reasons for leaving i.e. offered a better position, remuneration, timeous payment of increases and bonuses, and reporting line in relation to accountability.

The majority of resignations in the year under review were at the Middle Management level. Table 30 illustrates attrition by employment type during the year under review.

**Table 28: Attrition by Employee Level**

Attrition in FY24	FY24
1. Total Attrition: Permanent Voluntary and Involuntary	7
2. Total Attrition rate: Permanent - Voluntary	5
3. Attrition rate: Permanent Voluntary only (5 from 25)	20%

**Table 29: Attrition by Demographics**

Voluntary and Involuntary	Female		Male		Grand Total	Total ACI %
	ACI Female % (against occupational level and total)		ACI Male % (against occupational level and total)			
Row Labels	A		A	C		
Top Management	-	-	1	-	1	14%
Senior Management	-	-	-	1	1	14%
Professionally qualified and experienced specialists and mid-management	-	-	1	1	2	29%
Skilled and qualified workers, junior management, supervisors, foremen	3	43%	-	-	3	43%
Semi-skilled and discretionary decision making	-	-	-	-	-	-
<b>Grand Total</b>	<b>3</b>	<b>43%</b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>100%</b>

## Employee Value Proposition

Land Bank Insurance shares the same Employee Value Proposition as Land Bank as indicated in Figure 9, which is designed to attract and retain the right employees to support fulfilment of the Land Bank Insurance strategic objectives.

## Remuneration

The Land Bank Insurance Remuneration strategy is informed by the State-Owned Entities Remuneration and Incentives Guidelines (2018). Remuneration management in Land Bank Insurance is integrated into other people management processes such as the performance management and talent management processes within the ambit of the overall People & Culture strategy. The Remuneration and Compensation policy provides for the remuneration philosophy and principles for matters related to compensation.

## Fixed Remuneration

Land Bank Insurance is using an Annual Guaranteed Package (AGP) approach and offering benefits within the AGP parameters set out by the organisation. Participation in the employee benefit arrangements is compulsory for permanent employees and participation is regulated in accordance with the relevant benefit scheme rules and within the constraints of Tax Legislation. The benefits offering for permanent employees include the closed medical aid scheme of Bankmed, retirement fund and risk benefits cover which includes life, disability, dread disease and funeral cover.

For FY24, cost of living salary increases were implemented for employees in the levels below executive management. The increases were differentiated between 4,7% and 7,1%. For Executive Management, performance based salary increases were implemented. These averaged 5,6%.

## Variable Pay

The variable pay component of remuneration includes performance incentives. Employees qualifying for performance incentives as per the performance standards expected, were paid incentives for their performance and contribution in FY23.

## Flexible and remote working

Currently, employees are provided with the flexible and remote working arrangements as guided by policy. Land Bank Insurance is however working on a plan to bring employees back to the office.

## Employee Wellness Programme

Land Bank Insurance continues to provide employees with employee wellness programmes through a service provider. The programme includes a contact centre whereby employees are encouraged to make use of the service available for counselling. Several wellness seminars were offered and presented to employees during the year.

## Talent Management

At Land Bank Insurance, we prioritise the growth and development of our employees by fostering a culture of continuous learning and career advancement. Our

commitment to talent management is exemplified by our support for employees pursuing higher education.

A total of four staff members received the benefit from the payment for tertiary qualifications (staff studies) to the amount of R 259514,99. The fields of studies are towards a Bachelor of Commerce in Compliance and Risk, The Actuarial Society of South Africa Exams (TASSA), Exams, Postgraduate Diploma in Business Leadership and Actuarial Sciences Exams. In addition to that, LBI also invested a total of R35823,48 on training which included the regulatory compulsory CDP training. These educational pathways contribute to a well-rounded and highly skilled workforce.

Our dedication to enabling career growth through education not only benefits our employees on an individual level but also enhances our organisational capabilities. By supporting employees in their pursuit of academic excellence, we ensure that the Bank remains equipped with the latest knowledge and skills, enabling us to deliver the highest level of service and innovation to our valued clients and stakeholders.

**Table 30: Training Spend by Employee Demographic**

Permanent Employees Staff Studies	ACI - No. of Interventions	ACI - Rand Value
Top Management (P1-P3)		
Senior Management (P4-P5)		
Professionally qualified and experienced specialists and middle management (P6-P7)	1	R50 339,99
Skilled and qualified workers, junior management, supervisors, foremen, superintendents (P8-P9)	3	R209 175,00
Semi-skilled and discretionary decision making (P10-P12)		
Unskilled and defined decision making (P13-P14)		
<b>Total</b>	<b>4</b>	<b>R259514,99</b>

Generic Training, Leadership Development, Technical Training, Workshops and Conferences	ACI - No. of Interventions	ACI - Rand Value
Top Management (P1-P3)		
Senior Management (P4-P5)	7	R9 274,91
Professionally qualified and experienced specialists and middle management (P6-P7)		
Skilled and qualified workers, junior management, supervisors, foremen, superintendents (P8-P9)	13	R26 548,57
Semi-skilled and discretionary decision making (P10-P12)		
Unskilled and defined decision making (P13-P14)		
<b>Total</b>	<b>20</b>	<b>R35823.48</b>

## Human Capital Governance

Human Capital, as a strategic business partner, ensures that policies are in place to guide the organisation. As such, policies and procedures are regularly reviewed. Human Capital reviewed nineteen policies and standard operating procedures during the year.

**Table 31: Policies Reviewed by Human Capital Governance**

Policy/SOP	Category
Long Service Award Policy	2 – EXCO
Acting Arrangement Policy	1 - Board
Remuneration Framework and Policy (Compensation Management Policy)	1 - Board
Job Profiling and Grading Policy	2 – EXCO
Learning and Development Policy (LBP-045) (Talent Management Policy (Succession))	2 – EXCO
Bursary Policy	2 – EXCO
Employment Equity Policy	2 – EXCO
Recruitment and Selection Policy	1 – Board
Flexible working arrangement Policy	2 – EXCO

## Consequence Management

The Human Capital Division, together with the Legal and Compliance unit, facilitates matters related to discipline and grievances. The Land Bank Insurance deals with consequence management in line with the relevant labour relations legislation, as well as Land Bank Insurance policies and procedures.

During the financial year one disciplinary matter was dealt with relating to misconduct. One grievance matter was concluded. One CCMA matter was dealt with in relation to unfair dismissal.

## Culture and employee engagement

In the previous year a culture and engagement survey was conducted. The results were shared with the management team and all staff. A remedial plan was put in place and interventions were effected in the current financial year. Implementing the culture and engagement remedial plan delivered an 81% targeted achievement.

## RISK MANAGEMENT

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

## Risk Governance

The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the business. The Board sets the risk appetite and tolerance levels annually as part of its review of the risk management strategy. The Board oversees the LBI'S risk

management system and activities through the Audit and Risk committee (ARC). The ARC has the responsibility to review and recommend the risk strategy and risk policy suite for the LBI Board's approval.

## Risk Classification Model

The Risk Classification Model forms the basis for risk management. A uniform risk classification model allows for the analysis, aggregation and reporting of risks in a structured manner. It forms the basis for risk identification and focuses on including risks based on their inherent risk assessment and ensures that all key risks and the related control environment are assessed, monitored and reported on regularly. A causal model ensures that the key causes of risks are considered to enhance the control environment. Considering the size and complexity of our organisation, risks must be considered on a financial and non-financial basis. The risk strategy, appetite and policy are fully aligned to the risk classification model. The risk classification model comprises of 12 level one (1) categories which are then expanded into level two (2) categories and, where necessary, level three (3) categories. The risk classification model, causal categories and the financial and non-financial impacts, are presented in a 'bowtie' format for easy reference.

Figure 13: Risk Classification Model

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



## Our Risk Strategy Approach

Our approach to risk and strategy are aligned to our vision of being a sustainable specialist insurer of agricultural risks in support of an inclusive agricultural sector. As part of our strategy, we establish our risk appetite, which determines how much of a certain risk we are prepared to take on. Our risk strategy informs the overall business strategy, thereby integrating our business operations, strategy and risk appetite to facilitate a disciplined and balanced approach to risk based strategic decision making and active control over risks to which our earnings and capital are exposed. Our escalation mechanisms account for risk events and breaches in risk limits or targets. A forward-looking business plan and scenario and stress testing enable us to assess the robustness of our balance sheet.

When assessing the risks in our strategy, we follow a top-down approach. It guides risk-taking activities and ensures that we sustainably deliver on our strategic objectives. The guiding risk principles that underpin our risk strategy and the interconnection to the Corporate Strategy is as follows:

**Determining our risk preference for each risk category** - The risk classification model forms the basis of our risk management system. We have a documented risk preference for key types.

**Quantifying the risk appetite metrics for financial soundness, earnings at risk and liquidity** - Risk appetite defines the level of risk exposure we are willing to accept in meeting our strategic objectives. Our financial resources and risk appetite determine the nature and level of growth that can be targeted, as they reflect the

impact that assumed risk has on capital requirements and earnings volatility. We use stress and scenario testing to evaluate the earnings and balance sheet resilience in relation to our business plans and risk-taking activities.

**Creating target ranges for our earnings at risk and statutory capital requirements** - Our risk appetite metrics measure capital requirements, earnings and liquidity risks and ensure compliance with the Prudential Financial Soundness Standards. These are calibrated to allow us to manage an extreme downside scenario with sufficient resources to avoid regulatory intervention.

## Risk Management Process

An effective risk management system supports the sustainability and growth of our business and the ability to create long-term value for all our stakeholders. Our Risk Management Process is designed to continuously monitor the internal and external environment for the purpose of identifying any conditions or changes that may require us to mitigate the related risks. This ensures that we remain within our risk appetite, achieve our corporate plans and realise our strategic objectives.

Figure 14: Risk Management Process



**Business and risk strategy alignment** is the process of ensuring that the risks assumed in our corporate plans reflect our risk preferences, considering the interconnectedness of risks and points of leverage within our risk mitigation activities.

**Risk identification** is focused on the identification of the key obstacles that can prevent us from achieving our business strategy and objectives. We categorise all our risks using our risk classification model to ensure consistent classification of risks.

**Risk measurement and response** is focused on quantifying risks by considering the likelihood and impact of the risk and deciding on mitigating actions.

**Risk monitoring** is the ongoing process of assessing the control environment and the effectiveness of mitigating actions being taken to determine a residual risk rating. It considers the impacts of materialised risks, assurance work, indicators and changes in the external and internal environment on both our risks and controls.

**Risk reporting** is focused on comparing the residual risk exposures to our risk appetite, as articulated in our risk strategy, reporting on risks that are either outside of the targeted range or outside of our risk appetite.

**Stress and scenario testing** is the process of evaluating the impact of specified scenarios on our financial position using several statistically defined probabilities. This facilitates the assessment of the resilience of earnings and our balance sheet based on our business plans and the various risk-taking activities.

### Combined Assurance

Our combined assurance framework is approved by the Audit and Risk Committee. Our philosophy is to build and sustain an integrated and coordinated approach across all three lines of assurance at all levels in the organisation. Our key focus is on collaboration and sharing information while ensuring appropriate coverage and avoiding duplicate work.

### LBI's Three Lines of Assurance

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

**Table 32: LBI's Three Lines of Assurance**

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



## Top Residual Risk

Top risks are identified based on their likelihood of materialising in a reasonably short timeframe, with a magnitude that materially impacts the Business. Our top risks are assessed and reviewed at least quarterly.

**Execution Risk** - The risk of failing to effectively deliver on our material programmes in a timely manner to achieve our strategic objectives.

**Business Perspective** – There are several strategic change initiatives in the horizon that will set us up as an organisation to achieve our strategy and business plan objectives.

IMPACT	KEY ACTIONS
<ol style="list-style-type: none"> <li>1. Delay in progressing change initiatives could result in additional costs, opportunities not being fully capitalised on and benefits not being timeously realised.</li> <li>2. Overlapping dependencies on key resources may lead to slippage and compression.</li> <li>3. Sustained pressure on key individuals could also impact staff wellbeing and retention.</li> </ol>	<ul style="list-style-type: none"> <li>• Resubmission of the index product under section 5 (4) application to the PA.</li> <li>• Whole of life submitted to the PA for approval pending approval.</li> <li>• Adopting a value chain-led delivery structure to support an agile delivery approach for strategic programmes.</li> <li>• Back-filling key resources to not impact business as usual delivery.</li> <li>• Implementation of the retention programme.</li> </ul>

## People Risk

The risk arises from not attracting, developing and retaining the skills necessary to implement our strategic objectives, and from insufficient action to reduce the risk of burnout among key employees. To deliver on our strategic priorities, we need the best talent and skills to help us win in our chosen “STAGILITY” strategy. We have a low appetite for vacancies for key roles not being filled timeously. We have a high focus on attracting external talent and developing internal talent to ensure readiness for key roles. We are vigilant on regrettable resignations and pay careful attention to high turnover where it could be avoided.

**Business Perspective** – Specialist skills are required to deliver our strategic objectives and increased remote working opportunities mean we are competing to retain and attract talent on a greater scale. There has been a risk of not attracting quality candidates, resulting in delaying in filling vacancies timeously.

IMPACT	KEY ACTIONS AND OPPORTUNITIES
<ol style="list-style-type: none"> <li>1. Retaining and recruiting specialist skills becomes more challenging.</li> <li>2. Deterioration in employee wellness could impact delivery and service, including execution.</li> </ol>	<ul style="list-style-type: none"> <li>• Develop a robust Board-approved Retention Strategy (recognition programme).</li> <li>• Continue to bolster the capacity structure.</li> <li>• Build a robust succession plan.</li> <li>• Fixed term contract as a temporary mechanism.</li> </ul>

## EXTERNAL RISKS

### Climate Risk

The risk that global warming, extreme weather events and the transition to a low carbon economy will adversely impact economic growth and insurance profitability. These, in combination with increased costs of doing business could threaten the resilience and sustainability of our business.

**Business Perspective** – Increased frequency and intensity of severe weather events could cause business disruption, and adversely impact claims experience and pricing of insurance products, particularly in the crop business. Business operates within a highly volatile crop insurance environment affected by a wide range of adverse climatic conditions. The current season has experienced unprecedented severe weather conditions that has led to large losses suffered within the crop insurance market.

IMPACT	KEY ACTIONS AND OPPORTUNITIES
<ol style="list-style-type: none"> <li>1. Crop claims are increasing due to the rise in frequency and intensity of extreme weather events.</li> <li>2. Increases concentration risk by geography due to physical climate.</li> <li>3. Adverse non-life underwriting experience due to worsening claims from increased frequency and intensity of weather events.</li> <li>4. Reduced capacity in reinsurance market to transfer risk off our own balance sheet.</li> <li>5. Increased price for securing reinsurance, which may have a knock-on effect on product pricing.</li> </ol>	<ul style="list-style-type: none"> <li>• Assessing the impact of climate-related risks and opportunities on our businesses, strategy, financial outcomes, and develop response plans.</li> <li>• Reviewing policy terms and conditions in conjunction with pricing to ensure these accurately reflect the risk exposures.</li> <li>• Continue with the extensive portfolio review focusing on multi claimants, new clients, high value crops and structure of policy excesses.</li> <li>• Structured proportional re-insurance to allow business to write business at a particular level, in addition to this a stop loss is in place to ensure that business losses are kept at an acceptable level and LBIC protects its whole account.</li> <li>• Incidence of risk – risk premium is reviewed on an annual basis prior to start of the season, with margins for uncertainty on risky business.</li> <li>• Risk management initiatives and interventions.</li> </ul>

## UNDERWRITING RISK

### Non-Life Insurance Risk

The risk of being unable to achieve and maintain sustainable growth in the non-life business. We have a deep desire and strong motivation to provide insurance coverage to different segments of the farming community, be it corporate, commercial and new era farmers. This is done by prudently managing risk, as this is core to our principles as a sustainable insurer and central to our business strategy. We would like to support the sector as wide as possible, subject to meeting customer needs and affordability considerations and shareholders' expectation of return on capital deployed.

**Business Perspective** – Growth remains stagnant on the agri-asset portfolio, which has been developed as a diversification tool for the non-life business. With the exponential premium growth on the crop portfolio, the diversification target for FY24 has not been achieved. Despite LBIC solvency capital position well in excess of stated risk appetite limits of 130%-170%, the main concern for LBIC given the volatile crop market and high loss ratios is its heavy dependency on crop insurance as its main income stream. LBIC projects the asset portfolio to gain traction as the Business Plan includes improving the distribution strategy to boost the sales volume.

IMPACT	KEY ACTIONS AND OPPORTUNITIES
<ol style="list-style-type: none"> <li>1. Slow or negative growth in the book size of Asset business.</li> <li>2. Increases retention of risk on the balance sheet due to hardening reinsurance market, together with possible contraction in underwriting margins.</li> </ol>	<ul style="list-style-type: none"> <li>• Enhance Product proposition by developing customer fit products i.e. crop lite, livestock and index insurance.</li> <li>• Embed pricing and underwriting mechanism.</li> <li>• Optimise data analysis for efficient business decisions.</li> <li>• Active portfolio management.</li> <li>• Optimise distribution capability - Review and optimise the Bancassurance model.</li> <li>• Forge strategic partnerships with relevant sector organisations and other DFI's.</li> <li>• Engaging reinsurers and exploring capital efficient solutions.</li> </ul>

## REGULATORY RISK

### Market Conduct Risk

This risk could arise if our products and solutions are nonperforming as intended or servicing does not meet customer's expectations. We are committed to complying with regulatory requirements in both the spirit and the letter of the law. We acknowledge that non-compliance may occur from time to time, but we have Zero appetite for deliberate non-compliance. Where regulatory compliance risks arise, we will take appropriate steps to mitigate these.

**Business Perspective** – Our strategy is to place the customer at the center of our business, both before and post sales. This will help improve the customer journey and experience leading to brand recognition, increased customer retention, improve business growth and create opportunities for cross-selling. However, the needs of our customers evolve with changes in the macro and micro economic environment, their financial health and life events changes. We need to be able to respond seamlessly to all of these changes.

IMPACT	KEY ACTIONS AND OPPORTUNITIES
<ol style="list-style-type: none"> <li>1. Service challenges erode our brand promise and pose reputational risk.</li> <li>2. If our products are not perceived to be value for money, it will impact our growth and persistency.</li> <li>3. If our products are not flexible enough to adapt to changing environments, we may experience a deterioration in persistency.</li> </ol>	<ul style="list-style-type: none"> <li>• Develop and embed the Market Conduct Framework.</li> <li>• Ensuring products perform in the manner communicated to customers at the point of sale.</li> <li>• Independently reviewing and challenging the value-for-money components of our products at both a design stage and on an ongoing basis.</li> <li>• Increase automation of our servicing activities.</li> <li>• Driving digital engagement with our customers and continue to focus on quality service advice.</li> <li>• Focus on the insightfulness of our campaigns to customers using meaningful data analytics.</li> </ul>

## OPERATIONAL RISK

### Technology and Information Security Risk

The risk posed by legacy information technology infrastructure on our ability to achieve targeted customer experience, operating efficiencies and responding to ongoing cyber threats. Ongoing cyber threats pose a challenge to business resilience and data security. We have a Low appetite for an information security breach in which significant amounts of confidential data affecting our clients, and/or proprietary information has been compromised that can result in regulatory notification, reputational damage, customer impact or financial impact, reporting impact or legal impact.

**Business Perspective** – Business has outsourced IT services to the Land Bank. Land Bank's complex and ageing information technology infrastructure poses a threat to our targeted customer experience, as well as operating efficiencies.

IMPACT	KEY ACTIONS AND OPPORTUNITIES
<ol style="list-style-type: none"> <li>1. System downtime may disrupt servicing and sales processes.</li> <li>2. Customer experience may not meet expectations, ultimately impacting our growth ambitions.</li> <li>3. Process efficiencies and run cost may be compromised.</li> <li>4. Cyber security attack could result in data, privacy or security breach.</li> <li>5. Data privacy or security breaches occurring via third parties.</li> <li>6. Disruption of services due to temporary failure of critical third parties.</li> </ol>	<ul style="list-style-type: none"> <li>• Infrastructure refresh for modernising the technology.</li> <li>• Optimise customer relationship management system for seamless lead generation.</li> <li>• IT Audit remediation.</li> <li>• IT Security and Governance – Cybersecurity Resilience.</li> <li>• Multi-line policy administration system to centralise and have greater control over customer data.</li> <li>• Mandatory cyber risk training awareness programs.</li> </ul>

## Business Resilience

The risk of being able to minimise the impact of disruptions and maintain business operations at predefined levels due to internal and external causes. We have low tolerance for Operational risk as they are viewed as having a marginal risk/return trade-off in relation to the business objectives. Where they arise, extra measures will be taken to mitigate them or where appropriate pass them to third parties. While we seek to reduce operational risk through having effective process, system and controls, we recognise and accept that certain level of operational loss are inevitable, particularly where the costs of such controls would exceed the expected benefits.

**Business Perspective** – Scenario planning assists us in assessing where we need to strengthen resilience to ensure smooth operation and a consistent customer experience despite challenges affecting the business.

IMPACT	KEY ACTIONS AND OPPORTUNITIES
<ol style="list-style-type: none"> <li>1. Operational systems, people and processes are impacted to different degrees depending on the cause of the disruption, with knock-on impacts on reputation and market conduct.</li> <li>2. Human error in manual processes could result in financial losses.</li> <li>3. Inefficient processes could also result in poor customer service or non-compliance with regulatory requirements.</li> <li>4. Load shedding causes degradation of telecommunication services, including internet connectivity.</li> <li>5. Cyber incidents can adversely impact operations.</li> </ol>	<ul style="list-style-type: none"> <li>• Strengthen our management and risk oversight of key third parties and services providers i.e. Land Bank outsourced arrangement and Underwriting Management Agencies (UMAs).</li> <li>• Ensuring our business continuity strategies (considering the BIA) outline how to operate should server disruption occur.</li> <li>• Establish a crisis committee, which is invoked if there is a major business resilience event.</li> <li>• Focusing on business process documentation and automation to improve efficiencies and automate controls.</li> <li>• Implementing control improvement programmes in areas of our business with less mature control environments (i.e. Procurement and IT functions).</li> </ul>

## Compliance Governance

- The Compliance Control Function is led by the Head of the Compliance Control Function appointed in consultation with the LBI Board as required by Prudential Standard GOI 3.
- The compliance risk is managed through an annual compliance coverage plan and monitoring plan approved by the LBI Audit & Risk Committee.
- The Compliance Control Function is governed by a Compliance Policy approved by the LBI Board.
- The functions ensure that all key Persons meet the fit and proper requirement as per Prudential Standard GOI 5 and the necessary governance changes are notified to regulators.
- The function facilitates the necessary training of Key Persons within LBI to ensure that they have the necessary understanding of the insurance regulatory framework.
- The function provides quarterly reports to the LBI Audit and Risk Committee, giving the necessary assurance and status updates on the level and status of compliance within the LBI business using its Compliance Risk Management Plans and the Regulatory universe.
- The function is also responsible for ensuring the submission of all regulatory returns and reports to the various regulators to maintain the necessary regulatory licenses held with LBI.

## LBIC AND LBLIC FINANCIAL PERFORMANCE

The LBIC and LBLIC are subsidiaries of the Land Bank and as such the entities financials form part of the Audited Financial Statements presented in Section 9 of this Annual Report.

### Land Bank Insurance Company

LBIC mandated to provide insurance solutions in respect of Crop and Asset insurance to the agricultural community. Its mandate is limited to operate within the boundaries of the agricultural sector, which by description classifies it as a niche player in a specialised industry. LBIC offers the following products to the agricultural sector:

**Table 33: LBIC Products as at 31 March 2024**

Product	Description	Start	End	Inforce
Winter	<ul style="list-style-type: none"> <li>Wheat, Barley, Oats, Canola, Rye, etc.</li> </ul>	Jul	Jun	Yes
Summer	<ul style="list-style-type: none"> <li>Grown in summer, harvested towards winter.</li> <li>E.g., Grains, vegetables, maize, soya beans, sunflower, seed, beans dried</li> </ul>	Aug	Jul	Yes
Fruit & Nut	<ul style="list-style-type: none"> <li>Typically, no new planting, depends on pollination.</li> <li>Citrus fruit, grapes, stone fruit, macadamia, pecan nuts, avocado, olive etc.</li> </ul>	Sep	Aug	Yes
Asset	<ul style="list-style-type: none"> <li>Motor, building, equipment, machinery, liability, all-risks, etc.</li> </ul>	Anytime		Yes

### Crop Insurance

Agriculture is inherently exposed to pervasive weather vagaries resulting in overexposure to climate risk. Over the years, various formal and informal risk mitigation approaches have been formulated to reduce production-related climate shocks. While both approaches have merit, informal techniques, mainly, the reduction of production in times of uncertainty limits agricultural production and perpetuates cycles of underinvestment in the sector. Consequentially and over the long-term, this reduces and in some instances significantly reverses progressive efforts to strengthen food security systems.

On a comparative basis, formal risk management approaches, mainly, risk transfer mechanisms such as crop insurance promote sustained agricultural production, create an improved environment for investment in quality inputs, mechanisations and technology. Therefore, the pronounced role of formal risk management and its relationship to sustainable agriculture cannot be overemphasized, especially in the context of climate change and the role of crop insurance as a climate mitigation tool with a positive impact on income distribution and sustained livelihoods.

As average temperatures rise and acute hazards in the form of drought, hailstorms and flooding increase in frequency and severity, so does the importance of crop insurance as a risk mitigation and transfer tool. Volatile climatic conditions experienced over the past decade have resulted in increased uncertainty and risk. This uncertainty and poor long-term loss experience of the crop insurance market, in particular, Multi-Peril Crop Insurance (MPCI) has resulted in significant increases of insurance premiums over the years to levels that are unsustainable and uneconomical to farmers. South Africa is one of the few agricultural markets in the world that has no government support or subsidies for crop insurance, especially MPCI which covers various risks including drought, excessive rain, as well as pests and disease. In the absence of such subsidies, most farmers settle for named-peril insurance, which is cover taken against specific risks such as hail, fire and frost. Due to high transactional costs and high premiums, LBIC took a decision in 2022 to de-risk and completely exit the MPCI market to focus on named-peril insurance, specifically, hail cover. South Africa is prone to hailstorms; this can cause extensive damage to growing crops. Hail occurrences are higher in the interior of KwaZulu-Natal, the northern and western parts of the Eastern Cape, central and eastern Free State, Mpumalanga, and the Highveld areas of Gauteng.

**Table 34: Number of Active Insurance Policies**

Policies	31 March 2024			31 March 2023		
	Hail	All Risks excl. hail	Total	Hail	All Risks excl. hail	Total
Winter Crop	312	0	312	427	0	427
Summer Crop	4 426	0	4 426	3 797	0	3 797
Fruit & Nut	487	0	487	472	0	472
Asset	0	18	18	0	0	0
<b>Total</b>	<b>5 225</b>	<b>18</b>	<b>5 243</b>	<b>4 696</b>	<b>0</b>	<b>4 696</b>

Hail insurance can be taken any time during the growing season with cover commencing at 10:00 on the 7th (Seventh) day after the Date of Acceptance, or after Emergence of the insured crop, whichever event occurs last. Only visible Quantitative Damage caused by the direct mechanical action of hail is covered with frost cover as an optional peril. The winter portfolio has contracted by 30% from R80.3 million to R55.2 million, largely influenced by normalising wheat commodity prices following supply chain shocks from the Russia/Ukraine conflict. In addition, the effect of power/energy disruptions in the country has negatively impacted irrigation schedules resulting in less hectares planted. On the upside, the loss ratio on the winter business is 25% which is a better return compared to 45% in FY23.

GWP for the fruit portfolio has increased by 25% year-on-year to R70.4 million, accounting for 9% of the total crop book. The loss ratio is 45% signalling strong positive performance when compared to 88% in the prior season.

The summer portfolio, which makes up close to 85% of the crop book accounted for R670 million of GWP in the FY24 season which is 7% higher than the prior year. The summer grain and oilseeds planting cycle started positively supported by early season rainfall despite El Nino predictions.

Management is committed to portfolio management actions that result in a geographically diversified, adequately priced and a well-balanced crop portfolio, therefore, continuous actions are underway to optimise performance, pool risk more effectively and work with the reinsurance market to optimise capital, reduce volatility to catastrophe risk and enhance product features and benefits to improve the quality of risk transfer.

## Asset Portfolio

LBIC is committed to providing comprehensive risk management solutions to the agricultural sector. This includes adequate commercial and personal lines insurance for farm infrastructure, vehicles, including livestock and liability cover. LBIC has a strong presence across South Africa and through its intermediary base and is looking to scale its asset offering and provide much needed insurance cover in an environment of evolving risks. Agri-asset volumes have been realised in this financial year.

### LBIC Financial Performance (insurance contracts)

	FY24	FY23
<b>LBIC</b> Insurance revenue	R796m	R768m
Insurance service expenses	(R922m)	(R718m)
Income/(expenses) from reinsurance contracts held	R20m	(R81m)
Insurance service result	(R105m)	(R31m)
Loss ratio	88%	81%
Investments	R362m	R333m

Insurance revenue increased marginally by 3.6% from FY23. An increase in commodity prices was experienced in FY23 and is expected to continue but has normalised in FY24. Insurance service expenses has increased by 28%. Under IFRS 17 this line item includes claims as well as operating expenses directly attributable to insurance contracts. The sharp increase is mainly due to an increase in claims, specifically the summer portfolio in the eastern parts of the Free State where severe hail storms occurred. As mentioned above, the adverse service insurance result was mainly driven by adverse claims experience.

## LBIC Investments Performance

LBIC follows a policy of managing its investment portfolio in a diversified manner. We aim to optimise investment income within the approved risk appetite profile. The asset allocation is also managed and monitored from an asset-liability perspective. This ensures that sufficient liquid funds are available to meet LBIC's insurance liabilities and shareholder's funds are not unduly exposed to investment risk. Due to LBIC's Rand denominated business, due to LBIC's Rand denominated business, currency risk is immaterial to LBIC's business.

Investment management is outsourced to an approved asset manager. The LBIC's investment fund comprises of local highly liquid instruments to meet LBIC's liabilities which are comprised of mostly short-term obligations. The LBIC's investment is managed by an approved asset manager whose performance is monitored and reported to the Investment and Actuarial Committee and Board every quarter.

The overall performance of the fund managers against the mandates is monitored and tracked by management and reported to the LBIC Actuarial & Investment Committee and Board every quarter. As at 31 March 2024, the LBIC's investment fund had a value of R362 million (FY23: R333 million):

**Table 35: LBIC's Investment Fund**

Year-End	Opening Market Value	Net Cash Flows	Closing Market Value	Net Return	SAA Benchmark	Alpha
31-Mar-22	R430 682 160	(R201 110 724)	R253 659 832	5.40%	3.90%	1.50%
31-Mar-23	R253 659 832	R59 311 195	R332 652 658	7.60%	6.60%	1.10%
31-Mar-24	R332 652 658	(R883 920)	R361 619 699	9.00%	9.20%	-0.20%

With inflation having run high since the early part of 2022, the portfolio has struggled to out-perform its strategic asset allocation ("SAA") benchmark. Based on the total gross investment return which includes capital appreciation and net of investment expenses and average assets of LBIC held over the period, the return achieved on LBIC's assets amounts to 9.0% per annum, against its strategic benchmark which returned 9.2%, showing an underperformance of -0.2% (FY23: 1.1%). During FY24, LBIC conducted its asset-liability modelling exercise and the Board approved a revised investment strategy which is currently in the process of being implemented for new asset manager appointments in FY25.

## LBIC Capital Management and Solvency

Solvency Assessment and Management ("SAM") reporting is required to be conducted quarterly and annually and it follows the most recent Financial Soundness Standards for Insurers ("FSI") provided by the Prudential Authority ("PA") as prescribed by the Insurance Act (18 of 2017). LBIC is to maintain a level of capital well in excess of the minimum regulatory capital requirement. The purpose of these buffers is to minimize any regulatory interventions, but most importantly to ensure that all current and future policyholder claims will be met. LBIC should meet its MCR coverage ratio of 100% at all times, whereas the SCR coverage ratio is tolerable between 130%-170%. If the Business were to move out of this range, then there are a series of available actions which can be used to restore the solvency to within the optimal range in a reasonable timeframe.

The LBIC actively manages the key drivers of its capital requirements such as mix of business, asset allocation, counterparty exposure and reinsurance programme. The LBIC uses the SCR coverage ratio as a measure of capital adequacy in accordance to the FSI framework issued by the PA. The LBIC remains committed to efficient capital management and predefined threshold levels have remained unchanged from the prior year. The Actuarial Control Function who is external and led by the Head of Actuarial Function provides independent review and assurance as per the Insurance Act (18 of 2017).

As per the previous year, methodologies follow those prescribed by the Prudential Standards. As per the previous year and the own risk and solvency assessment ("ORSA"), the standard formulae per the Prudential Standards assumes that the LBIC is exposed to similar risks as the average non-life insurer in South Africa. The table below shows the high-level summary of the SAM balance sheet since the previous year, showing that LBIC's SCR coverage ratios remain well in excess of the 130%-170% risk tolerance despite having reduced from 418% in March 2023 to 235% in March 2024, amidst a high loss ratio incurred as a result of the increased frequency and severity of hail events impacting the crop portfolio negatively:

**Table 36: SAM Balance Sheet**

<b>LBIC SAM Balance Sheet</b>	<b>31-Mar-24</b>	<b>31-Mar-23</b>
<b>R'000</b>		
Eligible Own Funds ("EOF")	R469,63m	R521,10m
Solvency Capital Requirement ("SCR")	R200,25m	R123,76m
<b>SCR Coverage Ratio</b>	<b>2,35</b>	<b>4,18</b>

LBIC's stress and scenario testing framework assesses the impact on the capital position of the LBIC under a range of different possible risk events. In the recent ORSA calculations that project the company's capital requirement according to the business strategic plan including stresses and scenarios, the company remains in a healthy acceptable solvency capital position over the next five years.

## LBLIC Financial Performance

	<b>FY24</b>	<b>FY23</b>
<b>LBLIC</b> Insurance revenue	R9.9m	R10m
Insurance service expense	(R48.9m)	(R31.7m)
Income or expense from reinsurance contracts	(R1.9m)	(R1.4m)
Insurance service result	(R40.8m)	(R23.1m)
Investment income	R81.1m	R62.8m
Excess assets over liabilities	R1.3bn	R1.2bn
Investments	R1.3bn	R1.3bn

- The in – force book is on a downward trajectory and growth remains muted. However, there has been contracts written via the Bancassurance model (not at the scale required) but LBLIC will continue to aggressively pursue this channel.
- Included in insurance service expense are operating costs directly attributable to insurance contracts as well as a loss component for onerous contracts. Under the PAA approach, contracts that are loss making should be recognised immediately in Profit or Loss. Given the scale of the in – force book against the operating expenses, the expense per policy is high resulting in majority of contracts being onerous and recognised as a loss on day one. Operating expenses has increased as well, mainly relating to the implementation of IFRS 17.
- The adverse Insurance service result is mainly driven by the onerous contracts recognised immediately in Profit or Loss.
- Investment income has increased by 29%, mainly driven by interest bearing assets exposed to the current high interest rate environment.

## LBLIC Investments Performance

LBLIC has a number of asset managers who manage a portfolio of equities, bonds, cash, money market instruments, derivatives and global assets according to stated investment mandates and guidelines.

**Table 37: LBLIC Investment Performance**

Year-End	Opening Market Value	Net Cash Flows	Closing Market Value	Net Return	SAA Benchmark	Alpha
31-Mar-22	RI 106 706 629	(R30 859 637)	RI 234 691 859	12.1%	9.9%	2.1%
31-Mar-23	RI 234 691 859	(R6 988 918)	RI 272 496 921	5.8%	11.4%	-5.6%
31-Mar-24	RI 272 496 921	R0	RI 353 552 581	6.9%	9.8%	-2.9%

With CPI having run well above long-run averages over the last 12 months, all the managers have struggled to out-perform over that period. The outlook for the next 3 years is that maintaining returns of CPI+4% will be difficult in the context of low economic growth in South Africa, weak currency, rising socio-economic challenges of unemployment and poverty that lead to an unstable political landscape.

The outlook, therefore, warranted a revision of the investment strategy in favour of preserving capital as the principle priority and revising targets for the next 3 years in line with a conservative approach to market risk. During FY24, LBLIC conducted its asset-liability modelling exercise and the Board approved a revised investment strategy which is currently in the process of being implemented for new asset manager appointments in FY25.

## LBLIC Capital Management and Solvency

During the measurement phase, the LBLIC actuarial team calculates the capital requirements and compare this to the Risk Tolerance of 150%-200%. The SCR calculations are independently reviewed by the appointed HAFs. Due to LBLIC's small credit risk business relative to large balance sheet assets, the SCR is driven by market risk: Market risk contributes to 99% of the overall SCR due to LBLIC's significant balance sheet assets relative to the small underwriting risk. As a result, LBLIC's liquidity shortfall indicator continues to show a healthy liquidity position.

The table below shows the high-level summary of the SAM balance sheet since the previous year, showing that LBLIC's SCR coverage ratios remain well in excess of the 150%-200% risk tolerance increasing from 384% in March 2023 to 425% in March 2024.



**Table 38: LBLIC Capital Management and Solvency**

LBIC SAM Balance Sheet	31-Mar-23	31-Mar-24
	R'000	R'000
Eligible Own Funds ("EOF")	1 197 668	1 262 298
Solvency Capital Requirement ("SCR")	312 087	294 941
<b>SCR Coverage Ratio</b>	<b>3,84</b>	<b>4,28</b>

The SCR coverage ratio remains stable from year to year as the balance sheet assets are large relative to liabilities. Consequently, LBLIC reports an SCR coverage ratio above its upper risk tolerance of 200% and well in excess of the regulatory limit of 100%.

In the recent ORSA calculations that project the company's capital requirement according to the business strategic plan including stresses and scenarios, the company remains in a healthy solvency position over the next five years, including in the event that LBLIC issues new policies as a result of the growth from strategic initiatives.



## ACHIEVEMENT AGAINST KEY PERFORMANCE INDICATORS

The following table shows the LBI's achievements against Key Performance Indicators (KPIs) for the year under review.

**Table 39: Land Bank Insurance Performance Scorecard (FY24)**

KPA	KPI	FY 2024	Actual as at March 2024	RAG
Contributing to transformation in the agricultural insurance sector (10)	Black Broker programme	Train and accredit a minimum 15 black brokers.	16 Black Brokers have been trained and accredited.	
	Black Assessor programme	Design new Assessor programme and create Assessor opportunities for 1st cohort of students that successfully completed the program.	1. 10 selected students from the 1st cohort of the assessor program was placed in a meaningful work opportunity through the Land Bank. 2. Designed a new Assessor program and developed a concept design and approved by LBI Board.	
Financial sustainability (35)	Gross Written Premium (LBIC)	R840m	A total Gross Written Premium (GWP) of R811.9m (Crop: R806.9m + Asset: R5m).  The Crop portfolio closed at 3.4% (R806.9m) below budget (R835m) for the 12-month reporting period, FY 2024. The loss in budget, was mainly experienced in the KZN area where clients took cover with other Insurers.	
	Total Comprehensive Income (LBLIC)	R87m	Total Comprehensive Income for the life entity as at FY2024 is R36m.  The Budget was based on the trend experienced in FY2023, it was assumed the market conditions would remain relatively the same in FY2024. The market remains volatile, evidenced by investment returns to date. The volatility is experienced mainly in the bonds and equities portfolios which are sensitive to market movements.	
	Diversification of premium income across product lines (LBI)	≥ 1% of total gross written premium	Diversification % as at March 2024 = 0.7%  <b>Which is made up of:</b> <b>Credit Life</b> - Only 149 new policies written for the period under review - Total GWP as at FY2024 R666k (YTD R4.5m). <b>Asset</b> - Only 15 Asset policies written with Gross Written Premium of R5m	
	LBIC SCR	1.3 – 1.7	The SCR coverage ratio of 2.35 at March 2024	
	Investment Management Strategy	Conduct asset-liability modelling exercise and develop new investment strategy and have it approved by the Board by 31 March 2024.	Both LBIC and LBLIC asset-liability modeling exercises were conducted, culminating in revised asset allocation and investment targets. Subsequently, a new investment strategy for both LBIC and LBLIC were tabled to the IAC and the Board on the 11th and 13th December 2023, respectively, with both LBI new investment strategies approved.	

KPA	KPI	FY 2024	Actual as at March 2024	RAG
Developmental and Transformation (5%)	Improve Development Farmer Penetration	Improve Development Farmer count to 2.5% of total book of business.	Development Farmer count of 3,26% (total book of business) was achieved against a target of 2.5% (184 new policies against 5634 policies).  All policies are development farmers mainly originating from the Blended Finance Scheme.	
Corporate Governance (15)	Irregular expenditure	Annual cumulative incidents relating to procurement, irregular, fruitless, wasteful and unauthorised expenditures 0% of Gross Written Premium	Irregular expenditure incurred as at 31st March) 1. Procurement process not adhere (Value of the procurement = R 36k). 2. IFRS project budget overspent - R 3m. Fruitless and Wasteful incurred as at 31st March) 3. Late submission of PAYE return R 50K (penalty imposed) 4. Late VAT payment: penalty = R 401k (penalty imposed)	
	Ethical behaviour	No findings on unethical behaviour by a staff member	No unethical incidents by a staff member reported as at March 2024.	
	Audit	Audit outcome as per the AGSA Audit Report 5 = Unqualified opinion with no findings (clean audit) 3 = Financially unqualified opinion with findings 1 = Qualified opinion 1 = Adverse opinion 1 = Disclaimed opinion	<u>Final AG Opinion</u>  LBIC -Financially qualified opinion LBLIC -Financially unqualified opinion	
Insurance Regulatory Compliance (20)	Compliance with Insurance Regulations	1. Draft 2023/24 annual compliance and monitoring plans and obtain ARC approval by 30 April 2023. 2. Implement the 2023/24 approved Compliance and Monitoring Plans.	1. The annual compliance and monitoring plan for 2023/24 has been approved by Audit and Risk Committee. 2. Compliance and monitoring plan has been 100% achieved.	
	Governance and Operations standards for Insurers	Review GOI policies annually and have them approved by Board (The Q4 tranche will be presented in April Board).	All GOI risk policies (including the policies deferrals) were approved by LBI Board. The following policies were deferred and were taken through the governance structure to provide business rationale of why they need to be deferred. All deferrals are approved by LBI Board:  1. Remuneration Policy 2. Liquidity Policy (Non-life and Life) 3. Investment Policy (Non-life and Life) 4. Asset and Liability Management Policy 5. IT Policy (The IT and Cyber Risk requirements were combined to consolidate into one single policy (currently called IT & Cyber Risk Policy. This has subsequently approved by Board in Q1- FY2024-25). 6. Cyber Policy (refer to comment under IT policy)	

KPA	KPI	FY 2024	Actual as at March 2024	RAG
Insurance Regulatory Compliance (20)	Own Risk and Solvency Assessment	Conduct an Own Risk Assessment exercise for FY2023 and have it approved by board and submitted to the PA on or before 31 December 2023	The ORSA reports have been submitted to the PA on the 19 December 2023.	
People Management (15%)	Organisational Structure capacitation : Job Profiling and Evaluation	<ul style="list-style-type: none"> <li>All existing job profiles reviewed, and where applicable re-evaluated for alignment to the Strategy.</li> <li>All new roles job profiles developed evaluated for alignment to the Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>All existing job profiles reviewed, and structure reviewed to align to the Board approved strategy.</li> <li>All new roles job profiles developed evaluated for alignment to the Strategy.</li> </ul>	
	Organisational Structure capacitation	90% of vacancies filled	As at 31st March 2024 only 29 of 33 positions has been filled which equates to 87.87%. (SOP measure 3 – 80% of vacancies filled at 31 March 2024).	
	Organisational Structure capacitation: Retention	<ul style="list-style-type: none"> <li>Align the retention mechanism with the EVP and Remuneration and Compensation policy.</li> <li>Approval of Retention Policy by 31 March 2024</li> </ul>	EVP Service provider has been appointed and the final EVP and the Remuneration policy reviewed and in progress to be taken through governance structures for approval.	
	Organisational Structure capacitation: Employee Development	100% of regulatory and continuous professional development training interventions completed	Regulatory training completed and annual training needs submitted for inclusion in the annual training plan.	
	LBI Culture: Implementation of the remedial plan	80% of the remedial plan implemented by 31 March 2024.	In total 16 interventions were identified in terms of the LBI remedial plan. As at March 2024, 13 interventions identified was achieved, which equates to 81%.	
	Succession Management	<ul style="list-style-type: none"> <li>100% roll out of the succession management programme (all levels have a development plan in place).</li> <li>4 Quarterly meetings held on succession management.</li> </ul>	<ul style="list-style-type: none"> <li>Succession management programme has been full rolled out.</li> <li>Regular Exco engagement were held to discuss succession related matters.</li> <li>Talent Management and Succession Identification EXCO in-committee concluded in 29 November 2023 where the Talent and Succession Plan was reviewed by EXCO. Succession plan presented to HRRC and approved.</li> </ul>	



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**GOVERNANCE**

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**The Boards of Directors** of the Bank and the **Insurance Companies** are responsible for providing **prescient** and **ethical leadership, strategic direction, policy approval, oversight** and **accountability**.

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GOVERNANCE FRAMEWORK AND PHILOSOPHY	138
GOVERNANCE COMMITTEES	141
ALIGNMENT TO KING IV PRINCIPLES	148
ALIGNMENT TO THE UNEP PRINCIPLES FOR RESPONSIBLE BANKING	153
SUPPORT FOR NDP VISION 2030 AND THE UN SDGS	156

## GOVERNANCE FRAMEWORK AND PHILOSOPHY

The Land Bank is managed by a Board of Directors appointed by and accountable to the Minister. The majority of Directors are non-executive.

The Board consists of no fewer than seven (7) and no more than twelve (12) persons, appointed for a period of no more than five (5) years. The CEO and CFO are members of the Board, the former by virtue of his or her office and the latter in terms of the power of the Minister to appoint any other employee of the Bank as a director. The Chief Executive officer is appointed by the Minister in consultation with and at the recommendation of the Board. The Minister designates one of the directors as chairperson and another as deputy chairperson to act as chairperson whenever the chairperson is unable to.

The Subsidiary Companies are managed by a Board appointed by the Land Bank as sole Shareholder, and it consists of persons who are, in equal proportion, Directors of the Land Bank and persons who are not members of the Board of Directors of the Land Bank. The non-executive directors are independent as contemplated in King IV and in the Governance Standards for Insurers (GOI). The Land Bank Board appoints one among its number as the chairperson of the Board of the Insurance Companies. The Managing Director of the Insurance Companies is appointed by the Board of Directors of the Land Bank in consultation with and at the recommendation of the Board of the Insurance Companies.

The relationship between the Bank and its Subsidiary Companies is governed by a Group Governance Framework which recognises the need for the Insurance Subsidiaries to align themselves with the vision and goals of the Bank, while at the same time acknowledging that such subsidiaries are juristic persons distinct from the Bank, and that the Directors of the Subsidiaries stand in a fiduciary relationship and owe a duty of care, skill and diligence not to the Land Bank, but to the Insurance Companies. The Boards of Directors of the Bank and the Insurance Companies are responsible for providing prescient and ethical leadership, strategic direction, policy approval, oversight and accountability over the entities so that the good governance outcomes of an ethical culture, good performance, effective control and legitimacy with stakeholders are achieved.

The chairpersons of the Boards of Directors are responsible for leading the Board in the objective and effective discharge of its governance role and responsibilities. The Chief Executive Officer of the Bank and the Managing Director of the Insurance Companies play a critical and strategic role in the operations and success of the Bank and the Insurance Companies. They are responsible for the day-to-day management of the Bank and the Insurance Companies and consistently strive to achieve the financial and operating goals and objectives of the Bank and the Insurance Companies and to ensure that the day-to-day business of the Bank and the Insurance Companies is appropriately managed.

The members of the Boards of Directors of the Bank and the Insurance Subsidiaries have adopted Board Charters, Directors' Codes of Ethics and Business Conduct, Conflict of Interest Policies and Board Manuals which guide them in fulfilling their duties to the Land Bank and the Insurance

Companies. The Charters, Codes, Policies and Manuals apply to all members of the Boards without exception.

The Boards have delegated some of their responsibilities to Board Committees, individual Directors, other ad hoc structures and management in terms of approved delegations of powers frameworks. The Delegations of Power frameworks are founded on the law, on what is appropriate for the Bank and the Insurance Companies, and on what is necessary for achieving the purposes of the delegations.

The Boards, their Committees and Management are assisted by a Company Secretary who provides independent, professional corporate governance advisories and company secretarial support to them as required by the Companies Act of 2008 and recommended by the King Report on Corporate Governance for South Africa, 2016. Sound operating procedures have been deployed at all levels of the Bank and its Insurance Subsidiaries. These are continuously monitored and reviewed.

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

### **a. Conclusion of the Liability Solution**

The need to secure the agreement of lenders to a Liability Solution following the April 2020 event of default and its expeditious implementation.

### **b. Book Quality and NPLs**

The need to address book quality deterioration and the growth of the NPLs through improved portfolio management and remediation efforts.

### **c. Staff Attrition**

The need to reduce the attrition of critical staff. Targeted employee retention strategies were introduced and the EVP was reviewed to speak to the challenging conditions that the Bank was dealing with.

### **d. Audit Findings**

The need for the audit findings of the prior year to be remediated, for internal controls to be strengthened, ensuring a clean audit Outcome for FY24.

### **e. Accountability**

The need to expedite the resolution of outstanding instances of confirmed or potential misconduct and to improve the effectiveness of the consequence management processes.

### **f. Strategy Implementation**

The need to formulate, adopt and roll out an organisation-wide strategy which addresses past deficiencies and places an emphasis on the mandate as set out in enabling legislation.

### **g. Culture**

The need to ensure that the culture and values of the Bank are aligned with the Bank's new strategy.

### **h. Reputation**

The need to work towards regaining a positive reputation through increased market presence; proactive sector engagement; communication of the new Bank strategy; and improved customer service.

### **i. Funding Model**

The need to determine a Land Bank "steady state" funding requirements and to define a funding model which is aligned with the Bank's strategy.

### **j. Financial Performance**

The need to improve the financial and operating performance of the Bank, including the execution capability and readiness of the Bank for resumption of lending activities, as well as appropriate cost containment.

### **k. IT Infrastructure**

The need for IT infrastructure upgrades and maintenance to support the organisation and the strategic direction of the Bank.

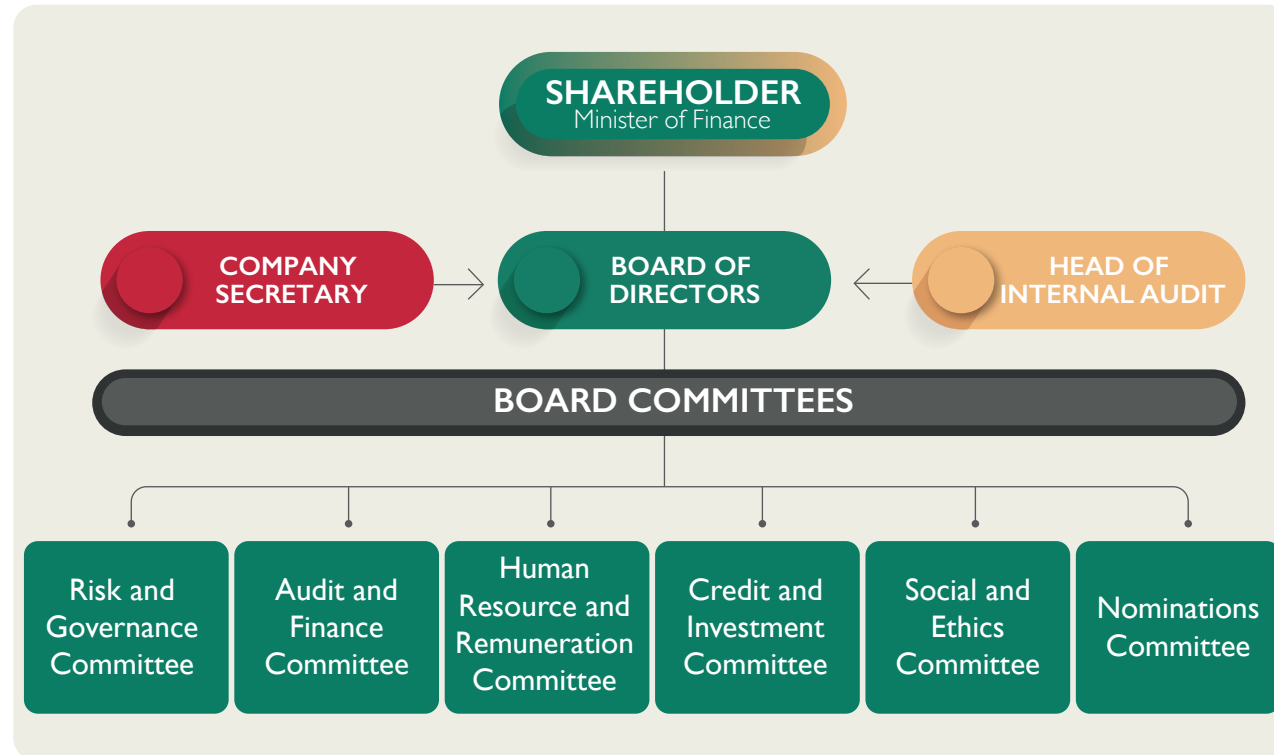
### **l. Innovation**

The need to develop new and innovative ways of doing business to ensure that the strategic objectives that the Board has adopted are achieved. The Board is committed to the continued improvement of its own performance and effectiveness and its supporting structures. It believes that a highly effective Board is essential if Land Bank and its subsidiaries are to produce sustainable returns for the shareholders, their broad range of stakeholders, as well as the wider society. Corporate governance outcomes and the quality of the Land Bank and Subsidiary Boards are important evaluation factors for funders and institutional investors. Towards that end, the Boards evaluate their performance and the performance of their Committees at least once every financial year.



The Governance structure of the Land Bank Board is set out in the diagram below:

**Figure 15: Governance Structure of the Land Bank Board**



The demographic composition of the Board of Directors of the Land Bank is detailed in Table 42.

**Table 40: Demographics of the Board of Directors**

Non-Executive Directors	M	F	B	I	C	W
Ms R Nkosi		✓	✓			
Mr LA Makenete (Resigned – last day 31 Mar 24)	✓		✓			
Prof. JF Kirsten	✓					✓
Ms ME Makgatho (Term ended 7 Dec 2023)		✓	✓			
Ms D Maithufi		✓	✓			
Ms TN Mashanda		✓	✓			
Ms N Mbiko (Motshegoa)		✓	✓			
Ms E Pillay		✓		✓		
Dr. M Tom	✓		✓			
Adv. DW vd Westhuizen	✓					✓

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

## GOVERNANCE COMMITTEES

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

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

### Audit and Finance Committee

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

- a. Review and make recommendations to the Board regarding financial risk management in the Bank within the parameters of the risk appetite approved by the Board to maximise investment returns and earnings for given levels of risk.
- b. Review and make recommendations to the Board regarding effective liquidity risk management in the

Bank to ensure that the Bank is able to fund increases in assets and meet its cash flow obligations as they become due without incurring unacceptable losses.

- c. Review and make recommendations to the Board regarding the capital adequacy of the Bank in order to ensure that the Bank is able to pay its debts as they become due and be able to increase its assets through additional lending.
- d. Direct and control the system of internal audit which complies with and operates in accordance with Regulations and Instructions prescribed in terms of sections 76 and 77 of the PFMA.
- e. Oversee the system of internal controls.
- f. Oversee the financial and non-financial reporting process.
- g. Oversee the quarterly and integrated reporting process.
- h. Manage the relationship with the AG and other external assurance providers.
- i. Facilitate combined assurance by overseeing integration between the external audit, internal audit, compliance and risk management functions.
- j. Advise the Board on the strategic alignment of information and technology with the business of the Land Bank.
- k. Evaluate and advise the Board on the value gained by the Bank through significant investments in technology and information, including the evaluation of projects throughout their life-cycles.

The Committee discharged all its responsibilities, but its primary focus for the year under review was the resolution of adverse audit findings, the enhancement of the Bank's Information and Technology environment, and the review and strengthening of internal controls.

### Risk and Governance Committee

The primary role of the Committee is to advise the Board of Directors of the Land Bank on enterprise-wide risk management and good corporate governance practice. The Committee is responsible among others for the following:

- a. Setting the tone and the development of a culture of the enterprise vis-à-vis risk, the promotion of open discussion regarding risk, the integration of risk management into the organisation's goals and compensation structure, and the creation a corporate culture such that people at all levels manage risks rather than reflexively avoid or heedlessly take them on.
- b. Overseeing risk governance in relation to opportunities and associated risks that are to be considered when developing organisational strategy, and the potential positive and negative effects of risks and opportunities in the achievement of the organisational strategy.
- c. The coordination of the development, implementation and annual review of a Risk Management Policy and Risk Management Plan which promote value creation and is an integral part of organisational processes.
- d. The continuous monitoring of risks and risk management capabilities within the Bank, including communication about escalating risk and crisis preparedness and recovery plans.
- e. Obtaining reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed.
- f. Coordinating the development, implementation, monitoring, evaluation and annual review of the corporate governance instruments of the Bank and

making such recommendations to the Board in respect of such instruments as it considers appropriate.

- g. Monitoring and advising the Board on the reputation of the Bank.
- h. Monitoring, reporting on and making recommendations to the Board on all issues of compliance with legislation, regulation, codes of best practice, Board policy and Board directives.

The Committee discharged all its responsibilities, but its primary focus during the year under review was the development, implementation and monitoring of a Risk Management Policy, Risk Management Plan and Strategic Risk Register which are informed by an assessment of the operating environment of the Bank, the challenges and opportunities posed by such an environment, and the Corporate Strategy that the Bank had adopted. Most importantly were the risks posed by the liquidity challenges facing the Bank, and related sustainability and reputational issues.

## Human Resources and Remuneration Committee

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

- a. Overseeing the overall human capital management strategy which is linked to the business strategy of the Bank including recommending an appropriate structure to the Board for approval.

- b. The development, implementation, monitoring, evaluation and annual review of all human capital management policies and guidelines of the Bank, which are designed to support and facilitate the implementation of the overall business strategy and the human capital management strategy of the Bank.
- c. Overseeing and advising the Board on the attraction, recruitment, development to optimal capability, retention and termination of employees to ensure a market-competitive approach to the sourcing and retention of requisite levels of talent.
- d. Overseeing the development of workforce skills and capabilities such that employees are able to perform their duties and achieve their individual level of potential, and perform the work expected of them to the required standards.
- e. Overseeing the creation of a culture and an environment which enhances employee morale and the retention of scarce skills.
- f. Ensuring that Management has effective systems and has made adequate provision for ensuring the overall mental, physical, emotional, and economic health of employees.
- g. Ensuring that the values of the Bank as defined by the Board are communicated to all employees of the Bank, understood by them, embedded in the fabric of the Bank and that any deviations from the norm are appropriately addressed.
- h. Overseeing Management efforts to ensure that employees have a sense of purpose, a sense of belonging, a commitment to the Bank, and the willpower or drive to deliver on that purpose or commitment.
- i. Overseeing the development and implementation of effective and efficient systems and practices to ensure the health and safety of all the employees of the Bank and its invitees, and for ensuring compliance with all

the law, regulation, and best practice applicable or recommended in this regard.

- j. Overseeing the development of a high-performance culture that drives and recognises success, and regularly receives reports, assess and if necessary, make recommendations to the Board on the value generated by employees within defined parameters.
- k. Overseeing and ensuring that diversity remains a key component of the Land Bank's human resources strategy.
- l. Overseeing programmes for the induction and ongoing leadership and capability development of executives and key senior management.
- m. Overseeing the development of succession plans for executives and key senior management to foster an appropriate balance of skills, experience, and expertise to support the ongoing successful management of the Land Bank.
- n. Reviewing and recommending to the Board for approval a remuneration framework, philosophy and policy for all members of staff of the Land Bank including fixed and variable remuneration components.
- o. Satisfying itself that all governance, accounting, legal, approval and disclosure requirements in relation to remuneration are complied with.
- p. Reviewing, and if deemed appropriate, recommending to the Board, the terms, and conditions of the contracts of employment of all members of staff of the Land Bank

The Committee discharged all its responsibilities but focused on issues pertaining to staff attrition and the remuneration of employees.

## Nominations Committee

The primary responsibility of the Committee is to manage the appointment, Committee placement, development, performance management, rotation, suspension and removal of members of the Board of Directors of the Land Bank. The responsibilities of the Committee include:

- a. The regular review the structure, size and composition (including the skills, knowledge, experience, independence and diversity) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- b. Succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Bank, and what skills and expertise are therefore needed on the Board in the future;
- c. Ensuring that appropriate succession plans are established, formalised and implemented at Board level as well as at executive and management level;
- d. Keeping up to date and fully informed about strategic issues and commercial changes affecting the Bank and its subsidiaries, and the markets in which they operate;
- e. Overseeing the process for nominating, electing and appointing members of the Board including conducting independent reference, qualification, criminal and other background checks; and requesting confirmation from candidates of any other professional commitments or directorships held and considering whether they have sufficient time available to fulfil the responsibilities required by the Board;
- f. Overseeing the induction, training and continuing

development of directors (including regular briefings on legal and corporate governance developments, risks and changes in the external environment of the Bank and its subsidiaries);

- g. Ensuring that inexperienced directors are developed through training or mentorship, where considered necessary;
- h. Identifying, developing and nominating for the recommendation to the Minister by the Board, candidates to fill Board vacancies as and when they arise;
- i. Keeping under review the leadership needs of the organisation, both executive and non- executive, with a view to ensuring the continued ability of the organisation to deliver on its mandate and to compete effectively in the marketplace;
- j. Ensuring that each non-executive director receives a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- k. Keeping under review all legislative, regulatory and corporate governance developments that might affect the Bank's operations, striving to ensure that the Bank is at the forefront of best practice;
- l. Ensuring that the standards and disclosures required by the King Report on Corporate Governance for South Africa (2016) are observed and reflected in disclosures made in the Integrated Report;
- m. Overseeing the annual performance assessment of the Board, Board Committees and individual non-executive members and making recommendations to the Board based on the results of these assessments;

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

The Committee discharged all its responsibilities.

## Social and Ethics Committee

The Committee's primary role is to review and make recommendations to the Board of Directors of the Bank and its subsidiaries on matters relating to social and ethics policies and strategies amongst other things; and to assist the Boards with creating value in a sustainable manner taking into consideration the triple context of the economy, society and natural environment within which the institutions operate.

The responsibilities of the Committee include:

- a. Reviewing and making recommendations to the Boards policy, strategy, and structure to manage social and ethics issues in Land Bank and the Insurance Companies;
- b. Monitoring the activities of the Land Bank and the Insurance Companies with regard to social and economic development as determined by legislation or prevailing codes of best practice;
- c. Monitoring the standing of the Land Bank and the Insurance Companies in terms of the goals and purposes of the ten principles set out in the United Nations Global Compact Principles; the OECD recommendations on corruption; the Employment Equity Act; and the Broad-Based Black Economic Empowerment Act;
- d. Monitoring the activities of the Land Bank and the Insurance Companies with regard to good corporate citizenship including:
  - The promotion of equality, prevention of unfair discrimination, the reduction of corruption; the development of the communities in which they operate; sponsorships, donations and charitable giving; and
- e. Sustainable development; stakeholder relations; fraud prevention; responsible and transparent tax practices; fair remuneration; climate change; pollution; waste disposal and the protection of biodiversity.
- e. Monitor the impact of the activities and products of the Land Bank and the Insurance Companies on the environment, health and public safety;
- f. Monitoring the relationships of the Land Bank and the Insurance Companies with consumers, their compliance with consumer protection laws, as well as the nature of their advertising and public relations efforts;
- g. Monitoring the practices of the Land Bank and the Insurance Companies with regard to labour and employment;
- h. Monitor the standing of the Land Bank and the Insurance Companies with regard to the International Labour Organisation Protocol on decent work and working conditions;
- i. Determining for approval by the Boards and from time to time reviewing clearly articulated ethical standards (Code of Ethics) and ensuring that the Land Bank and the Insurance Companies take measures to achieve adherence to these in all aspects of the business, thus achieving a sustainable ethical corporate culture within the Land Bank and the Insurance Companies;
- j. Reviewing and making recommendations to the Boards policies, strategies and structures to manage the reputation of the Land Bank and the Insurance Companies, reviewing the reputational risks of the Land Bank and the Insurance Companies and ensuring that such risks are managed as part of the risk management programme of the Land Bank and

- the Insurance Companies;
- k. Annually obtaining external assurance of ethics performance of the Land Bank and the Insurance Companies, and facilitation of the inclusion in the Integrated Report of an assurance statement related to the ethics performance of the Land Bank and the Insurance Companies; and
- l. Ensuring that the ethics of the organisation are managed in a way that supports the establishment of an ethical culture.

The Committee discharged all its responsibilities but focused on issues impacting on the fair treatment of clients and the reputation of the Bank.

## Credit Investment Committee

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

- a. Recommending credit frameworks, strategies, policies, practices including prudential credit limits and guidelines to the Board;
- b. Making recommendations to the Board regarding the revision of the Credit Model methodology and the pricing model;
- c. Ensuring that the quality and management of the credit portfolio is in accordance with the Credit

- Policies and Risk Philosophy of the Bank;
- d. Ensuring that there are adequate controls and risk management of credit risk;
- e. Approving requests for the extension of credit facilities within delegated limits;
- f. Approving requests for the restructuring of credit facilities within delegated limits;
- g. Making recommendations to the Board on all requests for the extension of credit facilities beyond its delegated limits;
- h. Making recommendations to the Board regarding the restructuring of all credit facilities beyond its delegated limits;
- i. Approving new loans, credit facilities and credit limits or credit risk exposures within its delegated limits, and making recommendations to the Board regarding the granting of new loans, credit facilities and credit limits beyond its delegated limits;
- j. Approving the write-off of loans within its delegated limits and recommending to the Board the write-off of loans beyond its delegated limits;
- k. Regularly reviewing the quality and performance of the Bank's credit portfolio;
- l. Regularly reviewing credit risk management and stress testing reports, and making recommendations to the Board as considered necessary;
- m. Biannually reviewing all credit decisions of the Bank;
- n. Overseeing the implementation of the approved model governance framework including the formulation, implementation and monitoring of the credit models, calibration of models; as well as to review the framework where necessary;
- o. Monitoring all credit decisions taken by Management in the exercise of delegated authority;
- p. Recommending to the Board the investment frameworks, strategies, policies and practices

- including prudential investment limits and guidelines;
- q. Overseeing the management of the Bank's investment holdings portfolio including devising short- or long-term strategies for acquiring and disposing of portfolio holdings to achieve the Bank's specific investment objectives, and make recommendations to the Board in that regard;
- r. Reviewing trends in asset and portfolio composition, quality, and growth, NPLs, concentration risk prudential limits and Watch List (including workout and restructuring exposures), large exposures and any other emerging risk and direct Management action where deemed necessary;
- s. Monitoring all investment decisions taken by Management in the exercise of delegated authority;
- t. Regularly reviewing the quality and performance of the Bank's portfolio of investments;
- u. Ensuring that the quality and management of the investment portfolio is in accordance with the Investment Policy and Philosophy of the Bank; and
- v. Biannually reviewing all investment decisions of the Bank (valuations), and taking such action, or making such recommendations to the Board and Management as it may consider necessary.

The Committee discharged all its responsibilities but focused on the remediation of NPLs including collections.



## Land Bank Board and Committee Meeting Attendance

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

**Table 41: Land Bank Board Composition FY24**

LB Board of Directors: Committee Structure as at 31 March 2023 (*)(**)	BOARD AND COMMITTEE COMPOSITION						
	Board of Directors	Audit and Finance Committee	Credit and Investment Committee	Risk and Governance Committee	Human Resources and Remuneration Committee	Joint Social and Ethics Committee	Nominations Committee
	<b>Non-executive directors</b>						
	Ms R Nkosi (Chair)	Ms E Pillay (Chair)	Ms ME Makgatho <sup>1</sup> (Chair until 7 Dec 23)	Ms D Maithufi (Chair)	Dr. M Tom (Chair)	Mr LA Makenete (Chair)	Ms R Nkosi (Chair)
	Mr LA Makenete (Dep Chair) <sup>4</sup>	Ms TN Mashanda	Mr LA Makenete	Ms ME Makgatho	Ms R Nkosi	Ms E Pillay	Mr LA Makenete
	Ms D Maithufi	Prof. JF Kirsten	Ms D Maithufi (Chair from 8 Dec 23)	Ms TN Mashanda	Adv. DW vd Westhuizen	Ms N (Mbiko) Motshegoa	Dr. M Tom
	Prof. JF Kirsten	Ms ME Makgatho <sup>1</sup>	Prof. JF Kirsten				
	Dr. M Tom						
	Ms N (Mbiko) Motshegoa						
	Adv. DW vd Westhuizen						
	Ms E Pillay						
	Ms TN Mashanda						
	Ms ME Makgatho <sup>1</sup>						
	<b>Executive directors</b>						
	Mr T Rikhotso <sup>2</sup>						
	Ms K Mukhari <sup>3</sup>						

1. Term ended 7 December 23

2. Appointed from 1 April 23

3. Acting CEO from 1 May 2022 - 31 March 2023

4. Resigned (last day 31 March 2024)

**Table 42: Land Bank Board Meeting Attendance FY24**

	Board 18	AGM 1	Board Workshops & Strategy Sessions 2	Risk and Governance 7	Audit and Finance 12	Credit and Investment Committee 13	Land Bank Human Resources Remuneration Committee 9	Social and Ethics Committee 5	Nominations Committee 5
<b>Non-executive directors</b>									
Ms R Nkosi (Chair)	18	1	2	-	-	2	9	5	5
Mr LA Makenete <sup>4</sup>	16	1	2	-	-	7	1	5	5
Ms D Maithufi	18	1	2	7	-	13	-	-	0
Prof. JF Kirsten	17	-	2	-	4	12	-	-	0
Dr. M Tom	17	1	2	-	-	0	9	-	5
Ms N (Mbiko) Motshegoa	16	1	2	-	-	0	-	2	0
Adv. DW vd Westhuizen	18	-	2	4	-	0	9	-	0
Ms E Pillay	17	1	1	-	12	0	-	5	0
Ms TN Mashanda	18	-	2	7	12	0	-	-	0
Ms ME Makgatho <sup>3</sup>	12	1	2	-	7	9	-	-	0
<b>Executive directors</b>									
Mr T Rikhotso <sup>1</sup>	18	1	2	5	11	12	9	5	4
Ms K Mukhari <sup>2</sup>	18	1	2	4	11	7	6	5	0

1. Appointed from 1 April 23

2. Acting CEO from 1 May 2022 - 31 March 2023

3. Term ended 7 December 2023

4. Resigned (last day 31 March 2024)

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



**PRINCIPLE 4: The Board should appreciate that Land Bank’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**

The strategic planning processes of the Bank are governed by the National Treasury Framework for Strategic and Annual Performance Plans (2010) which seeks to ensure that strategic and annual performance planning is aligned to the outcomes-oriented monitoring and evaluation approach led by the Presidency and, in particular, the National Development Plan.

The mandate of the Bank includes the empowerment of previously disadvantaged communities, the promotion of emergent farmers, the sustainability of commercial agriculture, and food security. The Corporate Strategy of the Bank is informed by these imperatives, is prepared by Management for consideration and approval by the Board and seeks among others to ensure that the Bank responds to stakeholder expectations and that there is a viable platform for it to create value over the short, medium and long-term.

**PRINCIPLE 5: The Board should ensure that the reports issued by Land Bank enable its stakeholders to make informed assessments of the Bank’s performance and its short-, medium, and long-term prospects**

The Board and its Committees have oversight over legislated and regulatory reporting, and the publication of information pertaining to its affairs.

Reporting is governed by the Land Bank Act, the PFMA, National Treasury Regulations, and National Treasury Guidelines for Annual and Quarterly Reporting. All external reports are first reviewed by the Committees of the Board for accuracy, usefulness, timeliness and completeness before they are tabled before the Board for approval and release. Where applicable, such reports are first validated by assurance providers such as the internal audit function and the Office of the Auditor General before they are tabled before the Board and its Committees.

**PRINCIPLE 6: The Board should serve as the focal point and custodian of corporate governance in Land Bank**

The Board has ultimate accountability and responsibility for the performance and affairs of the Land Bank, including its adoption and implementation of good governance practices and principles under applicable laws and regulations, and the King IV Code.

The Board has assumed this responsibility fully. It has, among others, adopted a Board Charter and other supporting instruments which, in conjunction with the requirements of the Land Bank Act, the Public Finance Management Act and other applicable laws and regulations, defines the governance roles, responsibilities, processes and best practice. The Board also subscribes to the recommendations of the King Report on Corporate Governance for South Africa (2016) in terms of the principles and practices of good corporate governance.

**PRINCIPLE 7: The Board should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance roles and responsibilities objectively and effectively**

In terms of the Land Bank Act the exclusive authority to appoint members of the Board of Directors of the Land Bank resides in the Minister. Members of the Board of Directors of the Insurance Companies are appointed by the Board of Directors of the Land Bank as representative of the Land Bank, the sole shareholder. In keeping with the Act, the Board represents a diversity of skills in terms of qualifications, experience and overall value add; and represents a broad cross section of the South African population.

To ensure a highly capacitated Board, the Land Bank has determined the Board and Board Committee optimal structures. The Bank has also developed a skills matrix to aid in:

- Determining the Board's current skills, knowledge and competencies;
- Identifying gaps and designing programmes to address these gaps;
- Integrating Board evaluations into succession planning;
- Recommending Directors to the Minister for appointment, reappointment, and termination; and
- The assignment of Directors to among others Board Committees, Board task teams and Board working groups.

There was one vacancy on the Board during the year under review, from 8 December 2023, while a second Director resigned with his last day being 31 March 2024. There is one vacancy on the Board of Directors of the Insurance Companies.

**PRINCIPLE 8: The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of duties**

The business and affairs of the Land Bank and the Insurance Companies are managed by or under the direction of the Boards, which have the authority to exercise all the powers and perform any of the functions of the Land Bank, except to the extent that a Land Bank Act otherwise provides. The Board acknowledges its authority and responsibility to control, manage and direct its own affairs. The Board is, however, cognisant that it is entitled to discharge such responsibility by way of express delegation of its authority to control, manage and direct its own affairs.

The Boards have approved primary delegations of power which comprehensively set out the powers reserved for itself, and the powers that have been delegated to Board Committees in terms of Committee Charters. The Boards are guided by a skills matrix in its decisions on appropriate committee structures and matters of committee leadership and composition.

**PRINCIPLE 9: The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**

The Boards believes that appraising its performance helps clarify the roles and responsibilities of individual Directors, and better knowledge of what is expected of the Directors helps the Boards become more effective. The Boards assist in identifying skills and capacity gaps which, when filled, enable the Boards to deliver on their mandate, goals and strategic objectives.

The Board undertook a Board evaluation by an external party during the year under review.

**PRINCIPLE 10: The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**

The Boards have approved a written Delegation of Powers to the CEO of the Bank and the Managing Director of the Insurance Companies. The written Delegations of Powers ensures that there is role clarity and promotes effective arrangements to manage the affairs of the Bank and of the Insurance Companies.



The Board satisfies itself that all governance, accounting, legal, approval and disclosure requirements in relation to remuneration are complied with. This includes oversight and management of the Remuneration Report for inclusion in the Integrated Report. Finally, the Boards manage engagements and communications with key stakeholders in relation to the content of the Remuneration Report.

**PRINCIPLE 15: The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of Land Bank's external reports**

The Boards have adopted a Combined Assurance Model which consists of 3 lines of defence:

1. People, systems and controls,
2. Risk management and compliance function, and
3. Internal audit function.

The Combined Assurance Model ensures that there is a coordinated approach to all assurance activities and is based on:

1. Identified risks,
2. How assurance is achieved for the particular risk,
3. An identified assurance provider for the risk, and
4. Where this assurance is reported.

The Boards seek to ensure that the assurance provided is credible. This is achieved by ensuring that the skill and experience of the assurance providers are appropriate for the work to be performed, and that the extent of

the work performed will address the potential and actual exposures. The Board also ensures that there is a comprehensive plan for combined assurance, which includes the risk-based assurance coverage analysed per assurance provider and the management/ governance committee responsible.

The Audit and Finance Committee and the Audit and Risk Committee approves and oversees the combined assurance initiative. From an operational point of view, internal audit acting in consultation with risk management reviews the continued relevance of the combined assurance plan and makes recommendations to the Audit and Finance Committee and to the Audit and Risk Committee about improvements.

Negative publicity raised by media reports has been addressed to prevent reputational damage and to ensure continuous improvement.

**PRINCIPLE 16: In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach**

The Board has adopted an inclusive approach to stakeholder management. To support engagement, the Board has approved a Communication Policy which governs all its interactions with stakeholders, internal and external. The Board exercises oversight over the Group Communication function through the offices of the Social and Ethics Committee which receives and reviews the following quarterly reports:

- a. Labour and Employment Practices Report
- b. Marketing and Communications Report
- c. Stakeholder Management Report
- d. Development and Transformation Report
- e. Environmental and Social Sustainability Report
- f. Corporate Social Investment (CSI) Report
- g. Research Report
- h. Organisational Integration and Project

The relationship between the Bank and the Insurance Companies is governed by a Group Governance Framework approved by both Boards. The Group Governance Framework has been prepared strictly in accordance with the guidelines provided by the IoD in January 2019 and recognises the independence of the subsidiaries and the corresponding fiduciary duties of the Board of Directors.

**PRINCIPLE 17: The Board should ensure that responsible investment is practiced by Land Bank to promote good governance and the creation of value by the companies in which it invests.**

The Land Bank Board performs oversight of the Banks investment management activities through its nominated asset managers and investment managers, including by ensuring that they support the principles of responsible investment and are either signatories of the United Nations Principles for Responsible Investments (UNPRI), or subscribe to the Code for Responsible Investing in South Africa (CRISA).

## ALIGNMENT TO THE UNEP PRINCIPLES FOR RESPONSIBLE BANKING

The United Nations Environment Programme Finance Initiative (UNEP Fi) Principles of Responsible Banking (PRB) provide a framework for sustainable banking systems. The six principles support the alignment of bank strategies and practices with the UN Sustainable Development Goals, Paris Climate Agreement and other sustainability targets. Land Bank became a founding signatory to the PRB in 2019 and participated in developing the framework.

### Relevance of the PRB

The Land Bank seeks to transform and grow South Africa's agricultural sector using strategies that are environmentally and socially sustainable. By aligning to the six principles of the PRB, Land Bank is:

- Placing emphasis on creating a collaborative, responsible, and positive impact on the natural environment and society;
- Demonstrating our support for the PRB initiative, for a sustainable banking system, and for a global banking industry that is aligned with and contributes to society's goals; and
- Committing to take a leadership role in addressing pressing social and environmental challenges.



## Progress to Date

The Land Bank became a signatory to the PRB in 2019, however, owing to capacity constraints, implementation began only in 2022/23. Our focus over the past two reporting periods has been to establish governance structures and policies to enable implementation. In FY24 we strengthened efforts to implement the PRB, conducting our first 'Self-Assessment'. This Assessment was used to evaluate and report on our alignment with each of the six principles and is summarised below. The information presented here has been verified by the Land Bank's Internal Audit Group. External verification will be a priority going forward.

### Principle 1: Alignment

The Land Bank will align our business strategy to the global sustainability framework, including the UN Sustainable Development Goals and Paris Climate Agreement, as well as South Africa's national framework for environmental, agricultural and socio-economic development. In 2022/23 Land Bank began developing a Climate Change Policy and Standard Operating Procedure (SOP) which aims to reduce GHG emissions and align with the Paris Agreement goals and the country's Nationally Determined Contribution (NDC). The theme of sustainability is also gaining traction in Land Bank's strategic priorities and reporting, as evidenced in this Annual Report.

### Principle 2: Impact and Target Setting

Land Bank has identified development and transformation as its prime impact objective. This was translated into a funding target for previously disadvantaged people to promote their inclusion in the agricultural sector. The commitment to this impact area has been translated into the Shareholder Compact signed by the Bank and the Minister of Finance. Land Bank has also obtained co-funding from the Department of Agriculture for a programme to commercialise Black producers and established a dedicated unit to manage this and other partner funding for development and transformation.

Looking ahead, Land Bank will continue implementation of Environmental and Social Risk Assessments (ESRAs) for clients doing business with the Bank. We will also focus on enhancing governance around environmental issues through the Climate Change Policy and undertaking work towards the setting of appropriate targets for the reduction of GHG emissions.

### Principle 3: Clients and Customers

Land Bank will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations. In FY24, Land Bank launched the Agro-Energy Fund in partnership with the Department of Agriculture to provide funding support for the acquisition of alternative energy assets for agri-enterprise. Land Bank engages all clients regarding environmental and social matters and the completion of an ESRA. Once Land Bank has an approved Climate Change Policy, we will also engage with clients on setting GHG emissions reduction targets.

### Principle 4: Stakeholders

Land Bank proactively and responsibly consults, engages and partners with relevant stakeholders to achieve South Africa's societal goals, guided by our Stakeholder Management Policy. The Bank also collaborates with stakeholders on ESG matters, partners with other government agencies and is a member of the DFI Alliance on the Just Energy Transition Financing. Land Bank's approach to Stakeholder Engagement is outlined on pages 55-58 of this Annual Report.

## Principle 5: Governance and Culture

Land Bank has prioritised the development of effective governance to support our commitment to the PRB principles. A Board Subcommittee, the Social and Ethics Committee, oversees all matters related to Environmental and Social Sustainability, as well as the UNEP FI PRB, while the Risk and Governance Committee. Going forward, Land Bank will aim to ensure a more comprehensive approach to the integration and governance of ESG.

## Principle 6: Transparency and Accountability

Land Bank will periodically review implementation of the six PRB principles and be transparent and accountable regarding our contribution to society's goals. The Bank applies King IV principles in its reporting to stakeholders, and further aligns to the NDP Vision 2030. During the year under review, Land Bank established a Steering Committee to implement the PRB with monthly reporting to the Executive Committee and quarterly reporting to the Board. The Steering Committee reported that Land Bank met 86% of the milestones identified in Year 1 of implementation. Independent assurance of PRB commitments will commence once implementation of the PRB matures.

### Looking Ahead

In the next reporting period Land Bank will continue to prioritise the development and strengthening of governance structures to support alignment with the six PRB principles, including the development of governance structures for PRB at the Board and EXCO level. Furthermore, the Bank will continue to ensure that our policies, structures and financial instruments align to global, regional and national frameworks for development, sustainability and human-rights.

In FY25, Land Bank will use the UNEP FI Impact Assessment Tool to evaluate our activities with regards to the PRB principles, utilising this assessment to set SMART targets for two impact areas. The Bank will also develop policies/processes to reflect our engagement with stakeholders on agricultural processes, PRB implementation, impacts and target setting; to train internal staff on PRB implementation; and to address any negative impacts of the action plan.





## SUPPORT FOR NDP VISION 2030 AND THE UN SDGS

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



**Table 43: Alignment Between the Objectives of the Land Bank, the NDP, and the UN SDGs**

The objectives of the Land Bank Act are the promotion, facilitation, and support of:	National Development Plan	Sustainable Development Goals
<ul style="list-style-type: none"> <li>Equitable ownership of agricultural land, particularly increasing the ownership of agricultural land by historically disadvantaged persons</li> <li>Agrarian reform, land redistribution or development programmes aimed at historically disadvantaged persons for the development of farming enterprises and agricultural purposes. Removal of the legacy of past racial, gender and generational discrimination in agriculture</li> </ul>	<ul style="list-style-type: none"> <li>Making land reform work to unlock the potential for a dynamic, growing and employment creating agricultural sector</li> </ul>	
<ul style="list-style-type: none"> <li>Programmes that contribute to agricultural aspects of rural development and job creation</li> <li>Agricultural entrepreneurship</li> <li>Enhancement of productivity, profitability, investment, and innovation in the agricultural and rural financial systems</li> </ul>	<ul style="list-style-type: none"> <li>Support job creation in the upstream and downstream agri industries</li> <li>Develop strategies that give new entrants access to product value chains and support from better resourced players</li> </ul>	
<ul style="list-style-type: none"> <li>Land access for agricultural purposes</li> <li>Better use of land</li> </ul>	<ul style="list-style-type: none"> <li>Commercialise some underused land in communal areas and land reform projects</li> <li>Support the commercial agriculture sector and regions that have the highest potential for growth and employment</li> </ul>	
<ul style="list-style-type: none"> <li>Food security</li> </ul>	<ul style="list-style-type: none"> <li>Everyone should, at all times, have access to sufficient, nutritious, and safe food</li> </ul>	
<ul style="list-style-type: none"> <li>Promote and develop the environmental sustainability of land and related natural resources</li> </ul>	<ul style="list-style-type: none"> <li>Expand irrigated agriculture and find creative partnerships between opportunities</li> </ul>	



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**AUDITED** FINANCIALS

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The directors have the pleasure of presenting this report on the Annual Financial statements of the **Land and Agricultural Bank of South Africa** for the year ended **31 March 2024**.

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GENERAL INFORMATION	160
DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING	162
DIRECTORS' REPORT	163
GROUP SECRETARY'S CERTIFICATION	168
AUDIT & FINANCE COMMITTEE REPORT	169
REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA	172
STATEMENT OF FINANCIAL POSITION	181
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	183
STATEMENTS OF CHANGES IN EQUITY	185
STATEMENTS OF CASH FLOWS	187
SEGMENT REPORTING BUSINESS	190
MATERIAL ACCOUNTING POLICIES	200
NOTES TO THE FINANCIAL STATEMENTS	239

## **GENERAL INFORMATION**

<b>Shareholder</b>	National Treasury, Government Department
<b>Public Entity</b>	Governed by the Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002) and is a schedule 2 Public Entity in terms of the Public Finance Management Act (PFMA).
<b>Country of Incorporation And Domicile</b>	The Republic of South Africa
<b>Nature of Business And Principal Activities</b>	The Land Bank provides retail and wholesale finance to emerging, commercial farmers and Agri-Businesses. In addition to its banking operations, the Land Bank extends its services to the insurance sector through its subsidiaries.
<b>Head Office Physical Address</b>	272 Lenchen Avenue Lakefield Office Park, Building A, First Floor Die Hoewes Centurion
<b>Postal Address</b>	P. O. Box 375 Tshwane 0001
<b>Bankers</b>	First National Bank Limited, a division of First Rand Limited ABSA Limited, Nedbank Limited, The Standard Bank of South Africa Limited
<b>Funding Sponsors</b>	The Standard Bank of South Africa Limited
<b>Auditors</b>	The Auditor-General of South Africa
<b>Company Secretary</b>	Mashumi Mzaidume (retired 31 December 2023) Adv. B. Raseroka (1 November 2023)

**GENERAL INFORMATION**

**Land Bank Subsidiaries**

Land Bank Life Insurance Company (SOC) Limited (LBLIC) 1954/003095/06

Land Bank Insurance Company (SOC) Limited (LBIC)

2012/115426/30

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

**Holding Company**

Land and Agricultural Development Bank of South Africa (the Land Bank or the Bank)

**Nature of Business And Principal Activities**

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

**Bankers**

LBLIC: ABSA Bank Limited

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

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

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 and Finance Committee and various other risk-monitoring committees. Management enables the Directors to meet these responsibilities.

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

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

The financial statements which have been prepared on the going concern basis, were approved by the board of directors on 25 September 2024 and were signed on their behalf by:



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**Ms. Rethabile N. Nkosi**  
*Chairman of the Board*  
25 September 2024



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**Mr Themba Rikhotso**  
*Chief Executive Officer*  
25 September 2024

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**DIRECTORS' REPORT**

The Directors have the pleasure of presenting this report on the Annual Financial Statements of the Land and Agricultural Bank of South Africa for the year ended 31 March 2024.

The Board would like to highlight achievements and areas of concern which required their main focus during the year under review.

**ACHIEVEMENTS**

Under the guidance of the Board, Land Bank has achieved the following:

**Leadership and Capacity**

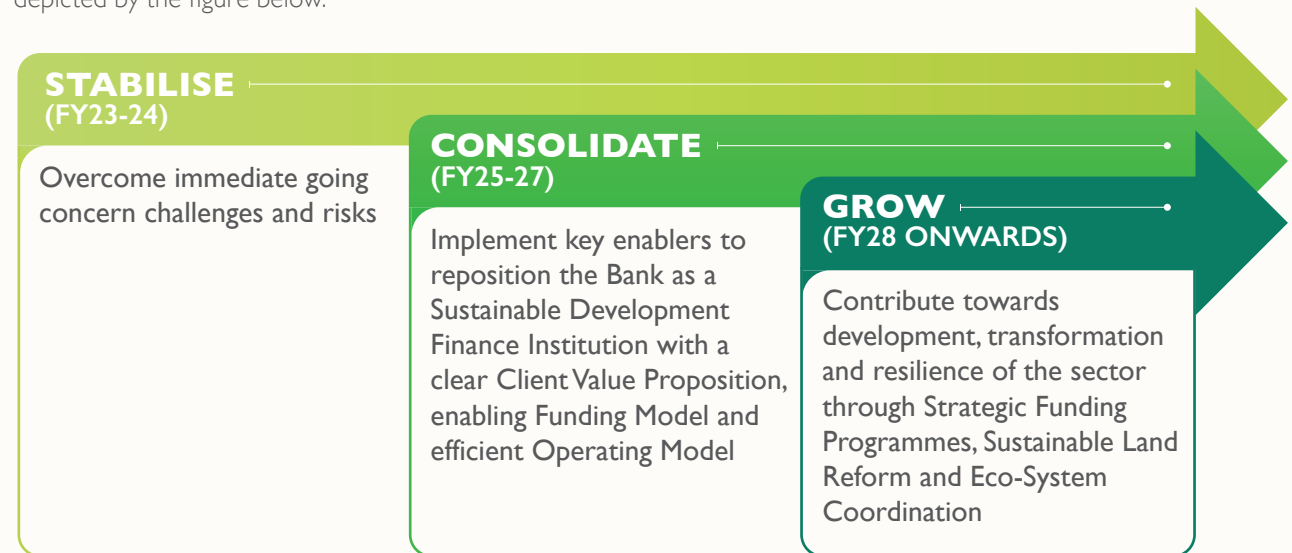
A permanent CEO, Mr Themba Rikhotso, was appointed and joined the Bank on 01 April 2023. Mr Rikhotso's appointment has brought much-needed stability to the organisation.

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

**Strategic direction**

A new strategy was developed and approved and is being implemented to ensure continued support of the sector even in a state of default, in advancement of its mandate.

Land Bank's FY24 performance indicates the extent of the challenges it is confronting as it implements priority actions that are part of the Bank's three-phased strategy. The period under review forms part of the stabilisation phase as depicted by the figure below.



The first phase (i.e. stabilisation [FY23 to FY24]) of Land Bank's strategic restructuring and repositioning focuses on the Bank's immediate priorities, which are required to achieve stability. Initiatives undertaken in this phase are focused on curbing the Bank's further deterioration in key identified areas and developing a solid basis upon which enhanced mandate alignment and improved financial and operational performance will be built.

## **DIRECTORS' REPORT**

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

- Conclusion of the Liability Solution with lenders that will take the Bank out of its current debt default status;
- Building a baseline/new loan book portfolio of transformation and development clients which will become a significant part of the Bank's future loan portfolio;
- Preserving the quality of the Bank's current loan book;
- Building a fit for purpose operating model; and
- Maintaining an acceptable level of financial and operational performance.

### **Funding model**

The Bank has to date not been appropriately funded to fulfil its developmental mandate as articulated in the Land Bank Act. To address this, the Board developed and approved a proposed funding model that appropriately aligns to the Bank's mandate. The Bank has initiated consultations on this model with National Treasury and any favourable outcomes of these consultations will be incorporated into the Bank's FY2025 Medium Term Expenditure Framework (MTEF) application.

### **Debt restructuring process**

The Board continued to exercise enhanced oversight to enable the timely conclusion of the Bank's debt restructuring process, which was subsequently implemented on the 16th of September 2024.

### **Strategic banking initiatives**

Whilst lending is being undertaken in both the commercial and development market segments, evident progress is being realised under the Blended Finance Scheme. Since the introduction of the Scheme in October 2022, disbursements have increased gradually and a relatively healthy pipeline of applications has been built up. For the year under review, the Bank disbursed a total amount of R723m under the Blended Finance Scheme, comprised of R358m in loans and R365m in grants. Although the disbursed amount fell below the set targets, this level of support to the sector represents the highest amount ever directly deployed by the Bank towards individual Black (and majority Black-owned) clients over the past decade. The Bank will continue to enhance its delivery capabilities to enable fulfilment of its mandate and build on the gains that have been made to date.

The Agro Energy Fund, which was launched in partnership with the Department of Agriculture during FY24 experienced a slow start. However, a pipeline of transactions is being built, and the required support mechanisms for the implementation of the Fund are being put in place.

### **The year under review has not been without challenges, the Board continues to focus on the following areas of concern:**

#### **State of default and impact on the going concern of the bank**

The debt restructuring process has been concluded post the year end, and was subsequently implemented on the

16th of September 2024. The Shareholder has continued to be very supportive through this process as evidenced by the continued engagements with all stakeholders through the debt restructuring process as well as by the R10bn which was allocated to recapitalise the Bank since the occurrence of the debt default. The full R10bn allocation has been transferred by the shareholder with R5.6bn of the allocation being held in Escrow until the condition precedent has been met (curing of the state of default). All the other equity conditions have already been met by the Bank. The Bank continues to receive the support of its lenders.

Despite its challenges the Bank has accumulated sufficient cash that enabled the repayment of approximately 60% of debt outstanding at the time of the default, the Bank continues to service interest payments, pay its suppliers and staff and the Bank has been able to continue its business operations. It is on this basis and in light of the forecast of healthy cash resources, that the directors have reasonable belief that the Bank has adequate resources to continue as a going concern for the foreseeable future.

During the 2021 financial year, the Minister of Finance invoked Section 92 of the Public Finance Management Act No. 1 of 1999, to exempt Land Bank from submitting a Corporate plan as required by Section 52 of the same Act until Land Bank is cured of its default position and more certainty is gained regarding the future structure of the Bank. Owing to the state of default that the Bank is still operating under, the exemption remains in place. The Bank, however, continues to contract with

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

## AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

### DIRECTORS' REPORT

the Shareholder on annual performance targets and to account to Parliament as appropriate.

#### **Macro environment**

The South African economy expanded by 0.7% year-on-year in 2023 (upwardly revised from 0.6% previously) as momentum from the post-pandemic recovery dissipated. While the first half of the year saw modest upside surprises, growth in the second half was derailed by logistical challenges and electricity supply constraints. On average based on several economic forecasters, the 2024 GDP growth outlook for South Africa has the potential to be revised lower to around 1% or slightly below, compared to prior forecasts, based on the updated 2023 data and weaker than expected Q1 2024 performance. In May 2023, the South African Reserve Bank (SARB) forecast 1.2% GDP growth in 2024.

Looking ahead, economic activity levels may pick up as load-shedding eases further. SARB indicated that the implementation of structural reforms in the energy and logistics sectors remains key to restoring the economy's full productive potential.

Throughout the review period, the Bank faced substantial macro-economic challenges, primarily influenced by environmental factors and global health issues impacting the agricultural sector. Detailed impacts include:

#### **El Niño-related drought**

During South Africa's 2023/24 summer, grain production was severely affected by El Niño, leading to extensive heat stress and dry conditions across key agricultural regions. This critical period saw a significant reduction in rainfall and elevated temperatures, stressing crops during essential growth phases.

#### **Grains Sector Challenges**

The Crop Estimate Committee projected a significant decrease in grain and oilseed production, approximately 20% less than the previous year, due to the adverse weather conditions. While grain prices have held high, potentially offsetting some revenue losses at the farm level, the overall productivity was heavily impacted by the harsh climatic conditions tied to El Niño.

#### **Livestock Sector Challenges**

Similarly, the livestock industry is impacted by the drought, with notable declines in beef and weaner calf prices. Producers are adjusting herd sizes in response to feed availability challenges especially going into the winter months.

#### **Bird Flu (H5 & H7)**

There has been a notable reduction in bird flu infections, with no new cases reported since November 2023. Although vaccines are available, they have not yet been widely tested, leaving some risk of future outbreaks. The

industry remains on alert, with improved preparedness plans in place based on past experiences.

#### **Foot and Mouth Disease**

Foot and Mouth Disease remains an ongoing concern with several active outbreaks, particularly in KwaZulu Natal. The government and agricultural bodies are intensifying vaccination efforts and maintaining strict quarantines to manage and hopefully eradicate the disease in affected zones.

#### **Energy**

The South African economy experienced modest growth of 0.6% in 2023, hindered by persistent energy shortages and logistical challenges. Predictions for 2024 suggest a slight improvement in economic activity, with growth anticipated to reach 1.2%, aided by reduced load-shedding and a rebound in consumer spending.

#### **Western Cape Floods 2023**

The end of September 2023 brought severe flooding to the Western Cape, particularly impacting the Southern Overberg region. Despite considerable damage to infrastructure, the impact on the Bank's clients was minimal, with subsequent weather conditions proving beneficial for the upcoming winter grain season.

#### **Cape Town ports**

Efforts to enhance operational efficiency at Cape Town ports have yielded positive results, reducing disruptions during peak export periods for table grapes and stone fruits. These improvements have mitigated previous logistical challenges, presenting a lower risk to the Bank.

#### **African Swine Fever (ASF)**

While ASF continues to pose a threat, recent outbreaks have been mostly contained to specific regions, primarily affecting communal and peri-urban areas. The overall risk to the commercial farming sector remains low, thanks to effective surveillance and control measures.

#### **Geopolitical tensions**

Rising oil prices and geopolitical tensions, particularly due to conflicts in the Middle East, have strained global markets and tightened oil markets remained tight and supply chains were strained by geopolitical tensions. Oil prices averaged \$83.10 per barrel for the quarter from January to March 2024 and have increased, reaching \$90.10 per barrel in early April against a backdrop of intensifying concerns about the conflict in the Middle East.

#### **False Codling Moth**

Challenges with EU regulations on False Codling Moth have continued to disrupt South Africa's orange exports. The Citrus Growers Association is actively contesting these regulations, seeking relief through international trade bodies. This is a risk that is specific to oranges. Diversifying into new markets, such as recently approved protocols by the Department of Agriculture with Vietnam is an important step industry to mitigate the impact.

#### **Covid-19**

With all COVID-19 restrictions lifted, and normal operations resumed across the agricultural sector, the Bank continues to support its clients in recovering from the pandemic's impacts, ensuring continuity and stability.

The Bank continues to monitor any potential risk that may potentially impact the quality of the loan book and deploys various risk mitigation strategies such as a forbearance program such that you not only measure the risk and its impact but assist farmers well in advance. This type of action ensures that the impact of any disaster is mitigated

## **INTERNAL CONTROLS AND AUDIT OUTCOME**

During the past financial year Land Bank obtained an unqualified audit opinion with findings related to the reporting of collateral, cash-flow statement and disclosure notes. All the findings were addressed by management. The focussed and extensive remedial plan under the Audit and Finance sub-committee of the Board continues being implemented to address any remaining identified control deficiencies are addressed. This will ensure the Bank maintains a clean audit in relation to the 2023/24 financial year.

It is on this basis as well as information and explanations received from management that the Directors are confident that the system of internal control provides reasonable assurance that the financial records are reliable for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

## **FINANCIAL RESULTS**

The financial results of the group are fully disclosed from page 172. The key financial indicators are as outlined below. The performance of the bank was largely driven by the following factors:

The Gross Loan Book decreased by 7% year-on-year driven largely by customer settlements. This has continued to improve the cash position of the bank, as well as enable further funding debt reduction. This together with improved nominal value of non-performing loans owing to the NPL remediation programme implemented by the Bank resulted in the profits realised this year.

The Bank has continued to implement focused efforts in reducing overall operating expenditure. This resulted in the Bank realising profits, albeit reduced year-on-year owing to the loan book starting to stabilize (reduced settlements) post the event of default.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**DIRECTORS' REPORT**

**The financial indicators are:**

- Expected credit losses on financial assets at amortised cost increased to R4,1 billion (31 March 2023: R4,0 billion);
- NPL ratio increased to 53,1% (31 March 2023: 51,9%); nominally the NPL book has decreased by 5.1% year-on-year;
- ECL Coverage Ratio increased to 23.7% (31 March 2023: 21,6%);
- Cash flows generated from operations reduced to R2,2 billion (31 March 2023: R6.2 billion), although total cash equivalents reduced to R12.6 billion, inclusive of the ring-fenced capital injection from the shareholder;
- Net interest income increased by more than 16% to R704 million (31 March 2023: R607 million);
- Net profit of R60m (31 March 2023: R482m profit);
- Cost to income ratio for the Bank regressed to 79% (31 March 2023: 81%);
- Banking Gearing Ratio has improved to 364% (31 March 2023: 576%);
- Solvency Ratio improved to 119.6% (31 March 2023: 113.8%);
- Basel II CAR significantly improved to 19.6% (31 March 2023: 13,9%);
- LCR declined to 52.4% (31 March 2023: 68.7%);
- NSFR dropped to 84.7% (31 March 2023: 94,6%);

The Land Bank Board with its management are still committed to seeing the Land Bank successfully implement its strategic mandate sustainably as it continues to strengthen its internal control environment.



**Ms Rethabile Nkosi**  
*Chairman of the Board*  
25 September 2024



**Mr. Themba Rikhotso**  
*Chief Executive Officer*  
25 September 2024



**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**GROUP SECRETARY'S CERTIFICATION**

In terms of section 88(2)(e) of the Companies Act 71 of 2008, hereafter referred to as the Companies Act, I declare that to the best of my knowledge, for the year ended 31 March 2024 the Land and Agricultural Development Bank of South Africa has lodged with the Registrar of Companies all such returns as are required of a State Owned Company in terms of the Act and that such returns are true, correct and up to date.



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**Adv. B. Raseroka**  
*Company Secretary*  
25 September 2024



I herewith present the report of the Land Bank Audit and Finance Committee (the Committee) for the financial year ended 31 March 2024. The Committee acts in consultation with other committees of the entity in particular the Risk and Governance Committee.

## **THE COMMITTEE IS RESPONSIBLE FOR OVERSEEING:**

- Quality and integrity of the entity's integrated planning and reporting, including its financial statements and sustainability reporting;
- Appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process, including the approval of non-audit services;
- Effectiveness of the entity's governance, in particular, that the internal audit function is adequately resourced and capacitated.
- The entity's information and technology (IT) functions. In this regard, the Committee reviews management's IT reports, IT Governance, and IT systems controls.
- Review and make recommendations to Board about the entity's financial risk, liquidity risk, and capital risk management practices.

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

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

## **STATUTORY DUTIES**

- The Committee is constituted as a statutory committee of the Land Bank in line with the Principles of King IV, the Companies Act 71 of 2008 and the Public Finance Management Act no.1 of 1999, and is accountable in this regard, to both the Board and the Land Bank representative shareholder, the Ministry of Finance. It is a committee of the Board regarding all the duties that the Board assigns to it and has been delegated extensive powers to perform its functions per the Companies Act, and the National Treasury Regulations issued in terms of the Public Finance Management Act.
- The Committee also provides oversight of the entity's information and technology (IT) functions. In this regard, the Committee reviews management's IT reports, IT Governance, and IT systems controls.
- The Committee has adopted appropriate formal terms of reference in our charter, in line with the requirements of section 51(1)(a) of the PFMA and Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with this charter, which is reviewed annually and approved by the Board.

- The functions of the Committee are outlined in its charter, which is available on the Land Bank website.

The Audit and Finance Committee has continued to include in its workplan, oversight and monitoring of the Board approved audit remediation plan intended to ensure integrity of the Annual Financial Statements and that the Bank improves the unqualified with findings audit outcome obtained in the FY2023 financial year. Accordingly, this remained one of the key focus areas for the committee with regular meetings held with management to track and assess progress on implementation of the remediation plan to ensure adequate resolution of any residual risks remaining or that arise during the year, and to ensure embedding of processes of internal controls to avoid a regression in future.

## **COMPOSITION**

The Committee comprises of independent non-executive directors who are elected annually at the company's Annual General Meeting (AGM). The Committee members are Ms. Michelle Pillay (Chairperson), Ms. Mathane Makgatho (term ended November 2023), Prof. JF Kirsten (appointed December 2023) and Ms. Thulisile Mashanda. The qualifications of the members are listed in the Land Bank Governance Report. These members collectively possess the experience and expertise needed to execute their duties in relation to the Committee's mandate.

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

## AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

### AUDIT & FINANCE COMMITTEE REPORT

Executive directors comprising of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are permanent invitees to the Committee meetings, but are excluded from the Committee's private sessions with the Auditor-General and the head of Internal Audit.

The Committee has met all legal and regulatory requirements in respect of independence and corporate governance experience.

## ANNUAL CONFIRMATION OF KEY FUNCTIONS FOR THE YEAR

### *Financial control, financial reporting and the Integrated Report*

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

The Committee confirms that it has assessed and confirms the appropriateness of the going concern basis for the preparation of the Annual Financial Statements. The debt restructuring process was concluded with lenders post year end and the Bank has sufficient liquidity to carry its

operations for the foreseeable future as a going concern. Conclusion of the debt restructuring process has allowed the release of the funds in escrow to Land Bank. Despite operating in a state of default the Bank has been able to accumulate sufficient cash reserves amounting to R6.2bn at year end. Over and above that, the bank was able to repay over R24,0 billion in capital to its lenders to date along with servicing all interest due.

The committee presided over the Board instituted audit remediation plan over the past four financial years. The remedial plan was instituted to address deficiencies identified on the loan book management through the audit process. The committee together with the Credit and Investment Committee (CIC) through oversight on the work conducted by management has seen continuous improvement in the internal control environment pertaining to the management of the loan book and this is evidenced by the unqualified audit outcome for the previous financial year. In addition, the insourcing of the land Bank book previously managed by intermediaries has been concluded with under 2% remaining outsourced. This has brought management closer to the root cause of the previously identified deficiencies. This insourcing also contributed to the improved control environment and the committee is pleased with the success and is currently monitoring its continued sustainability.

The Committee considered the maturity of combined assurance in the Group and the specific attestations from Internal Audit, External Audit and Risk in regard to the adequacy and effectiveness of the internal controls within

the Group. We are comfortable that these controls are adequately in place, but there is room for improvement to strengthen the control environment and to realise the full benefits of combined assurance.

## EXTERNAL AUDIT

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

## INTERNAL AUDIT

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

The permanent CAE commenced his duties on 01 July 2023. His appointment has further strengthened the internal audit function in the Bank.

## EXPERTISE AND EXPERIENCE OF THE FINANCE FUNCTION AND THE CHIEF FINANCIAL OFFICER

The Committee has considered the expertise and experience of the Chief Financial Officer, and has concluded that the appropriate requirements have been met.

All critical roles in the Finance function are filled. The only movement in the year under review was that the GM: Supply Chain Management resigned and exited the Bank during the last quarter of the financial year. The role has since been filled with the new Head of Supply Chain Management joining the Bank on the 6th of May 2024. An acting arrangement was instituted in between.

## INFORMATION TECHNOLOGY FUNCTION

In order to enhance oversight over the effectiveness of the Information Technology function; the Board has instituted the IT Steering Committee overseen by the Audit and Finance Committee. The IT Steering Committee is comprised on non-executive directors and an independent IT advisor. Members of management are permanent invitees to the committee. Meetings are scheduled to take place on a quarterly basis.

## EXTERNAL AUDIT REPORT

### *External Audit Opinion*

Land Bank received an “Unqualified opinion with findings” audit outcome from the AGSA on the FY24. The audit outcome has remained constant over the past two years. The Board instituted remediation plan shall continue being implemented to address any specific residual deficiencies that remain. The committee will continue to monitor progress regarding those matters.

## IN CONCLUSION

The Committee is pleased with the audit outcome and the evident successful results of the work covered by the remedial plan. The Committee will continue to ensure there is continuous improvement regarding the controls around overall management of the loan book to ensure that these results are sustained and improved even further towards helping the Land Bank achieve its mandate.

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

*Egashnee Pillay*

**Ms Egashnee Pillay**  
*Chairman Audit and Finance Committee*

25 September 2024

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Opinion

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 (the group) set out on pages 181 to 387, which comprise the consolidated and separate statement of financial position as at 31 March 2024, consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including material accounting policy information .
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and sections 27 to 31 of the Companies Act 71 of 2008.

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

### Key audit matters

Key audit matter	How matter was addressed
<p><b>Expected credit losses on loans and advances to customers</b></p> <p>The group determines the ECL relating to loans and advances in line with the requirements of IFRS 9, Financial instruments (IFRS 9). The group uses various models and assumptions to estimate the ECL. This determination is complex and requires a high level of judgement and assumptions.</p> <p>The major components of the ECL include the probability of default (PD), exposure at default (EAD), loss given default (LGD) and Forward Looking Information (FLI). The PD is defined as an estimate of the likelihood of default over a given time horizon. The EAD is an estimate of the exposure at a future default date considering expected changes in the exposure after the reporting date. The LGD is an estimate of the loss arising in the case where default occurs at a given time.</p> <p>Given the combination of the inherent subjectivity in the valuation and the material nature of the balance, I considered the audit of the expected credit loss to be a key audit matter in my audit of the financial statements.</p> <p>The disclosures associated with the expected credit loss allowance on development loans are set out in the following notes to the financial statements:</p> <p>Note 9 – Loans and advances to customers</p>	<p>In line with the requirements of ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, I performed risk assessment procedures relating to obtaining an understanding of the expected credit losses and its related disclosures using the principles from IFRS 9.</p> <p>After considering the requirements of ISA 540 Revised and ISA 330, and following a process of risk assessment, a substantive audit approach was followed to respond to the risk identified in ECL.</p> <p>My audit procedures included the following:</p> <ul style="list-style-type: none"> <li>○ evaluating the design and implementation of controls relating to the ECL process;</li> <li>○ performing detailed testing of the data that is used as ECL inputs which include collateral, staging and Significant Increase in Credit Risk (SICR);</li> <li>○ considering the credit policy and their application on collateral and staging when testing these inputs;</li> <li>○ engaging an auditor's ECL expert to assess the appropriateness and reasonability of the credit risk models and assumptions used by management in determining the ECL; and</li> <li>○ performing an assessment of the independence and competence of the expert in line with ISA 620, Using the work of an auditor's expert.</li> </ul> <p>The work performed by my auditor's expert included the following procedures:</p> <ul style="list-style-type: none"> <li>○ reviewing the ECL methodology for compliance with IFRS 9 principles;</li> <li>○ reviewing the ECL model calculations for accuracy and consistency with the methodology; and</li> <li>○ performing independent recalculation of the ECL model for the PDs, EADs, LGDs and FLI.</li> </ul> <p>Following the results of the above mentioned procedures, I determined management's estimate to be within a reasonable range of my expectations.</p> <p>I have assessed the related disclosures included in the financial statements for compliance with IFRS 9 Financial Instruments and IFRS 7, Financial Instruments Disclosures, and are satisfied that the disclosures are consistent with the IFRS requirements.</p>

### **Emphasis of matter**

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

### **Going concern**

7. I draw attention to note 3.2 in the financial statements, which deals with the events and circumstances with possible effects on going concern of the public entity. Management have described how they have dealt with these events and circumstances. Our opinion is not modified in respect of this matter.

### **Restatement of corresponding figures**

8. As disclosed in note 38 to the consolidated and separate financial statements, the corresponding figures for 31 March 2023 have been restated as a result of error in the financial statements of the public entity at, and for the year ended, 31 March 2024.

### **Responsibilities of the accounting authority for the consolidated and separate financial statements**

9. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS and the requirements of PFMA and Companies Act; 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.
10. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements**

11. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 177, forms part of our auditor's report.

## **REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

### **Report on the audit of the annual performance report**

13. The Land Bank is not required to prepare a report on its performance against predetermined objectives, as it was exempt from submitting its corporate plan in terms of section 92 of the PFMA. As a result of the exemption, I did not audit and report on the usefulness and reliability of the performance information for the public entity. The exemption was published in the Government Gazette 44799 dated 2 July 2021.

### **Report on compliance with legislation**

14. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
15. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
16. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
17. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### **Annual financial statements**

18. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1) (c) (i) of the PFMA.
19. The financial statements submitted for auditing were not fully prepared in accordance with the IFRS, as required by section 55(1) (b) of the PFMA. Material misstatements were identified on funds under administration, related parties, cash flow statement, commitments, segment reporting and insurance contracts and investments. The misstatements identified by the auditors in the submitted financial statement were subsequently corrected.

### **Other information in the annual report**

20. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements and the auditor's report.
21. My opinion on the consolidated and separate financial statements, and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

## **REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

22. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### **Internal control deficiencies**

24. I considered internal control relevant to my audit of the consolidated and separate financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
25. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
26. Management did not implement adequate quality assurance processes over the preparation and review of the financial statements before submission for audit.
27. Management did not implement adequate controls to ensure timeous implementation of IFRS 17 (Insurance Contracts) which resulted in late submission of annual financial statements.

### **Other reports**

28. I draw attention to the following engagement conducted by AGSA. This report did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.
29. As requested by the Land and Agricultural Development Bank of South Africa (SOC) Ltd, a limited assurance engagement in respect of compliance with the National Credit Act 34 of 2005 was conducted for the twelve months ended 31 March 2023. The report was submitted to the accounting authority on 29 September 2023.

*Auditor General*

Pretoria

26 September 2024



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT**

### **Professional judgement and professional scepticism**

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

### **Financial statements**

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

### Communication with those charged with governance

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

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

### Compliance with legislation – selected legislative requirements

1. The selected legislative requirements are as follows:

2. Legislation	3. Sections or regulations
Public Finance Management act 1 of 1999 (PFMA)	Section 50(3); Section 50(3)(a); Section 50(3)(b) Section 51(1)(a)(ii); Section 51(1)(a)(iii); Section 51(1)(a)(iv); Section 51(1)(b);Section 51(1)(b)(i); Section 51(1)(b)(ii); Section 51(1)(e)(iii) Section 52(b) Section 54(2)(c) Section 54(2)(d) Section 55(1)(a); Section 55(1)(b); Section 55(1)(c)(i) Section 56; Section 57(b) Section 66(3)(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 29.1.1; Regulation 29.1.1(a); Regulation 29.1.1(c); Regulation 29.2.1; Regulation 29.2.2; Regulation 29.3.1 Regulation 31.2.5; Regulation 31.2.7(a) Regulation 33.1.1; Regulation 33.1.3
Preferential Procurement Policy Framework Act 5 of 2000	Section 1(i); Section 2(1)(a); Section 2(1)(b); Section 2(1)(f)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**ANNEXURE TO THE AUDITOR'S REPORT**

2. Legislation	3. Sections or regulations
Preferential procurement regulation of 2017 (PPR)	Regulation 4(1); Regulation 4(2) Regulation 5(1); Regulation 5(3); Regulation 5(6); Regulation 5(7) Regulation 6(1); Regulation 6(2); Regulation 6(3); Regulation 6(5); Regulation 6(6); Regulation 6(8) Regulation 7(1); Regulation 7(2); Regulation 7(3); Regulation 7(5); Regulation 7(6); Regulation 7(8) Regulation 8(2); Regulation 8(5) Regulation 9(1); Regulation 9(2) Regulation 10(1); Regulation 10(2) Regulation 11(1); Regulation 11(2) Regulation 12(1) and Regulation 12(2)
Preferential procurement regulation of 2022 (PPR)	Regulation 3(1) Regulation 4(1); Regulation 4(2); Regulation 4(3); Regulation 4(4) Regulation 5(1); Regulation 5(2); Regulation 5(3); Regulation 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
National Treasury SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c); 4.4(d); 4.6 Paragraph 5.4
National Treasury SCM Instruction 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction Note 03 2019/20	Paragraph Par 5.5.1(iv); 5.5.1(x)
National Treasury SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1; 6.2; 6.7
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2; Paragraph 4.3.2; 4.3.3.
Competition Act 89 of 1998	Section 4(1)(b)(ii)
National Treasury instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of National Treasury instruction 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum National Treasury instruction 5 of 202/21	Paragraph 1
Erratum National Treasury instruction 5 of 202/21	Paragraph 2

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**ANNEXURE TO THE AUDITOR'S REPORT**

2. Legislation	3. Sections or regulations
National Treasury instruction note 5 of 2020/21	Paragraph 5.1 and 5.3
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	Regulation 17; 18(1A)1; 25(1); 25 (5) & 25(7A)
Companies Act 71 of 2008	Section 27; Section 28; Section 29; Section 30; Section 31

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024**

	Notes	Group			Company	
		2024	2023*	2022*	2024	2023*
		R'000	R'000	R'000	R'000	R'000
<b>Assets</b>						
Cash and cash equivalents	4	13,029,825	15,757,355	10,231,485	12,601,200	15,355,038
Trade and other receivables	5	268,174	497,669	493,426	183,901	412,395
Insurance contract asset - Non-Life	6	30,412	84,449	85,352	-	-
Reinsurance contract asset - Non - life	6	43,363	5,892	21,505	-	-
Reinsurance contract asset -Life	6	277	2,462	2,544	-	-
Investments	7	2,152,792	1,959,513	1,885,659	1,414,202	1,280,455
Derivatives	8	654	1,321	9,896	654	1,321
Loans and advances	9	13,331,936	14,765,230	20,488,496	13,331,936	14,765,230
Non-current assets held-for-sale and assets of disposal groups	10	9,208	11,359	9,609	9,208	11,359
Investment property	11	106,000	98,010	97,400	106,000	98,010
Property, plant and equipment	12	59,614	34,768	29,154	59,593	34,720
Right of use assets	13.1	23,753	28,296	3,909	23,753	28,296
Intangible assets	14	1,062	1,555	1,615	1,062	1,555
<b>Total assets</b>		<b>29,057,070</b>	<b>33,247,879</b>	<b>33,360,050</b>	<b>27,731,510</b>	<b>31,988,379</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Accumulated loss	15	(2,657,276)	(2,678,632)	(3,194,054)	(3,713,830)	(3,773,401)
Capital Fund	15	8,784,325	8,286,785	7,397,655	8,784,325	8,286,785
Revaluation reserve	15	145,258	143,058	140,941	145,258	143,058
Fair Value Through Other Comprehensive Income (FVTOCI)	15	(661,962)	(748,351)	(737,412)	(661,961)	(748,351)
<b>Total equity</b>		<b>5,610,345</b>	<b>5,002,860</b>	<b>3,607,131</b>	<b>4,553,791</b>	<b>3,908,090</b>
<b>Liabilities</b>						
Trade and other payables	16	209,702	190,666	224,557	149,848	138,863
Other financial liabilities	16.1	6,085,486	5,110,870	-	6,085,486	5,110,870
Insurance contract liability - Non-Life	6	92,768	3,034	-	-	-

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENT OF FINANCIAL POSITION**

	Notes	Group			Company	
		2024	2023*	2022*	2024	2023*
		R'000	R'000	R'000	R'000	R'000
Reinsurance contract liability - Non - life	6	36,291	56,603	3,818	-	-
Insurance contract liability- Life	6	74,584	47,994	35,799	-	-
Funding liabilities	17	16,567,460	22,495,625	29,162,958	16,567,460	22,495,625
Lease liabilities	13.2	25,064	28,966	4,933	25,064	28,966
Provisions	18	73,294	32,398	34,181	67,544	27,100
Post-retirement obligation	19	282,317	278,864	286,655	282,317	278,864
<b>Total Liabilities</b>		<b>23,446,725</b>	<b>28,245,021</b>	<b>29,752,921</b>	<b>23,177,719</b>	<b>28,080,288</b>
<b>Total equity and liabilities</b>		<b>29,057,070</b>	<b>33,247,879</b>	<b>33,360,050</b>	<b>27,731,510</b>	<b>31,988,379</b>

\*The two subsidiaries of the Land Bank are in their first year of implementation of IFRS 17 Insurance Contracts and thus all preceding financial years presented have been restated as if IFRS 17 has always been applied.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Group		Bank	
		2024	* 2023	2024	* 2023
		R'000	R'000	R'000	R'000
<b>Net interest income</b>		<b>714,192</b>	<b>616,155</b>	<b>704,748</b>	<b>607,233</b>
Interest income	20	2,590,232	2,765,925	2,580,788	2,757,002
Interest expense	21	(1,876,041)	(2,149,770)	(1,876,041)	(2,149,770)
Net impairment charges, release, claims, write-offs and recoveries	9	(114,049)	368,324	(114,049)	368,324
<b>Total income from lending activities</b>		<b>600,142</b>	<b>984,479</b>	<b>590,698</b>	<b>975,556</b>
Non-interest expense	22	(2,098)	(13,555)	(2,098)	(13,555)
Non-interest income	23	33,645	24,366	33,645	24,366
<b>Operating income from banking activities</b>		<b>631,690</b>	<b>995,290</b>	<b>622,245</b>	<b>986,367</b>
Other income	23	29,047	32,893	29,525	32,386
Insurance revenue	6	806,425	778,313	-	-
Insurance service expense	6	(971,388)	(750,270)	-	-
Net expense from reinsurance contracts held	6	18,055	(81,991)	-	-
Net finance income/expense from reinsurance contracts held	6	-	(2)	-	-
Net finance income/expense from insurance contracts issued	6	(4,805)	(1,578)	-	-
Investment income and fees	24	130,068	102,669	23,626	17,909
Interest on post-retirement obligation	19	(27,912)	(27,823)	(27,912)	(27,823)
Interest on lease liabilities	13	(765)	(547)	(765)	(547)
(Losses) on financial instruments	25.1	(451)	(2,933)	(451)	(2,933)
Fair value gains	25.1	49,245	(2,778)	40,182	(5,297)
<b>Operating income</b>		<b>659,208</b>	<b>1,041,243</b>	<b>686,451</b>	<b>1,000,062</b>
Operating expenses	26	(596,037)	(507,100)	(585,055)	(499,156)
<b>Net operating income</b>		<b>63,171</b>	<b>534,144</b>	<b>101,395</b>	<b>500,906</b>
Non-trading and capital items	27	11,285	685	11,285	697
<b>Income before taxation</b>		<b>74,455</b>	<b>534,828</b>	<b>112,680</b>	<b>501,603</b>
Indirect taxation	28	(53,097)	(19,407)	(53,097)	(19,407)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Group		Bank	
		2024	* 2023	2024	* 2023
		R'000	R'000	R'000	R'000
<b>Income for the year</b>		<b>21,358</b>	<b>515,421</b>	<b>59,583</b>	<b>482,196</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified into profit or loss</b>					
Revaluation gains of land and buildings	12 & 25.2	2,199	2,117	2,199	2,117
Actuarial Gain on the post-retirement obligation	19 & 25.2	4,061	17,811	4,061	17,811
<b>Total items that will not be reclassified to profit or loss</b>		<b>6,260</b>	<b>19,928</b>	<b>6,260</b>	<b>19,928</b>
<b>Items that may be reclassified to profit or loss:</b>					
Net gains/losses on financial assets designated at fair value through other comprehensive income	25.2	82,330	(28,752)	82,330	(28,752)
<b>Total comprehensive income for the year</b>		<b>109,948</b>	<b>506,597</b>	<b>148,173</b>	<b>473,372</b>

\*The two subsidiaries of the Land Bank are in their first year of implementation of IFRS 17 Insurance Contracts and thus all preceding financial years presented have been restated as if IFRS 17 has always been applied.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENTS OF CHANGES IN EQUITY**

**Group**

	Notes	Capital fund	Revaluation reserve	Fair Value through Other Comprehensive income	Accumulated loss	Total Equity
		R'000	R'000	R'000	R'000	R'000
<b>Opening Balance at 01 April 2022</b>		<b>7,397,655</b>	<b>140,941</b>	<b>(737,412)</b>	<b>(3,221,566)</b>	<b>3,579,618</b>
IFRS 17 Transition	3.1	-	-	-	27,512	27,512
Correction of prior period error		-	-	-	-	-
<b>Restated Opening Balance at 01 April 2022</b>		<b>7,397,655</b>	<b>140,941</b>	<b>(737,412)</b>	<b>(3,194,054)</b>	<b>3,607,130</b>
Shareholder Equity Injection*	16.1	889,130				889,130
Restated profit for the year <sup>1</sup>					515,421	515,421
Other comprehensive income/loss for the year			2,117	(10,941)	-	(8,824)
<b>Total comprehensive income/loss for the year</b>		<b>889,130</b>	<b>2,117</b>	<b>(10,941)</b>	<b>515,421</b>	<b>1,395,726</b>
<b>Opening Balance at 01 April 2023</b>	<b>16.1</b>	<b>8,286,785</b>	<b>143,058</b>	<b>(748,353)</b>	<b>(2,678,632)</b>	<b>5,002,860</b>
Shareholder Equity Injection*		497,540				497,540
Profit for the year					21,358	21,358
Other comprehensive income for the year			2,199	86,391	-	88,590
<b>Total comprehensive income for the year</b>		<b>497,540</b>	<b>2,199</b>	<b>86,391</b>	<b>21,358</b>	<b>607,489</b>
<b>Balance at 31 March 2024</b>		<b>8,784,325</b>	<b>145,258</b>	<b>(661,962)</b>	<b>(2,657,276)</b>	<b>5,610,345</b>
<b>Company</b>						
<b>Opening Balance at 01 April 2022</b>		<b>7,397,655</b>	<b>140,941</b>	<b>(737,412)</b>	<b>(4,255,606)</b>	<b>2,545,578</b>
Shareholder Equity Injection*	16.1	889,130	-	-	-	889,130
Profit for the year					482,196	482,196
Other comprehensive income/loss for the year			2,117	(10,941)	-	(8,824)
<b>Total comprehensive income/loss for the year</b>		<b>889,130</b>	<b>2,117</b>	<b>(10,941)</b>	<b>482,196</b>	<b>1,362,502</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENTS OF CHANGES IN EQUITY**

	Notes	Capital fund	Revaluation reserve	Fair Value through Other Comprehensive income	Accumulated loss	Total Equity
		R'000	R'000	R'000	R'000	R'000
<b>Opening Balance at 30 April 2023</b>		<b>8,286,785</b>	<b>143,058</b>	<b>(748,353)</b>	<b>(3,773,413)</b>	<b>3,908,080</b>
Shareholder Equity Injection*	16.1	497,540				497,540
Profit for the year					59,583	59,583
Other comprehensive income for the year			2,199	86,391	-	88,590
<b>Total comprehensive income for the year</b>		<b>497,540</b>	<b>2,199</b>	<b>86,391</b>	<b>59,583</b>	<b>645,713</b>
<b>Balance at 31 March 2024</b>		<b>8,784,325</b>	<b>145,258</b>	<b>(661,962)</b>	<b>(3,713,830)</b>	<b>4,553,791</b>

\* The shareholder repaid guaranteed lenders directly on behalf of the Land Bank during the year. The corresponding debit was a reduction of the funding liabilities. Refer to note 17 for the movement in funding liabilities and 4, 16.1 for the cash and corresponding liability.

<sup>1</sup> The two subsidiaries of the Land Bank are in their first year of implementation of IFRS 17 Insurance Contracts and thus all preceding financial years presented have been restated as if IFRS 17 has always been applied.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENTS OF CASH FLOWS**

	Note	Group		Bank	
		2024	* 2023	2024	* 2023
		R'000	R'000	R'000	R'000
<b>Income for the year</b>		<b>21,358</b>	<b>515,421</b>	<b>59,583</b>	<b>482,196</b>
<b>Adjustments to reconcile profit to net cash flows:</b>					
		(688 551)	(955 098)	(572 080)	(843 791)
Interest expense	21	1,876,041	2,149,770	1,876,041	2,149,770
Interest income	20	(2 590 232)	(2,765,925)	(2,580,788)	(2,757,002)
Net impairments raised/ released	9	143,083	(264,650)	143 083	(264,650)
Interest on lease liabilities	13	765	547	765	547
Fair value movement (financial instruments)	25.1	451	2,993	451	2,933
(Losses)/gains on financial instruments	25.2	(49 245)	2,778	(40,182)	5,297
Dividends received	24	(28 066)	(37,600)	(6 262)	(13,184)
Interest received	24	(80 678)	(56 862)	(4,306)	(4,725)
Depreciation and amortisation	12&14	14,047	(11,772)	14,047	11,736
Loss on transfer of asset	12	-	83	-	-
Fair value adjustments on properties	11	(7,990)	610	(7,990)	610
Movement in provisions	18	8,655	(2,755)	8,443	(2,860)
Movement in post-retirement medical aid liability	19	27 912	27,832	27,912	27,823
Profit on properties	10	(3,291)	(90)	(3,291)	(90)
Losses on Foreign exchange		(3)	3	(3)	3
Impairment of other assets		-	1	-	1

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENTS OF CASH FLOWS**

	Note	Group		Bank	
		2024	* 2023	2024	* 2023
		R'000	R'000	R'000	R'000
<b>Changes in working capital</b>		<b>363 422</b>	<b>187 577</b>	<b>239,479</b>	<b>87 164</b>
(Increase)/decrease in Trade and other receivables	5	229,495	(4,243)	228,494	9,012
(Decrease)/Increase in Trade and other payables	16	19,036	107 217	10,985	78 152
Movement insurance contract asset and liability	6	146 086	4 020	-	-
Movement reinsurance contract asset and liability	6	(31 195)	80 583	-	-
<b>Cash generated from operations</b>		<b>(303 771)</b>	<b>(252 101)</b>	<b>(273 019)</b>	<b>(274 431)</b>
<b>Cash flows from operations</b>		<b>2 509 268</b>	<b>6 461 486</b>	<b>2 469 742</b>	<b>6 461 104</b>
Interest expense paid	21	(1 826 875)	(2 094 619)	(1 826 875)	(2,094,619)
Interest income received	20	2 910 190	2 965 925	2 901 924	2 965 544
Non-interest income	23	62 448	12 740	31 189	12 740
Non-interest expense	22	(2 098)	(13 555)	(2 098)	(13 555)
Interest on lease liabilities paid	13	(765)	(547)	(765)	(547)
Decrease in funding to clients	17	1 366 368	5 591 542	1 366 368	5,591,542
<b>Cash inflow from operating activities</b>		<b>2 205 497</b>	<b>6 209 385</b>	<b>2 196 725</b>	<b>6 186 673</b>
<b>Cash flow from investing activities</b>					
Purchase of property and equipment	12	(28,350)	(6,559)	(28,350)	(6,559)
Proceeds from sale of non-current assets held-for-sale	10	5,517	-	5,517	-
Dividends received	24	13 058	6 041	13 058	6 041
Proceeds from disinvestment <sup>2</sup>	25,1	-	25 000	-	-
Movement in money market instruments <sup>3</sup>	38	50 492	28 335	-	-
Purchase of financial instruments	25.1	-	(60,000)	-	-
<b>Cash inflow/(outflow) from investing activities</b>		<b>40 717</b>	<b>(7 183)</b>	<b>(9 775)</b>	<b>(518)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**STATEMENTS OF CASH FLOWS**

Note	Group		Bank		
	2024	* 2023	2024	* 2023	
	R'000	R'000	R'000	R'000	
<b>Cash flow from financing activities</b>					
Decrease in funding received from funders	17	(5 430 585)	(5,778,203)	(5 430 585)	(5,778,203)
Lease liability repaid	13	(8,202)	(9,000)	(8,202)	(9,000)
Equity injection	16.1	498 000	5,110,870	498 000	5,110,870
		<b>(4 940 787)</b>	<b>(676,333)</b>	<b>(4 940 787)</b>	<b>(676,333)</b>
<b>Cash outflows from financing activities</b>					
<b>Net (decrease) in cash and cash equivalents</b>		<b>(2 694 574)</b>	<b>5 525 870</b>	<b>(2 753 837)</b>	<b>5,509,822</b>
Cash and cash equivalents at beginning of year	4	15 724 398	10 231 485	15,355,038	9,845,216
Cash and cash equivalents at end of year <sup>1</sup>	4	13 029 825	15 757 355	12,601,200	15,355,038

- 1 Included in cash equivalents and other financial liabilities, is R5.6 billion received from National Treasury, however, it has certain conditions attached to it for the funds to be available to the Land Bank. A corresponding financial liability has been raised as the funds will be returned to the shareholder if the conditions are not met. Refer to notes 3.2, 4 and 16.1 on the details around the appropriated cash to the Land Bank by the Shareholder.
- 2 The proceeds from investing activities does not relate to the sale of bonds or equity instruments but relates to the liquidation of money market instrument portfolio.
- 3 Refer to note 38.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**SEGMENT REPORTING BUSINESS**

The Group reports in four distinct segments, grouped according to the nature of products and services provided by the respective business units and divisions. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, supported by the executive committee. The four segments are:

- 1) Commercial Development Banking, which consists of 9 Regional Offices and 16 satellite branches spread across the country, provides finance to developing and commercial farmers.
- 2) Corporate Banking, which consists of two branches, provides finance to the corporate agri-related businesses.
- 3) Group capital consists of the treasury, finance and other central functions.
- 4) Insurance Operations consists of LBLIC and LBIC which provides Life and Non-Life Crop Insurance respectively.
- 5) Not all segments are allocated costs.

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.

**Group - 2024**

**Statement of profit or loss and other comprehensive income**

	<b>Commercial Development and Business Banking</b>	<b>Corporate Banking and structured Investment</b>	<b>Group Capital and Inter-segment eliminations <sup>1</sup></b>	<b>Total Bank</b>	<b>Insurance Operations <sup>2</sup></b>	<b>Total Group</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Net interest income/(expense)</b>	<b>506,216</b>	<b>198,532</b>	<b>-</b>	<b>704,748</b>	<b>9,444</b>	<b>714,192</b>
Interest income	1,707,927	872,861	-	2,580,788	9,444	2,590,232
Interest expense	(1,201,711)	(674,329)	-	(1,876,041)	-	(1,876,041)
Impairment releases/(charges) on loans and advances	53,695	(167,744)	-	(144,049)	-	(144,049)
<b>Total income/(loss) from lending activities</b>	<b>559 910</b>	<b>30 788</b>	<b>-</b>	<b>590 698</b>	<b>9 444</b>	<b>600 142</b>
Non-interest expense	(2,098)	-	-	(2,098)	-	(2,098)
Non-interest income	14,028	5,209	14,409	33,646	-	33,646
<b>Operating income/(loss) from banking activities</b>	<b>571,840</b>	<b>35,997</b>	<b>14,409</b>	<b>622,246</b>	<b>9,444</b>	<b>631,690</b>
Other income	-	-	29,525	29,525	(478)	29 047
Insurance revenue					806 425	806 425
Insurance service expense					(971,388)	(971,388)

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## SEGMENT REPORTING BUSINESS

	Commercial Development and Business Banking	Corporate Banking and structured Investment	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>2</sup>	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
Net expense from reinsurance contracts held					18 055	18 055
Net finance income/expense from insurance contracts issued					(4,805)	(4,805)
Investment income	-	-	23 626	23 626	106,442	130 068
Interest in Post Retirement Obligation	-	-	(27,912)	(27,912)	-	27,912
Interest on Lease Liability	(511)	-	(253)	(765)	-	(765)
Gains and losses on financial instruments	(451)	-	-	(451)	-	(451)
Fair value loss	-	-	40 182	40 182	9 063	49 245
<b>Operating income/(loss)</b>	<b>570,877</b>	<b>35,997</b>	<b>79,577</b>	<b>686,451</b>	<b>(27,243)</b>	<b>659,208</b>
Operating expenses	(19,180)	(483)	(191,204)	(210,867)	(10,980)	(221,847)
Staff costs	(73,201)	(8,527)	(278,415)	(360,143)	-	(360,143)
Depreciation and amortisation	(4,368)	(17)	(9,662)	(14,047)	-	(14,047)
<b>Net operating (loss)/income</b>	<b>474,129</b>	<b>26 970</b>	<b>(399 705)</b>	<b>101 395</b>		<b>63,171</b>
					-	
Non-trading and capital items	(62)	-	11 347	11 285	-	11 285
<b>Net profit/(loss) before indirect taxation</b>	<b>474,066</b>	<b>26,970</b>	<b>(388,358)</b>	<b>112,679</b>	<b>(38,223)</b>	<b>74,456</b>
					-	
Indirect taxation	-	-	-53 097	-53 097	-	-53 097
<b>Net profit/(loss)</b>	<b>474,066</b>	<b>26,970</b>	<b>(441,455)</b>	<b>59,582</b>	<b>(38,223)</b>	<b>21,360</b>
					-	
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>88,590</b>	<b>88,590</b>	<b>-</b>	<b>88,590</b>
Actuarial losses on the post-retirement obligation	-	-	4,061	4,061	-	4,061
Revaluation of land and buildings	-	-	2,199	2,199	-	2,199
Profit on financial assets at fair value through other comprehensive income	-	-	82,330	82,330	-	82,330
<b>Total comprehensive income/(loss) for the year</b>	<b>474,066</b>	<b>26,970</b>	<b>(352,865)</b>	<b>148,173</b>	<b>(38,223)</b>	<b>109,949</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**SEGMENT REPORTING BUSINESS**

**Group - 2023**

**Statement of profit or loss and other comprehensive income**

	<b>Commercial Development and Business Banking</b>	<b>Corporate Banking and structured Investment</b>	<b>Group Capital and Inter-segment eliminations <sup>1</sup></b>	<b>Total Bank</b>	<b>Insurance Operations <sup>2</sup></b>	<b>Total Group</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
	<b>394,422</b>	<b>212,811</b>	<b>-</b>	<b>607,233</b>	<b>8,923</b>	<b>616,155</b>
Interest income	1,823,306	933,697	-	2,757,003	8,923	2,765,926
Interest expense	(1,428,884)	(720,886)	-	(2,149,770)	-	(2,149,770)
Impairment releases/(charges) on loans and advances	395,322	(26,997)	-	368,325	-	368,324
<b>Total income/(loss) from lending activities</b>	<b>789,744</b>	<b>185,814</b>	<b>-</b>	<b>975,558</b>	<b>8,923</b>	<b>984,479</b>
Non-interest expense	(13,555)	-	-	(13,555)	-	(13,555)
Non-interest income	12,481	7,288	36,983	24,366	-	24,366
<b>Operating income/(loss) from banking activities</b>	<b>788 670</b>	<b>193 102</b>	<b>36 983</b>	<b>986 369</b>	<b>8 923</b>	<b>995,290</b>
Other income	-	-	-	32 386	507	32 893
Insurance revenue					778 313	778 313
Insurance service expense					(750 270)	(750 270)
Net expense from reinsurance contracts held					(81 991)	(81 991)
Net finance income/expense from reinsurance contracts held					(2)	(2)
Net finance income/expense from insurance contracts issued					(1 578)	(1 578)
Investment income	13 184	-	4 725	17 909	85,726	103,635
Interest in Post Retirement Obligation	-	-	(27 823)	(27 823)	-	(27 823)
Interest on Lease Liability	(211)	(97)	(239)	(547)	-	(547)
Gains and losses on financial instruments	(2 933)	-	-	(2 933)	-	(2 933)
Fair value loss	-	-	(5 297)	(5 297)	2 519	(2 778)
<b>Operating income/(loss)</b>	<b>798 710</b>	<b>193 005</b>	<b>8 349</b>	<b>1 000 064</b>	<b>41 181</b>	<b>1 041 244</b>
Operating expenses	(13 127)	694	(128,405)	(140,838)	-	(140,838)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**SEGMENT REPORTING BUSINESS**

	Commercial Development and Business Banking	Corporate Banking and structured Investment	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>2</sup>	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
Staff costs	(71,492)	(13,660)	(261,428)	(346,580)	(7 944)	(354,524)
Depreciation and amortisation	(3 000)	(1 809)	(6 928)	(11 737)	-	(11 737)
<b>Net operating (loss)/income</b>	<b>711,091</b>	<b>178,230</b>	<b>(380,448)</b>	<b>499,365</b>	<b>34,779</b>	<b>534 143</b>
Non-trading and capital items	(131)	-	829	698	(13)	685
<b>Net profit/(loss) before indirect taxation</b>	<b>710,960</b>	<b>178,230</b>	<b>(387 583)</b>	<b>501 607</b>	<b>33 223</b>	<b>534 829</b>
Indirect taxation	-	-	(19 407)	(19 407)	-	(19 407)
<b>Net profit/(loss)</b>	<b>710,960</b>	<b>178,230</b>	<b>(406 990)</b>	<b>482 200</b>	<b>33 223</b>	<b>515 421</b>
<b>Other comprehensive income</b>	-	-	<b>(8,824)</b>	<b>(8,824)</b>	-	<b>(8,824)</b>
Actuarial losses on the post-retirement obligation	-	-	17,811	17,811	-	17,811
Revaluation of land and buildings	-	-	2,117	2,117	-	2,117
Profit on financial assets at fair value through other comprehensive income	-	-	(28,752)	(28,752)	-	(28,752)
<b>Total comprehensive income/(loss) for the year</b>	<b>710,960</b>	<b>178,230</b>	<b>(415 814)</b>	<b>473 376</b>	<b>33 223</b>	<b>506 596</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**SEGMENT REPORTING BUSINESS**

**Group - 2024**

**Statement of financial position**

	<b>Commercial Development and Business Banking</b>	<b>Corporate Banking and structured Investment</b>	<b>Group Capital and Inter-segment eliminations <sup>1</sup></b>	<b>Total Bank</b>	<b>Insurance Operations <sup>2</sup></b>	<b>Total Group</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Assets</b>						
<b>Segment assets</b>	<b>9,794,387</b>	<b>61,732,105</b>	<b>(43,143,627)</b>	<b>28,032,895</b>	<b>1,674,204</b>	<b>29,057,070</b>
Working capital (incl. net loans and advances)	9,763,661	61,399,974	(44,720,804)	26,442,830	211,512	26,654,342
Investments	-	322,588	441,584	764,172	1,388,620	2,152,792
Investment properties	31,244	-	74,756	106,000	-	106,000
Property and equipment	(517)	9,544	50,567	59,593	20	59,613
Non-current assets held-for-sale	-	-	9,208	9,208	-	9,208
Intangible assets	-	-	1,062	1,062	-	1,062
Insurance assets	-	-	-	-	74,053	74,053
<b>Liabilities</b>						
<b>Segment liabilities</b>	<b>10,428,846</b>	<b>5,299,046</b>	<b>7,449,826</b>	<b>23,177,719</b>	<b>269,007</b>	<b>23,446,725</b>
Working capital (incl. funding liabilities)	10,414,140	5,286,901	7,101,753	22,802,794	59,614	22,862,408
Provisions	12,064	2,267	53,213	67,544	5,750	73,294
Post-retirement obligation	-	-	282,317	282,317	-	282,317
Lease liabilities	2,641	9,878	12,543	25,063	-	25,063
Insurance liabilities	-	-	-	-	203,643	203,643

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**SEGMENT REPORTING BUSINESS**

**Group - 2023**

**Statement of financial position**

	<b>Commercial Development and Business Banking</b>	<b>Corporate Banking and structured Investment</b>	<b>Group Capital and Inter- segment eliminations <sup>1</sup></b>	<b>Total Bank</b>	<b>Insurance Operations <sup>2</sup></b>	<b>Total Group</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Assets</b>						
<b>Segment assets</b>	<b>11,375,060</b>	<b>53,907,669</b>	<b>(34,169,335)</b>	<b>31,113,394</b>	<b>2,134,485</b>	<b>33,247,879</b>
Working capital (incl. net loans and advances)	11,343,420	53,761,309	(34 767 404)	30 337 325	712 546	31,049,879
Investments	-	136,800	493 625	630 425	1 329 087	1 959 513
Investment properties	31,244	-	66,766	98,010	-	98,010
Property and equipment	396	9,560	24,764	34,720	48	34,768
Non-current assets held-for-sale	-	-	11,359	11,359	-	11,359
Intangible assets	-	-	1,555	1,555	-	1,555
Insurance assets	-	-	-	-	92,803	92,803
<b>Liabilities</b>						
<b>Segment liabilities</b>	<b>14,485,407</b>	<b>7,187,312</b>	<b>6,407,569</b>	<b>28,080,288</b>	<b>164,733</b>	<b>28,245,021</b>
Working capital (incl. funding liabilities)	14,473,062	7,175,244	6,097,054	27,745,360	51,804	27,797,164
Provisions	9,723	2,190	15,187	27,100	5,298	32,398
Post-retirement obligation	-	-	278,864	278,864	-	278,864
Lease liabilities	2,622	9,878	16,464	28,964	-	28,964
Insurance liabilities	-	-	-	-	107,631	107,631

<sup>1</sup> Includes reconciliation to Group results in terms of IFRS 8.

<sup>2</sup> The Insurance Operations consists of LBLIC (Life Insurance) and LBIC (Short term asset and Crop Insurance).

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**SEGMENTAL INFORMATION**

The Group's reportable operating segments are strategic business units that offer products to various classes of clients. These are managed separately since each segment requires different marketing and technical strategies to service a client base with unique needs. The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies. In addition, the cost of funding is allocated based on the monthly average cost of funding for Land Bank and the segment's loan book net of non-performing loan balances as at 31 March 2024. The identified reportable segments are how the Group's businesses are managed and reported to the Chief Operating Decision Maker (CODM).

## SEGMENTAL REPORTING GEOGRAPHIC

According to the client's location, the geographical segments consist of 9 provincial offices and 14 satellite offices within the boundaries of the respective provinces of the Republic of South Africa. Group Capital and Insurance Operations is included in the Northern segment, as the head office is situated in Pretoria. All revenue per geographical segment is attributable to the Republic of South Africa. All non-current assets are located in the Republic of South Africa.

### Group - 2024

#### Statement of profit or loss and other comprehensive income

	Interest income	Interest expense	Net interest income	Impairment (charges)/ releases, claims and recoveries	Non-interest income/ (expense) and Other income	Operating income from insurance activities	Fair value gains, investment income and non-trading and capital items	Operating expenses and indirect taxes excluding depreciation and amortisation	Interest on Post-Retirement Medical Aid and Lease Liability	Depreciation and amortisation	Staff costs	Net profit/ (loss)	Other Comprehensive Income <sup>1</sup>	Total comprehensive income
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Northern region	1,985,065	(1,854,499)	130,566	(141,880)	57,344	(38,160)	75,155	(266,213)	(28,226)	(10,731)	(318,711)	(540,857)	88,590	(452,266)
Southern region	605,167	(21,541)	583,626	27,831	6,959	-	(513)	(10,468)	(451)	(3,317)	(41,452)	562,214	-	562,214
<b>Total operations</b>	<b>2,590,232</b>	<b>(1,876,041)</b>	<b>714,192</b>	<b>(114,049)</b>	<b>64,303</b>	<b>(38,160)</b>	<b>74,642</b>	<b>(276,681)</b>	<b>(28,677)</b>	<b>(14,047)</b>	<b>(360,164)</b>	<b>21,358</b>	<b>88,590</b>	<b>109,948</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**SEGMENTAL INFORMATION**

**Statement of financial position**

	<b>Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment</b>	<b>Working Capital (incl. loans and advances)</b>	<b>Total assets</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Assets</b>			
Northern region	1,598,386	5,400,948	6,999,335
Southern region	15,433	22,042,302	22,057,735
			-
<b>Total operations</b>	<b>1,613,819</b>	<b>27,443,251</b>	<b>29,057,070</b>
	<b>Working Capital (incl. funding)</b>	<b>Other liabilities</b>	<b>Total liabilities</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Liabilities</b>			
Northern region	17,270,464	358,140	17,628,604
Southern region	5,801,336	16,785	5,818,121
<b>Total operations</b>	<b>23,071,800</b>	<b>374,925</b>	<b>23,446,725</b>

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## SEGMENTAL INFORMATION

Group - 2023

Statement of profit or loss and other comprehensive income

	Interest income	Interest expense	Net interest income	Impairment (charges)/ releases, claims and recoveries	Non-interest income/ (expense) and Other income	Operating income from insurance activities	Fair value gains, investment income and non-trading and capital items	Operating expenses and indirect taxes excluding depreciation and amortisation	Interest on Post-Retirement Medical Aid and Lease Liability	Depreciation and amortisation	Staff costs	Net profit/ (loss)	Other Comprehensive Income <sup>1</sup>	Total comprehensive income/ (loss)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Northern region	2,032,141	(2,130,031)	(97,890)	394,537	47,577	(24,931)	91,423	(170,172)	(28,118)	(8,461)	(323,068)	(119,103)	(8,824)	(127,927)
Southern region	733,784	(19,738)	714,046	(26,212)	5,645	-	(1,864)	(6,357)	(252)	(3,714)	(46,768)	634,524		634,524
<b>Total operations</b>	<b>2,765,925</b>	<b>(2,149,769)</b>	<b>616,156</b>	<b>368,325</b>	<b>53,222</b>	<b>(24,931)</b>	<b>89,559</b>	<b>(176,529)</b>	<b>(28,370)</b>	<b>(12,175)</b>	<b>(369,836)</b>	<b>515,421</b>	<b>(8,824)</b>	<b>506,597</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**SEGMENTAL INFORMATION**

**Statement of financial position**

	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment	Working Capital (incl. loans and advances)	Total assets
	R'000	R'000	R'000
<b>Assets</b>			
Northern region	2,736,805	9,432,457	12,169,262
Southern region	15,604	21,063,013	21,078,617
<b>Total operations</b>	<b>2,752,409</b>	<b>30,495,470</b>	<b>33,247,879</b>
	Working Capital (incl. funding)	Other liabilities	Total liabilities
	R'000	R'000	R'000
<b>Liabilities</b>			
Northern region	19,641,656	902,716	20,544,372
Southern region	7,685,289	15,360	7,700,649
<b>Total operations</b>	<b>27,326,945</b>	<b>918,076</b>	<b>28,245,021</b>

## **ACCOUNTING POLICIES**

### **STATEMENT OF COMPLIANCE**

The Annual Financial Statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS Accounting Standards), as issued by the International Accounting Standards Board (IASB), the requirements of the PFMA and sections 27 to 31 of the Companies Act, being the relevant and corresponding sections of those specified in the Land Bank Act, National Treasury Regulations. These Annual Financial Statements cover the Bank and its subsidiaries.

The Land Bank is not subject to the Banks Act. The Bank is a PFMA schedule 2 entity.

#### **I. Basis of Preparation**

The consolidated and separate financial statements have been prepared by applying the accrual basis of accounting, the going-concern principle, and using the historical-cost basis, except where specifically indicated otherwise in the accounting policies.

A summary of significant accounting policies is set out in note 3.

The preparation of financial statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in applying the Group's accounting policies. Accordingly, the

notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated group and bank financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Full disclosure relating to the directors' going concern assessment can be found in Note 3.2.

The Annual Financial Statements have been prepared on the historical cost basis, except for the following items, which were measured at fair value:

- Financial instruments held at fair value through profit or loss;
- Financial instruments designated at fair value through profit or loss;
- Derivative financial instruments;
- Equity investments;
- Land and buildings;
- Post-retirement medical aid benefit investment; and
- Funeral benefit and post-retirement medical aid liability.

The methods used to measure fair values are detailed in specific notes.

#### **2.1 Functional and presentation currency**

The consolidated and separate financial statements are presented in South African Rand, the Group's functional

currency. All financial information presented in Rand are rounded to the nearest thousand (R'000), unless otherwise stated.

#### **2.2 Distinction between current and non-current**

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

### **3. Summary of significant accounting policies**

The Group has not applied the following new, revised or amended pronouncements that have been issued by the International Accounting Standard Board (IASB) as they are not yet effective for the financial year beginning 1 April 2023. The Board anticipates that the new standards, amendments and interpretations will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

### 3.1 New standards and interpretations

The Group has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

#### New standards not yet adopted

IAS 1 Non-Current Liabilities with Covenants-Effective 01 January 2024

Entities to disclose information about covenants and carrying amounts of the related liabilities. This will be material for the Bank as the funding liabilities of the Bank have covenants. However, the estimate cannot be made currently due to the covenants not being monitored as a result of the default position of the Bank Refer to note 17.

#### Adoption of new and revised Standards

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

#### IFRS 17 Insurance Contracts (IFRS 17)

The IASB issued IFRS 17 Insurance contracts in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The company adopted the standard on 1 January 2023 and restated comparative information.

## TRANSITION APPROACH

### LBIC

On the transition date, LBIC is required to release all IFRS 4 related balance sheet balances and raise the corresponding IFRS 17 balance sheet balances. The net difference between the two amounts changes LBIC's retained income on the transition date.

The IFRS 17 balance sheet figures are determined for every liability component, both for the liability for incurred claims as well as the liability for remaining coverage. Any transition balances for the asset for insurance acquisition cash flows split by portfolio and the outstanding unamortised insurance acquisition cash flow balances per group of insurance contracts are also determined. These IFRS 17 amounts are determined retrospectively unless it is impracticable to do so.

The LBIC has adopted IFRS 17 by applying the full retrospective approach whenever practicable to do so for groups of contracts in force as at 1 April 2022. The LBIC considers a retrospective calculation to be impracticable if historical contract data, data on past assumptions and actual cash flows or calculation models do not exist, cannot be obtained or approximated without applying hindsight, or cannot be obtained, built or suitably modified by applying every reasonable effort to do so. The LBIC applied judgement in assessing these criteria.

The LBIC has determined that a full retrospective approach is able to be applied for LBIC for all insurance contracts issued and reinsurance contracts held. No other transition approaches thus needed to be considered. LBIC does not have exposure to general measurement model or variable fee approach contracts and as such does not need to consider impracticability in this regard.

The R9.6 million transition impact in retained earnings is mainly attributable to the IFRS 17 treatment of the binder fee, where 50% of the fee is now amortised and under IFRS 4 100% of the fee was amortised.

## ACCOUNTING POLICIES

	FY2022	FY2022	
	IFRS 17	IFRS 4	Impact
Total assets	564 719	1 579 961	(1 015 242)
Insurance contract assets	85 352	266 040	(180 688)
Reinsurance contract asset	21 505	368 558	(347 053)
Insurance contract liabilities	-	373 907	(373 907)
Reinsurance contract liabilities	3 818	574 265	(570 447)
<b>Retained Earnings</b>	<b>535 546</b>	<b>545 141</b>	<b>(9 596)</b>

### LBLIC

At the transition date, 1 April 2022, LBLIC has released its IFRS 4 assets and liabilities and established its IFRS 17 net carrying amounts. LBLIC was able to apply IFRS 17 retrospectively to determine its IFRS 17 figures for its groups of insurance contracts measured under the premium allocation approach and for its new groups measured under the general measurement model. The older groups of insurance contracts were measured using a mixture of the modified retrospective approach and the fair value approach.

LBLIC has adopted the IFRS 17 standard for reporting purposes for its accounting period starting on 1 April 2023. This is the date of initial application as defined by paragraph IFRS 17.C2. In accordance with this paragraph, the transition date is set to the beginning of the annual reporting period immediately preceding this date, i.e. 1 April 2022.

On the transition date, LBLIC released all IFRS 4 related balance sheet balances and raised the corresponding IFRS 17 balance sheet balances. The net difference between the two amounts changed LBLIC's retained income on the transition date.

The IFRS 17 balance sheet figures was determined for every liability component, both for the liability for incurred claims ("LIC") as well as the liability for remaining coverage

("LRC"). The use of the word "liability" here includes any obligations that are in a negative liability (or asset) position. Any transition balances for the asset for insurance acquisition cash flows split by portfolio and the outstanding unamortised insurance acquisition cash flow balances per group of insurance contracts was also be determined.

The transition assessment was performed on a product-by-product basis (or a groups of products together if the availability of information is expected to be similar across the products). The impracticality is assessed following an identification of the information gaps per product.

The FV was calculated based on LBLIC's IFRS 17 Accounting Policies and assumes a market-related expense assumption (i.e. of a potential competitor) to provide a reasonable representation of the expected costs. This is in line with the FV calculation guidelines as provided in IFRS 13. Overall, the transition to IFRS 17 resulted in a R37.1 million excess assets (or NAV) increase.

	FY2022	FY2022
	IFRS 4	IFRS 17
	R '000	R '000
Total value of assets as per balance sheet	1 249 878	1 247 567
Less reinsurance asset	(4 855)	(2544)
Current assets	590	
<b>Total Assets</b>	<b>1 245 613</b>	<b>1 245 023</b>
Actuarial liabilities	75 805	35 799
Reduction in actuarial liabilities due to reinsurar	(4 855)	(2544)
Current liabilities	5 596	5596
<b>Total Liabilities</b>	<b>76 546</b>	<b>38 851</b>
<b>Excess Assets over Liabilities</b>	<b>1 169 067</b>	<b>1 206 172</b>
<b>Transition Impact</b>		<b>37 105</b>

## Changes to presentation and disclosure

For presentation in the statement of financial position, the group aggregates insurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

### 3.1. Going Concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Since Land Bank went into default in April 2020, the Bank with the help of its corporate advisors and the support of the Shareholder has been working on a solution to cure the default. The Bank under the leadership of the Board has been working in close collaboration with the lenders to construct a solution that will be acceptable to all

stakeholders including the Bank, the Shareholder and the lenders. Continuous engagements including workshops with lenders and bi-lateral engagements continue in order to conclude a viable solution for all. This allows for quick resolution of problematic areas and ensures alignment as the solution is being constructed.

The debt restructuring process, was subsequently concluded post year end with all lenders, implementation took effect on 16 September 2024 curing the event of default for the Bank. Refer to note 35 on the events after reporting date.

Despite the default event, the Bank's business and operational fundamentals remain strong, and further measures have been adopted to manage the Bank's financial sustainability and credit worthiness. In the last number of months since the default the Bank has achieved and the following:

- The Board-led Restructuring Committee that was established when the restructuring process started continues to provide guidance and support to the executive management's efforts to address the liquidity challenges, and monitors implementation of crafted solutions to take Land Bank out of its event of default and to reposition the organisation.
- The Bank collected over R4.0 bn from own customers.
- At 31 March 2024 Land Bank Group had a cash balance of R12.6 billion, compared to R15.2 billion at 31 March 2023. R5.6 billion of this cash is held in Escrow and is not available for use to the Group.

## ACCOUNTING POLICIES

- Interest on funding liabilities continues to be serviced.
- A total of R1.4 billion has been paid to Guaranteed lenders on behalf of the Bank by the Shareholder;
- Therefore, capital repayments totaling R24.0 billion have been made to reduce funding liabilities since default. The last capital voluntary repayment was paid in June 2023 which is a cumulative reduction of 60%. There is a final planned capital repayment as part of the conclusion of the Liability Solution 5, this will further improve this ratio.
- For the year under review, the Bank managed to disburse a total amount of R723m under the Blended Finance Scheme, comprised of R358m in loans and R365m grants. Although the disbursed amounts fell below the set targets, this level of support to the sector represents the highest amount ever directly deployed by the Bank towards individual Black (and majority Black-owned) clients over the past decade.
- During the FY2023 and FY2024 financial periods, the Shareholder transferred the R7bn that was appropriated in favour of Land Bank during February 2021. In total R10bn appropriated to Land Bank since default has been transferred by the Shareholder with ~R4.5bn paid to the Bank and directly settling guaranteed debt and the balance transferred to the Escrow account pending conclusion of the liability solution
- The revised operating model was approved by board. Consultation on the Funding Business Case has been initiated with National Treasury.
- The funds on the Escrow account have been released as the remaining equity condition was met, which was the curing of the default.

- The Land Bank has sufficient and adequate cash flows to meet its obligations in the foreseeable future.
- The directors are of the view that the initiatives reflected above will ensure Land Bank meets the going concern requirement in the foreseeable future, being 12 months from the approval of these annual financial statements. Given already received and expected capital injections from National Treasury as well as current cash sources available, Land Bank is expected to have a surplus of available cash resources to be able to meet its liquidity requirements.

### 3.2. Consolidation process

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

Consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC and LBIC as at 31 March 2024. Intra-group transactions are eliminated upon consolidation.

Investments in subsidiaries are measured at cost at acquisition and subsequent measurement on each reporting date.

The financial statements of LBLIC and LBIC are prepared using consistent accounting policies to the Land Bank. Furthermore, the annual financial statements have been prepared in accordance with the requirements of the Insurance Act 18 of 2017.

### 3.3. Critical accounting judgements and key sources of estimation uncertainty

The most significant judgements and estimates are summarised below:

#### 1) Impairment losses on loans and advances

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting and initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset. Please refer to note 36 for more details.

#### 2) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, the valuation models are

## ACCOUNTING POLICIES

validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices.

To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Valuation guidelines. Various valuation techniques are used to arrive at the fair value of investments, including:

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

### Post-employment medical benefits

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

### Management expense provisions

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

### Insurance contracts

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted below with more detail provided in the specific notes to which they relate:

Insurance contracts – note 3.17 and 3.18:

- Unit of account
- Premium allocation approach eligibility
- Liability for incurred claims
- Discount rates
- Confidence Levels
- Risk adjustment for non-financial risk

Determining the present value of future cash flows

### 3.4. Critical judgements in applying accounting policies

The preparation of financial statements in accordance with IFRS requires that management make use of estimates, assumptions and judgements that affect the application of the accounting principles and reported amounts of assets and liabilities at the statement of financial position date as well as the reported income and expenses for the year.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although estimates are based on management's best knowledge, experience, insight and judgement of current facts at the statement of financial position date, the actual outcome may deviate from these estimates, possibly significantly.

### 3.5. Determining the probability-weighted mean

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

### 3.6.1 Insurance Liabilities

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 insurance company, principally in respect of the insurance liabilities of the company.

The present value of future cash flows of these insurance liabilities is required under the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). Where the premium allocation approach is applied to a group of insurance contracts, the requirement to determine the present value of future cash flows under the LRC is only needed if the contract is onerous or in some cases to demonstrate the eligibility of approach to the group.

For the LIC, which aren't assumed to be settled within the month the claim is incurred, historic experience is used to derive the balance of claims still to be settled and the settlement pattern. Where data is insufficient, a point estimate of the ultimate claim ratio is used often in combination with the historic data.

The calculation of insurance liabilities is an inherently uncertain process. The Company seeks to provide adequate levels of insurance provisions by taking into

account all known facts and experience from a variety of sources as well as statutory requirements.

**Fair value of non-current assets held for sale** – At each balance sheet date, the fair value is determined through valuation by an independent expert and then set against the carrying amount less costs to sell, which include a degree of estimation.

Where significant past events have resulted in experience in that year differing from the "norm", this experience is separated out for analysis purposes and assessed separately for inclusion in the projection assumptions at an appropriate level given the likelihood of this experience repeating itself in the future. Large claims are also analysed separately from the main body of claims due to the different pattern of claim development from the date the claim incurred. Relevant historic data is chosen and it used to inform the underlying assumption to produce a reasonable estimate of the probability weighted mean.

Estimation of expected claim and claim-related expense cash flows

The LIC is the notified outstanding claims provision i.e., claims pending plus the incurred but not reported claim reserve ("IBNR") and the incurred but not enough reported ("IBNER") reserve. The latter is set using an average cost of claims approach for claims that occurred and are currently being assessed (i.e. where number is known but not the severity). Claims-related expenses are also calculated and added to the LIC.

### 3.6.2. Liability for incurred claims

The best estimate provision for LIC relates to claim events that have occurred before or at the reporting date – whether the claims arising from these events have been reported or not (incurred but not reported – IBNR). The best estimate liability also includes directly attributable claims management expenditures to account for the cost of managing the final run-off of the claims provisions. The claims expected to be paid during the reporting period in respect of the prior year's closing LIC are estimated using an analysis of historic settlement patterns.

### 3.6.3 Claims incurred but not reported (IBNR)

The IBNR Claims Provision is held in respect of those claims that have occurred but are yet to be reported by the measurement date. The number IBNR claims are determined with reference to claim reporting delays patterns as per recent claims experience, to which the severity of the claims is applied to arrive at the IBNR Claims Provision. A separate calculation is carried out to calculate the reinsurance portion of the IBNR reserve. A joint bootstrap simulation of the number of IBNR claims and the inflated cost of claims is performed to determine the IBNR Claims Provision at a 75% sufficiency level, to derive the risk adjustment.

The IBNR for LBIC's crop business is not large as claims are required to be reported within seven days. IBNR claims therefore hardly exist for periods longer than three months and the IBNR is not expected to be large, except

## **ACCOUNTING POLICIES**

possible in the month of calculation. Due to limited asset historical data, an asset IBNR is held by calculating loss ratio over the past five years and applying that a pricing loss ratio to gross written premium of the past three months.

### **3.6.4 Notified Outstanding Claims Provision**

Notified Outstanding Claims Provisions ("NOCP") within LBIC include estimates for Pending Claims and Incurred But Not Enough Reported ("IBNER").

Outstanding Claims 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 case by case basis with due regard to the specific circumstances, information available from the insured and/or assessor and past experience with similar cases. The company's estimates for outstanding claims are continually reviewed and updated as future developments take place and better information becomes available regarding the current circumstances. The ultimate cost of the claim may therefore vary from this initial estimate. Adjustments resulting through this process are reflected in the statement of comprehensive income as and when identified.

The assessed claims are the "Pending Claims" part of the NOCP. Where a claim has been adequately assessed, it is unlikely that there is further variation to the claim estimate. As the claims are assessed by suitable qualified,

trained and competent assessors, there are hardly significant differences between the case estimates and what is eventually paid. The pending claims as reported are taken as they are and no further actuarial assessment is conducted. The provision for outstanding claims is estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries.

In instances where a notified claim is pending assessment and/or has a nil claim provision, it is considered as IBNER. Where there are nil claims provisions, LBIC's actuarial team estimates the IBNER by applying the average cost per claim to the number of IBNER claims using inflated historical claims.

For the claims that remained unassessed, the sufficiency of the IBNER claims provision is tested by applying the average claim cost to the number of IBNER claims. A bootstrap simulation of the claim amounts is done to test the IBNER at a 75% sufficiency level, to determine the risk adjustment.

### **3.6. Claims-related expenses**

Claims handling expenses are expenses that LBIC pays in relation to the processing and payment of claims. Both the ALAE and ULAE are expressed as percentage of claims incurred in the applicable financial year, in line with the underwriting reports. No allowance is made for policy maintenance expenses that are not related to claims as these are provided for by the fee to the UMA. LBIC expenses, if any, are insignificant in this regard.

Allocated Loss Adjustment Expenses ("ALAEs") are claim handling expenses attributed to the processing of a specific insurance claim. These are claim assessment fees paid to claim assessors, but could also include legal fees if applicable. The ALAE is added on top of the IBNR and IBNER since pending claims are already assessed. A separate calculation is carried out to estimate reinsurance recoveries.

Unallocated Loss Adjustment Expenses ("ULAEs") are claim handling expenses that cannot be attributed to specific claims, such as the cost of the general time management spends on claims related matters, overheads, salaries and investigations. These expenses are more of a general nature and not directly related to claims.

In LBIC's case, ULAE are largely incurred in respect of claims that have already been assessed, and therefore it is reasonable to estimate these based on claims paid in a period. No reinsurance applies on the ULAE and thus no reinsurance recoveries are calculated on the ULAE. The same risk adjustment for the outstanding claims applies for the ALAE and ULAE.

Liability for remaining coverage

### **3.7.1 Unearned Premium Provision**

The company raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. The estimate for unearned premium provision ("UPP") is the portion of claims not incurred

## **ACCOUNTING POLICIES**

as yet by the end of March each year. The UPP is created at the commencement of each insurance contract and is released as the risk covered by the contract expires according to the remaining days method for the assets policies.

The non-uniform nature in which crop exposure is earned (by calendar year or policy duration) is analysed in relation to the historic frequency and timing of the perils and the severity of the resulting claims, and a functional relationship established using the Premium Earnings Curve. The unearned premium for crop policies is calculated according to the claims occurring patterns based on a recent historic claims analysis of claims incurred.

The unearned premium for the agri-asset ("asset") portfolio is calculated assuming a straight-line earnings pattern, spreading the premiums evenly throughout the contractual term. No UPP is held for monthly policies as the term is short and premiums earned as they are written, with the business expected to be profitable.

The earnings curve assumption is not entirely critical on its own since an assessment for the need to set-up the additional unexpired risk provision is more important in ensuring sufficiency of reserves than the earning of written premiums. 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 (LC") is made for any estimated future underwriting losses relating to unexpired risks. This assessment includes estimates of future claims frequency and claims severity and other factors affecting the need for a provision for unexpired risk and performed annually. Simulations of aggregate claims are done by simulating both the number of claims that may arise from a Poisson distribution as well as the claim amounts thereto (historical bootstrapping), utilizing the inflated claims data. The average of the simulated aggregate claims is the best estimate unexpired risk provision and a risk adjustment is held at a 75% confidence interval.

The provision for unearned premiums is first determined on a gross level and thereafter the reinsurance impact is recognized based on the relevant reinsurance contract. The UPP is calculated gross of DAC using the Premium Earnings Curve. The final UPP net of DAC is then calculated by netting the acquisition costs for brokers and the UMA fee (where applicable).

### **3.7.2 Deferred Acquisition Cost**

The deferred acquisition cost ("DAC") can be thought of as the amount of commission recoverable from intermediaries if the company had to refund premiums to all its policyholders. The company calculates the DAC based on the premium earnings curve in a similar manner as the UPP calculation, using the percentage of premium payable to. LBIC calculates the DAC based on the Premium Earnings Curve in a similar manner as the UPP calculation, using the percentage of premium payable to

UMAs and to brokers. DACs are amortized at incidence of risk basis and are deferred over the period in which the related premiums are earned.

From the time that a group of insurance contracts is considered to be onerous until the end of coverage period (as determined by the IFRS 17 contract boundary), all future valuations of the group will include the determination of the LC.

### **3.7.3. Loss Component**

The UPP and the loss component raised are utilised together with the written premium, premium receivables and bad debts to obtain earned premium or revenue under the PAA approach. This is obtained through the IFRS 17 implementation tool.

Where the PAA is used as the measurement approach, onerosity is established through the presence of facts and circumstances that indicate this to be the case. Only then are calculations performed (again, either at initial recognition or subsequently). As per the aggregation policy facts and circumstances would include the process to set premium rates or from business-as-usual profitability monitoring and internal reporting processes.

PV\_Cf<sub>t</sub> and RAt are the present value of future cash flows and risk adjustment for non-financial risk measured at time t respectively measured as per the GMM requirements; and LRC\_PAA<sub>t</sub> is equal to the measurement of liability for remaining coverage described in paragraph IFRS 17.55.

## ACCOUNTING POLICIES

PV\_Cf<sub>t</sub> would include the balance of any premium debtors and commission creditors that were included in the calculation of LRC\_PAAt. The cash flows for PV\_Cf<sub>t</sub> and RA<sub>t</sub> are produced in the cash flow projection model off IFRS 17 implementation tool.

The loss component ("LC") at initial recognition and subsequently is determined using the formula:

$$LC_t = PV\_Cf_t + RA_t - LRC\_PAA_t$$

where

PV\_Cf<sub>t</sub> and RA<sub>t</sub> are the present value of future cash flows and risk adjustment for non-financial risk measured at time t respectively measured as per the GMM requirements; and

LRC\_PAAt is equal to the measurement of liability for remaining coverage described in paragraph IFRS 17.55.

PV\_Cf<sub>t</sub> would include the balance of any premium debtors and commission creditors that were included in the calculation of LRC\_PAAt. The cash flows for PV\_Cf<sub>t</sub> and RA<sub>t</sub> are produced in the cash flow projection model off IFRS 17 implementation tool.

The assumptions underpinning the LC feed into the IFRS 17 implementation tool are the incurred loss ratio, ALAE, ULAE and the Risk Adjustment for summer crops (no loss component was raised for winter crops and fruit and asset portfolios).

The LRC is a forward-looking reserve and therefore includes more uncertainty relating to non-financial risk than retrospective reserves held for events that have already occurred and for which experienced has emerged. The liability for remaining coverage is then determined as follows:

$$LRC = UPP - \text{Premium Receivables} + \text{Premium Payable} - DAC + \text{Commission Payable} - \text{Commission Receivables}$$

All claims incurred are paid or received in one year or less from the date the claims are incurred. Thus, LBIC's claim settlement pattern is under one year and LBIC applies no discounting. The amount of earned premium or payments due after one-year are immaterial to LBIC.

### 3.7.4 Incorporation of premium and commission debtors and creditors

Under IFRS 17, premium and commission debtors and creditors are no longer separately held on the balance sheet. Any provision for bad debts in respect of premiums is also no longer held separately.

All other things being equal, under the PAA, if premium due is earned prior to it being received, the LRC will be in a negative, asset position. Thus, a premium debtor is only held on the balance sheet to the extent that it has been earned.

The treatment of commission creditors depends on the option chosen by LBIC with respect to expensing

insurance acquisition cash flows as they are incurred versus amortising them over the coverage period. LBIC amortises commission but expensing all other insurance acquisition cash flows.

In light of this, commission creditors are thus treated in the same way for premium debtors under IFRS 17. Only commission creditors related

to amounts already amortised are held in the LRC and hence on the balance sheet. For the amount still to be amortised, both the amounts already paid as well as the amounts still outstanding are taken into account.

## 3.7. Revenue recognition

### Interest income

In terms of IFRS 9 interest income is recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cash flows. The effective-interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period. Interest income include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

## **ACCOUNTING POLICIES**

### **IFRS 15 Revenue from Contracts with Customers**

The group is able to identify the contract when both the client and the group have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the group will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The group recognises the revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

#### **(i) Fee and commission income.**

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

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

#### **(ii) Dividend Income.**

Dividends are recognised in the period when the shareholders' right to receive payment is established. Dividend income from financial assets classified at fair

value through profit or loss is recognised on the last date to register.

#### **(iii) Investment surpluses.**

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

#### **(iv) Rental income.**

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

#### **(v) Realised gains and losses.**

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

#### **(vi) Unrealised gains and losses.**

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

### **3.8. Fruitless and wasteful and irregular expenditure**

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

### **3.9. Property, plant and equipment**

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

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**ACCOUNTING POLICIES**

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as Revaluation Reserves in the Statement of Changes in Equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against Revaluation Reserves directly in equity; to the extent that decreases exceed the Revaluation reserve the decreases are charged

to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income, and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Reversals of impairment loss on a revalued asset is recognised in other comprehensive income and increases the revaluation surplus of the asset. However, to the extent that an impairment loss on that asset was recognised directly in profit and loss, that reversal shall be to profit and loss. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

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

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

Building	2.5% per annum
Motor vehicles	20% per annum
Computer equipment	33.3% per annum
Leasehold improvements	Equal months in relation to lease period
Furniture and fittings	20% per annum

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

Land and Buildings are revalued annually at balance sheet date.

**3.10. Investment property**

Investment properties (properties that are not owner-occupied), are properties which are held to earn rental income and/ or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of

## **ACCOUNTING POLICIES**

an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of profit or loss in the period in which they arise

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property

and equipment up to the date of change in use. Owner occupied property is classified as investment property when the owner occupies less than an insignificant portion of the property (less than 50%).

This threshold was set due to the Group's intention to let out any excess office space, which exists at the Group's properties.

### **3.11. Intangible assets**

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

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

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

#### **(i) Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software license fees are paid for in advance, recognised as a prepayment and expensed to the statement of profit or loss and other comprehensive income over the period of the license agreement. Should

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

### **I. Amortisation**

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Tier 1 asset - Software relating to core business applications for which any change to a different application suite would require a significant investment in resources and time.

Tier 2 asset - Software that is directly integrated with the core financial systems and additional developments and modules may have been added. Other - Commodity software.

Residual values are reviewed at each financial year end and adjusted if appropriate.

<b>Item</b>	<b>Depreciation Method</b>	<b>Average useful life</b>
Tier 1 asset	Straight line	10 years
Tier 2 asset	Straight line	5 years
Other	Straight line	3 years

### **Impairment of non-financial assets**

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

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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

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

### **3.12. Financial instruments**

#### **Classification and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual terms of the instrument.

At initial recognition, the group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

#### **(i) Amortised cost and effective-interest rate**

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus

the cumulative amortisation using the effective-interest method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

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

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

#### **Fair value**

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place.

## **ACCOUNTING POLICIES**

The group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

For a detailed discussion of the fair value of financial instruments, refer to note 36.

### **MODIFICATION**

The group modifies the terms of the loans provided to its clients due to commercial renegotiations or in cases of distressed loans, with the aim of maximising recovery. Such restructuring activities include changes in payment frequency, payment date, term, interest rate or consolidation of borrower's loan agreements into a single agreement to mitigate credit risk.

The modified asset is assessed to determine whether it constitutes a substantial or non-substantial modification by considering both quantitative and qualitative features. For example, if the present value of the new contractual cash flows discounted using the original effective interest rate, differs by 10% when compared to the original contractual cash flows, the Land Bank deems the modification to be substantial and results in the de-recognition of the original asset. If the present value is below 10% and the qualitative assessment performed does not deem it so, the Land Bank deems the modification to be non-substantial and does not result in de-recognition of the original asset. The modification gain/loss will then be determined.

The gain/loss shall be derived by comparing the present value of the restructured loan (discounted using the original effective interest rate) to the carrying value at time of modification or derecognition.

### **FINANCIAL ASSETS**

Debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

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

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

### **Investments in equity instruments**

For equity investments that are held neither for trading nor for contingent consideration the group may irrevocably elect to present subsequent changes in the fair value of these equity investments in OCI. The cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it is reclassified into equity.

### **FINANCIAL LIABILITIES**

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: This classification is applied to derivative financial liabilities, financial liabilities held for trading and other financial liabilities designated as such at initial recognition.
- Financial guarantee contracts and loan commitments.

### **Derivative financial instruments, strategic trading asset and hedge accounting**

The Group elected an accounting policy choice under IFRS 9 "Financial Instruments" to apply the hedge accounting requirements under IFRS 9 "Financial Instruments: Recognition and Measurement".

As part of the requirements to apply hedge accounting, the Group documents, at the inception of the hedge relationship, the relationship between hedging instruments

## ACCOUNTING POLICIES

and hedged items, the risk being hedged, the Group's risk management objective and strategy for undertaking hedge transactions, and how effectiveness will be measured throughout the life of the hedge relationship.

All derivatives are recognised in the statement of financial position at fair value and are classified as trading except where they are designated as part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is measured at fair value throughout the life of the contract. Derivatives are disclosed as assets when the fair value is positive and as liabilities when the fair value is negative.

The derivative assets and derivative liabilities are offset and the net position is presented in the statement of financial position as the Group has a legal right to offset the amounts and intends to settle on a net basis. Each swap has the same counterparty and the "net asset/liability" is as a result of movements in FVTOCI.

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

### Cash held under investments

The "Cash" held under investments is held with the Asset Managers (external party) to invest on the Group's

behalf. At various stages as the markets move, the Asset Managers may buy and sell shares and bonds, and would invariably have cash on hand at certain points in time. This cash is held in the possession of the Asset Managers and is intended to be used for the purpose of purchasing new financial instruments. The cash is not necessarily available to be used as working capital by the Group and therefore is not disclosed as "Cash and cash equivalents". Please refer to note 4.

### Derecognition of financial asset

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

## FINANCIAL ASSETS

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- (1) The Group has transferred substantially all the risks and rewards of the asset, or

- (2) 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

## ACCOUNTING POLICIES

value of the original financial liability and the consideration paid is recognised in profit or loss.

### Impairment of financial instruments Impairment of financial assets

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting date and the initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset.

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

## FINANCIAL INSTRUMENTS

Key principles of the group's accounting policy for impairment of financial assets are listed below. The Group assesses at initial recognition of financial assets whether to use a 12-month expected loss approach or

a lifetime expected loss approach in order to calculate its impairment provision.

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

Purchased or newly originated financial assets that are not credit impaired. A lifetime expected loss approach is used for the following instruments: Purchased or newly originated credit impaired financial assets. Although some financial assets within the Bank's portfolio might meet the definition of low credit risk, the Bank opted not to apply this in application of its ECL methodology as given the nature of the Bank's business it is deemed not to be prudent not to consider whether a significant increase in credit risk exists.

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

### Stage 1: 12months ECL

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

### Stage 2: Lifetime ECL - not credit impaired

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

### Stage 3: Lifetime ECL - credit impaired

If the loan's credit risk increases to the point where it is considered credit-impaired, interest revenue is calculated based on the loan's amortised cost (that is, the gross carrying amount less the loss allowance). Lifetime ECLs are recognised, as in Stage 2.

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

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

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

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

### **Day 1 profit**

Where the transaction price in a non-active market is different from other observable current market transactions in the same instrument or based on a valuation technique whose variables include data from observable markets, the group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the statement of profit or loss and other comprehensive income under fair value gains and losses. In cases where use is made of data, which is

not observable, the difference between the transaction price and model value is only recognised in the statement of profit or loss and other comprehensive income when the inputs become observable, or when the instrument is derecognised.

### **Collateral**

Collateral refers to an asset bonded or pledged under a security document to the Bank by a borrower or surety in support of a loan granted. In the event of a default by a client or surety, collateral is a secondary source of repayment.

All collateral items ceded to the Land Bank shall be valued or revalued within the frequency timelines, failing which will be regarded as stale and in non-compliance to the Collateral Management policy.

Market values for properties (and ultimately fair value) must be conducted in line with industry standards as determined by the South African Council for the Property Valuers Profession (SACPVP), as amended from time to time. This involves the use of comparable sales of similar properties (for Land Bank it's 3 recent comparable sales).

Fair value is determined by limiting collateral reporting to the lower of registered bond/ cession amount or forced sale value (FSV).

The collateral valuation must take into account the forced sale margins (or liquidation cost provision) based on

historical recovery and liquidation costs incurred by Land Bank to determine security value and/or forced sale value. These liquidations cost margins must be re-assessed annually.

### **Cash and cash equivalents**

Cash comprises cash on hand and at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Funds administered on behalf of related parties**

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

### **Trade and other receivables**

For trade and other receivables only, the Bank applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables if there is no significant financing component. Under this approach the tracking of changes in credit risk is not required, instead lifetime expected credit losses are recognised. ECLs are

## **ACCOUNTING POLICIES**

recognised in profit or loss. The provision matrix will be used to calculate the impairment for credit losses. The Bank will use the historically observed default rates (actual write-off) over the expected life of the trade and other receivables adjusted as necessary to reflect current conditions to calculate the default rate in the provision matrix. Adjustments will be made for forward-looking information based on economic conditions. The default rate calculated in the provision matrix will be adjusted for economic conditions. The total book debt is segregated into different categories of trade and other receivables and the default percentage is applied on the balance per category to calculate the ECL allowance

### **Trade and other payables**

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

### **Funding Liabilities**

The carrying values of all funding liabilities are measured at amortised cost in alignment with IFRS 9 requirements.

The arranging fees that are paid upon acquisition of the liability are deferred to the Statement of Other Comprehensive Income over the term of the loan facility and included in the interest expense line as these arranging fees form part of the "Effective Interest Rate" of funding instruments. The prepaid arranging fee is carried as part of the funding liabilities.

### **3.13. Tax**

#### **Income tax**

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

### **3.14. Leases**

#### **Lessee accounting policies**

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. At inception of a contract, the Group assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has elected to apply the practical expedient method to account for each lease component and any non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying

asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms range from 2 to 5 years for offices and vehicles. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from

## **ACCOUNTING POLICIES**

a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

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

### **Lessor accounting policies**

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

### **3.15. Related parties**

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

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

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

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

### **3.16. Foreign currency transactions**

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

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

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

## **ACCOUNTING POLICIES**

### **3.17. Non-current assets (disposal groups) held for sale (NCAHFS) or distribution to owners**

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

#### **Properties in possession**

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

#### **Disposal of properties in possession**

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

The Group has satisfied the following IFRS 5 conditions to classify the properties as NCAHFS:

The appropriate level of management must be committed to a plan to sell the asset; and an active programme to locate a buyer and complete the sale must have been initiated.

The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except where events and circumstances may extend the period to complete the sale beyond one year

Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

## **EMPLOYEE BENEFITS**

### **Post-employment benefit plans**

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

#### **(i) Defined contribution plans.**

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

#### **(ii) Retirement fund**

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

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

### **(iii) Defined benefit plans.**

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth and mortality. Discount rates are determined by reference to market yields at the end of the reporting periods on government bonds that have terms to maturity approximating to the terms of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included as a separate component of equity in the statement of financial position and in the statement of changes in equity. Service cost on the net defined benefit liability is included in

employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

### **Medical aid fund**

The Bank provides a post-retirement medical aid benefit to all employees who were either employees or pensioners of the Bank at 1 December 2005. The fund functions as a defined benefit scheme. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. It is the Group's policy to pay the medical fund subscription fees on behalf of all pensioners in full and to fund the total obligation as and when it arises. Actuarial valuations of the Bank's liability are conducted on an annual basis by an independent qualified actuary on the projected unit credit method. The liability recognised in the statement of financial position in respect of defined benefit medical plan is the present value of the defined benefit obligation at the statement of financial position date. The benefit obligation at the statement of financial position date is not reflected net of assets since these assets are not held in a legally separate entity that is not available to the Bank's own creditors. The past service costs and interest costs are accounted for in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of profit or loss and other comprehensive income in full.

### **Short-term employee benefits**

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis. Accruals for employee entitlement to annual leave represents the present obligation, which the Group has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

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

### **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the

## ACCOUNTING POLICIES

termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### 3.18. Provisions

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

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

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

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

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

### 3.19. Insurance Contracts LBLIC

LBLIC's insurance products, including all product features, meet the insurance risk transfer requirements and thus fall within the scope of IFRS 17 to be accounted for as insurance contracts. Likewise, all reinsurance agreements are treated as reinsurance contracts held under the same IFRS standard.

Contractual Assessment – Direct Business:  
LBLIC underwrites the following products:

- Level Individual Term Assurance
- Decreasing Individual Term Assurance · Group Credit Life

Each product's contractual terms are assessed to establish whether the products meet the requirements to be considered insurance contracts which require one party (the issuer) to accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. In particular, in accordance with the application guidance IFRS 17. B3, and IFRS 17. B5 – IFRS 17. B35, the contractual terms are assessed to establish whether:

- i. The policyholder is a separate party to LBLIC,
- ii. There is insurance risk transfer where the policyholder was exposed to the non-financial risk(s) insured prior to issuance of an insurance contract,
- iii. There is at least one plausible scenario, where, on a present value basis, the premium paid by the policyholder was materially insufficient to cover the expected benefit payments and directly attributable expenses,
- iv. The benefit payment is compensating the policyholder (whether in part or in full) for being adversely affected by the occurrence of an insured risk event; and
- v. The event is itself is a future event and is uncertain (either in amount and/or timing). This would include events where the event is defined in terms of reporting the incident rather than the occurrence of the insured risk itself.

All products meet the above-listed requirements and hence qualify as insurance contracts.

Contractual Assessment – Reinsurance Agreements:

LBLIC previously reinsured its business using a single Quota Share Reinsurance Arrangement, i.e. there's no reinsurance on existing and new business as the LBLIC is currently optimising its reinsurance arrangement. However, reinsurance was assessed as follows:

The contractual terms for reinsurance agreements were assessed using the same list of requirements used for the assessment of the direct business products. Of particular importance was the establishment whether the insurance risk transferred to the reinsurer was first transferred to LBLIC from the policyholder. If this test was to fail, the agreement would not fall within the scope of an insurance contract and be treated as an expense for accounting purposes.

The reinsurance agreement qualifies as a reinsurance contract held.

An insurance contract may contain one or more components that would be within the scope of another Standard if they were separate contracts. In particular, this relates to:

Distinct investment components,

Embedded derivatives not closely related to host insurance contract, and

Distinct goods and services.

LBLIC does not have exposure to investment components, embedded derivatives and distinct goods and services within any of its insurance contracts or reinsurance contracts held and has no plans to offer this product feature in the foreseeable future.

## 2. Level of Aggregation

LBLIC's insurance contracts are aggregated into separate groups for the purpose of determining the IFRS 17 profit recognition in respect of each financial reporting period. A group is defined to include contracts issued or renewed in a particular financial year that use the same measurement approach and have a similar level of expected profitability split at a product type level. Each reinsurance treaty, further splits each underlying product type assigned to a group of its own. A contract is assigned to a group at initial recognition and this is not reassessed until the contract boundary has been reached. Where the premium allocation approach is applied, due to similar expected profitability, each portfolio cohort year's contracts are assigned to a group as a whole and not on a contract-by-contract basis.

Judgement is required to split profitable insurance contracts between those with no significant possibility of becoming onerous from those with a possibility of becoming onerous. For insurance contracts measured under the premium allocation approach and where an insurance contract issued for a particular product has been loss-making in the past, the profitability bucket for insurance contracts with no significant possibility of becoming onerous is not used. Where there is no historic data and where the present value of net cash flows calibrated to a 95th percentile is still profitable, then contracts will be assigned to the no significant possibility of becoming onerous.

A 3-step process is followed to assign an insurance contract issued to a group:

Step 1: Allocate the contract to a portfolio

Step 2: Assign the contract to a group such that the issues dates are not more than a year apart

Step 3: Assign the contract to a profitability bucket, which at a minimum, subject to certain conditions, must be "Onerous", "No significant possibility of becoming onerous" ("NSPBO") or "Remaining

Insurance Contracts that have similar risks and are managed together need to be grouped together in what is defined as a portfolio under IFRS 17.

Portfolio recommendation

Based on the above, the chosen portfolios are:

- Individual Credit Life (Level)
- Individual Credit Life (Decreasing) · Group Credit Life

The reinsurance treaty for group credit life is an annual policy and is renewed each year based on updated reinsurance terms. Group renewals thereof where these are of a similar structure together in a portfolio. The treaty provides reinsurance cover for multiple insurance contract portfolios where the treaty is combined into one for convenience purposes. The treaty is split into multiple portfolios per product type to allow for internal management reporting to view the business on a net of reinsurance basis.

## ACCOUNTING POLICIES

The portfolios are:

- Term Assurance (Level and Decreasing)
- Group Credit Life

### Cohort Period

IFRS 17 requires portfolios of contracts to be divided into time buckets, referred to as cohorts. For LBLIC's group business, overall scheme performance is measured on a financial year basis (i.e. 1 April – 31 March). The Term Assurance (Level and Decreasing) and Group Credit Life reinsurance agreement is aligned to the financial period. All cohorts are thus aligned with the financial year.

### Profitability Buckets

- Insurance contracts issued – Level of granularity

There are no legal or insurance regulations that prevent LBLIC from having the practical ability to set a different price or level of benefits for policyholders with different characteristics. As such the minimum level of aggregation required, after allocating contracts to portfolios and ensuring that issues dates are not more than one year apart, is to assign each insurance contract based on the profitability expectations at initial recognition to a profitability bucket:

No significant possibility of becoming onerous ("NSPBO")

Onerous  
 Remaining

- Insurance contracts issued – Premium allocation approach

Under the premium allocation approach, no contracts are assumed to be onerous at initial recognition unless facts and circumstances indicate otherwise. For LBLIC, these facts and circumstances are informed by the process to set policy premium rates or from business-as-usual profitability monitoring and internal reporting processes.

### Threshold for NSPBO

In order to divide the current profitable insurance contracts into those with no significant possibility of becoming onerous and those with a possibility of becoming onerous, the volatility of prior claim experience was analysed on a per product basis. If, in any of these years, a contract was loss making, the product is automatically assumed to not have a NSPBO profitability bucket. Only two profitability buckets are therefore established (i.e. Remaining and Onerous).

- Insurance contracts issued – General Measurement Model and Variable Fee Approach

For the general measurement model, an actuarial projection is carried out on a per contract basis. For all new insurance contracts written in the reporting

period, the prior year IFRS 17 assumptions are used to value the present value of expected cash flows and the risk adjustment for non-financial risk at the date of initial recognition. Where this amount is positive (i.e. expected outflows are greater than expected inflows), the contract is assigned to an onerous group. Where the amount is negative, an additional step is required to assign the profitable contract in either the "remaining" bucket or the "NSPBO" bucket.

For each product, a profit threshold is set such that expected profitability above the threshold is assigned to the NSPBO and the rest is assigned to the remaining bucket. The profitability metric is defined as:

$$\text{profitability metric} = \frac{\text{present value of risk} - \text{adjusted cash flows}}{\text{present value of premiums}}$$

Where the present value of risk-adjusted cash flows is the present value of future cash flows plus the risk adjustment for non-financial risk.

The threshold percentage is set at a 95th percentile which is determined using the same technique used to determine the confidence level for the risk adjustment for non-financial risk.

- Reinsurance contracts held

The accounting treatment for reinsurance contracts held is the same regardless of whether a group of insurance contracts is classified as a net gain, no significant possibility of a net gain ("NSPBG") and the remaining category. As

such, where a reinsurance agreement is in a group of its own after applying the portfolio and cohort year split, there is no need to assess the profitability of the agreement. All of these groups will be assigned a “Remaining” category.

### **3. Contract Recognition and Derecognition**

LBLIC's insurance contracts are mostly recognised from their commencement or renewal date, except where the first premium is due earlier than in which case, this date is used. Contracts expected to be onerous are usually recognised from the commencement date as this date is closely aligned to the date when LBLIC accepts the risk contained under such contracts.

The Standard requires that contracts be recognised from the earlier of one of three dates:

1. the contract start date,
2. the premium due date, or
3. the date of acceptance of risk if the contract is onerous.

In absence of a contractual due date, the first payment from a policyholder is deemed to be due when it is received [IFRS17 17.26]. Premiums paid before their due date are not recognised as part of the insurance liability, but as current financial liability.

The Standard requires a contract to be derecognised when LBLIC is no longer at risk and is therefore no longer

required to transfer any economic resources to satisfy the insurance contract. The practical application of contract derecognition within LBLIC is specific to the liability component in question.

The general principals are as follows:

1. For contracts measured under the liability for remaining coverage,
  - a. when the contract's coverage period has come to an end,
  - b. the policy has been cancelled, or
  - c. the policy has contractually terminated due to a claim and/or policyholder death if the latter isn't an insured benefit,

and all premium debtors or commission creditors directly related to that contract have been settled (or written off), the contract is derecognised from the liability for remaining coverage and not included in the calculations for any IFRS 17 group.

2. Under the liability for incurred claims, any liability in respect of the contract is derecognised when all of the following are true:
  - a. Where a claim has been reported and this claim is fully settled or repudiated, and
  - b. Where the full coverage period up until the renewal or expiry date has passed and the claim notification period for reporting claims has passed.

The requirement to derecognise a contract from a group due to a contract modification is not necessary for LBLIC as there were no contract modifications identified that would result in a change in the allocation of the IFRS 17 group.

### **4. Expense allocation**

IFRS 17 provides principle-based guidance on the determination of expenses which should be included in the measurement of insurance contracts and how each expense category should be measured. Expenses which are regarded as “directly attributable” are within the scope of IFRS 17 (as per paragraph IFRS 17. B65 and IFRS 17. B66).

LBLIC's expenses are largely considered to be directly attributable to insurance contracts. These costs are those that are incurred as a result of being an insurance entity and those incurred to write, renew or service its insurance contracts. Directly attributable costs are allocated down to a group of insurance contract level in a way that reflects the relative benefit that each group receives from the expense incurred. LBLIC has chosen to expense its insurance acquisition cash flows for groups measured under the premium allocation approach and will amortise the remainder of its insurance acquisition cash flows over the passage of time using the number of policies expected to be in force over the coverage period of each group of insurance contracts. The liability for expenses incurred that are yet to be settled is held within the liability for remaining coverage.

## ACCOUNTING POLICIES

### LBLIC has adopted an all-in approach in terms of expense allocation.

This approach is useful to “exclusively” insurance and reinsurance companies writing only insurance contract business. The starting point is to assume 100% of all expenses are directly attributable to insurance activities and then these are reduced by expenses that do not qualify for being directly attributable on the nature of the expense and any IFRS 17 specific exclusions.

Paragraph IFRS 17.65 lists the expenses that would be considered directly attributable. For LBLIC, these include:

- insurance acquisition cash flows;
- claim handling costs;
- policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements).
- value added taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis; and
- an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support) directly attributable to fulfilling insurance contracts.

LBLIC has defined four expense categories:

#### i. Insurance Acquisition Cash Flows

Insurance acquisition cash flows are the costs incurred to sell, underwrite or start an insurance contract issued or reinsurance contract issued.

The general principle under IFRS 17 is that insurance acquisition cash flows must be amortised over the coverage period. The exception for insurance contracts measured under the premium allocation where every contract has a coverage period under one year is that there is an option to rather expense these costs when they incur. LBLIC is proposing to adopt this accounting policy option for all insurance acquisition cash flows where these relate to groups measured under the premium allocation approach

Theoretically, where these costs are incurred prior to the commencement of an insurance contract that is to be measured under the general measurement model, these amounts are capitalised as an “insurance acquisition cash flow asset” which is held at an IFRS 17 portfolio level (see the aggregation policy for more details). As the insurance contracts to which these costs are to be allocated are recognised, these costs are derecognised from this asset and recognised within the group of insurance contract’s liability.

Both for the above allocated insurance acquisition cash flows and those that are incurred on or after the date of insurance contract recognition, these costs are included

as part of the fulfilment cash flows within the liability for remaining coverage. A portion of the premiums receivable under the contracts are set aside to cover these insurance acquisition cash flows and these costs and the corresponding premium are recognised together over the coverage period.

LBLIC does not incur material insurance acquisition cash flows prior to the recognition of an insurance contract. The lead-time from the incurrence of these costs until the contracts for which these costs were incurred are recognised is also typically under one month. As such, LBLIC is proposing not to incorporate the use of the insurance acquisition cash flow asset. Insurance acquisition cash flows with thus be allocated directly to groups of insurance contracts as they are incurred.

#### ii. Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs

These costs are expensed as they are incurred. The expected future specific directly attributable expenses will be held within the liability for remaining coverage and released when they are expected to be incurred. A corresponding expense incurred liability will be established within the liability for incurred claims.

There are two types of specific directly attributable costs. The first category are claim-related costs that are incurred to administer, measure and settle incurred claims. The second category relates to the balance of the expenses and are referred to for the purpose of this expense allocation policy as “policy administration and maintenance expenses”. As the expenses are paid, the liability for incurred claims is released

iii. Non-Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to fulfilling the obligations under insurance contracts but first needs an allocation methodology applied to split the costs.

Once allocated, the accounting treatment is the same as for the specific directly attributable expenses. The costs largely result from the allocation of fixed and variable overheads

iv. Non-Attributable Expenses

These expenses (either in total or in part) are deemed not necessary to fulfilling insurance and reinsurance contracts and therefore must not be included with the measurement of insurance contracts under IFRS 17.

These costs are expensed as they are incurred, or under the required accounting approach defined by the relevant IFRS standard

### Expense allocation principles

Under IFRS 17, insurance acquisition cash flows and other directly attributable expenses must be allocated down to a group of (re)insurance contracts level.

The following principles shall guide the allocation of expenses under IFRS 17:

- 1.1 Expenses are considered to not be attributable if the cost would not have been incurred if LBLIC was not an insurance entity.
- 1.2 Expenses are considered to be directly attributable if the cost is incurred only as a result of entering or attempting to enter into an insurance contract or due to a contract being in-force.
- 1.3 Expenses shall be allocated to the insurance contract that generates the expense. The allocation shall be based on the relative benefit that the contract receives from the expense.
- 1.4 Insurance acquisition cash flows shall be allocated to the contract at the inception of the contract. The allocation shall be based on the expected benefits that the contract will provide over its lifetime.
- 1.5 A reasonable method must be used to allocated expenses where the costs are not incurred at a group of (re)insurance contracts level.

The allocation of expenses shall be reviewed periodically to ensure that it remains reasonable and consistent.

### Allocation Methods

The following methods are used to allocate expenses under IFRS 17:

#### Direct Tracing:

Expenses that can be traced directly to a specific (re) insurance contract are allocated to that contract.

#### Proportional Allocation:

Where a directly attributable expense benefits more than one contract, the expense shall be allocated in proportion to the benefits received by each contract

#### General Allocation:

Where an expense, such as an overhead cost, benefits all or many (re)insurance contracts and non-IFRS 17 activities, the expense shall be allocated based on a reasonable method that reflects the benefits received by each contract.

The allocation metric is chosen per expense sub-category based on both the information available and based on an analysis of the drivers affecting the size of the cost. For example, the time spent and level of skill level required to issue insurance contracts are deemed to be equal across all contracts. The number of policies in force is thus chosen as the metric to allocate these costs.

**5. Measurement and approach principles**

The contract boundary is the policy term for the Individual Decreasing Term Assurance and Individual Level Term Assurance products, while it is one year for the Group Credit Life. The contract boundary for the aggregated reinsurance agreements is 1 year.

The GMM is used for the Individual Decreasing Term Assurance and Individual Level Term Assurance products due to their long duration, while the PAA is applied to the Group Credit Life and Quota Share reinsurance agreements due to their coverage period not exceeding a year (12 months).

The default measurement approach specified by the IFRS 17 Standard is the general measurement model (“GMM”). This applies to insurance contracts issued as well as reinsurance contracts issued and held.

Where the contract boundary is one year or less, an entity has the unrestricted option to choose whether to apply the simplified approach called the Premium Allocation Approach which shall be referred to as “PAA”. Contracts with a contract boundary greater than one year do not automatically qualify for the PAA but, where LBLIC does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred, the PAA may be applied in accordance with IFRS 17.53.

As a general rule, LBLIC wishes to minimise the impact of moving to IFRS 17 and thus maximise the use of existing actuarial valuation methodology. Short duration contracts will be measured using the PAA, where possible, and long duration contracts will be measured using the GMM.

**Contract Boundary of Insurance Contracts Issued**  
 When determining the contract boundary of a contract, LBLIC reviews the contractual terms of a contract.

The contract boundary assessed for each product is listed below:

Product	Contract boundary
Individual	Full policy term (determined at policy level)
Individual	Full policy term (determined at policy level)
Group	1 Year (determined at policy level)

**Contract Boundary of Reinsurance Contracts Held**

The contract boundary considerations are similar to those applied to insurance contracts issued with some differences.

Non-proportional agreements, such as excess of loss, catastrophe and stop loss agreements, have a defined coverage period and no ability to terminate the agreement prior to the end of the coverage period. The contract boundary is thus the end of the coverage period in all cases.

For proportional reinsurance contracts held, which include surplus and quota share agreements, there are two contract boundaries to consider. For annual agreements, there are typically no early termination clauses or the ability for the reinsurance to amend premium rates. The reinsurer in each agreement is obliged to provide cover for all insurance contracts issued that fall within the scope of the agreement and are issued over the coverage period of the reinsurance agreement. Once ceded, each insurance contract will remain reinsured until the end its coverage term.

The contract boundary for existing ceded contracts is the latest contract boundary on all ceded contracts.

With respect to new underlying insurance contracts still to be issued, LBLIC is obliged to cede these contracts to the reinsurer under the reinsurance agreement and the reinsurer is obliged to accept them until the end of the reinsurance agreement’s coverage period. The contract boundary with respect to new insurance contracts is therefore the end of the reinsurance agreement’s coverage period.

The contract boundary assessed for the aggregation of the reinsurance agreements is 1 year.

**PAA eligibility testing**

IFRS17.53 requires that the PAA must produce a measurement of the liability for remaining coverage for the group that would not differ materially from that produced under the GMM.

**ACCOUNTING POLICIES**

- i. Assess whether the key criterion of a maximum of 12-month coverage period (paragraph IFRS17.53b) is met for all contracts within the group of contracts. If not, ii. Perform a qualitative assessment to identify and assess potential critical features to assess whether there may be a risk of a substantial mis-estimation by the PAA. If the test fails, then
- ii. Perform a quantitative assessment to validate the hypothesis that the measurement models do not substantially differ. If this test fails, then
- iii. Determine the materiality of the potential misstatement for LBLIC.

The sequential steps are only carried out until the test is successful. If, after step iii, the test has still failed, the general measurement model (“GMM”) is applied unless the product itself is not material. LBLIC will only use the PAA where it believes future annual testing of eligibility will produce a similar successful result. LBLIC may choose to move from test i down to step iv and not conduct the interim qualitative or quantitative tests.

Following the above assessments, the following recommended measurement approaches are applied:

Product/Reinsurance agreement	Contract boundary
Individual Decreasing Term Assurance	General Measurement Model
Individual Level Term Assurance	General Measurement Model
Group Credit Life	Premium Allocation Approach
Quota share agreement	Premium Allocation Approach

For the long duration contracts (Individual Decreasing Term Assurance and Individual Level Term Assurance) to maximise the use of existing actuarial valuation methodology. These products were thus not assessed for PAA eligibility.

As the Group Credit Life length of coverage is a year, it is eligible for the PAA approach, and no further eligibility testing is required. Similarly, the aggregated reinsurance agreement has a contract boundary of a year, and thus the PAA is applied without further need for eligibility assessment.

**6. Discount rates**

LBLIC has adopted a bottom-up approach for its discount rate methodology under IFRS 17. This will involve the use of the JSE's monthly risk-free yield curve that takes the term structure of the underlying government bonds into account. To this curve, a liquidity risk premium adjustment is applied based on the liquidity characteristics of the products. Four product liquidity characteristic buckets have been defined, namely: Fully Liquid, Partially Liquid, Moderately Illiquid and Fully Illiquid.

For all new insurance contracts written during the reporting period, the discount rate at initial recognition, prior to the addition of the liquidity risk premium, will be set equal to the prior financial year's closing discount rate. No adjustments have been made to the curve in respect of credit risk.

**7. Risk adjustment for non-financial risk methodology and the application of this methodology**

The IFRS 17 carrying amount includes an explicit component called the risk adjustment (“RA”) for non-financial risk that allows for the compensation required for being exposed to the insurance, lapse and expense risks contained within LBLIC's products. Operational risk specific to the fulfilment of contractual obligations with policyholders is also included.

## **ACCOUNTING POLICIES**

For the Level Term Assurance and Decreasing Term Assurance products, a Margins for Adverse Deviation Technique is used to determine the Liability for Remaining Coverage risk adjustment. A Value at Risk (“VaR”) approach is used for the Group Credit Life Liability for Remaining Coverage risk adjustment.

For PAA business, the RA is based on the confidence interval approach. The best estimate loss ratios are determined and assumed to represent a 99.5% confidence interval. Assuming that the loss ratios are normally distributed, the corresponding loss ratio at a 75% confidence interval is calculated. The RA is then set to the difference between the best estimate loss ratio and the ratio at a 75% confidence level.

The risk adjustment for the Liability for Incurred claims is determined through the VaR approach. The risk adjustment is calculated at a confidence level of 75%.

Using the VaR approach, a “target” VaR is derived. The SAM stresses are used as a reference point assuming that they correspond to a 99.5% confidence interval. It is further assumed that risks are normally distributed where the best estimate liabilities reflect a 50% confidence interval (i.e. 50% chance of being insufficient). Based on these assumptions, a 75% VaR is derived using the 99.5% VaR from the SAM calibrations. This is then disaggregated by IFRS 17 portfolio level and risk type whilst still accounting for any diversification benefits.

The following risks have been included in the derivation of the RA: mortality risk, longevity risk, expense risk and disability risk. Mass Lapse and Catastrophe Risks were excluded from the calculation. This was deemed reasonable given that the RA has been calibrated for a 1-in-10-year event (90% confidence interval). Operational Risk has been excluded based on the assessment that the Operational Risk LBLIC is exposed to is not directly attributable to any contract under IFRS 17, but rather entirely general operational risk.

### **8. Reinsurer Risk of Non - Performance**

LBLIC adjusts its expected recoveries from reinsurers downwards to allow for the risk of the reinsurers defaulting on their obligations. This adjustment is reinsurer specific and reflects the credit quality of that reinsurer, the size and duration of the expected receivables.

Paragraph 63 of IFRS 17 Insurance Contracts, requires the estimates of the present value of the future cash flows for the group of reinsurance contracts held to be adjusted for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

#### **Contractual Service Margin (CSM) Methodology**

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that LBLIC expects to recognise as it provides insurance contract service.

At initial recognition, the CSM has been determined at an individual contract level based on the profitability of the contract (i.e. fulfilment cash flows allocated to the contract and all cash flows arising from the contract are net inflows at initial recognition) or onerousness of the contract (i.e. fulfilment cash flows allocated to the contract and all cash flows arising from the contract are net outflows at initial recognition).

For contracts regarded as profitable at initial recognition (i.e.  $BEL + RA < 0$ ), the CSM is set equal to  $-(BEL + RA)$  to ensure the entity does not recognise the expected profit under the contract at inception. For contracts regarded as onerous at initial recognition (i.e.  $BEL + RA > 0$ ), a Loss Component for the LRC is set-up equal to the  $(BEL + RA)$  thereby recognising the loss immediately at initial recognition in accordance with paragraph 49 of the Standard.

The determination of either the CSM or loss components on initial recognition is identical for all contracts regardless of the measurement approach used.

### **9. Coverage Units**

The IFRS 17 liability for expected future profits, called the contractual service margin, is held in respect of LBLIC's insurance products and reinsurance agreements where these are measured under the general measurement model. The contractual service component is released over the coverage period for each group of insurance contracts as the insurance contract services are provided

in respect of these contracts. The metric (termed a coverage unit) used to determine the amount of service provided in each period is the total sum assured or total sum reinsured in respect of that period.

The impact of the time value of money on the contractual service margin is material for LBLIC and has therefore chosen to discount the coverage units used to spread the contractual service margin over the coverage term. The discount rate applied to products measured under the general measurement model approach is the rate applicable at the initial recognition of each group of insurance contracts.

### Insurance Revenue

The insurance revenue recognised for insurance contract services provided in the period, for contracts measured under PAA, is the portion of expected premium receipts allocated to (i.e. earned in) the period.

LBLIC calculates the expected premium receipts allocated to the current period as the sum of:

- The portion of premiums due in current period, that are earned in the current period; and,
- The portion of the premiums that were due in previous reporting periods, that are earned in the current period.

LBLIC allocates expected premiums equally to each period of related insurance contract services – i.e. based on the passage of time.

### Insurance Revenue and LRC Under GMM

LBLIC has used actuarial software to produce the IFRS 17 expected cash flows – best estimate cash flows and the RA whilst the IFRS 17 whole account was produced using an externally sourced IFRS 17 software. LBLIC undertook an assessment of its experience to develop the expense assumption that were utilised in the cash flow projection.

LRC is determined as the sum of Best Estimate Liability (“BEL”), RA, and the CSM/Loss Component (“LC”). To determine its LRC, the cash flows generated were discounted at the appropriate discount rate to generate the BEL and RA at the valuation date.

For the CSM/LC computation, the CSM/LC was recognised at contract recognition as the difference between the CSM at initial recognition (i.e. BEL+RA).

The CSM amortisation was based on the coverage units proposed for the various lines of business. The coverage units were adjusted for decrements and for the time value of money.

Insurance revenue is determined as the sum of:

- Expected claims;
- Expenses;
- Amount of deferred acquisition expenses amortised over the period;
- The release of RA over the period; and,
- The amount of CSM amortised for profitable businesses.

### 10. PAA Insurance Revenue Recognition

The pattern applied to recognise revenue over time for Group Credit Life is set to take into account past claims incidence and severity based on the outstanding loan amount. These patterns are determined by the actuarial team. Premium debtors are adjusted to allow for the probability of being written off.

The premium allocation approach (“PAA”) whether applied to groups of insurance contracts issued or groups of reinsurance contracts held requires the expected premium receipts to be recognised over time in accordance with the expected insurance service expenses provided over the period.

The application of PAA methodology in calculating the IFRS 17 LRC implies that the provision comprises the IFRS 4 Unearned Premium Reserve (“UPR”) (as calculated on the 365ths method), with a deduction of gross Deferred Acquisition Cost (“DAC”) and premiums receivable in the case of gross LRC. A LC is added for loss-making IFRS 17 groups. LBLIC has opted to expense its insurance acquisition cash flows as incurred and will not set up a DAC asset.

LBLIC uses the PAA for all reinsurance contracts held.

Loss Component

LBLIC has decided to hold one profitability cohort for its group business annual cohorts. Due to the high

## ACCOUNTING POLICIES

expense assumption all business has been classified as onerous. Once the expense assumption normalises, we recommend LBLIC assesses the book's combined ratio to test whether the group is onerous. The assessment is carried out as follows:

**Onerosity Assessment = {Combined Ratio >100%; Possibly Onerous}**

The LC is then determined as follows:

**$LC = (\text{Combined Ratio} - 1) \times \text{Premium}$**

The LC at subsequent measurement is determined as the difference between LRC and the net fulfilment cash flows expected from the contract.

The LC is therefore released based on the passage of time or the expected release of risk. This should be similar to the recognition pattern selected for LRC.

Allowance was not made for the reinsurance share of LC (LRECC) since the reinsurance agreement was annually renewable (before it was cancelled) i.e. the LRECC would be released during the financial year resulting in an impact of 0 in the financials.

Liability for Incurred Claims

For the liability for incurred claims, which aren't assumed to be settled within the month the claim is incurred, historic experience was used to derive the balance of claims still to be settled and the settlement pattern.

The claims reserves (incurred but not reported ("IBNR") and outstanding claim reserve ("OCR")) were subjected to the settlement pattern to come up with the projected claim payment cash flows.

LBLIC holds an IBNR reserve with respect to all business. Incurred claims data is preferred over paid claims data for the purpose of quantifying the IBNR reserve due to the quicker settlement pattern informed by incurred claims. To determine the IBNR claims reserve as at 31 March 2024, ultimate claims for each loss quarter were projected using the Bornheutter-Ferguson method (previously used an average claim and delay assumption).

The OCR used in the valuation was obtained from LBLIC's claims registered.

### II. Disaggregation of Insurance Finance Income and Expenses

The impact of the time value of money on the net carrying amount of insurance contracts is presented under insurance finance income and expenses. This impact will not be disaggregated between the statement of profit or loss and other comprehensive income but instead shown in full through the profit or loss statement.

## 12. Presentation of Reinsurance Income and Expenses

LBLIC has chosen to separately present its reinsurance income and expenses in the statement of financial performance. Amounts contingent on claim experience are presented within reinsurance income, whilst amounts not contingent on claim experience are presented as a reduction of premiums which is a reinsurance expense.

### 3.20. Insurance Contracts LBIC

#### I. Scope and Separation

LBIC contracts are assessed individually. LBIC's insurance products, including all product features, meet the insurance risk transfer requirements and thus fall within the scope of IFRS 17 to be accounted for as insurance contracts. Likewise, all reinsurance agreements are treated as reinsurance contracts held under the same IFRS standard.

#### SCOPE

Contractual Assessment – Direct Business:

Each product's contractual terms were assessed to establish whether the products meet the requirements to be considered insurance contracts which require one party (the issuer) to accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain

future event (the insured event) adversely affects the policyholder. All LBIC products qualify as insurance contracts.

Contractual Assessment – Reinsurance Agreements:  
The following reinsurance agreements were in place.

- Crop Quota Share Agreement
- Fruit Quota Share Agreement
- Aggregate Stop Loss Arrangement

As at 31 March 2024, no reinsurance currently exists for asset all-risk policies. The contractual terms for reinsurance agreements were assessed using the same list of requirements used for the assessment of the direct business products. All reinsurance agreements qualify as reinsurance contracts held.

## SEPARATION OF INSURANCE COMPONENTS

LBIC does not have exposure to investment components within any of its insurance contracts or reinsurance contracts held and has no plans to offer this product feature in the foreseeable future.

## 2. Level of Aggregation of insurance contracts

LBIC's insurance contracts are aggregated into separate groups for the purpose of determining the IFRS 17 profit recognition in respect of each financial reporting period. A group is defined to include contracts issued or renewed in a particular financial year that use the same measurement approach and have a similar level of expected profitability split at a product type level. Each reinsurance treaty is assigned to a group of its own. A contract is assigned to a group at initial recognition and this is not reassessed until the contract boundary has been reached. Where the premium allocation approach is applied, due to similar expected profitability, each portfolio cohort year's contracts are assigned to a group as a whole and not on a contract-by-contract basis.

Judgement is required to split profitable contracts between those with no significant possibility of becoming onerous and those with. For contracts measured under the premium allocation approach and where a contract group issued for a particular product has been loss-making in the past, the profitability bucket for contracts with no significant possibility of becoming onerous is not used. Where there is no historic data and where the combined ratio calibrated to a 95th percentile is still profitable, then contracts are assigned to the no significant possibility of becoming onerous.

A 3-step process is followed to assign an insurance contract issued to a group:

Step 1: Allocate the contract to a portfolio  
Step 2: Assign the contract to a group such that the issue dates are not more than a year apart  
Step 3: Assign the contract to a profitability bucket, which at a minimum, subject to certain conditions, must be "Onerous", "No significant possibility of becoming onerous" ("NSPBO") or "Remaining".

Insurance Contracts that have similar risks and are managed together need to be grouped together in what is defined as a portfolio under IFRS 17.

For LBIC, four products are written, namely Winter Crop Insurance, Summer Crop Insurance, Fruit and Nut Insurance, as well as Asset All Risks Insurance. Each of the former three products have their own seasonal variation and varying risk patterns. Thus, LBIC separates these products into their own groups. In addition, the Asset All Risks Insurance product exhibits its own risk pattern and is therefore also treated as its own group.

**Portfolio recommendation**

- Winter Crop Insurance
- Summer Crop Insurance
- Fruit and Nut Insurance
- Asset All Risks Insurance

**Reinsurance**

For each year, the reinsurance treaties held (where LBIC is the protected party) are unique from each other in respect of their structure, the risks covered and the cash flows expected as a result of these risks. Each treaty is also managed separately.

Reinsurance treaties are a mix of annual and multi-year policies and are renewed based on updated reinsurance terms (and reinsurance participants where there is more than one reinsurer sharing the risk under the agreement). LBIC combines the grouping of the annual and multi-year treaties where these are of a similar structure together in a portfolio, where the eligibility tests indicate that the Premium Allocation Approach (“PAA”) may be used for multi-year treaties.

**The portfolios are:**

- Crop Quota Share
- Fruit Quota Share
- Aggregate Stop Loss

IFRS 17 requires portfolios of contracts to be divided into time buckets, referred to as cohorts. The cohorts will be

based on the season for the underlying contracts. For the reinsurance contracts the cohorts will be based on the underwriting year per the treaties.

**Profitability Buckets**

Under the premium allocation approach, no contracts are assumed to be onerous at initial recognition unless facts and circumstances indicate otherwise. For LBIC, these facts and circumstances are informed by the process to set policy premium rates or from business-as-usual profitability monitoring and internal reporting processes.

**3. Contract Recognition and Derecognition**

LBIC’s insurance contracts are mostly recognised from their commencement or renewal date, except where the first premium is due earlier than this in which case, this date is used. Contracts expected to be onerous are usually recognised from the commencement date as this date is closely aligned to the date when LBIC accepts the risk contained under such contracts.

The Standard requires that contracts be recognised from the earlier of one of three dates:

1. the contract start date,
2. the premium due date, or
3. the date of acceptance of risk if the contract is onerous.

In absence of a contractual due date, the first payment from a policyholder is deemed to be due when it is received [IFRS17 17.26]. Premiums paid before their due date are not recognised as part of the insurance liability, but as current financial liability.

For all product types, the contract terms and conditions were assessed to determine the recommended contract recognition dates. The outcome is summarised in the table below.

<b>Product Type</b>	<b>IFRS 17 contract recognition date</b>
Winter Crop Insurance	Beginning of coverage period
Summer Crop Insurance	Beginning of coverage period
Fruit and Nut Insurance	Beginning of coverage period
Asset All Risks Insurance	Beginning of coverage period
Crop Quota Share	Initial recognition of any underlying contract
Fruit Crop Quota Share	Initial recognition of any underlying contract
Stop Loss	Beginning of coverage period

Contract derecognition for all contracts issued or held

The Standard requires a contract to be derecognised when LBIC is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the

insurance contract. The practical application of contract derecognition within LBIC is specific to the liability component in question. This level of granularity is dealt with fully under the Measurement Approach Application policy. The general principals are as follows:

- I. For contracts measured under the liability for remaining coverage,
  - a. when the contract's coverage period has come to an end,
  - b. the policy has been cancelled, or
  - c. the policy has contractually terminated due to a claim,

and all premium debtors or commission creditors directly related to that contract have been settled (or written off), the contract is derecognised from the liability for remaining coverage and not included in the calculations for any IFRS 17 group.

2. Under the liability for incurred claims, any liability in respect of the contract is derecognised when all of the following are true:
  - a. Where a claim has been reported and this claim is fully settled or repudiated and,
  - b. Where the full coverage period up until the renewal or expiry date has passed and the claim notification period for reporting claims has passed.

#### 4. Expense allocation

LBIC's expenses are largely considered to be directly attributable to insurance contracts. These expenses are those that are incurred as a result of being an insurance entity and those incurred to write, renew or service its insurance contracts. Directly attributable expenses are allocated down to a group of insurance contract level in a way that reflects the relative benefit that each group receives from the expense incurred. LBIC has chosen to expense its insurance acquisition cash flows for groups measured under the premium allocation approach. The liability for expenses incurred that are yet to be settled is held within the liability for remaining coverage.

LBIC has chosen to adopt an all-in approach.

Paragraph IFRS 17.65 lists the expenses that would be considered directly attributable. For LBIC, these include:

- insurance acquisition cash flows;
- claim handling costs;
- policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements).
- value added taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis; and
- an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support) directly attributable to fulfilling insurance contracts.

The accounting treatment of expenses depends on the category to which it is allocated. LBIC has defined four expense categories:

#### 4.1 Insurance Acquisition Cash Flows

Insurance acquisition cash flows are the costs incurred to sell, underwrite or start an insurance contract issued. These costs may be attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs or may need to be split first. The allocation down to an IFRS 17 group level must be done in a systematic and rational manner (see paragraph IFRS 17.28A).

Commission is included as part of the fulfilment cash flows within the liability for remaining coverage. These costs are required to be amortised in a systematic way on the basis of the passage of time. LBIC uses the same pattern as its premiums earning's pattern.

#### 4.2 Specific Directly Attributable (Re) Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs.

These costs are expensed as they are incurred. The expected future specific directly attributable expenses will be held within the liability for remaining coverage

## ACCOUNTING POLICIES

and released when they are expected to be incurred. A corresponding expense incurred liability will be established within the liability for incurred claims.

There are two types of specific directly attributable costs. The first category are claim-related costs that are incurred to administer, measure and settle incurred claims. The second category relates to the balance of the expenses and are referred to for the purpose of this expense allocation policy as “policy administration and maintenance expenses”. As the expenses are incurred, the liability for incurred claims is released.

### 4.3 Non-Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to fulfilling the obligations under insurance contracts but first need an allocation methodology applied to split the costs.

Once allocated, the accounting treatment is the same as for the specific directly attributable expenses. The costs largely result from the allocation of fixed and variable overheads.

### 4.4 Non-Attributable Expenses

These expenses (either in total or in part) are deemed not necessary to fulfilling insurance and reinsurance contracts and therefore must not be included with the measurement of insurance contracts under IFRS 17.

These costs are expensed as they are incurred, or under the required accounting approach defined by the relevant IFRS standard.

#### Allocation Methods

The following methods are used to allocate expenses under IFRS 17:

#### 4.5 Direct Tracing

Expenses that can be traced directly to a specific (re) insurance contract are allocated to that contract.

#### 4.6 Proportional Allocation

Where a directly attributable expense benefits more than one contract, the expense shall be allocated in proportion to the benefits received by each contract.

#### 4.7 General Allocation

Where an expense, such as an overhead cost, benefits all or many (re)insurance contracts and non-IFRS 17 activities, the expense shall be allocated based on a reasonable method that reflects the benefits received by each contract.

The allocation metric is chosen per expense sub-category based on both the information available and based on an analysis of the drivers affecting the size of the cost. For

example, the time spent and level of skill required to issue insurance contracts are deemed to be equal across all contracts. The number of policies in force is thus chosen as the metric to allocate these costs.

### 5. Measurement Approach Methodology

The contract boundary is the coverage period for all insurance contracts and reinsurance treaties. For direct business this is less than a year. For the reinsurance agreements this is three years.

The measurement approach applied to direct business is the PAA, as the coverage periods for each are less than a year. For the reinsurance treaties, a quantitative assessment indicates that the estimation error of the carrying amounts does not exceed the materiality limit on either the best estimate assumptions or under sensitivities. Thus, the PAA is also applied for these treaties.

The choice of which measurement approach to apply requires the determination of the contract boundary, classification of the contract as either a contract with or without direct participation features and whether the contract qualifies to be measured using the simplified approach. The latter is referred to in this policy as PAA eligibility testing.

As a general rule, LBIC wishes to maximise the use of the PAA given that the majority of contracts have a short coverage period and the change required to transition to IFRS 17 will be less.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**ACCOUNTING POLICIES**

LBIC defines the contract boundary for insurance contracts issued, using the principles laid out in the Standard (paragraph IFRS17.34 and the application paragraphs B61-B64

The contract boundary assessed for each product is listed below:

Product	Contract boundary
Summer Crop	Coverage period (Less than or equal to one year)
Winter Crop	Coverage period (Less than or equal to one year)
Fruit & Nut	Coverage period (Less than or equal to one year)
Asset All Risks	Coverage period (1 month)

The contract boundary assessed for each reinsurance agreement is listed below:

Reinsurance Agreement	Contract boundary
Crop Quota Share	Coverage period (3 years)
Fruit & Nut Quota Share	Coverage period (3 years)
Stop Loss	Coverage period (3 years)

Measurement approached applied by LBIC

Product/Reinsurance Agreement	Measurement approach
Summer Crop	Premium Allocation Approach
Winter Crop	Premium Allocation Approach
Fruit & Nut Crop	Premium Allocation Approach
Asset All Risk	Premium Allocation Approach
Crop Quota Share	Premium Allocation Approach
Fruit & Nut Quota Share	Premium Allocation Approach
Stop Loss	Premium Allocation Approach

## 6. Measurement Approach Application

LBIC does not include discounting within either its liabilities held for remaining coverage or incurred claims. The application of IFRS 17 to LBIC is relatively straightforward. As such, there are no specific significant judgement requirements that have been identified as this time that would not already have been disclosed under IFRS 4.

## 7. Risk adjustment for non-financial risk methodology and the application of this methodology

Risk Adjustment for Non-financial risk is the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.

The IFRS 17 carrying amount includes an explicit component called the risk adjustment for non-financial risk that allows for the compensation required for being exposed to the insurance, lapse and expense risks contained within LBIC's products. Operational risk specific to the fulfilment of contractual obligations with policyholders is also excluded.

For the Winter, Summer and Fruit and Nut and Asset products, the risk adjustment for non-financial risk is applied using a Value at Risk technique, where the percentile on a reserve distribution is determined to derive the risk adjustment. The Crop quota share, Fruit quota share, and Stop-Loss structures are applied to these reserve distributions to determine the reinsurance risk adjustments.

The risk is adjustment is determined at a 75% confidence level based on LBIC's risk appetite and historical experience.

## 8. Reinsurance risk of non - performance

Paragraph 63 of IFRS 17, requires the estimates of the present value of the future cash flows for the group of reinsurance contracts held to be adjusted for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

## **ACCOUNTING POLICIES**

LBIC adjusts its expected recoveries from reinsurers downwards to allow for the risk of the reinsurers defaulting on their obligations. This adjustment is reinsurer specific and reflects the credit quality of that reinsurer, the size and duration of the expected receivable.

### **9. PAA Insurance Revenue recognition**

The pattern applied to recognise revenue over time for each insurance group is set to take into account past claims incidence and severity for the Summer Crop Insurance, Winter Crop Insurance and Fruit and Nut Insurance. These patterns are determined by the actuarial team, based on past experience. Asset All Risk Insurance uses a 365ths approach, given the uniform nature of the business. Premiums debtors are adjusted to allow for the probability of default.

### **10. Disaggregation of Insurance Finance Income and Expenses**

The impact of the time value of money on the net carrying amount of insurance contracts is presented under insurance finance income and expenses. This impact is not disaggregated between the statement of profit or loss and other comprehensive income but instead shown in full through the profit or loss statement

Given the short - term nature (i.e. less than 12 months) of LBIC insurance contracts, no discounting is applied resulting in no finance income and expenses to be recognised.

### **II. Presentation of Reinsurance Income and Expenses**

LBIC has chosen to separately present its reinsurance income and expenses in the statement of financial performance. Amounts contingent on claim experience are presented within reinsurance income, whilst amounts not contingent on claim experience are presented as a reduction of premiums which is a reinsurance expense.

#### 4. Cash and cash equivalents\*\*\*

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Bank balances*	390,347	349,006	288,276	222,803
Short term deposits**	12,639,478	15,408,295	12,312,924	15,132,235
	<b>13,029,825</b>	<b>15,757,355</b>	<b>12,601,200</b>	<b>15,355,038</b>

\*Cash at banks are primarily held to mitigate the Bank's refinancing/liquidity risk. Refer to note 36. for the credit risk ratings of the counterparties where bank accounts are held. Short-term investments are made for one day periods, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates. The average rate earned on invested cash in FY2024 is 8.776% (FY2023: 5.56%). Due to the short-term nature of cash and cash equivalents, their carrying amount is considered to be the same as their fair value.

\*\*Included in short term deposits is an amount of R5.6 billion, which is an equity injection transferred during the current and preceding years (FY2023 and FY2024), by the Shareholder. The Shareholder also repaid R497 directly to guaranteed lenders during the year. The R5.6bn is in an ESCROW account pending fulfilment of attached conditions, which include amongst other, the curing of the state of default with lenders. The R5.6 billion is not available for use by the group until all the conditions are met

\*\*\*Cash and cash equivalents are stated at carrying amount which is deemed fair value.

Refer to note 16 for the corresponding liability as well as note 3.2 for further details on the appropriation including the Directors' report.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**5. Trade and other receivables (at amortised cost)**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Trade receivables	100,300	125,495	46,433	70,199
Accrued income*	45,059	69,027	45,059	69,027
Accrued interest - hedging**	1,374	1,172	1,374	1,172
Premium receivable***	6,806	7,314	-	-
Reinsurance receivable***	47,062	47,982	-	-
Other receivables****	167,874	372,174	137,469	342,196
	<b>268,174</b>	<b>497,669</b>	<b>183,901</b>	<b>412,395</b>

\*Accrued income comprises of accrued interest on short-term investments and accrued fees from funds under admin.

\*\*The accrued interest on the hedging derivatives are offset and the net position is presented as the Group has a legal right to offset the amounts and intends to settle on a net basis.

\*\*\*The reinsurance and premium receivables have a low probability of default as the recovery is close to 100% year-on-year.

\*\*\*\*Other receivables consists of prepaid expenses, staff loans, recovery second loss and sundry debtors. Due to the short-term nature of these assets and historical experience, these assets are regarded as having a low probability of default; therefore, ECL is insignificant on these balances, because recoverability is close to 100%, staff loans are collected from staff salaries month-on-month, second loss recovery is recovered from the SLA partners' month-on-month.

**Classification of trade and other receivables**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Prepaid expenses	10,060	10,039	10,060	10,038
Accrued income	45,059	69,027	45,059	69,027
Accrued interest – hedging	1,374	1,172	1,374	1,172
<b>Trade and other receivables net of non-financial instruments</b>	<b>211,681</b>	<b>417,431</b>	<b>127,410</b>	<b>332,158</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**6. Insurance Contracts**

**6.1 Movement in Carrying Amounts - By LRC and LIC - Direct – PAA – Life**

**2024**

31 March 2024	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
Opening Insurance contract liabilities	-	(2 623)	(1 141)	(833)	(4 597)
Net Opening balance	-	(2 623)	(1 141)	(833)	(4 597)
Post transition	2 628				2 628
Insurance Service Expenses					
Incurred insurance service expenses:		(5)	(2 045)	(0)	(2 049)
Claims		(5)	0	(1 943)	(1 948)
Expenses			(2 045)	-	(2 045)
Other movements related to current service				1 943	1 943
Changes that relate to past service (changes in fulfilment cash flows re LIC)			679	528	1 207
Changes that relate to future service		63			63
Losses for the net outflow recognized on initial recognition		(2 565)			(2 565)
Losses and reversal of losses on onerous contracts - subsequent measurement		2 628			2 628
<b>Total Insurance Service Expenses</b>	<b>-</b>	<b>58</b>	<b>(1 365)</b>	<b>528</b>	<b>(780)</b>
<b>Total Insurance Service result</b>	<b>2 628</b>	<b>58</b>	<b>(1 365)</b>	<b>528</b>	<b>1 848</b>
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	-	(28)	-	-	(28)
<b>Total Insurance Finance Income or Expense</b>	<b>-</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>(28)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>2 628</b>	<b>30</b>	<b>(1 365)</b>	<b>528</b>	<b>1 820</b>
Cash flows (Actual cashflows in the period)					
Premiums and premium tax received	(2 628)				(2 628)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2024

Claims and other insurance service expenses paid, including investment components

Insurance acquisition cash flows

**Total Cash flows**

**Net Closing balance**

Closing Insurance contract liabilities

**Net Closing balance**

Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
R'000	R'000	R'000	R'000	R'000
			2 045	2 045
	-			-
	<b>(2 628)</b>		<b>2 045</b>	<b>(583)</b>
	-	<b>(2 593)</b>	<b>(462)</b>	<b>(306)</b>
	-	(2 593)	(462)	(306)
	-	<b>(2 593)</b>	<b>(462)</b>	<b>(306)</b>
				<b>(3 361)</b>
				(3 361)
				<b>(3 361)</b>

**6.1 Movement in Carrying Amounts - By LRC and LIC - Direct – PAA – Life 2023**

31 March 2023

Opening Insurance contract liabilities

**Net Opening balance**

Post transition

Insurance Service Expenses

Incurred insurance service expenses:

Claims

Expenses

Other movements related to current service

Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
R'000	R'000	R'000	R'000	R'000
-	(2 079)	(1 141)	(915)	(4 135)
-	<b>(2 079)</b>	<b>(1 141)</b>	<b>(915)</b>	<b>(4 135)</b>
2 472				2 472
	(393)	(4 138)	(833)	(5 365)
	(393)	(2 877)	(1 217)	(4 487)
		(1 262)	-	(1 262)
			384	384

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2023

	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
Changes that relate to past service (changes in fulfilment cash flows re LIC)			1 015	915	1 930
Changes that relate to future service		(159)			(159)
Losses for the net outflow recognized on initial recognition		-			-
Losses and reversal of losses on onerous contracts - subsequent measurement		(159)			(159)
<b>Total Insurance Service Expenses</b>	<b>-</b>	<b>(552)</b>	<b>(3 124)</b>	<b>82</b>	<b>(3 594)</b>
<b>Total Insurance Service result</b>	<b>2 472</b>	<b>(552)</b>	<b>(3 124)</b>	<b>82</b>	<b>(1 122)</b>
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	-	8	-	-	8
<b>Total Insurance Finance Income or Expense</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>2 472</b>	<b>(544)</b>	<b>(3 124)</b>	<b>82</b>	<b>(1 114)</b>
Cash flows (Actual cashflows in the period)					
Premiums and premium tax received	(2 472)				(2 472)
Claims and other insurance service expenses paid, including investment components			3 124		3 124
Insurance acquisition cash flows	-				-
<b>Total Cash flows</b>	<b>(2 472)</b>		<b>3 124</b>		<b>652</b>
<b>Net Closing balance</b>	<b>-</b>	<b>(2 623)</b>	<b>(1 141)</b>	<b>(833)</b>	<b>(4 597)</b>
Closing Insurance contract liabilities	-	(2 623)	(1 141)	(833)	(4 597)
<b>Net Closing balance</b>	<b>-</b>	<b>(2 623)</b>	<b>(1 141)</b>	<b>(833)</b>	<b>(4 597)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.2 Movement in Carrying Amounts - By LRC and LIC - Reinsurance - PAA - Life**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2024</b>					
Opening reinsurance contract assets	-	507	1 403	550	2 461
Net opening balance	-	507	1 403	550	2 461
Allocation of the premiums paid:					
Post transition	(548)				(548)
<b>Total Allocation of premiums paid</b>	<b>(548)</b>				<b>(548)</b>
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expense		-	702	-	702
Changes related to past service (changes related to incurred claims component)			(1 156)	(487)	(1 643)
Changes that relate to future service:		(507)			(507)
Recoveries of losses on onerous underlying contracts on initial recognition		-			-
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement		(507)			(507)
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>(507)</b>	<b>(454)</b>	<b>(487)</b>	<b>(1 449)</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(548)</b>	<b>(507)</b>	<b>(454)</b>	<b>(487)</b>	<b>(1 997)</b>
Insurance Finance Income or Expense					
<b>Total Changes in the Statement of Financial Performance</b>	<b>(548)</b>	<b>(507)</b>	<b>(454)</b>	<b>(487)</b>	<b>(1 997)</b>
Cash flows (Actual cash flows in the period)					
Premiums and premium tax paid	548				548
Amounts recovered			(735)		(735)
<b>Total cash flows</b>	<b>548</b>		<b>(735)</b>		<b>(187)</b>
<b>Net Closing balance</b>	<b>-</b>	<b>-</b>	<b>214</b>	<b>63</b>	<b>277</b>
Closing reinsurance contact assets	-	-	214	63	277
<b>Net Closing balance</b>	<b>-</b>	<b>-</b>	<b>214</b>	<b>63</b>	<b>277</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.2 Movement in Carrying Amounts - By LRC and LIC - Reinsurance - PAA Life**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>					
Opening reinsurance contract assets	-	412	1 527	604	2 544
Net opening balance	-	412	1 527	604	2 544
Allocation of the premiums paid:					
Full retrospective approach	(2 272)				(2 272)
Modified retrospective approach	-				-
Fair value approach	-				-
Post transition	-				-
<b>Total Allocation of premiums paid</b>	<b>(2 272)</b>				<b>(2 272)</b>
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expense		78	2 271	550	2 899
Changes related to past service (changes related to incurred claims component)			(1 464)	(604)	(2 068)
Changes that relate to future service:		19			19
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement		19			19
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>97</b>	<b>806</b>	<b>(54)</b>	<b>849</b>
Effect of changes in Non-performance risk of Reinsurers			0,267		0
<b>Total Net Expenses from Reinsurance</b>	<b>(2 272)</b>	<b>97</b>	<b>807</b>	<b>(54)</b>	<b>(1 423)</b>
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	-	(2)	-	-	(2)
<b>Total Insurance Finance Income or Expense</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(2 272)</b>	<b>95</b>	<b>807</b>	<b>(54)</b>	<b>(1 425)</b>
Cash flows (Actual cash flows in the period)					

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>					
Premiums and premium tax paid	2 272				2 272
Amounts recovered			(931)		(931)
<b>Total cash flows</b>	<b>2 272</b>		<b>(931)</b>		<b>1 341</b>
<b>Net Closing balance</b>	<b>-</b>	<b>507</b>	<b>1 403</b>	<b>550</b>	<b>2 461</b>
Closing reinsurance contract assets	-	507	1 403	550	2 461

**6.3 Movement in Carrying Amounts – Component - Direct - General Measurement Model (GMM) - Life 2024**

	Estimates of Present	Risk Adjustment for	CSM				Total
	Value of Future Cash Flows	Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	
	R'000	R'000	R'000	R'000	R'000	R'000	
<b>31 March 2024</b>							
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	(42 142)	(1 255)	-	-	-	-	(43 397)
<b>Net Opening balance</b>	<b>(42 142)</b>	<b>(1 255)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43 397)</b>
Changes that relate to current services	(7 214)	387	-	-	-	-	(6 827)
CSM recognized for services provided			-	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired		387					387
Experience adjustments not related to future service	(7 214)						(7 214)
Restatement and Other Changes	-	-					-
Changes that relate to future services	(33 601)	(953)	-	-	-	-	(34 553)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2024

	Estimates of Present	Risk Adjustment for	CSM				Total
	Value of Future Cash Flows	Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Contracts initially recognised in the year	(17 201)	(573)	-	-	-	-	(17 774)
Changes in estimates that adjust the CSM	-	-	-	-	-	-	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	(16 399)	(379)					(16 779)
Changes that relate to past services	608	(25)					583
Changes in estimates in LIC fulfilment cash flows	(662)	(25)					(687)
Experience adjustments in claims and other insurance service expenses in LIC	1 271	-					1 271
<b>Total Insurance Service result</b>	<b>(40 206)</b>	<b>(590)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40 797)</b>
Insurance Finance Income or Expense							
The effect of and changes in time of time value of money and financial risk	(4 650)	(128)	-	-	-	-	(4 777)
Foreign exchange differences on changes in the carrying amount of groups of insurance contracts	-	-	-	-	-	-	-
<b>Total Insurance Finance Income or Expense</b>	<b>(4 650)</b>	<b>(128)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 777)</b>
Cash flows (Actual cashflows in the period)							
Premiums and premium tax received	(1 536)						(1 536)
Claims and other insurance service expenses paid	19 283						19 283
Insurance acquisition cash flows	-						-
<b>Total Cash flows</b>	<b>17 747</b>						<b>17 747</b>
<b>Net Closing balance</b>	<b>(69 251)</b>	<b>(1 973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71 224)</b>
Closing Insurance contract liabilities	(69 251)	(1 973)	-	-	-	-	(71 224)
<b>Net Closing balance</b>	<b>(69 251)</b>	<b>(1 973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71 224)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.3 Movement in Carrying Amounts - By Component - Direct - General Measurement Model (GMM) - Life 2023**

	Estimates of Present	Risk Adjustment for	CSM				Total
	Value of Future Cash Flows	Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	
	R'000	R'000	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>							
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	(28 539)	(984)	(2 141)	-	-	-	(31 664)
<b>Net Opening balance</b>	<b>(28 539)</b>	<b>(984)</b>	<b>(2 141)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31 664)</b>
Changes that relate to current services	(5 727)	233	-	-	-	-	(5 494)
CSM recognized for services provided	-	-	-	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired	-	233	-	-	-	-	233
Experience adjustments not related to future service	(5 727)	-	-	-	-	-	(5 727)
Restatement and Other Changes	-	-	-	-	-	-	-
Changes that relate to future services	(18 386)	(450)	2 266	-	-	-	(16 570)
Contracts initially recognised in the year	(414)	(17)	-	-	-	-	(431)
Changes in estimates that adjust the CSM	(2 214)	(52)	2 266	-	-	-	0
Changes in estimates that relate to losses and reversal of losses on onerous contracts	(15 757)	(381)	-	-	-	-	(16 138)
Changes that relate to past services	1 514	-	-	-	-	-	1 514
Changes in estimates in LIC fulfilment cash flows	-	-	-	-	-	-	-
Experience adjustments in claims and other insurance service expenses in LIC	1 514	-	-	-	-	-	1 514
<b>Total Insurance Service result</b>	<b>(22 598)</b>	<b>(217)</b>	<b>2 266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20 549)</b>
Insurance Finance Income or Expense							

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2023

The effect of and changes in time of time value of money and financial risk

**Total Insurance Finance Income or Expense**

Premiums and premium tax received

Claims and other insurance service expenses paid

**Total Cash flows**

Closing Insurance contract assets

Closing Insurance contract liabilities

**Net Closing balance**

Estimates of Present	Risk Adjustment for	CSM				Total	
		Value of Future Cash Flows	Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach		Fair Value Approach
R'000	R'000	R'000	R'000	R'000	R'000	R'000	
	(1 407)	(54)	(125)	-	-	-	(1 586)
<b>Total Insurance Finance Income or Expense</b>	<b>(1 407)</b>	<b>(54)</b>	<b>(125)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 586)</b>
Premiums and premium tax received	(1 861)						(1 861)
Claims and other insurance service expenses paid	12 263						12 263
<b>Total Cash flows</b>	<b>10 402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 402</b>
Closing Insurance contract assets	-	-	-	-	-	-	-
Closing Insurance contract liabilities	(42 142)	(1 255)	(0)	-	-	-	(43 397)
<b>Net Closing balance</b>	<b>(42 142)</b>	<b>(1 255)</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43 397)</b>

**6.4 Movement in Carrying Amounts - By LRC and LIC - Direct – GMM – Life 2024**

31 March 2024

Opening insurance contract liabilities

**Net Opening balance**

Insurance revenue – Full Retrospective Approach

CSM recognized for services provided

Change in risk adjustment for non-financial risk for risk expired

Expected insurance service expenses incurred:

Excluding loss component	Liabilities for Remaining Coverage		Total	
	Loss component	Liabilities for Incurred claims		
R'000	R'000	R'000	R'000	
	(25 830)	(16 297)	(1 271)	(43 397)
<b>Net Opening balance</b>	<b>(25 830)</b>	<b>(16 297)</b>	<b>(1 271)</b>	<b>(43 397)</b>
Insurance revenue – Full Retrospective Approach	2			2
CSM recognized for services provided	-			-
Change in risk adjustment for non-financial risk for risk expired	0			0
Expected insurance service expenses incurred:	13			13

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2024**

	Liabilities for Remaining Coverage		Liabilities for	Total
	Excluding loss component	Loss component	Incurred claims	
	R'000	R'000	R'000	
Claims	5			5
Expenses	9			9
Experience adjustment not related to future service	(12)			(12)
Restatement and Other Changes	-			-
Insurance revenue – Fair Value Approach	7 439			7 439
Change in risk adjustment for non-financial risk for risk expired	205			205
Expected insurance service expenses incurred:	6 959			6 959
Claims	894			894
Expenses	6 064			6 064
Experience adjustments not related to future service	276			276
Insurance revenue – Post Transition	(128)			(128)
Change in risk adjustment for non-financial risk for risk expired	8			8
Expected insurance service expenses incurred:	223			223
Claims	81			81
Expenses	142			142
Experience adjustments not related to future service	(359)			(359)
<b>Total Insurance revenue – All Transition Methods</b>	<b>7 313</b>			<b>7 313</b>
Incurring insurance service expenses:		5 144	(19 283)	(14 139)
Claims		881	(1 153)	(272)
Expenses		4 262	(18 155)	(13 892)
Changes that relate to past service (changes in fulfilment cash flows re LIC)			583	583
Changes that relate to future service		(34 553)		(34 553)
Losses for the net outflow recognized on initial recognition		(17 774)		(17 774)
Losses and reversal of losses on onerous contracts - subsequent measurement		(16 779)		(16 779)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2024

**Total Insurance Service Expenses**

**Total Insurance Service result**

The effect of and changes in time of time value of money and financial risk

Total Insurance Finance Income or Expense

Total Changes in the Statement of Financial Performance

Premiums and premium tax received

Claims and other insurance service expenses paid, including investment components

**Total Cash flows**

**Net Closing balance**

Closing Insurance contract liabilities

**Net Closing balance**

Liabilities for Remaining Coverage		Liabilities for	
Excluding loss component	Loss component	Incurred claims	Total
R'000	R'000	R'000	R'000
-	(29 410)	(18 700)	(48 109)
<b>7 313</b>	<b>(29 410)</b>	<b>(18 700)</b>	<b>(40 797)</b>
(2 136)	(2 641)	-	(4 777)
(2 136)	(2 641)	-	(4 777)
5 177	(32 050)	(18 700)	(45 574)
(1 536)			(1 536)
		19 283	19 283
<b>(1 536)</b>	<b>-</b>	<b>19 283</b>	<b>17 747</b>
<b>(22 189)</b>	<b>(48 347)</b>	<b>(687)</b>	<b>(71 224)</b>
(22 189)	(48 347)	(687)	(71 224)
<b>(22 189)</b>	<b>(48 347)</b>	<b>(687)</b>	<b>(71 224)</b>

**6.4 Movement in Carrying Amounts - By LRC and LIC - Direct – GMM - Life 2023**

31 March 2023

Opening insurance contract liabilities

**Net Opening balance**

Insurance revenue – Full Retrospective Approach

Expected insurance service expenses incurred:

Claims

Liabilities for Remaining Coverage		Liabilities for	
Excluding loss component	Loss component	Incurred claims	Total
R'000	R'000	R'000	R'000
(29 980)	(169)	(1 514)	(31 664)
<b>(29 980)</b>	<b>(169)</b>	<b>(1 514)</b>	<b>(31 664)</b>
1			1
12			12
6			6

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2023**

	Liabilities for Remaining Coverage		Liabilities for	Total
	Excluding loss component	Loss component	Incurred claims	
	R'000	R'000	R'000	
Expenses	6			6
Experience adjustment not related to future service	(12)			(12)
Insurance revenue – Modified Retrospective Approach	-			-
Insurance revenue – Fair Value Approach	7 969			7 969
CSM recognized for services provided	-			-
Change in risk adjustment for non-financial risk for risk expired	229			229
Expected insurance service expenses incurred:	7 300			7 300
Claims	1 684			1 684
Expenses	5 617			5 617
Experience adjustments not related to future service	439			439
Restatement and Other Changes	-			-
Insurance revenue – Post Transition	(410)			(410)
CSM recognized for services provided	-			-
Change in risk adjustment for non-financial risk for risk expired	0			0
Expected insurance service expenses incurred:	(404)			(404)
Claims	(407)			(407)
Expenses	4			4
Experience adjustments not related to future service	(7)			(7)
Restatement and Other Changes	-			-
<b>Total Insurance revenue – All Transition Methods</b>	<b>7 560</b>			<b>7 560</b>
Incurred insurance service expenses:		479	(13 533)	(13 054)
Claims		453	(1 271)	(817)
Expenses		26	(12 263)	(12 237)
Changes that relate to past service (changes in fulfilment cash flows re LIC)			1 514	1 514

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2023

Changes that relate to future service

Losses for the net outflow recognized on initial recognition

Losses and reversal of losses on onerous contracts - subsequent measurement

**Total Insurance Service Expenses**

**Total Insurance Service result**

The effect of and changes in time of time value of money and financial risk

**Total Insurance Finance Income or Expense**

Other Comprehensive Income

**Total Changes in the Statement of Financial Performance**

Premiums and premium tax received

Claims and other insurance service expenses paid, including investment components

**Total Cash flows**

**Net Closing balance**

Closing Insurance contract liabilities

**Net Closing balance**

Liabilities for Remaining Coverage		Liabilities for	
Excluding loss component	Loss component	Incurred claims	Total
R'000	R'000	R'000	R'000
	(16 570)		(16 570)
	(431)		(431)
	(16 138)		(16 138)
<b>-</b>	<b>(16 090)</b>	<b>(12 019)</b>	<b>(28 109)</b>
<b>7 560</b>	<b>(16 090)</b>	<b>(12 019)</b>	<b>(20 549)</b>
(1 548)	(38)	-	(1 586)
<b>(1 548)</b>	<b>(38)</b>	<b>-</b>	<b>(1 586)</b>
-	-	-	(1 586)
<b>6 011</b>	<b>(16 128)</b>	<b>(12 019)</b>	<b>(22 135)</b>
(1 861)			(1 861)
		12 263	12 263
<b>(1 861)</b>	<b>-</b>	<b>12 263</b>	<b>10 402</b>
<b>(25 830)</b>	<b>(16 297)</b>	<b>(1 271)</b>	<b>(43 397)</b>
(25 830)	(16 297)	(1 271)	(43 397)
<b>(25 830)</b>	<b>(16 297)</b>	<b>(1 271)</b>	<b>(43 397)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.5 Movement in Carrying Amounts - By LRC and LIC - Direct – Non-life**  
**2024**

	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2024</b>					
Opening Insurance contract assets	452 988	-	(368 064)	(475)	84 449
Opening Insurance contract liabilities	29 467	-	(31 001)	(1 500)	(3 034)
<b>Net Opening balance</b>	<b>482 455</b>	<b>-</b>	<b>(399 065)</b>	<b>(1 976)</b>	<b>81 415</b>
Insurance Revenue					
Post transition	796 484	-	-	-	796 484
<b>Total Insurance revenue – All Transition Methods</b>	<b>796 484</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>796 484</b>
Incurred insurance service expenses:	(125 233)	-	(677 360)	(4 589)	(807 182)
Claims	-	-	(608 190)	(4 618)	(612 808)
Expenses	-	-	(69 170)	(6 213)	(75 383)
Other movements related to current service	-	-	-	6 243	6 243
Amortisation of insurance acquisition cash flows	(125 233)	-	-	-	(125 233)
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(91 800)	1 976	(89 824)
Changes that relate to future service	-	(25 493)	-	-	(25 493)
Losses for the net outflow recognized on initial recognition	-	-	-	-	-
Losses and reversal of losses on onerous contracts - subsequent measurement	-	(25 493)	-	-	(25 493)
<b>Total Insurance Service Expenses</b>	<b>(125 233)</b>	<b>(25 493)</b>	<b>(769 160)</b>	<b>(2 613)</b>	<b>(922 499)</b>
<b>Total Insurance Service result</b>	<b>671 250</b>	<b>(25 493)</b>	<b>(769 160)</b>	<b>(2 613)</b>	<b>(126 016)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>671 250</b>	<b>(25 493)</b>	<b>(769 160)</b>	<b>(2 613)</b>	<b>(126 016)</b>
Premiums and premium tax received	755 162	-	-	-	755 162
Claims and other insurance service expenses paid, including investment components	-	-	(615 334)	-	(615 334)
Insurance acquisition cash flows	(122 072)	-	-	-	(122 072)
<b>Total Cash flows</b>	<b>633 089</b>	<b>-</b>	<b>(615 334)</b>	<b>-</b>	<b>17 755</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2024	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total R'000
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>Net Closing balance</b>	<b>520 617</b>	<b>(25 493)</b>	<b>(552 890)</b>	<b>(4 589)</b>	<b>(62 356)</b>
Closing Insurance contract assets	44 369	-	(11 889)	(2 068)	30 412
Closing Insurance contract liabilities	476 247	(25 493)	(541 001)	(2 521)	(92 768)
<b>Net Closing balance</b>	<b>520 617</b>	<b>(25 493)</b>	<b>(552 890)</b>	<b>(4 589)</b>	<b>(62 356)</b>

**6.5 Movement in Carrying Amounts - By LRC and LIC - Direct – Non-life 2023**

31 March 2023	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total R'000
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
Opening Insurance contract assets	401 026	-	(313 103)	(2 571)	85 352
<b>Net Opening balance</b>	<b>401 026</b>	<b>-</b>	<b>(313 103)</b>	<b>(2 571)</b>	<b>85 352</b>
Post transition	768 281	-	-	-	768 281
Total Insurance revenue – All Transition Methods	768 281	-	-	-	768 281
Incurred insurance service expenses:	(121 540)	-	(518 138)	(1 976)	(641 654)
Claims	-	-	(462 787)	(3 754)	(466 541)
Expenses	-	-	(55 351)	(835)	(56 186)
Other movements related to current service	-	-	-	2 614	2 614
Amortisation of insurance acquisition cash flows	(121 540)	-	-	-	(121 540)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total R'000
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
31 March 2023					
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(79 482)	2 571	(76 911)
<b>Total Insurance Service Expenses</b>	<b>(121 540)</b>	<b>-</b>	<b>(597 620)</b>	<b>596</b>	<b>(718 564)</b>
<b>Total Insurance Service result</b>	<b>646 741</b>	<b>-</b>	<b>(597 620)</b>	<b>596</b>	<b>49 717</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>646 741</b>	<b>-</b>	<b>(597 620)</b>	<b>596</b>	<b>49 717</b>
Premiums and premium tax received	675 344	-	-	-	675 344
Claims and other insurance service expenses paid, including investment components	-	-	(511 658)	-	(511 658)
Insurance acquisition cash flows	(110 032)	-	-	-	(110 032)
<b>Total Cash flows</b>	<b>565 312</b>	<b>-</b>	<b>(511 658)</b>	<b>-</b>	<b>53 654</b>
<b>Net Closing balance</b>	<b>482 455</b>	<b>-</b>	<b>(399 065)</b>	<b>(1 976)</b>	<b>81 415</b>
Closing Insurance contract assets	452 988	-	(368 064)	(475)	84 449
Closing Insurance contract liabilities	29 467	-	(31 001)	(1 500)	(3 034)
<b>Net Closing balance</b>	<b>482 455</b>	<b>-</b>	<b>(399 065)</b>	<b>(1 976)</b>	<b>81 415</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.6 Movement in Carrying Amounts - By LRC and LIC - Reinsurance – PAA – Non-life  
 2024**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2024</b>					
Opening reinsurance contact assets	(19 985)	-	24 836	1 041	5 892
Opening reinsurance contact liabilities	(335 294)	-	278 362	330	(56 603)
<b>Net opening balance</b>	<b>(355 280)</b>	<b>-</b>		<b>1 371</b>	<b>(50 710)</b>
Post transition	(464 549)	-	-	-	(464 549)
<b>Total Allocation of premiums paid</b>	<b>(464 549)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(464 549)</b>
Recoveries of incurred claims and other insurance service expense	-	-	397 968	2 523	400 491
Changes related to past service (changes related to incurred claims component)	-	-	67 636	(1 371)	66 265
Changes that relate to future service:	-	17 845	-	-	17 845
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	17 845	-	-	17 845
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>17 845</b>	<b>465 604</b>	<b>1 152</b>	<b>484 601</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(464 549)</b>	<b>17 845</b>	<b>465 604</b>	<b>1 152</b>	<b>20 052</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(464 549)</b>	<b>17 845</b>	<b>465 604</b>	<b>1 152</b>	<b>20 052</b>
Premiums and premium tax paid	(423 228)	-	-	-	(423 228)
Amounts recovered	-	-	385 498	-	385 498
<b>Total cash flows</b>	<b>(423 228)</b>	<b>-</b>	<b>385 498</b>	<b>-</b>	<b>(37 730)</b>
<b>Net Closing balance</b>	<b>(396 600)</b>	<b>17 845</b>	<b>80 106</b>	<b>2 523</b>	<b>(296 126)</b>
Closing reinsurance contact assets	(350 631)	17 845	375 047	1 101	43 363
Closing reinsurance contact liabilities	(45 970)	-	8 257	1 422	(36 291)
<b>Net Closing balance</b>	<b>(396 600)</b>	<b>17 845</b>	<b>383 304</b>	<b>2 523</b>	<b>7 072</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.6 Movement in Carrying Amounts - By LRC and LIC - Reinsurance – PAA Non-life  
2023**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>					
Opening reinsurance contact assets	(284 591)	-	304 315	1 781	21 505
Opening reinsurance contact liabilities	(3 818)	-	-	-	(3 818)
<b>Net opening balance</b>	<b>(288 409)</b>	<b>-</b>	<b>304 315</b>	<b>1 781</b>	<b>17 687</b>
Full retrospective approach	(461 105)	-	-	-	(461 105)
Recoveries of incurred claims and other insurance service expense	-	-	349 917	1 371	351 288
Changes related to past service (changes related to incurred claims component)	-	-	31 030	(1 781)	29 249
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>-</b>	<b>380 947</b>	<b>(410)</b>	<b>380 538</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(461 105)</b>	<b>-</b>	<b>380 947</b>	<b>(410)</b>	<b>(80 568)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(461 105)</b>	<b>-</b>	<b>380 947</b>	<b>(410)</b>	<b>(80 568)</b>
Cash flows (Actual cashflows in the period)					
Premiums and premium tax paid	(394 235)	-	-	-	(394 235)
Amounts recovered	-	-	382 064	-	382 064
<b>Total cash flows</b>	<b>(394 235)</b>	<b>-</b>	<b>382 064</b>	<b>-</b>	<b>(12 171)</b>
<b>Net Closing balance</b>	<b>(355 280)</b>	<b>-</b>	<b>303 198</b>	<b>1 371</b>	<b>(50 710)</b>
Closing reinsurance contact assets	(19 985)	-	24 836	1 041	5 892
Closing reinsurance contact liabilities	(335 294)	-	278 362	330	(56 603)
<b>Net Closing balance</b>	<b>(355 280)</b>	<b>-</b>	<b>303 198</b>	<b>1 371</b>	<b>(50 710)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.1 Insurance revenue - Life Insurance**

31 March 2024

**Contracts not measured under the PAA**

Change in risk adjustment for non-financial risk for risk expired

**Expected insurance service expenses incurred:**

Claims

Expenses

Other expenses under the VFA

Experience adjustments not related to future service

Restatement and Other Changes

**Total Revenue from Contracts Not Measured Under PAA**

**Contracts Measured Under the PAA**

Expected premium receipts allocation under the PAA

Experience adjustments not related to future service

**Total Revenue from Contracts Measured Under PAA**

**Total Revenue from Insurance contracts**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
188	25	-	213
<b>6 437</b>	<b>757</b>	<b>-</b>	<b>7 195</b>
754	225	-	980
5 683	532	-	6 215
-	-	-	-
354	(449)	-	(95)
-	-	-	-
<b>6 980</b>	<b>333</b>	<b>-</b>	<b>7 313</b>
-	-	2 628	2 628
-	-	-	-
<b>-</b>	<b>-</b>	<b>2 628</b>	<b>2 628</b>
<b>6 980</b>	<b>333</b>	<b>2 628</b>	<b>9 941</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.1 Insurance revenue - Life Insurance**

31 March 2023

**Contracts not measured under the PAA**

Change in risk adjustment for non-financial risk for risk expired

**Expected insurance service expenses incurred:**

Claims

Expenses

Other expenses under the VFA

Experience adjustments not related to future service

**Total Revenue from Contracts Not Measured Under PAA**

**Contracts Measured Under the PAA**

Expected premium receipts allocation under the PAA

Experience adjustments not related to future service

**Total Revenue from Contracts Measured Under PAA**

**Total Revenue from Insurance contracts**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
230	-	-	230
<b>6 909</b>	<b>-</b>	<b>-</b>	<b>6 909</b>
1 283	-	-	1 283
5 626	-	-	5 626
-	-	-	-
421	-	-	421
<b>7 560</b>	<b>-</b>	<b>-</b>	<b>7 560</b>
-	-	2 472	2 472
-	-	-	-
<b>-</b>	<b>-</b>	<b>2 472</b>	<b>2 472</b>
<b>7 560</b>	<b>-</b>	<b>2 472</b>	<b>10 032</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.2 Insurance Revenue Non-Life Insurance**

31 March 2024

	Insurance				Reinsurance			Total
	Assets	Fruit and Nut	Summer Crop	Winter Crop	Fruit QS	Winter and Summer QS	Stop Loss	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Insurance revenue	881	70 410	670 006	55 187	-	-	-	796 484
Expected premium receipts allocation under the PAA	881	70 410	670 006	55 187	-	-	-	796 484
Insurance service expenses	(1 437)	(47 421)	(846 155)	(27 487)	-	-	-	(922 499)
<b>Incurred insurance service expenses:</b>	<b>(1 395)</b>	<b>(35 270)</b>	<b>(626 731)</b>	<b>(18 552)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(681 949)</b>
Claims	(901)	(27 465)	(570 362)	(14 080)	-	-	-	(612 808)
Expenses	(415)	(6 287)	(64 209)	(4 473)	-	-	-	(75 383)
Other movements related to current service	(80)	(1 518)	7 841	(0)	-	-	-	6 243
Amortisation of insurance acquisition cash flows	(42)	(11 024)	(105 391)	(8 777)	-	-	-	(125 233)
<b>Changes that relate to past service:</b>	<b>-</b>	<b>(1 126)</b>	<b>(88 541)</b>	<b>(157)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(89 824)</b>
Experience adjustments in claims and other insurance service expenses in LIC	-	(1 126)	(88 541)	(157)	-	-	-	(89 824)
<b>Changes that relate to future service:</b>	<b>-</b>	<b>-</b>	<b>(25 493)</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25 493)</b>
Losses and reversal of losses on onerous contracts – subsequent measurement	-	-	(25 493)	-0	-	-	-	(25 493)
<b>Income or expense from reinsurance contracts held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28 250)</b>	<b>71 616</b>	<b>(23 313)</b>	<b>20 053</b>
Allocation of the premiums paid	-	-	-	-	(39 335)	(401 901)	(23 313)	(464 549)
<b>Amounts recovered from reinsurance:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 085</b>	<b>473 517</b>	<b>-</b>	<b>484 602</b>
<b>Incurred insurance service expenses:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 875</b>	<b>390 616</b>	<b>-</b>	<b>400 491</b>
Claims	-	-	-	-	8 469	392 281	0	400 750
Expenses	-	-	-	-	369	4 265	0	4 635
Other movements related to current service	-	-	-	-	1 037	(5 930)	0	(4 893)
<b>Changes that relate to past service (changes in fulfilment cash flows re LIC):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 210</b>	<b>65 055</b>	<b>-</b>	<b>66 265</b>
Experience adjustments in claims and other insurance service expenses in LIC	-	-	-	-	1 210	65 055	-	66 265

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2024

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

**Insurance service result**

Assets	Insurance			Reinsurance			Total
	Fruit and Nut	Summer Crop	Winter Crop	Fruit QS	Winter and Summer QS	Stop Loss	
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
-	-	-	-	-	17 845	-	17 845
-	-	-	-	0	17 845	0	17 845
<b>(556)</b>	<b>22 989</b>	<b>(176 149)</b>	<b>(27 487)</b>	<b>(28 250)</b>	<b>71 616</b>	<b>(23 313)</b>	<b>(161 150)</b>

**6.7.2 Insurance Revenue Non-Life Insurance**

Portfolio information is derived from internal reports regularly reviewed by the Executive Committee. These reports guide resource allocation and performance assessment within the company. The operating segments are identified based on these reports, which management uses to make strategic and operational decisions. The company conducts mainly insurance and investment activities.

31 March 2023

Insurance revenue

Insurance service expenses

**Incurred insurance service expenses:**

Claims

Expenses

Other movements related to current service

Amortisation of insurance acquisition cash flows

**Changes that relate to past service:**

Changes in estimates in LIC fulfilment cash flows

Experience adjustments in claims and other insurance service expenses in LIC

Assets	Insurance			Reinsurance			Total
	Fruit and Nut	Summer Crop	Winter Crop	Fruit QS	Winter and Summer QS	Stop Loss	
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
14	57 559	630 113	80 595	-	-	-	768 281
668	(65 678)	(600 441)	(53 114)	-	-	-	(718 564)
<b>(5)</b>	<b>(51 872)</b>	<b>(427 206)</b>	<b>(41 030)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(520 113)</b>
(4)	(45 714)	(384 708)	(36 114)	-	-	-	(466 541)
(1)	(4 959)	(46 310)	(4 916)	-	-	-	(56 186)
-	(1 198)	3 812	-	-	-	-	2 614
(3)	(9 103)	(100 131)	(12 303)	-	-	-	(121 540)
<b>676</b>	<b>(4 703)</b>	<b>(73 103)</b>	<b>220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(76 911)</b>
-	0	0	-	-	-	-	0
676	(4 703)	(73 103)	220	-	-	-	(76 911)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2023

Assets	Insurance			Reinsurance			Total	
	Fruit and Nut	Summer Crop	Winter Crop	Fruit QS	Winter and Summer QS	Stop Loss		
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Income or expense from reinsurance contracts held	-	-	-	-	7 126	(58 797)	(28 897)	(80 568)
Allocation of the premiums paid	-	-	-	-	(32 362)	(399 847)	(28 897)	(461 105)
<b>Amounts recovered from reinsurance:</b>	-	-	-	-	<b>39 488</b>	<b>341 050</b>	-	<b>380 538</b>
<b>Incurred insurance service expenses:</b>	-	-	-	-	<b>36 441</b>	<b>314 848</b>	-	<b>351 288</b>
Claims	-	-	-	-	33 310	302 534	-	335 844
Expenses	-	-	-	-	2 256	14 824	-	17 080
Other movements related to current service	-	-	-	-	874	(2 510)	-	(1 636)
<b>Changes that relate to past service (changes in fulfilment cash flows re LIC):</b>	-	-	-	-	<b>3 047</b>	<b>26 202</b>	-	<b>29 249</b>
Experience adjustments in claims and other insurance service expenses in LIC	-	-	-	-	3 047	26 202	-	29 249
<b>Insurance service result</b>	<b>682</b>	<b>(8 119)</b>	<b>29 673</b>	<b>27 481</b>	<b>7 126</b>	<b>(58 797)</b>	<b>(28 897)</b>	<b>(30 851)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.3 Insurance Service Expenses life Insurance**

31 March 2024

**Incurred insurance service expenses:**

Claims  
Expenses  
Other movements related to current service  
Reversal of Impairment Loss on Assets for Insurance Acquisition Cash Flow

**Changes that relate to past service:**

Changes in estimates in LIC fulfilment cash flows  
Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Losses for the net outflow recognized on initial recognition  
Losses and reversal of losses on onerous contracts – subsequent measurement

**Total Insurance service expenses**

31 March 2023

**Incurred insurance service expenses:**

Claims  
Expenses  
Other movements related to current service

**Changes that relate to past service:**

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Losses for the net outflow recognized on initial recognition  
Losses and reversal of losses on onerous contracts – subsequent measurement

**Total Insurance service expenses**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
<b>(12 362)</b>	<b>(1 778)</b>	<b>(2 049)</b>	<b>(16 189)</b>
53	(325)	(1 948)	(2 220)
(12 440)	(1 452)	(2 045)	(15 937)
25	-	1 943	1 968
-	-	-	-
<b>702</b>	<b>(119)</b>	<b>1 207</b>	<b>1 790</b>
(476)	(211)	(767)	(1 454)
1 178	93	1 974	3 245
<b>(9 263)</b>	<b>(25 290)</b>	<b>63</b>	<b>(34 491)</b>
(1 745)	(16 030)	(2 565)	(20 340)
(7 518)	(9 261)	2 628	(14 151)
<b>(20 923)</b>	<b>(27 187)</b>	<b>(780)</b>	<b>(48 889)</b>

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
<b>(13 054)</b>	-	<b>(5 365)</b>	<b>(18 419)</b>
(817)	-	(4 487)	(5 304)
(12 237)	-	(1 262)	(13 499)
-	-	384	384
<b>1 514</b>	-	<b>1 930</b>	<b>3 444</b>
1 514	-	1 930	3 444
<b>(16 570)</b>	-	<b>(159)</b>	<b>(16 729)</b>
(431)	-	-	(431)
(16 138)	-	159	(16 298)
<b>(28 109)</b>	-	<b>(3 594)</b>	<b>(31 703)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.4 Insurance Service Expenses non-life Insurance**

The following tables present an analysis of the insurance service expenses for all measurement models applicable

31 March 2024

**Incurring insurance service expenses:**

Claims

Expenses

Other movements related to current service

Amortisation of insurance acquisition cash flows

**Changes that relate to past service:**

**Changes that relate to future service:**

Losses and reversal of losses on onerous contracts – subsequent measurement

**Total Insurance service expenses**

Insurance				
Assets	Fruit and Nut	Summer Crop	Winter Crop	Total
R'000	R'000	R'000	R'000	R'000
<b>(1,395)</b>	<b>(35,270)</b>	<b>(626,731)</b>	<b>(18,552)</b>	<b>(681,949)</b>
(901)	(27,465)	(570,362)	(14,080)	612 808
(415)	(6,287)	(64,209)	(4,473)	(75,383)
(80)	(1,518)	7 841	-	6 243
(42)	(11,024)	(105,391)	(8,777)	(125,233)
-	<b>(1,126)</b>	<b>(88,541)</b>	<b>(157)</b>	<b>(89,824)</b>
-	-	<b>(25,493)</b>	-	<b>(25,493)</b>
-	-	(25,493)	-	(25,493)
<b>(1,437)</b>	<b>(47,421)</b>	<b>(846,155)</b>	<b>(27,487)</b>	<b>(922,499)</b>

**6.7.4 Insurance Service Expenses non-life Insurance**

31 March 2023

**Incurring insurance service expenses:**

Claims

Expenses

Other movements related to current service

Amortisation of insurance acquisition cash flows

**Changes that relate to past service:**

Experience adjustments in claims and other insurance service expenses in LIC

**Total Insurance service expenses**

Assets	Fruit and Nut	Summer Crop	Winter Crop	Total
R'000	R'000	R'000	R'000	R'000
<b>(5)</b>	<b>(51 872)</b>	<b>(427 206)</b>	<b>(41 030)</b>	<b>(520 113)</b>
(4)	(45 714)	(384 708)	(36 114)	(466 540)
(1)	(4 959)	(46 310)	(4 916)	(56 186)
-	(1 198)	3 812	-	2 614
(3)	(9 103)	(100 131)	(12 303)	(121 540)
<b>676</b>	<b>(4 703)</b>	<b>(73 103)</b>	<b>220</b>	<b>(76 910)</b>
676	(4 703)	(73 103)	220	(76 910)
<b>668</b>	<b>(65 678)</b>	<b>(600 441)</b>	<b>(53 114)</b>	<b>(718 563)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.5 Insurance Finance Income or Expenses life Insurance**

31 March 2024

**The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:**

Interest accreted on present value cash flows

Interest accreted on risk adjustment

The effect of financial risk and changes in financial risk

**Total insurance finance income or expenses**

31 March 2023

Insurance finance income/(expenses) from insurance contracts issued

**The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:**

Interest accreted on the carrying amount of the CSM

Interest accreted on present value cash flows

Interest accreted on risk adjustment

The effect of financial risk and changes in financial risk

**Total insurance finance income or expenses**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
(2 774)	(1 687)	-	(4 461)
(2 693)	(1 631)	-	(4 324)
(81)	(56)	-	(137)
273	(589)	(28)	(344)
<b>(2 501)</b>	<b>(2 276)</b>	<b>(28)</b>	<b>(4 805)</b>

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
(1 596)	-	-	(1 596)
(125)	-	-	(125)
(1 418)	-	-	(1 418)
(52)	-	-	(52)
10	-	8	18
<b>(1 586)</b>	<b>-</b>	<b>8</b>	<b>(1 578)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.6 Income or Expenses from Reinsurance Contracts held - life Insurance**

31 March 2024

Income or expense from reinsurance contracts held

Allocation of the premiums paid

**Amounts recovered from reinsurance:**

**Incurred insurance service expenses:**

Claims

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Changes in estimates in LIC fulfilment cash flows

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

**Changes in Risk of Non-Performance**

Reinsurance		Total
Individual life	Group life	
R'000	R'000	R'000
(346)	(1 650)	(1 997)
(548)	-	(548)
<b>202</b>	<b>(1 650)</b>	<b>(1 449)</b>
<b>702</b>	<b>-</b>	<b>702</b>
702	-	702
<b>(500)</b>	<b>(1 143)</b>	<b>(1 643)</b>
151	159	310
(651)	(1 302)	(1 953)
-	<b>(507)</b>	<b>(507)</b>
-	(507)	(507)
-	-	-

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.6 Income or Expenses from Reinsurance Contracts held - life Insurance**

31 March 2023

Income or expense from reinsurance contracts held

Allocation of the premiums paid

**Amounts recovered from reinsurance:**

**Incurred insurance service expenses:**

Claims

Other movements related to current service

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

**Changes in Risk of Non-Performance**

Reinsurance finance income or expenses

**31 March 2023**

Finance income/(expenses) from reinsurance contracts held

The effect of financial risk and changes in financial risk

Individual life	Group life	Total
R'000	R'000	R'000
(755)	(668)	(1 423)
(631)	(1 642)	(2 272)
<b>(125)</b>	<b>974</b>	<b>849</b>
<b>651</b>	<b>2 248</b>	<b>2 899</b>
651	1 974	2 625
-	273	273
<b>(775)</b>	<b>(1 293)</b>	<b>(2 068)</b>
(775)	(1 293)	(2 068)
-	<b>19</b>	<b>19</b>
-	19	19
-	-	-

Individual life	Group life	Total
R'000	R'000	R'000
-	(2)	(2)
-	(2)	(2)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.7 Income or Expenses from Reinsurance Contracts held - non-life Insurance**

31 March 2024

Income or expense from reinsurance contracts held

Allocation of the premiums paid

**Amounts recovered from reinsurance:**

**Incurred insurance service expenses:**

Claims

Expenses

Other movements related to current service

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

**Changes in Risk of Non-Performance**

Reinsurance			
Fruit QS	Winter and Summer QS	Stop Loss	Total
R'000	R'000	R'000	R'000
(28 250)	71 616	(23,313)	20 052
(39,335)	(401,901)	(23,313)	(464,549)
<b>11 085</b>	<b>473 517</b>	-	<b>484 601</b>
<b>9 875</b>	<b>390 616</b>	-	<b>400 491</b>
8 469	392 281	-	400 750
369	4 265	-	4 635
1 037	(5,930)	-	(4,893)
<b>1 210</b>	<b>65 055</b>	-	<b>66 265</b>
1 210	65 055	-	66 265
-	<b>17 845</b>	-	<b>17 845</b>
-	17 845	-	17 845
-	-	-	-

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.7 Income or Expenses from Reinsurance Contracts held - non-life Insurance**

31 March 2023

Income or expense from reinsurance contracts held

Allocation of the premiums paid

**Amounts recovered from reinsurance:**

**Incurred insurance service expenses:**

Claims

Expenses

Other movements related to current service

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

<b>Fruit QS</b>	<b>Winter and Summer QS</b>	<b>Stop Loss</b>	<b>Total</b>
<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
7 126	(58,797)	(28,897)	(80,568)
(32,362)	(399,847)	(28,897)	(461,105)
<b>39 488</b>	<b>341 050</b>	-	<b>380 538</b>
<b>36 441</b>	<b>314 848</b>	-	<b>351 288</b>
33 310	302 534	-	335 844
2 256	14 824	-	17 080
874	(2,510)	-	(1,636)
<b>3 047</b>	<b>26 202</b>	-	<b>29 249</b>
3 047	26 202	-	29 249
-	-	-	-

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. Investments**

Investment in LBLIC  
 Investment in LBIC  
 Unlisted investments  
 Investment - Medical Fund  
 Investment in listed shares  
 Investments held by LBLIC  
 Investments held by LBIC

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
	-	-	30	30
	-	-	650,000	650,000
	254,300	209,150	254,300	209,150
	404,387	352,970	404,387	352,970
	105,486	68,306	105,486	68,306
	1,061,321	1,048,651	-	-
	327,299	280,436	-	-
	<b>2,152,792</b>	<b>1,959,513</b>	<b>1,414,202</b>	<b>1,280,455</b>
	<b>326,485</b>	<b>315,316</b>	<b>326,485</b>	<b>315,316</b>
	146,837	126,917	146,837	126,917
	40,026	59,700	40,026	59,700
	139,621	128,699	139,621	128,699
	<b>63,817</b>	<b>28,110</b>	<b>63,817</b>	<b>28,110</b>
	15,490	-	15,490	-
	4,056	3,506	4,056	3,506
	44,271	24,604	44,271	24,604
	<b>14,085</b>	<b>9,543</b>	<b>14,085</b>	<b>9,543</b>
	5,433	1,952	5,433	1,952
	8,653	7,591	8,653	7,591
	<b>404,387</b>	<b>352,970</b>	<b>404,387</b>	<b>352,970</b>

**Investment - Medical Fund**

These are investments held with Coronation Asset Managers.

**Listed investments**

Local equity  
 Local bonds  
 Foreign equity

**Other**

Commodities  
 Local Hedge Funds  
 Foreign unit trusts

**Cash**

Local  
 Foreign

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

The funds are entrusted to portfolio managers for investment purposes. The funds are earmarked to fund the future medical aid contributions of retired employees. The investments are classified at fair value through profit or loss and are measured and disclosed at fair value, except for cash which is measured at amortised cost. These investments are exposed to interest rate risk, equity price risk and foreign exchange risk. Refer to note 32 for more information on the related risks and mitigation strategies.

**Investments held with Coronation are invested as follows:**

**Local equities**

Financials (excl. real estate)  
 Financials (real estate)  
 Basic materials  
 Industrials  
 Consumer goods  
 Health care  
 Consumer services  
 Telecommunications  
 Technology  
 Other securities

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
	24%	30%	24%	30%
	10%	-	10%	-
	13%	15%	13%	15%
	2%	3%	2%	3%
	7%	15%	7%	15%
	3%	3%	3%	3%
	26%	16%	26%	16%
	2%	4%	2%	4%
	14%	14%	14%	14%
	-	3%	-	3%

Refer to note 19. for the post-retirement obligation disclosure.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Unlisted investments</b>				
<b>Fair value</b>				
Ordinary shares in Acorn Agri (Pty) Ltd	105,600	72,850	105,600	72,850
Ordinary shares in Ideafruit (Pty) Ltd	56,900	51,100	56,900	51,100
Ordinary shares in Afgri Grain Silo Company Pty Ltd	91,800	85,200	91,800	85,200
	<b>254,300</b>	<b>209,150</b>	<b>254,300</b>	<b>209,150</b>

The above equity investments constitute neither control, nor significant influence. Land Bank elected to apply its irrevocable right to designate these equity instruments at fair value through other comprehensive income.

**Acorn Agri & Food Ltd**

Land Bank holds 4.565% interest in Acorn Agri & Food Ltd. Acorn Agri & Food Ltd investment was valued as at 31 March 2024. The valuation was based on the market related Net Asset Value (NAV) of the company, resulting in an investment value of R105.6 million (FY2023 R72.8 million) for the Bank.

**Ideafruit (Pty) Ltd**

Land Bank holds 19.9% interest in Ideafruit (Pty) Ltd and the investment was valued as at 31 March 2024. The valuation was based on the DCF valuations, resulting in an investment value of R56.9 million (FY2023: R51.1 million) for the Bank.

**Afgri Grain Silo Company Pty Ltd**

Land Bank holds 19.9% interest in Afgri Grain Silo Company (Pty) Ltd and the investment was valued as at 31 March 2024. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R91.8 million (FY2023: R85.2 million) for the Bank.

**Listed investments**

Rhodes Food Group Holdings Limited was valued in March 2024 based on the listed share price. The listed share price of Rhodes Food Group Holdings Limited as at 31 March 2024, was R13.59 per share (FY2023:R11.00), resulting in an investment value of R105.4 million (FY2023: R68.31) for the Bank. The shares are traded daily hence the share price is regarded as a fair share price.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Investments held by LBLIC**

Equities – designated as at fair value through profit and loss  
 Investment in interest bearing assets  
 Commodities  
 Collective investment schemes

**Equities comprise:**

Designated as at fair value through profit or loss

**Commodities and derivatives (designated at FVTPL)**

**Collective investment schemes “CIS”**

Equity - domestic  
 Equity - foreign  
 Designated as at fair value through profit and loss (FVTPL)

	2024	2023
	R'000	R'000
	498,978	534,143
	430,026	399,298
	(176)	673
	132,493	114,536
	<b>1,061,321</b>	<b>1,048,651</b>
	498,978	534,143
	(176)	673
	<b>132,493</b>	<b>114,536</b>
	13,809	18,325
	118,684	96,210

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Investments in interest bearing assets**

Bonds listed in the BESA - at market value  
 Corporate  
 Government  
 Parastatal  
 Foreign  
 Designated as at fair value through profit and loss (FVTPL)

	2024	2023
	R'000	R'000
	430 026	399 298
	92 130	200 260
	310 288	177 335
	21 493	13 663
	6 114	8 040

**8. Derivative Assets**

The Bank's main driver of earnings is net interest income, which is the difference between interest income received on assets and interest expense incurred on funding liabilities.

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

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

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

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

Derivatives are measured at fair value through profit and loss.

**Derivative Assets**

The table below sets out derivative assets and liabilities by the type of hedge relationship in which they are measured at fair value

**Hedging derivatives**

Interest rate swap

**The nominal amount of derivatives in cash flow hedge relationships is as follows (measured at fair value).**

Interest rate swaps

- Asset

- Liability

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
654	1,321	654	1,321
800,000	800,000	800,000	800,000
(800,000)	(800,000)	(800,000)	(800,000)
-	-	-	-

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

0 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Total
R'000	R'000	R'000	R'000	R'000

**2024**

**Group and Bank**

**Interest rate swaps**

- Pay

- Receive

700,000	100,000	-	-	800,000
700,000	100,000	-	-	800,000

**2023**

**Group and Bank**

**Interest rate swaps**

- Pay

- Receive

-	800,000	-	-	800,000
-	800,000	-	-	800,000

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**9. Loans and advances (Loans and advances are measured at amortised cost)**

**Group and Company**

Gross loans per business segment

	Gross loans	Expected Credit Loss (ECL)	Net loans
	R'000	R'000	R'000
<b>2024</b>			
Corporate Banking and Structured Investments (CB&SI)	6,312,766	(1,344,604)	4,968,162
Commercial Development and Business Banking (CDBB)	11,212,557	(2,781,879)	8,430,678
Loan commitments and guarantees	-	(6,271)	(6,271)
Loan Modifications <sup>4</sup> CB&SI	(35,210)	-	(35,210)
Loan Modifications <sup>4</sup> CDBB	(25,424)	-	(25,424)
	<b>17,464,689</b>	<b>(4,132,754)</b>	<b>13,331,936</b>

**2023**

Corporate Banking and Structured Investments	6,349,861	(1,007,578)	5,342,283
Commercial Development and Business Banking	12,541,380	(3,042,929)	9,498,450
Loan commitments and guarantees	-	(15,321)	(15,321)
Loan Modifications <sup>4</sup> CB&SI	(35,210)	-	(35,210)
Loan Modifications <sup>4</sup> CDBB	(24,973)	-	(24,973)
	<b>18,831,058</b>	<b>(4,065,828)</b>	<b>14,765,230</b>

Loan type

	Nature of interest rate	Average term of repayment	Average interest rate	Average interest rate
			2024	2023
Short term loans	Variable	1 year	<b>11.79%</b>	11.83%
Medium term loans	Variable	1 to 5 years	<b>12.24%</b>	12.62%
Long term loans	Variable/ Fixed	> 5 years	<b>11.88%</b>	11.25%

**NOTES TO THE FINANCIAL STATEMENTS**

Loans by credit quality

**2024**

Corporate Banking and Structured Investments  
 Commercial Development and Business Banking  
 Loan Modifications<sup>4</sup> CB&SI  
 Loan Modifications<sup>4</sup> CDBB

**Gross loans and advances**

Expected Credit Loss (ECL)

**Net loans and advances**

**Loan commitments<sup>5</sup>**

Expected Credit Loss (ECL)

**Net loan commitments**

Performing loans <sup>1</sup>	Under performing loans <sup>2</sup>	Non-performing loans <sup>3</sup>	Total
R'000	R'000	R'000	R'000
3,165,001	1,035,466	2,112,300	6,312,766
3,383,733	661,464	7,167,359	11,212,557
(21,485)	(13,725)	-	(35,210)
(12,619)	(7,941)	(4,864)	(25,424)
<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>	<b>17,464,689</b>
(23,873)	(102,386)	(4,000,223)	(4,126,482)
<b>6,490,757</b>	<b>1,572,878</b>	<b>5,274,572</b>	<b>13,338,207</b>
			<b>86,430</b>
			<b>(6,271)</b>
			<b>80,159<sup>5</sup></b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

Performing loans <sup>1</sup>	Under performing loans <sup>2</sup>	Non-performing loans <sup>3</sup>	Total
R'000	R'000	R'000	R'000
3,190,847	945,805	2,213,208	6,349,861
4,147,118	825,657	7,568,604	12,541,380
(21,485)	(13,725)	-	(35,210)
(12,168)	(7,941)	(4,864)	(24,973)
<b>7,304,313</b>	<b>1,749,797</b>	<b>9,776,948</b>	<b>18,831,058</b>
(92,766)	(54,167)	(3,903,574)	(4,050,507)
<b>7,211,547</b>	<b>1,695,629</b>	<b>5,873,374</b>	<b>14,780,551</b>
			<b>80,852<sup>6</sup></b>
			<b>(15,321)</b>
			<b>65,531</b>

**2023**

Corporate Banking and Structured Investments  
Commercial Development and Business Banking  
Loan Modifications<sup>4</sup> CB&SI  
Loan Modifications<sup>4</sup> CDBB

**Gross loans and advances**

Expected Credit Loss (ECL)

**Net loans and advances**

**Loan commitments<sup>5</sup>**

**Expected Credit Loss (ECL)**

**Net loan commitments**

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

<sup>2</sup> Under performing loans: Loans are exposed to a significant increase in credit risk as identified based on probability of defaults (PDs) and warning signals that materialises between origination and reporting. As a minimum, loans that are in arrears for 30 days and more are classified as under performing loans.

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

<sup>4</sup> Refer to note 32 for modification disclosure.

<sup>5</sup> The loan commitments are undrawn balances.

<sup>6</sup> Refer to note 38.3 disclosure restated

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

Expected Credit Loss provision: reconciliation of movement per business unit

Group and Company

**2024**

**Balance at the beginning of the year**

Movement for the year

Credit losses written off:

- Statement of financial position write off (utilisation)

- Statement of comprehensive income write off

Second loss sharing<sup>2</sup>

**Net impairment raised to the statement of comprehensive income**

**Balance at the end of the year<sup>1</sup>**

**2023**

**Balance at the beginning of the year**

Movement for the year

Credit losses written off:

- Statement of financial position write off (utilisation)

- Statement of comprehensive income write off

**Net impairment raised/(released) to the statement of comprehensive**

**Balance at the end of the year<sup>1</sup>**

<sup>1</sup> The balances exclude suspended interest of R1.309 billion (FY2023: R988.1 million).

<sup>2</sup>Second loss sharing is a recovery of losses incurred on loans acquired through the SLA partners.

Corporate Banking and Structured Investments	Commercial Development and Business Banking	Loan commitments and guarantees	Total
R'000	R'000	R'000	R'000
1,043,747	2,018,614	15,321	3,077,682
(10,328)	(234,881)	-	(245,209)
(669)	(172,819)	-	(173,488)
(9,659)	(62,062)	-	(71,721)
-	-	-	-
183,055	(183,007)	(9,050)	(9,001)
1,216,474	1,600,726	6,271	2,823,472
1,073,411	3,186,505	180,260	4,440,177
(84,946)	(999,325)	-	(1,084,271)
(46,183)	(638,914)	-	(685,098)
(38,762)	(360,411)	-	(399,173)
55 282	(168 566)	(164 939)	(278 223)
1 043 747	2 018 614	15 321	3 077 682

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Impairment releases/ (charges), claims and recoveries**

Group and Company

**2024**

Net impairments raised to the statement of comprehensive income

Recoveries in respect of amounts previously written off<sup>1</sup>

Second loss sharing<sup>2</sup>

**2023**

Net impairments raised/ (released) to the statement of comprehensive income

Recoveries in respect of amounts previously written off<sup>1</sup>

Second loss sharing<sup>2</sup>

Corporate Banking and Structured Investments	Commercial Development and Business Banking	Loan commitments and guarantees	Total
R'000	R'000	R'000	R'000
183,055	(183,007)	(9,050)	(9,001)
(11,611)	(17,423)	-	(29,034)
-	152,085	-	152,085
<b>171,444</b>	<b>(48,345)</b>	<b>(9,050)</b>	<b>114,049</b>
55,282	(168,566)	(164,940)	(278,223)
-	(40,573)	-	(40,573)
-	(49,528)	-	(49,528)
<b>55,282</b>	<b>(258,667)</b>	<b>(164,940)</b>	<b>(368,324)</b>

<sup>1</sup>Off balance sheet debt collection amounting to R15.1 million (2023 R261.6 million) that was previously written off is still subject to legal action.

<sup>2</sup>Second loss sharing is a recovery of losses incurred on loans acquired through the SLA partners.

Forward-looking information incorporated in the ECL models

The Group uses forwards looking models (part of PD models e.g. seasonality model, macro model, PD transition model) and these models are used to calculate the final ECL that is reported as the Group is required to calculate lifetime PDs for stage 2 accounts.

**Collateral held as security and other credit enhancements relating to credit impaired financial assets.**

Refer to note 32 for details about the maximum exposure to credit risk for each class of financial instrument exposed to credit risk as at 31 March 2024.

At the end of the Financial year ended 31 March 2024, loans where collateral held covered the carrying amount in full amounted to R92.78 million (2023: R116.5 million).

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

	Gross Exposure	Impairment Allowance	Carrying Amount	Realisable value of collateral held
	R'000	R'000	R'000	R'000
<b>2024</b>				
Loans and advances	9,274,795	(4,000,223)	5,274,572	5 448 672
<b>2023</b>				
Loans and advances	9,776,948	(3,577,200)	6,199,749	6,562,008

**Concentration of credit risk**

Land Bank's business is exposed to credit concentration risk in the agricultural sector, as well as to certain counterparties / group of counterparties. During the year under review the Land Bank performed review of all lending limits for credit committees in the Bank. Lending limits were aligned to the Bank's strategy enabling support to development and commercial farmers with appropriate Board oversight across loan origination.

In the year under review, the Board of Directors further revised the credit concentration limits for all banking clients from an adjustable 2.50% of the capital base to a fixed limit of R73 million which applies to all new lending activities going forward. These limits continue to be tracked by the Risk Management Division at origination and during the credit process. The approved credit exposures are also noted by the relevant credit committees on an annual basis as part of credit risk reviews.

As at financial close FY2023/2024 all top 20 CB & SI clients and 8 of the top 20 CDBB client have exposures above the single obligor limit of R73m. As indicated above the new single obligor limit applies to new loans originated in the year under review and going forward, those approved prior to new lending mandates were already condoned Board of Directors.

## 10. Non-current assets held-for-sale

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Properties in possession	9,208	11,359	9,208	11,359
Reconciliation of movement				
Opening balance	11,359	9,609	11,359	9,609
Plus: Additions	-	1,750	-	1,750
Less: Disposals	(2,151)	-	(2,151)	-
<b>Closing Balance</b>	<b>9,208</b>	<b>11,359</b>	<b>9,208</b>	<b>11,359</b>

### Properties in possession

These represent the properties brought in by the Group due to clients defaulting on their loan payments. The intention of the Group is to sell these properties to recover the outstanding payments on the defaulted loans. The Group exclusively hold these properties with a view to dispose of them. These properties in possession are farm holdings and the Group has no intention to occupy them. Some of these properties have been on sale for more than 12 months, and this is beyond the control of the Bank, as the Group remains committed to sell these properties and continue to actively advertise them for sale. In view of the current volatile market conditions, the properties in possession will only be disposed of, as and when conditions render it economically viable.

BP 1938 located in Pietermaritzburg

BP 2102 located in East London

BP 2116 located in Theunissen

BP 2118 located in Theunissen

BP 2119 located in Potchefstroom

BP 2121 located in Ventersburg

BP 2123 located in Fauresmith

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**II. Investment property**

**Group**

2024

Investment property

Cost or Revaluation	Transfers *	Fair value adjustments	Carrying value
R'000	R'000	R'000	R'000
98,010	-	7,990	106,000

2023

Investment property

Cost or Revaluation	Transfers	Fair value adjustments	Carrying value
R'000	R'000	R'000	R'000
97,400	-	610	98,010

**Company**

2024

Investment property

Cost or Revaluation	Transfers *	Fair value adjustments	Carrying value
R'000	R'000	R'000	R'000
98,010	-	7,990	106,000

2023

Investment property

Cost or Revaluation	Transfers	Fair value adjustments	Carrying value
R'000	R'000	R'000	R'000
97,400	-	610	98,010

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation of movement**

	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Opening Balance	98,010	97,400	98,010	97,400
Transfers	-	-	-	-
Fair value adjustments	7,990	610	7,990	610
<b>Closing Balance</b>	<b>106,000</b>	<b>98,010</b>	<b>106,000</b>	<b>98,010</b>

The investment properties were valued by independent property valuers at year end. The fair value of investment property was determined by using the net income capitalisation method. This is a combination of capitalisation and discounting. The inputs used are gross market rentals, operating costs, the perpetual vacancy and market capitalisation rate. Refer to note 33.

The Bank derived income to the value of R13.8 million in rental income for the current financial year from the following investment properties:

- Bethlehem
- Calvinia
- Polokwane
- Rustenburg
- Upington
- Vryheid

There are no restrictions on the realisability of investment properties.

The Bank is responsible for repairs and maintenance of its investment properties per each contractual agreement with its tenants.

**NOTES TO THE FINANCIAL STATEMENTS**

**12. Property, plant and equipment**

**Group**

	2024			2023		
	Cost/ Revaluation	Accumulated depreciation	Carrying value	Cost/ Revaluation	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	5,499	-	5,499	4,479	-	4,479
Buildings	22,399	(1,398)	21,001	22,488	(1,267)	21,221
Furniture, fittings and office equipment	18,000	(15,978)	2,022	18,000	(15,844)	2,157
Motor vehicles	24,436	(671)	23,764	301	(241)	60
IT equipment	46,490	(39,552)	6,939	42,538	(36,183)	6,355
Leasehold improvements	1,313	(924)	389	1,313	(817)	496
<b>Total</b>	<b>118,137</b>	<b>(58,523)</b>	<b>59,614</b>	<b>89,120</b>	<b>(54,352)</b>	<b>34,768</b>

**Company**

	2024			2023		
	Cost/ Revaluation	Accumulated depreciation	Carrying value	Cost/ Revaluation	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	5,499	-	5,499	4,479	-	4,479
Buildings	22,399	(1,398)	21,001	22,488	(1,267)	21,221
Furniture, fittings and office equipment	18,000	(15,977)	2,022	18,000	(15,843)	2,157
Motor vehicles	24,436	(671)	23,764	301	(241)	60
IT equipment	46,132	(39,213)	6,918	42,179	(35,872)	6,307
Leasehold improvements	1,313	(924)	389	1,313	(817)	496
<b>Total</b>	<b>117,778</b>	<b>(58,184)</b>	<b>59,593</b>	<b>88,760</b>	<b>(54,040)</b>	<b>34,720</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation of property, plant and equipment - Group - 2024**

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,479	-	-	1,020	-	5,499
Buildings	21,220	-	-	1,179	(1,398)	21,001
Furniture, fittings and office equipment	2,160	-	-	-	(134)	2,025
Motor vehicles	60	24,134	(1)	-	(430)	23,764
IT equipment	6,355	4,215	(200)	-	(3,432)	6,938
Leasehold improvements	496	-	(1)	-	(107)	389
<b>Total</b>	<b>34,770</b>	<b>28,349</b>	<b>(202)</b>	<b>2,199</b>	<b>(5,501)</b>	<b>59,616</b>

**Reconciliation of property, plant and equipment - Group - 2023**

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,383	-	-	96	-	4,479
Furniture, fittings and office equipment	2,074	262	(23)	-	(157)	2,156
Buildings	20,467	-	-	2,021	(1,267)	21,221
Motor vehicles	105	-	(45)	-	-	60
IT equipment	2,060	5,722	(19)	-	(1,408)	6,355
Leasehold improvements	60	576	(59)	-	(81)	496
<b>Total</b>	<b>29,149</b>	<b>6,560</b>	<b>(146)</b>	<b>2,117</b>	<b>(2,913)</b>	<b>34,767</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation of property, plant and equipment - Company - 2024**

	Opening balance	Additions	Disposals	Transfers*	Revaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,479	-	-	-	1,020	-	5,499
Buildings	21,220	-	-	-	1,179	(1,398)	21,001
Furniture, fittings and office equipment	2,160	-	-	-	-	(134)	2,025
Motor vehicles	60	24,134	-	-	-	(430)	23,765
IT equipment	6,307	4,215	(200)	-	-	(3,406)	6,917
Leasehold improvements	496	-	-	-	-	(108)	389
<b>Total</b>	<b>34,723</b>	<b>28,349</b>	<b>(199)</b>	<b>-</b>	<b>2,199</b>	<b>(5,476)</b>	<b>59,593</b>

**Reconciliation of property, plant and equipment - Company - 2023**

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,383	-	-	-	96	-	4,479
Buildings	20,467	-	-	-	2,021	(1,267)	21,221
Furniture, fittings and office equipment	2,028	262	(23)	49	-	(157)	2,160
Motor vehicles	105	-	(45)	-	-	-	60
IT equipment	2,015	5,721	(19)	(37)	-	(1,374)	6,306
Leasehold improvements	60	576	(59)	-	-	(81)	496
<b>Total</b>	<b>29,058</b>	<b>6,559</b>	<b>(145)</b>	<b>12</b>	<b>2,117</b>	<b>(2,879)</b>	<b>34,722</b>

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

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

The land and buildings were valued by independent property valuers as at year end. The methods used for the valuations are based on market rentals, as obtained from independent companies who operate in the area, and the capitalisation rate for the areas, as obtained from the valuator's report. Please refer to note 33 for the fair values applied on the valuations.

## 13. Leases

### 13.1 Right of use of assets (ROU)

#### Group

#### 2024

#### At 1 April 2023

Additions

Depreciation

#### At 31 March 2024

Buildings*	Printers	Total
R'000	R'000	R'000
27,267	1,028	28,296
3,535	-	3,535
(7,735)	(343)	(8,078)
<b>23,067</b>	<b>685</b>	<b>23,752</b>

#### 2023

#### At 1 April 2022

Additions

Depreciation

#### At 31 March 2023

Buildings	Printers	Total
R'000	R'000	R'000
3,909	-	3,909
31,457	1,028	32,485
(8,099)	-	(8,099)
<b>27,268</b>	<b>1,028</b>	<b>28,295</b>

#### Company

#### 2024

#### At 1 April 2023

Additions

Depreciation

#### At 31 March 2024

Buildings*	Printers	Total
R'000	R'000	R'000
27,267	1,028	28,285
3,535	-	3,535
(7,735)	(343)	(8,078)
<b>23,068</b>	<b>685</b>	<b>23,752</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**2023**

**At 1 April 2022**

Additions

Depreciation

**At 31 March 2023**

Buildings	Printers	Total
R'000	R'000	R'000
3,909	-	3,909
31,457	1,028	32,485
(8,099)	-	(8,099)
<b>27,267</b>	<b>1,028</b>	<b>28,295</b>

**13.2 Lease Liabilities**

**Group**

**2024**

**At 1 April 2023**

Additions

Interest expense

Lease payments

**At 31 March 2024**

Buildings*	Printers	Total
R'000	R'000	R'000
27,963	1,003	28,966
3,535	-	3,535
694	71	765
(7,814)	(388)	(8,202)
<b>24,378</b>	<b>686</b>	<b>25,064</b>

**2023**

**At 1 April 2022**

Additions

Interest expense

Lease liability derecognised

Lease payments

**At 31 March 2023**

Buildings	Printers	Total
R'000	R'000	R'000
4,933	-	4,933
31,457	1,028	32,485
540	7	547
-	-	-
(8,967)	(32)	(9,000)
<b>27,963</b>	<b>1,003</b>	<b>28,966</b>

**Company**

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**2024**

**At 1 April 2023**

Additions  
 Interest expense  
 Lease liability derecognised  
 Lease payments

**At 31 March 2024**

Buildings*	Printers	Total
R'000	R'000	R'000
27,963	1,003	28,966
3,535	-	3,535
694	71	765
-	-	-
(7,814)	(388)	(8,202)
<b>24,378</b>	<b>686</b>	<b>25,064</b>

**2023**

**At 1 April 2022**

Additions  
 Interest expense  
 Lease liability derecognised  
 Lease payments

**At 31 March 2023**

Buildings	Printers	Total
R'000	R'000	R'000
4,933	-	4,933
31,457	1,028	32,485
540	7	547
-	-	-
(8,967)	(32)	(9,000)
<b>27,963</b>	<b>1,003</b>	<b>28,966</b>

Refer to note 32 for details about maturity analysis for Land Bank as a Lessee.

\*In the current year under review the Bank renewed the Vredendal, Worcester and Pietermaritzburg leases. Refer to note 32 for the lease maturities for Land Bank as Lessee.

Maturity Analysis for Land Bank as Lessor (IFRS 16.97)

**2024**

Receivable rental income

**2023**

Receivable rental income

Less than 1 year	1 - 5 years	> 5 years	Total
R'000	R'000	R'000	R'000
2,229	2,881	-	5,109
1,724	4,724	-	6,448

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**14. Intangible assets**

**Group**

Computer software

2024			2023		
Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
R'000	R'000	R'000	R'000	R'000	R'000
83,032	(81,970)	1,062	83,032	(81,477)	1,555

**Company**

Computer software

Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
R'000	R'000	R'000	R'000	R'000	R'000
83,032	(81,970)	1,062	83,032	(81,477)	1,555

**Reconciliation of Intangible assets Group - 2024**

**Group**

Computer software

Opening balance	Additions	Amortisation	Total
R'000	R'000	R'000	R'000
1,555	-	(493)	1,062

**Reconciliation of Intangible assets Group - 2023**

**Group**

Computer software

Opening balance	Additions	Amortisation	Total
R'000	R'000	R'000	R'000
1,615	697	(757)	1,555

**Reconciliation of Intangible assets Company - 2024**

**Company**

Computer software

Opening balance	Additions	Amortisation	Total
R'000	R'000	R'000	R'000
1,555	-	(493)	1,062

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation of Intangible assets Company - 2023**

Company

Opening balance	Additions	Amortisation	Total
R'000	R'000	R'000	R'000
1,615	697	(757)	1,555

Computer software

The Group reassessed the useful lives of all the intangible assets at the beginning of the FY2024 financial year together in order to reflect the most correct estimated useful lives of all intangible assets.

**15. Distributable and other reserves**

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
Distributable reserves from continuing operations			
Capital fund	8,784,325	8,784,325	8,286,785
Accumulated loss	(2,657,276)	(3,713,830)	(3,773,401)
Total distributable reserves	6,127,049	5,070,495	4,513,384
FVTOCI	(661,962)	(661,962)	(748,351)
Revaluation reserve	145,258	145,258	143,058
<b>5,610,345</b>	<b>5,002,860</b>	<b>4,553,791</b>	<b>3,908,091</b>

**Accumulated loss**

Comprises of accumulated retained loss.

**Capital fund**

The Capital fund consists of an initial loan by government, which was converted to equity in 2006 as part of the government commitment to support the Bank as well as further capital injections from the National Treasury in FY2015, FY2021, FY2023 and FY2024 respectively.

**FVTOCI**

The reserve relates to the fair value adjustment on the unlisted and listed investments held by the Bank and actuarial gain on the post-retirement obligation.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Revaluation reserve**

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

**16. Trade and other payables**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Accrued expenses	59,221	40,222	57,517	33,882
VAT component of amounts due to reinsurers	4,363	(368)	-	-
Trade payables	30,221	34,144	28,536	25,391
Deferred Income	-	1,288	-	1,288
Loan costs and fees received in advance	26,081	31,402	26,081	31,402
Other <sup>1</sup>	54,474	45,562	8,229	15,477
Breakage penalty fee payable	21,435	28,573	21,435	28,573
Amounts due to SASRIA	5,856	6,993	-	-
Client deposits for approved loans	8,050	2,850	8,050	2,850
	<b>209,702</b>	<b>190,666</b>	<b>149,848</b>	<b>138,863</b>

<sup>1</sup> Included in the other payables are surplus amounts on client accounts.

**16.1 Other financial liability**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Conditional equity injection	6,085,486	5,110,870	6,085,486	5,110,870
	<b>6,085,486</b>	<b>5,110,870</b>	<b>6,085,486</b>	<b>5,110,870</b>

Other financial liabilities is the R5.6 billion capital injection transferred on the 31 March 2023 and 31 March 2024 by the shareholder with certain conditions attached to it. The R5.6bn is in an ESCROW account pending fulfilment of attached conditions, which include amongst other, the curing of the state of default with lenders. The Bank expects to meet these conditions at the end of September 2024. The R5.6 billion is not available for use by the group. Refer to note 3.2 for further details on the appropriation including the Directors' report.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**17. Funding liabilities**

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
16,567,460	22,495,625	16,567,460	22,495,625

At amortised cost\*

\*Towards the end of April 2020, the Land Bank experienced a liquidity shortfall, which resulted in the Bank defaulting on some of its obligations. This triggered a cross default and resulted in a de-facto stand still on capital and interest payments to its funders. All covenants have been breached since the event of default, as a result of this, these covenants are no longer monitored by the lenders and National Treasury. Land Bank resumed servicing of interest on funding liabilities during August 2020 to date. The significant movement on funding liabilities between current and the prior year is due to the capital reductions.

**Analysis of funding**

**2024**

**Commercial Funding**

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Commercial Paper</b>	<b>8,471,322</b>	<b>(72,410)</b>	-	<b>(2,098,048)</b>	<b>58,961</b>	-	-	-	<b>6,359,824</b>
Bills	823,121	(7,447)	-	(203,755)	6,107	-	-	-	618,025
Call bonds	20,747	(129)	-	(5,150)	110	-	-	-	15,578
Floating rate notes - 1 year	1,038,785	(4,514)	-	(236,926)	3,609	-	-	-	800,955
Floating rate notes - 2 to 5 years	81,158	(1,442)	-	(41,348)	856	-	-	-	39,224
Promissory notes	6,507,510	(58,877)	-	(1,610,869)	48,278	-	-	-	4,886,042
<b>“Deposits”</b>	<b>304,513</b>	-	-	<b>13,367</b>	-	-	-	-	<b>317,879</b>
Agri-related business deposits	209,723	-	-	9,491	-	-	-	-	219,214
Forced stock sale deposits	94,316	-	-	3,859	-	-	-	-	98,175
Small institutional deposits	56	-	-	5	-	-	-	-	61
Rent deposits	418	-	-	12	-	-	-	-	429

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Facilities</b>	<b>721,242</b>	<b>(6,928)</b>	<b>-</b>	<b>(178,436)</b>	<b>4,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>540,520</b>
Committed	721,242	(6,928)	-	(178,436)	4,642	-	-	-	540,520
Uncommitted	-	-	-	-	-	-	-	-	-

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## NOTES TO THE FINANCIAL STATEMENTS

<b>DMTN Issuances</b>	<b>8,476,027</b>	<b>(86,534)</b>	<b>-</b>	<b>(2,106,230)</b>	<b>65,751</b>	<b>-</b>	<b>(1,986)</b>	<b>(54)</b>	<b>6,346,975</b>
Floating rate notes	6,539,630	(31,611)	-	(1,636,238)	28,856	-	764	(34)	4,901,366
- LBK15	792,207	(3,992)	-	(196,896)	3,635	-	-	-	594,954
- LBK18	421,759	(2,125)	-	(104,825)	1,935	-	-	-	316,745
- LBK22	326,228	(1,644)	-	(81,081)	1,497	-	-	-	244,999
- LBK23	350,954	(1,768)	-	(87,227)	1,610	-	-	-	263,569
- LBK26	140,715	(709)	-	(34,973)	646	-	-	-	105,678
- LBK27	1,160,181	(5,846)	-	(288,353)	5,323	-	-	-	871,306
- LBK30	175,984	(887)	-	(43,739)	807	-	-	-	132,166
- LBK31	527,307	(1,477)	-	(131,352)	2,425	-	-	-	396,902
- LBK32	289,525	(3,799)	-	(71,374)	1,318	-	-	-	215,669
- LBK33	433,509	(4,142)	-	(107,256)	2,328	-	864	(26)	325,276
- LBK35	572,025	(573)	-	(142,749)	2,635	-	-	-	431,339
- LBK36	114,869	(579)	-	(28,550)	527	-	-	-	86,268
- LBK37	457,584	(422)	-	(114,199)	671	-	(99)	(9)	343,526
- LBK38	294,840	(1,486)	-	(73,280)	1,353	-	-	-	221,428
- LBK39U	13,849	195	-	(14,044)	-	-	-	-	0
- LBK41U	468,092	(2,358)	-	(116,340)	2,148	-	-	-	351,541
Fixed rate notes	1,936,397	(54,923)	-	(469,992)	36,896	-	(2,750)	(19)	1,445,609
- LBK20	457,701	(2,306)	-	(113,758)	2,100	-	-	-	343,737
- LBK24	481,763	(21,439)	-	(114,989)	16,940	-	(424)	(7)	361,844
- LBK28	546,787	(18,194)	-	(132,043)	15,840	-	(2,326)	(12)	410,052
- LBK29	450,146	(12,984)	-	(109,203)	2,016	-	-	-	329,975

**NOTES TO THE FINANCIAL STATEMENTS**

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Term Loans - Amortising</b>	<b>2,174,929</b>	<b>122,020</b>	<b>-</b>	<b>(573,835)</b>	<b>6,606</b>	<b>-</b>	<b>80,891</b>	<b>(167,968)</b>	<b>1,642,643</b>
10 year syndicated loan (MIGA supported)	2,174,929	122,020	-	(573,835)	6,606	-	80,891	(167,968)	1,642,643
<b>Term Loans - Bullet Term</b>	<b>574,061</b>	<b>(2,609)</b>	<b>-</b>	<b>(142,749)</b>	<b>2,197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>430,900</b>
3 year term facility	574,061	(2,609)	-	(142,749)	2,197	-	-	-	430,900
<b>Step Rate Notes</b>	<b>592,964</b>	<b>(6,508)</b>	<b>-</b>	<b>(146,497)</b>	<b>4,883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>444,842</b>
Step Rate Notes	592,964	(6,508)	-	(146,497)	4,883	-	-	-	444,842
<b>Total Commercial Funding</b>	<b>21,315,056</b>	<b>(52,969)</b>	<b>-</b>	<b>(5,232,428)</b>	<b>143,040</b>	<b>-</b>	<b>78,905</b>	<b>(168,022)</b>	<b>16,083,583</b>
<b>Multilateral and Development Funding</b>									
<b>Term Loans - Amortising</b>	<b>1,015,833</b>	<b>(3,100)</b>	<b>-</b>	<b>(649,830)</b>	<b>196</b>	<b>-</b>	<b>(165)</b>	<b>(3,470)</b>	<b>359,464</b>
10 year term loan - KFW	479,518	4,263	-	(120,879)	196	-	(165)	(3,470)	359,464
15 year term loan - AFDB	413,802	(4,710)	-	(409,091)	-	-	-	-	0
25 year term loan - World Bank	122,513	(2,652)	-	(119,860)	-	-	-	-	0
<b>Total Multilateral and Development Funding</b>	<b>1,015,833</b>	<b>(3,100)</b>	<b>-</b>	<b>(649,830)</b>	<b>196</b>	<b>-</b>	<b>(165)</b>	<b>(3,470)</b>	<b>359,464</b>
<b>Disaster Relief Funding</b>									
<b>Drought Relief</b>	<b>164,740</b>	<b>(345)</b>	<b>-</b>	<b>(41,066)</b>	<b>2,488</b>	<b>-</b>	<b>-</b>	<b>(1,402)</b>	<b>124,415</b>
10 year term loan - IDC	164,740	(345)	-	(41,066)	2,488	-	-	(1,402)	124,415
<b>Total Disaster Relief</b>	<b>164,740</b>	<b>(345)</b>	<b>-</b>	<b>(41,066)</b>	<b>2,488</b>	<b>-</b>	<b>-</b>	<b>(1,402)</b>	<b>124,415</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Analysis of funding  
2023**

Commercial Funding

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Commercial Paper</b>	<b>10,511,469</b>	<b>(35,091)</b>	-	<b>(2,077,466)</b>	<b>72,422</b>	-	<b>(13)</b>	-	<b>8,471,322</b>
Bills	994,421	23,009	-	(201,756)	7,447	-	-	-	823,121
Call bonds	25,809	(91)	-	(5,100)	129	-	-	-	20,747
Floating rate notes - 1 year	1,259,859	(5,402)	-	(220,186)	4,514	-	-	-	1,038,785
Floating rate notes - 2 to 5 years	137,044	(1,970)	-	(55,358)	1,455	-	(13)	-	81,158
Promissory notes	8,094,336	(50,638)	-	(1,595,066)	58,877	-	-	-	6,507,510
<b>“Deposits”</b>	<b>349,311</b>	-	-	<b>(44,798)</b>	-	-	-	-	<b>304,513</b>
Agri-related business deposits	231,225	-	-	(21,502)	-	-	-	-	209,723
Forced stock sale deposits	117,675	-	-	(23,359)	-	-	-	-	94,316
Small institutional deposits	52	-	-	4	-	-	-	-	56
Rent deposits	358	-	-	60	-	-	-	-	418
<b>Facilities</b>	<b>896,726</b>	<b>(5,727)</b>	-	<b>(175,349)</b>	<b>5,591</b>	-	-	-	<b>721,242</b>
Committed	896,726	(5,727)	-	(175,349)	5,591	-	-	-	721,242
Uncommitted	-	-	-	-	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

<b>DMTN Issuances</b>	<b>11,562,523</b>	<b>(117,493)</b>	<b>-</b>	<b>(3,055,538)</b>	<b>90,155</b>	<b>-</b>	<b>(3,364)</b>	<b>(257)</b>	<b>8,476,027</b>
Floating rate notes	9,128,158	(29,983)	-	(2,590,157)	31,056	-	774	(219)	6,539,630
- LBK15	987,537	(4,357)	-	(194,964)	3,992	-	-	-	792,207
- LBK18	525,750	(2,320)	-	(103,796)	2,125	-	-	-	421,759
- LBK22	406,664	(1,794)	-	(80,286)	1,644	-	-	-	326,228
- LBK23	437,408	(1,851)	-	(86,371)	1,768	-	-	-	350,954
- LBK26	175,410	(774)	-	(34,630)	709	-	-	-	140,715
- LBK27	1,441,654	(1,794)	-	(285,524)	5,846	-	-	-	1,160,181
- LBK30	219,376	(968)	-	(43,310)	887	-	-	-	175,984
- LBK31	656,837	(944)	-	(130,064)	1,639	-	(153)	(9)	527,307
- LBK32	359,566	(3,166)	-	(70,674)	3,822	-	(17)	(6)	289,525
- LBK33	539,703	(4,132)	-	(106,204)	2,843	-	1,340	(41)	433,509
- LBK35	713,128	(328)	-	(141,348)	736	-	(130)	(34)	572,025
- LBK36	143,192	(632)	-	(28,270)	579	-	-	-	114,869
- LBK37	570,731	(490)	-	(113,079)	589	-	(122)	(45)	457,584
- LBK38	368,707	(2,791)	-	(72,561)	1,486	-	-	-	294,840
- LBK39U	699,279	(735)	-	(684,500)	33	-	(144)	(83)	13,849
- LBK40U	299,709	(333)	-	(299,376)	-	-	-	-	0
- LBK41U	583,507	(2,575)	-	(115,199)	2,358	-	-	-	468,092
Fixed rate notes	2,434,365	(87,510)	-	(465,381)	59,099	-	(4,138)	(38)	1,936,397
- LBK20	591,276	(23,239)	-	(112,642)	2,306	-	-	-	457,701
- LBK24	600,640	(26,455)	-	(113,861)	22,451	-	(992)	(20)	481,763
- LBK28	682,319	(22,979)	-	(130,747)	20,961	-	(2,752)	(15)	546,787
- LBK29	560,130	(14,837)	-	(108,131)	13,381	-	(394)	(3)	450,146

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Term Loans - Amortising</b>	<b>2,681,497</b>	<b>189,287</b>	-	<b>(573,835)</b>	<b>8,189</b>	-	<b>94,523</b>	<b>(224,732)</b>	<b>2,174,929</b>
7-year syndicated loan (Government guaranteed)	(958)	958	-	-	-	-	-	-	-
10-year syndicated loan (MIGA supported)	2,682,455	188,329	-	(573,835)	8,189	-	94,523	(224,732)	2,174,929
<b>Term Loans - Bullet Term</b>	<b>715,038</b>	<b>(2,238)</b>	-	<b>(141,348)</b>	<b>2,609</b>	-	-	-	<b>574,061</b>
3-year term facility	715,038	(2,238)	-	(141,348)	2,609	-	-	-	574,061
6-year syndicated loan (Government guaranteed)	-	-	-	-	-	-	-	-	-
<b>Step Rate Notes</b>	<b>744,553</b>	<b>(13,038)</b>	-	<b>(145,059)</b>	<b>6,508</b>	-	-	-	<b>592,964</b>
Step Rate Notes	744,553	(13,038)	-	(145,059)	6,508	-	-	-	592,964
<b>Total Commercial Funding</b>	<b>27,461,117</b>	<b>15,700</b>	-	<b>(6,213,393)</b>	<b>185,475</b>	-	<b>91,146</b>	<b>(224,989)</b>	<b>21,315,056</b>
<b>Multilateral and Development Funding</b>									
<b>Term Loans - Amortising</b>	<b>1,497,181</b>	<b>(3,900)</b>	-	<b>(480,549)</b>	<b>8,546</b>	-	<b>(1,106)</b>	<b>(4,340)</b>	<b>1,015,833</b>
10-year term loan - KFW	598,200	5,081	-	(119,500)	262	-	(184)	(4,340)	479,518
15-year term loan - AFDB	503,519	(3,519)	-	(90,909)	5,489	-	(778)	-	413,802
25-year term loan - World Bank	395,462	(5,462)	-	(270,140)	2,796	-	(144)	-	122,513
<b>Total Multilateral and Development Funding</b>	<b>1,497,181</b>	<b>(3,900)</b>	-	<b>(480,549)</b>	<b>8,546</b>	-	<b>(1,106)</b>	<b>(4,340)</b>	<b>1,015,833</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Disaster Relief Funding</b>									
<b>Drought Relief</b>	<b>204,664</b>	<b>394</b>	<b>-</b>	<b>(40,663)</b>	<b>2,215</b>	<b>-</b>	<b>-</b>	<b>(1,871)</b>	<b>164,740</b>
10 year term loan - IDC	204,664	394	-	(40,663)	2,215	-	-	(1,871)	164,740
<b>Total Disaster Relief</b>	<b>204,664</b>	<b>394</b>	<b>-</b>	<b>(40,663)</b>	<b>2,215</b>	<b>-</b>	<b>-</b>	<b>(1,871)</b>	<b>164,740</b>
<b>Total Funding Liabilities</b>	<b>29,162,962</b>	<b>12,195</b>	<b>-</b>	<b>(6,734,605)</b>	<b>196,237</b>	<b>-</b>	<b>90,041</b>	<b>(231,200)</b>	<b>22,495,629</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation of notes in issue <sup>1</sup>**

	2024	2023
	R'000	R'000
<b>Opening balance</b>	<b>8,389,489</b>	<b>11,445,026</b>
LBK22 Capital Reduction	(81,081)	(80,286)
LBK36 Capital Reduction	(28,550)	(28,270)
LBK15 Capital Reduction	(196,896)	(194,964)
LBK18 Capital Reduction	(104,825)	(103,796)
LBK33 Capital Reduction	(107,256)	(106,204)
LBK23 Capital Reduction	(87,227)	(86,371)
LBK26 Capital Reduction	(34,973)	(34,630)
LBK27 Capital Reduction	(288,353)	(285,524)
LBK30 Capital Reduction	(43,739)	(43,310)
LB41U Capital Reduction	(116,340)	(115,199)
LBK28 Capital Reduction	(132,043)	(130,747)
LBK31 Capital Reduction	(131,352)	(130,064)
LBK29 Capital Reduction	(109,203)	(108,131)
LBK32 Capital Reduction	(71,374)	(70,674)
LBK20 Capital Reduction	(113,758)	(112,642)
LBK39U Capital Reduction	(14,044)	(684,500)
LBK40U Capital Reduction	-	(299,376)
LBK24 Capital Reduction	(114,989)	(113,861)
LBK35 Capital Reduction	(142,749)	(141,348)
LBK37 Capital Reduction	(114,199)	(113,079)
LBK38 Capital Reduction	(73,280)	(72,561)
<b>Closing balance</b>	<b>6,283,259</b>	<b>8,389,489</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Notes in default 2**

			2024	2023
			R'000	R'000
LBK36	25 June 2019	25 June 2020	-	455,395
LBK22	04 September 2017	04 September 2020	-	349,187
LB41U	16 March 2020	16 March 2021	-	293,354
LBK26	23 March 2018	23 March 2021	-	1,154,335
LBK30	20 September 2018	20 September 2021	327,958	-
LBK15	12 October 2016	12 October 2021	394,477	-
			<b>722,435</b>	<b>2,252,271</b>

**Step rate notes**

**Reconciliation of notes in issue <sup>1</sup>**

			2024	2023
			R'000	R'000
Opening balance			586,456	731,515
<b>Notes redeemed:</b>				
SRN 4, capital reduction	11 May 2017	11 May 2022	(73,291)	(72,571)
SRN 4, capital reduction	10 May 2017	11 May 2022	(73,206)	(72,488)
<b>Closing balance</b>			<b>439,959</b>	<b>586,456</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**17.2 Weighted average interest cost of commercial funding (NACM)**

Short-term: ≤ 1 year  
 Medium-term: > 1 year ≤ 5 years  
 Long-term: > 5 years  
 Total Cost of Funding

**Weighted average interest cost of development and multilateral funding (NACM)**

Long-term: > 5 years \*\*

**Weighted average interest cost of natural disaster relief funding (NACM)**

Long-term: > 5 years

	* Spread to 3 month Jibar	* Spread to 3 month Jibar
	2024	2023
	R'000	R'000
	1.46%	0.53%
	2.70%	1.12%
	0.00%	2.81%
	1.65%	0.70%
	1.11%	1.15%
	1.07%	1.59%

**Development and multilateral funding**

Land Bank's Multilateral funds are made up of the following:

R1.0 billion loan with the African Development Bank. the purpose of the loan was to on-lend to the Land Bank's commercial and Development clients whom meet qualifying usage criteria. The government guaranteed loan was fully settled by National Treasury in August 2023.

- \$93 million funding line with the World Bank. This facility was earmarked to give financial aid to participating financial intermediaries and direct beneficiaries. As at 31 March 2023 R119.860 million has been utilised. The balance of the undrawn facility was cancelled in FY2022. The government guaranteed loan was fully settled by National Treasury in August 2023.

-R899 million funding line with KfW Development Bank. This facility was earmarked to finance small-sized and medium sized agricultural enterprises. The facility has been fully drawn and disbursed to qualifying projects. As at 31 March 2024 the loan balance was R362,9 million.

**Disaster relief**

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

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

The loan was used for:

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

Loans under this arrangement would only be extended where there is a viable business case with repayment ability, as well as sufficient collateral to cover the potential losses to the Bank. The facility was fully utilised, relief assistance closed on 31 March 2019 and the facility now is amortising.

\*Weighted average Jibar

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

## 18. Provisions

### Reconciliation of provisions - Group - 2024

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Staff Incentives <sup>1</sup>	3,000	3,138	(3,000)	-	3,138
Leave pay <sup>2</sup>	29,398	16,810	(8,052)	-	38,156
Other <sup>3</sup>	-	32,000	-	-	32,000
	<b>32,398</b>	<b>51,948</b>	<b>(11,052)</b>	<b>-</b>	<b>73,294</b>

### Reconciliation of provisions - Group - 2023

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Staff Incentives <sup>1</sup>	2,400	3,000	(2,400)	-	3,000
Leave pay <sup>2</sup>	31,781	6,037	(8,420)	-	29,398
	<b>34,181</b>	<b>9,037</b>	<b>(10,820)</b>	<b>-</b>	<b>32,398</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation of provisions - Company - 2024**

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Leave pay <sup>2</sup>	27,100	14,438	(5,995)	-	35,543
Other <sup>3</sup>	-	32,000	-	-	32,000
	<b>27,100</b>	<b>46,438</b>	<b>(5,995)</b>	<b>-</b>	<b>67,543</b>

**Reconciliation of provisions - Company - 2023**

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Leave pay	29,960	3,739	(6,599)	-	27,100
	<b>29,960</b>	<b>3,739</b>	<b>(6,599)</b>	<b>-</b>	<b>27,100</b>

<sup>1</sup>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.

<sup>2</sup>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.

<sup>3</sup>Other - relates to a probable obligation for VAT for using an incorrect apportionment ratio.

## 19. Post-retirement obligation

### Medical benefit plan

The defined benefit obligation plan is unfunded. The estimated medical aid contributions for the next year effective 1 April 2024 amounts to R21.7 million (FY2023: R19.5 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

#### Post-retirement obligation

##### Medical benefit plan

##### Movement in the present value of the:

Defined benefit obligation 1 April

Service cost - PRMA

Interest cost - PRMA

Actuarial (losses) and gains on post retirement obligation

Benefits paid

##### Defined benefit obligation 31 March 2024

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
278,864	286,655	278,864	286,655
1,374	1,732	1,374	1,732
27,912	27,823	27,912	27,823
(4,061)	(17,811)	(4,061)	(17,811)
(21,772)	(19,535)	(21,772)	(19,535)
<b>282,317</b>	<b>278,864</b>	<b>282,317</b>	<b>278,864</b>

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

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
(1,374)	(1,732)	(1,374)	(1,732)
(27,912)	(27,823)	(27,912)	(27,823)
(29,286)	(29,555)	(29,286)	(29,555)
(29,286)	(29,555)	(29,286)	(29,555)
4,061	17,811	4,061	17,811

##### Components of net periodic medical benefit cost:

Service cost - PRMA

Interest cost - PRMA

Total included in interest and staff costs

Total expenses recognised in profit or loss

Actuarial (losses) recognised in other comprehensive income

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

The accrued service liabilities as at 31 March 2024 and 31 March 2023 are shown in the table below.

	As at 31 March 2024	As at 31 March 2023	% increase
	R'000	R'000	%
In-Service Members	36.716	40.012	(8%)
Continuation Members	245.601	238.852	3%
<b>Total Accrued Service Liability</b>	<b>282.317</b>	<b>278.864</b>	<b>1%</b>

The actuarial gain of 4.061 million arose as follows:

	R'000
Experience item	
Change in economic basis (the discount rate and medical inflation assumptions)	(16.487)
New Entrants	4.883
Actual medical inflation higher than expected	4.109
Mortality lower than expected	1.245
Impact of retirements	1.633
Actual benefits greater than expected benefits	0.526
Withdrawals lower than expected	0.043
Miscellaneous	(0.013)
<b>Total actuarial gain</b>	<b>(4.061)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

**19.1 Maturity profile of members**

2024		Membership Profile			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependents	
Active	71	53	29	1.44	
Pensioners	242	71	-	0.52	
	<b>313</b>	<b>124</b>	<b>29</b>	<b>2</b>	

2023		Membership Profile			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependents	
Active	55	52	28	2	
Pensioners	234	70	-	1	
	<b>289</b>	<b>122</b>	<b>28</b>	<b>2</b>	

The actuarial valuation report complies with the requirements of Advisory Practice Note (APN) 301 of the Actuarial Society of South Africa in all respects that are deemed to be in the context of the exercise undertaken. The valuation is based on the Projected Unit Credit valuation method, as prescribed by IAS19. The actuarial assumptions are unbiased and mutually compatible, as required. The results of the valuation depend on the assumptions used.

**19.2 Actuarial key assumptions used:**

**Medical inflation**

Contribution rates on the benchmark medical option, Bankmed, have increased by, on average 8.05% over the period. This is higher than the medical inflation assumptions of 7% made at the time of the last valuation. This resulted in a decrease in liability of approximately R4.109 million.

**Economic basis**

The net discount rate over the period has increased by 2.31% for active members. The average net discount rate has increased by 0.52%. This has caused a decrease in liability of approximately R16.487 million.

**New Entrants**

Five pensioners were not valued in the previous valuation and are thus new entrants in this valuation. The majority of these are members whose spouses have inherited the benefit.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Mortality**

The liability decreased by approximately R1.245 million due to pensioner mortality being lower than expected over the period.

**Withdrawals**

There were less withdrawals than expected during the valuation year. This has resulted in an actuarial strain of some R0.043 million.

**19.2 Sensitivity analysis**

In-Service and Continuation Members

**Assumptions as above**

Discount rate – increases by 1% p.a.

Discount rate – reduces by 1% p.a.

Medical inflation – increases by 1% p.a.

Medical inflation – reduces by 1% p.a.

Retirement age – 64

Retirement age – 66

Accrued Service Liabilities as at 31 March 2024	% Increase	Accrued Service Liabilities as at 31 March 2023	% Increase
R'000	%	R'000	%
258,996	-8%	253,924	10%
309,637	10%	308,305	10%
307,754	9%	306,940	-9%
259,169	-8%	253,834	1%
285,812	1%	282,518	1%
279,055	-1%	275,566	-1%

**20. Interest income measured at amortised cost**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Interest from loans and advances <sup>1</sup>	1,971,712	2,198,631	1,971,712	2,198,631
Interest on short-term deposits	597,342	536,778	597,342	536,778
Interest from banks	20,970	30,382	11,734	21,593
Interest on premiums written <sup>2</sup>	208	135	-	-
	<b>2,590,232</b>	<b>2,765,926</b>	<b>2,580,788</b>	<b>2,757,002</b>

<sup>1</sup> Included in the interest income is a charge of interest in suspense of R321.1m (FY2023: charge of R41.51m)

<sup>2</sup> Interest premiums is derived from outstanding premiums earned from the insurance companies

## 21. Interest expense

Commercial funding
Development and multilateral funding
Interest on swaps & debentures
Other <sup>1</sup>
<b>Total interest expense</b>

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
1,738,745	1,948,603	1,738,745	1,948,603
58,036	94,671	58,036	94,671
1,334	30,141	1,334	30,141
77,925	76,355	77,925	76,355
<b>1,876,041</b>	<b>2,149,770</b>	<b>1,876,041</b>	<b>2,149,770</b>

<sup>1</sup>Other consists of interest paid on Drought Relief funding, Government guarantee fee paid.

## 22. Non-interest expense

Account administration & Net Interest Margin fee expense <sup>1</sup>
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Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
2,098	13,555	2,098	13,555

<sup>1</sup>Account administration & Net Interest Margin fee expense relate to management fees paid to intermediaries in terms of service level agreements relating to the Bank's acquisition loan books. Net interest income (interest income less interest expense) earned from, and impairments incurred on these books are included under note 20 note 21 and note 9 respectively. Significant movement due to the SLA insourcing. These are expenses derived from banking activities

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**23. Non-interest income and Other income**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Fee and commission income</b>	<b>33,645</b>	<b>24,366</b>	<b>33,645</b>	<b>24,366</b>
Account administration fee income	16,451	13,964	16,451	13,964
Fund administration fees	17,194	10,402	17,194	10,402
<b>Other Income</b>	<b>29,047</b>	<b>32,893</b>	<b>29,525</b>	<b>32,386</b>
Administration fee from LBLIC	-	-	1,414	1,343
Investment property rentals	13,910	12,740	13,910	12,740
Sundry income <sup>1</sup>	15,136	20,153	14,201	18,303

**24. Investment income and fees**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>An analysis of revenue is as follows:</b>				
Investment income from financial assets classified as at fair value through profit or loss:	132,590	104,891	26,148	20,132
Dividend income - other investments	41,124	37,600	19,320	13,184
Interest income <sup>1</sup>	91,466	67,291	6,828	6,948
Investment management and performance fees	(2,522)	(2,223)	(2,522)	(2,223)
	<b>130,068</b>	<b>102,669</b>	<b>23,626</b>	<b>17,909</b>

<sup>1</sup> Net margin fee due to the bank which was previously overcharged by an SLA Partner.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**25.1 Gains and losses on financial instruments**

Losses on financial assets measured at amortised cost<sup>2</sup>

**Fair value (losses) gains**

**Measured at fair value through profit or (loss)**

Interest rate swap<sup>3</sup>

**Designated at fair value through profit or loss**

Investment income

Realised gains

Unrealised fair value gains (losses)

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
(451)	(2,933)	(451)	(2,933)
<b>(667)</b>	<b>(8,576)</b>	<b>(667)</b>	<b>(8,576)</b>
(667)	(8,576)	(667)	(8,576)
49,912	5,798	40,849	3,279
43,314	21,819	25,316	9,463
6,598	(16,021)	15,534	(6,185)
<b>49,245</b>	<b>(2,778)</b>	<b>40,182</b>	<b>(5,297)</b>

**25.2 Measured at fair value through OCI**

Revaluation gains/(losses) of land and buildings

Actuarial Gain on the post-retirement obligation

Net (loss)/gain on financial assets designated at fair value through other comprehensive income

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
2,199	2,117	2,199	2,117
4,061	17,811	4,061	17,811
82,330	(28,752)	82,330	(28,752)
<b>88,590</b>	<b>(8,824)</b>	<b>88,590</b>	<b>(8,824)</b>

<sup>1</sup>These are assets invested with asset management companies.

<sup>2</sup>These are modifications gains/(losses) on loans and advances

<sup>3</sup>These are settled on a net basis per the contractual agreement with the asset managers. To manage the Bank's exposure to "basis risk" and in an effort to protect the Bank's net interest margin, the Land Bank Board entered into an interest rate swap arrangement; hedging the mismatch moderately between the lending and funding rate. IFRS 9 require gains and losses on this derivative to be recognised in profit or loss when hedge accounting is not applicable.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**26. Operating expenses**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Depreciation - Owned assets (Note12)	5,477	2,879	5,477	2,881
Depreciation - Leased assets (Note 13)	8,078	8,099	8,078	8,099
Amortisation - computer software (Note 14)	493	757	493	757
Auditors remuneration - External auditors	20,518	16,913	20,518	16,913
Directors' emoluments	16,319	15,437	15,117	15,025
- Executive	8,372	4,358	8,372	4,358
- Non-executive	7,947	11,079	6,745	10,667
Management fees	7,767	6,101	-	-
Professional fees	40,385	13,899	40,385	13,899
Staff costs	345,062	331,402	345,062	331,402
- Salaries and contributions	336,594	324,174	336,594	324,174
- Staff related provisions and other	8,468	7,227	8,468	7,227
Other operating expenses	151,939	111,613	149,926	110,180
- Computer and data costs	34,958	21,659	34,958	21,659
- Repairs and maintenance	3,385	7,018	3,385	7,018
- Rates and taxes	8,740	6,558	8,740	6,558
- Travel and accommodation	12,179	7,466	12,177	7,463
- Corporate social investment	6,386	5,710	6,191	3,712
- Litigation and claims	16,220	10,735	16,220	10,735
- Other I	70,071	52,468	68,256	53,036
	<b>596,037</b>	<b>507,100</b>	<b>585,055</b>	<b>499,156</b>

Other operating expenses includes sundry operating expenses such as security, short-term lease, cleaning and marketing amongst others.



**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**29. Funds under administration**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Asset</b>				
	1,794,989	1,823,983	1,794,989	1,823,983
<b>Liabilities</b>				
Department of Agriculture	1,794,989	1,823,983	1,794,989	1,823,983
<b>Funds administered on behalf of the Department of Agriculture</b>				
Agri-BEE	435,826	363,591	435,826	363,591
MAFISA Fund	17,382	16,050	17,382	16,050
Covid 19	-	92,510	-	92,510
Jobs Fund	12,656	17,083	12,656	17,083
Emerging Farmers' Support Facility & CGA Primary Project	138,793	155,356	138,793	155,356
Blended Finance	863,738	1,175,224	863,738	1,175,224
Kat River Farmers	4,514	4,168	4,514	4,168
Amajingqi Crop	24,999	-	24,999	-
EU Wines	40,314	-	40,314	-
Agro Energy Fund	256,768	-	256,768	-
	<b>1,794,989</b>	<b>1,823,983</b>	<b>1,794,989</b>	<b>1,823,983</b>
<b>Reconciliation of movement in funds under administration</b>				
<b>Agri-BEE</b>				
<b>Balance at the beginning of the year</b>	<b>363,591</b>	<b>321,002</b>	<b>363,591</b>	<b>321,002</b>
Receipts	49,590	54,826	49,590	54,826
Accrued interest	36,024	18,410	36,024	18,410

**NOTES TO THE FINANCIAL STATEMENTS**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Disbursements	(13,380)	(30,647)	(13,380)	(30,647)
<b>Balance at the end of the year</b>	<b>435,826</b>	<b>363,591</b>	<b>435,826</b>	<b>363,591</b>
<b>MAFISA fund</b>				
<b>Balance at the beginning of the year</b>	<b>16,050</b>	<b>15,192</b>	<b>16,050</b>	<b>15,192</b>
Accrued interest	1,331	858	1,331	858
Transfer from/(to) the fund	-	-	-	-
<b>Balance at the end of the year</b>	<b>17,382</b>	<b>16,050</b>	<b>17,382</b>	<b>16,050</b>
<b>Covid-19</b>				
<b>Balance at the beginning of the year</b>	<b>92,510</b>	<b>94,092</b>	<b>92,510</b>	<b>94,092</b>
Transfer from/(to) Land Bank	(99,712)	-	(99,712)	-
Accrued interest	7,201	5,096	7,201	5,096
Disbursements	-	(6,678)	-	(6,678)
<b>Balance at the end of the year</b>	<b>-</b>	<b>92,510</b>	<b>-</b>	<b>92,510</b>
<b>Jobs fund</b>				
<b>Balance at the beginning of the year</b>	<b>17,083</b>	<b>29,570</b>	<b>17,083</b>	<b>29,570</b>
Accrued interest	1,169	1,564	1,169	1,564
Disbursements	(10,580)	(25,189)	(10,580)	(25,189)
Transfer from/(to) the fund	4,985	11,138	4,985	11,138
<b>Balance at the end of the year</b>	<b>12,656</b>	<b>17,083</b>	<b>12,656</b>	<b>17,083</b>

**NOTES TO THE FINANCIAL STATEMENTS**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Blended Finance</b>				
<b>Balance at the beginning of the year</b>	<b>1,175,224</b>	<b>750,168</b>	<b>1,175,224</b>	<b>750,168</b>
Accrued interest	89,861	50,583	89,861	50,583
Disbursements	(954,509)	(35,458)	(954,509)	(35,458)
Transfer from/(to) the fund	553,162	409,931	553,162	409,931
<b>Balance at the end of the year</b>	<b>863,738</b>	<b>1,175,224</b>	<b>863,738</b>	<b>1,175,224</b>
<b>Kat River Farmers</b>				
<b>Balance at the beginning of the year</b>	<b>4,168</b>	<b>12,824</b>	<b>4,168</b>	<b>12,824</b>
Accrued interest	345	359	345	359
Disbursements	-	(9,015)	-	(9,015)
<b>Balance at the end of the year</b>	<b>4,514</b>	<b>4,168</b>	<b>4,514</b>	<b>4,168</b>
<b>Amajingqi Crop</b>				
<b>Balance at the beginning of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accrued interest	(1)	-	(1)	-
Disbursements	-	-	-	-
Transfer from/(to) the fund	25,000	-	25,000	-
<b>Balance at the end of the year</b>	<b>24,999</b>	<b>-</b>	<b>24,999</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>EU Wines</b>				
<b>Balance at the beginning of the year</b>	-	-	-	-
Accrued interest	-	-	-	-
Disbursements	-	-	-	-
Transfer from/(to) the fund	40,314	-	40,314	-
<b>Balance at the end of the year</b>	<b>40,314</b>	<b>-</b>	<b>40,314</b>	<b>-</b>
<b>Agro Energy Fund</b>				
<b>Balance at the beginning of the year</b>	-	-	-	-
Accrued interest	-	-	-	-
Receipts	5	-	5	-
Disbursements	-	-	-	-
Transfer from/(to) the fund	(2,948)	-	(2,948)	-
<b>Balance at the end of the year</b>	<b>(2,943)</b>	<b>-</b>	<b>(2,943)</b>	<b>-</b>
<b>CGA Primary Project Facility</b>				
<b>Liabilities</b>				
Emerging farmers support facility	138,792	155,355	138,792	155,355
CGA Primary Project Facility	-	-	-	-
	<b>138,792</b>	<b>155,355</b>	<b>138,792</b>	<b>155,355</b>
<b>Emerging farmers support facility</b>				
<b>Balance at the beginning of the year</b>	<b>155,356</b>	<b>161,973</b>	<b>155,356</b>	<b>161,973</b>
Accrued interest	11,659	8,383	11,659	8,383
Transfer from/(to) the fund	(28,222)	(15,000)	(28,222)	(15,000)
<b>Balance at the end of the year</b>	<b>138,793</b>	<b>155,356</b>	<b>138,793</b>	<b>155,356</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

### 30. Commitments

#### 30.1 Loan commitments

Loan commitments\*

\* Loan commitments relates to facilities that are undrawn for clients approved facilities

<sup>1</sup> Refer to note 39.3, disclosure restated.

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
86,430 <sup>1</sup>	80,852	86,430	80,852 <sup>1</sup>
<b>86,430</b>	<b>80,852</b>	<b>86,430</b>	<b>80,852</b>

### 31. Related party transactions

The following represents the significant subsidiaries of the Bank:

Land Bank Life Insurance Company (SOC) Limited (LBLIC)

Land Bank Insurance Company (SOC) Limited (LBIC)

Ownership interest	
100%	100%
100%	100%

#### Transactions with related parties other than key management personnel

Amounts received from related parties during the year

##### i) Land Bank Life Insurance Company (SOC) Limited - Subsidiary<sup>1</sup>

Policy administration fees received by Land Bank

Portion of non-executive directors emoluments paid by LBLIC

Property and equipment transferred (from)/ to LBLIC (at NAV)

Gross written premiums - Group credit life insurance provided to Land Bank Clients

2024	2023
R'000	R'000
283	269
-	80
-	48
2,628	2,472
<b>2,911</b>	<b>2,869</b>

**NOTES TO THE FINANCIAL STATEMENTS**

	2024	2023
	R'000	R'000
<b>ii) Land Bank Insurance Company (SOC) Limited - Subsidiary</b>		
Policy administration fees received by Land Bank	1,131	1,074
Portion of non-executive directors emoluments paid by Land Bank	-	320
Property and equipment transferred to LBIC (at NAV)	-	(35)
	1,131	1,359
<b>iii) National Treasury - Stakeholder</b>		
Transactions during the year		
A cash injection of R 500 137 471 was received from National Treasury during the 2023/24 financial year, paid directly in cash to the Land Bank.	500,137	6,000,000
<b>Funding received<sup>2</sup></b>		
Corporation for Public Deposits	566,960	755,745
Industrial Development Corporation	251,940	335,830
National Housing Finance	51,444	68,574
Petro SA	410,428	547,091
Post Bank	444,094	591,967
Public Investment Corporation	3,240,996	4,291,603
Trans-Caledon Tunnel Authority	43,673	58,215
	<b>5,009,535</b>	<b>6,649,025</b>
<b>Other government related parties:</b>		
African Development Bank	409,091	409,090

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	2024	2023
	R'000	R'000
<b>Amounts owed by/(to) related parties</b>		
<b>Subsidiaries</b>		
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	-	401
Land Bank Insurance Company (SOC) Limited (LBIC)	-	1,604
<b>Funds under administration</b>		
Department of Agriculture	<b>1,651,683</b>	<b>1,646,876</b>
Micro-Agricultural Finance Institution	17,382	16,050
Agricultural Broad Based Black Economic Empowerment	435,826	363,590
Blended Finance	863,738	1,157,642
Job Fund	12,656	17,083
Covid 19	0	92,510
Amajingqi Crop	24,999	-
EU Wines	40,314	-
Agro Energy Fund	256,768	-
CGA Primary Project Facility	138,793	155,356
Kat River Farmers	4,514	4,168
	<b>1,794,989</b>	<b>1,806,400</b>
<b>i) Agricultural Broad Based Black Economic Empowerment (Agri-BEE)</b>		
Bank balances of the Agri-BEE	435,826	363,590
Agri-BEE fund balance	435,826	363,590
<b>ii) Micro-Agricultural Finance Institution (MAFISA)</b>		
Bank balances of the MAFISA fund	17,382	16,050
MAFISA fund balance	17,382	16,050
<b>iii) CGA Primary Project Facility</b>		
Bank balances of the CGA Primary Project Facility	138,793	155,356

**NOTES TO THE FINANCIAL STATEMENTS**

CGA Primary Project Facility fund balance

**vi) Blended Finance Facility**

Bank balances of the Blended Finance Facility

Cash balance held for the support facilities

**vii) Amajingqi Crop**

Bank balances of the Amajingqi Crop Facility

Cash balance held for the support facilities

**viii) EU Wines**

Bank balances of the EU Wines Facility

Cash balance held for the support facilities

**ix) Agro Energy Fund**

Bank balances of the Agro Energy Fund Facility

Cash balance held for the support facilities

**x) Other bank balances**

Job Fund

Covid 19

Kat River Farmers

**Total amount owed to related parties**

**Total cash balance held for the support facilities**

	2024	2023
	R'000	R'000
CGA Primary Project Facility fund balance	138,793	155,356
<b>vi) Blended Finance Facility</b>		
Bank balances of the Blended Finance Facility	863,738	1,157,642
Cash balance held for the support facilities	863,738	1,157,642
<b>vii) Amajingqi Crop</b>		
Bank balances of the Amajingqi Crop Facility	24,999	-
Cash balance held for the support facilities	24,999	-
<b>viii) EU Wines</b>		
Bank balances of the EU Wines Facility	40,314	-
Cash balance held for the support facilities	40,314	-
<b>ix) Agro Energy Fund</b>		
Bank balances of the Agro Energy Fund Facility	256,768	-
Cash balance held for the support facilities	256,768	-
<b>x) Other bank balances</b>		
Job Fund	12,656	17,083
Covid 19	0	92,51
Kat River Farmers	4,514	4,168
<b>Total amount owed to related parties</b>	<b>1,794,989</b>	<b>1,806,400</b>
<b>Total cash balance held for the support facilities</b>	<b>1,794,989</b>	<b>1,806,400</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Services paid/ (received) to related parties**

LBLIC - Salaries  
 LBIC - Salaries

2024	2023
R'000	R'000
24,989	21,039
(24,989)	(21,039)
-	-

**Remuneration recharge to LBIC**

**Transactions with key management personnel<sup>3</sup>**

Short-term employee benefits  
 Other long-term benefits  
 Termination benefits

2024	2023
R'000	R'000
(24,989)	(21,039)
1,263	1,439
-	-
-	1,155
<b>1,263</b>	<b>2,594</b>

<sup>1</sup>Transactions with subsidiaries are made in the ordinary course of business and on substantially the same terms, as those prevailing at the time for comparable transactions with other third parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable features. There was no ECL at the statement of financial position date and no bad debt expense in the year (FY2023: Rnil) relating to this intercompany transaction.

<sup>2</sup>The funding from related parties are all short-term financial instruments which are repayable within a year. The funding consists mainly of promissory notes and bonds. These transactions were made on terms equivalent to those that prevail in arm's length transactions.

<sup>3</sup>Key management personnel comprises of the Group's executive management (including executive directors) and non-executive directors.

## 32. Financial instruments and risk management of the Group

### *Financial risk management Credit risk*

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

The definition of credit risk includes:

- a) Credit evaluation risk: Risk related to the decreased credit worthiness (based on recent financial performance) of a counterparty to a transaction. A creditor may subsequently charge the downgraded entity a higher lending rate to compensate for the increased risk. For a creditor, downgrade risk may eventually lead to default risk.
- b) Credit concentration risk: Risk related to any single exposure or group of exposures large enough to cause credit losses which threaten the Bank's capital adequacy or ability to maintain its core operations. It is the risk that a common factor within a risk type or across risk types fails or an event occurs which causes credit losses.
- c) Credit default risk: Risk related to the non-payment of interest and/ or capital on a loan by the borrower to the lender. This translates into a loss to the institution as a result of failure by a counterparty to meet its financial and/or contractual obligations.
- d) Counterparty risk: Counterparty risk is the risk to each party of a contract that the counterparty will not live up to its contractual obligations. Counterparty risk is a risk to both parties and should be considered when evaluating a contract. In most financial contracts, counterparty risk is also known as default risk.

### *Policy and responsibility*

The key components of the current general credit policy are the following:

- The primary role of the Bank is to provide finance to the agricultural sector;
- In its mandate, the Bank seeks to satisfy the needs of its customer base while maintaining a sound credit portfolio;
- The Bank insists on a thorough assessment of the client's financial position and repayment ability during the loan decision process, resulting in better quality credit decisions which result in timeous loan repayments and reduced losses in the event of a default;
- For the vast majority of the products, credit is granted on the basis of insight into the customer's circumstances and of specific assessments that provide a context for such credits;
- The facilities should match the customer's credit worthiness, capital position or assets, and the customer should be able to substantiate his or her repayment ability, and
- The Group may assume risks only within the limits of applicable legislation and other rules, including the rules of good practice for financial enterprises.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Credit risk management process**

The credit risk management process has four stages. The stage can be summarised as follows:

- Credit origination entails gathering of application information, pre-screening for viability and mandate fit, client assessment and validation of business case through a due diligence.
- Credit assessment entails validation of submitted documentation from origination, risk rating and pricing, viability and affordability assessment, risk mitigation and determining appropriate terms and conditions within the Bank's risk appetite.
- Negotiating and contracting entails drafting and signing of legal documentation, ensuring all conditions precedence have been met in order effect disbursement of the loan.
- Portfolio Monitoring entails ongoing monitoring and evaluation, including base line studies, to ensure social impact and financial expectations have been met, board representation, business development support by designated teams (agricultural, financial etc.).

**Risk classification**

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

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

The maximum exposure to credit risk is presented in the table below

	2024			2023		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Asset class with credit risk exposure:</b>	<b>32,807,139</b>	<b>(4,132,754)</b>	<b>28,674,385</b>	<b>37,026,524</b>	<b>(4,065,828)</b>	<b>33,991,842</b>
Loans and advances	17,464,689	(4,132,754)	13,331,936	18,831,058	(4,065,828)	14,765,230
Cash at bank	12,903,271	-	12,903,271	15,724,398	-	15,724,398
Trade and other receivables (excluding prepaid expenses)	211,681	-	211,681	417,431	-	417,431
Insurance contract assets	30,412	-	30,412	84,449	-	84,449
Reinsurance contract assets	43,640	-	43,640	8,354	-	8,354

**NOTES TO THE FINANCIAL STATEMENTS**

	2024			2023		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
	R'000	R'000	R'000	R'000	R'000	R'000
Hedging derivatives	654	-	654	1,321	-	1,321
Investments **	2,152,792	-	2,152,792	1,959,513	-	1,959,513
<b>Add off balance sheet items exposed to credit risk:</b>						
Loan commitments	86,430	-	86,430	80,852	-	80,852
<b>Maximum credit exposure - selected items</b>	<b>32,893,569</b>	<b>(4,132,754)</b>	<b>28 760 815</b>	<b>37 107 376</b>	<b>(4,065,828)</b>	<b>33,041,548</b>

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

\* This amount excludes the impact of any collateral held or credit enhancements. Refer to note 9 for collateral held against the loans and advances.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Gross loan book exposure by agricultural sector**

2024

**Agricultural Sector**

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Bank	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agri-Business	227,432	227,432	632,136	-	632,136	859,568	165,628	3,229	690,711
Agro-processing	-	-	1,076	-	1,076	1,076	-	-	1,076
Citrus	-	-	226,621	-	226,621	226,621	46,285	16,702	163,635
Cotton	-	-	30,872	-	30,872	30,872	5,387	147	25,338
Dairy	170,882	170,882	254,887	-	254,887	425,769	253,189	15,007	157,573
Deciduous fruit	318,306	318,306	139,745	-	139,745	458,051	76,588	122,919	258,544
Equipment	-	-	-	-	-	-	-	-	-
Feedlot	75,081	75,081	29,220	-	29,220	104,301	83,094	-	21,207
Financial Services	9,916	9,916	391,558	-	391,558	401,474	242,822	71,857	86,795
Flowers	-	-	4,692	-	4,692	4,692	2,321	-	2,370
Fodder	-	-	255,300	-	255,300	255,300	109,181	1,493	144,626
Game	-	-	198,034	-	198,034	198,034	45,453	2,800	149,781
Grain	3,718,961	3,718,961	3,339,857	10,217	3,350,074	7,069,035	3,242,607	1,075,062	2,751,366
Inputs Supplier	-	-	30,571	-	30,571	30,571	-	-	30,571
Livestock	266,165	266,165	2,772,927	20,160	2,793,086	3,059,251	1,107,915	258,399	1,692,937
Nuts	75,772	75,772	343,507	3,600	347,107	422,878	137,230	15,833	269,816
Ostriches	-	-	48,094	-	48,094	48,094	14,175	-	33,919
Other	546,178	546,178	34,017	34,899	68,916	615,095	12,625	-	602,470
Pork	-	-	32,215	-	32,215	32,215	3,607	128	28,480
Poultry	266,109	266,109	107,988	726	108,714	374,823	196,079	1,392	177,351
Subtropical Fruit	-	-	24,982	-	24,982	24,982	3,257	352	21,373
Sugarcane	298,364	298,364	243,625	(2)	243,622	541,986	173,413	2,237	366,337
Table grapes	-	-	363,335	48,379	411,714	411,714	111,947	-	299,767

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Bank	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Tea	-	-	20,722	-	20,722	20,722	7,023	10,238	3,460
Timber	144,680	144,680	75,038	-	75,038	219,718	166,835	62	52,822
Tobacco	-	-	146,120	-	146,120	146,120	-	3,659	142,462
Vegetables	159,711	159,711	1,056,297	-	1,056,297	1,216,008	162,936	59,979	993,093
Wine	-	-	243,541	22,178	265,719	265,719	145,033	13,769	106,917
<b>Total</b>	<b>6,277,556</b>	<b>6,277,556</b>	<b>11,046,976</b>	<b>140,156</b>	<b>11,187,133</b>	<b>17,464,689</b>	<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Gross loan book exposure by agricultural sector**

**2023**

**Agricultural Sector**

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Bank	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agri-Business	211,399	211,399	932,658	-	932,658	1,144,057	415,471	25,761	702,825
Agro-processing	-	-	-	-	-	-	-	-	-
Citrus	49,852	49,852	192,628	7,521	200,149	250,001	128,172	28,281	93,549
Cotton	-	-	53,678	-	53,678	53,678	28,864	-	24,814
Dairy	-	-	508,417	-	508,417	508,417	121,677	11,714	375,026
Deciduous fruit	289,902	289,902	143,997	47,965	191,962	481,863	182,246	23,697	275,920
Equipment	-	-	-	-	-	-	-	-	-
Feedlot	94,035	94,035	31,867	-	31,867	125,902	105,120	2,136	18,645
Financial Services	10,142	10,142	460,242	-	460,242	470,384	319,081	54,320	96,983
Flowers	-	-	4,157	-	4,157	4,157	2,457	-	1,701
Fodder	-	-	212,085	-	212,085	212,085	44,391	17,921	149,773
Game	-	-	201,357	-	201,357	201,357	49,900	2,885	148,572
Grain	3,804,459	3,804,459	3,641,267	17,829	3,659,095	7,463,554	3,470,978	926,862	3,065,714
Inputs supplier	-	-	-	-	-	-	-	-	-
Livestock	238,188	238,188	2,787,707	1,054	2,788,761	3,026,949	1,189,615	198,559	1,638,775
Logistics	-	-	-	-	-	-	-	-	-
Nuts	65,306	65,306	268,406	5,527	273,933	339,239	96,185	97,978	145,076
Ostriches	-	-	49,106	-	49,106	49,106	19,072	4,471	25,563
Other	481,947	481,947	813,037	32,949	845,986	1,327,933	160,886	46,277	1,120,770
Pork	70,553	70,553	29,064	-	29,064	99,618	74,239	20	25,359
Poultry	293,298	293,298	108,837	1,016	109,853	403,151	230,269	4,386	168,496
Subtropical Fruit	-	-	22,327	-	22,327	22,327	4,144	-	18,183
Sugarcane	366,653	366,653	266,876	-	266,876	633,529	168,297	31,542	433,690

**NOTES TO THE FINANCIAL STATEMENTS**

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Bank	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Table grapes	-	-	310,379	50,807	361,186	361,186	103,750	8,679	248,758
Tea	-	-	21,932	-	21,932	21,932	18,117	-	3,815
Timber	194,767	194,767	86,176	-	86,176	280,943	24,986	194,835	61,122
Tobacco	-	-	125,776	-	125,776	125,776	-	5,172	120,604
Vegetables	144,150	144,150	786,312	1,290	787,602	931,752	163,325	50,680	717,747
Wine	-	-	268,106	24,054	292,160	292,160	183,073	13,619	95,467
<b>Total</b>	<b>6,314,651</b>	<b>6,314,651</b>	<b>12,326,396</b>	<b>190,010</b>	<b>12,516,407</b>	<b>18,831,058</b>	<b>7,304,313</b>	<b>1,749,797</b>	<b>9,776,948</b>

**Credit exposure by geographic/regional distribution**

2024	Credit exposure by geographic/regional distribution				Loan performance			
	Corporate Banking and Structured Investments	Commercial Development and Business Banking	Total		Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing	
	R'000	R'000	R'000	%	R'000	R'000	R'000	
Province								
Eastern Cape	370,529	864,458	1,234,987	7%	577,473	139,455	518,059	
Free State	-	2,008,421	2,008,421	11%	578,198	152,804	1,277,419	
Gauteng	1,778,798	763,714	2,542,512	15%	340,662	138,209	2,063,640	
KwaZulu-Natal	298,364	540,674	839,038	5%	162,884	16,182	659,973	
Limpopo	120,024	1,546,931	1,666,955	10%	319,258	47,212	1,300,486	
Mpumalanga	3,028,718	1,299,223	4,327,941	25%	2,664,341	880,723	782,877	
North West	273,394	1,171,818	1,445,212	8%	541,566	65,749	837,897	
Northern Cape	120,271	1,991,845	2,112,116	12%	920,413	86,808	1,104,895	
Western Cape	287,458	1,000,050	1,287,508	7%	409,836	148,122	729,550	
<b>Total</b>	<b>6,277,556</b>	<b>11,187,133</b>	<b>17,464,689</b>	<b>100%</b>	<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>	

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## NOTES TO THE FINANCIAL STATEMENTS

2023	Credit exposure by geographic/regional distribution			Loan performance			
	Corporate Banking and Structured Investments	Commercial Development and Business Banking	Total		Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
Province	R'000	R'000	R'000	%	R'000	R'000	R'000
Eastern Cape	176,108	1,003,695	1,179,802	6%	549,435	104,497	525,870
Free State	-	2,215,343	2,215,343	12%	686,236	163,043	1,366,064
Gauteng	1,791,035	906,258	2,697,293	14%	469,265	5,448	2,222,580
KwaZulu-Natal	366,653	536,637	903,290	5%	117,816	50,414	735,059
Mpumalanga	156,161	1,564,764	1,720,925	9%	479,404	32,719	1,208,802
Northern Cape	3,086,769	1,524,204	4,610,973	25%	2,786,909	1,033,835	790,230
Limpopo	118,763	2,031,338	2,150,100	11%	923,951	189,393	1,036,757
North West	284,803	1,598,349	1,883,153	10%	707,850	94,091	1,081,211
Western Cape	334,360	1,135,819	1,470,179	8%	583,447	76,356	810,376
<b>Total</b>	<b>6,314,651</b>	<b>12,516,407</b>	<b>18,831,058</b>	<b>100%</b>	<b>7,304,313</b>	<b>1,749,797</b>	<b>9,776,948</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

Credit risk concentration by credit rating (rated externally)

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

	<b>Bonds</b>	<b>Cash, deposits and similar securities</b>	<b>Collective Investment Schemes</b>	<b>Net working capital assets</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>2024</b>					
AAA	504,172	275,445	-	-	779,617
AA+	144,581	-	178,323	-	322,904
AA	110,923	34,528	-	-	145,451
AA-	-	2,836	-	85,592	88,428
A	-	4,103	-	-	4,103
A-	-	-	-	3,153	3,153
BB-	-	12,601,200	-	-	12,601,200
Other *	-	17,465,140	-	-	17,465,140
Not rated **	-	1,382,931	-	-	1,382,931
<b>Total</b>	<b>759,677</b>	<b>31,766,183</b>	<b>178,323</b>	<b>88,745</b>	<b>32,792,928</b>
<b>2023</b>					
AAA	929,307	425,761	-	-	1,355,068
AA+	277,099	-	294,942	-	572,041
AA	186,950	79,538	-	-	266,488
AA-	-	7,616	-	1,288,111	1,295,727
A	-	41,720	-	-	41,720
A-	-	-	-	3,117	3,117
Other*	-	14,765,230	32	-	14,765,262
Not rated**	-	1,340,540	-	-	1,340,540
<b>Total</b>	<b>1,393,356</b>	<b>16,660,405</b>	<b>294,974</b>	<b>1,291,228</b>	<b>19,639,963</b>

\* This includes clients that are not rated externally. The Bank has its own credit rating system for these clients. The Bank performs a credit assessment by verifying security provision, cash flow forecasts the level of financial leverage which determines the level of financial risk and indicates the extent that debt is covered by assets. Please refer to note 9 and note 4.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

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

**Credit exposure by line of business - loan book**

Gross loan book

Corporate Banking and Structured Investments

Commercial Development and Business Banking

Loan Modification

Total gross loan book from continuing operations

Less: Expected Credit Loss (ECL)

Carrying amount of loans from continuing operations

**Balance per annual financial statements - total carrying amount**

2024		2023	
R'000	% Total	R'000	% Total
6,312,766	36%	6,349,861	34%
11,212,557	64%	12,541,380	67%
(60,634)		(60,183)	
17,464,689		18,831,058	
(4,132,754)		(4,065,828)	
13,331,936		14,765,230	
<b>13,331,936</b>	<b>100%</b>	<b>14,765,230</b>	<b>100%</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

Balance as per the following notes

The Bank's Commercial Development and Business Banking division, which provides loans to agricultural cooperatives and agribusiness companies, continues to account for the bulk of the Bank's overall credit exposure.

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

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
12-month and lifetime expected credit losses	Expected loss methods based on probability at default (PD), loss given default (LGD) and exposure at default (EAD); expected credit losses are discounted to the reporting date using the effective interest rate.	PD, LGD and EAD over the lifetime of the loan.	Current PDs are the output of the calibrated rating model; PDs in subsequent years are determined based on migration, seasoning and cyclicity effects.	PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclicity.
			The current LGD is the output of the LGD model; analyses showed that the subsequent LGDs are the same as the first year's LGD.	LGD: LGD model calibrated with own data history.
			Lifetime is the Contractual tenor of the loan; No prepayments assumed	EAD: credit conversion factor (CCF) modelling with own data, inclusion of repayment schedules.

**NOTES TO THE FINANCIAL STATEMENTS**

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
Whether a credit Risk has Increased significantly since initial recognition	I. According to the Stage 2 definition; different Land Bank specific identifiers including the minimum 30 days past due criteria have been selected for the identification of SICR.	Information on single loan Level, such as Loans management risk indicators, arrears information etc.	While each loan is Firstly considered on its own, the final classification is performed on a client-level, i.e. the worst stage of all loans is assumed to be the correct stage for all loans of the same client.	Stage classification is fact based using current flags and information Available in the Land Bank's data base.
	Early Warning Indicators (a combination of macroeconomic factors (SA Maize Volatility Index - SAVI, Agricultural GDP, International Food Index ,and business rules) have been implemented for the monitoring and classification of SICR.			I. Maximum stage across all loans per client rule applies.
Whether a financial asset is a credit-impaired financial asset	According to default definition; in general, unlikeliness to pay as well as >90 days past due are the criteria considered; these criteria are interpreted in terms of Land Bank's identifier e.g. for specific cases of unlikeliness to pay.	Information on single loan level, such as Loans management risk indicators, arrears information, etc.	While each loan is firstly considered on its own, the final classification is performed on a client-level, i.e. if one loan is considered to be credit-impaired (stage 3) then all loans of the same clients are considered to be so as well.	Stage classification is fact based using current flags and information Available in the Land Bank's data base. Maximum stage across all loans per client rule applies.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Macro-economic factors**

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

For information on financial assets' credit risk exposure, including significant credit risk concentrations please see note 33.

**Write off policy**

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

As a development bank, the Land Bank will endeavour to ensure continuity of agricultural production, and the Group shall only write off bad debt when all reasonable steps have been taken to recover the debt.

Land Bank considers the following indicators when determining whether there is no reasonable expectation of recovery:

- Recovery of the debt is not economically justified;
  - Trace of the client is unsuccessful where efforts and channels to trace the client have been fully exhausted; or
  - It is to the advantage of Land Bank to effect settlement of its claims or to waive the claim; or
  - The sheriff has issued a nulla bona return to the effect that there are no further assets available to liquidate; or
  - The loan security and/or security documents are defective and no other basis for a claim exists; or
  - A shortfall emanating from the agreed settlement discount offered by Land Bank and/or a compromise has been reached between the client and Land Bank and a condition of such compromise is that Land Bank must write off a portion of the outstanding debt; or
  - The loan is secured by property where the asset has been "bought-in" following an auction or abandonment process; or
  - No security exists at the date of insolvency/liquidation/ or business rescue and/or existing security has been sold and the proceeds thereof received by Land Bank leaves a shortfall; or
  - A deceased estate where there are no assets and there is no security or spouse married in community of property from which the outstanding balance may be claimed; or
  - A deceased estate where there are no assets however:
- i) The estate is insolvent and will be administered in accordance with Section 34 of the Administration of Estates Act 66 of 1965; or
  - ii) If there are insufficient dividends for the estate and the assets within the estate are of minimal value and / or are not dispensable to the debtor's dependents; or

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

- The debt has prescribed as defined by the Prescription Act (68 of 1969) as amended; or
- Any amount exceeding in-duplum inclusive of interest and costs; or
- All avenues of recovery, including the realisation of security and sureties, have been exhausted and a shortfall exists; or
- Any circumstance which in the opinion of the Chief Executive Office, Chief Financial Officer and/or Executive Manager Legal Services prohibits the recovery of the debt (authorisation in line with the DOP); or
- Any circumstance which is in the public interest or may be required as a result of amendments or enactments of legislation.

From time to time the Group has financial assets that are written off but may still be subject to enforcement activity. Such financial assets are written off when the aforementioned criteria have been met. Any recoveries due to enforcement activities are treated as bad debt recoveries in the year which such recoveries are made. This amounted to R29.0 million (FY2023: R40.5 million) refer to note 9.

**Modification**

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

**Loss allowance: expected credit losses**

**2024**

	Gross loans modified	Gain/(loss) on modification	Change in expected credit loss due to modification
	R'000	R'000	R'000
Stage 1	44,196	(451)	335
Stage 2	1,856	-	-
Stage 3	2,962	-	-
<b>Total</b>	<b>49,015</b>	<b>(451)</b>	<b>335</b>

**Loss allowance: expected credit losses**

**2023**

	Gross loans modified	Gain/(loss) on modification	Change in expected credit loss due to modification
	R'000	R'000	R'000
Stage 1	11,217	(640)	96
Stage 2	31,132	(1,065)	6,104
Stage 3	16,225	(1,227)	597
<b>Total</b>	<b>58,575</b>	<b>(2,933)</b>	<b>6,797</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Stage migration (Gross loans and relating expected credit losses)**

		Stage <sup>1</sup>	Stage <sup>2</sup>	Stage <sup>3</sup>	Total
	Note	R'000	R'000	R'000	R'000
Gross loans as reported for 2024	9	6,514,630	1,675,264	9,274,795	17,464,689
Stage migration - improvements		902,976	(275,884)	(627,092)	
-Stage 2 to 1		406,748	(406,748)	-	
-Stage 3 to 1		496,228	-	(496,228)	
-Stage 3 to 2		-	130,864	(130,864)	
Stage migration - deterioration		(496,087)	165,259	330,829	
-Stage 1 to 2		(346,578)	346,578	-	
-Stage 1 to 3		(149,510)	-	149,510	
-Stage 2 to 3		-	(181,319)	181,319	
<b>Net stage migration</b>		<b>406,889</b>	<b>(110,625)</b>	<b>(296,264)</b>	
Expected credit losses as reported for 2024	9	(23,873)	(102,386)	(4,000,223)	(4,126,482)
Stage migration - improvements		54,016	(41,108)	(12,908)	
-Stage 2 to 1		-	-	-	
-Stage 3 to 1		32,051	(19,143)	(12,908)	
-Stage 3 to 2		21,965	(21,965)	-	
Stage migration - deterioration		(26,241)	(1,726)	27,966	
-Stage 1 to 2		-	-	-	
-Stage 1 to 3		(23,979)	(3,987)	27,966	
-Stage 2 to 3		(2,262)	2,262	-	
<b>Net stage migration</b>		<b>27,775</b>	<b>(42,834)</b>	<b>15,058</b>	
Gross loans as reported for 2023		7,304,313	1,749,797	9,776,948	18,831,058

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	Note	Stage <sup>1</sup>	Stage <sup>2</sup>	Stage <sup>3</sup>	Total
		R'000	R'000	R'000	R'000
Stage migration - improvements		1,416,101	(774,001)	(642,100)	
-Stage 2 to 1		1,072,754	(1,072,754)	-	
-Stage 3 to 1		343,347	-	(343,347)	
-Stage 3 to 2		-	298,753	(298,753)	
Stage migration - deterioration		(435,665)	(314,789)	750,454	
-Stage 1 to 2		(206,786)	206,786	-	
-Stage 1 to 3		(228,879)	-	228,879	
-Stage 2 to 3		-	(521,575)	521,575	
<b>Net stage migration</b>		<b>980,436</b>	<b>(1,088,790)</b>	<b>108,354</b>	
Expected credit losses as reported for 2023	9	(92,766)	(54,167)	(3,903,574)	(4,050,507)
Stage migration - improvements					
-Stage 2 to 1		51,673	(28,048)	(23,625)	
-Stage 3 to 1		-	-	-	
-Stage 3 to 2		35,674	(12,049)	(23,625)	
		15,999	(15,999)	-	
Stage migration - deterioration					
-Stage 1 to 2		(49,120)	(110,615)	159,735	
-Stage 1 to 3		-	-	-	
-Stage 2 to 3		(45,609)	(114,126)	159,735	
<b>Net stage migration</b>		<b>(3,511)</b>	<b>3,511</b>	<b>-</b>	

<sup>1</sup> 12 month expected credit losses

<sup>2</sup> Life time expected credit losses

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Credit risk insurance activities**

Credit risk reflects the financial impact of the default of one or more of the LBIC's counterparties

The LBIC is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where the LBIC is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations
- Reinsurer default on presentation of a large claim
- Reinsurers default on their share of the LBIC's insurance liabilities
- Default on amounts due from insurance contract

The LBIC determines the credit quality for each of its counterparties by reference to ratings from independent rating agencies such as Standard & Poor's (S&P).

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

**Credit risk concentration by national scale credit rating (rated externally)**

**31 March 2024**

	<b>Bonds</b>	<b>Cash, cash equivalents deposits and similar securities</b>	<b>Net working capital assets</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
BB	327 299	34 320	-	361 620
Unrated	-	-	85,592	85,592
<b>Total</b>	<b>327 299</b>	<b>34 320</b>	<b>85,592</b>	<b>447,212</b>

**Credit risk concentration by national scale credit rating (rated externally)**

**31 March 2023**

	<b>Bonds</b>	<b>Cash, cash equivalents deposits and similar securities</b>	<b>Net working capital assets</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
BB	280 436	52 216	-	332 653
Unrated	-	-	85,240	85,240
<b>Total</b>	<b>280 436</b>	<b>52 216</b>	<b>85,240</b>	<b>417,893</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Liquidity risk**

Liquidity risk relates to the Bank's possible inability to meet its payment obligations when they fall due. This may be caused by the Bank's possible inability to liquidate assets and/or to obtain funding to meet its liquidity needs.

The Group is exposed to liquidity risk via its:

- Ability to borrow from the market, at market related interest rates;
- Ability to attract wholesale funders at favourable interest rates;
- Liquid assets ratios are not adequate for prudential requirements;
- Ability to raise long term funding to match long term assets;
- Lack of standby lines of credit.

To manage liquidity risk, the Bank has a treasury policy that takes into account limits to manage its liquidity. The liquidity risk/going concern is being addressed through the restructuring process that is currently underway at Land Bank. The Board instituted a Board Restructuring Committee which monitors progress on Land Bank's restructuring process.

**Control and management**

The following control measures are in place:

Corporate finance and legal advisors were appointed to provide expert guidance on the implementation of the liability solution of the bank. The going concern is being addressed through the restructuring process that is currently underway at Land Bank. The Board instituted a Board Restructuring Committee which monitors progress on Land Bank's restructuring process. The committee meets on weekly or as required.

The Shareholder is a standing invitee on the committee weekly meetings.

**Monitoring the liquidity position**

The going concern is being addressed through the restructuring process that is currently underway at Land Bank together with managements own internal processes. The Board instituted a Board Restructuring Committee which monitors progress on Land Bank's restructuring process. The committee meets on weekly or as required. The Shareholder is a standing invitee on the committee weekly meetings. The Land Bank works closely with its lenders to come up with an amenable solution to the event of default of the Land Bank.

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

## AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

### NOTES TO THE FINANCIAL STATEMENTS

#### *Liquidity for Insurance activities*

Liquidity risk is the risk that the business will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is a mismatch between the maturities of liabilities and assets. LBIC is exposed to daily calls on its available cash resources from claims. The company actively manages its cash resources to ensure sufficient cash is at hand to settle insurance liabilities based on cash flow projections. Reinsurance quota share accounts are settled quarterly, 45 days in arrears. Cash calls can be made to reinsurers for claims in excess of R5 million per risk on the crop cover. LBIC has sufficient cash resources to cover its obligations.

Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles. The company invested its surplus cash in a portfolio of short-term interest bearing assets in the current reporting period. The board decided to adopt a conservative investment strategy for the company considering the volatility of crop business.

#### *Liquidity Coverage Ratio*

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

#### *Deviation from the Banking Regulations*

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

- The Land Bank's previous liquidity ratio required the Bank to invest surplus cash with counterparties with rating A and above. Due to operational requirements, investing surplus funds in government bonds will cause excessive trading in bonds which increase the market risk and potential capital losses on cash. The Bank shall therefore deviate from the Banks Act in terms of classifying cash deposits and available facilities as High Quality Liquid Assets.
- Acknowledge a deviation from the regulation in terms of assumptions made regarding rollover rates with investors to assess the likelihood of rollover. The Bank will always apply the minimum rollover rate (between historic rollovers and investor discussions) to the calculations of the LCR.

These deviations from the Banking Regulations have been included in the funding agreements as financial loan covenants.

#### *Net Stable Funding Ratio*

The NSFR aims to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one- year horizon. It aims therefore to limit over-reliance on short term wholesale funding during times of buoyant market liquidity and encourage better assessment of liquidity risk across all on and off-balance sheet items.

#### *Cash at bank*

The pool of liquid assets (in cash) is invested with reputable financial institutions as informed by the treasury policy.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Trade and other receivables**

Past trends indicate that payment has been received timeously and that the fair values post year-end fairly reflect the amounts received. The housing loans have been discounted to the present value using the prime interest rate.

**Repurchase agreements, derivative assets, strategic trading assets and investments**

The amounts are receivable from reputable institutions and funds invested are managed by reputable asset managers. Past trends indicate that payment has been received timeously and that the fair values post year-end fairly reflect the amounts received.

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

		Less than 1 year	1 - 5 years	> 5 years	Total
	Notes	R'000	R'000	R'000	R'000
<b>Financial Liabilities</b>					
Trade and other payables	16	171,553	9,453	28,698	209,704
Other financial liabilities	16.1	6,085,486	-	-	6,085,486
Funding liabilities	18	15,979,962	3,891,152	2,513	19,873,627
Lease liabilities	13	8,193	17,879	-	26,072
<b>Total Financial Liabilities</b>		<b>22,245,194</b>	<b>3,918,484</b>	<b>31,211</b>	<b>26,194,889</b>
<b>Group - 2023</b>					
		Less than 1 year	1 - 5 years	> 5 years	Total
	Notes	R'000	R'000	R'000	R'000
<b>Financial Liabilities</b>					
Trade and other payables	16	190,576	247	-	190,823
Other financial liabilities	16.1	5,110,870	-	-	5,110,870
Funding liabilities	17	18,710,191	4,851,668	723,193	24,285,052
Lease liabilities	13	6,846	22,993	-	29,839
<b>Total Financial Liabilities</b>		<b>24,018,483</b>	<b>4,874,908</b>	<b>723,193</b>	<b>29,616,584</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Interest rate risk**

When interest rates are expected to change, the ratio of the interest rate mismatch between fixed and floating interest rates applicable to assets and liabilities can be adjusted in such a manner that the Bank benefits from the expected interest rate view. The current interest rate risk mismatch limit is a maximum of 25%, i.e. that the Bank cannot hold more than 25% fixed rate funding as part of its funding mix. The funding split percentage as at 31 March 2024 was 93.08% floating (FY2023: 91.14% floating). With the Bank in default, default bonds, FRN's and loans receive fixed interest based on the last interest reset rate. If these default notes and loans are added to open fixed rate bonds, the funding split percentage as at 31 March 2024 was 56.06% fixed and 43.94% floating.

**Interest rate risk monitoring**

The Asset and Liability Management Committee (ALCO) consists of the Bank's executive management and it monitors among other things, the implementation of the Bank's interest rate risk policy. ALCO considers and formulates interest rate views as the official forecast of interest rates. Sensitivity analysis is performed by the Risk Management department where the interest rate risk mismatch limit (fixed vs floating) is set.

**Interest rate risk policy**

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

**Sensitivity analysis**

Annually an interest rate risk sensitive analysis is performed as part of the Risk Management input to the Annual Financial Statements. The purpose of the analysis is to indicate the Land Bank's income sensitivity to interest rate changes.

Calculations were performed to determine the Bank's projected net interest income. An interest rate sensitivity analysis was performed by applying a parallel shift of 100 basis points up and down on interest rates to anticipate the projected impact on the Bank's profitability. The expected view with four interest rate hikes concluding with 11.5% prime rate at 31 March 2024.

The calculation includes assumptions that will have a positive or negative impact on the net interest income for Land Bank during the 2023/24 financial year.

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

The effect of a reasonable possible change in interest rates, as explained above, and all other variables held constant, the Bank's profit would be as follows using data as at 31 March 2024:

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

Bank	31 March 2024		31 March 2023	
	Net interest income	Effect on equity	Net interest income	Effect on equity
	R'000	R'000	R'000	R'000
<b>Incremental change in yield</b>				
Expected NII	1,051,942	-	901,454	-
Potential movement: 100 Basis point up	1,148,678	96,736	966,067	64,612
Potential movement: 100 Basis point down	955,206	(96,736)	836,843	(64,612)

An interest rate sensitivity analysis was performed by applying a parallel shift of 100 basis points up and down on interest rates to anticipate the projected impact on the Bank's profitability. The expected view with four interest rate hikes concluding with 11.29% prime rate at 31 March 2024. The expected prime interest rate used in the calculations was 11.29% as per budget assumptions.

The table above is that the expected impact of a 100-basis points up and down shock in interest rates is around R97m (R64m for FY23).

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

Details of the Bank's hedging program can be found in note 8.

**Interest rate risk - Insurance activities**

The company is subject to interest rate risk resulting in the fluctuation of the fair value of future cash flows of interest-bearing assets because of the change in interest rates. Interest rate risk arises primarily from investments in long-term fixed income securities, although the short-term money market instruments are also effected, albeit to a lesser extent. The company's investments are mainly in short dated NCD's and bonds, with a few longer dated corporate bonds. Most of the bonds have floating interest rates, with some carrying fixed interest rates. Exposure to interest rate risk is monitored through various methods including scenario and stress testing which calculates the market exposure based on interest rate movements.

**Sensitivity analysis on interest bearing assets**

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

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

Impact on the statement of profit or loss and other comprehensive income

LBLIC

**Incremental change in yield**

250 Basis Points increase  
 150 Basis Points increase  
 250 Basis Points decrease  
 150 Basis Points decrease

LBIC

**Incremental change in yield**

250 Basis Points increase  
 150 Basis Points increase  
 250 Basis Points decrease  
 150 Basis Points decrease

	31 March 2024	31 March 2023
	R'000	R'000
	(573,914)	(412,731)
	(354,457)	(247,638)
	667 515	412,731
	388 078	247,638
	727	477
	436	286
	(727)	(477)
	(436)	(286)

A portion of the assets backing policyholders' liabilities are held in bonds and the balance is held in cash and cash equivalents. The sensitivity analysis of the change in investment returns on the value of the policyholders' liabilities is reflected under the Insurance Risks sensitivity analysis for long-term business.

**Currency risk**

The group is exposed to the risk of fluctuations in foreign currencies, as a result of future transactions and investments in foreign companies. The group makes use of forward exchange contracts to manage this risk.

LBLIC is exposed to currency risk resulting in the fluctuation in the value of foreign financial instruments because of the change in foreign exchange rates.

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

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Group**

	United States Dollar US\$'000	South African Rand R'000
<b>31 March 2024</b>		
Equities - unit trusts (USD base currency)	654	12 239
Balanced fund	6 730	125 852
Commodities - metals	-	-
Cash on deposit at call	319	5 967
<b>Foreign currency exposure</b>	<b>7 704</b>	<b>144 057</b>
<b>Exchange rates (ZAR:USD):</b>		
Closing rate - 31 March 2024	18,87	0,05
Average rate	18,7	0,05

**Group**

	United States Dollar US\$'000	South African Rand R'000
<b>31 March 2023</b>		
Equities - USD base currency unit trusts	279	5 096
Balanced funds	1 042	19 028
Commodities - metals	-	-
Cash, deposits and similar securities	33	600
<b>Foreign currency exposure</b>	<b>1 354</b>	<b>24 724</b>
Closing rate – 31 March 2023		
Average rate	17,79	0,06
	18,26	0,05

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Sensitivity analysis - currency risk**

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

**Impact on the statement of profit or loss and other comprehensive income**

LBLIC

Incremental change in yield \*

**USD**

10% decrease

5% decrease

10% increase

5% increase

	31 March 2024	31 March 2023
	R'000	R'000
	(14 406)	(2 472)
	(7 203)	(1 236)
	14 406	2 472
	7 203	1 236

**Sensitivity analysis**

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

Analysis

**31 March 2024**

Scaled ECL (-5%)

Scaled ECL (+5%)

Analysis

**31 March 2023**

Scaled ECL (-5%)

Scaled ECL (+5%)

	ECL	Loans and advances
	R'000	R'000
	3,744,969	13,719,720
	4,535,139	12,929,550
	3,325,849	14,532,219
	4,343,114	13,099,903

## **Insurance risk**

### **Insurance risk - life**

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.

### **Market risk - Insurance activities**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate from changes in market variables, such as interest rates.

The risk is that capital is not preserved and that investment returns earned are below expectations. Oversight is provided over market risk as follows

- i) The Board delegates the responsibility of Investment risk management oversight and assurance to the Investment and Actuarial Committee ("IAC"). The IAC has the following responsibilities:
- Approving the investment strategy of the company and risks associated with the strategy;
  - Periodically and timeously reviewing LBIC's investment thresholds and the investment portfolio;
  - Providing input into the terms of reference for the investment consultant and investment managers and any other experts needed for the smooth operation of the Company's investments policy and strategy;
  - Ensuring proper governance in the investment process;
  - Evaluating the Company's investment consultant and investment managers as service providers;
  - Ensuring that the investment policy is implemented and adhered to; and,
  - Overseeing the development, maintenance and ensure at least annual review of the Investment Policy and to make recommendations to the Board for approval
- ii) Day-to-day management of LBIC's investments are managed by appointed investment managers. LBIC also outsources the monitoring of the investment managers' day-to-day management of the investments to an Investment Consultant.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

The Investment Managers (outsourced), is mandated by LBIC and is responsible for:

- Managing assets in terms of their investment mandate;
- Providing quarterly feedback to the IAC members and providing a report as requested;
- Providing complete and accurate quarterly investment data for the purposes of quarterly returns timeously;
- Report to the IAC meeting at least once a year; and,
- Communicate matters of policy, manager research and manager performance to the IAC as requested

iii) The Investment Consultant is responsible for:

- Providing advice with respect to the setting and maintaining of Investment Policy;
- Assist in setting and implementing the Company's investment strategy;
- Provide monthly and quarterly investment performance reporting to aid effective monitoring; and,
- Engage with the Company stakeholders and service providers to ensure the smooth operations of the Company's investments

The Investment Policy was updated and approved by the Board in July 2022.

- Funds equivalent to a determined multiple (in excess of 100%) of the liabilities are invested in a manner that preserves capital and targets investment returns of at least the inflation rate. The multiple (in excess of 100%) is intended to provide for the uncertainty in the value of the liability. Achieving a growth on these assets of at least the inflation rate allows the invested funds to be sufficient for the cost of settling claims provided for.
- The funds backing the Solvency Capital Requirement ("SCR") are invested in manner that preserves the value and such that the funds are readily available should the funds be called upon (in instances where the premiums and reserves are not sufficient). The target investment returns must be at least the expected growth in sum assureds, and consequently, premiums, from current exposures

The Company will set the benchmarks in the asset manager mandates which are consistent with the Company investment objective. The notional asset allocation will be reviewed at least on an annual basis.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

The table below shows the Company’s strategic and tactical asset allocation limits for the non-life Insurance Business

	Long-term Target	Lower Bound	Upper Bound	Benchmark Index
Local equity	0%	0%	5%	JSE Capped SWIX
Local nominal bonds	40%	30%	50%	All Bond Index (ALBI)
Local Inflation Linked Bonds	0%	0%	10%	Inflation Linked Bond Index (ILBI)
Local Cash	60%	40%	80%	STeFI Composite
Foreign Multi-Asset Class	0%	0%	5%	60% MSCI World + 40% Citigroup Government Bonds

**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.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Reinsurance risk**

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

- Reinsurance is the preferred risk transfer mechanism that is placed on a proportional reinsurance share. The structure is such that a significant portion of the risk is ceded to reinsurers relative to what is retained; and
- Furthermore, additional layers of cover that limits the Life insurance company's retention are in place to manage catastrophe risk.

The Board approves the reinsurance renewal process on an annual basis. The reinsurance program is in place with a local reinsurer which has a credit rating of AA-.

**LBLIC makes use of reinsurance to:**

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

The use of reinsurance exposes the Company to credit risk. The counterparty risks of reinsurers are managed through formal contractual agreements which have been set up between the Company and Reinsurers.

These agreements include terms and conditions which regulate the relationship between the Company and Reinsurers. Credit risk in respect of reinsurance is further managed by placing the Company's reinsurance only with companies that have high credit ratings. LBLIC has a quota share on both the individual and group credit life business with a domestic AA rated company.

**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 company utilizes independent assessors who appraise and confirm claims as well as quantification by the Underwriting Manager channel. Furthermore, an actuarial valuation of outstanding claims and IBNR is done by an independent actuary annually. As at 31 March 2024, the Group believes that its liabilities for claims are adequate.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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 2023, but this cannot generally be used to determine how future earnings or profitability will be affected. The percentage change in the assumptions chosen for the sensitivity analysis is to illustrate the change in value given the change in assumption and does not represent the possible range of worst or best case experience expected.

For a given change in one assumption, all other assumptions are left unchanged. No allowance has been made for any possible management action in response to a particular change. Lapse experience is not included in the analysis as lapses have not been modelled explicitly (the actuarial reserve for any policy that had a negative reserve was increased to zero, and there are no surrender values under any policies. Lapses and other terminations will therefore result in an actuarial surplus at each future valuation). The percentage change in the assumptions chosen for the sensitivity analysis is to illustrate the change in value given the change in assumption and does not represent the possible range of worst or best case experience expected.

For a given change in one assumption, all other assumptions are left unchanged. No allowance has been made for any possible management action in response to a particular change. Lapse experience is not included in the analysis as lapses have not been modelled explicitly (the actuarial reserve for any policy that had a negative reserve was increased to zero, and there are no surrender values under any policies. Lapses and other terminations will therefore result in an actuarial surplus at each future valuation).

2024	Value		Change	
	-	R'000	R'000	%
<b>Policyholders' liability - Individual Life</b>				
Base value	-1%	71 224		
Investment return	+10%	74 231	3 007	4,22%
Mortality	+1%	71 812	588	0,83%
Expenses	+10%	78 499	7 275	10,21%
Inflation	+1%	74 122	2 898	4,07%

**NOTES TO THE FINANCIAL STATEMENTS**

**Policyholders' liability - Group Life**

	Value		Change	
	-	R'000	R'000	%
Base value	+1%	3 361		
Investment return	-1%	3 361	-	0,00%
Mortality	+10%	3 555	195	5,80%
Expenses	-10%	3 488	127	3,79%
Inflation				

**2023**

**Policyholders' liability - Individual Life**

	Value		Change	
	-	R'000	R'000	%
Base value	-	96,363	-	-
Investment return	-1%	99,022	2,659	
Mortality	+10%	96,075	(288)	2,8%
Expenses	+1%	103,764	7,401	-0,3%
Inflation	+10%	100,971	4,608	7,7%

**Policyholders' liability - Group Life**

	Value		Change	
	-	R'000	R'000	%
Base value	+1%	1,692		
Investment return	-1%	1,717	7	0,4%
Mortality	+10%	1,699	(913)	-14%
Expenses	-10%	779	25	2%
Inflation	+1%	813	(879)	-10%

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Insurance risk – non-life**

The LBIC provides indemnity for crops, assets as well as liability policies during the year, against hail, drought, fire and excessive rain fall. Cover ceases as soon as harvesting has taken place, or when certain date limits have been reached.

The company manages insurance risks through its underwriting strategy and reinsurance arrangements.

**Insurance risk arises from:**

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Inaccurate pricing of risks when underwritten;
- Inadequate reinsurance protection;
- Inadequate reserving; and
- Fraudulent claim

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. The principal risks LBIC faces are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, prove to be insufficient. Premium provision tables based on historical claims data are reviewed annually by external actuarial consultants. External assessors assist with quantifying the value of claims reported.

By the very nature of an insurance contract, this risk is random and therefore unpredictable, changing risk parameters and unforeseen factors, such as patterns of economic and geographical circumstances as well as climate change, may result in unexpected large claims. Insured events are random and the actual number of claims and benefits will vary from year to year from the estimate established

**(i) Pricing risk**

Both LBLIC and LBIC bases their pricing policy on the theory of probability, with consideration to historical claims data. Acquisition and administration costs, as well as reinsurance costs are included in the pricing considerations as well as a profit loading for the cost of capital.

Underwriting limits are set for the underwriting manager and brokers. Underwriting performance is monitored continuously and the pricing is adjusted accordingly. Risk factors considered as part of the review include factors such as the type of asset covered and the related commodity price, past loss experiences and risk measures taken by the insured.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

The net claims ratio for LBIC, which are important in monitoring insurance risk are summarised below:

	2024	2023
	R'000	R'000
Loss history	2024	2023
LBIC: Net insurance benefits and claims on short- term business expressed as a % of net earned premiums	(88%)	(71%)

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location, catastrophic events and agricultural sectors covered. A stop loss reinsurance treaty mitigates the risk arising from this by capping the crop loss ratio to 105% for the season.

**Sensitivity analysis**

The objective of the sensitivity analysis is to demonstrate the effect on the underwriting result the change is in key assumptions.

The sensitivity analysis illustrates the effect or change in a particular assumption on the underwriting result, but cannot be used to determine how future earnings or profits will be effected. The percentage change in an assumption for the sensitivity analysis is to illustrate the change in value given the change in assumption, but does not represent the possible range of best or worse case experience expected. For a given change in once assumption, all other assumptions are left unchanged. No allowance has been made for possible management action in response to a particular change.

**2024**

Insurance service result	Incurred Loss Ratio		Gross Value	Change	
			R'000	R'000	%
Reported result		86,00%	(105 963)		
Premium	+10%	85,80%	(121 071)	(15 107)	14%
	<b>-10%</b>	<b>86,50%</b>	<b>(100 516)</b>	<b>5 447</b>	<b>5%</b>
Claims	+5%	87,20%	(126 591)	(20 628)	19%
	<b>-5%</b>	<b>84,90%</b>	<b>(97 821)</b>	<b>8 142</b>	<b>8%</b>
Expenses	+15%	86,20%	(124 661)	(18 697)	18%
	<b>-15%</b>	<b>85,50%</b>	<b>(99 751)</b>	<b>6 212</b>	<b>6%</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**2023**

Insurance service result	Incurred Loss Ratio		Gross Value	Change	
			R'000	R'000	%
Reported result		80,70%	(30 851)		
Premium	+10%	80,10%	(32 045)	(1 194)	4%
	<b>-10%</b>	<b>81,10%</b>	<b>(34 884)</b>	<b>(4 033)</b>	<b>13%</b>
Claims	+5%	81,40%	(42 036)	(11 185)	36%
	<b>-5%</b>	<b>80,00%</b>	<b>(24 892)</b>	<b>5 958</b>	<b>19%</b>
Expenses	+15%	80,70%	(41 892)	(11 041)	36%
	<b>-15%</b>	<b>80,70%</b>	<b>(25 037)</b>	<b>5 814</b>	<b>19%</b>

The Company is subject to market price risk resulting from daily changes in the fair value of market prices of the instruments within its investment portfolios. The Company's objective is to earn competitive returns for the shareholder by investing in a diverse portfolio of high quality, liquid securities.

**Price risk sensitivity analysis: equities**

	2024		2023	
	R'000	R'000	R'000	R'000
	Increase	Decrease	Increase	Decrease
<b>Excluding the impact of derivatives</b>				
10% decrease	-	(49 426)	-	(53 718)
5% decrease	-	(24 713)	-	(26 859)
10% increase	49 426	-	53 718	-
5% increase	24 713	-	26 859	-
<b>Including the impact of derivatives</b>				
10% decrease	-	(49 409)	-	(54 100)
5% decrease	-	(24 704)	-	(27 050)
10% increase	49 409	-	54 100	-
5% increase	24 704	-	27 050	-

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**(i) 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 2024, both LBLIC and LBIC believe that their liabilities for claims are adequate.

**(ii) Reinsurance**

LBLIC and LBIC have third party reinsurance cover to reduce risks from single events or accumulations of risks that could have a significant impact on the current year's earnings and capital.

This cover is placed on the international reinsurance market. The core components of the reinsurance programme comprise of:

**Long-term insurance contracts**

- Reinsurance is the preferred risk transfer mechanism that is placed on a proportional reinsurance share. The structure is such that a significant portion of the risk is ceded to reinsurers relative to what is retained; and
- Furthermore, additional layers of cover that limits the Life insurance company's retention are in place to manage catastrophe risk.

**Short-term insurance contracts**

- Reinsurance is the preferred risk transfer mechanism that is placed on a proportional reinsurance basis through a Quota Share. The structure is such that a significant portion of the risk is ceded to reinsurers relative to what is retained; and
- Furthermore, additional layers of non-proportional structures, in the form of a stop-loss are in place to limit retention exposures as well as manage catastrophe risk.

The LBLIC and LBIC Boards approve the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is in place with foreign reinsurers which have a credit rating of no less than A+ for Life Insurance and AA- for short-term insurance.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**LBIC**

**Investment portfolio concentration risk**

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

Asset classes	2024		2023	
	R'000	%	R'000	%
Bonds - Local	327 299	91%	280 436	84%
Fixed Interest	97 739	30%	100 552	36%
Floating Rate	212 589	65%	179 885	64%
Inflation Linked	16 972	5%	-	0%

Investment manager performance, portfolio and manager allocations are monitored and reported to the company management and Investment and Actuarial Committee on a regular basis by the company's investment consultants. Upper and lower bounds are assigned to each asset class and are reviewed annually, with the investment policy. The upper and lower bounds in effect as at 31 March 2024 are stated below. All classes were within bounds as at 31 March 2024.

**LBLIC**

The Company has taken a risk-based approach to setting investment strategy. The Company investable assets will be notionally tiered into three buckets representing different levels of market risk. The notional allocation to these buckets will be reviewed at least annually. Each bucket will make use of a strategic asset allocation appropriate for the risk profile it represents

The following notional asset allocations have been chosen to represent each bucket. The table below shows the asset allocation for each bucket and its real return expectation.

Buckets	Local Equity	Local Bonds	Local Cash	Foreign	Expected long-term real return
Short Term	-	40%	60%	-	1.6%
Medium Term	-	60%	40%	-	1.9%
Long Term	45%	22%	15%	18%	4.7%

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

To measure the overall investment objective for all investable assets, the buckets will be consolidated into a single strategic asset allocation strategy. To manage the risk of deviation from the benchmark asset allocation, a tactical asset allocation range will be set for each asset class to allow some deviation from the strategic asset allocation. This will also allow managers to add value by making asset allocation decisions. Asset managers will be allowed to deviate outside the tactical limits. In such an event the reasons for this will be communicated to the Investment Consultant and Investment and Actuarial Committee.

The table below shows the Company's strategic and tactical asset allocation limits for the Life Insurance Business.

Instrument	Long - Term Target	Lower Bound	Upper Bound	Benchmark Index
<b>Local Equity</b>	40%	30%	50%	JSE Capped SWIX
<b>Local Bonds</b>	25%	15%	35%	All Bond Index (ALBI)
<b>Local Cash</b>	20%	10%	30%	STeFI Composite
<b>Foreign Multi - Asset Class</b>	15%	5%	25%	60% MSCI World + 40% Foreign Multi - Asset Class Citigroup Gov Bonds

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.

Investment portfolio concentration risk

Asset Classes	Lower bound	Upper bound
<b>Equities - Local</b>	30%	50%
<b>Bonds - Local</b>	15%	35%
<b>Cash, deposits and similar securities - Local</b>	10%	30%
<b>Foreign assets</b>	5%	25%

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Long-term insurance concentration risk**

The long-term insurance portfolio is based on credit life insurance. Although the company does not consider any aggregate concentration for catastrophic risks, the company does, however, consider the age bands of the client base for reinsurance rating purposes.

Long-term insurance gross when written premium class of business by:

	2024	2023
	R'000	R'000
Portfolio		
Credit life insurance - Group	-	1,555
Credit life insurance - Individual	-	2,778
	-	<b>4,333</b>

Long-term insurance gross written premium by age bands

	2024			2023		
	Number	Value	Average	Number	Value	Average
	R'000	R'000	R'000	R'000	R'000	R'000
Portfolio						
20 - 29	10	21 191	2 119	5	1,879	375
30 - 39	33	51 334	1 556	13	8,954	688
40 - 49	69	54 290	787	78	25,239	328
50 - 59	137	94 278	688	147	43,023	292
60 - 69	166	89 682	540	158	32,007	202
70+	90	17 681	196	107	172,833	1,615
	<b>505</b>	<b>328 456</b>	<b>5 886</b>	<b>508</b>	<b>283,935</b>	<b>3,500</b>

**Short-term insurance concentration risk - LBIC**

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the short-term company's resources. The company operates on both crop and agri-asset insurance business

**NOTES TO THE FINANCIAL STATEMENTS**

**Gross written premium by business**

	2024	2023
	R'000	R'000
Portfolio		
Short-term insurance (crop)	806,970	793,264
Short-term insurance (assets)	5,289	14
	812,259	793,278

**Short-term crop insurance gross written premium by geographical segment**

	2024	2023
	R'000	R'000
<b>East</b>	<b>317,066</b>	<b>319,332</b>
Mpumalanga	176,917	161,770
Gauteng	16,286	13,732
KwaZulu-Natal	89,519	119,133
Eastern Cape	34,344	24,697
<b>West</b>	<b>489,906</b>	<b>473,932</b>
Free State	313,846	337,041
Limpopo	26,571	23,436
North West	53,898	50,903
Northern Cape	86,030	53,087
Western Cape	9,561	9,465
	<b>806,972</b>	<b>793,264</b>

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

The life insurance portfolio is based on credit life insurance. Although the Company does not consider any aggregate concentration for catastrophic risks, the Company does, however, consider the age bands of the client base for reinsurance rating purposes.

The Investment Policy was updated and approved by the Board in 2020. In deriving the investment objective, the Company notionally allocated its assets into three buckets representing different levels of risk (Short-term, medium-term and long-term) as follows:

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

Bucket	Matching assets	Definition
Short	Cash & Bonds	Policyholder & Current Liabilities plus SCR minus cash needed for Operations as defined in the Cash Management Policy Statement.
Medium	Cash & Bonds	Additional capital needed to augment the short-term bucket should the business meets its short-term objectives.
Long	Exposure to growth assets such as equities targeting a long-term real return unless there are liabilities requiring a specific matching assets.	Balance of assets to be invested long-term as the business was not likely to draw on these assets.

The above allocations were consolidated to produce a target real return for the Company assets.

The Company will firstly aim to match its assets and liabilities and with the excess assets target an appropriate real return. With this in mind, the Company has selected the following investment objective:

A real return, after investment fees and gross of tax of 4.0% per annum measured over rolling 3 year periods. For the purpose of calculating the real return in the primary objective, inflation will be taken as the published Consumer Price Inflation (CPI) rate.

**Capital Management**

The primary source of capital used by the group is shareholder's equity funds. The amount of capital required is directly linked to risks arising from insurance business underwritten, as well as the group's credit and operational risk. Accordingly, risk management is an important component of effective capital management.

**Capital management objectives and approach**

The group has established the following capital management objectives and approach to managing the risks that affect its capital position:

- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholder;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders and stakeholder;
- To maintain healthy capital ratios in order to support its business objectives; and
- To support the credit rating of the Bank.

## **NOTES TO THE FINANCIAL STATEMENTS**

- To maintain healthy capital adequacy ratios in order to support its business objectives.
- To comply with the requirements set by the regulator of the insurance markets where the company operates.

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover statutory requirements.

The following main strategies were applied to achieve capital management objectives:

- Effective management of credit risk;
- Effective management of underwriting risk,
- Effective management of operational risk - a sound internal control framework reduces operational risk, which in turn has a positive effect in the calculation of required capital; and
- Routine forecasts of capital requirements, assessment against both available capital as well as the expected internal rate of return - including risk and sensitivity analyses.

The purpose of the Group's capital management is to ensure an efficient use of capital in relation to risk appetite and business development. The Group does not have to comply with any regulatory capital requirements.

### **Capital Adequacy Requirements (CAR) - the Land Bank**

The Bank has adopted a Basel-like Total Capital Adequacy Ratio (TCAR) with Board approved deviations from the Regulations to determine the amount of capital needed to ensure solvency and liquidity. The TCAR calculation is underpinned by the Standardised Approach principles. The Bank targets a minimum total capital adequacy ratio of 15%. The Basel Accord requires that banks meet three minimum capital adequacy ratios, in order to ensure that banks have an acceptable mix between high quality, expensive capital and lower quality, less expensive capital, these are:

- Common Equity Tier 1 (CET1) minimum =  $\text{CET1} / \text{total Risk Weighted Assets (RWA)}$ ;
- Tier 1 minimum =  $(\text{CET1} + \text{Additional Tier 1 (AT1)}) / \text{total RWA}$ ; and
- Total minimum =  $(\text{CET1} + \text{AT1} + \text{Tier 2}) / \text{total RWA}$ .

The only deviation from the Banking Regulations with regards to total CAR is:

- Land Bank only has Government as shareholder and is not allowed to issue shares in the market to raise capital. Therefore, should the government guarantee be excluded from capital the only other resource of capital would be retained earnings. The Land Bank's funding covenants all include the unutilised portion of government guarantees (those of capital/ sustainability nature) as a source of capital supply.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

Risk-weightings are risk sensitive, in other words, riskier assets receive higher weightings and the Basel Capital Accord allows for basic and advanced approaches to determine RWA dependent on the sophistication of a bank.

The Land Bank (Bank) capital adequacy was estimated based on the following approaches:

- Credit risk: The Standardised Approach;
- Operational risk: The Basic Indicator Approach;
- Equity risk in the banking book: The Simple Risk-weight Approach;
- Market risk: Standardised approach; and
- Credit and operational risk have been identified as the major risk types affecting the Land Bank.

It is the intention of the Land Bank to move towards more sophisticated approaches, such as the Foundation Internal Ratings Based (F-IRB) approach for credit risk measurement. In this regard has the Bank already commenced with the development of Internal Ratings Based models.

The Land Bank is a state-owned entity (SOE) and therefore does not have the ability to issue share capital. For this reason the bank includes Government Guarantees which are not ring-fenced for funding purposes as Tier I Capital.

To further strengthen capital management, the Bank adopted the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Capital Adequacy Requirements (CAR) - the Land Bank**

	2024	2023
	R'000	R'000
Capital adequacy		
Total capital adequacy	19.6%	13.9%
Capital supply		
Ordinary shareholders' equity	8,784,325	8,286,785
Retained earnings	(3,645,738)	(3,658,981)
<b>Accumulated other comprehensive income</b>	<b>(581,478)</b>	<b>(652,258)</b>
Property revaluation reserve	145,258	143,058
Other reserves	(726,736)	(795,317)
<b>Common Equity Tier 1 (CET1) Capital: Instruments and reserves</b>	<b>4,557,108</b>	<b>3,975,546</b>
<b>Common Equity Tier 1 Capital: Regulatory adjustments</b>	<b>(195,457)</b>	<b>(254,156)</b>
Threshold deductions (investments in subsidiaries)	(194,395)	(252,601)
Intangible assets	(1,062)	(1,555)
<b>Total available Common Equity Tier 1 capital</b>	<b>4,361,651</b>	<b>3,721,390</b>
<b>Total available Tier 2 capital</b>	<b>132,531</b>	<b>162,254</b>
General allowance for credit impairment	132,531	162,254
<b>Total available capital</b>	<b>4,494,182</b>	<b>3,883,644</b>
	-	-
National Treasury guarantee*		
<b>Capital demand</b>		
<b>Risk weighted assets</b>		
Credit risk	19,230,330	24,520,933
Counterparty risk	2,747	11,167
Operational risk	1,259,742	990,317

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

	2024	2023
	R'000	R'000
Equity risk	709,567	544,648
Market risk	163,315	150,151
Other assets risk	366,736	696,928
Threshold items	1,139,012	993,498
<b>Total</b>	<b>22,871,449</b>	<b>27,907,643</b>

### 33. Fair value hierarchy of financial instruments

#### *Determination of fair value and fair value hierarchy*

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities; majority are recurring transactions with limited non-recurring

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

Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data. During the year, the Group had no significant transfers between instruments in Level 1, Level 2 or Level 3.

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Fair value hierarchy of financial instruments</b>				
<b>Recurring Levels of fair value measurements Level 1*</b>				
<b>Financial assets</b>				
Bonds	783,363	1,333,568	40,026	59,700
Local Equities	594,673	1,115,976	146,837	126,917

**NOTES TO THE FINANCIAL STATEMENTS**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Foreign equities	139,646	-	139,621	128,699
Cash and cash equivalents	13,809	18,325		
Commodities	63,817	54,114	63,817	28,110
Listed Shares	105,486	-	105,486	68,306
<b>Total financial assets</b>	<b>1,700,769</b>	<b>2,521,984</b>	<b>495,787</b>	<b>411,732</b>
<b>Recurring Level 2 *</b>				
<b>Financial assets</b>				
Cash and cash equivalents	13,025,723	15,729,672	12,601,200	15,355,038
Derivatives	654	1,321	654	1,321
Bonds	13,987	4,412	-	-
Local equities	44,651	49,242	-	-
Cash deposits and similar securities	14,085	9,543	14,085	9,543
Collective investment schemes	118,684	237,955	-	-
Commodities	(176)	673	-	-
<b>Total financial assets</b>	<b>13,217,607</b>	<b>16,032,116</b>	<b>12,615,939</b>	<b>15,365,902</b>
<b>Level 3</b>				
<b>Recurring fair value measurements</b>				
<b>Assets*</b>				
<b>Financial assets</b>				
Loans and advances	13,331,936	14,765,230	13,331,936	14,765,230
Unlisted shares	254,300	-	254,300	209,150
Equities	5,780	6,481		
Direct property	710	703		
Trade and other receivables	268,174	497,669	183,901	412,395
<b>Total financial assets</b>	<b>13,860,899</b>	<b>15,270,083</b>	<b>13,954,038</b>	<b>15,386,775</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Liabilities</b>				
<b>Financial liabilities</b>				
Trade and other payables	209,702	190,667	149,848	138,863
Other financial liabilities	6,085,486	5,110,870	6,085,486	5,110,870
Funding Liabilities	16,567,460	22,495,625	16,567,460	22,495,625
Lease Liabilities	25,063	28,966	25,063	28,966
<b>Total financial liabilities</b>	<b>22,841,626</b>	<b>27,796,247</b>	<b>22,827,858</b>	<b>27,774,324</b>

*Valuation techniques used to derive level 2 fair values*

Level 2 investments are valued using a valuation technique based on assumptions that are supported by prices from observable current market transactions:

- Cash deposits and similar securities: Value of cash deposited
- Commodities: Foreign component at the market value of the investment determined by the asset manager.
- Collective investment schemes (other than unlisted equities) (CIS) and Investment policies: Consists of unit trust that consist of underlying investments in Level I investments. The value of the CIS is the aggregate of the underlying value of each Level I instrument at its quoted market price.
- Unlisted equity: Previously listed shares that have been delisted, based on the fair value determined by the respective Asset Managers.
- Money market instruments: The face value of the investment made.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation of assets measured at level 3**  
**Group - 2024**

	Opening balance	Fair value adjustment for recognised in the statement of profit or loss	Re- measurement recognised in OCI	Purchases	Disposals	Reclassification on (to)/from other category of property	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>							
Investment property	98,010	7,990	-	-	-	-	106,000
Property, plant and equipment	25,700	2,119	-	28,350	(199)	-	55,970
Non-current assets held-for sale	11,359	-	-	-	(2,151)	-	9,208
Equity investments at fair value through other comprehensive income							
Unlisted shares	-	-	-	-	-	-	-
<b>Total</b>	<b>135,069</b>	<b>10,109</b>	<b>-</b>	<b>28,350</b>	<b>(2,350)</b>	<b>-</b>	<b>171,178</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

	Opening balance	Fair value adjustment for recognised in the statement of profit or loss	Re- measurement recognised in OCI	Purchases	Disposals	Reclassification on (to)/from other category of property	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Group - 2023</b>							
<b>Assets</b>							
Investment property	97,400	610	-	-	-	-	98,010
Property, plant and equipment	24,850	-	850	-	-	-	25,700
Non-current assets held-for sale	9,609	-	-	1,750	-	-	11,359
Equity investments at fair value through other comprehensive income							
Unlisted shares	221,827	-	(12,678)	-	-	-	209,149
<b>Total</b>	<b>353,686</b>	<b>610</b>	<b>(11,828)</b>	<b>1,750</b>	<b>-</b>	<b>-</b>	<b>344,218</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Description of significant unobservable inputs to level 3 valuations**  
**Group 2024**

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Acorn Agri (Pty) Ltd	<p>The implied Price-to book valuation of ACORN AGRI was calculated using the latest OTC share price information. In addition, similar agricultural companies that also trade OTCP/BV was compared to that of ACORN AGRI. The reasons we have chosen this approach as primary valuation method is due to the fact that ACORN AGRI is an investment holding company and its shares are traded Over-The-Counter ("OTC") as share transactions are negotiated directly and bilaterally between willing buyer and sellers of shares.</p> <p>Sensitivity analysis of discount rate are not applicable.</p> <p>Based on the calculations, an indicative fair value of 100% of ACORN AGRI as at 29 February 2024 is R 2.31bn. The fair value of Land Bank's 4.565% ownership in Acorn Agri as at 29 February 2024 is estimated to be R 105.6m.</p>		
Ideafruit (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 13.8% and 15.8%	Discount rate: -1%: R58 700 000 +1%:R55 230 000
Afgri Grain Silo Company Pty Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 16.7% and 17.2%	Discount rate: -0.2%: R100 052 000 +0.2%: R83 873 000

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy range rate	5% - 11.2%	Capitalisation rate
		Income/expense ratio range	17.6%-32.2%	+1%; R23,788,332
		Capitalisation rates range	11%-12%	-1%; R28,308,175
Investment property	Net income capitalisation method	Vacancy range rate	3%-12.5%	Capitalisation rate
		Income/expense ratio range	20.5%-50.2%	+1%; R99,517,036
		Capitalisation rates range	10.5%-12.8%	-1%; R117,777,619
Properties in possession	Comparable sales method	Natural grazing land per Ha	R4200-R7800	Market value per Ha of land
		Irrigated pasture land per Ha	R7000-R30000	+R1000 p/Ha; R19,334,497
		Farm-yard land per Ha	R0	-R1000 p/Ha; R13,918,509
		Wasteland per Ha	R2500-R90000	
		Crop land drylands	R19000-R25000	
		Industrial land per Ha	R6500-R8800	
		Construction price for dwelling per m2	R2250-R5650	

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Group 2023**

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Acorn Agri (Pty) Ltd	<p>The implied Price-to book valuation of ACORN AGRI was calculated using the latest OTC share price information. In addition, similar agricultural companies that also trade OTCP/BV was compared to that of ACORN AGRI. The reasons we have chosen this approach as primary valuation method is due to the fact that ACORN AGRI is an investment holding company and its shares are traded Over-The-Counter ("OTC") as share transactions are negotiated directly and bilaterally between willing buyer and sellers of shares.</p> <p>Sensitivity analysis of discount rate are not applicable.</p> <p>Based on the calculations, an indicative fair value of 100% of ACORN AGRI as at 28 February 2023 is R 2.1bn. As at 28 February 2023, the fair value of the 3.37% is estimated to be R 72.8m after taking the discounts (marketability and minority) into account.</p>		
Ideafruit (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 13.7% and 15.7%	Discount rate: -1%: R62 513 000 +1%:R42 705 000
Afgri Grain Silo Company Pty Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 15.0% and 15.5%	Discount rate: -0.2%: R120 970 000 +0.2%: R54 431 000

**NOTES TO THE FINANCIAL STATEMENTS**

Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range:	6% - 12.5%	Capitalisation rate:
		Income/expense ratio range:	17.9% - 30.5%	+1%:R23 201 332
		Capitalisation rates range:	11.0% - 12%	-1%:R27 615 984
Investment property	Net income capitalisation method	Vacancy rate range:	3% - 7.5%	Capitalisation rate:
		Income/expense ratio range:	27.9% - 55.3%	+1% R90 686 130
		Capitalisation rates range:	10.5% - 12.8%	-1%: R107 435 677
Properties in possession	Comparable sales method	Natural grazing land per ha.:	R4 100 - R20 000	Market value per ha. of land: + R1000 p/ha.: R22 043 696 - R1000 p/ha.: R16 252 146
		Irrigated pasture land per ha.:	R7 000 - R30 000	
		Farm yard land per ha.:	R2 500 - R90 000	
		Wasteland per ha.:	R0	
		Crop Land	R19 000 - R25 000	
		Drylands	R6500 - R8 800	
		Industrial land per ha.:	R4	
Construction price for dwellings per m2:	R2 250- R5 650			

### 34. Irregular Expenditure and Fruitless and Wasteful expenditure (F&WE)

Description	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Irregular expenditure	3,135	-	-	-
Fruitless and wasteful expenditure <sup>1</sup>	556	8	64	8
<b>Closing balance</b>	<b>3,691</b>	<b>8</b>	<b>64</b>	<b>-</b>
1 The penalty fee of R16.5 million levied on early termination of an investment in FY2021, was fully recovered during the current year.				
<b>(1) Amounts of material losses through criminal conduct</b>				
Incident description	-	-	-	-
<b>Total</b>				
<b>(2) Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure</b>				
Incident description	-	-	-	-

Five cases investigated

### 35. Events after the reporting period

In April 2024, the Western Cape experienced stormy weather conditions. Damage has been reported across the grape, deciduous, and stone fruit industries. However, it's worth noting that the damage remains relatively limited in scope. The overall impact of the Western Cape storms was not as bad as previous storms. Damage to farms in general was quite isolated and limited. The recent rainfall has played a crucial role in replenishing the dams. This development carries significant advantages for winter grain farmers who are looking to start their planting activities. The favourable combination of rainfall and increased water availability sets a promising foundation for the upcoming agricultural season. The risk is largely concentrated to the Western Cape area and the impact can be regarded as not material to the Land Bank.

## Liability Solution

The Liability Solution has now been concluded with the lenders and the event of default cured, with planned implementation from the 16 September 2024. This was communicated by the Board of the Bank through a media briefing on the 9 September 2024.

## 36. Contingencies

### *CCMA and Labour Court cases*

In the current year, there were two (2) disputes on grounds of unfair labour practices and discrimination referred to the CCMA against the Land Bank. An additional CCMA matter from the previous financial years that remained outstanding as at year end, relating to allegations of unfair labour practice and discrimination on the part of the Land Bank. There are two (2) further Labour Court matters carried over from the previous financial years that remained remotely outstanding as at year end. Due to the uncertain nature of the outlined CCMA and Labour Court matters, it is impracticable to determine an estimate of their financial effects to the Land Bank as at 31 March 2024. These matters remain in progress.

### *Default Interest*

There is a possible legal claim against Land Bank from National Credit Act (NCA) and non-NCA clients that were previously administered by a Service Level Partners (SLA) of the Land Bank. The possible claim could be that the SLA had charged clients default interest calculated based on the "total outstanding amount" instead of the "outstanding arrear amount". This incident happened before the Bank took over the SLA loan book in February 2021. The clients could pursue this matter further and argue that the SLA did in fact act unlawfully by disregarding the NCA provisions. There are currently differing views between the Land Bank legal team and that of the SLA partner, the SLA partner stems that this is a widely used practice in the banking industry. The matter had not been resolved as at 31 March 2024 and remains in progress.

## 37. Group remuneration

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

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Table 1: Remuneration of Land Bank non-executive directors and executive directors for 2024 (R 000)*

	Board	AGM	Audit & Finance	Risk & Governance	Credit & Investment	HR	SEC	Nominations	Ahoc Meetings	Cash Salary	Other Benefits, Fees & Expenses	Mar 2024 Total
	R'000	R'000	R'000	R'000	R'000	R'000			R'000	R'000	R'000	R'000
<b>Land Bank</b>												
<b>Non-Executive Directors</b>	<b>4,022</b>	<b>71</b>	<b>606</b>	<b>236</b>	<b>1,043</b>	<b>335</b>	<b>187</b>	<b>85</b>	<b>253</b>	<b>-</b>	<b>11</b>	<b>6,833</b>
NR Nkosi	946	10	-	-	104	100	67	34	49	-	-	1 309
M Makgatho <sup>1</sup>	220	10	82	-	205	-	-	-	9	-	-	526
LA Makenete	344	10	-	-	151	-	102	16	9	-	-	633
D Maithufi	365	10	-	91	280	-	-	-	39	-	-	784
TN Mashanda	365	-	203	67	-	-	-	-	20	-	0	654
JF Kirsten <sup>2</sup>	365	-	35	-	252	-	-	-	10	-	10	672
NP Motshegoa	365	10	-	-	-	-	18	-	20	-	-	412
EM Pillay	344	10	286	-	18	-	-	18	39	-	-	714
M Tom	345	10	-	-	-	135	-	18	39	-	-	547
D van der Westhuizen	365	-	-	79	34	100	-	-	20	-	-	580
<b>Executive Director</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Themba Rikhotso (CEO)	-	-	-	-	-	-	-	-	-	4,700	120	4,820
Khensani Mukhari (CFO)	-	-	-	-	-	-	-	-	-	3,672	29	3,701
<b>Total Land Bank</b>	<b>4,022</b>	<b>71</b>	<b>606</b>	<b>236</b>	<b>1,043</b>	<b>335</b>	<b>187</b>	<b>85</b>	<b>253</b>	<b>8,372</b>	<b>164</b>	<b>15,354</b>

<sup>1</sup> Member term ended in November 2023.

<sup>2</sup> Director fees paid directly to the University of Stellenbosch.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Table 2: Remuneration of Land Bank Insurance Services non-executive directors and executive directors for 2024 (R 000)**

	Board	AGM	HR	Audit & Risk	Investment & Actuarial	Nominations	Ahoc Meetings	Cash Salary	Other Benefits, Fees & Expenses	Mar 2024 Total
<b>Land Bank Insurance Company</b>										
<b>Non-Executive Directors</b>	<b>1 224</b>	<b>66</b>	<b>267</b>	<b>361</b>	<b>281</b>	<b>66</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>2,416</b>
JF Kirsten	44	9	-	-	66	16	20	-	-	155
EM Pillay	518	9	67	-	-	16	9	-	-	620
K Sukdev	150	9	-	65	86	-	20	-	-	331
M Bosman	150	9	67	76	43	-	20	-	-	366
D Subbiah	150	9	67	76	43	-	20	-	-	366
D van der Westhuizen	60	9	67	-	-	16	20	-	-	172
C Masuku	150	9	-	144	43	16	20	-	-	383
<b>Executive Director</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
P. Siphugu <sup>2</sup>								2,500		2,500
A Rakgalakane (MD) <sup>1</sup>								1,092	-	1,092
<b>Total LBIC</b>	<b>1 224</b>	<b>66</b>	<b>267</b>	<b>361</b>	<b>281</b>	<b>66</b>	<b>127</b>	<b>3,592</b>	<b>-</b>	<b>6,008</b>

<sup>1</sup> A Rakgalakane's term ended in June 2023.

<sup>2</sup> P. Siphugu commenced his duties on 1 June 2023.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Table 3: Remuneration - Land Bank non-executive directors and executive directors for 2023 (R'000)**

	Board	Audit & Finance	Risk & Governance	Credit & Investment	HRRC	SEC	Ad hoc Meetings	Cash Salary	Retention Payments	Other Benefits <sup>3</sup> , Fees & Expenses	2023 Total
<b>Non-Executive Directors</b>											
NR Nkosi	950	-	16	82	197	49	149	-	-	-	1,444
LA Makenete	375	-	-	49	82	61	85	-	-	-	653
M Makgatho	375	197	-	330	-	-	130	-	-	-	1,033
D Maithufi	375	-	183	296	-	-	95	-	-	-	948
TN Mashanda	355	197	131	16	16	-	38	-	-	-	755
JF Kirsten	355	-	-	296	-	22	47	-	-	2	723
NP Motshegoa	375	-	-	246	-	67	104	-	-	-	792
EM Pillay	355	279	-	82	-	33	73	-	-	-	822
M Tom	355	49	16	-	183	-	57	-	-	-	661
D Van Der Westhuizen	355	-	115	82	115	-	102	-	-	-	769
<b>Subtotal</b>	<b>4,228</b>	<b>722</b>	<b>462</b>	<b>1,480</b>	<b>593</b>	<b>232</b>	<b>880</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>8,599</b>
<b>Executive Directors</b>											
A Kanana (Chief Executive Officer)†	-	-	-	-	-	-	-	308	-	10	318
K Mukhari (Chief Financial Officer and Acting Executive Officer)	-	-	-	-	-	-	-	3,536	340	164	4,040
<b>Total Land Bank</b>	<b>4,228</b>	<b>722</b>	<b>462</b>	<b>1,480</b>	<b>593</b>	<b>232</b>	<b>880</b>	<b>3,844</b>	<b>340</b>	<b>176</b>	<b>12,957</b>

†Mr Ayanda Kanana, former CEO resigned and left at the end of April 2022.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**Table 4: Remuneration of Land Bank Insurance Services non-executive directors and executive directors for 2023 (R 000)**

	Board	AGM	HRRC	Audit & Risk	Investment and actuarial	Ad hoc Meetings	Cash Salary	Retention Payments	Other Benefits Fees & Expenses	2023 Total
<b>Non-Executive Directors</b>										
EM Pillay	268	9	-	11	11	28			-	327
JF Kirsten	29	9	-	-	32	28			-	99
D van der Westhuizen	29	9	56	-	-	47			-	142
K Sukdev	327	9	49	53	105	66			-	611
M Bosman	147	9	94	53	64	57			-	424
D Subbiah	147	9	82	53	74	66			-	432
C Masuku	147	9	16	119	74	57			-	423
NR Nkosi	-	9	-	-	-	-			-	9
Subtotal	1,097	76	298	288	360	350	-	-	-	2,468
<b>Executive Directors</b>										
A Rakgalakane – Managing Director							3,448	1,717	128	5,293
<b>Total Land Bank Insurance Services</b>	<b>1,097</b>	<b>76</b>	<b>298</b>	<b>288</b>	<b>360</b>	<b>350</b>	<b>3,448</b>	<b>1,717</b>	<b>128</b>	<b>7,761</b>

**Table 5: Remuneration - Land Bank executive officers in 2024 (R'000)**

Title	Guaranteed Package	Retention Payment	Cell phone Allowance	Other Benefits	Total
ETM Dlamini - Human Capital	3,082	-	24	4	3,110
SCE Soundy - Strategy and Communications	3,154	-	24	307	3,485
F Stiglingh - Portfolio Management Services	3,139	-	24	291	3,454
SN Sebueng - Legal Services	2,487	-	24	-	2,511
S Diza - Chief Risk Officer	2,502	-	24	-	2,526
Sakhumzi May (Acting Executive Manager: Agricultural Economics & Advisory)	1,758	-	14	336	2,108
Theunis Coetzee – Acting Corporate Banking and Structured Investments	1,844	-	14	336	2,194
<b>Total</b>	<b>17,966</b>	<b>-</b>	<b>148</b>	<b>1,274</b>	<b>19,388</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Table 6: Remuneration - Land Bank executive officers in 2023 (R'000)**

Title	Guaranteed Package	Retention Payment	Cell phone Allowance	Other Benefits	Total
ETM Dlamini - Human Capital	2,951	-	24	89	3,064
SCE Soundy - Strategy and Communications	3,026	291	24	93	3,434
F Stiglingh - Portfolio Management Services	3,004	289	24	90	3,407
SN Sebueng - Legal Services	2,380	229	24	69	2,702
S Diza - Chief Risk Officer	230	230	24	69	2,715
U Magwentshu - Corporate Banking and Structured Investments	2,392	-	22	81	2,548
<b>Total</b>	<b>16,198</b>	<b>1,039</b>	<b>142</b>	<b>491</b>	<b>17,870</b>

I Ms Unathi Magwentshu resigned and left the bank at the end of February 2023

## 38. Correction of prior period errors

### 38.1 Reclassification of money market instruments of the insurance companies

In the previous reporting periods, investments in money market instruments were classified as part of Investments on the face of the Statement of Financial Position.

These instruments are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In terms of IAS 7.6 (International Accounting Standard 7: Statement of Cash flows), given the money market instruments characteristics, they meet the definition of Cash and cash equivalents and should not be classified as part of Investments.

The previous practice of classifying money market instruments as part of Investments, as opposed to Cash and cash equivalents, is deemed a "prior period error" in terms of IAS 8.41 (International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors).

#### Impact of rectifying the "prior period error":

Statement of Profit and Loss - Will have zero impact as the error relates to classification on the Statement of Financial Position.

Statement of Financial Position - Money market instruments are reclassified from Investments to Cash and cash equivalents. Money market instruments will form part of the Cash and cash equivalent balance, opening and closing, as well as movements disclosed for the year.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>FY2024</b>	<b>FY2023</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2020</b>
<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>

**Statement of Financial Position**

*Prior to reclassification:*

Cash and cash equivalents	102 070	126 257	138 543	31 488	137 703
Investments	1 715 175	1 605 149	1 488 353	1 537 385	1 179 708

*Post reclassification:*

Cash and cash equivalents	428 624	402 318	386 270	486 503	450 606
Investments	1 388 620	1 329 088	1 240 626	1 082 370	866 805

*Impact after reclassification:*

Cash and cash equivalents increase with money market instruments	326 554	276 061	247 727	455 015	312 903
Investments decrease with money market instruments	(326 555)	(276 060)	(247 727)	(455 015)	(312 903)

**Statement of Cash Flow**

*Prior to reclassification:*

Movement in money market instruments	-	-	-	-	-
Cash and cash equivalents at year – end - Life	4 102	20 860	6 407	14 288	2 201
Cash and cash equivalents at year – end – Non - Life	97 968	105 397	132 136	17 200	135 502
<b>Total impact on group</b>	<b>102 070</b>	<b>126 257</b>	<b>138 543</b>	<b>31 488</b>	<b>137 703</b>

*Post reclassification:*

Movement in money market instruments	50 492	28 335	(207 288)	142 112	(19 458)
Cash and cash equivalents at year - end	428 624	402 318	386 270	486 503	450 606

### 38.2 Fair value hierarchy listing disclosure of the insurance companies

An error was identified regarding the fair value hierarchy listing of financial instruments into Level 1 or Level 2, in compliance with IFRS 13: Fair Value Measurement. The error related to some instruments listed as Level 1 instead of Level 2 and vice versa and was subsequently rectified. In light of this error, the 2023 financial year - end fair value listings were reviewed again and the same errors occurred as in the current year. The comparatives were adjusted to reflect correction.

Impact of rectifying the "prior period error":

Statement of Profit and Loss - Will have zero impact as the error relates to disclosure

Statement of Financial Position - Will have zero impact as the error relates to disclosure

### 31 March 2023 Fair value hierarchy listing

	Incorrect listing		Correct listing		
	R'000	R'000	R'000	R'000	R'000
Equities	511 342	-	529 857	6 547	-
Commodities	30 004	-	3 134	685	-
Bonds	414 674	-	405 731	11 558	-
Collective Investment Schemes	-	141 042	27 182	96 210	-
Money market instruments	109 389	-	27 863	183 887	-
Direct property	-	-	-	-	703
Other	-	32	-	-	-

### 38.3 Incorrect unexpended balances – Commitments (Disclosure notes 9 and 30)

In the previous reporting periods, unexpended balances were incorrectly determined upon insourcing of the indirect book on exposures such as mortgages that do not have unexpended balances. In light of this error, the 2023 financial year - end commitment listing was reviewed again and the same errors occurred as in the current year. These have been corrected retrospectively on the comparative period disclosed. The comparatives were adjusted to reflect the correction.

Impact of rectifying the “prior period error”:

Statement of Profit and Loss - Will have zero impact as the error relates to disclosure  
 Statement of Financial Position - Will have zero impact as the error relates to disclosure

#### 31 March 2024 Commitments disclosure:

**Gross loan commitments**

Expected Credit Loss (ECL)

**Net loan commitments**

The impact on ECL was not material. Therefore, we have not corrected it.

Incorrect Disclosure	Corrected Disclosure
R'000	R'000
569,659	86,430
(6,271)	(6,271)
563,388	80,159

#### 31 March 2023 Commitments disclosure:

**Gross loan commitments**

Expected Credit Loss (ECL)

**Net loan commitments**

The impact on ECL was not material. Therefore, we have not corrected it.

Incorrect Disclosure	Corrected Disclosure
R'000	R'000
897,558	80,852
(15,321)	(15,321)
882,237	65,531







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