

Sens Announcement

The Land and Agricultural Development Bank of South Africa

(JSE Code: BILB)

("the Land Bank")

Land and Agricultural Development Bank of South Africa: Unaudited Interim results for the half year ended 30 September 2018

Preparation of this report

The Chief Financial Officer, Mr. Bennie van Rooy CA (SA) was responsible for the preparation of the unaudited interim results.

Basis of preparation

The condensed consolidated financial statements have been prepared, based on certain guidelines contained in International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), 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. Accounting policies adopted and methods of computation are consistent with those applied to the annual financial statements at 31 March 2018.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The key Group performance highlights are as follows:

	FY2019H1 Unaudited	FY2018H1 Unaudited Restated	FY2018H1 Unaudited Disclosed	FY2018 Audited
Statement of Profit and Loss and Other Comprehensive Income				
Profit after Other Comprehensive Income (R'000)	63 055	52 257	52 764	193 859
Net interest margin (%)	2.8%	2.9% ¹	3.0%	2.9% ¹
Statement of Financial Position				
Total Assets (R'000)	48 499 273	45 523 134	45 523 134	49 487 020
Gross Loans and Advances (R'000)	44 055 545	41 983 063	41 983 063	45 551 319
Total Capital Adequacy Ratio (%)	17.2%	17.3%	17.3%	17.3%
Liquidity Coverage Ratio (%)	394.4%	339.6%	339.6%	214.3%
Net Stable Funding Ratio (%)	110.7%	107.1%	107.1%	108.6%

¹Adjusted with the reclassification of the out of mandate LDFU portfolio from a disposal group to a discontinued operation during FY2018 under the requirements of IFRS5. The resulted in the interest expense on the associated liabilities being reclassified from discontinued operations to net interest income.

Six months review

The Group generated profit after other comprehensive income of R63.1 million compared to the R52.3 million reported in the comparative prior year period. The Bank generated favorable results, despite general uncertainty in the agricultural sector. Market volatility is expected to continue to cause some fluctuations in the Group's performance, particularly due to policy uncertainty, insurance claims and unpredictable weather conditions. The Bank generated net interest income of R580.4 million, which is 0.5% lower than the comparative period, this slight decrease is as a result of the Bank's funding strategy, converting short dated funding to longer dated in order to match the asset profile. Operating expenses at a growth rate of 4.7%, year on year, are well contained.

Funding initiatives have been very positive during FY2019H1 with strong Debt and Capital Market support received during the period under review. As of FY2019H1, the Land Bank's reliance on short-term funding with an effective time to maturity of less than 12 months, reduced to 42.9%, which is below its medium-term target of 50%. Cash and liquidity levels remain healthy with access to cash of R3.22 billion and further liquidity through R2.15 billion committed and R0.5 billion uncommitted facilities.

The performance of the two Insurance subsidiaries, Land Bank Life Insurance and Land Bank Insurance, were adversely affected by market volatility and unfavorable weather conditions respectively.

The Group operates as a going concern and there is no reason to believe that the Group will not continue to operate as a going concern over the foreseeable future.

Unaudited Results

The condensed interim financial results of the Land Bank for the six months ended 30 September 2018 are unaudited and have not been reviewed by an independent auditor.

Outlook

The financial success for the year ending 31 March 2019 is likely to be impacted by the uncertain economic environment, government policies and unpredictable weather conditions.

Condensed consolidated Statement of Profit and Loss and Other Comprehensive Income for the six months ended 30 September 2018

	Notes	FY2019H1 R'000 Unaudited	FY2018H1 R'000 Unaudited ¹ (like for like)	Var %	FY2018H1 R'000 Disclosed
Net interest Income		580 442	583 066	(0.5%)	632 230
Operating income from Banking Activities		339 640	303 496	11.9%	352 660
Net insurance (loss)/ income		(45 335)	(3 185)	(+100%)	(3 185)
Total Operating Income		294 305	300 311	(2.0%)	349 475
Operating Expenses		(298 921)	(285 412)	(4.7%)	(307 185)
Other Income		44 552	74 039	(39.8%)	74 039
Net Profit before Other Comprehensive Income		17 002	56 788	(+100%)	57 252
Other Comprehensive Income		46 054	(4 531)	+100%	(4 531)
Net Profit after Other Comprehensive Income		63 055	52 257	20.7%	52 721

¹Adjusted with the reclassification of interest expense from discontinued operations and arranging fees from operating expenses to Interest expense from continuing operations.

During the FY2018 financial year-end, the Land Bank reclassified the funding liabilities related to the LDFU portfolio to continuing operations resulting in the related interest expense moving into continuing operations and thus reducing net interest income. This was because of the said portfolio no longer meeting the definition of a disposal group under the requirements of IFRS5.

Condensed consolidated Statement of Financial Position as at 30 September 2018

	Notes	FY2019H1 R'000 Unaudited	FY2018 R'000 Audited	Var %
Assets				
Cash and cash equivalents		3 215 562	2 421 069	32.8%
Investments		2 421 181	2 619 887	(7.6%)
Net Loans and Advances	1	41 817 152	43 418 462	(3.7%)
Short-term Insurance Assets		129 304	282 382	(54.2%)
Long-term Insurance Assets		10 753	10 753	0%
Discontinued operations (IFRS5)	2	9 900	188 900	(94.8%)
Other Assets		895 421	545 567	64.1%
Total Assets		48 499 273	49 487 020	(2.0%)
Equity and Liabilities				
Equity		6 705 652	6 648 703	0.9%
Funding Liabilities		40 944 438	41 576 302	(1.5%)
Short-term Insurance Liabilities	3	156 134	398 859	(60.9%)
Long-term Insurance Liabilities		56 121	55 939	0.3%
Other liabilities		636 928	807 217	(21.1%)
Total Equity and Liabilities		48 499 273	49 487 020	(2.0%)

¹ Loans and advances declined due to the seasonal repayment of summer grain production credit facilities.

² During FY2019, the Land Bank managed to conclude the disposal of the majority of its significant assets related to the legacy out of mandate LDFU portfolio, resulting in the decline in the value of the said asset group. These disposals did not result in any fair value losses to the Bank.

³ Seasonal reduction in statutory liabilities following the end of the underwriting season in the summer grain areas

Subsequent events.

Subsequent to 30 September 2018, the Land Bank issued an R500m Floating Rate Bond (LBK32) by way of private placement.

Changes to the Board

Advocate S. Coetzee and Ms M. Makgatho were reappointed to the Board for a 3-year term.

29 November 2018

Enquiries

Land and Agricultural Development Bank of South Africa

TP Nchocho, Chief Executive Officer

Bennie van Rooy, Chief Financial Officer

Rebecca Phalatse, General Manager: Marketing and Communications – Tel: 012 686 0921