

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 2019

Preparation of this report

The Acting Chief Financial Officer, Ryan Engle 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 2019.

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:

	FY2020H1 Unaudited	FY2019H1 Unaudited
Statement of Profit and Loss and Other Comprehensive Income		
Profit before Other Comprehensive Income (R'000)	(184 683)	63 055
Net interest margin (%)	2.4%	2.8%
Statement of Financial Position		
Total Assets (R'000)	53 564 030	48 499 273
Gross Loans and Advances (R'000)	43 259 904	44 055 545
Non-performing Loans (%)	9.9%	5.8%
Total Capital Adequacy Ratio (%)	15.9%	17.2%
Liquidity Coverage Ratio (%)	352.0%	394.4%
Net Stable Funding Ratio (%)	105.8%	110.7%

Six months review

The operating environment remains challenging given the slow economic growth and the effects of prior years' droughts. The Group generated a loss before other comprehensive income of R184.7 million, a decrease of more than 100% as compared to the prior year six-month operating period ending 30 September 2019. The decrease is attributable largely to muted loan book growth, roll – off of two large assets at year end i.e. Profert and SiliCo and a higher impairment charge – up by R195 million to the comparative period in the prior year.

Net interest income amounted to R467.4 million (2.4%), which is 0.4% lower than the comparative period mainly due to a higher interest costs further compounded by the sluggish loan uptake as evidenced by higher than anticipated cash balances.

Non-performing loans increased to 9.9% from 5.8% (FY2019: 8.8%) for the comparative period due to the following:

- the shifting in seasons that continue to affect primary agriculture have resulted in late harvests and repayment of loans
- clients are also still recovering from prior years` drought
- fluctuations in prices, armyworms and foot & mouth outbreaks
- “base-effect” in the calculation of the NPL ratio due to the disposal of Profert and the reduction of the SiloCo exposure as at 31 March 2019, as well as a seasonal reduction in the loan book adversely impacting the denominator in the calculation.

Funding initiatives have remained positive during FY2020H1 with continued Debt and Capital Market support received during the period under review. As of FY2020H1, the Land Bank’s reliance on short-term funding with a remaining time to maturity of less than 12 months, reduced to 48.8%, which is in line with medium-term targets. Cash and liquidity levels remain healthy with access to cash of R6.5 billion and further liquidity through R2.15 billion committed and R0.5 billion uncommitted facilities.

The two Insurance subsidiaries, Land Bank Life Insurance and Land Bank Insurance, generated satisfactory results.

Unaudited Results

The condensed interim financial results of the Land Bank for the six months ended 30 September 2019 are unaudited and have not been reviewed by an independent auditor.

Outlook

The financial success for the year ending 31 March 2020 hinges on the Land Bank’s ability to continue delivering on its mandate, within the uncertain economic environment and unpredictable weather conditions possibly impacting on the results.

Condensed consolidated Statement of Profit and Loss and Other Comprehensive Income for the six months ended 30 September 2019

	FY2020H1	FY2019H1	
	R’000	R’000	Var
	Unaudited	Unaudited	%
Net interest Income	467 409	580 442	(19.5%)
Operating income from Banking Activities	194 623	339 640	(42.7%)
Net insurance (loss)/ income	(64 163)	(45 335)	41.5%
Total Operating Income	130 460	294 305	(55.7%)
Operating Expenses	(305 135)	(298 921)	(2.1%)
Other Income	19 985	44 552	(55.1)%
Net Profit before Other Comprehensive Income	(184 683)	17 002	(+100%)
Other Comprehensive Income	(1 807)	46 054	(+100%)
Net Profit after Other Comprehensive Income	(186 491)	63 055	(+100%)

Condensed consolidated Statement of Financial Position as at 30 September 2019

	FY2020H1	FY2019	
	R'000	R'000	Var
	Unaudited	Audited	%
Assets			
Cash and cash equivalents	6 669 987	3 213 121	+100%
Investments	2 940 962	3 181 534	(7.6%)
Net Loans and Advances	42 406 256	44 465 456	(4.6%)
Short-term Insurance Assets	50 568	254 017	(80.1%)
Long-term Insurance Assets	8 824	8 287	6.5%
Other Assets	1 487 433	1 238 172	20.1%
Total Assets	53 564 030	52 360 587	2.3%
Equity and Liabilities			
Equity	6 628 270	6 814 398	(2.7%)
Funding Liabilities	45 850 390	44 257 919	3.6%
Short-term Insurance Liabilities	67 770	329 860	(79.5%)
Long-term Insurance Liabilities	58 276	47 124	23.7%
Other liabilities	959 324	911 286	5.7%
Total Equity and Liabilities	53 564 030	52 360 587	2.3%

29 January 2020

Enquiries

Land and Agricultural Development Bank of South Africa

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¹ The Unaudited interim results under review were prepared under the leadership of Ms Gugushe but published during the tenure of Mr SCE Soundy as an Acting Chief Executive Officer

