Land Bank:
Fixed Income Investor Roadshow – FY2019Q3

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Key Contacts

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Business Overview

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Board Compositions

1 – Reappointed for 3 years with effect 1 June 2018
2 – Newly appointed for 3 years with effect 1 June 2018
3 – Reappointed for 3 years with effect 1 October 2018
4 – Mr. TP Nchocho resigned in Dec 2018. Refer Interim Management Structure
5 – New incumbent starts 1 March 2019

Shareholder
Minister of Finance

NATIONAL TREASURY

{ Executive Authority }

Board of Directors

{ Accounting Authority }

Mr. MA Moloto[1]
Chairperson

Ms. D Hlatshwayo[1]
Deputy Chairperson

Ms G Mtetwa

Ms. DN Motau

Ms. SA Lund[1]

Dr. S Cornelius[2]

Ms. TT Ngcobo

Adv. S Coetzee[3]

Ms. M Makgatho[3]

Mr. M Makgoba[2]

Board Committees

Risk and Governance Committee

- Enterprise Risk Management Framework, Governance Architecture, Risk Appetite and Tolerance Framework
- Approve the Bank's Risk Management Plan
- Review and Monitor the management of all Risks in the organisation

Audit and Finance Committee

- Internal and External Audit matters
- Accounting policies and methodologies
- Financial matters

Human Capital Committee

- Monitor, review and oversee all Human Capital matters

Social & Ethics Committee

- Monitor, review and oversee all Social, Ethics and Environmental matters

Credit and Investments Committee

- Review and recommend credit policies, frameworks as well as prudential limits and guidelines
- Review and approve or recommend credit facilities in line with Delegations of Power
- Monitoring

All Board Committees are accountable to the Board

Executive Committee

{ Exco Accountable to Board }

Vacant[5]
CEO

Mr. B van Rooy[4]
CFO

Ms. K Gugushe[4]
CRO

Mr. F Stiglingh
EM: Portfolio Management

Mr. S Soundy
EM: Strategy

Ms. M Dlamini
EM: Human Capital

Dr. L Magingxa
EM: Agri Economics

Vacant[5]
EM: CB&SI

Ms. L Ndlovu
EM: CDDB

Mr. S Sebueng
EM: Legal

Mr. M Mzaidume
(Company Secretariat)

Governance Matters

Interim Management Structure

Mr Bennie van Rooy
Acting Chief Executive Officer

Ms Kone Gugushe
Acting Chief Financial Officer

Mr Sydney Soundy
EM: Strategy & Communications

Mr Faride Stiglingh
EM: Portfolio Management Services

Ms Loyiso Ndlovu
EM: Commercial Development and Business Banking

Mrs Unathi Magwentshu
EM: Corporate Banking and Structured Investments

Starts 1 March 2019

Ms Nafiza Khan
Acting Chief Risk Officer: Risk

Mr Sakhumzi Diza
Acting Chief Risk Officer: Credit

Mr Stephen Sebueng
EM: Legal Services

Dr Litha Magingxa
EM: Agricultural Economics & Advisory

Ms Mpule Dlamini
EM: Human Capital

Mr Maniki Rakgalakane
MD: Land Bank Insurance Company

Industry Matters

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Drought

- Apart from the Western, Eastern and Northern Cape weather patterns have vastly improved with the outlook for another good rainfall season in the "summer crop" areas. Summary of Land Bank's position in relation to the aforementioned:

Delivery Channel	Exposure	NPL	Collateral[1]
Eastern Cape	R1,197.1m	R57.6m	R212.8m
Northern Cape	R1,617.3m	R10.4m	R34.0m
Western Cape	R830.4m	R50.1m	R242.5m
Total	**R3,644.8m**	**R118.1m**	**R489.4m**
1 – Collateral In respect of NPL's only			

- Drought relief support extended to date:

	FY2019Q3	FY2018	FY2017
Loans approved	R392.5m	R334.8m	R207.6 m
Loans disbursed	R339.9m	R302.8m	R117.8 m
Support available	**R7.5m**	**R65.2m**	**R192.4 m**

- Pipeline for consideration:
  - Applications: 11
  - Amount: R52.5m
- Land Bank could potentially avail some of it internal funds to provide further assistance.

Crop Estimates 2018/2019

- Insufficient rain during optimal planting periods were experienced to the west of the country at the start of the new grain season.
- Yellow maize and soya plantings proceeded in Mpumalanga, eastern Free State and Gauteng as expected. White maize and sunflower plantings delayed, but sufficient surplus of white maize from previous seasons.
- Final hectares planted is ca. 2% less overall than 2017/2018 season.
- Better rains are predicted for the remainder of the season, but final yields may be lower due to late planting dates.
- Some international crop observers estimate that South Africa's 2018/19 maize harvest could vary between 10.7 and 11.5 million tonnes. A harvest at this level would mean that South Africa would be self-sufficient in the 2019/20 marketing year, accounting for an opening stock from the previous season.

Foot and Mouth Disease

- In January, an outbreak of FMD was detected in the Vhembe district in Limpopo, a FMD-free area and South Africa's meat exports were suspended and weaner calf & beef carcass prices have declined as a result.
- The impact of the loss of the FMD-free status go beyond meat products and affect exports of other livestock products. Free zone status can be regained within a year.
- Task teams were put in place to convince SA's trading partners not to suspend the import of red meat and its by-products from SA. Following these engagements, trade restrictions on the export of processed products have been relaxed by many trade partners
- ***Land Bank's exposure to the affected area is minimal and FMD will therefore have no meaningful impact on the Land Bank's loan portfolio.***

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Land Reform

Risks:

- We have identified opportunities around the implementation of expropriation without compensation, however it would be prudent to caution that if this process is poorly executed it could have damaging consequences for the Bank as a creditor, bringing the organisation's sustainability under threat. Poor execution would include:
  - *Productive land being taken out of production;*
  - *No protection for creditors;*
  - *No effective institutional processes;*
  - *Poor and undefined process for selection of beneficiaries;*
  - *Corruption; and*
  - *Lack of comprehensive support for beneficiaries.*
- Uncertainty could jeopardise the ability of the Bank to raise funding in the domestic market.
- Funding agreements with "expropriation" events of default clauses included amount to R9.0 billion, with "cross defaults" across the R41 billion funding portfolio, which would require government intervention to settle our lenders.

Opportunities:

- In the case of well-executed land reform that is supported by the necessary institutional arrangements and grant funding:
  - *The Bank would be able to increase lending for transformational purposes and grow the sector;*
  - *Additional new-generation farmers, including youth and women, would be able to enter the sector thus improving equality and inclusivity;*
  - *New-generation farmers, especially youth, would have a positive impact on the age profile of the sector and support a future client base for the Bank;*
  - *Additional farmers would enable job creation, especially if capacity is created in food-processing and the Bank could undertake value-chain based financing.*

Conclusion:

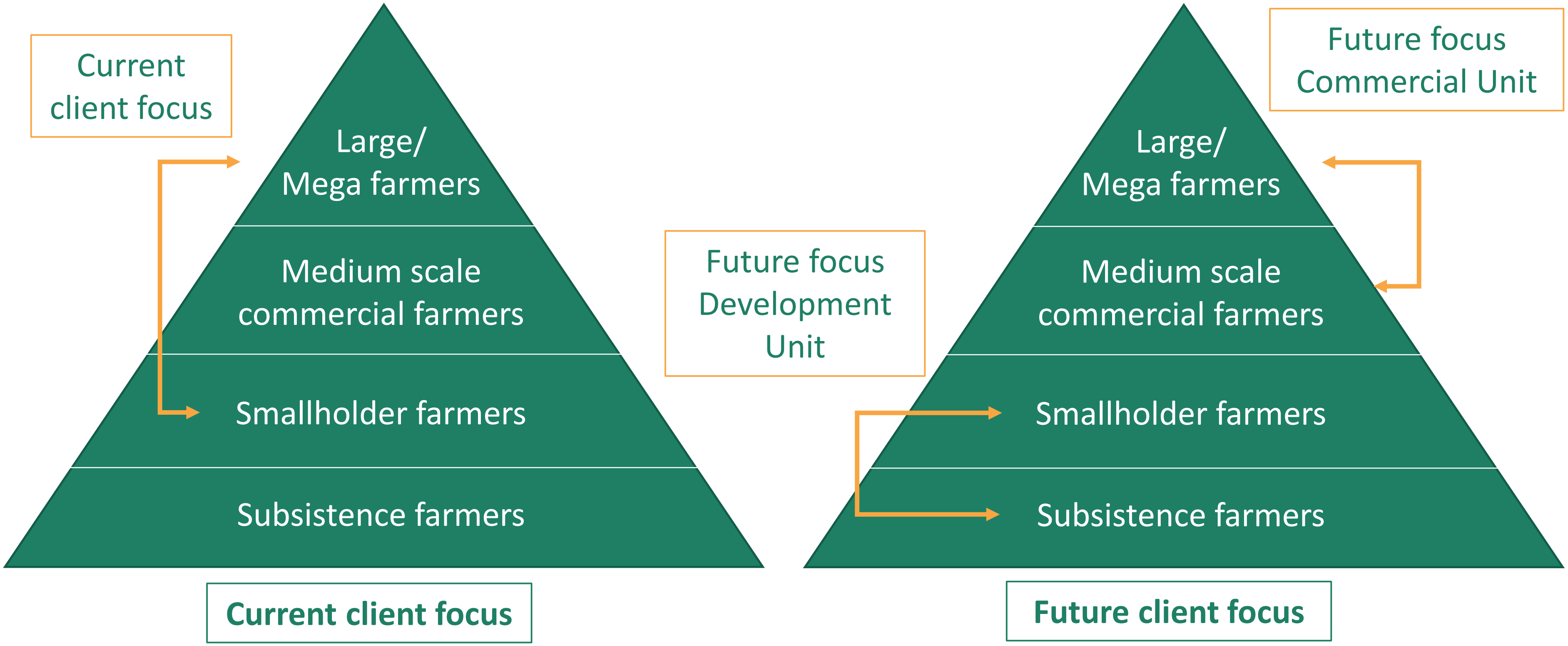
While the proposal around expropriation without compensation has taken precedence, we consider improving the overall land reform programme to achieve its stated objectives as a key departure point for the process.

In our opinion, as part of the broader land reform programme, expropriation (with or without) compensation, if it is well executed, has the potential for some significant economic and social benefits that may accrue to the economy of South Africa in general and to the agricultural sector in particular.

Land Bank 2023/2024
Financial Sustainability vs. Development Impact

Land Bank 2023/2024

Future Client Segmentation and Focus



Land Bank 2023/2024

“Development” Land Bank

"Development" Land Bank

Factors constraining smallholder farmers

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- **Lack of affordable access to finance** by Development Clients – the funding structure of Land Bank is effectively "Commercial".
- Beneficiaries' balance sheets are **Highly Geared (Not enough equity)**.
- Lack of **grant funding** to support projects.
- Inadequate **recapitalisation financing**.
- **Mismatch in tenure** where land is procured through lease arrangements.
- Lack of **risk mitigation instruments / structures**.
- Inadequate **Risk Insurance** for projects.
- Lack of **appetite for investments by Private Capital**.

“Development” Land Bank

Foundation Principles

The foundation principles for **a more effective development finance model** for agriculture include the following:

- **Expand the role of the Bank beyond merely providing financial services** to smallholder farmers and agri-entrepreneurs;
- **Debt financing on its own is not sustainable or adequate** to address the challenges;
- Secure **access to suitable land at an affordable cost** and for a reasonable term is critical;
- **Pre-investment support** is required to develop business cases that are owned by the farmer and responds to both the bank and client’s needs;
- **Technical support** and **extension type services** are an integral part of the solution; and
- **Blended financing** that includes private sector funding and government grants administered by Land Bank is one aspect of the solution.

“Development” Land Bank

Potential Pre- and Post-finance Activities

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Expand role of Land Bank beyond receiving, evaluating and financing applications. Holistically address and support the missing elements in development farmer environment by:

- **Providing enhanced support in the pre-financing preparation stage through:**
  - Facilitating preparation of projects and business plans to bankable stage.
  - Sourcing designated grant funding for this purpose.
- **Broadening Land Bank’s financing offering by:**
  - Incorporating mezzanine debt to address equity and collateral shortfalls.
  - Combining Bank balance sheet mezzanine funding with grants to offer lower blended mezzanine lending rates.
  - Conventional secured Land Bank senior debt to accompany mezzanine.
- **Strengthening post-financing operational performance through providing:**
  - Externally funded and monitored comprehensive business support and mentoring by co-operatives, industry bodies etc.
  - Funded LBIC insurance risk mitigation.

The **Pre- and Post Finance Services** will come with **additional value-adding but non-revenue generating activities** which will **not be possible without appropriate government funding and grant support**. The split of the Bank into the Development Bank and the Commercial Bank is premised on appropriate government support.

Financial Overview
Group

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Performance Overview: Summary

Salient Features - Group

	Var %	FY2019H1	FY2018H1 [1]	FY2018
Net interest income	-	R 580.4m	R 583.1	R 1,278.4m
Impairments	(26.4%)	R 108.9m	R 147.9m	R 55.5m
Operating expenses	4.7%	R 298.9m	R 285.4m	R 654.5m
Profit after Other Comprehensive Income	20.7%	R 63.1m	R 52.3m	R 193.9m
- Banking Operations	*+100%*	*R 61.9m*	*(R 4.6m)*	*R 182.3m*
- Insurance Operations	*(97.9%)*	*R 1.2m*	*R 56.3m*	*R 11.6m*
Cash	23.1%	R 3.2bn	R 2.6bn	R 2.4bn
Investments	-	R 2.4bn	R 2.4bn	R 2.6bn
Net loans and advances	5.2%	R 41.8bn	R 39.7bn	R 43.4bn
Total assets	6.6%	R 48.5bn	R 45.5bn	R 49.5bn
Key Ratios				
Net interest margin [1]	(3.4%)	2.8%	2.9%	2.9%
Cost-to-income ratio [1]	4.9%	63.9%	60.9%	60.5%
Impairment ratio	(3.8%)	5.1%	5.3%	4.7%
Non-performing loans	(27.5%)	7.4%	5.8%	6.7%
NPL coverage ratio	(17.4%)	75.8%	91.8%	70.2%

1 – FY2018H1 results have been restated to reflect the impact of the LDFU reclassification from "Discontinued Operations: Disposal Group" to "Discontinued Operations" which resulted in certain liabilities and Interest expenses being reclassified to "Continuing Operations".

Performance Overview: Balance Sheet

Statement of Financial Position – Strong Bank asset and liability profile

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	Var %	FY2019H1 R'm	FY2018H1 R'm	FY2018 R'm
Cash and cash equivalents	30.1%	3,138.3	2,446.5	2,362.1
Net loans and advances	5.2%	41,817.2	39,748.5	43,418.5
Investments [1]	2.8%	1,242.1	1,208.6	1,406.7
Assets of Discontinued Operations classified as held-for-sale [2]	(94.8%)	9.9	188.9	147.3
Other assets	93.1%	830.5	430.2	398.0
Total assets	**6.8%**	**47,038.0**	**44,022.7**	**47,732.6**
Capital and reserves	4.5%	5,602.4	5,360.4	5,546.9
Liabilities	7.2%	41,435.6	38,662.3	42,185.7
- Funding liabilities	*7.5%*	*40,944.4*	*38,081.9*	*41,576.3*
- Other liabilities	*(15.4%)*	*491.2*	*580.4*	*609.4*
Total equity and liabilities	**6.8%**	**47,038.0**	**44,022.7**	**47,732.6**
1 – Investments consist of:				
• *Investment in Subsidiaries*	-	350.0	350.0	350.0
• *Investment in listed shares*	(35.0%)	128.1	197.0	146.3
• *Unlisted investments*	+59.8%	480.4	300.6	565.1
• *Assets earmarked for Medical Aid Liability* [2]	(21.4%)	283.6	361.0	345.2

2 – During FY2019H1, the Bank concluded a buy-out i.r.o. some "pensioners" at a cost of R66.4m. The liability had reduced to R311.9 million.

3 – As of FY2019H1, the "Out of Mandate LDFU portfolio" had reduced significantly following the conclusion of a number of sales. Post FY2019/H1, the last property was sold and the legacy portfolio is now a thing of the past.

Performance Overview

Loan Book segmentation – Significant contribution by indirect channels

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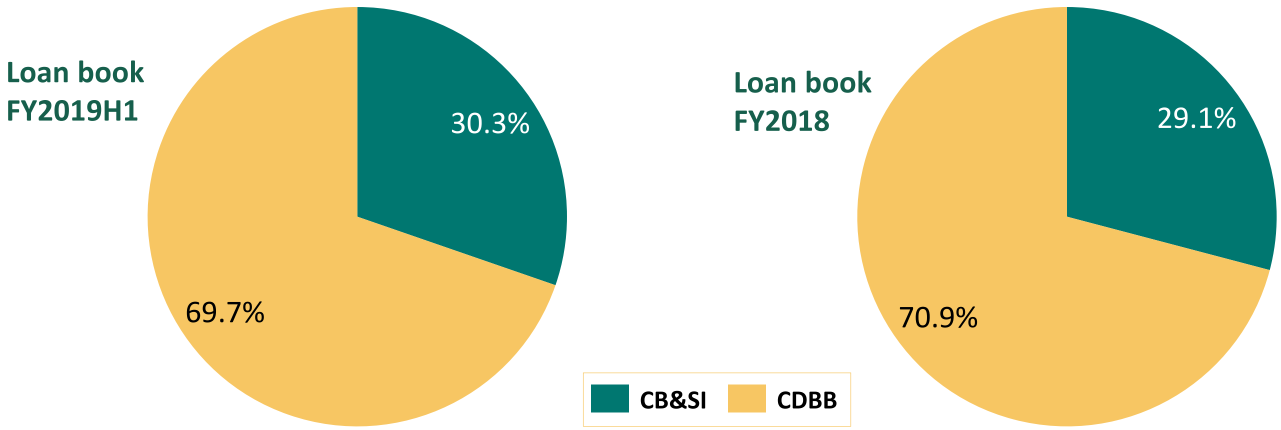
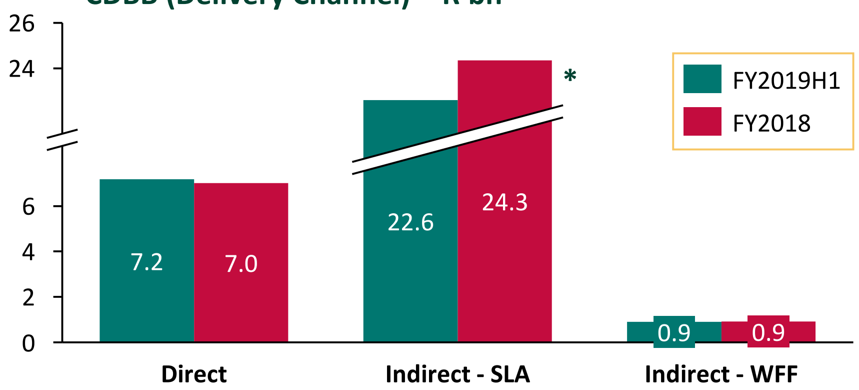
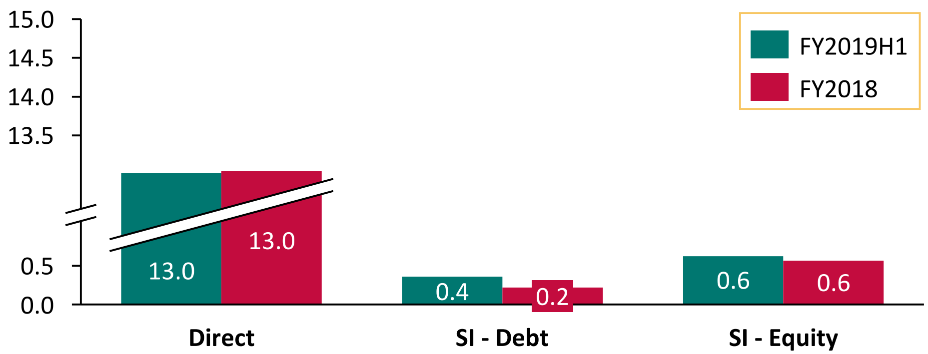


CDBB (Delivery Channel) – R'bn



CB&SI (Delivery Channel) – R'bn

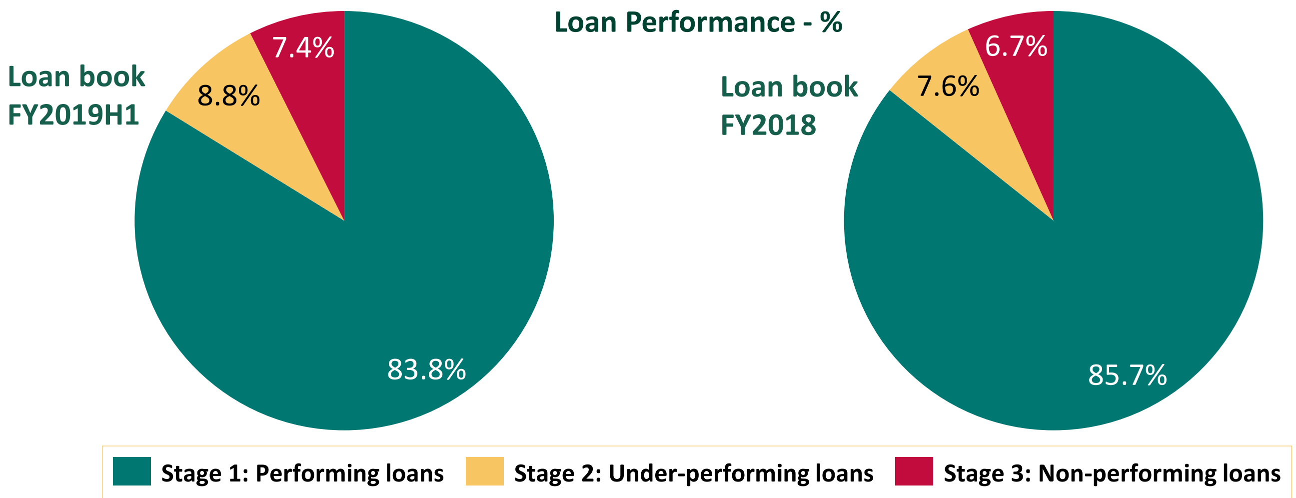


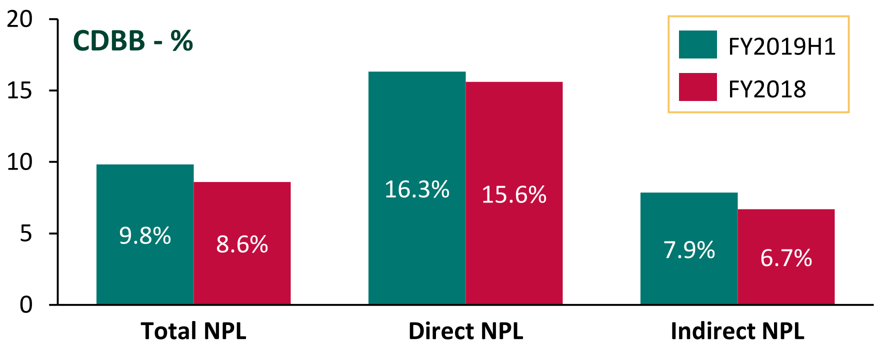
CDBB = Commercial Development Business Bank
CB&SI = Corporate Bank & Structured Investments
Direct = Lending activities through Land Bank's own infrastructure
Indirect = Lending activities through intermediary partners, i.e. SLA, or WFF

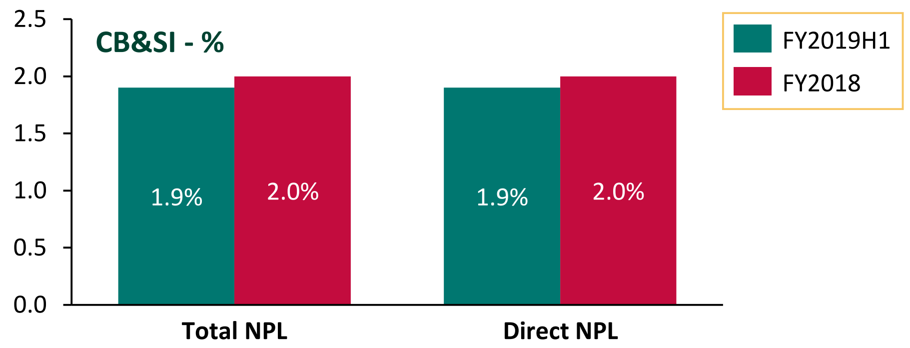
** During FY2019H1, the SLA portfolio had reduced by ca. R1.7bn following a good harvest in respect of the 2017/2018 season. This reduction is seasonal and the portfolio is expected to increase as we progress through the working capital cycle of the2018/2019 season.*

Performance Overview

Satisfactory loan book performance







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As at FY2019H1 there was a slight uptick in NPL's largely in the CDBB "Indirect" portfolio. This is not as a result of an increase in NPL's in absolute values but rather as a result of the seasonal reduction of loan book which decreased by ca. R1.7bn from FY2018

Performance Overview

Strong capital adequacy position

Following Land Bank's voluntary introduction of a number of the Basel Accord's capital and liquidity risk management practices during FY2016, the Bank's balance sheet has been significantly strengthened.

The Basel-like principles include:

- Total Capital Adequacy Ratio (TCAR) – Basel II standardised approach
- Liquidity Coverage Ratio (LCR) – Basel III; and
- Net Stable Funding Ratio (NSFR) – Basel III

Approved deviations:

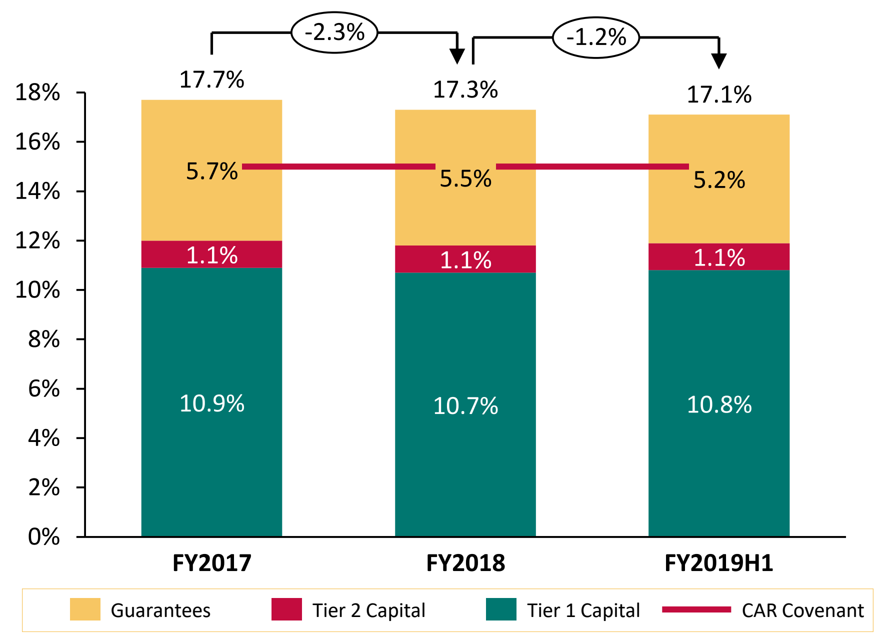
CAR

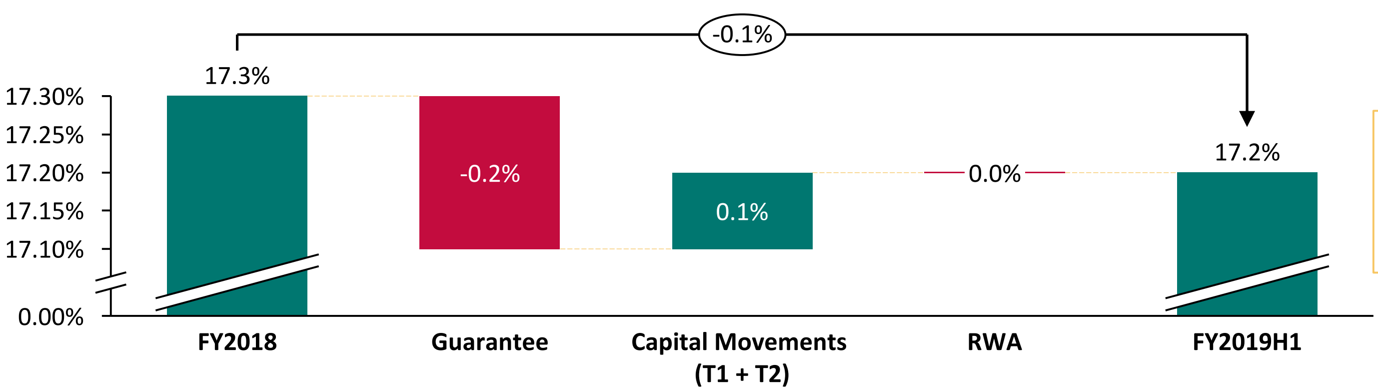
- Inclusion of Government guarantees as Capital Supply

LCR

- High quality liquid assets
- Roll-over rates

Total capital adequacy ratio

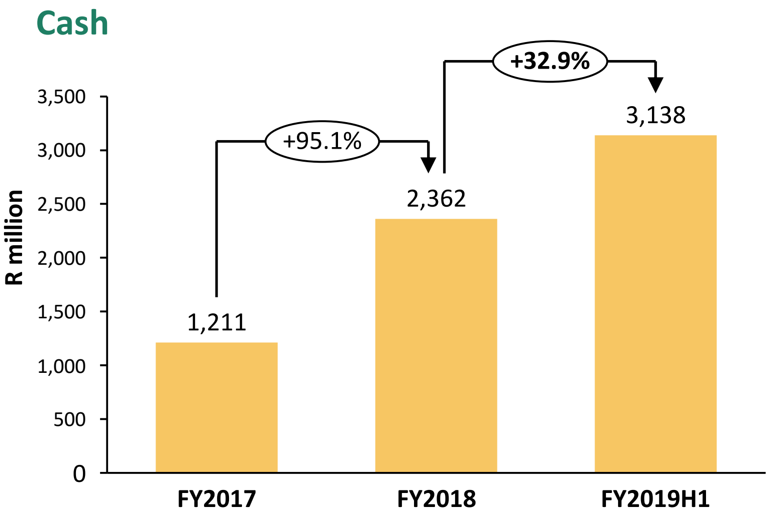


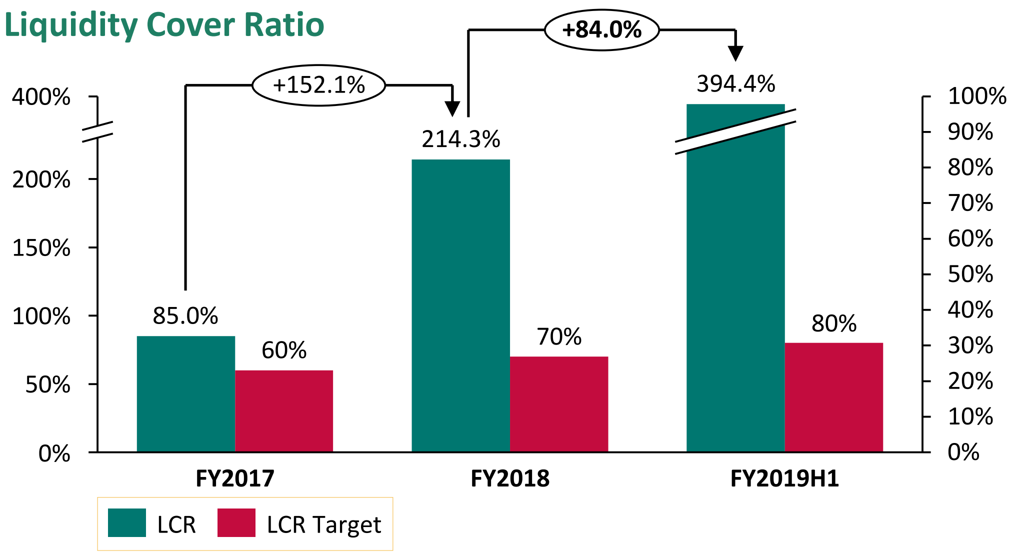


The year-on-year decline in CAR is as a result of slight decrease of R90 million in available guarantees included as sources of "Capital Supply"

Performance Overview

Strong Funding and Liquidity position



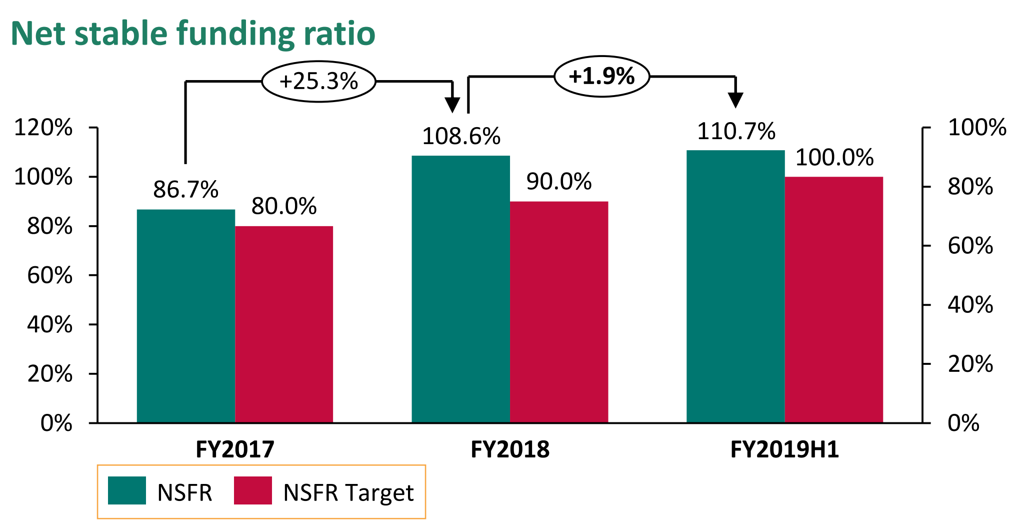


The Bank's cash requirements are driven by LCR.

Land Bank has access to a number of liquidity facilities which it taps into from time to time, of which:

- R2.15 billion Committed
- R0.50 billion Uncommitted

As at 30 September 2018 all facilities were undrawn



Funding Matters

Funding Matters

Strong credit rating supports funding profile

- Land Bank procures funding for two distinct business purposes:
  - ✓ Commercial Operations
  - ✓ Development Operations
- Limited sources of capital
- Reliant on debt capital markets, as well as multilateral institutions for funding

Credit Rating:

- Land Bank is rated by Moody's
- Global Scale Issuer Rating: Baa3 (linked to Sovereign rating)
- National Scale Issuer Rating: Aa1.za
- Last rating: **12 September 2018**

Development Finance Institutions

Rating	Land Bank	DBSA	IDC		
GSIR	Baa3	Baa3	Baa3		
NSIR	Aa1.za	Aa1.za	Aa1.za		

Commercial Banks

Rating	ABSA	First Rand	Investec	Nedbank	SBSA
GSIR	Baa3	Baa3	Baa3	Baa3	Baa3
NSIR	Aa1.za	Aaa.za	Aa1.za	Aa1.za	Aa1.za

Commercial Funding:

- Funding is raised from Institutional Investors and Commercial Banks
- Funding is generally unguaranteed
- Funding is applied for:
  - ➢ Corporate/ wholesale on-lending
  - ➢ Corporate and commercial agribusiness
  - ➢ Financing "primary" agriculture
  - ➢ Financing "secondary" agriculture through the value chain
  - ➢ General working capital requirements

Development Funding:

- Funding is raised from Multilateral Institutions
- Funding often requires Government Guarantees
- Funding is applied for:
  - ➢ Agricultural "sector growth"
  - ➢ Sector transformation in terms of ownership
  - ➢ Emerging farmers

Development funding is ring-fenced and has strict disbursement conditions and reporting requirements.

Funding Matters

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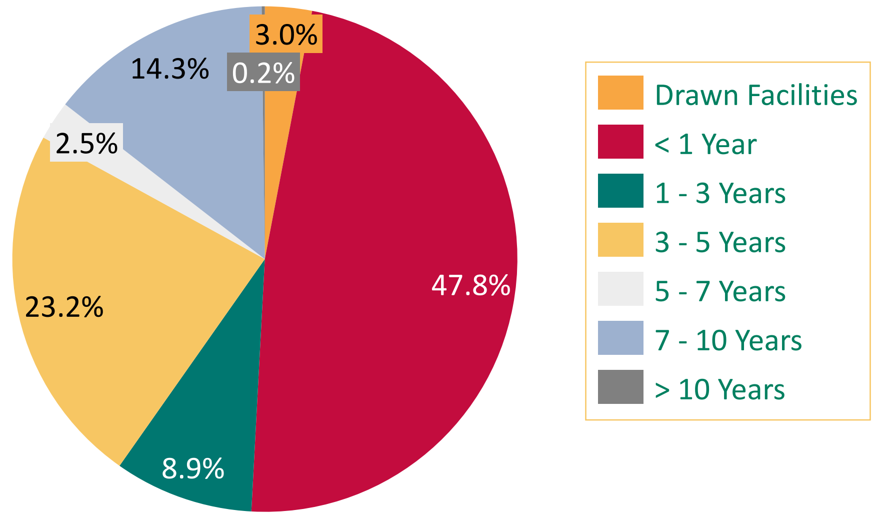
Maturity Profile – RttM

Amortised Cost - RttM	Total		Excl. PIC/ CPD	
FY2019Q3	**R'm**	**%**	**R'm**	**%**
Drawn Facilities	1,304	3.0%	1,304	4.1%
< 1 Year	20,444	47.8%	9,628	30.1%
1 – 3 Years	3,818	8.9%	3,818	11.9%
3 – 5 Years	9,934	23.2%	9,934	31.1%
5 – 7 Years	1,075	2.5%	1,075	3.4%
7 – 10 Years	6,102	14.3%	6,102	19.1%
> 10 Years	92	0.2%	92	0.3%
Total	**42,769**	**100%**	**31,953**	**100%**

FY2019Q3 – Remaining time to Maturity "RttM"



Funding Strategy

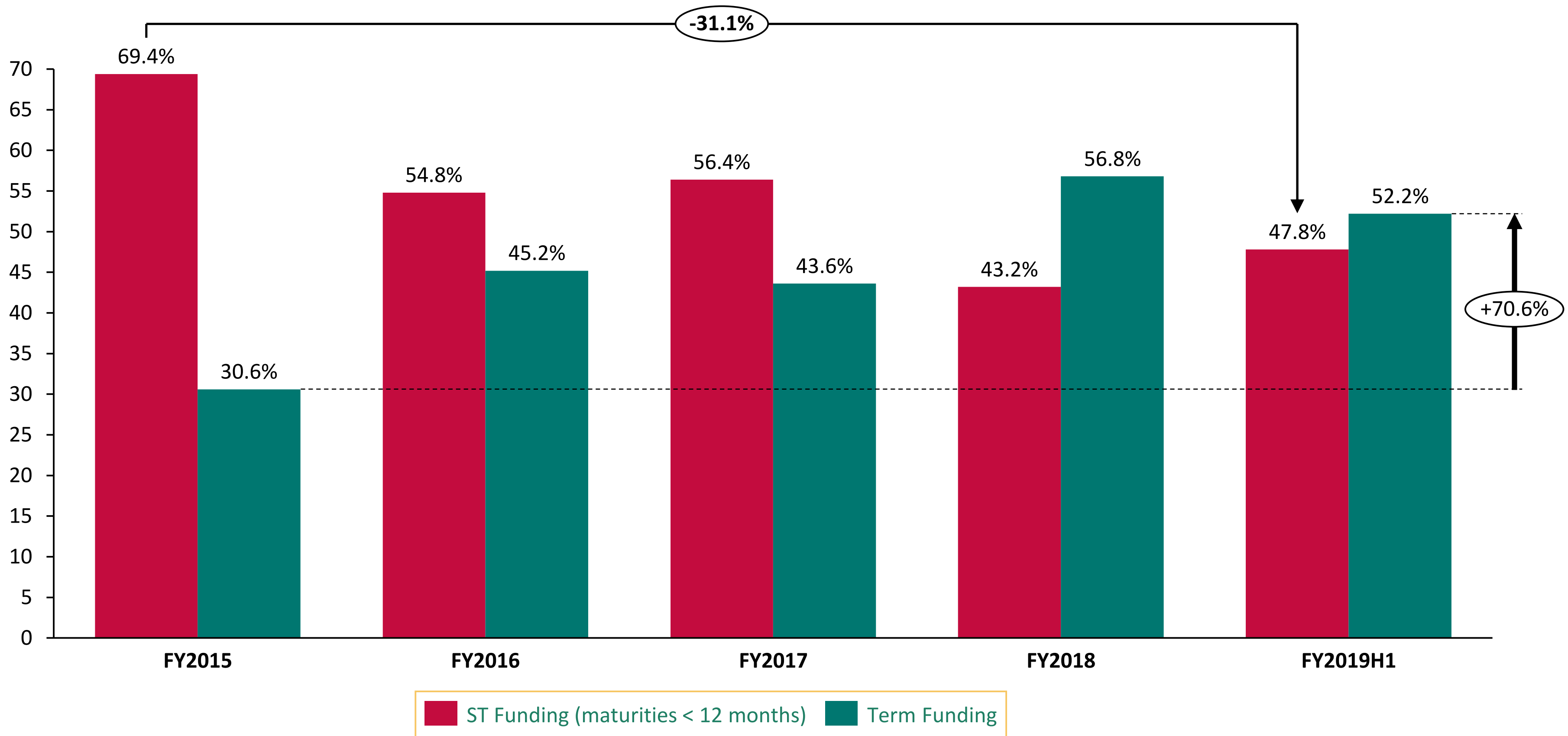
- Land Bank continues to manage its refinancing risk responsibly, within the parameters of its MT Target of maintaining its reliance on short-term funding (maturities < 12 months) below 50%.
- As of FY2019/Q3, the short-term funding as a percentage of the portfolio was 47.8%. *This was adversely impacted by ca. R1.4 bn (R500m LBK11; R900m SRN's) longer dated issuances rolling into < 12 months bucket.*
- Although the lengthening of the Bank's funding maturity profile has impacted on the Bank's funding costs and therefore profitability, the funding profile is now such that the Bank's focus can shift to optimisation of funding costs.

Liquidity position

- The Bank's liquidity position has been vastly improved with the introduction of longer-dated funding, reducing call bond exposures, as well as keeping utilisation of committed and uncommitted facilities to a minimum.
- The Bank has furthermore voluntarily prepaid some loan exposures which were maturing in a 12 month period, and that were expensive or included negative "rating triggers"
- As at FY2019Q3, the Bank had R3.4bn cash on balance sheet (R2.4bn in FY2018) with R500m uncommitted facilities and R835m committed facilities drawn with further access to R1.315bn in committed facilities.

Funding Matters

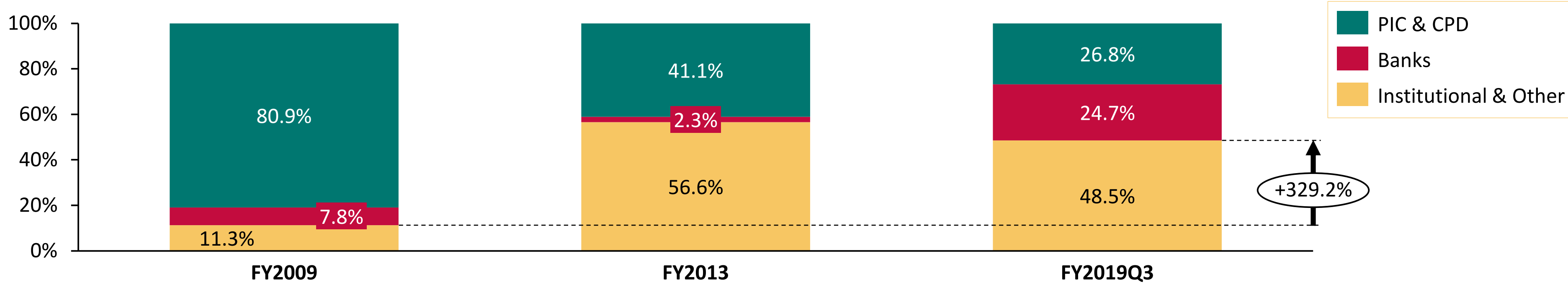
Reducing reliance on short-term funding



In line with Land Bank's commitment to reduce reliance on short-term funding, the Bank has made great strides in extending the maturity profile, thereby reducing refinancing risk and improving general liquidity levels of the Bank.

Funding Matters

Diversified Investor Base

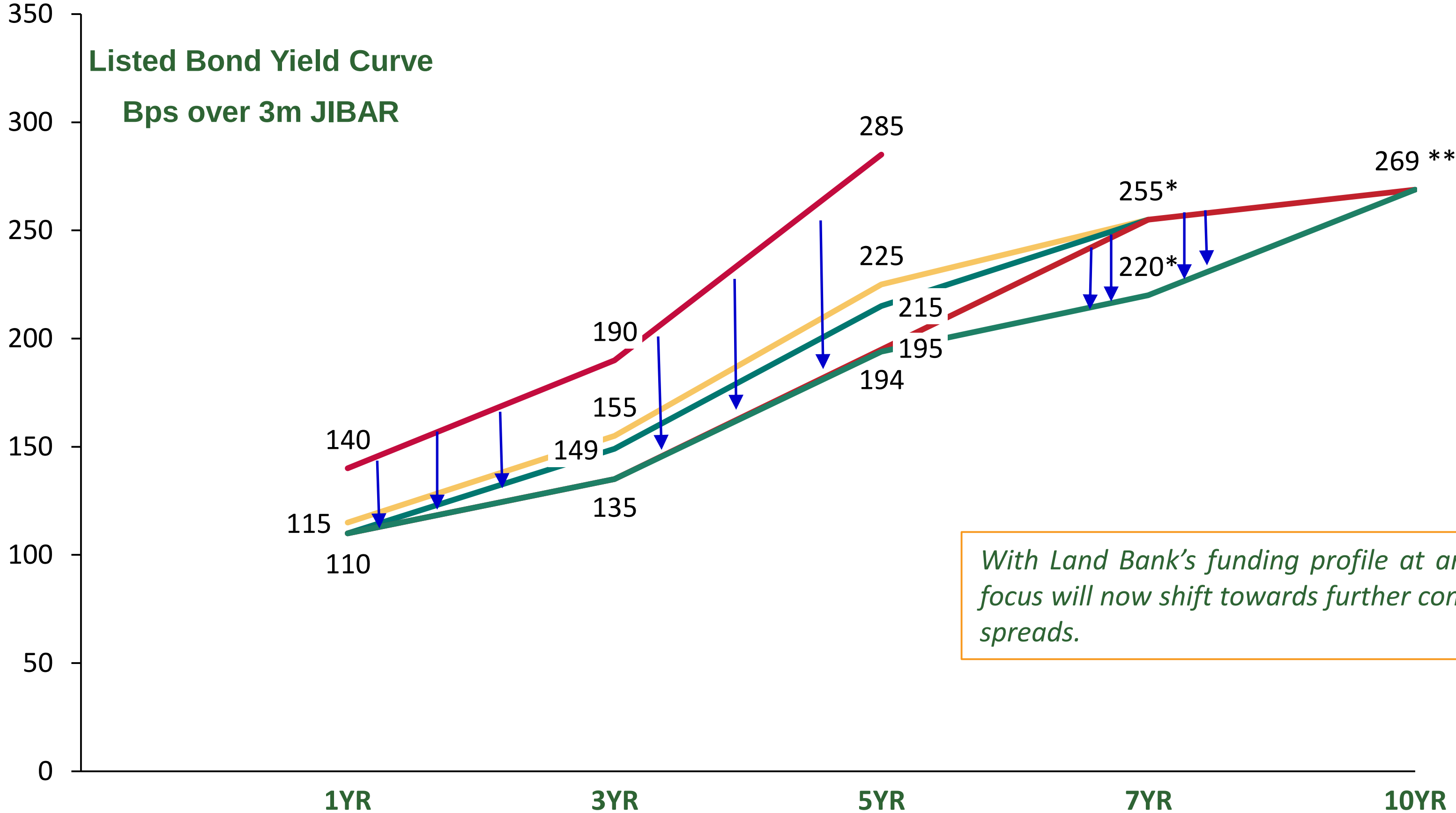


Land Bank's investor relations strategy is bearing fruit. Renewed investor confidence is evident with the Bank seeing increased support from existing funders as well as new investors/ funders. The Bank has also seen a return of investors that had previously left the Bank. The Bank has a well diversified investor base across local debt capital markets, as well as foreign funding relationships with Banks and multilaterals.

FY2019Q3 @ Nominal	Related Parties	DFI	SOE	Commercial Bank	Foreign Banks	Institutional Investors	Multi-lateral Investors	Agri Companies	Total
Drawn Facilities	-	-	-	802	-	502	-	-	1,304
< 1 Year	10,816	300	1,001	872	-	6,553	-	902	20,444
1 – 3 Years	-	65	-	684	-	3,069	-	-	3,818
3 – 5 Years	-	-	690	3,708	-	5,535	-	-	9,934
5 – 7 Years	-	-	-	512	-	563	-	-	1,075
7 – 10 Years	-	276	-	634	3,354	-	1,838	-	6,102
> 10 Years	-	-	-	-	-	-	92	-	92
Total	**10,816**	**641**	**1,691**	**7,212**	**3,354**	**16,223**	**1,930**	**902**	**42,769**
% Distribution	**25.3%**	**1.5%**	**4.0%**	**16.9%**	**7.8%**	**37.9%**	**4.5%**	**2.1%**	

Funding Matters

Contraction in listed Bond Yields



With Land Bank's funding profile at an acceptable mix, focus will now shift towards further compressing funding spreads.

- Following the Bank's public auctions in Aug 2017, Mar 2018 and Sept 2018 respectively, the Bank's listed bond yield curve has significantly improved which has contributed to improved Cost of Funding for the Bank
- The 7YR price point (*) previously translated from LBK24 (Fixed Rate Note Issued in FY2018/Q3) – point in time spread, subsequently been replaced with LBK33 (Floating Rate Note Issued in FY2019/Q3)
- The 10YR price point (**) is translated from LBK28 (Fixed Rate Note Issued in FY2019/Q1) – point in time spread

Funding Matters

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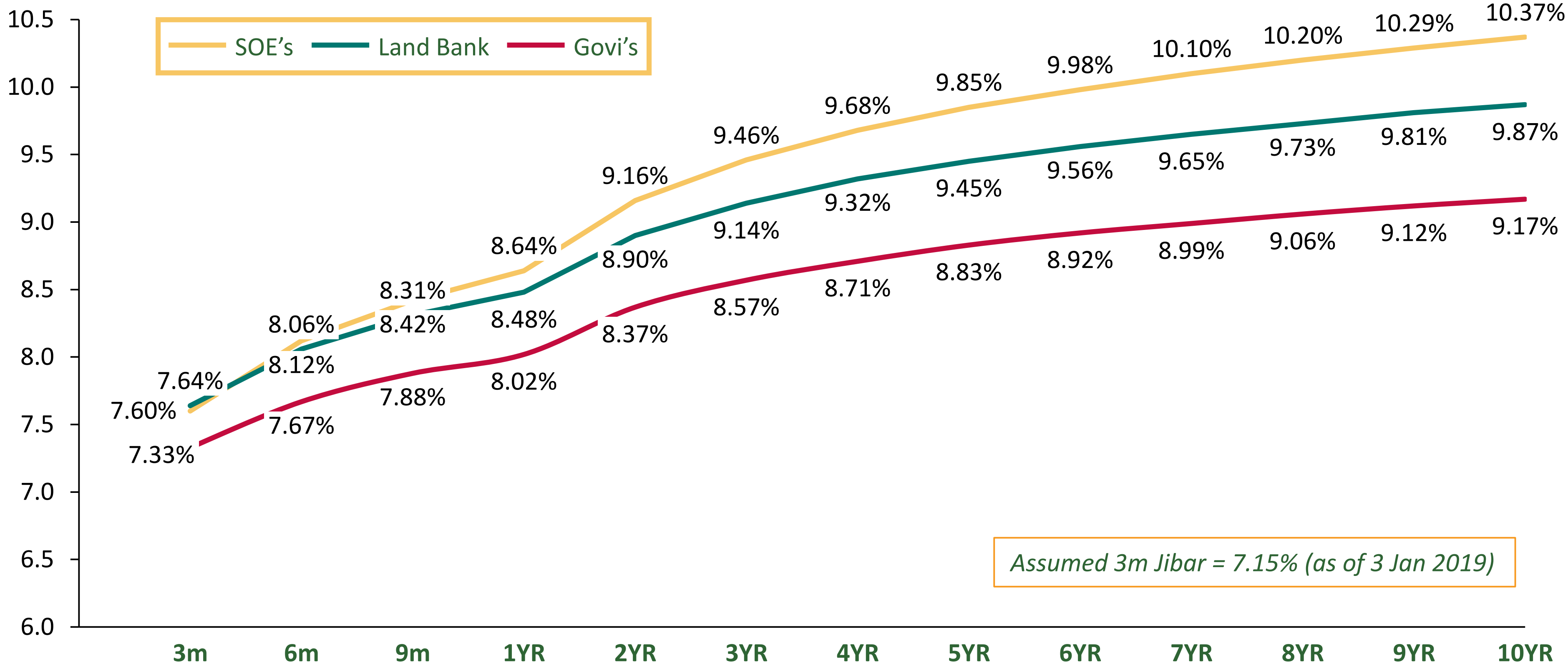
Bond Yields – Land Bank, Govi's and SOE yield curves



- It should be noted that the SOE Yield Curve includes all debt, unguaranteed and otherwise
- 3m – 12m yields are derived from Money Market yields and > 12m yields from Capital Market yields
- Land Bank as an Issuer of unguaranteed debt prices favourably to the SOE Curve, with pricing points as follows: 1YR = 8.48%; 3YR = 9.14%; 5YR = 9.45%; 7YR = 9.65%; and 10YR = 9.87%.
- *Yield Curves derived from Reuters (Money Market) and JSE (Capital Market) data and represents current MtM yields*

Funding Matters

DMTN issuance summary and funding needs

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Notes on the current position of the R30bn DMTN Programme

- Issued under the programme: R21.175bn
- Matured: R 8.168bn
- Currently Outstanding: R 13.000bn (21 bonds)
- Available: R 8.825bn

During May 2018 Land Bank increased its DMTN Programme size to R30 billion

Summary of significant maturities to 30 June 2019					
DMTN Maturities			**Bi-lateral maturities**		
Instrument	**Amount**	**Date**	**Instrument**	**Amount**	**Date**
LBK05 (5YR FRN)	R0.252bn	Feb 2019	PN's and/ or FRN's	R0.293bn	Apr 2019
LBK25 (1yr)	R0.500bn	Mar 2019	PN's and/ or FRN's *	R1.100bn	Jun 2019
Total	**R0.752bn**		**Total**	**R1.393bn**	
The total refinancing need to 30 June 2019 amounts to R0.752bn (listed bonds) and R1.393bn (PN's and/ or FRN's).					
** - Promissory Notes with single counter party and could potentially be refinanced on bi-lateral basis*					

Planned DMTN Issuances to 31 March 2019

- FY2019/Q4: R1.0bn Immediate refinance need

Land Bank intends to prepay ca. R1.43 billion existing, more expensive debt with negative rating triggers linked to the Sovereign Rating and refinance same with cheaper bond funding across similar remaining tenors.

This will effectively release all Government Guarantees across the Land Bank's "Commercial" funding portfolio and further reduce the State's contingent liability i.r.o. Land Bank

Funding Matters

Summary of funding activities for FY2019/Q3

Funding activities excl. Call Bonds and Facilities	FY2019/Q1	FY2019/Q2	FY2019/Q3	FY2019/Q4	FY2019 Total	FY2018 Total
Total maturities	R8.7bn	R13.4bn	R10.0bn	-	R32.1bn	R46.4bn
Debt rolled over	R8.0bn	R13.1bn	R9.0bn	-	R30.1bn	R38.0bn
New funding raised *	R1.6bn	R1.5bn	R2.7bn	-	R5.8bn	R17.5bn
Pre-payments	R1.7bn	R1.4bn	-	-	R3.1bn	R3.1bn

* Land Bank has used some of the proceeds from “new funding raised” to pay off existing debt as follows:

- Listed Bonds (LBK05) R0.50bn
- Guaranteed Syndicated Loans R2.63bn #
- **Total** **R3.13bn**

 # As of 28 September 2018, the Bank’s R2.7 billion guaranteed syndicated loan has been prepaid in full, which has become too expensive following a number of Sovereign Rating downgrades.

FY2019 to date has been a good funding year with Land Bank achieving average roll-over rates as follows:

Roll-Over Rates	FY2019/Q3	12 Month Rolling Ave
Excl. PIC/ CPD**	56.0%	70.0%
PIC/ CPD	100.0%	100.0%
Total	**87.0%**	**89.0%**

*** This was adversely affected by certain maturities not being rolled during the year due to Investor liquidity needs, or at Land Bank’s insistence where investor yield expectations were unrealistic.*

Debt Management Programme
Sinking Fund

Debt Management Programme

Sinking Fund

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- In line with the Bank's commitment to its Shareholder, the Bank has appointed an Investment Manager/ Advisor to establish a single/ multiple "sinking fund" structures for Bank. Such a sinking fund will further enhance the Bank's Balance Sheet, liquidity position, as well as reduce repayment risk of future maturing debt commitments.

- During FY2019H1, the Land Bank made its first investment into the sinking fund programme, by way of a R500million bullet investment allocated 100% to a combination of smaller established and emerging black Asset Managers:

  - ✓ Manager 1 with AUM R17.4 billion – 40%;
  - ✓ Manager 2 with AUM R3.8 billion – 30%; and
  - ✓ Manager 3 with AUM R 2.6 billion – 30%.

- The Bank intends to increase this fund to ca. R1.0 billion over the short to medium term and has already earmarked a fourth manager, a newly established majority black woman owned manager with AUM of R1.2 billion, whom will be allocated R150 million by 31 March 2019, availability of liquidity dependent.

- Furthermore, in line with the Bank's development/ transformation commitment Land Bank intends on placing at least 50% of these funds with black Asset Managers, while at least 50% of funds will be placed through black Brokers.

Interest Rate Risk Management
Managing Basis Risk

Interest Rate Risk Management

Background and Introduction

- The Bank's main driver of earnings is Net Interest Income, which is the difference between interest received on loans granted and interest paid on funding raised.
- As such, the Land Bank developed an Interest Rate Risk Management Strategy to manage the Bank's basis risk where Land Bank incurs JIBAR based interest expenses and earns Prime based interest income, as the interest rate reset profiles of JIBAR and Prime differ and do not move parallel when interest rates move up or down.
- In addition to the management of Basis Risk, the Bank may also elect to swap floating rates to fixed rates and vice versa.
- The swaps only entail the exchanging of cash flow payments between Land Bank and Counterparties
- The strategy was approved by Land Bank Board 29 May 2017, with implementation having commenced 1 June 2017.
- The strategy was reviewed and approved on 19 April 2018 and implementation is ongoing.
- As of FY2019Q3, the Land Bank had entered into 75 swap transactions to the nominal value of R9.92 billion with the swaps fair value totalling R80.9 million (asset).

Bond Auction
March 2019

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Listed Bond Auction

March 2019 Issuance – Optional redemption features

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Below there are a number of conditions set out in the Programme Memorandum, to be activated in the APS, which provides noteholders the opportunity to redeem an instrument under the following circumstances:

- Redemption in the event of a Breach of Anti-Corruption Laws or Corporate Governance Policies
- Redemption in the event of a Change of Control
- Redemption following the disposal of all or a greater part of the Issuer’s business, assets or undertakings
- Redemption in the event of a failure to maintain JSE Listing and Rating
- Redemption in the event of a Change to the Conduct of Business

The Land Bank remains committed to adhering to strict governance and control measures, and this can be seen in the protections that it gives its debt providers

Listed Bond Auction

March 2019 Issuance – Draft termsheet

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DMTN Programme Details	
Issuer	The Land and Agricultural Development Bank of South Africa (“Land Bank”)
Issuer Rating	Moody’s: Aa1.za
DMTN Programme Size	R30 billion listed on the Interest Rate Market of the JSE

Transaction Details				
Trade Date	[20] March 2019			
Settlement Date	T + 3 days			
Targeted Issue Size	[R1.0bn] across the Notes			
Instrument	Listed Floating and/or Fixed Rate Notes			
Stock Code	[LBK34]	[LBK35]	[LBK33 Tap]	[LBK36]
Maturity Date	Mar 2022	Mar 2024	Nov 2025	Mar 2029
Term	3-year	5-year	7-years	10-years
Price Guidance	[TBC] bps	[TBC] bps	[TBC] bps	[TBC] bps
Pricing Benchmark	TBC at Trade Date			

Final tenors on offer and term-sheet will be finalized once market sounding has been concluded. This will be a function of prevailing market conditions

Notes

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Thank You!

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