Land Bank:
Fixed Income Investor Roadshow – August 2018

Investor Roadshow – August 2018

Key Contacts

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Bennie van Rooy Chief Financial Officer +27 12 686 0914 BVanRooy@landbank.co.za	**Konehali Gugushe** Chief Risk Officer +27 12 686 0941 KGugushe@landbank.co.za	
Sydney Soundy Executive Manager: Strategy and Communication +27 12 686 0881 SSoundy@landbank.co.za	**Mohammed Alli** General Manager – Investor Relations +27 12 686 0519 MMAlli@landbank.co.za	
Stefan Jansen van Vuuren General Manager – Treasury +27 12 686 0783 Sjvanvuuren@landbank.co.za	**Sifiso Makukule** Senior Specialist: Funding & Liquidity *Shadow (CTN)*	**Adel Kruyshaar** Manager: Middle Office *Shadow (JHB/ PTA)*
Arrangers – Rand Merchant Bank (RMB)	**Arrangers – Basis Points Capital (BPS)**	
Delia Patterson DCM Distribution +27 83 676 9595 Delia.Patterson@rmb.co.za	**Sisanda Tuku** Chief Executive Officer +27 82 388 7730 Sisanda@Bpscapital.co.za	
Angela Mangope DCM Origination +27 71 602 3035 Angela.Mangope@rmb.co.za	**Zefa Nsibande** DCM Transactor +27 73 843 7836 Zefa@Bpscapital.co.za	

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Business Overview

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Mandate and Land Bank Act

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The Mandate of the Land Bank and the National Development Plan highlights the importance of the Agriculture sector to the country's Development and Transformation agenda

Mandate

The objects, as per the Land Bank Act, No. 15 of 2002, are the promotion, facilitation and support of:

- **Equitable ownership** of agricultural land, in particular increasing ownership of agricultural land by HDI's
  Agrarian reform, land redistribution or development programmes aimed at HDI persons
- **Land access** for agricultural purposes
- **Agricultural entrepreneurship**
- Removal of the legacy of **racial and gender discrimination** in agriculture
- **Enhancing productivity**, profitability, investment and innovation
- **Growth** of the agricultural sector and better use of land
- **Environmental sustainability** of land and related natural resources
- **Rural development** and **job creation**
- Commercial agriculture
- **Food security**

NATIONAL DEVELOPMENT PLAN 2030

The NDP views agriculture as central in achieving its inclusiveness and socio-economic goals

"Better land use in communal areas has the potential to **improve the livelihoods[1] of at least 370 000 people**."

"A further **70 000 livelihood opportunities** are created if land reform beneficiaries are properly supported."

"**Agriculture has the potential to create close to 1 million new jobs by 2030**, a significant contribution to the overall employment target."

National Development Plan; Vision 2030

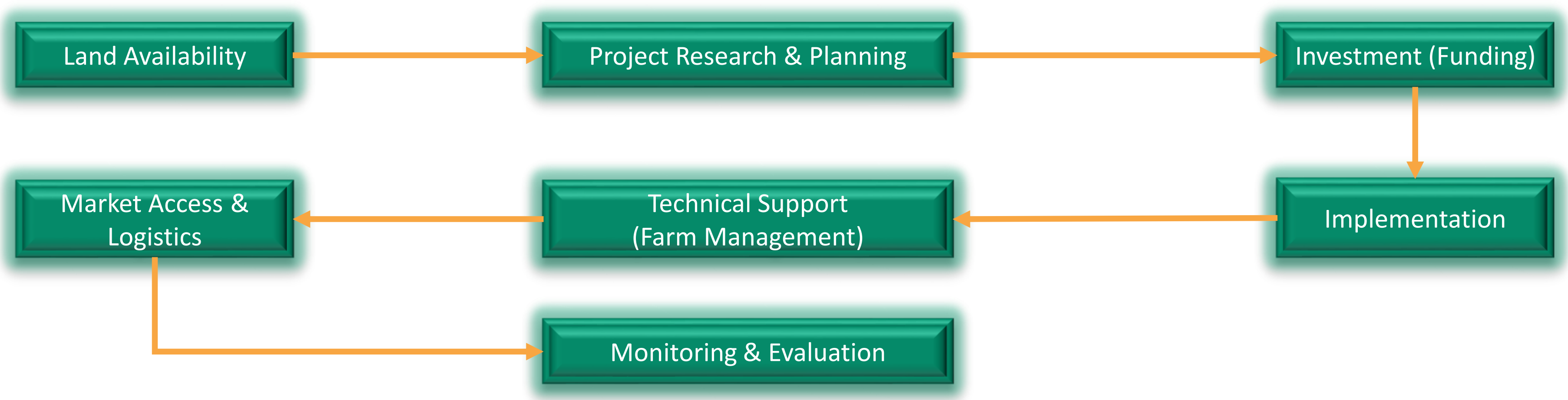
Development Financing

Development Finance Strategy

Land Bank development finance strategy is fundamentally about:

- Growth of the Sector on an Inclusive / Shared basis
- A faster pace of the intervention efforts
- Deliberated, targeted programme of lending and investments
- Deliberate structuring of social impacts: Employment, Youth, Gender inclusion
- Scaling up on Structured, Programmatic basis
- Sustainable financing, based on Sound Banking and Investment practices
- Structured efforts in respect of Skills Development, Technical / Management support

Fundamental Building Blocks - The "How" ??



Development Financing

Critical success factors to enable greater project success

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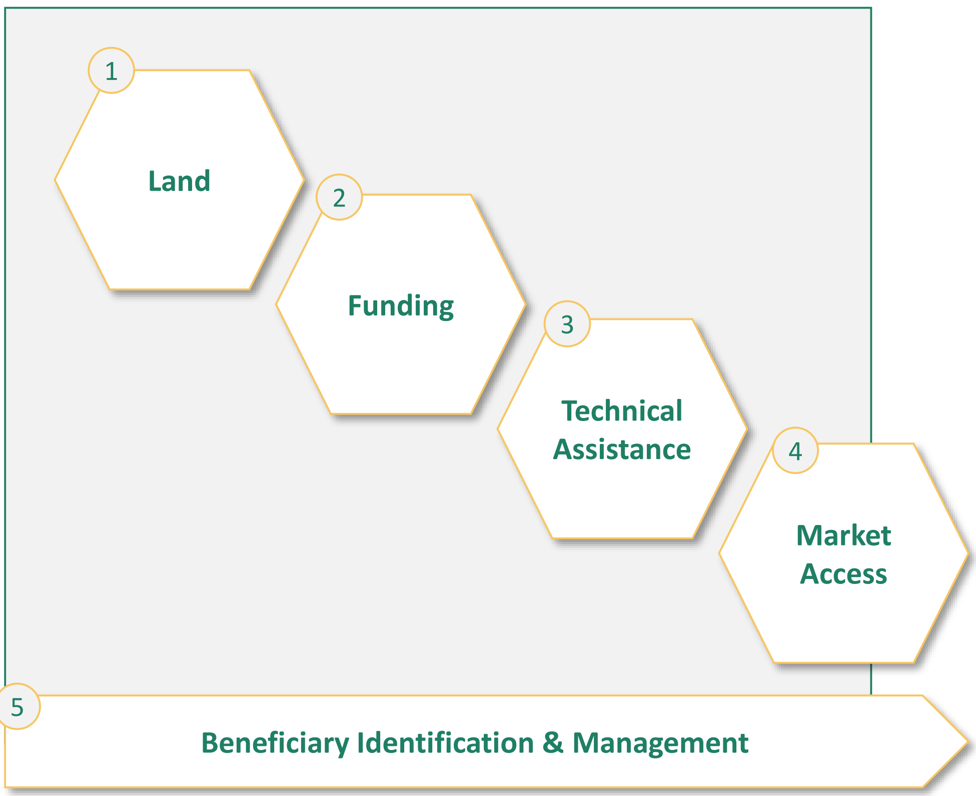
Major Risks Facing Farms and Agri-Businesses …



Key Considerations …

- Secure long term rights to land
- Collateral
- Farming Skills Development
- Managerial Skills Development
- Financial Skills Development
- Secure market access
- Careful management of beneficiary schemes
- Social Facilitation and Mobilisation

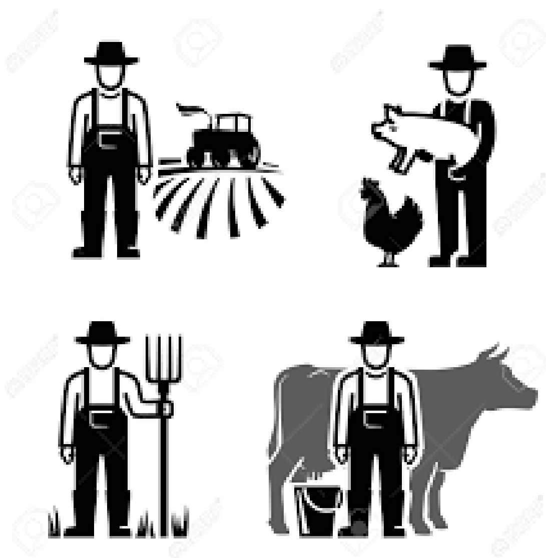
Development Financing

The "Emerging" Farmer defined

Historically Disadvantaged Individuals (Black, Asian, Coloured) or legal entities that are at least 51% owned by qualifying individuals

Access to land for agricultural purposes on a basis that ensures the land will be available for cultivation for the duration for the loan

Limited skills and/or experience in commercial agriculture/finance/ management



Full-time farmer (or majority of income to be generated by farming activities if secondary income available);

Limited access to formal markets

Limited financial resources to develop/maintain a farming enterprise

Development Financing

The "How"?? – workable solutions

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Empowerment Finance:
Transformative & Growth Orientated

Joint Ventures /
Investment Partnerships: Greenfields

Value-Chain Financing:
Wholesale Fund Partnerships

Corporate Farming Investment Structures

Retail Intermediary Channel Partnerships

Communal Land:
Commercialisation Programme

Delivering on the Bank's mandate

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Development impact financing and achievements

- **Dual Mandate**: Support to both the (i) **Established Commercial** & (ii) **Emerging / Developmental** agri-sector (across both primary and secondary agri)
- A Strategy for driving **transformative finance** approved by the Board
  - ✓ Mainly focused on high value, joint-venture based transactions
- A programme initiated during the year for greater **inclusion of women & youth** in the sector
- Key highlights for **FY2018:**

R5.4 billion of gross loan book classified as Transformational (2015: R2.3 bil)

R1.55 billion disbursed to Transformational projects

R74 million in interest rate subsidies provided

R334 million in drought relief approved

131 Farmers under the age of 35 supported through direct channels

248 Female farmers supported through direct channels

Approx. 1 500 Black farmers supported through direct channels

Delivering on the Bank's mandate

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Looking forward

1. Can the Bank do more in transformative financing?	• Capital requirement to enhance risk bearing capacity • Improved land availability through the State-funded programmes • Expanded programmes for technical support/extension services • Credit enhancement measures for emerging / development sector
2. Complexities arising from uncertainty on land policy questions	• Fixed capital investment requires long term view • Appetite of the investor community from which the Bank sources its funding • ***As an enabler of Government policy, Land Bank remains unequivocally committed to continuing to provide financing to the sector***
3. Strategic importance of agricultural insurance	• Sector vulnerability due to pronounced effects of climate change • Land Bank's own loan portfolio is partially covered by subsidiary LBIC • Competitor nations around the world are ahead in terms of providing State-assisted measures for insurance coverage
4. Is there a special case to be made for agri-development in traditional areas, former "Homelands"	• According to the UWC PLAAS, approx. 30 % of the SA population still resides in these areas • These areas are characterised by High Deprivation Index • But the areas do have vast tracks of land, with agricultural potential? • However, the issue of security of tenure needs improvement
5. Infrastructure to support agricultural development	• The NDP specifically calls for increased investment to support the sector • But, there has not been meaningful investment in Bulk & Irrigation infrastructure • What are the implications for the long-term growth prospects of the agricultural sector?

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	R824.6m	R30.9m	R98.8m
Northern Cape	R1,451.9m	R84.8m	R209.2m
Western Cape	R813.9m	R122.9m	R190.1m
Total	**R3,090.4m**	**R238.6m**	**R498.2m**
1 – Collateral In respect of NPL's only			

- Drought relief support extended to date:

	FY2018	FY2017
Loans approved	R334.8m	R207.6 m
Loans disbursed	R302.8m	R117.8 m
Support available	**R65.2m**	**R192.4 m**

- Pipeline for consideration:
  - ➢ Applications: 69
  - ➢ Amount: R284.6m
- Land Bank could potentially avail some of it internal funds to provide further assistance.

Land Reform:

- 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.*
- EWC could also result in increased NPL's, curtailed or even negative growth, all of which will negatively impact on CAR if "collateral " values are affected
- 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.
- 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.***

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Financial Overview
Group

Performance Overview: Summary

Salient Features - Group

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	Var %	FY2018	FY2017 [1]
Net interest income	5.4%	R 1,278.4m	R 1,213.3m
Impairments	(31.9%)	R 55.5m	R 81.5m
Operating expenses	17.3%	R 654.5m	R 585.8m
Profit from Continuing Operations	(9.2%)	R 290.2m	R 319.5m
- Banking Operations	*3.7%*	*R 278.7m*	*R 268.8m*
- Insurance Operations	*(77.3%)*	*R 11.5m*	*R 50.7m*
Cash	6.7%	R 2.4bn	R 1.5bn
Investments	36.8%	R 2.6bn	R 1.9bn
Net loans and advances	5.9%	R 43.4bn	R 41.0bn
Total assets	9.0%	R 49.5bn	R 45.4bn
Key Ratios			
Net interest margin [1]	(3.2%)	3.0%	3.1%
Cost-to-income ratio [1]	9.2%	60.5%	55.4%
Impairment ratio	(14.5%)	4.7%	5.5%
Non-performing loans	(5.6%)	6.7%	7.1%
NPL coverage ratio	(8.9%)	70.2%	77.1%

1- LDFU reclassification from "Discontinued Operations: Disposal Group" to "Discontinued Operations" resulted in certain liabilities and Interest expenses being reclassified to "Continuing Operations"

Financial Overview
Bank

Performance Overview

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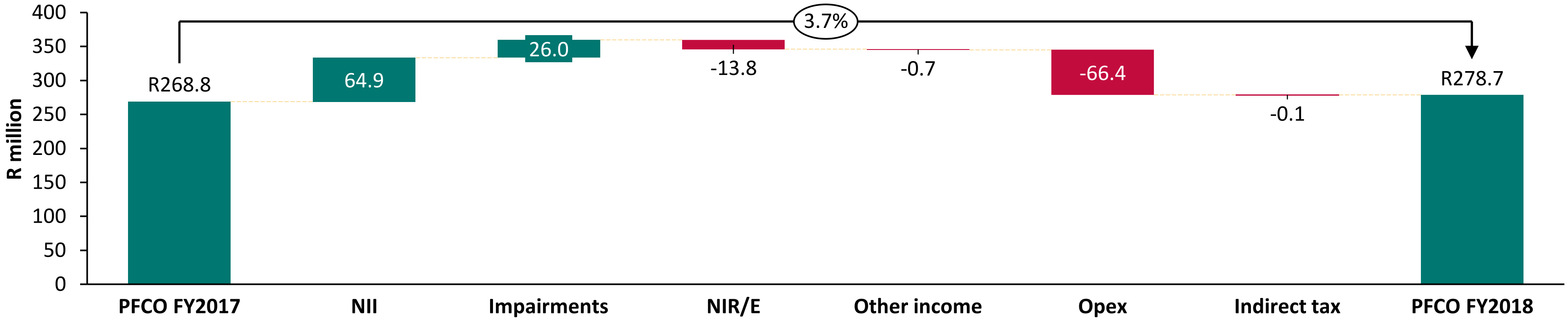
Profit from Continuing Operations – Banking Operations



Profit for the year (Published Basis)	Var %	FY2018	FY2017
Net interest income[1]	5.4%	1,261.4	1,196.5
- Interest Income	*14.0%*	*4,827.0*	*4,234.8*
- Interest Expense[1]	*(20.4%)*	*(3,656.6)*	*(3,038.3)*
Net impairment charges	31.9%	(55.5)	(81.5)
Operating expenses	(11.8%)	(628.7)	(562.3)
Profit from Continuing Operations	**3.7%**	**278.7**	**268.8**
Discontinued Operations[1]	+100%	(36.0)	47.5
Profit for the year	**(23.3%)**	**242.7**	**316.3**
Net interest Margin[1]	(0.3%)	2.9%	3.0%
Cost-to-income ratio[1]	6.3%	60.5%	56.9%

1- LDFU reclassification resulted in certain liabilities and Interest expenses being reclassified to "Continuing Operations"

Net interest income & Net Interest Margin ("NIM")

- Consolidation of the Bank's earnings base resulted in 5.3% growth of the gross loan book, which translated to an increase in net interest income of 5.4%
- In line with expectations, actively lengthening of the Bank's funding profile resulted in increased funding costs
- Excl. impact of LDFU reclassification the NIM was 3.0% (FY2017: 3.1%.)

Impairments

- IFRS 9 models now in place for a 3rd consecutive reporting period
- Impairment charges have stabilised and are more predictable

Operating expenses and Cost-to-Income ("CTI")

- CTI ratio increased from 56.9% to 60.5%
- Excl. impact of LDFU reclassification the CTI was 57.8% (FY2017: 56.0%.)

Performance Overview: Balance Sheet

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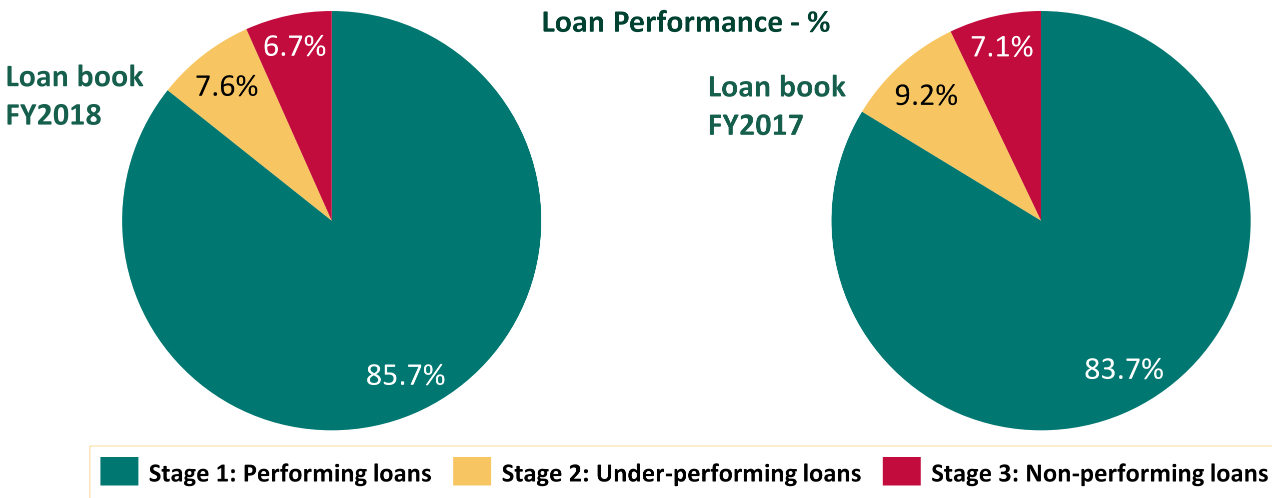
Statement of Financial Position – Strong Bank asset and liability profile

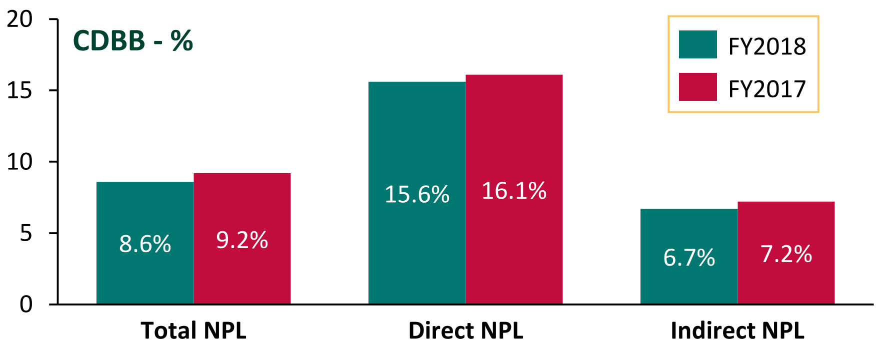
	Var %	FY2018 R'm	FY2017 R'm
Cash and cash equivalents	95.0%	2,362.1	1,211.3
Net loans and advances	6.0%	43,418.5	40,975.6
Investments [1]	43.1%	1,406.7	983.2
Assets of Discontinued Operations classified as held-for-sale	(25.3%)	147.3	197.1
Other assets	(11.9%)	398.0	451.8
Total assets	**8.9%**	**47,732.6**	**43,819.0**
Capital and reserves	3.4%	5,546.9	5,364.6
Liabilities	9.7%	42,185.7	38,454.4
- Funding liabilities	*9.9%*	*41,576.3*	*37,839.6*
- Other liabilities	*4.4%*	*609.4*	*614.8*
Total equity and liabilities	**8.9%**	**47,732.6**	**43,819.0**
1 – Investments consist of:			
• *Investment in Subsidiaries*	-	350.0	350.0
• *Investment in listed shares*	(25.7%)	146.3	197.0
• *Unlisted investments*	+100%	565.1	76.3
• *Assets earmarked for Medical Aid Liability* [2]	(4.1%)	345.2	359.9

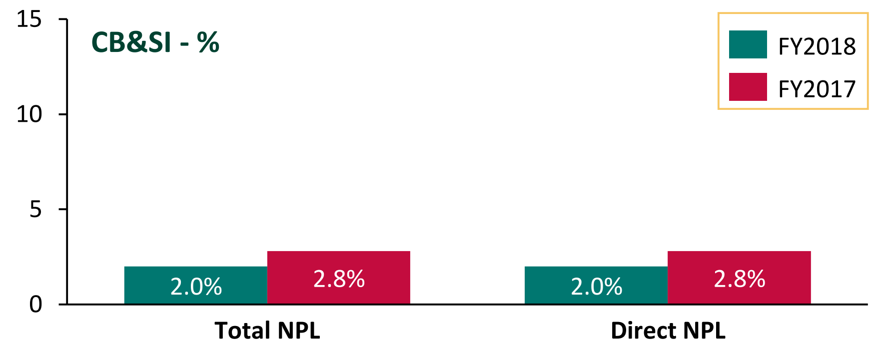
2- As at 31 March 2018 the Post-Retirement Medical Aid Liability was R369.2 million (FY2017: R332.1 million). Subsequent to year-end the Bank concluded a buy-out i.r.o. some "pensioners" at a cost of R66.4m. As at FY2019/Q1 the liability had reduced to R307.3 million.

Performance Overview

Pleasing improvement in NPL's







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 FY2018 the Bank structurally transferred the "SLA" book from CB&SI to CDBB. FY2017 comparatives have been realigned to correspond to the revised organisational reporting matrix*

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Financial Overview
Insurance

Performance Overview: ST Insurance

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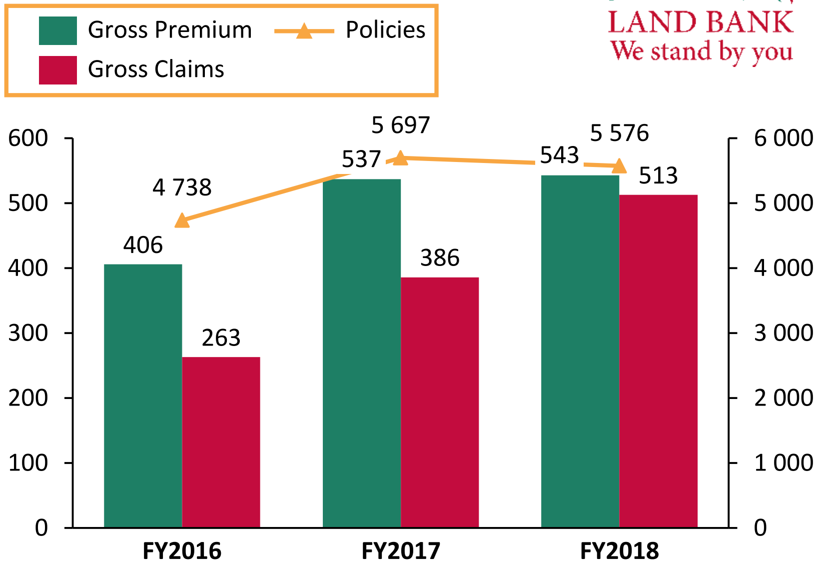
High claims ratio resulting in underwriting losses

	FY2018	FY2017	FY2016
Statement of P&L and OCI – R'm			
Underwriting loss	(68.1)	(18.6)	(3.6)
- Net premium	*138.4*	*130.5*	*113.5*
- Net commission	*(38.8)*	*(17.6)*	*(17.5)*
- Net claims	*(147.4)*	*(113.1)*	*(88.2)*
- Operating expenses	*(20.3)*	*(18.4)*	*(11.4)*
Investment income	32.5	15.9	17.3
Net (loss)/ profit	**(35.6)**	**(2.7)**	**13.7**
Claims ratio	107%	87%	78%
Statement of Financial Position – R'm			
Cash	38.6	293.5	135.5
Investments	292.1	-	-
Short-term insurance assets	282.4	178.5	206.8
Trade and other receivables	270.3	324.6	125.3
Other assets	0.1	70.0	-
Total Assets	**883.5**	**868.6**	**667.6**
Equity	282.3	317.9	170.6
Short-term insurance liabilities	398.9	260.2	298.6
Trade and other payables	197.5	288.5	198.1
Total Equity and Liabilities	**883.5**	**868.6**	**667.6**



Although weather conditions in the inland grain-producing areas were favourable compared to the previous season, the increased moisture resulted in a large number of hail claims that had a negative effect on the results. Severe hail events were experienced during this season compared to the previous seasons.

Net premiums have increased over the past two financial periods but underwriting profit has been adversely affected by a high level of claims, as reported.

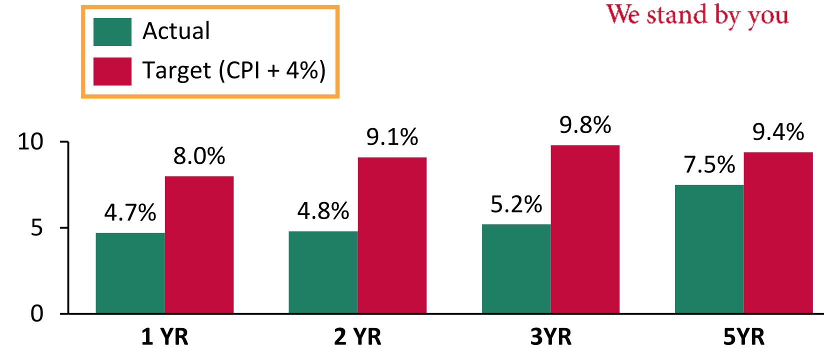
The number of policies underwritten between FY2017 & FY2018 have marginally reduced, however, GWP has increased due to better pricing of policies.

Given the reported losses, CAR of 3.9times (FY2017: 4.9times) has remained well above the industry average of 1.3times.

Performance Overview: Life Insurance

Volatility in investment returns

	FY2018	FY2017	FY2016
Statement of P&L and OCI – R'm			
Underwriting loss	(9.9)	(12.7)	(8.9)
- Net premium	*4.6*	*4.9*	*2.4*
- Net commission	*(0.5)*	*(0.7)*	*(0.1)*
- Net claims	*(5.6)*	*(1.5)*	*(1.9)*
- Operating expenses	*(1.8)*	*(7.4)*	*(2.4)*
Investment income	57.0	66.0	83.3
Net (loss)/ profit	**47.1**	**53.3**	**74.4**
Statement of Financial Position – R'm			
Cash	20.3	15.5	51.3
Investments	1,271.2	1,226.9	1,333.9
Long-term insurance assets	10.8	12.1	0.7
Trade and other receivables	9.1	8.9	7.2
Other assets	0.1	0.1	0.1
Total Assets	**1,311.5**	**1,263.5**	**1,393.2**
Equity	1,169.5	1,122.4	1,069.0
Long-term insurance liabilities	55.9	54.8	35.9
Trade and other payables	86.1	86.3	288.3
Total Equity and Liabilities	**1,311.5**	**1,263.5**	**1,393.9**



The actual investment portfolio performance has not been in line with the set objective i.e. CPI + 4% and this as a result of, among other:

- Lack of participation from the asset managers in the recent SA bond market rally given the risks of a downgrade and political uncertainty prior to the ANC conference in December 2017.
- Global and domestic equity markets had a poor quarter (down around 5%-6%). There were some large drawdowns in certain stocks/sectors in the local equity market for example Naspers, MTN and British American Tobacco fell between 12% - 16% during Q1 2018.
- Steinhoff exposure also detracted from performance in both Q4 2017 and Q1 2018. As at 1 December 2017 Investec had 1.51% exposure, Coronation 1.45% and OMIGSA 0.48%.
- There was some exposure to either the Resilient group of property companies or the property sector which had a very tough quarter, the property index was down 19.6% in Q1 2018.

Given the above performance, LBLIC still remains well capitalised and profitable.

Funding Matters

Funding Matters

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Strong credit rating supports funding profile

- Land Bank procures funding for two distinct business purposes:
  - ✓ Commercial Operations
  - ✓ Development Operations
- Limited sources of capital
- Heavily reliant on volatile debt capital markets

Credit Rating:

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

Development Finance Institutions

Rating	Land Bank	DBSA	IDC		
GSIR	Baa3	Baa3	Baa3		
NSIR	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

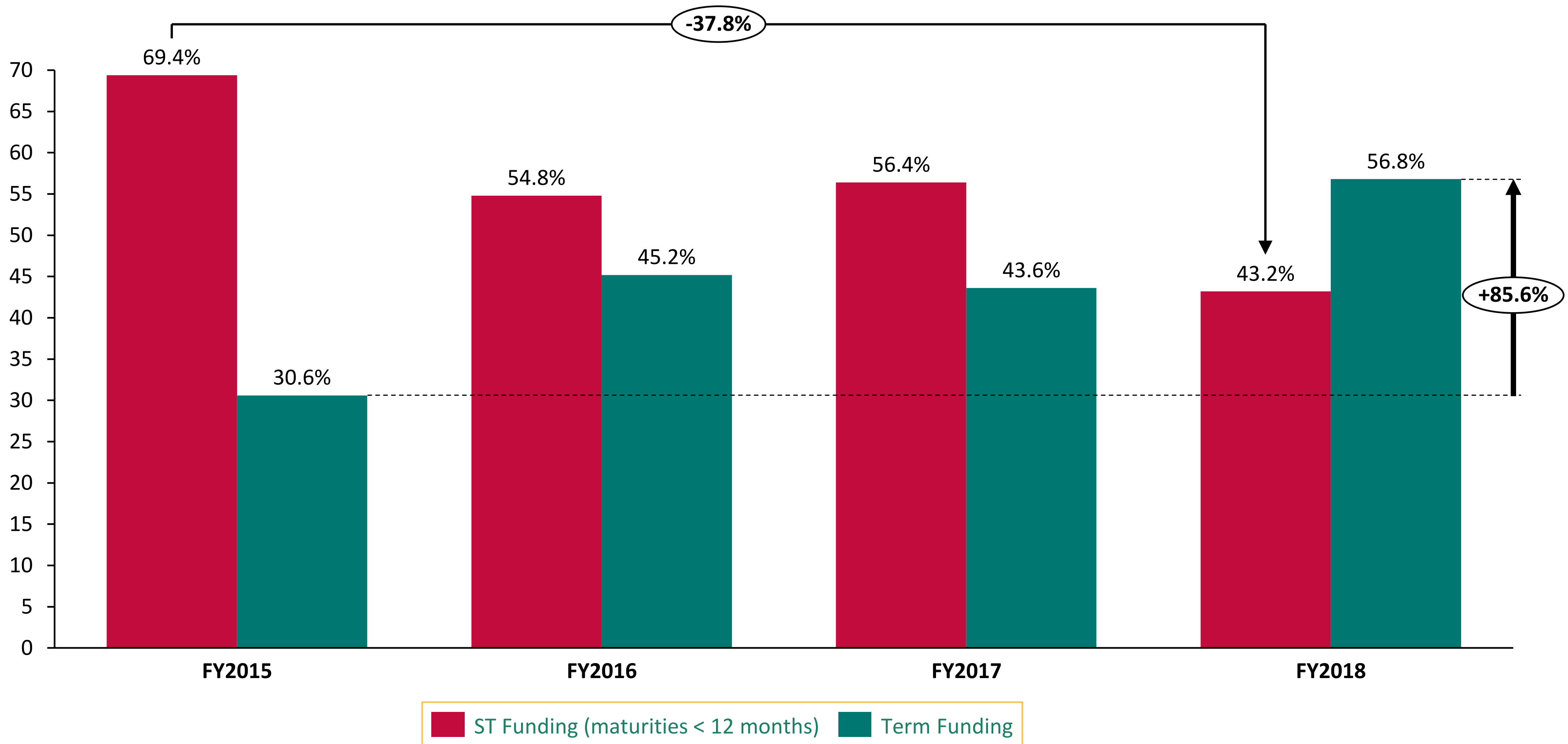
Development Funding:

- 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 have strict disbursement conditions and reporting requirements.

Funding Matters

Reducing reliance on short-term funding



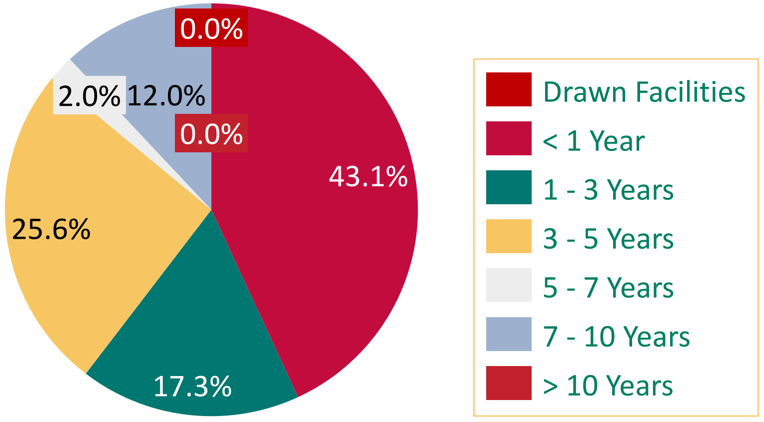
In line with Land Bank's commitment to reduce reliance on short-term funding, the Bank has made great strides in extending the maturity profile, thereby reducing refinancing risk and improving general liquidity levels of the Bank.

Funding Matters

Maturity Profile – RttM

Amortised Cost - RttM	Total		Excl. PIC/ CPD	
FY2018	**R'm**	**%**	**R'm**	**%**
Drawn Facilities	-	-	-	-
< 1 Year	17,940	43.2%	7,233	23.5%
1 – 3 Years	7,181	17.2%	7,081	23.0%
3 – 5 Years	10,643	25.6%	10,643	34.6%
5 – 7 Years	841	2.0%	841	2.7%
7 – 10 Years	4,971	12.0%	4,971	16.2%
> 10 Years	-	-	-	-
Total	**41,576**	**100%**	**30,769**	**100%**

FY2018 – Remaining time to Maturity "RttM"



Funding Strategy

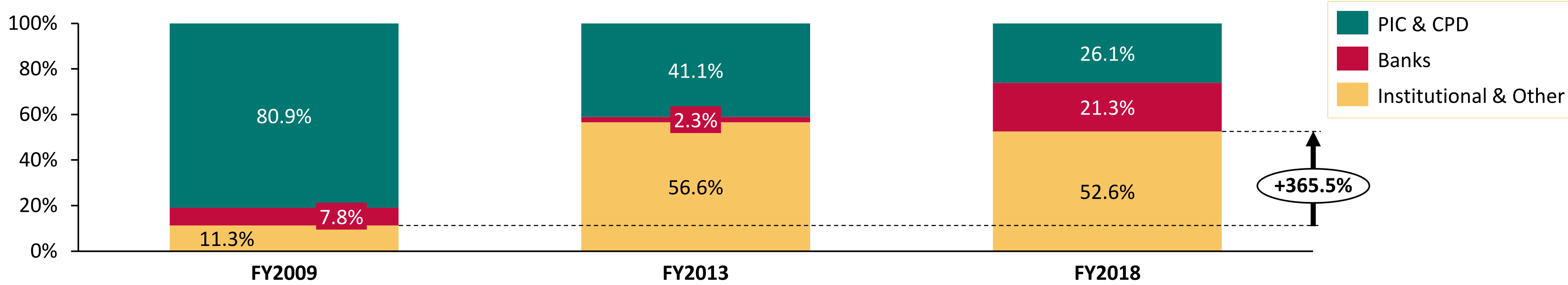
- Land Bank has made great strides in extending its maturity profile, thereby reducing refinancing risk and improving general liquidity levels of the Bank.
- Achieved the medium term target of reliance on short-term funding < 50% by 31 March 2018 as of FY2018/Q2. Since then the reliance on short-term funding has reduced to 43.2% as of 31 March 2018.
- The extension of the maturity profile has been done in a well co-ordinated, responsible and cost-effective manner, protecting the Bank's net interest margins.

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 31 March 2018, the Bank had R2.4bn cash on balance sheet (R1.2bn in FY2017) with access to a further R2.15bn and R0.5bn in committed and uncommitted facilities respectively

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.

FY2018 @ Nominal	Related Parties	DFI	SOE	Commercial Bank	Foreign Banks	Institutional Investors	Multi-lateral Investors	Agri Companies	Total
Drawn Facilities	-	-	-	-	-	-	-	-	-
< 1 Year	11,008	300	825	1,818	-	3,444	-	904	18,298
1 – 3 Years	100	-	-	487	-	6,522	-	-	7,109
3 – 5 Years	-	65	957	2,233	230	7,372	-	-	10,858
5 – 7 Years	-	-	-	260	-	545	-	-	805
7 – 10 Years	-	253	-	-	4,018	-	1,191	-	5,462
> 10 Years	-	-	-	-	-	-	-	-	-
Total	**11,108**	**617**	**1,782**	**4,798**	**4,249**	**17,883**	**1,191**	**904**	**42,531**
% Distribution	**26.1%**	**1.5%**	**4.2%**	**11.3%**	**10.0%**	**42.0%**	**2.8%**	**2.1%**	

Funding Matters

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DMTN issuance summary and funding needs

Notes on the current position of the R30bn DMTN Programme *(Formerly R20bn)*

- Issued under the programme: R18.925bn
- Matured: R 7.300bn
- Currently Open: R 11.625bn (19 bonds)
- Available: R 11.075bn

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

Summary of significant maturities and planned prepayments to 31 March 2019

DMTN Maturities			**Planned Prepayment**			**Bi-lateral maturities**		
Instrument	**Amount**	**Date**	**Instrument**	**Amount**	**Date**	**Instrument**	**Amount**	**Date**
LBK21 (1YR FRN)	R0.868bn	Sept 2018	Syndicated Loan – A1	R1.080bn	Sept 2018	PN's and/ or FRN's *	R0.285bn	Oct 2018
LBK05 (5YR FRN)	R0.252bn	Feb 2019	Syndicated Loan – B1	R0.348bn	Oct 2018	PN's and/ or FRN's *	R0.482bn	Jan 2019
LBK25 (1yr)	R0.500bn	Mar 2019				PN's and/ or FRN's *	R0.125bn	Feb 2019
Total	**R1.62bn**		**Total**	**R1.428bn**		**Total**	**R0.892bn**	

The total refinancing need to 31 Mar 2018 amounts to R1.12bn (listed bonds) and R0.89bn (PN's and/ or FRN's).

** - Promissory Notes could potentially be refinanced on bi-lateral basis*

Planned DMTN Issuances to 31 March 2019

- FY2019/Q2: R2.25bn Immediate refinance need
- FY2019/Q3: R0.50bn
- FY2019/Q4: R0.75bn

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

Taking Stock:
Development impact vs. Financial sustainability

Taking stock: Development Funding

Multi-lateral Funding lines of ca. R7bn secured during FY2018

- Following extensive due diligence processes, we finalised the following multi-lateral funding lines during FY2018:
  - MIGA backed loan USD300 million
  - World Bank USD93 million
  - KfW EUR55 million
  - EIB EUR50 million

Land Bank carries no foreign currency risk on any of its US Dollar or EUR denominated multi-lateral or international funding lines supported by multi-lateral agencies, as the Bank converts these facilities as well as interest rates into ZAR denominations and South African JIBAR-linked interest rates on day one.

Institution	Tenor	Guaranteed	Purpose
MIGA backed loan	10	N	General purpose funding from international banks, supported by a MIGA guarantee.
World Bank	25	Y	Development facility earmarked to give financial aid to participating financial intermediaries and direct beneficiaries.
KfW	10	N	General purpose facility earmarked to finance small- and medium-sized agricultural enterprises.
EIB	12	N	This is a general-purpose funding facility which aims to promote climate change projects within the agricultural sector.

- These facilities will assist us in delivering on our mandate and will only be utilised during FY2019, which will reduce our need for debt and capital market funding and allow strategic issuances to further reign in funding costs.
- We take immense pride in the confidence expressed in us by these international multi-lateral agencies.

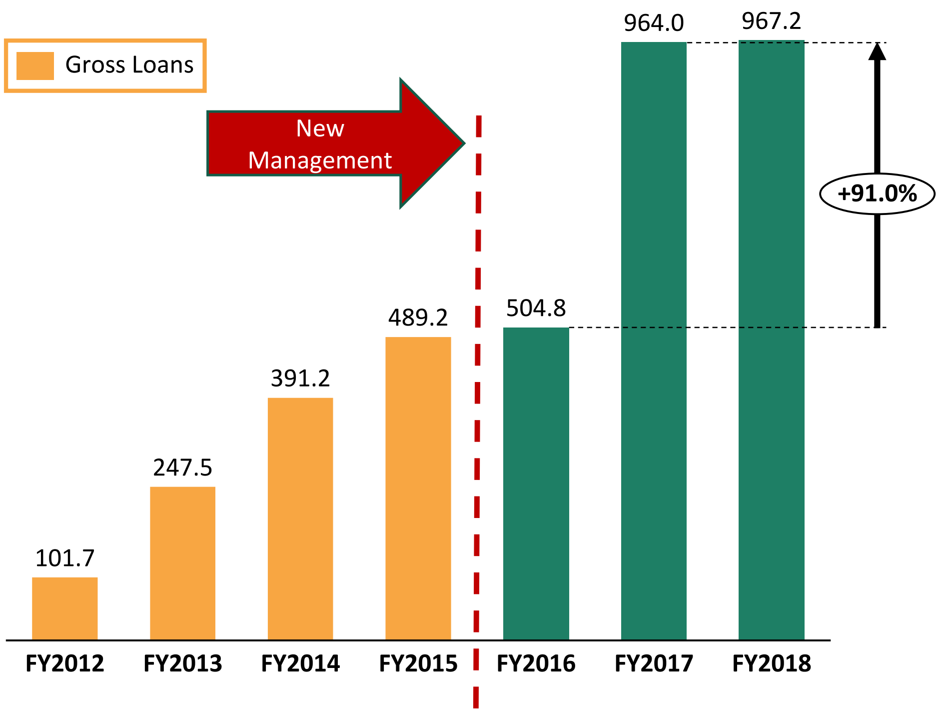
Taking stock: Subsidised REM Product

Development impact: Period 2012 – 2015 Creation of REM Unit

- Ensuring that "development" is at the core of Land Bank's operations, the Bank launched its then Retail Emerging Markets ("REM") unit in FY2012.
- This unit catered for emerging farmers that would ordinarily not be able to secure funding from conventional financial markets.
- In order to mitigate the risk associated with this market segment, Land Bank adopted a Wholesale Financing model which saw various controls and support mechanisms put in place in order to advance the success rate of this target market – WFF model is summarised on next slide
- DAFF provided a R150m Wholesale "Financing Support Facility" (R50m from Mafisa; R100m DAFF) that was used to subsidise lending rates to emerging farmers/ beneficiaries at 4%.

The R150m WFF Support fund has since been depleted (July 2017) and Land Bank has carried this cost on balance sheet for FY2018 at ca. R74m.

DAFF = Department of Agriculture, Forestry and Fisheries



Retail Emerging Markets ("REM")	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Gross Loans (R'm)	101.7	247.5	391.2	489.2	504.8	964.0	967.2
- Wholesale Funding (WFF)	*98.8*	*238.9*	*380.7*	*466.6*	*478.7*	*933.6*	*924.0*
- Direct Lending	*2.8*	*8.6*	*10.5*	*22.6*	*26.1*	*30.4*	*43.2*

Taking stock: Development loans

Development impact – increased investments in agricultural transformation

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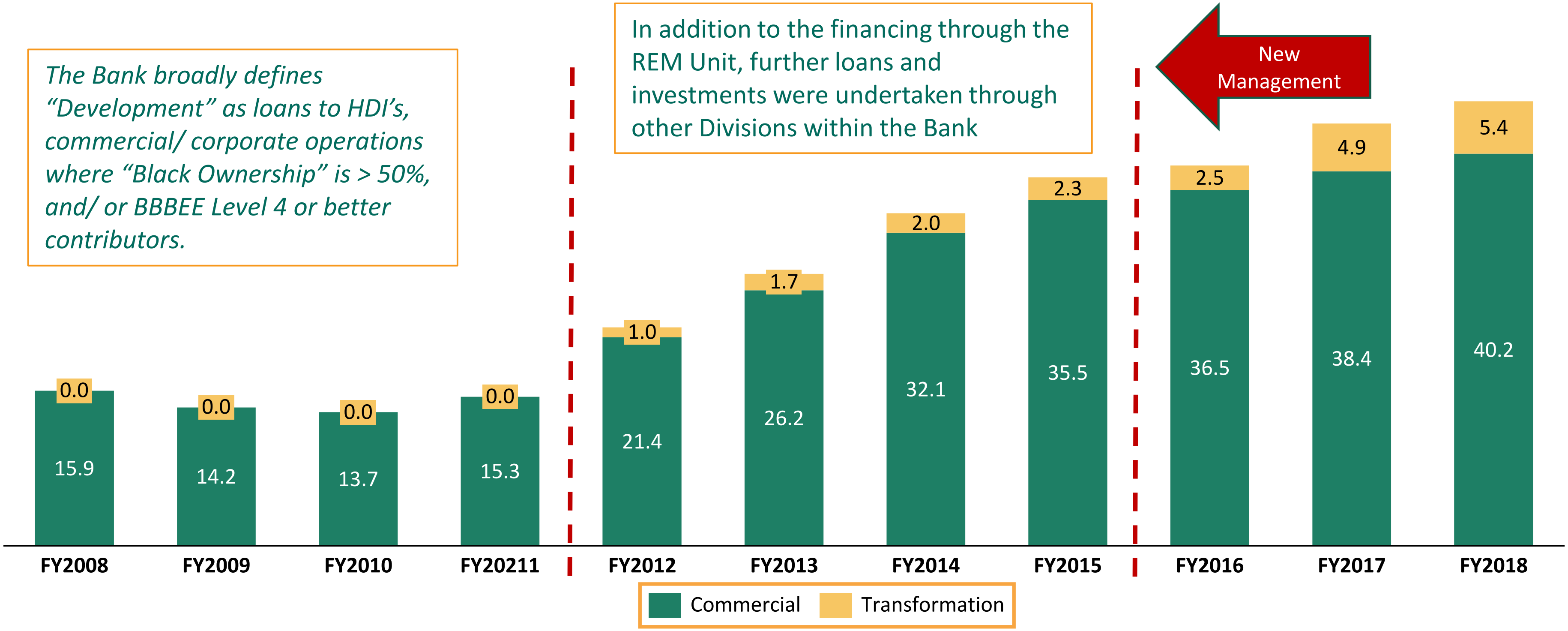
The Bank broadly defines "Development" as loans to HDI's, commercial/ corporate operations where "Black Ownership" is > 50%, and/ or BBBEE Level 4 or better contributors.

In addition to the financing through the REM Unit, further loans and investments were undertaken through other Divisions within the Bank



The Bank has made progress to transform the loan book. The loan book grew steeply from FY2012, while the transformational component of the loan book grew by 430% from a very low base in FY2012 compared to the remainder of the loan book which grew by 81% over the same period.

Projected growth would increase the percentage of loan book devoted to development / transformation assets from 11.8% to approximately 30% over the next 3 – 5 years. *However this requires aggressive acceleration in a* ***risk-responsible manner***.

Taking stock: Development Impact

Demonstrating our Development Impact

R25 million facility extended to support **59** emerging farmers managing 3,500 weaners

Growth & Profit sharing

Sernick Group as Financial Intermediary borrows on behalf of emerging farmers

Farmers access quality animals, feedlot & educational support from Sernick Group

Sernick on-lends & carries the risk. Farmers go into a 3-year programme

Taking stock: Development Impact

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Demonstrating our Development Impact

R240m Convertible Note to finance buy-back shares held by Orchard Investments – 45% shareholder in Mouton Citrus

Land Bank & BEE partner Masimong Holdings to convert the note into a 35% equity stake in Mouton Investments

- **Strategic Intent:** Better alignment to the Land Ownership / Transformation challenges facing SA
- **Masimong: C**reate a size and scale, best-in-class investment agricultural group to be empowered, supported and nurtured

- Black ownership increased from 10% to 47%
- Employee Trust ownership increased to 12% (350 Beneficiaries)
- 1800 jobs preserved
- 600 new jobs created

Taking stock: Development Impact

Demonstrating our Development Impact

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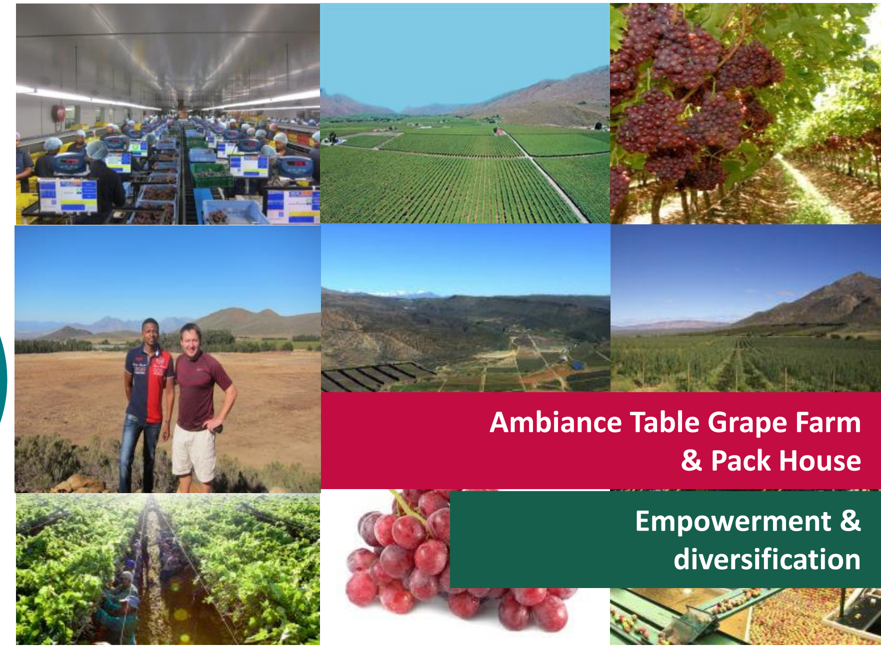
The Ambiance Farm:

- Development of an 80 Ha table grape farm in the Hex River Valley
- Construction of a 5000m² pack house & cold storage facility
- Provision of working capital

Development Impact

Jobs :

- Pack House : 400 jobs (80 permanent & 320 seasonal)
- Farming: 300 Jobs (60 permanent & 240 seasonal)
- Supporting an emerging black farmer in the table grape industry
- Development of the largest black-owned pack house in SA



Land Bank's role:
Extension of two loan facilities (R100m), a construction facility and a revolving credit facility

Taking stock: Development Impact

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Demonstrating our Development Impact

Extension of a **R1.3bn credit facility** by The World Bank Group to Land Bank

Land Bank Supporting a new generation of farmers contributing to food security

Primary Objective: **Scale** Up support for emerging farmers

25 year maturity period, backed by a Government Guarantee

On-lending to both commercial and emerging farmers <u>through Participating Financial Intermediaries</u>

Taking stock: The road ahead

Financial Sustainability – where we've come from and where we're going

Metric	Start – FY2015/16	FY2018	Future Aspirations (3-5yrs)
Capital and Liquidity Management	No scientific capital and liquidity management tools in place.	▪ Developed "Basel-like" risk management tools ▪ CAR = 17.3% ▪ LCR = 214.3% ▪ NSFR = 108.6%	▪ F-IRB Models ▪ CAR => 15% ▪ LCR =>100% ▪ NSFR => 100%
Credit Risk Models	No scientific credit risk models in place	▪ IRB Models ▪ Risk adjusted pricing	▪ F-IRB Models
Interest Rate Risk Management	Nothing risk management strategy in place.	▪ Developed an "Interest Rate Risk Management" strategy ▪ R2.8 billion nominal swaps (6.7% of portfolio)	▪ 15% of portfolio mismatch hedged
Reliance on ST Funding (maturities < 12m)	▪ 69.4% (excl. drawn facilities)	▪ 43.2% (excl. drawn facilities)	▪ 40% - 45%
Debt management plan	No debt management plan	▪ Started sinking fund in FY2019/Q2. R500m invested	▪ R2.0bn – R2.5bn over a 5 – 7 year period
Gross Loans	▪ R37.8 billion	▪ R45.6 billion	▪ R55 billion
Development effectiveness	▪ R2.3 billion, or 6% Transformation	▪ R5.4 billion, or 12% Transformation	▪ R16.5 billion, or 30% Transformation

Taking stock: The road ahead

Financial Sustainability – where we've come from and where we're going (Cont.)

Metric	Start	FY2018	Future Aspirations
Net Interest Margin ("NIM")	▪ 3.0%	▪ 2.9% (3.0% excl. LDFU)	▪ 3.5%
Cost-to-income ("CTI")	• 54.9%	▪ 60.5% (57.8% excl. LDFU)	▪ 50%
Non-Performing Loans	▪ IAS 39 ▪ Subjective "default" definition	▪ Early adopted IFRS 9 ▪ 90dpd "default" definition ▪ Improved NPL's ▪ FY2016: 8.8% ▪ FY2017: 7.1% ▪ FY2018: 6.7%	▪ NPL 7% - 10%
Legacy "distress" asset portfolio	Inherited 4 distress assets to the value of approximately R3.0 billon	As of 31 March 2018 only 1 matter remains which should be resolved by FY2019/Q3 subject to Competition Commission approval	All matters resolved by FY2019.
Legacy "out of mandate" LDFU portfolio	Inherited 7 "out of mandate" LDFU	As of 31 March 2018 only 3 properties remain for which settlement was reached for 2 in Q1FY2019.	All matters resolved by FY2019.

Environmental, Social and Governance

ESG Matters

Environmental & Social Management System (ESMS)

Land Bank's ESMS guides the implementation of the Environmental and Social (E&S) Sustainability (ESS) Strategy. It comprises of the process outline and tools aimed at assisting the Land Bank to:

- Identify & manage its exposure to the E&S risks induced by its Clients;
- Identify & manage climate change induced risks for agricultural production;
- Identify & develop opportunities promoting sustainable use of land and related natural resources;
- Promote social welfare & inclusion
- Promote efficient utilisation of materials and sustainability.

ESG Matters

Environmental and Social Risk Assessment (ESRA)

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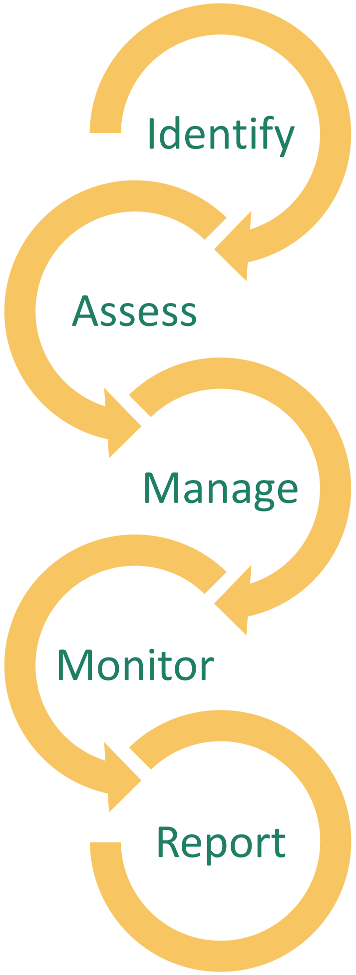
The ESRA process is an element of the ESMS. All project financing are subjected to environmental and social assessment. The ESRA assists the Land Bank to:

- ***Identify*** E&S risks associated with clients/projects
- Systematically ***assess*** environmental and social risks;
- ***Manage*** clients/projects to ensure implementation of mitigation measures
- ***Monitor*** client/projects compliance requirements;
- ***Report*** on performance



September 2018 DMTN Issuance
DRAFT Termsheet

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DMTN Matters

September 2018 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

DMTN Matters

September 2018 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	[17] September 2018			
Settlement Date	T + 3 days			
Targeted Issue Size	[R1.0 – R2.25bn] across the Notes			
Instrument	Listed Floating and/or Fixed Rate Notes			
Stock Code	[LBK29]	[LBK30]	[LBK31]	[LBK32]
Maturity Date	Sept 2021	Sept 2023	Sept 2025	Sept 2028
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

Annexure

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Governance Matters

Board Compositions

1 – Reappointed for 3 years with effect 1 June 2018
2 – Newly appointed for 3 years with effect 1 June 2018
3 – Extended for 6 months until February 2019
4 – G Conway resigned with effect 20 July 2018

Shareholder
Minister of Finance

NATIONAL TREASURY

{ Executive Authority }

LAND BANK
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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 }

Mr. TP Nchocho
CEO

Mr. B van Rooy
CFO

Ms. K Gugushe
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[4]
EM: CB&SI

Ms. L Ndlovu
EM: CDDB

Mr. S Sebueng
EM: Legal

Mr. M Mazaidume
(Company Secretariat)

Performance Overview

Restatement of Discontinued Operations (LDFU)

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- During FY2018 it became apparent that the Bank's classification of its legacy "out of mandate" portfolio, LDFU as a "Disposal Group" was no longer valid as it did not meet the definition of a "Disposal Group" and that the classification of "Discontinued Operation" was more appropriate in terms of IFRS 5.
- A "Disposal Group" requires disposal of properties in a single transaction with associated liabilities to be transferred at settlement, which is not how the Bank had been going about the disposal of properties in respect of this portfolio.
- This resulted in certain liabilities and related interest expense being reclassified to "Continuing Operations which negatively impacted the Net Interest Margin and Cost to Income ratios:

	FY2018 R'000			FY2017 R'000			FY2016 R'000		
	Previously Reported	Reclassified	Restated	Previously Reported	Reclassified	Restated	Previously Reported	Reclassified	Restated
Statement of P&L and OCI									
Continuing Operations									
Interest expense	-	(48,820)	(48,820)	-	(51,047)	(51,047)	-	-	-
Operating expenses	-	(61)	(61)	-	(1,714)	(1,714)	-	-	-
Discontinued Operations									
Loss from Discontinued Operations	(84,904)	48,881	(36,023)	(5,242)	52,761	47,519	-	-	-
Statement of Financial Position									
Funding Liabilities	-	779,647	779,647	-	920,853	920,853	-	868,092	868,092
Liabilities of Disposal Group held-for-sale	779,647	(779,647)	-	920,853	(920,853)	-	868,092	(868,092)	-

Performance Overview

Loan Book segmentation – Significant contribution by indirect channels

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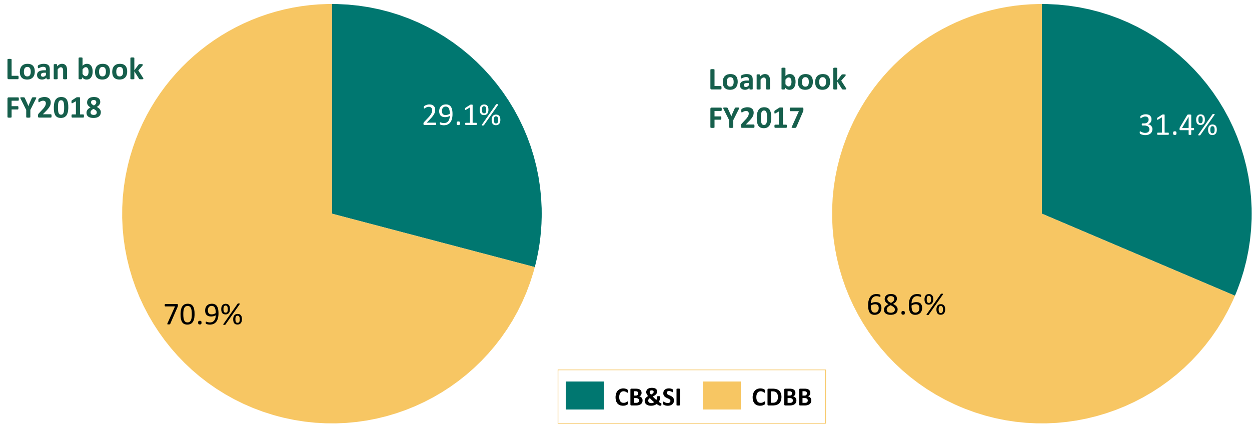
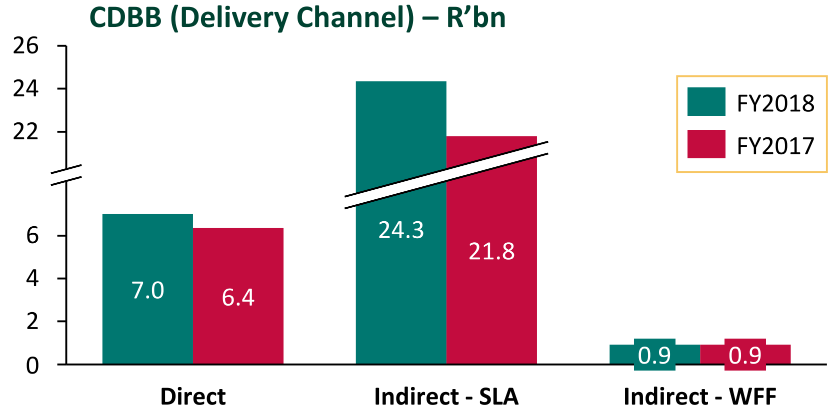
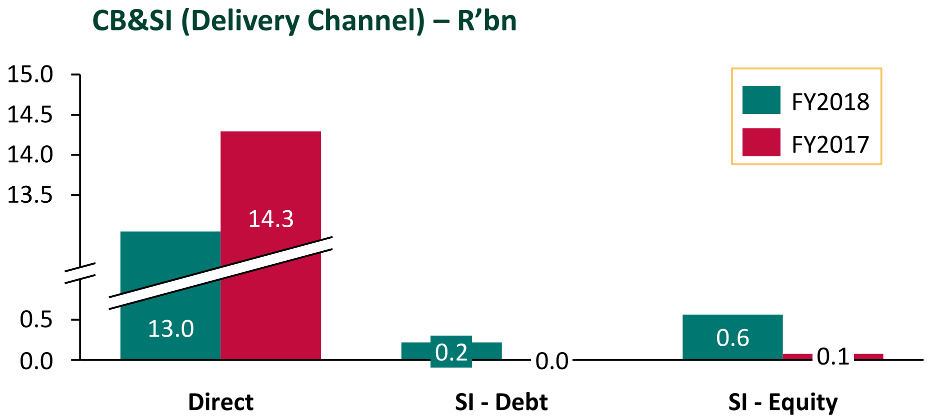






CDBB = Commercial Development Business Bank
CB&SI = Corporate Bank & Structured Investments
Direct = Lending activities through Land Bank's own infrastructure
Indirect = Lending activities through intermediary partners, i.e. SLA, or WFF

**During FY2018 the Bank structurally transferred the "SLA" book from CB&SI to CDBB. FY2017 comparatives have been realigned to correspond to the revised organisational reporting matrix*

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:

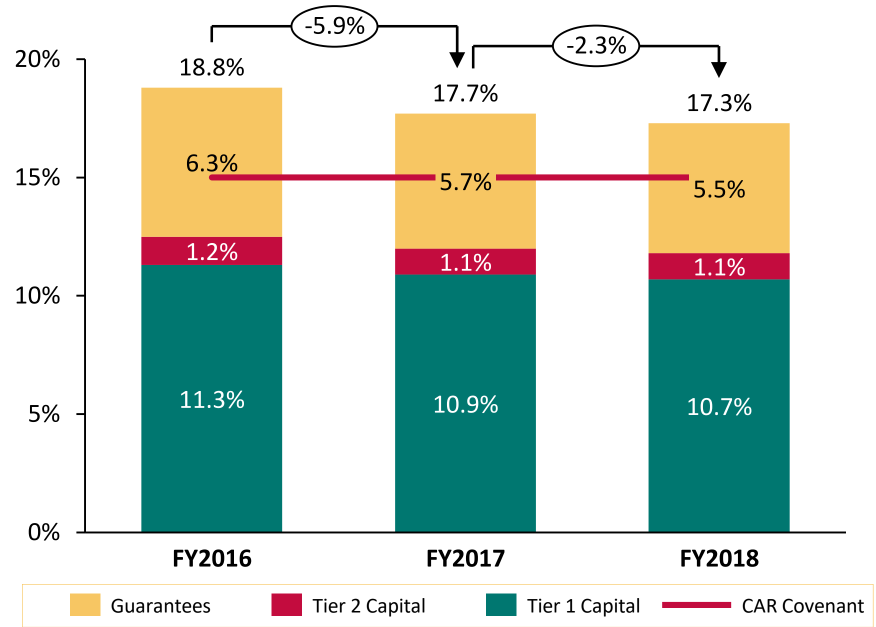
CAR

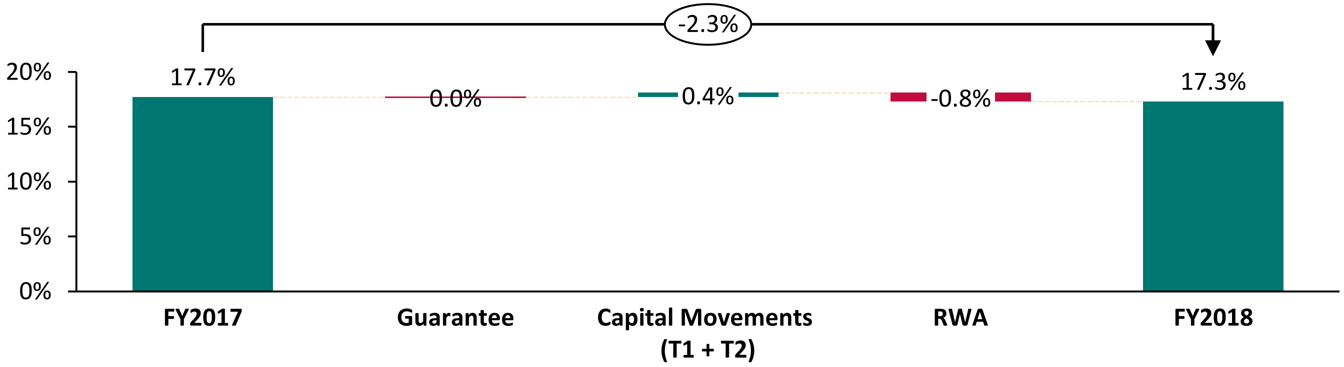
- Inclusion of Government guarantees as Capital Supply

LCR

- High quality liquid assets
- Roll-over rates

Total capital adequacy ratio



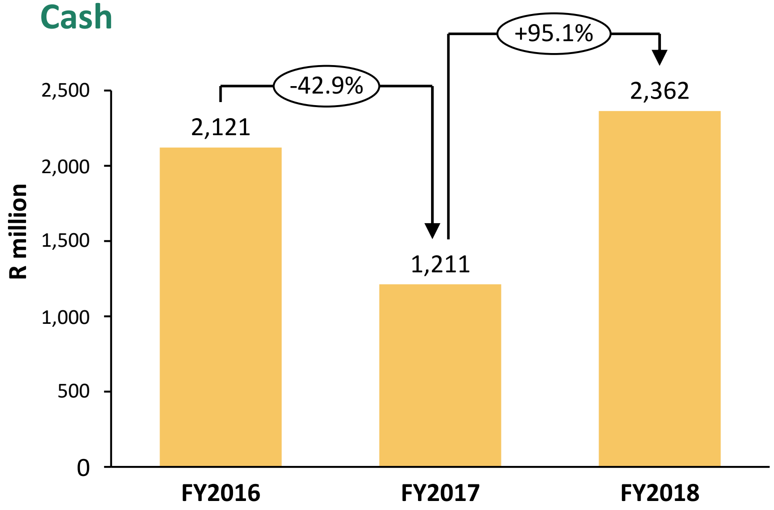


The year-on-year decline in CAR is as a result of RWA's growing at a faster pace than profitability

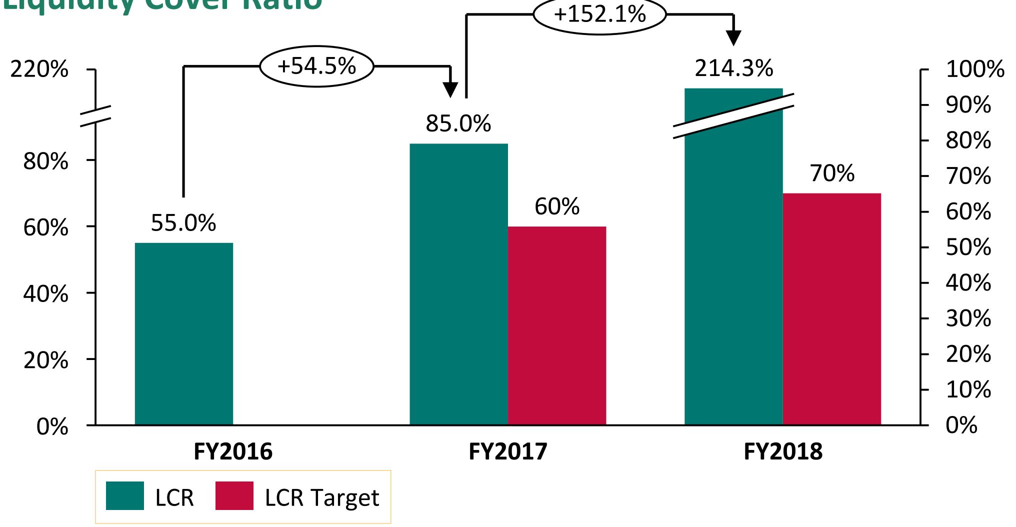
Performance Overview

Strong Funding and Liquidity position

Cash



Liquidity Cover Ratio



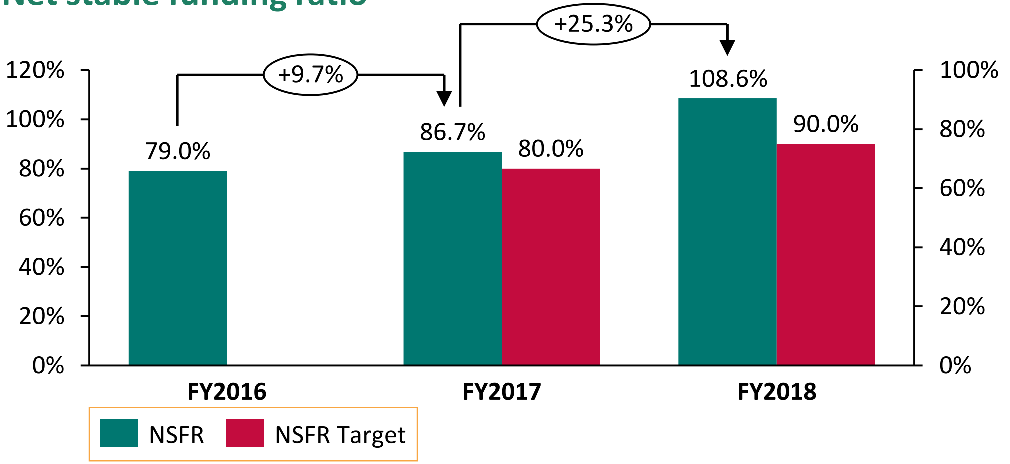
The Bank's cash requirements are driven by LCR.

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 24 August 2018 all facilities were undrawn

Net stable funding ratio



Funding Matters

Summary of funding activities for FY2018 and FY2019/Q1

Funding activities excl. Call Bonds and Facilities	FY2018/Q1	FY2018/Q2	FY2018/Q3	FY2018/Q4	FY2018 Total	FY2019/Q1
Total maturities	R13.5bn	R13.3bn	R8.0bn	R11.6bn	R46.4bn	R11.1bn
Debt rolled over	R8.5bn	R10.8bn	R8.7bn	R10.0bn	R38.0bn	R9.6bn
New funding raised *	R6.5bn	R4.2bn	R2.7bn	R4.1bn	R17.5bn	R2.2bn
Pre-payments	-	R2.6bn	R0.5bn	-	R3.1bn	R1.2bn

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

FY2018

- Floating Rate Notes R1.0bn (R0.55bn; R0.1bn; R0.34bn)
- Term Loans R2.1bn (R0.3bn; R1.02bn; R0.78bn)
- Drawn Facilities R3.1bn (R2.6bn; R0.5bn)
- **Total R6.2bn**

FY2019/Q1

- Term Loans R1.2bn (R0.6bn; R0.6bn)
- **Total R1.2bn**

FY2019 prepayments are in respect of the Bank's R2.7 billion guaranteed syndicated loan, which has become too expensive following a number of Sovereign Rating downgrades

FY2018 has been a good funding year with Land Bank achieving average roll-over rates as follows:

- Excl. PIC/ CPD: 67.0% **
- PIC/ CPD: 100.0%
- **Total: 87.0%**

*** 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.*

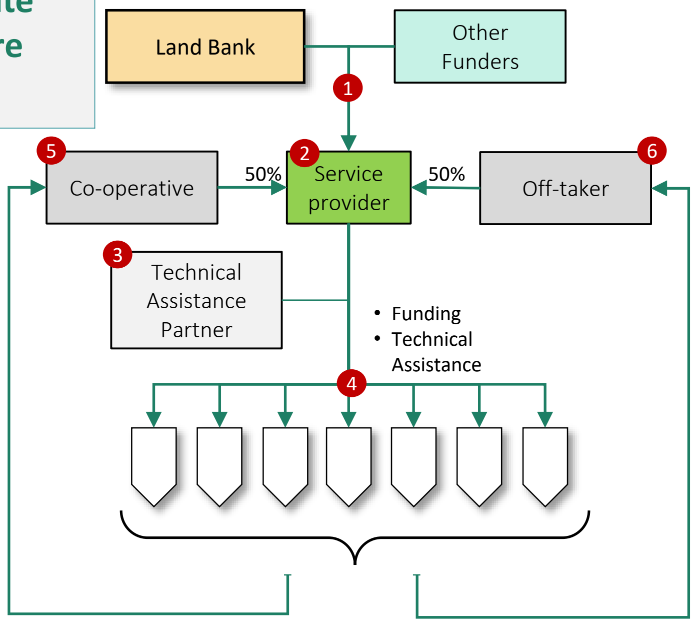
Development Impact - Intermediaries

LAND BANK

Overview

The company provides financial services to Community Property Associations and Strategic Partners as well as to Small Scale Growers in the sugarcane production industry. 9% of processed sugar, packed in a well-known brand comes from these farms. Shareholders 38 including Strategic Partners and communities

Corporate Structure



Key Points

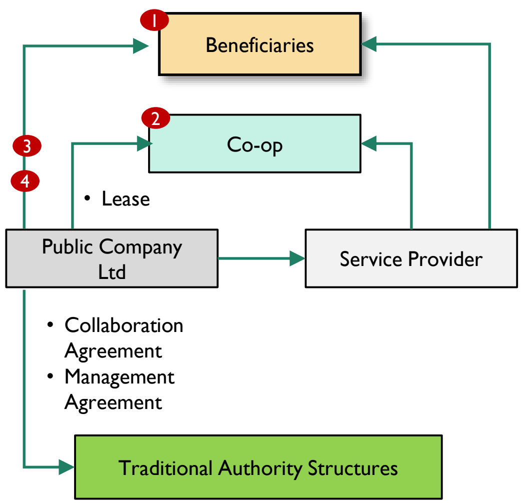
1. Land Bank and other institutions finance Service Provider
2. It is owned by Co-op (50%) and Off-taker (50%)
3. Technical Assistance partner provides technical assistance to farmers
4. Farmers receive technical assistance and financing
5. Farmers buy into Co-op
6. Off-taker guarantees offtake

Beneficiaries	34 570 (Land owners, community trust, employees, etc.)
Development Impact	• 3 864 permanent employees • 210 Seasonal employees • 17 New business created (along the agri-value chain) • All employees formalised (Registered for UIF, etc.) • Change in profitability after assistance R22m • Change in value of assets R73m • 646 on-the-job training (farming business related training) • 88 social & life skills training
Technical Assistance Provided	• Soil analysis, Irrigation management, Crop management, Fertiliser and chemical management, Ratoon management, On field support and training, Yield analysis for financial projections
Region	• Malelane, Mpumalanga

Development Impact - Intermediaries

Overview	A listed sugar company and Ingonyama Trust Board jointly developed a leasehold model which aims to revitalise areas that have fallen out of agriculture and / or bring new areas into cultivation.

Corporate Structure



Key Points

1. Beneficiaries (80-125)
2. Approx. 250ha
3. 10% of gross proceeds paid directly to individual
4. Approx. R2150 / ha / annum

- Significant Employment Opportunities
- Skills transfer & training
- Rural Development
- Social upliftment
- Access to Banking services
- Sustainable income streams
- Best agricultural practices

Beneficiaries

Demographics of primary cooperatives formed in project areas:

- Total members planted: 942
- Male: 38%
- Female: 62%

Development highlights:

- 4 596 ha of new sugarcane, with production projected to reach 186 000 tons pa.
- > 1 000 individuals employed annually.
- Total community benefit streams are projected to increase to R28.0 million pa

Development Impact

- Empower black farmers and equip them with skills
- Develop catalytic sugarcane development programmes that have a positive impact on socio-economic development
- Invest in rural communities and high agricultural potential areas in order to increase sugarcane production in the KZN region
- Create sustainable job opportunities with strong economic multiplier effects

Region

- Mbongolwane
- Mvuzane
- Vuma
- Kholweni

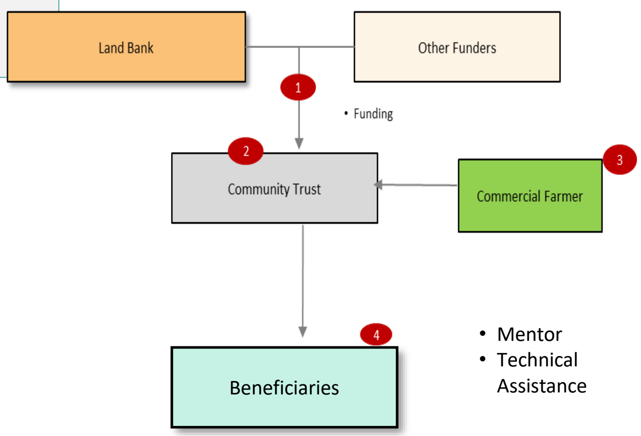
Development Impact – Partnerships/ JV's

LAND BANK

Overview

A Community Trust in Badplaas acquired 29 farms through land claims in 2003 (+9800ha);
After the transfer of the properties, there was infighting amongst the family groups which resulted in a High Court ruling in 2011-11-04 that the 12 Trustees be replaced by an interim Board of Trustees which were given same powers as the previous trustees according to the initial Deed of Trust;
The project will be phased for production input costs and the construction of silo and storage units;
First phase includes production of 340ha maize; 110ha Soya beans and 55ha Dry beans;
A total of 555 hectares to be planted, of which 125ha is new land to plant maize.

Corporate Structure



Key Points

1. Land Bank and other institutions finance Community Trust
2. Community Trust 100% owned by beneficiaries
3. Commercial Farmer leasing some of the land and provides technical assistance and skills to the community

Beneficiaries

14 Families

Development Impact

- New land brought under production
- Financing through the value chain (beneficiation)
- Increased employment
- Increase production yield
- Land ownership by HDIs
- Productive use of land from restitution

Technical Assistance

- Technical and farming knowledge to the family groups

Region

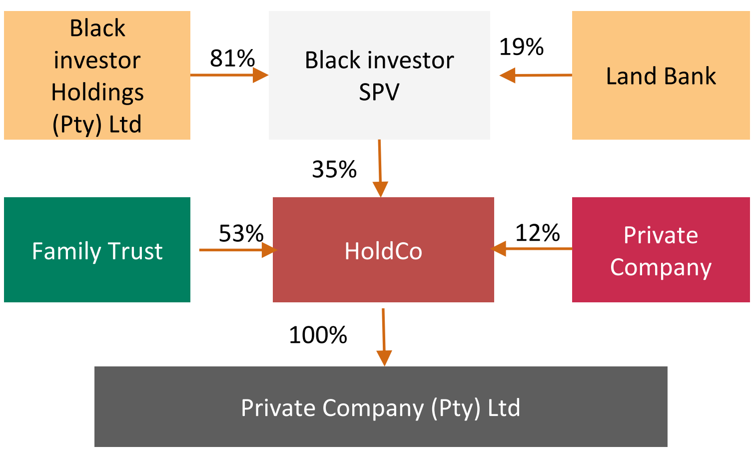
- Mpumalanga

Development Impact – Partnerships/ JV's

Overview

A privately owned, fully integrated producer, packer, marketer and exporter of fresh fruit owns 14 farms and a pack house, all situated in the Citrusdal valley in the Western Cape. The business has demonstrated consistent growth in revenues and net profits over the past few years. The sale of a 50% share in the company by an international shareholder created an opportunity to bring in a new Black investor as well as create a farm worker equity scheme.

Corporate Structure



Key Points

1. Land Bank has a minority share in Black Investor SPV
2. Hold Co is owned by Workers Company (12%). Family Trust (53%) and BBBEE SPV (35%)
3. Land Bank finances acquisition of 35% stake by SPV

Beneficiaries

Farm workers, Black investor, community

Development Impact

BBBEE shareholding of 35%
Farm worker shareholding of 12%
Development projects that are ongoing include:

- Community facilities (sports field, community centre)
- Education (early childhood development, school support)
- Health care (full time nurse, mobile clinic)
- Community development through music

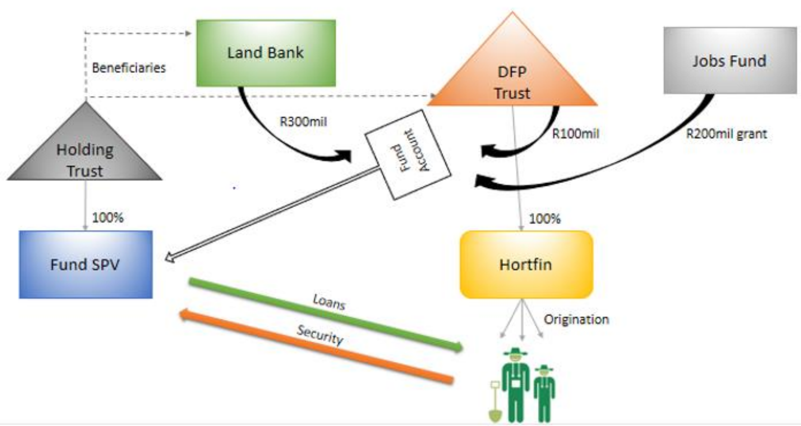
Region

- Western Cape

Development Impact – Blended Finance

Overview	A R600m fund for providing debt finance and comprehensive business support to majority Black owned businesses in the deciduous fruit value chain. This consists of grant funding provided by the JOBS Fund to the Deciduous Fruit Producers Trust (DFPT), interest free debt from the deciduous fruit industry and concessionary debt finance by Land Bank. DFPT will (via its subsidiary Hortfin) be responsible for sourcing and executing lending transactions and providing comprehensive business support. The Bank will provide the full suite of fund management services.

Corporate Structure



Key Points

1. Fund SPV ring-fenced and administered by Land Bank
2. Land Bank final approver of fund credit transactions
3. DFPT, Land Bank and Hortfin appoint trustees on Holding Trust, with limited powers

Beneficiaries	Majority Black owned entities throughout the deciduous fruit value chain
Development Impact	Affordable finance to emerging Black farmers, coupled with: • Technical support • Market access • Business support • Crop and asset insurance Sector transformation through funding empowerment transactions JOB creation, through providing solely expansionary finance
Region	• National

Thank You!

420 Witch-Hazel Avenue
Eco Glades, Block D, Eco Park
Centurion Pretoria

LAND BANK
We stand by you

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