

Land Bank:

Fixed Income Investor Roadshow

September 2019



Investor Roadshow: September 2019



Key Contacts

Land Bank

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1. Business Overview

2. Financial Overview

- Group
- Bank
- Insurance Operations

3. Funding Matters

4. Bond Auction – October 2019

5. Annexure

- Environmental, Social and Governance (ESG)
- Geographic Information Systems (GIS)



Business Overview

- Land Bank mandate
- Governance matters
- Industry updates



Mandate and Land Bank Act

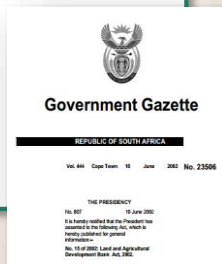


The Mandate of the Land Bank and the National Development Plan highlights the importance of the Agriculture sector to the country's Development and Transformation agenda

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 livelihoods¹ 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

Governance Matters



Board Composition

1. Resigned with effect 31 August 2019
 2. CEO Mr. TP Nchocho resigned Dec 2018, while CFO Mr. B van Rooy resigned May 2019.
- Refer Interim Management Structure

Shareholder
Minister of Finance



{ Executive Authority }

Board of Directors

{ Accounting Authority }

Mr. MA Moloto
Chairperson

Ms. D Hlatshwayo
Deputy Chairperson

Ms G Mtetwa¹

Ms. DN Motau

Ms. SA Lund

Dr. S Cornelius

Ms. TT Ngcobo

Adv. S Coetsee

Ms. M Makgatho

Mr. M Makgoba

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 }

Ms. K Gugushe²
Acting CEO

Mr. Y Ramrup²
Acting CFO

Ms. N Khan²
Acting CRO (ERM)

Mr. F Stiglingh
EM: Portfolio Management

Mr. S Soundy
EM: Strategy

Ms. M Dlamini
EM: Human Capital

Dr. L Magingxa
EM: Agri Economics

Ms. U Magwentshu
EM: CB&SI

Mr. S Diza²
Acting CRO (Credit)

Ms. L Ndlovu
EM: CDDB

Mr. S Sebueng
EM: Legal

Mr. M Mzaidume
(Company Secretariat)

Interim Management Structure



**Ms Kone
Gugushe**
Acting Chief
Executive Officer



**Mr Yatheen
Ramrup**
Acting Chief
Financial Officer



**Mr Sydney
Soundy**
EM: Strategy and
Communications



**Mr Faride
Stiglingh**
EM: Portfolio
Management
Services



**Ms Loyiso
Ndlovu**
EM: Commercial
Development and
Business Banking



**Mrs Unathi
Magwentshu**
EM: Corporate
Banking & Structured
Investments



**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

Board and Executive Committee

- Ms. G Mtetwa, Chairperson of the Land Bank Audit Committee, tendered her resignation from the Board of Directors with effect 31 August 2019. The Land Bank Board is in the process of appointing a replacement Chairperson of the Audit and Finance Committee.
- Following the resignations of Mr TP Nchocho (Chief Executive Officer) and Mr Bennie van Rooy (Chief Financial Officer/ Acting CEO), Ms. K Gugushe (Chief Risk Officer) was appointed as Acting Chief Executive Officer and Mr. Y Ramrup (Chief Audit Executive) was appointed as Acting Chief Financial Officer
- In terms of the Land Bank Act, the authority to appoint a Chief Executive Officer lies with the Minister. The recruitment for the CEO has started and the Board is in consultation with the Minister regarding the appointment.
- The recruitment of a Chief Financial Officer is a Board mandate and the recruitment process is currently underway.

The Board wishes to reiterate its commitment and support to Executive Management to maintaining the highest levels of Corporate Governance in the Interest of the Bank.

General agricultural and climatic conditions

- The agricultural and climatic conditions were a significant contributor on the Banks ability to create value and to deliver development impact.
- Sector growth declined (-4.8% year-on-year) due to:
 - ✓ sustained drought in several areas;
 - ✓ late start to the grain planting season; and
 - ✓ diseases in various livestock sectors.
- The sector also faced a number of unexpected challenges such as:
 - ✓ the listeriosis crisis;
 - ✓ outbreaks of foot-and mouth disease that halted meat and wool exports;
 - ✓ uncharacteristic hail in usually hail-free areas; and
 - ✓ drier weather conditions in some parts of the country.
- The western parts in particular have experienced continuous drought conditions over a number of seasons that are reducing agricultural outputs and affecting rural communities.
- The delayed planting season affected drawdowns on loans, in some cases rendering farmers unable to plant at all.
- Consequently, we earned less interest income than expected as the portfolio grew at a slower pace.
- Some clients continue to struggle with losses due to the ongoing drought, which reflected in our loan book under non-performing loans.

Land Bank's response

- Land Bank continued to provide drought relief to many farmers, typically in the form of loans at below the prime lending rate.
- Risk modelling has been improved to better quantify our portfolio risk and to develop mitigating actions.
- Post-Investment Management tools were developed to anticipate and proactively support clients who are at risk.
- We are also diversifying our loan book by developing a pipeline of secondary agricultural market clients.
- Land Bank has taken a long-term loan book view on climate risk to understand how we can increase our resilience by studying climate change and how it affects our credit extension.

Land Reform

- Uncertainty around regulatory proposals for land expropriation without compensation remains a strategic risk for the Land Bank.
- The agricultural sector relies heavily on the availability of land as one of its key factors of production. The land reform process may have a potential positive result though if more land is brought into production.
- The report by the Advisory Panel on Land Reform and Agriculture that was submitted to the President on 28 July 2019 and pointed towards a holistic approach to land reform.

Land Bank's response

- Land Bank's mandate is clearly aligned to the imperative of land reform in South Africa and its development objectives support the priorities contained within the NDP.
- As such, the Bank supports all efforts to advance an effective land reform programme that will achieve transformation in tandem with increased agricultural production, secured tenure, employment creation and food security.
- The risks and opportunities posed by this option for land reform depend on the manner in which it is implemented.
- We anticipate an approach that will shield the economy from undesirable negative impacts and strengthen agricultural production, employment creation and food security.
- In our opinion, if the proposal is well executed as part of the broader land reform programme, expropriation (with or without) compensation has the potential for some significant economic and social benefits for the economy of South Africa and to the agricultural sector in particular.

Looking Forward

- Our focus for FY2020 is to grow our profit by driving top-line growth.
- Plan to disburse R3.0 billion to development and transformational transactions.
- Identify Agri- Entrepreneurs that require start-up funding through our sector training projects.
- Identify additional sources of funding to support development transactions.
- Concentrate on integrating the Principles for Responsible Banking into our strategy.
- Conclude the development of the climate change strategy.



Financial Overview



Highlights

- Strong Balance Sheet and solid Financial Performance
- Healthy Capital Adequacy Ratio (CAR)
- Strong Liquidity position
- Prepayment and Settlement of R2.7bn of Government Guaranteed loans
- Resolution of majority of legacy distressed assets (Profert, LDFU)
- SiliCo Transaction – Creation of largest black grain handler in SA
- R5.0 billion disbursed loans for transformation
- Transformational loans increased to R7.9 billion, 17% of the loan book (FY2018: 12%)
- R600m “Hortfin” Fund established in partnership with the Jobs Fund and Deciduous Fruit Producers Trust, to provide loans to majority Black-owned smallholder and medium scale commercial farmers in the deciduous fruit sector.
- Creation of sinking fund with an initial investment of R500 million (currently R1.0 billion), with the primary objective of ensuring liquidity in respect of future debt maturities, invested with four emerging black-owned asset managers.
- Reduction in Post Retirement Medical Aid Liability
- First Black crop insurance assessors programme launched in the country to train 20 Black assessors



Lowlights

- Persistent drought in western parts of country, specifically North West and Western Free State:
 - Increase in NPL's and Impairment – 8.8% (FY2018: 6.7%)
 - Reduction in operating profit
- Delayed growth in loan book due to late rains and late planting
- Net Interest Margin – 2.7% (FY2018: 3.0%)
 - Delayed growth in the loan book, resulting in reduced interest income
 - Prepayment penalties incurred on early settlement of guaranteed facilities linked to sovereign downgrades



Financial Overview

Group



Performance Overview



Salient Features - Group

	Var %	FY2019	FY2018
Net interest income	(5.4%)	R 1,206.0m	R 1,278.4m
Impairments	+100%	R 324.7m	R 55.5m
Operating expenses	(4.0%)	R 628.3m	R 654.5m
Profit from Continuing Operations	(42.0%)	R 168.3m	R 290.2m
- Banking Operations	(53.1%)	R 130.6m	R 278.7m
- Insurance Operations	+100%	R 37.7m	R 11.5m
Cash	33.3%	R 3.2bn	R 2.4bn
Investments	19.2%	R 3.1bn	R 2.6bn
Net loans and advances ¹	2.5%	R 44.5bn	R 43.4bn
Total assets	5.6%	R 52.4bn	R 49.5bn
Key Ratios			
Net interest margin	(10.0%)	2.7%	3.0%
Cost-to-income ratio	(5.6%)	57.1%	60.5%
Impairment ratio ¹	(63.8%)	1.7%	4.7%
Non-performing loans ¹	(5.6%)	8.8%	6.7%

1 – Although Net Loans and Advances increased by 2.5%, there were noticeable decreases in Gross Loans and Advances, as well as Expected Credit Loss Impairments, which decreased by ca. R3.0 billion and R1.4 billion respectively. These decreases are directly related to the successful workout of the Bank's last remaining "Legacy Distress Asset", Profert, as well as a successful conclusion of a development transaction in respect of SiloCo. These decreases in Gross Loans and Advances, as well as Expected Credit Loss Impairments resulted in "base-effect" impacts of the NPL and Impairment ratios.

Financial Overview

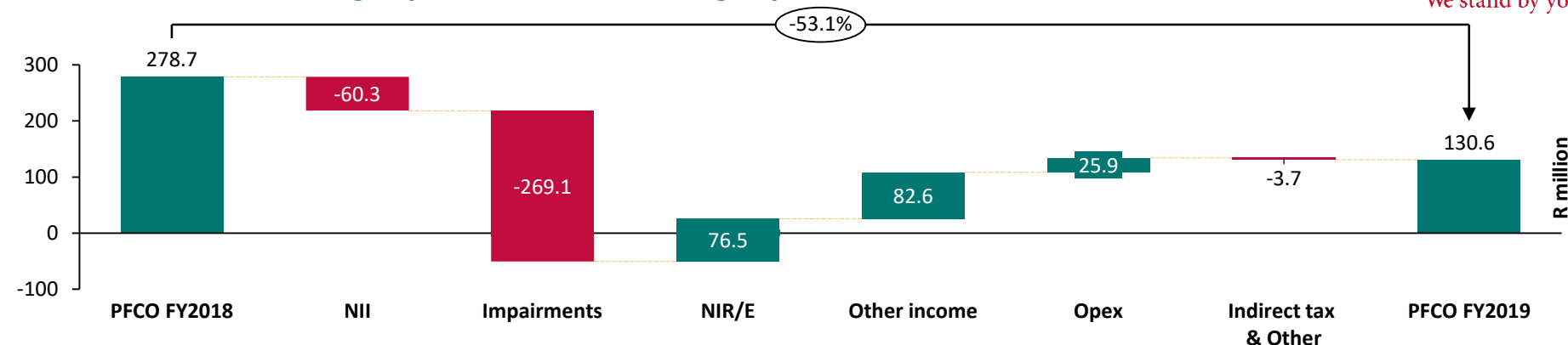
Bank



Performance Overview



Profit from Continuing Operations – Banking Operations



Profit for the year	Var %	FY2019	FY2018
Net interest income	(4.8%)	1,201.1	1,261.4
- Interest Income	4.1%	5,023.5	4,827.0
- Interest Expense	(4.5%)	(3,822.4)	(3,656.6)
Net impairment charges ¹	(+100%)	(324.7)	(55.5)
Operating expenses	4.1%	(602.8)	(628.7)
Profit from Continuing Operations (“PFCO”)	(53.1%)	130.6	278.7
Discontinued Operations	+100%	12.9	(36.0)
Profit for the year	(40.8%)	143.6	242.7
Net interest Margin	(0.2%)	2.7%	2.9%
Cost-to-income ratio ¹	3.4%	57.1%	60.5%

¹ – Contractual right to recover 2nd loss share from SLA partners effectively reduces net impairment charges. For accounting purposes off set against SLA Admin Fees.

Net interest income & Net Interest Margin (“NIM”)

Adversely impacted by:

- Late rains resulting in late planting season
- Delayed loan book growth resulting in Interest income not being fully realised
- Prepayment penalty on early settlement on guaranteed facility linked to sovereign downgrades
- Interest expense on increased Funding liabilities incurred in anticipation of asset growth during FY2019Q4

Impairments linked to NPL’s

NPL’s have increased by R1.0 billion due to:

- General agricultural and climatic conditions
- Persistent drought in western parts, specifically North West and Western Free State
- Normalised Impairments R235.7m vs R55.5m, R89m is the loss share absorbed by SLA partners and disclosed in accordance with IFRS9 with no Income Statement Impact
- Tongaat Hulett stage migration (from stage 1 to 2 in terms of IFRS9)

Operating expenses

- Focus on cost management to reduce operating expenses by R20m

Performance Overview

Summary of losses included in Other Comprehensive Income (“OCI”)



Net losses on Financial Assets through OCI

- PY significant share price drop in listed investment i.e. Rhodes Food Group and CY limited volatility in listed investment as well as stability in the valuation of unlisted investments.

Actuarial Valuation on PRMA

- The Bank concluded a buy-out agreement i.r.o some “pensioners” at a cost of R82.7 million which resulted in a significant reduction of actuarial losses at year end and a reduction in PRMA liability

Other Comprehensive Income (“OCI”)	Var %	FY2019	FY2018
Items that will be reclassified into profit or loss			
Losses on Financial Assets designated through OCI	99.3%	(0.3)	(44.9)
Cash flow hedges: (losses)/ gains on cash flow hedging instruments	(+100%)	(8.1)	8.1
Items that will not be reclassified into profit or loss			
Actuarial loss on post-retirement obligation	66.4%	(8.0)	(23.8)
Revaluation of land and buildings	+100%	0.9	0.2
Total Other Comprehensive Income	74.3%	(15.5)	(60.4)

Statement of Financial Position – Strong asset and liability profile

	Var %	FY2019 R'000	FY2018 R'000
Cash and cash equivalents	35.6%	3,202.6	2,362.1
Net loans and advances	2.4%	44,465.5	43,418.5
Investments	41.3%	1,988.0	1,406.7
Assets of Discontinued Operations classified as held-for-sale (LDFU)	(95.7%)	6.3	147.3
Other assets	89.4%	753.7	398.0
Total assets	5.6%	50,416.1	47,732.6
Capital and reserves	2.3%	5,675.0	5,546.9
Liabilities	7.6%	44,741.1	42,185.7
- Funding liabilities	6.4%	44,257.9	41,576.3
- Other liabilities	(20.7%)	483.2	609.4
Total equity and liabilities	5.6%	50,416.1	47,732.6

Cash and cash equivalents

- Increase of R1.0bn due to cash not being disbursed due to slow loan book growth

Net loans and advances

- The loan book increased by 2.4%, however excluding the impact of the Profert & Silico transactions as well as normalised uptake in loans of R1.0bn the book would have grown by 8.0% in line with Agricultural inflation.

Investments

- Increase mainly due to successful resolution of Profert, via asset for share swap.

Other Assets

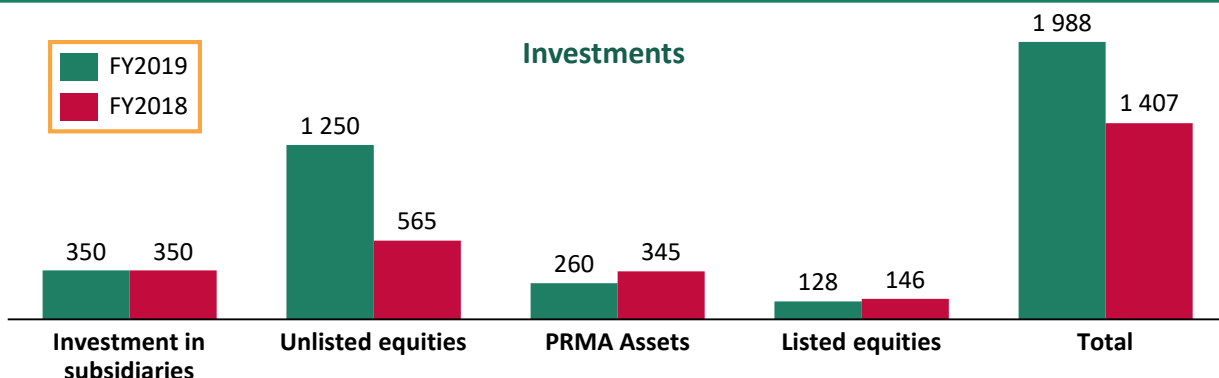
- Increased as a result of recognition of Finance Lease assets in terms of IFRS 16, increases in Properties in possession, and derivative assets

Assets of Discontinued Operations (LDFU)

- The Bank successfully sold all but one of the properties in this legacy portfolio.

Funding Liabilities

- Timing mismatch as funding was increased in anticipation of loan growth, which was however slow to materialise.

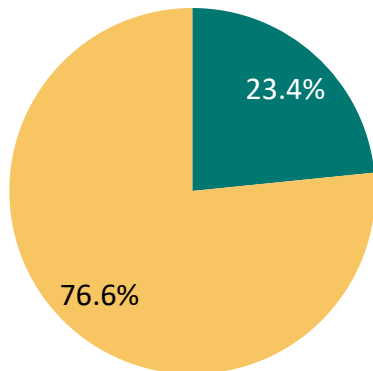


Performance Overview

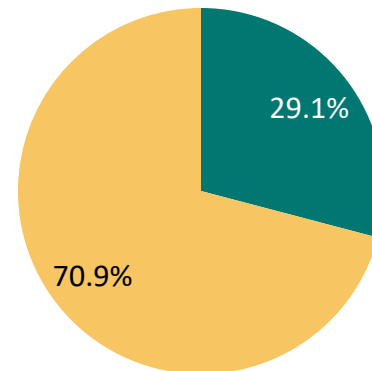


Loan Book segmentation – Significant contribution by indirect channels

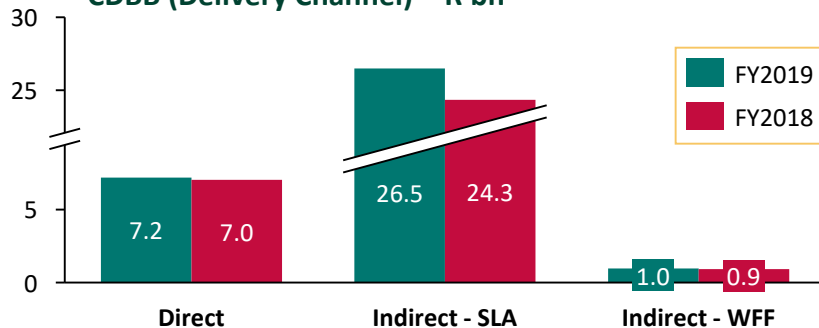
Loan book FY2019



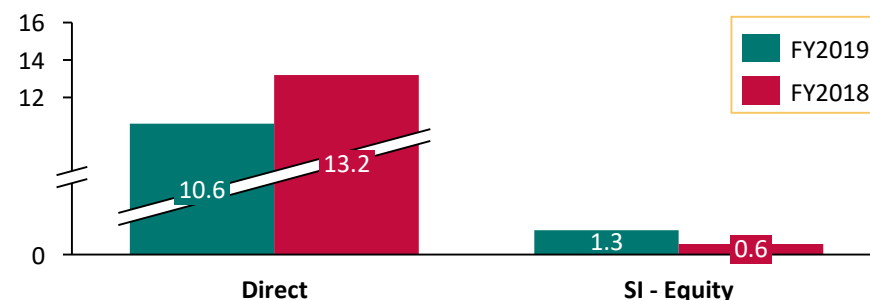
Loan book FY2018



CDBB (Delivery Channel) – R'bn



CB&SI (Delivery Channel) – R'bn



Commercial Development Business Bank (CDBB)

Direct:

Flat year-on-year. Transactions are low value, high volume.

Indirect – SLA:

Growth of 9%, in line with Agricultural inflation of between 8% and 10%.

Indirect – WFF:

Flat year-on-year. Development transactions of low value, high volume.

Corporate Bank & Structured Investments (CB&SI)

Direct: year-on-year decrease as a result of the successful workout of Profert, as well as the SiloCo. Transactions resulting in ca. R3.0 billion decrease.

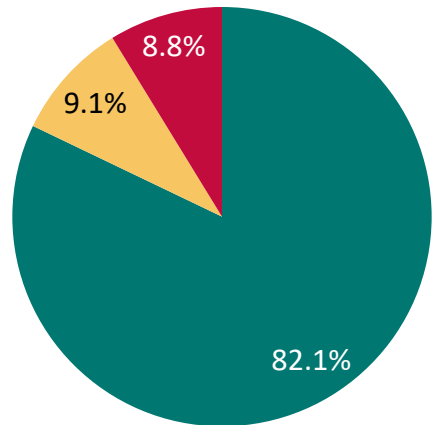
SI – Equity: increase in book is attributable to the successful asset for share swap regarding the Profert transaction, as well as successful landing of SiloCo transaction.

Performance Overview

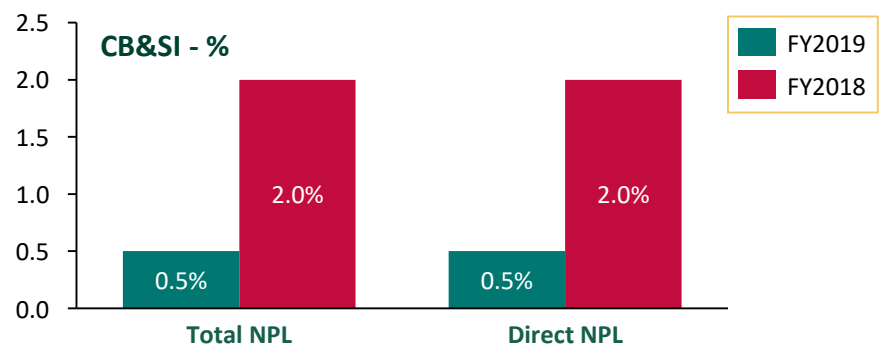
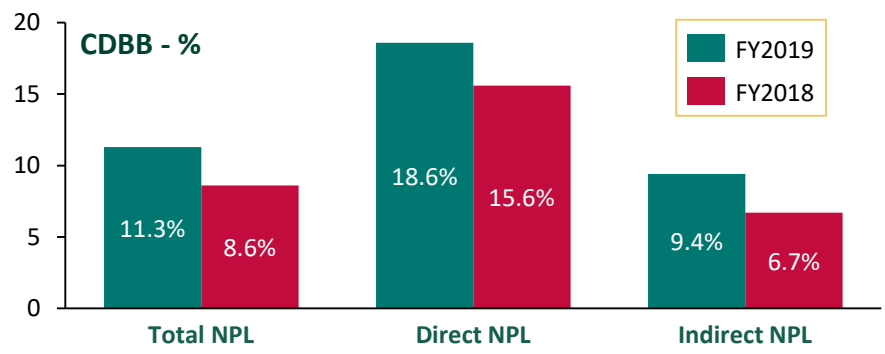
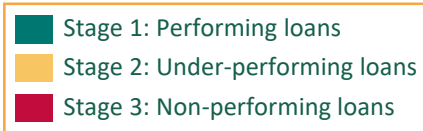
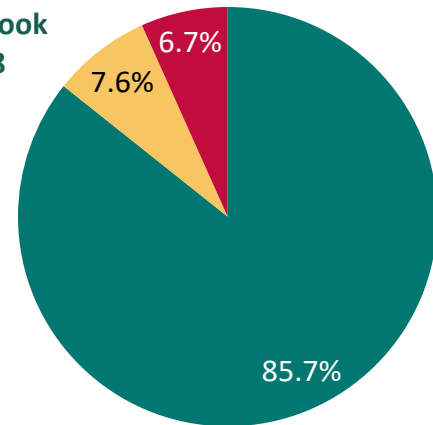


Loan Book performance

Loan book FY2019



Loan book FY2018



NPL's have increased by R1.0 billion due to:

- Persistent drought in western parts, specifically North West and the western Free State.

NPL ratio "base effect" due to:

- R3.0 billion asset decline
- Excluding "base effect" the NPL ratio is 8.3%

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:

- Capital Adequacy Ratio (CAR)
- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ratio (NSFR)

Board approved deviations:

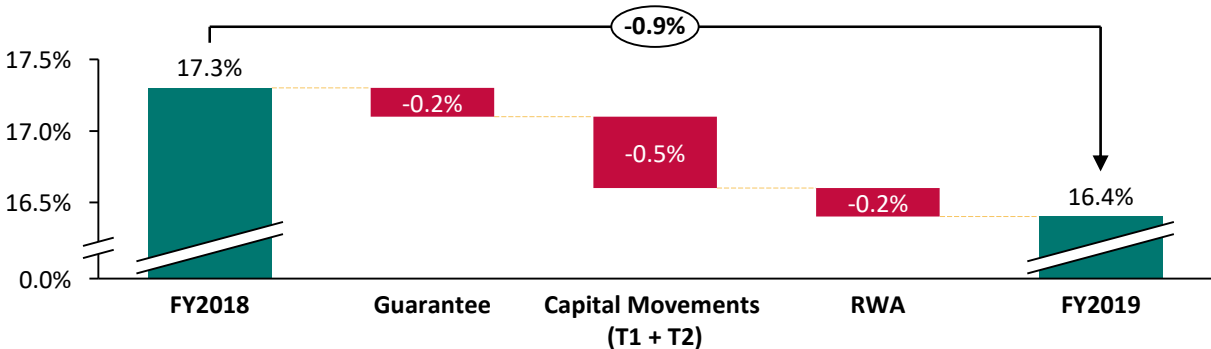
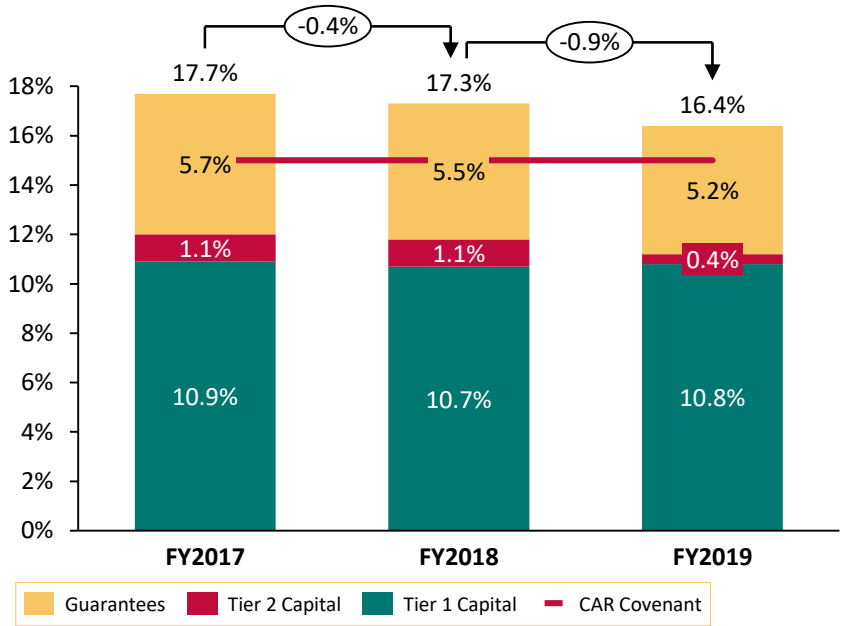
CAR

- Inclusion of Government guarantees as Capital Supply

LCR

- High quality liquid assets
- Roll-over rates

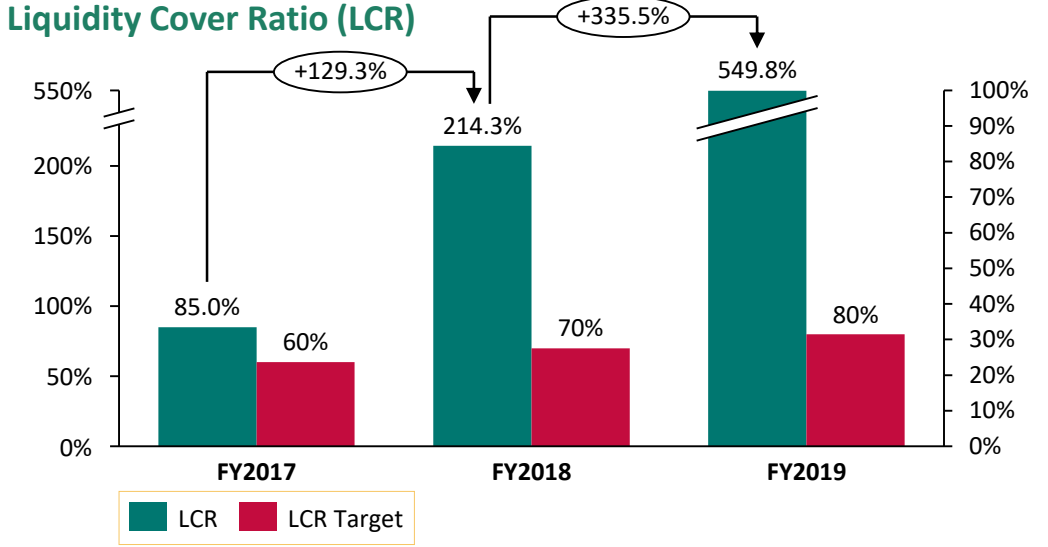
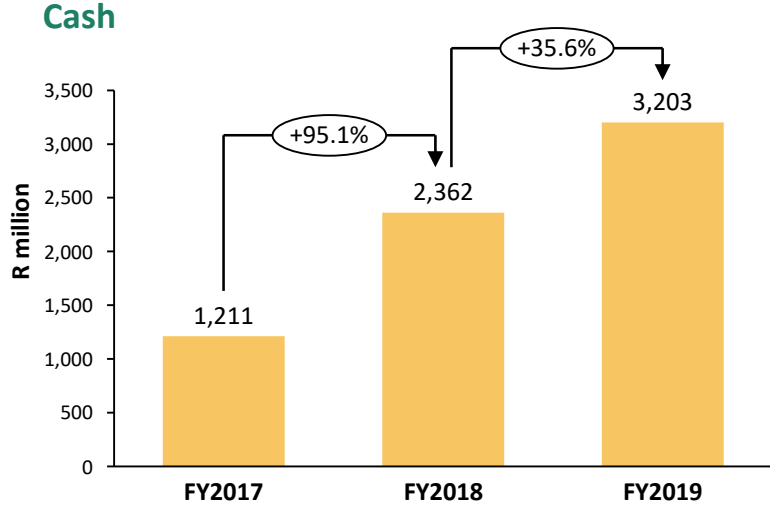
Capital adequacy ratio (CAR)



CAR has declined due to:

- R90m drawdown on World Bank guarantee which is included as sources of “Capital Supply”.
- Tier 2 capital benefit lost as a result of lower NPL coverage, largely due to the successful resolution of the Profert transaction.
- Increase in RWA due to loan growth.

Strong Funding and Liquidity position



Cash and cash equivalents

- Cash requirements are driven by LCR.
- Increase of R1.0bn due to cash not being disbursed due to slow than anticipated loan book growth.
- Access to R2.15 billion Committed and R0.5 billion uncommitted facilities. All facilities currently undrawn.

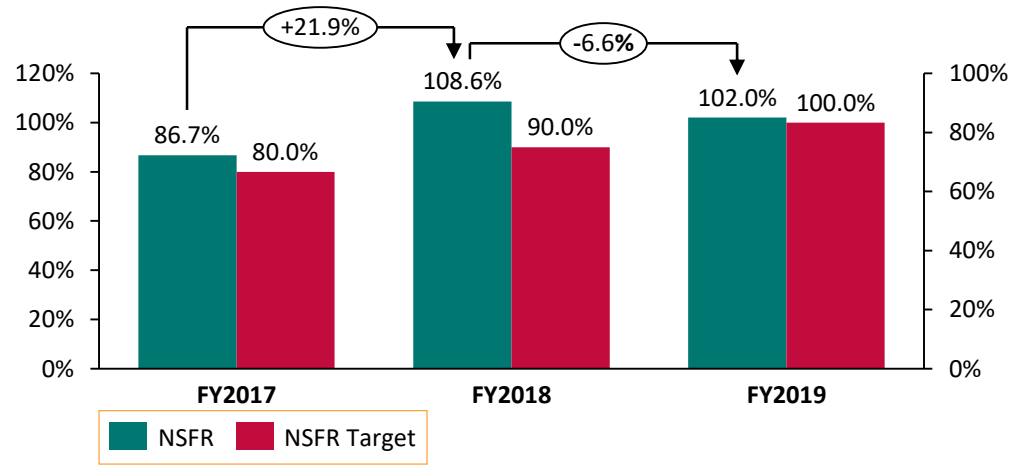
LCR

- Increased cash levels relative to 30 day outflow requirements.

NSFR

- Stable funding negatively impacted by increased maturities within 12 months.

Net stable funding ratio (NSFR)



Financial Overview

Insurance

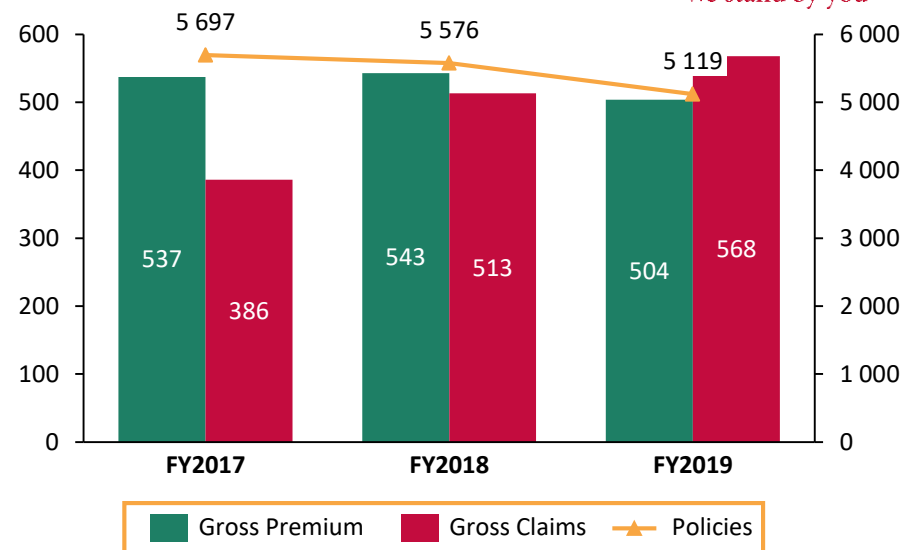


Performance Overview: ST Insurance



High claims ratio resulting in underwriting losses

	FY2019	FY2018	FY2017
Statement of P&L and OCI – R'm			
Underwriting loss	(54.9)	(68.1)	(18.6)
- Net premium	153.5	138.4	130.5
- Net commission	(24.1)	(38.8)	(17.6)
- Net claims	(164.4)	(147.4)	(113.1)
- Operating expenses	(19.9)	(20.3)	(18.4)
Investment income	15.0	17.1	15.9
Net (loss)/ profit	(37.7)	(35.6)	(2.7)
Claims ratio	107%	107%	87%
Statement of Financial Position – R'm			
Cash	5.7	38.6	293.5
Investments	197.0	292.1	-
Short-term insurance assets	254.0	282.4	178.5
Trade and other receivables	585.7	270.3	324.6
Other assets	0.5	0.1	70.0
Total Assets	1,042.9	883.5	868.6
Equity	224.6	282.3	317.9
Short-term insurance liabilities	329.9	398.9	260.2
Trade and other payables	468.4	197.5	288.5
Total Equity and Liabilities	1,042.9	883.5	868.6



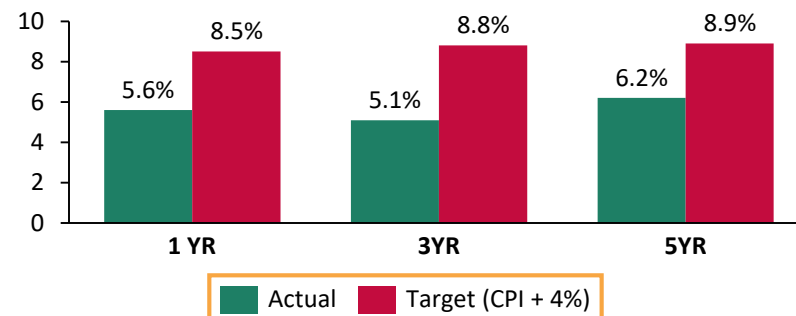
- During the 2017/18 season, LBIC suffered unusually high claims which resulted in some claims of ca. R46 million being settled in the current season 2018/2019. The IBNR raised to absorb such claims was based on the BNI69 methodology which resulted in lower reserves. For the current season a more risk based methodology was applied.
- Net premiums have increased over the past three financial periods but underwriting profit has been adversely affected by a high level of claims, as reported.
- This season's rainfall started much later and was followed by severe hail storms that resulted in a large number of hail claims towards the end of the season.
- The number of policies underwritten between FY2018 & FY2019 reduced substantially. Better pricing of policies assured that GWP didn't reduce in the same ratio.

Performance Overview: Life Insurance



Volatility in investment returns

	FY2019	FY2018	FY2017
Statement of P&L and OCI – R'm			
Underwriting loss	(1.0)	(9.9)	(12.7)
- Net premium	3.4	4.6	4.9
- Net commission	(0.2)	(0.5)	(0.7)
- Net claims	(1.5)	(5.6)	(1.5)
- Net movement in policyholder liabilities	4.2	(1.8)	(7.4)
- Operating expenses	(6.9)	(6.6)	(8.0)
Investment income	76.3	57.0	66.0
Net (loss)/ profit	75.3	47.1	53.3
Statement of Financial Position – R'm			
Cash	4.9	20.3	15.5
Investments	1,346.5	1,271.2	1,226.9
Long-term insurance assets	7.9	10.8	12.1
Trade and other receivables	19.2	9.1	8.9
Other assets	0.1	0.1	0.1
Total Assets	1,378.6	1,311.5	1,263.5
Equity	1,244.8	1,169.5	1,122.4
Long-term insurance liabilities	47.1	55.9	54.8
Trade and other payables	86.7	86.1	86.3
Total Equity and Liabilities	1,378.6	1,311.5	1,263.5



The investment portfolio performance has not been in line with expectations as a result of, amongst other:

- Local equities had a very mixed 12 months depending on the index used to measure performance. The All Share index has returned 5.0% while the Capped SWIX has returned -2.6% in the past 12 months.
- Resources were the main drivers of the returns over the past 12 months returning 41.6% while Industrials and Financials were both negative returning -3.7% and -5.8% respectively over the past 12 months.
- Local bonds had a good month (1.3%) but had a tough 12 month period returning 3.5%.
- The rand has been 22.6% weaker against the US dollar over the past 12 months, a big portion of this has been US dollar strength, against the Euro and Pound the rand was down by 11.5% and 13.8% respectively.
- Offshore equities were up in 4.3% in rand terms for the month and returned 28.2% for the past year

Notwithstanding the above, Land Bank Life Insurance Company (LBLIC) remains well capitalised and profitable.

Looking Forward

- Drive profit through top-line growth.
- Targeting asset growth of R6 billion for FY2020.
- Identify alternative funding solutions
- NPL Rehabilitation
- Continued cost management
- Implementation of digitization strategy
- Delivery channel optimization
- Product diversification





Funding Matters

- Credit Rating
- Funding Profile
- Investor Base
- DMTN Activities



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**
- Last rating: **25 July 2019**
- Outlook: **Negative**

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:

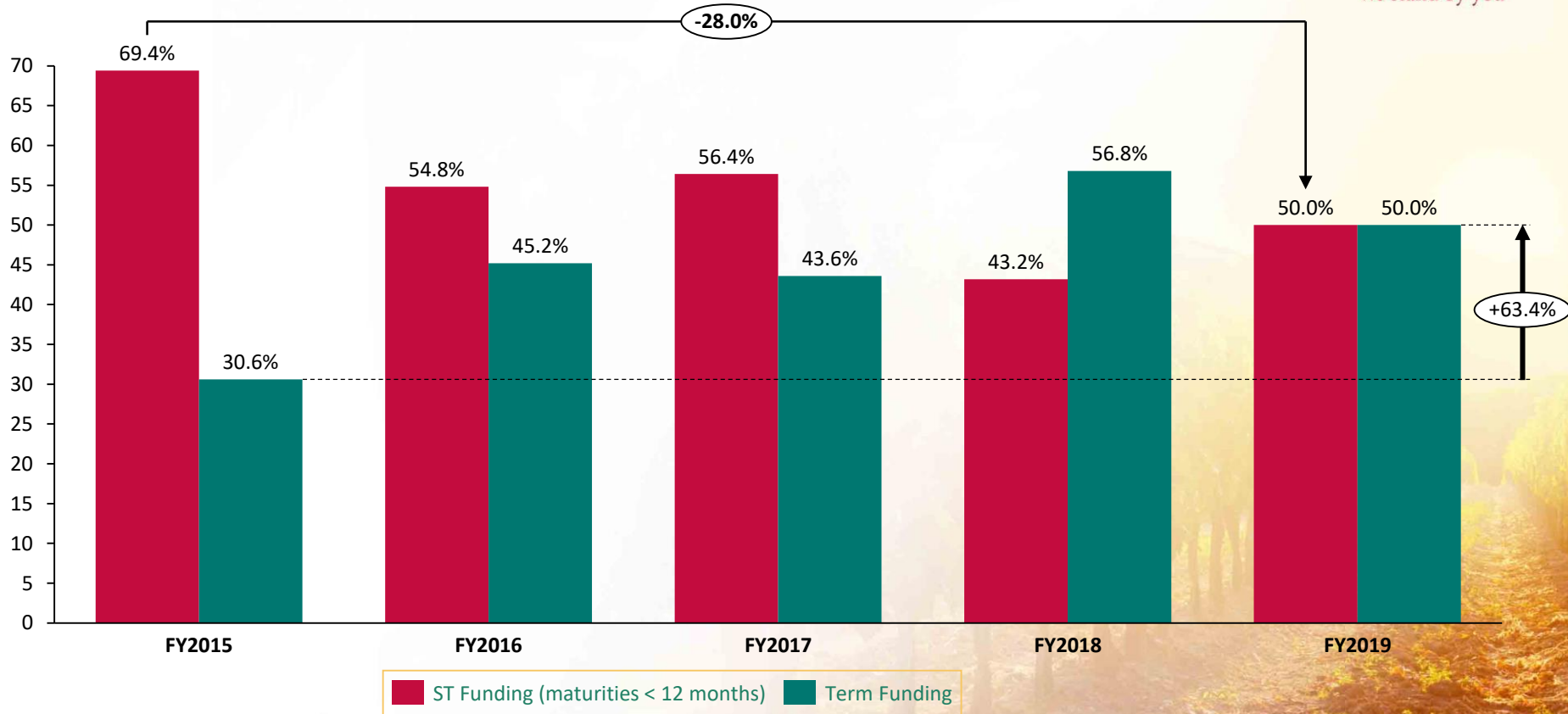
- Funding is raised from Multilateral Institutions
- Funding often requires Government Guarantees
- Funding is applied for:
 - Agricultural “sector growth”
 - Sector transformation in terms of ownership
 - Emerging farmers

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

Funding Matters



Reducing reliance on short-term funding

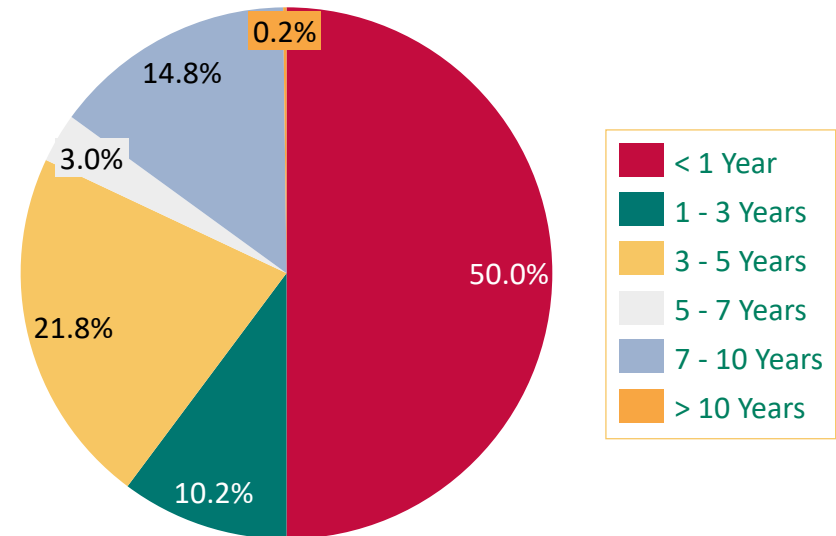


In line with Land Bank's commitment to reduce reliance on short-term funding, the Bank has made great strides in extending the maturity profile, thereby reducing refinancing risk and improving general liquidity levels of the Bank.

Maturity Profile – RttM

Amortised Cost - RttM	Total		Excl. PIC/ CPD	
	R'm	%	R'm	%
FY2019				
Drawn Facilities	-	-	-	-
< 1 Year	22,129	50.0%	11,411	34.0%
1 – 3 Years	4,494	10.2%	4,494	13.4%
3 – 5 Years	9,662	21.8%	9,662	28.8%
5 – 7 Years	1,349	3.0%	1,349	4.0%
7 – 10 Years	6,532	14.8%	6,532	19.5%
> 10 Years	92	0.2%	92.0	0.3%
Total	42,258	100%	33,540	100%

FY2019 – Remaining time to Maturity “RttM”



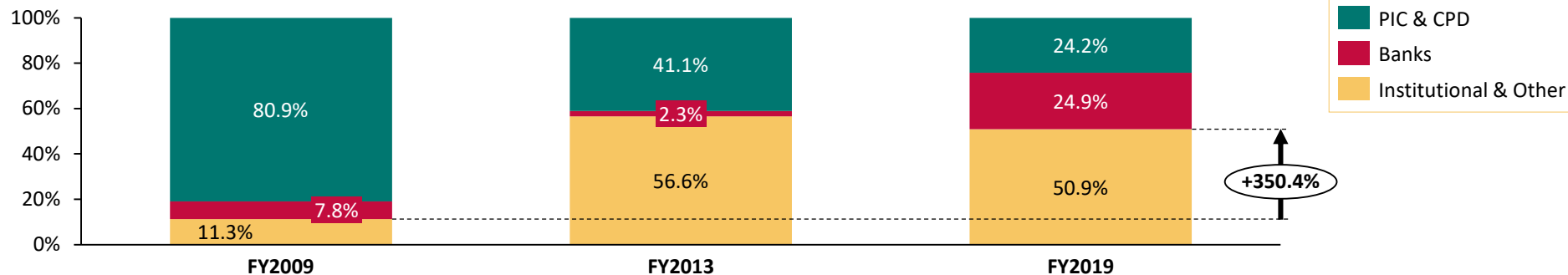
Funding Strategy

- Having made great strides in extending its maturity profile, thereby reducing refinancing risk and improving general liquidity levels of the Bank, the Bank continues to manage its funding book in a risk and price responsible manner.
- 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 31 March 2019, the Bank had R3.2bn cash on balance sheet (R2.4bn in FY2018) with access to a further R2.15bn and R0.5bn in committed and uncommitted facilities respectively

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.

FY2019 @ Nominal	Related Parties	DFI	SOE	Commercial Bank	Foreign Banks	Institutional Investors	Multi-lateral Investors	Agri Companies	Total
Drawn Facilities	-	-	-	-	-	-	-	-	-
< 1 Year	10,718	299	945	1,157	-	8,051	-	959	22,129
1 – 3 Years	-	65	-	2,169	-	2,260	-	-	4,494
3 – 5 Years	-	-	708	3,176	-	5,778	-	-	9,662
5 – 7 Years	-	-	-	535	-	814	-	-	1,349
7 – 10 Years	-	254	-	712	3,272	311	1,983	-	6,532
> 10 Years	-	-	-	-	-	-	92	-	92
Total	10,718	617	1,653	7,749	3,272	17,215	2,075	959	44,258
% Distribution	24.2%	1.4%	3.7%	17.5%	7.4%	38.9%	4.7%	2.2%	

Summary of funding activities for FY2019

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	R11.4bn	R43.5bn	R46.4bn
Debt rolled over	R8.0bn	R13.1bn	R9.0bn	R9.4bn	R39.5bn	R38.0bn
New funding raised *	R1.6bn	R1.5bn	R2.7bn	R5.2bn	R11.0bn	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/ 21/ 25) R2.12bn
- Guaranteed Syndicated Loans R2.63bn
- **Total R4.75bn**

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

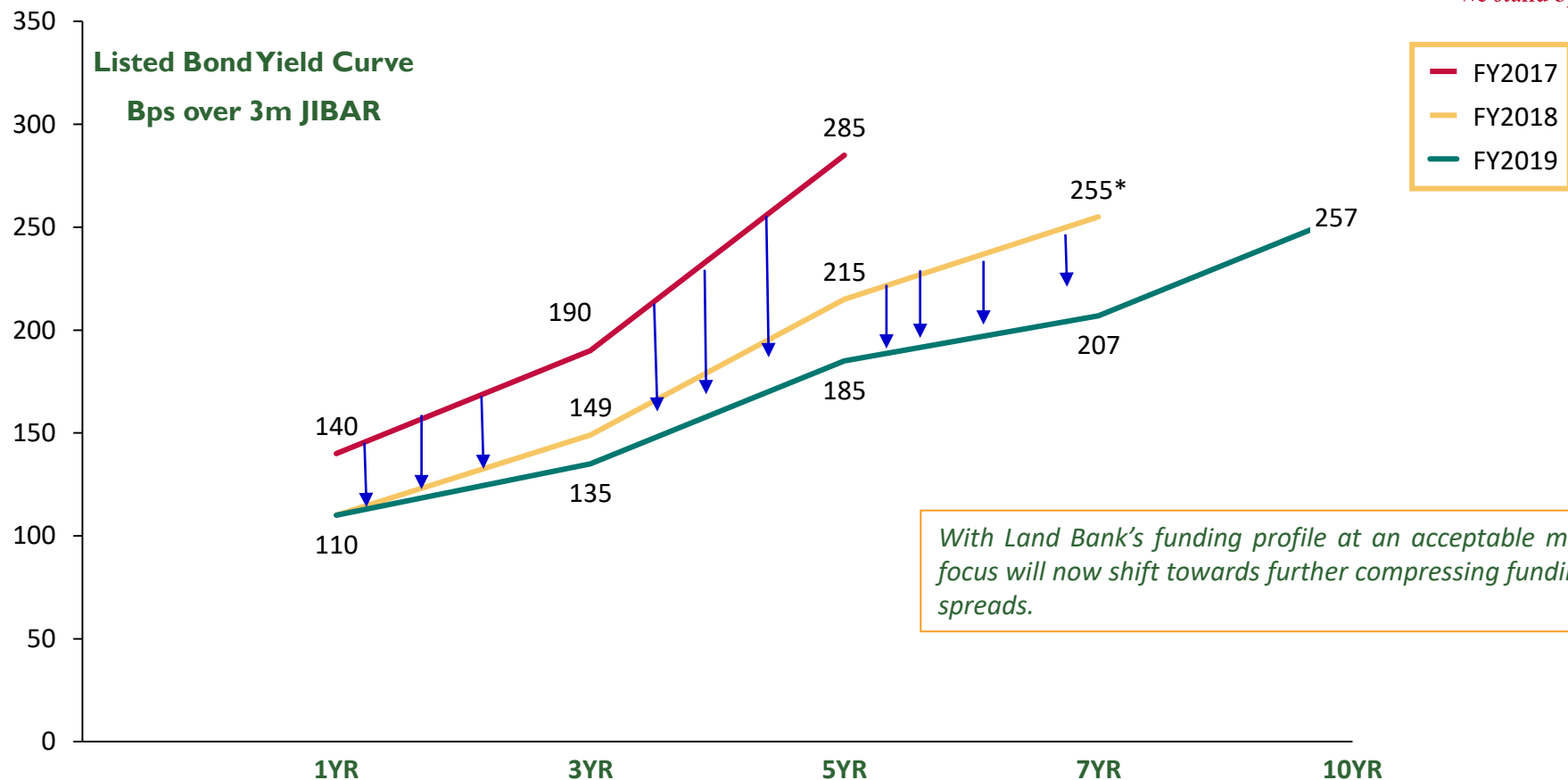
FY2019 was a good funding year with Land Bank achieving average roll-over rates as follows:

Roll-Over Rates	12 Month Rolling Ave
Excl. PIC/ CPD	68.0%
PIC/ CPD	100.0%
Total	90.0%

Position of the R30bn DMTN Programme (31 March 2019)

- Issued R22.17bn
- Matured R 8.92bn
- Currently Open R13.25bn (20 bonds)
- **Available R 7.83bn**

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 vastly 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

DMTN issuance summary and funding needs

Position of the R30bn DMTN Programme (31 August 2019)

- Issued under the programme: R 23.97bn
- Matured: R 8.92bn
- Currently Outstanding: R 15.05bn (22 bonds)
- Available: R 6.03bn

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

Summary of significant maturities to 31 December 2019

DMTN Maturities			Bi-lateral maturities		
Instrument	Amount	Date	Instrument	Amount	Date
LBK08 (5YR FRN)	R0.352bn	Oct 2019	Step Rate Notes (SRN)	R0.930bn	Oct 2019
LBK11 (1yr)	R0.490bn	Nov 2019	Step Rate Notes (SRN)	R0.881bn	Nov 2019
LBK16	R0.190bn	Nov 2019			
Total	R1.005bn		Total	R1.811bn	

Total debt maturities to 31 Dec 2019 amounts to R1.005bn (listed bonds) and R1.811bn (SRN's). The Bank is however not necessarily looking to refinance the maturing Step Rate Notes and will be assessed at maturity relative to liquidity.

Planned DMTN Issuances to 31 December 2019

- FY2020/Q3: R1.0bn Immediate refinance need

Optional redemption features

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



Bond Auction

- October 2019



Listed Bond Auction



October 2019 Issuance – Draft termsheet

Issuer 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	[02] October 2019		
Settlement Date	T + 3 days		
Targeted Issue Size	[R0.75bn] across the Notes with the option to upsize to R1.0bn subject to volume being within price guidance		
Instrument	Listed Floating Rate Notes		
Stock Code	[LBK38]	[LBK39]	[LBK40]
Maturity Date	Oct 2020	Oct 2022	Oct 2024
Term	1-year	3-year	5-year
Price Guidance	[TBC] bps	[TBC] bps	[TBC] bps
Pricing Benchmark	3m JIBAR	3m JIBAR	3m JIBAR

- *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

- Environmental, Social and Governance
- Geographic Information Systems
- Debt Management Programme
- Interest Rate Risk Management





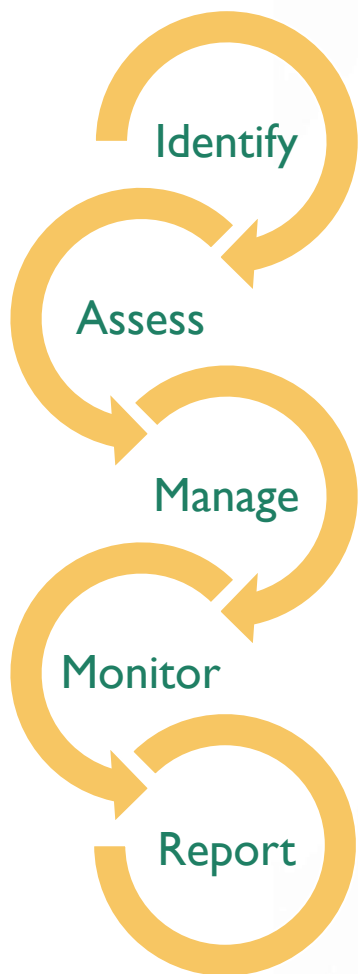
Environmental, Social and Governance

- Environmental and Social Management System
- Environmental and Social Risk Assessment
- Climate-Smart Agriculture



Land Bank's Environmental and Social Management System (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; and
- Promote efficient utilisation of materials and sustainability.



The Land Bank applies an Environmental and Social Risk Assessment (ESRA) to all projects financed. The ESRA process is an element of the ESMS. 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; and
- **Report** on performance

Climate-Smart Agriculture (CSA)



- Climate-Smart Agriculture (CSA) is an integrated approach to developing technical, policy and investment conditions to achieve sustainable agricultural development for food security under climate change.
- CSA strives to achieve:

1. Increased Agricultural Productivity & Income	2. Enhanced Resilience to Climate Change	3. Reduced Greenhouse Gas (GHG) emissions
<ul style="list-style-type: none">• Sustainably produce more food to improve food and nutrition security and boost the incomes of 75 percent of the world's poor who live in rural areas and mainly rely on agriculture for their livelihoods	<ul style="list-style-type: none">• Reduce vulnerability to drought, pests, disease and other shocks; and to improve capacity to adapt and grow in the face of longer-term stresses like shortened seasons and erratic weather patterns.	<ul style="list-style-type: none">• Pursue lower emissions for each calorie or kilo of food produced, avoid deforestation from agriculture and identify ways to suck carbon out of the atmosphere

- The concept of Climate-Smart Agriculture is evolving and there is no one-size-fits-all blueprint for how it might be pursued.
- The Bank places emphasis on projects that look into Climate Mitigation as well as Climate Adaptation



Geographic information system (GIS)

- What is GIS?
- Importance and benefits of GIS in Banking
- Geospatial Intelligence Technology at the Land Bank



Geographic information systems

What is GIS?

- A geographic information system (GIS) is a framework for gathering, managing, and analysing data. Rooted in the science of geography, GIS integrates many types of data.
- GIS reveals deeper insights into data, such as patterns, relationships, and situations—helping users make smarter decisions.
- It analyses spatial location and organizes layers of information into visualizations using maps.
- GIS technology is about maps and data. It is about making data visual and interactive by displaying it geographically in a digital format.
- GIS allows users to query and analyse information on infrastructure assets based on their location and spatial relationships to other features
- Location is a critical component in almost every business transaction

Where?



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What?

Address	Floors	Building material	Occupants
420 Witch Hazel Avenue	2	Bricks	4

Importance and Benefits of GIS in Banking

Importance of GIS in Banking

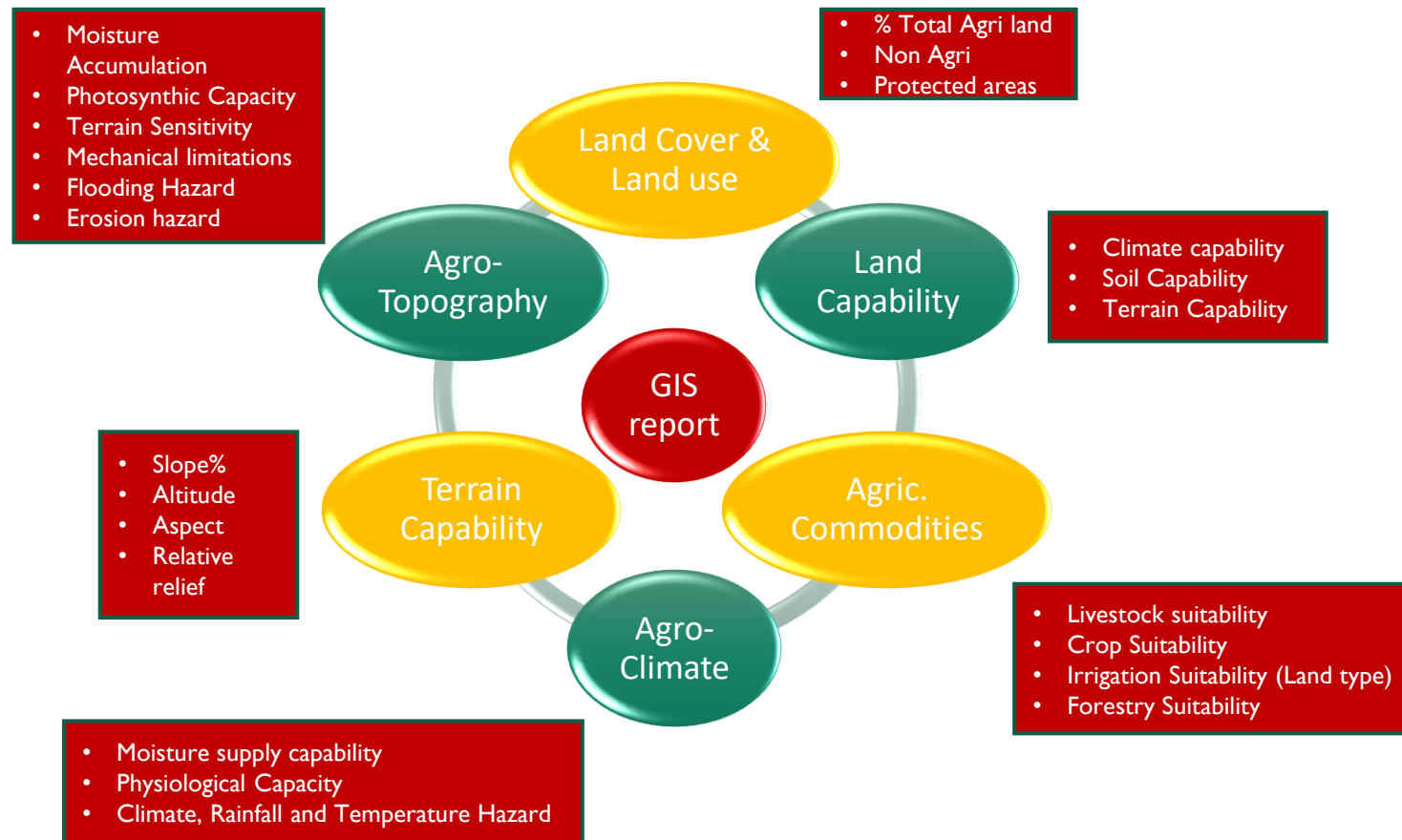
- **Customer Analysis and Management:** Customer analysis useful in determining customer characteristics and distribution on a map as well as identifying areas to grow customer base. Management includes the management of exposure in a specific area. If you add real time (during crop season) monitoring you can evaluate loan performance over the crop season and manage risk of default.
- **Market analysis:** GIS based marketing analysis proves relevant and useful in understanding financial needs of market and potential customers for their finance products and services. GIS helps in pinpoint demand and supplies to their geographic locations.
- **Decision Making:** If the bank has a good historical database of the performance of agriculture clients it will improve decision making based on a single GIS view of multiple factors like soil analysis, crop management, crop suitability, yield per farm for the crop and transport cost of the crop to market which will be an aid to decision making.

Benefits of GIS in Banking:

- When data is of excellent quality, it can be easily processed and analysed, leading to insights that help the organisation make better decisions. High-quality data is essential to business intelligence efforts and other types of data analytics, as well as better operational efficiency.
- Expansion of Customer base and managing its database
- Improving Quality of the Services using GIS
- Increasing Consumer Satisfaction
- Consistent Business/ financial Growth and expansion
- Increase in Profitability

Geographic information systems

Intended application of Geospatial Intelligence Technology at the Land Bank



Anticipated roll-out over an 12 – 18 month time horizon.



Debt Management Programme

- Sinking Fund



Sinking Fund

- 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 FY2019, the Land Bank established the fund, by way of a R500 million bullet investment.
- The fund has since been increased to ca. R1.0 billion.
- Furthermore, in line with the Bank's development/ transformation commitment Land Bank has allocated these funds with black emerging Asset Managers (currently four on book), while at least 50% of funds will be placed through black Brokers.



Interest Rate Risk Management

- Managing Prime-Jibar Basis Risk



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 31 March 2019, the Land Bank had entered into 87 swap transactions to the nominal value of R11.37 billion with the swaps fair value totalling R80.5 million (asset).

Thank You!



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