

LAND BANK POST ROADSHOW FEEDBACK



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During the Land Bank's NDR in September 2016 three themes emerged strongly, wiz:

1. Governance Matters
2. Impact of the Drought on the Land Bank
3. Funding Matters





GOVERNANCE MATTERS





Vision and Mandate	Development Mandate	Governance
<ul style="list-style-type: none"> • Equitable ownership of agricultural land, in particular increasing ownership of agricultural land by HDI persons • Agrarian reform, land redistribution / development programmes aimed at HDI persons • Rural development and job creation • 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 • Food security 	<ul style="list-style-type: none"> • Alignment to the National Development Plan (“NDP”); a priority sector to reduce poverty, food insecurity and drive sustainable economic growth • Stimulates growth, drives solid performance and spurs innovation • Work with all stakeholders to build an adaptive and competitive agricultural sector • Promote Transformation (Sector Inclusivity) • Increase emphasis on environmental and developmental sustainability 	<ul style="list-style-type: none"> • National Treasury (“NT”) is the Executive Authority of the Bank • An independent Board appointed by NT consisting of an independent non-executive Chairman and nine individual non-executive members provides independent oversight • The Board has a Code of Conduct which is aligned to best practice • Independent Credit and Investment Committee consisting of an independent non-executive Chairman • Four individual non-executive members supports the independence of credit granting decisions • A policy on lending to Politically Exposed Persons has been approved by the Board • A strong domestic Aa1.za credit rating assigned by Moody’s Investment Services • The Bank has received a unqualified audit opinions since FY2012 • The Bank has received clean audit report awards from the Auditor-General for three years running

Mission

To work with all stakeholders to build an adaptive and competitive agricultural sector that drives environmental, social and economic development, and contributes to food security

Corporate Governance

Overall Structure



Shareholder
Minister of Finance



{ Executive Authority }

Board of Directors

{ Accounting Authority }

Mr. MA Moloto

Ms. D Hlatshwayo

Prof. ASM Karaan

Ms. DN Motau

Ms. SA Lund

Ms. TT Ngcobo

Adv. S Coetsee

Ms. M Makgatho

Ms. N Zwane

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 Resource, Social & Ethics Committee

- Monitor, Review and Oversee all Human Resources, 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

Mr. B van Rooy

Ms. M Dlamini

Mr. F Stiglingh

Mr. S Soundy

Ms. K Gugushe

Mr. W Jacobs

Mr. G Conway

Ms. L Ndlovu

Mr. J Mthembu

Mr. A Yabo

Board Membership



Board Membership and qualifications

Board Member	Academic Qualifications	Audit and Finance (AFC)	Risk and Governance (RGC)	Credit and Investment (CIC)	Human Resources & Social and Ethics (HR&SEC)
Non-Executive Directors					
Mr A Moloto (Board Chair)	MSc (Finance and Financial Law); Postgraduate Diploma in Economic Principles; BA (Hons) Development Studies; BA Education			X	X
Ms D Hlatshwayo	Bachelor of Social Science (Hons); MBA with specialization in Advanced Corporate Finance, Senior Executive Leadership Development Programmes Harvard and Wits	X		X	X
Ms N Zwane	MSc (Agricultural Science); BSc (Chemistry and Botany)	X		X	X
Prof. ASM Karaan (CIC Chair)	PhD Agriculture; MSc Agriculture in Economics; BSc (Hons) Agriculture; BSc Agriculture	X		X	
Ms S Lund (RGC Chair)	MA (Rural Development Planning), BA (Hons), B.Journ, Senior Executive Programme (Harvard & Wits Business Schools)	X	X		
Ms TT Ngcobo (HR&SEC Chair)	BA (Social Science); Management Development Programme (Harvard Business School, Boston USA); Post Graduate Diploma in Management		X		X
Ms Motau	B Com; Certificate in Business Project Management; Diploma in Advance Banking			X	X
Adv. S Coetzee	Baccalaures Legum Civilum (BLC); LLB		X		X
Ms M Makgatho (Acting AFC Chair)	Masters in Development Finance; BComm (Hons) in Economics.	X		X	
Executive Directors (attend all Board meetings as non-voting members)					
Mr TP Nchocho (CEO)	MSc in Development Finance and Economics; Master of Business Leadership; Bachelor of Commerce				
Mr B van Rooy (CFO)	Chartered Accountant; Bachelor of Commerce Honours, CTA; Bachelor of Commerce				

Executive Management and qualifications

Executive Member	Position	Academic Qualifications)
Mr T P Nchocho	Chief Executive Officer	MSc in Development Finance and Economics; Master of Business Leadership; Bachelor of Commerce
Mr B van Rooy	Chief Financial Officer	Bachelor of Commerce Honours, CTA; Bachelor of Commerce; Chartered Accountant
Ms K Gugushe	Chief Risk Officer	Bachelor of Commerce, Accounting and Commercial Law; Post-Graduate Diploma in Accounting; Certificate in the Theory and Practice of Auditing; Chartered Accountant (SA)
Mr G Conway	Executive Manager Structured Finance and Transformation	Master of Business Administration; Post-Graduate Diploma in Utility Management; Bachelor of Social Science
Mr SJ Mthembu	Executive Manager Legal Services	LLM-Corporate Law; B Proc.; Certificate in Senior Leadership Programme; Certificate in Accounting Law; Certificate in Integrated Bar Project; Certificate in Conveyancing
Ms L Ndlovu	Executive Manager Strategy, Marketing, Communication and Policy	Bachelor of Science, Industrial Information Technology; Post-Graduate Management Development Programme; MBA
Ms M Dlamini	Executive Manager Human Resource	Bachelor of Arts (Social Science) Degree; Masters Diploma in Human Resources; Programme in Advanced Marketing Management; Advanced Diploma in Business Management; International Executive Development Programme; Leadership Development Programme for Senior Managers
Mr SCE Soundy	Executive Manager Commercial Development Banking	Bachelor of Administration; Bachelor of Administration Honours, Industrial Psychology; Graduate Diploma in Marketing; MBA; Global Executive Development Programme
Mr WJ Jacobs	Executive Manager Corporate Banking	Bachelor of Science, Agricultural Economy; MBA
Mr F Stiglingh	Executive Manager Portfolio Management Services	Management Development Programme; Financial Accounting; Senior Management Retail Development; Senior Management Corporate Governance Programme; Senior Management Programme; Executive Development Programme



DROUGHT MATTERS



Drought

Impact on the Land Bank



SLA Exposure – Oct 2016

SLA Partner	Total SLA Exposure R'm	# Clients Affected	Drought Related Arrears R'm	Restructuring/ Carry Over Approved * R'm	Restructuring/ Carry Over WIP * R'm	Payment Extension from Grain R'm	Legal Collection R'm
SLA 1	8,511.1	259	236.5	107.2	91.2	59.1	17.8
SLA 2	3,233.7	910	458.9	108.9	245.5	31.7	254.7
SLA 3	2,418.2	1,027	54.8	11.9	11.9	-	29.9
SLA 4	1,023.3	19	5.2	-	6.0	2.8	1.7
SLA 5	1,889.4	-	-	-	-	-	-
SLA 6	541.8	-	-	-	-	-	-
Total	17,617.5	2,215	755.4	228.0	354.6	93.6	304.1

Notes

The drought related arrears are being addressed through a restructure, extension or legal collection and the balance still being processed

* Carry-over and Restructured Debt includes production credit facilities for the new season

Corporate Development Banking (CDB) Direct Exposure – Oct 2016

Region	Total Loan Book R'm	# Clients Affected	Drought Related Arrears – R'm	Notes
North	1,548.3	827	117.1	The Portfolio Management Services team is working on these accounts to assist clients through the IDC concessionary loans, extensions with the last resort being legal collection
Central	1,596.9	997	20.6	
South	2,540.8	1,524	17.0	
Total	5,686.0	3,348	154.7	

Drought Relief – Oct 2016

	Prior to IDC Drought Relief Facility		Under IDC Drought Relief Facility		Total Drought Relief provided to date		IDC Drought Relief Pipeline	
	# Applications	Value R'm	# Applications	Value R'm	# Applications	Value R'm	# Applications	Value R'm
Approved	32	34.9	57	75.4	89	110.3	34	139.2
Declined	7	9.1	2	12.4	9	21.5	-	-
Converted to Normal Credit (i.e. not eligible for drought relief)	-	-	6	5.8	6	5.8	-	-
	39	44.0	65	93.6	104	137.6	34	139.2

Assistance prior to IDC Drought Relief Facility

- The Bank provided assistance to drought affected clients through normal lending whilst in negotiations with IDC as follows:
 - ✓ Carryover debt facility for production credit
 - ✓ Restructure and capitalise arrears/instalment due
 - ✓ Granting capital repayment holiday up to 2 years depending on cash flow projections
 - ✓ Interim relaxation of security cover ratios
 - ✓ Extend repayment term for the remaining term of the existing loan
 - ✓ Some clients fall within NCA, reckless lending and over-indebtedness is a legal risk for the bank
 - ✓ A meeting was convened with the NCR to sought their opinion and they supported the advancement of emergency drought relief funds offered to clients
- The figures have remained the same since the rollout of concessionary loans
- No further applications were considered under initial drought relief scheme since the IDC loans came into effect

Assistance under the IDC Drought Relief Facility

- The Bank has secured a R400 million facility from IDC @ a rate of prime less 3% for the sole purpose of providing concessionary loans to drought affected customers and is applicable to declared disaster areas as per Government Gazette
- These concessionary loans are provided to affected customers at prime less 3%
- The loans may be used for:
 - ✓ Production rehabilitation
 - ✓ Working capital and Operational Expenses required minimizing further losses to current farming operations
 - ✓ Re-stocking of livestock
 - ✓ Preparing for future seasons necessary to continue the farmers' normal sustainable farming operations
 - ✓ Enabling Carry-Over debt and Consolidation of debt
- There is currently still 34 applications to the value of R139.2m in the pipeline undergoing credit assessment

Monitoring

- ❑ The Bank monitors on a regular basis dams levels, rainfall patterns, weather forecast, crop estimates and media to determine the drought impact.
- ❑ The Provincial Offices provide regular updates on area developments on drought or other disasters, e.g. hail, fires, to ascertain impact to the Bank's client and financial support required.
- ❑ The Bank's insurance subsidiary LBIC provides monthly reports on the drought impact, with the past season leading to increase in the claims ratio.
- ❑ EXCO and the Risk & Governance Committee is provided with drought reports on applications and extension requests to monitor progress made.
- ❑ The movement in arrears and non-performing loans is monitored on a monthly basis to evaluate the impact of drought to the total loan book.
- ❑ The financial support provided by the Bank's intermediaries to affected farmers is monitored on a monthly basis.

1

AgriSA / AgriBiz Task Team

5 February 2016

- ❑ Land Bank participated in a discussion with various stakeholders from Organised Agriculture (Commercial & Emerging), Organised Agribusiness, the banking sector and government institutions.
- ❑ 3 categories of farmers were considered for relief:
 - commercial farmers whose balance sheets are not strong;
 - emerging farmers; and
 - small scale farmers (excluded from DAFF but to be escalated to the Department of Social Services).
- ❑ The following considerations were proposed: a guarantee to funders, guarantee to funders for unsecured lending for emerging farmers, insurance product, UIF or subsidy for farm workers in the high drought areas, grain deposit scheme with Land Bank and food safety reserve.
- ❑ A smaller team had to refine the proposed budget figures so as to advise the Minister of DAFF by the 9th February and Land Bank was proposed as the vehicle to channel the funds.

2

Western Cape Drought Dialogue

23 & 24 June 2016

- ❑ Land Bank Management participated in the dialogue and advised on funding interventions available to assist the farmers
- ❑ From the 32 priority challenges a total of five were identified as top priorities to receive immediate attention and focus. These five issues were to be addressed by the provincial drought task teams, which are:
 - Addressing the issue of bridging finance to keep emerging farmers on farms.
 - Optimising Water usage.
 - More accurate predictions of droughts and disasters – and better communication on the matters with stakeholders.
 - Developing a social security net to support mostly rural communities and farmworkers adversely affected by droughts.
 - Revisit water management and policies that are meant to build new infrastructure like dams.

3

National Drought Indaba

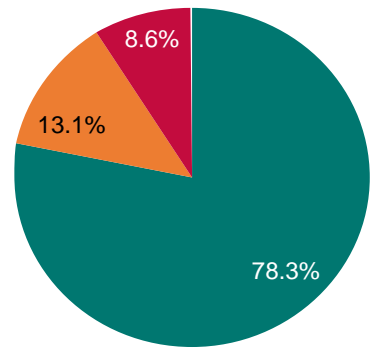
15 & 16 September 2016

- ❑ Land Bank Management attended the Indaba and participated in the commission deliberations
- ❑ Land Bank has been identified as a conduit to channel government funds for financial support interventions for drought response mitigation
- ❑ Four commissions ran parallel to focus on a key topic taking the following into account:
 - Institutional response to drought response
 - National response capacity
 - Adaptation and mitigation measures
 - Communication arrangements for disaster risk management

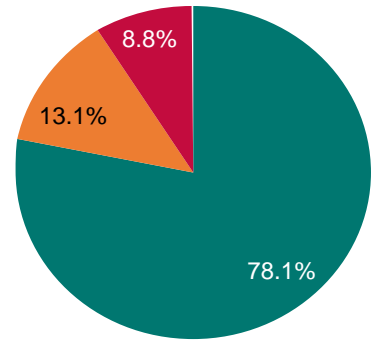
Loan Book Performance



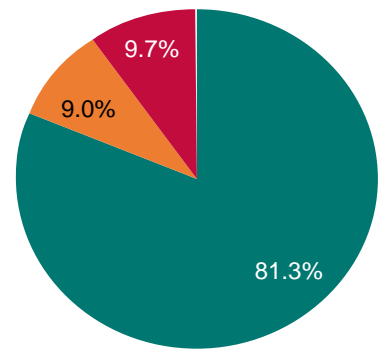
Loan book – FY2017 (Oct'16)



Loan book – FY2016



Loan book – FY2015

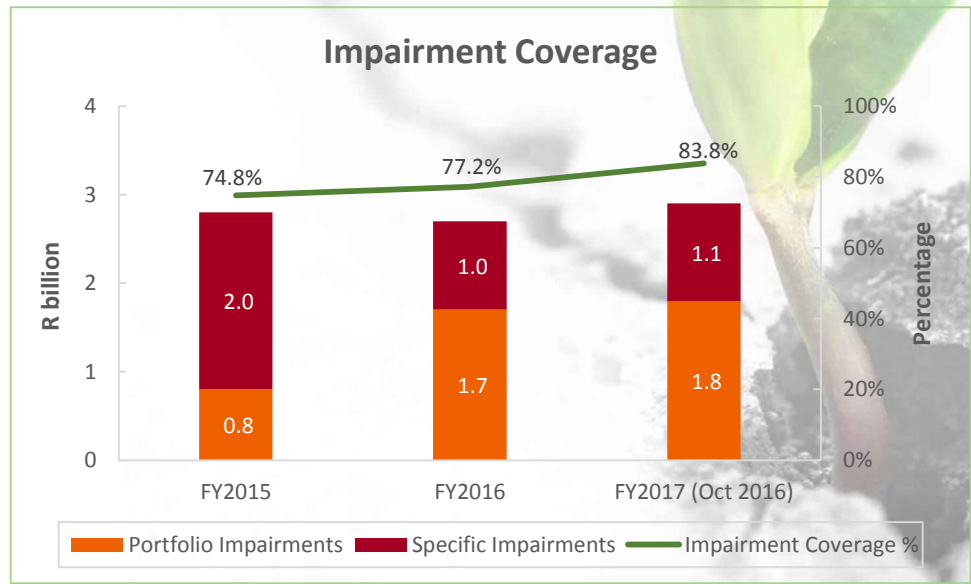


■ Stage 1: Performing loans
 ■ Stage 2: Under-performing loans
 ■ Stage 3: Non-performing loans

The Loan Book performance has remained relatively unchanged from the 31 March 2016 position. The Land Bank has significant progress w.r.t. workout solutions of 4 Corporate Distress clients which significantly influences the Stage 2 and Stage 3 classifications, with the expectation that these matters would be concluded by 31 March 2017.

The Bank's impairment coverage ratio further improved to 83.8% (FY2016: 77.2%)

Note: the NDR deck as presented in Sept 2016 noted R1.7bn for both portfolio and specific impairments, although the coverage ratio Of 77.2% was correct. The correct FY2016 positions are now reflected





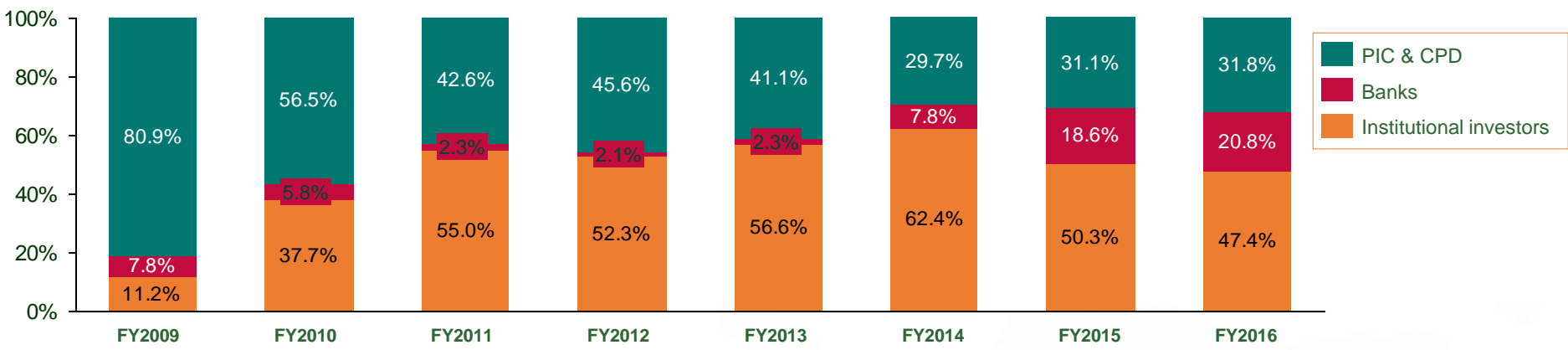
FUNDING MATTERS



Funding Profile



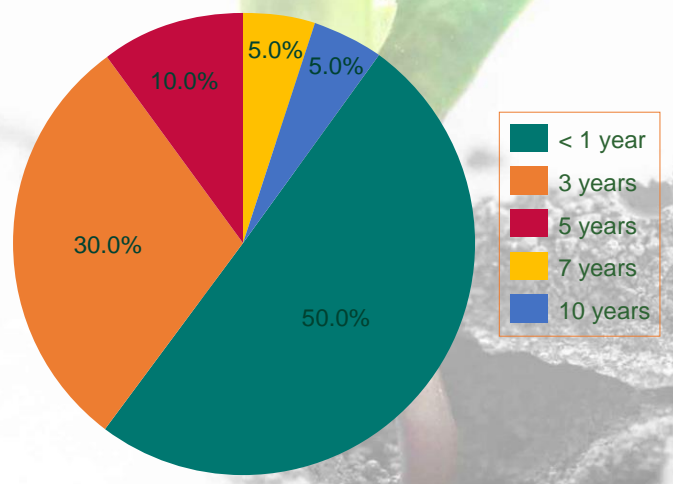
Diversification of investor base



Funding profile – Remaining Term	FY2016	% of Total	FY2015	% of Total
0 – 3 months	14,807.9	44.7%	10,725.5	34.8%
3 – 6 months	773.6	2.3%	4,513.7	14.6%
6 – 9 months	2,014.6	6.1%	2,912.8	9.4%
9 – 12 months	1,693.1	5.1%	4,311.8	14.0%
Total maturities < 12 months	19,289.1	58.2%¹	22,463.8	72.8%¹
1 – 5 years	9,238.0	28.1%	7,795.6	25.3%
> 5 years	4,538.9	13.7%	587.9	1.9%
Total – Continuing operations	33,156.1	100%	30,847.1	100%
Discontinued operations	868.1		824.8	
Total	34,024.2		31,671.8	

¹ Comparative position based on Original Term to Maturity is 59.0% (FY2015: 69.0%)

Funding Profile Medium Term target



Notes on summary of the Bank's funding activities for FY2017 YTD

- Total maturities: R 24.0bn
- Debt rolled over: R 17.3bn
- New funding raised: R 7.2bn
- **Net funding YTD: R 0.5bn**

FY2017 has been a good funding year with the Land Bank's achieving average roll-over rates as follows:

- Excl. PIC/ CPD: 71%
- PIC/ CPD: 100%
- **Total: 84%**

Notes on the current position of the R20bn DMTN Programme

- Issued under the programme: R8.4268bn
- Matured: R3.525bn
- Currently Open: R4.9018bn (10 bonds)
- Available: R11.5732bn



Notes on Liquidity and other Contingencies

- Land Bank has R2bn general facilities which the Bank taps into from time to time. Of these facilities R1.5bn is committed and R0.5bn is uncommitted.
- The Bank maintains cash level of R1.5bn – R2.0bn at any given time to meet the Basel III Liquidity Coverage Ratio
- The Bank has approx. R2.0bn worth of investments that can be liquidated should the need arise.
- A R5.0bn facility is in place with the PIC in cases of extreme emergencies
- As a last resort the Bank can off load assets

Notes on initiative for enhancing the Funding Profile

- The Land Bank remains committed to reduce its reliance on short-term funding to below 50%. To this end the Bank notes the following:
 - ✓ The Land Bank has formally approached the PIC to restructure its short-term debt exposure of approx. R9bn into longer dated term debt (in line with the Bank's Medium Term Target Profile) and the application is currently being assessed by the PIC credit team.
 - ✓ During FY2017/H2 (up to 9th Dec 2016) the Bank successfully secured R2.31bn longer dated funding (3YR: R1.885bn; 5YR: R0.425bn)
 - ✓ There is a \$300m ZAR equivalent 10YR facility in the pipeline

Notes on enhancing the Bank's DMTN Programme

- To enhance investor protection and transparency the Bank is currently in process of reviewing its DMTN Programme. The outcome of the review will be socialised with investors during FY2017/Q4

Other initiatives

- To enhance transparency to investors the Bank has revamped its Investor Relations page detailing the following:
 - ✓ Governance structures within the organisation;
 - ✓ Board and Sub-Board Committee membership and turnover;
 - ✓ Executive Management membership and turnover;
 - ✓ Fraud and Ethics;
 - ✓ Environmental and Social Sustainability;
 - ✓ Procurement Policies; and
 - ✓ DMTN Programme
- Land Bank has successfully renegotiated existing financial loan covenants with investors to standardised and align to new Capital, Funding/ Liquidity and Credit risk management practices. To this end the Bank's standardised financial loan covenants are:
 - ✓ Capital Adequacy Ratio \geq 15%
 - ✓ Liquidity Coverage Ratio \geq 60% (10% pa increase until 100% is reached)
 - ✓ Net Stable Funding Ratio \geq 80% (10% pa increase until 100% is reached)
 - ✓ Non-performing Loans of \leq 10% (90 days past due – IFRS 9)
 - ✓ Cost-to-income Ratio of \leq 65%

Ratings Update

- Following the “ratings watch” announced by Moody's on the 15th Sept 2016, Land Bank is pleased to announce that on the 5th Dec 2016 Moody's affirmed Land Bank's rating as follows:
 - ✓ Issuer rating: Baa2
 - ✓ NSR Issuer Rating: Aa1.za

Land Bank is a sound investment proposition with:

- Strong corporate governance structures
- A well defined strategy that promotes transformation and growth inline with the NDP
- Strong external credit rating
- Well diversified sources of funding – not solely ratings dependent
- Strong financial performance despite a challenging macro-economic environment





LAND BANK

THANK YOU!