LAND BANK ANNUAL REPORT: FY2018

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- JSE – Johannesburg
- 20 August 2018

Agenda

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1. Opening remarks by the Programme Director: Mr. Sydney Soundy
2. Welcome address by the Chairman of the Board: Mr. Arthur Moloto
3. Statement by the Minister of Finance: Honorable Mr. Nhlanhla Nene (MP)
4. Questions & Answers
5. Introductory Presentation by the Chief Executive Officer: Mr. TP Nchocho
6. Presentation by the Chief Financial Officer: Mr. Bennie van Rooy
7. Questions & Answers
8. Lunch



OPENING REMARKS BY THE PROGRAMME DIRECTOR

WELCOME ADDRESS BY THE CHAIRMAN OF THE BOARD

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STATEMENT BY THE MINISTER OF FINANCE

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QUESTIONS & ANSWERS

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INTRODUCTORY PRESENTATION BY THE CHIEF EXECUTIVE OFFICER

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Context to the Bank's Operational & Financial Performance

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Overview:
The Agricultural Sector Economy

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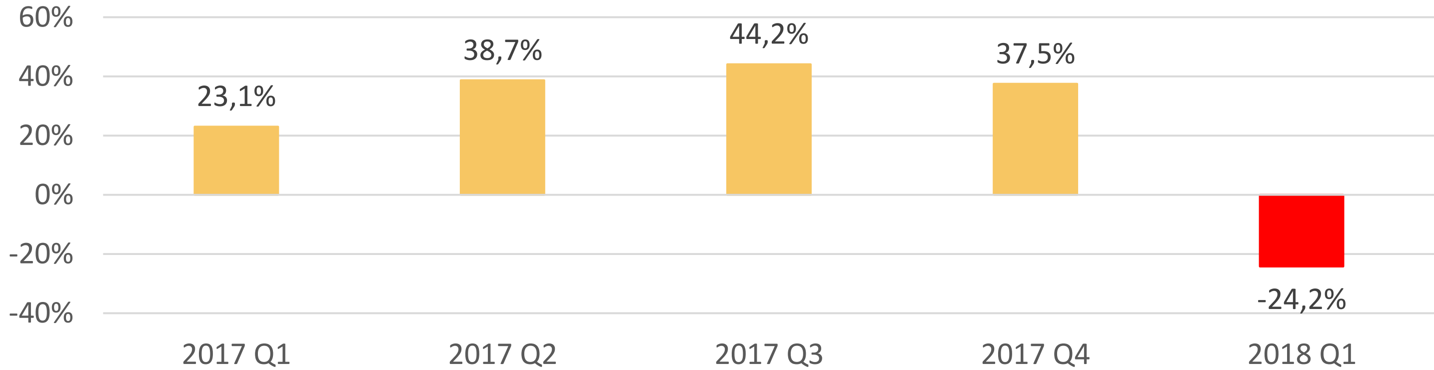
Real growth rate in Agriculture, Forestry & Fishery



Source: Land Bank, Stats SA

- Generally, 2017/18 was a good agricultural year. Recovery from the recent 2 consecutive years of drought.
- Therefore, these generally good sector conditions have found expression in the lending and investment activities of the Bank, e.g.
  - ✓ Quality of Loans (NPL ratios)
  - ✓ Transformative Finance (Growth volumes)
- However, on the negative, the effects of drought particularly in the Western Cape posed a significant challenge, but the Bank has been able to work in partnership with clients and navigate the "storms"
- A further negative impact has been the occurrence of hail, in central and northern provinces, causing higher claim ratios for our Insurance Company

Overview:
The Agricultural Sector Economy

- The Main **Challenge in the External Environment** during the Financial Year under review:
  - ✓ National **economic growth** being so much on the low side
  - ✓ Persistent **drought in the Western Cape** in particular, and parts of Eastern Cape
  - ✓ Adverse **weather events** in certain regions - in particular **Hail**
  - ✓ Credit **Ratings** reviews
  - ✓ **Land Policy questions**
- Specific Actions taken to manage **the Western Cape Drought situation**: Western Cape Portfolio Exposure = R4 bil
  - ✓ Concessionary **Drought Relief Facility** of R400m. Approved R334m worth of transactions
  - ✓ On-Farm **Mitigation Measures**: The Bank's Agri-Specialists working in collaboration with Clients
  - ✓ Providing **"Breathing Space" Measures** in terms of flexibility around Credit terms and conditions
  - ✓ **On-the-Field Monitoring** of technical conditions, on a farm-by-farm basis
  - ✓ On-going reviews of the levels Expected **Loss Provisioning**

Overview:
The Agricultural Sector Economy

- Agricultural GDP contracted by 24.2% in Q1 2018 following an impressive growth of 37.5% in Q4 2017
- Contraction was mainly due to technical/statistical reasons and **a drop in the production of field crops and horticultural products, especially from the Western Cape Province due to drought**
- Crops that are predominantly produced in the Western Cape such as winter crops (i.e. wheat, barley and canola), together with summer fruits (stone fruits and grapes) took a huge knock
- **The agricultural sector is expected to perform sluggishly in the next few quarters** given the base effect from last season
- **This is supported by the decline in Agbiz/IDC Agribusiness Confidence index which declined** to 54 in Q2 2018 from 58 in Q1 2018
- This is still above 50, an indication that **there is still some optimism** regarding business conditions in the agricultural sector
- Despite another good season, **agricultural output in 2018 is expected to be lower than in 2017**
- This is mainly due to the very high base, especially for summer crop, created in 2017 (e.g. best maize crop on record)

Delivering on the Bank's Mandate: Development Impact Financing

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- **Dual Mandate**: Support to both the **Established Commercial** & **Emerging / Developmental** farmers/agri-enterprises
- 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

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. 1500 Black farmers supported through direct channels

Continuing to build the Bank's Institutional Capabilities

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People

- Learning Academy initiative: Banking & Credit Skills
- Deepening of Specialist Knowledge: Agricultural Economics & Advisory
- Developing Future Leadership: Talent Programme

Customer Service Experience

- Investment in both Skills and Systems in our Delivery Channels
- Better operational synergies with our Intermediary Partners (SLA's)
- An evolving technology strategy to enhance our Value Proposition

Development Impact

- Growing trend in our Transformative Financing portfolio
- Special programme for greater social inclusion: Youth & Women
- Maintaining significant employment: Seasonal Production Finance

Continuing to build the Bank's Institutional Capabilities

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Risk Management

- On-going investments in enhancing the Risk Management Architecture
- Strongly embedded the Post-Investment Portfolio Management Function
- Strengthening the Monitoring & Evaluation of Financial Intermediary Partners (SLA's)

Investor Confidence

- Successful raising of Long Dated Funding facilities: US$ & EURO
- Deserved particular mention of the Climate Adaptation facility: EIB
- Local capital markets: Successful Placements + Improving Price

Forward Looking

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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

Complexities arising from uncertainty on Land Policy questions

- Fixed capital investment requires long term view?
- The investor community from which the Bank sources its funding?
- Land Bank unequivocally committed to continuing to provide financing to the sector

The strategic importance of Agricultural Insurance

- Climate change effects more pronounced; Sector Vulnerability
- Land Bank's own loan portfolio partly covered by Subsidiary LBIC
- Competitor nations around the World are ahead in terms of providing State-assisted measures for insurance coverage

Forward Looking

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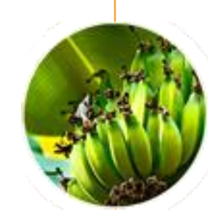
Is there a special case to be made for Agri development in Traditional areas, Former "Homelands"

- According to the UWC PLAAS, approx. 30 % of 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

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?





Conclusion

Our Sincere Appreciation

- Honourable Minister of Finance
- National Treasury Team
- Sector Departments
- Board of Directors
- Our Funders
- Our Channel Partners
- Employees of Land Bank
- Our auditors, the Auditor General of South Africa
- Research Partners
- Our sister DFIs and the Financial Sector generally



PRESENTATION BY THE CHIEF FINANCIAL OFFICER

FY2018: Land Bank Group Results
Financial Overview - Group

Performance Overview: Summary

Salient Features - Group

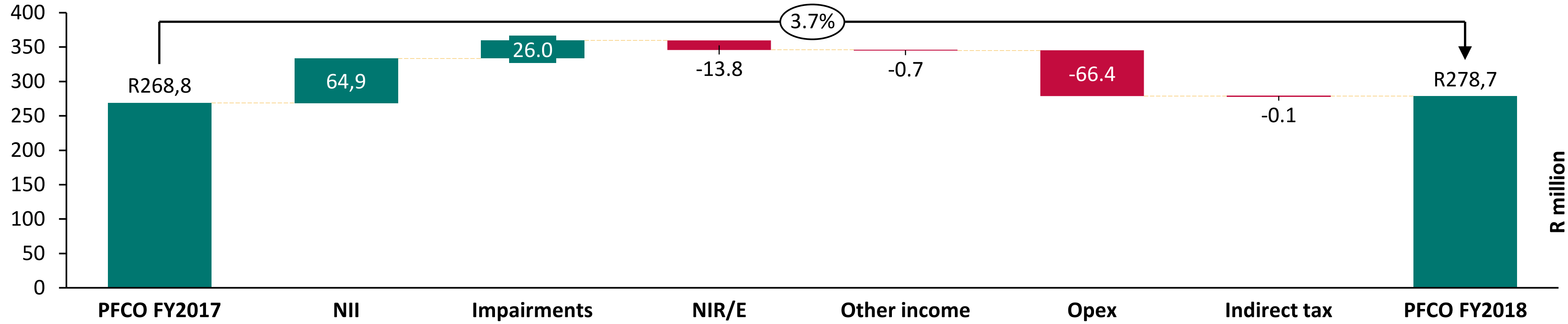
	FY2018	FY2017 [1]
Net interest income	R 1,278.4m	R 1,213.3m
Impairments	R 55.5m	R 81.5m
Operating expenses	R 654.5m	R 585.8m
Profit from Continuing Operations	R 290.2m	R 319.5m
- Banking Operations	*R 278.7m*	*R 268.8m*
- Insurance Operations	*R 11.5m*	*R 50.7m*
Cash	R 2.4bn	R 1.5bn
Investments	R 2.6bn	R 1.9bn
Net loans and advances	R 43.4bn	R 41.0bn
Total assets	R 49.5bn	R 45.4bn
Key Ratios		
Net interest margin [1]	3.0%	3.1%
Cost-to-income ratio [1]	60.5%	55.4%
Impairment ratio	4.7%	5.5%
Non-performing loans	6.7%	7.1%
NPL coverage ratio	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"

FY2018: Land Bank Group Results
Financial Overview - Bank

Performance Overview

Profit from Continuing Operations ("PFCO") – 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 ("PFCO")	**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

Restatement of Discontinued Operations (LDFU)

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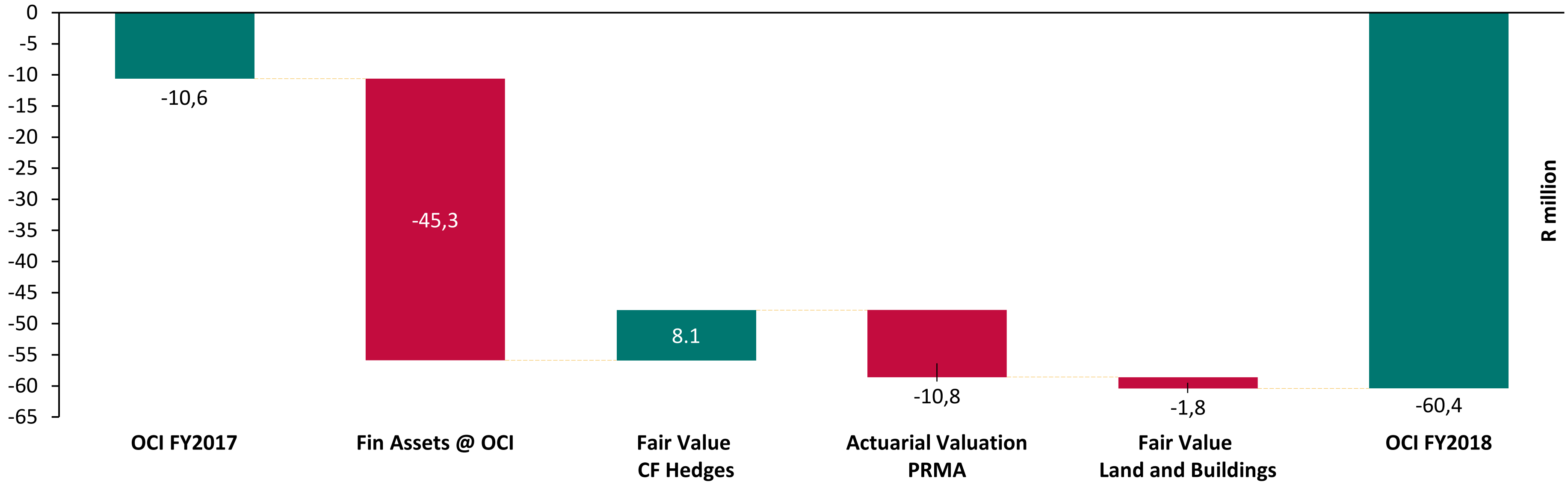
- During FY2018 it became apparent that the Bank's classification of its legacy "out of mandate" portfolio, LDFU as a "Disposal Group" was no longer valid as it did not meet the definition of a "Disposal Group" and that the classification of "Discontinued Operation" was more appropriate in terms of IFRS 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			FY2017			FY2016		
	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

Summary of losses included in Other Comprehensive Income ("OCI")



Net losses on Financial Assets through OCI

- Loss incurred on listed investment in Rhodes Food Group for which the share price had declined from R23.86 in FY2017 to R18.85 in FY2018

Cash Flow Hedges

- Fair value gains on the Bank's Cash Flow hedged in respect of the Bank's Interest Rate Risk Management Strategy which was implemented during FY2018.

Impairments

- Actuarial loss as a result of medical inflation having increased year-on-year

	FY2018	FY2017
Items that will be reclassified into profit or loss		
Net losses on Financial Assets designated through OCI	(44.9)	0.4
Cash flow hedges: gains on cash flow hedging instruments	8.1	-
Items that will not be reclassified into profit or loss		
Actuarial loss on post-retirement obligation	(23.8)	(13.0)
Revaluation of land and buildings	0.2	2.0
Total Other Comprehensive Income	**(60.4)**	**(10.6)**

Performance Overview: Balance Sheet

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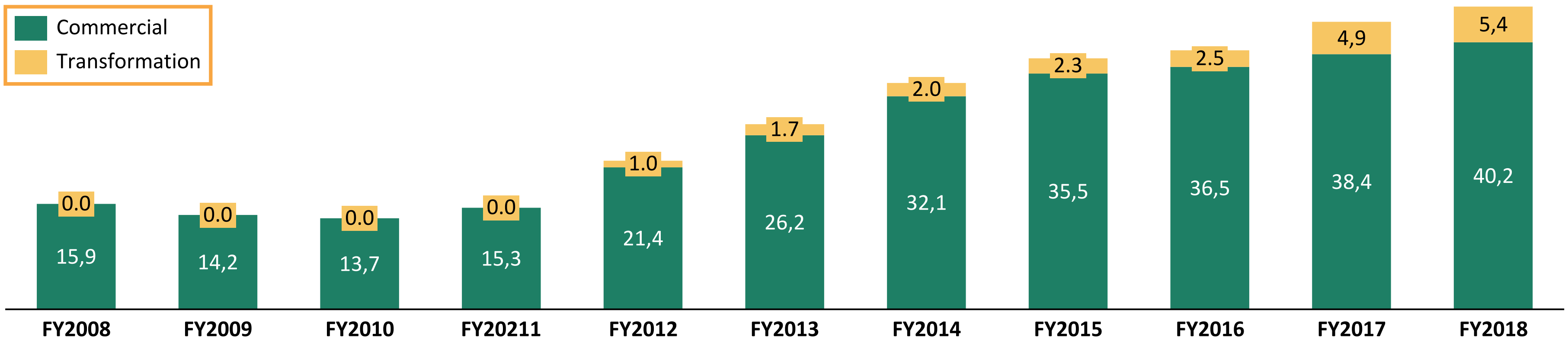
Statement of Financial Position – Strong Bank asset and liability profile

	Var %	FY2018 R'000	FY2017 R'000
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

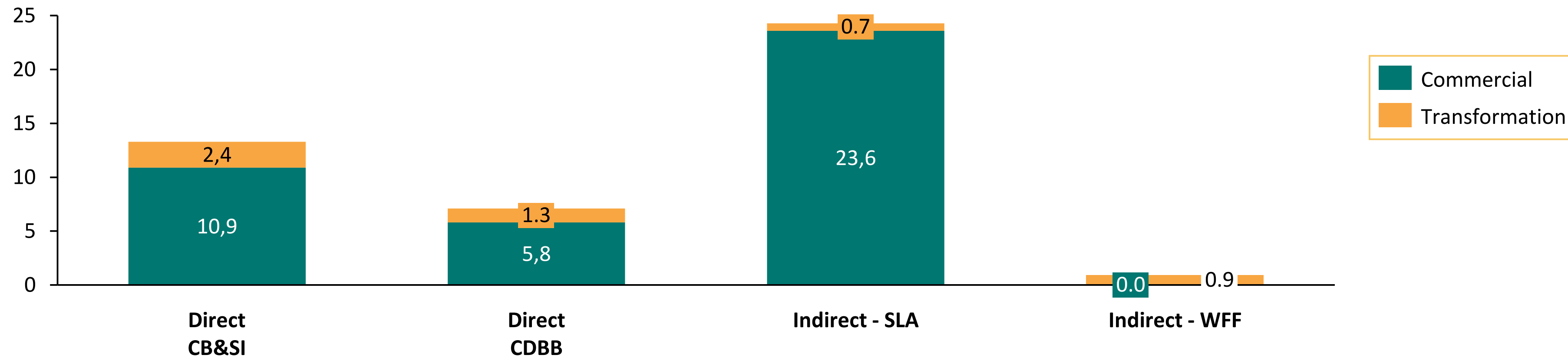
2- As at 31 March 2018 the Post-Retirement Medical Aid Liability was R369.2 million (FY2017: R332.1 million). Subsequent to year-end the Bank concluded a buy-out i.r.o. some "pensioners" at a cost of R66.4m. As at FY2019/Q1 the liability had reduced to R307.3 million.

Performance Overview

Loan Book segmentation – growth in Transformation loans



Delivery Channel Segmentation



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

Loan Book segmentation – Significant contribution by Indirect channels

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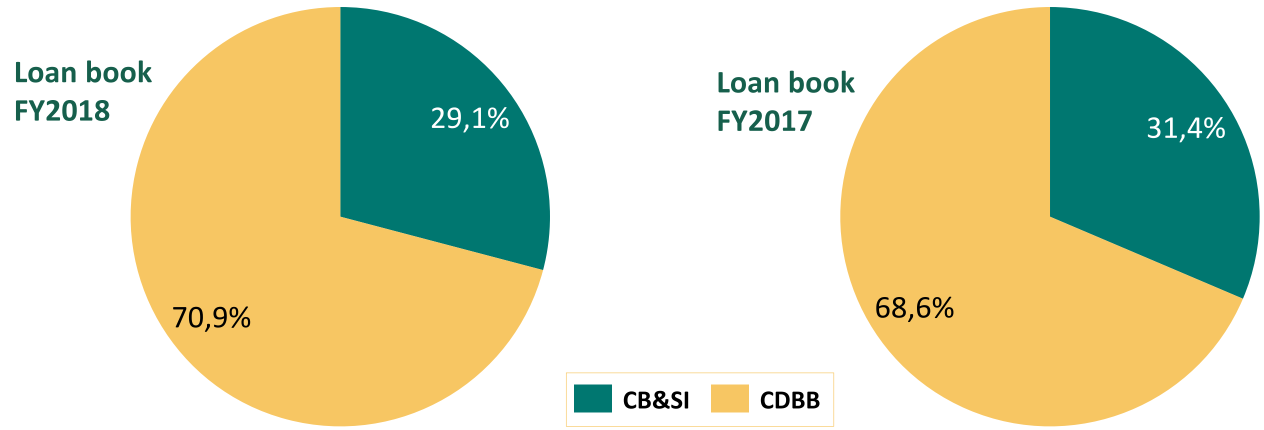

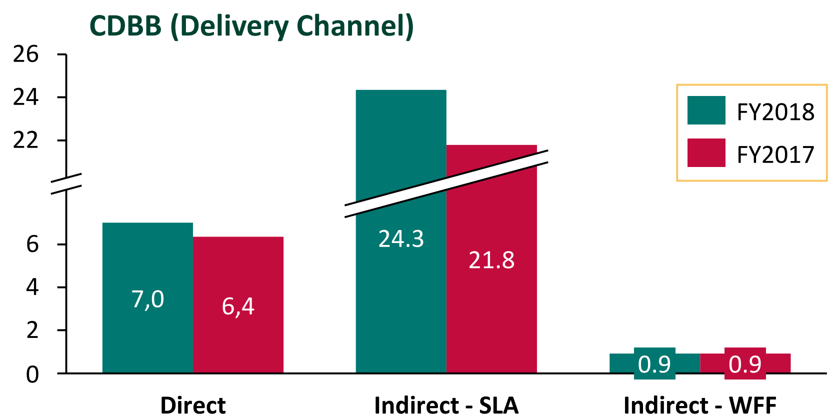

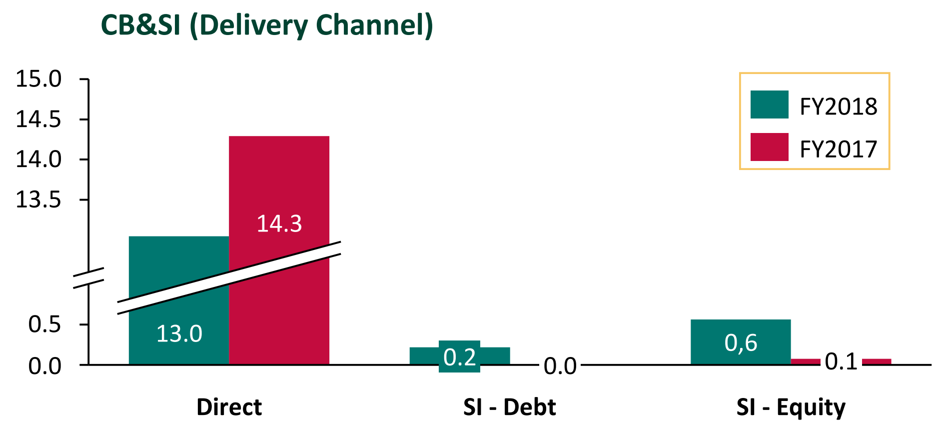

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Performance Overview

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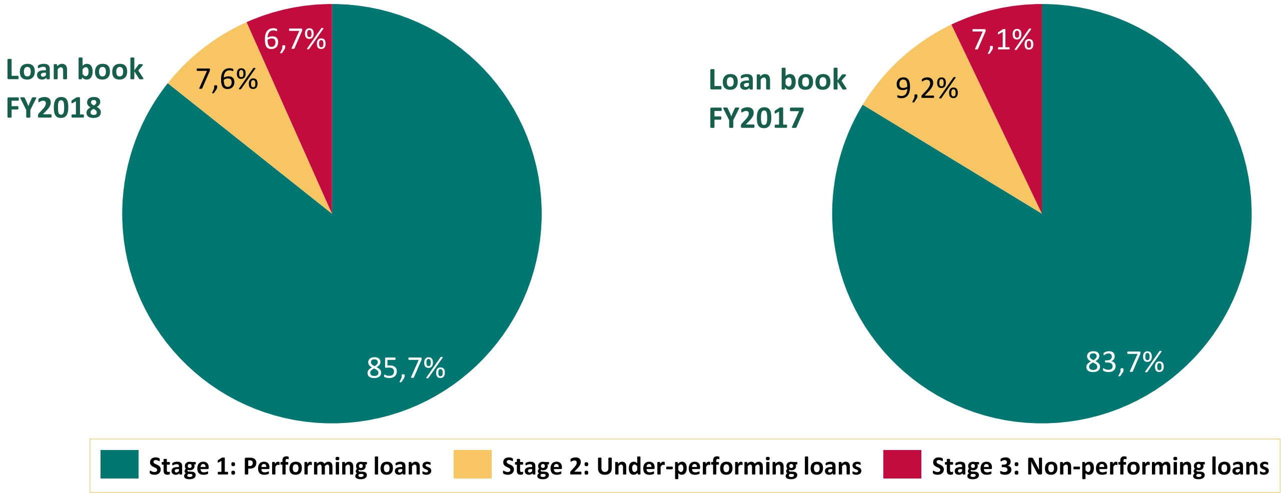
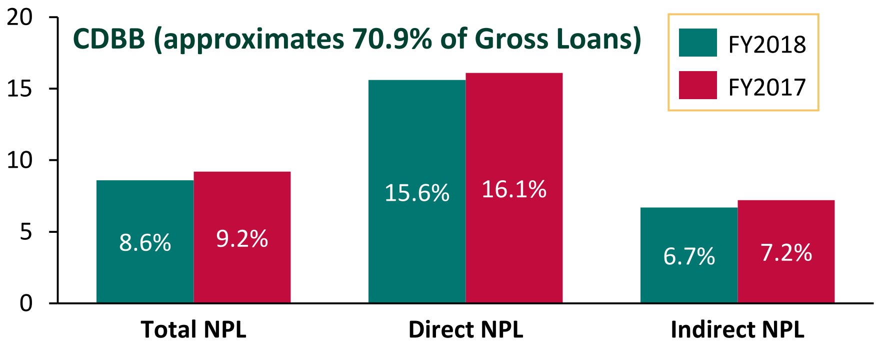
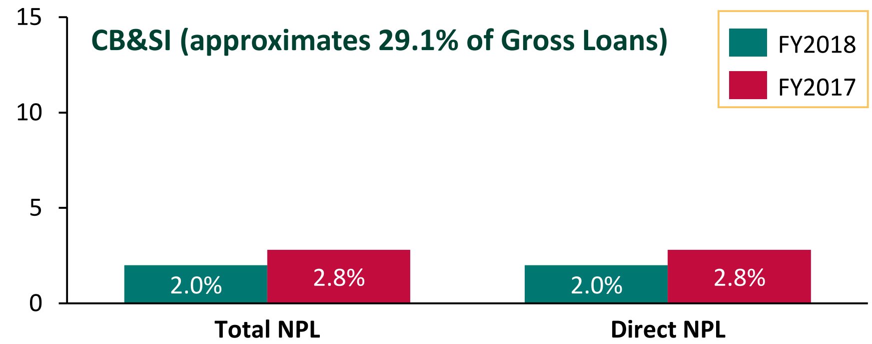
Pleasing improvement in NPL's







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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 includes:

- 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:

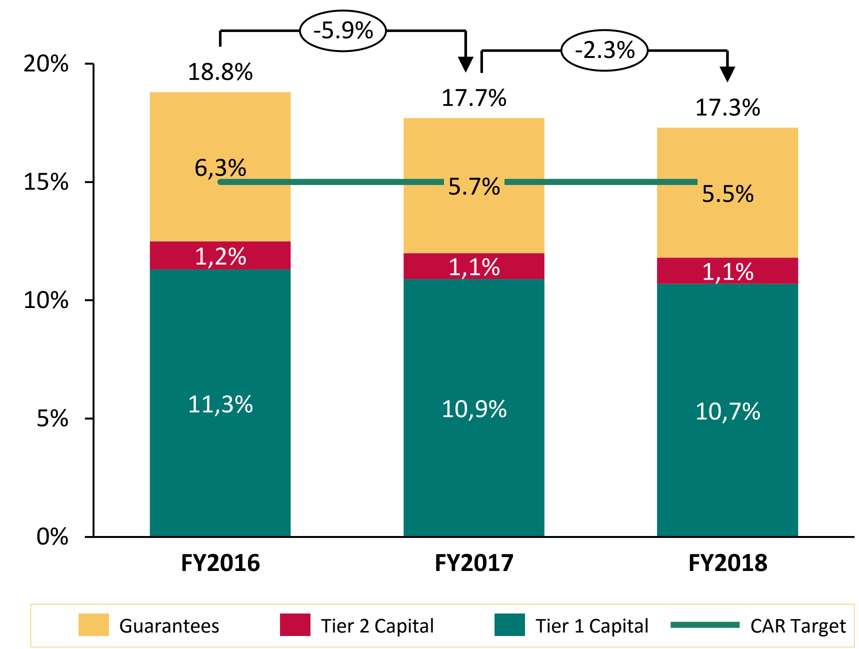
CAR

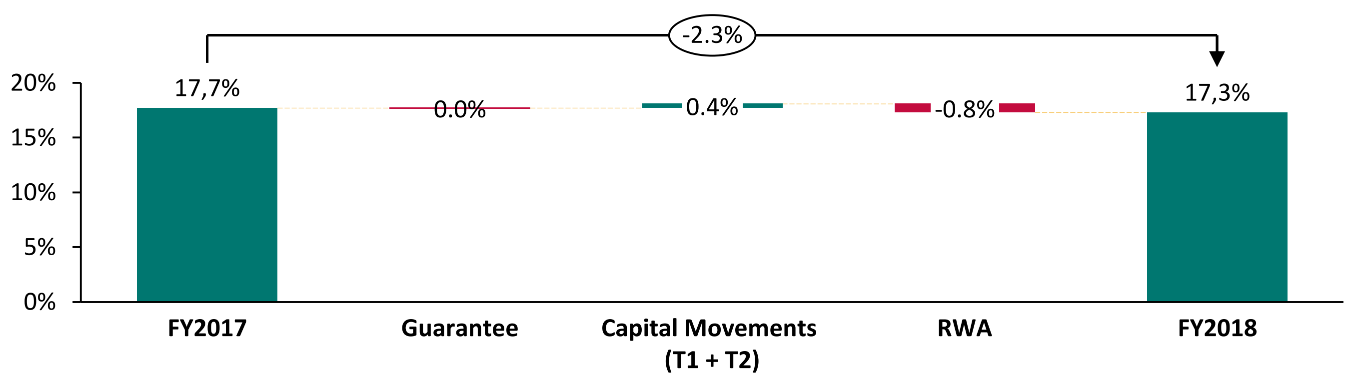
- Inclusion of Government guarantees as Capital Supply

LCR

- High quality liquid assets
- Roll-over rates

Total Capital adequacy ratio

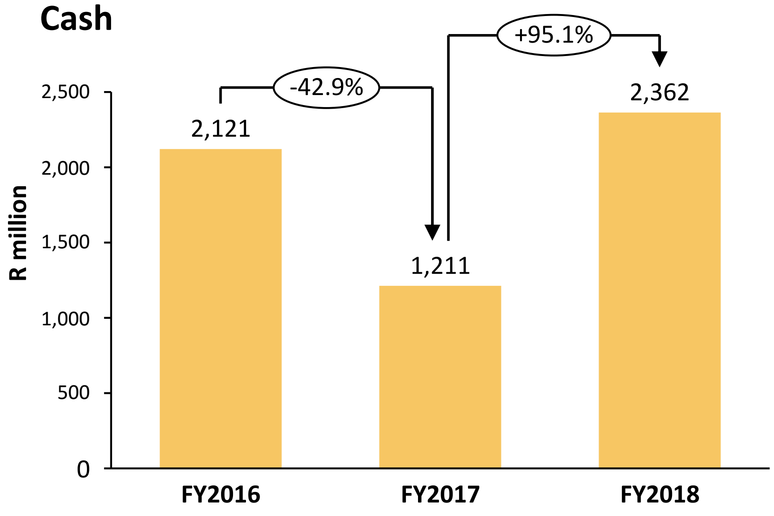


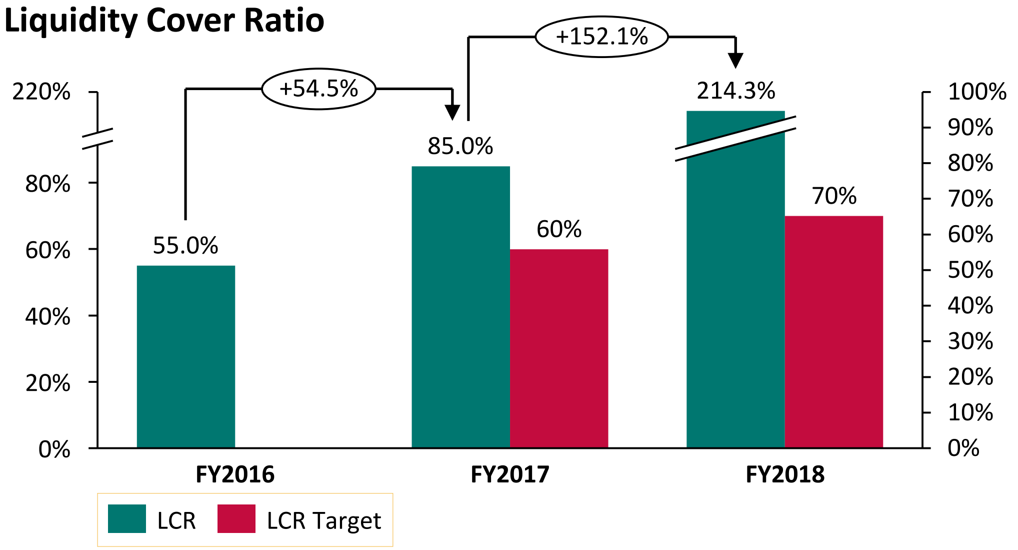


The year-on-year decline in CAR is as a result of RWA's growing at a faster pace than profitability

Performance Overview

Strong Funding and Liquidity position



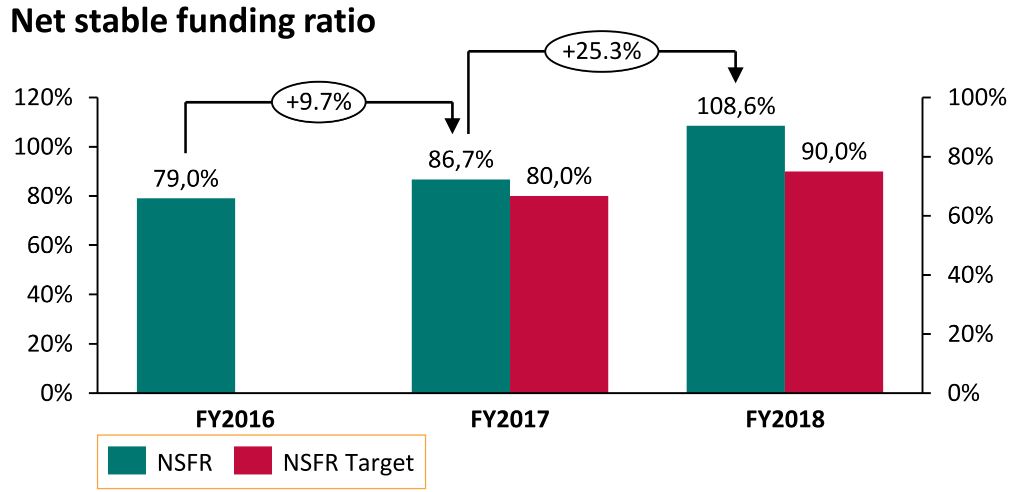


The Bank's cash requirements are driven by LCR.

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

At the time of this presentation all committed facilities are undrawn

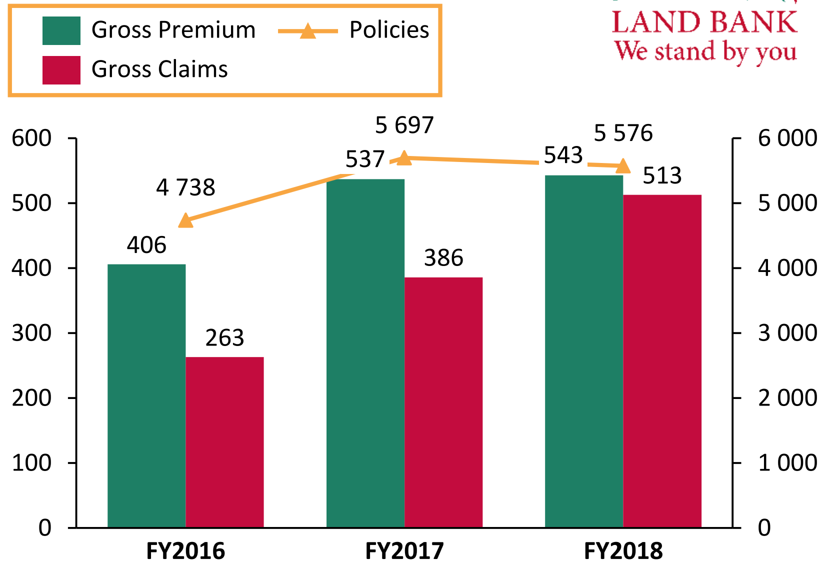


FY2018: Land Bank Group Results
Financial Overview - Insurance

Performance Overview: ST Insurance

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.

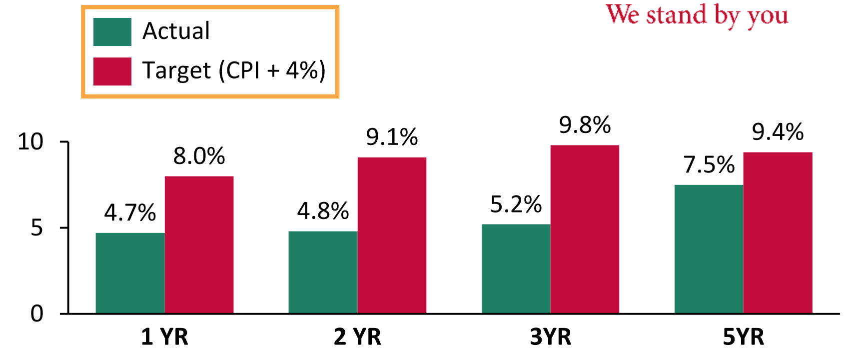
The number of policies underwritten between FY2017 & FY2018 have marginally reduced, however, GWP has increased due to better pricing of policies.

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**	**1,3932**
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 touch quarter, the property index was down 19.6% in Q1 2018.

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

FY2018: Land Bank Group Results
Funding Matters

Funding Matters

Strong credit rating supports funding profile

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

Credit Rating:

- Land Bank is rated by Moody's
- GSIR: Baa3 (linked to Sovereign rating)
- NSIR: 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

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Commercial Funding:

- Funding is raised from Institutional Investors and Commercial Banks from the local Debt and Capital Markets.
- 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

Development Funding is used to fund:

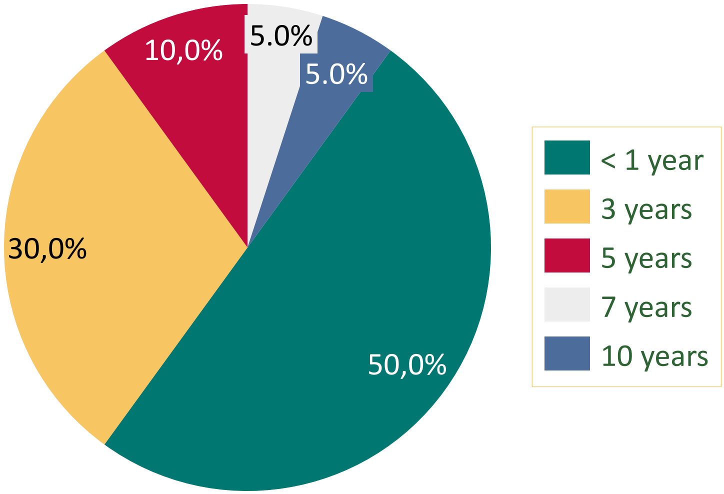
- Funding is raised from Multilateral Institutions
- Funding often requires Government Guarantees
- Funding is applied for:
  - ➢ Agricultural "Sector Growth"
  - ➢ Sector transformation in terms of ownership
  - ➢ Emerging farmers

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

Funding Matters

Reduced reliance on short term funding supported by sources of cash

Funding Profile
Medium Term target – 31 March 2018



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 with access to a further R2.15bn and R0.5bn in committed and uncommitted facilities respectively

Funding Matters

Reducing reliance on short-term funding

<table>
<tr><th rowspan="2"></th><th rowspan="2">Target FY2018</th><th colspan="2">FY2018</th><th colspan="2">FY2017</th><th colspan="2">FY2016</th><th colspan="2">FY2015</th></tr>
<tr><th>R’m</th><th>%</th><th>R’m</th><th>%</th><th>R’m</th><th>%</th><th>R’m</th><th>%</th></tr>
<tr><td>Drawn Facilities</td><td>-</td><td>-</td><td>-</td><td>2,922</td><td>7.7%</td><td>1,501</td><td>4.4%</td><td>1,322</td><td>4.2%</td></tr>
<tr><td>< 1 Year</td><td>50%</td><td>17,941</td><td>43.2%</td><td>21,353</td><td>56.4%</td><td>18,656</td><td>54.8%</td><td>21,966</td><td>69.4%</td></tr>
<tr><td>1 – 3 Years</td><td>30%</td><td>7,181</td><td>17.3%</td><td>8,230</td><td>21.8%</td><td rowspan="2">9,238</td><td rowspan="2">27.4%</td><td rowspan="2">7,796</td><td rowspan="2">25.3%</td></tr>
<tr><td>3 – 5 Years</td><td>10%</td><td>10,642</td><td>25.6%</td><td>3,279</td><td>8.7%</td></tr>
<tr><td>5 – 7 Years</td><td>5%</td><td>842</td><td>2.0%</td><td>1,011</td><td>2.7%</td><td rowspan="2">4,539</td><td rowspan="2">13.3%</td><td rowspan="2">588</td><td rowspan="2">1.9%</td></tr>
<tr><td>> 7 Years</td><td>5%</td><td>4,971</td><td>12.0%</td><td>1,044</td><td>2.8%</td></tr>
<tr><td>Total</td><td>100%</td><td>41,576</td><td>100%</td><td>37,840</td><td>100%</td><td>34,024</td><td>100%</td><td>31,672</td><td>100%</td></tr>
</table>

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.

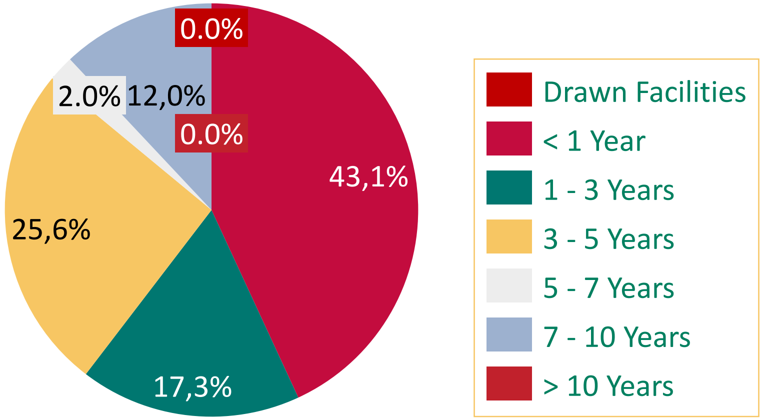
The extension of the maturity profile has been done in a well-coordinated, responsible and cost effective manner; protecting the Bank’s net interest margins.

Funding Matters

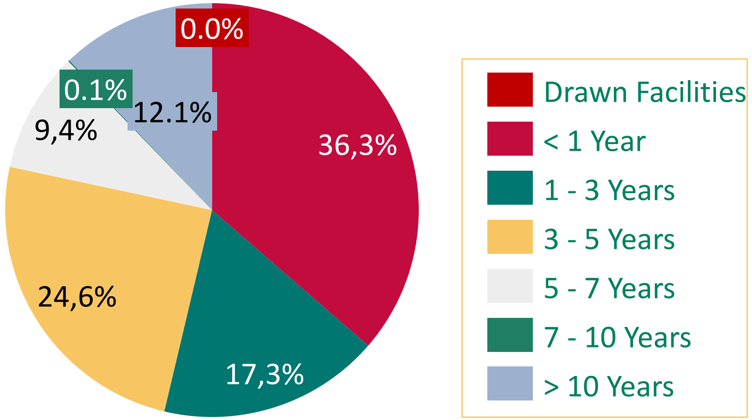
Maturity Profile – RttM vs. OttM

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"



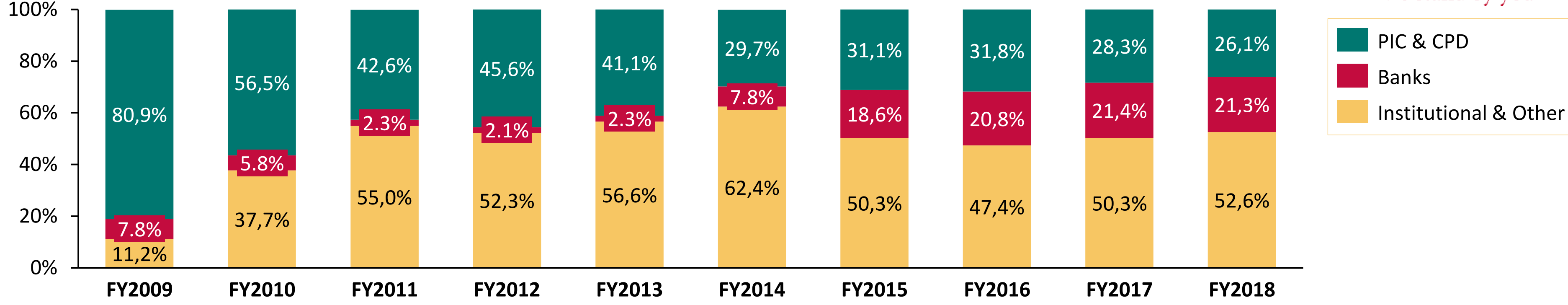
FY2018 – Original time to Maturity "OttM"



Amortised Cost - OttM	Total		Excl. PIC/ CPD	
FY2018	**R'm**	**%**	**R'm**	**%**
Drawn Facilities	-	-	-	-
< 1 Year	15,079	36.3%	4,472	14.5%
1 – 3 Years	7,299	17.3%	7,299	23.7%
3 – 5 Years	10,228	24.6%	10,128	32.9%
5 – 7 Years	3,903	9.4%	3,803	12.4%
7 – 10 Years	32	0.1%	32	0.1%
> 10 Years	5,035	12.1%	5,035	16.4%
Total	**41,576**	**100%**	**30,769**	**100%**

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 and 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

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.*

Funding Matters: Listed Bonds

Listed Bond Placements – recent successes

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Public Bond Auction – August 2017

- 18 Investors
- 5.1x oversubscribed
- R5.1 billion bids
- 93.1% of bids within price guidance
- Issuance skewed toward longer term
- Significant yield compression at the following clearing levels:
  - 1 year: 115bps above 3m JIBAR (25 basis points)
  - 3 year: 155bps above 3m JIBAR (35 basis points)
  - 5 year: 225bps above 3m JIBAR (60 basis points)

Public Bond Auction – March 2018

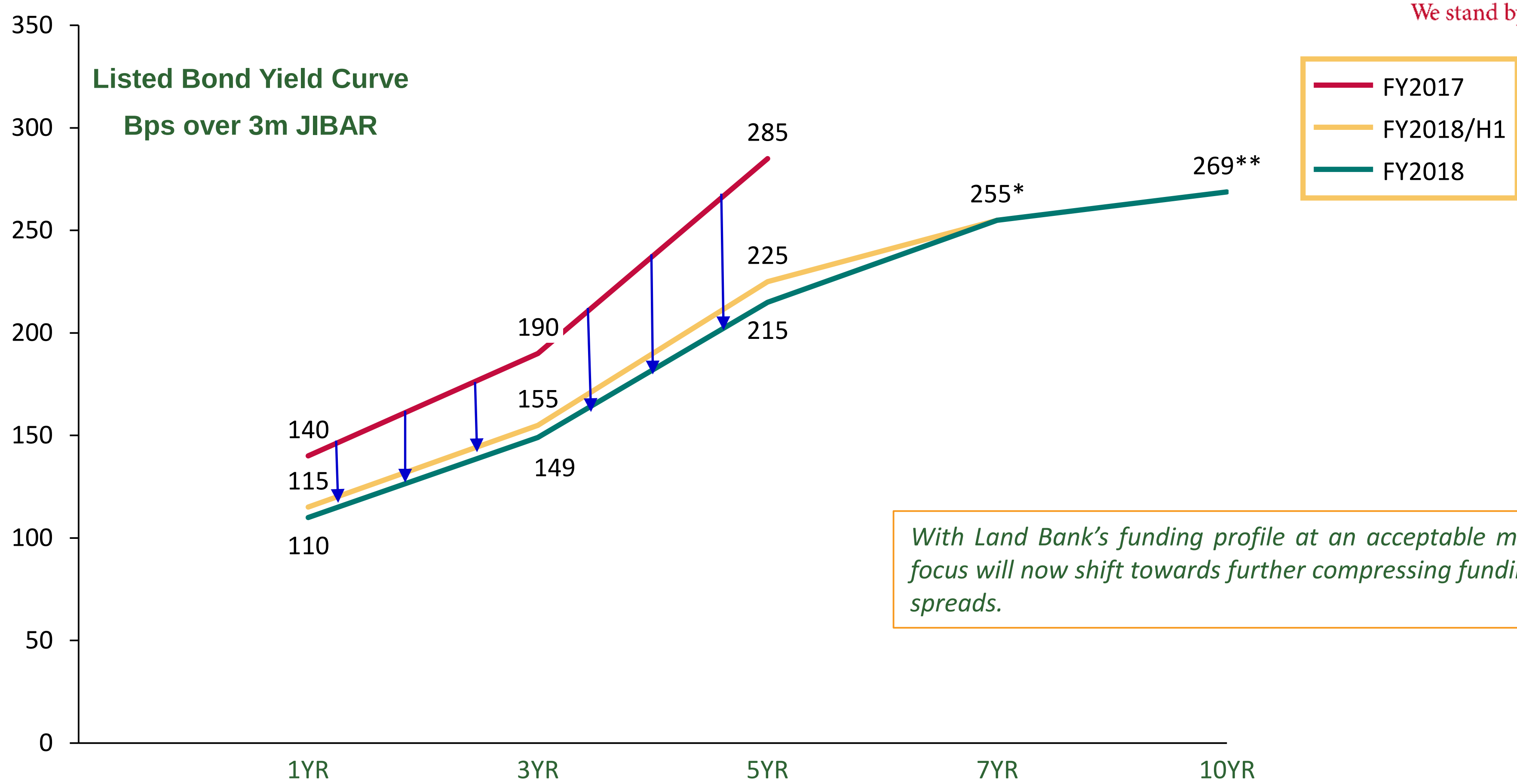
- 17 Investors
- 1.6x oversubscribed
- R3.25 billion bids
- 83.7% of bids within price guidance
- Issuance skewed toward longer term
- Further yield compression at the following clearing levels:
  - 1 year: 110bps above 3m JIBAR (5 basis points)
  - 3 year: 149bps above 3m JIBAR (6 basis points)
  - 5 year: 215bps above 3m JIBAR (10 basis points)

Post Year-end

- R625 million Private Placement
- 10 Year Fixed Rate Note
- Unguaranteed

Funding Matters

Contraction in listed Bond Yields

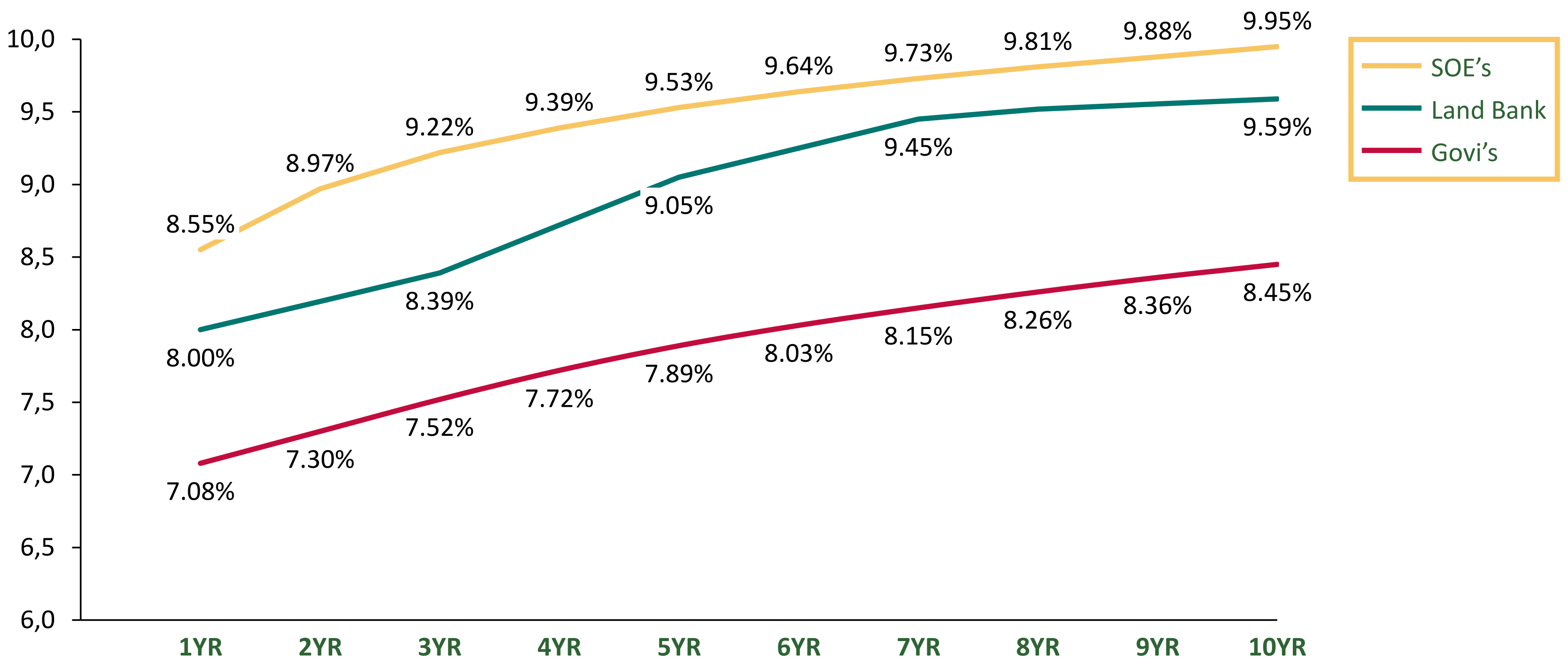


With Land Bank's funding profile at an acceptable mix, focus will now shift towards further compressing funding spreads.

- Following the Bank's public auctions on 30 Aug 2017 and 19 Mar 2018 respectively, the Bank's listed bond yield curve has significantly improved which has contributed to improved Cost of Funding for the Bank
- The 7YR price point (*) translated from LBK24 (Fixed Rate Note Issued in FY2018/Q3) – point in time spread
- The 10YR price point (**) translated from LBK28 (Fixed Rate Note Issued in FY2019/Q1) – point in time spread

Funding Matters

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



- It should be noted that the SOE Yield Curve includes all debt, unguaranteed and otherwise
- Assumed 3m Jibar = 6.90% (as of 14 May 2018)
- Land Bank as an Issuer of unguaranteed debt prices favourably to the SOE Curve, with pricing points as follows: 1YR = 8.0%; 3YR = 8.39%; 5YR = 9.05%; 7YR = 9.45%**; and 10YR = 9.59%**

*** Derived from Fixed Rates – point in time at issuance (refer previous slide)*

FY2018: Land Bank Group Results
Taking Stock: Development impact vs. Financial sustainability

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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.

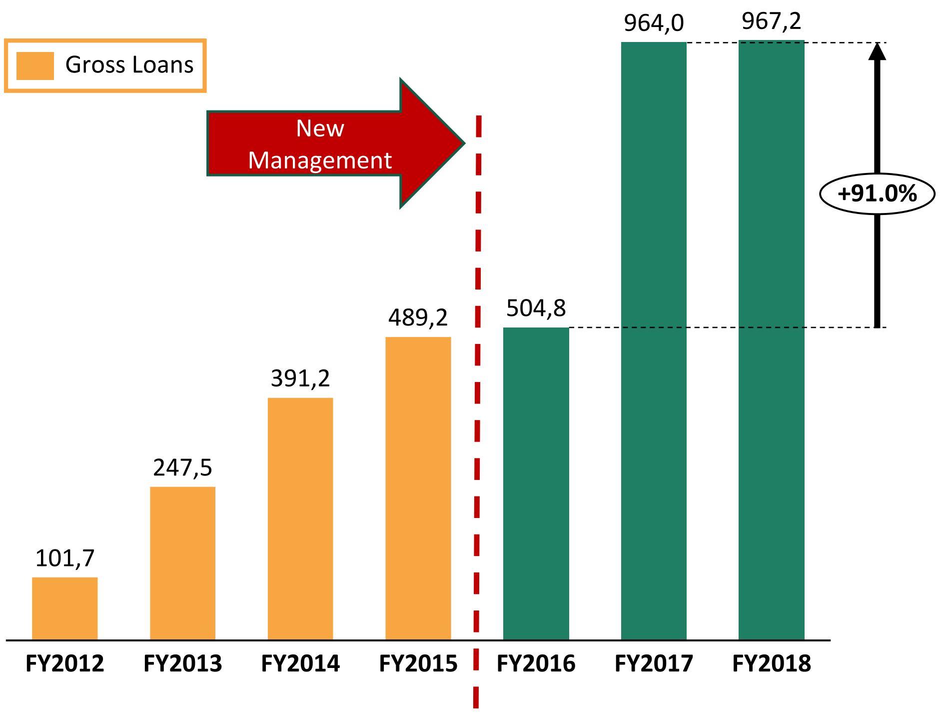
- These facilities will assist us in delivering on our mandate and will only be utilised during FY2019, which will reduce our need for debt and capital market funding and allow strategic issuances to further reign in funding costs.
- We take immense pride in the confidence expressed in us by these international 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 access to funds 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 R100m WFF Support fund has since been depleted (July 2017) and Land Bank has carried this cost on balance sheet for FY2018 at ca. R74m.



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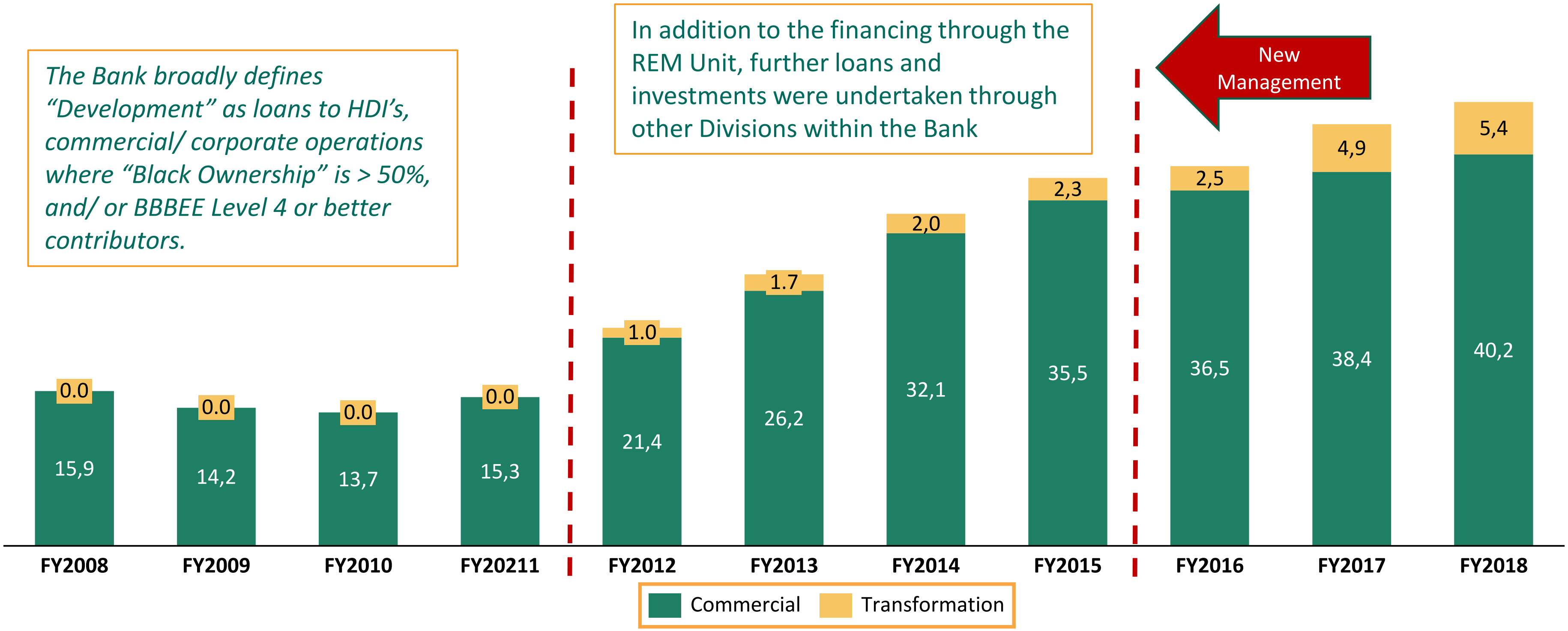
The Bank broadly defines "Development" as loans to HDI's, commercial/ corporate operations where "Black Ownership" is > 50%, and/ or BBBEE Level 4 or better contributors.

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 % 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: The road ahead

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

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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 = 108.1%	▪ 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.

QUESTIONS & ANSWERS

Enterprise Development

- Black Owned Suppliers for use of vouchers provided to replace Corporate Gift
    1. Mokabodi Coffee (Coffee Beans)
    2. Summertrading (Setsong African Tea)
    3. Mapula Embroidery (Winterveld Area)
    4. Purebrown design (they will not be offering product but only showcasing their service)

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THANK YOU!

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

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