

LAND BANK



INVESTOR ROADSHOW – MAR 2018

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1. Business Overview

- Mandate and Strategy
- Governance Matters
- Industry Developments

2. Financial Overview

3. Funding Matters

- Overview
- DMTN Matters
- March 2018 Issuance – Term sheet





BUSINESS OVERVIEW



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**



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.**”

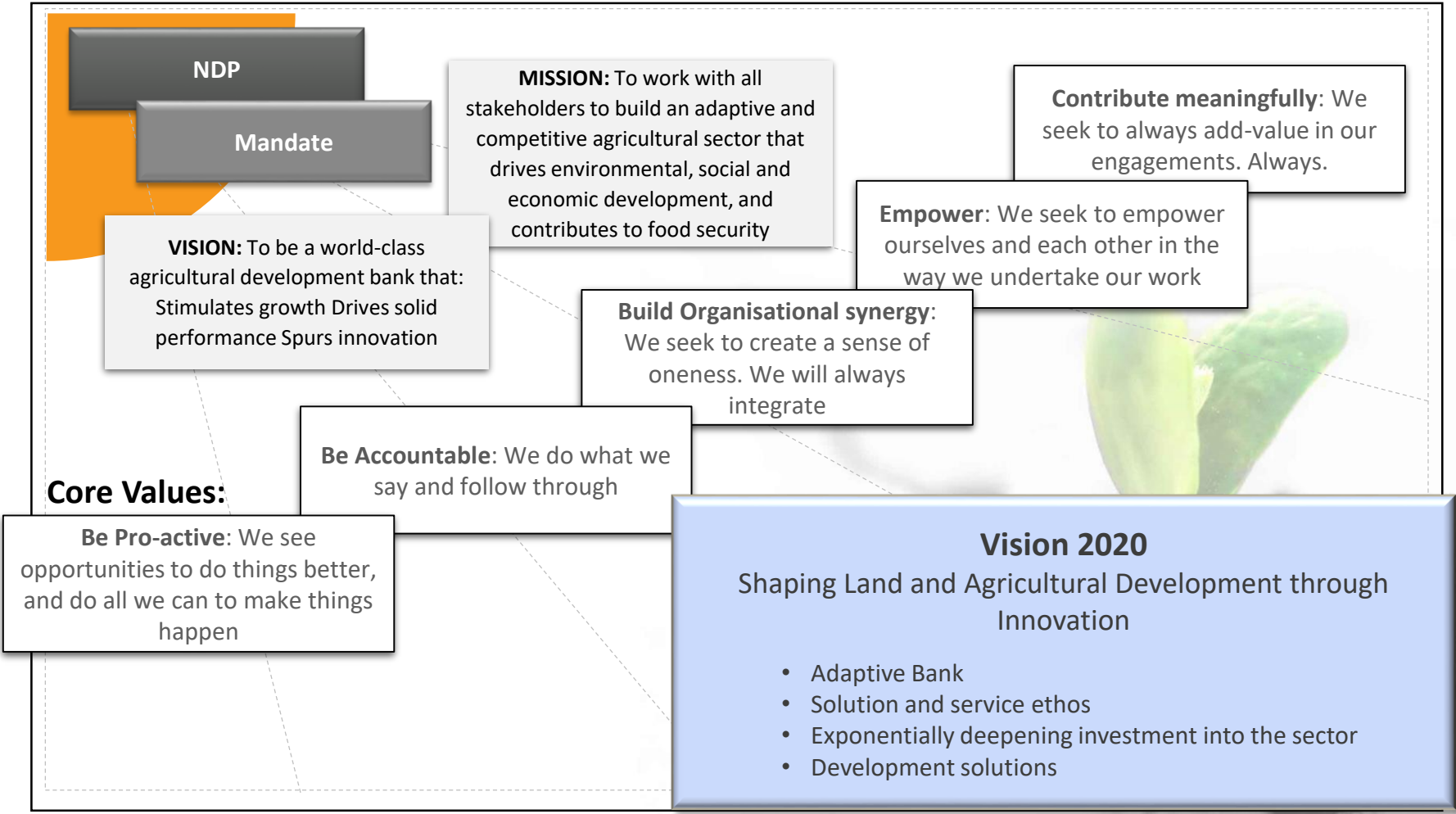
“A further **70 000 livelihood opportunities** are created if land reform beneficiaries are properly supported.”

“**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



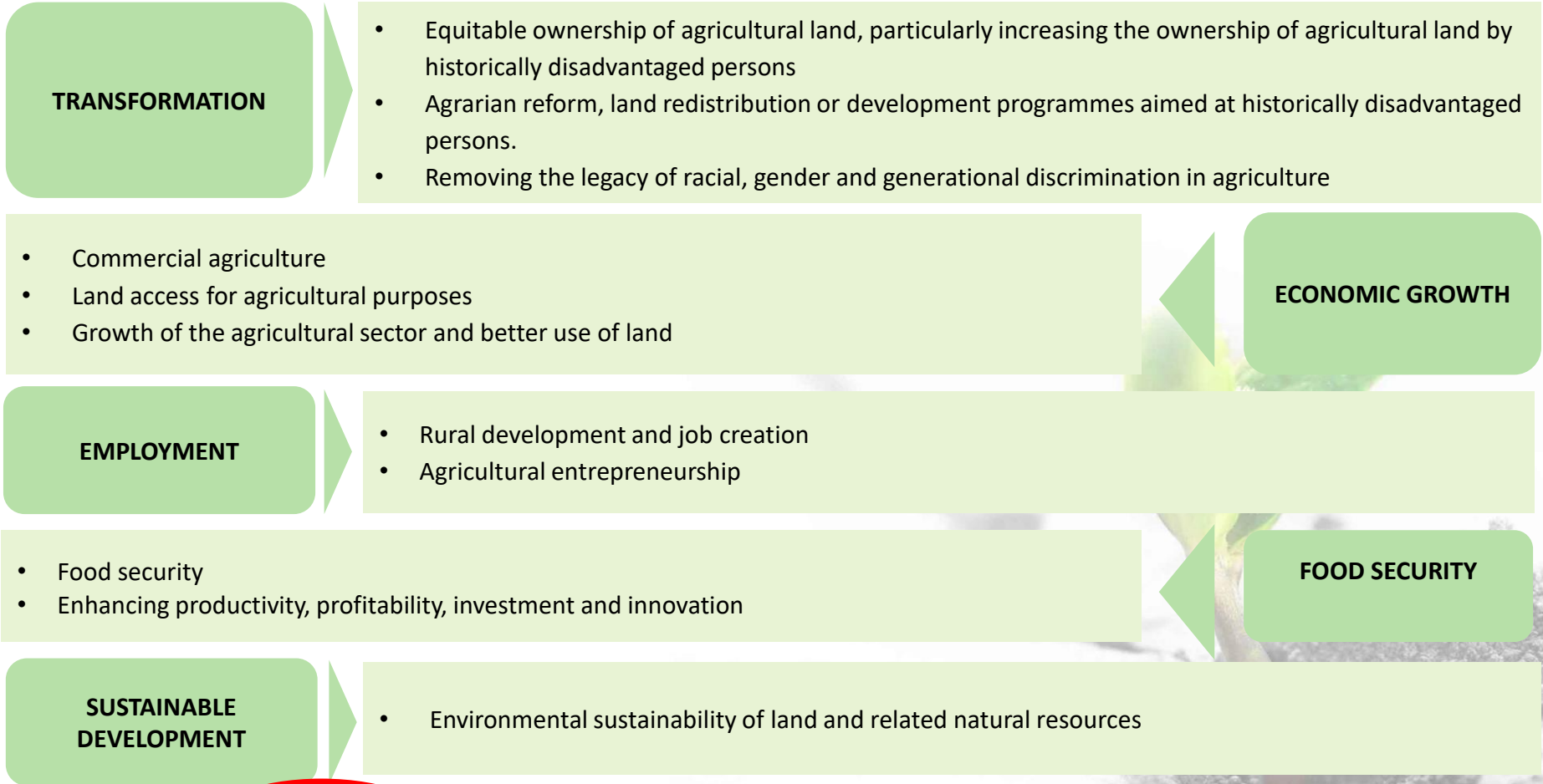
The importance of the Agriculture sector to the national imperatives is reflected in the NDP as well as the Mandate of the Land Bank as contained in the Land Bank Act



ALIGNMENT TO NATIONAL CONTEXT AND POLICY IMPERATIVES



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



Dual Mandate = Sector generally & Transformation in particular

Governance Matters

Board Composition



1 – Resigned with effect 31 July 2017

Shareholder
Minister of Finance



{ Executive Authority }

Board of Directors

{ Accounting Authority }

Mr. MA Moloto
(Term extension)

Ms. D Hlatshwayo
(Term extension)

Ms G Mtetwa

Ms. DN Motau

Ms. SA Lund
(Term extension)

Prof. ASM Karaan
(Resigned) ¹

Ms. TT Ngcobo

Adv. S Coetsee

Ms. M Makgatho

Ms. N Zwane
(Term extension)

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

Dr. L Magingxa

Mr. G Conway

Ms. L Ndlovu

Mr. S Sebueng

Mr. M Mazaidume

Drought

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

Delivery Channel	Exposure	NPL	Collateral
Eastern Cape	R201.2m	R11.8m	R1,110.5m
Northern Cape	R451.0m	R19.1m	R1,463.8m
Western Cape	R1,118.1m	R80.5m	R3,984.0m
Total	R1,770.3m	R111.4m	R6,558.3m

- Drought relief support extended to date:

	FY2018/Q3	FY2017
Loans approved	R331.3m	R207.6 m
Loans disbursed	R282.7m	R117.8 m
Support available	R68.7m	R192.4 m

- Pipeline for consideration:

- Applications: 64
- Amount: R253.5m

- Land Bank could potentially avail some of its internal funds to provide further assistance.

Land Reform:

- The principle of expropriation of land without compensation was formally adopted by the ruling party in Dec 2017 as an additional mechanism to accelerate land reform, which is currently enshrined in Section 25 of the Constitution of the Republic of South Africa. Any amendment would require a 2/3 majority and could be a lengthy process.
- The policy adoption did not provide implementation guidance. However, the party clearly stated that this policy must be pursued in such a manner that it promotes economic development, agricultural production and food security and brings no harm to the economy. A position reaffirmed in the ANC’s January 8th statement and subsequently by the President in the State of the Nation address.
- The President is clear that expropriation should be one of a number of mechanisms employed to achieve land redistribution. It is proposed that these mechanisms be clearly identified and could include in the case of land for agricultural production:
 - Ongoing purchase of available farms for sale (approximately 6% of commercial agricultural land is sold each year);
 - Making available vacant land held by government departments and organs of state on a long-term leasehold basis;
 - Expropriation of land held by absentee landlords within the above legal frameworks; etc.
- It is important that certainty be created in the sector and lawful means exists to give effect to the intentions of the resolution. It is critical that the current frustrations with the land reform programme be addressed as it forms a key element in government’s ability to address the land related injustices of the past.



FINANCIAL OVERVIEW



Financial Overview

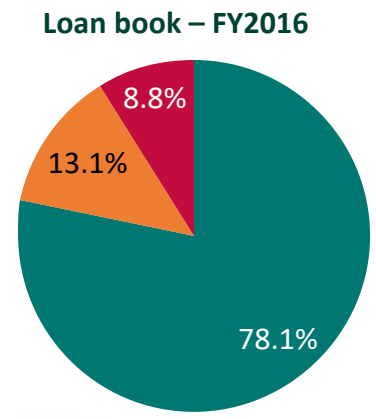
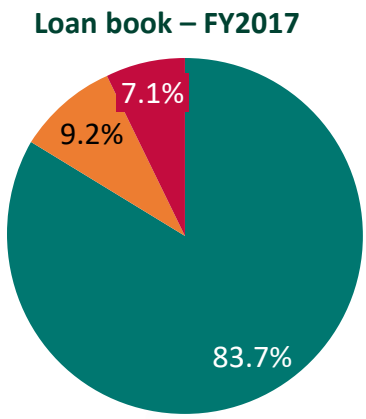
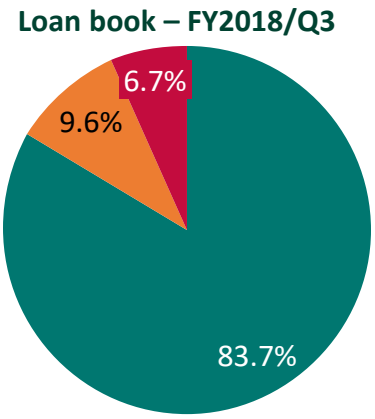
Salient Features - Group



Salient features	Unaudited Results		
	Var %	FY2018/Q3	FY2017
Statement of Profit & Loss and Other Comprehensive Income			
Net interest margin	(0.3%)	3.0%	3.1%
Statement of Financial Performance			
Cash ¹	59.8%	R 1.95bn	R 1.22bn
Net loans and advances	-	R 41.3bn	R 41.0bn
Impairment ratio	(3.6%)	5.3%	5.5%
Non-performing loans	(5.6%)	6.7%	7.1%
NPL coverage ratio	4.0%	80.2%	77.1%
Total assets	4.0%	R 47.2bn	R 45.4bn
<i>1 – At FY2018/Q3 the Bank had further access to R1.8bn committed facilities (subsequently increased to R2.15bn) and R0.5bn uncommitted facilities</i>			

Statement of Financial Position

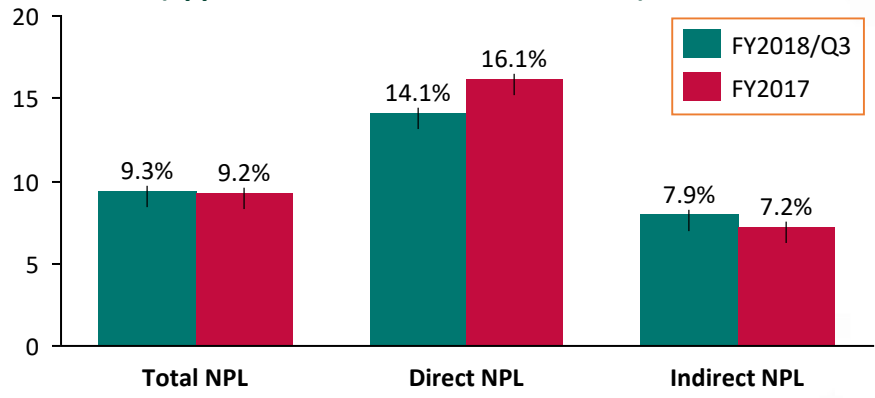
Loan Book: Performance



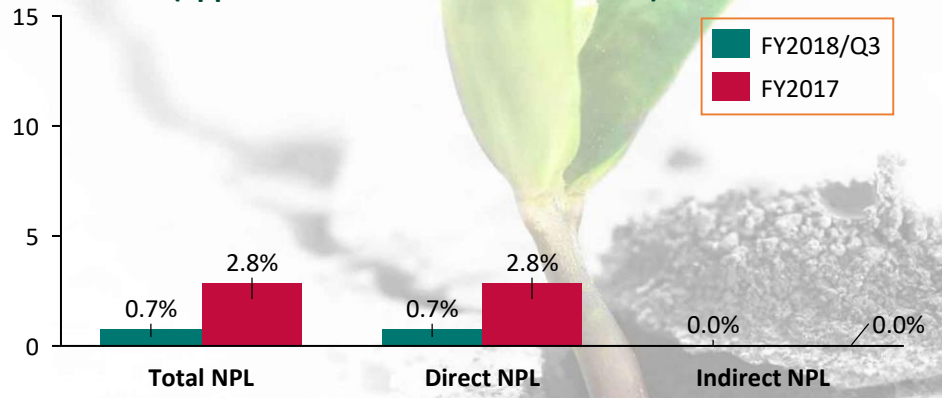
■ Stage 1: Performing loans
 ■ Stage 2: Under-performing loans
 ■ Stage 3: Non-performing loans

NPL's by Business Line

CDBB (approximates 69.1% of Gross Loans)



CB&SI (approximates 30.9% of Gross Loans)



* 2017 comparatives have been realigned to correspond to the revised organisational reporting matrix

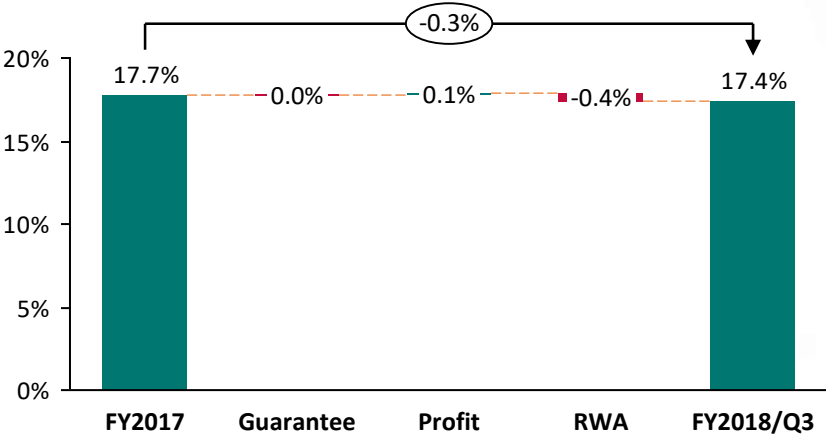
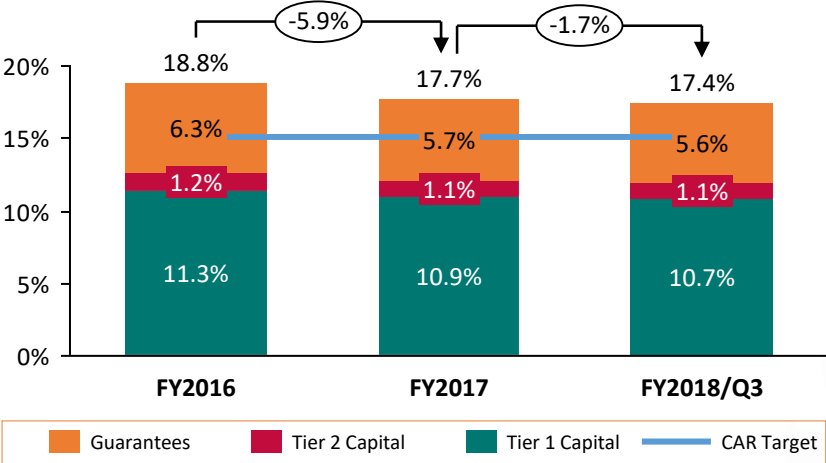
CDBB = Commercial Development Business Bank
CB&SI = Corporate Bank & Structured Investments
Direct = Lending activities through Land Bank's own infrastructure
Indirect = Lending activities through intermediary partners, i.e. SLA, or WFF

Statement of Financial Position

Capital and Liquidity Management: CAR, LCR, NSFR



Total Capital adequacy ratio



The year-on-year decline in TCAR is as a result of increased RWA's

Following the 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

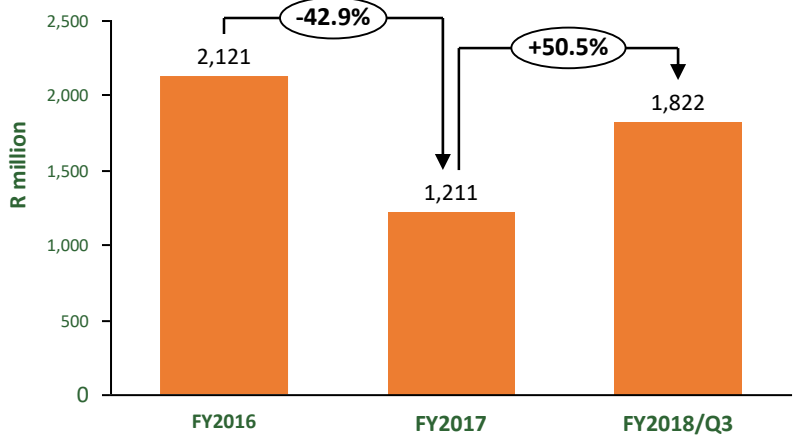
LCR

- High quality liquid assets
- Roll-over rates

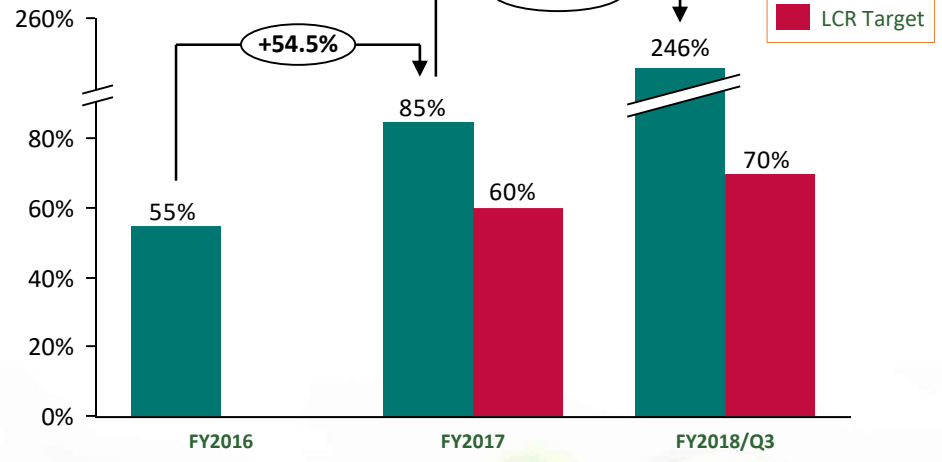
Statement of Financial Position

Capital and Liquidity Management: CAR, LCR. NSFR

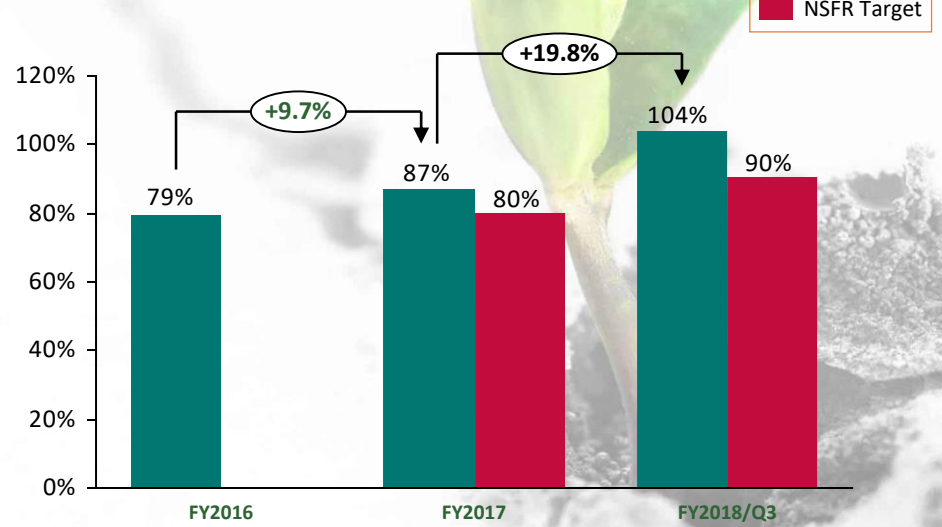
Cash



Liquidity Cover Ratio



Net stable funding ratio



The Bank's cash requirements are driven by LCR. Land Bank has access to a number of liquidity facilities which it taps into from time to time, of which:

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

At the time of this presentation all committed facilities are undrawn

1 – LCR for FY2018/Q3 excludes available committed facilities of R1.8bn.



FUNDING MATTERS



Funding Matters

Background and Overview

- The Land Bank as a Development Finance Institution (DFI) that has limited sources of capital (only one shareholder, the Government) and limited sources of funding (as the Bank is not a deposit-taking institution) is heavily dependent on accessing the volatile debt and capital markets to fund its asset growth, as well as on-going support from Government to strengthen its capital base.
- Land Bank procures funding for two distinct business purposes:
 - ✓ Commercial Operations
 - ✓ Development Operations

Credit Rating:

- Land Bank is rated by Moody's
- GSIR: Baa3
- 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

Commercial Funding is used to fund:

- 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:

- Agricultural “Sector Growth”
- Sector transformation in terms of ownership
- Emerging farmers

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

At present the Bank has development funding lines from:

- AfDB R1.0bn (Guaranteed)
- World Bank R1.3bn (Guaranteed)
- KfW R0.9bn (Unguaranteed)
- EIB R0.7bn (Unguaranteed)

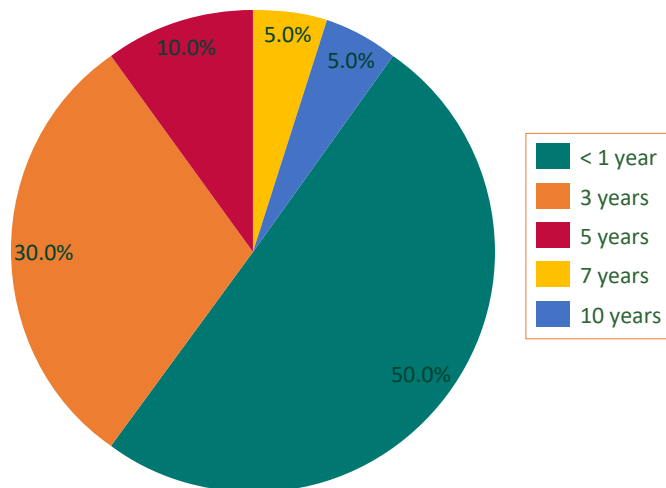
Total R3.9bn

Funding Matters

Strategy and Execution

Funding Profile

Medium Term target



Notes on summary of the Bank's funding activities for FY2018/Q3

Debt excl. Call Bonds and Facilities	FY2018/Q3
Total maturities	R34.8bn
Debt rolled over	R28.0bn
New funding raised	R12.4bn
Pre-payments	R3.1bn

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

	FY2018/Q3
• Excl. PIC/ CPD:	67.9% *
• PIC/ CPD:	100.0%
• Total:	87.0%

* *Negatively impacted by pre-payments and conscious disinvestment by the Land Bank due to unrealistic price expectations of investors*

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.
- In fact the Bank has achieved its 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 45%, and it's expected that this profile will be maintained by 31 March 2018.
- *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.*

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 December 2017, the Bank had R1.8bn cash on balance sheet with access to a further R1.8bn and R0.5bn in committed and uncommitted facilities respectively. (subsequent to quarter-end R2.15bn committed and R0.5bn uncommitted).

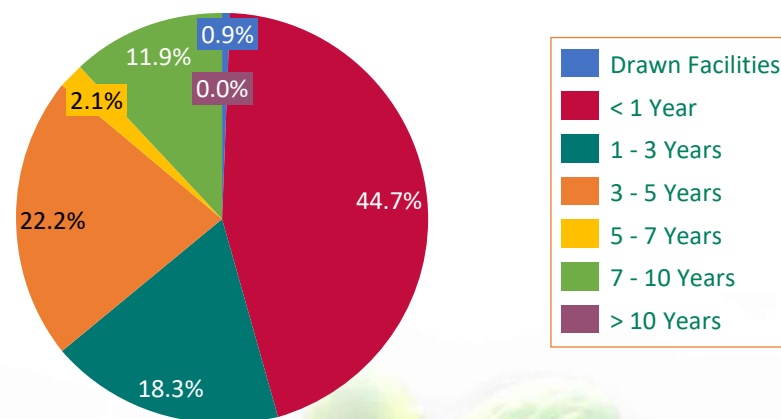
Funding Matters

Profile: Remaining vs. Original time to Maturity

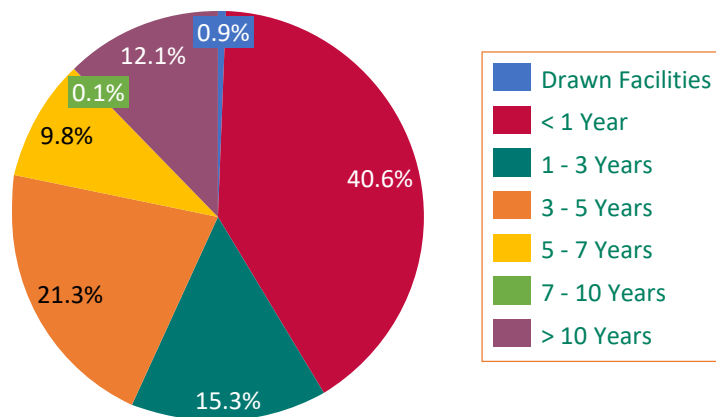


Amortised Cost - RttM	Total		Excl. PIC/ CPD	
FY2018/Q3	R'm	%	R'm	%
Drawn Facilities	351	0.9%	351	1.2%
< 1 Year	17,712	44.7%	7,163	24.8%
1 – 3 Years	7,239	18.3%	7,039	24.4%
3 – 5 Years	8,792	22.2%	8,792	30.4%
5 – 7 Years	821	2.1%	821	2.8%
7 – 10 Years	4,728	11.9%	4,728	16.4%
> 10 Years	-	-	-	-
Total	39,643	100%	28,894	100%

FY2018/Q3 – Remaining time to Maturity “RttM”



FY2018/Q3 – Original time to Maturity “OttM”



Amortised Cost - OttM	Total		Excl. PIC/ CPD	
FY2018/Q3	R'm	%	R'm	%
Drawn Facilities	351	0.9%	351	1.2%
< 1 Year	16,098	40.6%	5,572	19.3%
1 – 3 Years	6,056	15.3%	6,056	20.1%
3 – 5 Years	8,431	21.3%	8,331	28.8%
5 – 7 Years	3,883	9.8%	3,783	13.1%
7 – 10 Years	32	0.1%	32	0.1%
> 10 Years	4,793	12.1%	4,793	16.6%
Total	39,643	100%	28,894	100%

Statement of Financial Position

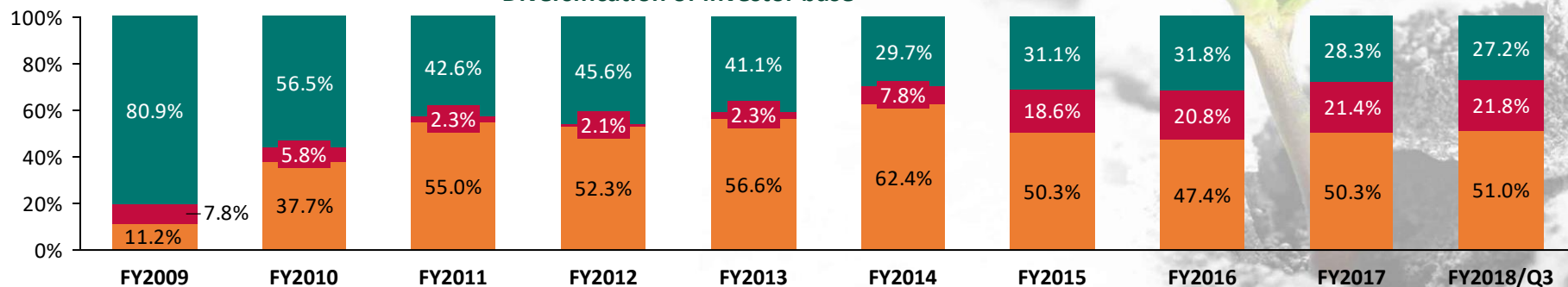
Funding: Investor base



FY2018/Q3 @ Nominal	Related Parties	DFI	SOE	Commercial Bank	Foreign Banks	Institutional Investors	Multi-lateral Investors	Agri Companies	Total
Drawn Facilities	-	-	-	350	-	-	-	-	350
< 1 Year	10,838	500	1,214	1,254	-	3,303	-	906	18,014
1 – 3 Years	200	-	-	1,026	-	5,973	-	-	7,199
3 – 5 Years	-	65	957	1,673	233	6,127	-	-	9,054
5 – 7 Years	-	-	-	260	-	545	-	-	805
7 – 10 Years	-	200	-	-	4,018	-	909	-	5,128
> 10 Years	-	-	-	-	-	-	-	-	-
Total	11,038	765	2,171	4,563	4,251	15,948	909	906	40,551
% Distribution	27.8%	1.9%	5.5%	11.5%	10.7%	40.2%	2.3%	2.3%	

The 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. Furthermore, the Bank has also managed to lure back 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.*

Diversification of investor base



DMTN Programme Issuance Summary – FY2018/Q3



Notes on the current position of the R20bn DMTN Programme

- Issued under the programme: R15.035bn
- Matured: R 5.545bn
- Currently Open: R 9.490bn (15 bonds)
- Available: R 4.965bn

As the Bank is approaching its DMTN Programme size limit, the Land Bank's Board has approved an increase in the DMTN Programme size to R30 billion

Summary of significant maturities to 31 March 2019

DMTN Maturities			Bi-lateral maturities		
Instrument	Amount	Date	Instrument	Amount	Date
LBK19 (1YR FRN)	R0.755bn	Mar 2018	Promissory Notes *	R0.5bn	Mar 2018
LBK14U (2YR FRN)	R0.500bn	Mar 2018			
LBK21 (1YR FRN)	R0.868bn	Sept 2018			
LBK05 (5YR FRN)	R0.752bn	Feb 2019			
Total	R2.875bn		Total	R0.5bn	

The total refinancing need to 31 Mar 2018 amounts to R1.775bn with a further R1.62bn to 31 Mar 2019

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

Planned DMTN Issuances to 31 March 2019

- FY2018/Q4: R1.5bn Immediate refinance need
- FY2019/Q2: R1.0bn
- FY2019/Q3: R0.5bn
- FY2019/Q4: R0.5bn

DMTN Programme

March 2018 Issuance – Term Sheet



DMTN Programme Details

Issuer	The Land and Agricultural Development Bank of South Africa (“Land Bank”)
Issuer Rating	Moody’s: Aa1.za
DMTN Programme Size	R20 billion listed on the Interest Rate Market of the JSE

Transaction Details

Trade Date	[19] March 2018			
Settlement Date	[23] March 2018			
Targeted Issue Size	R1.5bn across the Notes			
Instrument	Listed Floating Rate Notes			
Stock Code	[LBK25]	[LBK26]	[LBK27]	[LBK28]
Maturity Date	[23] March 2019	[23] March 2021	[23] March 2023	[23] March 2025
Term	1 year	3 year	5 years	7 years
Price Guidance	[] bps	[] bps	[] bps	[] bps
Pricing Benchmark	3m Jibar as at Trade Date			

Final tenors on offer and term-sheet will be finalized once market sounding has been concluded

DMTN Programme

March 2018 Issuance – Term Sheet



Auction Methodology and Allocation process

Auction time 09h00 – 11h00

Auction methodology Dutch Auction - no feedback

Contact details: Nedbank +2711 535 4021

Fixed Income Sales David Needham, Gareth Robertson, Tsikaro Mapena

Benchmark rate to be set as at 11:00 on Trade Date

Allocation across the Notes will be at the Issuers discretion

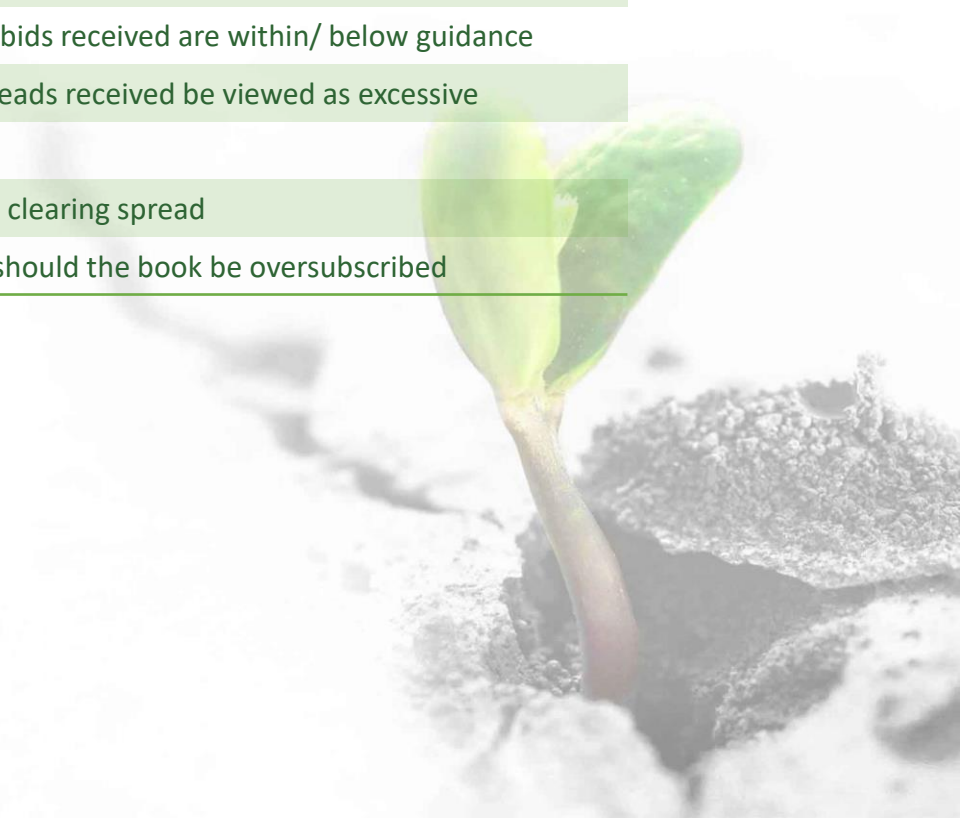
The issuer reserves the right to upsize the total issue size to R2.0bn if bids received are within/ below guidance

The issuer reserves the right not to issue any notes should the bid spreads received be viewed as excessive

Bids to be submitted at a spread to the relevant benchmark

Bids below the final clearing spread will receive a full allocation at the clearing spread

Successful bids at the clearing spread could receive partial allocation should the book be oversubscribed



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!