

# Land Bank interim financial results as at 30 September 2020



IN RESPECT OF THE FINANCIAL PERFORMANCE OF THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

## Disclaimer:

The 1H FY2021 results in this presentation are unaudited



# Financial Overview



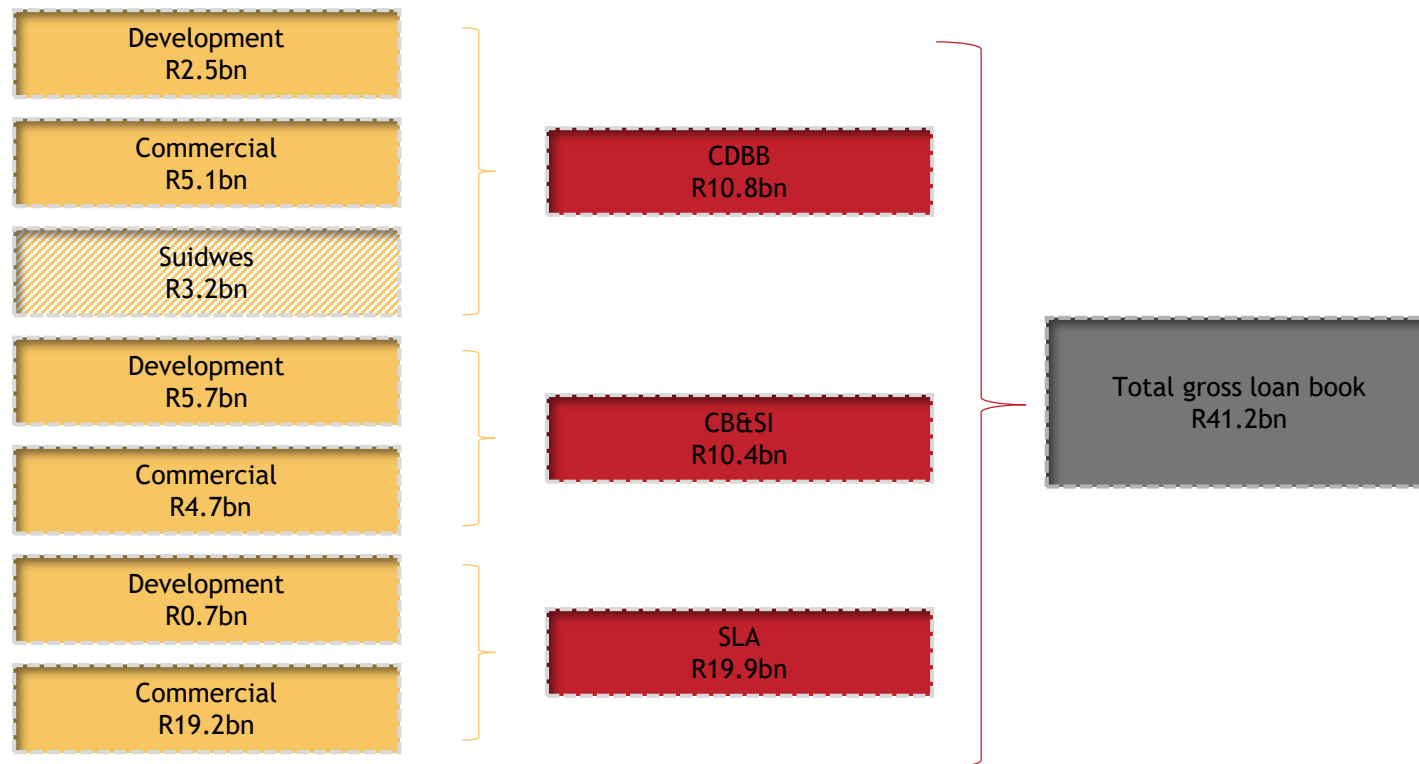
## Salient Features - FY2021 interim Land Bank Group Results\*

	September 2020
Net interest income	223
Impairments	(73)
Operating expenses	(272)
Profit / (Loss) from Continuing Operations	(172)
Cash	7 306
Investments	2 184
Net loans and advances	37 510
<b>Total assets</b>	<b>47 678</b>
Capital and reserves	5 352
Liabilities	42 326
- Funding liabilities	41 047
- Other liabilities	1 279
<b>Total equity and liabilities</b>	<b>47 678</b>

- 1) Net interest income continues to decline due to margin compression and the declining gross loan book, as well as relatively higher cost of funding due to the Bank's credit rating downgrades and event of default situation
- 2) The large cash on hand position is earning interest received significantly below the cost of funding
- 3) Operating expenses were lower at R272m when compared to the prior year mainly due to lower personnel cost and travel expenses
- 4) Cash levels improved mainly due to cash injection of R3bn from National Treasury during September 2020 as well as collections from customers and lower disbursements
- 5) Net loan and advances decreased due to constrained disbursements

\*Summarised extracted lines of financial information

# Loan book overview 30 Sept 2020



- 1) Gross loans and advances decreased to R41.2bn, from the R45.3bn reported at 31 March 2020 mainly due to the repayments and declining advances particularly in the Service Level Agreement (“SLA”) loan books
- 2) The Suidwes SLA book has been fully insourced by the Bank with effect from July 2020 leading to a R3.2bn separate loan book as noted above under the CDBB segment

# Capital Adequacy Ratio - Banking



	September 2020
	ZAR'm
<b>Total capital</b>	
Total available capital (excl. guarantees)	5 056
Guarantees	2 410
Total available capital (incl. guarantees)	7 466
<b>Total risk weighted assets</b>	
Risk weighted assets	44 406
<i>Credit risk</i>	39 377
<i>Operational risk</i>	2 594
<i>Other risk</i>	2 434
<b>CAR ratio</b>	
Total capital adequacy (including guarantees)	16.8%
Total capital adequacy (excluding guarantees)	11.4%

- 1) Going forward the CAR will be shown excluding the guarantees as this is considered more correct - the including guarantee percentage is shown for comparison purposes
- 2) The total equity balance includes the R3bn equity injection received during September 2020
- 3) The majority of the cash balance of R7.3bn is intended to be used for future loan disbursements or the repayment of funding and has therefore been excluded from risk weighted assets - an amount of R600m representing a cash buffer for operating costs has been included in risk weighted assets

# Non-Performing Loans (NPL)



## NPL's as at September 2020 (per management accounts)

Segment	Gross loans R'm			Total	% NPL
	Performing	Under-performing	Non-performing		
CB&SI	7 314	2 383	728	10 424	7.0%
CDBB	4 483	1 389	4 965	10 837	45.8%
SLA	15 528	2 086	2 333	19 946	11.7%
<b>Gross loans and advances</b>	<b>27 324</b>	<b>5 857</b>	<b>8 026</b>	<b>41 208</b>	<b>19.5%</b>
<b>% Weighting</b>	<b>66.3%</b>	<b>14.2%</b>	<b>19.5%</b>	<b>100.0%</b>	
Expect credit loss (ECL)	(302)	(288)	(3 107)	(3 697)	84.1%
<b>Net loans and advances</b>	<b>27 022</b>	<b>5 569</b>	<b>4 918</b>	<b>37 510</b>	<b>13.1%</b>
<b>ECL coverage (%)</b>	<b>1.1%</b>	<b>4.9%</b>	<b>38.7%</b>	<b>9.0%</b>	

- 1) NPL decreased by R155m to R8.0bn for the period under review. Stage 3 ECL coverage ratio increased from 37.8% to 38.7%.
- 2) The bank has seen a slow-down in the deterioration of the book, post the alignment of staging and collateral classification done at 31 March 2020
- 3) The Suidwes loan book is managed under the CDBB segment and has a total NPL loan balance of R2.3bn (28% of the total Land Bank non-performing loans and 71% of the total gross Suidwes loan book)
- 4) NPL ratio increased to 19.5% at the end of September, largely as a result of NPL's not declining at the same rate as the gross loan book
- 5) Stage 1 (Performing) has decreased to 66.3% in the six months to Sep'20 (R27.3bn), mainly due to the repayments of advances made under the SLA loan books
- 6) Stage 2 (Under-performing) increased to 14.2% in the six months to Sep'20 (R5.9bn) specific loans being reclassified from stage 1 to stage 2
- 7) The ECL coverage on the total book has increased to 9.0% at the end of September 2020, with the coverage ratio of stage 3 (Non-performing) marginally increasing to c.39%.

**Stage 1: Performance loans.** These exposures are up to date with repayments / instalments  
**Stage 2: Underperforming loans.** These exposures are in arrears due 30 - 90 days  
**Stage 3: Non-performing loans (NPL).** These exposures are > 90 days in arrears or in liquidation

# Disclaimer

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