



Land Bank

Launch of the 2008/2009 Annual Financial Results

Content

- Land Bank Act (2002) objects
- Turnaround strategy
- Results of turnaround strategy
- Development

Land Bank measured against the objects of the Land Bank Act

Land Bank Act Objects

1. Equitable ownership of land
2. Agrarian reform
3. Access to land
4. Agricultural entrepreneurship
5. Removal of past racial & gender discrimination
6. Enhancement of productivity & profitability
7. Stimulation of growth and better use of land
8. Environmental sustainability
9. Rural development & job creation
10. Commercial agriculture
11. Food security

Has the Land Bank met its objects?

No

Root causes for non adherence

1. Weak control environment incl. breakdown in certain processes and controls
2. Lack of appropriate risk management
3. Lack of policies, procedures and practices
4. Weak information systems to support all control components
5. Lack of appropriate capacity, oversight and internal control over financial reporting

An appropriate turnaround strategy to respond to this context

Strategic Intent

Development (mandate adherence)

Stop the Bleeding

Legacy issues (Clean-up & Stabilisation)

Sustainability
The pillars which will enable the Land Bank to normalise its operations & move to development

Make development core to business

Secure affordable funds and maintain sustainability

Ensure adequate people & skills

Implement systems & drive innovation

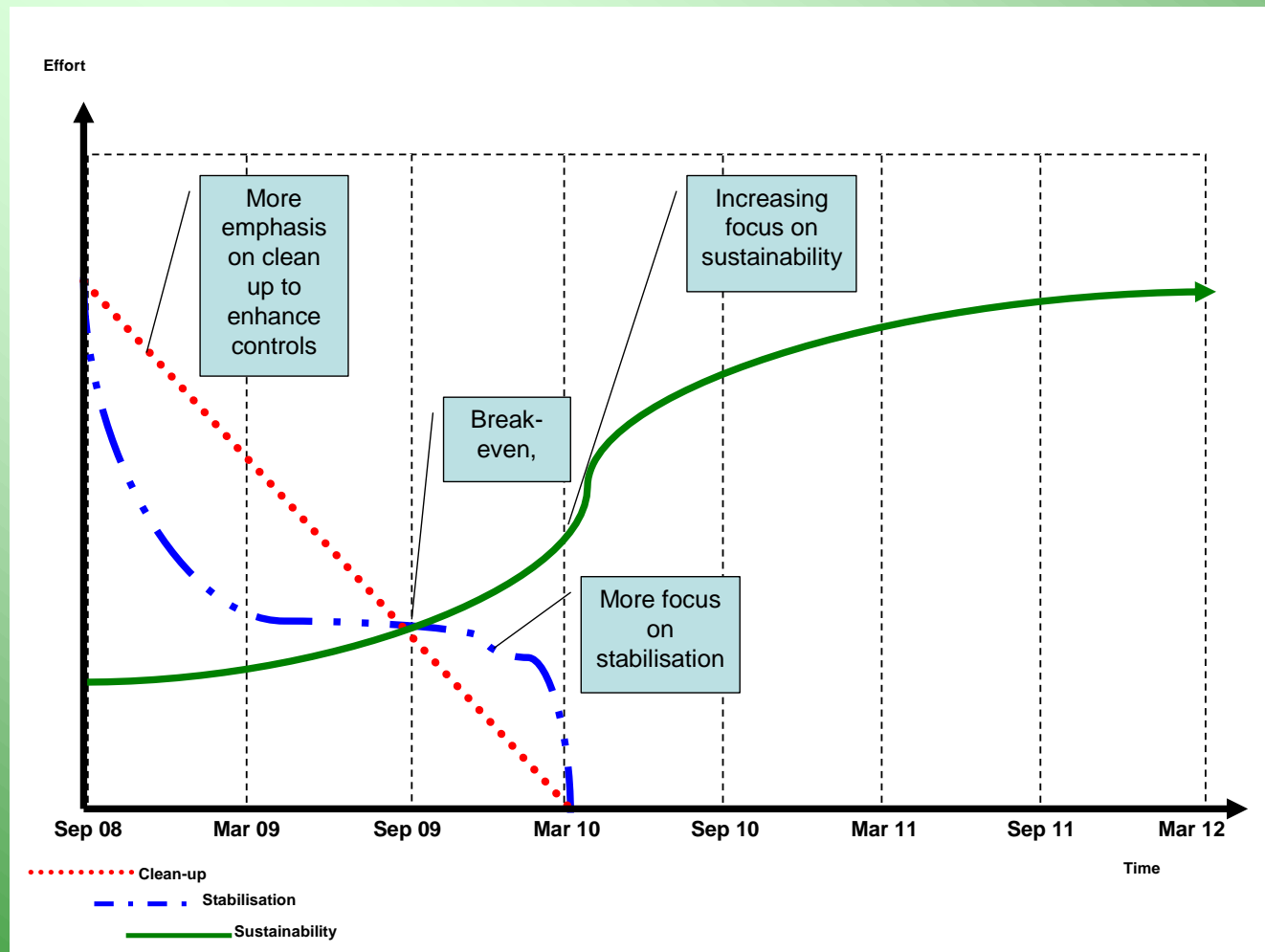
Improve service delivery

Ensure partnership & stakeholder engagement

Governance, compliance & risk management



Phases of turnaround strategy



Phases of turnaround strategy

CLEANUP

1. 2008 Audit report matters (qualifications & other matters)
2. Management letters of the auditors
3. SCOPA resolutions & portfolio committee undertakings
4. Government guarantee conditions
5. Forensic investigations

STABILISATION

1. Improve staff capacity
2. Information technology
3. Funding dynamics
4. Balance sheet
5. LDFU
6. Cost to income ratio

SUSTAINABILITY

1. Building the book
2. Development

RESULTS OF CLEANUP - qualifications

7 Qualifications in 2008

2009 Audit report

- | | |
|--|---|
| 1. LDFU loan balances:
Existence & valuation | 1. Addressed |
| 2. LDFU loans: Non compliance
with mandate | 2. Addressed
Moved to other matter |
| 3. System implementation
costs capitalised (linked
to IT irregularities) | 3. Addressed |
| 4. Procurement and payments | 4. Addressed |
| 5. Payroll | 5. Addressed |
| 6. Funds under administration | 6. Addressed |
| 7. Fruitless & wasteful expenditure
(F&W) - not quantified & disclosed | 7. Addressed
Moved to emphasis of matter |

2009 Audit report is unqualified



RESULTS OF CLEANUP – other matters

12 Other matters in 2008

2009 Audit report

1. Banking module deficiencies

1. Addressed

Non compliance with applicable legislation

2. Late submission of corporate plan

2. Addressed

3. Declaration of interests

3. Addressed

4. Moratorium on the collection of development loans

4. Addressed

5. Previous CEO salary settlement

5. Addressed

Matters of governance

6. Audit committee did not fulfil its responsibilities

6. Addressed

7. Ineffective internal audit function

7. Addressed

RESULTS OF CLEANUP – other matters...

12 Other matters in 2008

2009 Audit report

Matters of governance ...

8. Late submission of annual report

8. Addressed

9. SCOPA resolutions not implemented

9. Addressed

10. Auditors recommendations not implemented

10. Addressed

Performance information (PI)

11. No set targets for non financial indicators & incomplete quarterly reporting

11. Remains other matter
PI shortcomings in Q1/2009

Other reports referred to by the AG

12. Special investigations completed & in progress at the end of the 2008 financial year

12. AG confirms ongoing investigations
- Discussed under forensics



RESULTS OF CLEANUP – emphasis of matter & other matter ...

Emphasis of matter in 2009 audit report

- **F&W expenditure qualification in 2008 move to an emphasis of matter paragraph**
- **AG’s practice to draw attention to F&W expenditure quantified & disclosed in the financial statements of government departments & entities**

Other matter in 2009 audit report

- **LDFU qualification in 2008 on mandate remains an other matters**
- **Discussed further under stabilisation**

The 2009 audit report is “cleaner” with only legacy issues remaining

RESULTS OF CLEANUP – Management letter & SCOPA resolutions

Implementation of management letter findings

- **Substantial progress in implementation of 2008 auditors' recommendations**
- **Significant reduction in quantum of findings**
- **Majority of 2009 recommendations house-keeping in nature**

SCOPA resolutions

- **Substantial progress in implementation of latest SCOPA resolutions**

AG confirms that both the prior year audit findings and SCOPA resolutions have been substantially addressed/implemented



RESULTS OF CLEANUP – Government guarantee conditions

- **Agreed capital adequacy ratio maintained**
- **Monthly reporting requirements met**
- **Appropriate turnaround strategy formulated & approved**

Minister approved turnaround strategy and guarantee increases from R1.5 billion to R3.5 billion

RESULTS OF CLEANUP – forensic investigations

<u>Investigation</u>	<u>Authority handed over to</u>	<u>Case number</u>
1. Mafisa	Hawks (Scorpions): 18 Aug 08	GP69
2. New system implementation	Hawks (Scorpions): 18 Aug 08	GP69
3. LDFU	Serious Economic Offences Unit (SEOU): 15 Oct 2008	SEOU ENQ 01/12/2007
4. Agri BEE	Serious Economic Offences Unit (SEOU): 6 Nov 08	300/11/2008

AG confirmed that historical special investigations have been handed to the relevant authorities and investigations are ongoing

Land Bank has roped in external capacity to assist the SAPS

Minister of Finance has further roped in the FIC for additional capacity



Turnaround strategy - **STABILISATION**

1. **Improve staff capacity**
2. **Information technology**
3. **Funding dynamics**
4. **Balance sheet**
5. **LDFU**
6. **Cost to income ratio**

RESULTS OF STABILISATION – improve staff capacity & IT

Initiative

Achievements

1. Improve staff capacity

- 6 of 9 Executive appointments completed
- 2 Executives joining the Bank in Sept 09
- Filled 60 critical vacancies (target 68)
- More work required in respect of performance management & job profiling, evaluation & grading

2. Information technology

- Critical configuration fixes completed for HR & finance modules
- SAP assessment completed and downsizing decision taken
- Strategy building towards the implementation of a banking module



RESULTS OF STABILISATION – funding dynamics

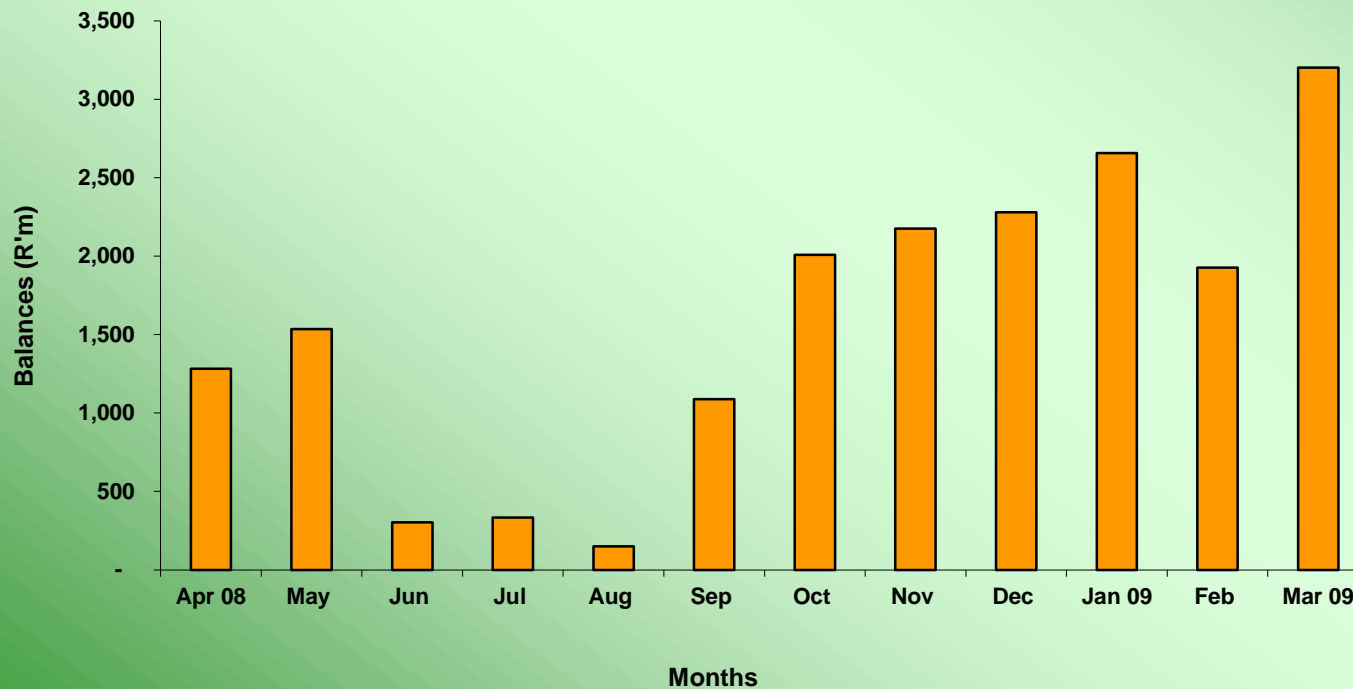
Initiative

3. Funding dynamics

Achievements

- Investors reinvesting
- Maturities lengthened
- Increased roll over's & new funding secured

Monthly Cash Balances from April 2008 to March 2009



RESULTS OF STABILISATION – balance sheet & LDFU

Initiative	Achievements
4. Balance sheet	<ul style="list-style-type: none">➤ Concerted collection efforts➤ Targeted 3 biggest NPLs➤ Collected R1.1 billion on accounts classified as legal and pre-legal
5. LDFU	<ul style="list-style-type: none">➤ R14.7 million recovered➤ R53 million cash guarantees➤ R130 million letters of intent➤ Impairment increase of R88.5 million

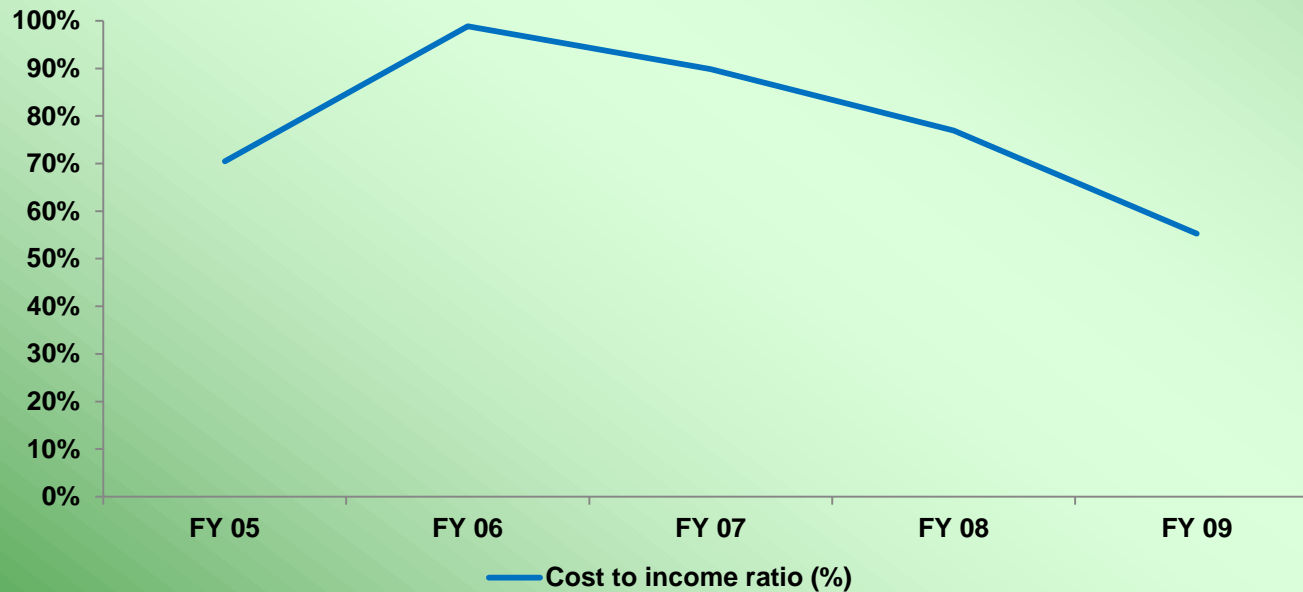
RESULTS OF STABILISATION – cost to income

Initiative

6. Cost to income

Achievements

- Ratio reduced from 77% last year to 55%
- Further details covered by CFO



Turnaround strategy - **SUSTAINABILITY**

1. **Building the book**
2. **Development**



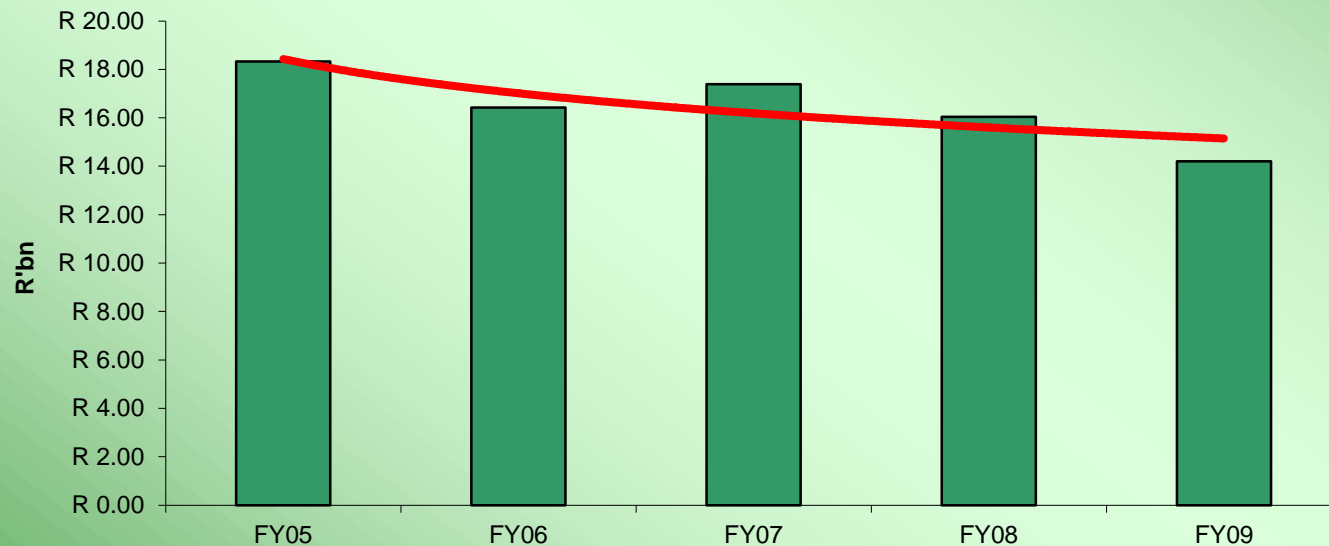
RESULTS OF SUSTAINABILITY – building the book

Initiative

Stabilise the loan book

Achievements

➤ Slow down in the declining loan book



RESULTS OF SUSTAINABILITY – building the book ...

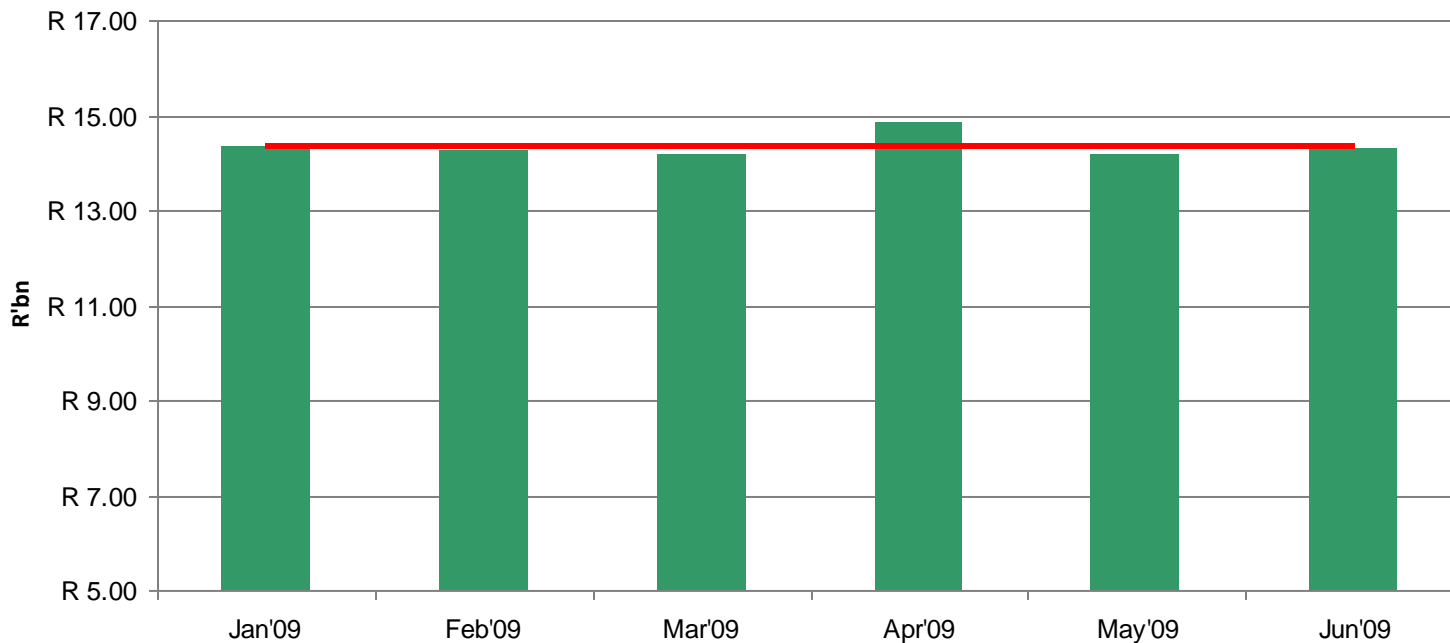
Initiative

Stabilise the loan book ...

Achievements

- Recent months show loan book is stabilising

Gross Loan Book January 2009 to June 2009



RESULTS OF SUSTAINABILITY – development

Initiative

Make development core to business

Achievements

- **Development policy approved which formalised:**
 - **Definition of development**
 - **Identification, quantification & monitoring**
 - **Mainstreaming of development**
 - **Implementation plan**
 - **Funding approach**
 - **Target niche markets**
 - **Post disbursement support (aftercare)**
 - **Need for partnerships**

- **Pilot projects**

- **Development impact parameters formalised**

RESULTS OF SUSTAINABILITY – development ...

Target market niches (TMN's)

1. Indirect funding of emerging and non-HDP entrepreneurs via large corporate clients such as existing co-operatives and other entities
2. Indirect funding of emerging entrepreneurs via newly established co-operatives and existing commercial infrastructure, including banks
3. Direct funding of emerging entrepreneurs in expanding agricultural enterprises
4. Direct funding of emerging entrepreneurs via enterprises that utilise land now available through the national land reform initiative
5. Direct funding of the participation by emerging entrepreneurs in commercial agriculture (primary & secondary) enterprises
6. Direct funding of the acquisition by emerging entrepreneurs of shares in existing of expanding enterprises
7. Direct funding of focused rural development enterprises, projects or initiatives



RESULTS OF SUSTAINABILITY – development ...

Growth in the development loan book

Target

March 2010

R450 million

March 2011

R1.1 billion

March 2012

R1.7 billion



In summary

- **Audit report is unqualified and audit findings being cleaned up further**
- **Environment stabilising**
- **Land Bank becoming a normalised institution moving towards development in compliance with the Land Bank Act objects**