

**Presentation  
to  
Standing Committee on Finance**

**24 May 2011**

# Table of contents

- **Overview of Land Bank**
- **The turnaround strategy**
- **Sustainability (FFF) and Development (REM)**
- **Major Corporate KPIs**
- **Way Forward**
- **Appendices**

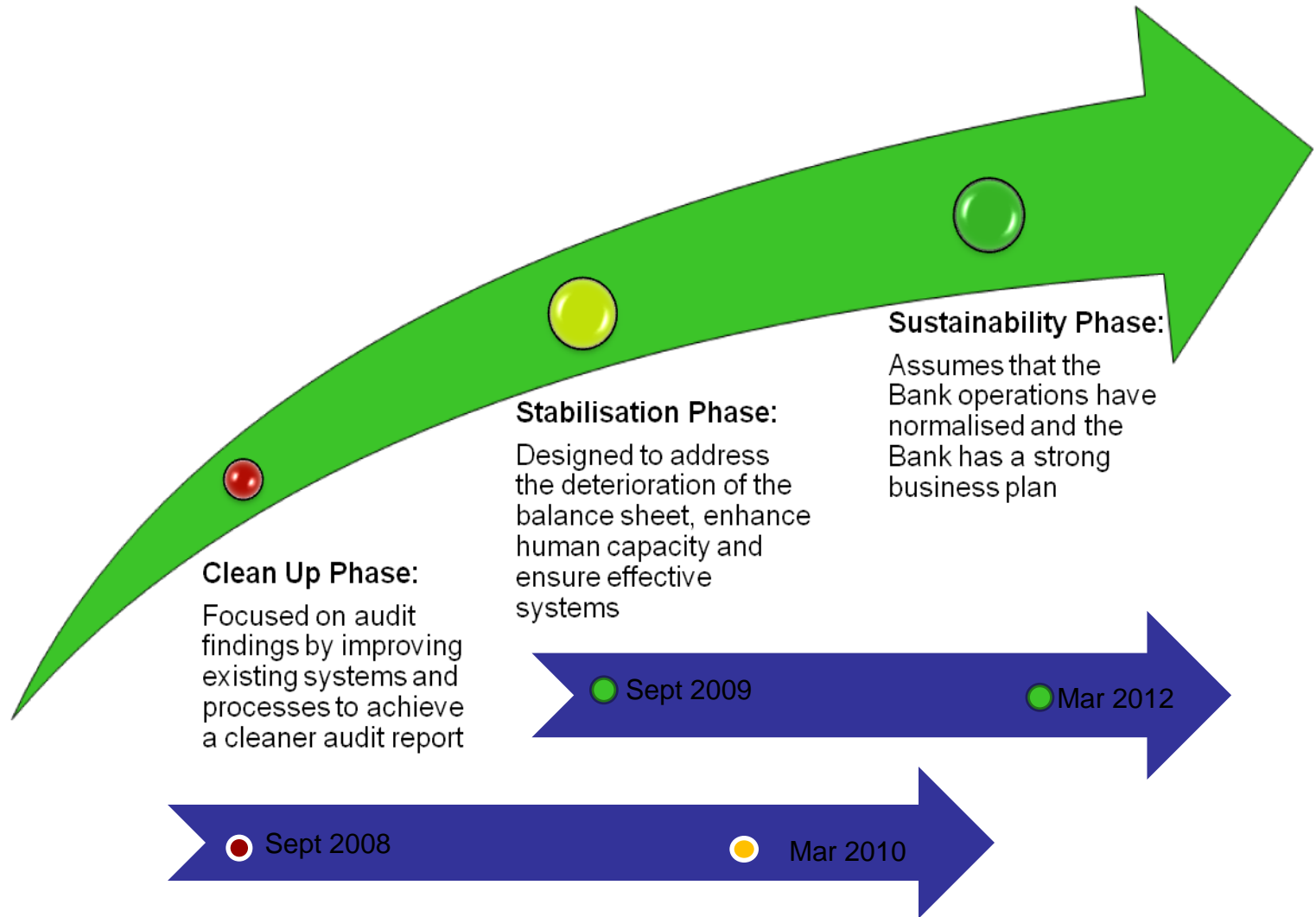
# Regulatory framework

- Wholly owned by the South African government
- Founded in 1912 and provides retail and wholesale financing
- Finance development and commercial farmers
- **Regulated by:**
  - Land and Agriculture Development Act (2002) (“Land Bank Act”)
  - Public Finance Management Act (1999)
  - National Credit Act (2005)
- **Fitch Rating Agency:**
  - Long-Term (AA (zaf))
  - Short term (F1+ (zaf))



Rating  
confirmed  
on 18 March  
2011

# The turnaround strategy



# Phases of the turnaround strategy

## Clean Up

- ✓ • Audit reports qualification
- ✓ • Audit report – Other matters
- ✓ • Management letters of the auditors
- ✓ • SCOPA resolutions/Parliamentary Committees
- ✓ • Government guarantee conditions
- Forensic investigation

## Stabilisation

- Improved staff capacity
- Information technology
- Balance sheet
- LDFU ❌
- Funding dynamics
- Cost-to-income ratio

## Sustainability

- Building the loan book
- Fit For Future (FFF) (Appropriate operating and business models)
- Development (Ring-fenced)

● Sept 2008

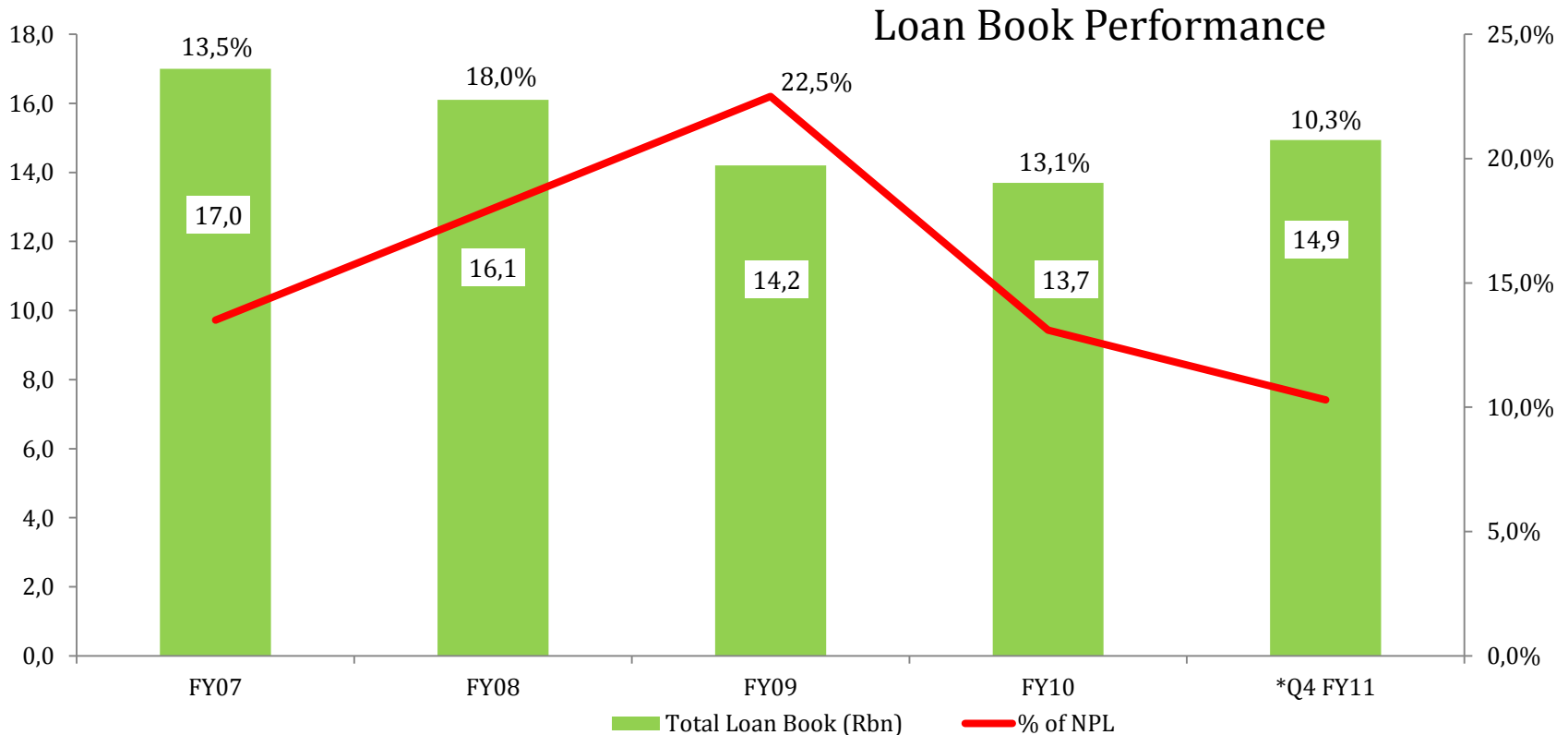
● Mar 2010

● Sept 2009

● Mar 2012

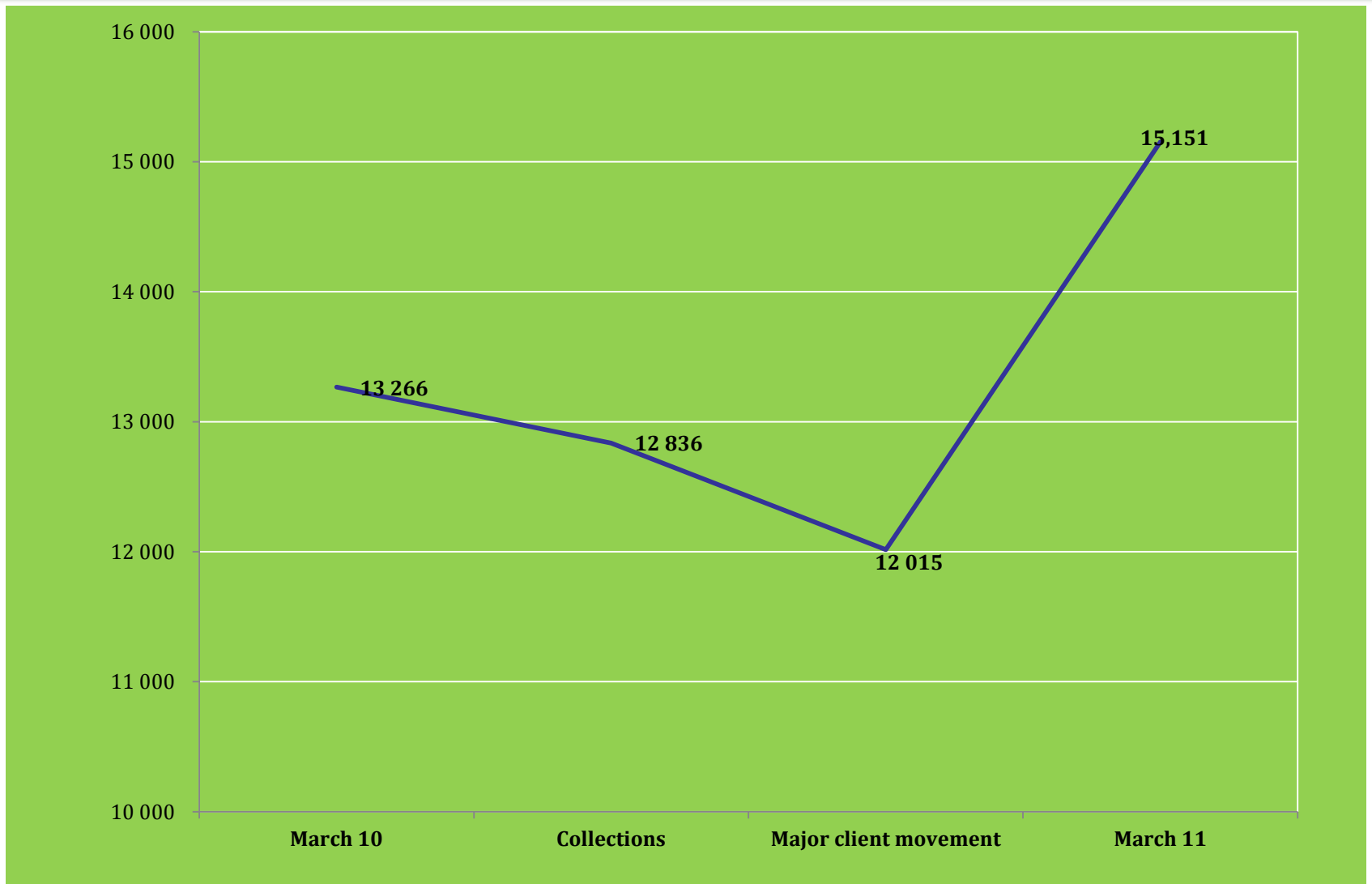
## Building the book

- Increasing loan book shows evidence of stabilisation
- Efforts to improve the loan book quality are bearing fruit (lower NPL's & improving margins)



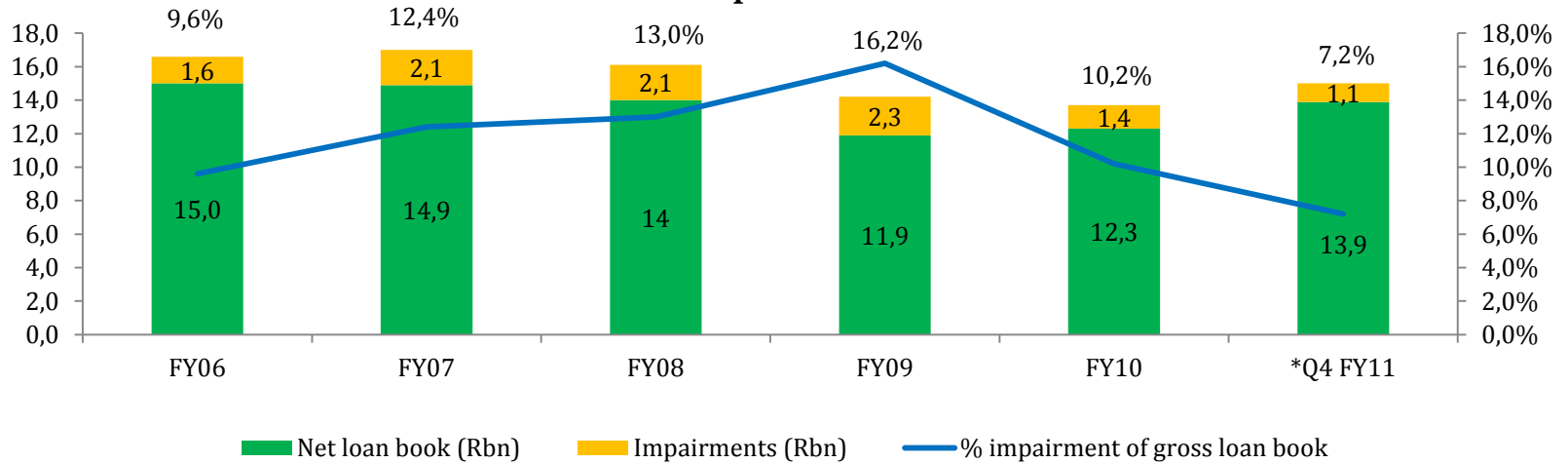
\*Estimate

# Loan Book Movements (R'bn)



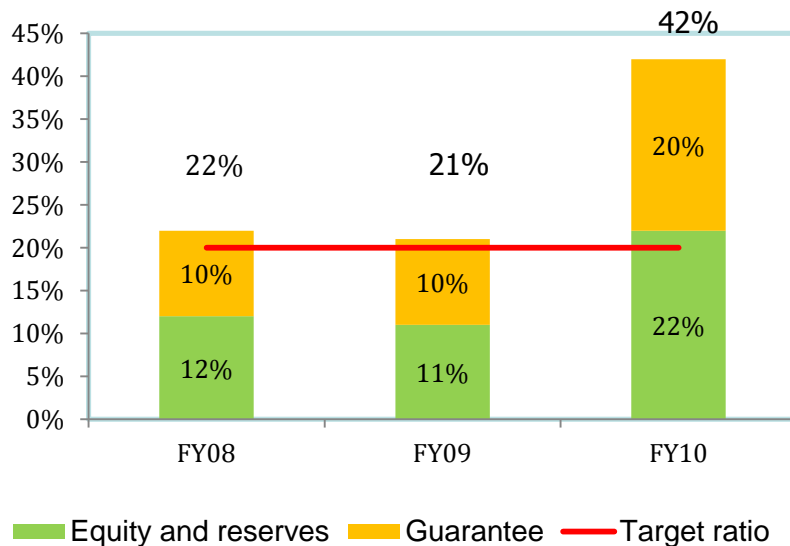
# Balance sheet analysis

## Impairment trend



\*Estimate

## Capital adequacy



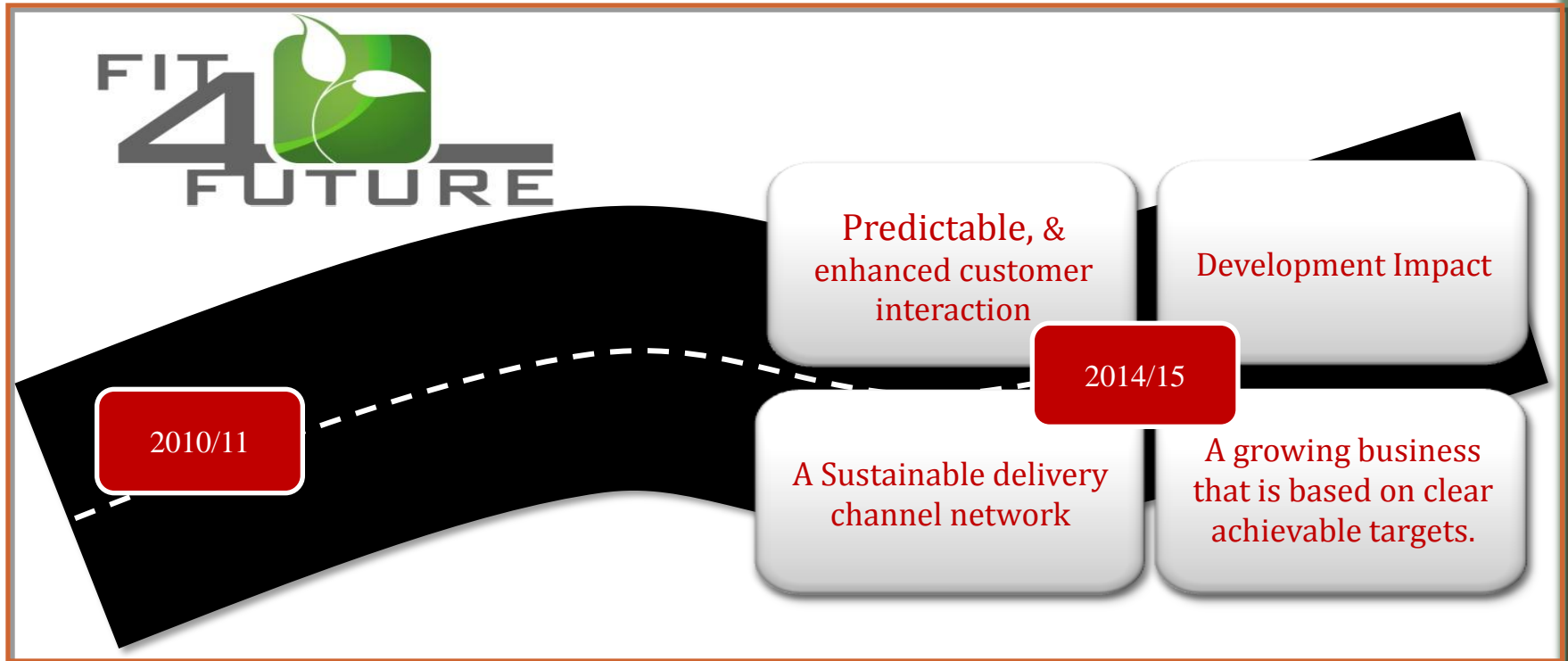
## Total Government guarantee = R3.5bn

- R1 bn received in FY09/10
- R750m will be received in FY10/11
- R750m will be received in FY11/12  
(R400 received May 2011)
- R1 bn will be received in FY13



# Sustainability (FFF) and Development

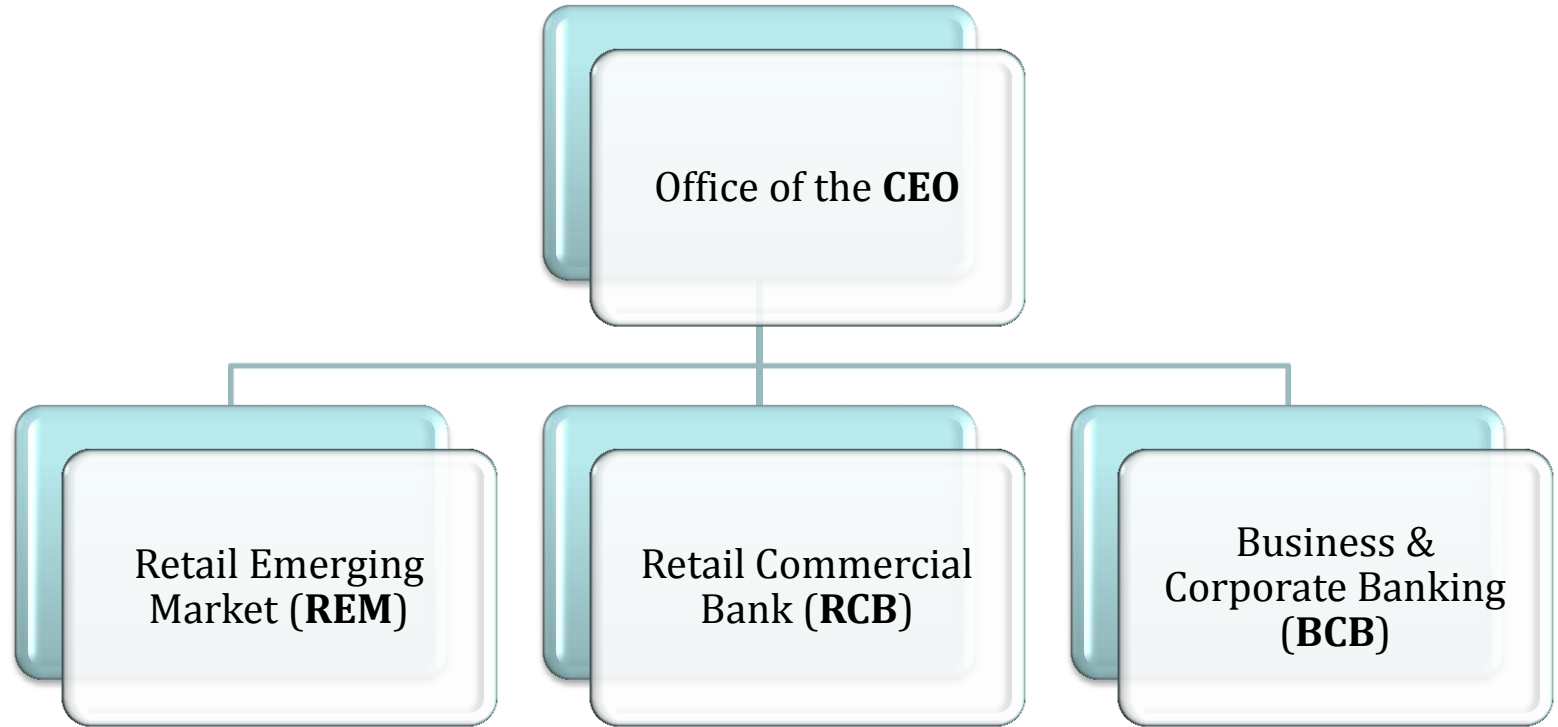
# Fit For Future (FFF)



## How to get to the destination

- **Establish a business unit focused on emerging farmers**
- Optimise branch back office activities through technological means and process efficiency
- Optimise Land Bank's delivery channel
- Stabilise and enhance the service capacity and capability of the Business and Corporate Banking unit
- Establish a high performance, people oriented culture

# Organizational Structure



# Retail Emerging Markets (REM)

- Restructured Land Bank

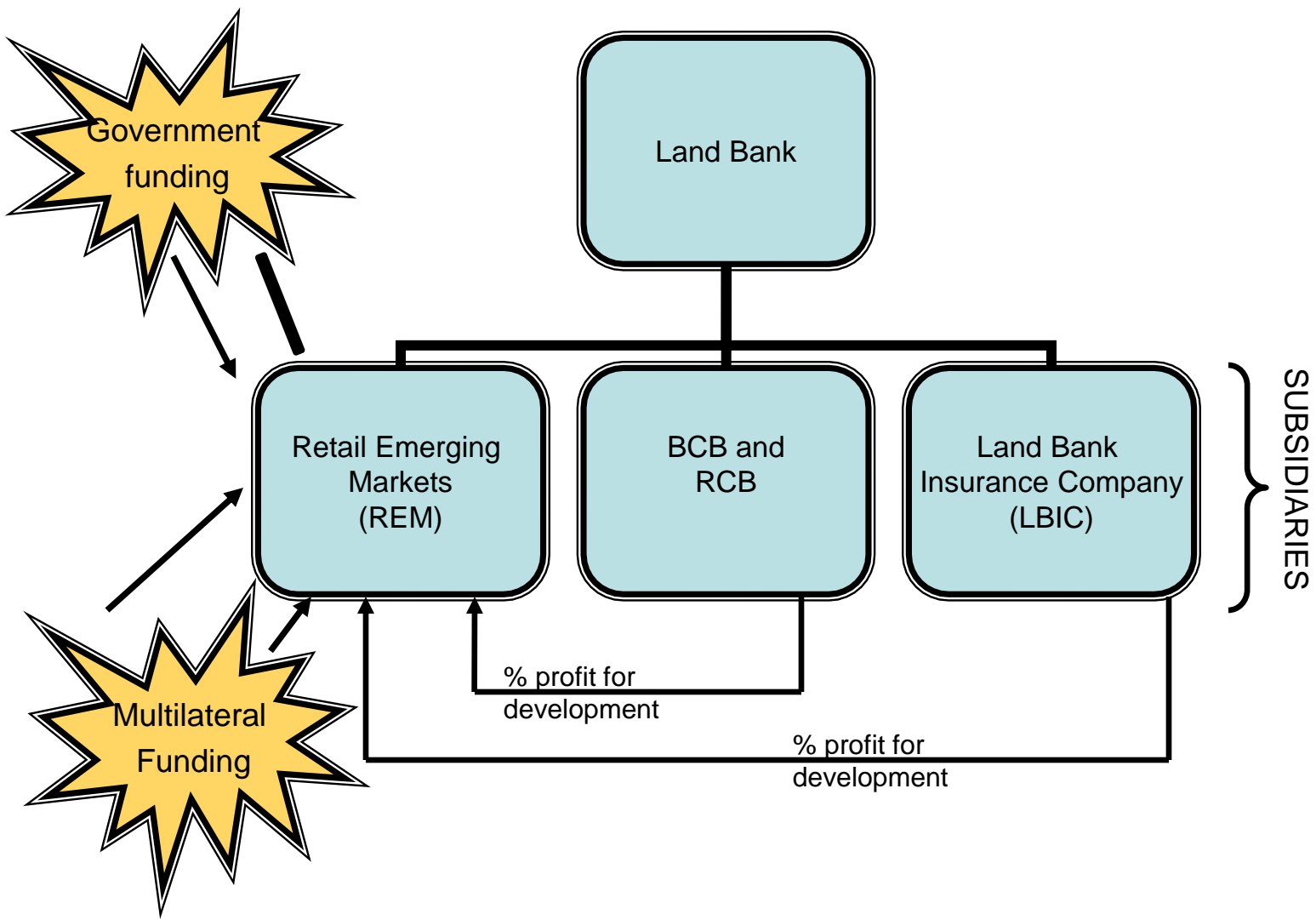
- Retail Emerging Markets REM

**The REM business aims to, in the face of market failure, assist black emerging farmers to become established retail farmers through the provision of tailored financing solutions.**

- Dedicated division –
- To address the following:
  - Black emerging farmers
  - Active in primary agricultural sector
  - Inability to secure financing
  - Lack of security
  - Scale of operations too small to attract services
  - Insufficient access to resources
  - Relative lack of managerial, financial and/or agricultural skills to sustain a farming enterprise
  - Provision of after care support
  - Clients can be individuals, trusts and other communal entities
  - Clients will include farming projects (land reform)

- Two innovative instruments give added effect to the Bank's new development focus:
  - a) The Emerging Farmer Support Facility (EFSF) which incorporates Value Chain Financing (see appendices)
  - b) Wholesale Finance Facility (WFF)
- Approved by Cabinet

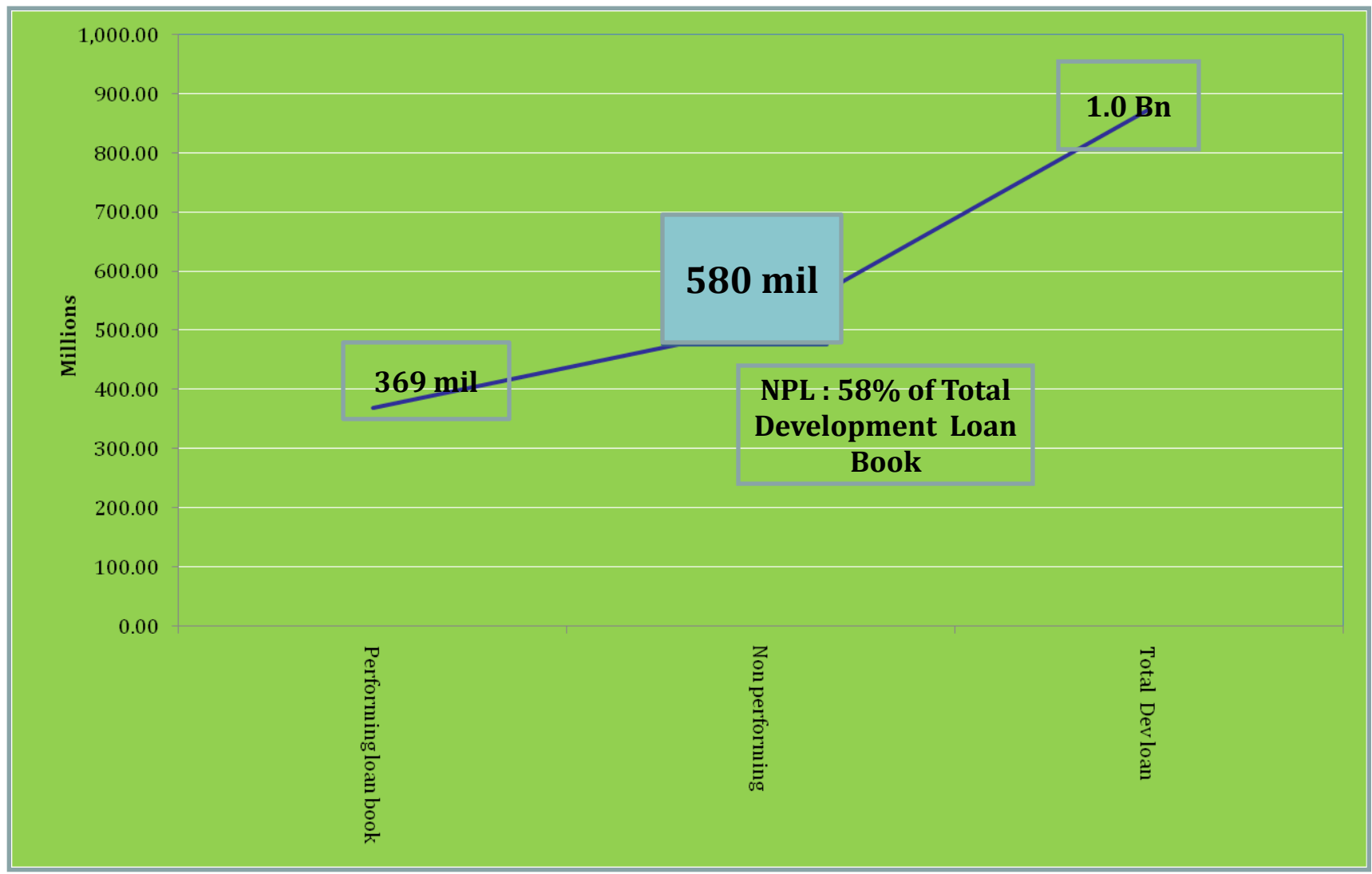
# Sustainable Business Model (Long-Term): development funding



# Development Impact Measurements

- New tools developed:
- Assessment of applications on Development Impact Parameters Framework (DIPS)
- DIPS used to provide a social discount to development clients and clients with strong contributions to development
- The Bank in collaboration with DBSA is using a Social Accounting Matrix (SAM) to measure its overall development impact

# Development NPLs

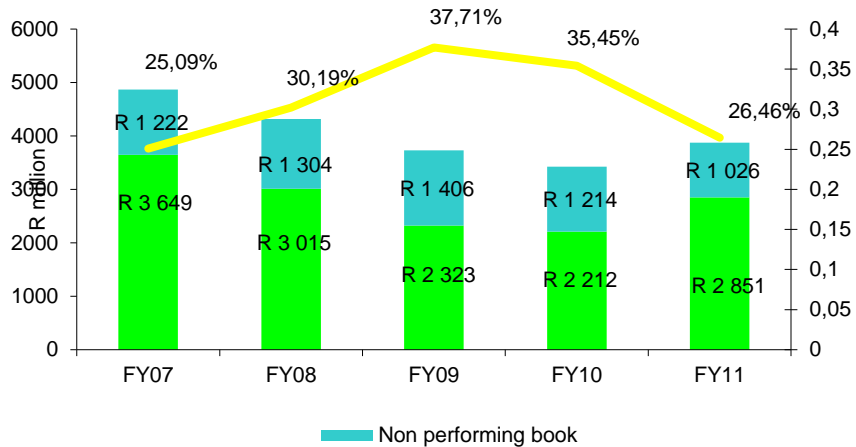




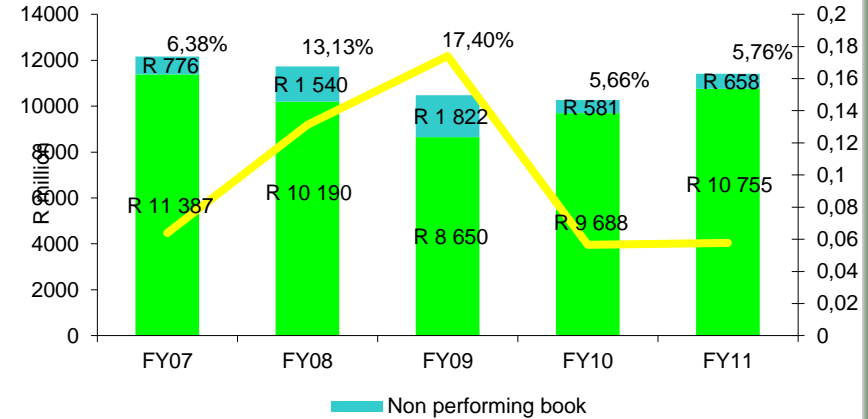


# Lending structure of the Land Bank

## Retail Book



## Corporate Finance Book



Developmental retail to be funded by a combination of Government support, Value Chain Model, Land Bank profits, and LBIC profits

Land Bank

The combined NPL's for retail commercial and CFU's are 8.56%.

Retail

CFU

Loan book = R10.2 Bn  
NPL = 5%

Developmental  
Loan book = R1.0Bn  
NPL = 58 %

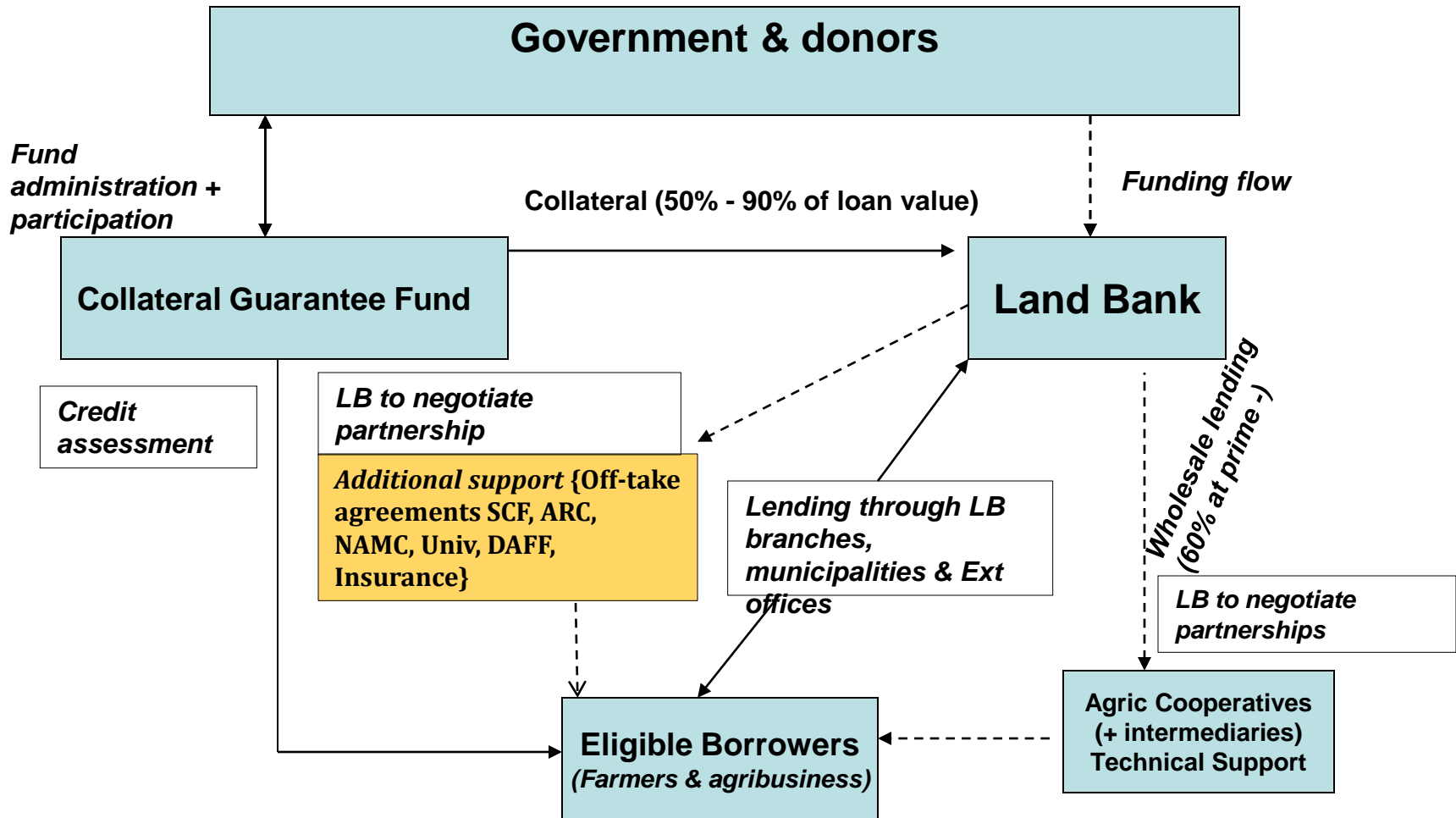
Commercial  
Loan book = R2.9Bn  
NPL = 16%

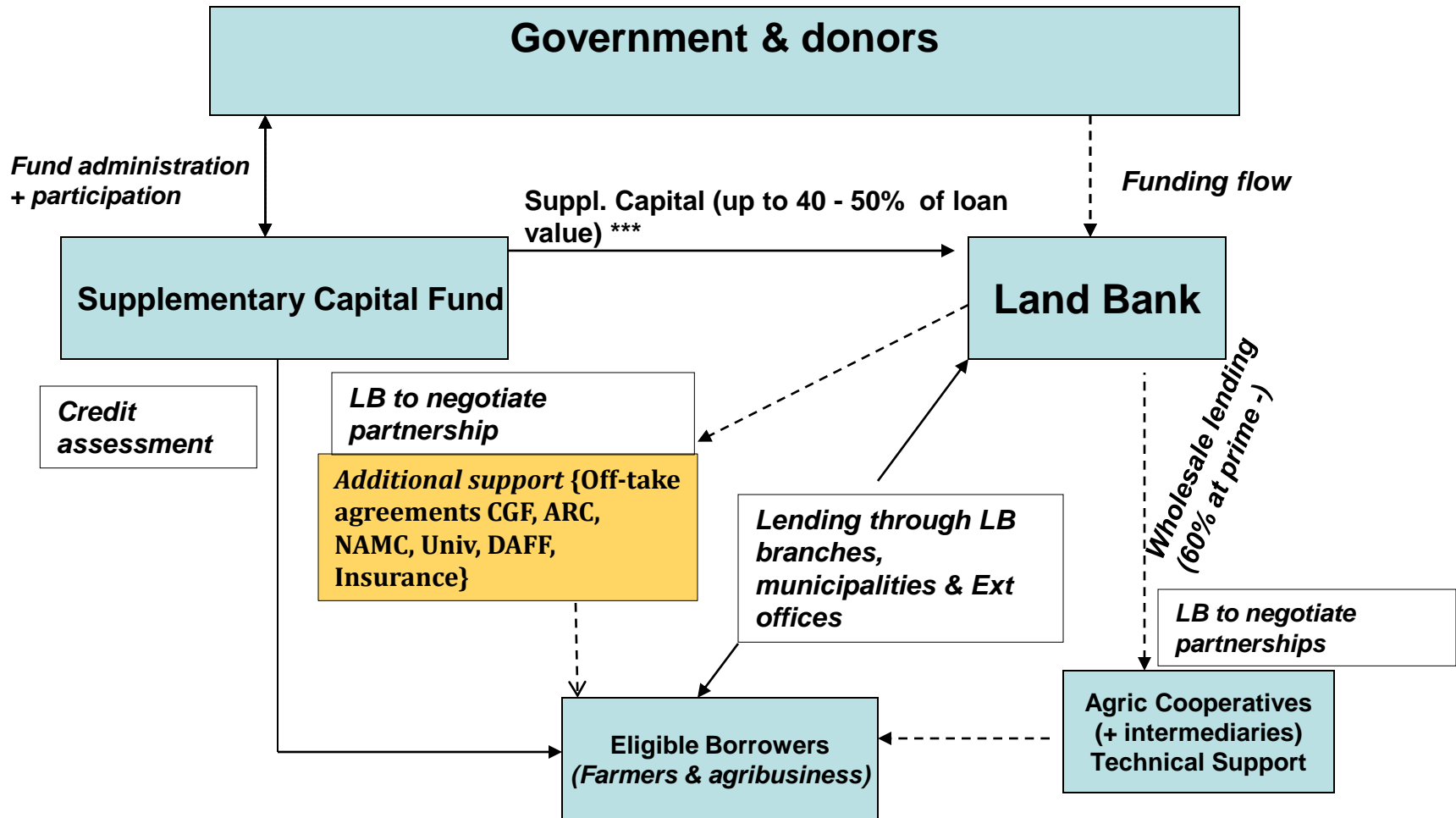
# Major Corporate KPIs

Key performance area (KPA)	KPI (March 2012)	KPI (March 2013)	KPI (March 2014)
Development	450 mil	500 mil	650mil
Grow the loan book	10%	10%	10%
Cost-to-income ratio	93.1%	83.4%	78.8%
Capital adequacy ratio	20%	20%	20%
Diversify income streams (year-on-year)	8%	10%	10%
Reduce non-performing loans	Reduce to 10.5% of total loan book	Reduce to 9.5% of total loan book	Reduce to 9.25% of total loan book
Liquidity	Maintain liquidity as per liquidity risk model		

- Development
- Continue to grow the loan book and improve quality
- Improved efficiencies and enhance client relations management
- Diversify income stream
- Mitigate development risk with value chain finance
- Implementation of fit for future
- Revised business and operational models

# APPENDICES





\*\*\* Statistically determined.