

Confidential

The Land and Agricultural Development Bank of South Africa
P O Box 375 Pretoria 0001
Block D Eco Glades 2 Office Park, 420 Witch Hazel Avenue Eco Park
CENTURION



Registered credit provider: Reg number NCRCP18

Tel: +27 (0)12 686 0500
Fax: +27 (0)12 686 0682
www.landbank.co.za

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MEDIA STATEMENT ON PROGRESS MADE SINCE THE EVENT OF DEFAULT

The event of default has caused considerable strain on the Bank's operations and reduced its ability to support the sector and service existing debt. In the absence of any new funding flowing into the Bank, the ability to perform these key functions remains significantly constrained. Nonetheless, the Bank remains focused on turning this state of affairs around and has recorded some progress in critical areas of the stabilisation exercise, in collaboration with the lenders and funders with the support of its shareholder.

While going through the period of default, the Bank has been able to reduce the funding debt through its normal collections of client instalments, settlement of facilities as clients move to other financial institutions, and disposal of non-core assets. Some of this funding has been used to provide much needed support to the existing clients of the Land Bank. The Bank has geared itself to fully support existing clients with working capital and production facilities in the planting season that is upon us. In addition to that, R11.4bn has been paid to lenders to date, resulting in a 28% reduction of the debt since the Bank defaulted on its funding liabilities. The Bank continues to prioritise debt repayment and continuously engages lenders to manage this process sustainably.

The complexities involved in finding an appropriate solution that is acceptable to all parties (the Bank, Lenders, and the Shareholder) have led to a consideration of various options since the beginning of the negotiations process. Three (3) options were considered since the start of the negotiations with lenders. Lenders have requested an independent review of the Land Bank book prior to entering into the liability solution. This review is underway.

Whereas the Liability Solution enforces the reduction of the loan assets of the Bank (by using the proceeds of loan book reduction to repay the restructured amortising debt), there is an imperative to protect the long term sustainability of the Bank. The allocated capital injection of R7bn over FY2021/22 to FY2023/24 by the National Treasury provides the basis for the Shareholder's Support of the Bank's Liability Solution. The capital injection is intended to reduce debt and provide a baseline for future growth of the Bank. With the support of the shareholder, the Land Bank continues to work with lenders on the Liability Solution, now on its third iteration, in order to take the Bank out of its default position and allow for the resumption of normal business operations as far as possible.

In this challenging period, the bank has also embarked on a process of insourcing some of its externally managed loan books while implementing the approved Remediation Plan in response to the negative findings of the Auditor-General of South Africa. The bank has also developed and approved its Vision 2025, a strategy to repurpose the Bank in line with its mandate. The focus in the medium term is on supporting the growth of the Development and Transformation business through partnerships with both the public and private sector.

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For further enquiries contact Rebecca Phalatse, GM: Marketing & Communications on email at rphalatse@landbank.co.za or 074 159 6833