

## Confidential

The Land and Agricultural Development Bank of South Africa  
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CENTURION



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Registered credit provider: Reg number NCRCP18

## LAND BANK'S DOWNGRADE BY MOODY'S INVESTOR SERVICE

**22 January 2020.** On 21 January 2020 Moody's Investors Service ("Moody's") downgraded Land and Agricultural Development Bank's (Land Bank) issuer rating to Ba1 from Baa3.

Moody's highlighted elevated credit risks (NPLs), declining capital, low earnings generating capacity (NII), challenging operating environment (environmental challenges such as drought), and policy uncertainty (expropriation without compensation) as key factors contributing to the Land Bank being placed on review for downgrade. Additionally, the negative outlook is informed by the rating agency's assessment that ongoing fiscal challenges suggest that the South African government will be selective in dispersing financial support to state-owned enterprises, including Land Bank. The lack of progress on the appointment of the CEO was also a concern.

Over the last few years we have had engagements with the shareholder (National Treasury) to explore potential areas of support, in particular as it relates to the potential support to the Bank.

Land Bank remains a significant player in the agricultural sector, with a strong market share of 28% of the country's agricultural debt. We believe that the fundamentals of the business of the Bank remain solid, and that our agricultural expertise is strong. The project that is underway to explore the best options in the repurposing of the Bank to improve financial sustainability and development effectiveness, is underway.

Our focus on maintaining solid, best practice and exemplary corporate governance, as well as the improvement of business efficiencies remains a pivotal part of our programme of action, and Moody's recognised this as a positive feature of the Bank.

We are confident that this challenging period can be handled successfully, and that the work that is currently underway to address these challenges will get the Bank back on track towards growth, profitability and development effectiveness.

The Board has prioritised the filling of key leadership vacancies. The appointment of the Chief Financial Officer has been completed, with a start date of 3 February 2020, and the recruitment of the Chief Executive Officer is at an advanced stage. This should provide leadership stability going forward.

**Directors:** Mr MA Moloto (Chairperson), Ms DR Hlatshwayo (Deputy Chairperson), Mr SCE Soundy (Acting Chief Executive Officer), Ms SA Lund, Ms TT Ngcobo, Ms DN Motau, Adv. SJH Coetzee, Ms ME Makgatho, Dr ST Cornelius; and Mr MS Makgoba.

Mr RC Engle (Acting Chief Financial Officer) and Mr MK Mzaidume (Company Secretary)

**-Ends-**

Enquiries

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