

Sens Announcement

The Land and Agricultural Development Bank of South Africa

(JSE Code: BILB)

("the Land Bank")

Land and Agricultural Development Bank of South Africa: Rating action – Moody's places Baa3/Aa1.za ratings on review for downgrade

On 05 November 2019, Moody's Investors Service, ("Moody's") placed the Land and Agricultural Development Bank of South Africa's ("Land Bank") issuer ratings of Baa3/P-3 and its long-term national scale issuer ratings (NSR) at Aa1.za, on review for downgrade. Concurrently, the rating agency has lowered Land Bank's Baseline Credit Assessment ("BCA") to b1 from ba3 and placed it on review for further downgrade.

The ratings action reflect Moody's assessment of Land Bank's weakening standalone credit profile, and the potential impact this will have on its issuer ratings that are placed on review for downgrade, as Moody's assesses the government's capacity to and willingness to support in case of need. The weakening standalone credit profile is predominantly driven by pressures stemming from:

- Elevated credit risks evident from increased non-performing loans;
- Declining capital buffers that will challenge its ability to meet some loan covenants while fulfilling its developmental mandate and related loan growth targets;
- Environmental risks such as the sustained droughts, uncharacteristic hail in usually hail-free areas, and increased frequency of disease outbursts, which may disrupt the ability of the Bank's customers to repay their loans; and
- Downside risks regarding the impact of the upcoming Land Reforms.

The full credit opinion is available on its website, www.moody.com.

List of affected ratings

Placed on review for downgrade:

- LT Issuer Ratings, currently Baa3
- ST Issuer Rating, currently P-3
- NSR LT Issuer Rating, currently Aa1.za

Affirmations:

- NSR ST Issuer Rating, affirmed P-1.za

Outlook Action:

- Outlook, changed to "Rating under Review" from "Negative"

06 November 2019

Enquiries

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