

The Land and Agricultural Development Bank of South Africa

(JSE Code: BILB)

(“**Land Bank**”)

Land and Agricultural Development Bank of South Africa: Liability Solution Update

In a SENS announcement dated 31 August 2020, Land Bank set out the key principles of the Liability Solution that was being pursued:

The objectives of the original Liability Solution were stated as being to:

- a) cure the existing events of defaults and cross defaults on the Land Bank’s funding instruments;
- b) extend the term of all funding that has matured or will mature in the next 12 months to develop a more sustainable maturity profile; and
- c) provide existing funders with a credit-enhanced position subsequent to the implementation of the Liability Solution.

Land Bank and its advisors have been in discussions with various groups of funders to implement a funding restructure with broadly the following terms:

- a) repayment of the full capital and interest of the funders;
- b) the maturities of restructured funding instruments to be extended, with a repricing and credit enhancement; and
- c) a voluntary tender and exchange process to holders of listed instruments issued under the current Domestic Medium Term Note (“DMTN”) programmes, to replace existing listed instruments with credit-enhanced and repriced listed notes issued under a new DMTN programme. Existing listed instruments to remain in place for those holders who elect not to participate in this exchange process.

As part of the Liability Solution proposed in August 2020, it was envisaged that Land Bank would apply for government guarantees to partially guarantee the proposed new notes that would be offered as part of the abovementioned exchange offer.

A combination of factors, including the nature of the guarantee required, the fiscal pressure on the state and a 26 October 2020 government directive regarding the issuance of new government guarantees has resulted in Land Bank being informed by National Treasury that the partial government guarantee will not be available to support the restructured debt. This has necessitated a reformulation of the proposed Liability Solution.

The revised Liability Solution

Land Bank and its advisors have commenced discussions with the various groups of funders to implement a funding restructure with broadly the following terms:

- a) repayment of the full capital amount and interest over a period of 5 years;
- b) the maturities of restructured funding instruments will be extended and repriced;
- c) a tender and exchange process to financial creditors (other than certain International Developmental Finance Institutions and Multilateral Investment Guarantee Agency-guaranteed lenders), including holders of listed instruments issued under the current DMTN programmes, to replace all existing funding instruments with a newly created unlisted, unrated, 5 year capital amortising note.

Land Bank has unutilised government guarantees in the amount of c.R4.3bn available, and these may be utilised in support of the revised Liability Solution, provided that such use is consistent with the principle and that all financial creditors are treated equitably.

In the 2020 Medium-Term Budget Policy Statement delivered by the Minister of Finance in November 2020, the Minister signalled the need for further support for Land Bank by noting that Land Bank “will require an additional R7 billion over the medium-term to support its restructuring”. The revised liability solution can only be finalised after the presentation of the February 2021 budget by the Minister of Finance. Land Bank and its lenders are therefore targeting end March 2021 for the agreement of terms under this new Liability Solution. Land Bank continues to pay accrued interest to financial creditors on the basis that it has done since interest payments commenced on 11 August 2020.

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Enquiries

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