

The Land and Agricultural Development Bank of South Africa
(JSE Code: BILB)
("Land Bank" or the "Issuer")

Land and Agricultural Development Bank of South Africa: update on liquidity and debt restructuring process ("Restructuring")

Further to the previous announcements in this regard, the Land Bank wishes to provide additional details regarding the Restructuring process and current position of the Land Bank. Considerations on the Restructuring remain ongoing and further updates will be provided on an ongoing basis. As a second phase, the repurposing strategy ("Repurposing Strategy") of the Land Bank will be investigated and finalised.

1. Process followed to finalise the Restructuring

As previously indicated, the Land Bank appointed Rand Merchant Bank, a division of FirstRand Bank Limited, as corporate finance advisors to advise on the Restructuring. The process followed to finalise the Restructuring focuses on:

- a. raising a R3 billion liquidity facility from key funders;
- b. a liability solution to restructure funding obligations in a manner that will allow the Land Bank to continue to service these obligations according to a profile that better matches its lending book, whilst not unduly impacting the financial outcomes for funders. It is likely this process will result in the restructuring of maturities of funding obligations; and
- c. an equity solution to ensure adequate equity support, in addition to the restructured liabilities above, to allow the Land Bank to fulfil its legally mandated functions on a sustainable basis.

2. Timetable

It should be noted that the anticipated timelines discussed in this section are subject to change.

Negotiations around the liquidity facility are ongoing, with the process anticipated to be finalised within the next fortnight, depending on negotiations with providers of this facility.

The process around the liability solution has commenced, with the following guidelines around timing:

	2020
Consideration of liability solution terms and mechanism by the Land Bank and National Treasury	10 June
Discussions and negotiations with lenders around liability solution and preparation of offer documentation	15 June – 15 July
Restructuring offer period	20 July – 21 August
Conclusion	31 August

The process to arrive at the equity solution has commenced and will run in parallel with the above processes. It should be noted that any commitment by National Treasury will require approval by Parliament.

It is expected that the Repurposing Strategy will be finalised by the end of September 2020.

3. Principles of liability solution

The objectives of the liability solution are 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.

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

- a) no loss of capital or accrued interest is anticipated;
- b) the maturities of restructured funding instruments will be extended, but will be credit-enhanced and repriced; and
- c) a voluntary tender and exchange process to holders of listed instruments issued under the current DMTN programmes, to replace existing listed instruments with credit-enhanced and repriced listed notes issued under a new DMTN programme. Existing listed instruments will remain in place for those holders who elect not to participate in this exchange process.

4. Principles of the equity solution

The board of directors of the Land Bank ("the Board") and National Treasury, the shareholder of the Land Bank, are of the view that the Land Bank's capital structure should be strengthened to enable it to perform its legally-prescribed developmental role, and are working with the Land Bank's corporate finance advisors to determine the appropriate level of additional equity required to recapitalise the Land Bank. This process will take into account the work that is underway on the Repurposing Strategy.

5. Appointment of external reviewer of Land Bank loan book and full audit process

The Land Bank appointed SNG Grant Thornton to review the appropriateness of provisions against its lending book ("Provisioning Review"). The Provisioning Review is not intended to replace the full annual audit, performed by the Auditor General, which is expected to only be finalised in or about September 2020. The Provisioning Review is expected to be finalised in early July.

6. Solvency position

The Board confirmed that the organization is solvent as 31 March 2020. This confirmation is however, subject to the finalisation of annual financial statements for the financial year ended 31 March 2020. The impact of the liquidity challenges faced by the Land Bank and the Covid-19 pandemic may result in significant additional impairments in the value of certain investments. The Board awaits the outcome of an external valuation of its equity investments, the Provisioning Review and the annual audit, which may result in additional adjustments.

7. Liability maturity information (drawn facilities) as at 31 March 2020

	R'm	% of total
< 3 months	9,676	23%
3 - 6 months	4,388	11%
6 - 9 months	1,127	3%
9 - 12 months	1,961	5%
Total maturities < 12 months	17,152	42%
1 - 3 years	10,355	25%
3 - 5 years	5,829	14%
5 - 7 years	5,105	12%
7 - 10 years	2,453	6%
> 10 years	390	1%
Total maturities > 12 months	24,132	58%
Total	41,284	100%

The information contained in this announcement has not been reviewed or reported on by Land Bank's auditors.

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Enquiries

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Debt sponsor

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