

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: Moody's downgrades Land Bank's issuer rating to Ba2; outlook negative

31 March 2020

The Board of the Land and Agricultural Development Bank of South Africa (Land Bank) notes with disappointment today's (31 March 2020) announcement by Moody's Investors Service, ("Moody's") of the downgrade of the country's Development Finance Institutions (DFIs), including Land Bank.

Land Bank's Corporate Family Rating (CFR) and Issuer Ratings have been downgraded from Ba1 to Ba2, whilst maintaining a negative outlook. Moody's has further downgraded Land Bank's Credit Assessment (BCA) from B1 to B2.

The Board notes that Moody's has affirmed the Bank's National Scale Ratings with the Long-term Issuer Rating at Aa3.za. The Bank therefore remains a high grade investment issuer relative to local issuers.

Moody's announcement today comes as a consequence of the downgrade of the Government of South Africa's long-term foreign-currency and local-currency issuer ratings from Baa3 to Ba1.

This development could not have come at a worse time when the world and the nation are grappling with the negative effects of the COVID-19 pandemic on all spheres of our lives.

Moody's has pointed out that the downgrade of the issuers' BCA reflects its "expectations of rising industry risks, and the Bank's increasing focus on higher-risk segments and clients, in response to the development mandate and amidst on-going macro-economic challenges".

The Bank acknowledges the challenging operating conditions facing the agricultural sector in which, as a specialist Development Finance Institution, its business is concentrated. The downgrade has been largely occasioned by extraneous environmental and industry risks.

The Bank's business and operational fundamentals remain strong, and further measures have been adopted to manage the Bank's financial sustainability and credit worthiness. In the last number of months particular improvement measures have been implemented, including the following:

- The Bank's risk appetite and its post investments and monitoring programme have been prudently tightened as part of its lending and investment programme – and continues to be supported through specialist expertise in the sector;
- Support has been obtained from the shareholder with a government guarantee to enhance the Bank's fund raising programme;
- The filling of key executive management positions has progressed significantly with the permanent appointments of the Chief Financial Officer and the Chief Executive Officer effective beginning of February and March 2020, respectively.
- The review of the long term strategic path for the Bank is at an advanced stage.

The Board remains confident of the Bank's prospect beyond the current economic conditions, the industry challenges and the impact of the COVID-19 pandemic.

The Rating Announcement is available on its website, www.moody.com.

Enquiries

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