

Themba Rikhotso Speech on the Conclusion of Land Bank's Debt Restructuring Process – 9 September 2024

I. Acknowledgements

- a. The **Honourable Minister of Finance** – Mr. Enoch Godongwana
- b. The **Deputy Minister of Finance** – Dr David Masondo
- c. The **Chairperson of Land Bank Board of Directors** – Ms. Thabi Nkosi
- d. The Land Bank Board Members present here today and on online Channels
- e. Director General of National Treasury, Dr Duncan Pieterse, and DG of Department of Agriculture, Land Reform and Rural Development, Mr Mooketsa Ramasodi
- f. Officials from both the National Treasury, and the Department of Agriculture, Land Reform and Rural Development
- g. Executive Management and staff from Land Bank
- h. Members of all media houses that are here today,
- i. And all other protocols observed,

A very good morning to you all

2. The conclusion of our debt restructure, what popularly became known as the Liability Solution, marks a significant milestone not only for the going concern status and sustainability of the Land Bank, it is also a significant milestone to our valued lenders, our value farmers, the valued employees of the Land Bank, and our supportive shareholder
3. In line with our Moto, We Stand by You, when the Land Bank went into the Debt Default in April 2020, **Our Lenders** Adopted a Stand-still posture and stood by us, **our clients** (the farmers and agribusinesses) stood by us and continued to honour their payments obligations to the Land Bank, our **valued employees** (the **amazing staff** of the Land Bank) stood by us and continued to work harder for the Land Bank even during the most uncertain and difficult period marked with complex and protracted debt restructure negotiations, and our **Shareholder**, the National Treasury, Stood by us, and committed a R10 billion worth of equity support. Truly, your commitment to the Land Bank during this complex debt restructure have not only restored the going concern status of the Land Bank, but a renewed hope to many struggling farmers, and to the country's food security. You added more impetus to our commitment, **We Stand By You**,
4. **Let me give you some high-level details on what this debt Restructure entails:**
 - a. **Prior to Debt Default**
 - i. The total debt that was defaulted was over R45 billion
 - ii. At the time of the default there were more than 60 lenders, a combination of Local and International Lenders,
 - iii. **With Local Lenders**

1. There was a large number of local lenders who held either a listed instrument issued under various DMTN programme issued on the JSE over various years,
2. There were also many other local lenders had bilateral lending agreements or contracts directly with Land Bank each with its own terms

iv. With International Lenders

1. They mostly held bilateral lending agreements, under various legal jurisdiction, with various foreign currencies, and had various currency hedging instruments in place
- v. Some lenders were guaranteed with NT Guarantees, and while many others were not guaranteed
- vi. Through the various debt repayment that have been undertaken until August 2023, the outstanding debt had been reduced from R45 billion, to the current debt of R16 billion (representing about 65% reduction on the defaulted capital). All guaranteed lenders have been paid up, the remaining R16 billion is all unguaranteed, although with MIGA Lenders, we had to accept the reality that that the three (3) MIGA Lenders are actually guaranteed

b. The Debt Restructure

- i. At the implementation of this Debt Restructure, out of the outstanding Capital of R16 billion (a total of 54 lenders), there will be an immediate 25% capital reduction (about R4 billion), leaving only about R12 billion that is being restructured
- ii. The R12 billion that is being restructured, represent only about 27% of the remaining total debt that was defaulted, meaning over 73% of the debt that was defaulted on in April 2020, will have been paid in full, together with all the applicable interest
- iii. The repayment of the 73% of the total debt that was defaulted in April 2020, is the major successful story that has not been told enough, bearing in mind that for the Land Bank to carry out its mandate, it is expected to access funding from the Debt Capital Markets, which means paying back 73% of funding raises many questions about the expected funding model of the Land bank going forward
- iv. In addition to paying the R4 billion with immediate effect, two (2) repayment instalments will also be made on 30 September 2024. The one instalment pertains to 31 March 2024 Instalment which could have been our first instalment if we had managed to conclude the debt restructure before the end of the previous financial year, while the second instalment is due in September 2024 as per LS5
- v. This implies that despite this debt restructure being concluded only now, the Land Bank is making repayments to Lenders as if the debt restructure was concluded before 31 March 2024.
- vi. This R12 billion of Capital Outstanding Amount, is being restructured over a four (4) year period, with the last planned repayment taking place on 31 March 2028
- vii. Assuming that during this four (4) year debt restructure period, the Land Bank does not go back to the Debt Capital Markets to borrow money, it means the Land Bank will have zero debt payable owed to Lenders. **This sounds like a**

fairy-tale! How can the Land Bank be expected to have Zero Debt, yet its current funding structure requires that it makes use of the Debt Capital Market to access funding required to fulfil its Mandate. This calls for an urgent relook on the funding model of the Land Bank, else the food security for the country is at major risk

- c. Permitted Indebtedness
 - i. We are however thankful to our lenders, as part of the debt restructure, the Bank will be permitted incur further borrowings provided this is done within set parameters to ensure that current lenders rights are protected
 - d. With this debt restructure, we have secured the same deal to all lenders, a common or similar debt instruments to all lenders, common commercial terms to all lenders, and equal right to all lenders
 - e. To ensure that Land Bank and all lenders rights are protected during the debt restructure period, we have agreed on:
 - i. Which events should create an automatic event of default during the debt restructure tenor
 - ii. Which events should be subjected to majority decision by lenders, and also
 - iii. A 2 years Grace Period for Financial Covenants triggering an event of default to ensure that Land Bank is afforded a fair opportunity to execute its turnaround strategy post curing of default
 - iv. This is not an exhaustive list of the terms of the agreement.
- 5. I would like to thank the entire Board of Directors of Land Bank, led by Ms Thabi Nkosi, for its leadership and guidance during this debt restructure process
- 6. I would like to thank our Finance and Treasury team led by our CFO, Ms Khensani Mukhari, and our General Manager for Treasury, Ms Dorothy Kobe, who were the accountable executive and leaders managing this Debt Restructure for the Bank
- 7. I would like to thank my entire Executive team and the Land Bank staff, who together with the finance and treasury team, were part of the core team that led this debt restructure process and worked extremely hard to ensure the bank continue to carry out its mandate during this process
- 8. I would like to Thank our Lead Advisors ENS Africa for their Amazing advisory, the team led by Clinton, and Gary, they have been the rain makers in this debt restructures
- 9. I would like to thank The Various Advisors of the Lenders: PWC, Bowman, Weber Wetzel, Alan and Ovary, and Norton Rose. Of course there were many other advisors, the list is too long to mention them all, however I extend our greatest appreciation to all of them
- 10. This debt restructure is being done with 54 lenders, accordingly our greatest appreciation goes to all our lenders for their commitment to this debt restructure
- 11. The National Treasury Team has been exceptional. Many times, lenders just wanted to hear, Land Bank continue to talk with National Treasury and That NT Continues to be supportive to this process. To the DG, Dr Duncan Pieterse, and DDG for ALM, Ms Mmakgoshi Lekhethe, and your team, your outstanding support was critical to this success
- 12. And to everyone else not mentioned, who also played a critical role, a big thank you to all.