

31 March 2021

## **Land Bank Media Response Statement**

### **Update on Liability Solution**

#### **Introduction**

Land Bank continues its negotiations with all lenders / funders towards the finalisation of an agreement to take the Bank out of its default position, and to have a structured solution for the repayment and settlement of its debts.

The Minister of Finance announced a Capital Injection of R7bn over the next three years in his Budget Speech delivered on 24 February 2021. The confirmation of this Capital Injection provides certainty in the nature of support by Land Bank's Shareholder.

The Shareholder's objectives associated with the Capital Injection were communicated by the Minister of Finance in his budget speech and form part of the negotiations currently taking place between the Bank and its lenders / funders.

#### **Target to conclude the Commitment Agreement by 31 March 2021**

Land Bank and its funders had set a target to work towards the conclusion of a Commitment Agreement by 31 March 2021. Unfortunately, this date is not going to be met due to the need for the Bank and its lenders / funders to incorporate a material change in the previous version of the Liability Solution. The revised version of the Liability Solution was necessitated by the objectives set by the Shareholder with its confirmation of the Capital Injection, where the injection is not only expected to enable the Liability Solution but such solution would also have to incorporate the entrenchment of the development and transformation objective of the Bank.

It should be appreciated that the negotiation process is complex, and involves multiple local and offshore lenders through a voluntary process which needs a significant majority of lenders to consent to the solution.

#### **Potential Contentious issues**

It will be appreciated that in any negotiation of this nature there will be some contentious issues to work through.

Land Bank will not use public platforms and the media to address these issues, and will continue to respect the confidentiality of the process between itself and its lenders / funders.

The Bank has, and will continue to provide lenders with the relevant information at its disposal, which is reasonably necessary to address issues of concern and contention between it and its lenders. This information includes credit data and applicable models which lenders require to assess the nature of options to consider in the negotiation process, and enable them to make informed decisions in this regard.

### **The court order in favour of Standard Chartered Bank**

A court order for the payment of R400m was given in favour of Standard Chartered Bank, on 2 December 2020. The order was suspended until the earlier of 30 April 2022, or the occurrence of one of the events listed in the said court order. The inability to conclude on the Commitment Agreement with all financial creditors by 31 March 2021 was one of the trigger events to lift the suspension of the order. In the interim, Land Bank has utilised some of its resources to pay down approximately 12% of the capital amount owed to all financial creditors. Accordingly, the capital amount currently owing to Standard Chartered Bank pursuant to the court order is circa R352 million.

Resulting from the failure to conclude on the Commitment Agreement, Land Bank has begun the process to ensure adherence to the court order and have the funds to accordingly make the requisite payment to Standard Chartered due on 1 April 2021.

The Bank continues to engage with the rest of its financial creditors to ensure that the interests of all parties are prudently served as parties work towards the finalisation of the Liability Solution.

### **Termination of Moody's Credit Rating Service**

As indicated in the SENS issued by the Bank on 30 March 2021, the proposed Liability Solution will not require Land Bank to have a credit rating and therefore a decision was taken by the Bank to terminate the existing credit rating service conducted through Moody's. This decision was followed by appropriate engagements between the Bank and Moody's.

The listed notes remain suspended until further notice.

### **The future strategy of the Bank**

As would be appreciated, the construct of the Liability Solution, which will finally be concluded with lenders, will have a bearing on the immediate and future strategic choices for the Bank, including its balance sheet resizing.

Land Bank will therefore withhold the public communication of its strategic plan until the Liability Solution has been concluded.

### **Ends**

### **Enquiries**

#### **Land and Agricultural Development Bank of South Africa**

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