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LAND BANK: ANOTHER YEAR-END ROLLS BY

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Much time has passed since our previous publication on Land Bank in March 2022, and our letter to our clients dated 15 August 2022. As we head into the end of 2022, we thought it opportune to provide a brief update on the Land Bank default and restructure negotiations.

In our letter to clients on 15 August 2022, we wrote:

"Land Bank is still in default, some two and a half years since it first could not repay maturing loans. You may recall that the focal point has been to craft an acceptable 'liability solution'. This is essentially a debt restructuring package which aims to fairly restructure Land Bank's liabilities while putting Land Bank on a sustainable path.

We remain engaged with a group of other domestic funders and our appointed financial advisor, PwC. Negotiations for a sustainable solution are ongoing. Although progress has been slow, we continue to have productive and regular engagements with Land Bank, the new Chair of the Land Bank Board and the various advisors.

Ernst & Young, a third-party advisor appointed by Land Bank is doing a detailed financial review of the book, cashflows and future outlook on Land Bank and we await the outcome of this work. This work will be crucial in negotiating the restructured funding terms and conditions in the coming weeks. We are aiming for an agreement on terms by the end of September 2022, with all parties working hard to ensure that we do our best to meet this target. The R7 billion equity appropriation from the shareholder (as represented by National Treasury) remains available but this drawdown is contingent on all parties agreeing to a liability solution.

In the meantime, Land Bank made a fourth capital repayment in May 2022, which has resulted in about 43% of the nominal value outstanding at the time of default being returned to investors. Land Bank continues to service interest on the remaining outstanding capital. We always envisioned such capital repayments, but as more of Land Bank's loans are collected, the quality of the remaining assets (loan book) gets weaker. Favourable crop seasons certainly assist Land Bank, its creditors and customers."

What has happened since then?

Since August 2022, there has been a distinct slowing down of activity on the Land Bank matter, We believe this is driven in part by the ongoing negotiations between Land Bank, National Treasury and the international Development Finance Institutions who reportedly have not been supportive of the proposals put forward to date. We retain the view that

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the liability solution must treat all creditors fairly (noting that fairly does not necessarily mean equally).

In mid-September, with PwC's assistance, an ad-hoc group of lenders (including Futuregrowth) produced a term sheet that garnered support from at least 75% of SA lenders. We did this to move the process forward and to emphasise the SA lenders' ongoing willingness to engage constructively in resolving Land Bank's event of default.

After that, in early November, we were presented with a Land Bank term sheet that left many of the issues identified in the lenders' term sheet unresolved. However, lenders (and our appointed financial advisor PwC) continue to remain engaged in the negotiations for the restructured deal. We are awaiting feedback on several points, some of which we understand are with National Treasury for consideration. We have had no confirmation of the timing of their response nor when we will be able to engage directly with them and Land Bank to negotiate and finalise a mutually acceptable solution.

Going forward – greater urgency is required

We believe it is urgent to agree on commercial terms as soon as possible, considering the proposed deal agreement deadline.

Whilst negotiations are ongoing, Land Bank continues to service interest. In addition, Land Bank has indicated that it will potentially make a 5th capital repayment (43% of capital has already been repaid) on implementation of the deal or shortly thereafter.

The risk of not meeting the revised deadline of the end of the fiscal year remains elevated. With the looming December break, this means that, practically, we must reach an agreement on a commercial deal in the next two to three weeks. We remain concerned about the seeming lack of urgency to resolve and agree matters that have been highlighted by lenders for some months now as outstanding and key to the conclusion of a deal.

We remain committed to negotiating a fair and commercially sensible deal for our clients that will result in a sustainable Land Bank.