

LAND BANK UPDATE: THE THIRD ANNIVERSARY OF THE EVENT OF DEFAULT IS APPROACHING

And still there is no agreed solution.

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Since the date of our last update on 1 December 2022 we have little progress to report, despite a concerted effort by some stakeholders. Our aim was to have finalised an agreed liability solution by now. This is another deadline that has been missed in this almost 3-year saga.

What has happened since 1 December 2022?

In a nutshell, not much. The lenders still await feedback from National Treasury on the detailed termsheet provided to them and Land Bank in early November. This termsheet has the support of a majority of the South African lenders and four months later, we have no substantive feedback on terms and clauses from Land Bank's shareholder. This makes progress impossible to gauge and our concern (as has been expressed previously) is that delays - which are not of our making - risk shoehorning us into a commercially indefensible solution. This is clearly an unacceptable position for us as fiduciaries and custodians of the nation's savings.

The additional R5bn equity committed by the Minister of Finance in the February 2021 Budget, and subsequently rolled in the February 2022 Budget, must be "spent" (as we understand it) by 31 March 2023 otherwise it falls away. (This amount has not been reappropriated in the February 2023 Budget.) This poses significant risk to all lenders. We await clarity from National Treasury on the conditions of their payment of this equity, and the mechanism thereof, given we have not yet reached agreement on the solution. This is an urgent matter that needs resolution in the next two weeks. We continue to engage with all stakeholders to ensure we are doing everything we can to ensure our clients do not face this unacceptable risk (noting that we are reliant on external parties for resolution).

On the matter of the international DFIs, who we previously reported "were not supportive of the proposals put forward to date", we understand that discussions continue but we have been provided with no additional information in order to assess progress or understand the issues that may be causing the delays, nor have we been provided any alternative proposals to consider.

The new Land Bank CEO (to replace Mr Ayanda Kanana who resigned from the Land Bank in February 2022) has been appointed. [This was announced in the Statement on the Cabinet Meeting of 1 March 2023, see here for details.](#)

We understand the guaranteed funders will be repaid prior to the resolution of the Event of Default, although the timing and mechanism of this is not yet confirmed. There are some clues in the Budget documentation which seem to suggest that repayment may be made via exercising the guarantee - we are seeking clarification on this point.

Land Bank continues to service interest on all instruments.

There is no further update on the proposed fifth capital repayment.

Concluding thoughts

Even when one considers the interruptions introduced by the pandemic, three years is a long time to negotiate and resolve what is, in our view, a fairly standard event of default. Delays (including delays by the shareholder of Land Bank in providing timeous responses and decisions, and the absence of any workable alternative proposal by the international DFIs in response to positions they reject outright) pose significant risks to our clients, an iniquitous position. If this is not addressed, it does not bode well for the other, much more complex, solutions that may be needed at certain of our other SOEs. This together with their need for funding¹, and which by their shareholder's own admission cannot be provided through equity alone, means that a more nimble, commercially-minded and flexible approach needs to be adopted by various stakeholders, including the shareholder of our SOEs.

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

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¹ <https://www.futuregrowth.co.za/insights/breaking-free-from-the-shackles-of-low-growth/>