

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Established in the Republic of South Africa in terms of the Land Bank Act, 18 of 1912, which continued to exist in terms of section 3 of the Land Bank Act, 13 of 1944, and continues to exist under the name of the Land and Agricultural Development Bank of South Africa in terms of the Land and Agricultural Development Bank Act, 15 of 2002, despite the repeal of both the 1912 and the 1944 Acts)

("Land Bank" or the "Issuer")

("BILB")



NOTICE OF EVENT OF DEFAULT

Notice is hereby given to all Noteholders holding Notes issued by the Land Bank under its Land and Agricultural Development Bank of South Africa (i) ZAR 20 Billion Domestic Medium Term Note Programme dated 18 October 2010 (the "**2010 Programme**") and its (ii) ZAR30,000,000,000 Domestic Medium Term Note Programme dated 13 March 2017 (the "**2017 Programme**") in accordance with Condition 17 (*Notices*) of the terms and conditions governing the Notes under the 2010 Programme (the "**2010 Conditions**") and Condition 18 (*Notices*) of the terms and conditions governing the Notes under the 2017 Programme (the "**2017 Conditions**").

Capitalised terms and expressions used and not otherwise defined herein, shall bear the meanings ascribed thereto in the section of the Programme Memorandum titled "*Interpretation*".

WHEREAS:

1. Condition 12.1.4 (*Events of Default*) of the terms and conditions of the notes under the 2010 Programme and Condition 16.1.1.4 (*Cross Default*) of the terms and conditions of the notes under the 2017 Programme, have been triggered and an Event of Default under the notes has occurred. A SENS announcement confirming this was issued on 23 April 2020.
2. In terms of a financing arrangement with a third party lender under a revolving credit facility (the "**Affected RCF**"), the Issuer was due to make a payment on 1 April 2020.
3. The Issuer failed to make the payment when due to the lender under the Affected RCF and such non-payment constitutes an event of default under the Affected RCF. The issuer has, in addition, defaulted on indebtedness that together with the default under the Affected RCF constitutes Material Indebtedness in that the defaults under the Affected RCF and other debt obligations, in aggregate, constitute more than "*1% (one percent) of the total assets of the Issuer (or its equivalent in other currencies) as published in the last audited financial statements of the Issuer at the time of the occurrence of an Event of Default*".

4. Accordingly, Condition 12.1.4 (*Events of Default*) of the terms and conditions of the notes under the 2010 Programme and Condition 16.1.1.4 (*Cross Default*) of the terms and conditions notes under the 2017 Programme, has been triggered and an Event of Default under the notes has occurred.
5. Accordingly, the Issuer hereby gives notice of such Event of Default having occurred to the Noteholders pursuant Condition 12.2 (*Events of Default*) read with Condition 17 (*Notices*) of the terms and conditions of the notes under the 2010 Programme and Condition 16.3 (*Notification of Event of Default*) read with Condition 18 (*Notices*) of the terms and conditions of the notes under the 2017 Programme.
6. Noteholders and potential investors are advised to exercise caution when dealing in the Land Bank's notes and securities.
7. The Land Bank is currently experiencing a liquidity shortfall and the Land Bank is accordingly engaging with various stakeholders with a view to addressing this challenge especially in regard to financial obligations falling due with a request that these obligations be deferred.
8. The Land Bank is requesting the note holders to form a co-ordinated group and as mentioned herein the Land Bank has taken up an offer from the Association for Savings and Investment South Africa ("**ASISA**") to take the lead on co-ordinating the note holder group.
9. The Land Bank is approaching stakeholders to raise up to R5 billion to meet the Land Bank's medium term liquidity requirements. The Land Bank currently has access to a R5,7 billion government guarantee facility of which approximately R4,3 billion remains available to support its capital raising initiatives.
10. Remedial Action
 - 10.1. The Land Bank is in the process of appointing a financial adviser to assist and advise the Land Bank (i) in developing a business plan (on the back of the repurposing plan which is at an advanced stage) and (ii) in negotiating with its funders and noteholders ("**funders**") regarding the potential restructuring of its financial indebtedness.
 - 10.2. The Land Bank does not have sufficient liquidity to enable the Land Bank to meet its short term interest and capital repayments across all its funders unless the Land Bank is able to secure sufficient bridge funding. Certain funders have or will be approached to participate in the provision of bridge funding to the Land Bank.
 - 10.3. In order to assist the Land Bank in generating sufficient liquidity to enable the Land Bank to continue with its operations and to fulfil its mandate while developing the business plan and negotiating the restructuring of its financial indebtedness with its funders the Land Bank will, in due course be requesting all its funders (including the note holders) to agree to the following:
 - 10.3.1. a deferral of all interest and capital payments which fall due within the next 6 months for a period of 12 months ("**Deferral**");
 - 10.3.2. to conclude a combined standstill/deferral agreement governing the Deferral;
 - 10.3.3. given the time it will take to negotiate and agree the Deferral, the Land Bank will request an interim deferral/standstill while the Deferral is negotiated and concluded; and
 - 10.3.4. waivers of current defaults and anticipated defaults arising from the Deferral and/or the interim deferral and in relation to any planned discussions/negotiations with funders.

- 10.4. Formal requests will be sent to the Noteholders in due course.
- 10.5. The Land Bank will assess whether the Deferral will solve its liquidity constraints and whether there will still be a requirement for bridge funding pending the development and implementation of the business plan and restructuring of its financial indebtedness. The likelihood is that the Land Bank will require a certain amount of interim bridge funding notwithstanding the deferral.
- 10.6. In order to facilitate effective communication with such a large group of funders the Land Bank is requesting its funders to arrange themselves into their respective groups together with co-ordinating funders/committees appointed to represent each group. In this regard:
 - 10.6.1. The Land Bank has requested the commercial banks to arrange themselves into a co-ordinated group. The local commercial bank with the largest loan exposure has been approached by the Land Bank with a request that it arrange the commercial banks into a co-ordinated group.
 - 10.6.2. The listed Noteholders are hereby requested to organise themselves into a group with a designated co-ordinating committee appointed to represent the interests of the listed Noteholders. The Land Bank has requested that ASISA co-ordinate the note holders and the Land Bank will provide the necessary assistance to support this process; and
 - 10.6.3. The other funders will be arranged into ad hoc groups where appropriate and certain of the funders will be dealt with on a bilateral basis.
11. As the matter progresses it is likely to become necessary to merge the groups into one group with a co-ordinating committee overseeing the interests of the funding group and subject to appropriate arrangements being in place to manage the disclosure of any non-public price sensitive information.
12. The Land Bank requests all the Noteholders to consider the request to arrange themselves into a co-ordinated group with the assistance of ASISA.
13. The management team of Land Bank remains committed to a transparent process and undertakes to work with Land Bank's funders to mitigate risks identified.
14. Noteholders will be kept apprised of developments.
15. Copies of the 2010 Programme, the 2017 Programme and the relevant Applicable Pricing Supplements can be accessed on the Issuer's Website at the following link: www.landbank.co.za

16. Any queries relating to the potential Event of Default may be addressed by Noteholders to the Issuer at the contact details set out below or, in the case of holders of beneficial interests in uncertificated Notes held through a CSDP, to the relevant CSDP to be conveyed to the Issuer.

16.1. Issuer office

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South Africa

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16.2. Debt Sponsor

The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division

(registration number: 1962/000738/06)

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