

CREDIT RATING ANNOUNCEMENT

GCR affirms the ratings of Notes issued by Capital Harvest Finance (RF) Limited.

Rating Action

Johannesburg, 26 March 2024 – GCR Ratings (GCR) has affirmed the national scale long-term issue credit ratings of the Notes issued by Capital Harvest Finance (RF) Limited (Capital Harvest Finance or the Issuer or the Transaction) following its annual surveillance as follows:

Security Class	Stock Code	Amount Outstanding (ZAR)	Rating Class	Rating Scale	Rating	Outlook
Class A Notes	4ACHFA1	437,000,000	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A Notes	4ACHFA2	356,000,000	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A Notes	CHFA3U	141,000,000	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A Notes	4ACHFA4	100,000,000	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A Notes	4ACHFA5	50,000,000	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A Notes	4ACHFA6	50,000,000	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class B Notes	4ACHFB1	98,000,000	Long-Term Issue	National	AA _{-(ZA)} (sf)	Stable
Class D Notes	4ACHFD1	91,000,000	Long-Term Issue	National	BBB _{-(ZA)} (sf)	Stable

The credit ratings reflect the stable performance of the Transaction supporting the rating outcome and outlook.

The Transaction is currently in its Revolving Period. However, as per GCR's Criteria for Rating Structured Finance Transactions, the cash flows were modelled as per the Pre-Enforcement Priority of Payments applicable in an Amortisation Period.

The credit ratings assigned to all Classes of Notes relate to the ultimate payment of interest and principal up to their Final Maturity Dates, as specified in the contracts. The ratings do not consider the Issuer's capacity to pay early repayment penalties or default interest rate penalties. However, the interest on the Notes was modelled according to the step-up interest rates, which come into effect during an Amortisation Event.

Transaction Summary

The Transaction is an asset-backed securitisation of agricultural loans advanced to commercial farmers in South Africa. The agricultural loans are originated by Capital Harvest Proprietary Limited (the Originator or CH), which operates as a primary and secondary agriculture financier, and are sold to the Issuer by CH and Capital Harvest Warehouse SPV (RF) Proprietary Limited (the Warehouse SPV).

Since the Transaction's Initial Issue Date in December 2021, there have been three tap issuances, as well as a refinancing of the short-dated Alpha Notes upon their maturity, accomplished through the issuance of longer-dated Class A5 and Class A6 Notes.

Rating Rationale

GCR has received updated historical default data up to January 2024 and has observed that the weighted average probability of default (WAPD), as extrapolated from the vintage curves is lower than the modelled WAPD.

In the period under review one loan of R6M defaulted and is currently being recovered through a settlement facilitated by an independent third party. The concentration limits remain consistent with the covenanted values established at the initial issuance.

Recoveries continue to be based on covenants that have remained unchanged. Additionally, all other inputs reasonably align with the initial model assumptions. Consequently, the cash flow model was not rerun as there were no deviations in inputs from those previously used in the model.

GCR notes that the untimely payment of interest or principal does not necessarily constitute an Event of Default as per Transaction documentation. Therefore, the Transaction was modelled for the ultimate payment of interest and principal.

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Related Criteria and Reports

Criteria for the GCR Ratings Framework – January 2022

Criteria for Rating Structured Finance Transactions – September 2018

Criteria for Rating Residential Mortgage-Backed Securities – November 2018

Criteria for Rating Consumer Asset-Backed Securities – September 2018

Criteria for Rating Servicer Quality – April 2021

Criteria for Rating Financial Institutions, May 2019

Rating Scales, Symbols, and Definitions – May 2023

Capital Harvest Finance (RF) Limited Rating Report - December 2022

Ratings History

Security Class	Stock Code	Review	Rating Scale	Public Rating	Outlook	Date
Class Alpha Notes	4CHFS1	Initial/Last	National	A1+(ZA)(sf)	N.A.	June 2022
Class A Notes	4ACHFA5	Initial/Last	National	AAA(ZA)(sf)	Stable Outlook	April 2023
Class A Notes	4ACHFA6	Initial/Last	National	AAA(ZA)(sf)	Stable Outlook	April 2023
Class A Notes	4ACHFA1	Initial	National	AAA(ZA)(sf)	Stable Outlook	December 2021
		Last	National	AAA(ZA)(sf)	Stable Outlook	April 2023
Class A Notes	4ACHFA4	Initial	National	AAA(ZA)(sf)	Stable Outlook	December 2021
		Last	National	AAA(ZA)(sf)	Stable Outlook	April 2023
Class A Notes	4ACHFA2	Initial	National	AAA(ZA)(sf)	Stable Outlook	December 2021
		Last	National	AAA(ZA)(sf)	Stable Outlook	April 2023
Class B Notes	4ACHFB1	Initial	National	AA-(ZA)(sf)	Stable Outlook	December 2021
		Last	National	AA-(ZA)(sf)	Stable Outlook	April 2023
Class D Notes	4ACHFD1	Initial	National	BBB-(ZA)(sf)	Stable Outlook	December 2021
		Last	National	BBB-(ZA)(sf)	Stable Outlook	April 2023

N.A.: Not applicable

Glossary

Account Bank	A bank where the transaction account is held.
Administrator	A transaction appointed agent responsible for the managing of a Conduit or a Special Purpose Vehicle. The responsibilities may include maintaining the bank accounts, making payments and monitoring the transaction performance.
Advance	A lending term, to transfer funds from the creditor to the debtor.
Agent	An agreement where one party (agent) concludes a juristic act on behalf of the other (principal). The agent undertakes to perform a task or mandate on behalf of the principal.
Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
Amortisation Period	A period that may follow the Revolving Period of a transaction, during which the outstanding balance of the related securities may be partially repaid.
Amortisation	From a liability perspective, the paying off of debt in a series of instalments over a period of time. From an asset perspective, the spreading of capital expenses for intangible assets over a specific period of time (usually over the asset's useful life).
Arrears	An overdue debt, liability or obligation. An account is said to be 'in arrears' if one or more payments have been missed in transactions where regular payments are contractually required.
Asset Backed Securities	Securitisation: debt securities issued that are backed or covered by a pool of assets or receivables (auto loans and leases, consumer loans, commercial assets, credit cards, mortgage loans).
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit Rating Agency	An entity that provides credit rating services.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Indemnity	A security or protection against a loss or other financial burden.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.

Issuer	The party indebted or the person making repayments for its borrowings.
Junior	A security that has a lower repayment priority than senior securities.
Legal Opinion	An opinion regarding the validity and enforceable of a transaction's legal documents.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Loan To Value	Principal balance of a loan divided by the value of the property that it funds. LTVs can be computed as the loan balance to most recent property market value, or relative to the original property market value.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Obligor	The party indebted or the person making repayments for its borrowings.
Payment Date	The date on which the payment of a coupon or dividend is made.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Prepayment	Any unscheduled or early repayment of the principal of a mortgage/loan.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Proceeds	Funds from issuance of debt securities or sale of assets.
Property	Movable or immovable asset.
Ranking	A priority applied to obligations in order of seniority.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Redemption	The repurchase of a bond at maturity by the Issuer.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Securities	Various instruments used in the capital market to raise funds.
Securitisation	A process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Security	One of various instruments used in the capital market to raise funds.
Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whilst reducing risk.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.

Salient Points of Accorded Ratings

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entities. The ratings above were solicited by, or on behalf of, the rated entities.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Investor Reports to December 2023
- Historical defaults data to January 2024
- Other miscellaneous data and information

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