

### Credit Rating Announcement

GCR affirms the ratings of existing Notes issued by Capital Harvest Finance (RF) Limited following the refinance of the Class A1 Notes. Outlooks Stable.

#### Rating Action

Johannesburg, 30 July 2024 – GCR Ratings (GCR) has affirmed the national scale long-term issue credit ratings of existing Notes issued by Capital Harvest Finance (RF) Limited (Capital Harvest Finance or the Issuer or the Transaction) following refinancing of the Class A1 Notes. Outlooks Stable.

Security Class	Stock Code	Amount Outstanding (ZAR)	Rating Class	Rating Scale	Rating	Outlook	Rating Action
Class A Notes	4ACHFA1	0	Long-Term Issue	National	WD <sub>(ZA)</sub> (sf)	N.A.	Withdraw
Class A Notes	4ACHFA2	356,000,000	Long-Term Issue	National	AAA <sub>(ZA)</sub> (sf)	Stable	Affirm
Class A Notes	CHFA3U	141,000,000	Long-Term Issue	National	AAA <sub>(ZA)</sub> (sf)	Stable	Affirm
Class A Notes	4ACHFA4	100,000,000	Long-Term Issue	National	AAA <sub>(ZA)</sub> (sf)	Stable	Affirm
Class A Notes	4CHFA5	50,000,000	Long-Term Issue	National	AAA <sub>(ZA)</sub> (sf)	Stable	Affirm
Class A Notes	4CHFA6	50,000,000	Long-Term Issue	National	AAA <sub>(ZA)</sub> (sf)	Stable	Affirm
Class A Notes	4CHFA7	510,000,000	Long-Term Issue	National	AAA <sub>(ZA)</sub> (sf)	Stable	Affirm
Class B Notes	4ACHFB1	104,000,000	Long-Term Issue	National	AA <sub>(ZA)</sub> (sf)	Stable	Affirm
Class D Notes	4ACHFD1	97,000,000	Long-Term Issue	National	BBB <sub>(ZA)</sub> (sf)	Stable	Affirm

N.A.: Not applicable

On 29 July, the maturing Class A1 Notes (ZAR437M) were refinanced by tapping the Class A7 Notes for ZAR424M (\$23M). Consequently, the rating of the fully redeemed Class A1 Notes has been withdrawn and the ratings of all existing Notes have been affirmed. The affirmation reflects the maintenance of the capital structure within covenanted limits and the stable performance of the Transaction. The Issuer also has unrated Class E Notes and a Junior Loan which remains at ZAR45M.

The Transaction is currently in its Revolving Period. However, in accordance with GCR's Criteria for Rating Structured Finance Transactions, the cash flows were modelled on the Pre-Enforcement Priority of Payments applicable in the Amortisation Period. The credit ratings assigned to all Classes of Notes relate to the ultimate payment of interest and principal by their Final Maturity Dates, as contractually required. The ratings exclude an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties. However, interest on the Notes was modelled according to the step-up interest rates, which become applicable on an Amortisation Event.

#### Transaction Summary

The Transaction is an asset-backed securitisation of agricultural loans advanced to commercial farmers in South Africa. The concentration to the Western Cape region has decreased since the start of the Transaction, while exposures to the Eastern Cape have increased. 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/or the Capital Harvest Warehouse SPV (RF) Proprietary Limited (the Warehouse SPV). Agricultural sector risk is mitigated by the transaction's sector covenant and all the loans are secured by first ranking mortgages on the obligors' immovable property.

## Rating Rationale

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The rating outcome is a direct result of the modelling of the Transaction's cash flows in specific rating scenarios, with stresses applied to defaults, recoveries, prepayments, and interest rates, *inter alia*, that increase in severity with each rating level. GCR continues to model two scenarios, Scenario (1), where the obligor concentration limits, which have not changed since the initial issuance, determine modelled defaults; and Scenario (2), where the Default Base Case and default multiples determine modelled defaults. In both cases, the recovery rates, which have not changed, are determined based on covenanted loan to value (LTV). The most conservative rating outcome of the two scenarios is selected.

Since the start of the Transaction, two loans have defaulted. One of these loans was fully recovered through a third-party settlement within seven months of default. The second loan defaulted in April 2024 and represented 0.86% of the outstanding balances at the end of April 2024. The updated default assumption has not resulted in the revision of the initial weighted average probability of default assumption. Consequently, GCR maintained the initial modelled base case assumptions from October 2021 which are driven by concentration limits.

The Notes pass with interest and principal paid in full by Final Maturity Date in all of the stressed scenarios modelled at levels of severity that correspond with the assigned ratings. 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. There have been no breaches to the portfolio covenants to date.

## Analytical Contacts

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## Related Criteria and Reports

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Criteria for the GCR Ratings Framework – May 2024  
Criteria for Rating Structured Finance Transactions – May 2024  
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 2024  
Rating Scales, Symbols, and Definitions – May 2023  
Capital Harvest Finance (RF) Limited Rating Report - December 2022  
Capital Harvest Finance (RF) Limited Rating Report – April 2024

## Ratings History

Security Class	Stock Code	Review	Rating Scale	Public Rating	Outlook	Date
Class A Notes	4CHFA7	Initial/Last	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	May 2024
Class A Notes	4CHFA5	Initial	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2023
		Last	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2024
Class A Notes	4CHFA6	Initial	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2023
		Last	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2024
Class A Notes	CHFA3U	Initial	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	December 2021
		Last	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2024
Class A Notes	4ACHFA1	Initial	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	December 2021
		Last	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2024
Class A Notes	4ACHFA4	Initial	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	December 2021
		Last	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2024
Class A Notes	4ACHFA2	Initial	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	December 2021
		Last	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2024
Class B Notes	4ACHFB1	Initial	National	AA <sub>(ZA)</sub> (sf)	Stable Outlook	December 2021
		Last	National	AA <sub>(ZA)</sub> (sf)	Stable Outlook	April 2024
Class D Notes	4ACHFD1	Initial	National	BBB <sub>(ZA)</sub> (sf)	Stable Outlook	December 2021
		Last	National	BBB <sub>(ZA)</sub> (sf)	Stable Outlook	April 2024

N.A.: Not applicable

## Glossary

Advance	A lending term, to transfer funds from the creditor to the debtor.
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).
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.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
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.
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 typically 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Drawdown	When a company utilises facilities availed by a financial institution or an international lender there is said to be a drawdown of funds.
Enforcement	To make sure people do what is required by a law or rule et cetera.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Haircut	The percentage by which the market value of an asset is reduced. The size of the haircut reflects the expected ease of selling the asset and the likely reduction necessary to realised value relative to the fair value.
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.
Issue Date	The date of issue of a new security. Often used as the date from which interest begins to accrue.
Issuer	The party indebted or the person making repayments for its borrowings.
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.
Originator	An entity that created assets and hold on balance sheet for securitisation purposes.
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.
Property	Movable or immovable asset.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Ranking	A priority applied to obligations in order of seniority.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.

Repayment	Payment made to honour obligations with 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.
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.
Settlement	Full repayment of an obligation.
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 verbal and written 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 May 2024
- Historical defaults data to June 2024
- Pool Cut as at June 2024
- Recovery data to April 2024
- Executed Applicable Pricing Supplements (APs)
- Other miscellaneous data and information
- Exchange Rate Source: <https://www.bloomberg.com/markets/currencies> ZAR 18.4773.:\$1 as at 25 July 2024

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