



Global Credit Rating Co.

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CREDIT RATING ANNOUNCEMENT

GCR revises Trustco Group Holdings Limited's rating to CCC_(NA). Outlook, Evolving.

Johannesburg, 28 December 2018 – Global Credit Ratings (“GCR”) has revised the Trustco Group Holdings Limited’s (“Trustco”, “the group”) long and short-term national scale ratings to CCC_(NA) / C_(NA) from LD_(NA). The outlook is evolving.

SUMMARY RATING RATIONALE

The rating action reflects the start of the formal debt restructuring process for the group. On the 27th December 2018, the entity signed a Standstill Agreement with all creditors (except short-term trade creditors, who continue to be paid on time and in full) whereby they (the creditors) formally waived their rights to enforce payment of principal or acceleration or liquidation or recovery should the group fail to pay any principal amounts due under any debt document or miss any financial covenants. At the same time, the group is expected to maintain the payment of interest under the initial debt agreements. As a result, in our opinion, the terms of the original debt agreements have, until expiration of the agreement or final restructuring of the debt packages, been temporarily superseded by the Standstill Agreement. Consequently, we believe another event of default can only occur should the group fail to meet the conditions of the new agreement or fail to restructure the debt packages by the expiration date of the Standstill Agreement on 15th June 2019 or if there is a default of a more general nature. Therefore, we are lifting the ratings out of ‘LD’. Nevertheless, until the restructuring of debt has been finalised, we will keep the ratings at CCC to reflect the ongoing credit standstill.

The evolving outlook reflects the uncertainty of the process going forward. We would lower the rating if a default occurs, as per the conditions in the Standstill agreement, or if the Standstill agreement expires without successful renegotiation of the debt packages, or through a default of a more general nature. We will raise the ratings post the successful restructuring of the debt.

NATIONAL SCALE RATINGS HISTORY

Initial rating (July 2012)

Long-term: BBB_(NA); Short-term: A3_(NA)

Outlook: Stable

Last rating (Oct 2018)

Long-term: LD_(NA); Short-term: LD_(NA)

Outlook: N/A

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Global Criteria for Rating Banks and Other Financial Institutions, updated March 2017

Trustco rating reports (2012-17)

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SALIENT FEATURES 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.

Trustco Group Holdings Limited participated in the rating process via management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to Trustco Group Holdings Limited.

The information received from Trustco Group Holdings Limited and other reliable third parties to accord the credit ratings included:

- Audited financial results of the group to 31 March 2018;
- Four years of comparative numbers;
- Budgeted financial statements for Trustco Group Holdings Limited;
- Latest internal and/or external reports to management;
- A breakdown of facilities available and related counterparties; and
- Corporate governance and enterprise risk framework.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S FINANCIAL INSTITUTIONS GLOSSARY

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| Asset | A resource with economic value that a company owns or controls with the expectation that it will provide future benefit. |
| Asset Quality | Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform. |
| Capital | The sum of money that is invested to generate proceeds. |
| 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. |
| Debt | An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period. |
| Diversification | Spreading risk by constructing a portfolio that contains different investments, whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in. |
| Dividend | The portion of a company's after-tax earnings that is distributed to shareholders. |
| Equity | Equity (or shareholders' funds) is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit. |
| Fixed Assets | Assets of a company that will be used or held for longer than a year. They include tangible assets, such as land and equipment, stake in subsidiaries and other investments, as well as intangible assets such as goodwill, information technology or a company's logo and brand. |
| 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. |
| International Scale Rating LC | International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make transfers between sovereign jurisdictions. |
| Leverage | With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt. |
| Long-Term | Not current; ordinarily more than one year. |
| Long-Term Rating | Reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations. |
| Margin | The rate taken by the lender over the cost of funds, which effectively represents the entity's profit and remuneration for taking the risk of the loan; also known as spread. |
| Past Due | Any note or other time instrument of indebtedness that has not been paid on the due date. |
| Receivables | Any outstanding debts, current or not, due to be paid to a company in cash. |
| Risk | The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives. |
| Short-Term | Current; ordinarily less than one year. |
| Short-Term Rating | An opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions. |
| Asset | A resource with economic value that a company owns or controls with the expectation that it will provide future benefit. |
| Asset Quality | Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform. |
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| Margin | The rate taken by the lender over the cost of funds, which effectively represents the entity's profit and remuneration for taking the risk of the loan; also known as spread. |

For a detailed glossary of terms, click [here](#)

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