

Financial Report

For the quarter
ended 31 December 2018

REAL PEOPLE®

**Real People
Investment Holdings Ltd**



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1.1 Group statement of financial position

Group consolidated - December FY2019			
Actual	Prior Year	Actual vs	
R'm	R'm	Prior Year(%)	
Assets			
Loans and advances	867,2	892,6	-2,8%
Acquired assets	600,0	650,5	-7,8%
Property and equipment and Intangible assets	16,6	22,9	-27,6%
Investments	32,3	28,4	13,7%
Assurance assets	-	19,4	-100,0%
Other assets	22,1	25,9	-14,5%
Deferred and current tax assets	14,3	4,3	> 100%
Cash and cash equivalents	388,1	289,0	34,3%
Assets of continuing operations	1 940,6	1 933,0	0,4%
Assets of disposal group	-	147,7	-100,0%
Total assets	1 940,6	2 080,7	-6,7%
Equity and liabilities			
Share Capital and share premium	1 308,9	1 308,9	0,0%
Accumulated loss	(897,2)	(947,8)	5,3%
Reserves	1,0	(4,5)	> -100%
Equity of RPSA	412,7	356,6	15,7%
Equity of disposal group	-	(12,6)	100,0%
Equity	412,7	344,0	20,0%
Liabilities			
Long term interest bearing borrowings	1 460,2	1 459,4	0,0%
Assurance liability	-	18,0	-100,0%
Deferred and current tax liabilities	20,6	22,7	-9,2%
Junior loans to SPVs	-	-	0,0%
Other liabilities	47,2	76,2	-38,1%
Liabilities of continuing operations	1 527,9	1 576,4	-3,1%
Liabilities of disposal group	-	160,3	-100,0%
Total equity and liabilities	1 940,6	2 080,7	-6,7%

Quarter Average

*Average Productive Assets	1 475,6	1 546,4
*Average Total Assets	1 947,9	2 028,9
Average Productive Assets/Average Total Assets (%)	75,8%	76,2%

YTD Average

*Average Productive Assets	1 482,7	1 602,6
*Average Total Assets	1 928,8	2 068,3
Average Productive Assets/Average Total Assets (%)	76,9%	77,5%

*The disposal group has been excluded in order for these ratios to be comparable with current year

Key take outs:

1. Group balance sheet restructure

During the course of the previous financial year, the Group undertook a balance sheet restructure which entailed certain funders of the Group voluntarily exchanging on-balance sheet debt for equity and hybrid equity instruments. Whilst the restructure was being negotiated and implemented, the Group's ability to raise funding and sustain balance sheet growth was constrained. This resulted in the Group commencing the current financial year with a significantly smaller balance sheet in most respects, in comparison to the previous financial year. This dynamic is evident throughout the current Q3 results when compared to the prior period.

Assets:

Loans and advances declined primarily due to constrained year to date disbursement levels in Home Finance - funding raised post restructure has lagged expectations. The expected continued amortisation of the legacy assets linked to the discontinued branch loans and cellular products in DMC also contributed to this decline.

Acquired assets relative to prior year decreased as a result of the funding constraints in place during the balance sheet restructure.

Equity:

Equity levels are ahead of the prior period.

Liabilities:

Long term liabilities are in line with the prior year. DMC has successfully raised its funding requirement for the balance of the financial year.

	December FY2019	
	Analysis of Share Capital (R'm)	Attribution of Current Equity to Instruments (R'm)
E PIK Note	493,3	340,3
D PIK Note	96,6	27,2
C Preference Shares	128,5	18,8
B Preference Shares	155,9	7,3
A Ordinary Shares	-	15,7
Ordinary Shares	434,5	3,5
	1 308,9	412,7

1.2 Group statement of comprehensive income

Quarter - December FY2019				
Actual R'm	Return as a % of Productive Assets	Prior Year R'm	Return as a % of Productive Assets	Actual vs Prior Year(%)
178,0	47,8%	184,5	47,3%	-3,6%
(30,9)	-8,3%	(22,8)	-5,9%	-35,2%
13,8	3,7%	16,0	4,1%	-13,8%
160,9	43,3%	177,7	45,6%	-9,5%
(49,6)	-13,3%	(43,9)	-11,3%	-13,0%
111,3	29,9%	133,8	34,3%	-16,8%
9,2	2,5%	8,8	2,3%	4,3%
14,6	3,9%	11,5	3,0%	27,1%
0,2	0,1%	0,2	0,1%	-9,4%
135,4	36,4%	154,4	39,6%	-12,3%
(114,3)	-30,7%	(132,5)	-34,0%	13,7%
(105,1)	-28,2%	(110,2)	-28,3%	4,7%
(9,2)	-2,5%	(22,3)	-5,7%	58,6%
(0,2)	-0,1%	(15,9)	-4,1%	98,8%
-	0,0%	-	0,0%	0,0%
-	0,0%	(29,4)	-7,5%	100,0%
20,9	5,6%	(23,4)	-6,0%	> -100%
(3,7)	-1,0%	(16,0)	-4,1%	77,1%
0,5	0,1%	16,7	4,3%	-97,2%
17,7	4,8%	(22,7)	-5,8%	> -100%
-	0,0%	(2,3)	-0,6%	100,0%
17,7	4,8%	(25,0)	-6,4%	> -100%
(1,1)	-0,3%	(4,6)	-1,2%	75,5%
16,6	4,5%	(29,5)	-7,6%	> -100%

1 475,6	1 546,4
404,7	368,4
3,6	4,2
20,5%	-25,2%
17,3%	-24,4%

*The disposal group has been excluded in order for these ratios to be comparable with current year

YTD - December FY2019				
Actual R'm	Return as a % of Productive Assets	Prior Year R'm	Return as a % of Productive Assets	Actual vs Prior Year(%)
541,9	48,5%	589,1	48,8%	-8,0%
(84,3)	-7,5%	(69,5)	-5,8%	-21,2%
41,7	3,7%	47,8	4,0%	-12,7%
499,4	44,7%	567,4	47,0%	-12,0%
(151,1)	-13,5%	(169,2)	-14,0%	10,7%
348,2	31,2%	398,2	33,0%	-12,5%
25,9	2,3%	26,4	2,2%	-1,8%
37,5	3,4%	34,4	2,8%	8,9%
0,6	0,1%	0,7	0,1%	-21,3%
412,2	36,9%	459,7	38,1%	-10,3%
(359,3)	-32,2%	(370,6)	-30,7%	3,1%
(334,0)	-29,9%	(302,0)	-25,0%	-10,6%
(25,2)	-2,3%	(68,6)	-5,7%	63,2%
(1,2)	-0,1%	(7,6)	-0,6%	84,3%
-	0,0%	50,3	4,2%	-100,0%
-	0,0%	(43,4)	-3,6%	100,0%
51,7	4,6%	88,5	7,3%	-41,5%
(10,8)	-1,0%	(21,8)	-1,8%	50,3%
13,4	1,2%	5,6	0,5%	> 100%
54,2	4,9%	72,2	6,0%	-24,9%
-	0,0%	(32,6)	-2,7%	100,0%
54,2	4,9%	39,6	3,3%	36,8%
7,6	0,7%	(6,0)	-0,5%	> -100%
61,8	5,5%	33,6	2,8%	83,8%

* Average productive assets	1 482,7	1 602,6
*Average Equity	381,2	337,7
Equity Multiplier	3,9	4,7
*Pre-tax return on equity	18,0%	15,0%
*Return on Equity	18,9%	8,6%

Other comprehensive (loss) / income:
 Movement in cash flow hedge reserve
Total comprehensive income for the period

Quarter actual vs prior year quarter

- Net yield declined year on year in line with the decline in productive assets..
- Non-interest income has grown year on year but not at the rate that was expected.
- Operating expenditure is lower compared to the prior year, due to the STI provision reversal of R19m in Q3.
- The tax charges are impacted by assessed losses carried forward

YTD Actual vs YTD prior year

- Net yield declined year on year in line with the decline in productive assets.
- Finance costs declined year on year due to limited funding being raised during the course of the restructure.
- The increase in operating costs year on year has been impacted by inflationary increases and external audit fee overruns.
- All foreign currency exposures are fully hedged with a portion of the currency movements being accounted for through the income statement.
- The tax charges are impacted by assessed losses carried forward

1.3 Group quality of earnings adjustments

Quarter - December FY2019				
Actual R'm	Return as a % of Productive Assets	Prior Year R'm	Return as a % of Productive Assets	Actual vs Prior Year(%)
9,4	2,5%	23,0	5,9%	-59%
4,3	1,1%	2,5	0,6%	71%
12,5	3,4%	7,0	1,8%	77%
26,2	7,0%	32,5	8,3%	-20%
(5,3)	-1,4%	(55,9)	-14,4%	91%
20,9	5,6%	(23,4)	-6,0%	> -100%
-	0,0%	-	0,0%	0%
-	0,0%	-	0,0%	0%
(0,2)	-0,1%	(15,9)	-4,1%	99%
-	0,0%	(29,4)	-7,5%	100%
(0,2)	-0,1%	-	0,0%	-100%
21,2	5,7%	21,9	5,6%	-3%

Home Finance
Assurance
DMC

Group Central Services

Profit before tax

Revenue not associated with core operations

Gain on derecognition of liability

DMC - SARS vat claim on DCA fees raised

Costs not associated with core operations

Hedging loss

Capital restructure costs

Audit overruns

Profit/(loss) before tax

YTD - December FY2019				
Actual R'm	Return as a % of Productive Assets	Prior Year R'm	Return as a % of Productive Assets	Actual vs Prior Year(%)
38,4	3,4%	69,9	5,8%	-45,1%
8,4	0,7%	6,9	0,6%	22,2%
26,8	2,4%	39,8	3,3%	-32,7%
73,5	6,6%	116,5	9,7%	-36,9%
(21,8)	-1,9%	(28,1)	-2,3%	22,4%
51,7	4,6%	88,5	7,3%	-41,5%
-	0,0%	50,3	4,2%	-100,0%
3,2	0,3%	-	0,0%	100,0%
(1,2)	-0,1%	(7,6)	-0,6%	84,3%
-	0,0%	(43,4)	-3,6%	100,0%
(2,9)	-0,3%	(4,6)	-0,4%	36,6%
52,6	4,7%	93,7	7,8%	-43,9%

Key take outs

Home Finance

- The Home Finance business contribution declined year on year as a result of bulk prescription write offs, lower NPL receipting in December and lower net credit life income due to the implementation of the reducing balance calculation in August 2017.

Assurance

- The Assurance business is tracking ahead of the prior year as a result of operating expenditure efficiencies in the current year.

DMC

- The DMC business is tracking ahead of the prior year for the quarter , however the year on year reduction in contribution YTD, is largely due to the continued amortisation of the legacy asset base, as well as limited acquisition volumes during the course of the restructure.

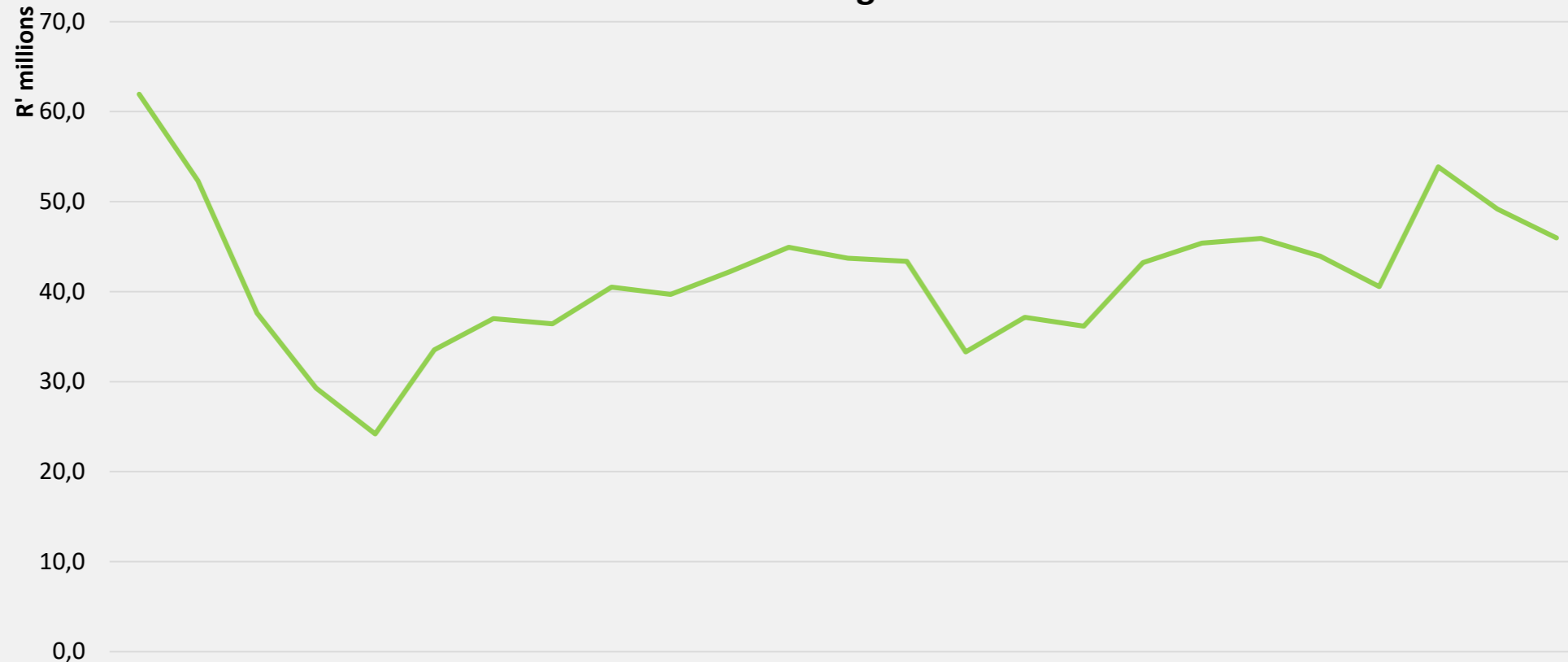
Group Central Services (GCS)

- GCS is tracking ahead of the prior year as a result of an STI provision reversal in Q3.

2. Growth in productive assets

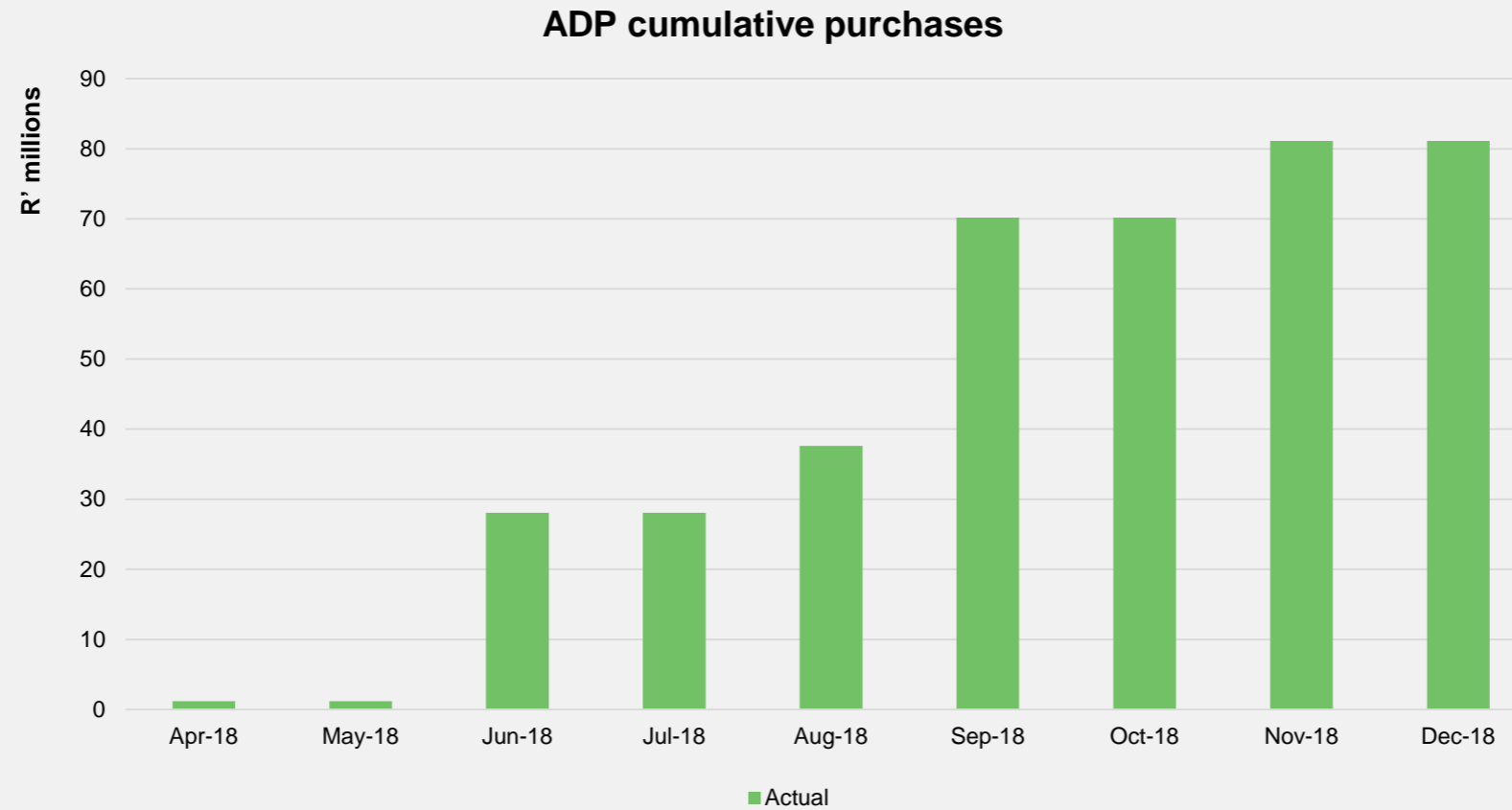
1. Home Finance loan origination platform volumes

Home Finance Origination



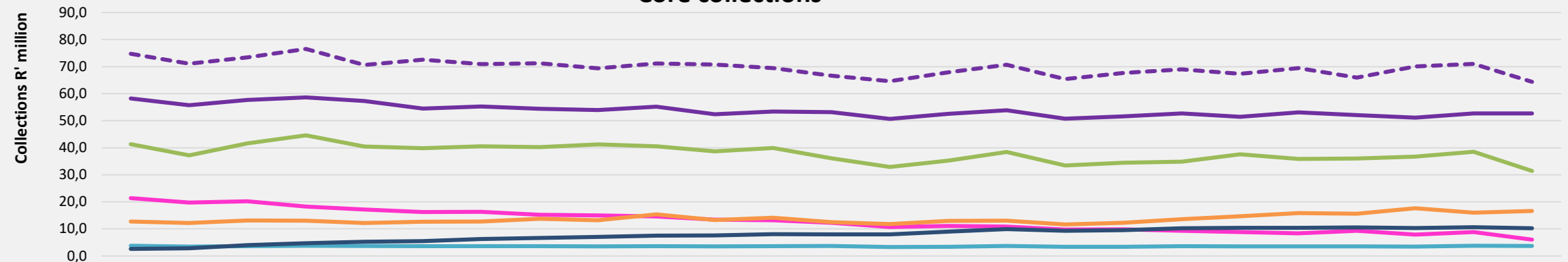
	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Rand Amount	61,9	52,3	37,6	29,2	24,1	33,5	36,9	36,4	40,4	39,6	42,2	44,9	43,7	43,3	33,3	37,1	36,1	43,2	45,4	45,9	43,9	40,5	53,8	49,1	45,9

2. DMC acquired debt portfolio purchases year to date



3. Core collections across each business line

Core collections



	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
*Home Finance (Tot)	74,7	71,1	73,4	76,6	70,6	72,6	71,0	71,3	69,4	71,2	70,8	69,5	66,7	64,7	67,9	70,7	65,4	67,6	69,0	67,4	69,4	66,0	70,1	71,0	64,4
**Home Finance (Edi)	58,3	55,8	57,7	58,6	57,3	54,5	55,3	54,4	53,9	55,2	52,4	53,4	53,2	50,7	52,5	53,9	50,7	51,6	52,7	51,4	53,1	52,1	51,2	52,7	52,7
Assurance	3,8	3,4	3,6	3,8	3,7	3,6	3,6	3,6	3,5	3,6	3,5	3,6	3,7	3,3	3,4	3,7	3,4	3,4	3,6	3,5	3,5	3,5	3,5	3,8	3,7
Purchased	41,3	37,2	41,6	44,6	40,5	39,9	40,6	40,2	41,2	40,6	38,6	39,9	36,1	32,9	35,2	38,5	33,5	34,4	34,8	37,6	35,9	36,0	36,7	38,5	31,4
Legacy Assets	21,4	19,7	20,2	18,3	17,2	16,2	16,3	15,2	15,0	14,6	13,4	13,2	12,3	10,7	11,1	10,8	9,8	9,8	9,3	8,8	8,4	9,3	7,9	8,8	6,0
Outsourced	12,7	12,2	13,1	13,1	12,1	12,7	12,8	13,7	13,2	15,3	13,3	14,1	12,5	11,8	13,0	13,1	11,7	12,2	13,6	14,7	15,8	15,6	17,6	16,0	16,6
Credit Management	2,6	2,8	4,0	4,7	5,2	5,4	6,3	6,6	7,0	7,5	7,6	8,0	7,9	7,9	9,0	9,9	9,3	9,5	10,2	10,4	10,4	10,6	10,3	10,6	10,2

*Total receipting including all collection channels

**Collections via electronic debit orders

3.12 month rolling compliance ratios

Group Capital Adequacy Ratio

	Minimum per Covenant	Actual December FY2019 R'm
Permanent Capital / Total adjusted assets	20,0%	34,5%
Equity per statement of financial position		412,7
Cash flow hedge add back		8,2
Qualifying equity		420,9
Assurance		(22,1)
SPV equity		115,2
Intangible and deferred tax assets to be funded with equity		(2,0)
SPV junior loans		(246,4)
Permanent Capital (on balance sheet equity)		265,5
Assets per statement of financial position		1 940,6
Cash and Cash equivalents (on balance sheet)		(128,1)
Intangible and deferred tax assets to be funded with equity		(2,0)
Assurance Assets		(31,5)
SPV assets		(1 009,5)
Total adjusted assets (on balance sheet assets)		769,5

Cost to Income Ratio***

	Maximum per Covenant	Actual December FY 2019
Operating Expenses		451,2
Operating Income		714,0
Cost to income ratio	68%	63,2%

Debt Service Cover Ratio

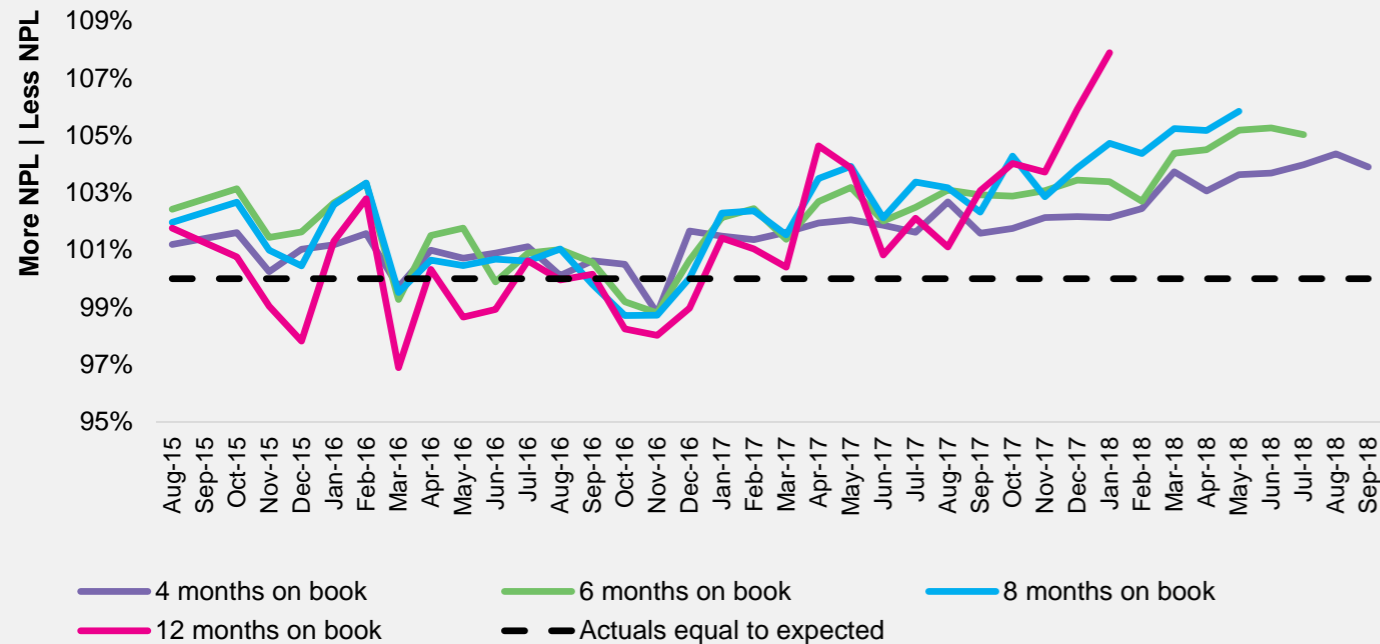
	Minimum per Covenant	Actual December FY 2019
Free Cash Flow		265,4
Debt Service		137,5
Debt Service Coverage Ratio (times)	1.05	1.93

*** For purposes of this report the cost to income ratio is calculated using the applicable IFRS 9 methodology as opposed to the management account view which does not. This has also been done with respect to the previous financial year.

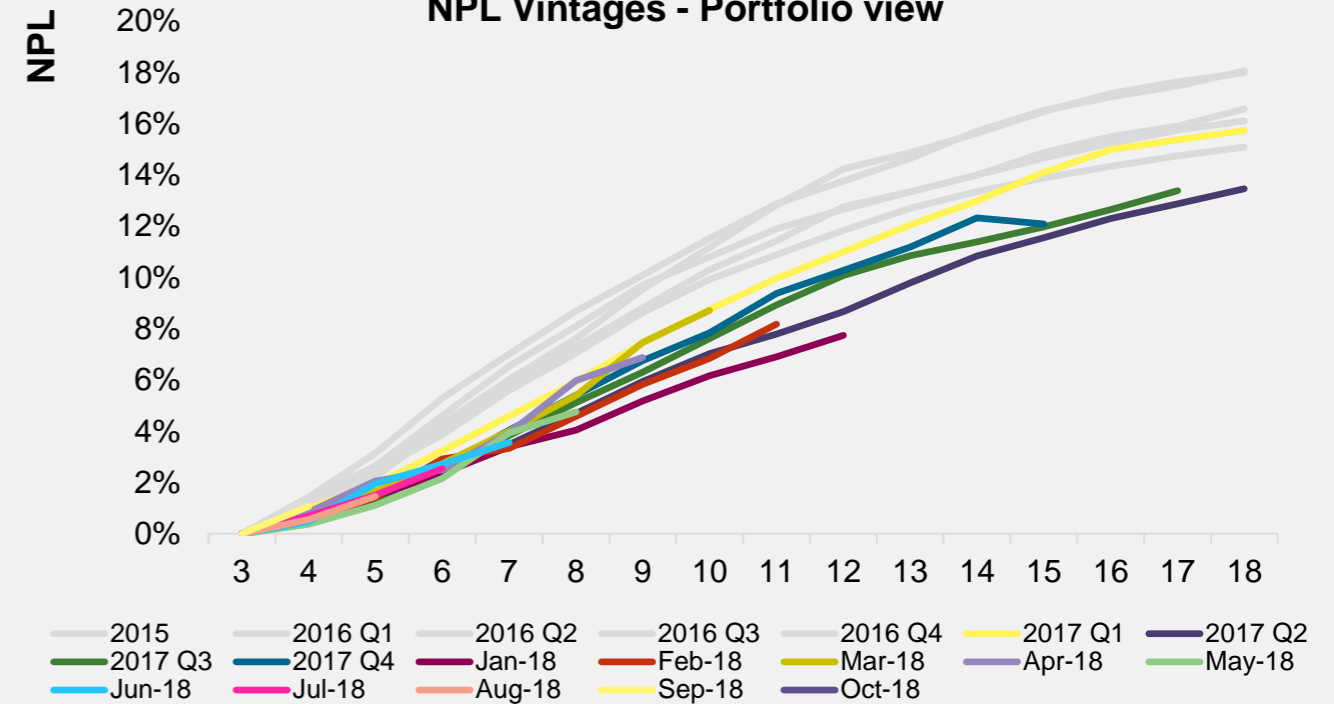
To the extent that cumulative adjustments were made in the accounts during H2 2018, these have been accrued for on a monthly basis as they ordinarily would for the purpose of determining the 12 month rolling average.

4.1 Home Finance divisional drivers of performance

Actual vs Expected default (count)



NPL Vintages - Portfolio view



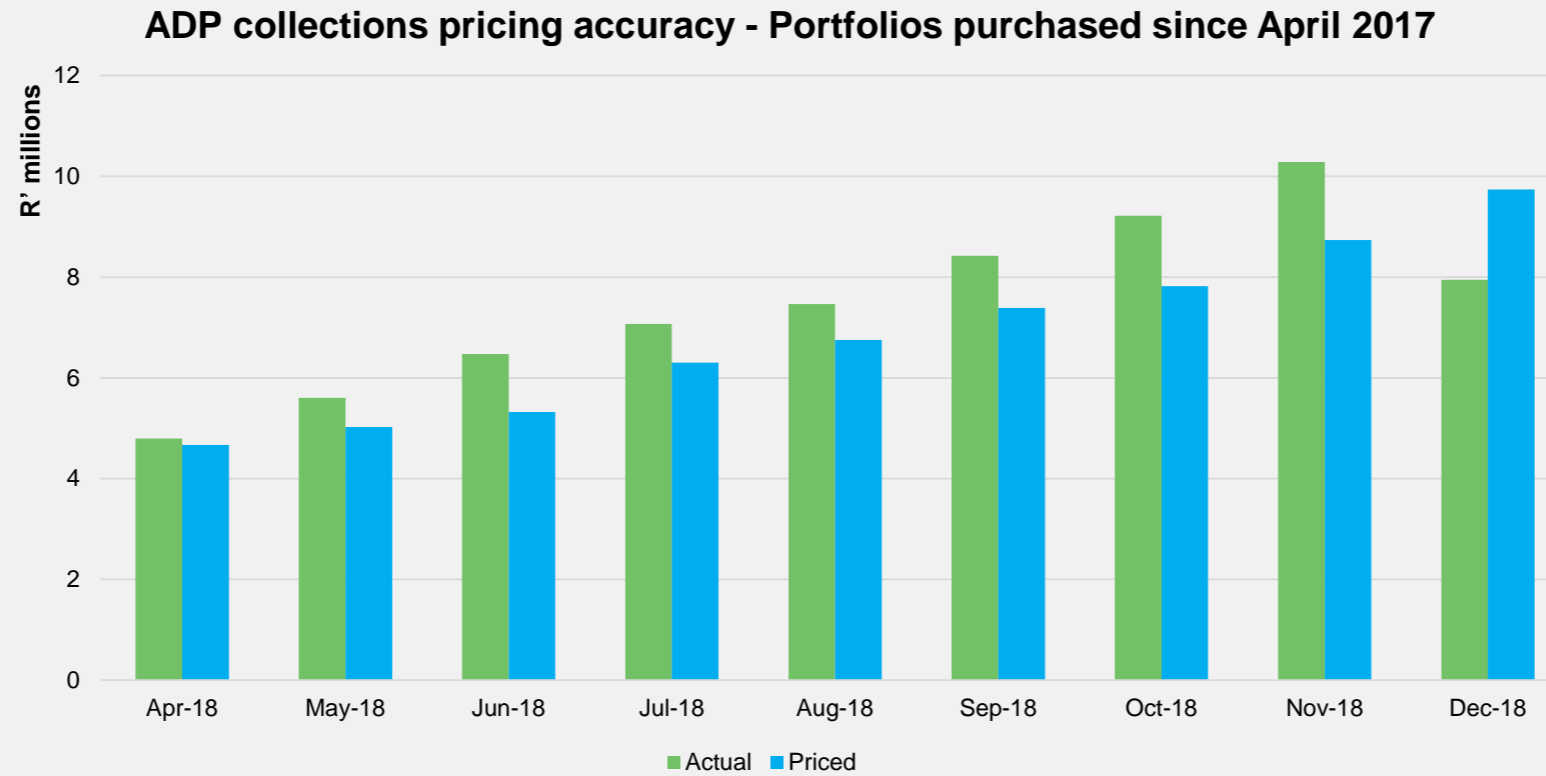
Home Finance continue to see outperformance of its portfolio relative to priced expectations. The latest approved product suite was introduced in October 2018. Given the current level of outperformance there is strong potential for Home Finance to adjust its product suite to both increase origination volumes and increase risk appetite taken onto book.

NPL Emergence:

All NPL vintages over the past year are continuing within a tight range, well below levels experienced between 2015 and 2016.

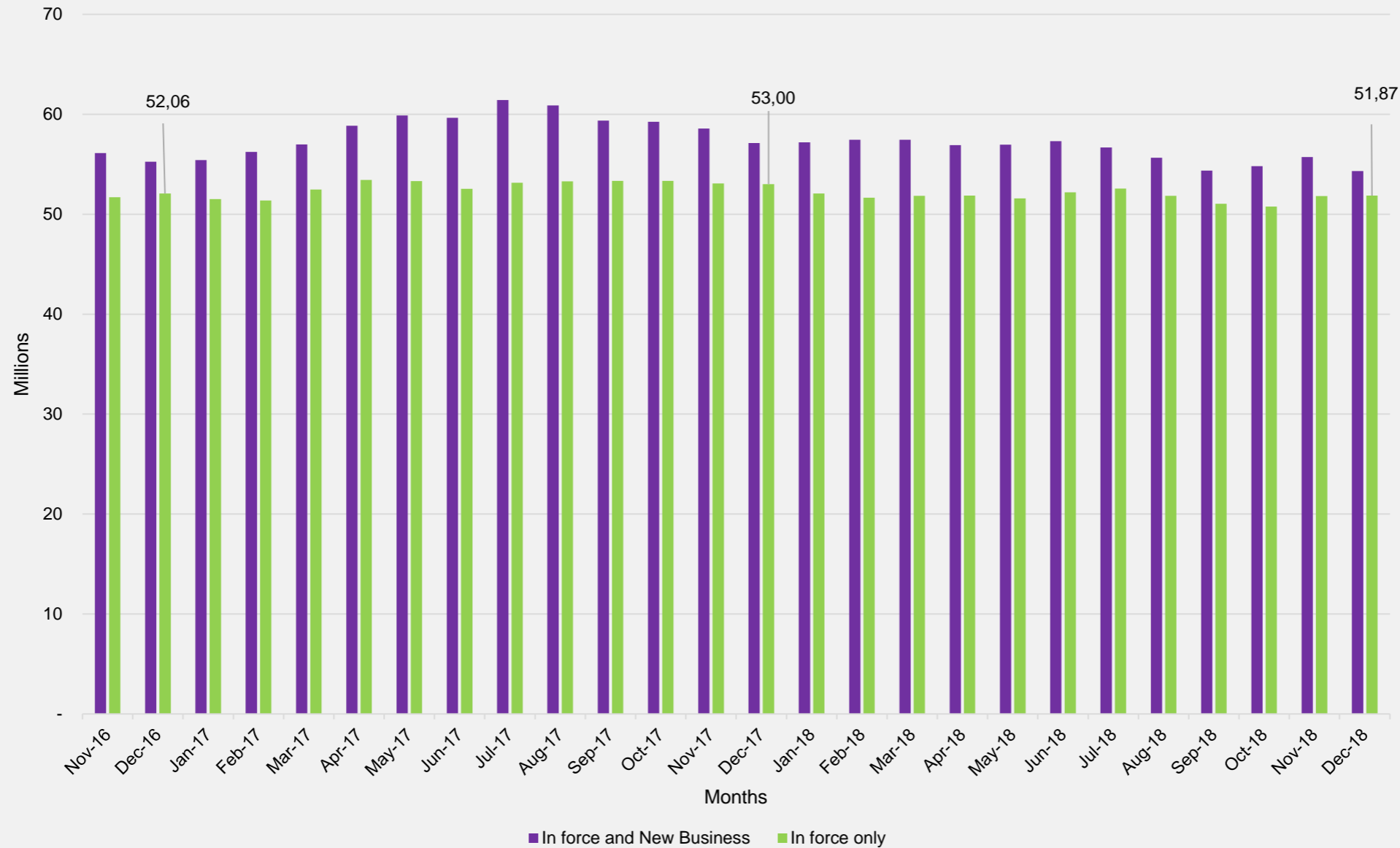
* Please note the latest month of origination for the pricing accuracy graphs is September 2018, as the first data point on the graphs are 4 months after origination.

4.2 DMC divisional drivers of performance



4.3 Assurance divisional drivers of performance

Annualised Premium Income on Book (R'millions)



5. Glossary

Ratio	Definition
Permanent capital / Total adjusted assets	Group equity reduced by: -The cash flow hedge -Equity in SPVs and regulated Assurance Company -Junior equity instruments in SPVs -Deferred taxation & Intangible assets on balance sheet Total assets reduced by: -Assets in SPVs and regulated Assurance Company - Cash and cash equivalents on balance sheet -Deferred taxation & Intangible assets on balance sheet
Gross yield on productive assets	Annualised Net yield / Simple average Loans and advances and Acquired assets
Net yield on productive assets	Annualised Net yield / Simple average Loans and advances and Acquired assets
Return on productive assets	Annualised profit or loss after tax/ Simple average Loans and advances and Acquired assets
Non-margin income on productive assets	Annualised non-margin income / Simple average productive assets
Outsourced contributions on productive assets	Annualised outsourced contributions / Simple average productive assets
Cost of funds	Annualised Finance costs / Simple average Long term interest bearing borrowings
Debt service cover	Free cash flow/Debt service
Cost to income	Operating expenses / Net yield (adjusted by direct costs reallocated from yield), Net assurance income - funeral benefits and Outsourced collection income
Equity multiplier	Average productive assets or Average total assets/Average equity
Pre-tax return on equity	Equity multiplier x Pre-tax return as a % of productive assets
Return on equity	Equity multiplier x Return as a % of productive assets
Assurance - Claims loss ratio	Claims/Premium income

We are Real People, for real people



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