

*Denna kallelse till obligationsinnehavarna är endast utformad på engelska.*

*Denne melding til obligasjonseierne er kun utarbeidet på engelsk.*

**To the bondholders in:**

**ISIN: SE 000 5392560 and NO 001 0689342 – Real People Investment Holdings Limited – up to SEK 260,000,000 and up to NOK 135,000,000 Senior Unsecured Callable Bonds 2013/2018 (referred to as "SEK Bonds" and "NOK Bonds" respectively and collectively the "Bonds")**

**Stockholm, 10 November 2017**

**NOTICE OF WRITTEN PROCEDURE - REQUEST TO APPROVE AN AMENDMENT TO THE TERMS AND CONDITIONS AND OTHER MEASURES IN ORDER TO CARRY OUT A RESTRUCTURING OF THE ISSUER AND THE GROUP**

**SEK Bonds:**

**This notice has been sent by letter to persons directly registered in the debt register (Sw. skuldbok) kept by Euroclear Sweden AB as holders of SEK Bonds. If you are an authorised nominee under the Swedish Central Securities Depositories and Financial Instruments Accounts Act or if you otherwise are holding Bonds on behalf of someone else on a Securities Account, please forward this notice to the holder you represent at your earliest convenience.**

**NOK Bonds**

**This notice has been sent via VPS (Norway) to persons registered in the Securities Account with VPS (Norway) as holders of NOK Bonds. If you are a custodian or otherwise are holding NOK Bonds on behalf of someone else, please forward this notice to the holder you represent at your earliest convenience.**

All capitalised terms used herein and not otherwise defined in this notice (the "**Notice**") shall have the meanings assigned to them in the terms and conditions of the Bonds (the "**Terms and Conditions**").

Nordic Trustee & Agency AB (publ) (formerly known as Swedish Trustee AB (publ)) acts as agent (the "**Agent**") for the holders of the above mentioned Bonds (each a "**Bondholder**") issued by Real People Investment Holdings Limited (the "**Issuer**"). In its capacity as Agent, and on the request by the Issuer, the Agent hereby initiates a written procedure, whereby holders of the Bonds can vote for or against requests made by the Issuer described in this Notice.

NOK Bonds and SEK Bonds have been issued under the Terms and Conditions. The holders of the NOK Bonds and the SEK Bonds participate in the same written procedure. Due to technical differences between the systems operated by the CSDs; (VPS (Norway) for NOK Bonds and Euroclear Sweden for SEK Bonds), formalities vary in some respects. Different voting forms shall therefore be used for the NOK Bonds and the SEK Bonds (referred to as the "**NOK Bonds Voting Form**" and the "**SEK Bonds**

**Voting Form**", respectively) and different evidence of ownership shall be provided as further described in Sections 3E (*Voting with respect to NOK Bonds*) and 3D (*Voting with respect to SEK Bonds*).

Bondholders participate by completing and sending the relevant voting form, and, if applicable, the relevant evidence of ownership, authorisation or other sufficient evidence of entitlement to vote, to the Agent.

The Agent must **receive the relevant voting forms no later than 5.00 p.m. (CEST), 20 November 2017**, by mail, via courier or e-mail to the addresses indicated below in Section 3H (*Address for sending replies*). Votes received thereafter may be disregarded.

To be eligible to participate in the Written Procedure a person must fulfil the formal criteria for being a Bondholder at the close of business on 14 November 2017, regarding the SEK Bonds, and the execution date of the NOK Bonds Voting Form, regarding the NOK Bonds, (the "**Voting Record Date**").

*This Notice and the Amendment and Restructuring Requests (as defined below) are presented to the Bondholders, without any evaluation, advice or recommendations from the Agent whatsoever. The Agent has not reviewed or assessed this Notice or the Amendment and Restructuring Requests (and their effects, should they be adopted) from a legal or commercial perspective of the Bondholders and the Agent expressly disclaims any liability whatsoever related to the content of this Notice and the Amendment and Restructuring Requests (and their effects, should they be adopted).*

## **1. BACKGROUND**

As a part of the restructuring of the Group, it is proposed that all of the Group's senior creditors, including the Bondholders with respect to NOK Bonds (the "**NOK Bondholders**") and the Bondholders with respect to SEK Bonds (the "**SEK Bondholders**"), will exchange approximately 41% of their existing senior claims for ordinary shares ("**Ords**") and ZAR-denominated payment-in-kind notes ("**E PIK Notes**") (collectively the "**ZAR Instruments**") pro rata in relation to the outstanding debt. The E PIK Notes will rank behind the remaining senior debt. The effect of the exchange will be that the amount outstanding under the Bonds after the exchange will amount to approximately 59% of the current outstanding amount.

As certain Bondholders are not able to hold equity instruments directly and the ZAR Instruments could not be held on a Securities Account with Euroclear Sweden or VPS (Norway), it is proposed that the ordinary shares and E PIK Notes that are to be issued with respect to the Bonds will be held by two special purpose vehicles in the form of Dutch private limited liability companies (NL. *Besloten Vennootschap*) (the "**PPN Issuers**") which in turn will issue participating notes (the "**PPNs**") to the Bondholders for the purpose of forwarding dividends, payments of interest and repayments by the Issuer under the ZAR Instruments to the Bondholders.

The PPN Issuers will be wholly owned by a Dutch foundation. One PPN Issuer (the "**NOK PPN Issuer**") will hold the ZAR Instruments to be allocated to the NOK Bonds and will be issuing PPNs in NOK (the "**NOK PPNs**") to the holders of the NOK Bonds. The other PPN Issuer (the "**SEK PPN Issuer**") will hold the ZAR Instruments to be allocated to the SEK Bonds and will issue PPNs in SEK to the holders of the SEK Bonds (the "**SEK PPNs**"). It is contemplated that the SEK PPNs will be

registered with Euroclear Sweden and that the NOK PPNs will be registered with VPS (Norway). The PPNs will not be listed.

The other senior loans (the "**Senior Loans**") will be rolled into a new loan agreement (the "**Senior Loan Agreement**") to which all other senior creditors will be parties as lenders (the "**Senior Lenders**"). The terms of the Bonds will be amended to be more aligned with the terms of the new Senior Loan Agreement. Repayments will only be allowed to be made pro rata on the Senior Loans and the Bonds and they will benefit from substantially similar cash sweeps and other restrictions.

The restructuring will be implemented on a date when conditions for the implementation have been fulfilled (the "**Implementation Date**").

The various steps, actions and measures described in the Background and in Sections 1.1 to 1.8 below are jointly referred to as the "**Restructuring**". For further information on the Restructuring and the Group please see the investor presentation attached as Schedule 6.

### 1.1 **Outline of steps that are to be taken in relation to the Bonds**

The below steps are to be taken on the Implementation Date.

#### ***Step 1 – Split of the Bonds***

For technical reasons, the NOK Bonds will be split into NOK Bonds with a Nominal Amount of one (1) NOK each, with the effect that a NOK Bondholder that prior to the split held one NOK Bond with a Nominal Amount of NOK 1,000,000 immediately after the split will hold 1,000,000 NOK Bonds each with a Nominal Amount of one (1) NOK. 41% of the NOK Bonds held by each NOK Bondholder will be converted into unregistered claims as of 31 March 2017.

Each SEK Bond will be split into two instruments; (i) the remaining existing SEK Bond corresponding to 59% of the outstanding amount, and (ii) unregistered claims corresponding to 41% of the outstanding amount, in each case as of 31 March 2017.

3% of the unregistered claims that have been converted from NOK Bonds and split off from the SEK Bonds will automatically be written off in favour of a management incentive program. The remaining parts of the unregistered claims (the "**Remaining Unregistered Claims**") will be used to acquire PPNs as described in Step 4 below.

#### ***Step 2 - Amendment of the Terms and Conditions***

The Terms and Conditions will be amended to reduce the outstanding amount under the Bonds to 59% of the outstanding amount, to extend the final maturity date to 30 September 2025 and to align the terms to the new Senior Loan Agreement. Certain other amendments will also be made. A description of the more material amendments are set out in Section 1.2 and a comparison version showing the differences between the current version of the existing version of Terms and Conditions and the proposed amended and restated terms and conditions is set out in Schedule 3 (*Amended and Restated Terms and Conditions*).

### ***Step 3 – The Issuer issues shares and PIK notes***

The Issuer will issue ordinary shares, preference shares and PIK Notes of varying priority to its creditors and A ordinary shares to a staff incentive trust. The Bondholders and the Senior Lenders will receive E PIK Notes that rank ahead of the D PIK notes, the various classes of preference shares, and the ordinary shares, and will be issued on a pro rata basis between the senior creditors. The E PIK Notes will rank behind the Bonds and other senior debt with respect to the right to payments. Payments on the E PIK Notes will be made after the senior debt has been discharged in full (unless the Senior Lenders agree otherwise) and at the discretion of the board of directors of the Issuer from any “excess cash” (as defined in the E PIK Notes) (“**Excess Cash**”) which is available. After the senior debt has been fully discharged, if the Issuer has determined that there is Excess Cash the Issuer will either (i) make a distribution to holders of the E PIK Notes, the D PIK Notes, the preference shares and the ordinary shares in accordance with the percentages set out in the table in section 1.3 below, or (ii) hold such amounts in “cash” or “cash equivalents” (as defined in the E PIK Notes) such that they necessarily form part of Excess Cash the next time it falls to be determined. Please see Section 1.3 below for more information about the shares and the E PIK Notes.

### ***Step 4 – Incorporation of the NOK PPN Issuer and the SEK PPN Issuer and subscription for ordinary shares and E PIK Notes by the PPN Issuers***

Not all Bondholders will be able to hold equity instruments such as shares, for e.g. investment policy reasons, currency or tax reasons or other reasons. It is therefore proposed that the ordinary shares and E PIK Notes allocated to the Bonds will be subscribed for by and issued to two special purpose vehicles, the NOK PPN Issuer and the SEK PPN Issuer, incorporated for that particular purpose. The Remaining Unregistered Claims arising in Step 1 will be transferred to the PPN Issuers in exchange for the right to have PPNs issued to the Bondholders as described in Step 5. The PPN Issuers will discharge the subscription price for the E PIK Notes by setting off the obligation to pay the subscription price against the Remaining Unregistered Claims transferred to them. The SEK PPN Issuer will pay an aggregate subscription price of ZAR 122.40, and the NOK PPN Issuer will pay an aggregate subscription price of ZAR 98.55, for the ordinary shares to be subscribed for by them in cash. Please see Section 1.4 for more information about the NOK PPN Issuer and the SEK PPN Issuer.

### ***Step 5 – The NOK PPN Issuer and the SEK PPN Issuer issue PPNs to the Bondholders***

The NOK PPN Issuer and the SEK PPN Issuer will issue participating notes, PPNs, to the Bondholders. The PPNs will pass on amounts received under the ZAR Instruments to its holders. The PPNs will not be listed. Please see Section 1.5 below for more information about the PPNs.

## **1.2 Amendment and Restatement of the Terms and Conditions**

The Terms and Conditions are proposed to be amended to reduce the outstanding amount under the Bonds to 59% of the outstanding amount and extend the final redemption date to 30 September 2025. Corresponding concessions will be made by the Senior Lenders.

The amended Terms and Conditions will include undertakings to the effect that repayments under the Senior Loan Agreement must be made pro rata with repayments under the Bonds.

More restricted undertakings will be inserted in the Terms and Conditions to align, as applicable with the new Senior Loan Agreement, which will govern the Senior Loans. Carve-outs, baskets and exceptions from undertakings and restrictions made or provided for in the Senior Loan Agreement will apply also for the Bonds. In order to limit the need for the Bondholders to be involved in the business of the Issuer on a detailed level and reduce the risk of becoming subject to inside information trading restrictions, consents, permissions and waivers granted by the Senior Lenders with respect to certain restrictions and other terms under the Senior Loan Agreement will automatically apply for the Bonds as well.

The amended Terms and Conditions will include a cash sweep provision pursuant to which the Issuer must apply excess cash to repay the Senior Loans and the Bonds pro rata. Excess cash will be determined pursuant to the terms of the Senior Loan Agreement as available cash at hand, minus a cash buffer, plus forecasted positive cash flow (if any) for a certain period.

Payments with respect to ordinary shares, preference shares and the PIK notes issued as a part of the Restructuring may be made only if agreed to by the Senior Lenders.

The first interest payment after the amendments will be postponed until the Interest Payment Date falling on or about 30 June 2018 and will be made with respect to Interest that has accrued from the previous Interest Payment Date falling on or about 31 March 2018. Interest accruing prior that date will be capitalised and added to the capital amount.

A summary of the more material amendments to the Terms and Conditions are set out in the table below and a comparison version showing the proposed amendments to the Terms and Conditions is attached as Schedule 3 (*Amended and Restated Terms and Conditions*).

<b>Summary of amendments of key terms</b>	
<b>Current Terms and Conditions</b>	<b>Proposed amended Terms and Conditions</b>
<i>Issuer</i> Real People Investment Holdings Limited	<i>Issuer</i> Real People Investment Holdings Limited
<i>Status</i> Senior unsecured callable bonds issued in NOK and SEK.	<i>Status</i> Senior unsecured callable bonds issued in NOK and SEK.
<i>Guarantors</i> <ul style="list-style-type: none"> <li>• DMC Debt Management (Pty) Ltd (name changed from Real People (Proprietary) Ltd)</li> <li>• Real People Kenya Ltd</li> </ul>	<i>Guarantors</i> Same as for the Senior Loan Agreement: <ul style="list-style-type: none"> <li>• DMC Debt Management (Pty) Ltd (name changed from Real People (Proprietary) Ltd)</li> <li>• Real People Home Finance Proprietary Limited</li> <li>• Nyati Securitisation 1 (RF) Ltd</li> </ul>
<i>Volume</i>	<i>Volume</i>

100% of the Nominal Amount.	59.00 % of the current Nominal Amount.
<i>Final maturity</i> September 2018	<i>Final maturity</i> 30 September 2025
<i>Amortization</i> None.	<i>Amortization</i> Pro rata with amortization of other Senior Loans.
<i>Interest Rate</i> STIBOR or NIBOR (as applicable) plus 6.25 % per annum.	<i>Interest Rate</i> STIBOR or NIBOR (as applicable) plus 6.54 % per annum.  The first interest payment after the amendments will be made on or about 30 June 2018 and will be made with respect to interest that has accrued from the previous interest payment date falling on or about 31 March 2018. Interest accruing prior to that date will be capitalised.
<i>Financial covenants</i> Capital Adequacy Ratio > 30 %	<i>Financial covenants</i> Permanent Capital / Total Assets: must be greater than: <ul style="list-style-type: none"> <li>• [20%-25%]* for any Measurement Period ending on a Measurement Date that falls on or before 31 March 2019;</li> <li>• [20%-25%]* for any Measurement Period ending on a Measurement Date that falls on or before 31 March 2020; and</li> <li>• [20%-25%]* for any Measurement Period ending on a Measurement Date that falls after 31 March and ends on or before the Final Maturity Date</li> </ul> (*Levels to be aligned with levels to be applicable for the Senior Unsecured Loan Agreement upon Second Amendment Effective Date).  Debt Service Ratio 1.05 times.  Cost to Income Ratio shall not be greater than 68 %.
<i>Dividend restriction</i> None.	<i>Dividend restriction</i> Payment on instruments ranking after the Bonds (such as shares and the E PIK Notes) will be restricted and may only be made in accordance with a pre-agreed waterfall.

<p><i>General undertakings</i></p> <ul style="list-style-type: none"> <li>• Nature of business.</li> <li>• Negative pledge (subject to agreed carve-outs).</li> <li>• Hedging undertaking.</li> </ul>	<p><i>General undertakings</i></p> <ul style="list-style-type: none"> <li>• Cash sweep to be applied to repay Senior Loans and the Bonds.</li> <li>• Restrictions on payments on debt ranking after the Senior Loans and the Bonds.</li> <li>• Negative pledge (subject to agreed carve-outs and security permitted by the Senior Lenders).</li> <li>• Restrictions on incurrence of indebtedness (subject agreed carve-outs and debt permitted by the Senior Lenders).</li> <li>• Restrictions on disposal of assets (subject agreed carve-outs and disposals permitted by the Senior Lenders).</li> <li>• Undertakings to repay the Bonds pro rata if principal amounts under the Senior Loan Agreement is repaid.</li> </ul>
<p><i>Listing</i></p> <p>Listed on Nasdaq Stockholm.</p>	<p><i>Listing</i></p> <p>Bonds to be listed on regulated market or MTF. Listing undertaking is on a best effort basis.</p>
<p><i>Early Redemption</i></p> <p>Voluntary total redemption (call option) subject to a premium.</p>	<p><i>Early Redemption</i></p> <p>Voluntary redemption at par without premium or penalty. Cash sweep to be applied to redeem the Bonds. Any repayments must be made pro rata on Senior Loans and the Bonds.</p>
<p><i>Put option (at call option premium)</i></p> <ul style="list-style-type: none"> <li>• Change of control.</li> <li>• Business cessation.</li> </ul>	<p><i>Put option (at par)</i></p> <ul style="list-style-type: none"> <li>• Change of control (carve-out for Senior Lenders).</li> <li>• Mandatory repayment upon disposal of certain assets.</li> </ul>
<p><i>Cross Default</i></p> <p>Cross Default to financial indebtedness in material group company if such indebtedness exceeds 2.5% of the Issuer's total assets.</p>	<p><i>Cross Default</i></p> <p>Cross Default to the loans under the Senior Loan Agreement if breach constitutes a Material Event of Default.</p> <p>Cross Acceleration to the Senior Loans.</p>
<p><i>Governing Law</i></p> <p>Swedish law.</p>	<p><i>Governing Law</i></p> <p>Swedish law.</p>
<p><i>Agent</i></p>	<p><i>Agent</i></p>

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At the date of this Notice the levels for the Permanent Capital to Total Assets Ratio to be included in the Senior Loan Agreement have not been finally agreed between the Issuer and the Senior Lenders. It is therefore proposed that by approving the Amendment and Restructuring Requests the Bondholders agree to that the levels for the Permanent Capital to Total Assets Ratio to be included in the Terms and Conditions (as amended and restated pursuant to the Amendment and Restructuring Requests) will be updated to correspond to the levels agreed to apply for the Senior Loan Agreement at the Second Amendment Effective Date, provided that such levels are within the ranges set out in the excerpt below.

Excerpt from proposed new Clause 14.2(b), please see Schedule 3 (*Amended and Restated Terms and Conditions*)

Permanent Capital to Total Assets Ratio: the Permanent Capital to Total Assets Ratio in respect of any Measurement Period specified in column 1 below must be greater than the percentage set out in column 2 below opposite that Measurement Period.

Column 1	Column 2
Measurement Period	Ratio
ending on a Measurement Date that falls on or before 31 March 2019	20%-25%
ending on a Measurement Date that falls on or before 31 March 2020	20%-25%
ending on a Measurement Date that falls after 31 March and ends on or before the Final Maturity Date	20%-25%

### 1.3 Ordinary shares and E PIK Notes

As a part of the Restructuring, the Issuer will issue ordinary shares, A ordinary Shares, E PIK Notes, D PIK Notes, C Preference Shares and B Preference Shares (the "**Equity Like Instruments**"). As senior creditors the Bondholders will receive ordinary shares and E PIK Notes that rank behind the remaining Senior Loans and the Bonds but before the other PIK Notes, ordinary shares and preference shares issued in connection with the Restructuring. The A Ordinary shares will be issued to a management incentive program.

To the NOK Bonds will be allocated 9,854,201 ordinary shares with an aggregate subscription price of ZAR 98.55. The ordinary shares allocated to the NOK Bonds will be subscribed for by the NOK PPN Issuer.



To the SEK Bonds will be allocated 12,239,380 ordinary shares with an aggregate subscription price of ZAR 122.40. The ordinary shares allocated to the SEK Bonds will be subscribed for by the SEK PPN Issuer.

The E PIK Notes will be issued in ZAR. The calculation of the allocation to the Bondholders is set out in Section 1.6.

Interest accrues on the E PIK Notes at a fixed interest rate of 13% per annum.

Payments on the E PIK Notes will be made after the senior debt has been discharged in full (unless the Senior Lenders agree otherwise) and at the discretion of the board of directors of the Issuer from any “excess cash” (as defined in the E PIK Notes) (“**Excess Cash**”) which is available. After the senior debt has been fully discharged, if the Issuer has determined that there is Excess Cash (which determination will be governed by the E PIK Notes), the Issuer will either (i) make a distribution to holders of the E PIK Notes, the D PIK Notes, the preference shares and the ordinary shares in accordance with the percentages set out in the table below, or (ii) hold such amounts in “cash” or “cash equivalents” (as defined in the E PIK Notes) such that they necessarily form part of Excess Cash the next time it falls to be determined. The Equity Like Instrument have a right to payment out of available amounts between themselves as set out below.

<b>Class</b>	<b>Percentage of available amount of Excess Cash to be distributed</b>
E PIK Notes and A Ordinary Share Allocation of 3%	85%
D PIK Notes and A Ordinary Share Allocation of 6%	7%
C Preference Shares and A Ordinary Share Allocation of 9%	5%
B Preference Shares and A Ordinary Share Allocation of 12%	2%
Ordinary shares and A Ordinary Shares	1%

Under South African Law and the memorandum of incorporation of the Issuer, all holders of ordinary shares (including the PPN Issuers) will in certain circumstances be required to accept an offer to sell their shares for a price to be determined in accordance with applicable rules. Furthermore, if a holder of an ordinary share (including a PPN Issuer) elects to sell that share he is obliged to first offer that share to the holders of the other shares in that class, *pro rata* to their respective holdings. Since the PPN

Issuers not will have any funds available for acquiring additional ordinary shares, the terms of the relevant PPNs will state that the PPN Issuers not will accept such offers.

The terms of the E PIK Notes includes pre-emption provisions that stipulates that holders of the E PIK Notes (including the PPN Issuer), must offer their E PIK Notes to other existing holders if they would like to sell their E PIK Notes. Since the PPN Issuers not will have any funds available for acquiring additional E PIK Notes, the terms of the relevant PPNs will state that the PPN Issuers not will accept such offers.

A draft of the terms for the E PIK Notes are set out in Schedule 4 (*Draft E PIK Notes*). Please note that the document is a draft and is subject to change and that allocations and other figures may be adjusted as long as the adjustments apply equally also for the Senior Lenders.

#### 1.4 **The NOK PPN Issuer and the SEK PPN Issuer**

For the reasons described in Section 1 above, two Dutch private limited liability companies (NL. *Besloten Vennootschap*) (the NOK PPN Issuer and the SEK PPN Issuer) will be incorporated to act as special purpose vehicles to subscribe for the ordinary shares and E PIK Notes. Both the NOK PPN Issuer and the SEK PPN Issuer will be wholly owned by a foundation. The foundation will be a Dutch legal entity with limited liability, but without members or share capital, that exists for this specific purpose.

The Dutch foundation and the PPN Issuers will be managed by a corporate service provider. The Issuer will undertake to cover the costs for the services of the corporate service provider and the administration of the PPN Issuers pursuant to a cost coverage agreement (the "**Cost Coverage Agreement**"). The Issuer will not pay for any tax costs of the PPN Issuers.

For accounting reasons the NOK PPN Issuer will subscribe for the ordinary shares and E PIK Notes allocated to the NOK Bonds and the SEK PPN Issuer will subscribe for the ordinary shares and E PIK Notes allocated to the SEK Bonds.

The Issuer shall procure that the relevant PPN Issuer receives funding to pay the subscription price for the ordinary shares in cash.

Withholding tax will most likely be payable on and deducted from payments by the Issuer under the ordinary shares to the PPN Issuers. The tax rate may vary for the PPN Issuers depending on how big proportion of the total capital in the Issuer they own with a lower tax rate likely being payable with respect to payments to the SEK PPN Issuer due to the fact it will own more shares in the Issuer.

#### 1.5 **Profit participating notes (PPNs)**

The SEK PPN Issuer will issue to each SEK Bondholder one (1) SEK PPN for each SEK Bond held by it.

The NOK PPN Issuer will for technical reasons issue two different kinds of PPNs to the NOK Bondholders. One pertaining to the Ords held by it (the "**NOK Ord PPNs**") and one pertaining to the E PIK Notes held by it (the "**NOK E PIK PPNs**"). Each NOK PPN instrument will for technical reasons have a nominal amount of one (1) NOK.

The NOK PPN Issuer will issue to each NOK Bondholder one (1) NOK Ord PPN for each NOK Bond held by it prior to the split changing the Nominal Amount of the NOK Bonds described in Step 1 above. The NOK PPN Issuer will issue to each NOK Bondholder NOK E PIK PPNs in an aggregate amount equivalent to the Remaining Unregistered Claims pertaining to it, converted into NOK and rounded down to the nearest one (1) NOK.

Amounts received in ZAR by the PPN Issuers under the ZAR Instruments will be converted into NOK and SEK (respectively) and will be distributed to the holders of the relevant PPNs after deduction of tax (if any) and certain costs.

Profit participation equivalent to the income from the ZAR Instruments linked to the relevant PPN will accrue on the relevant PPN, but the holders of the PPNs will only have a right to receive payments under the PPNs if and to the extent the relevant PPN Issuer actually has received funds under the relevant ZAR Instruments held by it.

The NOK Ord PPNs will be secured by security over the shares in the NOK PPN Issuer and security over the Ords held by it. The NOK EPIK PPNs will be secured by security over the shares in the NOK PPN Issuer and security over the E PIK PPNs held by it. The security over the shares in the NOK PPN Issuer will be shared between the holders of the NOK E PIK PPNs and the NOK Ords PPNs pro rata in relation to outstanding amounts under the relevant instruments. The SEK PPNs will be secured by security over the shares in the SEK PPN Issuer and security over the ZAR Instruments held by it.

The holders' of the PPNs recourse against the relevant PPN Issuer will be limited to the relevant underlying assets and in respect of any excess that cannot be satisfied out of such assets the holders shall have no further claim of whatever nature against the PPN Issuers.

The record date (the "**PPN Record Date**") for the right to receive the PPNs will for technical reasons be the 7th Business Day after the Implementation Date. The PPNs will be issued within 15 Business Days from the PPN Record Date to each person registered as a Bondholder with respect to a NOK Bond or SEK Bond (as applicable) on a Securities Account on the close of business on the PPN Record Date.

A summary of the principle terms of the PPNs is set out in the PPN term sheets, attached as Schedule 5 (*Participating Notes Term Sheet*) to this Notice. Please note that the terms are indicative. Changes may be made for technical, administrative, tax and structural reasons.

#### 1.6 **Calculation of amounts**

In order to treat all senior creditors equally, it has been agreed to base the calculations on the outstanding debt as of 31 March 2017 and that equivalent interest shall accrue on all senior debt as from that date until the Implementation Date.

For the purpose of calculation of amounts of the Initial Nominal Amount of the SEK Bonds and number of NOK Bonds to be inserted into the amended and restated Terms and Conditions on the Second Amendment Effective Date (as defined in Section 3.2) and the Nominal Amount of the SEK PPNs and the number of NOK E PIK PPNs to be issued to the NOK Bondholders the following will apply:

The accrued and unpaid interest with respect to each Bond is consolidated and added to the Bonds as of 31 March 2017 (the "**Old Bond Capitalised Amount**").

After the consolidation of interest each NOK Bonds is split into NOK Bonds with a Nominal Amount of one (1) NOK as described under Step 1 above. 41% of the NOK Bonds held by each NOK Bondholder are converted into unregistered claims as of 31 March 2017. The remaining claims under the NOK Bonds are referred to as (the "**Remaining NOK Bond Claims**")

After the consolidation of interest each SEK Bond is split into two parts: (i) one pertaining to the remaining bond equivalent to 59% of the Old Bond Capitalised Amount (the "**Remaining SEK Bond Claims**"), and (ii) one unregistered claim equivalent to 41% of the Old Bond Capitalised Claim.

The unregistered claims are converted to ZAR at the relevant fx rate for SEK and NOK to ZAR as of 31 March 2017 (the "**Unregistered Claims**").

3% of each Unregistered Claim shall be forgiven to allow allocation to a management incentive program (the remaining part of the Unregistered Claims are referred to as the "**Remaining Unregistered Claims**" as defined in Step 1 above).

Interest accrues on the Remaining SEK Bond Claims and the Remaining NOK Bond Claims (collectively the "**Remaining Bond Claims**") as if they had been Capital Nominal Amount under the Terms and Conditions (as amended and restated pursuant to the Amendment and Restructuring Requests), provided that interest should be capitalised at each Interest Payment Date.

Interest accrues on the Remaining Unregistered Claims as if they had been principal amount under the E PIK Notes at an interest rate of 13% per annum.

On the Implementation Date outstanding interest on the Remaining Bond Claims and the Remaining Unregistered Claims are capitalised and added to the principal amount of such claims.

The principal amount plus any accrued interest on each SEK Bond shall be inserted as the new Initial Nominal Amount for the SEK Bonds with the effect that the Nominal Amount of each SEK Bond is reduced to such amount.

Each NOK Bond will have a Nominal Amount of one (1) NOK after the split described under Step 1 above and instead of an increase of the Nominal Amount, the number of NOK Bonds held by each NOK Bondholder shall be adjusted to reflect the accrual of interest pro rata for each NOK Bondholder.

The Remaining Unregistered Claims relating to the NOK Bonds (which include accrued but unpaid interest) shall be transferred to the NOK PPN Issuer in exchange for the right for each NOK Bondholder to receive (i) one (1) NOK Ord PPN for each NOK Bond held by it prior to the split changing the Nominal Amount of the NOK Bonds described in Step 1 above and (ii) NOK E PIK PPNs in an aggregate amount equivalent to the Remaining Unregistered Claims pertaining to it, pursuant to a claim transfer agreement to be entered into between the Agent and the NOK PPN Issuer (a "**Claim Transfer Agreement**").

The Remaining Unregistered Claims relating to the SEK Bonds (which include accrued but unpaid interest) shall be transferred to the SEK PPN Issuer in exchange for the right for each SEK Bondholder to receive one SEK PPN for each SEK Bond held by it pursuant to a claim transfer agreement to be entered into between the Agent and the SEK PPN Issuer.

The NOK PPN Issuer and the SEK PPN Issuer will set-off the rights against the Issuer under the Remaining Unregistered Claims to pay the subscription price for the E PIK Notes issued by the Issuer for which they have subscribed and will receive E PIK Notes with equivalent aggregate principal amounts.

The record date (the "**PPN Record Date**") for the right of Bondholders to receive PPNs will for technical reasons be the 7<sup>th</sup> Business Day after the Implementation Date. The PPNs will be issued within 15 Business Days from the PPN Record Date to each person registered as a Bondholder on a relevant Securities Account on the close of business on the PPN Record Date.

The NOK E PIK PPNs will have an aggregate principal amount equal to the aggregate principal amount of the E PIK Notes subscribed for by the NOK PPN Issuer converted into NOK at the relevant exchange rate on or about the Implementation Date, rounded down to the nearest one (1) NOK per NOK PPN.

The SEK PPNs will have an aggregate principal amount equal the aggregate principal amount of the E PIK Notes subscribed for by the SEK PPN Issuer converted into SEK at the relevant exchange rate on or about the Implementation Date, rounded down to the nearest one (1) SEK per SEK PPN.

Please note that the above dates and calculations are preliminary and that adjustments may be made or agreed to by the Issuer due to technical, administrative, tax or structural reasons.

#### 1.7 **Disposal of the Group's East African Operations**

The Group's east African operations has been conducted through Real People Holdings International Ltd and its subsidiaries Real People Kenya Ltd, Real People Tanzania Ltd and Real People Financial Services Ltd (Uganda) (collectively, the "**East African Operations**"). The East African Operations has since its start been active in the unsecured lending space in the east African markets employing approximately 167 staff members.

The East African Operations has been unsuccessful due to a poor borrowing culture in general, disappointing local management, a volatile financial and economic environment, rapid increase in credit suppliers and a high percentage of non-performing loans.

It has therefore been concluded that the Issuer shall dispose of the East African Operations as a part of the Restructuring to enable it to focus on its other business.

It is contemplated that the disposal of the East African Operations as a first step will be made as a disposal to a trust. The Issuer will be the beneficiary of the trust, but the trust will be under the control of an independently appointed and mandated trustee. Value will be attempted to be recovered either through sale or other disposal of the assets or through a winding-down of the operations.

As a part of the disposal of the East African Operations, Real People Kenya Ltd must be released as an Upstream Guarantor under the amended Terms and Conditions.

#### 1.8 **Extension of the standstill period**

The Bondholders represented by the Agent and the other senior creditors of the Issuer has entered into a standstill agreement (the "**Standstill Agreement**") under which they have undertaken not to take enforcement actions during a standstill period. The current standstill period expires on 30 November

2017. It may take longer to implement the Restructuring. It is therefore proposed that the last date of the standstill period will be extended to 22 December 2017.

## 2. AMENDMENT AND RESTRUCTURING REQUESTS

The Issuer hereby requests (the "**Amendment and Restructuring Requests**") that the Bondholders resolve:

- (a) to approve to amend and restate the Terms and Conditions as set out in the comparison version of the Terms and Conditions attached as Schedule 3 (*Amended and Restated Terms and Conditions*) to this Notice with effect from the Second Amendment Effectiveness Date.
- (b) to release Real People Kenya Ltd as Upstream Guarantor;
- (c) to extend the last day of the Standstill Period (as defined in the Standstill Agreement) but not longer than to 22 December 2017;
- (d) to otherwise approve all of the steps, measures, actions, documents required to carry out the Restructuring as described above, and to waive any breaches of the Terms and Conditions that may be caused by such steps, actions and measures; and
- (e) to authorize and instruct the Agent to consent to the above specified measures and amendments on behalf of the Bondholders, and to take on behalf of the Bondholders such measures, provide confirmations, give notices and execute on behalf of the Bondholders any agreement, or document, and agree amendments to such agreements or documents, that may be necessary or appropriate for the purpose of carrying out the Restructuring, including but not limited to the execution of the following documents:
  - (i) an amendment and restatement agreement relating to the Terms and Conditions;
  - (ii) any Claim Transfer Agreements; and
  - (iii) any Cost Coverage Agreement.

## 3. CONDITIONS FOR EFFECTIVENESS

- 3.1 The consent to the extension of the last day of the Standstill Period (as defined in the Standstill Agreement) will be effective on the date the resolution is passed.
- 3.2 The amendments of the Terms and Conditions, the approval of the Restructuring and the release of Real People Kenya Ltd as Upstream Guarantor will become effective on the date (the "**Second Amendment Effective Date**") that the Agent is satisfied that it has received documents or other evidence, evidencing that:
  - (a) Real People Home Finance Proprietary Limited, reg. no. 2016/067411/07 and Nyati Securitisation 1 (RF) Ltd, reg. no. 2012/148395/06 have become or, will, upon the occurrence of the Second Amendment Effective Date, become Upstream Guarantors under the Upstream Guarantee;
  - (b) the NOK PPN Issuer and the SEK PPN Issuer have been incorporated;

- (c) the NOK PPN Issuer and the SEK PPN Issuer have authorised the subscription for the ZAR Instruments and the issuing of the PPNs;
- (d) sufficient funds has been or will be made available in order for the NOK PPN Issuer and the SEK PPN Issuer to pay the subscription price for the ordinary shares to be subscribed for by them as a part of the Restructuring;
- (e) agents have been appointed to represent the interest of the holders under the NOK PPNs and the SEK PPNs under the terms and conditions for the PPNs;
- (f) the Agent has received an executed copy of an implementation agreement concerning the implementation of the Restructuring made between, amongst others, the Issuer and the Senior Lenders (the "**Implementation Agreement**");
- (g) the Senior Lenders (or one Senior Lender, on behalf of the other Senior Lenders) have confirmed in writing to the Agent that they have confirmed to RPIH that all of the CP Documents (as defined in the Implementation Agreement), other than any CP Document relating to the changes contemplated herein, have been delivered to them in a form and substance satisfactory to them, or have been waived by them and the date of the Implementation Date (as defined in the Implementation Agreement); and
- (h) the Implementation Date (as defined in the Implementation Agreement) has or is expected to occur on that date.

3.3 If the Implementation Date (as defined in the Implementation Agreement) has occurred and the E PIK Notes and ordinary shares to be issued by RPIH to the NOK PPN Issuer and SEK PPN Issuer pursuant to the steps set out above have not been issued to the relevant PPN Issuer on or before 30 December 2017, the amendments to the Terms and Conditions and any other steps taken as described above shall be unwound in which case the version of the Terms of Conditions in force immediately prior to the Second Amendment Effective Date shall be automatically reinstated and govern the Bonds.

3.4 The consents, approvals and releases granted with respect to the Amendment and Restructuring Requests will lapse if the Second Amendment Effective Date has not occurred by 30 December 2017.

3.5 The Agent does not review the documents received by it from a commercial or legal perspective of the Bondholders.

3.6 The Agent may rely on a certificate or an instruction from any person as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person as sufficient evidence that that is the case and may assume the truth and accuracy of that certificate or such instruction.

#### **4. THE WRITTEN PROCEDURE**

The following instructions need to be adhered to under the Written Procedure.

##### **A. Final date to participate in the Written Procedure**

The Agent must have received the votes by mail, courier or e-mail to the address indicated below no later than 5.00 p.m. (CEST), **20 November 2017**. Votes received thereafter may be disregarded.

## **B. Decision procedure**

The Agent will determine if received replies are eligible to participate under the Written Procedure as valid votes.

When a requisite majority of consents of the total Adjusted Nominal Amount have been received by the Agent, the Amendment and Restructuring Requests shall be deemed to be adopted, even if the time period for replies in the Written Procedure has not yet expired.

Each Bondholder holding SEK Bonds shall have one vote for each SEK Bond and each Bondholder holding NOK Bonds shall have a number of votes for each NOK Bond owned equal to the value in SEK converted at the Initial Exchange Ratio (being 1:1.09), based on the number of Bonds owned at close of business on the Voting Record Date.

Information about the decision taken under the Written Procedure will, in accordance with the Terms and Conditions: i) be published by way of press release by the Issuer ii) be sent by notice to the Bondholders and iii) be published on the websites of a) the Issuer and b) the Agent.

The minutes from the Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Agent, as applicable. A matter decided under the Written Procedure will be binding for all Bondholders, irrespective of them responding in the Written Procedure.

## **C. Voting rights and authorisation**

Anyone who wishes to participate in the Written Procedure must on the Voting Record Date (**14 November 2017**) in the debt register:

- (i) be registered as a direct registered owner on a Securities Account; or
- (ii) be registered as authorised nominee on a Securities Account,  
with respect to one or several Bonds.

## **D. Voting with respect to SEK Bonds**

Bondholders holding SEK Bonds shall use the SEK Bond Voting Form set out in Schedule 1 to vote.

If you are registered as a direct registered owner with respect to a SEK Bond, you may vote in your own name without providing further evidence of ownership.

If you are not registered as a direct registered owner with respect to a SEK Bond, but your SEK Bonds are held through a registered authorised nominee or another intermediary, you may have two different options to influence the voting for the SEK Bonds.

1. You can ask the authorised nominee or other intermediary that holds the SEK Bonds on your behalf to vote in its own name as instructed by you.
2. You can obtain a Power of Attorney (Appendix to SEK Bonds Voting Form) from the authorised nominee or other intermediary and send in your own Voting Form based on the authorization. If you hold your Bonds through several intermediaries, you need to obtain authorization directly from the intermediary that is registered in the debt register as bondholder of the Securities Account, or from each intermediary in the chain of bondholders, starting with



the intermediary that is registered in the debt register as a Bondholder of the Securities Account as authorised nominee or direct registered owner.

Whether one or both of these options are available to you depends on the agreement between you and the authorised nominee or other intermediary that holds the SEK Bonds on your behalf (and the agreement between the intermediaries, if there are more than one).

The Agent recommends that you contact the securities firm that holds the SEK Bonds on your behalf for assistance, if you wish to participate in the Written Procedure and do not know how your SEK Bonds are registered or need authorization or other assistance to participate. Bonds owned by the Issuer, another Group Company or an Affiliate do not entitle to any voting rights.

#### **E. Voting with respect to NOK Bonds**

Bondholders holding NOK Bonds shall use the NOK Bond Voting Form set out in Schedule 2 to vote, or other similar forms satisfactory to the Agent.

Bondholders holding NOK Bonds must provide a complete printout from VPS (Norway) evidencing their holding of NOK Bonds, or, if their NOK Bonds are held in custody other than in the VPS (Norway), evidence from their custodian confirming that (i) they are the owner of the relevant NOK Bonds, (ii) in which account number the NOK Bonds are held, and (iii) the amount of NOK Bonds owned.

#### **F. Quorum**

To approve the Amendment and Restructuring Requests, Bondholders representing at least fifty (50) per cent of the Adjusted Nominal Amount must reply to the request under the Written Procedure in order to form a quorum.

If a quorum does not exist, the Agent shall initiate a second Written Procedure, provided that the relevant proposal has not been withdrawn by the Issuer. No quorum requirement will apply to such second Written Procedure.

#### **G. Majority**

More than eighty (80) per cent of the Adjusted Nominal Amount for which Bondholders reply under the Written Procedure must consent to the Amendment and Restructuring Requests.

#### **H. Address for sending replies**

Return the SEK Bonds Voting Form, Schedule 1, or the NOK Bonds Voting Form, Schedule 2, and, if applicable, the Power of Attorney/Authorisation in Appendix to SEK Bonds Voting Form or other sufficient evidence, if the Bonds are held in custody other than Euroclear Sweden or VPS (Norway), by regular mail, scanned copy by e-mail, or by courier to:

*(a) By regular mail:*

Nordic Trustee & Agency AB

Attn: Written Procedure

P.O. Box 7329

S-103 90 Stockholm

(b) *By courier:*

Nordic Trustee & Agency AB

Attn: Written Procedure Real People Investment Holding Limited

Norrlandsgatan 23

111 43 Stockholm

(c) *By e-mail:*

E-mail: sweden@nordictrustee.com

## **5. FURTHER INFORMATION**

The Issuer has retained Pareto Securities AB as its financial adviser (the “**Adviser**”). Accordingly, Bondholders may contact the Adviser for further information, at the following telephone number: +46 8 402 5110.

For further questions to the Agent, regarding the administration of the Written Procedure, please contact the Agent at sweden@nordictrustee.com or +46 8 783 79 00.

---

**Stockholm, 10 November 2017**

***NORDIC TRUSTEE & AGENCY AB (PUBL)***

***As Agent***

### **Enclosed:**

1. SEK Bonds Voting Form (with annexed power of attorney/authorisation)
2. NOK Bonds Voting Form
3. Amended and Restated Terms and Conditions
4. Draft E PIK Notes
5. Participating Notes Term Sheet
6. Investor Presentation

# SEK BONDS VOTING FORM

## Schedule 1

For the procedure in writing in Real People Investment Holding Limited SEK 260,000,000 and NOK 135,000,000 Senior Unsecured Callable Bonds 2013/2018, ISIN: SE0005392560 and NO0010689342.

The undersigned Bondholder or authorised person/entity (the “**Voting Person**”), votes either **For** or **Against** the Amendment and Restructuring Requests by marking the applicable box below.

*NOTE: This form should only be used for voting with respect to SEK Bonds. If the Voting Person is not registered as Bondholder (as defined in the Terms and Conditions), the Voting Person must enclose a Power of Attorney/Authorisation, see the annex to this form.*

**For** the Amendment and Restructuring Requests

**Against** the Amendment and Restructuring Requests

Name of the Voting Person: \_\_\_\_\_

Capacity of the Voting Person: Bondholder: <sup>1</sup> authorised person: <sup>2</sup>

Voting Person’s reg.no/id.no and country of incorporation/domicile: \_\_\_\_\_

Securities Account number at Euroclear Sweden: \_\_\_\_\_  
(if applicable)

Name and Securities Account number of custodian(s): \_\_\_\_\_  
(if applicable)

Nominal Amount voted for (in SEK): \_\_\_\_\_

Day time telephone number, e-mail address and contact person:  
\_\_\_\_\_

\_\_\_\_\_  
Authorised signature and Name <sup>3</sup>

\_\_\_\_\_  
Place, date:

<sup>1</sup> When voting in this capacity, no further evidence is required.

<sup>2</sup> When voting in this capacity, the person/entity voting must also enclose Power of Attorney/Authorisation (*Appendix to SEK Bonds Voting Form*) from the Bondholder or other proof of authorisation showing the number of votes held on the Voting Record Date.

<sup>3</sup> If the undersigned is not a Bondholder according the Terms and Condition and has marked the box ”authorised person”, the undersigned – by signing this document – confirms that the Holder has been instructed to refrain from voting for the number of votes cast with this Voting Form.

# POWER OF ATTORNEY/AUTHORISATION FOR SEK BONDS

## Appendix to SEK Bonds Voting Form

For the procedure in writing in Real People Investment Holding Limited SEK 260,000,000 and NOK 135,000,000 Senior Unsecured Callable Bonds 2013/2018, ISIN: SE0005392560 and NO0010689342.

**NOTE:** This Power of Attorney/Authorisation document shall be filled out if the Voting Person is not registered as Bondholder on the Securities Account, held with Euroclear Sweden. It must always be established a coherent chain of power of attorneys derived from the Bondholder. I.e. if the person/entity filling out this Power of Attorney/Authorisation in its capacity as "other intermediary", the person/entity must enclose its Power of Attorney/Authorisation from the Bondholder. This document shall only be used for SEK Bonds.

Name of person/entity that is given authorisation (Sw. *Befullmäktigad*) to vote as per the Voting Record Date:

\_\_\_\_\_

Nominal Amount (in SEK) the person/entity is authorised to vote for as per the Voting Record Date:

\_\_\_\_\_

Name of Holder or other intermediary giving the authorisation (Sw. *Fullmaktsgivaren*):

\_\_\_\_\_

We hereby confirm that the person/entity specified above (Sw. *Befullmäktigad*) has the right to vote for the Nominal Amount set out above.

We represent an aggregate Nominal Amount of: SEK \_\_\_\_\_

We are:

Registered as Bondholder on the Securities Account

Other intermediary and holds the Bonds through (specify below):

\_\_\_\_\_

Place, date: \_\_\_\_\_

\_\_\_\_\_

Name:

Authorised signature of Bondholder/ other intermediary (Sw. *Fullmaktsgivaren*)

# NOK BONDS VOTING FORM

## Schedule 2

For the procedure in writing in Real People Investment Holding Limited SEK 260,000,000 and NOK 135,000,000 Senior Unsecured Callable Bonds 2013/2018, ISIN: SE0005392560 and NO0010689342.

The undersigned Bondholder or authorised person/entity votes either **For** or **Against** the Amendment and Restructuring Requests by marking the applicable box below.

**NOTE:** This form should only be used for voting with respect to NOK Bonds.

**For** the Amendment and Restructuring Requests

**Against** the Amendment and Restructuring Requests

<b>ISIN</b> NO0010689342	<b>Amount of bonds owned</b>
<b>Custodian Name</b>	<b>Account number at Custodian</b>
<b>Company</b>	<b>Day time telephone number</b>
	<b>E-mail</b>

Enclosed to this form is the complete printout from our custodian/VPS<sup>4</sup>, verifying our bondholding in the bond issue as of [\*\*] 2017

We acknowledge that Nordic Trustee & Agency AB (publ) in relation to the Written Procedure for verification purpose may obtain information regarding our holding of Bonds on the above stated account in the securities register VPS.

\_\_\_\_\_  
Place, date

\_\_\_\_\_  
Authorized signature

**Return:**

Nordic Trustee & Agency AB (publ)  
PO Box 7239  
10390 STOCKHOLM  
Telephone: +46 8 783 79 00  
E-mail: sweden@nordictrustee.com

<sup>4</sup> If the Bonds are held in custody other than in the VPS, evidence provided from the custodian confirming that (i) you are the owner of the Bonds, (ii) in which account number the Bonds are held, and (iii) the amount of Bonds owned.

**Amended and Restated Terms and Conditions**

Comparison version showing changes between the existing version of the Terms and Conditions and the amended and restated Terms and Conditions (as amended pursuant to the Amendment and Restatement Request)

REAL PEOPLE™

REAL PEOPLE™

## Terms and Conditions

Real People Investment Holdings Limited

SEK 260,000,000 / NOK 135,000,000

Senior Unsecured Floating Rate Bonds 2013/20~~18~~22

ISIN: SE0005392560

ISIN: NO0010689342

originally dated 16 September 2013 ~~and~~ as amended and restated with effect from 22 June 2017 by an amendment and restatement agreement dated 27 June 2017 and as amended and restated by an amendment and restatement agreement dated [•] 2017.

*No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material*

**ROSCHIER**  
**ROSCHIER**

*relating to the Issuer or the Bonds in any jurisdiction other than Sweden, where action for that purpose is required. Each Bondholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds.*



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# 1. Definitions and Construction

## 1.1 Definitions

In these terms and conditions (the "**Terms and Conditions**"):

**"Absa Credit Support Agreement"** means the [ISDA Credit Support Annex to the Schedule to the Master Agreement entered into between Absa and RPIH on or about 06 September 2013.](#)

**"Absa Master Agreement"** means the [ISDA 2002 Master Agreement \(including the Schedule thereto\) entered into between Absa and RPIH on or about 06 September 2013.](#)

**"Account Operator"** means (i) in relation to the SEK Bonds a bank or other party duly authorised to operate as an account operator pursuant to the Swedish [Central Securities Depositories and Financial Instruments Accounts Act](#) and (ii) in relation to the NOK Bonds a bank or other party registered as account operator (~~No: Kontofører~~) with Verdipapirsentralen ASA ("**VPS**"), through which a Bondholder has opened a Securities Account in respect of its Bonds.

**"Accounting Principles"** means ~~international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time):~~

(a) [as at the Second Amendment Effective Date, IAS 39; and](#)

(b) [with effect from the first set of Financial Statements prepared after the Implementation Date, IFRS9.](#)

**"Adjusted Nominal Amount"** means the ~~Total~~ [aggregate Capital](#) Nominal Amount [of all Bonds](#) less the [aggregate Capital](#) Nominal Amount of all Bonds owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Bonds.

**"Affiliate"** means any Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purpose of this definition, "**control**" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

**"Agency Agreement"** means the agency agreement entered into on or before the Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the Issue Date between the Issuer and an agent.

**"Agent"** means ~~Swedish-Nordic~~ [Trustee & Agency](#) AB (publ), Swedish Reg. No. 556882-1879, or another party replacing it, as Agent, in accordance with these Terms and Conditions.

~~"Basel II" means the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of these Terms and Conditions.~~

"Bond" means a SEK Bond or a NOK Bond, as applicable.

"Bonds Pro-rata Share" means, with respect to any payment, prepayment or repayment to be made to the Senior Lenders and the Bondholders, the total outstanding amount in connection with the Bonds as a proportion of the Total Senior Outstandings calculated so that any amount outstanding in a currency other than ZAR shall be converted from that currency to a ZAR amount by reference to the spot rate at which the Issuer is able to purchase the relevant currency at 11:00 am 2 Business Days prior to the proposed payment is to be made under Senior Unsecured Loan Agreement, provided that the amount to be actually paid to the Bondholders based on the Bonds Pro-rata Share shall take into account the spot rate available to the Issuer when converting funds available in other currencies into NOK and SEK (respectively).

"Bondholder" means the person who is registered on a Securities Account as direct registered owner (Sw. ägare) or nominee (Sw. förvaltare) with respect to a Bond.

"Bondholders' Meeting" means a meeting among the Bondholders held in accordance with Clause ~~16~~19 (Bondholders' Meeting).

~~"Business Cessation Event" means that:~~

- ~~(a) any Material Group Company ceases to carry on the whole or a Substantial Part of its business (other than pursuant to a solvent reconstruction of such Material Group Company) and such cessation causes a Rating Downgrade to occur within a period commencing sixty five (65) Business Days prior to, to sixty five (65) Business Days after such cessation;~~
- ~~(b) any Material Group Company disposes of the whole or Substantial Part of its business or assets (other than pursuant to a solvent reconstruction of such Material Group Company) and such disposal causes a Rating Downgrade to occur within a period commencing sixty five (65) Business Days prior to, to sixty five (65) Business Days after such disposal;~~
- ~~(c) by or under the authority of any government (i) the management of any Material Group Company is wholly or partially displaced or the authority of any Material Group Company in the conduct of its business is wholly or partially taken over or (ii) all or a majority of the issued shares of any Material Group Company or material part of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or~~
- ~~(d) it is or becomes unlawful for the Issuer to perform any of its obligations under a Finance Document or such obligations cease to be legal, valid, binding or enforceable obligations.~~

~~For the purposes of this clause, "Substantial Part" means in relation to the Group, a part of the business that, at the time of the relevant determination contributes an amount exceeding twenty (20) per cent of the EBITDA of the Group (determined by reference to the latest audited financial statements of the Group). A report by the auditors of the Issuer that a part of the business of a Material Group Company is a Substantial Part or not shall, in the absence of manifest error, be conclusive and binding on all parties.~~

"**Business Day**" means a day which is both a Business Day Sweden and a Business Day Norway.

"**Business Day Convention**" means (i) in respect of the SEK Bonds, the first following day that is a Business Day Sweden unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day Sweden and (ii) in respect of the NOK Bonds, the first following day that is a Business Day Norway unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day Norway.

"**Business Day Norway**" means a day other than a Saturday, Sunday or a public holiday in Norway on which the Norwegian Central Bank's settlement system is open and commercial banks in Norway are open for business.

"**Business Day Sweden**" means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (Sw. midsommarafton), Christmas Eve (Sw. julafton) and New Year's Eve (Sw. nyårsafton) shall for the purpose of this definition be deemed to be public holidays.

~~"**Capital Adequacy Ratio**" means the ratio calculated quarterly, based on the Issuer's consolidated Financial Statements, by dividing the sum of the Issuer's tier 1 capital and tier 2 capital by the risk-weighted assets as calculated using the Basel II standardised methodology and definitions.~~

"Cash" mean an amount, denominated in Rand, or any other currency (approved by the Senior Lenders under the Senior Unsecured Loan Agreement), of cash in hand, or credit balances or amounts on deposit with a bank to which a member of the Group is alone (or together with other members of the Group) beneficially entitled if:

- (a) the cash is accessible on demand or within thirty days after the relevant date of calculation;
- (b) access of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition other than notice or demand thereof (but not exceeding the period of demand referred to in (a) above);
- (c) there is no Security over that cash or over claims in respect thereof; and
- (d) the cash is freely and (except as mentioned in (a) above) immediately available to be applied in repayment or prepayment of any indebtedness owing by the Issuer.

"Cash Equivalents" means at any time:

- (a) certificates of deposit maturing within thirty days after the relevant date of calculation and issued by a bank in South Africa;
- (b) any investment in marketable debt obligations issued or guaranteed by South Africa or by an instrumentality or agency of South Africa having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;
- (c) commercial paper not convertible or exchangeable to any other security:
  - (i) for which a recognised trading market exists;
  - (ii) issued by an issuer incorporated in South Africa;
  - (iii) which matures within 3 months after the relevant date of calculation; and
  - (iv) which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investors Service Limited, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating; or
- (d) any investment in money market funds which (i) have a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P 1 or higher by Moody's Investors Service Limited, (ii) invest substantially all their assets in securities of the types described in (a) to (c) and (iii) can be turned into cash on not more than thirty days' notice;
- (e) any other debt security approved by the Senior Lenders under the Senior Unsecured Loan Agreement,

in each case, denominated in Rand or any other currency approved by the Senior Lenders under the Senior Unsecured Loan Agreement, and to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time and which is not issued or guaranteed by any member of the Group or subject to any Security.

**"Change of Control"** means an event or series of events (whether or not approved by the senior management or board of directors of the Issuer) resulting in that any person ("**Relevant Person**") or persons Acting in Concert or any person or persons acting on behalf of any such person(s), other than the Senior Lenders, at any time directly or indirectly acquires Control of the Issuer, provided that a Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all shareholders of the Issuer, where:

"**Acting in Concert**" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate, through the acquisition of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate Control of the Issuer; ~~and~~.

"**Control**" means (i) the holding beneficially of more than 50 (fifty) percent of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital), or (ii) the power to cast, or control the casting of such number of the shares in the issued share capital of the Issuer carrying more than 50 (fifty) percent of the total number of votes that may be cast at a general meeting of the members of the Issuer.

"**Capital Nominal Amount**" means, with respect to a Bond, the Nominal Amount plus any Capitalised Amount, for that Bond.

"**Capitalised Amount**" means, with respect to a Bond, the aggregate amount added pursuant to Clause 8.2(b) minus any payments made to the relevant Bondholder with respect to such amount.

~~"**Change of Control Event**" means that a Change of Control occurs ~~and within the Change of Control Period, in relation to any rating assigned to the Issuer by a Rating Agency, a Change of Control Rating Downgrade in relation to the Issuer occurs due to that Change of Control.~~~~

~~"**Change of Control Period**" means in relation to a Change of Control of the Issuer the period commencing sixty five (65) Business Days prior to the date on which the Change of Control of the Issuer is publicly announced and ending sixty five (65) Business Days after the date on which the Change of Control of the Issuer is publicly announced.~~

~~"**Change of Control Rating Downgrade**" means, where the Issuer has been assigned a rating by the Rating Agency, that within the Change of Control Period the rating previously assigned to the Issuer is (i) withdrawn or (ii) changed from an Investment Grade Rating to a Non Investment Grade Rating.~~

"**Companies Act**" means the Companies Act (South Africa), 2008, as amended or replaced.

"**Compliance Certificate**" means a certificate, in form and substance satisfactory to the Agent, signed by the Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it. If the Compliance Certificate is provided in connection with a Financial Report being made available, the certificate shall include calculations and figures in respect of the ~~Capital Adequacy Ratio~~ Financial Covenants.

"**CSD**" means the Issuer's central securities depository and registrar in respect of the Bonds, from time to time, initially (i) in respect of SEK Bonds Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden and (ii) in respect of NOK Bonds, VPS (Norway).

~~"Debt Instruments" means bonds, notes or other debt securities (however defined), which are or are intended to be quoted, listed, traded or otherwise admitted to trading on a Regulated Market.~~

~~"EBITDA" means earnings before interest expense, tax, depreciation, amortisation and other non-cash items, all as determined in accordance with IFRS.~~

"D PIK Notes" means each instrument in the form of a note issued or to be issued by the Issuer on the Implementation Date which by its terms is referred to as a "D PIK Note".

"Distribution" means any payment (whether in cash or in specie) by way of interest or principal (whether in respect of an intercompany loan or otherwise), dividend, capital reduction, return of capital, fee (including any management or advisory fee), royalty or other distribution or payment (including by way of the repurchase or redemption of any shares) by or on behalf of a company to or for the account of any direct or indirect shareholder of that company or an Affiliate (other than any Subsidiary of that company) or direct or indirect shareholder of that shareholder, including, without limitation, any payments made to the holders of the E PIK Notes and/or the D PIK Notes.

"DMC4" means DMC Acquired Debts 4 Proprietary Limited, a company incorporated under the laws of South Africa with registration number 2006/029752/07.

"Enforcement Actions" means:

- (a) the making of any demand against any Material Subsidiary in relation to any guarantee liabilities with respect to obligations in connection with the Senior Unsecured Loan Agreement;
- (b) the suing for, commencing or joining of any legal or arbitration proceedings against any Material Subsidiary to recover any liabilities under the Senior Unsecured Loan Agreement;
- (c) the entering into of any composition, compromise, assignment or arrangement with the Issuer or any Material Subsidiary;
- (d) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to, the winding up, liquidation, dissolution, administration or reorganisation of the Issuer or any Material Subsidiary, or any analogous procedure or step in any jurisdiction.

"E PIK Notes" means each instrument in the form of a note issued or to be issued by the Issuer on the Implementation Date which by its terms is referred to as an "E PIK Note".

**"Event of Default"** means an event or circumstance specified in Clause 136(a).

"Existing Hedge Agreements" means the Absa Master Agreement and the Absa Credit Support Agreement.

"**Extraordinary Resolution**" means a resolution passed at a meeting (duly convened) of the Bondholders, by a majority consisting of not less than sixty six and two thirds (66.66) per cent of the Bonds represented at such meeting or, if applicable, written procedure.

"**Final Maturity Date**" means ~~19~~30 September 20~~18~~25.

"**Finance Documents**" means these Terms and Conditions, the Upstream Guarantee, the Agency Agreement and any other document designated by the Issuer and the Agent as a Finance Document.

~~"Financial Indebtedness" means any indebtedness in respect of monies borrowed (including, but not limited to indebtedness in the form of bonds, notes, debentures) and (without double counting) guarantees and/or indemnities given, whether present or future, actual or contingent, excluding any intra-group any indebtedness due to any Subsidiary of the Issuer.~~  
for or in respect of:

- a) moneys borrowed;
- b) debit balances at banks or other financial institutions;
- c) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);
- d) any note purchase facility or the issue of bonds (but not Trade Instruments), notes, debentures, loan stock or any similar instrument;
- e) the amount of any liability in respect of Finance Leases;
- f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis and meet any requirement for de-recognition under the Accounting Principles);
- g) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);
- h) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument in respect of (a) an underlying liability which liability would fall within one of the other sub-Conditions of this definition or (b) any liabilities of any member of the Group relating to any post-retirement benefit scheme;
- i) any amount raised by the issue of shares which by their terms (or by the terms of any security into which they are convertible or for which they are



exchangeable) are redeemable (whether mandatorily or optionally) or are otherwise classified as borrowings under the Accounting Principles;

- j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Principles; and
- k) the amount of any liability in respect of any guarantee for any of the items referred to in (a) to (j).

"**Financial Report**" means the Group's annual audited financial statements or quarterly interim unaudited reports.

~~"**First Call Date**" the date falling thirty (30) months after the Issue Date.~~

"**Force Majeure Event**" has the meaning set forth in Clause 247(a).

"**Gross Yield**" has the meaning set forth in Clause 14.1 (Financial Definitions).

"**Group**" means the Issuer's and each other Group Company for the time being.

~~group of companies, comprising "**Group Company**" means (i) the Issuer and each (ii) any Subsidiary of the Issuer from time to time whose financial results are consolidated with the financial results of the Issuer in accordance with IFRS (each a "**Group Company**").~~

"**Implementation Agreement**" means the implementation agreement entered into on or prior to the Second Amendment Effective Date among, *inter alios*, the Senior Lenders, the Issuer and the Shareholders of Issuer (all as defined therein) in connection with restructuring of the Group.

"**Implementation Date**" means the date on which the implementation of the restructuring of the Group is made pursuant to the Implementation Agreement.

"**Initial Exchange Ratio**" means the SEK/NOK exchange rate quoted on the relevant Reuters screen at 12:00 Swedish time on the First Issue Date.

"**Initial Nominal Amount**" has the meaning set forth in Clause 2(c).

"**Insolvent**" means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7-9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with its creditors (other than the Bondholders) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (*lag (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

"**Interest**" means the interest on the Bonds calculated in accordance with Clauses 8.1(a) to 8.1(c).

"**Interest Payment Date**" means ~~19-30~~ September, ~~19-31~~ December, ~~19-31~~ March and ~~19-30~~ June of each year or (i) in respect of the SEK Bonds, to the extent such day is not a Business Day Sweden, the Business Day Sweden following from an application of the Business Day Convention and (ii) in respect of the NOK Bonds, to the extent such day is not a Business Day Norway, the Business Day Norway following from an application of the Business Day Convention. ~~The first Interest Payment Date for the Bonds shall be 19 December 2013 and the last Interest Payment Date shall be the relevant Redemption Date.~~

"**Interest Period**" means:

- (a) for the SEK Bonds (i) in respect of the first Interest Period following the Second Amendment Effective Date, the period from (but excluding) the ~~Issue Interest Reset~~ Date to (and including) the first Interest Payment Date following the Second Amendment Effective Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment Date to (and including) the next succeeding Interest Payment Date (or a shorter period if relevant); and
- (b) for the NOK Bonds (i) in respect of the first Interest Period following the Second Amendment Effective Date, the period from (and including) the ~~Issue Interest Reset~~ Date to (but excluding) the first Interest Payment Date following the Second Amendment Effective Date, and (ii) in respect of subsequent Interest Periods, the period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date (or a shorter period if relevant).

"**Interest Rate**" means STIBOR or NIBOR as applicable plus 6.254 per cent per annum.

~~"**Investment Grade Rating**" means a South African scale local currency rating of BBB- by Global Credit Ratings or Baa3.za by Moody's Investor Services, or their equivalent for the time being, or better.~~

"**Interest Reset Date**" means 1 April 2017.

"**Issue Date**" means 19 September 2013.

"**Issuer**" means Real People Investment Holdings Limited, 1999/020093/07, 160 Jan Smuts Avenue, North Tower, Upper Ground, Rosebank, Gauteng, South Africa, 2196.

"**Issuing Agent**" means Pareto Securities AB, reg. no. 556206-8956, P.O. Box 7415, 103 91 Stockholm, Sweden, or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, financial condition or operations of the Group taken as a whole, (b) the Issuer's ability

to perform and comply with the undertakings set out in the Finance Documents, or (c) the validity or enforceability of the Finance Documents.

**"Material Event of Default"** means the occurrence of an Event of Default (as defined in the Senior Unsecured Loan Agreement) under any of the following sections of the Senior Unsecured Loan Agreement:

- (a) Clause 23.1 (Non-payment);
- (b) Clause 23.2 (Financial covenants);
- (c) Clause 23.3 (Other obligations) but only with respect to Clauses 22.12 (Negative Pledge), 22.14 (Disposals), 22.16 (Loans or credit), 22.17 (No guarantees or indemnities), 22.19 (Distribution) and 22.20 (Financial Indebtedness).

**"Material Group Company"** means ~~the Issuer and, at any Material time, a~~ Subsidiary of the Issuer ~~whose affairs are required to be consolidated in the audited annual financial statements of the Issuer or any other Group Company which:~~

- (a) has operating income (calculated on the same basis as Operating Income) representing 5% (five percent) or more of Operating Income ;
- (b) has net assets representing 5% (five percent) or more of the net assets of the Group calculated on a consolidated basis; or
- (c) has profit before tax (determined in accordance with the Accounting Principles) representing 5% (five percent) or more of the profit before tax of the Group calculated on a consolidated basis,

but excluding Real People Holdings International Limited, RPAC and DMC4 and any other member of the Group which is prohibited by law from becoming a Guarantor.

**"MTF"** means any multilateral trading facility (as defined in Directive 2004/39/EC on markets in financial instruments).

~~**"Material Subsidiary"** means, save for any subsidiary earmarked for disposal in the Group's 2013 Annual Financial Statements, each subsidiary securitisation company and each subsidiary that is statutorily prohibited from providing guarantees, a Subsidiary of the Issuer which, at the time of relevant determination, represents more than ten (10) per cent of the total assets of the Group as per the consolidated audited annual financial statements of the Issuer or of the Issuer's quarterly unaudited management accounts or accounts for more than ten (10) per cent of the Group's EBITDA based on the Issuer's quarterly unaudited management accounts.~~

**"NIBOR"** means the interest rate which:

- (a) is published on Reuters Screen NIBR Page (or through another system or on another website replacing the said system or website respectively) approximately at 12.00 noon on the relevant Interest Payment Date (on days

on which the Norwegian money market has shorter opening hours (New Year's Eve and the Wednesday before Maundy Thursday), the data published by the banks at 10 a.m. shall be used), or, if such publication does not exist,

- (b) at that time corresponds to:
- (i) the average of the quoted lending rates of Norwegian commercial banks on the interbank market in Oslo or, if only one or no such quotes are provided,
  - (ii) the assessment of the Agent of the interest rate, which in the Agent's determination is equal to what is offered by Norwegian commercial banks, for the applicable period in the Oslo interbank market; and
- (c) if any such rate is below zero, NIBOR will be deemed to be zero.

"**NOK Bonds**" means a debt instrument for the Nominal Amount of the type set forth in section 2-2(2)(2) of the Norwegian Securities Trading Act and which are governed by and issued under these Terms and Conditions and Norwegian securities law, with ISIN NO0010689342.

~~"Nominal Amount" has the meaning set forth in Clause 2(c).~~

~~"Non-Investment Grade Rating" means a credit rating below an Investment Grade Rating.~~

"Nominal Amount" means in respect of each SEK Bond the Initial Nominal Amount, less the aggregate amount by which each such Bond has been partly amortised in accordance with Clause 10 (Amortisation) or partly redeemed in accordance with Clause 9.3 (Voluntary redemption (call option)) or Clause 11 (Cash Sweep) and, in respect of a NOK Bond, NOK 1.

"Non-Recourse Funding SPVs" means Evolution Future Flow Securities (RF) Ltd, Evolution Future Flow Securities 2 (RF) Ltd, Imonti Future Flow (RF) Ltd, Real People Home Improvement Finance (RF) (Pty) Ltd, Umuzi Finance (RF) Limited, MKA Debt Solutions (Pty) Ltd and any other special purpose vehicle which (i) is owned by a trust; (ii) acquires cashflow producing assets from any member of the Group and/or from the market in the ordinary course of its business; (iii) raises debt which is serviced out of the income produced from such cashflow producing assets; and (iv) has no recourse to or against any member of the Group.

"**Norwegian Kronor**" and "**NOK**" means the lawful currency of Norway.

"**Norwegian Securities Register Act**" means the Norwegian Act relating to registration of financial instruments of 5 July 2002 No. 64.

"**Norwegian Securities Trading Act**" means the Norwegian Act relating to trading of financial instruments of 29 June 2007 No. 75.

"Obligor" means the Issuer and any Upstream Guarantor.

~~"Permitted Security" means the Upstream Guarantee and any Security;~~ Debt" means any Financial Indebtedness:

(a) arising under any financing arrangement (other than those arising under the Standard Bank Documents or the Existing Hedge Agreements) existing at the date of the Second Effective Date or the Finance Documents, but only until the Implementation Date;

~~(a) — created over any fixed property asset owned in the Group being any Security created for the sole purpose of financing or refinancing the fixed property asset owned in the Group, provided that the Financial Indebtedness so secured shall not exceed the bona fide market value of such fixed property asset;~~

~~(b) — created in the ordinary course of the Issuer's business;~~

~~(c) — created pursuant to any securitisation or like transaction, provided that the proceeds raised through such securitisation; or like transaction shall be utilised in full by the Issuer in conducting its business operations, and no portion of such proceeds will be distributed, directly or indirectly, to the Issuer's shareholders from time to time;~~

~~(d) — in respect of any statutory Security; and~~

~~(e) — any Security existing as at the date of the Issue Date.~~

~~provided, however, that the aggregate amount of Security created pursuant to condition (b) to (e) (both inclusive) may not exceed a maximum of fifty (50) percent of the amount of (i) the total consolidated Group assets **minus** (ii) the Security created in terms of condition (a) above.~~

(b) arising under the Finance Documents;

(c) arising under the Senior Unsecured Loan Agreement;

(d) arising under the E PIK Notes;

(e) arising under the D PIK Notes;

(f) arising under the Standard Bank Documents;

(g) arising under the Existing Hedge Agreements;

(h) arising under any non-speculative Treasury Transactions

(i) arising under any Permitted Trade Credit;

(j) arising under instalment sale agreements provided that the recourse of the provider of that Financial Indebtedness under those instalment sale agreements is limited to the asset(s) which is (are) the subject of the asset-backed finance facilities;

- (k) arising under a Permitted Loan, a Permitted Guarantee or a Permitted Shareholder Loan;
- (l) not permitted by the preceding sub-Clauses, which when aggregated together with the guarantees permitted under the definition of Permitted Guarantee does not exceed ZAR 5,000,000 at any time; and
- (m) any other Financial Indebtedness permitted pursuant to the term of the Senior Unsecured Loan Agreement, waiver or decision duly taken under the Senior Unsecured Loan Agreement.

**"Permitted Disposal" means a disposal**

- (a) contemplated by any step in the Implementation Agreement and/or the Transaction Structure Memorandum;
- (b) of cash made on arm's length terms by any member of the Group in the ordinary course of trading of the disposing entity;
- (c) of obsolete or redundant vehicles, plant and equipment on arm's length terms for cash;
- (d) of any asset by a member of the Group (the "**Disposing Company**") to another member of the Group (the "**Acquiring Company**"), but if the Disposing Company is an Obligor, the Acquiring Company must also be an Obligor;
- (e) of Cash Equivalents for Cash or in exchange for other Cash Equivalents;
- (f) of book debts to a Non-Recourse Funding SPV in the ordinary course of its business, provided that the disposal is on arm's length terms and at fair market value; and
- (g) any other disposal permitted pursuant to the terms of the Senior Unsecured Loan Agreement, waiver or decision duly taken under the Senior Unsecured Loan Agreement.

**"Permitted Guarantee" means:**

- (a) any guarantee under, or given in connection with, the financing arrangements existing at the Second Amendment Effective Date;
- (b) any guarantee arising under the Senior Unsecured Loan Agreement;
- (c) any guarantee given in connection with the E PIK Notes and the D PIK Notes;
- (d) guarantees by Obligors in respect of the Permitted Debt of other Obligors;
- (e) any guarantee not permitted by the preceding sub-Clauses, which when aggregated together with the Permitted Debt and the Permitted Loans does not exceed ZAR 5,000,000 at any time; and

(f) any guarantee permitted pursuant to the terms of the Senior Unsecured Loan Agreement.

**"Permitted Investment"** means investments permitted by the terms of the Senior Unsecured Loan Agreement.

**"Permitted Loan"** means

- (a) any loan contemplated by any step in the Implementation Agreement and/or the Transaction Structure Memorandum;
- (b) any Permitted Investment;
- (c) any loan made on an arms-length basis by any member of the Group in the ordinary course of Business;
- (d) a loan made by an Obligor to another Obligor;
- (e) a loan made by a member of the Group which is not an Obligor to another member of the Group which is not an Obligor; and
- (f) any other loan or other credit permitted by the terms of the Senior Unsecured Loan Agreement, waiver or decision duly taken under the Senior Unsecured Loan Agreement.

**"Permitted Security"** means:

- (a) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advance Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);
- (b) permitted by the terms of the Senior Unsecured Loan Agreement;
- (c) any security created to secure the Senior Unsecured Loans, provided that such security or equivalent security also is provided to secure the obligations under the Bonds; and
- (d) any other Security permitted pursuant to the term of the Senior Unsecured Loan Agreement, waiver or decision duly taken under the Senior Unsecured Loan Agreement (except for security referred to in paragraph (c) above).

**"Permitted Shareholder Loan"** means:

- (a) any loan contemplated by any step set out in the Implementation Agreement and/or the Transaction Structure Memorandum;
- (b) any Shareholder Loan made to the Issuer by its shareholders but only if, in each case:

- (i) that Shareholder Loan, is not ceded, assigned or in any other way encumbered in favour of any person without the prior written consent of the Facility Agent; and
- (ii) that Shareholder Loan is Subordinated Debt; and
- (c) any other Shareholder Loan permitted pursuant to the terms of the Senior Unsecured Loan Agreement, waiver or decision duly taken under the Senior Unsecured Loan Agreement.

**"Permitted Trade Credit"** means trade credit extended to any member of the Group which:

- (a) has an original credit term of not more than 90 days;
- (b) is entered into in the ordinary course of the day-to-day business of that member of the Group; and
- (c) is on the relevant supplier's standard terms (unless the terms of that trade credit are more favourable to that member of the Group than those standard terms in respect of the relevant supplier).

**"Quotation Day"** means, in relation to any period for which an interest rate is to be determined, (i) in respect of the SEK Bonds, two (2) Business Days Sweden before the first day of that period and (ii) in respect of the NOK Bonds, two (2) Business Days Norway before the first day of that period.

~~**"Rating Agency"** means any one of Global Credit Ratings or Moody's Investor Services.~~

~~**"Rating Downgrade"** means, in relation to a solicited rating assigned to the Issuer by a Rating Agency, the withdrawal of such previously assigned rating or the change of such previously assigned rating from an Investment Grade Rating to a Non-Investment Grade Rating.~~

**"Record Date"** means (A) in relation to the SEK Bonds, the fifth (5) Business Day Sweden prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Bondholders is to be made under Clause ~~14~~17 (*Distribution of Proceeds*), (iv) the date of a Bondholders' Meeting, or (v) another relevant date, or in each case such other Business Day Sweden falling prior to a relevant date if generally applicable on the Swedish bond market and (B) in relation to the NOK Bonds, the record date as determined pursuant to VPS rules and procedures.

**"Redemption Date"** means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause 9 (*Redemption and Repurchase of the Bonds*).

~~**"Relevant Period"** means each period of twelve (12) consecutive calendar months.~~

**"Regulated Market"** means any regulated market (as defined in Directive 2004/39/EC on markets in financial instruments).



"Restructure" means the restructure of the debt and equity of the Issuer contemplated to be carried out after the Second Amendment Effective Date.

"RPAC" means Real People Assurance Company Limited, a company incorporated under the laws of South Africa with registration number 2001/028918/06.

"Second Amendment Effective Date" means [•]<sup>1</sup>.

"Secured Parties" means the Bondholders and the Agent (including in its capacity as Agent under the Agency Agreement).

"Securities Account" means the account for dematerialised securities maintained by the CSD pursuant to the Swedish Central Securities Depositories and Financial Instruments Accounts Act or the Norwegian Securities Register Act (as applicable) in which (i) an owner of such security is directly registered or (ii) an owner's holding of securities is registered in the name of a nominee.

"Security" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

"SEK Bonds" means a debt instrument (Sw. skuldförbindelse) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Swedish Central Securities Depositories and Financial Instruments Accounts Act and which are governed by and issued under these Terms and Conditions, with ISIN SE0005392560.

"Senior Lenders" means the lenders under the Senior Unsecured Loan Agreement.

"Senior Unsecured Loans" means the ZAR 502,618,734.27 and BWP equivalent of ZAR 78,814,868, senior unsecured loans granted to the Issuer by the Senior Lenders ranking pari passu with the Bonds.

"Senior Unsecured Loan Agreement" means the senior unsecured loan agreement by which the Senior Unsecured Loans are governed entered into in connection with the restructuring of the Group, as amended from time to time.

"Shares" means, as the context may require, all or any shares in any member of the Group from time to time.

"Shareholder" means any direct or indirect holder (whether beneficial, legal or registered) of Shares or any Affiliate (not being a member of the Group) of any direct or indirect (whether beneficial, legal or registered) holder of Shares.

"Shareholder Loan" means any loan made or to be made to a member of the Group by or on behalf of a Shareholder and any other indebtedness owing on loan account by a member of the Group to a Shareholder.

"Stamdata" means the web sites [www.stamdata.se](http://www.stamdata.se) and [www.stamdata.no](http://www.stamdata.no).

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<sup>1</sup> Date to be inserted in final documentation based on when the conditions for the amendments set out in the written procedure has been fulfilled.

**"Standard Bank"** means The Standard Bank of South Africa Limited, a public company incorporated under the laws of South Africa with registration number 1962/000738/06;

**"Standard Bank Documents"** means:

- (a) the Standard Bank Instalment Sale Agreements;
- (b) the Standard Bank Loan Agreements; and
- (c) any document or agreement in terms of which the Existing Standard Bank Security is granted.

**"Standard Bank Instalment Sale Agreements"** means the instalment sale agreements concluded between Standard Bank and Real People Home Finance Proprietary Limited prior to the Signature Date;

**"Standard Bank Loan Agreements"** means the:

- (d) senior secured loan agreement concluded between Standard Bank and DMC4 on or about 30 June 2015, pursuant to which a term loan facility in an amount of up to ZAR165,000,000 (One Hundred and Sixty Five Million Rand) was made available to DMC4 by Standard Bank;
- (e) senior secured loan agreement concluded between Standard Bank and DMC4 on or about 22 April 2016, pursuant to which a term loan facility in an amount of up to ZAR25,000,000 (Twenty Five Million Rand) was made available to DMC4 by Standard Bank;
- (f) senior secured loan agreement concluded between Standard Bank and DMC4 on or about 22 April 2016, pursuant to which a term loan facility in an amount of up to ZAR25,000,000 (Twenty Five Million Rand) was made available to DMC4 by Standard Bank;

**"STIBOR"** means:

- (a) the applicable percentage rate per annum displayed on NASDAQ OMX's website for STIBOR fixing (or through another website replacing it) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor and for a period comparable to the relevant Interest Period; or
- (b) if no rate is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by leading banks in the Stockholm interbank market reasonably selected by the Issuing Agent, for deposits of SEK 100,000,000 for the relevant period; or
- (c) if no quotation is available pursuant to paragraph (b), the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the

interest rate for deposits in Swedish Kronor offered in the Stockholm interbank market for the relevant period; and

if any such rate is below zero, STIBOR will be deemed to be zero.

**"Subordinated Instruments"** means the debt and equity instruments issued by the Issuer which are subordinated to the Bonds and the Senior Unsecured Loan.

**"Subordinated Debt"** means any indebtedness incurred by any member of the Group, the right to the repayment of, or any payment (including interest or other amounts due thereunder) in respect of, which has been subordinated to the claims of the Bondholders under the Finance Documents in accordance with the terms thereof or otherwise on terms and conditions to the satisfaction of the Agent.

**"Subsidiary"** means a subsidiary company as defined in the Companies Act, provided that no Non-Recourse Funding SPV shall constitute a Subsidiary.

**"Swedish Central Securities Depositories and Financial Instruments Accounts Act"** means the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

**"Swedish Kronor"** and **"SEK"** means the lawful currency of Sweden.

~~**"Total Nominal Amount"** means the total aggregate Nominal Amount of the Bonds outstanding at the relevant time.~~

**"Trade Instruments"** means any performance bonds, advance payment bonds or documentary letters of credit issued in respect of the obligations of any member of the Group arising in the ordinary course of trading of that member of the Group.

**"Transaction Structure Memorandum"** means the transaction structure memorandum, prepared by Bowman Gilfillan Inc in connection with the restructure of the Group.

**"Treasury Transaction"** any derivative transaction entered into in connection with the protection against or benefit from fluctuation in any rate or price.

**"Total Senior Outstandings"** means the aggregate of all amounts of principal, accrued and unpaid interest, prepayment penalties, fees and all and any other amounts due and payable to the Senior Lenders, the Bondholders and the Agent in connection with the Senior Unsecured Loans and the Bonds including any claim for damages or restitution and any claim as a result of any recovery by the Issuer or an Upstream Guarantor (or any business rescue practitioner, liquidator or trustee, as the case may be, of the Issuer or an Upstream Guarantor) of a payment or discharge on the grounds of preference, and any amounts which would be included in any of the above but for any discharge, non-provability or unenforceability of those amounts in any insolvency or other proceedings.

"Upstream Guarantee" means the joint and several upstream guarantee dated on or about the Issue Date, ~~and (if required) as amended on or about the Second Amendment effective Date,~~ and executed by the Upstream Guarantors in favour of the Bondholders and securing the payment obligations of the Issuer towards the Bondholders under the Bonds, as such upstream guarantee may be varied, superseded and/or amended from time to time.

"Upstream Guarantor" means:

- (a) DMC Debt Management (Pty) Ltd, 2001/004440/07;
- (b) Real People Home Finance, 2016/067411/07;
- (c) Nyati Securitisation 1 (RF) Ltd, 2012/148395/06;
- (d) each Material Group Company; and
- (e) ~~"Upstream Guarantors" mean collectively (i) each Material Subsidiary and (ii)~~ any other company (which qualifies as a Material ~~Subsidiary~~ Group Company) which accedes to the Upstream Guarantee in accordance with the terms and conditions contained therein; and
- (f) any other Subsidiary which becomes a guarantor of the obligations under the Senior Unsecured Loans and accedes to the Upstream Guarantee pursuant to Clause 12(c).

in each case with respect to (a) and (b) above, excluding the Issuer, Real People Assurance Company Ltd, DMC Acquired Debts 4 (Pty) Ltd, Real People Kenya Ltd and any other member of the Group which, as a matter of law, is not permitted to become an upstream guarantor.

"Written Procedure" means the written or electronic procedure for decision making among the Bondholders in accordance with Clause ~~17~~ 20 (*Written Procedure*).

## 1.2 Construction

- (a) Unless a contrary indication appears, any reference in these Terms and Conditions to:
  - (i) "assets" includes present and future properties, revenues and rights of every description;
  - (ii) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
  - (iii) a "regulation" includes any regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency,

department or regulatory, self-regulatory or other authority or organisation;

- (iv) a "person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;
  - (v) an Event of Default is continuing if it has not been remedied or waived;
  - (vi) a provision of law is a reference to that provision as amended or re-enacted; and
  - (vii) a time of day is a reference to Stockholm time.
- (b) When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day Sweden, as published by the Swedish Central Bank (*Riksbanken*) on its website ([www.riksbank.se](http://www.riksbank.se)). If no such rate is available, the most recently published rate shall be used instead.
  - (c) A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.
  - (d) No delay or omission of the Agent or of any Bondholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

## 2. Status of the Bonds

- (a) The SEK Bonds are denominated in Swedish Kronor and the NOK Bonds are denominated in Norwegian Kronor and each Bond is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to otherwise comply with these Terms and Conditions.
- (b) By subscribing for Bonds, each initial Bondholder agrees that the Bonds shall benefit from and be subject to the Finance Documents and by acquiring Bonds, each subsequent Bondholder confirms such agreement.
- (c) The initial nominal amount of each SEK Bond is SEK ~~1,000,000~~<sup>[•]</sup><sup>2</sup> and the initial nominal amount of each NOK Bond is NOK ~~1,000,000~~ (the "**Initial Nominal Amount**"). The maximum total nominal amount of the Bonds is SEK 260,000,000 and NOK 135,000,000. All Bonds are issued on a fully paid basis at an issue price of 100 per cent of the Initial Nominal Amount.

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<sup>2</sup> [To be inserted on the Second Amendment Effective Date.](#)

- (d) Following the Second Amendment Effective Date, the aggregate Nominal Amount of the SEK Bonds is SEK [•] and the aggregate Nominal Amount of the NOK Bonds is [•]<sup>3</sup>.
- (e) ~~(d)~~ The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* amongst each other and with the Senior Unsecured Loan and without any preference among them.
- (f) ~~(e)~~ The Bonds are freely transferable but the Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable, under local laws to which a Bondholder may be subject. Each Bondholder must ensure compliance with such restrictions at its own cost and expense.
- (g) ~~(f)~~ No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction other than Sweden, where action for that purpose is required. Each Bondholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds.
- (h) ~~(g)~~ The Swedish CSD, in respect of SEK Bonds initially being Euroclear Sweden AB, shall perform its obligations as CSD solely in respect of the SEK Bonds and in accordance with the rules and regulations for issuers and issuing agents as regularly applied to it in relation to Swedish bond offerings, and shall, for the avoidance of doubt, have no obligations in respect of the NOK Bonds.
- (i) ~~(h)~~ The Norwegian CSD, in respect of NOK Bonds initially being VPS, shall perform its obligations as CSD solely in respect of the NOK Bonds and in accordance with the rules and regulations as regularly applied to it in relation to Norwegian bond offerings, and shall, for the avoidance of doubt, have no obligations in respect of the SEK Bonds.
- (j) The minimum permissible investment in the SEK Bonds shall be SEK 1,000,000.
- (k) The minimum permissible investment in the NOK Bonds shall be NOK 1,000,000.

### 3. Use of Proceeds

The Issuer shall use the proceeds from the issue of the Bonds, less the costs and expenses incurred by the Issuer in connection with the issue of the Bonds, for general corporate purposes.

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<sup>3</sup> To be inserted on the Second Amendment Effective Date.

#### 4. Transfer restrictions

Each Bondholder shall comply with purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which such Bondholder may be subject (due to its nationality, its residency, its registered address or its place(s) for business or otherwise). Each Bondholder must ensure compliance with applicable local laws and regulations at their own cost and expense.

#### 5. Bonds in Book-Entry Form

- (a) The Bonds will be registered for the Bondholders on their respective Securities Accounts and no physical notes will be issued. The SEK Bonds will be registered in accordance with the Swedish [Central Securities Depositories and Financial Instruments Accounts Act](#) and the NOK Bonds will be registered in accordance with the Norwegian Securities Register Act and the terms and conditions of the VPS. Registration requests relating to the Bonds shall be directed to an Account Operator.
- (b) Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabelen (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlements to receive payment in accordance with the Swedish [Central Securities Depositories and Financial Instruments Accounts Act](#) and the Norwegian Securities Register Act (as applicable).
- (c) The Issuer (and the Agent when permitted under the Swedish CSD's applicable regulations) shall be entitled to obtain information from the debt register ([Sw. skuldbok](#)) kept by the Swedish CSD in respect of the SEK Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.
- (d) For the purpose of or in connection with any Bondholders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the debt register kept by the Swedish CSD in respect of the SEK Bonds.
- (e) The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the Swedish CSD in respect of the SEK Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Bondholders.
- (f) The Agent shall, in order to carry out its functions and obligations under these Terms and Conditions, have access to the securities depository registered with the Norwegian CSD for the purposes of reviewing ownership of the NOK Bonds registered in the securities depository.

## 6. Right to Act on Behalf of a Bondholder

- (a) If any person other than a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Bondholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Bondholder and authorising such person, or, for the NOK Bonds, any other evidence accepted by the Agent.
- (b) A Bondholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under the Finance Documents in relation to the Bonds for which such representative is entitled to represent the Bondholder and may further delegate its right to represent the Bondholder by way of a further power of attorney.
- (c) The Agent shall only have to examine the face of a power of attorney or other proof of authorisation or other evidence that has been provided to it pursuant to Clause 6(b) and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

## 7. Payments in Respect of the Bonds

- (a) Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Bonds, shall be made to such person who is registered as a Bondholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.
- (b) If a Bondholder has registered, through an Account Operator, that principal and interest shall be deposited in a certain bank account (or, in terms of the NOK Bonds, the Bondholder's account as registered with VPS), such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Bondholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the persons who are registered as Bondholders on the relevant Record Date as soon as possible after such obstacle has been removed.
- (c) If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 8.1(d) during such postponement.
- (d) If payment or repayment is made in accordance with this Clause 7, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay,



irrespective of whether such payment was made to a person not entitled to receive such amount.

- (e) Notwithstanding anything to the contrary in these Terms and Conditions, the NOK Bonds shall be subject to, and any payments made in relation thereto shall be made in accordance with, the rules and procedures of the VPS (which rules and procedures may differ from those of Euroclear Sweden AB).
- (f) The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to the Bondholders.
- (g) If the Issuer is required by law to withhold any withholding tax from any payment under any Finance Document:
  - (i) the amount of the payment due from the Issuer shall be increased to such amount which is necessary to ensure that the Bondholders receive a net amount which is (after making the required withholding) equal to the payment which would have been due if no withholding had been required; and
  - (ii) the Issuer shall at the request of the Agent deliver to the Agent evidence that the required tax reduction or withholding has been made.
- (h) If any withholding tax is imposed due to subsequent changes in applicable law after the date of these Terms and Conditions, the Issuer shall have the right to call all but not some of the Bonds at 100 per cent of the Nominal Amount together with accrued but unpaid interest. Such call shall be notified by the Issuer in writing to the Agent and the Bondholders at least thirty (30) Business Days prior to the settlement date of the call.
- (i) When a Bond shall be redeemed or repaid pursuant to the Terms and Conditions, a redemption or repayment in full means that an amount equivalent to its Capital Nominal Amount shall be paid to the Bondholder (plus any accrued and unpaid interest).

## 8. Interest and capitalisation of interest

### 8.1 ~~8.~~ Interest

- (a) ~~Each~~ As from the Second Amendment Effective Date, each SEK Bond carries Interest on its Capital Nominal Amount from time to time at the Interest Rate from (but excluding) the ~~Issue~~ Second Amendment Effective Date up to (and including) the relevant Redemption Date and ~~each~~ the NOK Bonds carries Interest on their aggregate Capital Nominal Amount from time to time at the Interest Rate from (and including) the ~~Issue~~ Second Amendment Effective Date up to (but excluding) the relevant Redemption Date.
- (b) Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made to the Bondholders on each Interest Payment Date

for the preceding Interest Period with the first interest payment being made on the Interest Payment Date falling on or about 30 June 2018.

- (c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360 days basis).
- (d) ~~if~~ Subject to paragraph (e) below, if the Issuer fails to pay any amount payable by it on its due date, default interest shall accrue on the overdue amount (i) in respect of the SEK Bonds from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent higher than the Interest Rate, and (ii) in respect of the NOK Bonds from (and including) the due date up to (but excluding) the date of actual payment at a rate which is two (2) per cent higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.
- (e) No default interest shall accrue pursuant to paragraph 8.1(d) above, with respect to any failure to pay that has occurred prior to the Second Amendment Effective Date.

## **8.2 Capitalisation of interest**

- (a) During the period:
  - (i) with respect to each SEK Bonds, from (but excluding) the Second Amendment Effective Date to (and including) the Interest Payment date falling on or about 31 March 2018, and
  - (ii) with respect to each NOK Bond from (and including) the Second Amendment Effective Date to (but excluding) the Interest Payment Date falling on 31 March 2018,

an amount shall be calculated as if it had been Interest accruing on the Capital Nominal Amount for such Bond (the "**Capitalised Interest Accrual Amount**").

- (b) On the Interest Payment Dates falling on or about 31 December 2017 and 31 March 2018, the Capitalised Interest Accrual Amount that has accrued during the preceding Interest Period shall be added to the Capitalised Amount for each Bond, to be repaid on the Final Maturity Date together with the aggregate Nominal Amount outstanding at such date.

## **9. Redemption and Repurchase of the Bonds**

### **9.1 Redemption at maturity**

The Issuer shall redeem all, but not only some, of the outstanding Bonds in full on the Final Maturity Date with an amount per Bond equal to the Capital Nominal Amount together with accrued but unpaid Interest. If (i) the Final Maturity Date in respect of

the SEK Bonds is not a Business Day Sweden, then the redemption shall occur on the first following Business Day Sweden and (ii) the Final Maturity Date in respect of the NOK Bonds is not a Business Day Norway, then the redemption shall occur on the first following Business Day Norway.

## 9.2 Issuer's purchase of Bonds

The Issuer may, subject to applicable law, at any time and at any price purchase Bonds on the market or in any other way. The Bonds held by the Issuer may at the Issuer's discretion be retained, sold or cancelled by the Issuer.

## 9.3 Voluntary ~~total~~ redemption (call option)

~~(a) — The Issuer may redeem all, but not only some, of the outstanding Bonds in full any time on or after the First Call Date but prior to the Final Maturity Date, at an amount per Bond equal to:~~

~~a. — 104.500 per cent of the Nominal Amount, together with accrued but unpaid interest, if the call option is exercised on or after the First Call Date to (but not including) the date falling thirty six (36) months after the Issue Date;~~

~~b. — 103.875 per cent of the Nominal Amount, together with accrued but unpaid interest, if the call option is exercised on or after the date falling thirty six (36) months after the Issue Date to (but not including) the date falling forty two (42) months after the Issue Date;~~

~~c. — 103.250 per cent of the Nominal Amount, together with accrued but unpaid interest, if the call option is exercised on or after the date falling forty two (42) months after the Issue Date to (but not including) the date falling forty eight (48) months after the Issue Date;~~

~~d. — 102.625 per cent of the Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling forty eight (48) months after the Issue Date to (but not including) the date falling fifty four (54) months after the Issue Date; and~~

~~e. — 102.000 per cent of the Nominal Amount, together with accrued but unpaid interest,~~

~~if the Call Option is exercised on or after the date falling fifty-four (54) months after the Issue Date to (but not including) the Final Redemption Date.~~

- (a) The Issuer may redeem part of or all of the outstanding Bonds at any time prior to the Final Maturity Date, provided that the Issuer, simultaneously with such redemption of Bonds, makes a voluntary repayment of the Senior Unsecured Loan for a *pro rata* amount, *pro-rated* to the Total Senior Outstanding and calculated as in accordance with the principles set out in the definition of Bonds Pro-rata Share.
- (b) Any partial redemption of SEK Bonds in accordance with Clause 9.3(a) shall be made as partial prepayments of all outstanding SEK Bonds by way of reducing the Nominal Amount of each SEK Bond pro rata (rounded down to the nearest SEK 1.00).
- (c) Any partial redemption of NOK Bonds in accordance with Clause 9.3(a) will be used for *pro rata* payment to the Bondholders in accordance with the applicable regulations of the CSD.
- (d) The redemption price per Bond shall be an amount equal to 100.00 per cent. of the redeemed outstanding Capital Nominal Amount plus accrued but unpaid interest on the redeemed amount.
- (e) ~~(b)~~ Redemption in accordance with Clause 9.3(a) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Bondholders and the Agent. Any such notice is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. At expiry of such notice period and the fulfillment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

#### **9.4 Early redemption due to illegality (call option)**

The Issuer may redeem all, but not only some, of the outstanding Bonds at an amount per Bond equal to the Capital Nominal Amount together with accrued but unpaid Interest on a date determined by the Issuer if it is or becomes unlawful for the Issuer to perform its obligations under the Finance Documents.

#### **9.5 Mandatory redemption in case of disposal of assets**

- (a) If a Disposal of the whole or the greater part of the business or assets of the Group occurs whether in a single transaction or a series of related transactions; and
  - (i) Loans under Senior Unsecured Loan Agreement as a result becomes due and payable, or
  - (ii) such Disposal has a Material Adverse Effect.

the Issuer shall redeem the Bonds in full together with accrued and unpaid interest.

- (b) For the purposes of Clause 9.5(a) the reference to “Disposal of the whole or the greater part of the business or assets of the Group” shall mean an Asset Disposal, where the Asset Contribution, exceeds 25 percent of the consolidated gross assets or turnover (excluding intra-group items) of the Group, calculated on a consolidated basis for the Measurement Period most recently ended.
- (c) The determination set out in Clause 9.5(b) above, shall be made by reference to the most recent Compliance Certificate supplied to the Agent, the latest audited consolidated Annual Financial Statements of the Group and the latest audited Annual Financial Statements of the relevant member of the Group (consolidated in the case of a member of the Group which itself has Subsidiaries).

#### **9.6 Mandatory redemption pro rata in case of repayment of the Senior Unsecured Loan**

- (a) If the Issuer or a Subsidiary repays principal amount under the Senior Unsecured Loan (other than if and to the extent redemption of Bonds is made in accordance with to Clauses 9.5 (Mandatory redemption in case of disposal of assets), 10 (Amortisation) or 11 (Cash Sweep), it shall in connection with such repayment, redeem the Bonds in an amount equivalent to the Bonds Pro-rata Share.
- (b) Any partial redemption of SEK Bonds in accordance with Clause 9.3(a) shall be made as partial prepayments of all outstanding SEK Bonds by way of reducing the Nominal Amount of each SEK Bond pro rata (rounded down to the nearest SEK 1.00).
- (c) Any partial redemption of NOK Bonds in accordance with Clause 9.3(a) will be used for pro rata payment to the Bondholders in accordance with the applicable regulations of the CSD.
- (d) The redemption price per Bond shall be an amount equal to 100.00 per cent. of the redeemed outstanding Capital Nominal Amount and shall be paid, if and to the extent required pursuant to the regulation of the relevant CSD, together with accrued but unpaid interest on the redeemed amount.
- (e) Redemption in accordance with this Clause 9.5 shall be made by the Issuer giving not less than ten (10) Business Days’ notice to the Bondholders and the Agent.

#### **9.7 9.5 Mandatory redemption due to a Change of Control Event (put option)**

- (a) Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give a notice to the Bondholders and the Agent (the "Change of Control Notice") specifying the nature of the Change of Control

Event and the circumstances giving rise to it and the procedure for exercising the redemption option as set out below.

- (b) Within thirty (30) Business Days after the date of the Change of Control Notice, the Issuer shall convene a separate meeting of the Bondholders to consider the possible early redemption of the Bonds.
- (c) If at any such meeting, the Bondholders pass an Extraordinary Resolution for the early redemption of the Bonds, then the Issuer shall redeem all the Bonds within 30 (thirty) Business Days of the passing of such Extraordinary Resolution at an amount equal to the ~~redemption amount specified in Clause 9.3 (Voluntary total redemption (call option)), as applicable considering when the redemption occurs,~~ Capital Nominal Amount together with accrued interest (if any) to the date of redemption
- (d) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 9.5, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 9.5 by virtue of the conflict.

#### ~~9.6 — Mandatory redemption due to a Business Cessation Event (put option)~~

### 10. Amortisation

- (a) The Issuer shall repay the Capital Nominal Amount in the amounts and at the dates set out in table below (taking into account Clauses 10(b) and 10(c)):

<u>Amortisation date</u>	<u>Amortisation amount (SEK Bonds per cent. of the Capital Nominal Amount)</u>	<u>Amortisation amount (NOK Bonds) per cent. of the Capital Nominal Amount)</u>
<u>30 June 2018</u>	<u>20.66838%</u>	<u>20.66838%</u>
<u>30 September 2018</u>	<u>2.15003%</u>	<u>2.15003%</u>
<u>31 Dec 2018</u>	<u>1.93503%</u>	<u>1.93503%</u>
<u>31 March 2019</u>	<u>3.03485%</u>	<u>3.03485%</u>
<u>30 June 2019</u>	<u>3.22070%</u>	<u>3.22070%</u>
<u>30 September 2019</u>	<u>3.57856%</u>	<u>3.57856%</u>
<u>31 December 2019</u>	<u>3.22070%</u>	<u>3.22070%</u>
<u>31 March 2020</u>	<u>4.88801%</u>	<u>4.88801%</u>
<u>30 June 2020</u>	<u>8.35269%</u>	<u>8.35269%</u>
<u>30 September 2020</u>	<u>5.47836%</u>	<u>5.47836%</u>
<u>31 December 2020</u>	<u>5.16866%</u>	<u>5.16866%</u>

<a href="#">31 March 2021</a>	<a href="#">3.79540%</a>	<a href="#">3.79540%</a>
<a href="#">30 June 2021</a>	<a href="#">3.59581%</a>	<a href="#">3.59581%</a>
<a href="#">30 September 2021</a>	<a href="#">3.13050%</a>	<a href="#">3.13050%</a>
<a href="#">31 December 2021</a>	<a href="#">2.55582%</a>	<a href="#">2.55582%</a>
<a href="#">31 March 2022</a>	<a href="#">1.56063%</a>	<a href="#">1.56063%</a>
<a href="#">30 June 2022</a>	<a href="#">1.85057%</a>	<a href="#">1.85057%</a>
<a href="#">30 September 2022</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">31 December 2022</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">31 March 2023</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">30 June 2023</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">30 September 2023</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">31 December 2023</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">31 March 2024</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">30 June 2024</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">30 September 2024</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">31 December 2024</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">31 March 2025</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">30 June 2025</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>
<a href="#">30 September 2025</a>	<a href="#">1.67810%</a>	<a href="#">1.67810%</a>

- (b) [Any amortisation of SEK Bonds pursuant to Clause 10\(a\) shall be made as partial prepayments of all outstanding SEK Bonds by way of reducing the Nominal Amount of each SEK Bond pro rata \(rounded down to the nearest SEK 1.00\).](#)
- (c) [Any amortisation of NOK Bonds pursuant to Clause 10\(a\) will be used for \*pro rata\* payment to the Bondholders in accordance with the applicable regulations of the CSD.](#)
- (d) [The repayment shall be an amount equal to 100.00 per cent. of the redeemed outstanding Capital Nominal Amount and shall be paid, if and to the extent required pursuant to the regulation of the relevant CSD, together with accrued but unpaid interest on the redeemed amount.](#)

## **11. Cash Sweep**

- (a) [If any cash is swept under the Senior Unsecured Loan Agreement to be applied to repay debt outstanding under the Senior Unsecured Loan Agreement, the Issuer shall redeem the Bonds in an amount equal to the Bonds Pro-rata Share.](#)

- (b) Any partial redemption of SEK Bonds in accordance with Clause 11(a) shall be made as partial prepayments of all outstanding SEK Bonds by way of reducing the Nominal Amount of each SEK Bond pro rata (rounded down to the nearest SEK 1.00).
- (c) Any partial redemption of NOK Bonds in accordance with Clause 11(a) will be used for *pro rata* payment to the Bondholders in accordance with the applicable regulations of the CSD.
- (d) The redemption price per Bond shall be an amount equal to 100.00 per cent. of the redeemed outstanding Capitalised Nominal Amount and shall be paid, if and to the extent required pursuant to the regulation of the relevant CSD; together with accrued but unpaid interest on the redeemed amount.
- (e) ~~(a) Promptly upon the Issuer becoming aware that a Business Cessation Event has occurred, the Issuer shall give a Redemption in accordance with this Clause 11 shall be made by the Issuer giving not less than ten (10) Business Days' notice to the Bondholders and the Agent (the "Business Cessation Event Notice") specifying the nature of the Business Cessation Event and the circumstances giving rise to it and the procedure for exercising the redemption option as set out below.~~
- ~~(b) Within thirty (30) Business Days after the date of the Business Cessation Event Notice, the Issuer shall convene a separate meeting of the Bondholders to consider the possible early redemption of the Bonds.~~
- ~~(c) If at any such meeting, the Bondholders pass an Extraordinary Resolution for the early redemption of the Bonds, then the Issuer shall redeem all the Bonds within 30 (thirty) Business Days of the passing of such Extraordinary Resolution at an amount equal to the redemption amount specified in Clause 9.3 (Voluntary total redemption (call option)), as applicable considering when the redemption occurs, together with accrued interest (if any) to the date of redemption.~~
- ~~(d) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 9.6, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 9.6 by virtue of the conflict.~~

## 12. **10.Upstream Guarantee**

- (a) As continuing security for the due and punctual fulfillment of the Issuer's payment obligations towards the Secured Parties under the Bonds, the Issuer undertakes to deliver, on the Issue Date, the Upstream Guarantee duly executed by the Upstream Guarantors to the Secured Parties represented by the Agent.



- (b) The Issuer shall procure that the Upstream Guarantee is perfected in accordance with its terms on or before the Issue Date.
- (c) The Issuer shall procure that any Subsidiary that fulfills the requirement for being an Upstream Guarantor after the Second Amendment Effective Date or guarantees obligations under the Senior Loans becomes an Upstream Guarantor under the Upstream Guarantee within 15 Business Days from fulfilling such requirements.
- (d) ~~(c)~~ Unless and until the Agent has received instructions from the Bondholders in accordance with Clause ~~15-18~~ (Decisions by Bondholders), the Agent shall (without first having to obtain the Bondholders' consent) be entitled to enter into agreements with the Upstream Guarantors, the Issuer or a third party or take any other actions, if it is, in the Agent's opinion, necessary for the purpose of maintaining, altering, releasing or enforcing the Upstream Guarantee, creating further Security for the benefit of the Bondholders or the Secured Parties or for the purpose of settling the Bondholders' or the Issuer's rights to the Upstream Guarantee, in each case in accordance with the terms of the Finance Documents.

### 13. ~~11.~~ Information to Bondholders

#### 13.1 ~~11.1~~ Information from the Issuer

- (a) The Issuer shall:
- (i) prepare and make available the annual audited consolidated financial statements of the Group, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors, on its website not later than four (4) months after the expiry of each financial year;
- (ii) prepare and make available the quarterly interim unaudited consolidated reports of the Group, including a profit and loss account, a balance sheet and management commentary or report from the Issuer's board of directors, on its website not later than two (2) months after the expiry of each relevant interim period;
- (iii) issue a Compliance Certificate to the Agent in connection with ~~the annual audited financial statement and the relevant quarterly interim unaudited report being made available and, at the Agent's request, within twenty (20) days from such request; each Financial Report;~~
- (iv) issue a Compliance Certificate to the Agent at the Agent's request, within twenty (20) days from such request;
- (v) 4. keep the latest version of the Terms and Conditions available on the website of the Group; and

- (vi) ~~5-~~ promptly notify the Agent when the Issuer is or becomes aware of (i) the occurrence of a Change of Control Event ~~or Business Cessation Event or (ii)~~ (ii) that an obligation to mandatory redeem Bonds has occurred or will occur or (iii) that an Event of Default has occurred, and shall provide the Agent with information on how redemption amounts has been calculated (when relevant) and such further information as the Agent may request (acting reasonably) following receipt of such notice.
- (b) When the Bonds have been listed, the reports referred to under (i) and (ii) above shall, in addition, be prepared in accordance with IFRS and made available in accordance with the rules and regulations of ~~NASDAQ-OMX Stockholm (as amended from time to time)~~ the relevant Regulated Market or MTF and the Swedish Securities Market Act (~~Sw.-lag (2007:528) om värdepappersmarknaden~~) and Regulation No 596/2014 on market abuse (Market Abuse Regulation).
- (c) When the financial statements and other information are made available to the Bondholders pursuant to Clause ~~14.3~~ 13.1(a), the Issuer shall send copies of such financial statements and other information to the Agent.
- (d) The Issuer shall immediately notify the Agent (with full particulars) upon becoming aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default, and shall provide the Agent with such further information as it may reasonably request in writing following receipt of such notice. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.
- (e) The Issuer is only obliged to inform the Agent according to this Clause ~~14.3~~ 13.1 if informing the Agent would not conflict with any applicable laws or, when the Bonds are listed, the Issuer's registration contract with the Regulated Market or MTF. If such a conflict would exist pursuant to the listing contract with the Regulated Market or MTF or otherwise, the Issuer shall however be obliged to either seek approval from the Regulated Market or MTF or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to this Clause ~~14.3~~ 13.1.

## 13.2 ~~11.2~~ Information from the Agent

The Agent is entitled to disclose to the Bondholders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Agent may, if it considers it to be beneficial to the interests of the Bondholders, delay

disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.

### **13.3 ~~11.3~~ Publication of Finance Documents**

- (a) The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Group and the Agent (for the latter being Stamdata, for as long as ~~Swedish Nordic~~ Trustee & Agency AB (publ) is the Agent).
- (b) The latest versions of the Finance Documents shall be available to the Bondholders at Stamdata, for as long as ~~Swedish-Nordic~~ Trustee & Agency AB (publ) is the Agent, or at the office of the Agent during normal business hours.

### **13.4 Senior Unsecured Loan Documents**

- (a) The Issuer shall from time to time promptly provide copies of the latest version of the Senior Unsecured Loan Agreement to the Agent. The Issuer shall further promptly provide copies to the Agent and of any documentation evidencing any waiver or decisions taken by the Senior Lenders under the Senior Unsecured Loan Agreement to the extent the Issuer reasonably believes such waiver or decision may have any effects for the application of the Terms and Conditions.
- (b) The Agent may at any time make copies of the documents referred to in paragraph (a) above available to its advisors and, provided that an Event of Default has occurred and is outstanding in the reasonable opinion of the Agent, to the Bondholders, in each case without any further approval from any party.

## **14. Financial Testing**

### **14.1 Financial Definitions**

In this Clause 14 (and, where applicable, in these Terms and Conditions):

All accounting expressions which are not otherwise defined in this Agreement shall be construed in accordance with the Accounting Principles and, unless the context dictates otherwise, the accounting expressions set forth below shall bear the following meanings:

"Borrowings" means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption which is due and payable at the time of calculation) of any Financial Indebtedness (including the Facilities but excluding Financial Indebtedness arising under Subordinated Debt) together with capitalised interest thereon outstanding at such time.

"Business Acquisition" means the acquisition of a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them), including,

without limitation, in any Non-Recourse Funding SPV, or the incorporation of a company or the establishment of a Joint Venture.

"Cost to Income Ratio" means the ratio of Operating Expenses to total net income in respect of any Measurement Period.

"Debt Service" means, in respect of any Measurement Period, the aggregate of:

- (a) Finance Charges for the Group for that Measurement Period;
- (b) the aggregate of all scheduled repayments of Borrowings for the Group (excluding Non-Recourse Funding SPV's and the First Scheduled Repayment) falling due during that Measurement Period;
- (c) the amount of the capital element of any payments in respect of that Measurement Period payable under any Finance Lease entered into by any member of the Group,

and so that no amount shall be included more than once.

"Debt Service Cover Ratio" means the ratio of Free Cash Flow to Debt Service in respect of any Measurement Period.

"Exceptional Items" means any exceptional, one off, non-recurring or extraordinary items.

"Finance Charges" means, for any Measurement Period, the aggregate amount of the accrued interest, commission, fees payable in connection with Borrowings, discounts, prepayment fees, premiums or charges and other finance payments in respect of Borrowings whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period and:

- (d) including any upfront fees or costs payable in connection with the incurrence of any Borrowings;
- (e) including the interest (but not the capital element) of payments in respect of Finance Leases;
- (f) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group under any interest rate or foreign exchange rate hedging arrangement (other than any upfront premium paid or payable in respect of any Treasury Transaction);
- (g) taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instruments which are accounted for on a hedge accounting basis; and
- (h) excluding any upfront premium paid or payable in respect of any Treasury Transaction,

and so that no amount shall be added or deducted more than once.

"Finance Lease" means any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a finance or capital lease other than any operating lease which is construed to be a finance or capital lease due to any change in the Accounting Principles.

"Financial Quarter" means the period commencing on the day after one Quarter Date and ending on the next Quarter Date.

"Financial Year" means the annual accounting period of the Group ending on 31 March in each calendar year.

"First Scheduled Repayment" means the first scheduled repayment instalment in the schedule contained in Clause 10 (Amortisation).

"Free Cashflow" means, in respect of any Measurement Period:

- (a) all payments or repayments received in respect of loans and advances held on balance sheet by a member of the Group;
- (b) plus all payments or repayments from acquired assets held on balance sheet by a member of the Group;
- (c) plus Outsourced Collection Income (including commissions received from RPAC for collections);
- (d) plus any Service Fees received during the relevant Measurement Period;
- (e) plus any capital and interest payments actually received from Non-Recourse Funding SPVs;
- (f) plus any in cash dividend payments actually received from Non-Recourse Funding SPVs;
- (g) plus any dividend payments actually received from RPAC;
- (h) plus interest received from cash and Cash Equivalents;
- (i) plus any premium received on a loan sold to a Non-Recourse Funding SPV;
- (j) minus any loss actually incurred on a loan sold to a Non-Recourse Funding SPV;
- (k) minus Operating Expenses;
- (l) minus investment in Non-Recourse Funding SPV's;
- (m) minus any Taxes actually paid or payable during the relevant Measurement Period; and

(n) minus any other Cash payment made by a Group Company during the relevant period, save for any payments made in terms of Clause 11 (Cash Sweep) and any collateral that is required to be posted by the Issuer from time to time in accordance with the terms and conditions of any hedging arrangements;

and so that no amount shall be added (or deducted) more than once.

"Gross Yield" means all income, excluding Other Income, derived from the assets of the Group.

"Measurement Date" means 31 March, 30 June, 30 September and 31 December of each Financial Year, with the first Measurement Date being 31 December 2017.

"Measurement Period" means each period of twelve Months ending on a Measurement Date.

"Net Yield" means Gross Yield less impairments.

"Permanent Capital" means Total Equity less reserves for cash flow hedges, equity in a Non-Recourse Funding SPV, equity held in RPAC, any junior loan granted by any member of the Group to a Non-Recourse Funding SPV, any deferred tax asset and any intangible asset.

"Operating Income" means Net Yield plus Other Income.

"Operating Expenses" means all operating expenses of the Group but excluding any gains or losses with respect to foreign exchange, financial assets and liabilities and equity accounted investments.

"Ordinary Share" means each ordinary share or A ordinary share in the issued share capital of the Issuer.

"Other Income" means all income other than Gross Yield, including, but not limited to, net assurance income and outsourced collection income.

"Outsourced Collection Income" means commissions received for outsourced collections from 3rd parties.

"Permanent Capital" means Total Equity less reserves for cash flow hedges, gains or losses from hedging arrangements which have been included in the income statement since 31 March 2017, equity in a Non-Recourse Funding SPV, equity in RPAC, any junior loan granted by any member of the Group to a Non-Recourse Funding SPV, any deferred tax asset and any intangible asset.

"Permanent Capital to Total Assets Ratio" means the ratio of Permanent Capital to Total Assets in respect of any Measurement Period.

"Restructuring Costs" means all of the costs incurred by the Issuer in order to give effect to the Restructure.

"Service Fees" means all fees earned on management and collection services provided by any member of the Group to a Non-Recourse Funding SPV.

"Total Assets" means the total consolidated assets of the Group less Cash, any deferred tax asset of a Non-Recourse Funding SPV, the total assets of RPAC and any Restricted Cash.

"Total Equity" means the value left in the Group after subtracting total liabilities from total assets.

## **14.2 Financial condition**

The Issuer shall ensure that for so long as any amount is outstanding under the Bonds:

- (a) Debt Service Cover Ratio: the Debt Service Cover Ratio in respect of any Measurement Period shall not be less than 1.05 times.
- (b) Permanent Capital to Total Assets Ratio: the Permanent Capital to Total Assets Ratio in respect of any Measurement Period specified in column 1 below must be greater than the percentage set out in column 2 below opposite that Measurement Period:

<u>Column 1</u>	<u>Column 2</u>
<u>Measurement Period</u>	<u>Ratio<sup>4</sup></u>
<u>ending on a Measurement Date that falls on or before 31 March 2019</u>	<u>[20%-25%]</u>
<u>ending on a Measurement Date that falls on or before 31 March 2020</u>	<u>[20%-25%]</u>
<u>ending on a Measurement Date that falls after 31 March and ends on or before the Final Maturity Date</u>	<u>[20%-25%]</u>

- (c) Cost to Income Ratio: the Cost to Income Ratio in respect of any Measurement Period shall not be less than or equal to 0.68 : 1.00.

## **14.3 Financial testing**

For the purpose of testing compliance with the requirements of Clause 14.2 (*Financial condition*):

<sup>4</sup> Covenant levels to be inserted in line with the Senior Unsecured Loan Agreement on Second Amendment Effective Date.

- (a) subject to the remaining provisions of this Clause 14.3, the Financial Covenants shall be calculated in accordance with the applicable Accounting Principles and tested by reference to the consolidated Financial Reports of the Issuer (excluding all of the Non-Recourse Funding SPVs, but including, amongst others, any Cash received from any Non-Recourse Funding SPV in the form of distributions, interest or repayment of principal amounts owing by them);
- (b) no item shall be taken into account more than once in any calculation; and
- (c) all intra-Group items shall be ignored.

#### **14.4 Availability of Compliance Certificates**

The Agent shall not be responsible or liable for any analysis or calculation of the information set out in the Compliance Certificates or the computations of Financial Covenants.

### **15. ~~12.~~General Undertakings**

The Issuer undertakes to (and shall, where applicable, procure that each other Group Company will) comply with the undertakings set out in this Clause ~~12-15~~ for as long as any Bonds remain outstanding.

#### **15.1 Distributions**

- (a) Except to the extent permitted under the terms of the Senior Unsecured Loan Agreement and subject to paragraph below, the Issuer shall not (and shall ensure that no Obligor will) declare, make or pay any Distribution or pay prepay, repay dispose, exchange or repurchase and Subordinated Debt.
- (b) No Distribution may be made if an Event of Default is continuing or would occur as a result of the Distribution.

#### **15.2 Financial Indebtedness**

The Issuer shall not, and shall procure that none of its Subsidiaries will, incur any Financial Indebtedness, provided however that the Issuer and its Subsidiaries have a right to incur Financial Indebtedness that constitutes Permitted Debt.

#### **15.3 ~~12.1~~Nature of Business**

The Issuer shall procure that no substantial change is made to the general nature of the business carried on by the Group as of the Issue Date if such change would have a Material Adverse Effect.

#### **~~12.2~~—Capital Requirement**

~~The Issuer shall at all times ensure that the Capital Adequacy Ratio is at least thirty (30) per cent.~~



#### 15.4 ~~12.3~~ Negative Pledge

~~So long as any of the Bonds remain outstanding, neither the Issuer nor any Material Subsidiary will create or permit to subsist any Security, other than Permitted Security, upon the whole or any part of its undertakings or assets, present or future, or any guarantee or indemnity in respect of any Financial Indebtedness unless, at the same time, or prior thereto, the Issuer's obligations under the Bonds, either:~~

- ~~(a) — are secured equally and rateably therewith and any such instrument shall expressly provide therefore; or~~
- ~~(b) — have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution.~~

~~Any such rights of security shall be held by the Agent or by another agent appointed by the Issuer, subject to such agent having acceded as Agent under these Terms and Conditions, for the benefit or on behalf of the Bondholders.~~

The Issuer shall not, and shall procure that none of its Subsidiaries, provide, prolong or renew any security over any of its/their assets (present or future) to secure Financial Indebtedness, provided however that the Issuer and its Subsidiaries have a right to provide, prolong and renew any Permitted Security.

#### 15.5 Disposals

The Issuer shall not, and shall procure that none of its Subsidiaries will, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset provided however that the Issuer and its Subsidiaries have a right to enter into transactions that constitutes Permitted Disposals.

#### 15.6 Loans out

The Issuer shall not, and shall procure that none of its Subsidiaries will, be a creditor in respect of any Financial Indebtedness, provided however that the Issuer and its Subsidiaries have a right to be creditors with respect to Financial Indebtedness that constitutes Permitted Loans.

#### 15.7 No guarantees or indemnities

The Issuer shall not, and shall procure that none of its Subsidiaries will, incur or allow to remain outstanding any guarantee in respect of any obligation of any person, provided however that the Issuer and its Subsidiaries have a right to provide guarantees or indemnities for Permitted Debt.

#### 15.8 ~~12.4~~ Listing

The Issuer shall ensure that the Bonds are listed at the corporate bond list on NASDAQ OMX Stockholm not later than one (1) year after the Issue Date ~~and shall take all measures required~~, and use its best efforts to ensure that the Bonds, ~~once listed on~~

~~NASDAQ OMX Stockholm~~ following the Second Amendment Effective Date, continue being listed on NASDAQ OMX Stockholm or another Regulated Market or MTF for as long as any Bond is outstanding (however, taking into account the rules and regulations of NASDAQ OMX Stockholm (or, if applicable, the relevant Regulated Market or MTF) and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

### 15.9 ~~12.5~~ Derivative Transactions

The Issuer shall, within five (5) Business Days of the Issue Date, enter into foreign currency hedging arrangements with one or more reputable swap counterparties for the purposes of hedging the currency exposure to which it will be exposed through the issue of the NOK Bonds and the SEK Bonds.

### 15.10 Increase of interest under the Senior Unsecured Loan Agreement

The Issuer shall not agree to any increase of the applicable margin, which is added to the relevant interest base to determine the interest under Senior Unsecured Loans, or the fixed interest rate for any Senior Unsecured Loan, unless a corresponding increase of the Interest also is made with respect to the Bonds.

### 15.11 ~~12.6~~ Undertakings relating to the Agency Agreement

- (a) The Issuer shall, in accordance with the Agency Agreement:
  - (i) pay fees to the Agent;
  - (ii) indemnify the Agent for costs, losses and liabilities;
  - (iii) furnish to the Agent all information requested by or otherwise required to be delivered to the Agent; and
  - (iv) not act in a way which would give the Agent a legal or contractual right to terminate the Agency Agreement.
- (b) The Issuer and the Agent shall not agree to amend any provisions of the Agency Agreement without the prior consent of the Bondholders if the amendment would be detrimental to the interests of the Bondholders.

## 16. ~~13.~~ Events of Default and Acceleration of the Bonds

- (a) The Agent is entitled to, and shall following a demand in writing from a Bondholder (or Bondholders) representing at least twenty five (25) per cent of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the demand is received by the Agent and shall, if made by several Bondholders, be made by them jointly) or following an instruction given pursuant to Clause ~~13~~6(d), on behalf of the Bondholders (i) by notice to the Issuer, declare all, but not only some, of the outstanding Bonds due and payable together with any other amounts payable under the Finance

Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents, if any of the following events occurs:

- (i) *Non Payment:* The Issuer fails to pay the Nominal Amount or any interest due in respect of the Bonds on its due date for payment and such failure continues for a period of five (5) Business Days unless such non-payment is caused by technical difficulties in relation to the transmission of funds~~;~~
- (ii) *Other Obligations:* The Issuer fails to perform or observe any of its other obligations under any of the Finance Documents and such failure continues for a period of twenty one (21) Business Days after receipt by the Issuer of a notice from the Agent sent by e-mail (in accordance with clause 23.1(d)) in respect of such failure (and for these purposes, a failure to perform or observe an obligation shall be deemed to be remediable notwithstanding that the failure results from not doing an act or a thing by a particular time)~~;~~
- (iii) *Negative Pledge:* Any Material Group Company fails to remedy a breach of Clause ~~125.34~~ 125.34 (*Negative Pledge*) by any of them and such failure continues for a period of fifteen (15) Business Days after receipt by the Issuer of a notice from the Agent sent by e-mail (in accordance with clause 23.1(d)) requiring the same to be remedied~~;~~
- (iv) *Cross-acceleration to the Senior Unsecured Loan: Any Financial Indebtedness incurred under or in connection with the Senior Unsecured Loan Agreement is declared to be due and payable prior to its specified maturity as a result of an event of default (however described).*
- (v) *Cross Default or Enforcement Actions relating to the Senior Unsecured Loans: A Material Event of Default occurs or a Senior Lender takes any Enforcement Actions with respect to obligations in connection with the Senior Unsecured Loan Agreement.*
- (vi) ~~iv~~-*Cross Default:*
  - (A) any Financial Indebtedness (other than Financial Indebtedness incurred under or in connection with the Senior Unsecured Loan Agreement) of any Material Group Company is not paid when due and payable, or where there is an applicable grace period, on the expiry of such grace period;
  - (B) any Financial Indebtedness (other than Financial Indebtedness incurred under or in connection with the Senior Unsecured Loan Agreement) of any Material Group Company is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);

- (C) any commitment for any Financial Indebtedness (other than Financial Indebtedness incurred under or in connection with the Senior Unsecured Loan Agreement) of any Material Group Company is cancelled or suspended by a creditor of any Material Group Company as a result of an event of default (however described); or
- (D) any Security for Financial Indebtedness (other than Financial Indebtedness incurred under or in connection with the Senior Unsecured Loan Agreement) over any assets of any Material Group Company is enforced,

provided that in each case no event shall constitute an Event of Default unless the Financial Indebtedness, either alone or when aggregated with other Financial Indebtedness relative to all (if any) other events which shall have occurred, equals or exceeds two point five (2.5) per cent of the total assets of the Issuer as stated in the consolidated monthly management accounts, or where applicable, audited consolidated annual financial statements for a rolling twelve (12) month period~~7~~.

(vii) ~~v~~*Insolvency:*

- (A) ~~(E)~~Any Material Group Company is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its classes of creditors with a view to rescheduling any of its ~~Indebtedness which could reasonably be expected to have a Material Adverse Effect on the ability of the Issuer and its Subsidiaries taken as a whole, to meet its payment obligations under the Bonds;~~Financial Indebtedness;
- (B) ~~(F)~~The value of the assets of any Material Group Company is less than its unsubordinated liabilities (taking into account contingent and prospective liabilities) ~~which in the case of a Material Group Company could reasonably be expected to have a Material Adverse Effect;~~ or
- (C) ~~(G)~~ A moratorium is declared in respect of any Financial Indebtedness of any Material Group Company.

(viii) ~~vi~~*Insolvency Proceedings: Any corporate action, legal proceedings or other similar procedure or step is taken in relation to: and business rescue proceedings:*

Any corporate action, legal proceedings or other procedure or step (including an application to court, proposal or convening of a meeting) is taken in relation to the Issuer and/or a Material Subsidiary with a view to:

- (A) the suspension of payments, a moratorium of any indebtedness, liquidation, winding-up, dissolution, administration, business rescue or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) ~~of any Material Group Company, other than pursuant to a Permitted Transaction;~~
- ~~(B) for the commencement of business rescue proceedings (as contemplated in the Companies Act);~~
- (B) ~~(C)~~ a composition, compromise, assignment or arrangement with any creditor ~~or class of creditors of any Material Group Company;~~
- (C) ~~(D)~~ the appointment of a liquidator receiver, administrative receiver, administrator, business rescue practitioner, administrative receiver, judicial manager, compulsory manager, business rescue practitioner or other similar officer in respect of ~~any Material Group Company that entity~~ or any of its assets; or
- (D) enforcement of any Security over any assets of that entity;
- (E) or any analogous procedure or step is taken in any jurisdiction;
- (F) and in respect of a winding-up, is not contested in good faith and with due diligence and discharged within thirty days of its commencement;
- (G) A meeting is proposed or convened by the directors of the Issuer or a Material Subsidiary, a resolution is proposed or passed, application is made or an order is applied for or granted, to authorise the entry into or implementation of any business rescue or administration proceedings (or any similar proceedings) in respect of that entity, or any analogous procedure or step is taken in any jurisdiction;

(in each case otherwise than in respect of a solvent reconstruction or for purposes of a reorganisation approved by ~~a~~ an Extraordinary Resolution of the Bondholders) ~~and any such procedure or proceedings are not contested in good faith nor discharged within twenty one (21) Business Days (or such shorter period provided for contesting such procedure or proceedings under the laws of the relevant jurisdiction).~~

- (ix) ~~iii~~ *Failure to comply with final judgment*: Any Material Group Company fails within five (5) Business Days of the due date to comply with or pay any sum due from it under any material final judgement or any final order made or given by any court of competent jurisdiction. For the purposes of this clause, a "material final judgement" shall be any judgement for the payment of a sum of money in excess of two point

five (2.5) per cent of the total assets of the Issuer as stated in the consolidated monthly management accounts, or where applicable, audited consolidated annual financial statements for a rolling twelve (12) month period;

(x) ~~viii~~. *Repudiation and Unenforceability*: The Issuer repudiates any Finance Document or any Finance Document is declared to be or is otherwise unenforceable against the Issuer by a court of the jurisdiction of incorporation of the Issuer. If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Bondholders in writing.

- (b) The Agent may not accelerate the Bonds in accordance with Clause 13(a) above by reference to a specific Event of Default if it is no longer continuing or if it has been decided, on a Bondholders Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).
- (c) The Agent shall notify the Bondholders of an Event of Default within five (5) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing. The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.
- (d) If the Bondholders instruct the Agent to accelerate the Bonds, the Agent shall promptly declare the Bonds due and payable and take such actions as may, in the opinion of the Agent, be necessary or desirable to enforce the rights of the Bondholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.
- (e) If the right to accelerate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
- (f) In the event of an acceleration of the Bonds in accordance with this Clause ~~13.6~~, the Issuer shall redeem all Bonds at an amount ~~per Bond equal to the redemption amount specified in Clause 9.3 (Voluntary total redemption (call option)), as applicable considering when the acceleration occurs,~~ equal to the Nominal Amount together with accrued interest (if any) to the date of acceleration.

## 17. ~~14.~~ Distribution of Proceeds

- (a) All payments by the Issuer relating to the Bonds and the Finance Documents following an acceleration of the Bonds in accordance with Clause ~~13-16~~ (*Events of Default and Acceleration of the Bonds*) and any proceeds received from an enforcement of the Upstream Guarantee shall be distributed in the following order of priority, in accordance with the instructions of the Agent:

- (i) first, in or towards payment pro rata of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Bondholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Bonds, the enforcement of the Upstream Guarantee or the protection of the Bondholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause ~~19.2(e)~~22.2(e), and (iv) any costs and expenses incurred by the Agent in relation to a Bondholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause ~~15~~8(c);
- (ii) secondly, in or towards payment *pro rata* of accrued but unpaid Interest under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
- (iii) thirdly, in or towards payment pro rata of any unpaid ~~principal~~Capital Nominal Amounts under the Bonds; and
- (iv) fourthly, in or towards payment pro rata of any other costs or outstanding amounts unpaid under the Finance Documents.

Any excess funds after the application of proceeds in accordance with paragraphs (i) to (iv) above shall be paid to the Issuer.

- (b) If a Bondholder or another party has paid any fees, costs, expenses or indemnities referred to in Clause ~~14~~7(a)(i), such Bondholder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause ~~14~~7(a)(i).
- (c) Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Bonds or the enforcement of the Upstream Guarantee constitute escrow funds (Sw. redovisningsmedel) and must be held on a separate interest-bearing account on behalf of the Bondholders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause ~~14-17~~ as soon as reasonably practicable.
- (d) If the Issuer or the Agent shall make any payment under this Clause ~~14~~7, the Issuer or the Agent, as applicable, shall notify the Bondholders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 7(a) shall apply.

## 18. ~~15.~~ Decisions by Bondholders

- (a) A request by the Agent for a decision by the Bondholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Bondholders' Meeting or by way of a Written Procedure.
- (b) Any request from the Issuer or a Bondholder (or Bondholders) representing at least ten (10) per cent of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Bondholders, be made by them jointly) for a decision by the Bondholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Bondholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Bondholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Bondholders' Meeting.
- (c) The Agent may refrain from convening a Bondholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Bondholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- (d) Only a person who is, or who has been provided with a power of attorney pursuant to Clause 6 (*Right to Act on Behalf of a Bondholder*) from a person who is, registered as a Bondholder:
- (i) on the Record Date prior to the date of the Bondholders' Meeting (however, for the NOK Bonds, the last Business Day Norway before the date of the Bondholders Meeting), in respect of a Bondholders' Meeting, or
  - (ii) on the Business Day specified in the communication pursuant to Clause ~~17~~20(c), in respect of a Written Procedure,
- may exercise voting rights as a Bondholder at such Bondholders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.
- (e) Other than with respect to an extension of the standstill period under any standstill agreement, which shall require the consent of Bondholders representing more than fifty (50) per cent of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure, the following matters shall require the consent of Bondholders representing at least eighty (80) per cent of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause ~~17~~20(c):



- (i) the issue of any Bonds after the Issue Date, if the total nominal amount of (i) the SEK Bonds exceeds, or if such issue would cause the total nominal amount of the SEK Bonds to at any time exceed, SEK 260,000,000 or (ii) the NOK Bonds exceeds, or if such issue would cause the total nominal amount of the NOK Bonds to at any time exceed, NOK 135,000,000 (for the avoidance of doubt, for which consent shall be required at each occasion such Bonds are issued);
  - (ii) a change to the terms of any of Clause 2(a), and Clauses 2(~~de~~) to 2(~~fg~~);
  - ~~(iii) a reduction of the premium payable upon the redemption or repurchase of any Bond pursuant to Clause 9 (Redemption and Repurchase of the Bonds);~~
  - ~~(iii)~~ ~~(iv)~~ a change to the Interest Rate or the Nominal Amount;
  - ~~(iv)~~ ~~(v)~~ a change to the terms for the distribution of proceeds set out in Clause ~~14-17~~ 17 (*Distribution of Proceeds*);
  - ~~(v)~~ ~~(vi)~~ a change to the terms dealing with the requirements for Bondholders' consent set out in this Clause ~~15~~ 8;
  - ~~(vi)~~ ~~(vii)~~ a change of issuer, an extension of the tenor of the Bonds or any delay of the due date for payment of any principal or interest on the Bonds;
  - ~~(vii)~~ ~~(viii)~~ a release of any of the Upstream Guarantors from their obligations under the Upstream Guarantee;
  - ~~(viii)~~ ~~(ix)~~ a mandatory exchange of the Bonds for other securities; and
  - ~~(ix)~~ ~~(x)~~ early redemption of the Bonds, other than upon an acceleration of the Bonds pursuant to Clause ~~13-16~~ 16 (*Events of Default and Acceleration of the Bonds*) or as otherwise permitted or required by these Terms and Conditions.
- (f) For the avoidance of doubt, the matters set forth in Clauses 9.5 (*Mandatory redemption due to a Change of Control Event (put option)*) and Clause in case of disposal of assets 9.6 (*Mandatory redemption due to a Business Cessation Event (put option) pro rata in case of repayment of the Senior Unsecured Loan*), 9.7 (*Mandatory redemption due to a change of control event*), 10 (*Amortisation*) and 11 (*Cash Sweep*) shall require the passing of an Extraordinary Resolution.
- (g) Any matter not covered by Clauses 15 8(e) or 15 8(f) shall require the consent of Bondholders representing more than 50 per cent of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause ~~17~~ 20(c). This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that

does not require a higher majority (other than an amendment permitted pursuant to Clause ~~18(a)~~21(a)(i) or (~~18(a)~~21(a)(ii))) or an acceleration of the Bonds or the enforcement of any Upstream Guarantee.

- (h) Quorum at a Bondholders' Meeting or in respect of a Written Procedure only exists if a Bondholder (or Bondholders) representing at least fifty (50) per cent of the Adjusted Nominal Amount in case of a matter pursuant to Clause ~~15~~8(e), and otherwise twenty (20) per cent of the Adjusted Nominal Amount:
  - (i) if at a Bondholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
  - (ii) if in respect of a Written Procedure, reply to the request.
- (i) If a quorum does not exist at a Bondholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Bondholders' Meeting (in accordance with Clause ~~16~~9(a)) or initiate a second Written Procedure (in accordance with Clause ~~17~~20(a)), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure for Bondholders' consent. The quorum requirement in Clause ~~15~~8(h) shall not apply to such second Bondholders' Meeting or Written Procedure.
- (j) Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as appropriate.
- (k) A Bondholder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- (l) The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Bondholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Bondholders that consent at the relevant Bondholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- (m) A matter decided at a duly convened and held Bondholders' Meeting or by way of Written Procedure is binding on all Bondholders, irrespective of them being present or represented at the Bondholders' Meeting or responding in the Written Procedure. The Bondholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Bondholders.

- (n) All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Bondholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- (o) If a decision shall be taken by the Bondholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company or an Affiliate.
- (p) Information about decisions taken at a Bondholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Bondholders and published on the websites of the Group and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Bondholders' Meeting or Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Agent, as applicable.
- (q) Notwithstanding anything to the contrary above, at a Bondholders' Meeting or by way of a Written Procedure, each Bondholder holding SEK Bonds shall have one vote for each SEK Bond and each Bondholder holding NOK Bonds shall have a number of votes for each Bond owned equal to the value in SEK converted at the Initial Exchange Ratio, based on the number of Bonds owned at close of business on the applicable Record Date (however, for the NOK Bonds, the last Business Day Norway before the date of the Bondholders Meeting or Written Procedure) or date set out in Clause ~~15.8~~(d)(ii) above in accordance with the records registered in the relevant CSD. For the avoidance of doubt, the Adjusted Nominal Amount shall at all times be calculated based on the Initial Exchange Ratio.

## 19. ~~16.~~ Bondholders' Meeting

- (a) The Agent shall convene a Bondholders' Meeting by sending a notice thereof to each Bondholder no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons).
- (b) Should the Issuer want to replace the Agent, it may convene a Bondholders' Meeting in accordance with Clause ~~16.9~~(a) with a copy to the Agent. After a request from the Bondholders pursuant to Clause ~~19.4~~(~~c~~~~22.4~~(c)), the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Bondholders' Meeting in accordance with Clause ~~16.9~~(a).
- (c) The notice pursuant to Clause ~~16.9~~(a) shall include (i) time for the meeting, (ii) place for the meeting, (iii) a specification of the Business Day on which a

Person must be registered as a Bondholder in order to be entitled to exercise voting rights (such Business Day not to fall earlier than the effective date of the notice pursuant to Clause 19(a), (iv) agenda for the meeting (including each request for a decision by the Bondholders) and (~~iv~~) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Bondholders' Meeting. Should prior notification by the Bondholders be required in order to attend the Bondholders' Meeting, such requirement shall be included in the notice.

- (d) The Bondholders' Meeting shall be held no earlier than five (5) Business Days and no later than ten (10) Business Days from the notice.
- (e) Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Bondholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Bondholders to vote without attending the meeting in person.

## 20. ~~17.~~ Written Procedure

- (a) The Agent shall instigate a Written Procedure no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Bondholder (i) holding SEK Bonds, on the Business Day Sweden prior to the date on which the communication is sent, or (ii) holding NOK Bonds on the Business Day Norway, prior to the date on which the communication is sent.
- (b) Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause ~~17(a)~~20(a) to each Bondholder with a copy to the Agent.
- (c) A communication pursuant to Clause ~~17(a)~~20(a) shall include (i) each request for a decision by the Bondholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Bondholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Bondholder must reply to the request (such time period to last at least five (5) Business Days from the communication pursuant to Clause ~~17(a)~~20(a)). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- (d) When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses ~~158~~158(e), ~~158~~158(f) or ~~158~~158(g) have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause ~~158~~158(e), ~~158~~158(f) or ~~158~~158(g), as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

## 21. ~~18.~~ Amendments and Waivers

- (a) The Issuer and the Agent (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
- (i) ~~The Agent is satisfied that~~ such amendment or waiver is not detrimental to the interest of the Bondholders, ~~or;~~
  - (ii) ~~(i)~~ Such amendment or waiver is made solely for the purpose of rectifying obvious errors and mistakes;
  - (iii) ~~(ii)~~ such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
  - (iv) ~~(iii)~~ such amendment or waiver has been duly approved by the Bondholders in accordance with Clause ~~15—18~~ (*Decisions by Bondholders*) and the Agent has received any conditions precedent specified for the effectiveness of the approval by the Bondholders.
- (b) The consent of the Bondholders is not necessary to approve the particular form of any amendment to the Finance Documents. It is sufficient if such consent approves the substance of the amendment.
- (c) The Agent shall promptly notify the Bondholders of any amendments or waivers made in accordance with Clause ~~18(a)~~ 21(a), setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause ~~13.3~~ 3.3 (*Publication of Finance Documents*). The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and/or each other relevant organisation or authority (to the extent such registration is possible in accordance with the rules of the relevant CSD).
- (d) An amendment to the Finance Documents shall take effect on the date determined by the Bondholders Meeting, in the Written Procedure or by the Agent, as the case may be.

## 22. ~~19.~~ Appointment and Replacement of the Agent

### 22.1 ~~19.1~~ Appointment of Agent

- (a) By subscribing for Bonds, each initial Bondholder appoints the Agent to act as its agent in all matters relating to the Bonds and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Bondholder including any legal or arbitration proceeding relating to the perfection, preservation, protection or enforcement of the Upstream

Guarantee. By acquiring Bonds, each subsequent Bondholder confirms such appointment and authorisation for the Agent to act on its behalf.

- (b) Each Bondholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Bondholder which does not comply with such request.
- (c) The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- (d) The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.
- (e) The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

## 22.2 ~~19.2~~ Duties of the Agent

- (a) The Agent shall represent the Bondholders in accordance with the Finance Documents including, inter alia, holding the Upstream Guarantee on behalf of the Bondholders and, where relevant, enforcing the Upstream Guarantee on behalf of the Bondholders. However, the Agent is not responsible for the execution or enforceability of the Finance Documents or the perfection of the Upstream Guarantee.
- (b) When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Bondholders. The Agent is not acting as an advisor (whether legal, financial or otherwise) to the Bondholders or any other person and no opinion or advice by the Agent will be binding on the Bondholders.
- (c) The Agent shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.
- (d) The Agent is not obligated to assess or monitor the financial condition of the Issuer or compliance by the Group with the terms of the Finance Documents (unless to the extent expressly set out in the Finance Documents).
- (e) ~~(e)~~ The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under the Finance Documents.

- (f) ~~(d)~~ The Agent shall treat all Bondholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (g) ~~(e)~~ The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event which the Agent reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer or the Upstream Guarantee which the Agent reasonably believes may be detrimental to the interests of the Bondholders under the Finance Documents. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause ~~14-17~~ (Distribution of Proceeds).
- (h) Other than as specifically set out in the Finance Documents, the Agent shall not be bound to monitor (i) whether any Event of Default has occurred, (ii) the performance, default or any breach by the Issuer of its obligations under the Finance Documents, or (iii) whether any other event specified in any Finance Document has occurred. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.
- (i) The Agent shall only have to examine the face of documents and information delivered to it and shall not be liable to the Noteholders for damage due to any such documents and information not being accurate, correct and complete and, as applicable, duly authorised, executed, legally valid, binding and enforceable.
- (j) ~~(f)~~ Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (k) ~~(g)~~ If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Bondholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.
- (l) ~~(h)~~ The Agent shall give a notice to the Bondholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or (ii) if it refrains from acting for any reason described in Clause ~~19.2~~ (g22.2(k)).

- (m) [The Agent may instruct the CSD to split the NOK Bonds to a lower nominal amount in order to facilitate amortisation or partial redemption of the Bonds or other situations.](#)

### **22.3 ~~19.3~~Limited liability for the Agent**

- (a) The Agent will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- (b) The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Bondholders to delay the action in order to first obtain instructions from the Bondholders.
- (c) The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Bondholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- (d) The Agent shall have no liability to the Bondholders for damage caused by the Agent acting in accordance with instructions of the Bondholders given in accordance with Clause ~~15-18~~ [\(Decisions by Bondholders\)](#) or a demand by Bondholders given pursuant to Clause ~~136~~ [\(a\)](#).
- (e) Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Bondholders under the Finance Documents.

### **22.4 ~~19.4~~Replacement of the Agent**

- (a) Subject to Clause ~~19.4(f)~~ [22.4\(f\)](#), the Agent may resign by giving notice to the Issuer and the Bondholders, in which case the Bondholders shall appoint a successor Agent at a Bondholders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- (b) Subject to Clause ~~19.4(f)~~ [22.4\(f\)](#), if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (c) A Bondholder (or Bondholders) representing at least ten (10) per cent of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Bondholder on the Business Day



immediately following the day on which the notice is received by the Issuer and shall, if given by several Bondholders, be given by them jointly), require that a Bondholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Bondholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Bondholders that the Agent be dismissed and a new Agent appointed.

- (d) If the Bondholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Bondholders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (e) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (f) The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- (g) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Bondholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.
- (h) In the event that there is a change of the Agent in accordance with this Clause ~~19.422.4~~, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Agent agrees otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

### 23. ~~20.~~ Appointment and Replacement of the Issuing Agent

- (a) The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.
- (b) The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities

institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is Insolvent, the Issuer shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

## 24. ~~21.~~ No Direct Actions by Bondholders

- (a) A Bondholder may not take any steps whatsoever against the Issuer or with respect to the Upstream Guarantee to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (Sw. företagsrekonstruktion) or bankruptcy (Sw. konkurs) (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the liabilities of the Issuer under the Finance Documents.
- (b) Clause ~~21.4~~(a) shall not apply if the Agent has been instructed by the Bondholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Bondholder to provide documents in accordance with Clause ~~19.1(b)~~22.1(b)), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or by any reason described in Clause ~~19.2(g)~~22.2(k), such failure must continue for at least forty (40) Business Days after notice pursuant to Clause ~~19.2(h)~~22.2(l) before a Bondholder may take any action referred to in Clause ~~21.4~~(a).
- (c) The provisions of Clause ~~21.4~~(a) shall not in any way limit an individual Bondholder's right to claim and enforce payments which are due to it under Clause 9.57 (*Mandatory redemption due to a Change of Control Event (put option)*) or other payments which are due by the Issuer to some but not all Bondholders.

## 25. ~~22.~~ Prescription

- (a) The right to receive repayment of the principal of the Bonds shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Bondholders' right to receive payment has been prescribed and has become void.
- (b) If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Bonds, and of three (3) years with respect to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from

the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

## 26. ~~23.~~ Notices and Press Releases

### 26.1 ~~23.1~~ Notices

- (a) Any notice or other communication to be made under or in connection with the Finance Documents:
- (i) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) on the Business Day prior to dispatch;
  - (ii) if to the Issuer, shall be given at the address registered with the South African Companies Registration Office on the Business Day prior to dispatch;
  - (iii) if to the Bondholders under the SEK Bonds, shall be given at their addresses as registered with the CSD, on the Business Day Sweden prior to dispatch, and by either courier delivery or letter for all Bondholders. A Notice to the Bondholders shall also be published on the websites of the Group and the Agent (being Stamdata, for as long as ~~Swedish-Nordic~~ Trustee & Agency AB (publ) is the Agent);
  - (iv) if to the Bondholders under the NOK Bonds, shall (i) if made by the Agent, be sent via VPS with a copy to the Issuer and the Exchange. Information to the Bondholders may also be published at Stamdata only, and (ii) if made by the Issuer shall be sent via the Agent, alternatively through the VPS with a copy to the Agent and the Exchange.
- (b) Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery (or, in terms of notice or other communication to the Bondholders under the NOK Bonds, delivered through VPS or posted on Stamdata as set out in (a)(iv) above) or letter and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause ~~23~~6.1(a) or, in case of letter, one (1) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause ~~23~~6.1(a) or in case of notice or other communication posted through VPS, on the date of the message being issued by VPS and in terms of notice or other communication posted on Stamdata, when publicly available.
- (c) Failure to send a notice or other communication to a Bondholder or any defect in it shall not affect its sufficiency with respect to other Bondholders.
- (d) If an Event of Default is continuing, any notice or other communication made by the Agent to the Issuer under or in connection with the Finance Documents may, provided that the Agent deems it necessary in order to preserve the

Bondholders' rights under the Finance Documents, be sent by email and will be effective on the day of dispatch (unless a delivery failure message was received by the Agent), save that any notice or other communication sent by email that is sent after 5.00 pm in the place of receipt shall be deemed only to become effective on the following day. Any notice or other communication to be sent by email by the Agent to the Issuer in accordance with this paragraph (c) shall be sent to the CFO or the CEO of the Issuer, to the email addresses most recently notified by the Issuer to the Agent.

## 26.2 ~~23.2~~ Press releases

Any notice that the Issuer or the Agent shall send to the Bondholders pursuant to Clauses 9.3 (*Voluntary ~~total~~-redemption (call option)*), 9.4 (*Early redemption due to illegality (call option)*), ~~136~~(c), ~~158~~(p), ~~169~~(a), ~~17(a)~~~~20(a)~~ and ~~18(c)~~~~21(c)~~ shall also be published by way of press release by the Issuer or the Agent, as applicable and be published on Stamdata, for as long as ~~Swedish-Nordic~~ Trustee ~~& Agency~~ AB (publ) is the Agent).

## 27. ~~24.~~ Force Majeure and Limitation of Liability

- (a) Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a "**Force Majeure Event**"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.
- (b) The Issuing Agent shall have no liability to the Bondholders if it has observed reasonable care. The Issuing Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.
- (c) Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.
- (d) The provisions in this Clause ~~24-27~~ apply unless they are inconsistent with the provisions of the Swedish Central Securities Depositories and Financial Instruments Accounts Act or the Norwegian Securities Register Act which provisions shall take precedence.

## 28. ~~25.~~ Governing Law and Jurisdiction

- (a) These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.
- (b) The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).

- (c) The submission to the jurisdiction of the Swedish courts shall however not limit the right of the Agent to take proceedings against the Issuer in any court which may otherwise exercise jurisdiction over the Issuer or any of its assets.

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*[Signature block intentionally left out in the amended and restated version]*

**Draft E PIK Notes**

*Schedule 4*

Certificate Number

Transfer Number

Transaction Date

Number of Notes

**REAL PEOPLE™**

**REAL PEOPLE INVESTMENT HOLDINGS LIMITED**

*(Incorporated in the Republic of South Africa with limited liability under registration number 1999/020093/06)*

unconditionally and irrevocably guaranteed by

**[•]** *(Incorporated in the Republic of South Africa with limited liability under registration number [•])*

**NAME AND ADDRESS OF NOTEHOLDER**

The Notes represented by this Individual Certificate are issued subject to the terms and conditions set out in the attached terms and conditions in respect of the Notes (the **Terms and Conditions**). The Notes represented by this Individual Certificate are transferable only in accordance with, and subject to, the provisions hereof (including the legend set out below) and of the Terms and Conditions. This Individual Certificate is governed by, and shall be construed in accordance with, South African law.

This is to certify that the undermentioned is the registered Noteholder of the undermentioned Notes issued, subject to the terms and conditions set out in the Programme Memorandum issued in respect of the Notes.

**AGGREGATE PRINCIPAL AMOUNT**

**ZAR[•],000,000 13 % FIXED RATE SUBORDINATED UNSECURED E PIK NOTES**

**REAL PEOPLE INVESTMENT HOLDINGS LIMITED**

Authorised Signatory

**REAL PEOPLE INVESTMENT HOLDINGS LIMITED**

Authorised Signatory

[•]  
Transfer Agent  
Address of Transfer Agent  
[•]

Given on behalf of the Issuer at Johannesburg on the date printed above. No transfer of any portion of this holding may be registered without the production of this certificate.

Registered Address of Issuer      Papagallo Penthouse Office, 12 Esplanade Road, Quigney, East London, 5201

**The Notes represented by this Individual Certificate have not been, and will not be, registered under the United States Securities Act of 1933, as amended.**

**The Notes may not be offered, sold or delivered within the United States or to United States persons except in accordance with Regulation S under the Securities Act of 1933, as amended.**

Words and expressions defined or set out in the Terms and Conditions shall bear the same meaning when used herein.

This is to certify that the Noteholder mentioned overleaf is, at the date hereof, entered into the Register as the holder of the aggregate Nominal Amount of Notes, as stated overleaf.

The Issuer is Real People Investment Holdings Limited.

The ultimate borrower in respect of this issue of Notes is Real People Investment Holdings Limited. This Individual Certificate is issued subject to, and with the benefit of, the Terms and Conditions.

Subject to and in accordance with the Terms and Conditions, the registered holder(s) of this Individual Certificate only is/are entitled to receive on such date(s) as the Notes may become due and payable in accordance with the Terms and Conditions, the amount payable under the Terms and Conditions in respect of the Notes on such due date and interest (if any) on the Notes calculated as payable as provided in the Terms and Conditions, together with any other sums payable under the Terms and Conditions, all in accordance with the Terms and Conditions.

The Notes represented by this Individual Certificate are transferable only in accordance with, and subject to, the provisions hereof (including the legend set out overleaf) and of Condition 14 (*Transfer of Notes*) of the Terms and Conditions. This Individual Certificate is governed by, and shall be construed in accordance with, South African law. This Individual Certificate shall not be valid unless authenticated by the Transfer Agent.



## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which (subject to completion and amendment) will be incorporated by reference into each Individual Certificate.

### 1. INTERPRETATION

In these terms and conditions, unless inconsistent with the context, the following expressions shall have the following meanings:

<b>A Ordinary Shares</b>	the A ordinary shares in the share capital of the Issuer having the rights and privileges set out in Article [•] of the MOI;
<b>A Ordinary Share Allocation</b>	that portion of the Distributable Amount which the holders of the A Ordinary Shares are entitled to receive as a distribution on the relevant Payment Date as determined in accordance with the rights and privileges attaching to the A Ordinary Shares;
<b>Acceptable Bank</b>	a) any of Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited, Investec Bank Limited; b) a bank or financial institution which has an international scale rating for its long-term unsecured and non-credit enhanced debt obligations of A+ or higher by Standard & Poor's Ratings Services or Fitch Ratings Ltd or A1 or higher by Moody's Investor Services Limited, or a comparable rating from an internationally recognised credit rating agency; and c) any other bank or financial institution approved by the Noteholders;
<b>Accession Letter</b>	in respect of an Additional Guarantor, an undertaking substantially in the form of Schedule 1 ( <i>Form of Accession Letter</i> ) to the Guarantee;
<b>Additional Guarantor</b>	a Material Subsidiary which has become a Guarantor in accordance with clause [•] ( <i>Additional Guarantors</i> ) of the Guarantee;
<b>Accounting Principles</b>	a) as at the Issue Date, IAS 39; and b) with effect from the first set of Financial Statements prepared after the Implementation Date, IFRS9;
<b>Affiliate</b>	in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company;
<b>Applicable Pricing Supplements</b>	in relation to a tranche of DMTN Notes, the pricing supplement completed and signed by the Issuer in relation to that tranche of

DMTN Notes, setting out the additional and/or other terms and conditions as are applicable to that tranche of DMTN Notes, based upon the *pro forma* pricing supplement which is set out in the section of the Programme Memorandum;

**Approved Financial Criteria**

- a) prior to the Senior Discharge Date: Proposed Financial Criteria which has been approved or deemed to have been approved by the Senior Lenders in accordance with the Senior Facilities Agreement; and
- b) after the Senior Discharge Date: Proposed Financial Criteria which has been approved or is deemed to have been approved by an Extraordinary Resolution of Noteholders;

**Auditors**

the auditors of the Group at that time, being at the Issue Date, Deloitte and Touché, and any replacement for those auditors

**B Preference Shares**

perpetual B preference shares in the issued share capital of the Issuer which confers on its holder the rights and privileges set out in Article [•] of the MOI (previously known as the Compulsory Convertible Preference Shares);

**Broad Strategic Guidelines**

the strategic guidelines in terms of which the Investment Proposals shall be prepared;

**Budgeted Investments**

- a) prior to the Senior Discharge Date: the investments contemplated in an Investment Proposal which has been approved by the Senior Lenders as part of the Approved Financial Criteria in accordance with the Senior Facilities Agreement;
- b) after the Senior Discharge Date: the Investments contemplated in an Investment Proposal which forms a part of the Approved Financial Criteria in accordance with the provisions of Condition 9.2;

**Business Day**

a day which is a day, other than a Saturday, Sunday or official South African public holiday, on which commercial banks settle ZAR payments in Johannesburg;

**C Preference Shares**

the perpetual C1 and C2 preference shares in the issued share capital of the Issuer which confer on the holders the rights and privileges set out in Articles [•] and [•] respectively of the MOI;

**Calculation Agent**

the Issuer, or such other entity appointed by the Issuer as Calculation Agent, with prior written notification to the Noteholders;

## **Cash**

an amount, denominated in Rand, or any other currency (approved by the Noteholders), of cash in hand, or credit balances or amounts on deposit with an Acceptable Bank to which a member of the Group is alone (or together with other members of the Group) beneficially entitled if:

- a) the cash is accessible on demand or within thirty days after the relevant date of calculation;
- b) access of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition other than notice or demand thereof (but not exceeding the period of demand referred to in (a) above of the Senior Facilities Agreement);
- c) there is no Security over that cash or over claims in respect thereof; and
- d) the cash is freely and (except as mentioned in (a) above) immediately available to be applied in repayment or prepayment of any indebtedness owing by the Issuer;

## **Cash Equivalents**

at any time:

- a) certificates of deposit maturing within thirty days after the relevant date of calculation and issued by an Acceptable Bank in South Africa;
- b) any investment in marketable debt obligations issued or guaranteed by South Africa or by an instrumentality or agency of South Africa having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;
- c) commercial paper not convertible or exchangeable to any other security:
  - i. for which a recognised trading market exists;
  - ii. issued by an issuer incorporated in South Africa;
  - iii. which matures within 3 months after the relevant date of calculation; and
  - iv. which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investors Service Limited, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term

unsecured and non-credit enhanced debt obligations, an equivalent rating;

- d) any investment in money market funds which (i) have a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P 1 or higher by Moody's Investors Service Limited, (ii) invest substantially all their assets in securities of the types described in (a) to (c) and (iii) can be turned into cash on not more than thirty days' notice; or

**Cash Flow Forecast**

"Cash Flow Forecast" as defined in Condition 9.2.2.1.4;

**Cashflow Waterfall**

the waterfall of payments set out in Condition 9.1 (*Cashflow Waterfall and payments to Noteholders*);

**Companies Act**

the Companies Act, 2008 (as amended);

**Default Interest Rate**

2%;

**Default**

an Event of Default or any event or circumstances specified in Condition 12 (*Events of Default*) which would (with the expiry of any applicable grace period, the giving of notice or the making of any determination under the Notes or any combination of the foregoing) be an Event of Default;

**Disposal**

a sale, lease, licence, transfer, loan or other disposal by a person of any asset, undertaking or business (whether by a voluntary or involuntary single transaction or series of transactions), and **Dispose** and **Disposed** shall have a corresponding meaning;

**Disruption Event**

- a) either or both of:
- b) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facilities (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- c) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payment operations of a Party preventing that, or any other Party:
  - i. from performing its payment obligations under the Finance Documents; or

	<ul style="list-style-type: none"> <li>ii. from communicating with other Parties in accordance with the terms of the Finance Documents,</li> </ul>
	<ul style="list-style-type: none"> <li>d) and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted;</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>a) in relation to the Ordinary Shares, A Ordinary Shares, C Preference Shares and B Preference Shares, a "distribution" as contemplated in the Companies Act; and</li> <li>b) in relation to the D PIK Notes and the Notes, as applicable, any repayment of principal or accrued interest or any other amount owing under the D PIK Notes or the Notes, as applicable;</li> </ul>
<b>Distributable Amount</b>	from time to time and in relation to each Payment Date, the amount of cash held by the Issuer at that time which the Board in its sole discretion has elected to make available, subject to applicable law, to make a Distribution to the holders of the Equity Capital Instruments;
<b>DMC</b>	DMC Debt Management Proprietary Limited (formerly Real People Proprietary Limited) a company incorporated under the laws of South Africa with registration number 2007/033467/07;
<b>DMC4</b>	DMC Acquired Debts 4 Proprietary Limited a company incorporated under the laws of South Africa with registration number 2006/029752/07;
<b>DMC Business</b>	the business and operations conducted by the Group related to debt acquisition and management, concentrating on debt collection and specialising in: <ul style="list-style-type: none"> <li>a) the purchase and collection of late stage arrear customer debt, including (but not limited to) customer debt held by banking institutions, retailers and cellular service providers;</li> <li>b) contingency collections; and</li> <li>c) providing services to Non-Recourse Funding SPVs;</li> </ul>
<b>DMTN Documents</b>	<ul style="list-style-type: none"> <li>a) the Programme Memorandum;</li> <li>b) the Applicable Pricing Supplements; and</li> <li>c) each guarantee issued by an Upstream Guarantor (as defined in the Programme Memorandum);</li> </ul>
<b>DMTN Notes</b>	the notes issued by the Issuer under the Programme Memorandum;

<b>Dormant Subsidiary</b>	any member of the Group which does not trade (for itself or as agent for any person) and does not own, legally or beneficially, assets (including indebtedness owed to it) which in aggregate have a value of ZAR10,000 or more or its equivalent in other currencies;
<b>D PIK Note</b>	each instrument in the form of a note issued or to be issued by the Issuer on the Implementation Date which by its terms is referred to as a "D PIK Note";
<b>Entitlement Percentage</b>	until all of the Notes are repaid in full, 97% of 85%;
<b>Equity Capital Instrument</b>	<ul style="list-style-type: none"> <li>a) each ordinary share;</li> <li>b) each A Ordinary Share;</li> <li>c) each B Preference Share;</li> <li>d) each C Preference Share;</li> <li>e) each D PIK Note; and</li> <li>f) each Note;</li> </ul>
<b>Event of Default</b>	an event set out in Condition 12;
<b>Excess Cash</b>	"Excess Cash" as defined in Condition 9.2.2.1.6;
<b>Excess Cash Payment Date</b>	"Excess Cash Payment Date" as defined in Condition 9.2.1;
<b>Existing Absa Security</b>	the collateral that is required to be posted by the Issuer from time to time in accordance with the Existing Hedge Agreements;
<b>Existing Finance Documents</b>	<ul style="list-style-type: none"> <li>a) the DMTN Documents;</li> <li>b) the IAM Term Loan Agreement;</li> <li>c) the NHFC Term Loan Agreement;</li> <li>d) the RHLF Term Loan Agreements;</li> <li>e) the responsAbility Promissory Notes, and</li> <li>f) any other agreement concluded by any member of the Group with any lender in connection with any of the aforementioned agreements, including, but not limited to, any guarantee, indemnity, security document, or any other similar document;</li> </ul>
<b>Existing Hedge Agreements</b>	a) the ISDA 2002 Master Agreement (including the Schedule thereto) entered into between Absa and RPIH on or about 06 September 2013 (the <b>Master Agreement</b> ); and

b) the ISDA Credit Support Annex to the Schedule to the Master Agreement entered into between Absa and RPIH on or about 06 September 2013;

**Existing Nordic Bond Documents**

- a) the Existing Nordic Bonds;
- b) the Existing Nordic Bonds Terms and Conditions; and
- c) any other agreement concluded by any member of the Group with the Nordic Bondholders in connection with any of the afore-mentioned documents, including, but not limited to, any guarantee, indemnity, security document, or any other similar document;

**Existing Nordic Bonds**

the SEK260,000,000 and NOK135,000,000 senior unsecured floating rate bonds 2013/2018 with ISIN SE0005392560 or NO0010689342 issued by RPIH on 19 September 2013;

**Existing Nordic Bonds Terms and Conditions**

the terms and conditions governing the Nordic Bonds, entered into by RPIH as Issuer and Nordic Trustee & Agency (publO) as agent on 16 September 2013;

**[Existing Standard Bank Security]**

[Drafting Note: to list individual security items];

**Existing Security**

**Extraordinary Resolution**

the Existing Absa Security and the Existing Standard Bank Security; (i) a resolution passed at a meeting (duly convened) or (ii) a written resolution of the Noteholders by a majority consisting of not less than 66<sup>2</sup>/<sub>3</sub>% of the votes given on such poll or if a vote by show of hands be duly demanded then by a majority consisting of not less than 66<sup>2</sup>/<sub>3</sub>% of the Persons voting at such meeting on a show of hands;

**Facility Agent**

[•]

**Finance Charges**

"Finance Charges" as defined in Condition **Error! Reference source not found.**;

**Finance Documents**

the Senior Facilities Agreement, any accession letter, any compliance certificate, the Implementation Agreement and any other document designated as a "*Finance Document*" by written agreement between the Issuer and Noteholders;

**Financial Indebtedness**

without double counting, any indebtedness for or in respect of:

- a) moneys borrowed;
- b) debit balances at banks or other financial institutions;

- c) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);
- d) any note purchase facility or the issue of bonds (but not Trade Instruments), notes, debentures, loan stock or any similar instrument;
- e) the amount of any liability in respect of Finance Leases;
- f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis and meet any requirement for de-recognition under the Accounting Principles);
- g) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);
- h) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument in respect of (a) an underlying liability which liability would fall within one of the other sub-Conditions of this definition or (b) any liabilities of any member of the Group relating to any post-retirement benefit scheme;
- i) any amount raised by the issue of shares which by their terms (or by the terms of any security into which they are convertible or for which they are exchangeable) are redeemable (whether mandatorily or optionally) or are otherwise classified as borrowings under the Accounting Principles;
- j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Principles; and
- k) the amount of any liability in respect of any guarantee for any of the items referred to in (a) to (j);

**Financial Half Year**

the accounting period commencing on 1 April and ending on 30 September of each calendar year;

**Financial Year**

the annual accounting period of the Group ending on 31 March in each calendar year;



<b>Form of Proxy</b>	an instrument in writing signed by the Noteholder or, in the case of a Noteholder which is a corporation, executed under its common seal or signed on its behalf by a duly authorised representative of the corporation appointing a Proxy;
<b>Forecast Cash Payments</b>	the Cash payments for whatsoever purpose (including, without limitation, payments expected to be made in relation to an Investments Proposal and for Finance Charges) that the Group expects to make during the next 12 month period;
<b>Forecast Cash Receipts</b>	Cash amounts from whatsoever source that the Group expects to receive over the next 12 month period;
<b>Gross Yield</b>	all income, excluding Other Income, derived from the assets of the Group
<b>Group</b>	the Issuer and its Subsidiaries;
<b>Group Company</b>	RPIH and any Subsidiary of RPIH;
<b>Guarantee</b>	the guarantee dated [•] 2017 under which the Guarantors have, jointly and severally, given their irrevocable and unconditional guarantee to the Noteholders for the due and punctual payment by the Issuer of any amounts payable by the Issuer to the Noteholders in the manner and subject to the terms of the Guarantee. The obligations of each Guarantor under the Guarantee constitute unconditional and unsecured obligations of that Guarantor and will rank (subject to any obligations preferred by law) <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of that Guarantor, the form of which is annexed hereto marked Schedule 1;
<b>Guarantors</b>	<ul style="list-style-type: none"> <li>a) DMC;</li> <li>b) Real People Home Finance Proprietary Limited, a company incorporated under the laws of South Africa with registration number 2016/067411/07;</li> <li>c) Nyati Securitisation 1 (RF) Ltd, a company incorporated under the laws of South Africa with registration number 2012/148395/06]; and</li> <li>d) any Additional Guarantor;</li> </ul>
<b>Holding Company</b>	in relation to a person, any other person in respect of which it is a Subsidiary;
<b>Home Finance Business</b>	the business and operations conducted by Real People Home Finance Proprietary Limited, being the business of providing credit

and ancillary products to natural persons for the purposes of home improvement, building other similar purposes;

**IAM Term Loan Agreement**

the term loan agreement concluded between Investec and RPIH on or about 6 December 2010, pursuant to which a term loan facility in an amount of up to ZAR200,000,000 (Two Hundred Million Rand) was made available to RPIH by Investec;

**IFRS**

the International Financial Reporting Standards issued by the International Accounting Standards Board from time to time to the extent applicable to relevant financial statements;

**Implementation Agreement**

the implementation agreement entered into on or about the Issue Date among, *inter alios*, the Noteholders (as at the Implementation Date) and the Issuer;

**Implementation Date**

has the meaning ascribed to it in the Implementation Agreement;

**Individual Certificate**

a Note in the definitive registered form of a single certificate and being a certificate representing the interest of the Noteholders and any further certificate issued in consequence of a transfer thereof;

**Interest Period**

12 months, with the first Interest Period commencing on (and including) the Issue Date and ending on (and excluding) the first anniversary of the Issue Date, with any unpaid interest for an Interest Period being capitalized on the last day of the that Interest Period;

**Interest Rate**

13% per annum compounded annually;

**Investec**

Investec Asset Management Proprietary Limited, a company incorporated under the laws of South Africa with registration number 1984/011235/07 (acting as agent for and on behalf of its clients);

**Investments**

any investment of any nature whatsoever, including, without limitation, the making of loans to, and the subscription for, or acquisition of, shares in, Non-Recourse Funding SPVs or any other person;

**Investment Proposal**

an "Investment Proposal" as defined in Condition 9.2.2.1.10;

**Issue Date**

the Implementation Date;

**Issuer**

Real People Investment Holdings Limited, a company incorporated under the laws of South Africa with registration number 1999/020093/06;

**Last Day to Register**

17h00 South African time on the tenth day preceding an Payment Date or Redemption Date, as the case may be, the last

day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register and whereafter the Register is closed for further transfers or entries until such Payment Date or Redemption Date;

**Majority Noteholders**

the proportion of Noteholders required to pass an Extraordinary Resolution

**Material Adverse Effect**

the occurrence of any event or circumstance or the change in any circumstances which is likely or is reasonably likely to have a material adverse effect on:

- a) the business, operations, property, condition (financial or otherwise), or the prospects of the Issuer, any Obligor and/or the Group taken as a whole; or
- b) the ability of an Obligor to perform any its obligations under the Notes; or
- c) the validity or enforceability of the Notes or the rights or remedies of any party under any of the Notes;

**Material Subsidiary**

any member of the Group which:

- a) has operating income (calculated on the same basis as Operating Income) representing 5% (five percent) or more of Operating Income; or
- b) has net assets representing 5% (five percent) or more of the net assets of the Group calculated on a consolidated basis; or
- c) has profit before tax (determined in accordance with the Accounting Principles) representing 5% (five percent) or more of the profit before tax of the Group calculated on a consolidated basis,

but excludes Real People Holdings International Limited, RPAC and DMC4 and any other member of the Group which, as a matter of law, is not permitted to become a guarantor;

**Measurement Date**

31 March, 30 June, 30 September and 31 December of each Financial Year, provided that the first Measurement Date shall be 31 December 2017;

**Measurement Period**

each period of twelve Months ending on a Measurement Date;

**New Hedge Agreements**

any and all hedging agreements entered into by a member of the Group in accordance with a hedging policy, if any, agreed between the Senior Lenders and the Issuer;

<b>NHFC</b>	a public state-owned company incorporated under the laws of South Africa with registration number 1996/005577/06;
<b>NHFC Term Loan Agreement</b>	the term loan agreement concluded between NHFC and DMC on or about 28 March 2013, pursuant to which a term loan facility in an amount of up to ZAR120,000,000 (One Hundred and Twenty Million Rand) was made available to DMC by NHFC;
<b>Non-Recourse Funding SPVs</b>	<ul style="list-style-type: none"> <li>a) Evolution Future Flow Securities (RF) Ltd;</li> <li>b) Evolution Future Flow Securities 2 (RF) Ltd;</li> <li>c) Imonti Future Flow (RF) Ltd;</li> <li>d) Real People Home Improvement Finance (RF) (Pty) Ltd;</li> <li>e) Umuzi Finance (RF) Limited;</li> <li>f) MKA Debt Solutions (Pty) Ltd; and</li> <li>g) any other special purpose vehicle which (i) is owned by a trust; (ii) acquires cashflow producing assets from any member of the Group and/or from the market in the ordinary course of its business; (iii) raises debt which is serviced out of the income produced from such cashflow producing assets; and (iv) has no recourse to or against any member of the Group ;</li> </ul>
<b>Noteholder</b>	the holder of a Note as recorded in the Register;
<b>Notes</b>	the ZAR[538,132,450.99] 13% Fixed Rate Subordinated Guaranteed E PIK Notes issued pursuant to these Terms and Conditions;
<b>Obligor</b>	the Issuer or a Guarantor (as applicable);
<b>Operating Income</b>	Gross Yield less impairments plus Other Income
<b>Original Jurisdiction</b>	in relation to an Obligor, the jurisdiction under whose laws that Obligor is incorporated as at the Implementation Date or, in the case of an Additional Guarantor, as at the date on which that Additional Guarantor becomes a Guarantor;
<b>Original Financial Statements</b>	<ul style="list-style-type: none"> <li>a) in relation to the Issuer, its audited consolidated annual financial statements for its Financial Year ended 31 March 2016 and its audited unconsolidated financial statements for its Financial Year ended 31 March 2016; and</li> <li>b) in relation to each Non-Recourse Funding SPV, its audited annual financial statements for its Financial Year ended 31 March 2016;</li> </ul>
<b>Other Income</b>	all income other than Gross Yield, including, but not limited to, net assurance income and outsourced collection income;

<b>Outstanding Capital Amount</b>	the Principal Amount owing to the Noteholders, less the amount(s) by which any Distribution made to the Noteholders in accordance with Condition 8 ( <i>Redemption and Purchases</i> ) exceeds any accumulated but unpaid interest in respect of the Notes at the time at which the Distribution is made;
<b>Paying Agent</b>	the Issuer, or such other entity appointed by the Issuer as Paying Agent, in writing to Noteholders;
<b>Payment Date</b>	each date on which the Issuer elects to pay a Distribution to any holder of any Equity Capital Instrument;
<b>Permitted Disposal</b>	<p>any Disposal:</p> <ul style="list-style-type: none"> <li>a) contemplated by any step in the Transaction Structure Memorandum;</li> <li>b) of cash made on arm's length terms by any member of the Group in the ordinary course of trading of the disposing entity;</li> <li>c) of obsolete or redundant vehicles, plant and equipment on arm's length terms for cash;</li> <li>d) of any asset by a member of the Group (the <b>Disposing Company</b>) to another member of the Group (the <b>Acquiring Company</b>), but if: <ul style="list-style-type: none"> <li>e) the Disposing Company is an Obligor, the Acquiring Company must also be an Obligor; and <ul style="list-style-type: none"> <li>iii. if the Disposing Company is a Guarantor, the Acquiring Company is or must become a Guarantor;</li> <li>iv. of Cash Equivalents for cash or in exchange for other Cash Equivalents;</li> </ul> </li> </ul> </li> <li>f) of book debts to a Non-Recourse Funding SPV in the ordinary course of its business, provided that the disposal is on arm's length terms and at fair market value;</li> <li>g) prior to the Senior Discharge Date, permitted by the Senior Lenders under the Senior Facilities Agreement; and</li> <li>h) after the Senior Discharge Date, made with the prior written approval of the Majority Noteholders;</li> </ul>
<b>Permitted Financial Indebtedness</b>	<p>any Financial Indebtedness:</p> <ul style="list-style-type: none"> <li>a) arising under any of the Existing Finance Documents, but only until the Implementation Date;</li> </ul>

- b) arising under the Finance Documents;
- c) arising under the Existing Nordic Bond Documents, but only if the nominal amount of the bonds has been written down by approximately 41 per cent on the Implementation Date;
- d) arising under the Notes;
- e) arising under the D PIK Notes;
- f) arising under the Standard Bank Documents;
- g) arising under the Existing Hedge Agreements;
- h) arising under the New Hedge Agreements;
- i) arising under any Permitted Trade Credit;
- j) arising under instalment sale agreements in an aggregate amount not exceeding ZAR10,000,000 provided that the recourse of the provider of that Financial Indebtedness under those instalment sale agreements is limited to the asset(s) which is (are) the subject of the instalment sale agreement;
- k) arising under a Permitted Loan (other than the loans permitted under sub-Condition (e) of the definition of "Permitted Loans"), a Permitted Guarantee (other than the guarantees permitted under sub-Condition (f) of the definition of "Permitted Guarantee"), a Permitted Treasury Transaction, a Permitted Shareholder Loan or Permitted Trade Credit;
- l) not permitted by the preceding sub- Conditions, which when aggregated together with the guarantees permitted under sub-Condition (f) of the definition of "Permitted Guarantee" and the loans permitted under sub-Condition (e) of the definition of "Permitted Loans" does exceed ZAR5000,000 at any time;
- m) prior to the Senior Discharge Date, permitted by the Senior Lenders under the Senior Facilities Agreement; and
- n) after the Senior Discharge Date, incurred with the prior written consent of the Majority Noteholders;

**Permitted Guarantee**

- a) any guarantee under, or given in connection with, the Existing Finance Documents, but only until the Implementation Date;
- b) any guarantee arising under the Finance Documents;
- c) any guarantee arising under the Existing Nordic Bond Documents;
- d) any guarantee arising under the Notes and the D PIK Notes;

- e) guarantees given by the Issuer and/or the Guarantors in respect of the Permitted Financial Indebtedness of each other;
- f) any guarantee not permitted by the preceding sub-Conditions, which when aggregated together with the Financial Indebtedness permitted under sub-Condition (h) of the definition of "Permitted Financial Indebtedness" and the loans permitted under sub-Condition (e) of the definition of "Permitted Loans" does exceed ZAR5000,000 at any time;
- g) prior to the Senior Discharge Date, any guarantee permitted by the Senior Lenders under the Senior Facilities Agreement; and
- h) after the Senior Discharge Date, any guarantee not permitted by the preceding Conditions and given with the prior written consent of the Majority Noteholders;

**Permitted Investments**

- a) any investment in Cash Equivalents;
- b) the Budgeted Investments provided that no Default is continuing at the time of implementing the Budgeted Investment and no Default will occur immediately after the making of any of those Budgeted Investments; and
- c) prior to the Senior Discharge Date, any investment permitted by the Senior Lenders under the Senior Facilities Agreement
- d) after the Senior Discharge Date, any investment by any member Group with the prior written approval of the Majority Noteholders;

**Permitted Loan**

- a) any loan contemplated by any step in the Implementation Agreement and/or Transaction Structure Memorandum;
- b) any Permitted Investment;
- c) any loan made on an arms-length basis by any member of the Group in the ordinary course of the DMC Business or the Home Finance Business;
- d) a loan (other than a Shareholder Loan) made by the Issuer and/or the Guarantors to each other;
- e) a loan which is a Permitted Shareholder Loan;
- f) a loan made by a member of the Group (other than the Issuer or the Guarantors) to another member (other than the Issuer or the Guarantors);
- g) not permitted by the preceding sub- Conditions, which when aggregated together with the Financial Indebtedness

permitted under sub-Condition (h) of the definition of "Permitted Financial Indebtedness" and the guarantees permitted under sub-Condition (f) of the definition of "Permitted Guarantees" does exceed ZAR5,000,000 at any time; and

- h) prior to the Senior Discharge Date, any Loan permitted by the Senior Lenders under the Senior Facilities Agreement;
- i) after the Senior Discharge Date, any other loan not permitted by the preceding Conditions and made with the prior written consent of the Majority Noteholders;

#### **Permitted Security**

- a) the Existing Security
- b) any lien arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by any member of the Group;
- c) any Security or Quasi-Security over or affecting any asset acquired by a member of the Group after the Issue Date if:
  - i. the Security or Quasi-Security was not created in contemplation of the acquisition of that asset by a member of the Group;
  - ii. the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Group; and
  - iii. the Security or Quasi-Security is removed or discharged within sixty days of the date of acquisition of such asset;
- d) any Security or Quasi-Security over or affecting any asset of any company or person which becomes a member of the Group after the Issue Date, where the Security or Quasi-Security is created prior to the date on which that company or person becomes a member of the Group if:
  - i. the Security or Quasi-Security was not created in contemplation of the acquisition of that company or person;
  - ii. the principal amount secured has not increased in contemplation of or since the acquisition of that company or person; and
- e) the Security or Quasi-Security is removed or discharged within sixty days of that company or person becoming a member of the Group;



- f) any Quasi-Security arising as a result of a disposal which is a Permitted Disposal;
- g) any Security or Quasi-Security arising under any instalment sale agreement or conditional sale or arrangement or arrangements having similar effect in respect of goods supplied to a member of the Group in the ordinary course of trading and on the suppliers standard or usual terms and not arising as a result of any default or omission by any member of the Group;
- h) prior to the Senior Discharge Date, any Security or Quasi-Security permitted by the Senior Lenders under the Senior Facilities Agreement;
- i) after the Senior Discharge Date, any Security or Quasi-Security not permitted by the preceding Conditions and granted with the prior written consent of the Noteholders;

**Permitted Shareholder Loan**

- a) any loan contemplated by any step set out in the Implementation Agreement and/or Transaction Structure Memorandum;
- b) any Shareholder Loan made to the Issuer but only if, in each case:
  - i. that Shareholder Loan, is not ceded, assigned or in any other way encumbered in favour of any person without the prior written consent of the Noteholders; and
  - ii. that Shareholder Loan is Subordinated Debt;
- c) prior to the Senior Discharge Date, any Shareholder Loan permitted by the Senior Lenders under the Senior Facilities Agreement;
- d) after the Senior Discharge Date, any other Shareholder Loan made or borrowed with the prior written consent of the Majority Noteholders;

**Permitted Trade Credit**

trade credit extended to any member of the Group which:

- a) has an original credit term of not more than 90 days;
- b) is entered into in the ordinary course of the day-to-day business of that member of the Group; and
- c) is on the relevant supplier's standard terms (unless the terms of that trade credit are more favourable to that member of the Group than those standard terms in respect of the relevant supplier);

**Permitted Transaction**

- a) any payments and other transactions contemplated by the Transaction Structure Memorandum;

- b) any disposal required, Financial Indebtedness incurred, guarantee, indemnity or Security or Quasi-Security given, or other transaction arising or expressly permitted, under the Finance Documents;
- c) payment of the Transaction Costs;
- d) prior to the Senior Discharge Date, any payment made, or transaction permitted by the Senior Lenders under the Senior Facilities Agreement;
- e) after the Senior Discharge Date, any other payment made, or transaction entered into, with the prior written consent of the Majority Noteholders;

**Permitted Treasury Transaction**

- a) any Treasury Transaction permitted and documented under the Existing Hedge Agreements or the New Hedge Agreements;
- b) prior to the Senior Discharge Date, any Treasury Transaction permitted by the Senior Lenders under the Senior Facilities Agreement;
- c) after the Senior Discharge Date, any other Treasury Transaction entered into with the prior written consent of the Majority Noteholders;

**Person**

shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

**Principal Amount**

ZAR[**538,132,450.99**];

**Programme Memorandum**

the ZAR10,000,000,000 Domestic Medium Term Note Programme pursuant to the programme memorandum dated on or about 23 February 2011;

**Proposed Financial Criteria**

"Proposed Financial Criteria" as defined in Condition 9.2.2.1.11;

**Proxy**

a person appointed under a Form of Proxy to act on behalf of a Noteholder in connection with any meeting, written resolution or proposed meeting of the Noteholders;

**Redemption Date**

the date upon which the Notes are redeemed by the Issuer pursuant to Condition 8 (*Redemption and Purchases*);

**Register**

the register maintained by the Transfer Agent in terms of Condition 15;

**Representative**

where a Noteholder is a corporation, a person authorised by a resolution of the Noteholders' directors or other governing body to

act as its representative in connection with any meeting or proposed meeting of the Noteholders;

**Relevant Jurisdiction**

in relation to an Obligor:

- a) its Original Jurisdiction; and
- b) any jurisdiction where it conducts its business;

**responsAbility Promissory Notes**  
**means**

the:

- a) promissory note issued by RPIH in favour of responsAbility ManCo, acting in its own name on behalf of responsAbility Micro and SME Finance Fund (formerly known as responsAbility Global Microfinance Fund), dated 21 January 2015, pursuant to which an amount of ZAR57,500,000 (Fifty Seven Million and Five Hundred Thousand Rand) was made available to RPIH by responsAbility ManCo., acting in its own name on behalf of responsAbility Global Microfinance Fund; and
- b) promissory note issued by RPIH in favour of responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Leaders (formerly known as responsAbility SICAV (Lux) Microfinance Leaders), dated 21 January 2015, pursuant to which a term loan facility in an amount of ZAR23,000,000 (Twenty Three Million Rand) was made available to RPIH by responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (Lux) Microfinance Leaders; and
- c) promissory note issued by RPIH in favour of responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (Lux) Mikro- und KMU-Finanz-Fonds (formerly known as responsAbility SICAV (Lux) Microfinanz-Fonds), dated 21 January 2015, pursuant to which an amount to ZAR34,500,000 (Thirty Four Million and Five Hundred Thousand Rand) was made available to RPIH by responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (Lux) Microfinanz- Fonds; and
- d) promissory note issued by RPIH in favour of responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (Lux) Financial Inclusion Fund, dated 21 January 2015, pursuant to which an amount of up to ZAR11,500,000 (Eleven Million and Five Hundred Thousand Rand) was made available to RPIH by responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (Lux) Financial Inclusion Fund;

**responsibility Manco**

Responsibility Management Company S.A. (formerly known as Credit Suisse Microfinance Fund Management Company), a public limited liability company (*société anonyme*), organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 23, avenue de la Liberté, L-1931 Luxembourg and registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) ("RCS") under number B 45.629, acting in its own name on behalf of the investment fund responsibility Micro and SME Finance Fund (formerly known as responsibility Global Microfinance Fund), an unincorporated investment fund (*fonds commun de placement*) under the laws of the Grand Duchy of Luxembourg;

**responsibility SICAV (Lux)**

Responsibility Sicav (LUX), a public limited liability company (*société anonyme*), organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 23, avenue de la Liberté, L-1931 Luxembourg and registered with the RCS under number B 121.154, acting for its sub-funds: (i) responsibility SICAV (Lux) Micro and SME Finance Leaders (formerly known as responsibility SICAV (Lux) Microfinance Leaders); (ii) responsibility SICAV (Lux) Mikro- und KMU-Finanz-Fonds (formerly known as responsibility SICAV (Lux) Mikrofinanz-Fonds); and (iii) responsibility SICAV (Lux) Financial Inclusion Fund;

**Restricted Cash**

Cash held by any member of the Group which that member of the Group is, by applicable law or regulation, not permitted to distribute to another member of the Group or where contractual restrictions prevent that Member of the Group from distributing or paying that Cash to another member of the Group;

**Restructure**

the Restructure as defined and described in the Implementation Agreement;

**RHLF**

Rural Housing Loan Fund, a company incorporated under section 21 of the Companies Act, 1973 under registration number M1996/010988/08;

**RHLF Term Loan Agreements**

- a) term loan agreement concluded between RHLF and DMC on or about 28 February 2014, pursuant to which a term loan facility in an amount of up to ZAR25,000,000 (Twenty Five Million Rand) was made available to DMC by RHLF; and
- b) term loan agreement concluded between RHLF and DMC on or about 11 March 2014, pursuant to which a term loan facility in an amount of up to ZAR25,000,000 (Twenty Five Million Rand) was made available to DMC by RHLF;

**RPAC** Real People Assurance Company Limited, a company incorporated under the laws of South Africa with registration number 2001/028918/06;

**RPIH** Real People Investment Holdings Limited, a company incorporated under the laws of South Africa with registration number 1999/020093/06;

**Sanctioned Entity**

- a) a person, country or territory which is listed on a Sanctions List or is subject to Sanctions;
- b) a person which is ordinarily resident in a country or territory which is listed on a Sanctions List or is subject to Sanctions;
- c) persons or owned or controlled by a person listed on, or acting on behalf of a person listed on a Sanctions List;
- d) persons incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions; or
- e) any person, country or territory that is otherwise a target of Sanctions (Target of Sanctions signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities);

means the use of the proceeds of the Facilities for the purpose of financing or providing any credit, directly or indirectly, to:

- a) a Sanctioned Entity; or
- b) any other person or entity, if a member of the Group has actual knowledge that the person or entity proposes to use the proceeds of the financing or credit for the purpose of financing or providing any credit, directly or indirectly, to a Sanctioned Entity,
- c) in each case to the extent that to do so is prohibited by, or would cause any breach of, Sanctions;

**Sanctions** trade, economic or financial sanctions, laws, regulations, embargoes or restrictive measures imposed, administered or enforced from time to time by any Sanctions Authority;

**Sanctions Authority** the United Nations, the European Union, the Council of Europe (founded under the Treaty of London, 1946), the government of the United States of America, the government of the United Kingdom, the government of the Republic of France and any of

their governmental authorities, including, without limitation, the Office of Foreign Assets Control for the US Department of Treasury (**OFAC**), the US Department of Commerce, the US State Department or the US Department of the Treasury, Her Majesty's Treasury (**HMT**) and the French Ministry of Finance (**MINEFI**);

**Sanctions List**

the Specially Designated Nationals and Blocked Persons List maintained and published by OFAC, the Consolidated List of Financial Sanctions Targets and the Investments Ban List maintained and published by HMT and any similar list maintained and published, or a public announcement of a Sanctions designation made, by any Sanctions Authority, in each case as amended, supplemented or substituted from time to time

**Quasi-Security**

has the meaning ascribed to it under Condition 7.7.1;

**Security**

- a) any mortgage, notarial bond, pledge, lien, assignment or cession conferring security, hypothecation, security interest, preferential right, trust arrangement or other encumbrance securing any obligation of any person; or
- b) any arrangement under which money or claims to, or for the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- c) any other type of preferential agreement or arrangement (including any title transfer and retention arrangement), the effect of which is the creation of a security interest;

**Senior Discharge Date**

the date on which all of the amounts of principal, accrued and unpaid interest, fees and all and any other amounts due and payable to the Senior Lenders under the Senior Facilities Agreement have paid in full;

**Senior Facilities Agreement**

the Senior Facilities Agreement entered or to be entered into on or about the Implementation Date among, *inter alios*, the Senior Lenders and RPIH, as amended and/or restated from time to time;

**Senior Lender**

the lenders under the Senior Facilities Agreement from time to time;

**Shares**

as the context may require, all or any shares in any member of the Group from time to time;

<b>Shareholder</b>	any direct or indirect holder (whether beneficial, legal or registered) of Shares or any Affiliate (not being a member of the Group) of any direct or indirect (whether beneficial, legal or registered) holder of Shares;
<b>Shareholder Loan</b>	any loan made or to be made to a member of the Group by or on behalf of a Shareholder and any other indebtedness owing on loan account by a member of the Group to a Shareholder;
<b>Standard Bank</b>	Standard Bank of South Africa Limited, a public company incorporated under the laws of South Africa with registration number 1962/000738/06;
<b>Standard Bank Documents</b>	<ul style="list-style-type: none"> <li>a) the Standard Bank Instalment Sale Agreements;</li> <li>b) the Standard Bank Loan Agreements; and</li> <li>c) any document or agreement in terms of which the Existing Standard Bank Security is granted;</li> </ul>
<b>Standard Bank Instalment Sale Agreements</b>	the instalment sale agreements concluded between Standard Bank and Real People Home Finance Proprietary Limited prior to the Implementation Date;
<b>Standard Bank Loan Agreements</b>	<p>the:</p> <ul style="list-style-type: none"> <li>a) senior secured loan agreement concluded between Standard Bank and DMC4 on or about 30 June 2015, pursuant to which a term loan facility in an amount of up to ZAR165,000,000 (One Hundred and Sixty Five Million Rand) was made available to DMC4 by Standard Bank;</li> <li>b) senior secured loan agreement concluded between Standard Bank and DMC4 on or about 22 April 2016, pursuant to which a term loan facility in an amount of up to ZAR25,000,000 (Twenty Five Million Rand) was made available to DMC4 by Standard Bank; and</li> <li>c) senior secured loan agreement concluded between Standard Bank and DMC4 on or about 22 April 2016, pursuant to which a term loan facility in an amount of up to ZAR25,000,000 (Twenty Five Million Rand) was made available to DMC4 by Standard Bank;</li> </ul>
<b>Subordinated Debt</b>	any indebtedness incurred by any member of the Group, the right to the repayment of, or any payment (including interest or other amounts due thereunder) in respect of, which has been subordinated to the claims of the Finance Parties under the

	Finance Documents in accordance with the terms thereof or otherwise on terms and conditions to the satisfaction of the Noteholders;
<b>Subscription Agreement</b>	the subscription agreement entered into on or about the Issue Date amongst the Issuer and the Noteholders, as at the Issue Date;
<b>Subsidiary</b>	in relation to any person, a Person: <ul style="list-style-type: none"> <li>a) which is controlled, directly or indirectly, by the first-mentioned person; or</li> <li>b) which is a Subsidiary of another Subsidiary of the first-mentioned person,</li> </ul> provided that regardless of any control exercised by a Group Company over a Non-Recourse Funding SPV, that Non-Recourse Funding SPV shall not, by virtue of that control, constitute a Subsidiary of any Group Company;
<b>Tax</b>	any tax, levy, impost, duty or other charge or withholding of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or delay in paying any of the same);
<b>Terms and Conditions</b>	these terms and conditions ;
<b>Total Outstandings</b>	the aggregate of the Outstanding Capital Amount plus any accrued but unpaid interest on the Notes from time to time;
<b>Trade Instruments</b>	any performance bonds, advance payment bonds or documentary letters of credit issued in respect of the obligations of any member of the Group arising in the ordinary course of trading of that member of the Group;
<b>Transaction Costs</b>	all fees, costs and expenses, stamp, registration and other Taxes incurred by any Obligor or any other member of the Group in connection with the Finance Documents;
<b>Transaction Structure Memorandum</b>	the transaction structure memorandum (incorporating a tax opinion), prepared by Bowman Gilfillan Inc., dated on or before the Implementation Date concerning the Restructure;
<b>Transfer Agent</b>	The Issuer, or such other entity appointed by the Issuer as Transfer Agent, in writing to Noteholders;
<b>Transfer Form</b>	the written form for the transfer of any Notes, in the form approved by the Transfer Agent and signed by the transferor and transferee;
<b>Treasury Transactions</b>	any derivative transaction entered into in connection with the protection against or benefit from fluctuation in any rate or price;



**ZAR or R or Rand**

the lawful currency of the Republic of South Africa, being South African Rand, or any successor currency.

**2. ISSUE**

An aggregate Principal Amount of ZAR[538,132,450.99] Notes will be issued by the Issuer. The Issuer reserves the right from time to time, with the consent of the Majority Noteholders, to issue additional Notes with identical terms (save as to the amount, the date of the first payment of interest thereon, the issue date and the issue price) and such Notes shall be consolidated to form a single series with an increase in the aggregate Principal Amount of the Notes. The term 'Notes' shall, in the event of such increase, also comprise such additionally issued Notes.

**3. FORM AND DENOMINATION**

3.1 The Notes are subordinated, unsecured and guaranteed Notes with a minimum denomination of ZAR1,000,000.

3.2 The Notes will be issued in the form of registered Notes represented by Individual Certificates which will be deposited with and held in the name, and for the account, of the relevant Noteholder.

**4. TITLE**

4.1 Title to the Notes represented by Individual Certificates will, subject to Condition 15, be freely transferable and will pass upon registration of transfer in accordance with Condition 14 (*Transfer of Notes*) in the Register. The Issuer, the Guarantors, the Paying Agent and the Transfer Agent shall recognise a Noteholder (named in the Register) as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

4.2 The interests of the Noteholders in the Notes will rank *pari passu* amongst themselves and ahead of or *pari passu* with all subordinated and unsecured creditors of the Issuer other than those claims which are expressly preferred under the law of its jurisdiction of incorporation.

**5. STATUS AND CHARACTERISTICS OF SUBORDINATED NOTES**

The Notes constitute direct, subordinated, unsecured and guaranteed obligations of the Issuer and will rank behind the claims of the Senior Creditors (as defined below) and *pari passu* (without any preference among themselves) with claims of all other subordinated and unsecured creditors holding the Notes but ahead of the D PIK Notes.

5.1 Each Subordinated Party (as defined below) subordinates for the benefit of any senior unsecured creditor of the Issuer (the **Senior Creditors**), the Subordinated Claims (as defined below), so as to enable the Senior Creditors to receive preferent payment of their claims above the Subordinated Claims and so that:

5.1.1 the claims of the Senior Creditors, both present and future, will rank in preference to the Subordinated Claims; and

- 5.1.2 in the event of the winding-up or liquidation, whether finally or provisionally, or business rescue proceedings of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, the rights and claims of the Noteholders (as **Subordinated Party**) under these Notes against the Issuer in respect of or arising under the Notes will rank junior to the claims of all Senior Creditors and of all other senior obligations of the Issuer, whether secured or unsecured.
- 5.2 Prior to the Senior Discharge Date, each Subordinated Party:
- 5.2.1 will not claim, receive or accept, directly or indirectly, payment of the Subordinated Claims from the Issuer or any Guarantor, other than any payment expressly permitted by the Senior Lenders;
- 5.2.2 shall not accelerate any of the subordinated debt owed to it or otherwise declare any of that subordinated debt prematurely due and payable, save as contemplated in Condition 12.1.9.3, without the prior written consent of the Senior Lenders;
- 5.2.3 shall not obtain or enforce any judgment against the Issuer in relation to any of the Subordinated Claims unless expressly agreed to between the Issuer and the Senior Creditors;
- 5.2.4 shall not petition or apply for or vote in favour of any resolution for the winding-up, dissolution, commencement of business rescue proceedings or administration or any analogous or similar process with regard to the Issuer, without the prior written consent of the Senior Lenders;
- 5.2.5 shall not exercise its rights or powers (or take any steps to do so) in respect of any Subordinated Claims or otherwise against another Subordinated Party if that exercise would result in that other Subordinated Party being in breach of any of these Terms and Conditions under the Notes; and
- 5.2.6 shall deposit any amounts received by it in conflict with the provisions of these Notes into a special single purpose proceeds account held in the name of the relevant Subordinated Party (a **Distribution Proceeds Account**) which shall be subject to the provisions of Condition 5.4.
- 5.3 The provisions of this Condition 5 (*Status and Characteristics of Subordinated Notes*) will not prevent the Subordinated Party from filing a claim in respect of its Subordinated Claims in circumstances in which the Subordinated Party may otherwise permanently lose its rights to file a claim against the Issuer, as the case may be, if a claim is not filed at that time, provided that notice shall be provided to the Issuer and that any amount received by the Subordinated Party pursuant to such claim, shall be deposited into a special single purpose proceeds account held in the name of the recovering Subordinated Party (a **Claim Proceeds Account**) which shall be subject to the provisions of Condition 5.4.
- 5.4 Each Subordinated Party hereby agrees that until the date on which all of the Senior Creditors are repaid in full (the **Discharge Date**) it shall not, without the prior consent of the Senior Creditors, be entitled to encumber or to draw any amount(s) from the Distribution Proceeds Account and/or Claim Proceeds Account, as the case may be, opened in its name. Immediately upon the occurrence of an Event of Default, the Subordinated Party shall be obliged to make payment of the amount standing to the credit of the Subordinated Party's Distribution Proceeds Account and/or Claim Proceeds Account, as the case may be, to the Senior Creditors, subject only to the Senior Creditors' obligation to repay to the

Subordinated Party any amounts received by the Senior Creditors' representing in relation to the Senior Creditors, any excess over the senior obligations owed by the Issuer to the Senior Creditors.

5.5 For the purposes of this Condition 5 (*Status and Characteristics of Subordinated Notes*):

**Subordinated Claims** means all current and future claims, sums, liabilities and obligations whether in respect of the payment of capital or the payment of interest and/or any other charges (whether actual, contingent, present or future) due or owing by the Issuer to the Subordinated Parties.

## 6. GUARANTEE

6.1 In accordance with the terms of the Guarantee, each Guarantor, jointly and severally, irrevocably and unconditionally guarantees to the Noteholders all obligations which the Issuer may incur to the Noteholders and the due and punctual payment of all amounts owing by the Issuer in respect of the Notes arising under the Notes.

6.2 The Guarantor is required to make any payment under the Guarantee by no later than 3 (three) Business Days after receipt of a demand under and in terms of the Guarantee and these Terms and Conditions. All payments under the Guarantee will discharge the Guarantors of its applicable obligations to Noteholders under the Guarantee and will *pro tanto* discharge the Issuer of its corresponding obligations to the Noteholders under the Notes.

6.3 Each Noteholder shall be entitled to require the Issuer to produce the original of the Guarantee, on request and further shall be entitled to require the Issuer, which shall be obliged, to provide a copy of the Guarantee to that Noteholder on request.

### 6.4 Additional Guarantors

6.4.1 Any entity that becomes a Material Subsidiary must become an Additional Guarantor as soon as reasonably possible.

6.4.2 A Material Subsidiary shall become an Additional Guarantor if:

6.4.2.1 the Additional Guarantor delivers to the Issuer a duly completed and executed Accession Letter; and

6.4.2.2 the Issuer has received all of the documents and other evidence listed in [Schedule 3 (*Conditions Precedent*)] to the Guarantee in relation to that Additional Guarantor, each in a form and substance satisfactory to the Noteholders.

6.4.3 The Issuer shall notify the Transfer Agent and the Noteholders in accordance with Condition 17 (*Notices*) of the Additional Guarantor promptly upon becoming aware that it has received the documentation as set out in Condition 6.4.2 above.

## 7. GENERAL UNDERTAKINGS

### 7.1 Authorisations

The Issuer and Guarantors shall (and the Issuer shall ensure that each other member of the Group will) promptly:

- 7.1.1 obtain, comply with and do all that is necessary to maintain in full force and effect; and
- 7.1.2 supply certified copies to the Noteholders of:
  - 7.1.2.1 any Authorisation required under any law or regulation of a Relevant Jurisdiction to:
    - 7.1.2.1.1 enable it to perform its obligations under the Notes;
    - 7.1.2.1.2 ensure the legality, validity, enforceability or admissibility in evidence of the Notes; and
    - 7.1.2.1.3 carry on its business where failure to do so either (a) is material to the conduct of its business, or (b) has or is reasonably likely to have a Material Adverse Effect.

## 7.2 **Compliance with laws**

The Issuer and Guarantors shall (and the Issuer shall ensure that each member of the Group will) comply in all respects with all laws material to the conduct of its business, and obtain and comply with all permits and licenses.

## 7.3 **Anti-corruption law and sanctions**

- 7.3.1 The Issuer and Guarantors shall not (and the Issuer shall ensure that no member of the Group will):
  - 7.3.1.1 contravene any Sanctions;
  - 7.3.1.2 be a party to or participate in a Sanctioned Transaction in any manner; or
  - 7.3.1.3 directly or indirectly use the proceeds of the for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in other jurisdictions.
- 7.3.2 The Issuer and Guarantors shall (and the Issuer shall ensure that each member of the Group will):
  - 7.3.2.1 take all steps to ensure that appropriate controls and safeguards are in place, designed to prevent it from being or becoming involved in a Sanctioned Transaction; and
  - 7.3.2.2 conduct its businesses in compliance with applicable anti-corruption laws and maintain policies and procedures designed to promote and achieve compliance with such laws.

## 7.4 **Taxation**

- 7.4.1 The Issuer and Guarantors shall (and the Issuer shall ensure that each other member of the Group will) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:
  - 7.4.1.1 such payment is being contested in good faith;

- 7.4.1.2 adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in its latest financial statements; and
- 7.4.1.3 such payment can be lawfully withheld and failure to pay those Taxes does not have or is not likely to give rise to a liability of, or claim against a member of the Group of [ZAR1,000,000] (or its equivalent in any other currency) or more.
- 7.4.2 No member of the Group may change its residence for Tax purposes.

**Restrictions on business focus**

**7.5 Merger**

The Issuer and Guarantors shall not (and the Issuer shall ensure that no other member of the Group will) enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction other than a Permitted Transaction.

**7.6 Change of business**

The Issuer and Guarantors shall procure that no substantial change is made to the general nature of the business of any other Obligor or the Group taken as a whole from that carried on by the Group at the Implementation Date.

**7.7 Negative Pledge**

7.7.1 In this Condition 7.7 (*Negative Pledge*), Quasi-Security means an arrangement or transaction described in Condition 7.7.2.2 below.

7.7.2 Except as permitted under Condition 7.7.3:

7.7.2.1 the Issuer, Guarantors and each Material Subsidiary shall not create or permit to subsist any Security over any of its assets; and

7.7.2.2 the Issuer, Guarantors and each Material Subsidiary shall not (and will ensure that no other member of the Group will):

7.7.2.2.1 sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor or any other member of the Group;

7.7.2.2.2 sell, transfer or otherwise dispose of any of its receivables on recourse terms;

7.7.2.2.3 enter into any arrangement under which money for the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

7.7.2.2.4 enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

7.7.3 Condition 7.7.2 does not apply to any Security or (as the case may be) Quasi-Security, which is:

- 7.7.3.1 a Permitted Security; or
- 7.7.3.2 a Permitted Transaction.
- 7.7.4 The Issuer shall be entitled but not obliged, to form, or procure the formation of, a trust or trusts or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.

## 7.8 **Investments**

- 7.8.1 Except as permitted under Condition 7.8.2, the Issuer and the Guarantors shall not (and shall ensure that no other member of the Group will) make any Investment, whether or not in the ordinary course of business.
- 7.8.2 Condition 7.8.1 does not apply to:
  - 7.8.2.1 a Permitted Investment; or
  - 7.8.2.2 a Permitted Transaction.

## 7.9 **Financial Indebtedness**

- 7.9.1 Except as permitted under Condition 7.9.2, the Issuer, the Guarantors and each Material Subsidiary shall not (and will ensure that no other member of the Group will) incur or allow to remain outstanding any Financial Indebtedness.
- 7.9.2 Condition 7.9.1 does not apply to Financial Indebtedness which is:
  - 7.9.2.1 a Permitted Financial Indebtedness; or
  - 7.9.2.2 a Permitted Transaction.

## 7.10 **Disposals**

- 7.10.1 Except as permitted under Condition 7.10.2, no Obligor shall (and each Obligor shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.
- 7.10.2 Condition 7.10.1 does not apply to any sale, lease, transfer or other disposal which is a Permitted Disposal or a Permitted Transaction.

## 8. **INFORMATION UNDERTAKINGS**

- 8.1 In these Terms and Conditions:
  - 8.1.1 **Annual Financial Statements** means the financial statements for a Financial Year delivered pursuant to Clause 8.2.1;
  - 8.1.2 **Financial Statements** means the Annual Financial Statements, the Semi-Annual Financial Statements or the Quarterly Management Accounts (as applicable);

8.1.3 **Quarterly Management Accounts** means the quarterly management accounts delivered pursuant to Clause 8.2.3; and

8.1.4 **Semi-Annual Financial Statements** means the financial statements, prepared on the same basis as the Quarterly Management Accounts, for a Financial Half Year delivered pursuant to Clause 8.2.2.

## 8.2 **Financial statements**

The Issuer shall supply to the Noteholders in sufficient copies for all the Noteholders:

8.2.1 as soon as they are available, but in any event within 90 (ninety) days of the end of each Financial Year:

8.2.1.1 the audited consolidated annual financial statements of the Issuer for that Financial Year;

8.2.1.2 the audited unconsolidated financial statements of the Issuer for that Financial Year; and

8.2.1.3 the audited financial statements of each Non-Recourse Funding SPV for that Financial Year;

8.2.2 as soon as they are available, but in any event within 60 days of the end of each Financial Half Year:

8.2.2.1 the consolidated Semi-Annual Financial Statements of the Issuer for that Financial Half Year;

8.2.2.2 the unconsolidated Semi-Annual Financial Statements of the Issuer for that Financial Half Year; and

8.2.2.3 the Semi-Annual Financial Statements of each Non-Recourse Funding SPV for that Financial Half Year;

8.2.3 as soon as they are available, but in any event within 30 days of the end of each Quarter End of each of its Financial Years:

8.2.3.1 the Issuer's unaudited quarterly management accounts for that Quarter End on a consolidated basis (and to include cumulative consolidated management accounts for the Financial Year to date);

8.2.3.2 the Issuer's unaudited quarterly management accounts for that Quarter End (and to include cumulative management accounts for the Financial Year to date); and

8.2.3.3 each Non-Recourse Funding SPV's unaudited quarterly management accounts for that Quarter End (and to include cumulative management accounts for the Financial Year to date); and

8.2.4 after the Senior Discharge Date, as soon as they are available, but in any event within 45 days of each Quarter End, the Proposed Financial Criteria relating to that Cash Sweep Determination Date.

### 8.2.5 **Provision and contents of Compliance Certificate**

8.2.5.1 The Issuer shall supply a Compliance Certificate to the Noteholders with each set of Financial Statements.

8.2.5.2 The Compliance Certificate shall, amongst other things:

- 8.2.5.2.1 in the case of a Compliance Certificate delivered in relation to a Measurement Date which is also the Financial Year end, be signed off by the Auditors in the form agreed by the Issuer and the Noteholders;
- 8.2.5.2.2 certify whether there has been any change in the members of the Group which are Material Subsidiaries as at the date of the relevant Financial Statements; and
- 8.2.5.2.3 confirm that no Default has occurred and is continuing or, if a Default has occurred, what Default has occurred and the steps being taken to remedy that Default.
- 8.2.6 Each Compliance Certificate shall be signed by a director of the Issuer and the financial director of the Issuer.

### 8.3 **Requirements as to financial statements**

- 8.3.1 The Issuer shall procure that:
  - 8.3.1.1 each set of Financial Statements includes a balance sheet, income statement, profit and loss account and cashflow statement; and
  - 8.3.1.2 each set of Annual Financial Statements shall be audited by the Auditors.
- 8.3.2 Each set of Financial Statements delivered pursuant to Clause 8.2 (*Financial statements*):
  - 8.3.2.1 shall be certified by a director of the relevant company and the financial director as giving a true and fair view of (in the case of Annual Financial Statements for any Financial Year), or fairly representing (in other cases), its financial condition and operations as at the date as at which those financial statements were drawn up and, in the case of the Annual Financial Statements, shall be accompanied by any letter addressed to the management of the relevant company by the Auditors and accompanying those Annual Financial Statements;
  - 8.3.2.2 in the case of consolidated Annual Financial Statements of the Issuer, shall be accompanied by a statement by the directors of the Issuer comparing actual performance for the period to which the Annual Financial Statements relate to the actual performance for the corresponding period in the preceding Financial Year of the Issuer; and
  - 8.3.2.3 shall be prepared in accordance with the Accounting Principles and using the accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements for that Obligor, unless, in relation to any set of Financial Statements, the Issuer notifies the Noteholders that there has been a change in the Accounting Principles or the accounting practices and its Auditors (or, if appropriate, the Auditors of the Obligor) deliver to the Noteholders a description of any change necessary for those Financial Statements to reflect the Accounting Principles or accounting practices upon which that Obligor's Original Financial Statements were prepared;
- 8.3.3 Any reference in these Terms and Conditions to any Financial Statements shall be construed as a reference to those Financial Statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.



8.3.4 If the Issuer wishes to discuss the financial position of any member of the Group with the Auditors, the Noteholders may notify the Issuer, stating the questions or issues which the Noteholders wish to discuss with the Auditors. In this event, the Issuer must ensure that the Auditors are authorised (at the expense of the Issuer):

8.3.4.1 to discuss the financial position of each member of the Group with the Issuer on request from the Noteholders; and

8.3.4.2 to disclose to the Noteholders any information which the Noteholders may request.

#### 8.4 **Investor Reports**

The Issuer shall, promptly, but in any event within 5 Business Days from receipt thereof, provide the Noteholders with a copy of any ratings report that it receives, which is prepared by a rating agency, or other third party, in relation to the Non-Recourse Funding SPVs.

### 9. **REDEMPTION AND PURCHASES**

#### 9.1 **Cashflow Waterfall and payments to Noteholders**

9.1.1 The Issuer records that the holders of the various Equity Capital Instruments are entitled to receive a portion of the Distributable Amount on each Payment Date or Excess Cash Payment Date, as applicable, in accordance with the percentages set out in the table below, noting that until the Notes are redeemed in full, the 1<sup>st</sup> priority set out below will be applied to determining the Entitlement Percentage. Once the Notes are redeemed in full, the next priority referred to below will apply, which principle shall continue to apply until all of the Notes, D PIK Notes, C Preference Shares and B Preference Shares have been redeemed in full:

Class	1 <sup>st</sup>	2nd	3rd	4th	5th
These Notes and A Ordinary Share Allocation of 3%	85%	0	0	0	0
D PIK Notes and A Ordinary Share Allocation of 6%	7%	85%	0	0	0
C Preference Shares and A Ordinary Share Allocation of 9%	5%	7%	85%	0	0
B Preference Shares and A Ordinary Share Allocation of 12%	2%	5%	10%	85%	0
ordinary shares and A Ordinary Shares	1%	3%	5%	15%	100%

9.1.2 On each Payment Date on which the Issuer makes a Distribution, the Issuer shall be obliged to apply an amount equal to the Entitlement Percentage of the relevant Distributable Amount relating to that

Payment Date (the **Relevant Amount**) in repayment of the outstandings under the Notes *pro rata* amongst the Noteholders and accordingly, such amount shall automatically become due and owing to the Noteholders on the relevant Payment Date.

9.1.3 Each Relevant Amount on each Payment Date shall be applied in the following order:

9.1.3.1 first, in repaying any interest which has accrued under the Notes; and

9.1.3.2 secondly, to the Outstanding Capital Amount owing under the Notes.

## 9.2 **Repayment and Redemption from Excess Cash**

### 9.2.1 **Excess Cash prior to the Senior Discharge Date**

Prior to the Senior Discharge Date, the Issuer may in its discretion apply such portion of any Excess Cash which the Issuer is permitted to apply in repayment of the Equity Capital Instruments under the Senior Facilities Agreement at such time (the **Relevant Excess Cash Amount**), to repayment and/or redemption of the Equity Capital Instruments in accordance with Conditions 9.1.2 and 9.1.3 on the same date as any Excess Cash is applied in repayment of any amounts outstanding under the Senior Facilities Agreement (the **Excess Cash Payment Date**), and accordingly, an amount equal to the Entitlement Percentage of the Relevant Excess Cash Amount shall become due and payable to the Noteholders on the Excess Cash Payment Date.

### 9.2.2 **Excess Cash after the Senior Discharge Date**

The provisions of this Condition 9.2.2 shall be effective from the Senior Discharge Date.

9.2.2.1 In these Terms and Conditions:

9.2.2.1.1 **Approved Financial Criteria** means Proposed Financial Criteria which:

9.2.2.1.1.1 has been approved by the Majority Noteholders; or

9.2.2.1.1.2 is deemed to have been approved by the Majority Noteholders in accordance with Condition 9.2.2.6 below;

9.2.2.1.2 **Borrowings** means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption which is due and payable at the time of calculation) of any Financial Indebtedness (including the under the Senior Facilities Agreement and the Existing Nordic Bonds but excluding Financial Indebtedness arising under Subordinated Debt) together with capitalised interest thereon outstanding at such time;

9.2.2.1.3 **Cash Buffer Amount** means, for any Financial Year of the Group, an amount equal to ZAR45,000,000, or such other amount as agreed to by the Majority Noteholders in writing;

9.2.2.1.4 **Cash Flow Forecast** means a 12 month cash flow forecast accounting for all Cash over the 12 month period immediately following the relevant Cash Sweep Determination Date, determined by forecasting the Forecast Cash Receipts and the Forecast Cash Payments;

- 9.2.2.1.5 **Cash Sweep Determination Date** means each Quarter End;
- 9.2.2.1.6 **Excess Cash** means the Cash on hand at the relevant Cash Sweep Determination Date less:
- 9.2.2.1.6.1 the Cash Buffer Amount;
- 9.2.2.1.6.2 any Restricted Cash; and
- 9.2.2.1.6.3 if the Forecast Cash Payments for the relevant 12 month period commencing on the relevant Cash Sweep Determination Date are greater than the Forecast Cash Receipts for that same period, the amount by which the Forecast Cash Payments exceed the Forecast Cash Receipts, or
- in the circumstances contemplated in Condition 9.2.2.9 below, 100% of Profit After Tax;
- 9.2.2.1.7 **Finance Charges** means, for any Measurement Period, the aggregate amount of the accrued interest, commission, fees payable in connection with Borrowings, discounts, prepayment fees, premiums or charges and other finance payments in respect of Borrowings whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period and:
- 9.2.2.1.7.1 including any upfront fees or costs payable in connection with the incurrence of any Borrowings during that Measurement Period;
- 9.2.2.1.7.2 including the interest (but not the capital element) of payments in respect of Finance Leases;
- 9.2.2.1.7.3 including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group under any interest rate or foreign exchange rate hedging arrangement (other than any upfront premium paid or payable in respect of any Treasury Transaction);
- 9.2.2.1.7.4 taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instruments which are accounted for on a hedge accounting basis; and
- 9.2.2.1.7.5 excluding any upfront premium paid or payable in respect of any Treasury Transaction,
- and so that no amount shall be added or deducted more than once;
- 9.2.2.1.8 **Forecast Cash Payments** means the Cash payments for whatsoever purpose (including, without limitation, payments expected to be made in relation to an Investments Proposal and for Finance Charges) that the Group expects to make during the next 12 month period commencing on the Cash Sweep Determination Date;
- 9.2.2.1.9 **Forecast Cash Receipts** means the Cash amounts from whatsoever source that the Group expects to receive over the next 12 month period commencing on the Cash Sweep Determination Date;
- 9.2.2.1.10 **Investment Proposal** means a proposal, prepared in accordance with the Broad Strategic Guidelines, approved by the board of directors of the Issuer, setting out the Issuer's proposal for

Investments for the next 12 month period commencing on the Cash Sweep Determination Date, and which, notwithstanding the fact that the Budgeted Investments will be determined on a consolidated basis, shall identify and describe in reasonable detail the portions of the proposed Investments which have been allocated to the Home Finance Business and the DMC Finance Business, respectively;

- 9.2.2.1.11 **Proposed Financial Criteria** means:
- 9.2.2.1.11.1 an Investment Proposal;
- 9.2.2.1.11.2 a Cash Flow Forecast; and
- 9.2.2.1.11.3 a calculation of the Excess Cash;
- 9.2.2.1.12 **Profit After Tax** means the profit after Tax of the Group for the previous financial quarter, determined in accordance with the Accounting Principles, as set out in the most recent Quarterly Management Accounts delivered to the Noteholders in accordance with Condition 8.
- 9.2.2.1.13 **Quarter End** means 31 March, 30 June, 30 September and 31 December; and
- 9.2.2.1.14 **Restricted Cash** means Cash held by any member of the Group which that member of the Group is, by applicable law or regulation, not permitted to distribute to another member of the Group or where contractual restrictions prevent that Member of the Group from distributing or paying that Cash to another member of the Group.
- 9.2.2.2 By no later than 45 days after each Cash Sweep Determination Date the board of directors of the Issuer shall submit to the Noteholders the Proposed Financial Criteria.
- 9.2.2.3 The Majority Noteholders shall be entitled to provide comments on the Proposed Financial Criteria to the Issuer within 10 Business Days of receiving same from the Issuer.
- 9.2.2.4 If the Issuer receives comments from the Majority Noteholders within 10 Business Days, then the Issuer must prepare revised Proposed Financial Criteria addressing the comments received from the Majority Noteholders within 5 Business Days of receiving the comments;
- 9.2.2.5 Subject to Condition 9.2.2.9 below, the process set out in Condition 9.2.2.3 and 9.2.2.4 shall be repeated until such time as the Proposed Financial Criteria have been approved (or are deemed to be approved in accordance with Condition 9.2.2.6 below) by the Majority Noteholders.
- 9.2.2.6 If the Issuer does not receive any comments on the Proposed Financial Criteria within 10 Business Days of submitting same to the Noteholders, then the Proposed Financial Criteria shall be deemed to have been approved.
- 9.2.2.7 After the Proposed Financial Criteria becomes Approved Financial Criteria, the Issuer may elect to make a Distribution to the Noteholders and, if the Issuer makes such an election, shall ensure that all or a portion of the Excess Cash is Distributed in accordance with Condition 9.1 above.

9.2.2.8 If, after the Proposed Financial Criteria becomes Approved Financial Criteria, the Issuer elects not to make a Distribution, or elects to distribute only a portion of the Excess Cash, then the Excess Cash, or the remaining portion of Excess Cash, as the case may be, shall be held in Cash or Cash Equivalents and shall be included in the following determination of Excess Cash.

9.2.2.9 Notwithstanding any other provision of this Condition 9.2, if after three iterations of the process contemplated in Conditions 9.2.2.2 to 9.2.2.4 above, the Proposed Financial Criteria has not been approved, or has not been deemed to be approved, then the Excess Cash amount shall be equal to 100% of Profit After Tax, which shall be treated in accordance with Condition 9.2.2.8 above.

### 9.3 **No Fixed Redemption Date**

The Notes are perpetual instruments in respect of which there is no fixed redemption date and the Issuer shall, subject to the provisions of Condition 5 (*Status and Characteristics of Subordinated Notes*) above, only have the obligation to redeem the Notes in accordance with the provisions of this Condition 8 (*Redemption and Purchases*).

### 9.4 **Procedure for redemption**

9.4.1 Payments in respect of the redemption of Notes shall be made in accordance with Condition 11 (*Payment*).

9.4.2 Noteholders shall surrender their Individual Certificates in respect of Notes held by them to the Transfer Agent at least 2 days prior to the Redemption Date.

### 9.5 **Cancellation**

All Notes which are redeemed by the Issuer will forthwith be cancelled. All Notes so cancelled shall be held by the Transfer Agent and cannot be re-issued or resold.

## 10. **INTEREST**

10.1 The Notes shall bear interest at the Interest Rate from and including the Issue Date to the Redemption Date.

10.2 Interest shall accrue at the Interest Rate on a day to day basis, and shall be calculated on the actual number of days elapsed and on the basis of a 365 (three hundred and sixty five) day year irrespective of whether or not the applicable year is a leap year, reckoned inclusive of the first and exclusive of the last day of each Interest Period.

10.3 Interest in respect of each Interest Period, shall be capitalised on the last day of each Interest Period. Any payment received by the Noteholders will first be applied to interest and thereafter to the repayment of the Outstanding Capital Amount.

10.4 If any Interest Payment Date falls upon a day which is not a Business Day, the interest payable upon such Interest Payment Date shall be payable upon the first following day that is a Business Day, provided that for the purposes of determining an Interest Period, no adjustment shall be made to such Interest Payment Date.

10.5 Each Note will cease to bear interest from any Redemption Date unless, upon due presentation thereof, payment of principal is improperly withheld or refused.

10.6 In the event that the Issuer declares interest payable but fails to punctually make payment of any amounts owing in accordance with these Terms and Conditions, the amounts so owing shall continue to bear interest at the Default Interest Rate.

10.7 **Calculation of interest**

The amount of interest payable per Note in respect of each Interest Period shall be calculated by multiplying the applicable Interest Rate by the Total Outstandings of such Note and then dividing such product by two. If interest is required to be calculated for a period other than a full fixed interest period, such interest shall be calculated on the basis of a 365 day year consisting of 12 months of actual days each and in the case of an incomplete month, the number of days elapsed.

10.8 **Liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purpose of this Condition 9, whether by an Acceptable Bank, Calculation Agent or the Paying Agent shall (in the absence of willful default, negligence, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agent and the Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Acceptable Banks, Calculation Agent or the Paying Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder.

11. **PAYMENT**

11.1 The provisions of this Condition 11 (*Payment*) shall be applicable in the event that the Issuer makes a payment in accordance with Condition 8 (*Redemption and Repurchase*) above.

11.2 The Issuer may, at its discretion, but in any event subject to Condition 8 (*Redemption and Repurchase*), elect whether or not to make payment of all or part of the Total Outstandings (a **Discretionary Payment**) which is scheduled to be paid on a Payment Date. The Issuer must give notice (the **Election Notice**) of such election to the Noteholders, Paying Agent and the Calculation Agent in accordance with Condition 17 (*Notices*), at least 1 (one) Business Days prior to the relevant Payment Date. Any payment made in accordance with this Condition 11.2 shall be applied in the following order:

11.2.1 first, in repaying any interest which has accrued under the Notes; and

11.2.2 secondly, to the Outstanding Capital Amount owing under the Notes.

11.3 If the Issuer elects not to make all or part of any Discretionary Payment on a Payment Date, then any such non-payment of interest will not constitute an Event of Default (as defined in Condition 12 (*Events of Default*)) of the Terms and Conditions.

11.4 If the Issuer has elected to make any payment under these Terms and Conditions, it may make such payment on the relevant Payment Date.

- 11.5 Any payments made under the Notes shall be paid by the Paying Agent for and on behalf of the Issuer or the Guarantors, as the case may be, in ZAR.
- 11.6 Payments of interest and/or the Outstanding Capital Amount in respect of each Note shall be paid by the Paying Agent, for and on behalf of the Issuer or the Guarantors, as the case may be, by electronic funds transfer to the account of the relevant Noteholder (as set forth in the Register at 16:00 Johannesburg time on the Last Day to Register preceding the relevant Payment Date or, in the case of joint Noteholders, the account of that one of them who is first named in the Register in respect of that Note) by 10h00 Johannesburg time on the relevant Payment Date, provided that no payment in respect of the redemption of such Note shall be made by the Issuer until 2 days after the date on which the Individual Certificate, in respect of the Note to be redeemed has been surrendered to the Transfer Agent.

## 12. EVENTS OF DEFAULT

Each of the events or circumstances set out in this Condition 12 (*Events of Default*) is an event of default (whether or not caused by any reason, or the occurrence of any event, whatsoever outside the control of any obligor or any other person).

### 12.1.1 Failure to pay

The Issuer and/or the Guarantors do not pay on the due date any amount payable pursuant to the Notes and/or the Guarantee at the place and in the currency in which it is expressed to be payable unless its failure to pay is caused by:

12.1.1.1 administrative or technical error; or

12.1.1.2 a Disruption Event,

and the payment is made within three Business Days of its due date.

### 12.1.2 Other Obligations

12.1.2.1 The Issuer and/or the Guarantors do not comply with any provision of the Terms and Conditions (other than those referred to in Condition 12.1.1 (*Failure to Pay*)).

12.1.2.2 No Event of Default under Condition 12.1.2.1 if the failure to comply is capable of remedy and is remedied within five Business Days.

### 12.1.3 Creditors' process

12.1.3.1 Any expropriation, attachment, sequestration or execution affects any asset or assets of any member of the Group.

12.1.3.2 No Event of Default will occur under this Condition 12.1.3.1 if:

12.1.3.2.1 the value of the affected asset (or aggregate value of those assets) is less than (i) ZAR[•,000,000] (or its equivalent in any other currency or currencies) in respect of any member of the Group or (ii) ZAR[•,000,000] (or its equivalent in any other currency or currencies) in respect of the Group taken as a whole; or

- 12.1.3.2.2 that expropriation, attachment, sequestration or execution is contested in good faith and with due diligence and is discharged or set aside within fourteen days.
- 12.1.4 **Unlawfulness and invalidity**
- 12.1.4.1 It is or becomes unlawful, for any reason, for the Issuer or the Guarantors to perform any of its obligations under the Notes and/or the Guarantee.
- 12.1.4.2 Any subordination created under any subordination agreement, for any reason:
- 12.1.4.2.1 is not or ceases to be legal, valid, binding, enforceable or effective;
- 12.1.4.2.2 is alleged by any person (other than a Noteholder) to be ineffective or unlawful; or
- 12.1.4.2.3 is or becomes unlawful.
- 12.1.4.3 Any obligation or obligations of the Issuer or the Guarantor under the Notes and/or the Guarantee, any member of the Group or any party under any subordination agreement to which it is a party, are not or cease to be legal, valid, binding or enforceable.
- 12.1.4.4 The Notes and/or the Guarantee is or ceases to be in full force and effect or is or ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Noteholder) to be ineffective or unlawful.
- 12.1.5 **Repudiation and rescission of agreements**
- The Issuer and/or the Guarantors rescinds or purports to rescind or repudiates or purports to repudiate the Notes and/or the Guarantee to which it is a party or evidences an intention to rescind or repudiate the Notes and/or the Guarantee to which it is a party.
- 12.1.6 **Insolvency**
- 12.1.6.1 A member of the Group (other than a Dormant Subsidiary):
- 12.1.6.1.1 is unable or admits inability to pay its debts as they fall due;
- 12.1.6.1.2 is deemed to, or is declared to, be unable to pay its debts under applicable law; or
- 12.1.6.1.3 by reason of actual or anticipated financial difficulties:
- 12.1.6.1.4 suspends or threatens to suspend making payments on any of its debts; or
- 12.1.6.1.5 commences negotiations with one or more of its creditors (excluding any Finance Party in its capacity as such) with a view to rescheduling any of its indebtedness.
- 12.1.6.2 The value of the assets of a member of the Group (other than a Dormant Subsidiary) is less than its liabilities (taking into account contingent and prospective liabilities).
- 12.1.6.3 A moratorium is declared in respect of any indebtedness of any member of the Group (other than a Dormant Subsidiary). If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.



12.1.6.4 Any member of the Group (other than a Dormant Subsidiary) is or is deemed for the purposes of any applicable law to be "*financially distressed*" (as defined in the Companies Act).

12.1.7 **Insolvency and business rescue proceedings**

12.1.7.1 Any corporate action, legal proceedings or other procedure or step (including an application to court, proposal or convening of a meeting) is taken with a view to:

12.1.7.2 the suspension of payments, a moratorium of any indebtedness, liquidation, winding-up, dissolution, administration, business rescue or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group (other than a Dormant Subsidiary), other than pursuant to a Permitted Transaction;

12.1.7.3 a composition, compromise, assignment or arrangement with any creditor of any member of the Group (other than a Dormant Subsidiary);

12.1.7.4 the appointment of a liquidator receiver, administrative receiver, administrator, compulsory manager, business rescue practitioner or other similar officer in respect of any member of the Group (other than a Dormant Subsidiary) or any of its assets; or

12.1.7.5 enforcement of any Security over any assets of any member of the Group (other than a Dormant Subsidiary);

12.1.7.6 or any analogous procedure or step is taken in any jurisdiction,

and in respect of a winding-up, is not contested in good faith and with due diligence and discharged within thirty days of its commencement.

12.1.7.7 A meeting is proposed or convened by the directors of a member of the Group (other than a Dormant Subsidiary), a resolution is proposed or passed, application is made or an order is applied for or granted, to authorise the entry into or implementation of any business rescue or administration proceedings (or any similar proceedings) in respect of a member of the Group (other than a Dormant Subsidiary), or any analogous procedure or step is taken in any jurisdiction.

12.1.8 **Guarantee not of full force:**

For any reason the Guarantee is not (or is claimed by any of the Guarantors not to be) in full force and effect and such failure has continued for more than 5 days following the service on each of the Guarantors and the Issuer of a written notice requiring that failure to be remedied.

12.1.9 **Acceleration**

12.1.9.1 If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders and each of the Guarantors.

12.1.9.2 Save as set out in Condition 12.1.9.3 and subject to Condition 5 (*Status and Characteristics of Subordinated Notes*), upon the occurrence of an Event of Default, the Majority Noteholders may, by written notice to the Issuer at its registered office, effective upon the date of receipt thereof by the Issuer, declare the Notes held by such Noteholder to be forthwith due and payable. Upon

receipt of that notice, such Notes, together with accrued interest (if any) to the date of payment, shall become forthwith due and payable.

- 12.1.9.3 Upon the occurrence of an Event of Default in Conditions 12.1.6 (*Insolvency*) and 12.1.7 (*Insolvency and business rescue related events*), the Notes held by each Noteholder will automatically become due and payable and accordingly such Notes, together with accrued interest (if any) to the date of payment, shall become forthwith due and payable.

### 13. DELIVERY, EXCHANGE AND REPLACEMENT OF INDIVIDUAL CERTIFICATES

- 13.1 Individual Certificates shall be provided (whether by way of issue, delivery or exchange) by the Issuer without charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other persons, such as a [Transfer Agent] and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Individual Certificates by other than ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.
- 13.2 If any Individual Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the office of the Transfer Agent on payment by the claimant of such costs and expenses as may be incurred in connection therewith and against the furnishing of such indemnity as the Transfer Agent may reasonably require. Mutilated or defaced Individual Certificates must be surrendered before replacements will be issued.
- 13.3 Any person becoming entitled to Notes in consequence of the death or insolvency of the relevant Noteholder may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this paragraph or of his title, require the Issuer and the Transfer Agent to register such person as the holder of such Notes or, subject to the requirements of this Condition 13, to transfer such Notes to such person.

### 14. TRANSFER OF NOTES

- 14.1 In order for any transfer of Notes to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Note:
- 14.1.1 must be embodied in the usual Transfer Form;
- 14.1.2 must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that registered Noteholder and/or transferee;
- 14.1.3 shall only be in respect of denominations of ZAR1,000,000 each or a multiple thereof and consequently the Issuer will not recognise any fraction of a denomination of ZAR1,000,000; and
- 14.1.4 must be made by way of the delivery of the Transfer Form to the Transfer Agent together with the Individual Certificate in question for cancellation or, if only part of the Notes represented by a Individual Certificate is transferred, a new Individual Certificate for the balance will be delivered to the transferor and the cancelled Individual Certificate will be retained by the Transfer Agent.

- 14.2 The transferor of any Notes represented by an Individual Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 14.3 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Agent reasonably requires as to the identity and title of the transferor and the transferee.
- 14.4 No transfer will be registered while the Register is closed.
- 14.5 If a transfer is registered then the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.

15. **RIGHTS OF PRE-EMPTION BETWEEN THE NOTEHOLDERS**

- 15.1 Notwithstanding any other provision of these Notes, but subject to the provisions of Condition 14 (*Transfer of Notes*), in the event that a Noteholder (the **Offeror**) wishes to accept an offer from a *bona fide* third party or from any other Noteholder, to purchase or acquire any or all of its Note(s) or otherwise intends to transfer any or all of its Note(s) to such person, it shall not accept such offer or otherwise transfer any of its Note(s), which it proposes to transfer to such third party or to any Noteholder (the **Transferring Note Interest**), without first offering to sell such Transferring Note Interest to the other Noteholders listed as a noteholder in the Register as at the date of receipt of such offer from an Offeror (the **Offerees**), or their respective nominees, *pro rata* to their respective holdings in the Notes.
- 15.2 Any offer made by an Offeror in terms of Condition 15.1 must be by way of a written offer (the **Offer**).
- 15.3 If only some of the Offerees exercise their rights by accepting the Offer, such Offeree(s), or their respective nominee(s), shall be entitled to purchase and acquire in proportionate shares, *pro rata* to their respective holding in the Notes, the portion of the Transferring Note Interest not taken by the other Offeree(s), or their respective nominee(s), by giving written notice to the Offeror within 5 (five) Business Days after the end of the applicable Offer Period (defined in Condition 15.4.5) relating to the Offer (and in such circumstances, each of the other applicable timelines in this Condition 15 shall be deemed to have been extended by such 5(five) Business Day period).
- 15.4 The Offer in terms of Condition 15.2 shall:
- 15.4.1 be for the whole (and not part only) of the Transferring Note Interest;
- 15.4.2 be made in writing to the Offerees and be delivered personally or sent by registered mail to the Offerees at their respective addresses set out in clause [•] of the Subscription Agreement;
- 15.4.3 specify (i) the identity of the third party if the Offeror has received an offer from a third party, or the Noteholder if it has received an offer from a Noteholder; (ii) the price for the Transferring Note Interest; and (iii) the other material terms and conditions of such offer;
- 15.4.4 specify the address to which the acceptance or rejection of the Offer by the Offerees, or their respective nominees, may be sent;
- 15.4.5 be irrevocable and open for acceptance for a period of 10 (ten) days from the date of the Offer (the **Offer Period**);

- 15.4.6 specify the purchase price, for which the Offeror is willing to sell the Transferring Note Interest to the Offerees, or their respective nominees, which must be (i) a cash price payable in ZAR; and (ii) the price offered by the third party or the Noteholder wishing to acquire the Transferring Note Interest;
- 15.4.7 be subject to the condition that the whole (and not a part only) of the Offer is accepted; and
- 15.4.8 may be accepted by each Offeree by written notice only given at the Offeror's address specified in accordance with Condition 15.4.4 within the Offer Period.
- 15.5 Should the Offer not be accepted in full by the applicable Offeree(s), within the Offer Period then the Offeror shall be entitled to sell and transfer the whole (and not a part only) of the Transferring Note Interest, provided that:
- 15.5.1 the sale may not be made to anyone other than a person who has been identified in terms of Condition 15.4.3;
- 15.5.2 the sale is entered into within 30 (thirty) days from the (i) date on which the Offeror receives written notification from the Offeree(s), or their respective nominee(s), of their rejection of the Offer; or (ii) the date on which the Offer expires;
- 15.5.3 the sale is not effected at a price and on terms and conditions which are more favourable to the prospective transferee than those first offered to the Offerees, or their respective nominee(s), in terms of the Offer; and
- 15.5.4 should the sale or other transfer to the prospective transferee not be entered into within the 30 (thirty) days referred to in Condition 15.5.2, all the provisions of this clause 15 shall continue to remain in force.
- 15.6 Each Noteholder acknowledges and confirms that the provisions of this Condition 15 constitute stipulations for the benefit of each other Noteholder (from time to time), capable of acceptance by a Noteholder at any time.

## 16. REGISTER

- 16.1 The Register shall be kept at the offices of the Transfer Agent. The Register shall contain the name, address and bank account details of the registered Noteholders. The Register shall set out the Principal Amount of the Notes issued to any Noteholder and shall show the date of such issue and the date upon which the Noteholder became registered as such. The Register shall show the serial numbers of Individual Certificates issued. The Register shall be open for inspection during the normal business hours of the Transfer Agent to any Noteholder or any person authorised in writing by any Noteholder. The Transfer Agent shall not record any transfer while the Register is closed.
- 16.2 During the period from and including •••• to but excluding •••• the Register shall be closed from and including •••• to but excluding •••• and from and including •••• to but excluding •••• of each year or for the period of 10 days preceding a Redemption Date, if such Redemption Date does not fall on an Interest Payment Date.
- 16.3 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of which it is notified in accordance with these Terms and Conditions.

## 17. NOTICES

- 17.1 All notices (including all demands or requests under these Terms and Conditions) to the Noteholders will be valid if (a) mailed by registered post or (b) e-mailed to the address appearing in the Register. Any such notice shall be deemed to have been given on the day of first publication or hand delivery or on the day on which it is emailed, as the case may be.
- 17.2 Notices (including all demands or requests under these Terms and Conditions) to be given by any Noteholder shall be in writing and given by delivering the notice, together with a certified copy of the relevant Individual Certificate, to the Issuer.
- 17.3 Any notice to the Issuer shall be deemed to have been received by the Issuer, on the first Business Day after being hand delivered to the registered office of the Issuer or on the seventh day after the day on which it is mailed by registered post to the registered office of the Issuer, as the case may be.

## 18. AMENDMENT OF THESE TERMS AND CONDITIONS

- 18.1 These Terms and Conditions set out all the rights and obligations relating to the Notes and, subject to the further provisions of this Condition 18 (*Amendment of these Terms and Conditions*), no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless the Noteholders have been notified and the amendments have been reduced to writing and signed by or on behalf of the Issuer, the Guarantor and the Noteholders.
- 18.2 The Issuer may effect, without the consent of Noteholders any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is established, provided that the Noteholders shall be notified in accordance with Condition 17 (*Notices*) as soon as is practicable thereafter.
- 18.3 The Issuer may, with the prior sanction of an Extraordinary Resolution of the Noteholders or with the prior written consent of the Noteholders holding not less than  $66\frac{2}{3}\%$  in Principal Amount of the Notes outstanding from time to time, within 15 Business Days of receiving notice of the written resolution, amend these Terms and Conditions and/or the Guarantee, provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to all Noteholders in terms of Condition 17 (*Notices*).

## 19. MEETINGS OF NOTEHOLDERS

- 19.1 The Issuer and/or Guarantors may at any time convene a meeting of Noteholders upon at least 21 days prior written notice to such Noteholders. Such notice shall specify the date, place and time of the meeting to be held, which place shall be in the Republic of South Africa.
- 19.2 Every director or duly appointed representative of the Issuer may attend and speak at a meeting of Noteholders, but shall not be entitled to vote in respect of Notes held by the Issuer. The Issuer shall have no entitlement to vote as a Noteholder in respect of any Notes held by it.
- 19.3 Noteholders holding not less than 20% in nominal amount of the outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to requisition such a meeting within

10 Business Days of such a request being received by the Issuer, the Noteholders requesting such a meeting may convene such meeting upon at least 21 days prior written notice to the Issuer and the Noteholders. Such notice shall specify the date, place and time of the meeting to be held, which place shall be in the Republic of South Africa.

- 19.4 Any Proxy or Representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholders specified in the appointment, to be the holder of the Notes to which the appointment relates.
- 19.5 At any meeting of Noteholders each Noteholder shall have one vote for each ZAR1,000,000 of Outstanding Capital Amount of the Notes held by such Noteholder.
- 19.6 The chairman of the meeting shall be appointed by the Noteholders. In the event of an equality of votes the chairman shall have a casting vote. The procedures to be followed at the meeting shall be as determined by the chairman subject to the remaining provisions of this Condition 19 (*Meeting of Noteholders*). Should a Noteholder request a meeting, and the Issuer fails to call such a meeting within 10 Business Days of the request, then the chairman of the meeting held at the instance of the Noteholders shall be selected by a majority of Noteholders present in person, by Representative or by Proxy.
- 19.7 At any such meeting one or more Noteholders present in person, by Representative or by Proxy, holding in aggregate not less than one third in nominal amount of the Notes for the time being outstanding shall form a quorum for the transaction of business. The quorum at a meeting for the passing of an Extraordinary Resolution shall be one or more Noteholders present in person, by Representative or by Proxy and holding in aggregate not less than a clear majority in nominal amount of Notes outstanding for the time being.

## 20. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time with the prior written consent of Noteholders to create and issue further Notes on these Terms and Conditions or such terms and conditions as are the same in all respects (or in all aspects, save for the amount, date of the first payment of interest thereon, the issue price and the issue date) and so that the same shall be consolidated and form a single series with outstanding Notes.

## 21. **GOVERNING LAW**

The Notes and all rights and obligations relating to the Notes are governed by, and shall be construed in accordance with the laws of the Republic of South Africa.

## 22. **JURISDICTION**

- 22.1 The Issuer and each Noteholder hereby irrevocably and unconditionally consents and submits to the jurisdiction of the Gauteng Local Division, Johannesburg of the High Court of South Africa (or any successor to that division) in regard to all matters arising from the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) (a **Dispute**).
- 22.2 The Issuer and each Noteholder agree that the Gauteng Local Division, Johannesburg of the High Court of South Africa (or any successor to that division) is the most appropriate and convenient court to settle Disputes and accordingly:

- 22.2.1 the Issuer and each Noteholder will not argue to the contrary;
- 22.2.2 the Issuer and each Noteholder hereby waives any objection to the jurisdiction of that court on the grounds of venue or *forum non conveniens* or any similar grounds; and
- 22.2.3 The Issuer and each Noteholder consents to service of process in any manner permitted by applicable law.
- 22.3 This Condition 22 (*Jurisdiction*) is for the benefit of the Noteholders only. As a result, no Noteholder shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction as it sees fit. To the extent allowed by law, a Noteholder may take concurrent proceedings in any number of jurisdictions.

**Participating Notes Term Sheet**

1. SEK Participating Notes
2. NOK Ords Participating Notes
3. NOK E PIK Participating Notes



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**STRICTLY PRIVATE AND CONFIDENTIAL**

## **Term Sheet**

ISIN: SE [•]

[SPV]

### **SEK Participating Notes (the "Participating Notes" or the "Notes Issue")**

**Issue Date: [•] 2017**

*The following overview included in this term sheet does not purport to be complete, and is qualified in its entirety by the final Terms and Conditions for the Participating Notes and related documents and the issue of the Participating Notes is subject to approval of the restructure of Real People Investment Holdings Limited, approval by the requisite majority of Senior Bonds (as defined below) and by the board of directors of the Participating Notes Issuer, as well as any other approvals as may be required by applicable company law.*

### **Background**

Real People Investment Holdings Limited ("**RPIH**") has issued senior unsecured callable bonds in SEK (the "**SEK Bonds**" with ISIN SE 000 5392560 and NOK with ISIN NO 001 0689342 (the "**NOK Bonds**") (collectively the "**Senior Bonds**") under terms and conditions (as amended and restated from time to time) (the "**Senior Bonds Terms and Conditions**").

As a part of a restructuring of RPIH part of the debt constituted by the SEK Bonds will be converted to unregistered debt (the "**Unregistered Debt**"). The Unregistered Debt will be transferred to the Participating Notes Issuer which will issue Participating Notes in SEK to the holders of the SEK Bonds as consideration for the Unregistered Debt.

The Participating Notes Issuer will subscribe for ordinary shares in RPIH and E PIK Notes issued by RPIH. The subscription price for the E PIK Notes will be paid for by the Participating Notes Issuer by setting-off the obligation to pay the subscription price against the corresponding part of the Unregistered Debt. The nominal subscription price for the ordinary shares will be paid for in cash.

The Participating Notes Issuer will convert amounts received in ZAR under the ordinary shares and the E PIK Notes into SEK and pay such amounts as repayment of principal and payment of participation under the Participating Notes.

Security over the ordinary shares in RPIH, the ordinary shares in the Participating Notes Issuer and the E PIK Notes will be created to secure the Participating Notes.

Under a corresponding structure, [\*\*], a Dutch limited liability company with business identity code [\*\*], will issue substantially similar participating notes to the holders of the NOK Bonds (the "**NOK Notes**").

## **Definitions**

Unless otherwise defined in this term sheet or in the Schedule (*Definitions*) hereto, terms defined in the Senior Bonds Terms and Conditions shall have the same meaning when used in this term sheet.

### **Structure**

*Participating Notes Issuer:* [•], a Dutch limited liability company with business identity code [•].  
*Shareholder:* The shares in the Participating Notes Issuer will be fully owned by a Dutch foundation (*stichting*).

### **Quantum**

*Currency:* SEK  
*Participating Notes Issue:* One (1) Participating Note will be issued for each SEK Bond to the holder of such SEK Bond at the close of business of the Record Date.  
*Nominal Amount:* The nominal amount of each Participating Note will be [•]<sup>1</sup>  
*Outstanding Nominal Amount:* The Nominal Amount less any repayments and amortisations made.  
*Participation:* Participation will be paid on the Participating Notes as set out under the heading "*Redemption and participation*" below.  
*Issue Date:* Expected to be [•] 2017.  
*Final Redemption Date* The date falling thirty (30) years after the Issue date.

### **Purpose and status**

*Purpose of the Participating Notes Issue:* The purpose of the Participating Notes Issue is to pass on the economic benefit and risk of the holding of the Ords and the E PIK Notes to the Holders.  
*Status of the Participating Notes:* The Participating Notes constitute direct, general, unconditional, unsubordinated, secured and limited recourse obligations of the Participating Notes Issuer and shall at all times rank at least *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Participating Issuer, except those obligations which are mandatorily preferred by law, and without any preference among them.  
*Limited recourse and no petition:* The recourse of the Holders against the Participating Notes Issuer pursuant to the Participating Notes is limited. The Holders will have a right of recourse (*verhaalsrecht*) only in respect of the Ords and the E PIK Notes held by the Participating Notes Issuer and will not have any claim, by operation of law or otherwise, against, or recourse to any of other assets of the Participating Notes Issuer.  
  
In the event that the rights relating to the Participating Notes have been fully enforced and the proceeds of such enforcement and any other amounts received by the Participating Notes Issuer, after payment of all claims ranking in priority to a claim of the Holders, are insufficient to pay in full all amounts outstanding in respect of the Participating Notes, then the Holders shall have no further claim of whatever nature against the Participating Notes Issuer in respect of such unpaid amount.  
  
Non-petition language will be included in the Terms and Conditions.

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<sup>1</sup> Equivalent to the Unregistered Debt converted into ZAR and divided with the number of Participating Notes.

## **Security**

*Transaction Security:* All amounts outstanding under the Finance Documents, including but not limited to the Participating Notes, plus accrued Participation and expenses shall be secured by:

- (a) a pledge over all the shares in the Participating Notes Issuer granted under Dutch law;
- (b) a pledge and cession on security over the Ords and shareholder claims granted under South African law securing a parallel debt obligation owed to the Trustee as principal in its capacity as security agent for the Secured Parties; and
- (c) a cession in security over the E PIK Notes granted under South African law securing a parallel debt obligation owed to the Trustee as principal in its capacity as security agent for the Secured Parties.

For practical reasons the security may need to be entered into and perfected after the Issue Date.

## **Accrual of Participation**

*Accrual of Participation* Participation shall accrue on the Participating Notes in an amount equivalent to the income accruing under and any increase in value of the Ords and the E PIK Notes.

*FX translation adjustments* An amount equivalent to any profit resulting from currency translation relating to the Ords and the E PIK Notes shall be added and an amount equivalent to any loss resulting from currency translation relating to the Ords and the E PIK Notes shall be deducted from the accrued Participation at the relevant times each year so that any exchange difference effects on income and financial position are balanced and neutralised.

*Fee* In accordance with the purpose of the Participating Notes Issue, all benefits relating to the Ords and the E PIK Notes are passed on under the Participating Notes to the Holders. The Participating Notes Issuer will only be entitled to an at arm's length fee for its activities ("**Fee**"). This Fee will be paid by RPIH on the basis of the RPIH Cost Coverage Agreement. Therefore, the taxable income of the Participating Notes Issuer is expected not to exceed the amount of the Fee.

*Payments* All assets of the Participating Notes Issuer, except for the Fee, can be paid out under the Participating Notes.

## **Redemption and payment of Participation**

*Conversion of ZAR:* The Participating Notes Issuer shall convert the Net Receipts received in ZAR to SEK at the spot exchange rate available to it (acting reasonably) (such converted amount after deduction of costs for the conversion is referred to as "**Net Converted Receipts**").

*Redemption:*

- (a) Subject to paragraph (b) below, the Participating Notes Issuer shall apply any Net Converted Receipts received as repayment of principal under E PIK Notes ("**Principal Repayment Amounts**") to redeem in whole or in part the aggregate Outstanding Nominal Amount of the Participating Notes.
- (b) The Principal Repayment Amounts and the amounts applied to redeem principal amounts of Participating Notes pursuant to paragraph (a) above, shall be limited so that immediately after any such redemption,

the Outstanding Nominal Amount of each Participating Note is at least 1 (one) SEK, and any excess shall be paid as Participation.

- (c) Redemption pursuant to paragraph (a) above, shall be made no later than [fifteen (15)] Business Days after the receipt by the Participating Notes Issuer of any Net Receipts constituting Principal Repayment Amounts in an amount possible to pay out pursuant to applicable regulations of the CSD.
- (d) Payments shall be made in accordance with the rules of the CSD.
- (e) The Participating Notes Issuer shall make a press release of the amounts to be paid to redeem Outstanding Nominal Amount on each Participating Note no later than five (5) business days before the relevant Record Date.

*Payment of participation:*

- (a) The Participating Notes Issuer shall apply any Net Converted Receipts other than Principal Repayment Amounts ("**Participating Amount**") to pay participation ("**Participation**") on the Participating Notes.
- (b) Payment of Participation shall be made no later than [fifteen (15)] Business Days after the receipt by the Participating Notes Issuer of any Net Receipts constituting Participating Amount in an amount possible to pay out pursuant to applicable regulations of the CSD.
- (c) The Participating Notes Issuer shall make a press release of the amounts to be paid as Participation on each Participating Note no later than five (5) business days before the relevant Record Date.
- (d) Payment of Participation shall be made in accordance with the rules of the CSD.

*Rounding off payments*

Any payment to be made with respect to the Participating Notes shall be rounded down to the nearest even one (1) SEK per each Participating Note, or in accordance with applicable CSD regulation.

**Repurchase of Participating Notes**

*Repurchase of Participating Notes:*

RPIH may at any time and at any price purchase any Participating Notes on the market or in any other way.

**Collection of proceeds**

*Collection of proceeds:*

The Participating Notes Issuer shall collect amounts payable under the Ords and the E PIK Notes and apply them in accordance with the Terms and Conditions.

*No disposal of funds in its own interest:*

The Participating Notes Issuer may not dispose of Net Receipts in its own interest.

**Sale of Ords or E PIK Notes**

*Sale of Ords or E PIK Notes*

- (a) Except if a sale is made in accordance with paragraph (b) below, if the Participating Notes Issuer receives an offer to sell the Ords or E PIK Notes it shall give notice for a written procedure or Holders' meeting where the Holders can decide on the matter.
- (b) If an offer is received to purchase the Ords in accordance with section 125 of the South African Companies Act, the memorandum of incorporation of RPIH will prescribe that all holders of ordinary shares (including the Participating Notes Issuer) must accept such an offer to sell the Ords if a

prescribed majority of the ordinary shareholders have voted in favour of the offer and an independent board and an independent expert (each as defined under South African regulations) have concluded that the offer is fair and reasonable.

- (c) If the Participating Notes Issuer intends to sell Ords or E PIK Notes it must comply with pre-emption provision applicable to the E PIK Notes or the Ords, which means that it may need to offer the relevant instruments to other existing holders of such instruments.
- (d) The Participating Notes Issuer shall not accept and does not need to inform the Holders of offers made to it to acquire further Ords or E PIK Notes.

*Application of sales  
proceed*

The net proceeds received from a sale of Ords or E PIK Notes shall be applied as set out under the heading "*Allocation of proceeds*" below.

#### ***Voting for the Ords***

*Voting*

- (a) If the holders of ordinary shares in RPIH are summoned or otherwise offered to vote on a matter as shareholders, the Participating Notes Issuer shall vote as holder of the Ords:
  - (i) as instructed by the Trustee (representing the Holders pursuant to paragraph (c) below) with respect to the following matters:
    - (A) any material change in the nature of the business conducted by RPIH;
    - (B) the disposal by RPIH of all or the greater part of the assets or undertaking (as contemplated in the South African Companies Act) of RPIH;
    - (C) the disposal by RPIH of assets to any shareholder of RPIH or an Affiliate of RPIH (other than disposals in the ordinary course of business and/or disposals on arms' length basis);
    - (D) any variation, amendment or alteration to the memorandum of incorporation of RPIH which has a material adverse effect on the interests of the ordinary shareholders generally;
    - (E) any issuance of shares, options, convertibles or other instruments providing an entitlement to ordinary shares (other than (i) as contemplated to occur as a part of the Restructuring or (ii) if offered with right of first refusal to the existing holders of ordinary shares or pursuant to an employee share scheme;
    - (F) any merger of the RPIH with another legal entity (except where RPIH continues to exist as the surviving legal entity);
    - (G) a decision to liquidate (voluntarily or compulsorily) or wind-up RPIH or to place RPIH under business rescue or similar process (in each case whether provisionally or finally) or to compromise generally with its creditors, other than if required to do so in accordance with the provisions of the South African Companies Act; and
    - (H) the deregistration of RPIH.
  - (ii) Subject to paragraph (b) below, with respect to all other matters than those referred to in paragraph (a)(i) above:

- (A) as long as Senior Lenders hold at least 20% of the issued ordinary share capital in RPIH and Senior Loans are outstanding, in the same way as the majority of the number of votes are cast by the Senior Lenders with respect to ordinary shares in RPIH held by them; or
  - (B) if the Senior Lenders hold less than 20% of the issued ordinary share capital in RPIH or if the Senior Loans has been fully discharged, in the same way as the majority of the number of votes are cast by the other holders of ordinary shares in RPIH with respect to such ordinary shares.
- (b) If an Event of Default has occurred and is outstanding and the holders of ordinary shares in RPIH are summoned or otherwise offered to vote on a matter as shareholders, the Participating Notes Issuer shall vote for the Ords as set out in paragraph (a)(i) above.
  - (c) If a matter referred to in paragraph (a)(i) or (b) above shall be voted on by the shareholders of the Ords, the Trustee shall (to the extent possible taken applicable notice periods and administrative procedures into account) give notice of a written procedure or Holder's meeting on which the Holders may decide on how to instruct the Participating Notes Issuer to vote for the Ords.

***Offer to subscribe for ordinary shares in RPIH***

*Offer to subscribe for ordinary shares in RPIH*

- (a) If new ordinary shares are issued by RPIH with a right of first refusal for existing holders of ordinary shares and with a right for the Participating Notes Issuer to designate nominees with respect to such share issue, the Participating Notes Issuer will offer to each Holder to designate it as nominee with respect to the share issue pro rata in relation to the Holder's holding of Participating Notes (rounded down to the closest whole number of shares).
- (b) The Participating Notes Issuer may make such reasonable adjustments or amendments to the offer as it deems appropriate or necessary to implement the offer from a practical or administrative perspective.

***Inside information***

*Limited forwarding of information regarding the Ords:*

To limit the risk that the Holders receive inside information the Participating Notes Issuer will not forward information received by it as holder of the Ords from RPIH to the Holders, other than (i) information relating to voting on the matters set out in paragraph (a) under the heading "*Voting for the Ords*", (ii) information relating to Events of Defaults, or (iii) as required for the Holders to take decisions on the matters under the Terms and Conditions.

***Transferability***

*Listing and prospectus:*

The Participating Notes will not be listed by the Participating Notes Issuer on any regulated market, MTF or other trading platform, and no prospectus or other offer document will be issued or filed with or approved by any financial regulatory authority.

*Transferability:*

The Participating Notes will be freely transferrable.

### **Restrictions and covenants**

- Distributions:* The Participating Notes Issuer shall not (i) repurchase or redeem any of its own shares, (ii) redeem or reduce its share capital or other restricted or unrestricted equity with repayment to shareholders, or effect another transfer of value (Sw. *värdeöverföring*) without receiving adequate consideration.
- Nature of business:* The Participating Notes Issuer will not carry out any other business than business contemplated by the Terms and Conditions.
- Financial Indebtedness:* The Participating Notes Issuer shall not incur any Financial Indebtedness other than under the Participating Notes.
- Disposals of assets:* The Participating Notes Issuer shall not sell or otherwise dispose of any business, any of the Ords or E PIK Notes or other assets other than in accordance with the Terms and Conditions or as prescribed in the Memorandum of Incorporation of RPIH.
- Negative pledge:* The Participating Notes Issuer shall not provide, prolong or renew any security over any of its assets (present or future) to secure any loan or other indebtedness other than Transaction Security.
- No financial support* The Participating Notes Issuer shall not provide any loans, guarantees, or other financial assistance to or on behalf of any other Person.
- Mergers and demergers:* The Participating Notes Issuer shall not enter into a merger or demerger.
- Dealings with related parties:* The Participating Notes Issuer shall conduct all dealings with RPIH at no less favourable terms for it than on arm's length terms.
- Financial Reporting:* The Participating Notes Issuer shall:
- (a) prepare and make available its annual audited consolidated financial statements including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Participating Notes Issuer's board of directors, on RPIH's website not later than 4 months after the expiry of each financial year;
  - (b) issue a Compliance Certificate to the Trustee at the Trustee's request, within 20 days from such request;
  - (c) keep the latest version of the Terms and Conditions available on the website of RPIH; and
  - (d) promptly notify the Trustee when the Participating Notes Issuer is or becomes aware of that an Event of Default has occurred, and shall provide the Trustee with such further information as the Trustee may request (acting reasonably) following receipt of such notice.

### **Events of Default**

- (a) **Non-payment:** The Participating Notes Issuer fails to pay an amount on the date it is due in accordance with the Finance Documents unless its failure to pay is caused by administrative or technical error and payment is made within ten (10) Business Days of the due date.
- (b) **Other obligations:** The Participating Notes Issuer does not comply with the Finance Documents, in any other way than as set out under (a) above, provided that the Trustee has requested the Participating Notes Issuer in writing to remedy such failure and the Participating Notes Issuer has not remedied the failure within fifteen (15) Business Days from such

request (if the failure or violation is not capable of being remedied, the Trustee may declare the Participating Notes payable without such prior written request).

- (c) **Cross-default:** A default or event of default (however described) occurs under (i) the E PIK Notes, or (ii) the NOK Notes, and such default is not cured within any applicable grace period.
- (d) **RPIH Cost Coverage Failure:** RPIH fails to fulfill its obligation to compensate the Participating Notes issuer for costs pursuant to the RPIH Cost Coverage Agreement and such failure is not remedied within 20 Business Days from the Participating Notes Issuer or the Trustee having notified RPIH of such failure.
- (e) **Insolvency:**
  - (i) the Participating Notes Issuer is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors with a view to rescheduling its Financial Indebtedness; or
  - (ii) a moratorium is declared in respect of its debts.
- (f) **Insolvency proceedings:** Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 60 days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to Subsidiaries, solvent liquidations) in relation to:
  - (iii) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of it; and
  - (iv) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of it or any of its assets or any analogous procedure or step is taken in any jurisdiction.
- (g) **Creditors' process:** Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of it having an aggregate value of an amount equal to or exceeding SEK 1,000,000 and is not discharged within 60 days.
- (h) **Impossibility or illegality:** It is or becomes impossible or unlawful for the Participating Notes Issuer to fulfill or perform any of the provisions of the Finance Documents or if the obligations under the Finance Documents are not, or cease to be, legal, valid, binding and enforceable.
- (i) **Continuation of the business:** The Participating Notes Issuer ceases to carry on its business.

*Allocation of Proceeds:* All payments by the Participating Notes Issuer relating to the Participating Notes and proceeds received from an enforcement of security created under Security Documents shall be made and/or distributed in the following order of priority:

- (a) *first*, in or towards payment of the Trustee under the Trustee Agreement, including all costs and indemnities relating to the acceleration of the Participating Notes or the protection of the Holders' rights under the Finance Documents;



- (b) *secondly*, towards payment of Outstanding Nominal Amount under the Participating Notes pro rata and pari passu; and
- (c) *thirdly*, towards payment of Participation unpaid under the Participating Notes pro rata and pari passu; and
- (d) *fourthly*, in or towards payment of any other costs or outstanding amounts under and in respect of the Participating Notes.

***Agents and other parties***

*Issuing Agent:* Pareto Securities AB

*Trustee:* The Holders' agent and security agent under the Terms and Conditions and, if relevant, the Finance Documents, from time to time; initially [•].

*CSD:* The Participating Notes Issuer's central securities depository and registrar in respect of the Participating Notes from time to time, initially Euroclear Sweden AB, and business identity code 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden.

***Miscellaneous***

*Quorum and majority requirements:*

- (a) Quorum at a Holders' meeting exists only if Holders representing at least 20 per cent. in case of a majority decision and 50 per cent. in case of a decision requiring qualified majority, of the aggregate Outstanding Nominal Amount attend the Holders' meeting in due order. If the quorum requirement has not been met, no quorum requirement applies in the second meeting.
- (b) Participating Notes held by the Participating Notes Issuer, RPIH or its Affiliates shall not be considered when calculating if necessary majority has been achieved and shall not carry any voting right.
- (c) Subject to paragraph (e) below, the resolution of the Holders shall be in accordance with the opinion held by the majority of the Outstanding Nominal Amount of the Participating Notes represented at the meeting.
- (d) A qualified majority of at least two thirds (2/3) of the Participating Notes represented at the meeting is required for a resolution to be passed with respect to the following matters:
  - (i) waive a breach of or amend a general undertaking;
  - (ii) release security provided under the Security Documents;
  - (iii) reduce the Outstanding Nominal Amount or Participation which shall be paid by the Participating Notes Issuer;
  - (iv) waive any breach of a payment undertaking, or
  - (v) amend the provisions regarding the majority requirements.
  - (vi) accept an offer to sell the Ords or the E PIK Notes; and
  - (vii) instruct the Participating Notes Issuer to solicit offers to purchase the Ords or the E PIK Notes.
- (e) The value of the vote of each Participating Note shall be the Nominal Amount

*Notice periods:*

- (a) A Holders' meeting shall be held no earlier than five (5) Business Days and no later than ten (15) Business Days from the notice for such meeting.

- (b) The stipulated time period within which a Holder must reply in a written procedure shall last at least five (5) Business Days.
- (c) A notice for a Holders' meeting, communication regarding a written procedure or any other notice will be effective:
  - (i) if sent by courier or personal delivery, when it has been left at the relevant address;
  - (ii) if sent by letter, one (1) Business Days after being deposited postage prepaid in an envelope addressed to the relevant addressee,
  - (iii) with respect to a notice or other communication posted on Stamdata, when publicly available.

*No action clause:* No Holder may take any action against the Participating Notes Issuer in matters relating to the Participating Notes or the Terms and Conditions.

*Terms and Conditions:* The Terms and Conditions will regulate the rights and obligations with respect to the Participating Notes. In the event of any discrepancy between this term sheet and the Terms and Conditions, the Terms and Conditions shall prevail.

Each Holder accepts to be bound by the Terms and Conditions. Further, each investor accepts that certain adjustments to the structure and terms described in this term sheet may occur and that they are bound by the final terms of the Terms and Conditions.

The Terms and Conditions shall include provisions on the Trustee's right to hold security on behalf of the Holders, represent the Holders, as well as other provisions customary for a Nordic bond offering.

*Governing law and Disputes:* The Terms and Conditions shall be governed by and construed in accordance with Swedish law. The Participating Notes will be registered pursuant to Swedish securities laws. The parallel debt agreement, limited recourse and the security over Dutch shares will be governed by Dutch law. The security over the Ords and the E PIK Notes will be governed by South African law (except for parallel debt provisions). Any dispute or claim arising in relation to the Terms and Conditions shall be determined by Swedish courts.

Stockholm, [•] 2017

[•]

As Participating Notes Issuer

[•]

## DEFINITIONS

"**Affiliate**" means any Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Business Day**" means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (*midsommarafton*), Christmas Eve (*julafton*) and New Year's Eve (*nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

"**Compliance Certificate**" means a certificate, in form and substance satisfactory to the Trustee, signed by the Participating Notes Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it.

"**E PIK Notes**" means E PIK Notes issued or to be issued by RPIH to the Participating Notes Issuer in exchange for the Unregistered Claims as a part of the Restructuring.

"**Fee**" has the meaning ascribed to such term under the heading "*Fee*".

"**Financial Indebtedness**" means any indebtedness in respect of:

- (a) monies borrowed or raised, including Market Loans;
- (b) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (c) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (d) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account, provided that if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (e) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (f) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(f).

"**Finance Documents**" means the Terms and Conditions, the Trustee Agreement, the Security Documents and any other document designated to be a Finance Document by the Participating Notes Issuer and the Trustee.

"**Financial Report**" means the Group's annual audited financial statements which shall be prepared and made available according (*Financial Reporting*).

"**Holders**" means the holders of the Participating Notes.

"**Market Loan**" means any loan or other indebtedness where an entity issues commercial paper, certificates, subordinated debentures, Participating Notes or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Stockholm or any other regulated or unregulated recognised market place.

"**Net Converted Receipts**" has the meaning ascribed to such terms under the heading "*Conversion of ZAR*".

"**Net Receipts**" means the amounts actually received by the Participating Notes Issuer with respect to the Ords or the E PIK Notes.

"**NOK Notes**" has the meaning ascribed to such terms under the heading "*Background*".

"**Ords**" means the ordinary shares issued or to be issued by RPIH to the Participating Notes Issuer as a part of the Restructuring.

"**Outstanding Nominal Amount**" has the meaning ascribed to such term under the heading "*Outstanding Nominal Amount*".

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"**Principal Repayment Amounts**" has the meaning ascribed to such term under the heading "*Redemption*".

"**Participating Amount**" has the meaning ascribed to such term under the heading "*Payment of Participation*".

"**Participation**" has the meaning ascribed to such term under the heading "*Payment of Participation*".

"**Record Date**" means the date on which a holder of a SEK Bond must be registered on a Securities Account with the CSD to be entitled to receive Participating Notes as set out in the notice for written procedure for the Senior Bonds regarding the Restructuring.

"**Restructuring**" means the restructuring of financial liabilities owed by RPIH contemplated to be carried out in November or December 2017.

"**RPIH Cost Coverage Agreement**" means the agreement entered into between, amongst others, RPIH, the Participating Notes Issuer and the Trustee under which RPIH undertakes to compensate the Participating Notes Issuer for its operations.

"**Secured Parties**" means the Trustee and each Holder.

"**Security Documents**" means the security documents pursuant to which the Transaction Security is created and any other document designated as a Security Document by the Participating Notes Issuer and the Trustee.

"**Senior Lenders**" means the lenders with respect to the Senior Loans.

"**Senior Loans**" means the loans extended under the under the ZAR [•] term loan facility agreement to be entered into by RPIH in connection with the restructure of RPIH and by which senior unsecured debt is to be refinanced.

"**Trustee Agreement**" means the fee agreement entered into between the Trustee and the Participating Notes Issuer on or about the Issue Date regarding, inter alia, the remuneration payable to the Trustee.

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**STRICTLY PRIVATE AND CONFIDENTIAL**

**Final version**

**Term Sheet**

ISIN: NO [•]

[SPV]

**NOK Ords Participating Notes  
(the "Participating Notes" or the "Notes Issue")**

**Issue Date: [•] 2017**

*The following overview included in this term sheet does not purport to be complete, and is qualified in its entirety by the final Terms and Conditions for the Participating Notes and related documents and the issue of the Participating Notes is subject to approval of the restructure of Real People Investment Holdings Limited, approval by the requisite majority of Senior Bonds (as defined below) and by the board of directors of the Participating Notes Issuer, as well as any other approvals as may be required by applicable company law.*

***Background***

Real People Investment Holdings Limited ("**RPIH**") has issued senior unsecured callable bonds in SEK (the "**SEK Bonds**" with ISIN SE 000 5392560 and NOK with ISIN NO 001 0689342 (the "**NOK Bonds**") (collectively the "**Senior Bonds**") under terms and conditions (as amended and restated from time to time) (the "**Senior Bonds Terms and Conditions**").

As a part of a restructuring of RPIH part of the debt constituted by the NOK Bonds will be converted to unregistered debt (the "**Unregistered Debt**"). The Unregistered Debt will be transferred to the Participating Notes Issuer which will issue Participating Notes in NOK to the holders of the NOK Bonds as consideration for part of the Unregistered Debt.

The Participating Notes Issuer will subscribe for ordinary shares in RPIH issued by RPIH. The nominal subscription price for the ordinary shares will be paid for in cash.

The Participating Notes Issuer will convert amounts received in ZAR under the ordinary shares into NOK and pay such amounts as repayment of principal and payment of participation under the Participating Notes.

Security over the ordinary shares in RPIH and the ordinary shares in the Participating Notes Issuer will be created to secure the Participating Notes. The security over the shares in the Participating Notes Issuer will be shared with the holders of the E PIK Participating Notes.

Under a corresponding structure, [\*\*], a Dutch limited liability company with business identity code [\*\*], will issue substantially similar participating notes to the holders of the SEK Bonds (the "**SEK Notes**").

### **Definitions**

Unless otherwise defined in this term sheet or in the Schedule (*Definitions*) hereto, terms defined in the Senior Bonds Terms and Conditions shall have the same meaning when used in this term sheet.

### **Structure**

*Participating Notes Issuer:* [•], a Dutch limited liability company with business identity code [•].

*Shareholder:* The shares in the Participating Notes Issuer will be fully owned by a Dutch foundation (*stichting*).

### **Quantum**

*Currency:* NOK

*Participating Notes Issue:* One (1) Participating Note will be issued for each NOK Bond to the holder of such NOK Bond immediately prior to the contemplated bond split on the Record Date. For the avoidance of doubt, and for the purpose of this Clause, the number of NOK Bonds shall be calculated without taking any bond split into account.

*Nominal Amount:* The nominal amount of each Participating Note will be one (1) NOK.

*Outstanding Nominal Amount:* The Nominal Amount less any repayments and amortisations made.

*Participation:* Participation will be paid on the Participating Notes as set out under the heading "*Redemption and Participation*" below.

*Issue Date:* Expected to be [•] 2017.

*Redemption Date:* The date falling thirty (30) years after the Issue date. Except if the Ords have been sold or the security over them enforced, the Participating Notes may not be redeemed prior to the Redemption Date.

### **Purpose and status**

*Purpose of the Participating Notes Issue:* The purpose of the Participating Notes Issue is to pass on the economic benefit and risk of the holding of the Ords to the Holders.

*Status of the Participating Notes:* The Participating Notes constitute direct, general, unconditional, unsubordinated, secured and limited recourse obligations of the Participating Notes Issuer and shall at all times rank at least *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Participating Issuer, except those obligations which are mandatorily preferred by law, and without any preference among them.

*Limited recourse and no petition:* The recourse of the Holders against the Participating Notes Issuer pursuant to the Participating Notes is limited. The Holders will have a right of recourse (*verhaalsrecht*) only in respect of the Ords held by the Participating Notes Issuer and will not have any claim, by operation of law or otherwise, against, or recourse to any of other assets of the Participating Notes Issuer.

In the event that the rights relating to the Participating Notes have been fully enforced and the proceeds of such enforcement and any other amounts received by the Participating Notes Issuer, after payment of all claims ranking in priority to a claim of the Holders, are insufficient to pay in full all amounts outstanding in respect of the Participating Notes, then the Holders shall have no further claim of whatever nature against the Participating Notes Issuer in respect of such unpaid amount.

Non-petition language will be included in the Terms and Conditions.

### **Security**

*Transaction Security:* All amounts outstanding under the Finance Documents, including but not limited to the Participating Notes, plus accrued Participation and expenses shall be secured by:

- (a) a pledge over all the shares in the Participating Notes Issuer granted under Dutch law<sup>1</sup>; and
- (b) a pledge and cession in security over the Ords and shareholder claims granted under South African law securing a parallel debt obligation owed to the Trustee as principal in its capacity as security agent for the Secured Parties;

For practical reasons the security may need to be entered into and perfected after the Issue Date.

### **Accrual of Participation**

*Accrual of Participation* Participation shall accrue on the Participating Notes in an amount equivalent to the income accruing under and any increase in value of the Ords.

*FX translation adjustments* An amount equivalent to any profit resulting from currency translation relating to the Ords shall be added and an amount equivalent to any loss resulting from currency translation relating to the Ords shall be deducted from the accrued Participation at the relevant times each year so that any exchange difference effects on income and financial position are balanced and neutralised.

*Fee* In accordance with the purpose of the Participating Notes Issue, all benefits relating to the Ords are passed on under the Participating Notes to the Holders. The Participating Notes Issuer will only be entitled to an at arm's length fee for its activities ("**Fee**"). This Fee will be paid by RPIH on the basis of the RPIH Cost Coverage Agreement. Therefore, the taxable income of the Participating Notes Issuer is expected not to exceed the amount of the Fee.

*Payments* All assets of the Participating Notes Issuer, except for the Fee, can be paid out under the Participating Notes.

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<sup>1</sup> The security over the shares in the Participating Notes Issuer will be shared with the holders of E PIK Participating Notes.

**Redemption and payment of Participation**

*Conversion of ZAR:* The Participating Notes Issuer shall convert the Net Receipts received in ZAR to NOK at the spot exchange rate available to it (acting reasonably) (such converted amount after deduction of costs for the conversion is referred to as "**Net Converted Receipts**").

*Payment of Participation:*

- (a) The Participating Notes Issuer shall apply any Net Converted Receipts to pay participation ("**Participation**") on the Participating Notes.
- (b) Payment of Participation shall be made no later than [fifteen (15)] Business Days after the receipt by the Participating Notes Issuer of any Net Receipts in an amount possible to pay out pursuant to applicable regulations of the CSD.
- (c) The Participating Notes Issuer shall make a press release of the amounts to be paid as Participation on each Participating Note no later than five (5) business days before the relevant Record Date.
- (d) Payment of Participation shall be made in accordance with the rules of the CSD.

*Rounding off payments* Any payment to be made with respect to the Participating Notes shall to the extent required be rounded down in accordance with applicable CSD regulation.

**Repurchase of Participating Notes**

*Repurchase of Participating Notes:* RPIH may at any time and at any price purchase any Participating Notes on the market or in any other way.

**Collection of proceeds**

*Collection of proceeds:* The Participating Notes Issuer shall collect amounts payable under the Ords and apply them in accordance with the Terms and Conditions.

*No disposal of funds in its own interest:* The Participating Notes Issuer may not dispose of Net Receipts in its own interest.

**Sale of Ords**

*Sale of Ords*

- (a) Except if a sale is made in accordance with paragraph (b) below, if the Participating Notes Issuer receives an offer to sell Ords it shall give notice for a written procedure or Holders' meeting where the Holders can decide on the matter.
- (b) If an offer is received to purchase Ords in accordance with section 125 of the South African Companies Act, the memorandum of incorporation of RPIH will prescribe that all holders of ordinary shares (including the Participating Notes Issuer) must accept such offer to sell the Ords if a prescribed majority of the ordinary shareholders have voted in favour of the offer and an independent board and an independent expert (each as defined under South African regulations) have concluded that the offer is fair and reasonable.



(c) If the Participating Notes Issuer intends to sell Ords it must comply with pre-emption provision applicable to the Ords, which means that it may need to offer the Ords to other existing holders of such instruments.

(d) The Participating Notes Issuer shall not accept and does not need to inform the Holders of offers made to it to acquire further Ords.

*Application of sales proceed*

The net proceeds received from a sale of Ords shall be applied as set out under the heading "*Allocation of proceeds*" below.

***Voting for the Ords***

*Voting*

(a) If the holders of ordinary shares in RPIH are summoned or otherwise offered to vote on a matter as shareholders, the Participating Notes Issuer shall vote as holder of the Ords:

(i) as instructed by the Trustee (representing the Holders pursuant to paragraph (c) below) with respect to the following matters:

- (A) any material change in the nature of the business conducted by RPIH;
- (B) the disposal by RPIH of all or the greater part of the assets or undertaking (as contemplated in the South African Companies Act) of RPIH;
- (C) the disposal by RPIH of assets to any shareholder of RPIH or an Affiliate of RPIH (other than disposals in the ordinary course of business and/or disposals on arms' length basis);
- (D) any variation, amendment or alteration to the memorandum of incorporation of RPIH which has a material adverse effect on the interests of the ordinary shareholders generally;
- (E) any issuance of shares, options, convertibles or other instruments providing an entitlement to [ordinary] shares (other than (i) as contemplated to occur as a part of the Restructuring or (ii) if offered with right of first refusal to the existing holders of ordinary shares or pursuant to an employee share scheme;
- (F) any merger of the RPIH with another legal entity (except where RPIH continues to exist as the surviving legal entity);
- (G) a decision to liquidate (voluntarily or compulsorily) or wind-up RPIH or to place RPIH under business rescue or similar process (in each case whether provisionally or finally) or to compromise generally with its creditors, other than if required to do so in accordance with the provisions of the South African Companies Act; and
- (H) the deregistration of RPIH.

- (ii) Subject to paragraph (b) below, with respect to all other matters than those referred to in paragraph (a)(i) above:
  - (A) as long as Senior Lenders hold at least 20% of the issued ordinary share capital in RPIH and Senior Loans are outstanding, in the same way as the majority of the number of votes are cast by the Senior Lenders with respect to ordinary shares in RPIH held by them; or
  - (B) if the Senior Lenders hold less than 20% of the issued ordinary share capital in RPIH or if the Senior Loans has been fully discharged, in the same way as the majority of the number of votes are cast by the other holders of ordinary shares in RPIH with respect to such ordinary shares.
- (b) If an Event of Default has occurred and is outstanding and the holders of ordinary shares in RPIH are summoned or otherwise offered to vote on a matter as shareholders, the Participating Notes Issuer shall vote for the Ords as set out in paragraph (a)(i) above.
- (c) If a matter referred to in paragraph (a)(i) or (b) above shall be voted on by the shareholders of the Ords, the Trustee shall (to the extent possible taken applicable notice periods and administrative procedures into account) give notice of a written procedure or Holder's meeting on which the Holders may decide on how to instruct the Participating Notes Issuer to vote for the Ords.

***Offer to subscribe for ordinary shares in RPIH***

*Offer to subscribe for ordinary shares in RPIH*

- (a) If new ordinary shares are issued by RPIH with a right of first refusal for existing holders of ordinary shares and with a right for the Participating Notes Issuer to designate nominees with respect to such share issue, the Participating Notes Issuer will offer to each Holder to designate it as nominee with respect to the share issue pro rata in relation to the Holder's holding of Participating Notes (rounded down to the closest whole number of shares).
- (b) The Participating Notes Issuer may make such reasonable adjustments or amendments to the offer as it deems appropriate or necessary to implement the offer from a practical or administrative perspective.

***Inside information***

*Limited forwarding of information regarding the Ords:*

To limit the risk that the Holders receive inside information the Participating Notes Issuer will not forward information received by it as holder of the Ords from RPIH to the Holders, other than (i) information relating to voting on the matters set out in paragraph (a) under the heading "*Voting for the Ords*", (ii) information relating to Events of Defaults, or (ii) as required for the Holders to take decisions on the matters under the Terms and Conditions.

### **Transferability**

- Listing and prospectus:* The Participating Notes will not be listed by the Participating Notes Issuer on any regulated market, MTF or other trading platform, and no prospectus or other offer document will be issued or filed with or approved by any financial regulatory authority.
- Transferability:* The Participating Notes will be freely transferrable.

### **Restrictions and covenants**

- Distributions:* The Participating Notes Issuer shall not (i) repurchase or redeem any of its own shares, (ii) redeem or reduce its share capital or other restricted or unrestricted equity with repayment to shareholders, or effect another transfer of value (Sw. *värdeöverföring*) without receiving adequate consideration.
- Nature of business:* The Participating Notes Issuer will not carry out any other business than business contemplated by the Terms and Conditions.
- Financial Indebtedness:* The Participating Notes Issuer shall not incur any Financial Indebtedness other than under the Participating Notes.
- Disposals of assets:* The Participating Notes Issuer shall not sell or otherwise dispose of any business, any of the Ords or other assets other than in accordance with the Terms and Conditions or as prescribed by the Memorandum of Incorporation of RPIH.
- Negative pledge:* The Participating Notes Issuer shall not provide, prolong or renew any security over any of its assets (present or future) to secure any loan or other indebtedness other than Permitted Security (including the Transaction Security).
- No financial support* The Participating Notes Issuer shall not provide any loans, guarantees, or other financial assistance to or on behalf of any other Person.
- Mergers and demergers:* The Participating Notes Issuer shall not enter into a merger or demerger.
- Dealings with related parties:* The Participating Notes Issuer shall conduct all dealings with RPIH at no less favourable terms for it than on arm's length terms.
- Financial Reporting:* The Participating Notes Issuer shall:
- (a) prepare and make available its annual audited consolidated financial statements including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Participating Notes Issuer's board of directors, on RPIH's website not later than 4 months after the expiry of each financial year;
  - (b) issue a Compliance Certificate to the Trustee at the Trustee's request, within 20 days from such request;
  - (c) keep the latest version of the Terms and Conditions available on the website of RPIH; and
  - (d) promptly notify the Trustee when the Participating Notes Issuer is or becomes aware of that an Event of Default has occurred, and

shall provide the Trustee with such further information as the Trustee may request (acting reasonably) following receipt of such notice.

***Events of Default***

- (a) **Non-payment:** The Participating Notes Issuer fails to pay an amount on the date it is due in accordance with the Finance Documents unless its failure to pay is caused by administrative or technical error and payment is made within ten (10) Business Days of the due date.
- (b) **Other obligations:** The Participating Notes Issuer does not comply with the Finance Documents, in any other way than as set out under (a) above, provided that the Trustee has requested the Participating Notes Issuer in writing to remedy such failure and the Participating Notes Issuer has not remedied the failure within fifteen (15) Business Days from such request (if the failure or violation is not capable of being remedied, the Trustee may declare the Participating Notes payable without such prior written request).
- (c) **Cross-default:** A default or event of default (however described) occurs under (i) the E PIK Notes, (ii) the E PIK Participating Notes or (iii) the SEK Notes, and such default is not cured within any applicable grace period.
- (d) **RPIH Cost Coverage Failure:** RPIH fails to fulfill its obligation to compensate the Participating Notes issuer for costs pursuant to the RPIH Cost Coverage Agreement and such failure is not remedied within 20 Business Days from the Participating Notes Issuer or the Trustee having notified RPIH of such failure.
- (e) **Insolvency:**
  - (i) the Participating Notes Issuer is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors with a view to rescheduling its Financial Indebtedness; or
  - (ii) a moratorium is declared in respect of its debts.
- (f) **Insolvency proceedings:** Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 60 days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to Subsidiaries, solvent liquidations) in relation to:
  - (iii) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of it; and

(iv) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of it or any of its assets or any analogous procedure or step is taken in any jurisdiction.

- (g) **Creditors' process:** Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of it having an aggregate value of an amount equal to or exceeding SEK 1,000,000 and is not discharged within 60 days.
- (h) **Impossibility or illegality:** It is or becomes impossible or unlawful for the Participating Notes Issuer to fulfill or perform any of the provisions of the Finance Documents or if the obligations under the Finance Documents are not, or cease to be, legal, valid, binding and enforceable.
- (i) **Continuation of the business:** The Participating Notes Issuer ceases to carry on its business.

*Allocation of Proceeds:* All payments by the Participating Notes Issuer relating to the Participating Notes and proceeds received from an enforcement of security created under Security Documents shall be made and/or distributed in the following order of priority:

- (a) *first*, in or towards payment of the Trustee under the Trustee Agreement, including all costs and indemnities relating to the acceleration of the Participating Notes or the protection of the Holders' rights under the Finance Documents;
- (b) *secondly*, towards payment of Outstanding Nominal Amount under the Participating Notes pro rata and pari passu; and
- (c) *thirdly*, towards payment of Participation unpaid under the Participating Notes pro rata and pari passu; and
- (d) *fourthly*, in or towards payment of any other costs or outstanding amounts under and in respect of the Participating Notes.

#### **Agents and other parties**

*Issuing Agent:* Pareto Securities AB

*Paying Agent:* [•]

*Trustee:* The Holders' agent and security agent under the Terms and Conditions and, if relevant, the Finance Documents, from time to time; initially [•].

*CSD:* The Participating Notes Issuer's central securities depository and registrar in respect of the Participating Notes from time to time, initially Verdipapirsentralen ASA, and business identity code 985 140 421, Fred Olsens gate 1, 0152 Oslo, Norway.

#### **Miscellaneous**

*Quorum and majority requirements:* (a) Quorum at a Holders' meeting exists only if Holders representing at least 20 per cent. in case of a majority decision and 50 per cent. in case of a decision requiring qualified majority, of the aggregate

Outstanding Nominal Amount attend the Holders' meeting in due order. If the quorum requirement has not been met, no quorum requirement applies in the second meeting.

- (b) Participating Notes held by the Participating Notes Issuer, RPIH or its Affiliates shall not be considered when calculating if necessary majority has been achieved and shall not carry any voting right.
- (c) Subject to paragraph (e) below, the resolution of the Holders shall be in accordance with the opinion held by the majority of the Outstanding Nominal Amount of the Participating Notes represented at the meeting.
- (d) A qualified majority of at least two thirds (2/3) of the Participating Notes represented at the meeting is required for a resolution to be passed with respect to the following matters:
  - (i) waive a breach of or amend a general undertaking;
  - (ii) release security provided under the Security Documents;
  - (iii) reduce the Outstanding Nominal Amount or Participation which shall be paid by the Participating Notes Issuer;
  - (iv) waive any breach of a payment undertaking, or
  - (v) amend the provisions regarding the majority requirements.
  - (vi) accept an offer to sell the Ords; and
  - (vii) instruct the Participating Notes Issuer to solicit offers to purchase the Ords.
- (e) The value of the vote of each Participating Note shall be the Nominal Amount

*Notice periods:*

- (a) A Holders' meeting shall be held no earlier than five (5) Business Days and no later than ten (15) Business Days from the notice for such meeting.
- (b) The stipulated time period within which a Holder must reply in a written procedure shall last at least five (5) Business Days.
- (c) A notice for a Holders' meeting, communication regarding a written procedure or any other notice will be effective:
  - (i) if sent by courier or personal delivery, when it has been left at the relevant address;
  - (ii) if sent by letter, one (1) Business Days after being deposited postage prepaid in an envelope addressed to the relevant addressee,
  - (iii) in case of notice or other communication posted through CSD, on the date of the message being issued by CSD, and
  - (iv) with respect to a notice or other communication posted on Stamdata, when publicly available.

*No action clause:*

No Holder may take any action against the Participating Notes Issuer in matters relating to the Participating Notes or the Terms and Conditions.

*Terms and Conditions:* The Terms and Conditions will regulate the rights and obligations with respect to the Participating Notes. In the event of any discrepancy between this term sheet and the Terms and Conditions, the Terms and Conditions shall prevail.

Each Holder accepts to be bound by the Terms and Conditions. Further, each investor accepts that certain adjustments to the structure and terms described in this term sheet may occur and that they are bound by the final terms of the Terms and Conditions.

The Terms and Conditions shall include provisions on the Trustee's right to hold security on behalf of the Holders, represent the Holders, as well as other provisions customary for a Nordic bond offering.

*Governing law and Disputes:*

The Terms and Conditions shall be governed by and construed in accordance with Swedish law. The Participating Notes will be registered pursuant to Norwegian securities laws. The parallel debt agreement, limited recourse and the security over Dutch shares will be governed by Dutch law. The security over the Ords will be governed by South African law (except for parallel debt provisions). Any dispute or claim arising in relation to the Terms and Conditions shall be determined by Swedish courts.

Stockholm, [•] 2017

[•]

As Participating Notes Issuer

[•]

## **DEFINITIONS**

**"Affiliate"** means any Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

**"Business Day"** means a day other than a Saturday, Sunday or a public holiday in Norway on which the Norwegian Central Bank's and the CSD's settlement systems are open and commercial banks in Norway are open for business.

**"Compliance Certificate"** means a certificate, in form and substance satisfactory to the Trustee, signed by the Participating Notes Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it.

**"E PIK Notes"** means E PIK Notes issued or to be issued by RPIH to the Participating Notes Issuer in exchange for the Unregistered Claims as a part of the Restructuring.

**"E PIK Participating Notes"** means the E PIK participating notes, denominated in NOK, issued by the Participating Notes Issuer for the purpose of passing on the economic benefit and risk of the E PIK Notes to the holders of such E PIK Participating Notes.

**"Fee"** has the meaning ascribed to such term under the heading "*Fee*".

**"Financial Indebtedness"** means any indebtedness in respect of:

- (a) monies borrowed or raised, including Market Loans;
- (b) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (c) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (d) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account, provided that if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (e) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (f) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(f).

**"Finance Documents"** means the Terms and Conditions, the Trustee Agreement, the Security Documents and any other document designated to be a Finance Document by the Participating Notes Issuer and the Trustee.

**"Financial Report"** means the Group's annual audited financial statements which shall be prepared and made available according (*Financial Reporting*).

**"Holders"** means the holders of the Participating Notes.

**"Market Loan"** means any loan or other indebtedness where an entity issues commercial paper, certificates, subordinated debentures, Participating Notes or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding



programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Stockholm or any other regulated or unregulated recognised market place.

**"Net Converted Receipts"** has the meaning ascribed to such terms under the heading "*Conversion of ZAR*".

**"Net Receipts"** means the amounts actually received by the Participating Notes Issuer with respect to the Ords.

**"Ords"** means the ordinary shares issued or to be issued by RPIH to the Participating Notes Issuer as a part of the Restructuring.

**"Outstanding Nominal Amount"** has the meaning ascribed to such term under the heading "*Outstanding Nominal Amount*".

**"Permitted Security"** means any security provided under (i) the Terms and Conditions, and (ii) the terms and conditions for the E PIK Participating Notes.

**"Person"** means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

**"Principal Repayment Amounts"** has the meaning ascribed to such term under the heading "*Redemption*".

**"Participation"** has the meaning ascribed to such term under the heading "*Payment of Participation*".

**"Record Date"** means the date on which a holder of a NOK Bond must be registered on a Securities Account with the CSD to be entitled to receive Participating Notes as set out in the notice for written procedure for the Senior Bonds regarding the Restructuring.

**"Restructuring"** means the restructuring of financial liabilities owed by RPIH contemplated to be carried out in November or December 2017.

**"RPIH Cost Coverage Agreement"** means the agreement entered into between, amongst others, RPIH, the Participating Notes Issuer and the Trustee under which RPIH undertakes to compensate the Participating Notes Issuer for its operations.

**"Secured Parties"** means the Trustee and each Holder.

**"Security Documents"** means the security documents pursuant to which the Transaction Security is created and any other document designated as a Security Document by the Participating Notes Issuer and the Trustee.

**"SEK Notes"** has the meaning ascribed to such terms under the heading "*Background*".

**"Senior Lenders"** means the lenders with respect to the Senior Loans.

**"Senior Loans"** means the loans extended under the under the ZAR [•] term loan facility agreement to be entered into by RPIH in connection with the restructure of RPIH and by which senior unsecured debt is to be refinanced.

**"Trustee Agreement"** means the fee agreement entered into between the Trustee and the Participating Notes Issuer on or about the Issue Date regarding, inter alia, the remuneration payable to the Trustee.

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**STRICTLY PRIVATE AND CONFIDENTIAL**

**Final version**

**Term Sheet**

ISIN: NO [●]

[SPV]

**NOK E PIK Participating Notes  
(the "Participating Notes" or the "Notes Issue")**

**Issue Date: [●] 2017**

*The following overview included in this term sheet does not purport to be complete, and is qualified in its entirety by the final Terms and Conditions for the Participating Notes and related documents and the issue of the Participating Notes is subject to approval of the restructure of Real People Investment Holdings Limited, approval by the requisite majority of Senior Bonds (as defined below) and by the board of directors of the Participating Notes Issuer, as well as any other approvals as may be required by applicable company law.*

***Background***

Real People Investment Holdings Limited ("**RPIH**") has issued senior unsecured callable bonds in SEK (the "**SEK Bonds**" with ISIN SE 000 5392560 and NOK with ISIN NO 001 0689342 (the "**NOK Bonds**") (collectively the "**Senior Bonds**") under terms and conditions (as amended and restated from time to time) (the "**Senior Bonds Terms and Conditions**").

As a part of a restructuring of RPIH part of the debt constituted by the NOK Bonds will be converted to unregistered debt (the "**Unregistered Debt**"). The Unregistered Debt will be transferred to the Participating Notes Issuer which will issue Participating Notes in NOK to the holders of the NOK Bonds as consideration for part of the Unregistered Debt.

The Participating Notes Issuer will subscribe for E PIK Notes issued by RPIH. The subscription price for the E PIK Notes will be paid for by the Participating Notes Issuer by setting-off the obligation to pay the subscription price against the corresponding part of the Unregistered Debt.

The Participating Notes Issuer will convert amounts received in ZAR under the E PIK Notes into NOK and pay such amounts as repayment of principal and payment of participation under the Participating Notes.

Security over the ordinary shares in the Participating Notes Issuer and the E PIK Notes will be created to secure the Participating Notes. The security over the shares in the Participating Notes Issuer will be shared with the holders of the Ords Participating Notes.

Under a corresponding structure, [\*\*], a Dutch limited liability company with business identity code [\*\*], will issue substantially similar participating notes to the holders of the SEK Bonds (the "**SEK Notes**").

### **Definitions**

Unless otherwise defined in this term sheet or in the Schedule (*Definitions*) hereto, terms defined in the Senior Bonds Terms and Conditions shall have the same meaning when used in this term sheet.

### **Structure**

*Participating Notes Issuer:* [●], a Dutch limited liability company with business identity code [●].

*Shareholder:* The shares in the Participating Notes Issuer will be fully owned by a Dutch foundation (*stichting*).

### **Quantum**

*Currency:* NOK

*Participating Notes Issue:* The Participating Notes Issuer will issue to each person holding a NOK Bond on the close of business of the Reference Date, Participating Notes in an amount equivalent to the Unregistered Debt pertaining to it, converted into NOK and rounded down to the nearest one (1) NOK.

*Nominal Amount:* The nominal amount of each Participating Note will be one (1) NOK.

*Outstanding Nominal Amount:* The Nominal Amount less any repayments and amortisations made.

*Participation:* Participation will be paid on the Participating Notes as set out under the heading "*Redemption and Participation*" below.

*Issue Date:* Expected to be [●] 2017.

*Final Redemption Date* The date falling thirty (30) years after the Issue date.

### **Purpose and status**

*Purpose of the Participating Notes Issue:* The purpose of the Participating Notes Issue is to pass on the economic benefit and risk of the holding of the E PIK Notes to the Holders.

*Status of the Participating Notes:* The Participating Notes constitute direct, general, unconditional, unsubordinated, secured and limited recourse obligations of the Participating Notes Issuer and shall at all times rank at least *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Participating Issuer, except those obligations which are mandatorily preferred by law, and without any preference among them.

*Limited recourse and no petition:* The recourse of the Holders against the Participating Notes Issuer pursuant to the Participating Notes is limited. The Holders will have a right of recourse (*verhaalsrecht*) only in respect of the E PIK Notes held by the Participating Notes Issuer and will not have any claim, by operation of law or otherwise, against, or recourse to any of other assets of the Participating Notes Issuer.

In the event that the rights relating to the Participating Notes have been fully enforced and the proceeds of such enforcement and any other amounts received by the Participating Notes Issuer, after payment of all claims ranking in priority to a claim of the Holders, are insufficient to pay

in full all amounts outstanding in respect of the Participating Notes, then the Holders shall have no further claim of whatever nature against the Participating Notes Issuer in respect of such unpaid amount.

Non-petition language will be included in the Terms and Conditions.

### **Security**

*Transaction Security:* All amounts outstanding under the Finance Documents, including but not limited to the Participating Notes, plus accrued Participation and expenses shall be secured by:

- (a) a pledge over all the shares in the Participating Notes Issuer granted under Dutch law<sup>1</sup>; and
- (b) a cession in security over the E PIK Notes granted under South African law securing a parallel debt obligation owed to the Trustee as principal in its capacity as security agent for the Secured Parties.

For practical reasons the security may need to be entered into and perfected after the Issue Date.

### **Accrual of Participation**

*Accrual of Participation* Participation shall accrue on the Participating Notes in an amount equivalent to the income accruing under and any increase in value of the E PIK Notes.

*FX translation adjustments* An amount equivalent to any profit resulting from currency translation relating to the E PIK Notes shall be added and an amount equivalent to any loss resulting from currency translation relating to the E PIK Notes shall be deducted from the accrued Participation at the relevant times each year so that any exchange difference effects on income and financial position are balanced and neutralised.

*Fee* In accordance with the purpose of the Participating Notes Issue, all benefits relating to the E PIK Notes are passed on under the Participating Notes to the Holders. The Participating Notes Issuer will only be entitled to an at arm's length fee for its activities ("**Fee**"). This Fee will be paid by RPIH on the basis of the RPIH Cost Coverage Agreement. Therefore, the taxable income of the Participating Notes Issuer is expected not to exceed the amount of the Fee.

*Payments* All assets of the Participating Notes Issuer, except for the Fee, can be paid out under the Participating Notes.

### **Redemption and payment of Participation**

*Conversion of ZAR:* The Participating Notes Issuer shall convert the Net Receipts received in ZAR to NOK at the spot exchange rate available to it (acting reasonably) (such converted amount after deduction of costs for the conversion is referred to as "**Net Converted Receipts**").

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<sup>1</sup> The security over the shares in the Participating Notes Issuer will be shared with the holders of Ords Participating Notes.

- Redemption:*
- (a) Subject to paragraph (b) below, the Participating Notes Issuer shall apply any Net Converted Receipts received as repayment of principal under E PIK Notes ("**Principal Repayment Amounts**") to redeem in whole or in part the aggregate Outstanding Nominal Amount of the Participating Notes.
  - (b) Redemption pursuant to paragraph (a) above, shall be made no later than [fifteen (15)] Business Days after the receipt by the Participating Notes Issuer of any Net Receipts constituting Principal Repayment Amounts in an amount possible to pay out pursuant to applicable regulations of the CSD.
  - (c) Any redemption shall be made by payments to the Holders pro rata in accordance with the applicable regulations of the CSD.
  - (d) The Participating Notes Issuer shall make a press release of the amounts to be paid to redeem Outstanding Nominal Amount on each Participating Note no later than five (5) business days before the relevant Record Date.

- Payment of Participation:*
- (a) The Participating Notes Issuer shall apply any Net Converted Receipts other than Principal Repayment Amounts ("**Participating Amount**") to pay participation ("**Participation**") on the Participating Notes.
  - (b) Payment of Participation shall be made no later than [fifteen (15)] Business Days after the receipt by the Participating Notes Issuer of any Net Receipts in an amount possible to pay out pursuant to applicable regulations of the CSD.
  - (c) The Participating Notes Issuer shall make a press release of the amounts to be paid as Participation on each Participating Note no later than five (5) business days before the relevant Record Date.
  - (d) Payment of Participation shall be made in accordance with the rules of the CSD.

*Rounding off payments* Any payment to be made with respect to the Participating Notes shall be rounded down as required by applicable CSD regulation.

#### ***Repurchase of Participating Notes***

*Repurchase of Participating Notes:* RPIH may at any time and at any price purchase any Participating Notes on the market or in any other way.

#### ***Collection of proceeds***

*Collection of proceeds:* The Participating Notes Issuer shall collect amounts payable under the E PIK Notes and apply them in accordance with the Terms and Conditions.

*No disposal of funds in its own interest:* The Participating Notes Issuer may not dispose of Net Receipts in its own interest.

#### ***Sale of E PIK Notes***

- Sale of E PIK Notes*
- (a) If the Participating Notes Issuer receives an offer to sell E PIK Notes it shall give notice for a written procedure or Holders' meeting where the Holders can decide on the matter.

- (b) If the Participating Notes Issuer intends to sell E PIK Notes it must comply with pre-emption provision applicable to the E PIK Notes, which means that it may need to offer the E PIK Notes to other existing holders of such instruments.
- (c) The Participating Notes Issuer shall not accept and does not need to inform the Holders of offers made to it to acquire further E PIK Notes.

*Application of sales proceed*

The net proceeds received from a sale of E PIK Notes shall be applied as set out under the heading "*Allocation of proceeds*" below.

***Inside information***

*Limited forwarding of information regarding the E PIK Notes:*

To limit the risk that the Holders receive inside information the Participating Notes Issuer will not forward information received by it as holder of the E PIK Notes from RPIH to the Holders, other (i) information relating to Events of Defaults, or (ii) as required for the Holders to take decisions on the matters under the Terms and Conditions.

***Transferability***

*Listing and prospectus:*

The Participating Notes will not be listed by the Participating Notes Issuer on any regulated market, MTF or other trading platform, and no prospectus or other offer document will be issued or filed with or approved by any financial regulatory authority.

*Transferability:*

The Participating Notes will be freely transferrable.

***Restrictions and covenants***

*Distributions:*

The Participating Notes Issuer shall not (i) repurchase or redeem any of its own shares, (ii) redeem or reduce its share capital or other restricted or unrestricted equity with repayment to shareholders, or effect another transfer of value (*Sw. värdeöverföring*) without receiving adequate consideration.

*Nature of business:*

The Participating Notes Issuer will not carry out any other business than business contemplated by the Terms and Conditions.

*Financial Indebtedness:*

The Participating Notes Issuer shall not incur any Financial Indebtedness other than under the Participating Notes.

*Disposals of assets:*

The Participating Notes Issuer shall not sell or otherwise dispose of any business, any of the E PIK Notes or other assets other than in accordance with the Terms and Conditions or as prescribed by the terms of the E PIK Notes.

*Negative pledge:*

The Participating Notes Issuer shall not provide, prolong or renew any security over any of its assets (present or future) to secure any loan or other indebtedness other than Permitted Security (including the Transaction Security).

*No financial support*

The Participating Notes Issuer shall not provide any loans, guarantees, or other financial assistance to or on behalf of any other Person.

*Mergers and demergers:*

The Participating Notes Issuer shall not enter into a merger or demerger.

*Dealings with related parties:* The Participating Notes Issuer shall conduct all dealings with RPIH at no less favourable terms for it than on arm's length terms.

*Financial Reporting:* The Participating Notes Issuer shall:

- (a) prepare and make available its annual audited consolidated financial statements including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Participating Notes Issuer's board of directors, on RPIH's website not later than 4 months after the expiry of each financial year;
- (b) issue a Compliance Certificate to the Trustee at the Trustee's request, within 20 days from such request;
- (c) keep the latest version of the Terms and Conditions available on the website of RPIH; and
- (d) promptly notify the Trustee when the Participating Notes Issuer is or becomes aware of that an Event of Default has occurred, and shall provide the Trustee with such further information as the Trustee may request (acting reasonably) following receipt of such notice.

#### ***Events of Default***

- (a) **Non-payment:** The Participating Notes Issuer fails to pay an amount on the date it is due in accordance with the Finance Documents unless its failure to pay is caused by administrative or technical error and payment is made within ten (10) Business Days of the due date.
- (b) **Other obligations:** The Participating Notes Issuer does not comply with the Finance Documents, in any other way than as set out under (a) above, provided that the Trustee has requested the Participating Notes Issuer in writing to remedy such failure and the Participating Notes Issuer has not remedied the failure within fifteen (15) Business Days from such request (if the failure or violation is not capable of being remedied, the Trustee may declare the Participating Notes payable without such prior written request).
- (c) **Cross-default:** A default or event of default (however described) occurs under (i) the E PIK Notes, (ii) the Ords Participating Notes or (iii) the SEK Notes, and such default is not cured within any applicable grace period.
- (d) **RPIH Cost Coverage Failure:** RPIH fails to fulfill its obligation to compensate the Participating Notes issuer for costs pursuant to the RPIH Cost Coverage Agreement and such failure is not remedied within 20 Business Days from the Participating Notes Issuer or the Trustee having notified RPIH of such failure.
- (e) **Insolvency:**
  - (i) the Participating Notes Issuer is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated

financial difficulties, commences negotiations with its creditors with a view to rescheduling its Financial Indebtedness; or

(ii) a moratorium is declared in respect of its debts.

(f) **Insolvency proceedings:** Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 60 days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to Subsidiaries, solvent liquidations) in relation to:

(iii) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of it; and

(iv) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of it or any of its assets or any analogous procedure or step is taken in any jurisdiction.

(g) **Creditors' process:** Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of it having an aggregate value of an amount equal to or exceeding SEK 1,000,000 and is not discharged within 60 days.

(h) **Impossibility or illegality:** It is or becomes impossible or unlawful for the Participating Notes Issuer to fulfill or perform any of the provisions of the Finance Documents or if the obligations under the Finance Documents are not, or cease to be, legal, valid, binding and enforceable.

(i) **Continuation of the business:** The Participating Notes Issuer ceases to carry on its business.

*Allocation of Proceeds:* All payments by the Participating Notes Issuer relating to the Participating Notes and proceeds received from an enforcement of security created under Security Documents shall be made and/or distributed in the following order of priority:

(a) *first*, in or towards payment of the Trustee under the Trustee Agreement, including all costs and indemnities relating to the acceleration of the Participating Notes or the protection of the Holders' rights under the Finance Documents;

(b) *secondly*, towards payment of Outstanding Nominal Amount under the Participating Notes pro rata and pari passu; and

(c) *thirdly*, towards payment of Participation unpaid under the Participating Notes pro rata and pari passu; and

(d) *fourthly*, in or towards payment of any other costs or outstanding amounts under and in respect of the Participating Notes.



***Agents and other parties***

<i>Issuing Agent:</i>	Pareto Securities AB
<i>Paying Agent:</i>	[•]
<i>Trustee:</i>	The Holders' agent and security agent under the Terms and Conditions and, if relevant, the Finance Documents, from time to time; initially [•].
<i>CSD:</i>	The Participating Notes Issuer's central securities depository and registrar in respect of the Participating Notes from time to time, initially Verdipapirsentralen ASA, and business identity code 985 140 421, Fred Olsens gate 1, 0152 Oslo, Norway.

***Miscellaneous***

<i>Quorum and majority requirements:</i>	<p>(a) Quorum at a Holders' meeting exists only if Holders representing at least 20 per cent. in case of a majority decision and 50 per cent. in case of a decision requiring qualified majority, of the aggregate Outstanding Nominal Amount attend the Holders' meeting in due order. If the quorum requirement has not been met, no quorum requirement applies in the second meeting.</p> <p>(b) Participating Notes held by the Participating Notes Issuer, RPIH or its Affiliates shall not be considered when calculating if necessary majority has been achieved and shall not carry any voting right.</p> <p>(c) Subject to paragraph (e) below, the resolution of the Holders shall be in accordance with the opinion held by the majority of the Outstanding Nominal Amount of the Participating Notes represented at the meeting.</p> <p>(d) A qualified majority of at least two thirds (2/3) of the Participating Notes represented at the meeting is required for a resolution to be passed with respect to the following matters:</p> <ul style="list-style-type: none"> <li>(i) waive a breach of or amend a general undertaking;</li> <li>(ii) release security provided under the Security Documents;</li> <li>(iii) reduce the Outstanding Nominal Amount or Participation which shall be paid by the Participating Notes Issuer;</li> <li>(iv) waive any breach of a payment undertaking, or</li> <li>(v) amend the provisions regarding the majority requirements.</li> <li>(vi) accept an offer to sell the E PIK Notes; and</li> <li>(vii) instruct the Participating Notes Issuer to solicit offers to purchase the E PIK Notes.</li> </ul> <p>(e) The value of the vote of each Participating Note shall be the Nominal Amount</p>
<i>Notice periods:</i>	<p>(a) A Holders' meeting shall be held no earlier than five (5) Business Days and no later than ten (15) Business Days from the notice for such meeting.</p> <p>(b) The stipulated time period within which a Holder must reply in a written procedure shall last at least five (5) Business Days.</p>

(c) A notice for a Holders' meeting, communication regarding a written procedure or any other notice will be effective:

- (i) if sent by courier or personal delivery, when it has been left at the relevant address;
- (ii) if sent by letter, one (1) Business Days after being deposited postage prepaid in an envelope addressed to the relevant addressee,
- (iii) in case of notice or other communication posted through CSD, on the date of the message being issued by CSD, and
- (iv) with respect to a notice or other communication posted on Stamdata, when publicly available.

*No action clause:* No Holder may take any action against the Participating Notes Issuer in matters relating to the Participating Notes or the Terms and Conditions.

*Terms and Conditions:* The Terms and Conditions will regulate the rights and obligations with respect to the Participating Notes. In the event of any discrepancy between this term sheet and the Terms and Conditions, the Terms and Conditions shall prevail.

Each Holder accepts to be bound by the Terms and Conditions. Further, each investor accepts that certain adjustments to the structure and terms described in this term sheet may occur and that they are bound by the final terms of the Terms and Conditions.

The Terms and Conditions shall include provisions on the Trustee's right to hold security on behalf of the Holders, represent the Holders, as well as other provisions customary for a Nordic bond offering.

*Governing law and Disputes:* The Terms and Conditions shall be governed by and construed in accordance with Swedish law. The Participating Notes will be registered pursuant to Norwegian securities laws. The parallel debt agreement, limited recourse and the security over Dutch shares will be governed by Dutch law. The security over the E PIK Notes will be governed by South African law (except for parallel debt provisions). Any dispute or claim arising in relation to the Terms and Conditions shall be determined by Swedish courts.

Stockholm, [•] 2017

[•]

As Participating Notes Issuer

[•]

## **DEFINITIONS**

**"Affiliate"** means any Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

**"Business Day"** means a day other than a Saturday, Sunday or a public holiday in Norway on which the Norwegian Central Bank's and the CSD's settlement systems are open and commercial banks in Norway are open for business.

**"Compliance Certificate"** means a certificate, in form and substance satisfactory to the Trustee, signed by the Participating Notes Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it.

**"E PIK Notes"** means E PIK Notes issued or to be issued by RPIH to the Participating Notes Issuer in exchange for the Unregistered Claims as a part of the Restructuring.

**"Fee"** has the meaning ascribed to such term under the heading "*Fee*".

**"Financial Indebtedness"** means any indebtedness in respect of:

- (a) monies borrowed or raised, including Market Loans;
- (b) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (c) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (d) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account, provided that if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (e) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (f) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(f).

**"Finance Documents"** means the Terms and Conditions, the Trustee Agreement, the Security Documents and any other document designated to be a Finance Document by the Participating Notes Issuer and the Trustee.

**"Financial Report"** means the Group's annual audited financial statements which shall be prepared and made available according (*Financial Reporting*).

**"Holders"** means the holders of the Participating Notes.

**"Market Loan"** means any loan or other indebtedness where an entity issues commercial paper, certificates, subordinated debentures, Participating Notes or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Stockholm or any other regulated or unregulated recognised market place.

**"Net Converted Receipts"** has the meaning ascribed to such terms under the heading "*Conversion of ZAR*".

**"Net Receipts"** means the amounts actually received by the Participating Notes Issuer with respect to the E PIK Notes.

**"Ords"** means the ordinary shares issued or to be issued by RPIH to the Participating Notes Issuer as a part of the Restructuring.

**"Ords Participating Notes"** means the Ords participating notes, denominated in NOK, issued by the Participating Notes Issuer for the purpose of passing on the economic benefit and risk of the Ords to the holders of such Ords Participating Notes.

**"Outstanding Nominal Amount"** has the meaning ascribed to such term under the heading "*Outstanding Nominal Amount*".

**"Permitted Security"** means any security provided under (i) the Terms and Conditions, and (ii) the terms and conditions for the Ords Participating Notes.

**"Person"** means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

**"Principal Repayment Amounts"** has the meaning ascribed to such term under the heading "*Redemption*".

**"Participating Amount"** has the meaning ascribed to such term under the heading "*Payment of Participation*".

**"Participation"** has the meaning ascribed to such term under the heading "*Payment of Participation*".

**"Record Date"** means the date on which a holder of a NOK Bond must be registered on a Securities Account with the CSD to be entitled to receive Participating Notes as set out in the notice for written procedure for the Senior Bonds regarding the Restructuring.

**"Restructuring"** means the restructuring of financial liabilities owed by RPIH contemplated to be carried out in November or December 2017.

**"RPIH Cost Coverage Agreement"** means the agreement entered into between, amongst others, RPIH, the Participating Notes Issuer and the Trustee under which RPIH undertakes to compensate the Participating Notes Issuer for its operations.

**"Secured Parties"** means the Trustee and each Holder.

**"Security Documents"** means the security documents pursuant to which the Transaction Security is created and any other document designated as a Security Document by the Participating Notes Issuer and the Trustee.

**"SEK Notes"** has the meaning ascribed to such terms under the heading "*Background*".

**"Senior Lenders"** means the lenders with respect to the Senior Loans.

**"Senior Loans"** means the loans extended under the under the ZAR [•] term loan facility agreement to be entered into by RPIH in connection with the restructure of RPIH and by which senior unsecured debt is to be refinanced.

**"Trustee Agreement"** means the fee agreement entered into between the Trustee and the Participating Notes Issuer on or about the Issue Date regarding, inter alia, the remuneration payable to the Trustee.

**Investor Presentation**

*Schedule 6*

# Investor Presentation Restructuring

November 2017

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ANY INVESTOR INVESTING IN THE BONDS IS BOUND BY THE TERMS AND CONDITIONS OF THE BONDS WHICH THE INVESTOR ACKNOWLEDGES HAVING ACCEPTED BY INVESTING IN SUCH BONDS.

1. Background and Introduction
2. Reasons for the restructure
3. An incentive to save the business
4. Proposed solution & recovery mechanisms
5. How do we avoid this happening again?
6. Risk factors
7. Annexure



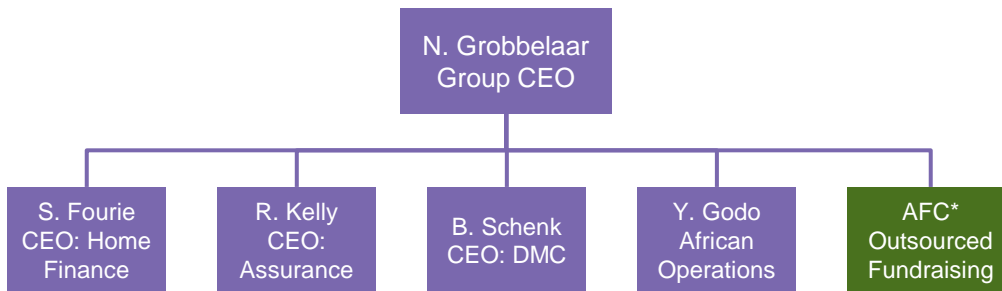
Real People Investment Holdings (“RPIH”) comprises three principal divisions which, taken together, provides purpose specific unsecured loans to private individuals and is active in the acquisition and subsequent collection of unsecured credit portfolios. The Group is present primarily in South Africa, but also in a number of countries in East Africa. The core operating subsidiaries of the Group are:

Real People Home Finance	DMC	Real People Assurance	GVR Holdings
<p><b>Unsecured Lending</b></p>	<p><b>Debt Acquisition and Management</b></p>	<p><b>Insurance</b></p>	<p><b>East Africa Operations</b></p>
<ul style="list-style-type: none"> <li>• The provision of unsecured home finance through a network of reputable building retailers</li> <li>• Specifically targeted at the needs of the home improvement market</li> <li>• Registered Developmental Credit Provider under the National Credit Act (“NCA”)</li> <li>• 122 staff members</li> <li>• Average loan size of ZAR 22k</li> <li>• Over 27,000 loans granted in 2017 with a value of ZAR 612m</li> </ul>	<ul style="list-style-type: none"> <li>• DMC is a debt collector</li> <li>• Specialising in the purchase and collection of late stage arrears customer debt from banks, retailers and cellular service providers</li> <li>• Also offer outsourced collections services</li> <li>• Servicer for Group’s SPVs and Home Finance business</li> <li>• 902 staff members</li> </ul>	<ul style="list-style-type: none"> <li>• The Group’s Assurance business provides the Home Finance clients with credit life cover products, as well as a variety of life, disability and loss of income benefits to the broader Real People and external customer bases</li> <li>• 29 staff members</li> </ul>	<ul style="list-style-type: none"> <li>• GVR* is currently active in the unsecured lending space in East Africa</li> <li>• 167 staff members</li> <li>• To be divested or closed down in the restructuring process</li> </ul>
<p>Real People South Africa (“RPSA”)</p>			<p>Real People East Africa (“GVR”)</p>

\* Great Victoria Region

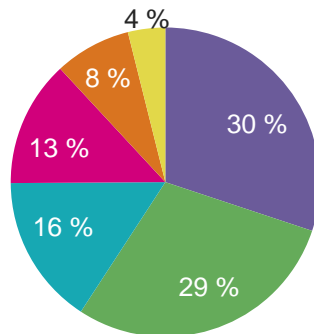
## Management team

Real People is managed by the CEO-led executive team, with board oversight. Common governance and control structures are established in the Group’s operating entities, supported by appropriate compliance/ operational policies.



## Ownership structure

RPIH’s shareholding structure, shown below, reflects a mixture of institutional shareholders, private equity investors and management:

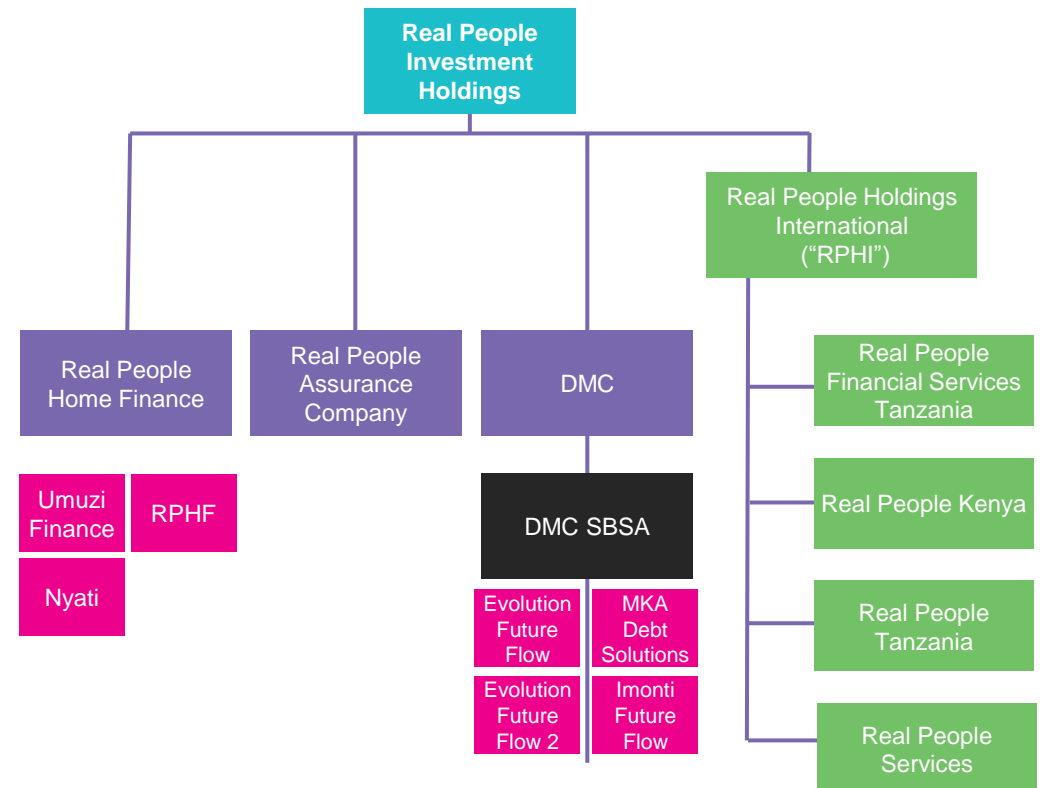


- Old Mutual
- Management
- Norfund
- Other Private Equity
- Private Individuals
- B-BBEE

\*Africa Frontier Capital (“AFC”)

## Organisational structure

The Group’s organisational structure is shown below, indicating the operating companies as well as the financing and securitisation vehicles:

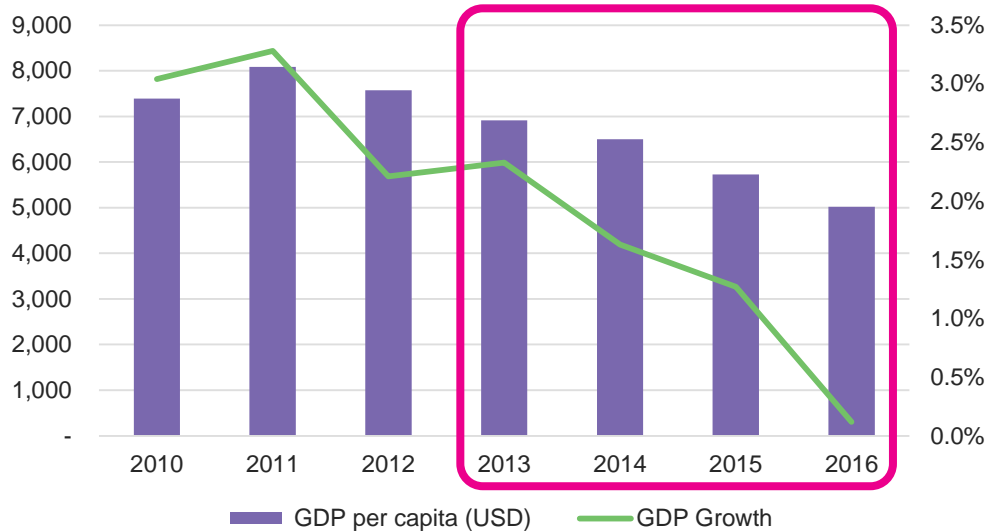


- Holding Entity
- Operating Entity
- Africa Entities (GVR)
- Current SPVs
- Financing Entity

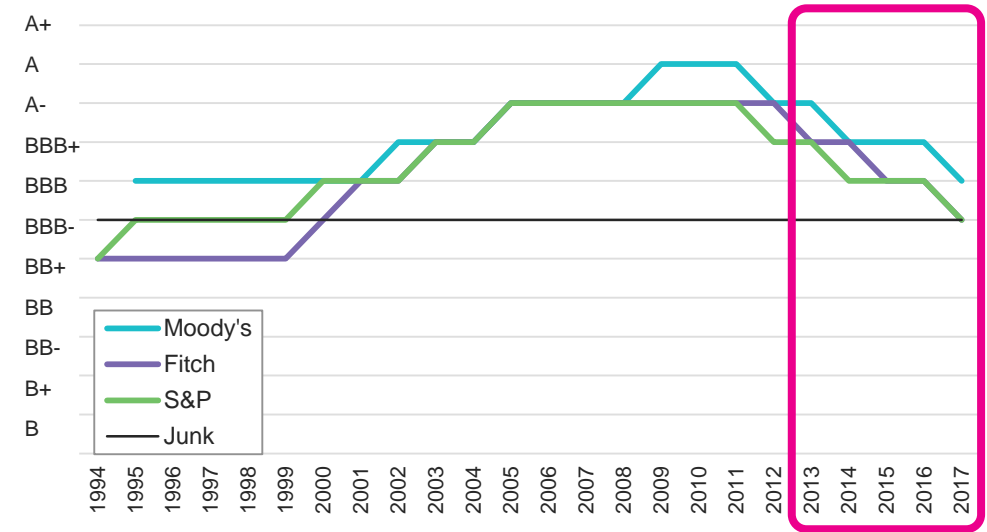
See Annexure H for Group Legal Structure

1. Background and Introduction
2. Reasons for the restructure
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5. How do we avoid this happening again?
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7. Annexure

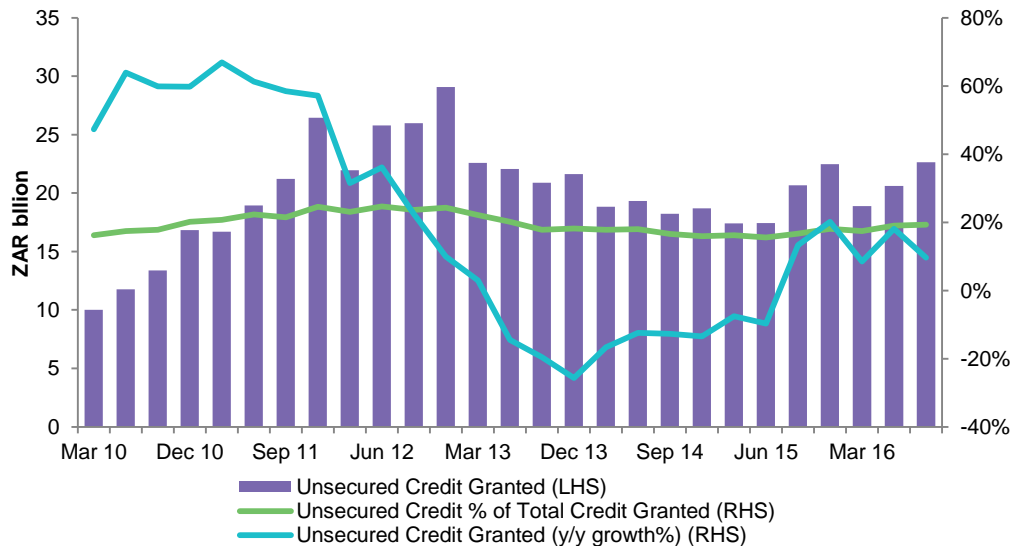
## GDP growth experienced long term deterioration<sup>1</sup>



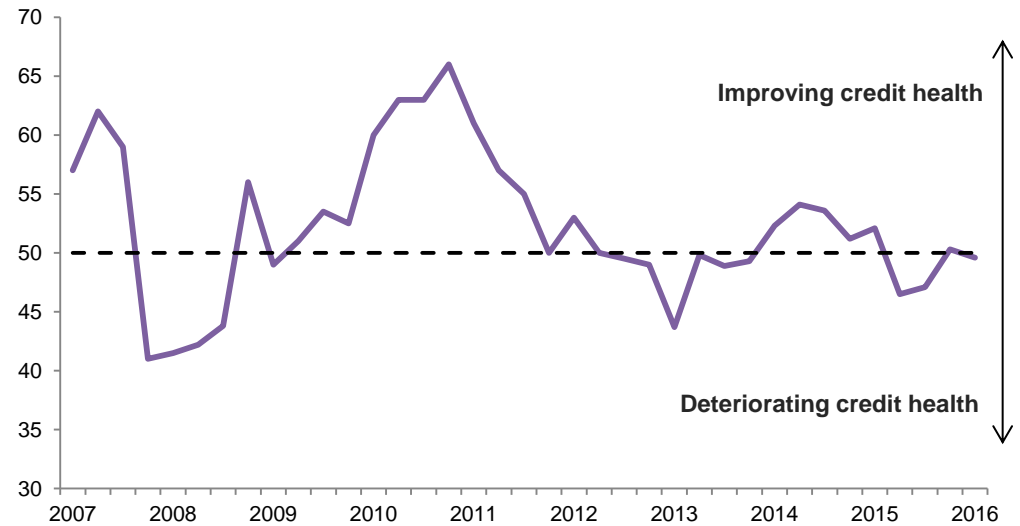
## South African Sovereign Credit Ratings<sup>2</sup>



## Unsecured credit granted growth<sup>3</sup>



## TransUnion South Africa consumer credit index<sup>4</sup>



Source: 1) OECD, South Africa Economic Outlook 2) Statista  
 Source: 3) National Credit Regulator (NCR) CCMR Reports 4) TransUnion

## Consumer lending

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- Monoline lending business model to higher risk market segment has largely failed - niche/ low-risk/ transactional banking combinations more successful
- Examples:
  - African Bank, Blue Financial Services vs
  - Capitec
- Overall deterioration in consumer's ability to service debt

## East Africa

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- Uganda – moderately successful
- Tanzania
  - Poor borrowing culture
  - Graveyard for a number of SA lenders
- Kenya
  - Disappointing local management
  - Volatile financial and economic environment
  - Rapid increase in credit supply and high NPL's

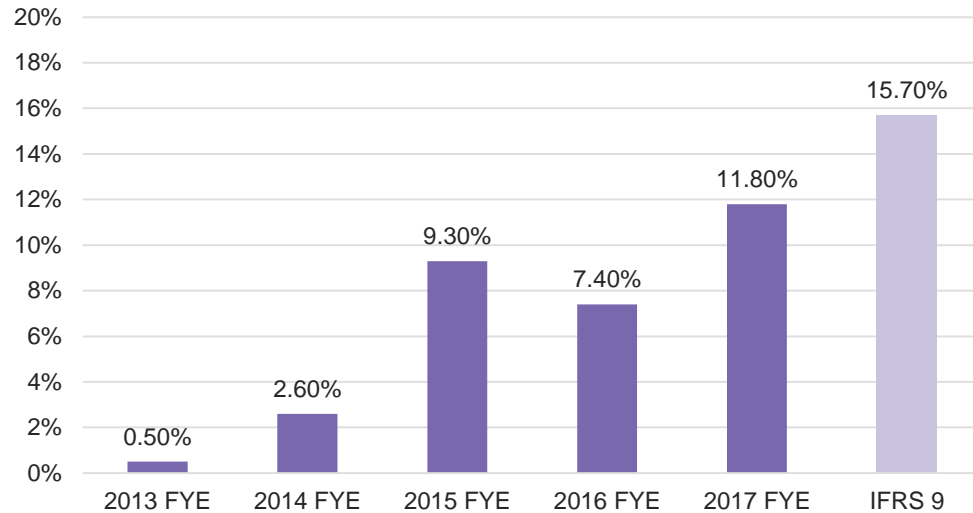
## Conclusion

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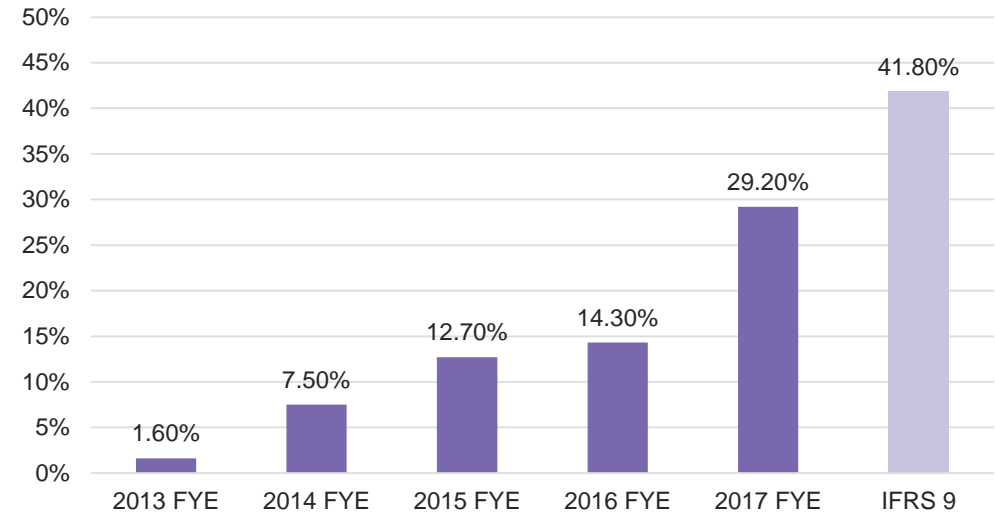
- Too diversified, entrepreneurial – holdover from the boom times and not appropriate for the slow growth environment since 2012
- Entering markets without a demonstrable competitive advantage or management capability
- New strategic direction for SA business adopted in 2013 – unfortunately still burdened by legacy assets:
  - Move to “Responsible Finance”
  - Significant reduction in credit risk appetite
  - Specialised management capability and focus

# Changes in accounting best practice - coverage ratios

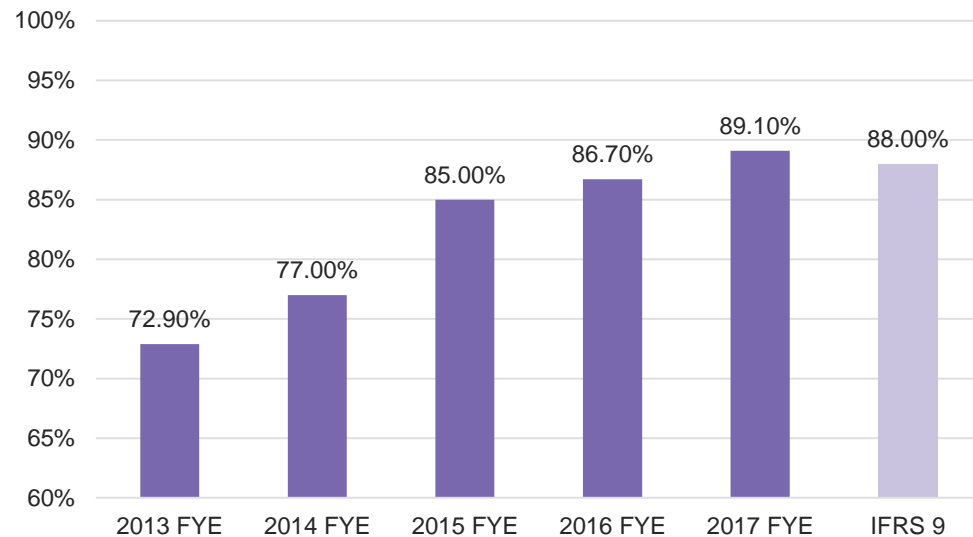
## Home Finance – Performing Loans



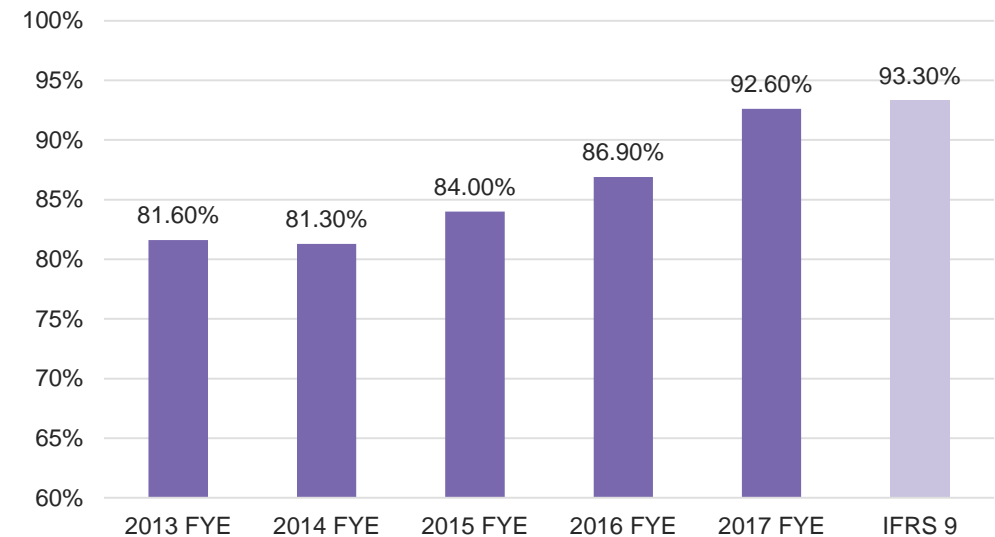
## DMC – Performing Loans



## Home Finance – Non Performing Loans



## DMC – Non Performing Loans

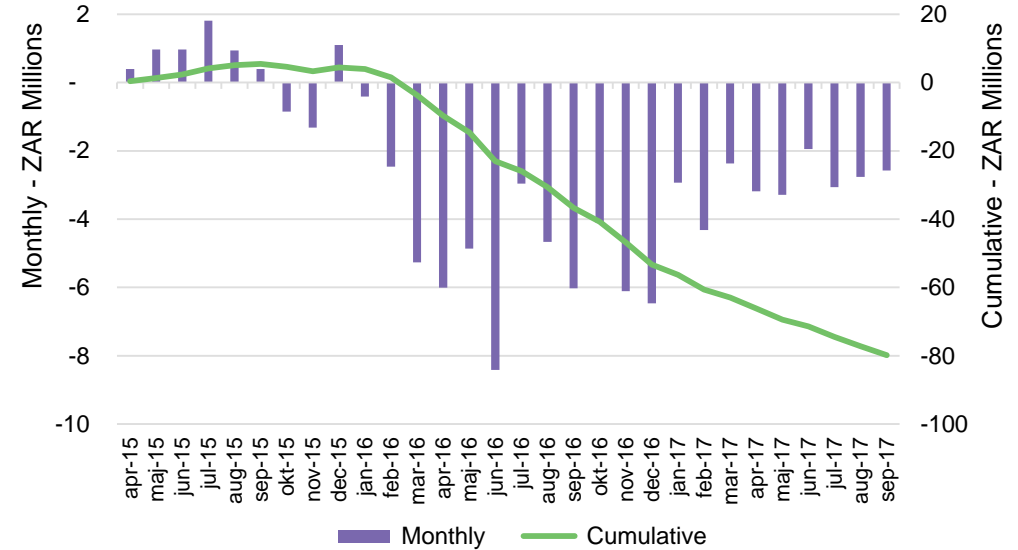


Coverage Ratio = Provisions / Gross outstanding loan balances

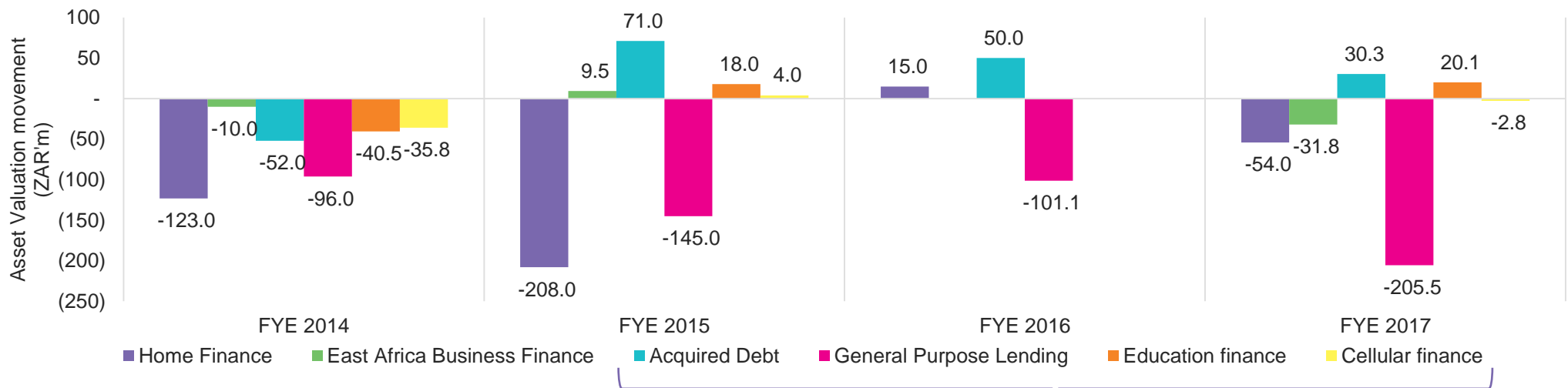
## Asset Valuation Movements

2013-2017	Change in cash flows (ZAR m)	Change in accounting yield (ZAR m)	Underwriting losses (ZAR m)	Total (ZAR m)
Home Finance	-198.0	-124.0	-48.0	-370.0
East Africa Business Finance	-32.3	-	-	-32.3
Acquired Debt	63.1	36.2	-	99.3
General Purpose Lending	-418.9	-128.7	-	-547.6
Education finance	15.2	-17.6	-	-2.4
Cellular finance	-33.4	-1.2	-	-34.6
<b>Total</b>	<b>-604.3</b>	<b>-235.3</b>	<b>-48.0</b>	<b>-887.6</b>

## Kenya Trading Losses



## Timing of Asset Valuation Movements



DMC

## Recent downgrade to Ca

- On 25 May 2017 Moody's Investors Service downgraded Real People Investment Holdings Limited's global scale issuer rating (GSR) to Ca from Caa2, and its national scale issuer rating (NSR) to Ca.za from Caa2.za
- The ratings carry no outlook
- The downgrade of Real People's ratings captures the increased risk that its creditors will incur significant losses, owing to a capital shortfall, following the announcement that the company has entered into a debt standstill agreement
  - The debt standstill agreement is intended to facilitate ongoing creditor negotiations to restructure Real People's capital structure

## Rationale for the downgrade

- The primary driver for the rating action is Moody's assessment that Real People's senior unsecured creditors will suffer significant losses on the back of rising capital needs primarily due to higher loan loss provisioning, and as part of its financial restructuring
- The ongoing creditor negotiations will determine the actual losses across Real People's capital structure, with any agreement likely to involve the conversion of the outstanding preference shares, subordinated debt and a portion of senior unsecured debt into ordinary capital
- Moody's expects that Real People's capital needs will be higher than previously anticipated, primarily because of (1) increased provisioning requirements to more adequately cover for declining asset quality and the implementation of IFRS 9 (a new accounting rule requiring more timely recognition of expected credit losses); (2) a potential write-down of part of the company's deferred tax assets and; (3) Real People's continuing loss-making operations in Kenya

**Under a scenario of an acceleration of debt repayments, the absence of a negotiated debt restructure or standstill would most likely lead to insolvency proceedings against Real People or the company being placed under South Africa's Business Rescue proceedings**



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# Evaluation of the available options

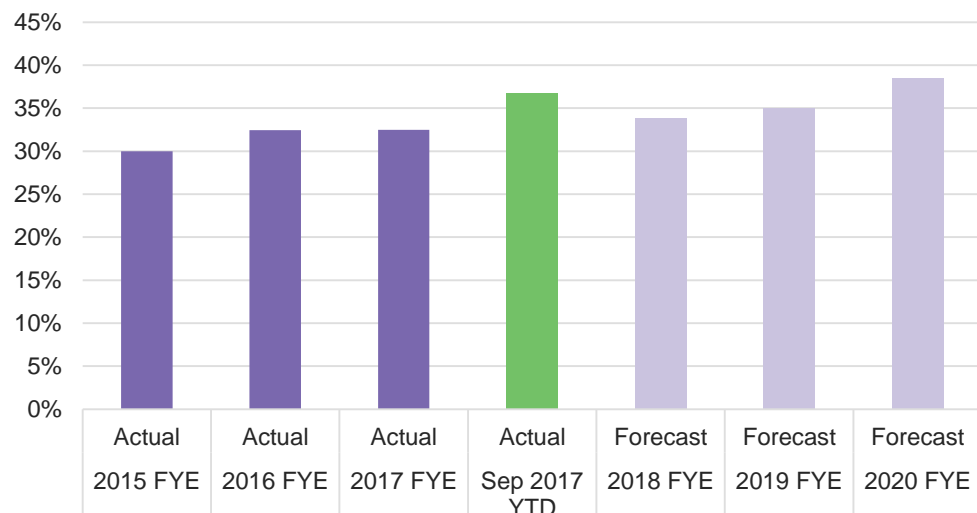
	Voluntary Restructure	Business Rescue	Liquidation
<b>Description</b>	<ul style="list-style-type: none"> <li>Debt to equity conversion, with debt moratorium and the business continues to operate</li> </ul>	<ul style="list-style-type: none"> <li>Complete run off scenario – Both the Home Finance and DMC business are put into run-off immediately</li> </ul>	<ul style="list-style-type: none"> <li>Business placed into liquidation immediately and wound up</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Higher return to funders</li> <li>Business continuity</li> <li>Ability to achieve greater realisation for non-core assets on a going concern basis</li> </ul>	<ul style="list-style-type: none"> <li>Higher level of certainty regarding the run-down process</li> <li>Shorter timeframe for payments to funders than in a liquidation</li> </ul>	<ul style="list-style-type: none"> <li>Partial return of capital to funders</li> <li>High level of certainty regarding quantum of investment returned</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>Longer timeframe for payments to funders</li> <li>Buy in required from all funders</li> <li>Require a corporate event to realise the value from the equity conversion</li> </ul>	<ul style="list-style-type: none"> <li>Lower return to funders</li> <li>There is likely to be a lower realisation for assets compared to a realisation on a going concern basis</li> </ul>	<ul style="list-style-type: none"> <li>Lowest return to funders</li> </ul>
<b>Recovery for lenders*</b>	60 – 100%	~ 50%	~ 27 - 29%

\* Source: Matuson & Associates

# Strategic assessment of SA businesses

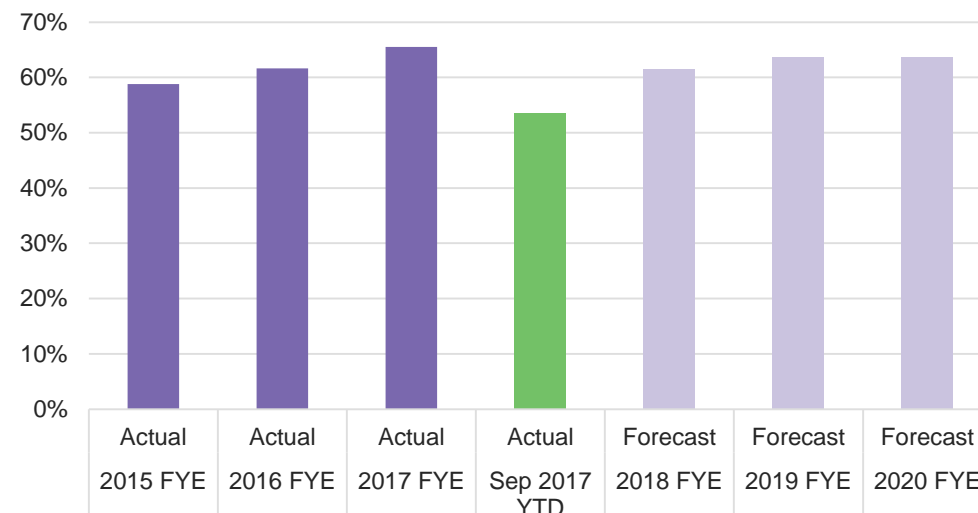
	Home Finance	DMC	Assurance
Competitive positioning	<ul style="list-style-type: none"> <li>• Strong</li> </ul>	<ul style="list-style-type: none"> <li>• Strong</li> </ul>	<ul style="list-style-type: none"> <li>• Weak</li> </ul>
Dynamics	<ul style="list-style-type: none"> <li>• High consumer demand for housing solutions</li> <li>• Niche market</li> <li>• Moderate barriers to entry</li> </ul>	<ul style="list-style-type: none"> <li>• Stable distressed portfolio supply</li> <li>• Niche market</li> <li>• High barriers to entry</li> </ul>	<ul style="list-style-type: none"> <li>• Mature market</li> <li>• Needs to differentiate itself vs larger players</li> <li>• Moderate barriers to entry</li> </ul>
Competitive advantage	<ul style="list-style-type: none"> <li>• Merchant relationships</li> <li>• Operational risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Operational capabilities</li> <li>• Pricing capabilities</li> <li>• Brand</li> </ul>	<ul style="list-style-type: none"> <li>• Access to DMC and Home Finance customer data</li> </ul>
Return Profile	<ul style="list-style-type: none"> <li>• High</li> </ul>	<ul style="list-style-type: none"> <li>• Medium (as result of past revaluations)</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> </ul>

## Return on productive assets\*

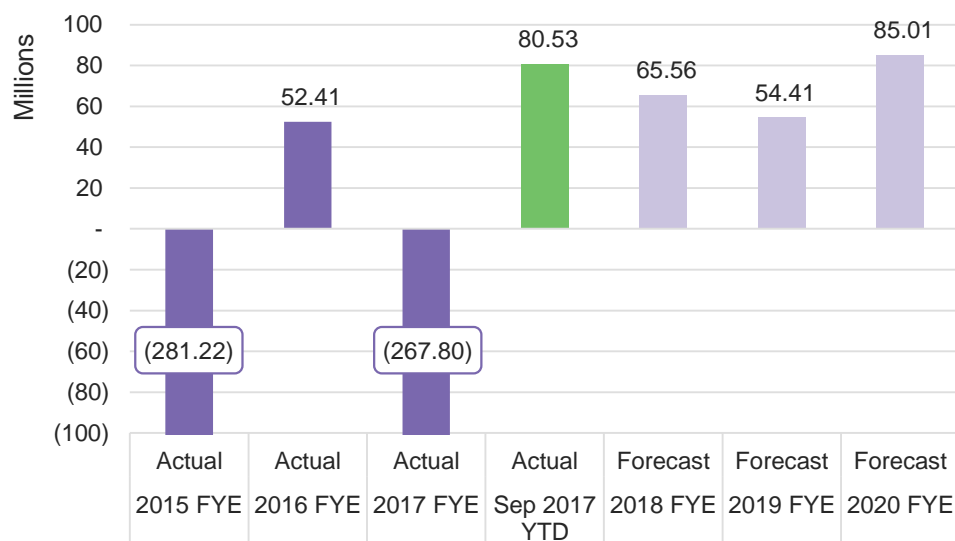


\*Productive Assets = Loans and advances, Acquired assets, cash and cash equivalents

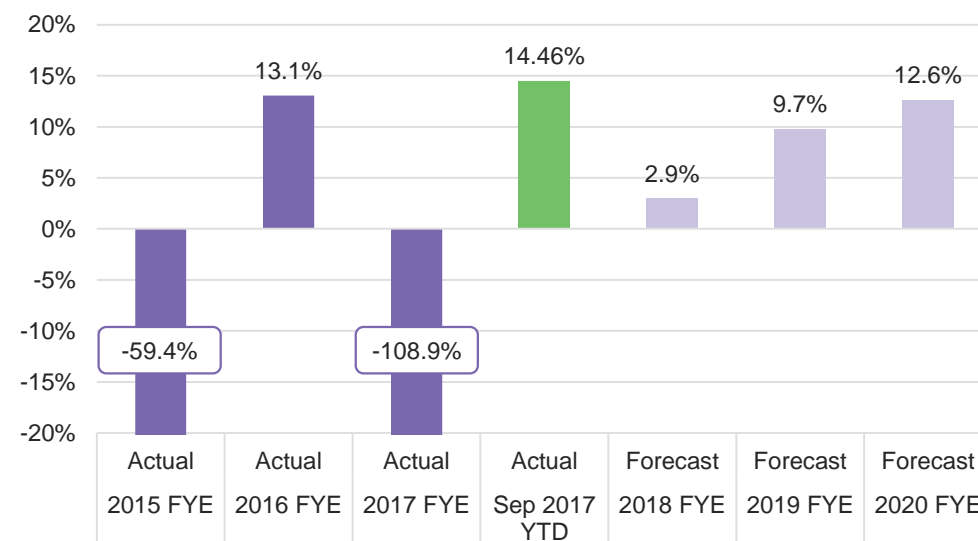
## Operating expenses to income ratio



## Profit before tax and restructuring costs



## Return on equity



September 2017 YTD Actuals are based on pro forma results, subject to audit of IFRS 9 outcomes

**Refer to Annexure B for more details on the forecast**

## Assumptions

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- The major assumptions are indicated in the business unit assumptions
- Governance: Forecasts have been reviewed by the Independent Directors

## Group ROE

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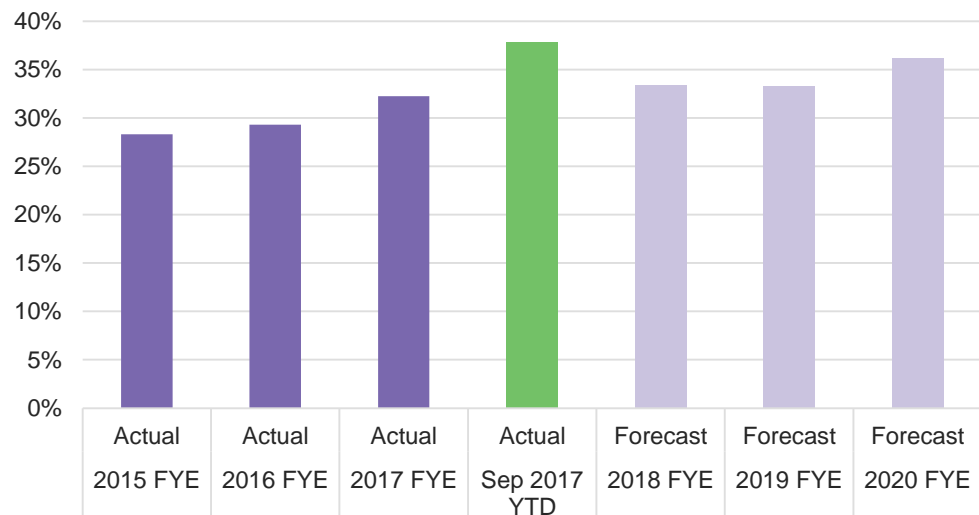
- ROE at Group level remains below target levels due to:
  - conservative/cautious nature of forecasts
  - equity levels at Group levels not forecast to be optimised resulting in equity accumulating above optimal levels (conservative)

## Specific Group Forecast Risks

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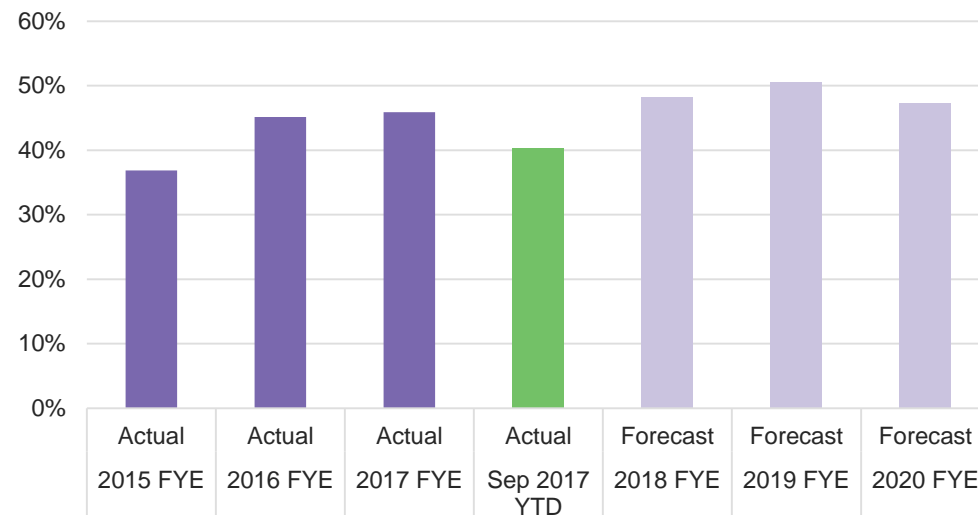
- **Funding:**
  - The forecast outcome is significantly dependent on Home Finance and DMC being able to access the funding required for forecast levels of asset origination
- **Tax:**
  - The Group currently utilises a modified form of section 24J for tax calculation and intends applying for specific rulings under section 11J to replace this treatment
  - This should not affect the income statement tax charge but could impact the current tax paid in a specific year
- **Currency swap collateral risk:**
  - The Group is required to post collateral when the ZAR strengthens vs the SEK/NOK, which could impact available cash
  - 1 ZAR cent movement vs SEK ~ R1.4m; 1 ZAR cent movement vs NOK ~ R1.1m
- **Macro-economic risk:**
  - All 3 of the businesses are sensitive to the financial wellness of the consumer and a deterioration in the macro-economic environment would adversely impact financial performance
  - DMC has moderated its receipting expectations for the latter stages of the portfolio collection life-cycle
- **Regulatory risk:**
  - Certain types of pro-consumer regulatory changes may increase the difficulty in recovering outstanding obligations from consumers, which would adversely impact financial performance
  - No specific changes are expected
- **IFRS 15**
  - Financial instruments and insurance contracts scoped out of IFRS15
  - The treatment of service fees is being included in the IFRS9 project as these are being considered part of the financial assets originated
- **Education assets IFRS9 effective interest rate**
  - Education receivables currently accounted for on fair value basis
  - Treatment under IFRS9 uncertain & there may be a yield/carrying value adjustment (total education portfolio size ~R76m)

## Return on productive assets\*

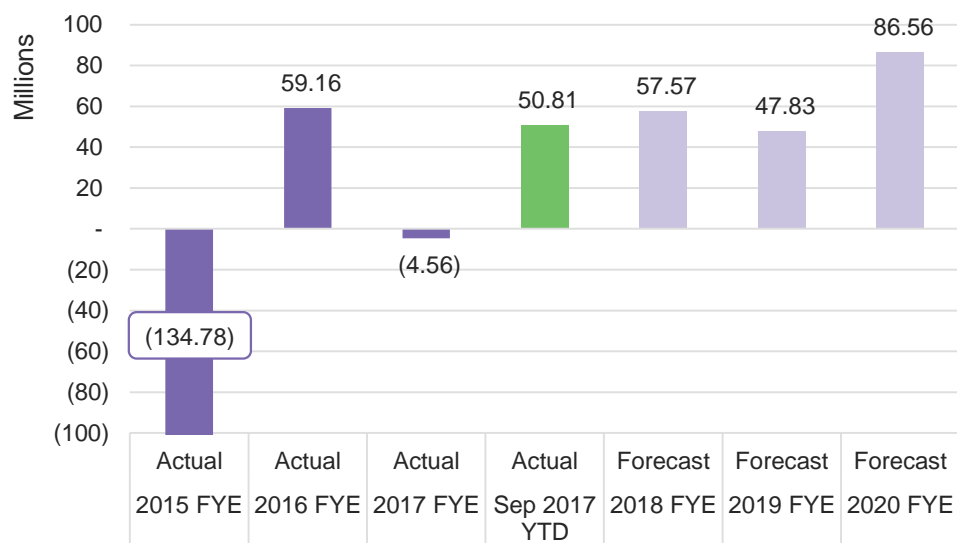


\*Productive Assets = Loans and advances, Acquired assets, cash and cash equivalents

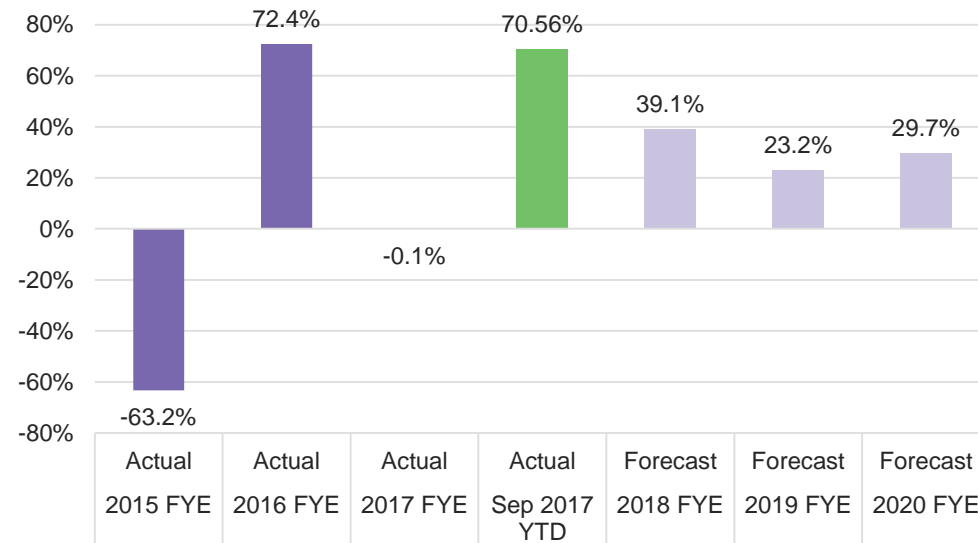
## Operating expenses to income ratio



## Profit before tax and restructuring costs



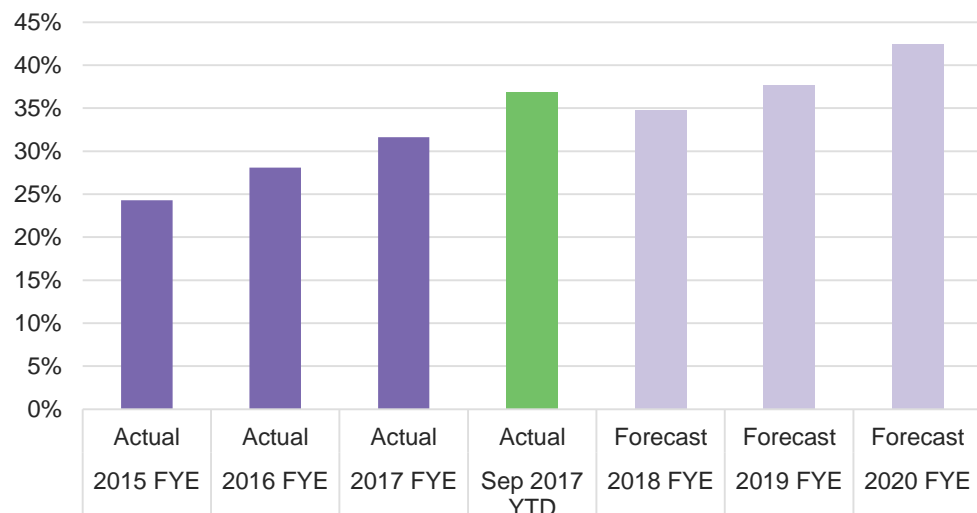
## Return on equity



September 2017 YTD Actuals are based on pro forma results, subject to audit of IFRS 9 outcomes

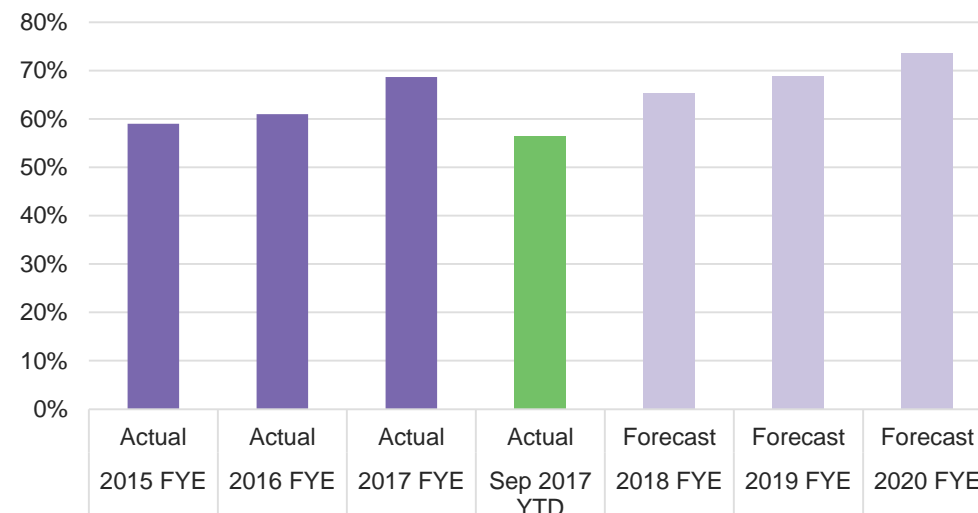
**Refer to Annexure C for more details on the forecast**

## Return on productive assets\*

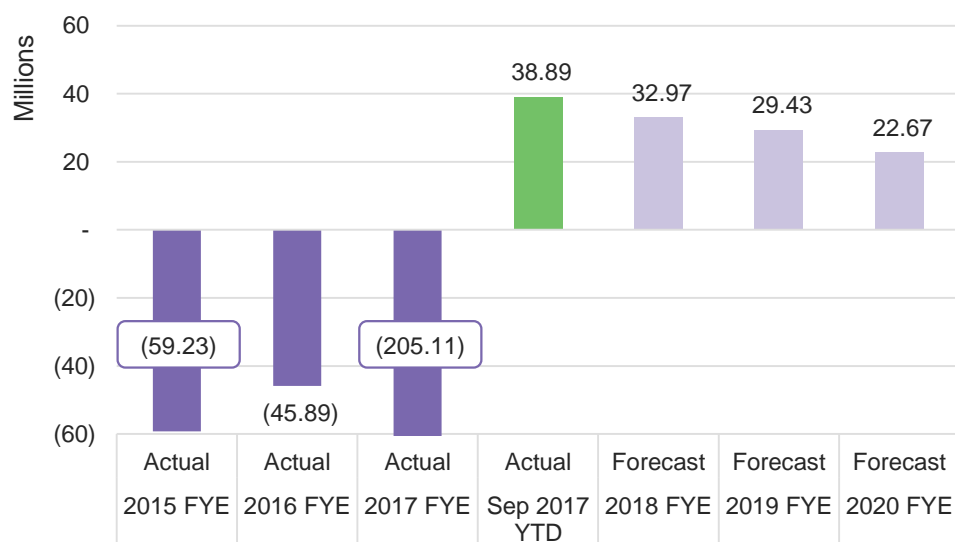


\*Productive Assets = Loans and advances, Acquired assets, cash and cash equivalents

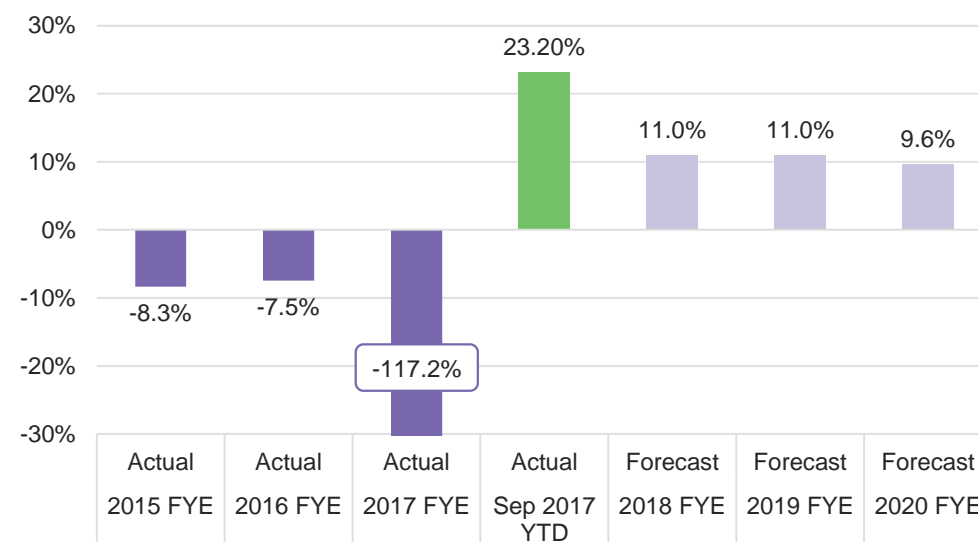
## Operating expenses to income ratio



## Profit before tax and restructuring costs



## Return on equity



September 2017 YTD Actuals are based on pro forma results, subject to audit of IFRS 9 outcomes

**Refer to Annexure D for more details on the forecast**

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## Restructure Components

### -Relieving the Debt and Interest Burden on the Business

- Debt to equity conversion
- Rescheduled debt covenants
- Rescheduled senior debt maturity and debt moratorium

### Yield Enhancing Asset Valuations

- IFRS 9
- Significant impairment of intangible assets, including deferred tax assets

### Strategic Focus

- GVR disposal
- Undertakings:
  - Limited scope, Application of excess cash
- Funding

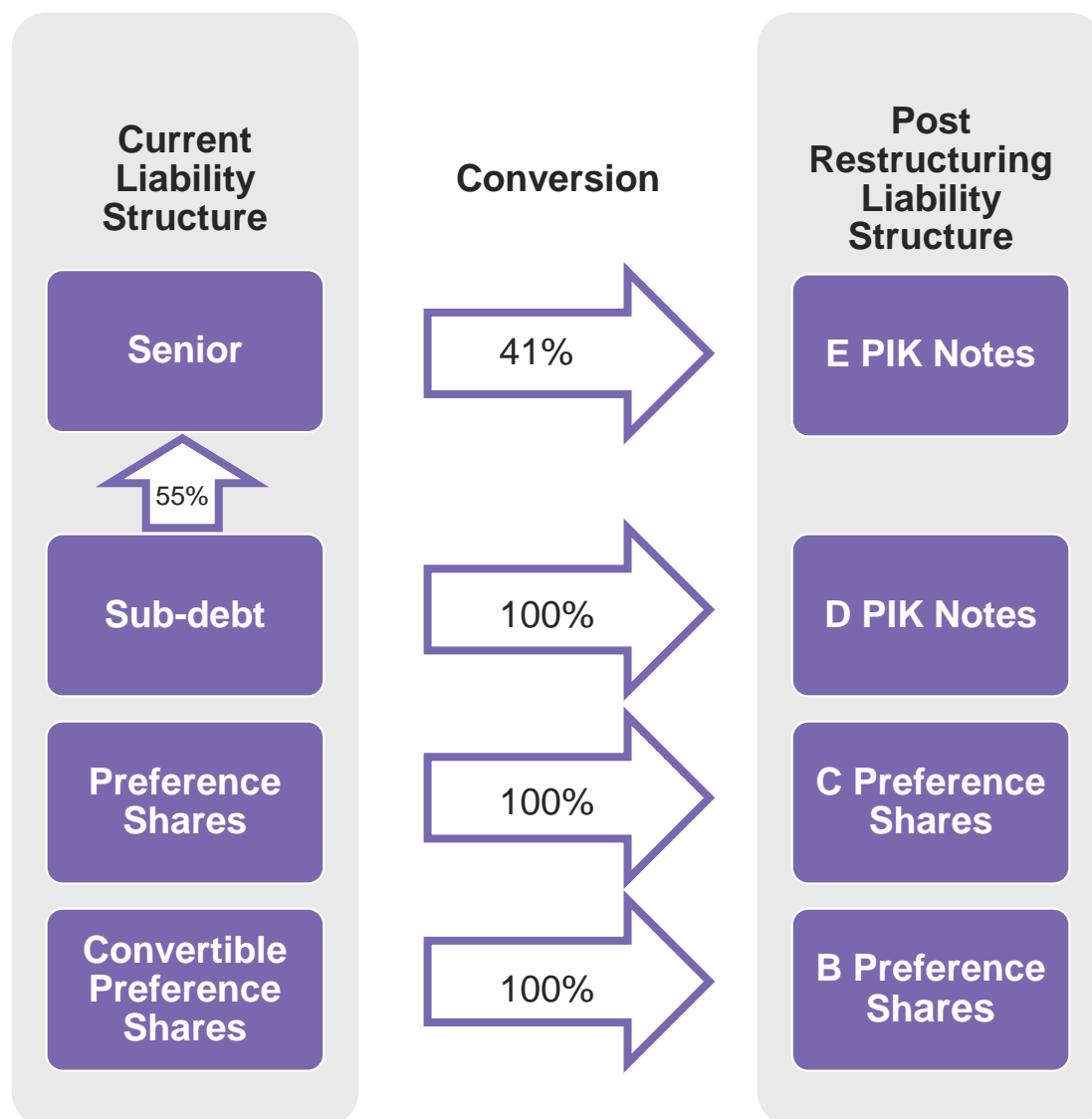
## Objectives

- Ensuring the continuing South African businesses of the Group are adequately capitalised and funded to ensure their sustainability
- Ensuring the South African businesses are positioned to deliver the financial performance required for them to attract funding at the level required for their sustainable operations
- Through combination of the above, ensuring the South African businesses are able to meet their post restructure debt repayment and capital realisation obligations

## Principles underlying the proposal

- Capital providers are participating in the capital restructure out of necessity and not by choice
- More senior levels of capital in the capital structure will only be expected to contribute to capitalisation, once all classes of sub-ordinated capital have fully contributed to capitalisation
- Where more senior levels of capital do contribute to capital, the holders of such converted instruments will enjoy certain preferential rights in seniority to the holders of capital converted from subordinated classes

# Debt to Equity Conversion



*All aspects of the restructure will be conditional on the implementation of the transaction steps*

**Refer to Annexure G for more details**

## Senior Debt

- 41% of the Senior Instruments (together with 55% of converted sub-debt) will be exchanged for E Payment-In-Kind Notes ("E PIK Notes") to be issued by RPIH and held by the holders of the Senior Instruments pro-rata to their Senior Instrument holdings with 3% set aside for management.

## Subordinated Debt

- 55% of Sub-debt is converted into Senior Debt.
- The remaining Sub-debt will be exchanged for D Payment-In-Kind Notes ("D PIK Notes") to be issued by RPIH and held by the holders of the Sub-debt pro-rata to their Sub-debt holdings with 6% set aside for management.

## Preference Shares

- The Preference Shares will be exchanged for C Preference Shares ("New C Prefs") to be issued by RPIH, and held by holders of the Pref pro-rata to their Pref holdings with 9% set aside for management
- The outstanding balance on the New C Prefs will be reduced to a lower level than the outstanding balance on the current Preference Shares, in an amount equal to the discount to face value at which the Preference Shares were acquired by their current holders.
- The New C Prefs will be pure economic instruments and will not have any voting rights, save for voting rights relating to any amendments to the rights and privileges of the New C Prefs;

## Convertible Shares

- All the Convertibles Preference Shares will be exchanged for B Preference Shares ("New B Prefs") to be issued by RPIH, and held by the holders of the Convertibles pro-rata to their Convertible holdings with 12% set aside for management.
- The New B Prefs will be pure economic instruments and will not have any voting rights, save for voting rights relating to any amendments to the rights and privileges of the New B Prefs;

## Adjusted Shareholding Post Restructure

	Contribution to subordinated capital (Rm)	% Contribution	Adjustment Factor (2.25x) for allocation of ordinary shares	Shareholding post restructuring (%)
Senior Debt	508.52	53.1%	25.63	67.95%
- Nordics				18.38%
- Other				49.57%
Subordinated Debt	102.77	10.7%	11.39	6.10%
Redeemable Preference Shares	141.25	14.7%	5.06	3.73%
Convertible Preference Shares	177.17	18.5%	2.25	2.05%
Existing Ordinary Shares (Excl BEE)		3%	1.00	0.17%
Management Incentive Trust				15.00%
BEE				5.00%
<b>Total</b>	<b>929.71</b>			<b>100.00%</b>

## Ordinary Share Allocation

- Ordinary shares will be authorised and issued to the holders of the various instruments. The table above sets out the resultant holding of ordinary shares, with a portion set aside for the management share incentive trust and Black economic empowerment (“BEE”) shareholders.
- Holders of existing ordinary shares, subscribed for in January 2015, will exchange 50% of those subscription shares subscribed for, for an equivalent amount of New B Prefs

# Rights attaching to each class of shares

## Instrument Ranking

The ranking of the various instruments from senior to junior as well as the priority of cash flows (“Cash Flow Waterfall”) from first to last is:

1. The E PIK Notes;
2. The D PIK Notes;
3. The New C Prefs;
4. The New B Prefs; and
5. The A Ordinary Shares

## Cash Flow Waterfall

The priority of cash flows (“Cash Flow Waterfall”) from first to last is:

Class	1st	2nd	3rd	4th	5th
E PIK	85%	-	-	-	-
D PIK	7%	85%	-	-	-
C PREF	5%	7%	85%	-	-
B PREF	2%	5%	10%	85%	-
A ORD	1%	3%	5%	15%	100 %

Until the E PIKs are fully settled the “1st” priority is used for distributions. Once the E’s are fully settled the “2nd” priority is used and so the process is repeated until the proceeds have been exhausted

## PIK Note and Preference Share Terms

- E PIK Notes: 13% per annum
- D PIK Notes: 8% per annum
- New C Prefs: 6% per annum
- New B Prefs: 3% per annum

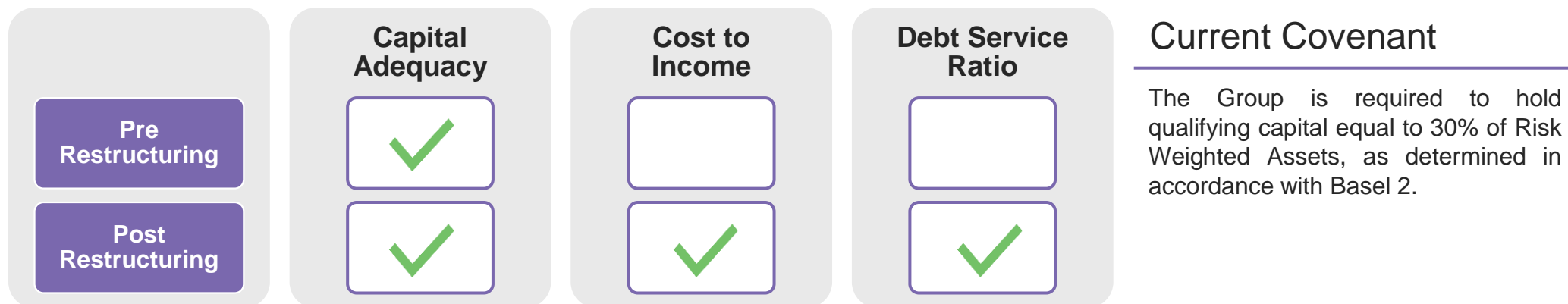
## Voting thresholds

- Ordinary Shares:
  - The MOI of RPIH will be amended to provide for the following voting provisions relating to the Ordinary Shares: 60.1% special majority for the passing of special resolutions, 50.1% simple majority for the passing of resolutions requiring ordinary shareholder approval only
  - The MOI will contain Reserved Matters that will require the approval of a special majority of ordinary shareholders
- New B Prefs:
  - The New B Prefs will have no voting rights other than in relation to any proposed amendments to the rights and privileges attached to the New B Prefs
  - Any amendments to the rights and privileges attached to the New B Prefs will require holders of New B Prefs holding at least 75% of the New B Prefs to vote in favour of such amendment
- New C Prefs:
  - The New C Prefs will have no voting rights other than in relation to any proposed amendments to the rights and privileges attached to the New C Prefs
  - Any amendments to the rights and privileges attached to the New C Prefs will require holders of New C Prefs holding at least 75% of the New C Prefs to vote in favour of such amendment

# Summary of amendments of key bond terms

Item	Current bond terms	Amended bonds
Issuer	RIPH	RPIH
Status	Senior unsecured callable bonds issued in NOK and SEK	Senior unsecured callable bonds issued in NOK and SEK
Guarantors	<ul style="list-style-type: none"> <li>DMC Debt Management (Pty) Ltd (name changed from Real People (Proprietary) Ltd)</li> <li>Real People Kenya Ltd</li> </ul>	Same as for the Senior Loan Agreement: <ul style="list-style-type: none"> <li>DMC Debt Management (Pty) Ltd (name changed from Real People (Proprietary) Ltd)</li> <li>Real People Home Finance</li> <li>Nyati Securitisation 1 (RF) Ltd</li> </ul>
Volume	100 % of the Nominal Amount	[59.00 per cent.]of the current Nominal Amount
Final maturity	September 2018	30 September 2025
Amortisation	None	Pro rata with amortization of other Senior Loans
Interest rate	STIBOR or NIBOR (as applicable) plus 6.25 per cent. per annum	STIBOR or NIBOR (as applicable) plus 6.54 per cent. per annum
Financial covenants	Capital Adequacy Ratio > 30 %	<ul style="list-style-type: none"> <li>Permanent Capital / Total Assets &gt; [20-25]% up to 31 March 2019, &gt; [20-25]% up to 31 March 2020 and &gt; [20-25]% thereafter<sup>1</sup></li> <li>Debt Service Ratio of 1.05x</li> <li>Cost to Income Ratio &gt; 68%</li> </ul>
Dividend restriction	None	Payment on instruments ranking after the Bonds (such as shares and the E PIK Notes) will be restricted and may only be made in accordance with a pre-agreed waterfall.
General undertakings	<ul style="list-style-type: none"> <li>Nature of business</li> <li>Negative pledge (subject to agreed carve-outs)</li> <li>Hedging undertaking</li> </ul>	<ul style="list-style-type: none"> <li>Cash sweep to be applied to repay Senior Loans and the Nordic bonds.</li> <li>Restrictions on payments on debt ranking after the Senior Loans and the Nordic bonds</li> <li>Negative pledge (subject to agreed carve-outs and security permitted by the Senior Lenders)</li> <li>Restrictions on incurrence of indebtedness (subject agreed carve-outs and debt permitted by the Senior Lenders)</li> <li>Restrictions on disposal of assets (subject agreed carve-outs and disposals permitted by the Senior Lenders)</li> <li>Undertakings to repay the Bonds pro rata if principal amounts under the Senior Loan Agreement is repaid.</li> </ul>
Listing	Listed on Nasdaq Stockholm	To be listed on regulated market or MTF. Listing undertaking is on a best effort basis.
Early redemption	Voluntary total redemption (call option) subject to a premium	Voluntary redemption at par without premium or penalty. Cash sweep to be applied to redeem Nordic bonds. Any payments must be made pro rata on Senior Loans and the Nordic bonds
Put option	<ul style="list-style-type: none"> <li>Change of control</li> <li>Business cessation</li> </ul>	<ul style="list-style-type: none"> <li>Change of control</li> <li>Mandatory repayment upon disposal of certain assets</li> </ul>
Cross default	Cross Default to financial indebtedness in material group company if such indebtedness exceeds 2.5 % of the Issuer's total assets	<ul style="list-style-type: none"> <li>Cross Default to other Senior Loans if breach constitutes a Material Event of Default.</li> <li>Cross Acceleration to the Senior Loans</li> </ul>
Governing law	Swedish law	Swedish law
Agent	Nordic Trustee & Agency AB (publ)	Nordic Trustee & Agency AB (publ)

Note: 1) Levels to be aligned with levels to be applicable for the Senior Unsecured Loan Agreement upon Second Amendment Effective Date



## Proposed Covenants

**Permanent Capital / Total Assets must be greater than [20-25]% up to 31 March 2019, [20-25]% up to 31 March 2020 and > [20-25]% thereafter<sup>1</sup>, where:**

- Permanent Capital: Total Equity less reserves for cash flow hedges, all gains or losses from hedges that passed through the income statement since 31 March 2017, equity in bankruptcy remote SPVs, equity in RPAC, Junior loans to bankruptcy remote SPVs, deferred tax assets, intangible assets;
- Total Assets: total consolidated assets less cash, deferred tax assets, intangible assets, total assets of bankruptcy remote SPVs and total assets of RPAC

**Cost to Income Ratio must be less than or equal to 68%:**

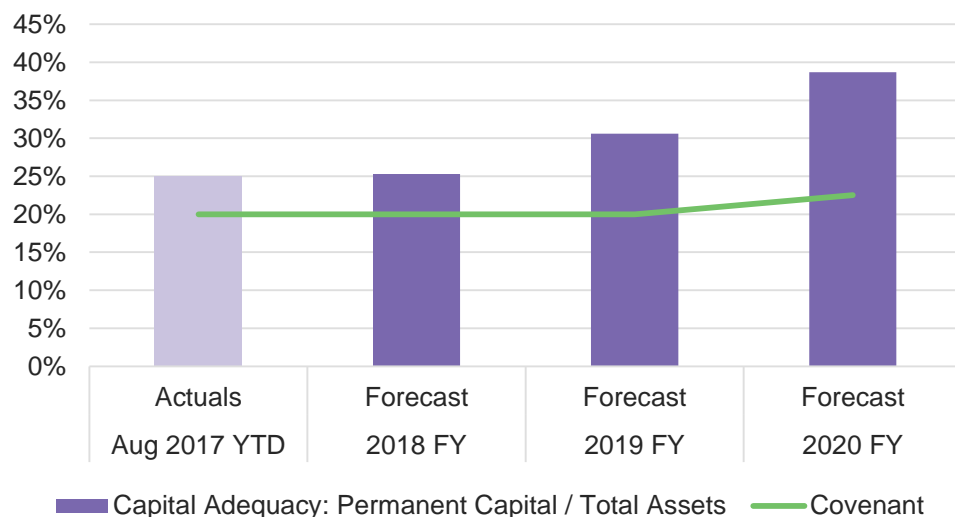
- The ratio will be calculated as Operating Expenses divided by Total Net Income
- Operating Expenses: All Operating Expenses but excluding Foreign Exchange gains/losses, gains/losses on Financial Assets and Liabilities and gains/losses from Equity Accounted Investments.
- Total Net Income will include the Net Yield Income after Impairments plus Net Assurance Income, Outsourced Collection Income and Other Income.

**Debt service coverage ratio of 1.05 times:**

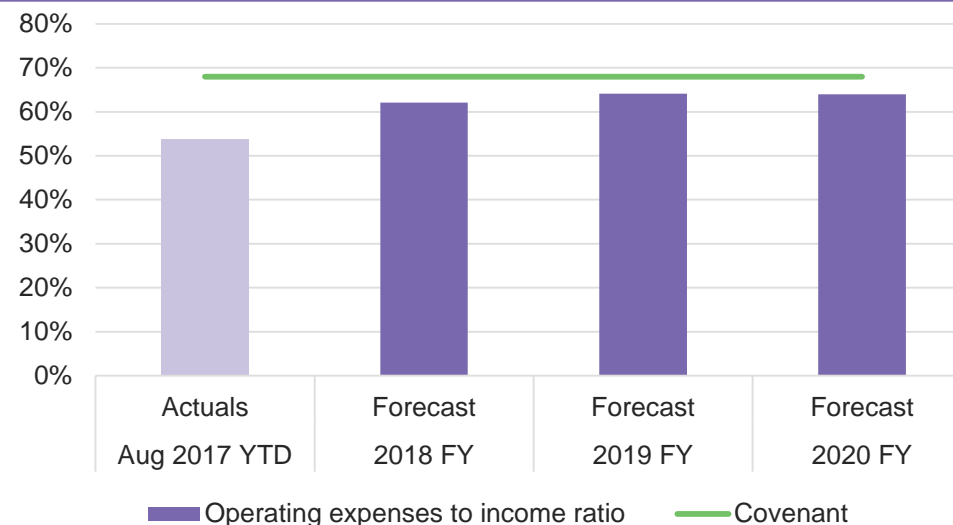
- The ratio will be calculated as Free cash flow to Debt service
- Free cash flow: Receipting from on balance sheet assets, commissions from Outsourced Collections, Service fees from securitization SPVs, Capital and interest payments from securitization SPVs, Dividend payments from securitization SPVs, Dividend payments from RPAC, Interest received from cash and cash equivalents, Purchase premium of loans sold to securitization SPVs deducting, Operating expenses and Investment in working capital (investment in junior loans in securitization SPVs)
- Debt service: All scheduled and mandatory repayments of borrowing falling due during the period (excluding cash sweeps).

# Amended Covenants - Forecast

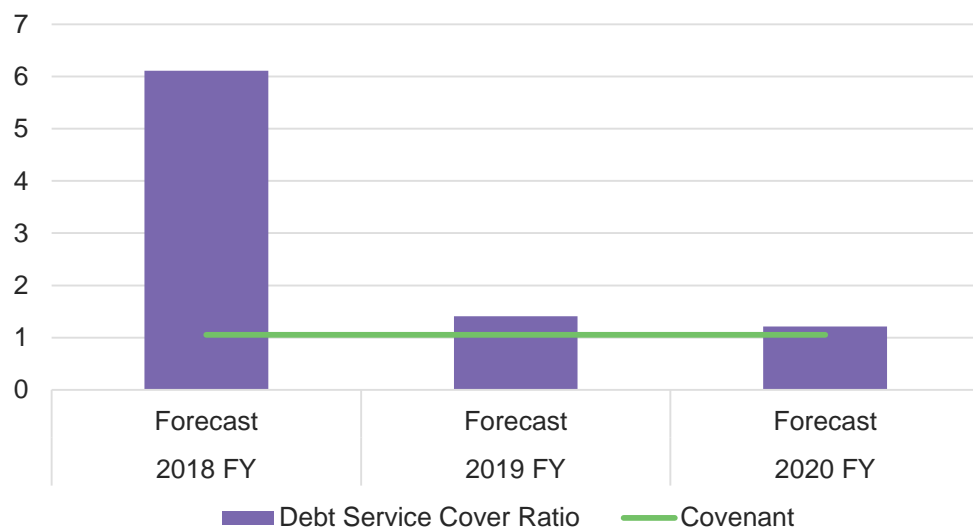
## Permanent Capital / Total Assets



## Cost to Income Ratio



## Debt service coverage ratio

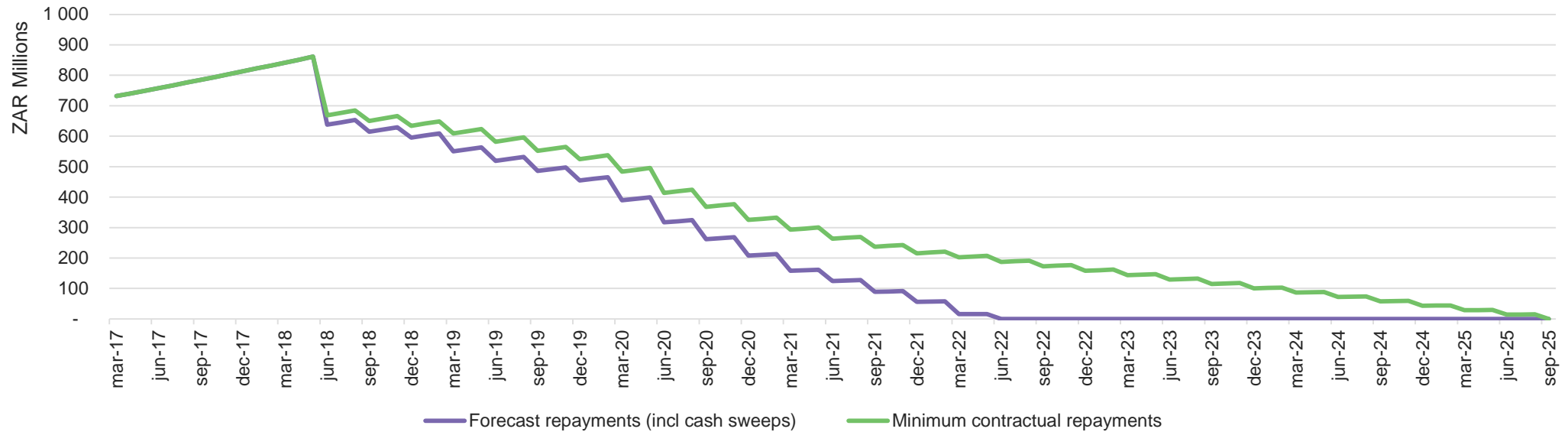


## Covenant levels

- Permanent Capital / Total Assets must be greater than
  - [20%-25%]\* for Measurement Periods ending on a Measurement Date that falls on or before 31 March 2019
  - [20%-25%]\* for Measurement Periods ending on a Measurement Date that falls after 31 March 2019 or on or before 31 March 2020
  - [20%-25%]\* for Measurement Periods ending on a Measurement Date that falls after 31 March 2020 or before the Final Maturity Date
 (\*Levels to be aligned with levels to be applicable for the Senior Unsecured Loan Agreement upon Second Amendment Effective Date).
- Cost to Income Ratio must be less than or equal to 68%
- Debt service coverage ratio of 1.05 times

# Debt repayment profile

## Total Senior Debt – Closing Balances



- RPIH will not be obliged to service interest or capital on the remaining senior instruments until 30 June 2018.
- Once the servicing of interest and the repayment of capital resumes, the outstanding debt is forecast to be settled over a [51] month period with a maximum contractual repayment profile of [78] months

### Excess Cash Sweep

- From 30 June 2018 all excess cash available will be used to settle outstanding senior debt of RPIH.
- Excess Cash :
  - Cash on hand at the end of each quarter less:
    - A Cash Buffer of R 45 million;
    - Encumbered Cash; and
    - if the Forecast Cash Payments for the next 12 month period are greater than the Forecast Cash Receipts, the amount by which the Forecast Cash Payments exceed the Forecast Cash Receipts;

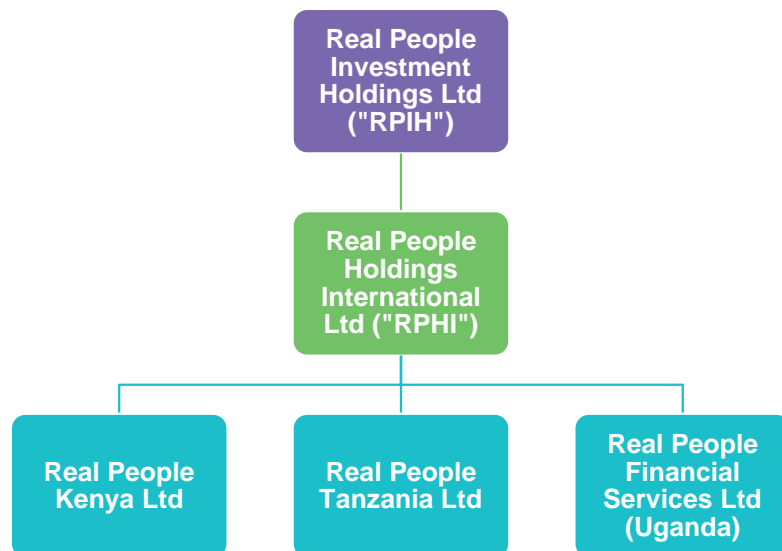


Asset	IAS 39 carrying value (ZAR'm)	IAS 39 yield	IFRS 9 carrying value (ZAR'm)	IFRS 9 yield
Acquired	908.5	32.2%	719.3	42.5%
Legacy	201.5	31.8%	177.5	31.8%
Education	79.6	41.7%	75.6	41.7%

- The Group will adopt IFRS9 prior to the implementation of the restructure transaction, effective 1 April 2017.
- DMC will be required by IFRS9 to revert back to the amortised cost valuation methodology from the current fair value methodology for both the Acquired and Education assets. IFRS9 also requires forward looking information to be taken into account on the cash flow expectations for the legacy asset. It is estimated that as a result, the DMC asset base will be de-valued by an amount of R217 million .
- The quantification of the impact of IFRS9 on the Home Finance (“HF”) business is in process but is expected to have a largely off-balance sheet impact due to the fact that the HF advances are largely held in off-balance sheet securitised vehicles. Overall impact is expected to be minimal

**See Annexure F for more details on IFRS9**

## Current Holding Structure



## Management of Business

- It is proposed that a work-out specialist firm be appointed to manage the realisation of the GVR assets through either disposal or a winding-down of the operations.
- Ongoing support from the South African operations:
  - IT
  - Company secretarial services and governance oversight
  - Group finance oversight over the financial function
  - Group leadership of GVR executive team
- It is proposed that these functions be taken over by the new manager over a period of 6 months subsequent to implementation of the restructure transaction.

## Proposed steps to dispose of East Africa

- RPIH disposes of its shareholding in RPHI at book value of ~ZAR 30 mil million to a Trust for an amount equal to the net proceeds recovered from RP Uganda pursuant to the sale of the assets of RP Uganda.
- RPIH will impair the future receivable to zero and only recognise such realisations as and when they occur.
- The beneficiary of the Trust will be RPIH.
- RPIH will not exercise any form of positive control over the trust – the trust will be under the control of an independently appointed and mandated trustee.

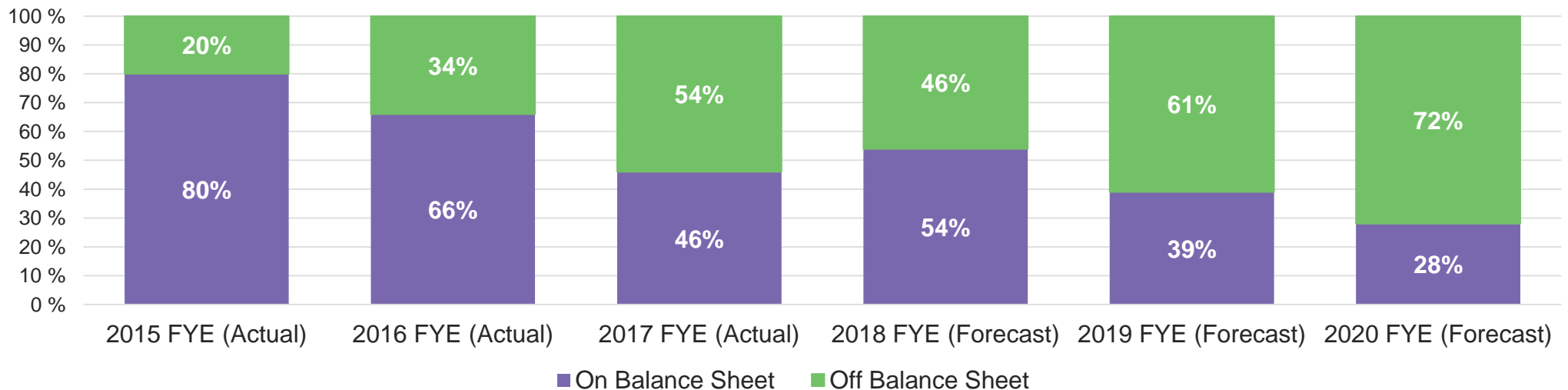
## Dependencies

- The Kenyan subsidiary has provided a guarantee in favour of the funders of the South African operation. This guarantee would need to be rescinded prior to any disposal and would require the approval of the SA DMTN note holders and by the Nordic note holders.
- Disposal transaction will be concluded as part of a recapitalisation transaction.

## Funding toolkit available to fund growth

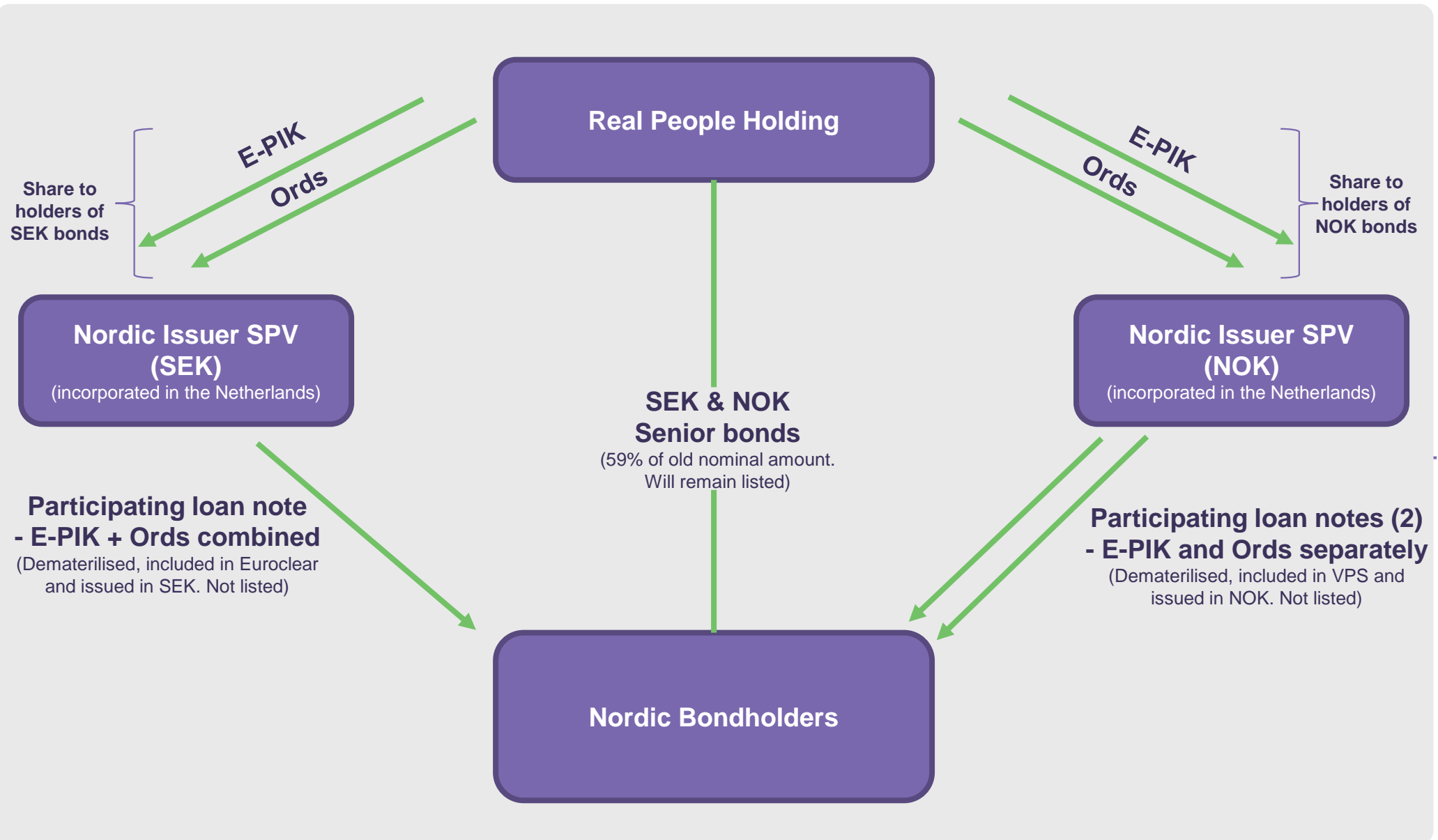
	Permanent Equity	Redeemable Preference shares	Sub Ordinated Debt	Senior Unsecured Debt	Senior Secure Debt (On Balance Sheet)	Senior Secure Debt / Securitisation (Off Balance Sheet)
Pre-Restructuring	✓	✓	✓	✓	✓	✓
Post-Restructuring						✓

## Liabilities



Note: On balance sheet liabilities include redeemable preference shares and subordinated debt

## Holding Structure

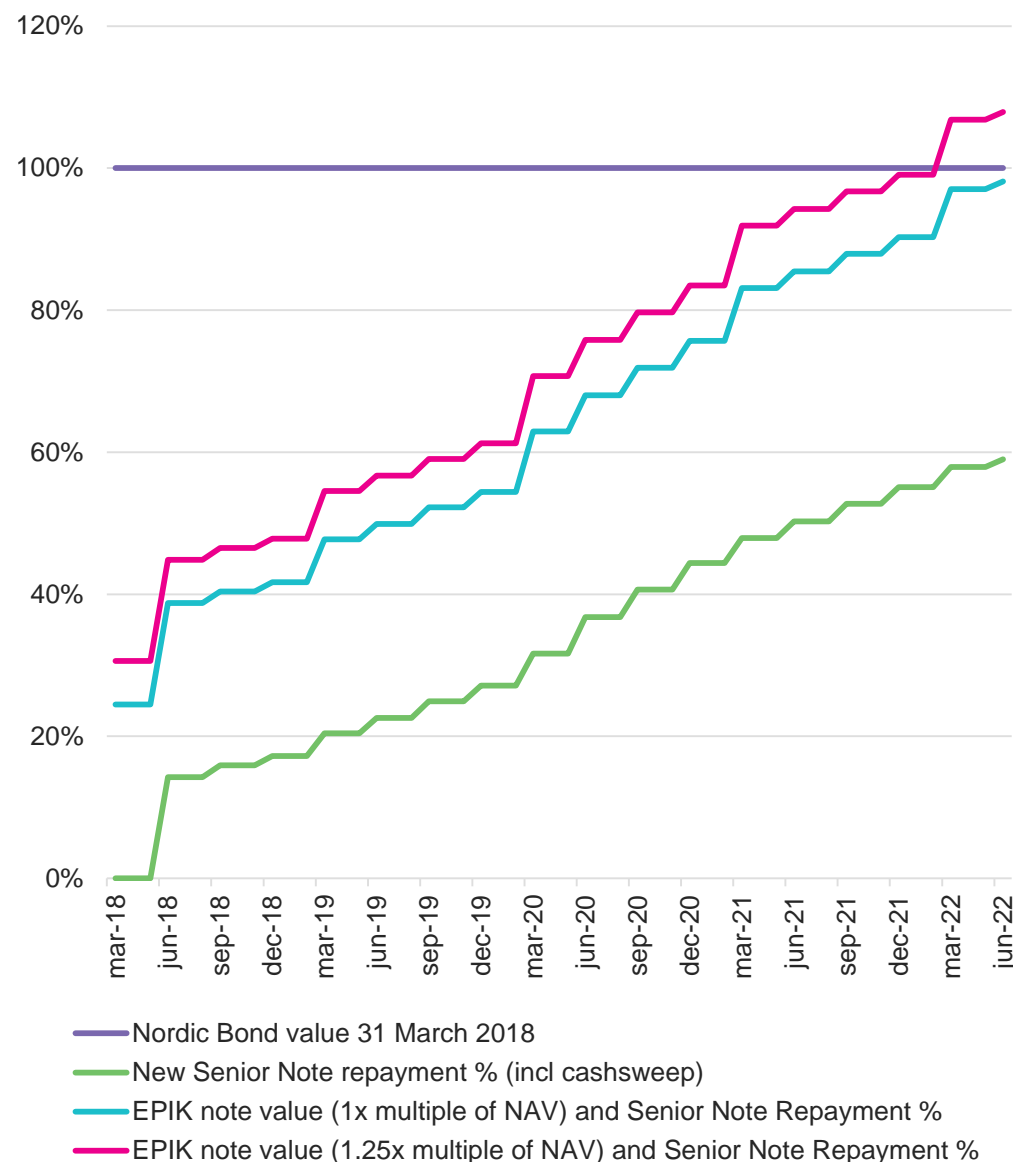


# Nordics Post Restructuring (continued)

## Comments

- The value realisation graph illustrates the potential recovery for investors on their initial nordic bond investment:
  - The green line illustrates the recovery on the senior note including the cash sweep based on the agreed amortisation profile.
  - The blue line illustrates the recovery based on the value of the E-PIK notes assuming a 1 x net asset value realisation over the indicated time period, and adding to this the recovery on the senior note including the cash sweep
  - The pink line illustrates the recovery based on the value of the E-PIK notes assuming a 1.25 x net asset value realisation over the indicated time period, and adding to this the recovery on the senior note including the cash sweep

## Value Realisation



1. Background and Introduction
2. Reasons for the restructure
3. An incentive to save the business
4. Proposed solution & recovery mechanisms
5. How do we avoid this happening again?
6. Risk factors
7. Annexure

# How do we avoid this happening again?

## Macro economic considerations

- Low economic growth for some time now – incorporated in receipting forecasts
- Credit supply shocks unlikely given economic outlook
- Potential downside risk on employment if political challenges not resolved

## Accounting

- IFRS9 amortised cost approach is more rigid and conservative than IAS39
- Early adoption of IFRS9 should provide stability and conservatism
- Change to big 4 audit firm

## Strategy

- Group strategy and capital will be focussed solely on Home Finance, DMC and RPAC
- East Africa to be held and managed independently from Group

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*These risk factors have been prepared in connection with the Restructuring. There are risks both regarding circumstances linked to the Group as a whole and those which bear no specific relation to the Group. In addition to the other information in this investor presentation as well as a general evaluation of external factors, Investors should carefully consider the risk factors described below before making any decision to participate in the Restructuring. The occurrence of any of the events mentioned below could have a material adverse effect on the Group's operations, financial position and results of operations. The risks presented in this document are not exhaustive, and other risks not at present known to the Group, or that the Group currently thinks are insignificant and therefore has not included herein, may also adversely affect the Group and the Group's ability to generate enough profits to be able to repay its debts and make any distributions with respect to shares, E PIK Notes or other instruments. Current Investors should consider carefully the information contained herein and make an independent evaluation before making any decision to participate in the Restructuring.*

*Participating in the Restructuring involves inherent risks. A number of risk factors and uncertainties may adversely affect RPIH and the Group in general. These risk factors include, but are not limited to, financial risks, technical risks, risks related to the business operations of the Group, environmental risks and regulatory risks. If any of these or other risks or uncertainties actually occurs, the business, operating results and financial condition of the Group could be materially and adversely affected, which could have a material adverse effect on the Group's ability to meet its obligations (including repayment of the principal amount and payment of interest). Other risks not presently known to the Group and therefore not discussed herein, may also adversely affect the Group and the Group's ability to service its debt obligations. Investors should consider carefully the information contained in this investor presentation and make an independent evaluation before making an investment decision.*

*As stated above, this investor presentation contains various forward-looking statements, including statements regarding the intent, opinion, belief or current expectations of the Group or its management with respect to, among other things, (i) the Group's target market, (ii) evaluation of the Group's markets, competition and competitive position, (iii) trends which may be expressed or implied by financial or other information or statements contained herein. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and outcomes to be materially different from any future results, performance or outcomes expressed or implied by such forward-looking statements.*

*The risk factors below are not ranked in any specific order.*

## **Limited due diligence**

Only a limited legal due diligence review has been conducted in connection with the Restructuring and the preparation of these risk factors. Thus, there is a possibility that risks relating to the Group, its business and its legal structure are not fully disclosed in the risk factors.

## **Risk Management**

The Group is exposed to commercial and market risks in the ordinary course of its business and is as of today's date under severe financial distress. The most significant of these risks are credit risk, interest rate risk, currency risk, liquidity risk and operational risk. Credit risk is the risk of loss due to the non-performance of the borrowers to repay the financial obligation as a result of the deterioration in the financial position of the borrowers. Interest rate risk is the sensitivity of the financial performance and/or the financial position of the Group due to unexpected movements in the interest rate. Liquidity risk is the risk of not being able to meet funding or trading obligations as and when they become due and payable. Operational risk is the risk of incurring loss as a result of inadequate or failed policies and procedures (including procedures for credit screening and for detecting dishonest or fraudulent applicants as well as procedures ensuring that relevant documents and templates used with consumer clients are accurate), people, or from extraneous factors.

Investors should be aware that the failure to control such risks could have a negative impact on the performance and reputation of the business.

## **Default under financial arrangements**

The Group is currently party to certain financial agreements, each setting out certain covenants and restrictions on the respective members of the Group, under which events of default have occurred and are continuing. As a result of such existing events of default, the creditors under the relevant financing

agreements may accelerate the loans granted to the Group if the terms of the current debt standstill arrangement with the senior creditors, in terms of which they have agreed to refrain from enforcing their claims, is breached by RPIH or its term expires before the restructuring of its financial obligations has been implemented.

## **Borrowing by the Group**

The Group has incurred, and may in compliance with the limits according to the terms for the Restructuring further incur, financial indebtedness to finance its business operations. Such financing may generate interest costs which may be higher than the gains produced by the investments made by the Group. Borrowing money to make investments will increase the Group's exposure to the loss of capital and higher interest expenses. Interests on the Group's borrowings from time to time are subject to fluctuations in the applicable interest rates. Higher interest rates could affect the Group's operations, earnings and financial position. A breach of the terms of any such financial indebtedness could cause the relevant financier to accelerate the indebtedness which could have a material adverse effect on the Group.

## **No direct claims against the other senior creditors**

The amended terms and conditions for the bonds prescribes that repayments in part or in whole of the Group's obligations under the senior unsecured loan agreement to be entered into with its other senior creditors shall also be made pro rata with respect to the Bonds. The various senior lenders to the Group have not entered into an intercreditor agreement and the pro rata repayment arrangement can therefore not be enforced directly against the other senior creditors, if RPIH does not honour its obligations to make repayments of the senior loans and the Bonds pro rata.

## **Decisions by the senior lenders**

Certain provisions in the amended terms and conditions stipulate that certain exceptions and carve-outs permitted pursuant to the terms of the senior unsecured loan agreement will have effects also for the Bonds. Decisions taken by the senior lenders under the senior unsecured loan agreement could therefore affect the Investors. Even though the Bonds and the senior loans shall be repaid pro rata and that they therefor have shared interests, there is no guarantee that the decisions taken by the senior lenders from time to time would in all cases also have been approved of by the Investors.

## **Exchange rate fluctuations and currency risk**

The Group currently conducts business in a number of countries and is thereby subject to currency fluctuation risks in different currencies. These fluctuations affect the Group's earnings in terms of translation of income statements in foreign subsidiaries, namely translation exposure, as well as the sale of services on the export market, namely transaction exposure. If the Group does not manage to adequately reduce the effects of exchange rate fluctuations, this may have a material adverse effect on the Group's net sales, financial position and earnings.

## **Ability to service debt**

The Group's ability to service its debt will depend upon, among other things, the Group's future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Group's control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take actions such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all.

## **Credit risk borne by the Group**

Credit risk is a principal risk in respect of Group's business. There is a risk that some debtors will not be able to repay their credit and/or various fees payable in full and on time due to variation in the debtors' payment ability.

A certain amount of delinquencies and impairments is anticipated. The Group is exposed to risks associated with the uncontrolled deterioration of the credit quality of its debtors which may be driven by, for example, socio-economic or customer-specific factors linked to financial performance. For instance, should the Group experience a significant rise in impairment levels due to economic downturn; this may impact the Group's level of profitability, which is likely to be exacerbated by a consequent reduction in the servable customer population, i.e. the current customers with the potential to take up a new loan, causing a rapid decrease of the Group's revenue at a time of increased impairments. Declining credit quality and increased impairment levels impact profitability and the number of servable customers. There is a risk that such events have a negative effect on the Group's business, results of operations, financial position and future prospects.

## **Geographic concentration risk**

The Group's operations are mainly focused on the South African market with businesses also established more recently in other African countries. Investors face geographic concentration risk through the Group's exposure to the South African market. Any adverse effects on the Southern African economy are likely to have an adverse impact on the Group's loan and acquired debt portfolios

and, thereby, operating performance.

## **The Group may require additional capital in the future to continue to operate**

One of the biggest challenges for the Group is to attract sufficient funding. The Group may not be able to generate sufficient cash flow internally, or obtain alternative sources of capital on favourable terms. Continued asset origination and the Group's operations may thus be hindered by reduced access to capital or by capital being obtained on less favourable terms than currently provided. A lending business such as the Group's is dependent on internally generated cash flow or access to capital to grow the asset base from which it derives its profits.

## **Liquidity risk**

One of the main risks of the business is the liquidity risk. RPIH is a non-regulated financial institution that does not have a financially strong owner that could inject capital in times of crises. The Group's ability to make scheduled payments or to refinance debt obligations thus depends on the financial position and performance of the operating entities, which are subject to the economic climate (including the financial markets) at the time, and may be out of the Group's control. The Group is furthermore dependent upon receipt of sufficient income and cash flow from its subsidiaries. A decrease in any such income and cash flow may have a material adverse effect on the Group's financial condition.

## **Taxes and charges**

The Group conducts its business in accordance with its own interpretation of applicable tax legislation, and/or the interpretations of its advisors. These interpretations may be incorrect in which event the applicable laws, regulatory provisions and/or judicial practices may have been, and may continue to be, incorrectly applied and/or such laws, regulatory provisions and/or practices may be changed, potentially with retroactive effect. In any such event, the Group's tax liabilities could increase materially, which may have a negative effect on the Group's earnings and financial position. In particular, but without limiting the generality of the disclosure, the Group is currently reviewing its application of section 24J of the Income Tax Act, 1962. As a result of this review process, the Group has withheld certain of its income tax returns pending finalization of discussions with the taxation authorities. It is not known at this stage whether, and to what extent, the issues under review may have an impact on the Group's financial position.

## **Change in ownership**

In the event of a change of control in the RPIH, it may become controlled by a majority shareholder whose interest may conflict with those of the bondholders, particularly if the RPIH encounters difficulties or is unable to pay its debts as they fall due. A majority shareholder may be given the power to control a large amount of the matters to be decided by vote at a shareholders' meeting. For example, a majority shareholder may have the ability to elect the board of directors. Furthermore, a majority shareholder may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgement, may enhance their equity investments, although such transactions might involve risks to the bondholders. There is nothing that prevents a shareholder or any of its affiliates from acquiring businesses that directly compete with RPIH. If such an event were to arise this may adversely impact the RPIH's operations, financial position and profitability.

## **Legal disputes**

Claims or legal actions may in the future be taken against the Group and cause significant unfavourable consequences in relation to the Group's financial position, performance and market position.

## **Political and civil instability in the region and unstable economic growth**

Even though the African region has stabilized and matured as a market, one of the Group's biggest risks is unforeseen political instability. The region's economic development is unstable and volatile and civil instability and political instability may harm the economy.

## **Changes in legislation and regulations**

The Group's operations are subject to applicable legislation, rules, guidance, codes of conduct, judicial decisions and government policies in the jurisdictions in which it conducts business, as well as in relation to the products it markets and sells. Regulatory authorities have broad jurisdiction over many aspects of the Group's business, marketing and selling practices, advertising and terms of business. Financial services laws, regulations, rules, guidance, codes of conduct, judicial decisions and government policies and/or their respective interpretations and/or applications may change and, although the Group monitors developments in this area, it cannot predict future initiatives or amendments. New or amended legislations and regulations could call for unexpected costs or impose restrictions on the development of the business operations or otherwise affect earnings, which could have an adverse effect on the Group's business and results of business operations. Moreover, the Group's interpretation and/or application of present or future legislation, rules, guidance, codes of conduct, judicial decisions and/or government policies may be incorrect and that could have a negative impact on the Group's financial position and profitability and on the business generally.

In addition, the Group must comply with exchange control legislation with respect to the flow of cross-border funds. New or amended legislation and regulations may result in unexpected costs or impose restrictions on the development of the business operations, which may have an adverse effect on the Group's business and the financial results of business operations.

## **Risks relating to inadequate insurance**

Inability by RPIH to maintain adequate insurance policies could have a material adverse effect on the Group's financial conditions and results of its operations.

The Group procures insurance for its operations against crime and civil liability. The RPIH's existing insurance coverage may be insufficient to cover all the risks associated with its business and operations, for example the risks of property damage and business interruption, including events caused by natural disasters and other events beyond the Group's control, the Group may be required to pay for losses, damages and liabilities out of own funds, which could materially and adversely affect its business, earnings and financial position.

Even if the insurance coverage is adequate to cover direct losses, the Group may not be able to take remedial actions or other appropriate measures. Furthermore, the Group's claims records may affect the premiums which insurance companies may charge in the future. In addition, there can be no assurance that the Group's current insurance coverage will not be cancelled or become unavailable on reasonable economic terms in the future.

Materialization of these risks may have an adverse effect on the Group's business, earnings, and financial position and future prospects.

## **Risks regarding listing of the Bonds**

There is a risk that the financial position of the Group could cause the current listing venue to review the status of the Bonds and their listing. This could result in a de-listing. RPIH has an obligation to use best efforts to have the bonds listed on a Regulated Market or MTF but no guarantee can be made that such efforts will be successful.

## **Risks regarding Accounting Policies and Reporting**

The Group is subject to changes in accounting policies and practices (including the imminent application of IFRS9) and these changes may have significant financial implications for the Group. While steps have been taken to try and assess the likely impact of IFRS9 on the Group's financial position the effects of its introduction are uncertain and will only be known once an IFRS9 audit has been completed. In relation to the audit period ending 31 March 2017, the auditors issued a qualified opinion as they were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial performance and cash flows of the Group.

## **The tax position for the SPV issuers or the participating notes cannot be guaranteed**

The special purpose vehicles (the "SPVs") that will issue participating notes (the "PPNs") to the Investors will be Dutch legal entities and will as such be taxed on profits in the Netherlands. The terms of the PPNs are designed to forward income received by the SPVs under the ordinary shares and E PIK Notes issued to them to the holders of the PPNs so that income under the ZAR denominated ordinary shares and E PIK Notes are met by expenses under the PPNs resulting in no or low taxable profits. Profits may also arise due to fx currency conversion effects and currency translation effects between the ZAR denominated instruments, the effective tax reporting currency of the SPVs and the PPNs in SEK and NOK. The terms of the PPNs are indented to balance and neutralise fx effects and currency translation effects on the taxable profits. However, unexpected effects or unintended consequences may arise and the taken measures may not be sufficient to neutralise the taxable profits in all potential situations. Tax rules are also subject to change. This may result in a duty to pay tax for the SPVs, even in a situation where they have not received any cash that can be used to pay taxes. RPIH is not liable to pay taxes for the SPVs and funds may in such case need to be financed from other sources or be contributed by other persons in order for the SPVs to be able to pay their taxes as they fall due.

## **Disposal of GVR Business**

As part of the Restructure process the Group is disposing of its East African businesses. As such, the information reflected in this presentation has been prepared on the assumption that such disposals have already occurred. As a result, no representations are made in relation to the East African businesses nor does this presentation highlight any of the specific risks attendant upon those businesses.

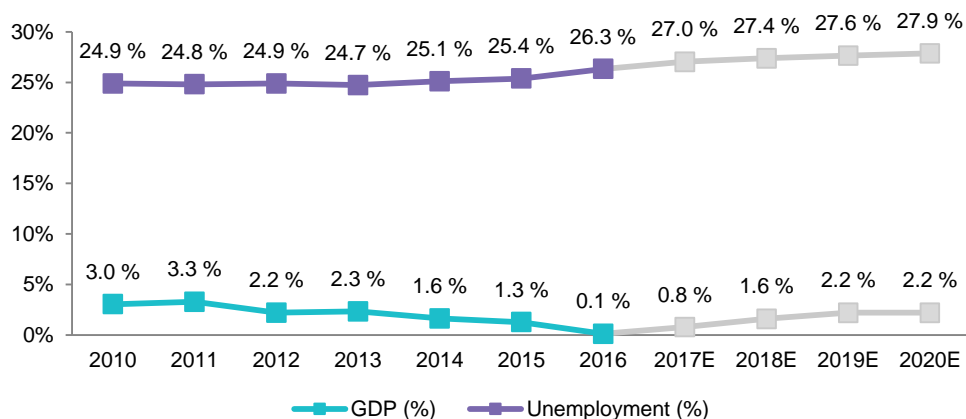
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- A. The South African Economy
- B. Historical Group Results
- C. Divisional Overview – Home Finance
- D. Divisional Overview – DMC
- E. Divisional Overview – Assurance
- F. IFRS 9
- G. Ordinary Shareholders and Capital Structure Post Restructuring
- H. Group Legal Structure
- I. IFRS 9 reporting pack

## High level overview

- Economic performance remained challenging in 2016, with GDP growth of only 0.1%
  - Primarily due to depressed commodity demand from China, low global commodity prices, low investment initiatives, erratic capital flows and low consumer and business confidence
- Unemployment remains high at 26.3% (2016)
  - Particularly pervasive among the youth, at 52.5% in 2015
  - The government unveiled a nine-point plan to kick-start economic growth, increase public investments and create jobs
- The high level of unemployment calls for structural reforms
  - Achieving faster sustainable growth and large-scale job creation will require structural shifts in the economy, stronger supply-side value chains, higher exports and moderation in wage increases based on confidence in the long-term business environment

## South Africa GDP and unemployment rate<sup>1</sup>



Source: 1) Statista 2) S&P Global, Moody's and Fitch Ratings

## South Africa | Credit rating<sup>2</sup>

Long-term rating	Moody's	S&P Global	Fitch Ratings
Foreign currency debt	A2/Baa2	BB+	BB+
Local currency debt	A1	BBB-	BB+
Sovereign Credit Rating (outlook)	Baa2 (Negative watch)	BB+ (Negative)	BB+ (Stable)
Latest rating/ outlook action	3 APR – 2017	3 APR – 2017	7 APR – 2017

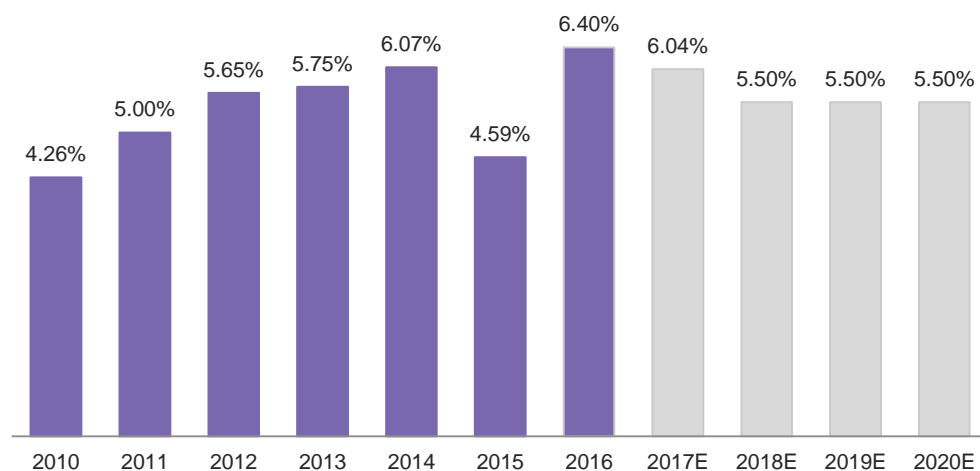
A credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of South Africa

- Fiscal policy is under pressure from the risk of a rating's downgrade
  - Due to the continued increase of government debt and higher borrowing rates in the context of persistent low growth, South Africa has no fiscal space
- Moody's sovereign rating for South Africa was revised at Baa2 with negative watch
- S&P Global's long-term sovereign rating for South Africa was downgraded to BB+ with a negative outlook
  - The downgrade reflects the agency's view that the divisions of the ANC-led government, that have led to changes in leadership including the recent sacking of the finance minister, have put policy continuity at risk
- Fitch's sovereign rating was recently downgraded to BB+ with a stable outlook, following the speculative status changes from the other two key rating agencies

## Despite weak activity - inflation is high<sup>1</sup>

- The macroeconomic situation is problematic as growth is weak and inflation is above the central bank's target range (3% to 6%)
- Inflation peaked by the end of 2016 and is projected to decline slowly in 2017
- As inflation falls to be within the target band, in the long term it will open room for easing monetary policy while remaining vigilant on the evolution of food and oil prices
  - Scope for easing may be limited in the short term as the persistent drought is driving up food prices
- The dissipation of political uncertainties will play a key role in bringing back confidence and therefore strengthening investment and consumption
  - Since 2015 the government has demonstrated its commitment to curbing spending. A strict consolidation plan is being implemented to limit the deficit and stabilise public debt

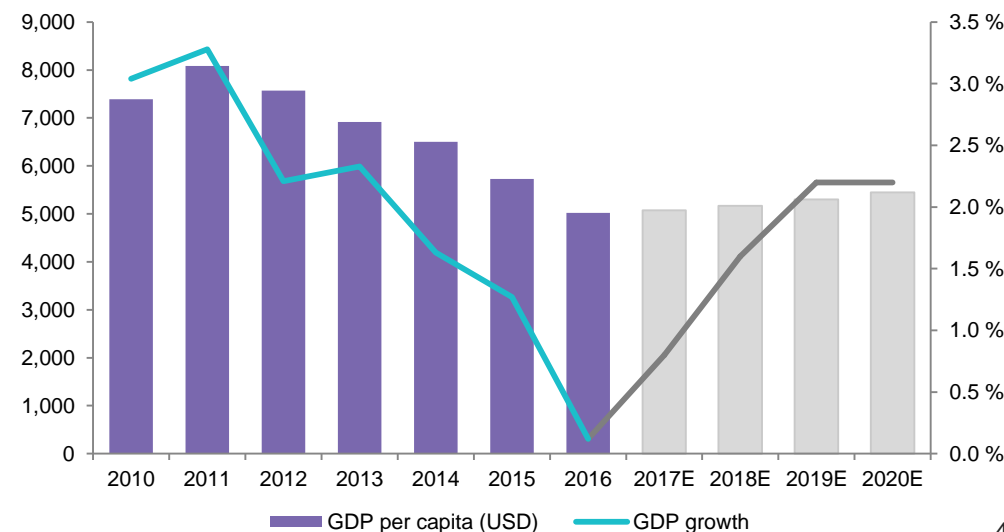
## Inflation projections falls within target range



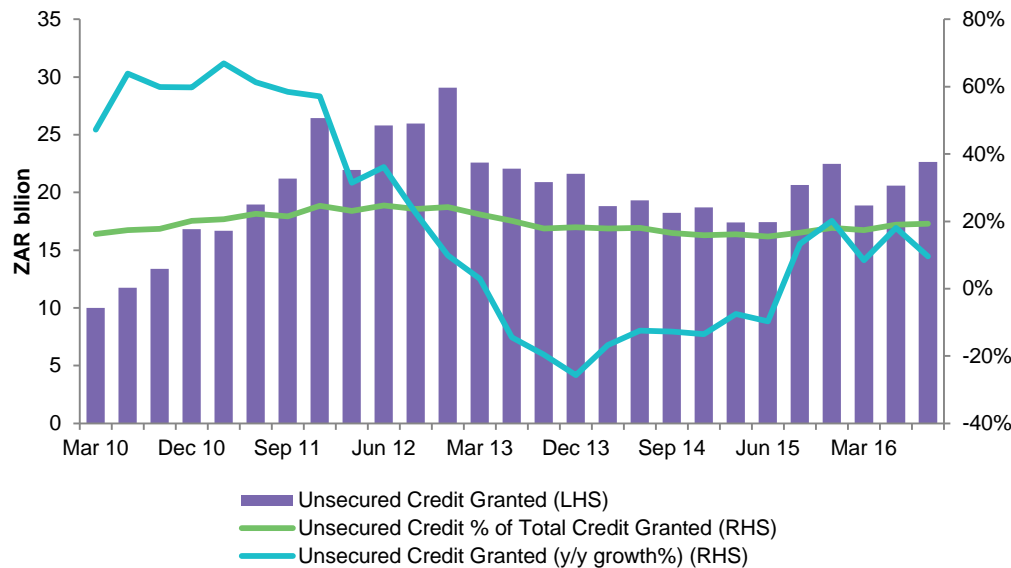
## Efficiency of public spending to boost growth

- The slowdown in economic growth since 2012 has highlighted structural constraints in the domestic economy
  - Due to the worse-than-expected result, South Africa's economy grew just 0.1% in the full year 2016, which represented the weakest pace of growth in seven years
  - A dismal performance in the mining and manufacturing sectors caused GDP to decline in Q4 2016
- Economic growth is projected to rebound in 2017 and strengthen further in 2018, driven by household consumption and investment
  - The improvement in electricity production removes bottlenecks and should boost confidence and therefore investment, provided that political uncertainties dissipate
  - GDP growth is projected to pick up to 1.2% by the end of 2017 as an improving agricultural sector should be more supportive of economic activity

## GDP experienced long term deterioration<sup>2</sup>

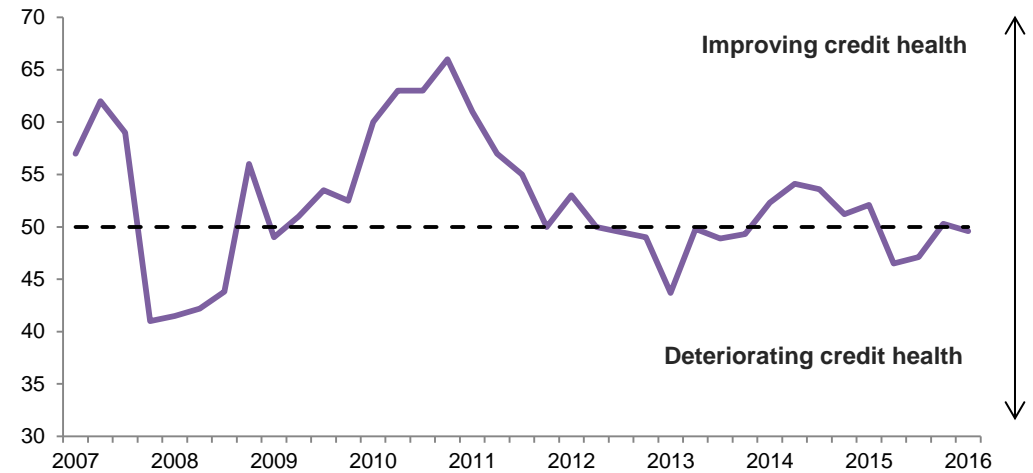


## Unsecured credit granted growth<sup>1</sup>



- The unsecured credit market in South Africa has increased substantially since 2010 according to the National Credit Regulator (NCR)
  - Amounting to an increase from ZAR 10.0 billion per quarter in March 2010 to ZAR 22.6 billion in September 2016
- Long-term stability for unsecured credit loans in relation to the total credit market, approximately 19.5% in annual growth since March 2010
- By the end of November 2016 the government proposed a plan to encourage all credit providers to register with the NCR so it was able to have more control over the unsecured credit market

## TransUnion South Africa consumer credit index<sup>2</sup>



- The consumer credit index (“CCI”) is a unique indicator of consumer credit health measuring the ability of consumers to service existing credit obligations within the constraints of their monthly household budget
  - The indicator combines actual consumer borrowing and repayment performance with key macroeconomic variables and growth cycles for sectors affecting on household finances and credit behaviour
  - The index measures consumer credit health where 50.0 is the break-even level of improvement and deterioration
- The CCI trended sideways very close to 50.0 for much of 2016, implying neither materially improving nor deteriorating consumer credit health as credit markets consolidate in a difficult macroeconomic environment
  - The Consumer Credit Index (CCI) declined in the fourth quarter 2016 to 49.6 from an upwardly revised 50.3



- A. The South African Economy
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# RPSA - Statement of financial performance

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	Actual FY 2014 R'm	Actual FY 2015 R'm	Actual FY 2016 R'm	Actual FY 2017 R'm	Forecast FY 2018 R'm	Forecast FY 2019 R'm	Forecast FY 2020 R'm
<b>Net yield</b>	<b>781.2</b>	<b>778.9</b>	<b>782.0</b>	<b>778.0</b>	<b>707.0</b>	<b>674.9</b>	<b>711.2</b>
Finance costs	(293.8)	(307.5)	(294.0)	(310.0)	(226.2)	(210.1)	(194.7)
<b>Net margin</b>	<b>487.4</b>	<b>471.4</b>	<b>487.9</b>	<b>468.0</b>	<b>480.8</b>	<b>464.7</b>	<b>516.5</b>
Net assurance income - funeral benefits	45.7	36.7	45.7	35.9	39.7	42.9	45.0
Outsourced collection income	52.1	56.9	42.1	41.6	49.0	53.9	58.2
Sundry income	0.3	(1.4)	2.2	-	-	-	-
<b>Operating income</b>	<b>585.5</b>	<b>563.6</b>	<b>577.9</b>	<b>545.6</b>	<b>569.6</b>	<b>561.5</b>	<b>619.7</b>
Operating expenditure	(587.5)	(516.0)	(530.9)	(561.2)	(494.0)	(494.9)	(521.0)
<b>Normalised contribution</b>	<b>(2.0)</b>	<b>47.6</b>	<b>47.0</b>	<b>(15.6)</b>	<b>75.5</b>	<b>66.6</b>	<b>98.7</b>
Asset carrying value adjustments	(271.1)	(269.0)	(38.5)	(210.9)	-	0.0	0.0
VAT asset impairment	-	-	-	(20.8)	-	-	-
Capital restructure costs	-	-	-	(2.8)	(38.0)	-	-
Foreign exchange gain/loss	-	-	47.0	-	-	-	-
Early settlement of Group debt	-	-	121.5	49.7	-	-	-
Attributable to providers of qualifying tier II capital	(40.8)	(48.8)	(56.0)	(58.1)	-	-	-
<b>Attributable to ordinary shareholders</b>	<b>(314.0)</b>	<b>(270.2)</b>	<b>121.0</b>	<b>(258.6)</b>	<b>37.6</b>	<b>66.6</b>	<b>98.7</b>
Current and withholding tax expense	(3.6)	(2.6)	(6.2)	(6.4)	(8.0)	(8.0)	(26.4)
Deferred tax expense	80.6	(14.3)	(42.6)	(177.5)	(11.1)	(9.7)	(4.1)
<b>(Loss)/profit after tax</b>	<b>(237.0)</b>	<b>(287.2)</b>	<b>72.2</b>	<b>(442.5)</b>	<b>18.5</b>	<b>48.9</b>	<b>68.2</b>
<i>In addition:</i>							
<b>IFRS 9 adjustment to opening equity</b>				<b>(202.6)</b>			
Home Finance				(4.6)	57.6	47.8	86.6
Assurance				12.4	10.6	12.8	14.4
DMC				(205.1)	33.0	29.4	22.7
				<b>(197.3)</b>	<b>101.2</b>	<b>90.1</b>	<b>123.7</b>
Group Central Services				(111.0)	(63.6)	(23.5)	(24.9)
Early settlement of Group debt				49.7	-	-	-
<b>(Loss)/profit before tax</b>				<b>(258.6)</b>	<b>37.6</b>	<b>66.6</b>	<b>98.7</b>

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# RPSA - Contribution

	Actual FY 2017 R'm	Forecast FY 2018 R'm	Forecast FY 2019 R'm	Forecast FY 2020 R'm
Home Finance	(4.6)	57.6	47.8	86.6
Assurance	12.4	10.6	12.8	14.4
DMC	(205.1)	33.0	29.4	22.7
	<b>(197.3)</b>	<b>101.2</b>	<b>90.1</b>	<b>123.7</b>
Group Central Services	(111.0)	(63.6)	(23.5)	(24.9)
Early settlement of Group debt	49.7	-	-	-
<b>(Loss)/profit before tax</b>	<b>(258.6)</b>	<b>37.6</b>	<b>66.6</b>	<b>98.7</b>

# RPSA - Statement of financial position

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	Actual FY 2014 R'm	Actual FY 2015 R'm	Actual FY 2016 R'm	Actual FY 2017 R'm	Forecast FY 2018 R'm	Forecast FY 2019 R'm	Forecast FY 2020 R'm
<b>Assets</b>							
Loans and advances	2 458.8	1 844.6	1 430.2	1 054.6	957.3	1 037.4	1 158.1
Acquired assets	665.0	727.1	978.2	735.3	633.0	611.9	583.7
Property and equipment	42.5	26.8	20.9	13.0	12.5	12.0	11.5
Intangibles	23.5	26.9	15.5	4.5	6.5	6.5	6.5
Investments	-	30.4	32.6	19.3	19.3	19.3	19.3
Assurance assets	55.2	63.0	72.3	59.7	-	-	-
Other assets	70.9	64.9	103.9	61.2	40.0	39.7	39.3
Deferred tax assets	152.3	173.9	169.7	-	-	-	-
Cash and cash equivalents	268.3	387.9	539.6	424.1	426.3	247.3	126.8
<b>Total assets</b>	<b>3 736.5</b>	<b>3 345.5</b>	<b>3 362.9</b>	<b>2 371.8</b>	<b>2 094.9</b>	<b>1 974.0</b>	<b>1 945.3</b>
<b>Equity and liabilities</b>							
<b>Equity</b>	<b>575.5</b>	<b>427.7</b>	<b>452.2</b>	<b>405.0</b>	<b>423.4</b>	<b>472.3</b>	<b>540.5</b>
<b>Liabilities</b>							
Long term interest bearing borrowings	3 360.5	3 055.4	2 858.8	1 813.8	1 594.8	1 425.0	1 313.7
Assurance liability	49.8	61.1	65.3	52.3	-	-	-
Other liabilities	(249.3)	(198.7)	(13.4)	100.7	76.8	76.7	91.1
<b>Total equity and liabilities</b>	<b>3 736.5</b>	<b>3 345.5</b>	<b>3 362.9</b>	<b>2 371.8</b>	<b>2 094.9</b>	<b>1 974.0</b>	<b>1 945.3</b>
Average productive assets		2 597.5	2 408.9	2 394.5	2 115.3	1 956.6	1 882.6
Average long term borrowings		3 317.9	3 116.1	2 904.8	1 704.3	1 509.9	1 369.3
<b>Ratios *</b>							
Return on productive assets **		30.0%	32.5%	32.5%	33.4%	34.5%	37.8%
Effective tax rate ***	24.5%	-6.3%	40.3%	-71.1%	50.9%	26.6%	30.9%
Pre-tax return on equity		-53.9%	27.5%	-60.3%	9.1%	14.9%	19.5%
Return on equity - base case		-57.2%	16.4%	-103.2%	4.5%	10.9%	13.5%
<b>Covenants*</b>							
Operating expenses to income ratio					62.1%	64.1%	64.0%
Debt Service Cover Ratio					1.2	1.2	1.2
Capital Adequacy: Permanent Capital / Total Assets					25.30%	30.60%	38.70%

\* FY17 based on actual results using monthly averages. FY18-FY20 simple annual averages used.

\*\* excluding abnormal adjustments

\*\*\* higher effective rate a function of off balance sheet deferred tax assets

# RPSA- Statement of financial performance

REAL PEOPLE™

September 2017 YTD - Post restructure actual results (based on IFRS 9 accounting treatment)

	Month Actual Apr 2017 R'm	Month Actual May 2017 R'm	Month Actual Jun 2017 R'm	Month Actual Jul 2017 R'm	Month Actual Aug 2017 R'm	Month Actual Sep 2017 R'm	YTD Actual Sep 2017 R'm	YTD Forecast Sep 2017 R'm
<b>Net yield</b>	<b>61.4</b>	<b>67.0</b>	<b>63.5</b>	<b>64.7</b>	<b>65.5</b>	<b>66.3</b>	<b>388.4</b>	<b>365.9</b>
Finance costs	(20.2)	(20.5)	(19.8)	(20.1)	(19.7)	(18.8)	(119.2)	(117.7)
<b>Net margin</b>	<b>41.1</b>	<b>46.5</b>	<b>43.6</b>	<b>44.6</b>	<b>45.7</b>	<b>47.6</b>	<b>269.2</b>	<b>248.2</b>
Net assurance income - funeral benefits	3.3	2.9	3.0	2.7	2.9	2.8	17.6	19.4
Outsourced collection income	3.6	3.4	3.9	3.8	4.0	4.1	22.9	23.8
Sundry income	0.1	0.0	0.1	0.1	0.1	0.1	0.5	0.3
<b>Operating income</b>	<b>48.1</b>	<b>52.8</b>	<b>50.7</b>	<b>51.3</b>	<b>52.7</b>	<b>54.6</b>	<b>310.1</b>	<b>291.7</b>
Operating expenditure	(37.3)	(38.5)	(38.5)	(38.3)	(39.1)	(37.9)	(229.6)	(250.4)
<b>Normalised contribution</b>	<b>10.8</b>	<b>14.3</b>	<b>12.2</b>	<b>13.0</b>	<b>13.6</b>	<b>16.6</b>	<b>80.5</b>	<b>41.3</b>
Capital restructure costs	-	(3.0)	(2.8)	(5.2)	(1.9)	(1.0)	(14.0)	(11.9)
Hedging gain/(loss)	(14.1)	3.5	1.8	(4.1)	(3.0)	(1.8)	(17.7)	-
Audit overruns	-	-	-	-	-	(4.6)	(4.6)	-
<b>Attributable to ordinary shareholders</b>	<b>(3.3)</b>	<b>14.8</b>	<b>11.2</b>	<b>3.8</b>	<b>8.7</b>	<b>9.2</b>	<b>44.3</b>	<b>29.4</b>
Current and withholding tax expense	(0.3)	(0.3)	(1.3)	(1.2)	1.2	(1.2)	(3.1)	(3.2)
Deferred tax expense	(0.8)	(3.2)	(2.0)	(2.1)	(3.2)	(0.5)	(11.9)	(5.3)
<b>(Loss)/profit after tax</b>	<b>(4.4)</b>	<b>11.2</b>	<b>7.9</b>	<b>0.4</b>	<b>6.7</b>	<b>7.4</b>	<b>29.2</b>	<b>20.9</b>
Average productive assets	2 123.4	2 126.9	2 137.0	2 126.7	2 115.9	2 111.6	2 111.6	2 074.6
Average long term borrowings	1 759.8	1 756.3	1 759.0	1 743.1	1 726.4	1 716.3	1 716.3	1 678.6
Average equity	381.9	388.1	392.8	395.3	398.9	403.3	403.3	403.9
<b>Ratios *</b>								
Return on productive assets	35.2%	36.1%	36.0%	36.1%	36.3%	36.7%	36.7%	35.2%
Operating expenses to income ratio	54.6%	52.5%	54.5%	53.6%	54.0%	13.9%	13.9%	14.0%
Effective tax rate	-34.6%	23.8%	29.5%	88.4%	23.0%	51.7%	53.5%	61.2%
Pre-tax return on equity	-10.5%	17.7%	23.1%	20.0%	21.0%	19.1%	33.9%	28.9%
Return on equity	-14.1%	10.5%	15.0%	11.5%	13.1%	21.9%	21.9%	14.5%

\* Ratios based on simple annual averages

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# RPSA - Statement of financial position

September 2017 YTD - Post restructure actual results (based on IFRS 9 accounting treatment)

	Group Consolidated						
	Actual Apr 2017 R'm	Actual May 2017 R'm	Actual Jun 2017 R'm	Actual Jul 2017 R'm	Actual Aug 2017 R'm	Actual Sep 2017 R'm	Forecast Sep 2017 R'm
	<b>Assets</b>						
Loans and advances	1 020.5	1 009.2	993.7	982.9	976.7	963.8	970.5
Acquired assets	716.3	704.0	700.0	687.3	675.8	660.3	702.1
Property and equipment and Intangible assets	22.8	22.1	21.5	21.8	20.9	20.2	25.6
Investments	29.4	29.0	29.0	28.9	28.8	28.8	26.2
Assurance assets	54.1	54.8	18.0	18.2	18.5	18.7	57.3
Other assets	40.2	42.1	39.4	38.9	38.4	36.6	43.8
Deferred and current tax assets	18.2	16.5	15.3	13.7	13.6	13.1	4.1
Cash and cash equivalents	386.5	417.3	463.5	425.5	420.0	466.0	358.4
<b>Total assets</b>	<b>2 288.2</b>	<b>2 295.0</b>	<b>2 280.3</b>	<b>2 217.2</b>	<b>2 192.6</b>	<b>2 207.4</b>	<b>2 188.1</b>
<b>Equity and liabilities</b>							
<b>Equity</b>	<b>381.9</b>	<b>394.2</b>	<b>402.2</b>	<b>402.6</b>	<b>413.3</b>	<b>425.6</b>	<b>409.4</b>
<b>Liabilities</b>							
Long term interest bearing borrowings	1 759.8	1 752.8	1 764.5	1 695.4	1 659.6	1 665.6	1 621.7
Assurance liability	52.9	53.6	16.7	16.9	17.2	17.4	55.7
Deferred and current tax liabilities	37.2	38.0	40.0	41.8	43.7	41.5	35.3
Junior loans to SPVs	-	-	-	-	-	-	-
Other liabilities	56.3	56.5	56.9	60.3	58.8	57.4	66.0
<b>Total equity and liabilities</b>	<b>2 288.2</b>	<b>2 295.0</b>	<b>2 280.3</b>	<b>2 217.2</b>	<b>2 192.6</b>	<b>2 207.4</b>	<b>2 188.1</b>

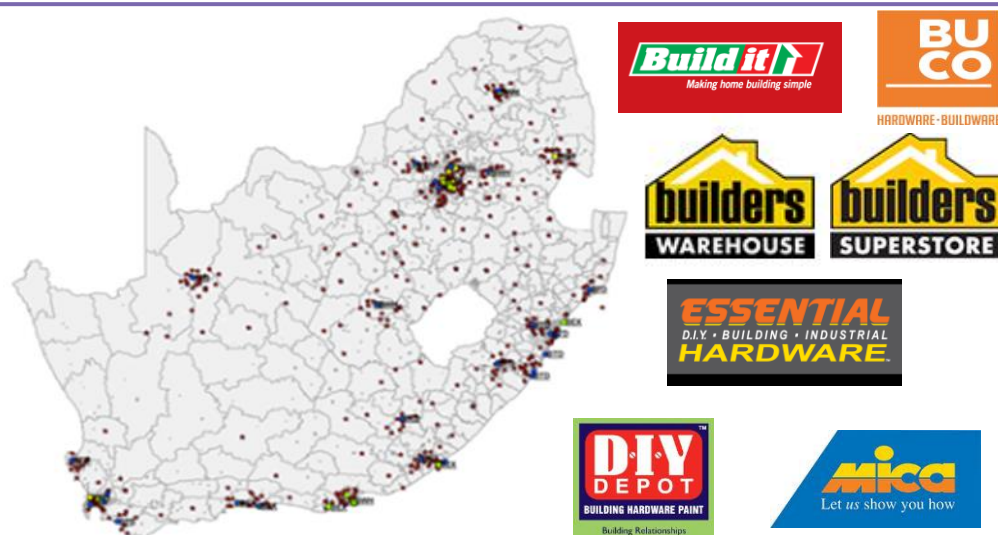
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## Business description

- Specialist provider of unsecured finance for home improvements
- Loans originated via third party building merchants network
  - In-store presence in ~900 building merchants
- Term loans 6-48 months of ZAR 1,000-120,000
  - Average loan size of ZAR 20,000-22,000
  - Average interest rate of ~29% p.a.
  - Loan disbursed directly to merchant, but up to 30% cash out to cover cost of labour, etc.
- 120 staff members
  - Significant loan underwriting, administration and collections ability
  - Over 27,000 loans granted in 2017 with a total value of ZAR 612m
  - Issued over 375,000 home finance loans since inception in 2007

## Nationwide footprint in South Africa



## Market opportunity

- Market drivers for the Home Finance products:
  - There is a need for improved housing in South Africa and this is not anticipated to dissipate in the foreseeable future
  - Many merchants will be under pressure to grow sales volume in the tough economic climate. Merchants can therefore be expected to avail themselves of all opportunities to increase sales, with potentially more emphasis put on our credit value proposition
  - Still sees large market opportunity to become active in many more stores than currently the case
  - A large proportion of the customer base falls within the definition of developmental credit. Current regulations allow for a higher charges compared to traditional unsecured lending

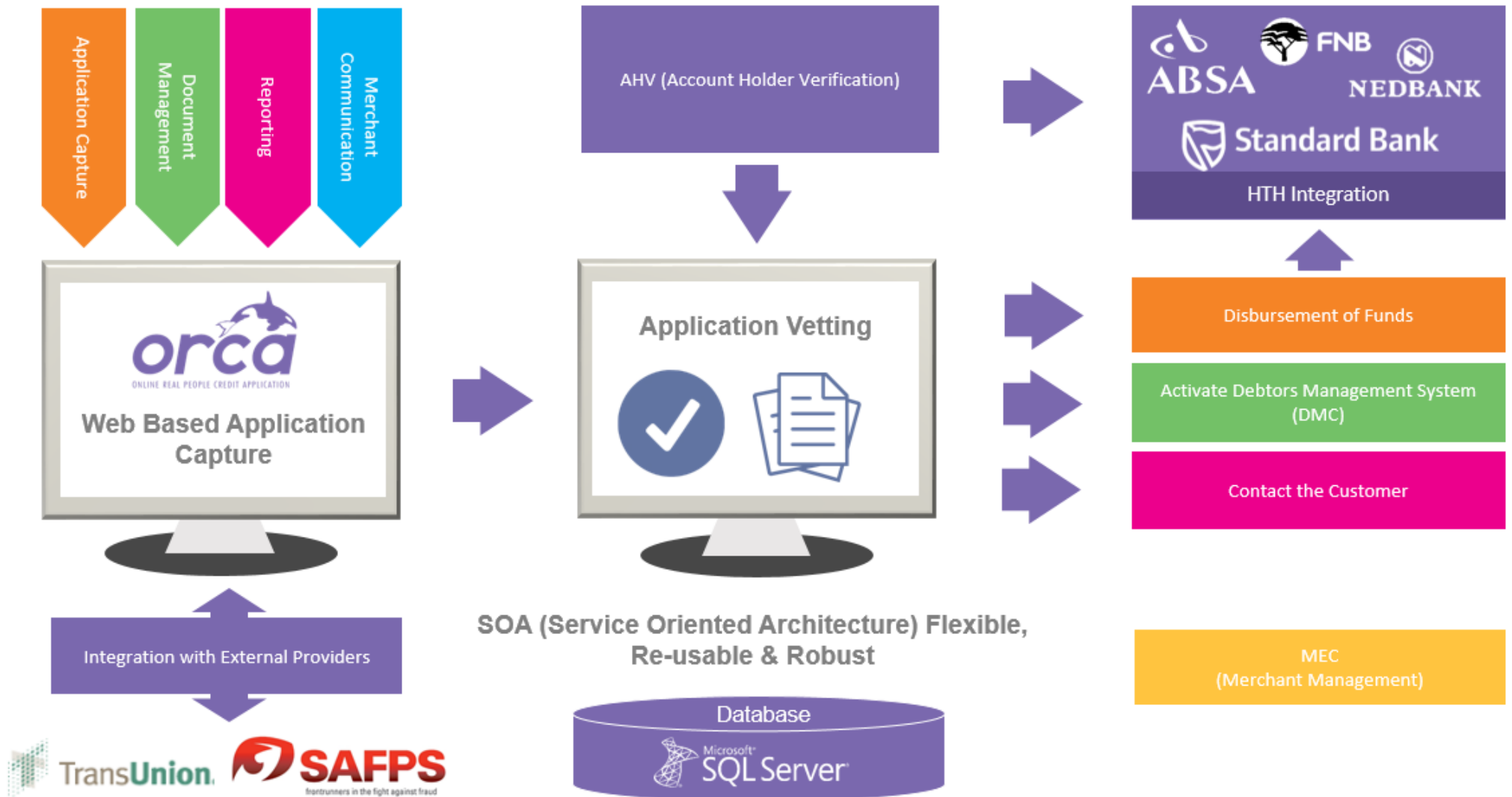
## Competitive advantage

- Risk management is a key strategic capability:
  - Over 10 years of experience in the building supply sector has built up significant skill, competence and a strong team in the unsecured credit risk space
  - Importantly, experience gained in managing the business through difficult cycles both with regards to the merchants and the credit quality of the end customer
- Strong relationships with its network of merchants and solid platforms for in-store credit operations (origination and loan vetting)
- Largest in-store competitor is Nedbank, but smaller national and regional players continue to make their presence felt. Also non-purpose specific, out of store lenders such as Capitec and the like are also competitors.



# Home Finance: Loan origination

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- Loans are originated in stores using the Group's system, ORCA
  - Certain employees in the stores have access to ORCA and help customers complete their loan applications
- ORCA system is integrated with external parties to assess credit history and evaluate historical fraudulent behavior
- Credit scoring via the Group's proprietary credit scorecard
- Account holder verification via local banks in South Africa
- Disbursement via traditional bank channels and collection via the Group's DMC business unit, largely via debit orders

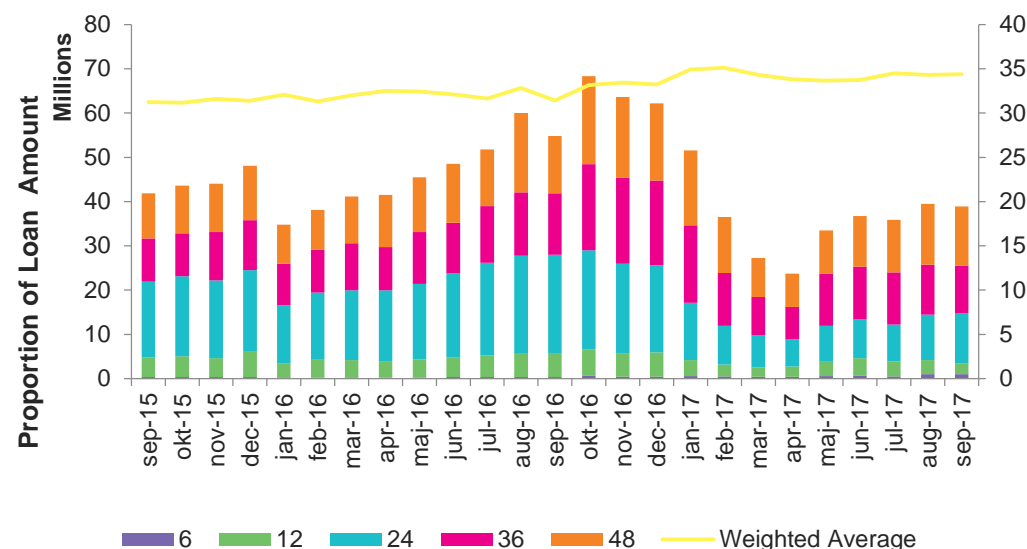
## Recent financial performance

	Actual FY 2014/15	Actual FY 2015/16	Actual FY 2016/17	Forecast FY 2017/18	Forecast FY 2018/19	Forecast FY 2019/20
Gross yield (incl. Assurance - credit life)	569.9	377.7	395.8	393.0	442.5	524.6
Impairment provision	-213.6	-77.3	-77.7	-73.0	-111.4	-140.5
<b>Net yield</b>	<b>356.3</b>	<b>300.4</b>	<b>318.1</b>	<b>320.0</b>	<b>331.1</b>	<b>384.1</b>
Finance costs	-131.9	-105.8	-109.0	-108.1	-115.8	-115.9
<b>Net margin</b>	<b>224.4</b>	<b>194.6</b>	<b>209.1</b>	<b>211.9</b>	<b>215.3</b>	<b>268.2</b>
Operating expenditure	-131.3	-135.7	-145.9	-154.3	-167.4	-181.6
<b>Normalised contribution</b>	<b>93.1</b>	<b>59.0</b>	<b>63.2</b>	<b>57.6</b>	<b>47.8</b>	<b>86.6</b>
Attributable to providers of tier II capital	-19.8	-15.1	-14.6	0	0	0
<b>Attributable to ordinary shareholders</b>	<b>73.3</b>	<b>43.9</b>	<b>48.6</b>	<b>57.6</b>	<b>47.8</b>	<b>86.6</b>
Asset carrying value adjustment	-208.1	15.3	-53.1	0	0	0
<b>Profit before tax</b>	<b>-134.8</b>	<b>59.2</b>	<b>-4.6</b>	<b>57.6</b>	<b>47.8</b>	<b>86.6</b>
<b>Net advances</b>	<b>921.8</b>	<b>817.5</b>	<b>801.4</b>	<b>787.2</b>	<b>918.1</b>	<b>1073.8</b>

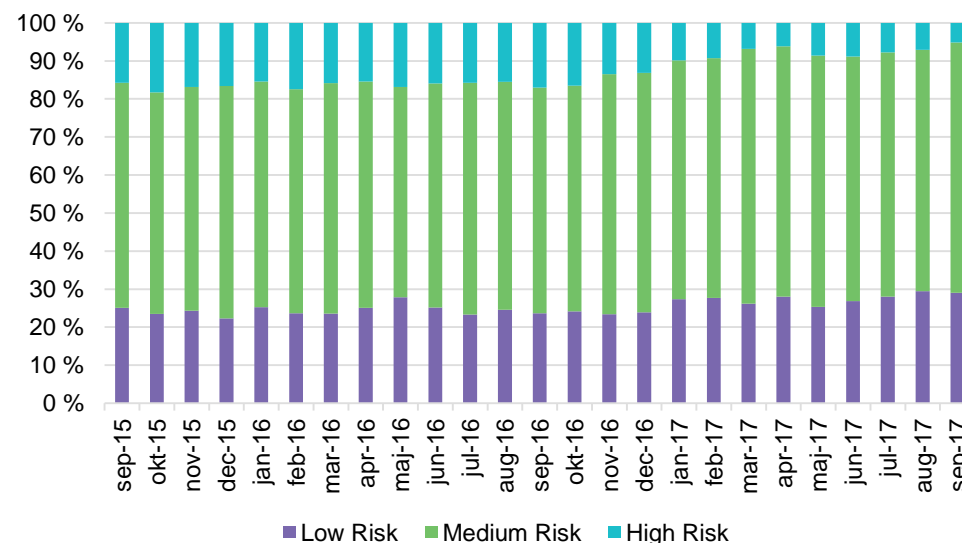
- Home Finance has grown disbursement volumes successfully until the last quarter of FY 2017 when volumes were contained to manage the Group's liquidity. The forecast assumes a resumption in growth from September 2017
- The division is forecast to deliver a cumulative PBT of R190m over the 3 year period, and net advances grow to R1bn in March 2020

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## Loans granted (amount and term)



## Breakdown of production (loans) by risk band



# Home Finance – Key ratios

	Year 0 2017 Rm	Year 1 2018 Rm	Year 2 2019 Rm	Year 3 2020 Rm
PL gross yield (excluding credit life)	40.1%	38.5%	39.2%	40.1%
PL net yield (excluding credit life)	30.4%	34.5%	32.2%	32.8%
NPL yield	24.1%	27.3%	27.1%	26.7%
Credit life yield (net) : net advances	6.8%	7.3%	6.5%	6.0%
Finance charges	13.2%	13.4%	13.2%	12.9%
Cost : income	45.9%	48.2%	50.6%	47.3%

- PL gross yield increasing as interest rates increase to compensate for insurance life caps
- PL net yield impacted by impairment charge – in FY 2018, a decrease in the PL book results in a net release of the PL provision, whilst growth in the PL book in years thereafter sees a commensurate increase in the impairment provision
- NPL yield fairly consistent, also impacted by the first point above as these loans flow into the NPL category
- Cost to income ratio impacted by the impairment charge in FY2019.

## Forecast Components

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- Yield Determinants:
  - Disbursement Volume and resultant advances book size
  - PL gross yield: Loan Product offer – Interest Rate charged, Fees, Insurance Premium income, Average Loan Size and Term.
- Impairment Charge – PL book:
  - Probability of Default – Risk Profile of loans originated
  - Underwriting/commercial risk
  - Expected loss on Default
  - IFRS 9 - expected credit loss methodology
- NPL yield: expected cash-flows discounted at original contractual rate. Receipting variances to expectation will impact yield.
- Cost of Funding
  - SPV funding structures
  - Cost of Senior, Mezzanine and Junior debt

## Funding Assumptions

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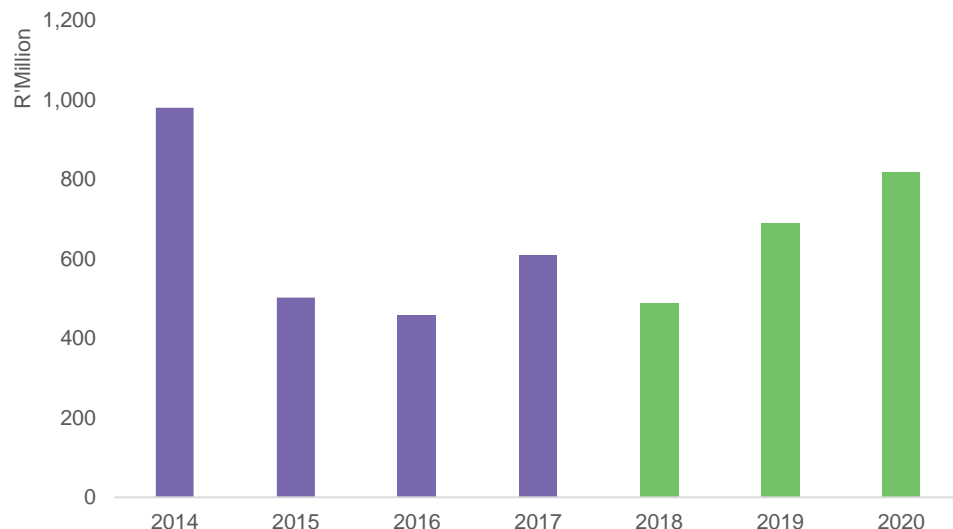
- Existing pipe-line – RPHIF + Umuzi
- All new funding will be housed in the Umuzi SPV in the following covenanted ratio:
  - Senior – 75%
  - Mezzanine – 12.5%
  - Junior – 12.5%
- Cost – Senior: JIBAR+ 5%, Mezz: JIBAR+7.5%.
  - JIBAR assumed to remain flat over the period (7.4%).
  - Umuzi most recent placement at JIBAR+5 and JIBAR+7.5 for senior and mezz.
- Senior and mezz funding required in SPV
  - 2018 – R170m
  - 2019 – R300m
  - 2020 – R280m
- Junior loan investment requirement – R107m over 3 yrs, sufficient cash-flow to cover this requirement

## Expense Assumptions

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- % annual inflation for salary and operating expenses
- Advertising costs managed prudently
- Commission paid to merchants – 2% of sales volumes, in line with actual experience for the past few years
- DMC collection costs
  - R16 for PL contracts
  - 20% for NPL receipting
- Headcount has remained flat for the forecast period

## Disbursement



- Volume growth conservative in relation to market opportunity & volumes achieved historically.
- Volume dependent on funding availability:
  - Assumed capital markets can be approached from July
  - Additional Funding from September at earliest.
- Volume restricted to approximately R35m per month during debt standstill period.
- Assumed disbursements funded on balance sheet during standstill will be sold to SPVs thereafter. HF forecast models work on loan origination date so there will be timing differences between the forecast and the actual on and off balance sheet position in H1 FY 2018

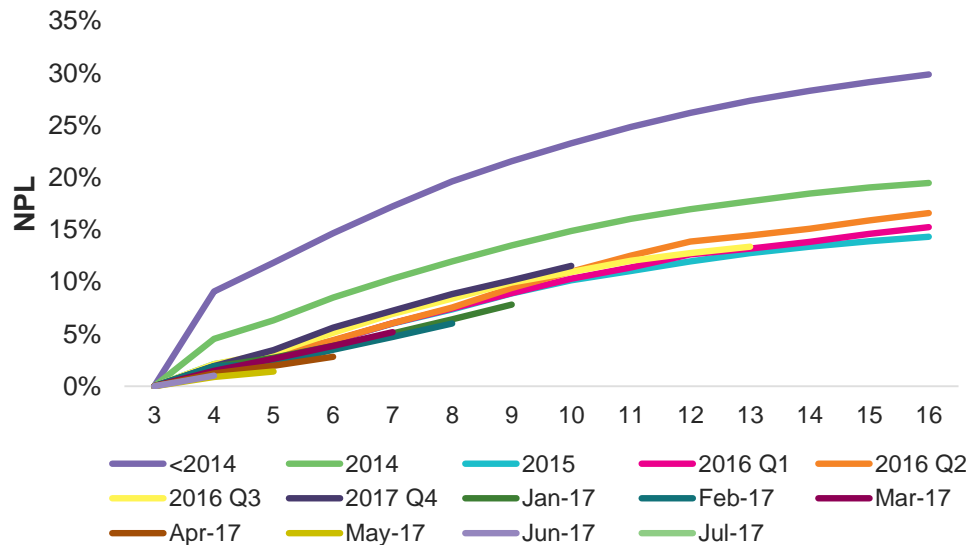
## Loan Assumptions

	FY2016		FY2017		FY2018		FY2019		FY2020	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
Average Loan Amount	18 782	20 626	21 629	22 661	19 489	19 801	19 710	19 691	19 690	19 690
Average Interest Rate	29.4%	29.8%	30.0%	28.5%	28.5%	30.5%	30.6%	30.6%	30.6%	30.6%
Average Term	29.73	31.50	32.10	34.10	34.10	34.30	34.10	34.10	34.10	34.10
Monthly Fee	50	50	57*	60	60	60	60	60	60	60
Initiation Fee	1 601	1 651	1 739	1 781	1 721	1 714	1 752	1 788	1 788	1 788
Credit Life	R5/R1000+R25				R4.50/R1000					

\*average

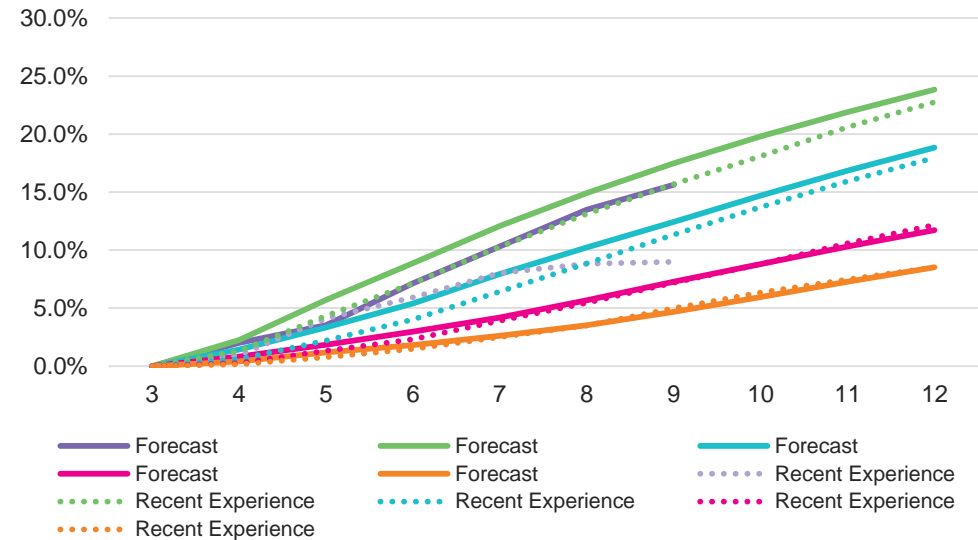
- Average loan size reduced due to disbursement restrictions – as sales growth assumptions are relatively conservative, average loan size will be managed to maintain yields.
- Average interest rates forecast to increase by 2% post the implementation of the credit life caps from H2 2018 to counter lost yield from lower credit life premium income (instalment kept relatively constant) Credit life has been capped at R4.50/R1 000 on the reducing balance from H2 2018 in line with the credit life regulations to be implemented
- Monthly and initiation fees charged in accordance with the NCA. Caps may increase, but not budgeted for.

## NPL vintages

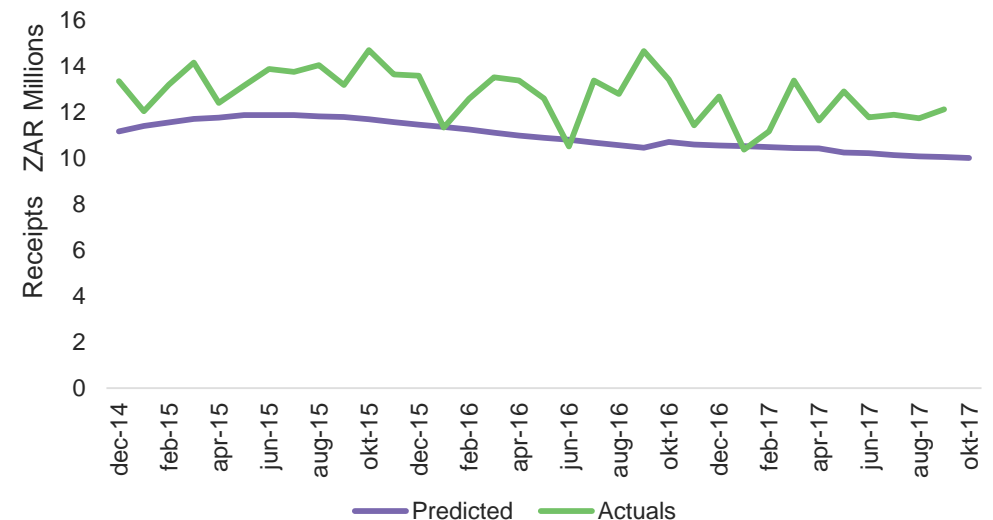


- Above graph shows performance, i.e. share of NPLs per different vintages
  - Significant improvement in level of NPLs prior to and during 2014
  - Out of loans issued in Jan 2016, ~12% has been classified as NPL after 12 months (17% of loans issued during 2014)
- By analysing NPLs by tenor, it is clear that loans with longer tenor have lower risk, in accordance with Group's strategy
  - Results in lower share of NPLs for loans with longer tenors
- Graph in the bottom right shows actual vs. predicted receipts on the Home Finance NPL portfolio
  - Predicted matches actuals fairly well with actual receipting slightly outperforming expectation
  - Indicates a correct valuation as NPLs on balance sheet are valued to the net present value of predicted cash flow (receipts)

## NPL rate comparison by tenor

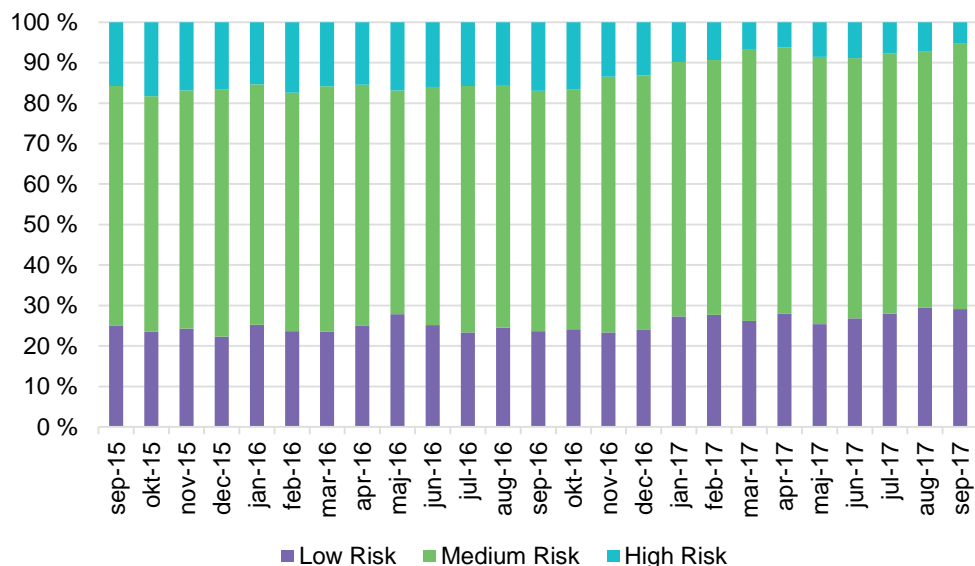


## Actual vs. predicted receipts on NPLs (ZARm)

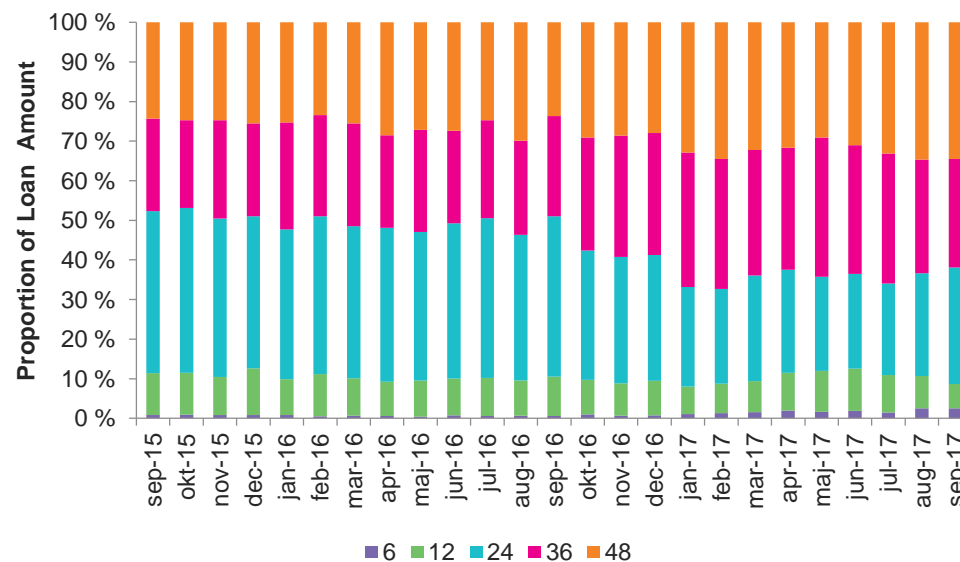


## Probability of Default – Risk Profile of loans originated:

### Risk Distribution



### Term Mix



- It is expected that the risk mix will return to distributions seen during 2016 (production currently being curtailed due to funding constraints, reducing higher risk disbursement)

- Term mix correlated to risk profile – lower risk offered longer term loans. The originated mix is kept constant with levels over past 6 months to April 2018 (first column, top right)
- With average levels of production increasing from then on the intention is to grow the medium term segment proportionately more, as assuming risk levels can be maintained or improved, shorter term loans will be higher yielding. Total average term is not reduced as some of the relative increase comes from the 6& 12 month terms

# Home Finance - Statement of financial performance

REAL PEOPLE™

September 2017 YTD - Post restructure actual results (based on IFRS 9 accounting treatment)

	Month Actual Apr 2017 R'm	Month Actual May 2017 R'm	Month Actual Jun 2017 R'm	Month Actual Jul 2017 R'm	Month Actual Aug 2017 R'm	Month Actual Aug 2017 R'm	YTD Actual Sep 2017 R'm	YTD Forecast Sep 2017 R'm
Gross yield from assets	27.8	30.1	28.4	29.1	28.9	27.4	171.6	166.4
Impairment provision	(9.0)	(3.1)	(4.2)	(4.7)	(4.8)	(2.2)	(28.0)	(33.4)
Net assurance income - credit life	5.1	4.8	5.8	5.5	5.5	5.1	31.8	29.5
<b>Net yield</b>	<b>23.9</b>	<b>31.8</b>	<b>30.0</b>	<b>29.9</b>	<b>29.6</b>	<b>30.4</b>	<b>175.5</b>	<b>162.5</b>
Finance costs	(9.1)	(9.4)	(9.0)	(9.0)	(9.0)	(8.6)	(54.1)	(54.1)
<b>Operating income</b>	<b>14.8</b>	<b>22.4</b>	<b>21.0</b>	<b>20.9</b>	<b>20.7</b>	<b>21.7</b>	<b>121.4</b>	<b>108.4</b>
Operating expenditure	(10.8)	(11.3)	(12.2)	(11.8)	(12.7)	(11.7)	(70.6)	(76.0)
<b>Profit/(loss) before tax - normalised</b>	<b>4.0</b>	<b>11.1</b>	<b>8.7</b>	<b>9.1</b>	<b>7.9</b>	<b>10.0</b>	<b>50.8</b>	<b>32.5</b>
Audit overruns	-	-	-	-	-	(1.3)	(1.3)	-
<b>Profit/(loss) before tax</b>	<b>4.0</b>	<b>11.1</b>	<b>8.7</b>	<b>9.1</b>	<b>7.9</b>	<b>8.7</b>	<b>49.6</b>	<b>32.5</b>
Deferred tax expense	(0.1)	(2.4)	(2.3)	(2.4)	(1.7)	(0.8)	(9.6)	(5.3)
<b>Profit after tax</b>	<b>3.9</b>	<b>8.7</b>	<b>6.5</b>	<b>6.8</b>	<b>6.3</b>	<b>7.9</b>	<b>39.9</b>	<b>27.2</b>
Average productive assets	900.7	906.8	918.5	915.7	920.6	924.5	924.5	903.6
Average long term borrowings	818.1	820.5	823.7	814.0	808.9	806.6	806.6	810.6
Average equity	94.5	98.8	102.4	105.9	109.3	112.8	112.8	110.4
<b>Ratios *</b>								
Return on productive assets	32.3%	36.7%	37.4%	37.7%	37.6%	37.9%	37.9%	35.9%
Cost to income ratio	45.1%	35.6%	40.8%	39.4%	43.0%	38.6%	40.2%	46.7%
Effective tax rate	3.2%	21.5%	26.1%	25.9%	21.1%	9.3%	19.4%	16.2%
Pre-tax return on equity	51.7%	91.3%	93.2%	93.0%	89.2%	87.6%	87.6%	58.6%

\* Ratios based on simple annual averages

IFRS 9 financial results and forecasts have been calculated in accordance with provisional estimations relating to the impact of IFRS 9 and remains subject to the IFRS 9 implementation audit and confirmation



# Home Finance - Statement of financial position

REAL PEOPLE™

September 2017 YTD - Post restructure actual results (based on IFRS 9 accounting treatment)

	Home Finance Consolidated						
	Actual Apr 2017 R'm	Actual May 2017 R'm	Actual Jun 2017 R'm	Actual Jul 2017 R'm	Actual Aug 2017 R'm	Actual Sep 2017 R'm	Forecast Sep 2017 R'm
	<b>Assets</b>						
Loans and advances	774.7	771.7	764.8	761.8	762.9	757.3	763.7
Property and equipment and Intangible assets	10.2	10.0	9.8	10.3	10.0	10.1	12.9
Other assets	0.7	1.0	1.3	1.1	0.9	0.8	0.9
Deferred tax assets	14.2	12.4	11.2	9.6	9.5	9.0	-
Cash and cash equivalents	126.0	141.1	177.3	145.4	177.4	186.6	131.5
<b>Total assets</b>	<b>925.8</b>	<b>936.3</b>	<b>964.3</b>	<b>928.3</b>	<b>960.6</b>	<b>963.9</b>	<b>909.1</b>
<b>Equity and liabilities</b>							
<b>Equity</b>	<b>94.5</b>	<b>103.2</b>	<b>109.6</b>	<b>116.4</b>	<b>122.7</b>	<b>130.7</b>	<b>121.8</b>
<b>Liabilities</b>							
Long term interest bearing borrowings	818.1	822.9	830.2	784.9	788.7	795.0	793.2
Deferred and current tax liabilities	16.1	16.6	17.2	17.7	19.1	18.7	9.3
Junior loans to SPVs	-	-	-	-	-	-	-
Other liabilities	(2.9)	(6.4)	7.3	9.3	30.2	19.4	(15.2)
<b>Liabilities of continuing operations</b>	<b>925.8</b>	<b>936.3</b>	<b>964.3</b>	<b>928.3</b>	<b>960.6</b>	<b>963.9</b>	<b>909.1</b>

*IFRS 9 financial results and forecasts have been calculated in accordance with provisional estimations relating to the impact of IFRS 9 and remains subject to the IFRS 9 implementation audit and confirmation*

- A. The South African Economy
- B. Historical Group Results
- C. Divisional Overview – Home Finance
- D. Divisional Overview – DMC
- E. Divisional Overview – Assurance
- F. IFRS 9
- G. Ordinary Shareholders and Capital Structure Post Restructuring
- H. Group Legal Structure
- I. IFRS 9 reporting pack

## Business description

- DMC specializes in the purchase and collection of late stage arrear consumer debt of banks, retailers and cellular service providers
- Debt portfolio acquisitions:
  - Active in this space since 2002
  - Current acquired asset pool comprises
    - 125 unique portfolios
    - 2 million accounts with a face value of R18b
  - Portfolios are acquired at deep discounts, ~3-7% of face value
- Outsourced Collections:
  - Entered the outsourced collections market in 2009
  - Provide contingency based debt collection services to third party credit providers, retailers and banks
- Servicing and collection of loans originated by Home Finance
- Collection of Group's legacy general purpose lending, cellular and Education consumer finance portfolios
- 964 staff members

## Market and competition

- Unsecured credit NPL's grown from R23b in 2010 to R50b in 2016
- Regulatory changes have increased prominence of debt sale strategies of credit providers
- SA macro environment weak and collections challenging
- Second largest acquirer of debt by balance sheet size
- Outsourced collection market share low versus larger competitors
  - strategic focus area to grow in medium term

## Blue chip client base



## Recent financial performance

	FY 2014/15	FY 2015/16	FY 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20
Net yield	415,1	466,1	483,1	386,4	343,2	326,5
Finance cost	(169,1)	(158,9)	(166,0)	(118,1)	(94,4)	(78,9)
<b>Net margin</b>	<b>246,0</b>	<b>307,2</b>	<b>317,0</b>	<b>268,3</b>	<b>248,8</b>	<b>247,6</b>
Outsourced collection income	56,9	42,1	36,4	49,0	53,9	58,2
Internal servicing income	0,4	43,7	37,7	40,8	41,7	44,3
<b>Net operating income</b>	<b>303,3</b>	<b>393,0</b>	<b>391,1</b>	<b>358,1</b>	<b>344,3</b>	<b>350,2</b>
Operating expenditure	(278,6)	(351,2)	(368,6)	(325,1)	(314,9)	(327,5)
<b>Normalised contribution</b>	<b>24,7</b>	<b>41,8</b>	<b>22,5</b>	<b>33,0</b>	<b>29,4</b>	<b>22,7</b>
Attributable to providers of tier II capital	(23,1)	(33,8)	(36,2)	-	-	-
<b>Attributable to ordinary shareholders</b>	<b>1,6</b>	<b>7,9</b>	<b>(13,7)</b>	<b>33,0</b>	<b>29,4</b>	<b>22,7</b>
Abnormal items	-	-	(33,7)	-	-	-
Asset carrying value adjustment	(60,9)	(53,8)	(157,8)	-	-	-
<b>Profit before tax</b>	<b>(59,3)</b>	<b>(45,9)</b>	<b>(205,1)</b>	<b>33,0</b>	<b>29,4</b>	<b>22,7</b>
Net advances	1 649,9	1 590,9	1 200,9	803,1	731,2	668,1

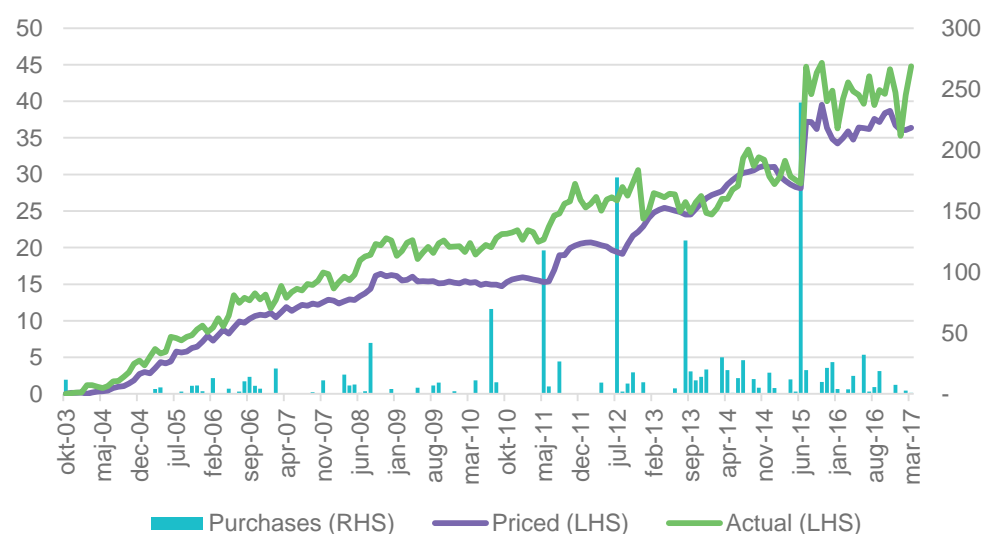
- From FY17 the legacy consumer finance portfolios have been included in core DMC performance. The DMC performance has been negatively impacted by write down's on these assets of R157.8m included in the results.
- The acquired balance sheet has amortised over FY17 due to limited purchases over the last 6 months of the financial year . The internally acquired assets have reduced through additional impairments and amortisation.
- Internal servicing income was disclosed as a set off against operating expenditure for FY 2014-2015.
- Collection performance of acquired portfolios against priced and valuation levels has been on or above requirement in a difficult operating environment

**IFRS 9 financial results and forecasts have been calculated in accordance with provisional estimations relating to the impact of IFRS 9 and remains subject to the IFRS 9 implementation audit and confirmation**

## Breakdown of productive assets

	Net advances - ZARm		Net advances - %		Net advances - Net yield	
	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16
Externally acquired	919,8	991,9	77%	62%	405,1	413,8
Internally acquired - General purpose	158,8	431,8	13%	27%	(153,2)	(22,4)
Internally acquired – Education	79,6	111,7	7%	7%	56,2	34,4
Internally acquired – Cellular	42,8	55,5	4%	3%	17,2	(13,4)
<b>Total</b>	<b>1 200,9</b>	<b>1 590,9</b>			<b>325,2</b>	<b>412,3</b>

## Acquired receipting and purchases (ZARm)



	2017	2018	2019	2020
PBIT (and asset adjustments)	223 546 291	162 942 061	133 436 345	113 843 844
PBT (and asset adjustments)	8 675 332	32 973 719	29 434 466	22 672 423
Cost to income ratio		66,2%	70,1%	73,9%
Equity as % of total assets		25,0%	25,2%	26,7%
ROE		11,1%	12,3%	9,8%
ROA		2,8%	3,1%	2,6%
ROA (PBIT)		14,1%	14,4%	12,8%
ROA - Productive assets (PBIT)		18,8%	16,8%	15,0%
Cost of debt - Group		13,9%	13,8%	15,1%
Cost of debt - Specific (excl fees & Vat)		12,0%	13,9%	13,8%
Cost of debt - New funding		14,0%	14,3%	14,1%
Cost of debt - Total		14,7%	15,4%	17,6%
Purchases	84 256 839	67 959 759	133 438 636	141 444 954
New debt raised	194 000 000	10 144 660	84 505 037	92 838 031
Productive assets	988 497 591	803 105 786	731 189 056	668 125 507

Return on equity reducing as a result of negative operating leverage as the productive asset base amortises, increased equity levels, and increased cost of funding. Strategies to counter not fully incorporated into the forecast

## Forecast Components

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- Yield
  - New acquisition volumes (linked to funding)
  - Yields achieved on new acquisitions
  - Collection levels
- Finance costs
  - Amount and type of funding raised
  - Cost of funding
- Operating costs
  - Direct costs applied to acquired collections
  - Cost to income

## Funding Assumptions

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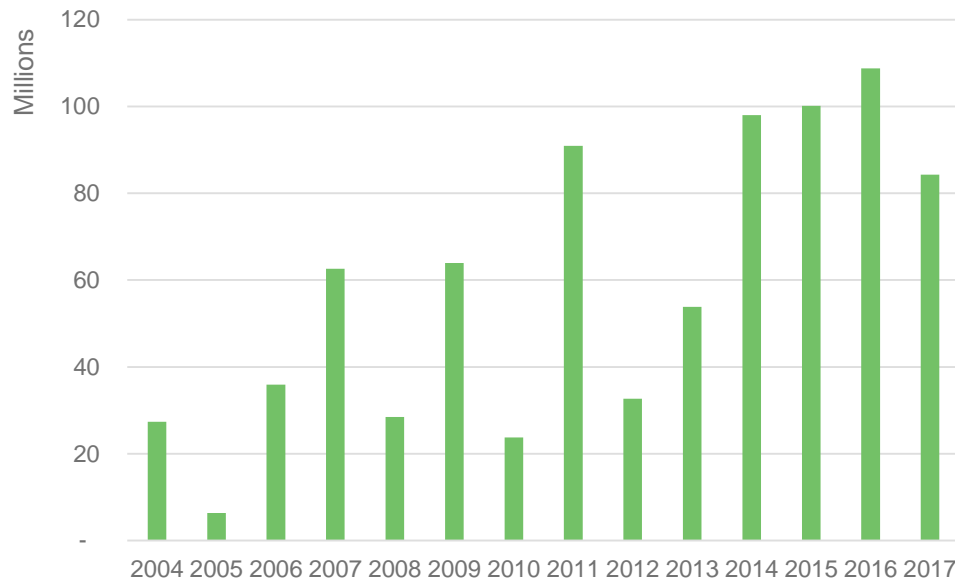
- The future funding plan is to purchase new portfolios into funding SPVs
- The cost of new funding forecast at Jibar +6%, plus increased vat leakage due to use of SPVs, causing increase in overall cost of funding to 16.9% by end of forecast period
- Funding mix changes by amortisation of existing securitisations and the replacement of group funding with new acquisition SPV funding

## Expense Assumptions

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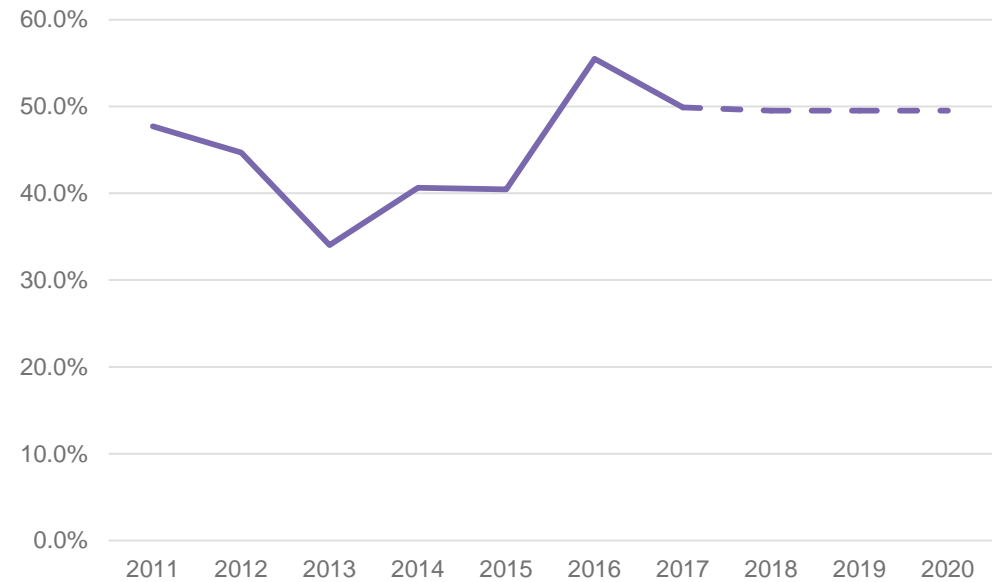
- Expenses have been increased by inflation of 6% per annum.
- Expenses have been forecasted based on the cost reduction initiatives implemented during the 2017 financial year.
- Call centre , visitation network costs and external debt costs have been reduced 2019 and 2020 by R8m and 14.5m respectively to take into consideration anticipated efficiency improvements

## New acquisition volumes



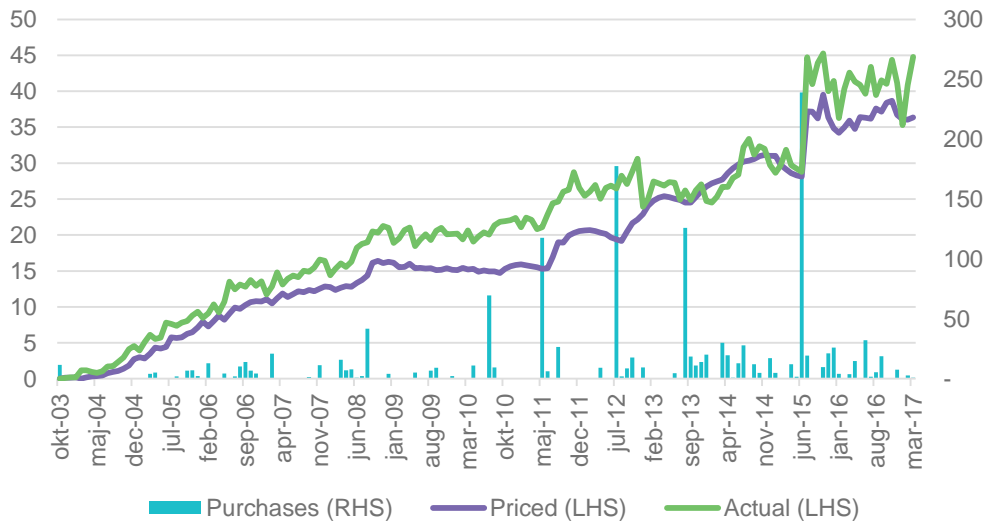
- Acquisitions > R100m purchase price have been excluded from the historical data set
- FY17 H2 acquisition volumes limited to R11m due to liquidity constraints and pricing levels
- Forecast assumes no large single transactions and approximately 22% market share

## Yields on new acquisitions

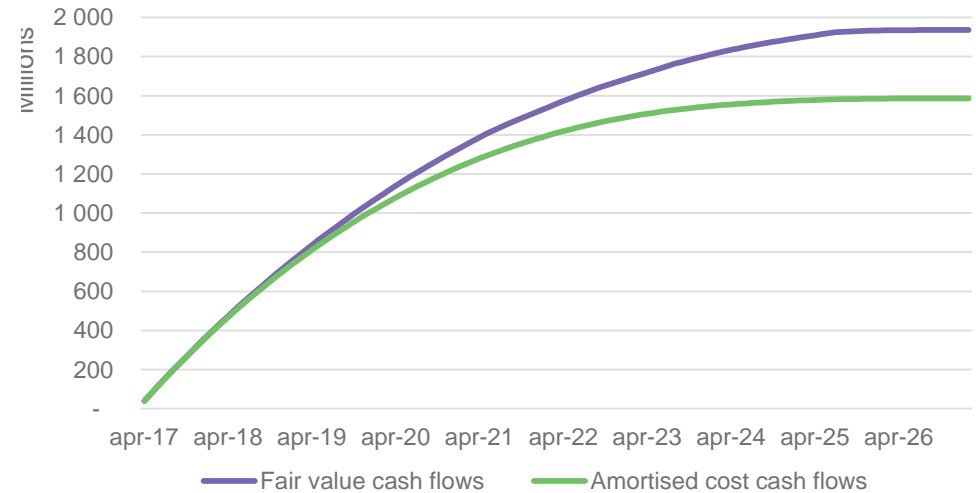


- Priced acquisition yields expected to hold at levels achieved FY16 & 17

## Actual vs priced collections

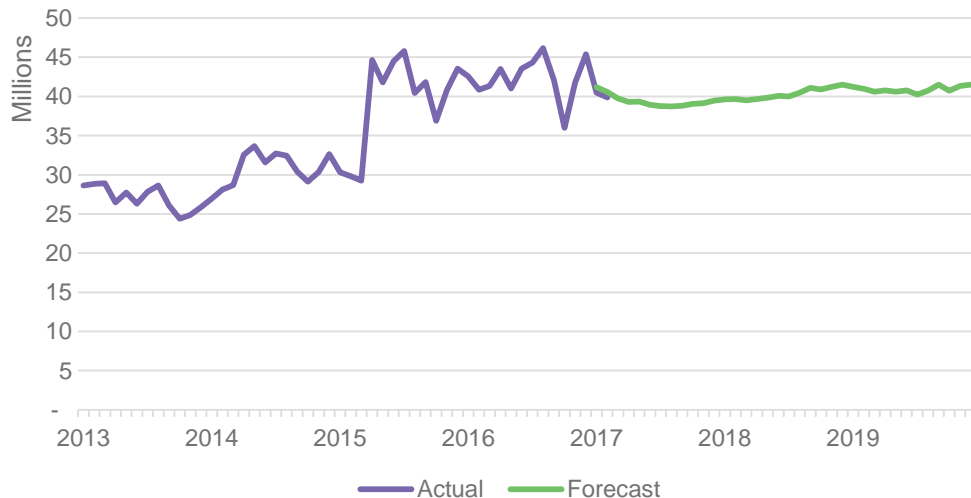


## Collections on existing portfolio



## ADP receipting run rate

ADP - monthly receipting



### Actual vs priced collections

- Generally an ADP business should have inherent out-performance through conservative pricing
- Very low acquisition spend from Sep 17 to Jul 2018
- No collections outperformance has been forecast for new acquisitions post 1 April 2017

### Collections on existing portfolio

- As part of the IFRS9 adjustment “Tail” cash flows in months 84 – 120 months since acquisition have been reduced from historical trends by R300m gross with a R62m PV impact
- De-risks tail collections in uncertain environment

### ADP receipting run rate

- Includes collections on forward acquisitions of FY18 – 20 of R350m
- Forecast has a declining then flat receipting trend due to book amortisation, an interruption in portfolio acquisitions, and no collections out-performance



# DMC - Statement of financial performance

REAL PEOPLE™

September 2017 YTD - Post restructure actual results (based on IFRS 9 accounting treatment)

	Month Actual Apr 2017 R'm	Month Actual May 2017 R'm	Month Actual Jun 2017 R'm	Month Actual Jul 2017 R'm	Month Actual Aug 2017 R'm	Month Actual Aug 2017 R'm	YTD Actual Sep 2017 R'm	YTD Forecast Sep 2017 R'm
Net yield	37.4	35.0	33.5	34.7	35.7	35.9	212.2	203.4
Finance costs	(10.8)	(10.8)	(10.5)	(10.8)	(10.5)	(9.8)	(63.4)	(63.6)
<b>Net margin</b>	<b>26.5</b>	<b>24.2</b>	<b>23.0</b>	<b>23.9</b>	<b>25.3</b>	<b>26.0</b>	<b>148.9</b>	<b>139.8</b>
Outsourced collection income	3.6	3.4	3.9	3.8	4.0	4.1	22.9	23.8
<b>Operating income</b>	<b>30.2</b>	<b>27.6</b>	<b>26.9</b>	<b>27.8</b>	<b>29.2</b>	<b>30.1</b>	<b>171.8</b>	<b>163.6</b>
Operating expenditure	(21.8)	(23.0)	(21.6)	(22.4)	(22.0)	(22.0)	(132.9)	(144.7)
<b>Profit/(loss) before tax - normalised</b>	<b>8.3</b>	<b>4.6</b>	<b>5.3</b>	<b>5.4</b>	<b>7.2</b>	<b>8.1</b>	<b>38.9</b>	<b>18.9</b>
Audit overruns	-	-	-	-	-	(1.8)	(1.8)	-
<b>Profit/(loss) before tax</b>	<b>8.3</b>	<b>4.6</b>	<b>5.3</b>	<b>5.4</b>	<b>7.2</b>	<b>6.3</b>	<b>37.1</b>	<b>18.9</b>
Current and withholding tax expense	(0.0)	(0.1)	(1.1)	(1.1)	1.4	(1.0)	(1.8)	(1.9)
Deferred tax expense	(0.7)	(0.8)	0.3	0.3	(1.6)	0.3	(2.3)	-
<b>(Loss)/profit after tax</b>	<b>7.6</b>	<b>3.7</b>	<b>4.5</b>	<b>4.6</b>	<b>7.1</b>	<b>5.6</b>	<b>33.0</b>	<b>17.0</b>
Average productive assets	1 177.3	1 168.0	1 173.4	1 168.6	1 154.0	1 146.7	1 146.7	1 123.2
Average long term borrowings	928.8	929.7	931.7	925.1	912.5	904.9	904.9	890.6
Average equity	275.2	277.1	277.8	279.3	281.6	283.8	283.8	277.0
<b>Ratios*</b>								
Return on productive assets	38.6%	37.1%	36.2%	36.0%	36.5%	36.9%	36.9%	36.1%
Cost to income ratio	53.2%	59.9%	57.8%	58.0%	55.4%	55.1%	56.5%	63.7%
Effective tax rate	8.5%	19.4%	15.2%	15.2%	1.7%	11.9%	11.0%	10.0%
Pre-tax return on equity	36.8%	27.8%	26.2%	25.2%	26.1%	26.1%	26.1%	13.6%

\* Ratios based on simple annual averages

**IFRS 9 financial results and forecasts have been calculated in accordance with provisional estimations relating to the impact of IFRS 9 and remains subject to the IFRS 9 implementation audit and confirmation**

# DMC - Statement of financial position

REAL PEOPLE™

September 2017 YTD - Post restructure actual results (based on IFRS 9 accounting treatment)

	DMC Consolidated						
	Actual Apr 2017 R'm	Actual May 2017 R'm	Actual Jun 2017 R'm	Actual Jul 2017 R'm	Actual Aug 2017 R'm	Actual Sep 2017 R'm	Forecast Sep 2017 R'm
	<b>Assets</b>						
Loans and advances	245.8	237.5	229.0	221.1	213.9	206.4	206.7
Acquired assets	716.3	704.0	700.0	687.3	675.8	660.3	702.1
Property and equipment and Intangible assets	10.1	9.7	9.5	9.9	9.5	8.9	10.5
Investments	23.6	24.0	24.6	25.0	25.6	26.2	23.1
Other assets	19.1	20.3	18.5	19.0	20.1	18.5	18.9
Cash and cash equivalents	215.2	217.2	255.3	245.8	205.9	243.5	176.1
<b>Total assets</b>	<b>1 230.2</b>	<b>1 212.6</b>	<b>1 236.8</b>	<b>1 208.2</b>	<b>1 150.7</b>	<b>1 163.8</b>	<b>1 137.5</b>
<b>Equity and liabilities</b>							
<b>Equity</b>	<b>275.2</b>	<b>278.9</b>	<b>279.2</b>	<b>283.7</b>	<b>290.8</b>	<b>294.8</b>	<b>278.2</b>
<b>Liabilities</b>							
Long term interest bearing borrowings	928.8	930.5	935.8	905.1	862.2	866.8	851.1
Deferred and current tax liabilities	20.0	20.9	21.7	22.5	22.6	22.7	25.5
Junior loans to SPVs	-	-	-	-	-	-	-
Other liabilities	6.1	(17.7)	0.1	(3.2)	(25.0)	(20.5)	(17.3)
<b>Liabilities of continuing operations</b>	<b>1 230.2</b>	<b>1 212.6</b>	<b>1 236.8</b>	<b>1 208.2</b>	<b>1 150.7</b>	<b>1 163.8</b>	<b>1 137.5</b>

*IFRS 9 financial results and forecasts have been calculated in accordance with provisional estimations relating to the impact of IFRS 9 and remains subject to the IFRS 9 implementation audit and confirmation*

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## Business description

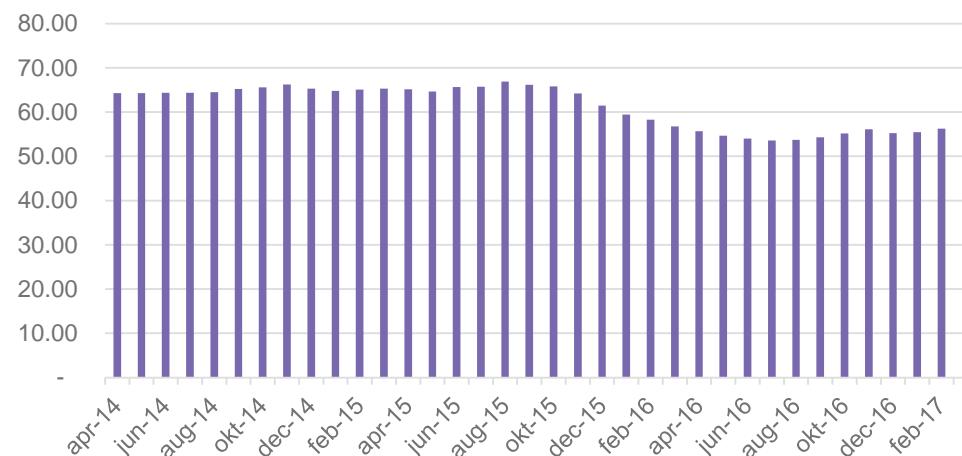
- The Group's assurance business began providing credit life assurance to the Home Finance lending customers (included in Home Finance's financial figures)
- The division also provides a variety of life, disability and loss of income benefits to the broader Real People and external customer bases
- The mission is through partnerships, offer clients peace of mind by providing simple, transparent and affordable assurance products that deliver value for money in a hassle free manner
- 37 staff members work in the assurance business
- Policies on book are still below expectation, mainly due to the sales in the call centers being exceeded by the number of lapsed policies, especially during the first part of 2016
- Through active engagement with call centres and product developments, the business managed to stabilise and marginally grow the Annualised premium income value on book

**IFRS 9 financial results and forecasts have been calculated in accordance with provisional estimations relating to the impact of IFRS 9 and remains subject to the IFRS 9 implementation audit and confirmation**

## Recent financial performance

	FY 2014/15	FY 2015/16	FY 2016/17	Forecast FY 2017/18	Forecast FY 2018/19	Forecast FY 2019/20
Premiums received	61,8	61,3	54,5	49,4	52,9	54,9
Benefits paid	-10,5	-10,6	-10,4	-8,9	-9,2	-9,2
Assurance liability expense	-11,9	-3,8	-7,7	0,2	0,0	0,0
Net reinsurance	-2,8	-1,2	-0,5	-1,0	-0,9	-0,8
<b>Net assurance income - funeral benefits</b>	<b>36,6</b>	<b>45,7</b>	<b>35,9</b>	<b>39,7</b>	<b>42,9</b>	<b>45,0</b>
Other income	0,3	0,3	0,4	0,6	0,7	0,7
Finance cost	0	0	0,0	-1,3	-1,5	-1,5
<b>Net operating income</b>	<b>36,9</b>	<b>46,0</b>	<b>36,3</b>	<b>39,0</b>	<b>42,0</b>	<b>44,3</b>
Operating expenditure	-24,8	-23,1	-22,9	-26,3	-27,1	-27,7
<b>Contribution</b>	<b>12,1</b>	<b>22,9</b>	<b>13,4</b>	<b>12,7</b>	<b>14,9</b>	<b>16,5</b>
<b>Attributable of tier II capital providers</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-2,1</b>	<b>-2,1</b>	<b>-2,1</b>
Attributable to ordinary shareholders	11,1	21,9	12,4	10,6	12,8	14,4

## Annualised premium income on book (ZARm)



# Assurance - Statement of financial performance

REAL PEOPLE™

September 2017 YTD - Post restructure actual results (based on IFRS 9 accounting treatment)

	Month Actual Apr 2017 R'm	Month Actual May 2017 R'm	Month Actual Jun 2017 R'm	Month Actual Jul 2017 R'm	Month Actual Aug 2017 R'm	Month Actual Sep 2017 R'm	YTD Actual Sep 2017 R'm	YTD Forecast Sep 2017 R'm
Net assurance income - funeral benefits	3.3	2.9	3.0	2.7	2.9	2.8	17.6	19.4
Sundry income	0.1	0.0	0.1	0.1	0.1	0.1	0.5	0.3
<b>Operating income</b>	<b>3.3</b>	<b>2.9</b>	<b>3.1</b>	<b>2.8</b>	<b>3.0</b>	<b>2.9</b>	<b>18.1</b>	<b>19.7</b>
Operating expenditure	(2.2)	(2.0)	(2.3)	(2.3)	(2.3)	(2.3)	(13.5)	(15.0)
<b>Profit/(loss) before tax - normalised</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>	<b>0.5</b>	<b>0.7</b>	<b>0.6</b>	<b>4.5</b>	<b>4.8</b>
Audit overruns	-	-	-	-	-	(0.0)	(0.0)	-
<b>Profit/(loss) before tax</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>	<b>0.5</b>	<b>0.7</b>	<b>0.5</b>	<b>4.5</b>	<b>4.8</b>
Current tax expense	(0.3)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(1.3)	(1.3)
<b>Profit after tax</b>	<b>0.8</b>	<b>0.6</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>	<b>3.2</b>	<b>3.4</b>
Average equity	26.0	26.3	26.6	26.8	27.1	27.3	27.3	26.8
Cost to income ratio	68.5%	70.9%	78.4%	84.5%	78.5%	83.5%	83%	77.0%
Return on equity	36.5%	31.9%	29.8%	26.2%	25.2%	23.1%	23%	26%

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# Assurance - Statement of financial position

September 2017 YTD - Post restructure actual results (based on IFRS 9 accounting treatment)

	Assurance Consolidated						
	Actual Apr 2017 R'm	Actual May 2017 R'm	Actual Jun 2017 R'm	Actual Jul 2017 R'm	Actual Aug 2017 R'm	Actual Sep 2017 R'm	Forecast Sep 2017 R'm
	<b>Assets</b>						
Property and equipment and Intangible assets	0.2	0.2	0.2	0.2	0.2	0.2	-
Investments	5.8	5.1	4.5	3.9	3.2	2.6	3.1
Assurance assets	54.1	54.8	18.0	18.2	18.5	18.7	57.3
Other assets	0.2	0.3	0.2	0.3	0.3	0.3	1.3
Cash and cash equivalents	25.5	27.8	30.9	32.5	34.7	33.5	33.2
<b>Total assets</b>	<b>85.9</b>	<b>88.2</b>	<b>53.7</b>	<b>55.1</b>	<b>56.9</b>	<b>55.2</b>	<b>95.0</b>
<b>Equity and liabilities</b>							
<b>Equity</b>	<b>26.0</b>	<b>26.6</b>	<b>27.2</b>	<b>27.6</b>	<b>28.1</b>	<b>28.4</b>	<b>29.8</b>
<b>Liabilities</b>							
Assurance liability	52.9	53.6	16.7	16.9	17.2	17.4	55.7
Deferred and current tax liabilities	1.1	0.5	1.1	1.7	2.0	0.1	0.5
Other liabilities	5.9	7.5	8.6	8.9	9.6	9.4	9.0
<b>Liabilities of continuing operations</b>	<b>85.9</b>	<b>88.2</b>	<b>53.7</b>	<b>55.1</b>	<b>56.9</b>	<b>55.2</b>	<b>95.0</b>

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- It is envisaged that the Group will adopt IFRS 9 as soon as is practically possible subsequent to the implementation of the restructure transaction.
- DMC will be required by IFRS9 to revert back to the amortised cost valuation methodology from the current fair value methodology for both the Acquired and Education assets. IFRS 9 also requires forward looking information to be taken into account on the cash flow expectations for the legacy asset. . It is estimated that as a result, the DMC asset base will be de-valued by an amount of R217 million .
- The quantification of the impact of IFRS 9 on the Home Finance (“HF”) business is in process but is expected to have a largely off-balance sheet impact due to the fact that the HF advances are largely held in off-balance sheet securitised vehicles.

## IFRS 9 - DMC

- DMC is in the business of acquiring NPL portfolios at deep discounts (typically 3%-6% of face value)
- Acquired Debt Portfolios (ADP) are currently classified and valued at fair value under IAS39
- Under IFRS9 ADP’s will be required to be classified and measured as an amortised cost assets which are purchased credit impaired on initial recognition.
- Simplistically, the resultant IFRS9 accounting treatment of ADP’s is as follows:
  - The value of the ADP on initial recognition is the purchase price
  - The ADP then earns a running yield equal to the IRR calculated and used in determining the original purchase price, with the purchase price as an outflow and gross priced receipts on the ADP as inflows. This IRR on the portfolio remains constant for the life of the asset.
  - Should there be changes to future cash flow estimation, these are booked to the income statement and asset carrying value based on present valuing the new cash flows at the original calculated IRR
- In addition the cash flow modelling of expected collections in months 80-120 of each portfolio has been reduced in order to introduce more prudence considering the long dated future view
- The impairment required to early adopt IFRS9 for the ADP in DMC amounts to R189m
- The inherent forward yield in the ADP portfolio increases from 32.2% under fair value policy to 42.5% under IFRS9 amortised cost methodology.
- In assessing forward cash flows, R172m of cash flows over and above originally priced expectation have been capitalised in accordance with IFRS9

### Net present value at priced IRR on 31 March 2017:

Original priced cash flows	546 535 723
Expected cash flows in excess of priced cash flows	172 792 345
<b>IFRS 9 carrying value</b>	<b>719 328 068</b>



- RPHF introduced a more conservative interpretation of IAS 39 in February 2017. These changes limit the further impact that the implementation of IFRS 9 will have on adoption.
- The change in methodology per the more conservative interpretation of IAS 39 and the primary Expected Credit Loss (ECL) methodology change required in terms of IFRS 9 is as follows:
  - 3-month emergence period – increased from a 1-month emergence period. This is the measure of the likelihood of an account rolling out of arrears category 0 (These loans are classified as Stage 1). Under IFRS 9 this will be extended to 12 months.
  - 12-month probability of default instead of a 4-month window period for the remainder of the performing loans bucket (Stage 2). Under IFRS 9 this will be extended to a life-time view.

Arrears Category	Post IAS 39 review	IFRS 9
CD0	3.5%	7.3%
CD1	23.5%	33.4%
CD2	42.2%	43.8%
CD3	52.0%	52.7%
NPL	88.0%	88.0%

- KPMG in its review of the proposed HF methodology has noted the following main areas as requiring further analysis before the IFRS 9 adjustments are finalised:
  - *Forward looking economic indicators:* There is no defined method of applying the concept in the market place, with many market participants applying a judgemental management overlay.
    - RPHF has performed a sensitivity test on both its calculated probability of default and loss on default measures. Performing a 5% relative deterioration on the two metrics, indicated an expected total additional impairment requirement of R22m, of which R12m relate to the performing loan portfolio.
  - *Staging:* Ascertain whether any of the Stage 1 loans (CD0) should be classified as Stage 2 due to a deterioration in credit quality despite there being no missed payments. This risk not considered material due to introducing a normal round instead of round-down methodology on missed instalments. Sensitivity analysis shown below, assuming a 10% shift from Stage 1 to 2
- The adoption of IFRS9 is expected to have two impacts:
  - First, a once off adjustment of R42m to the Balance Sheet impairment provision and
  - Second, an adjustment to the monthly Income Statement impairment charge run rate due to increase PL book coverage ratios:
- It should be noted that the downward valuation adjustment that will arise upon implementation of IFRS 9 will relate predominantly to the performing loan book, which in turn is predominantly housed within the two funding SPVs. As such there will be a limited on balance sheet impact. The ongoing run-rate impact of any changes to our estimation of PL coverage ratios is not likely to be material.

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# Capital Structure Pre & Post Restructuring

Affected Instruments	Pre Restructuring (ZAR)	Post Restructuring (ZAR)
Senior Unsecured Debt	1 240 294 346	731 773 664
Subordinated Debt	102 765 892	-
Redeemable Preference Shares	141 246 618	-
Convertible Preference Shares	177 168 900	-
E-PIK Notes	-	508 520 682
D-PIK Notes	-	102 765 892
C-Preference Shares	-	141 246 618
B-Preference Shares	-	177 168 900

# Ordinary Share Allocation

	Initial Contribution to subordinated Capital	Split of Discount	Adjustment Factor	Adjusted Split	Adjusted %	Number of Ordinary Shares Allocated	Adjusted %	Number of Ordinary Shares Allocated (after Management and BEE Adjustment)
Senior Unsecured	508 520 682	53.1%	25.62890625	1360%	84.93%	81 672 538	67.95%	81 672 538
Sub-debt	102 765 892	10.7%	11.390625	122%	7.63%	7 335 571	6.10%	7 335 571
Redeemable Prefs	141 246 618	14.7%	5.0625	75%	4.66%	4 481 057	3.73%	4 481 057
Convertible Prefs	177 168 900	18.5%	2.25	42%	2.60%	2 498 086	2.08%	2 498 086
Ordinary Shares	-	3%	1	3%	0.19%	180 190	0.15%	180 190
Management share incentive trust							15.00%	18 029 362
BEE shareholders							4.99%	5 998 944
<b>Total</b>	<b>929 702 092</b>	<b>100.00%</b>		<b>1601%</b>	<b>100%</b>	<b>96 167 441</b>	<b>100.00%</b>	<b>120 195 748</b>

# Ordinary Shareholders Pre and Post Restructuring

	RPIH Ordinary Shareholders Pre-Restructuring		Allocation to Compulsory Convertible Preference Shares	Allocation to Redeemable Preference Shares	Allocation to Subordinated Debt	Allocation to Senior Debt	Allocation to Black Economic Empowerment shareholders	Allocation to Management Share Incentive Trust	RPIH Ordinary Shareholders Post-Restructuring		Total subscription price*
	number of shares	%	number of shares	number of shares	number of shares	number of shares	number of shares	number of shares	number of shares	%	ZAR
IAM	-	0.00%	-	-	825 966	26 679 298			27 505 264	22.88%	275.06
Nordics	-	0.00%	-	-	-	22 093 580			22 093 580	18.38%	220.94
Management Share Trust	-	0.00%	-	-	-	-		18 029 362	18 029 362	15.00%	180.30
Norfund	-	0.00%	218 990	-	6 509 605	7 339 579			14 068 174	11.70%	140.69
responsAbility	-	0.00%	-	-	-	8 564 771			8 564 771	7.13%	85.65
NHFC	-	0.00%	-	-	-	8 038 111			8 038 111	6.69%	80.39
BIFM	-	0.00%	-	-	-	8 352 032			8 352 032	6.95%	83.53
Old Mutual Life Assurance Company (SA) Ltd	61 515	28.43%	885 607	1 633 610	-	-			2 580 731	2.15%	25.20
SEDF	-	0.00%	-	1 867 501	-	-			1 867 501	1.55%	18.68
Fulela Trade & Invest 91 (Pty) Ltd	42 366	19.58%	660 952	699 909	-	-			1 403 227	1.17%	13.61
RHLF	-	0.00%	-	-	-	605 167			605 167	0.50%	6.06
Purple Group Ltd	6 471	2.99%	220 285	280 037	-	-			506 793	0.42%	5.01
Arise	35 388	16.36%	111 473	-	-	-			146 862	0.12%	1.12
Sydney International Investments Limited	9 706	4.49%	330 464	-	-	-			340 170	0.28%	3.31
Lubman (Pty) Ltd	971	0.45%	33 024	-	-	-			33 995	0.03%	0.34
Blockbuster Trading 3 (Pty) Ltd	10 843	5.01%	-	-	-	-	5 998 944		6 009 787	5.00%	59.99
Aureos Africa Fund LLC	9 866	4.56%	-	-	-	-			9 866	0.01%	-
Hemsley Holdings Ltd**	9 537	4.41%	-	-	-	-			9 537	0.01%	-
Hollyberry Props 127 (Pty) Ltd	8 682	4.01%	-	-	-	-			8 682	0.01%	-
Satioscope Investments (Pty) Ltd	5 833	2.70%	-	-	-	-			5 833	0.00%	-
RPAAF LTD	5 228	2.42%	-	-	-	-			5 228	0.00%	-
Easy Rain Investments (Pty) Ltd	3 763	1.74%	-	-	-	-			3 763	0.00%	-
Rivendale Investments (Pty) Ltd	3 572	1.65%	-	-	-	-			3 572	0.00%	-
DMC Acquired Debts 3 (Pty) Ltd	1 574	0.73%	1 134	-	-	-			2 708	0.00%	0.02
Brian & Amelia Weiss Family Trust	1 000	0.46%	-	-	-	-			1 000	0.00%	-
Sweet Sensation 197 (Pty) Ltd	32	0.01%	-	-	-	-			32	0.00%	-
<b>Total</b>	<b>216 347</b>	<b>100%</b>	<b>2 461 929</b>	<b>4 481 057</b>	<b>7 335 571</b>	<b>81 672 538</b>	<b>5 998 944</b>	<b>18 029 362</b>	<b>120 195 748</b>	<b>100%</b>	<b>1 199.90</b>
<b>% Shareholding post restructure</b>	<b>0.18%</b>		<b>2.05%</b>	<b>3.73%</b>	<b>6.10%</b>	<b>67.95%</b>	<b>4.99%</b>	<b>15.00%</b>	<b>100.00%</b>		

\*Subscription price: R0.01 per 1000 shares, rounded up to the closest cent)

\*\* Aureos Southern Africa Fund LLC

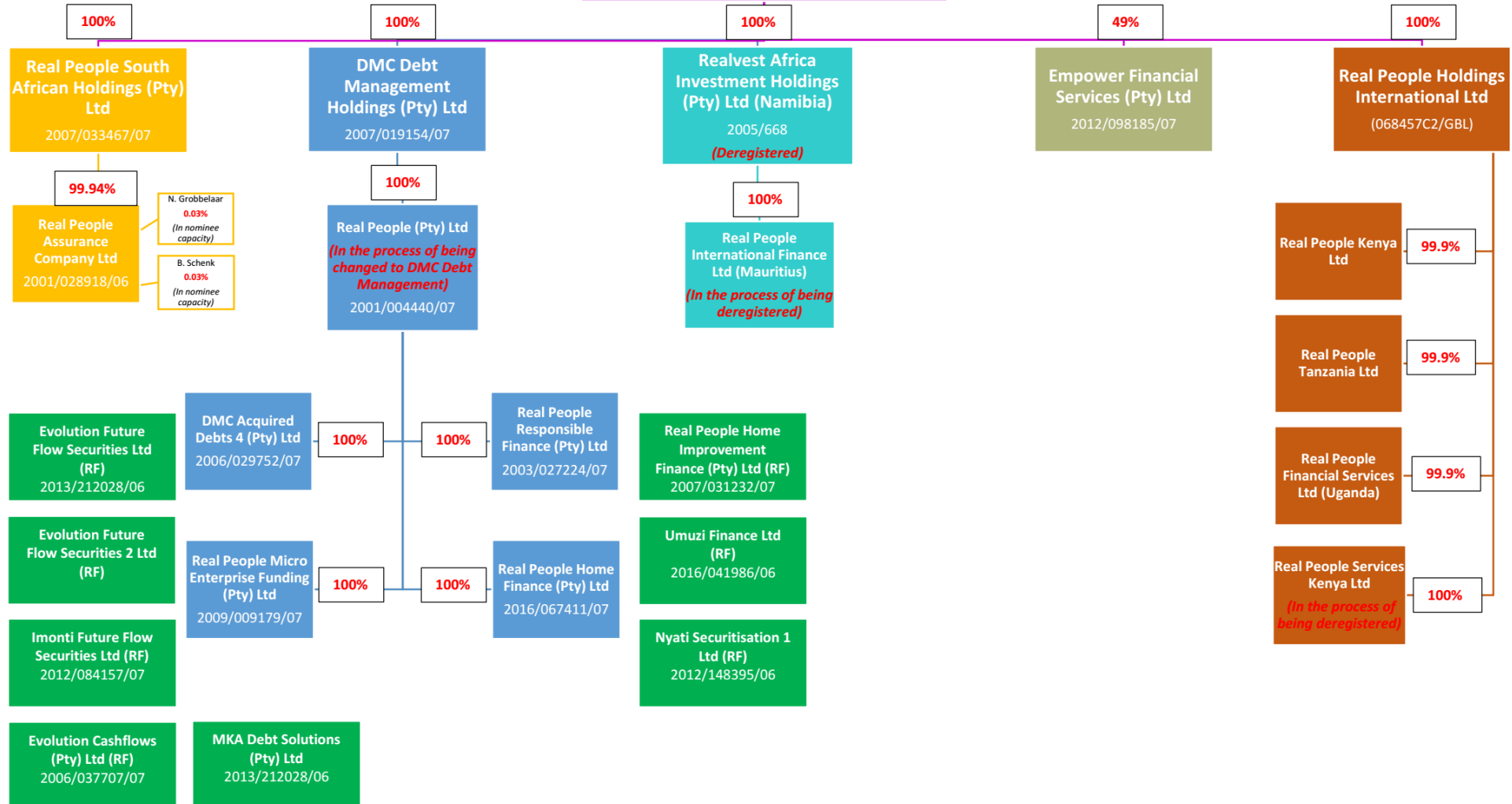
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# Group Legal Structure

Sydney International Holdings Ltd 6.4%	Hemley Holdings 3.5%	Brian & Amelia Weiss Family Trust 0.4%	Easy Rain Investments (Pty) Ltd 1.4%	Rivendale Investments (Pty) Ltd 1.3%	Hollyberry Props 127 (Pty) Ltd 3.2%	Fulela Trade & Investment 91 (Pty) Ltd 21.1%	Old Mutual Life Assurance Company (SA) Ltd 30.1%	Purple Group Ltd 4.3%	Norfund 15.7%	DMC Acquired Debts 3 (Pty) Ltd 0.6%	RPAAF Ltd 1.9%	Satioscope Investments (Pty) Ltd 2.1%	Aureos Africa Fund L.L.C 3.6%	Blockbuster Trading 3 (Pty) Ltd 3.9%	Lubman (Pty) Ltd 0.6%
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## REAL PEOPLE INVESTMENT HOLDINGS LTD

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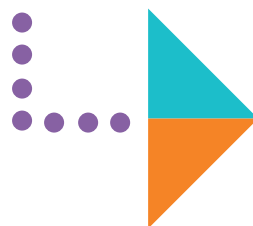


Real People South Africa

# PRO-FORMA UNAUDITED IFRS 9 RESULTS for the 6 months ended 31 September 2017



# We are Real People for real people



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In certain instances, published calculations may not be exact due to rounding.

The sum of the divisional results per line item may not agree to the consolidated results per line item due to consolidation elimination entries.

## 1. Assumptions

The **unaudited pro-forma IFRS 9 results** in this report have been prepared based on the following assumptions:

- **IFRS 9 is adopted 1 April 2017**

Opening capital is adjusted for the impact of adopting IFRS9.

The consequences of adopting IFRS9 are in the process of being finalised with the Group's auditors. This may impact on opening balances as well as monthly run rates. Once finalised, the year to date management accounts and the forecast will be updated.

- **Exclude East Africa**

The entire East Africa structure has been derecognised and capital has been adjusted for the exposure effective 1 April 2017.

- **Proposed recapitalisation proceeds as follows:**

- 100% of redeemable preference shares convert to ordinary share capital.
- 45% of subordinated debt converts to ordinary share capital. The remaining 55% converted to senior debt.
- 41% of senior debt converts to ordinary share capital.
- 12 month moratorium on payments to unsecured senior debt.
- No funding raised on balance sheet. All funding raised in SPVs.

- **Capital allocation**

The forecast capital balances as at 31 March 2017 per division were used as the base for allocating capital.

Actual allocations might change once results are finalised.

## 2. Group results

### Consolidated Group statement of financial performance

	Month Restated Jul 2017 R'm	Month Restated Aug 2017 R'm	Month Restated Sep 2017 R'm	YTD Restated Sep 2017 R'm	YTD Forecast Sep 2017 R'm	YTD Restated v Forecast %
<b>Net yield</b>	<b>64.7</b>	<b>65.5</b>	<b>66.3</b>	<b>388.4</b>	<b>365.9</b>	<b>6%</b>
Finance costs	(20.1)	(19.7)	(18.8)	(119.2)	(117.7)	-1%
<b>Net margin</b>	<b>44.6</b>	<b>45.7</b>	<b>47.6</b>	<b>269.2</b>	<b>248.2</b>	<b>8%</b>
Net assurance income - funeral benefits	2.7	2.9	2.8	17.6	19.4	-10%
Outsourced collection income	3.8	4.0	4.1	22.9	23.8	-4%
Sundry income	0.1	0.1	0.1	0.5	0.3	59%
<b>Operating income</b>	<b>51.3</b>	<b>52.7</b>	<b>54.6</b>	<b>310.1</b>	<b>291.7</b>	<b>6%</b>
Operating expenditure	(38.3)	(39.1)	(37.9)	(229.6)	(250.4)	8%
<b>Normalised contribution</b>	<b>13.0</b>	<b>13.6</b>	<b>16.6</b>	<b>80.5</b>	<b>41.3</b>	<b>95%</b>
Capital restructure costs	(5.2)	(1.9)	(1.0)	(14.0)	(11.9)	-17%
Hedging gain/(loss)	(4.1)	(3.0)	(1.8)	(17.7)	-	-100%
Audit overruns	-	-	(4.6)	(4.6)	-	-100%
<b>Profit/(loss) before tax</b>	<b>3.8</b>	<b>8.7</b>	<b>9.2</b>	<b>44.3</b>	<b>29.4</b>	<b>51%</b>
Current and withholding tax expense	(1.2)	1.2	(1.2)	(3.1)	(3.2)	3%
Deferred tax expense	(2.1)	(3.2)	(0.5)	(11.9)	(5.3)	> -100%
<b>Profit/(loss) after tax</b>	<b>0.4</b>	<b>6.7</b>	<b>7.4</b>	<b>29.2</b>	<b>20.9</b>	<b>40%</b>
Average productive assets	2,137.0	2,126.7	2,115.9	2,115.9	2,074.6	
Average long term borrowings	1,759.0	1,743.1	1,726.4	1,726.4	1,678.6	
Average equity	392.8	395.3	398.9	398.9	403.9	
<b>Ratios *</b>						
Return on productive assets	35.9%	36.1%	36.6%	36.6%	35.2%	
Cost of funds	13.7%	13.7%	13.8%	13.8%	14.0%	
Operating expenses to income ratio	53.6%	54.0%	51.7%	53.5%	61.2%	
Effective tax rate	88.4%	23.0%	19.1%	33.9%	28.9%	
Pre-tax return on equity	20.1%	21.2%	22.1%	22.1%	14.5%	
Return on equity	11.5%	13.2%	14.6%	14.6%	10.3%	

\* Simple annual averages used. Refer to ratio definitions in glossary.

**Overall comments:**

- The September results have been boosted as a result of 1 October collections being effected at the end of September due to 1/10 falling on a Sunday. This would have improved net yield/income in all divisions and will have a negative impact on October.
- Indications are that the run rate once IFRS9 has been implemented will be slightly lower than current. This does not impact performance vs forecast as forecast prepared on the basis currently reported, but will impact actuals.

**Net yield:**

Home Finance is in the process of finalising the impairment charge relating to the adoption of IFRS 9. The pro-forma results are based on an estimate of the impact of IFRS 9 made in the beginning of the financial year. The methodology employed has been refined following consultation with Deloitte and Touche and other advisors. The final impairment policy is likely to be more conservative than originally anticipated and is subject to final approval. It is anticipated that year to date net yield will reduce with **R4.5m** once final numbers are approved. This is unrelated to the actual performance of the book, which has been better than expected.

**Finance costs:** The decline in finance costs from August to September is largely driven by day count as well as as loan repayments on the last day of August.

**Operating expenditure:** All divisions have improved on forecast expectations for operating expenditure. Refer to these divisions for explanations on the material differences between actual and forecast.

**Capital restructure costs:** The higher than forecasted restructure costs are due to the fact that the budget for restructure costs was increased after finalisation of the forecast. Capital restructure costs are currently well within the latest approved budget.

**Hedging gain/(loss):** In the prior financial year, it was established that the prerequisites to apply hedge accounting were not complied with, and that the cash flow hedge reserve would need to be recycled through profit and loss. The effect of this adjustment is larger variances in gains/losses through profit and loss on a monthly basis. Policies to ensure hedge accounting can be applied will be put in place post-restructure.

**Audit overruns:** Deloitte were appointed as the new auditors of the Group, from the 2017 financial year-end. The actual time spent by Deloitte was higher than what they originally envisioned, which resulted in significant audit overruns which were billed in September 2017. These overruns are not expected to recur in the future.

**Tax charge**

September's effective tax charge is lower due to the cumulative impact at divisional level of a catch-up in management fees being charged by DMC (non tax paying) to Nyati securitisation vehicle, which is tax paying.

## Group statement of financial position

	Group consolidated				Off-balance sheet				On-balance sheet				Restated	Restated	Restated	
	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	
	Jul	Aug	Sep	Sep	Jul	Aug	Sep	Sep	Jul	Aug	Sep	Sep	v	v	v	
	2017	2017	2017	2017	2016	2017	2017	2017	2017	2017	2017	2017	Forecast	Forecast	Forecast	
R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	%	%	%	
<b>Assets</b>																
Loans and advances	982.9	976.7	963.8	970.5	546.0	513.1	507.7	622.7	437.0	463.6	456.1	347.8	-1%	-18%	31%	
Acquired assets	687.3	675.8	660.3	702.1	239.3	227.7	215.1	236.8	448.0	448.1	445.2	465.3	-6%	-9%	-4%	
Property and equipment and Intangible assets	21.8	20.9	20.2	25.6	0.2	0.2	0.2	-	21.6	20.7	20.1	25.6	-21%	100%	-22%	
Investments	28.9	28.8	28.8	26.2	3.9	3.2	2.6	3.1	25.0	25.6	26.2	23.1	10%	-15%	13%	
Assurance assets	18.2	18.5	18.7	57.3	18.2	18.5	18.7	57.3	-	-	-	-	-67%	-67%	0%	
Other assets	38.9	38.4	36.6	43.8	0.3	0.3	0.2	1.3	38.6	38.1	36.3	42.5	-17%	-82%	-15%	
Deferred and current tax assets	13.7	13.6	13.1	4.1	9.6	9.5	9.0	-	4.1	4.1	4.1	4.1	> 100%	100%	0%	
Cash and cash equivalents	425.5	420.0	466.0	358.4	255.4	252.2	282.0	203.1	170.1	167.8	184.0	155.3	30%	39%	18%	
<b>Total assets</b>	<b>2,217.2</b>	<b>2,192.6</b>	<b>2,207.4</b>	<b>2,188.1</b>	<b>1,072.9</b>	<b>1,024.7</b>	<b>1,035.4</b>	<b>1,124.3</b>	<b>1,144.3</b>	<b>1,167.9</b>	<b>1,172.0</b>	<b>1,063.7</b>	<b>1%</b>	<b>-8%</b>	<b>10%</b>	
<b>Equity and liabilities</b>																
<b>Equity</b>	<b>402.6</b>	<b>413.3</b>	<b>425.6</b>	<b>409.4</b>	<b>(18.3)</b>	<b>(14.5)</b>	<b>(11.4)</b>	<b>(12.9)</b>	<b>420.9</b>	<b>427.9</b>	<b>437.0</b>	<b>422.3</b>	<b>4%</b>	<b>12%</b>	<b>3%</b>	
<b>Liabilities</b>																
Long term interest bearing borrowings	1,695.4	1,659.6	1,665.6	1,621.7	805.3	761.0	767.0	791.1	890.1	898.6	898.6	830.6	3%	-3%	8%	
Assurance liability	16.9	17.2	17.4	55.7	16.9	17.2	17.4	55.7	-	-	-	-	-69%	-69%	0%	
Deferred and current tax liabilities	41.8	43.7	41.5	35.3	7.1	8.5	6.6	9.8	34.7	35.2	34.8	25.5	18%	-32%	37%	
Junior loans to SPVs	-	-	-	-	195.6	185.3	186.7	206.1	(195.6)	(185.3)	(186.7)	(206.1)	0%	-9%	9%	
Other liabilities	60.3	58.8	57.4	66.0	66.3	67.2	69.1	74.5	(5.9)	(8.4)	(11.8)	(8.5)	-13%	-7%	-38%	
<b>Total equity and liabilities</b>	<b>2,217.2</b>	<b>2,192.6</b>	<b>2,207.4</b>	<b>2,188.1</b>	<b>1,072.9</b>	<b>1,024.7</b>	<b>1,035.4</b>	<b>1,124.3</b>	<b>1,144.2</b>	<b>1,167.9</b>	<b>1,172.0</b>	<b>1,063.7</b>	<b>1%</b>	<b>-8%</b>	<b>10%</b>	

**Loans and advances:** Assets are higher on balance sheet as the Home Finance forecast assumed that all originated assets would be sold to SPVs, which has not materialised.

**Property and equipment and intangible assets:** The useful life of intangible assets in Home Finance and DMC was changed from five to three years in the finalisation of the March 2017 year end numbers. This was not anticipated during the forecast period.

**Deferred and current tax assets and liabilities:** The variance between actual and forecast is as a result of the forecast not splitting deferred tax into deferred tax assets and liabilities.

### **Cash and cash equivalents & Long term interest bearing borrowings:**

- An on-balance sheet early settlement of R55m to Standard Bank for the loan held by DMC4 was forecast. Prepayment arrangements with Standard Bank were finalised in October and a payment of R84m was made in October.
- The increase in the on-balance sheet balance from the prior month primarily relates to a draw down of R 35m from RPHIF, which had the opposite effect on the off-balance sheet balance.
- The increase in the off-balance sheet balance from the prior month is primarily due to a build up of cash in the DMC SPVs due to no repayments being made in the month of September.

**Group segmental statement of financial performance**

	Month Restated Jul 2017 R'm	Month Restated Aug 2017 R'm	Month Restated Sep 2017 R'm	YTD Restated Sep 2017 R'm	YTD Forecast Sep 2017 R'm	YTD Restated v Forecast %
Home Finance	9.1	7.9	10.0	50.8	32.5	56%
Assurance	0.5	0.7	0.6	4.5	4.8	-5%
DMC	5.4	7.2	8.1	38.9	18.9	> 100%
	<b>15.0</b>	<b>15.9</b>	<b>18.7</b>	<b>94.2</b>	<b>56.1</b>	<b>68%</b>
Group Central Services	(2.0)	(2.3)	(2.0)	(13.7)	(14.8)	8%
<b>Profit/(loss) before tax - normalised</b>	<b>13.0</b>	<b>13.6</b>	<b>16.6</b>	<b>80.5</b>	<b>41.3</b>	<b>95%</b>
<b>Non-operational costs</b>						
Hedging gain/(loss)	(4.1)	(3.0)	(1.8)	(17.7)	-	-100%
Audit overruns	-	-	(4.6)	(4.6)	-	-100%
Capital Restructure Costs	(5.2)	(1.9)	(1.0)	(14.0)	(11.9)	-17%
<b>Profit/(loss) before tax</b>	<b>3.8</b>	<b>8.7</b>	<b>9.2</b>	<b>44.3</b>	<b>29.4</b>	<b>51%</b>

### 3. Group equity to asset ratio

	Restated Jul 2017 R'm	Restated Aug 2017 R'm	Restated Sep 2017 R'm	Forecast Sep 2017 R'm
<b>Equity / Total assets</b>	<b>23.6%</b>	<b>25.0%</b>	<b>26.3%</b>	<b>23.1%</b>
Equity per statement of financial position	402.6	413.3	425.6	409.4
Cashflow hedge add back *	12.9	15.9	17.7	-
Qualifying equity	415.5	429.3	443.3	409.4
Assurance	(27.6)	(28.1)	(28.4)	(29.8)
SPV equity	45.9	42.6	39.8	42.6
<i>Home Finance SPVs</i>	56.2	53.3	50.7	55.8
<i>DMC SPVs</i>	(10.3)	(10.7)	(10.9)	(13.2)
Intangible and deferred tax assets to be funded with equity	(10.7)	(10.6)	(10.5)	(8.8)
SPV junior loans	(195.6)	(185.3)	(186.7)	(206.1)
- <i>Home Finance SPVs</i>	(114.8)	(116.5)	(116.9)	(120.0)
- <i>DMC SPVs</i>	(80.8)	(68.8)	(69.8)	(86.1)
<b>Total adjusted equity</b>	<b>227.5</b>	<b>247.8</b>	<b>257.5</b>	<b>207.4</b>
Assets per statement of financial position	2,217.2	2,192.6	2,207.4	2,188.1
Cash and Cash equivalents (on balance sheet)	(170.1)	(167.8)	(184.0)	(155.3)
Intangible and deferred tax assets to be funded with equity	(10.7)	(10.6)	(10.5)	(8.8)
Assurance Assets	(55.1)	(56.9)	(55.2)	(95.0)
SPV assets	(1,017.8)	(967.8)	(980.2)	(1,029.4)
<i>Home Finance SPVs</i>				
- Net advances	(549.9)	(526.8)	(530.6)	(622.7)
- Cash	(134.6)	(167.5)	(170.1)	(100.5)
- Other assets	(9.7)	(9.5)	(8.9)	-
<i>DMC SPVs</i>				
- Net advances	(235.4)	(214.0)	(192.2)	(236.8)
- Cash	(88.3)	(50.0)	(78.4)	(69.4)
- Other assets	-	-	-	-
<b>Total adjusted assets</b>	<b>963.5</b>	<b>989.5</b>	<b>977.4</b>	<b>899.6</b>

\*Due to the nature of these instruments and mark-to-market movements it was not considered practical to forecast an outcome.



A higher than budgeted equity has been achieved by the end of September 2017 mainly from an improved profit after tax run rate as well as lower levels of Junior loans held in DMC special purpose vehicles. The lower Junior loan positions in these vehicles have been achieved through better than expected collections on the assets held which have flowed through as repayments on these loans at the last repayment dates.

#### 4. Total receipting from assets and outsourced commissions

	Month Apr 2017 R'm	Month May 2017 R'm	Month Jun 2017 R'm	Month Jul 2017 R'm	Month Aug 2017 R'm	Month Sep 2017 R'm	YTD Sep 2017 R'm
Forecast 1 - 27 March 2017	134.3	132.3	130.4	130.6	129.8	129.5	<b>786.9</b>
Forecast 2 - 30 June 2017	129.5	131.6	129.8	129.8	129.0	127.7	<b>777.4</b>
Forecast 3 - 3 October 2017	129.5	131.6	129.8	129.8	128.9	127.4	<b>777.0</b>
Actual	132.0	132.1	131.8	130.5	129.6	130.4	<b>786.4</b>

The purpose of this section is to report on forecasting accuracy of receipting, which in turn informs yield and impairment forecasts.

Total receipting includes all receipting from assets, both on and off-balance sheet.

The main reasons for the different forecasts are:

- Forecast 2 vs Forecast 1: Updated using actuals up to 31 March 2017 together with new production and funding assumptions after preliminary discussions with funders. The main differences are the following:
  - Decrease in HF Production that also resulted in lower receipting
  - Future DMC Acquisitions would be funded off-balance sheet in SPV's with RPIH providing the Junior loan investment
  - Inclusion of restructure costs
- Forecast 3 vs Forecast 2: Did not update actuals. Updated due to the extension of the debt standstill period from 31 August 2017 to 30 November 2017 with the main differences being:
  - Lower DMC Acquisitions
  - DMC acquisitions up to 31 December 2017 funded on-balance sheet
  - Updated amortization profile
- Actual vs Forecast 3: The main reason for the increased actual receipting compared to forecast is due to outperformance from the HF and Education portfolios. The HF and Education receipting exceeded forecast by R12m and R4m respectively, offset partially by a R6m decrease in commissions from outsourced receipting.
- At this stage it appears that forecasting is running more conservative than actual which bodes well for overall performance going forward.

## 5. Divisional results

### 5.1. Home Finance

#### *Consolidated Home Finance statement of financial performance*

	Month Restated Jul 2017 R'm	Month Restated Aug 2017 R'm	Month Restated Sep 2017 R'm	YTD Restated Sep 2017 R'm	YTD Forecast Sep 2017 R'm	YTD Restated v Forecast %
Gross yield from assets	29.1	28.9	27.4	171.6	166.4	3%
Impairment provision	(4.7)	(4.8)	(2.2)	(28.0)	(33.4)	16%
Net assurance income - credit life	5.5	5.5	5.1	31.8	29.5	8%
<b>Net yield</b>	<b>29.9</b>	<b>29.6</b>	<b>30.4</b>	<b>175.5</b>	<b>162.5</b>	<b>8%</b>
Finance costs	(9.0)	(9.0)	(8.6)	(54.1)	(54.1)	0%
<b>Operating income</b>	<b>20.9</b>	<b>20.7</b>	<b>21.7</b>	<b>121.4</b>	<b>108.4</b>	<b>12%</b>
Operating expenditure	(11.8)	(12.7)	(11.7)	(70.6)	(76.0)	7%
<b>Normalised contribution</b>	<b>9.1</b>	<b>7.9</b>	<b>10.0</b>	<b>50.8</b>	<b>32.5</b>	<b>56%</b>
Audit overruns	-	-	(1.3)	(1.3)	-	-100%
<b>Profit/(loss) before tax</b>	<b>9.1</b>	<b>7.9</b>	<b>8.7</b>	<b>49.6</b>	<b>32.5</b>	<b>53%</b>
Deferred tax expense	(2.4)	(1.7)	(0.8)	(9.6)	(5.3)	-83%
<b>Profit/(loss) after tax</b>	<b>6.8</b>	<b>6.3</b>	<b>7.9</b>	<b>39.9</b>	<b>27.2</b>	<b>47%</b>
Average productive assets	915.7	920.6	924.5	924.5	903.6	
Average long term borrowings	814.0	808.9	806.6	806.6	810.6	
Average equity	105.9	109.3	112.8	112.8	110.4	
<b>Ratios *</b>						
Return on productive assets	37.7%	37.6%	37.9%	37.9%	35.9%	
Cost of funds	13.4%	13.4%	13.4%	13.4%	13.3%	
Cost to income ratio	39.4%	43.0%	38.6%	40.2%	46.7%	
Effective tax rate	25.9%	21.1%	9.3%	19.4%	16.2%	
Pre-tax return on equity	93.0%	89.2%	87.6%	87.6%	58.6%	
Return on equity	72.8%	70.0%	70.6%	70.6%	49.1%	

\*Ratios based on simple annual averages used. Refer to ratio definitions in glossary.

### ***Net yield***

Gross yield on the performing loans book is in line with the forecast whilst receipting improvements on the NPL book has resulted in the overall gross yield being 3% higher than expected. The gross yield has been reducing month on month in line with the declining PL book, in turn stemming from reduced levels of origination.

The impairment charge is lower than forecast, with the performance on the PL book exceeding expectation. This is especially relevant for September due to strong PL receipting performance, which saw impairment releases on the PL book and a reduction in forward rolls of contracts to NPL. Collections planned for October but collected in September may have had a positive impact in this regard.

Home Finance is in the process of finalising the impairment charge relating to the adoption of IFRS 9. The pro-forma results are based on an estimate of the impact of IFRS 9 made in the beginning of the financial year. The methodology employed has been refined following consultation with Deloitte and Touche and other advisors. The final impairment policy is likely to be more conservative than originally anticipated and is subject to final approval. It is anticipated that Net yield will reduce with **R4.5m** once final numbers are approved. This is unrelated to the actual performance of the book, which has been better than expected.

The net assurance income from credit life is higher than forecast, due to claims paid being ~R2m lower over the period than that which was forecast.

### ***Operating expenditure***

Operating expenditure is R5m (7%) lower than that which was forecast, primarily because of positive variances in the staff costs and collection charges lines. The savings in staff costs relate to unfilled vacancies and lower sales related incentives being paid. With an increase in disbursement volume and placements being made, the monthly positive variance will begin to reduce. Collection charges were over-estimated and the positive variance will therefore likely continue. The remaining underspend relates to prudent cost management.

Audit fee overruns of ~R1.3m were accounted for in September. These additional fees, which relate to the 2017 audit were not forecast, and hence disclosed separately.

### ***Tax charge***

The change in the effective tax rate from 16% to 19% is largely due to divisional tax now recognised in the Assurance legal entity (RPAC) on Home Finance results. The division in RPAC is now profitable due to lower claims paid whereas losses were made in the prior year.

September's effective tax charge is lower due to the cumulative impact at divisional level of a catch-up in management fees being charged by DMC (non tax paying) to Nyati securitisation vehicle, which is tax paying.

## Home Finance Statement of financial position

	Home Finance consolidated				Off-balance sheet				On-balance sheet						
	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	Forecast	Restated	Restated	Restated
	Jul	Aug	Sep	Sep	Jul	Aug	Sep	Sep	Jul	Aug	Sep	Sep	v	v	v
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	Forecast	Forecast	Forecast
	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	%	%	%
<b>Assets</b>															
Loans and advances	761.8	762.9	757.3	763.7	549.9	526.8	530.6	622.7	211.9	236.1	226.7	141.1	-1%	-15%	61%
Property and equipment and Intangible assets	10.3	10.0	10.1	12.9	-	-	-	-	10.3	10.0	10.1	12.9	-22%	0%	-22%
Other assets	1.1	0.9	0.8	0.9	0.0	0.0	(0.1)	-	1.1	0.8	0.9	0.9	-12%	-100%	-7%
Deferred tax assets	9.6	9.5	9.0	-	9.6	9.5	9.0	-	-	-	-	-	100%	100%	0%
Cash and cash equivalents	145.4	177.4	186.6	131.5	134.6	167.5	170.1	100.5	10.8	9.9	16.5	31.0	42%	69%	-47%
<b>Total assets</b>	<b>928.3</b>	<b>960.6</b>	<b>963.9</b>	<b>909.1</b>	<b>694.2</b>	<b>703.8</b>	<b>709.7</b>	<b>723.1</b>	<b>234.1</b>	<b>256.9</b>	<b>254.2</b>	<b>185.9</b>	<b>6%</b>	<b>-2%</b>	<b>37%</b>
<b>Equity and liabilities</b>															
<b>Equity</b>	<b>116.4</b>	<b>122.7</b>	<b>130.7</b>	<b>121.8</b>	<b>(56.2)</b>	<b>(53.3)</b>	<b>(50.7)</b>	<b>(55.8)</b>	<b>172.6</b>	<b>175.9</b>	<b>181.5</b>	<b>177.6</b>	<b>7%</b>	<b>9%</b>	<b>2%</b>
<b>Liabilities</b>															
Long term interest bearing borrowings	784.9	788.7	795.0	793.2	634.7	636.7	641.4	634.4	150.2	152.0	153.7	158.8	0%	1%	-3%
Deferred and current tax liabilities	17.7	19.1	18.7	9.3	1.8	2.7	3.2	9.3	15.9	16.4	15.5	-	> 100%	-65%	100%
Junior loans to SPVs	-	-	-	-	114.8	116.5	116.9	120.0	(114.8)	(116.5)	(116.9)	(120.0)	0%	-3%	3%
Other liabilities	9.3	30.2	19.4	(15.2)	(0.9)	1.1	(1.1)	15.2	10.2	29.2	20.5	(30.4)	> -100%	> -100%	> -100%
<b>Liabilities of continuing operations</b>	<b>928.3</b>	<b>960.6</b>	<b>963.9</b>	<b>909.1</b>	<b>694.2</b>	<b>703.8</b>	<b>709.7</b>	<b>723.1</b>	<b>234.1</b>	<b>256.9</b>	<b>254.2</b>	<b>185.9</b>	<b>6%</b>	<b>-2%</b>	<b>37%</b>

### Loans and advances

Loans and advances are largely in line with the overall forecast, however the forecast model assumed that the loans originated would be purchased by the SPVs from the date of origination and not funded on-balance sheet, which has not been the case.

### Cash and cash equivalents

The cash balance "off balance sheet" is higher than that forecast primarily due to the RPHIF SPV having funded fewer acquisitions than had been anticipated.

### Long term liabilities

The forecast assumed that additional funding would be raised in the Umuzi SPV from July 2017, which has not transpired and accounts for the variance against forecast.

### Other liabilities

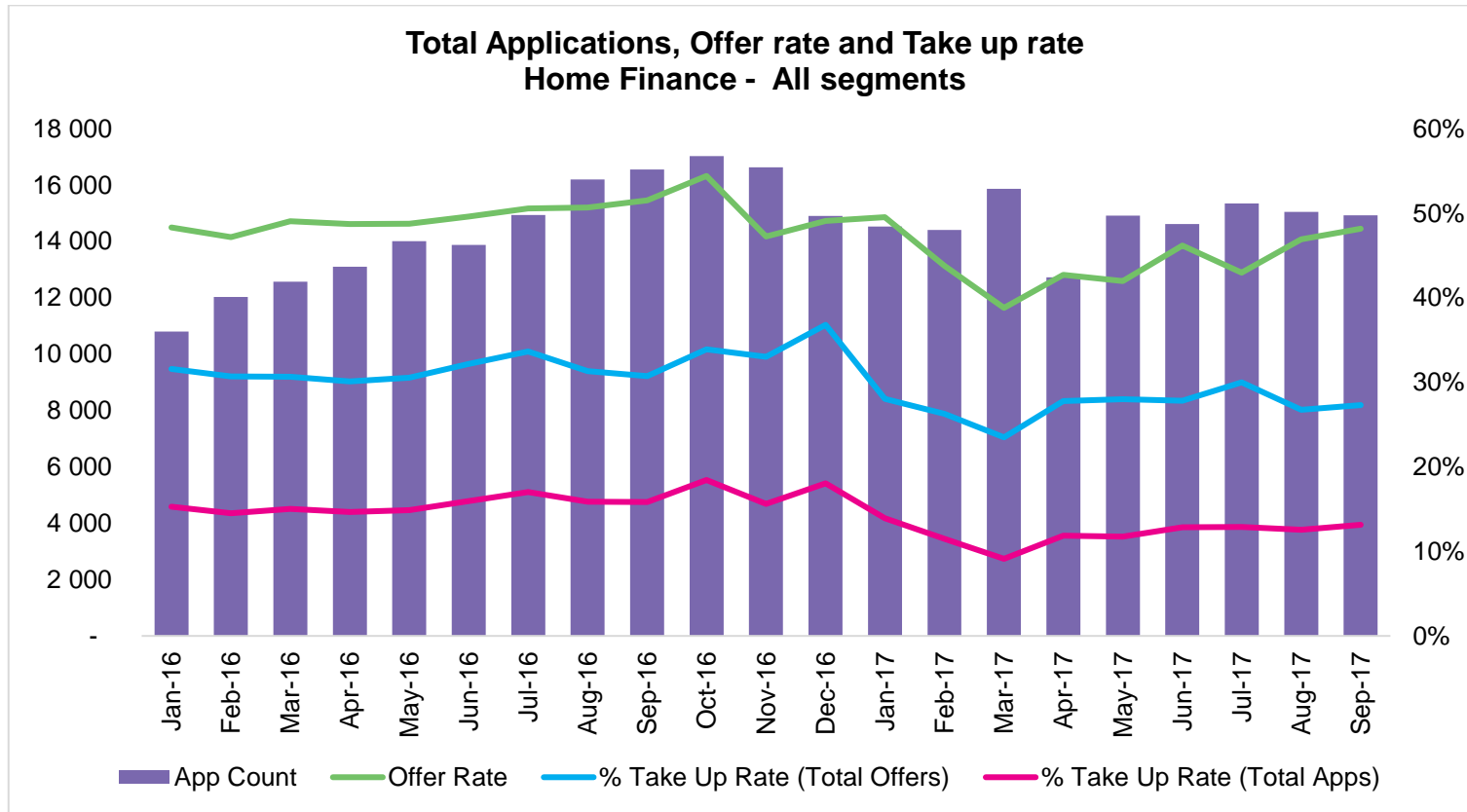
In the Forecast, it was assumed that Home Finance would pay expenses on behalf of the Group division resulting in an inter-company receivable, which has not materialised in the actuals. Furthermore, the forecast assumed that each division would manage their cash separately. However, cash is still managed centrally, resulting in inter-company variances.

### Home Finance equity to asset ratio

	Restated Jul 2017 R'm	Restated Aug 2017 R'm	Restated Sep 2017 R'm	Forecast Sep 2017 R'm
<b>Equity / Total assets</b>	<b>24.5%</b>	<b>22.8%</b>	<b>25.9%</b>	<b>34.4%</b>
Equity per statement of financial position	116.4	122.7	130.7	121.8
SPV equity	56.2	53.3	50.7	55.8
Intangible and deferred tax assets to be funded with equity	(4.1)	(4.0)	(3.9)	(6.4)
SPV junior loans	(114.8)	(116.5)	(116.9)	(120.0)
<b>Total adjusted equity (on balance sheet equity)</b>	<b>53.7</b>	<b>55.4</b>	<b>60.6</b>	<b>51.2</b>
Assets per statement of financial position	928.3	960.6	963.9	909.1
Cash and Cash equivalents (on balance sheet)	(10.8)	(9.9)	(16.5)	(31.0)
Intangible and deferred tax assets to be funded with equity	(4.1)	(4.0)	(3.9)	(6.4)
SPV assets	(694.2)	(703.8)	(709.7)	(723.1)
- Net advances	(549.9)	(526.8)	(530.6)	(622.7)
- Cash	(134.6)	(167.5)	(170.1)	(100.5)
- Other assets	(9.7)	(9.5)	(8.9)	-
<b>Total adjusted assets (on balance sheet assets)</b>	<b>219.2</b>	<b>242.9</b>	<b>233.7</b>	<b>148.5</b>

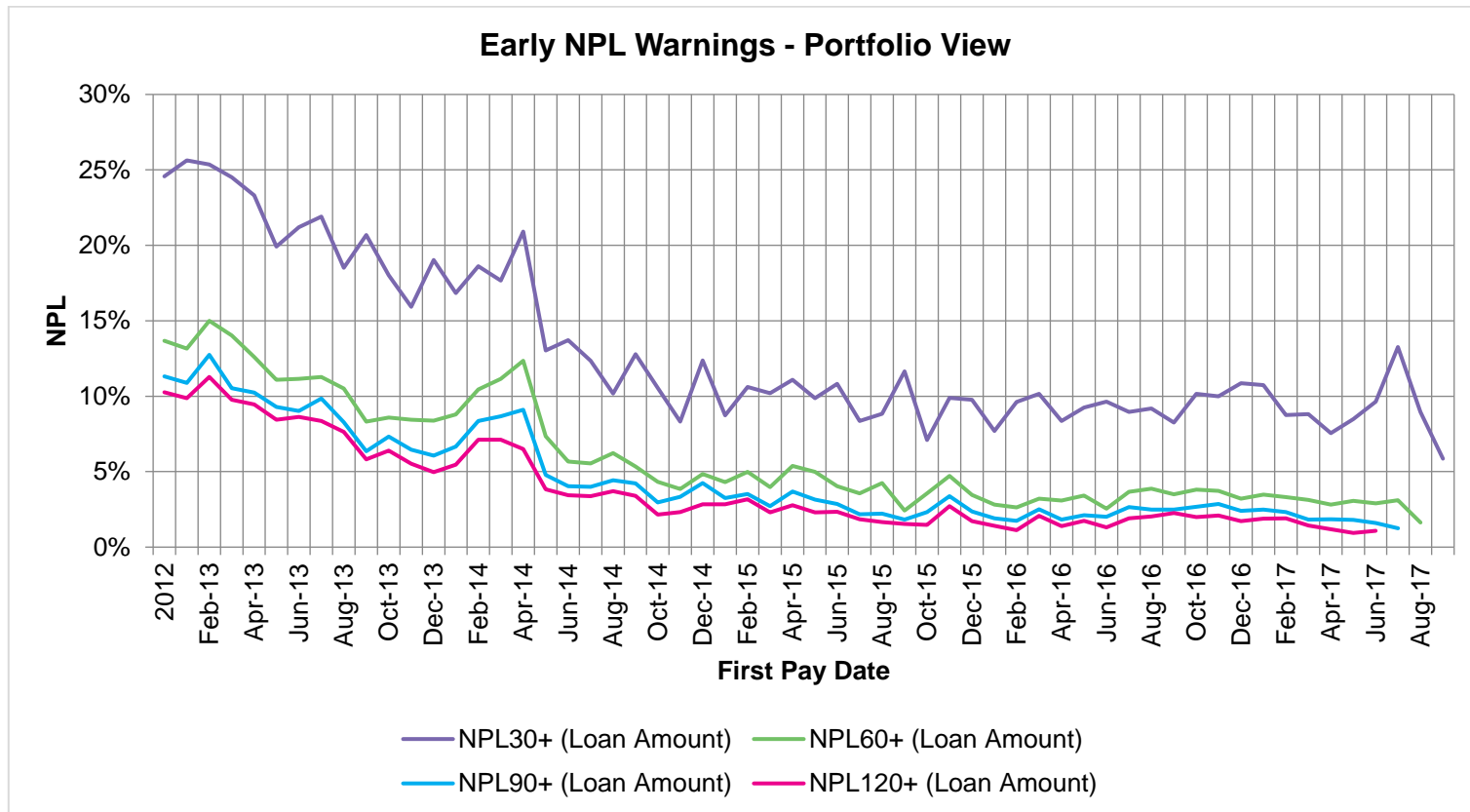
**Key performance indicators/ graphs**

1. Application Waterfall



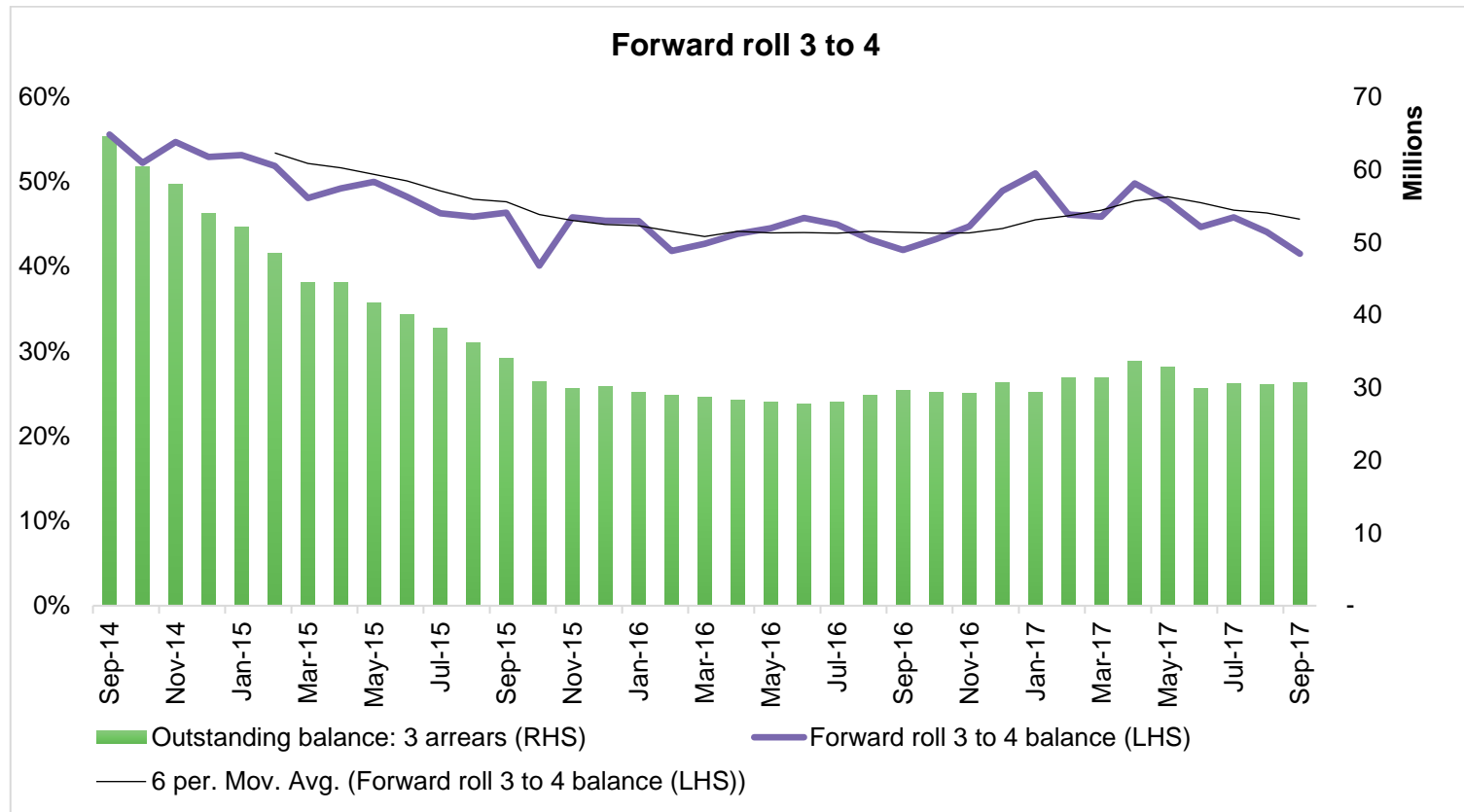
The increase in the offer rate relates in part to the relaxation of certain measures introduced to restrict disbursement volume. Changes to the product suite following the implementation of the credit life regulations also affected the offer rate, but not necessarily, the loan amount offered. The take-up rate as a function of total applications has remained steady over the quarter.

## 2. Straight Rollers



The above graph depicts the percentage of contracts that have missed 1 (NPL30+), 2 (NPL60+), 3 (NPL90+) and 4 (NPL120+) payments. The Early NPL Warning has been tracking consistently on low levels after declining over a two-year period to the beginning of 2016. The decline in these rates stems from customers with improved credit quality as well as having the risk related to fraudulent or merchant activity well under control. August represents the lowest month to date in respect of the NPL30+, 60+ and 90+ categories.

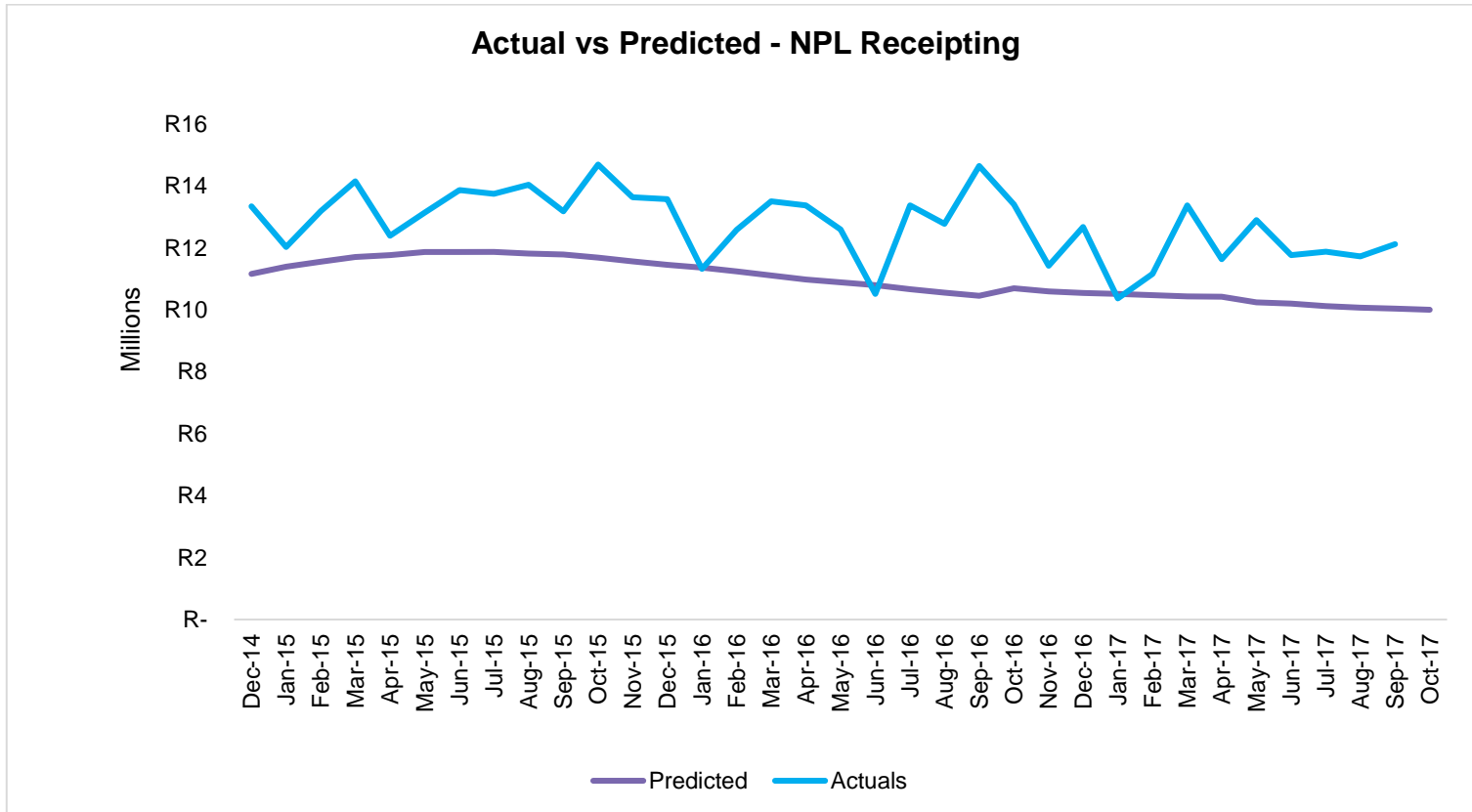
### 3. Forward Roll



Forward Roll Rates 3 to 4 refers to the percentage of contracts that "rolled" from the 90-days to the 120-days past due category. The roll rates have declined since May in line with the production cuts implemented since December, where a restriction was placed on higher risk customers.



#### 4. NPL Receipting Expectations



The above curve depicts actual versus predicted receipting for the NPL book upon which the latest book valuation was based. NPL receipting has been higher than expected in recent months. The receipting expectation continues to decline in line with a decline in the NPL book.

## 5.2. Assurance

### Assurance statement of financial performance

	Month Restated Jul 2017 R'm	Month Restated Aug 2017 R'm	Month Restated Sep 2017 R'm	YTD Restated Sep 2017 R'm	YTD Forecast Sep 2017 R'm	YTD Restated v Forecast %
Net assurance income - funeral benefits	2.7	2.9	2.8	17.6	19.4	-10%
Sundry income	0.1	0.1	0.1	0.5	0.3	59%
<b>Operating income</b>	<b>2.8</b>	<b>3.0</b>	<b>2.9</b>	<b>18.1</b>	<b>19.7</b>	<b>-8%</b>
Operating expenditure	(2.3)	(2.3)	(2.3)	(13.5)	(15.0)	9%
<b>Normalised contribution</b>	<b>0.5</b>	<b>0.7</b>	<b>0.6</b>	<b>4.5</b>	<b>4.8</b>	<b>-5%</b>
Audit overruns	-	-	(0.0)	(0.0)	-	-100%
<b>Profit/(loss) before tax</b>	<b>0.5</b>	<b>0.7</b>	<b>0.5</b>	<b>4.5</b>	<b>4.8</b>	<b>-6%</b>
Current tax expense	(0.1)	(0.2)	(0.2)	(1.3)	(1.3)	2%
<b>Profit/(loss) after tax</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>	<b>3.2</b>	<b>3.4</b>	<b>-8%</b>
Average equity	26.8	27.1	27.3	27.3	26.8	
Cost to income ratio	84.5%	78.5%	83.5%	83%	77.0%	
Return on equity	26.2%	25.2%	23.1%	23%	26%	

The results for the division exclude any credit life premiums and claims as these are disclosed as part of the gross yield of the credit origination divisions. This division's results include the funeral policy business of the Assurance Company.

#### Net insurance income

Premium income has not met forecast expectations due to suppressed inception and retention rates, as discussed below. Benefits paid remains difficult to predict. There were increased group life claims paid in September that were largely reinsured. Lower premium policies continue to replace older higher premium policies. This, coupled with a sharper decline in the run off book than anticipated has resulted in lower premium income overall.

#### Operating expenditure

Operating costs are lower than forecast due to savings on assurance overheads (consulting fees and a lower headcount), lower collection costs which is in line with lower receipting than anticipated.

## Assurance statement of financial position

	Assurance consolidated				Off-balance sheet				On-balance sheet					
	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	Forecast	Restated	Restated
	Jul	Aug	Sep	Sep	Jul	Aug	Sep	Sep	Jul	Aug	Sep	Sep	v	v
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	Forecast	Forecast
	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	%	%
<b>Assets</b>														
Property and equipment and Intangible assets	0.2	0.2	0.2	-	0.2	0.2	0.2	-	-	-	-	-	100%	100%
Investments	3.9	3.2	2.6	3.1	3.9	3.2	2.6	3.1	-	-	-	-	-15%	-15%
Assurance assets	18.2	18.5	18.7	57.3	18.2	18.5	18.7	57.3	-	-	-	-	-67%	-67%
Other assets	0.3	0.3	0.3	1.3	0.3	0.3	0.3	1.3	-	-	-	-	-78%	-78%
Cash and cash equivalents	32.5	34.7	33.5	33.2	32.5	34.7	33.5	33.2	-	-	-	-	1%	1%
<b>Total assets</b>	<b>55.1</b>	<b>56.9</b>	<b>55.2</b>	<b>95.0</b>	<b>55.1</b>	<b>56.9</b>	<b>55.2</b>	<b>95.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-42%</b>	<b>-42%</b>
<b>Equity and liabilities</b>														
<b>Equity</b>	<b>27.6</b>	<b>28.1</b>	<b>28.4</b>	<b>29.8</b>	<b>27.6</b>	<b>28.1</b>	<b>28.4</b>	<b>29.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4%</b>	<b>-4%</b>
<b>Liabilities</b>														
Assurance liability	16.9	17.2	17.4	55.7	16.9	17.2	17.4	55.7	-	-	-	-	-69%	-69%
Deferred and current tax liabilities	1.7	2.0	0.1	0.5	1.7	2.0	0.1	0.5	-	-	-	-	-88%	-88%
Other liabilities	8.9	9.6	9.4	9.0	8.9	9.6	9.4	9.0	-	-	-	-	4%	4%
<b>Liabilities of continuing operations</b>	<b>55.1</b>	<b>56.9</b>	<b>55.2</b>	<b>95.0</b>	<b>55.1</b>	<b>56.9</b>	<b>55.2</b>	<b>95.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-42%</b>	<b>-42%</b>

## Key performance indicators

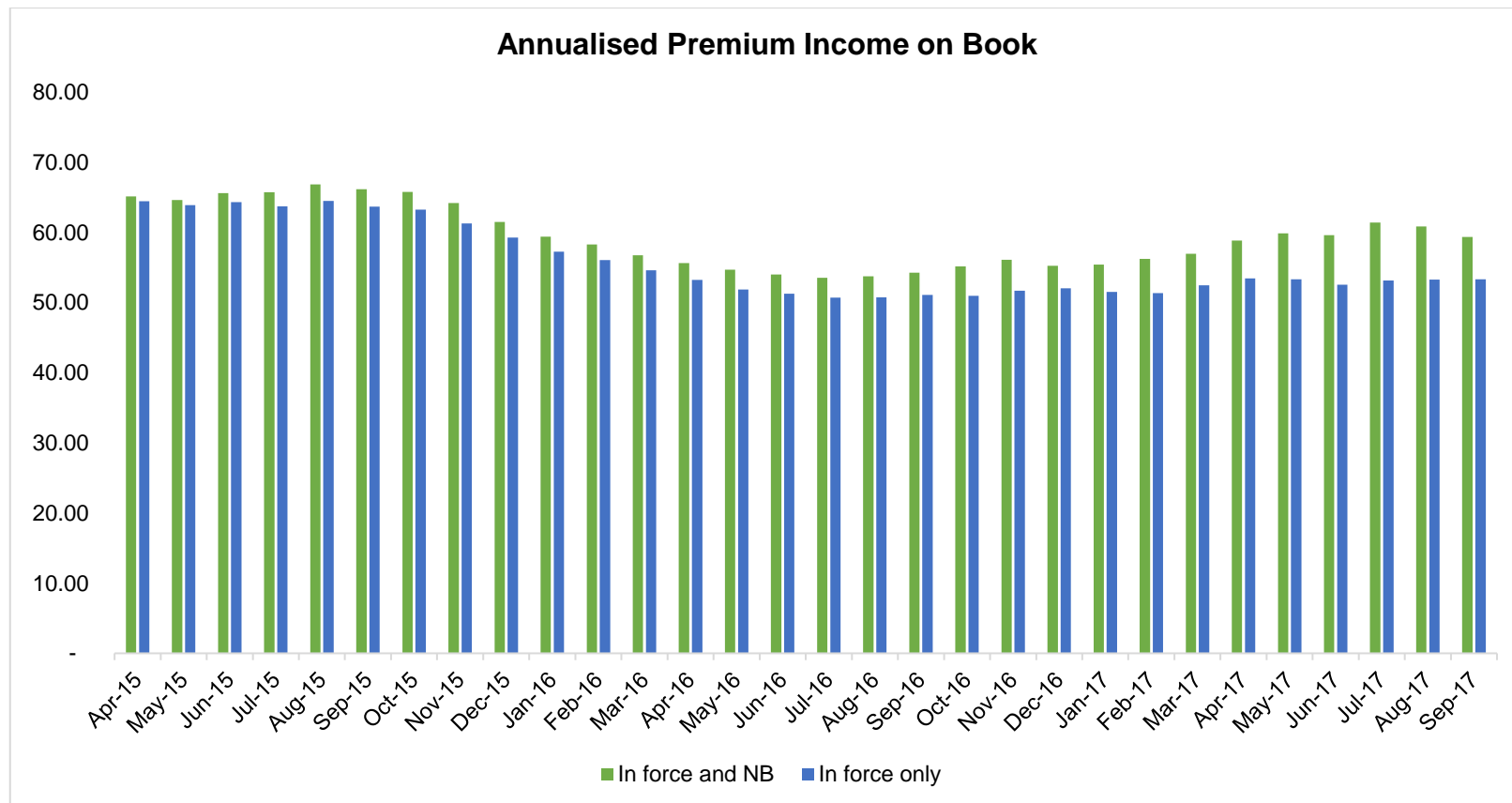
Main KPIs	Month	Month	Month	Month	Month	YTD	YTD	YTD
	Actual	Actual	Actual	Forecast	Actual v	Actual	Forecast	Actual v
	July	August	September	September	Forecast	September	September	Forecast
	2017	2017	2017	2017	%	2017	2017	%
Active call centre seats	50	44	44	48	-8%	44	48	-8%
Sales - Policies	3 131	2 559	2 013	2 670	-25%	16 159	16 187	0%
Sales - API (R'000)	4 761	3 793	2 888	3 570	-19%	23 852	21 669	10%
In Force Book - Policies	41 311	40 664	39 489	41 415	-5%	39 489	41 415	-5%

### Policies on book

Policies on book decreased from **40 664** to **39 489** month on month. Inception and retention rates of newer business remains under significant pressure.

### Sales

Call centre seats are largely in line with the forecast, although this does fluctuate from month to month. With the introduction of externally sourced leads, sales levels (in terms of policies sold and the Annual Premium Income value thereof) year to date has been in line with forecast. This has not translated into an increase in the in-force book size however (as reflected in the chart below), as inception rates and early retention of new policies is significantly below expectations, particularly for external leads. Management is currently developing additional internal capacity to expand retention activities as well as introducing new product features to improve retention.



### 5.3. DMC

#### DMC statement of financial performance

	Month Restated Jul 2017 R'm	Month Restated Aug 2017 R'm	Month Restated Sep 2017 R'm	YTD Restated Sep 2017 R'm	YTD Forecast Sep 2017 R'm	YTD Restated v Forecast %
<b>Net yield</b>	<b>34.7</b>	<b>35.7</b>	<b>35.9</b>	<b>212.2</b>	<b>203.4</b>	<b>4%</b>
Finance costs	(10.8)	(10.5)	(9.8)	(63.4)	(63.6)	0%
<b>Net margin</b>	<b>23.9</b>	<b>25.3</b>	<b>26.0</b>	<b>148.9</b>	<b>139.8</b>	<b>7%</b>
Outsourced collection income	3.8	4.0	4.1	22.9	23.8	-4%
<b>Operating income</b>	<b>27.8</b>	<b>29.2</b>	<b>30.1</b>	<b>171.8</b>	<b>163.6</b>	<b>5%</b>
Operating expenditure	(22.4)	(22.0)	(22.0)	(132.9)	(144.7)	8%
<b>Normalised contribution</b>	<b>5.4</b>	<b>7.2</b>	<b>8.1</b>	<b>38.9</b>	<b>18.9</b>	<b>&gt; 100%</b>
Audit overruns	-	-	(1.8)	(1.8)	-	-100%
<b>Profit/(loss) before tax</b>	<b>5.4</b>	<b>7.2</b>	<b>6.3</b>	<b>37.1</b>	<b>18.9</b>	<b>96%</b>
Current and withholding tax expense	(1.1)	1.4	(1.0)	(1.8)	(1.9)	3%
Deferred tax expense	0.3	(1.6)	0.3	(2.3)	-	-100%
<b>Profit/(loss) after tax</b>	<b>4.6</b>	<b>7.1</b>	<b>5.6</b>	<b>33.0</b>	<b>17.0</b>	<b>94%</b>
Average productive assets	1,168.6	1,154.0	1,146.7	1,146.7	1,123.2	
Average long term borrowings	925.1	912.5	904.9	904.9	890.6	
Average equity	279.3	281.6	283.8	283.8	277.0	
<b>Ratios *</b>						
Return on productive assets	36.0%	36.5%	36.9%	36.9%	36.1%	
Cost of funds	13.9%	14.0%	14.0%	14.0%	14.3%	
Cost to income ratio	58.0%	55.4%	55.1%	56.5%	63.7%	
Effective tax rate	15.2%	1.7%	11.9%	11.0%	10.0%	
Pre-tax return on equity	25.2%	26.1%	26.1%	26.1%	13.6%	
Return on equity	21.8%	23.2%	23.2%	23.2%	12.3%	

\* Ratios based on simple annual averages used. Refer to ratio definitions in glossary.

Collections on the DMC principal receivable portfolio have marginally exceeded forecast requirements, which has translated into a positive yield variance. One of the acquired sellers has paid over an additional once-off R1.6m in August resulting from a clean up of their suspense accounts. The Outsourced collections levels have fallen below the expected growth required per the forecast, however lower costs and higher collections from higher yielding clients has contributed to the profit from the division being in line with expectations. A lower monthly fixed cost run rate together with less direct costs incurred in the DMC call centre and visitation network have contributed to the year to date cost savings.

Lower than forecasted operating expenditure is mainly due to lower call centre capacity and lower visitation network production as well as reductions in costs in most of the DMC departments.

### DMC statement of financial position

	DMC consolidated				Off-balance sheet				On-balance sheet						
	Restated Jul 2017 R'm	Restated Aug 2017 R'm	Restated Sep 2017 R'm	Forecast Sep 2017 R'm	Restated Jul 2017 R'm	Restated Aug 2017 R'm	Restated Sep 2017 R'm	Forecast Sep 2017 R'm	Restated Jul 2017 R'm	Restated Aug 2017 R'm	Restated Sep 2017 R'm	Forecast Sep 2017 R'm	Restated v Forecast %	Restated v Forecast %	Restated v Forecast %
<b>Assets</b>															
Loans and advances	221.1	213.9	206.4	206.7	(3.9)	(13.7)	(23.0)	-	225.1	227.5	229.4	206.7	0%	-100%	11%
Acquired assets	687.3	675.8	660.3	702.1	239.3	227.7	215.1	236.8	448.0	448.1	445.2	465.3	-6%	-9%	-4%
Property and equipment and Intangible assets	9.9	9.5	8.9	10.5	-	-	-	-	9.9	9.5	8.9	10.5	-16%	0%	-16%
Investments	25.0	25.6	26.2	23.1	-	-	-	-	25.0	25.6	26.2	23.1	13%	0%	13%
Other assets	19.0	20.1	18.5	18.9	-	-	-	-	19.0	20.1	18.5	18.9	-2%	0%	-2%
Cash and cash equivalents	245.8	205.9	243.5	176.1	88.3	50.0	78.4	69.4	157.5	155.8	165.1	106.8	38%	13%	55%
<b>Total assets</b>	<b>1,208.2</b>	<b>1,150.7</b>	<b>1,163.8</b>	<b>1,137.5</b>	<b>323.7</b>	<b>264.0</b>	<b>270.5</b>	<b>306.2</b>	<b>884.5</b>	<b>886.7</b>	<b>893.3</b>	<b>831.3</b>	<b>2%</b>	<b>-12%</b>	<b>7%</b>
<b>Equity and liabilities</b>															
<b>Equity</b>	<b>283.7</b>	<b>290.8</b>	<b>294.8</b>	<b>278.2</b>	<b>10.3</b>	<b>10.7</b>	<b>10.9</b>	<b>13.2</b>	<b>273.4</b>	<b>280.2</b>	<b>283.9</b>	<b>265.1</b>	<b>6%</b>	<b>-17%</b>	<b>7%</b>
<b>Liabilities</b>															
Long term interest bearing borrowings	905.1	862.2	866.8	851.1	170.7	124.3	125.6	156.7	734.5	738.0	741.2	694.4	2%	-20%	7%
Deferred and current tax liabilities	22.5	22.6	22.7	25.5	3.7	3.8	3.4	-	18.8	18.8	19.4	25.5	-11%	100%	-24%
Junior loans to SPVs	-	-	-	-	80.8	68.8	69.8	86.1	(80.8)	(68.8)	(69.8)	(86.1)	0%	-19%	19%
Other liabilities	(3.2)	(25.0)	(20.5)	(17.3)	58.2	56.5	60.9	50.3	(61.4)	(81.5)	(81.4)	(67.6)	-19%	21%	-20%
<b>Liabilities of continuing operations</b>	<b>1,208.2</b>	<b>1,150.7</b>	<b>1,163.8</b>	<b>1,137.5</b>	<b>323.7</b>	<b>264.0</b>	<b>270.5</b>	<b>306.2</b>	<b>884.5</b>	<b>886.7</b>	<b>893.3</b>	<b>831.3</b>	<b>2%</b>	<b>-12%</b>	<b>7%</b>

The loans and advances are legacy run-off portfolios and have amortised in line with forecast expectations.

The acquired debt asset has continued to amortise since April 2017 and is due to limited purchases in the current year. Only two portfolios amounting to R21m have been purchased, which will negatively impact the division's medium term earnings potential.

The forecast had assumed a R53m prepayment on the outstanding Standard Bank loan, which was not paid as at 31 September. Prepayment arrangements with Standard Bank were finalised in October. This has resulted in higher levels off cash holdings and long-term liabilities versus forecast.

**DMC equity to asset ratio**

	Restated Jul 2017 R'm	Restated Aug 2017 R'm	Restated Sep 2017 R'm	Forecast Sep 2017 R'm
<b>Equity / Total assets</b>	<b>26%</b>	<b>28.7%</b>	<b>29.2%</b>	<b>24.5%</b>
Equity per statement of financial position	283.7	290.8	294.8	278.2
SPV equity	(10.3)	(10.7)	(10.9)	(13.2)
Intangible and deferred tax assets to be funded with equity	(2.5)	(2.5)	(2.5)	(2.4)
SPV junior loans	(80.8)	(68.8)	(69.8)	(86.1)
<b>Total adjusted equity (on balance sheet equity)</b>	<b>190.1</b>	<b>208.8</b>	<b>211.7</b>	<b>176.6</b>
Assets per statement of financial position	1,208.2	1,150.7	1,163.8	1,137.5
Cash and Cash equivalents (on balance sheet)	(157.5)	(155.8)	(165.1)	(106.8)
Intangible and deferred tax assets to be funded with equity	(2.5)	(2.5)	(2.5)	(2.4)
SPV assets	(323.7)	(264.0)	(270.5)	(306.2)
- Net advances	(235.4)	(214.0)	(192.2)	(236.8)
- Cash	(88.3)	(50.0)	(78.4)	(69.4)
<b>Total adjusted assets (on balance sheet assets)</b>	<b>724.5</b>	<b>728.3</b>	<b>725.6</b>	<b>722.1</b>

A higher than budgeted equity has been achieved by the end of September 2017 mainly from an improved profit after tax run rate as well as lower levels of Junior loans held in DMC special purpose vehicles. The lower Junior loan positions in these vehicles have been achieved through better than expected collections on the assets held which have flowed through as repayments on these loans at the last repayment dates.

## DMC - KPI

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	YTD
<b>Receipting - Owned assets</b>							
Actual	58.0	54.1	58.8	53.7	56.1	56.7	337.4
Budget	57.7	55.9	55.5	53.5	53.5	52.8	329.0
<b>Direct cost to income ratio - Owned assets</b>							
Actual	34.8%	39.5%	40.3%	39.8%	37.3%	37.4%	38.1%
Budget	42.6%	42.1%	45.7%	43.3%	45.5%	42.7%	43.6%
<b>Outsourced contribution</b>							
Actual	1.7	1.2	1.9	1.6	1.9	1.7	10.0
Budget	1.6	1.6	1.6	1.7	1.8	1.8	10.0
<b>Purchases - Acquired debt</b>							
Actual	-	-	16.5	-	5.1	-	21.7
Budget	-	-	16.5	5.0	25.0	11.9	58.4
<b>Purchased gross margin - Acquired debt</b>							
Actual	0.0%	0.0%	56.0%	0.0%	78.4%	0.0%	60.5%
Budget	49.5%	49.5%	49.5%	49.5%	49.5%	49.5%	49.5%

To date the actual receipting has outperformed forecast expectations with some seasonal volatility being experienced in May and July. Note that a once off R1.6m was received from one of the acquired sellers in August and is included in the receipting above.

The direct cost to income run rates are ahead of forecast mainly from lower volumes in the visitation network due to more conservative allocations and fewer agents in the call centre.

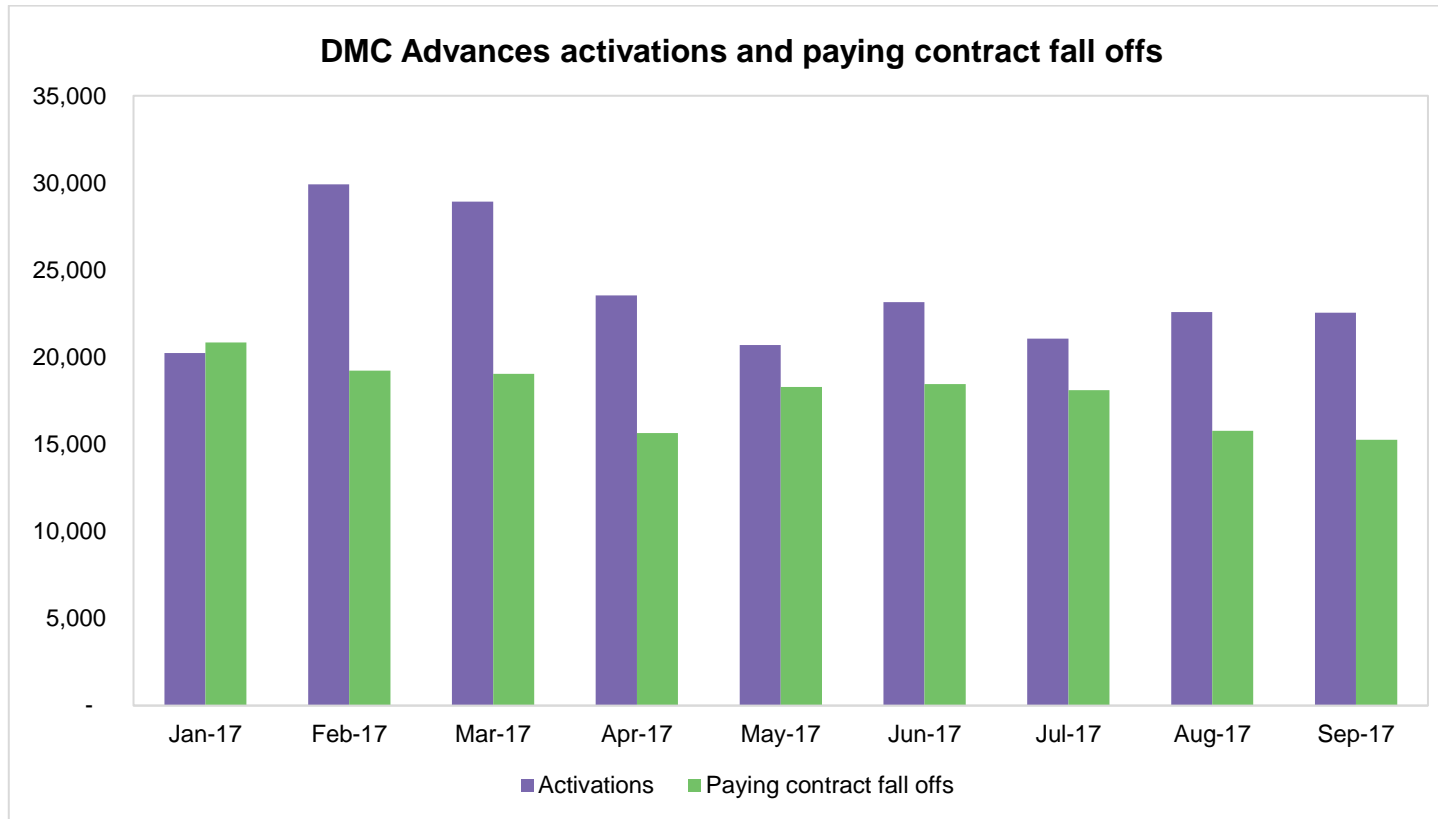
Outsourced contributions are in line with forecast expectations. This result has been achieved through direct costs savings together with increased commissions being earned from collections with higher commission rates. Significant work is being executed in order to improve the foundational outsourced operating model with a view to improving panel-ranking performance as a basis for market share growth.

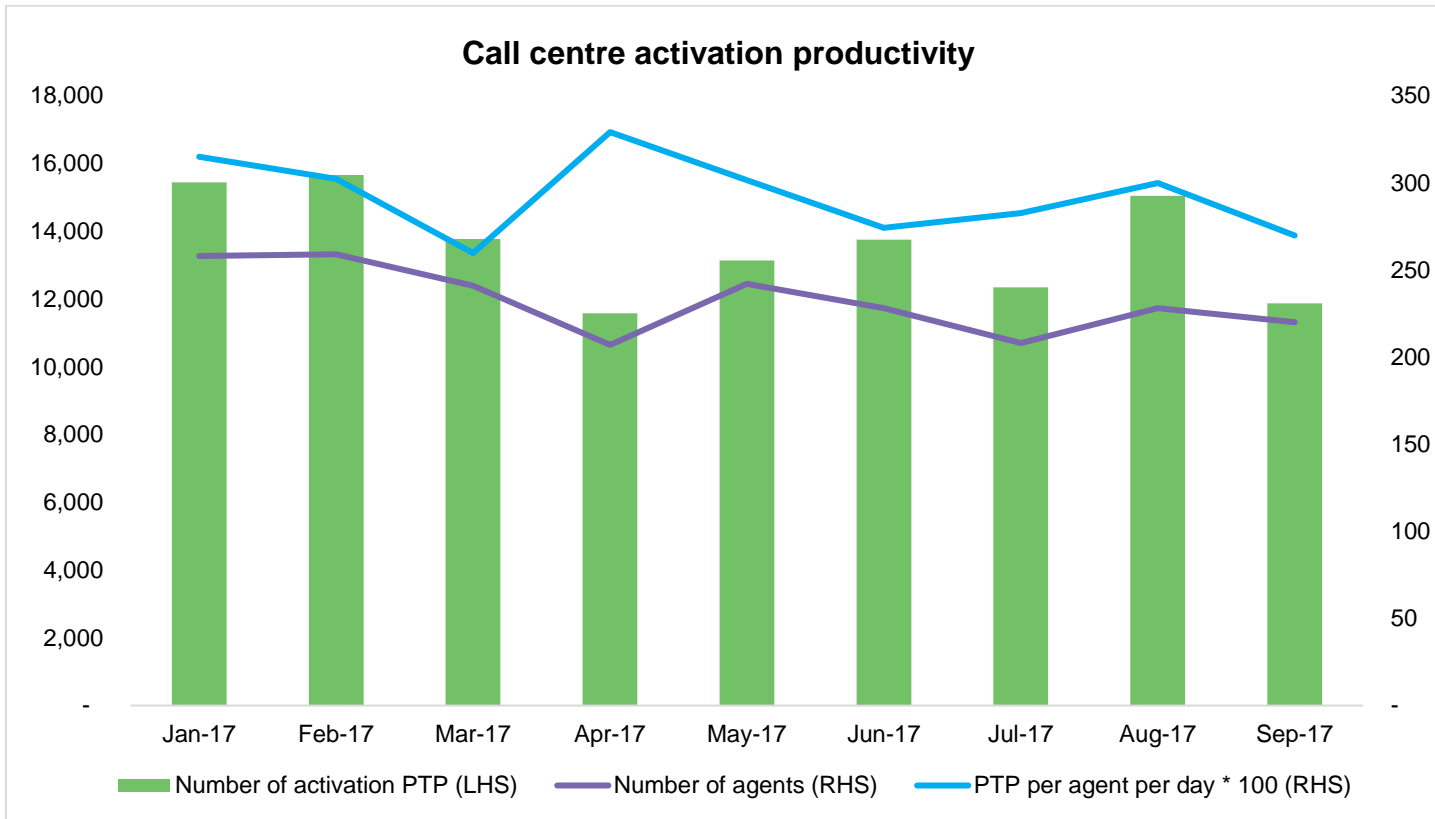
New acquired debt purchases have been limited due to a moratorium from lenders to purchase portfolios, with the market share being absorbed by Transactional Capital and Nimble.



**Activations and Fall offs**

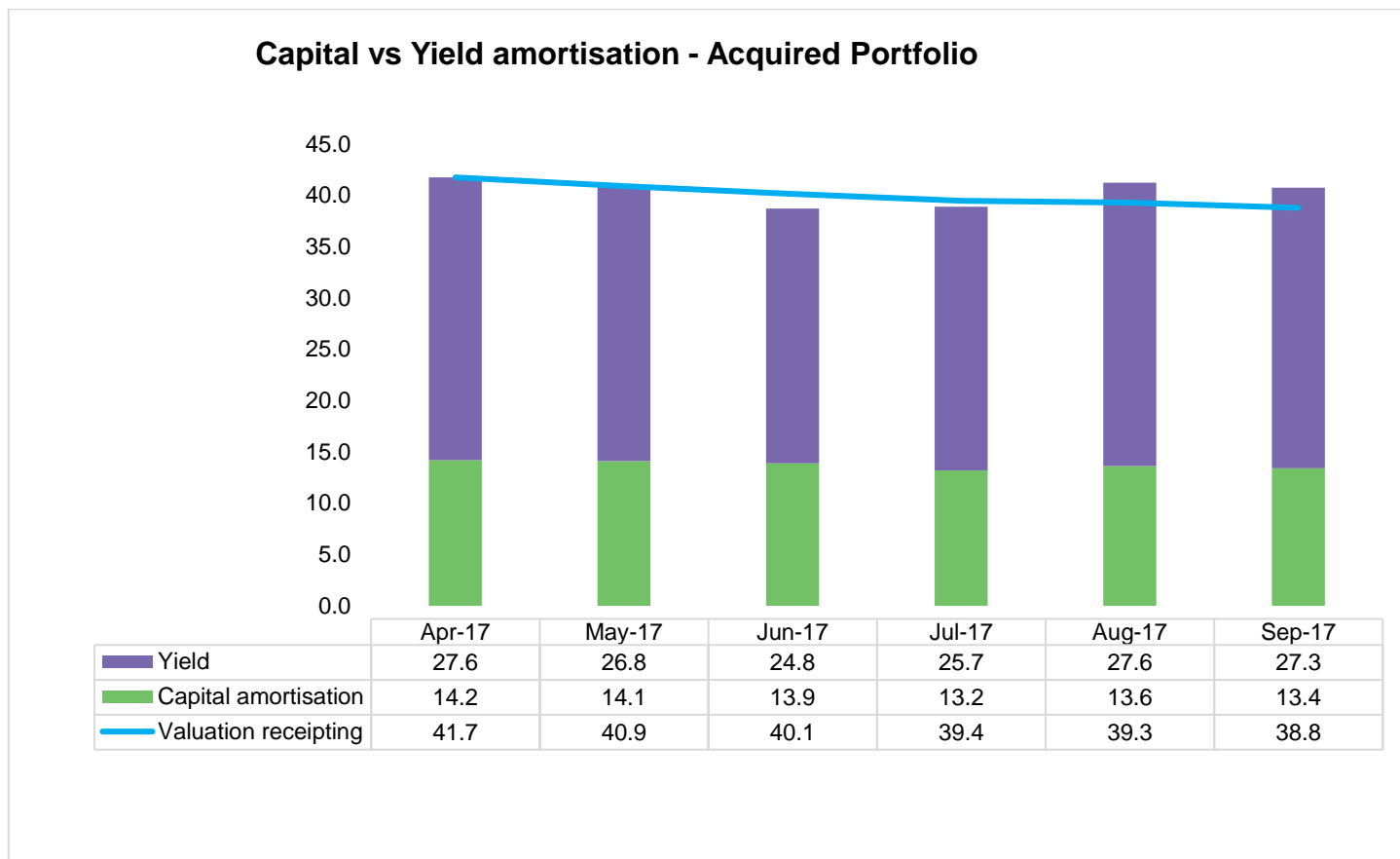
Operationally, the two primary drivers of receipting levels are activations (accounts paying for the first time in 3 months) and fall offs (accounts that were paying and have not paid for 3 months).





Activations and call centre productivity have gradually reduced since February mainly because of a reduction in the call centre capacity and a reduction in work quality due to the very low new acquisition volumes since 2016. The increase in August is due to the new African Bank and Capfin portfolios providing a lift as they move through the initial activation process.

**Capital vs Yield Amortisation – Acquired Portfolio**



The amortisation profile of the acquired debt asset has gradually reduced since April in line with an amortising book with limited purchases. The yield run rate has remained relatively consistent as DMC has managed to obtain the same levels of receipting on an otherwise amortising book.

## 5.4. Group division

### Group division consolidated statement of financial performance

	Month Restated Jul 2017 R'm	Month Restated Aug 2017 R'm	Month Restated Sep 2017 R'm	YTD Restated Sep 2017 R'm	YTD Forecast Sep 2017 R'm	YTD Restated v Forecast %
<b>Net yield</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>	-	<b>100%</b>
Finance costs	(0.3)	(0.3)	(0.3)	(1.7)	-	-100%
<b>Net margin</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(1.1)</b>	-	<b>-100%</b>
Operating expenditure	(1.8)	(2.1)	(1.8)	(12.6)	(14.8)	15%
<b>Normalised contribution</b>	<b>(2.0)</b>	<b>(2.3)</b>	<b>(2.0)</b>	<b>(13.7)</b>	<b>(14.8)</b>	<b>8%</b>
Capital restructure costs	(5.2)	(1.9)	(1.0)	(14.0)	(11.9)	-17%
Hedging gain/(loss)	(4.1)	(3.0)	(1.8)	(17.7)	-	-100%
Audit overruns	-	-	(1.5)	(1.5)	-	-100%
<b>Profit/(loss) before tax</b>	<b>(11.3)</b>	<b>(7.2)</b>	<b>(6.3)</b>	<b>(46.9)</b>	<b>(26.8)</b>	<b>-75%</b>
Taxation	-	-	-	-	-	0%
<b>Profit/(loss) after tax</b>	<b>(11.3)</b>	<b>(7.2)</b>	<b>(6.3)</b>	<b>(46.9)</b>	<b>(26.8)</b>	<b>-75%</b>

**Net margin:** Finance costs primarily includes raising fees, which are currently fully accounted for at Group level. Post-restructure, these costs will be allocated to the divisions on a forward looking basis.

**Operating expenditure:** Costs were higher in August due to a deemed VAT on imported services (annual Microsoft license fee), which costs were negated by a release of the overprovision of the low financial leverage bonus provision.

**Capital restructure costs:** The higher than forecasted restructure costs are due to the fact that the budget for restructure costs was increased after finalisation of the forecast. Capital restructure costs are currently well within the latest approved budget.

**Hedging gain/(loss):** In the prior financial year, it was established that the prerequisites to apply hedge accounting were not complied with, and that the cash flow hedge reserve would need to be recycled through profit and loss. The effect of this adjustment is larger variances in gains/losses through profit and loss.

**Audit overruns:** Deloitte were appointed as the new auditors of the Group, from the 2017 financial year-end. The actual time spent by Deloitte was higher than what they originally envisioned, which resulted in significant audit overruns. These overruns are not expected to recur in the future.

## Group division statement of financial position

	GCS consolidated				Off-balance sheet				On-balance sheet					
	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	Forecast	Restated	Restated	Restated	Forecast	Restated	Restated
	Jul	Aug	Sep	Sep	Jul	Aug	Sep	Sep	Jul	Aug	Sep	Sep	v	v
2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	Forecast	Forecast	
	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	%	%
<b>Assets</b>														
Property and equipment and Intangible assets	1.4	1.1	1.1	2.2	-	-	-	-	1.4	1.1	1.1	2.2	-49%	-49%
Other assets	18.4	17.1	17.0	22.7	-	-	-	-	18.4	17.1	17.0	22.7	-25%	-25%
Deferred and current tax assets	4.1	4.1	4.1	4.1	-	-	-	-	4.1	4.1	4.1	4.1	0%	0%
Cash and cash equivalents	1.8	2.0	2.4	17.6	-	-	-	-	1.8	2.0	2.4	17.6	-87%	-87%
<b>Total assets</b>	<b>25.6</b>	<b>24.4</b>	<b>24.5</b>	<b>46.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25.6</b>	<b>24.4</b>	<b>24.5</b>	<b>46.5</b>	<b>-47%</b>	<b>-47%</b>
<b>Equity and liabilities</b>														
<b>Equity</b>	<b>(25.1)</b>	<b>(28.2)</b>	<b>(28.4)</b>	<b>(20.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25.1)</b>	<b>(28.2)</b>	<b>(28.4)</b>	<b>(20.4)</b>	<b>-39%</b>	<b>-39%</b>
<b>Liabilities</b>														
Long term interest bearing borrowings	5.3	8.7	3.8	(22.6)	-	-	-	-	5.3	8.7	3.8	(22.6)	> -100%	> -100%
Other liabilities	45.3	43.9	49.1	89.5	-	-	-	-	45.3	43.9	49.1	89.5	-45%	-45%
<b>Liabilities of continuing operations</b>	<b>25.6</b>	<b>24.4</b>	<b>24.5</b>	<b>46.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25.6</b>	<b>24.4</b>	<b>24.5</b>	<b>46.5</b>	<b>-47%</b>	<b>-47%</b>

**Long-term interest bearing borrowings:** The movements month-on-month primarily relate to derivative instrument movements which, due to the nature of these instruments and mark-to-market movements, was not considered practical to forecast an outcome.

**Other liabilities:** In the Forecast, transactions with other divisions were included in other liabilities. For consistency, the capital allocations were also allocated to other liabilities.

## 6. Glossary

Ratio	Definition
Equity / Total assets	<p>Group equity reduced by:</p> <ul style="list-style-type: none"> <li>-The cash flow hedge</li> <li>-Equity in SPVs and regulated Assurance Company</li> <li>-Junior equity instruments in SPVs</li> <li>-Deferred taxation &amp; Intangible assets on balance sheet</li> </ul> <p>Total assets reduced by:</p> <ul style="list-style-type: none"> <li>-Assets in SPVs and regulated Assurance Company</li> <li>- Cash and cash equivalents on balance sheet</li> <li>-Deferred taxation &amp; Intangible assets on balance sheet</li> </ul>
Return on productive assets	Annualised Net yield / Simple average Loans and advances, Acquired assets, cash and cash equivalents
Cost of funds	Annualised Finance costs / Simple average Long term interest bearing borrowings
Cost to income	Operating expenses / Net yield, Net assurance income - funeral benefits and Outsourced collection income
Pre-tax return on equity	Profit or loss before tax / Simple annual average equity on balance sheet
Return on equity	Net income after tax / Simple annual average equity on balance sheet