

# Financial Report

For the quarter ended  
30 June 2021

REAL PEOPLE®

**Real People  
Investment Holdings Ltd**



|                                       |            |
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# Group statement of financial position

| Group consolidated - June FY2022                   |                |                |               |
|--|----------------|----------------|---------------|
|  | Actual         | Prior Year     | Actual vs     |
|  | R'm            | R'm            | Prior Year(%) |
| <b>Assets</b>                                      |                |                |               |
| <b>Home Finance</b>                                |                |                |               |
| Gross performing Loans                             | 516,3          | 664,1          | -22,3%        |
| Performing loans Impairments                       | 437,5          | 670,4          | -34,7%        |
| Net performing loans                               | (77,5)         | (166,8)        | 53,5%         |
| Net non-performing loans                           | 359,9          | 503,6          | -28,5%        |
|  | 156,4          | 160,5          | -2,5%         |
| <b>Acquired Debt</b>                               |                |                |               |
| Discontinued receivables                           | 553,6          | 510,6          | 8,4%          |
| Acquired assets                                    | 25,1           | 47,3           | -46,9%        |
|  | 528,5          | 463,3          | 14,1%         |
| Right-of-use asset and equipment                   | 25,6           | 35,1           | -27,1%        |
| Investments  | 11,2           | 13,9           | -19,6%        |
| Other assets                                       | 26,6           | 25,5           | 4,1%          |
| Deferred tax assets                                | 0,0            | 0,0            | 0,0%          |
| Cash and cash equivalents                          | 364,2          | 319,3          | 14,1%         |
| <b>Total assets</b>                                | <b>1 497,5</b> | <b>1 568,6</b> | <b>-4,5%</b>  |
| <b>Equity</b>                                      | <b>306,2</b>   | <b>173,4</b>   | <b>76,6%</b>  |
| <b>Liabilities</b>                                 |                |                |               |
| Borrowings   | 1 129,5        | 1 347,3        | -16,2%        |
| Deferred and current tax liabilities               | 8,9            | 7,9            | 12,5%         |
| Other liabilities                                  | 52,9           | 40,0           | 32,2%         |
| <b>Total liabilities</b>                           | <b>1 191,3</b> | <b>1 395,2</b> | <b>-14,6%</b> |
| <b>Total equity and liabilities</b>                | <b>1 497,5</b> | <b>1 568,6</b> | <b>-4,5%</b>  |
| <b>Monthly Average</b>                             |                |                |               |
| Average Productive Assets                          | 1 068,3        | 1 193,6        | -10,5%        |
| Average Total Assets                               | 1 444,0        | 1 539,8        | -6,2%         |
| Average Productive Assets/Average Total Assets (%) | 74,0%          | 77,5%          | -4,6%         |
| <b>YTD Average</b>                                 |                |                |               |
| Average Productive Assets                          | 1 076,4        | 1 219,7        | -11,7%        |
| Average Total Assets                               | 1 460,7        | 1 550,3        | -5,8%         |
| Average Productive Assets/Average Total Assets (%) | 73,7%          | 78,7%          | -6,3%         |

## Key take outs:

### Assets:

- The year on year decline in the Home Finance book is attributable to lower production during the COVID-19 lockdown and resulting book amortisation. To June 2021 Home Finance loan originations have continued to improve in line with expectations.
- The Acquired Debt channel's assets continue to trend upward with new purchases.
- The group has not recognised any deferred tax assets arising from tax losses or temporary differences.

### Equity:

- Equity is higher on account of the profit for the year.

### Liabilities:

- Borrowings are lower year on year following loan repayments and limited new funding raised during the year compared to prior years.

# Group statement of comprehensive income (1)

| Month - June FY2022 |               |               |               |               |
|---------------------|---------------|---------------|---------------|---------------|
| Actual              | ROPA %        | Prior Year    | ROPA %        | Actual vs     |
| R'm                 |               | R'm           |               | Prior Year(%) |
| 9,1                 | 10,3%         | 6,3           | 6,4%          | 44,5%         |
| 13,3                | 15,1%         | 21,4          | 21,8%         | -37,9%        |
| (4,2)               | -4,8%         | (15,1)        | -15,4%        | 72,1%         |
| 6,8                 | 7,8%          | 2,6           | 2,7%          | > 100%        |
| -                   | 0,0%          | 6,0           | 6,1%          | -100,0%       |
| 2,3                 | 2,6%          | 4,7           | 4,8%          | -50,5%        |
| <b>18,2</b>         | <b>20,7%</b>  | <b>19,6</b>   | <b>20,0%</b>  | <b>-7,1%</b>  |
| <b>28,1</b>         | <b>32,0%</b>  | <b>22,7</b>   | <b>23,1%</b>  | <b>23,8%</b>  |
| 1,7                 | 1,9%          | 1,1           | 1,1%          | 57,4%         |
| <b>48,0</b>         | <b>54,7%</b>  | <b>43,4</b>   | <b>44,2%</b>  | <b>10,7%</b>  |
| (9,8)               | -11,2%        | (13,4)        | -13,7%        | 26,7%         |
| <b>38,2</b>         | <b>43,5%</b>  | <b>30,0</b>   | <b>30,5%</b>  | <b>27,4%</b>  |
| 2,1                 | 2,4%          | 2,3           | 2,4%          | -11,8%        |
| 4,0                 | 4,6%          | 3,2           | 3,3%          | 23,9%         |
| 0,2                 | 0,3%          | 0,4           | 0,4%          | -34,8%        |
| 0,1                 | 0,1%          | 0,4           | 0,4%          | -74,4%        |
| <b>44,6</b>         | <b>50,8%</b>  | <b>36,4</b>   | <b>37,1%</b>  | <b>22,7%</b>  |
| <b>(33,4)</b>       | <b>-38,1%</b> | <b>(28,5)</b> | <b>-29,1%</b> | <b>-17,3%</b> |
| (32,5)              | -37,1%        | (28,4)        | -28,9%        | -14,7%        |
| (0,9)               | -0,01         | (0,1)         | -0,1%         | > -100%       |
| (0,7)               | -0,8%         | 0,3           | 0,3%          | > -100%       |
| <b>10,5</b>         | <b>11,9%</b>  | <b>8,2</b>    | <b>8,3%</b>   | <b>27,9%</b>  |
| (1,8)               | -2,1%         | (1,2)         | -1,2%         | -57,1%        |
| -                   | 0,0%          | -             | 0,0%          | 0,0%          |
| <b>8,6</b>          | <b>9,8%</b>   | <b>7,0</b>    | <b>7,2%</b>   | <b>23,1%</b>  |
| (0,7)               | -0,8%         | 0,1           | 0,1%          | > -100%       |
| <b>7,9</b>          | <b>9,0%</b>   | <b>7,1</b>    | <b>7,2%</b>   | <b>12,2%</b>  |

|         |         |
|---------|---------|
| 1 068,3 | 1 193,6 |
| 306,2   | 305,2   |
| 3,5     | 3,9     |
| 41,6%   | 32,6%   |
| 34,3%   | 28,0%   |
| 17,4%   | 14,2%   |

| Quarter 1 - June FY2022                                   |        |                |               |               |               |                  |
|---|--------|----------------|---------------|---------------|---------------|------------------|
| Actual  | ROPA % | Prior Year     | ROPA %        | Actual vs     |               |                  |
| R'm   |        | R'm            |               | Prior Year(%) |               |                  |
| Home Finance net yield - PL                               |        | 29,8           | 11,2%         | 10,2          | 3,4%          | > 100%           |
| Gross yield - PL  |        | 40,0           | 15,0%         | 69,7          | 23,4%         | -42,6%           |
| Impairment provision                                      |        | (10,2)         | -3,8%         | (59,6)        | -20,0%        | 82,9%            |
| Home Finance yield - NPL                                  |        | 23,6           | 8,9%          | 7,0           | 2,4%          | > 100%           |
| Home Finance - movement in FLI                            |        | 0,3            | 0,1%          | 22,0          | 7,4%          | -98,5%           |
| Net assurance income - credit life                        |        | 7,8            | 2,9%          | 15,0          | 5,0%          | -47,8%           |
| <b>Home Finance net yield from assets</b>                 |        | <b>61,6</b>    | <b>23,1%</b>  | <b>54,2</b>   | <b>18,2%</b>  | <b>13,7%</b>     |
| <b>Acquired debt net yield from assets</b>                |        | <b>81,5</b>    | <b>30,6%</b>  | <b>65,4</b>   | <b>22,0%</b>  | <b>24,6%</b>     |
| Interest income non debtors                               |        | 3,6            | 1,4%          | 3,3           | 1,1%          | 9,1%             |
| <b>Net yield</b>  |        | <b>146,7</b>   | <b>55,1%</b>  | <b>122,9</b>  | <b>41,3%</b>  | <b>19,4%</b>     |
| Finance costs   |        | (30,7)         | -11,5%        | (43,1)        | -14,5%        | 28,8%            |
| <b>Net margin</b>   |        | <b>116,0</b>   | <b>43,5%</b>  | <b>79,8</b>   | <b>26,8%</b>  | <b>45,4%</b>     |
| Net assurance income - funeral benefits                   |        | 6,6            | 2,5%          | 7,8           | 2,6%          | -16,5%           |
| Outsourced collection income                              |        | 11,6           | 4,4%          | 10,5          | 3,5%          | 11,0%            |
| Credit management revenue                                 |        | 1,3            | 0,5%          | 1,2           | 0,4%          | 7,0%             |
| Sundry income   |        | 0,8            | 0,3%          | 1,3           | 0,4%          | -36,1%           |
| <b>Operating income</b>                                   |        | <b>136,3</b>   | <b>51,2%</b>  | <b>100,6</b>  | <b>33,8%</b>  | <b>35,5%</b>     |
| <b>Total costs</b>  |        | <b>(100,8)</b> | <b>-37,8%</b> | <b>(91,4)</b> | <b>-30,7%</b> | <b>-10,3%</b>    |
| Operating expenditure                                     |        | (98,2)         | -36,9%        | (91,2)        | -30,7%        | -7,7%            |
| Direct costs reallocated from yield                       |        | (2,5)          | -0,01         | (0,2)         | -0,1%         | > -100%          |
| Hedging gain/(loss)                                       |        | (0,7)          | -0,3%         | 0,3           | 0,1%          | > -100%          |
| <b>Profit (loss) before tax</b>                           |        | <b>34,8</b>    | <b>13,1%</b>  | <b>9,5</b>    | <b>3,2%</b>   | <b>&gt; 100%</b> |
| Current tax expense                                       |        | (4,4)          | -1,6%         | (4,0)         | -1,3%         | -9,6%            |
| Deferred tax  |        | -              | 0,0%          | -             | 0,0%          | 0,0%             |
| <b>Profit (loss) after tax</b>                            |        | <b>30,4</b>    | <b>11,4%</b>  | <b>5,5</b>    | <b>1,9%</b>   | <b>&gt; 100%</b> |
| <b>Other comprehensive (loss) / income:</b>               |        |                |               |               |               |                  |
| Movement in cash flow hedge reserve                       |        | (0,9)          | -0,4%         | (0,3)         | -0,1%         | > -100%          |
| <b>Total comprehensive (loss) / income for the period</b> |        | <b>29,5</b>    | <b>11,1%</b>  | <b>5,2</b>    | <b>1,8%</b>   | <b>&gt; 100%</b> |

|                           |         |         |
|---------------------------|---------|---------|
| Average productive assets | 1 068,3 | 1 193,6 |
| Average Equity            | 306,2   | 305,2   |
| Equity Multiplier         | 3,5     | 3,9     |
| Pre-tax return on equity  | 45,6%   | 12,5%   |
| Return on Equity          | 39,8%   | 7,3%    |
| Effective tax rate        | 12,6%   | 41,9%   |

## Key take outs relative to prior year:

- **Home Finance:** In Home Finance, a smaller book in the current year with a reduction in negative rolls compared to experience in the prior year (impacted by lockdown), sees Home Finance provisions decline significantly year on year. The unwind of the Home Finance forward looking indicator (FLI) overlay is shown separately in the accounts.
- **ADP:** In Acquired Debt Portfolios (ADP), a significant portion of collections are from new activations and the visitation network. The prior year lockdown influenced yield negatively in that period. The increase in yield this year is attributable to improved collections post lockdown.
- **Assurance:** Income is lower in the current year due to the smaller policy book and higher claims.
- **Outsourced:** Collections volumes are below expectation for the month but ahead of prior year.
- **Operating expenditure:** Prior year human capital costs were lower due to the COVID-19 payroll cut, and staff were compensated by the Temporary Employer Relief Scheme (TERS). There were limited direct costs in the prior year due to constrained Home Finance loan originations compared to larger origination costs in the current year. In the current year operating expenditure includes a monthly provision for incentive bonuses not in the prior year.

(1) Prior year monthly results were restated between months to re-allocate the December 2020 management overlay release to the attributable month

## Covenants : 12 month rolling compliance ratios

### Group Capital Adequacy Ratio

|   | Minimum per Covenant | Actual June FY2022 R'm | Actual June FY2020 R'm |
|---|----------------------|------------------------|------------------------|
| <b>Permanent Capital / Total adjusted assets</b>            | <b>25,0%</b>         | <b>58,7%</b>           | <b>29,8%</b>           |
| Equity per statement of financial position                  |                      | 306,2                  | 381,4                  |
| Cash flow hedge add back                                    |                      | 6,6                    | (2,1)                  |
| Qualifying equity   |                      | 312,8                  | 379,3                  |
| RP Life equity  |                      | (10,8)                 | 6,5                    |
| SPV equity  |                      | 202,5                  | 159,1                  |
| Intangible and deferred tax assets to be funded with equity |                      | -                      | 0,2                    |
| SPV junior loans  |                      | (189,4)                | (324,9)                |
| <b>Permanent Capital (on balance sheet equity)</b>          |                      | <b>315,1</b>           | <b>220,2</b>           |
| Assets per statement of financial position                  |                      | 1 498                  | 1 781,6                |
| Cash and Cash equivalents (on balance sheet)                |                      | (90)                   | (110,3)                |
| Intangible and deferred tax assets to be funded with equity |                      | -                      | 0,2                    |
| RP Life Assets  |                      | (11)                   | 36,4                   |
| SPV assets  |                      | (1 090)                | (1 149,2)              |
| SPV Junior loans Fair value                                 |                      | 229                    | -                      |
| <b>Total adjusted assets (on balance sheet assets)</b>      |                      | <b>536,7</b>           | <b>558,8</b>           |

### Group Cost to Income Ratio

|                             | Maximum per Covenant | Actual June FY2021 | Actual June FY2020 |
|-----------------------------|----------------------|--------------------|--------------------|
| Operating Expenses          |                      | 410,5              | 450,9              |
| Operating Income            |                      | 700,2              | 713,9              |
| <b>Cost to income ratio</b> | <b>74%</b>           | <b>58,6%</b>       | <b>63,2%</b>       |

### Minimum Available Cash Balance

| Minimum per Covenant | Actual June FY2021 | Excess cash June FY2021 |
|----------------------|--------------------|-------------------------|
| <b>20,00</b>         | <b>81,41</b>       | <b>61,41</b>            |

The financial covenants' calculations, the covenant requirements and waiver are calculated per the Second Addendum to the Senior Facilities agreement entered into between the Borrower, the Lenders and the Facility Agent on 10 June 2021. Per the Nordic Written Procedure concluded on 21 September 2020 the above covenants are also applicable to the Nordic Bonds.

## Glossary

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



Real People Investment Holdings Ltd  
1999\020093\06

Website: [www.realpeoplegroup.co.za](http://www.realpeoplegroup.co.za)