

# Financial Report

For the quarter ended  
30 SEPTEMBER 2021  
(Not audited)

REAL PEOPLE®

**Real People  
Investment Holdings Ltd**



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# Group statement of financial position

	Group consolidated - Sep FY2022		
	Actual	Prior Year	Actual vs
	R'm	R'm	Prior Year(%)
<b>Assets</b>			
<b>Home Finance</b>	<b>518,2</b>	<b>582,8</b>	<b>-11,1%</b>
Gross performing Loans	448,6	535,5	-16,2%
Performing loans Impairments	(77,3)	(130,8)	40,9%
Net performing loans	<b>371,3</b>	<b>404,7</b>	<b>-8,3%</b>
Net non-performing loans	<b>146,9</b>	<b>178,1</b>	<b>-17,5%</b>
<b>Acquired Debt</b>	<b>584,2</b>	<b>491,8</b>	<b>18,8%</b>
Discontinued receivables	21,7	39,3	-44,7%
Acquired assets	562,5	452,4	24,3%
Right-of-use asset and equipment	23,7	21,2	11,9%
Investments	12,4	12,7	-2,2%
Other assets	24,3	29,0	-16,1%
Deferred tax assets	0,0	0,0	0,0%
Cash and cash equivalents	324,1	380,9	-14,9%
<b>Total assets</b>	<b>1 487,1</b>	<b>1 518,5</b>	<b>-2,1%</b>
<b>Equity</b>	<b>339,6</b>	<b>174,8</b>	<b>94,3%</b>
<b>Liabilities</b>			
Borrowings	1 071,2	1 273,6	-15,9%
Deferred and current tax liabilities	10,1	4,7	> 100%
Other liabilities	66,1	65,4	1,2%
<b>Total liabilities</b>	<b>1 147,4</b>	<b>1 343,6</b>	<b>-14,6%</b>
<b>Total equity and liabilities</b>	<b>1 487,1</b>	<b>1 518,5</b>	<b>-2,1%</b>
<b>Monthly Average</b>			
Average Productive Assets	1 101,6	1 087,0	1,3%
Average Total Assets	1 419,6	1 457,1	-2,6%
Average Productive Assets/Average Total Assets (%)	77,6%	74,6%	4,0%
<b>YTD Average</b>			
Average Productive Assets	1 092,7	1 169,6	-6,6%
Average Total Assets	1 445,5	1 526,7	-5,3%
Average Productive Assets/Average Total Assets (%)	75,6%	76,6%	-1,3%

## Key take outs:

### Assets:

- The year on year decline in the HF book is attributable to lower production during Covid 19 and resulting book amortisation. HF loan originations have continued to improve on prior year however the riots in KZN and Gauteng have slowed the growth trend on a YTD basis.
- The Acquired Debt channel's assets continue to trend upward with YTD purchases exceeding target levels.
- 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. Fund raising for the year is however ahead of expectation after R60m new funding was raised during August.

# Group statement of comprehensive income (1)

Quarter - Sep FY2022				
Actual	ROPA	Prior Year	ROPA	Actual
R'm	%	R'm	%	vs
				Prior Year(%)
29,7	11,7%	30,6	11,2%	-3,1%
41,0	16,1%	54,8	20,0%	-25,2%
(11,3)	-4,4%	(24,1)	-8,8%	53,2%
17,8	7,0%	25,5	9,3%	-30,4%
-	0,0%	3,4	1,2%	-100,0%
8,8	3,5%	12,7	4,6%	-30,5%
<b>56,3</b>	<b>22,1%</b>	<b>72,3</b>	<b>26,4%</b>	<b>-22,1%</b>
<b>97,8</b>	<b>38,4%</b>	<b>62,6</b>	<b>22,8%</b>	<b>56,3%</b>
4,4	1,7%	2,5	0,9%	79,9%
<b>158,6</b>	<b>62,3%</b>	<b>137,3</b>	<b>50,1%</b>	<b>15,5%</b>
(29,3)	-11,5%	(34,6)	-12,6%	15,3%
<b>129,2</b>	<b>50,8%</b>	<b>102,7</b>	<b>37,5%</b>	<b>25,8%</b>
6,0	2,4%	6,4	2,3%	-5,3%
12,3	4,8%	12,1	4,4%	1,1%
1,6	0,6%	1,4	0,5%	14,2%
4,5	1,8%	10,9	4,0%	-58,7%
<b>153,6</b>	<b>60,4%</b>	<b>133,5</b>	<b>48,7%</b>	<b>15,0%</b>
<b>(117,1)</b>	<b>-46,0%</b>	<b>(130,1)</b>	<b>-47,5%</b>	<b>10,0%</b>
(114,7)	-45,1%	(129,3)	-47,2%	11,3%
(2,4)	-0,01	(0,8)	-0,3%	> -100%
(0,1)	0,0%	0,6	0,2%	> -100%
<b>36,4</b>	<b>14,3%</b>	<b>4,0</b>	<b>1,5%</b>	<b>&gt; 100%</b>
(3,7)	-1,4%	(2,1)	-0,8%	-71,5%
-	0,0%	-	0,0%	0,0%
<b>32,8</b>	<b>12,9%</b>	<b>1,9</b>	<b>0,7%</b>	<b>&gt; 100%</b>

(1,4)	-0,5%	(0,3)	-0,1%	> -100%
<b>31,4</b>	<b>12,3%</b>	<b>1,6</b>	<b>0,6%</b>	<b>&gt; 100%</b>

<b>1 009,4</b>	<b>1 087,0</b>
<b>339,6</b>	<b>314,9</b>
<b>3,0</b>	<b>3,5</b>
<b>42,5%</b>	<b>5,0%</b>
<b>38,3%</b>	<b>2,4%</b>
<b>10,0%</b>	<b>53,2%</b>

YTD - Sep FY2022					
Actual	ROPA	Prior Year	ROPA	Actual	
R'm	%	R'm	%	vs	
				Prior Year(%)	
Home Finance net yield - PL	59,5	11,8%	40,8	7,5%	45,9%
Gross yield - PL	81,0	16,0%	124,5	22,8%	-34,9%
Impairment provision	(21,5)	-4,2%	(83,7)	-15,4%	74,3%
Home Finance yield - NPL	41,4	8,2%	32,6	6,0%	27,1%
Home Finance - movement in FLI	0,3	0,1%	25,4	4,7%	-98,7%
Net assurance income - credit life	16,7	3,3%	27,7	5,1%	-39,9%
<b>Home Finance net yield from assets</b>	<b>117,9</b>	<b>23,3%</b>	<b>126,5</b>	<b>23,2%</b>	<b>-6,7%</b>
<b>Acquired debt net yield from assets</b>	<b>178,0</b>	<b>35,2%</b>	<b>128,0</b>	<b>23,5%</b>	<b>39,1%</b>
Interest income non debtors	9,8	1,9%	5,8	1,1%	70,0%
<b>Net yield</b>	<b>305,8</b>	<b>60,4%</b>	<b>260,2</b>	<b>47,7%</b>	<b>17,5%</b>
Finance costs	(60,1)	-11,9%	(77,8)	-14,3%	22,8%
<b>Net margin</b>	<b>245,7</b>	<b>48,6%</b>	<b>182,4</b>	<b>33,5%</b>	<b>34,7%</b>
Net assurance income - funeral benefits	12,6	2,5%	14,2	2,6%	-11,5%
Outsourced collection income	23,8	4,7%	22,6	4,1%	5,6%
Credit management revenue	2,9	0,6%	2,6	0,5%	10,9%
Sundry income	4,8	0,9%	12,2	2,2%	-60,7%
<b>Operating income</b>	<b>289,9</b>	<b>57,3%</b>	<b>234,1</b>	<b>43,0%</b>	<b>23,8%</b>
<b>Total costs</b>	<b>(217,8)</b>	<b>-43,0%</b>	<b>(221,5)</b>	<b>-40,6%</b>	<b>1,7%</b>
Operating expenditure	(212,9)	-42,1%	(220,6)	-40,5%	3,5%
Direct costs reallocated from yield	(5,0)	-0,01	(1,0)	-0,2%	> -100%
Hedging gain/(loss)	(0,8)	-0,2%	0,9	0,2%	> -100%
<b>Profit before tax</b>	<b>71,2</b>	<b>14,1%</b>	<b>13,5</b>	<b>2,5%</b>	<b>&gt; 100%</b>
Current tax expense	(8,0)	-1,6%	(6,1)	-1,1%	-31,1%
Deferred tax	-	0,0%	-	0,0%	0,0%
<b>Profit after tax</b>	<b>63,2</b>	<b>12,5%</b>	<b>7,4</b>	<b>1,4%</b>	<b>&gt; 100%</b>

## Other comprehensive (loss) / income:

Movement in cash flow hedge reserve	(1,9)	-0,4%	(0,6)	-0,1%	> -100%
<b>Total comprehensive (loss) / income</b>	<b>61,3</b>	<b>12,1%</b>	<b>6,8</b>	<b>1,2%</b>	<b>&gt; 100%</b>

<b>Average productive assets</b>	<b>1 009,4</b>	<b>1 087,0</b>
<b>Average Equity</b>	<b>339,6</b>	<b>314,9</b>
<b>Equity Multiplier</b>	<b>3,0</b>	<b>3,5</b>
<b>Pre-tax return on equity</b>	<b>41,8%</b>	<b>8,6%</b>
<b>Return on Equity</b>	<b>37,1%</b>	<b>4,7%</b>
<b>Effective tax rate</b>	<b>11,3%</b>	<b>45,3%</b>

## Key take outs:

- **HF - Relative to prior year** : In HF, a smaller book in the current year with a reduction in negative rolls compared to experience in the prior year (impacted by lockdown), sees HF provisions decline significantly year on year. The unwind of the Home Finance forward looking indicator (FLI) overlay is shown separately in the accounts.
- **ADP - Relative to prior year** : In Acquired Debt Portfolios (ADP), a significant portion of collections are from new activations and the visitation network. The prior year lock down influenced yield negatively in that period. The increase in yield this year is attributable to improved collections post lockdown.
- **Assurance - Relative to prior year** : income is lower in the current year due to the smaller policy book and slightly higher claims.
- **Outsourced - Relative to prior year** : Collections volumes are below expectation for the month but ahead of prior year.
- **Opex - Relative to prior year** : Gains due to cost savings from the operational restructure are resulting in cost improvement relative to 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

	Minimum per Covenant	Actual Sep FY2022 R'm	Actual Sep FY2021 R'm
<b>Permanent Capital / Total adjusted assets</b>	<b>25,0%</b>	<b>66,6%</b>	<b>29,8%</b>
Equity per statement of financial position		339,6	454,9
Cash flow hedge add back		6,0	(0,6)
Qualifying equity		345,7	454,3
RP Life equity		(12,0)	(27,3)
SPV equity		204,1	116,5
Intangible and deferred tax assets to be funded with equity		-	(0,9)
SPV junior loans		(188,1)	(327,5)
<b>Permanent Capital (on balance sheet equity)</b>		<b>349,6</b>	<b>215,1</b>
Assets per statement of financial position		1 487	2 078,6
Cash and Cash equivalents (on balance sheet)		(94)	(58,3)
Intangible and deferred tax assets to be funded with equity		-	(0,9)
RP Life Assets		(12)	(33,7)
SPV assets		(1 094)	(1 256,5)
SPV Junior loans Fair value		238	-
<b>Total adjusted assets (on balance sheet assets)</b>		<b>524,9</b>	<b>729,3</b>

### Group Cost to Income Ratio

	Maximum per Covenant	Actual Sep FY2022	Actual Sep FY2021
Operating Expenses		418,1	450,9
Operating Income		709,6	713,9
<b>Cost to income ratio</b>	<b>74%</b>	<b>58,9%</b>	<b>63,2%</b>

### Minimum Available Cash Balance

Minimum per Covenant	Actual Sep FY2022	Excess cash Sep FY2022
20,00	87,23	67,23

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> -The cash flow hedge -Equity in SPVs and regulated Assurance Company -Junior equity instruments in SPVs -Deferred taxation & Intangible assets on balance sheet <b>Total assets reduced by:</b> -Assets in SPVs and regulated Assurance Company - Cash and cash equivalents on balance sheet -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



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