Financial Report

For the quarter ended 30 June 2018

REAL PEOPLE®

Real People Investment Holdings Ltd

Table of Contents

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1.1 Consolidated Group statement of financial position

	Notes	Group consolidated Q1 Actual Jun FY 2019 R'm	Q1 Actual Jun FY2018 R'm	Q1 FY2019 v Q1 FY2018 %
Assets				
Loans and advances		859,4	936,9	(77,5)
Acquired assets		615,2	680,7	(65,5)
Property and equipment and Intangible assets		17,1	21,5	(4,4)
Investments		27,8	29,0	(1,2)
Assurance assets		-	18,0	(18,0)
Other assets		21,6	39,4	(17,8)
Deferred and current tax assets		11,4	5,8	5,6
Cash and cash equivalents		302,7	463,5	(160,7)
Assets of continuing operations	2.	**1 855,3**	**2 194,9**	**(339,6)**
Assets of disposal group		-	189,6	(189,6)
Total assets		**1 855,3**	**2 384,5**	**(529,2)**
Equity and liabilities				
Share Capital and share premium		1 308,9	1 308,9	0,0
Accumulated loss		(935,1)	(965,6)	30,5
Reserves		(0,2)	-	(0,2)
				-
Equity of RPSA	3.	**373,6**	**343,3**	**30,3**
Equity of disposal group		-	23,1	-
Equity		**373,6**	**366,4**	**30,3**
Liabilities	4.			
Long term interest bearing borrowings		1 393,2	1 757,5	(364,3)
Assurance liability		-	16,7	(16,7)
Deferred and current tax liabilities		22,4	20,5	1,9
Junior loans to SPVs		-	-	-
Other liabilities		66,1	56,9	9,3
Liabilities of continuing operations		**1 855,3**	**2 218,0**	**(339,5)**
Liabilities of disposal group		-	166,5	-
Total equity and liabilities		**1 855,3**	**2 384,5**	**(339,5)**

Notes:

1. Group balance sheet restructure

During the course of the previous financial year, the Group undertook a balance sheet restructure which entailed certain funders of the Group voluntarily exchanging on-balance sheet debt for equity and hybrid equity instruments. Whilst the restructure was being negotiated and implemented, the Group's ability to raise funding and sustain balance sheet growth was constrained. This resulted in the Group commencing the current financial year with a significantly smaller balance sheet in most respects, in comparison to the previous financial year. This dynamic is evident throughout the current Q1 results when compared to the prior period. Overall however, the Group is tracking ahead of the performance targets set post restructure.

2. Total Assets

Loans and advances declined primarily due to the continued amortisation of the legacy assets linked to the discontinued branch loans and cellular products.

Acquired assets decreased due to limited new portfolio purchases by DMC during the restructure.

The Assurance linked assets and liabilities were settled in January 2018.

The year on year reduction in cash is due to the loan repayments made on the external debt in the current quarter.

3. Equity

Equity is ahead of the comparative quarter due to profits being generated for the last 12 months.

4. Liabilities

Long term liabilities are tracking significantly below the comparative quarter due to the non-recourse SPVs amortising, as well as no new funding being raised between 31 March 2017 to January 2018 during the restructure.

Analysis of Share Capital (R'm)	Q1 FY2019
Ordinary share capital	434,5
E PIK Note	493,3
D PIK Note	96,6
C Preference Shares	128,5
D Preference Shares	155,9
	1 308,9

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1.2 Consolidated Group statement of financial performance

	Notes	Actuals: Q1 Jun FY 2019 R'm	Actuals: Q1 Jun FY2018 R'm	Actuals: Q1 FY2019 vs Q1 FY2018 R'm	Actuals: Q1 Variance %	DuPont using earning assets: Q1 Actual Jun FY 2019 %	DuPont using earning assets: Q1 Actual Jun FY2018 %	DuPont using earning assets: Q1 FY2019 vs Q1 FY2018 R'm
Gross yield from assets		194,7	216,0	(21,3)	-10%	52,8%	52,9%	0%
Impairment provision		(31,2)	(25,9)	(5,3)	-20%	-8,5%	-6,3%	-33%
Net yield	1.	**163,5**	**190,1**	**(26,6)**	**-14%**	**44,4%**	**46,5%**	**-5%**
Finance costs	2.	(51,2)	(65,6)	14,4	22%	-13,9%	-16,1%	13%
Net margin		**112,3**	**124,5**	**(12,2)**	**-10%**	**30,5%**	**30,5%**	**0%**
Net assurance income - funeral benefits		8,2	9,1	(1,0)	-11%	2,2%	2,2%	-1%
Outsourced collection income		10,4	11,0	(0,6)	-6%	2,8%	2,7%	5%
Sundry income		0,2	0,2	(0,0)	-18%	0,1%	0,1%	-9%
Operating income		**131,0**	**144,9**	**(13,9)**	**-10%**	**35,6%**	**35,5%**	**0%**
Total costs	3.	**(117,0)**	**(122,4)**	**5,5**	**4%**	**-31,7%**	**-30,0%**	**-6%**
Operating expenditure		(109,4)	(99,5)	(10,0)	-10%	-29,7%	-24,4%	-22%
Direct costs reallocated from yield		(7,5)	(23,0)	15,4	67%	-2,0%	-5,6%	64%
Hedging gain/(loss)	4.	(0,7)	3,2	(3,9)	> -100%	-0,2%	0,8%	> -100%
Gain on derecognition of liability		-	50,3	(50,3)	-100%	0,0%	12,3%	-100%
Foreign exchange gain/(loss)		-	(0,3)	0,3	100%	0,0%	-1,4%	-100%
Profit before tax		**13,3**	**75,7**	**(62,4)**	**-82%**	**3,6%**	**18,5%**	**-81%**
Current tax expense	5.	(5,1)	(3,7)	(1,5)	-41%	1,4%	0,9%	56%
Deferred tax expense		9,0	(5,4)	14,4	> -100%	2,4%	-1,3%	> -100%
Profit after tax		**17,1**	**66,6**	**(49,5)**	**-74%**	**4,7%**	**16,3%**	**-71%**
Profit/(loss) after tax - disposal group		0	(9,2)	9,2	100%	0,0%	-2,3%	-100%
Profit after tax - Group		**17,1**	**57,4**	**(40,2)**	**-70%**	**4,7%**	**14,0%**	**-67%**
Other comprehensive (loss) / income:								
Movement in cash flow hedge reserve		6,4	(1,3)	7,7	> -100%	1,7%	-0,3%	> -100%
Total comprehensive (loss) / income for the period		**23,5**	**56,1**	**(32,5)**	**-58%**	**6,4%**	**13,7%**	**-53%**

Notes:

1. Net Yield

Net yield declined year on year in line with the decline in productive assets.

2. Finance Cost

Finance costs declined year on year due to limited funding being raised during the course of the restructure.

3. Costs

Total costs compare favourably year on year. Direct costs reallocated from the yield varied due to the IFRS 9 treatment of costs being finalised during the course of the year.

4. Hedging gain/(loss)

All foreign currency exposures are fully hedged with a portion of the currency movements being accounted for through the income statement.

5. Taxation

Tax efficiency continues to be carefully managed.

1.3 Contribution to profit before tax per division

	Notes	Q1 Actual Jun FY 2019 R'm	Q1 Actual Jun FY2018 R'm	Q1 FY2019 vs Q1 FY2018 R'm	Q1 Variance %
Home Finance	1.	14,2	19,5	(5,3)	-27%
Assurance	2.	1,8	2,7	(0,9)	-34%
DMC	3.	5,7	15,8	(10,1)	-64%
		21,7	**38,0**	**(16,3)**	**-43%**
Group Central Services	4.	(8,4)	37,6	(46,0)	> -100%
Profit before tax		**13,3**	**75,7**	**(62,4)**	**-82%**
Costs not associated with core operations					
Hedging gain/(loss)		(0,7)	3,2	(3,9)	> -100%
Gain on derecognition of liability		-	50,3	(50,3)	-100%
Foreign exchange gain/(loss)		-	(0,3)	0,3	100%
Profit/(loss) before tax after non-core items		**14,0**	**22,4**	**(8,4)**	**-37%**
Profit/(loss) before tax - disposal group		-	(9,2)	9,2	100%
Profit/(loss) before tax - Group		**14,0**	**13,2**	**0,9**	**7%**

Key take outs:

1. Home Finance

The Home Finance business contribution declined year on year due to a decline in the performing loan book as a result of constrained origination volumes during the course of the restructure. The business however, continues to perform ahead of expectation.

2. Assurance

Older product lines with higher average annual premium income continued to be replaced by new products with lower annual premium income.

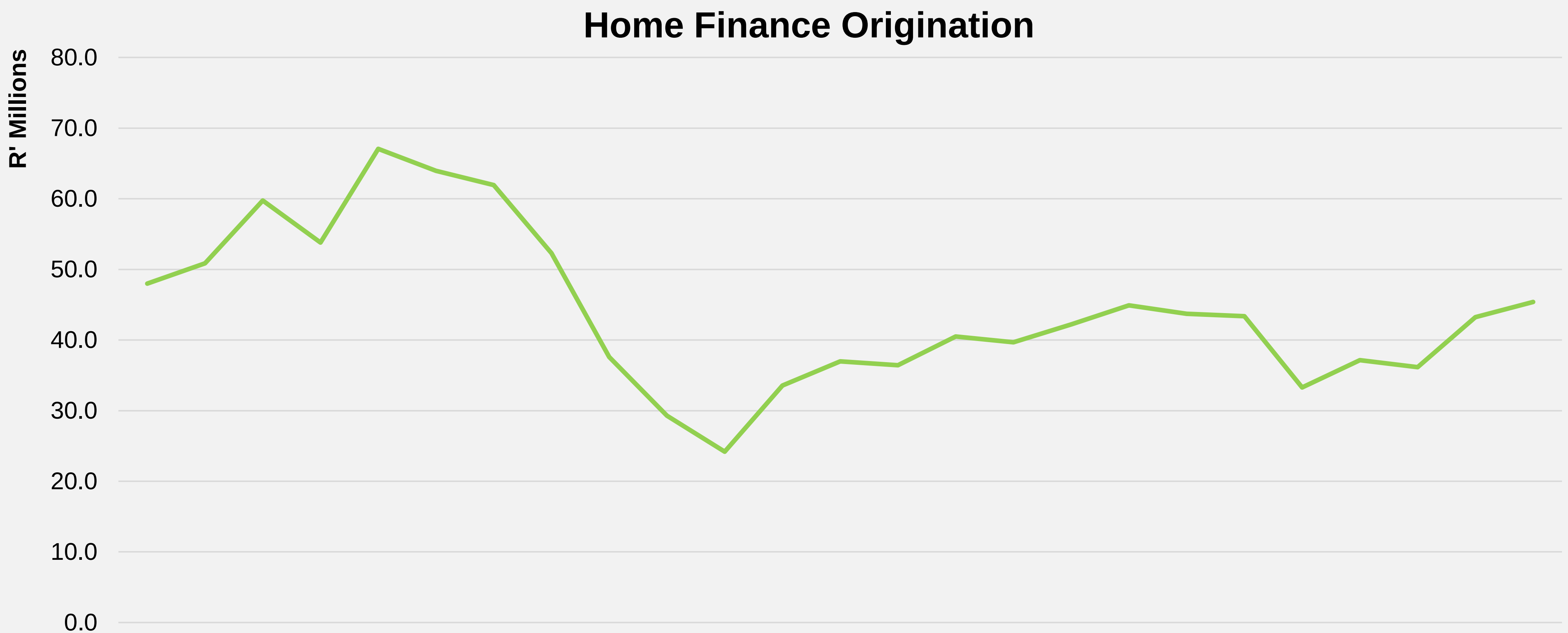
3. DMC

The year on year reduction in contribution is largely due to the continued amortisation of the legacy asset base, as well as limited acquisition volumes during the course of the restructure. This business is also performing ahead of expectation.

4. Group Central Services (GCS)

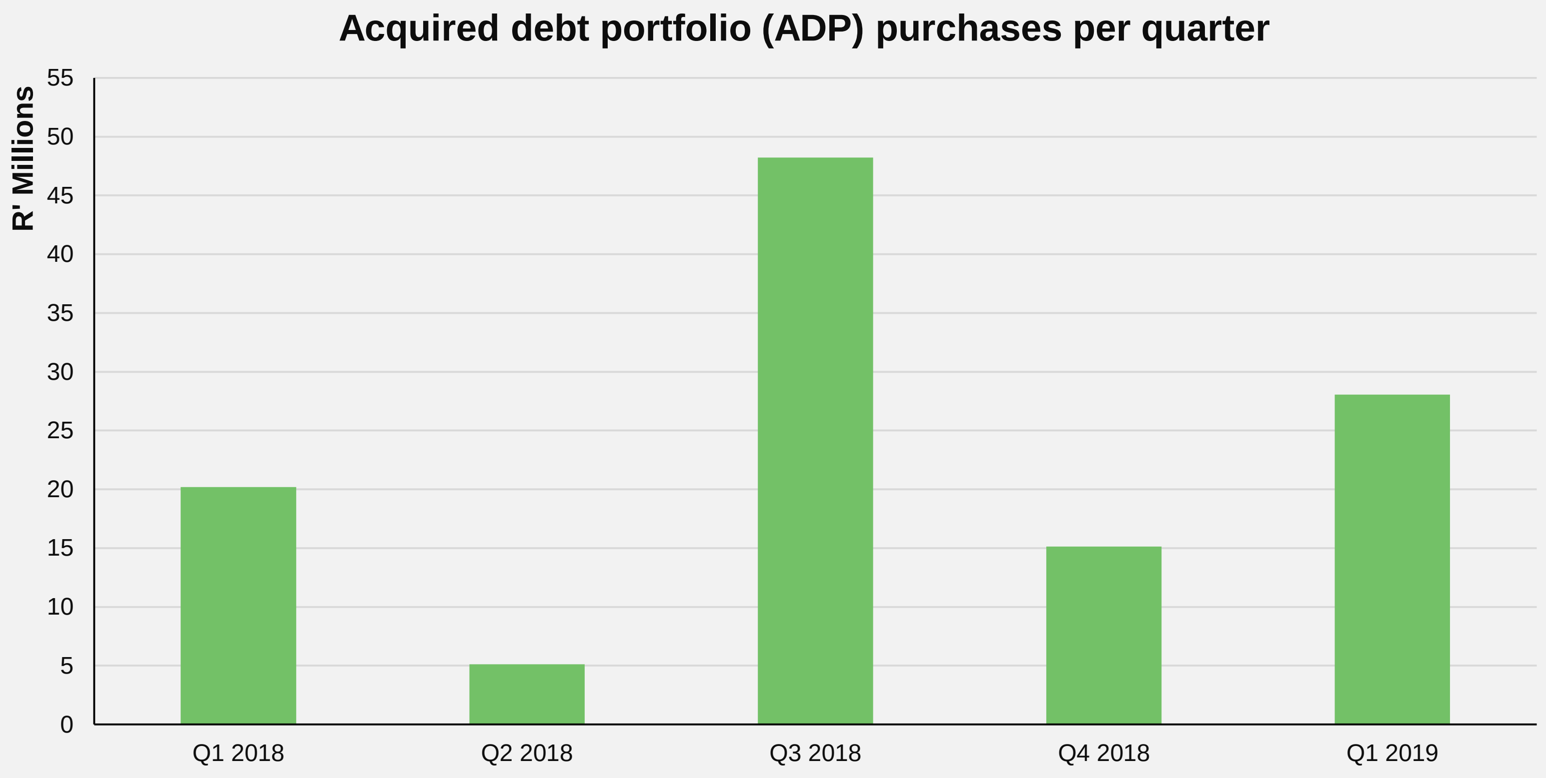
Year on year numbers are not comparable due to once off items related to the restructure being included in the comparative.

2.1 Home Finance loan origination platform volumes



	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Rand Amount	47.9	50.8	59.7	53.7	67.0	63.9	61.9	52.3	37.6	29.2	24.1	33.5	36.9	36.4	40.4	39.6	42.2	44.9	43.7	43.3	33.3	37.1	36.1	43.2	45.4

2.2 DMC acquired debt portfolio purchases



3. Group return on assets analysis

	Q1 Actual Jun FY 2019 %	Q1 Actual Jun FY2018 %
Gross yield on group productive assets	52,8%	52,9%
Net yield on group productive assets	44,4%	46,5%
Gross yield on group total assets	41,2%	39,3%
Net yield on group total assets	34,6%	34,6%
Return on group total assets**	3,63%	2,97%
Return on group productive assets**	4,65%	3,99%

** Simple annual averages used. Refer to ratio definitions in glossary*

** *Excludes gain on derecognition of liability*

4. Group profitability analysis

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4.1 Group Profitability Ratios

	Q1 Actual Jun FY 2019	Q1 Actual Jun FY2018
Cost of funds	14,2%	15,0%
Effective tax rate	-28,8%	12,0%
Pre-tax return on equity**	14,9%	28,5%
Return on equity**	19,1%	18,3%
Operating expenses to gross yield	60,1%	56,7%

** *Excludes gain on derecognition of liability*

4.3 Cost to Income Ratio

	Maximum per Covenant	Actual Jun FY 2019
Operating Expenses		117,0
Operating Income		182,2
Cost to income ratio	**68%**	**64,2%**

4.4 Debt Service Cover Ratio*

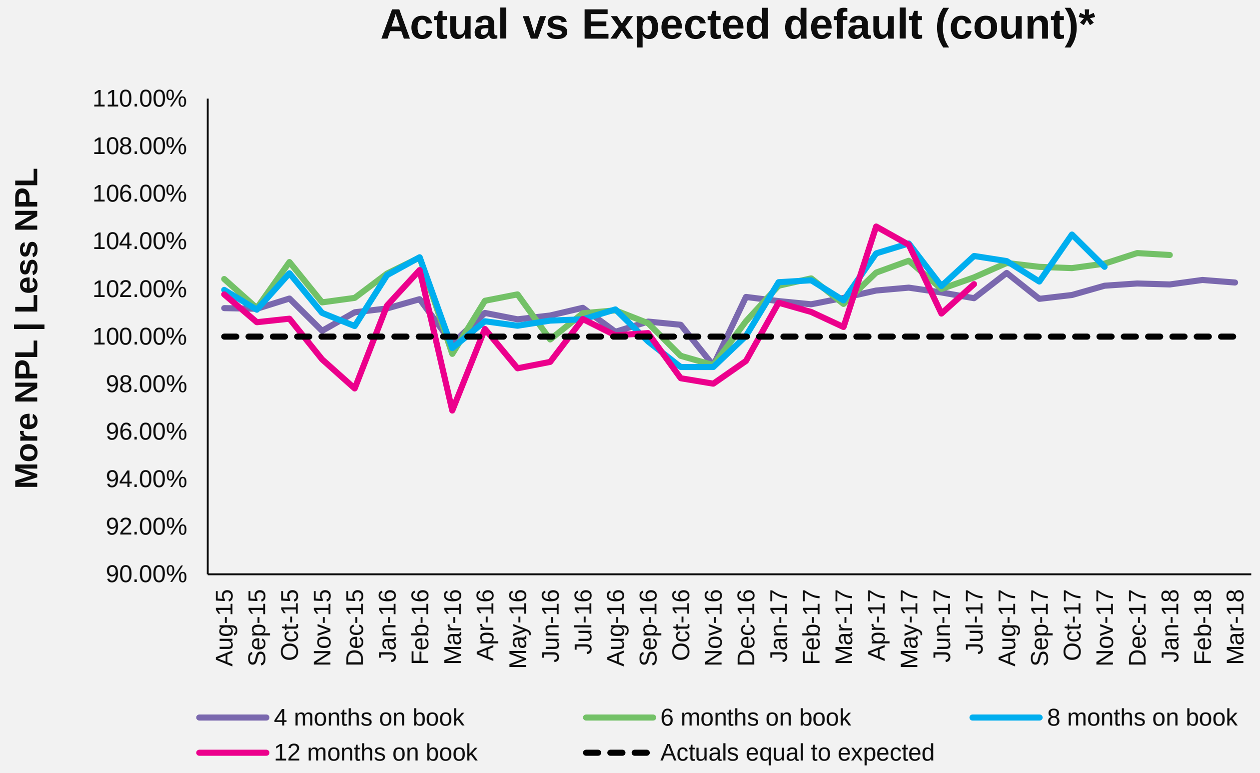
	Minimum per Covenant	Actual Jun FY 2019
Free Cash Flow		359,5
Debt Service		77,4
Debt Service Coverage Ratio (times)	**1.05**	**4.65**

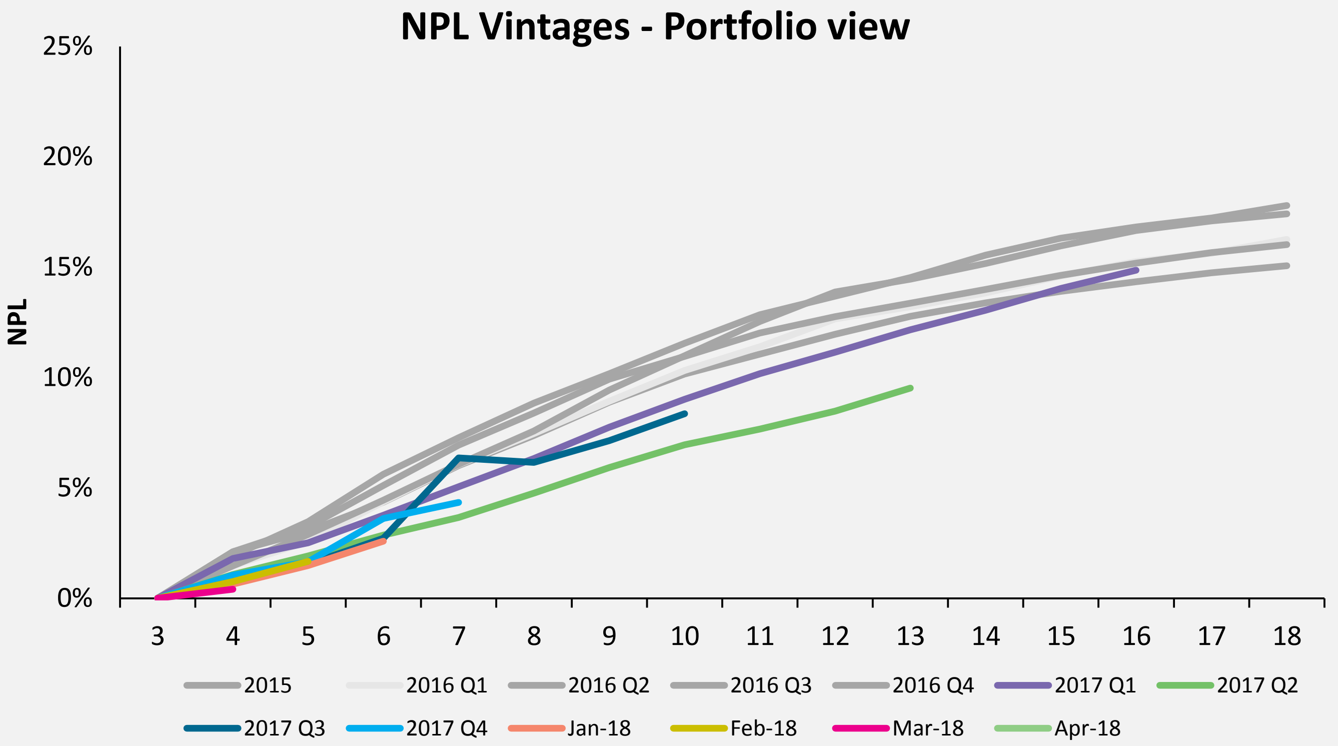
*12 months retrospective

4.2 Group Capital Adequacy Ratio

	Minimum per Covenant	Actual Jun FY 2019 R'm
Permanent Capital / Total adjusted assets	**20,0%**	**33,5%**
Equity per statement of financial position		373,6
Cashflow hedge add back		8,9
Qualifying equity		382,5
Assurance		(15,9)
SPV equity		107,9
Intangible and deferred tax assets to be funded with equity		(3,1)
SPV junior loans		(202,3)
Permanent Capital (on balance sheet equity)		**269,1**
Assets per statement of financial position		1 855,3
Cash and Cash equivalents (on balance sheet)		(130,0)
Intangible and deferred tax assets to be funded with equity		(3,1)
Assurance Assets		(26,6)
SPV assets		(891,9)
Total adjusted assets (on balance sheet assets)		**803,7**

5.1 Home Finance credit risk





Default levels versus expectations:

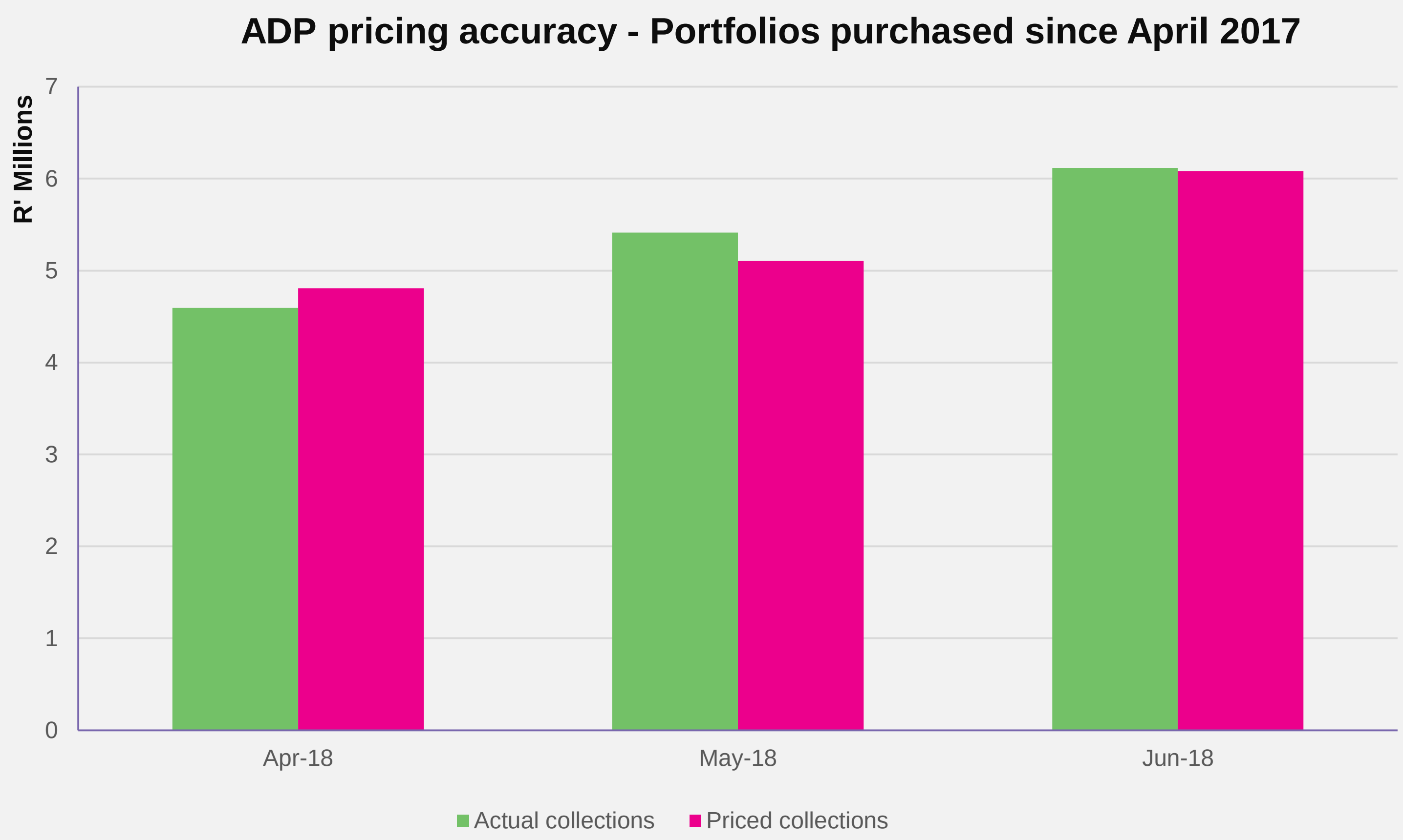
Defaults are proportionately less than expected levels in the pricing model.

NPL Emergence:

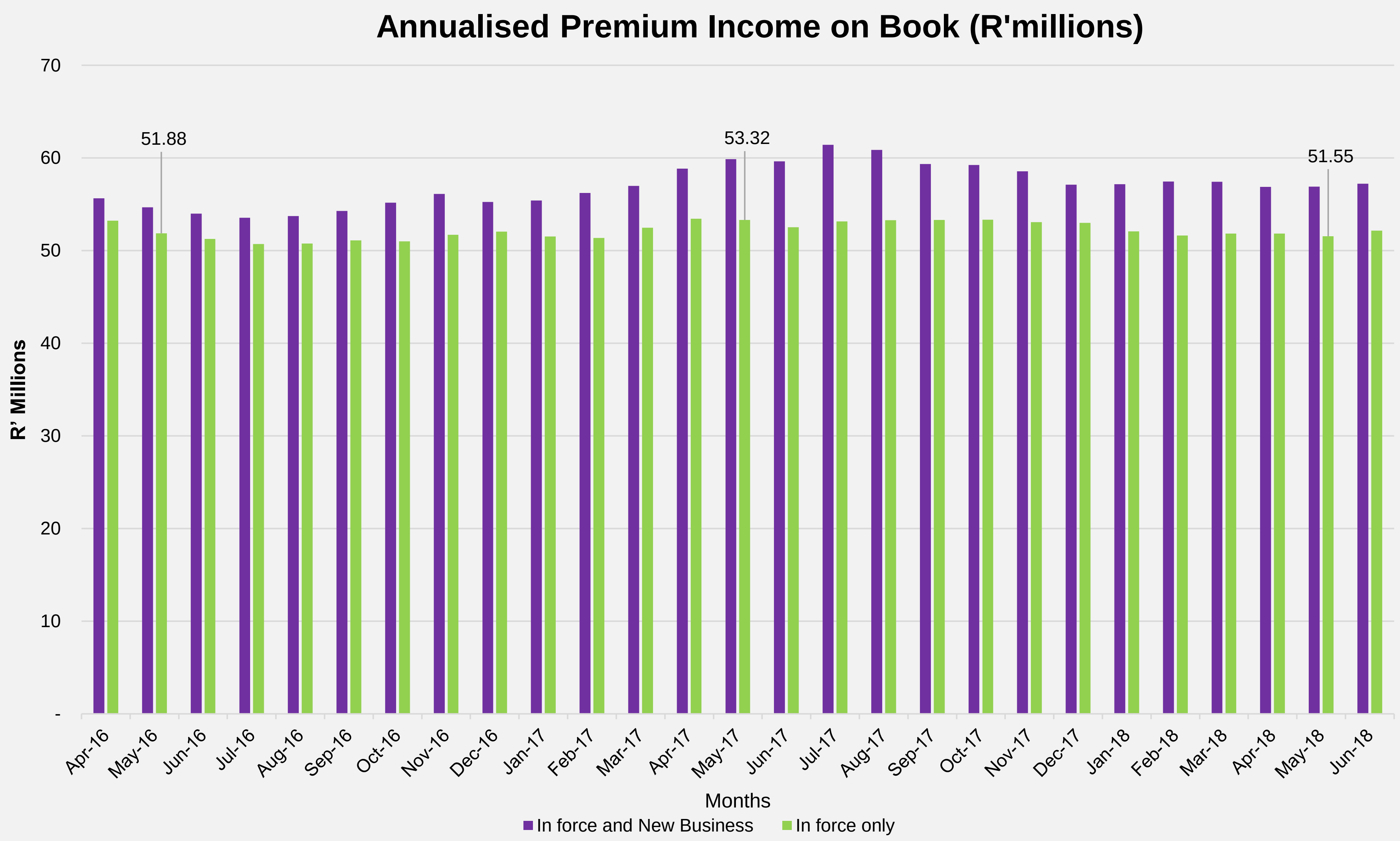
NPL emergence continues to trend at the bottom of the range of historical experience.

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

5.2 DMC credit risk



5.3 Assurance annual premium income



6. Glossary

Ratio	Definition
Permanent capital / Total adjusted assets	**Group equity reduced by:** -The cash flow hedge -Equity in SPVs and regulated Assurance Company -Junior equity instruments in SPVs -Deferred taxation & Intangible assets on balance sheet **Total assets reduced by:** -Assets in SPVs and regulated Assurance Company - Cash and cash equivalents on balance sheet -Deferred taxation & Intangible assets on balance sheet
Gross yield on productive assets	Annualised Net yield / Simple average Loans and advances and Acquired assets
Net yield on productive assets	Annualised Net yield / Simple average Loans and advances and Acquired assets
Net yield on total assets	Annualised net yield / Simple average total assets
Return on total assets	Annualised profit or loss after tax / Simple average total assets
Return on productive assets	Annualised profit or loss after tax/ Simple average Loans and advances and Acquired assets
Cost of funds	Annualised Finance costs / Simple average Long term interest bearing borrowings
Debt service cover	Free cash flow/Debt service
Cost to income	Operating expenses / Net yield, 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

We are Real People, for real people

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