

13 October 2020

Notice of Financial Covenants

Reference is made to the terms and conditions, originally dated 16 September 2013 (and as amended and restated from time to time) (the "**Terms and Conditions**"), for the up to SEK 260,000,000 and up to NOK 135,000,000 senior unsecured callable bonds 2013/2028 with ISIN: SE0005392560 and NO0010689342 (the "**Bonds**") issued by Real People Investment Holdings Limited (the "**Issuer**").

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.

Pursuant to the Terms and Conditions (as amended and restated by way of a written procedure completed on 21 September 2020), the Issuer shall, and shall (if relevant) ensure that each Group Company will, comply with the undertakings to uphold specified levels of financial ratios for relevant measurement periods prescribed in the Senior Unsecured Loan Agreement from time to time (the "**Financial Covenants**"). Any adjustments made to the Financial Covenants under the Senior Unsecured Loans Agreement shall also apply to the Financial Covenants when tested under the Terms and Conditions.

On 22 September 2020, the Issuer and the Senior Lenders agreed to amend the Financial Covenants under the Senior Unsecured Loan Agreement and, as mentioned above, these amended Financial Covenants apply also for the Bonds. This Notice contains a summary of the Financial Covenants in force as of the date hereof. All Financial Covenants are measured at the end of each Financial Quarter (as defined in the Annexure).

Financial Covenants (refer to the Annexure below for detailed calculations)

Debt Service Cover Ratio

Measurement Period	Covenant requirement	Covenant waiver period
Preceding 12 month period	Not less than 1.05	From 1 April 2020 up to and including 31 Dec 2021

Permanent Capital to Total Assets Ratio

Measurement Period	Covenant requirement	Covenant waiver period
Balance sheet at the end of the Financial Quarter	Greater than 22.5% up to and including 31 March 2021; Greater than 25% after 31 March 2021	Not applicable

Cost to Income Ratio

Measurement Period	Covenant requirement	Covenant waiver period
Preceding 12 month period	Not greater than 70% up to and including 30 June 2022; Not greater than 68% after 30 June 2022	From 31 March 2020 up to and including 31 March 2021

For further information, please contact Jacques Hefer, Group Treasury Manager (email: jhefer@realpeople.co.za and phone number: +27 84 514 3018).

ANNEXURE (extract from Senior Unsecured Loan Agreement including Addendum)

22. FINANCIAL COVENANTS

22.1 Financial definitions

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:

22.1.1 **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;

22.1.2 [*reserved*];

22.1.2A **Consolidated Group** means the Group together with the Non-Recourse Funding SPV's;

22.1.3 **Cost to Income Ratio** means the ratio of Operating Expenses (excluding Restructuring Costs) to Operating Income for the Consolidated Group, excluding any Finance Charges in respect of any Measurement Period;

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

22.1.4.1 Finance Charges for the Group for that Measurement Period;

22.1.4.2 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; and

22.1.4.3 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;

22.15 **Debt Service Cover Ratio** means the ratio of Free Cash Flow to Debt Service in respect of any Measurement Period;

22.16 [*reserved*];

22.17 **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:

22.1.7.1 including any upfront fees or costs payable in connection with the incurrence of any Borrowings during that Measurement Period;

22.1.7.2 including the interest (but not the capital element) of payments in respect of Finance Leases;

22.1.7.3 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);

22.1.7.4 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

22.1.7.5 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;

22.1.8 **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;

22.1.9 **Financial Quarter** means the period commencing on the day after one Quarter Date and ending on the next Quarter Date;

22.1.10 [*reserved*];

22.1.11 **Financial Year** means the annual accounting period of the Group ending on 31 March in each calendar year;

22.1.12 **First Scheduled Repayment** means the first scheduled repayment instalment in the schedule contained in Clause 6.1 (*Repayment of Senior Facility A Loans and Senior Facility B Loans*);

22.1.13 **Free Cash Flow** means, in respect of any Measurement Period:

22.1.13.1 all payments or repayments received in respect of loans and advances held on balance sheet by a member of the Group;

22.1.13.2 plus all payments or repayments from acquired assets held on balance sheet by a member of the Group;

22.1.13.3 plus Outsourced Collection Income (including commissions received from RPAC for collections);

22.1.13.4 plus any Service Fees received during the relevant Measurement Period;

22.1.13.5 plus any capital and interest payments actually received from Non-Recourse Funding SPVs;

22.1.13.6 plus any in cash dividend payments actually received from Non-Recourse Funding SPVs;

22.1.13.7 plus any dividend payments actually received from RPAC;

22.1.13.8 plus interest received from cash and cash equivalents;

22.1.13.9 plus any premium received on a loan sold to a Non-Recourse Funding SPV;

22.1.13.10 minus any loss actually incurred on a loan sold to a Non-Recourse Funding SPV;

- 22.1.13.11 minus Operating Expenses;
- 22.1.13.12 minus investment in Non-Recourse Funding SPV's;
- 22.1.13.13 minus any Taxes actually paid or payable during the relevant Measurement Period; and
- 22.1.13.14 minus any other Cash payment made by a Group Company during the relevant period, save for any payments made in terms of Clause 8.5 (Excess Cass Sweep) and any collateral that is required to be posted by the Borrower 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;
- 22.1.14 **Gross Yield** means all income, excluding Other Income, derived from the assets of the Consolidated Group;
- 22.1.14A **Impairment** means any impairment of the Borrower's assets in accordance with IFRS from time to time, excluding any once-off increases or decreases in the value of net advances as a result of periodic reviews of valuation and impairment parameters, assumptions and inputs. For the avoidance of doubt the exclusion will be applicable to any impairment effected in response to the Covid-19 pandemic;
- 22.1.15 **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;
- 22.1.16 **Measurement Period** means each period of twelve Months ending on a Measurement Date;
- 22.1.17 **Net Yield** means Gross Yield less Impairments;
- 22.1.18 **Operating Income** means Net Yield plus Other Income;
- 22.1.19 **Operating Expenses** means all operating expenses of the Consolidated Group but excluding any gains or losses with respect to foreign exchange, financial assets and liabilities and equity accounted investments;
- 22.1.20 [*reserved*];

- 22.1.21 **Other Income** means all income other than Gross Yield, including, but not limited to, net assurance income and outsourced collection income;
- 22.1.22 **Outsourced Collection Income** means commissions received for outsourced collections from 3rd parties;
- 22.1.23 **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 Impairment on junior loans granted by any member of the Group to a Non-Recourse Funding SPV, any deferred tax asset and any intangible asset;
- 22.1.24 **Permanent Capital to Total Assets Ratio** means the ratio of Permanent Capital to Total Assets in respect of any Measurement Period;
- 22.1.25 **Restructuring Costs** means all of the costs incurred by the Borrower in order to give effect to the Restructure and/or any subsequent restructure implemented at any time thereafter with the consent of the Facility Agent, together with any retrenchments costs incurred by the Group;
- 22.1.26 **Service Fees** means all fees earned on management and collection services provided by any member of the Group to a Non-Recourse Funding SPV;
- 22.1.27 **Total Assets** means the total assets of the Consolidated Group less Cash, any deferred tax assets, the total assets of Non-Recourse Funding SPVs, the total assets of RPAC and any intangible asset, but including the net value of junior investments (junior investment minus impairment) in Non-Recourse Funding SPVs; and
- 22.1.28 **Total Equity** means an amount calculated by deducting the total liabilities of the Consolidated Group from the total assets of the Consolidated Group.

22.2 Financial condition

- 22.2.1 The Obligors shall ensure that for so long as any amount is outstanding under the Finance Documents or any Commitment is in force:

22.2.1.1 *Debt Service Cover Ratio*: the Debt Service Cover Ratio shall at all times and in respect of any Measurement Period shall not be less than 1.05 times.

22.2.1.2 *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%
ending on a Measurement Date that falls on or before 31 March 2021	22.5%
ending on a Measurement Date that falls after 31 March 2021 and ends on or before the Final Maturity Date	25%

22.2.1.3 *Cost to Income Ratio*: the Cost to Income Ratio in respect of any Measurement Period shall not be greater than –

22.2.1.3.1 68%, during the period preceding 31 March 2020;

22.2.1.3.2 70%, during the period from 31 March 2020 to and including 30 June 2022;

22.2.1.3.3 68%, during the period from 1 July 2022 to the Discharge Date.

22.2.2 No Default will occur –

22.2.2.1 if the requirements of this Clause 22 (Financial Covenants) are not met for any Measurement Period ending on or before 31 March 2018; or

22.2.2.2 if the requirements of clause 22.2.1.1 are not met for any Measurement Period occurring during the period from 1 April 2020 to and including 31 December 2021; or

22.2.2.3 if the requirements of clause 22.2.1.3.2 are not met for any Measurement Period occurring during the period from 31 March 2020 to and including 31 March 2021.

22.3 Financial testing

For the purpose of testing compliance with the requirements of Clause 22.2 (*Financial condition*):

- 22.3.1 the Financial Covenants shall be calculated in accordance with principles and methods depicted in the Base Case Model;
- 22.3.2 subject to the remaining provisions of this Clause 22.3, the Financial Covenants shall be calculated in accordance with the applicable Accounting Principles and tested by reference to the consolidated Financial Statements of the Borrower (excluding GVR and 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);
- 22.3.3 the Cost to Income Ratio shall be calculated by reference to the consolidated Financial Statements of the Borrower including the Non-Recourse Funding SPVs;
- 22.3.4 no item shall be taken into account more than once in any calculation; and
- 22.3.5 all intra-Group items shall be ignored.

Other definitions in the Senior Unsecured Loan Agreement applicable to the Financial Covenants

- 1.1.7 **Accounting Principles** means:
- 1.1.7.1 as at the signature date, IAS 39; and
- 1.1.7.2 with effect from the first set of Financial Statements prepared after the Implementation Date, IFRS9;
- 1.1.29 **Cash** means an amount, denominated in Rand, or any other currency (approved by the Facility Agent), 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:

- 1.1.29.1 the cash is accessible on demand or within thirty days after the relevant date of calculation;
- 1.1.29.2 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 Clause 1.1.29.1);
- 1.1.29.3 there is no Security over that cash or over claims in respect thereof; and
- 1.1.29.4 the cash is freely and (except as mentioned in Clause 1.1.29.1) immediately available to be applied in repayment or prepayment of the Facilities;