

THERE'S MORE FOR YOU WITH PPS

There aren't many companies founded in 1941 that are confidently telling their graduate professional members that there's more for them. In fact, PPS is the only mutual financial services company in South Africa focused exclusively on graduate professionals, that provides tailor-made insurance, investment services and healthcare solutions.

Our ethos of mutuality is focused on creating more value for our members, and because we believe success is better shared, graduate professionals have a partner that understands the value required from experts.



IZAK SMIT
PPS GROUP CEO

FF

PPS delivers a good 2019 performance, adding value to members.

MESSAGE FROM IZAK SMIT

It is my pleasure to report to our members that, despite the tough trading environment in which we operate and which continued to pose challenges to financial services businesses throughout South Africa in 2019, PPS managed to outperform most of the goals we set for ourselves at the beginning of the year.

This result was due to the hard work of our staff and the committed implementation of our strategic agenda, as well as to the enduring strength of our mutual model.

We are often humbled by the niche market we serve, a market segment that includes some of South Africa's and Namibia's most educated and influential individuals in government, the academic world, business and, of course, the various professions. It is both a privilege and a huge responsibility.

Although professionals generally have the education, experience and resources to navigate the changes and challenges in the world around them, they are by no means immune to the effects of the prevailing environment. Our mutual model and the behavioural traits of our professional target

market benefit our business and our members, particularly when trading conditions are tough.

To elaborate on the Group's performance, our main life insurance business achieved the new business growth targets that we had set for ourselves. Expenses were managed within budget. Claims experience developed in line with actuarial assumptions.

Our subsidiaries, still small compared to the life business, will continue to contribute a larger portion of total group revenue and profit as they grow off their low starting bases. All four of our main subsidiaries managed to outperform the profit goals that had been set for the reporting period.

In the previous period, the Profit-Share allocation to our members was negatively impacted by investment market returns. Our medium-term investment objective is to outperform inflation by a good margin and our approach is to invest in a well-diversified portfolio containing a significant portion of growth assets.

Market returns, especially from growth assets, will always be volatile by nature. This has again been illustrated since year-end in the market sell-off due to the COVID-19 pandemic. Annual reporting periods and the resulting calendar cut-off points for reporting purposes are somewhat artificial. Events currently unfolding such as the COVID-19 pandemic, will influence both operating profit and investment returns in 2020. But we shall not knee-jerk in our investment approach and will remain focused for the long-term.

With these investment returns added to the operating profit of the business, which is more stable by nature and which recorded positive growth in 2019, members have been able to enjoy good additions to their PPS Profit-Share Accounts.

At the time of publishing, the COVID-19 pandemic is unfolding and will likely have an impact on member returns.

MAKING INNOVATION WORK FOR PROFESSIONALS

We believe in persistently innovating according to the ever-changing needs of graduate professionals. PRO-FiT is a powerful member engagement platform that lets members take control of their portfolio at PPS, engage with the larger professional community, and explore ways to optimise their Profit-Share.

In response to member feedback, we also reviewed and enhanced some of our risk products. The PPS Sickness and Permanent Incapacity benefit will now cover pregnancy-related illnesses in a way that meets the full spectrum of our members' needs.

We enhanced our Disability Provider to include a Functional Disability benefit which is available to all members, regardless of their occupation. Business owners will benefit from the new Business Assurance product which has several cover options for the range of complex risks that businesses face.

For members in the health professions we developed PPS Health Professions Indemnity, designed in response to the increasingly high costs of indemnity insurance, and meant to provide peace of mind to those in clinical practice.

Our members with investment products can now benefit from the PPS Investments Family Network, which is designed to encourage the aggregation of individual and family assets. Members on Family Network will now be able to enjoy lower fees because of the larger asset base, while creating intergenerational wealth for their families.

Lastly, an exciting change for our Namibian members is that we have expanded the product range available to them. This has clearly resonated with our members, demonstrated by the high take up of lump sum death, disability and critical illness benefits, which exceeded our launch targets.

PERFORMANCE SNAPSHOT

PPS INSURANCE

The new annual premium income of new life insurance business written in 2019 breached a quarter of a billion rand for the first time in 2019, growing 10% from 2018.

Advice is an important aspect of the income protection and life solutions we offer. Distribution therefore takes place exclusively through face-to-face advisers, both within and independent of PPS.

With the continued pressure of the tough economic environment, Life Broker Services (LBS) has outperformed 2018 to deliver growth and results. The business has performed better than competitors in the market.

PPS ADVISORY AND ENABLEMENT SERVICES

An internal reorganisation of PPS Advisory Services in 2018 has had a positive impact on business performance, staff morale and member experience. For the better part of 2019, the channel consistently achieved its targets, recording positive growth by year end.

PPS HEALTHCARE ADMINISTRATORS

The year under review was a good one for our healthcare administration business. Revenue increased by 8% on the back of a 9% growth in the number of principal members.

This growth was supported by the number of principal members in the Profmed scheme increasing by 4% during 2019, as well as by the addition of three new schemes.

PPS INVESTMENTS

Despite the negative investment market conditions at the end of 2018, the business delivered strong net income growth of 19% in 2019. This was supported by strong gross new business inflows of over R6 billion, 3% up on 2018 and demonstrating that the business is on a strong growth trajectory.

PPS SHORT-TERM INSURANCE

The PPS Short-Term Insurance business enjoyed a successful year, with its actual loss coming in below that budgeted for in its business plan. This was due to better-than-expected claims performance, with the business achieving a loss ratio of 69.2% which is a decline of 9.4% from the previous year.

Prudent underwriting and good claims management resulted in operating expenses growing by only 6.1% compared to 2018. The value of new premiums written by the whole Short-Term Insurance business (including PPS Health Professions Indemnity) grew satisfactorily during 2019.

2019 AT A GLANCE



THERE'S MORE FOR YOU

OUR CORPORATE SOCIAL RESPONSIBILITY

PPS FOUNDATION

The PPS Foundation uses the shared value of our community of professionals to solve key challenges that we face as a developing economy, particularly with regard to our large youth population. South Africa's education crisis requires all levels of society to collaborate and find solutions. The PPS Foundation's mandate provides for university bursaries to be awarded to deserving students with a focus on the science, technology, engineering and mathematics (STEM) fields of study.

The Foundation's University Support programme means that we can also fund other important but often ignored student needs, such as food security and psychosocial support.

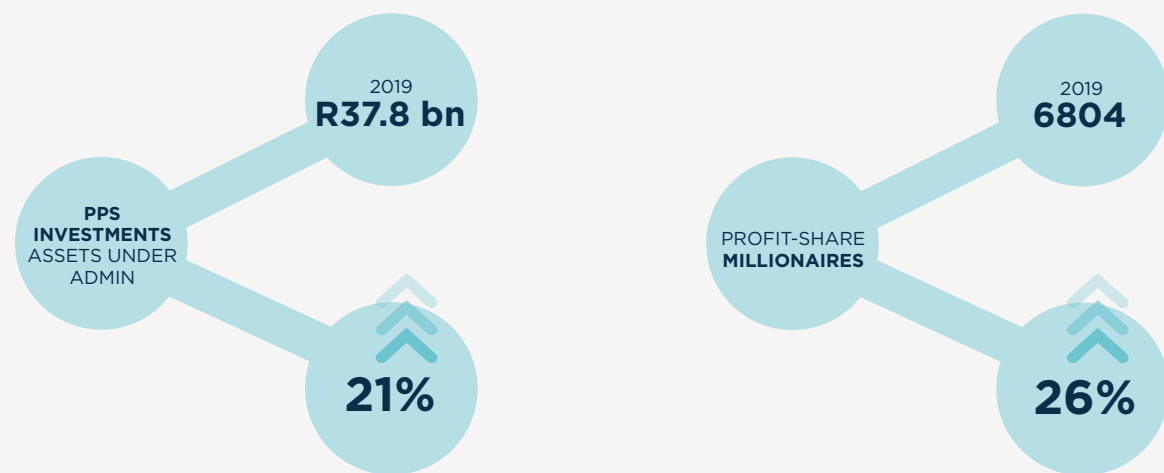
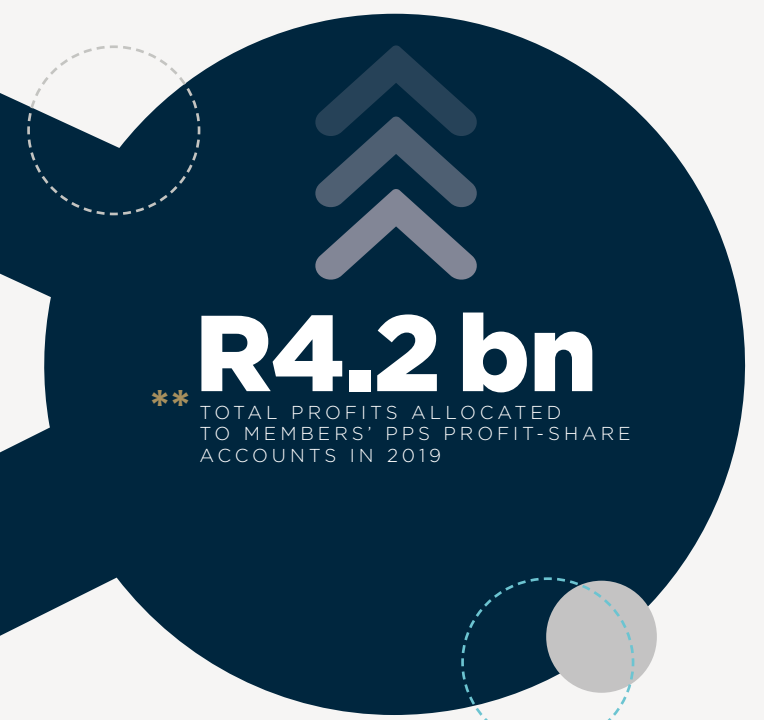
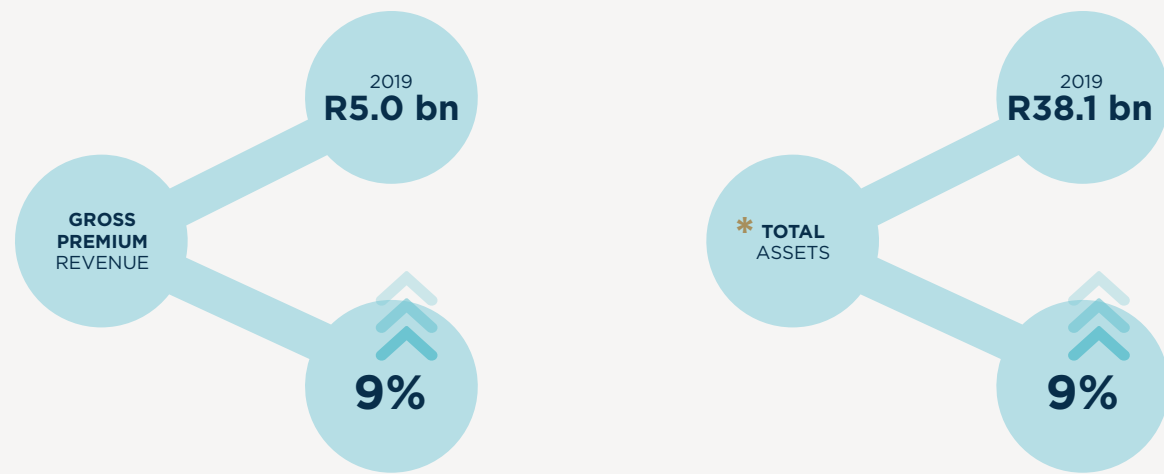
PPS COVID-19 SUPPORT

To contribute to the role that private businesses must play in helping to slow down the spread of COVID-19 in South Africa, the PPS Board has set aside R50 million of 2019's profits to provide support to the healthcare sector currently fighting the pandemic.

PPS ACADEMY

The Academy continues to be a learning institution that makes us immensely proud. In 2019, it raised the bar yet again with regard to its development programmes for young employees of PPS, thereby contributing towards alleviating the skills deficit and unemployment crisis in South Africa.

Our graduate interns and the PPS Young Leadership Forum attended a series of leadership programmes aimed at developing young people into strong leaders for South Africa's future.



* Excluding unit trusts for third parties. ** Members with qualifying products. Past performance is not necessarily indicative of future performance.



THERE'S MORE FOR YOU

PPS is an authorised FSP



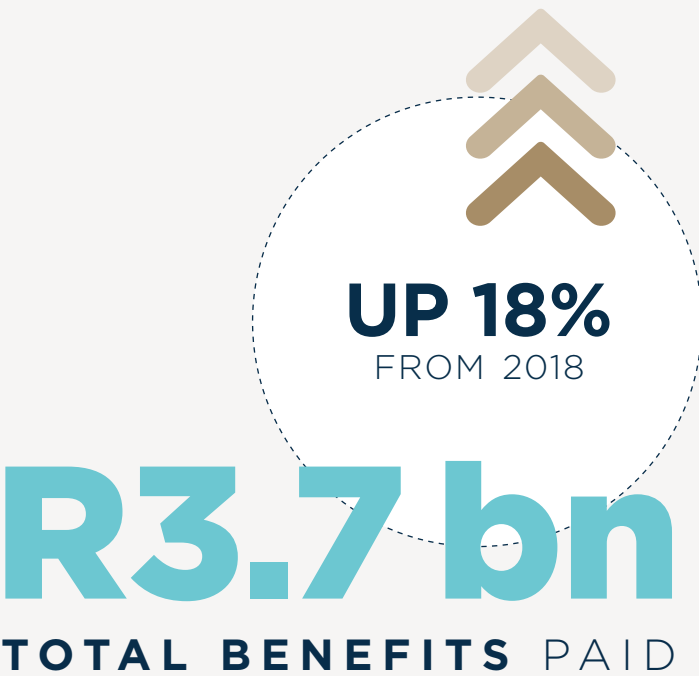
2019
YEAR IN REVIEW

2019 HIGHLIGHTS

R27.5 billion cumulatively allocated to members over the last 10 years



When we say **there's more for you**, we mean it. The bigger your portfolio with us, the bigger your Profit-Share. With our new PPS PRO-FiT platform, you can use the PLAYZONE to explore how you can get more from PPS with our Profit-Share simulator.



SICKNESS	R619.9 m
PERMANENT INCAPACITY	R541.2 m
LIFE COVER	R618.5 m
CRITICAL ILLNESS	R225.7 m
LUMP SUM DISABILITY	R153.6 m
MOTOR & HOUSEHOLD	R134.7 m
EXIT PAYMENTS	R1.456 bn