



PERFORM**M**ANCE

SEC**U**RITY

DIVERSI**T**Y

STR**U**CTURE

SH**A**RED

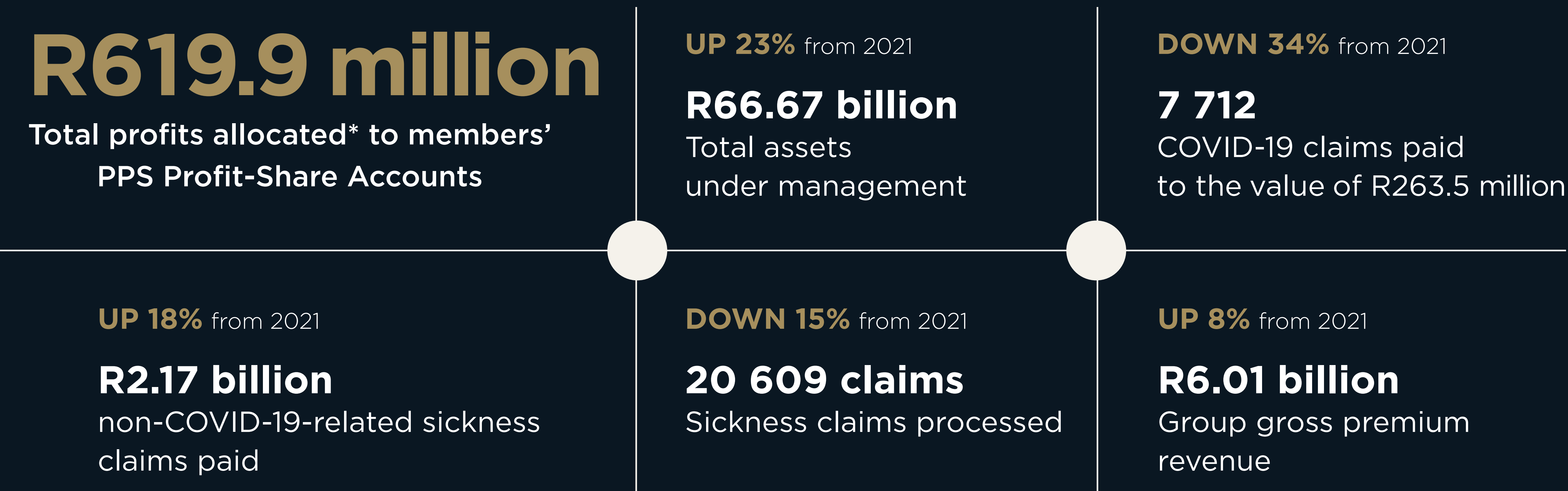
VA**L**UE

Our structure is our strength.

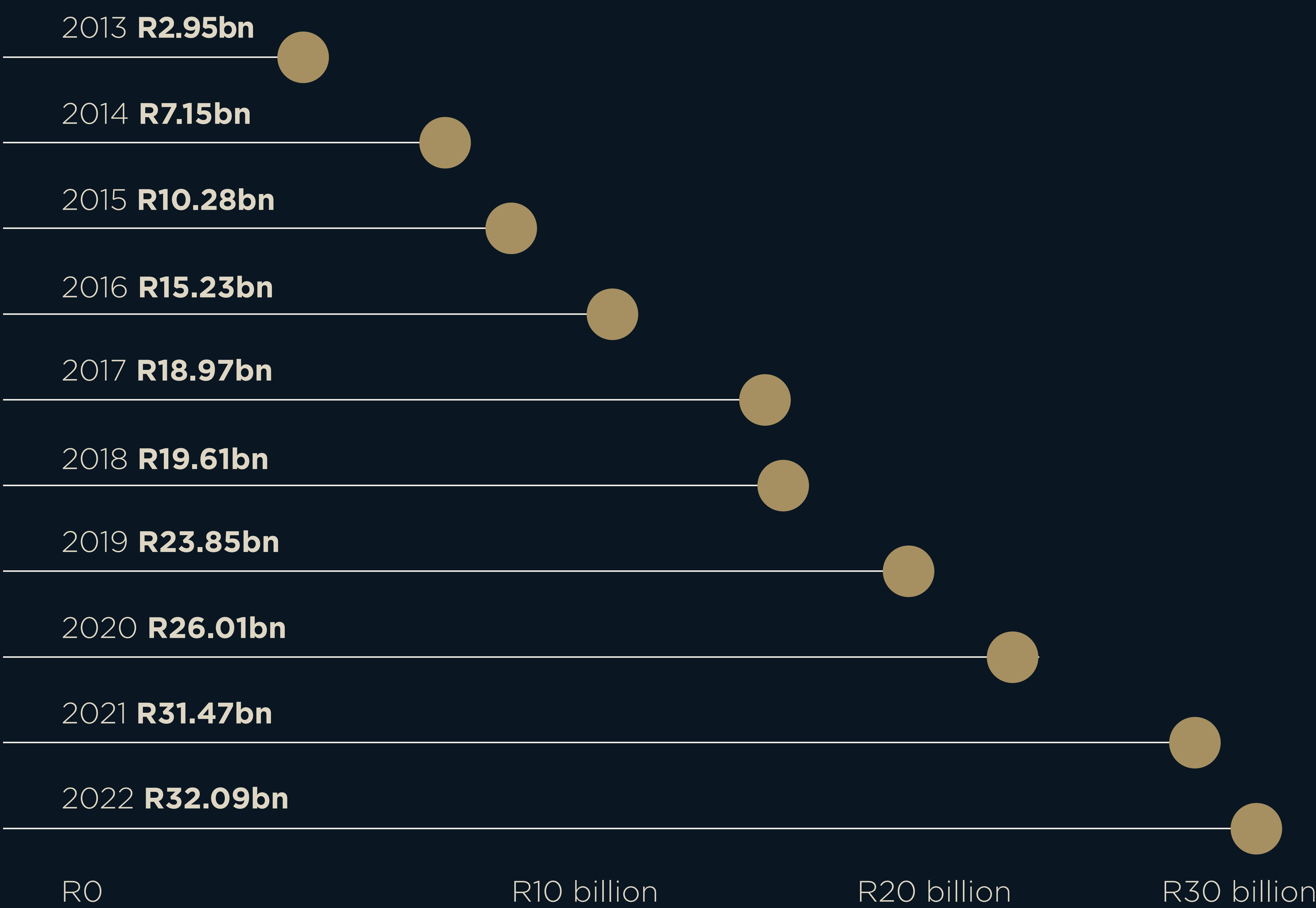
2022 FINANCIAL RESULTS HIGHLIGHTS



2022 Highlights

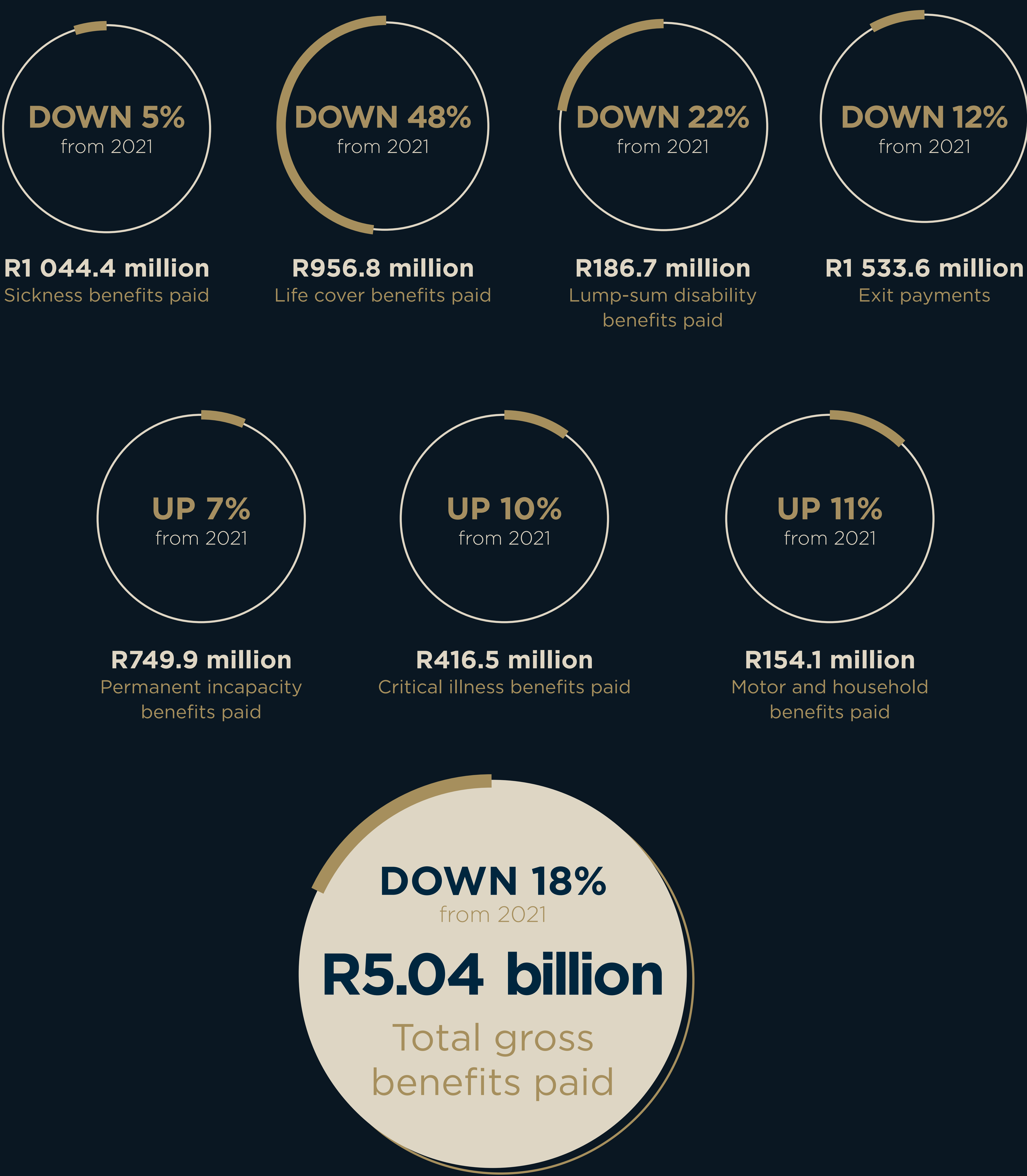


* Allocated to members with qualifying products. Past performance is not indicative of future performance.



R32.09 billion Total cumulative Profit-Share Allocation to members over the last 10 years

Total benefits paid



At PPS we believe in sharing above all else, even in the most challenging times. The more qualifying products you hold with us, the bigger your Profit-Share allocation.

The PPS Profit-Share Cross-Holdings Booster is allocated over and above the existing allocation. It is tiered according to the number of products a member holds. If they hold PPS life risk products and they buy a qualifying product(s) from one of our subsidiaries or affiliates (PPS Short-Term Insurance, Health Professions Indemnity, PPS Investments, Profmed) this will increase their allocations by a specific percentage.

The Profit-Share Cross-Holdings Booster allocations are not fixed and may differ every year. Allocations take place annually and will be declared alongside Profit-Share. The allocations are dependent on the profitability of PPS subsidiary products. PPS reserves the right to discontinue this offering at its own discretion. Past performance is not necessarily indicative of future performance.

Performance snapshots

PPS Insurance Company Limited

PPS Insurance Company, which offers the Group’s core life insurance solutions, had a successful year in 2022, recording the highest inflows ever. The annual premium income of new life insurance business written in 2022 in South Africa and Namibia was R297.3 million, up 8.6% on the R273.7 million written in 2021, the previous record. The nature of our income-protection and life products in the professional market that we serve is such that advice is an important ingredient in the new business process. Therefore, our (only) distribution channel is face-to-face advisers, both internal and external to PPS. About 75% of new business flows to PPS in 2022 was again due to external (independent) financial advisers. They remain essential business partners to us. The other 25% of new business was from our internally employed advisers.

Gross life premium revenue in South Africa reached R5.52 billion in 2022, up 7.1% on 2021, and is supported by a low lapse rate that came in at just over 4% at the end of the year. This is industry-leading by world standards. Total gross (of reinsurance) claims reduced by 21% from R4.13 billion in 2021 to R3.25 billion in 2022. Sickness (health) claims still saw a 6% increase. COVID-19 sickness claims remained stubbornly high, with the number of such claims reducing by only 30% from around 10 900 in 2021 to around 7 400 in 2022. However, COVID-19 death claims reduced from 191 to only nine in 2022. This reduced total death claims by 52% from R1.94 billion in 2021 to R927 million in 2022. The total value of COVID-19 claims in 2022 was R256 million (before reinsurance).

Our foremost purpose remains to assist our members in times of need, which means paying valid claims; profit is a secondary objective. However, it is great to see profitability returning on the life insurance side. Total operating profit allocated to members, excluding investment profits or losses allocated, is R862 million. This is still much smaller than in pre-pandemic times, as is to be expected with so many COVID-19 claims still in the numbers.

Management expenses constitute the only “leakage” from the pool that will eventually be returned to our members, either as a claim payment or as Profit-Share. Hence, efficiency ratios are important metrics that we track. Management expenses of R1.23 billion were within budget and delivered the targeted efficiency ratio.

“As the effect of the COVID-19 pandemic started to ebb in 2022, our life insurance business returned to profitability.”

Izak Smit
Chief Executive Officer

PPS Investments

PPS Investments reached a significant and laudable milestone in 2022. The business more than doubled both assets under management (AUM) and the number of investors it serves in the five years from 2017. The value of AUM at the end of 2022 was R66 billion (up from R54 billion in 2021) and it served 61 460 investors at the end of the year. Gross inflows increased by 9% to R7.7 billion during the period and profit before interest and tax increased from R98 million in 2021 to R121 million in 2022.

This achievement is even more notable given the volatility of the markets during the year. The business’s diversified multi-manager strategy has again supported performance. Individual funds continued to be ranked first or second quartile over most performance periods, outperforming benchmarks. The PPS Global Fund of Funds, the PPS Managed Fund and the PPS Defensive Fund received five-star ratings from Morningstar global investment analysts.

The strong performance was further supported by the continued transition of the investment portfolio to the in-house multi-manager, enabling members to benefit from economies of scale. This was underpinned by an ongoing focus on cost management, promoting the benefits of cross-solutioning to our members and the exceptional hard work and effort the team puts in to grow the investor base.

The ambition is to double again over the next five-year period towards 2027. There is little reason why every member with a PPS life insurance solution should not also have PPS Investments solutions in their portfolio. From this perspective, there is ample runway for the PPS Investments business to grow.

PPS Short-Term Insurance

The **PPS Short-Term Insurance** team continued to focus on innovation and futureproofing the business. In 2022, the business had to deal with an unexpectedly high number of claims due to the catastrophic flooding in KwaZulu-Natal. Since our primary goal is to support our members in times of need, the short-term insurance team processed flood damage claims quickly and efficiently.

The loss ratio for the business’s personal and commercial lines side came in at 66% for the year, up from 55% in 2021, and just above a target ratio of 65%. New business was 21% below plan, still impacted by the COVID-19 lockdowns in the first half of the year but picked up significant momentum in the second half with many months in line with the business plan. We expect this momentum to continue in 2023 and the business should grow to scale over the next two years to start delivering underwriting profit. The gross written premiums for these business lines were just above R200 million over the year. Lapse rates were on a pleasing downward trajectory, reducing to 14% at the end of the year. Total business expenses of R73 million were well managed. The deficit before tax of R20 million was smaller than the business plan, a pleasing performance.

Regarding **PPS Health Professions Indemnity**, it is pleasing to note that this business line generated a net profit before tax of R4.2 million in its fourth year of operations against a budgeted loss. This business has now grown to scale and our members can look forward to good profit growth in future years.

The demise of other providers in the industry presented good opportunities in 2022 to grow the business. Gross written premiums increased by 78% from R50.4 million in 2021 to R89.6 million for the period under review. At year-end, 6 640 active policies provided indemnity protection to 10 413 insured medical professionals. From a claims perspective, the business continues to have a very favourable loss experience. This is evidence of a well-diversified, low-risk insurance portfolio.

PPS Healthcare Administrators

PPS Healthcare Administrators again delivered a good performance in 2022. Revenue of R344 million was 8% up on 2021. Expenses were 11% up on 2021 and within budget. Profit before tax was flat on 2021. A disappointment is that membership of the Profmed scheme decreased slightly over the year. Affordability remains an industrywide

challenge for members of medical schemes. We undertook several initiatives to help alleviate financial pressures on members. These included the introduction of the PPS Wallet and the PPS Gap solution for Profmed members. An essential part of the strategy of PPSHA is the provision of additional services to existing clients (such as disease and dental management), which supported the growth in revenue. Improvement in operational efficiencies continues to be a major focus. It should again be noted that PPS members with qualifying life products who are also Profmed members essentially get administration services at cost, since most of the profit generated from these administration services is returned to them in the form of Profit-Share. At the same time, they enjoy industry-leading administration services from a highly professional team.

An especially notable achievement for the business was that it was awarded Level 2 B-BBEE accreditation ahead of its planned schedule.

“We will continue to challenge ourselves on living our purpose, protecting the lives and livelihoods of our professional members and assisting them to live the lives they aspire to.”

Izak Smit
Chief Executive Officer

PPS Namibia

Operating profit for PPS Namibia increased to N\$67.4 million from N\$46.0 million in 2021. This was largely as a result of a significant reduction in COVID-19-related sickness and death claims, with total net (of reinsurance) claims reducing from R83.0 million to R73.6 million. Gross insurance premium revenue increased year on year by 10% from R194.6 million to R213.3 million. The committed and professional way in which PPS Namibia supported members during the pandemic has undoubtedly contributed to new member growth through word-of-mouth referrals. Expenses were well managed, increasing by only 3% year on year.

We continue to introduce new product solutions and services in Namibia shortly after launch in South Africa. Investment markets were under pressure during the year, after a strong performance in 2021, but managed to end the year positive.

PPS Mutual (Australia)

PPS Mutual, our affiliate business in Australia that started writing business in 2016 is now well established and operating successfully. The business has just under 10 000 members in Australia and has begun to contribute meaningfully to revenue for our South African members by paying royalties.

Our corporate social responsibility

PPS Foundation

The PPS Foundation uses the shared value of our community of professionals to work towards finding solutions to the key challenges we face as a developing economy, particularly as those relate to our large youth population. In 2022, it continued to run its core Bursary Programme and University Support Programme without interruption, and all funds were allocated and distributed. The PPS Graduate Internship Programme continues to be oversubscribed every year. We are also very proud of our Cultivating Tomorrow’s Professionals programme where we take Grade 11 pupils from eight schools in less-privileged areas across the country through a year-long intervention to prepare them for their matric exams and plant a dream for a professional career. Our staff give up their free time over weekends to give extra classes to these youngsters.

PPS Training Academy

The PPS Training Academy is internationally recognised for excellence and continues to be a learning institution we are immensely proud of. The uptake of the online courses the Academy offers for staff and advisers remains exceptionally positive. Since these were introduced in 2020, our staff have shown exceptional interest in skills and career development, taking advantage of courses in their own skills areas and also more general business disciplines. The digital literacy programme introduced in the same year has also been immensely popular, and in 2022, 32 courses were offered. The programme, made available to advisers as well, is designed to help develop the skills needed to interact effectively in a digitised world. Our next ambition is to also

make this value available to members, and we will start focusing on this from 2023 onwards.

Strategy and opportunities

The end of 2022 brought us to the close of a five-year strategic period and the start of a new five-year plan towards 2027. As we look towards the future, the strength of our balance sheet enables us to identify and take advantage of many opportunities. And it is usually in challenging times that there are many opportunities!

Our strategic agenda continues to be framed around seven pillars that are the foundation of our strategy:

- Our exclusive member value proposition that we continue to develop and expand;
- Increasing awareness and cross-solutioning of this member value proposition across different business areas;
- New and diversified revenue streams supporting profit generation for our members and diversifying it away from an over-dependence on life underwriting profits;
- The value proposition to advisers, as the face-to-face channel is so important in our market segment;
- The digitalisation journey;
- Our brand leadership position; and
- Our unique culture that supports innovation and the other pillars.

In the times that we find ourselves in, it is more apparent than ever that organisations need to develop sustainable solutions. Hence, we have added an eighth pillar (sustainability) to our strategic agenda.

“Our unique model ensures that we live up to the true meaning of mutuality, in that we share operating profits and losses as well as investment returns in members’ notional PPS Profit-Share Accounts™.”

Izak Smit
Chief Executive Officer

Message from Izak Smit

In 2022, PPS continued to support our members and return value to them. Our unique model ensures that we live up to the true meaning of mutuality, in that we share operating profits and losses as well as investment returns in the notional PPS Profit-Share Accounts™ that are created for members holding qualifying life-risk products. No premiums are paid for these accounts. Thanks to the PPS Profit-Share Cross-Holdings Booster, members can even earn more allocations when they hold additional products with one or more of our subsidiaries and/or affiliates.

As the effect of the COVID-19 pandemic started to ebb in 2022, our life insurance business returned to profitability. Especially COVID-19 death claims almost disappeared in 2022. We still experienced significant levels of sickness claims, and it was only towards the latter part of 2022 that COVID-19 sickness claims began to reduce meaningfully. On the short-term insurance side, claims ratios also started to return to pre-pandemic levels as vehicles returned to the roads. The severe flooding in KwaZulu-Natal in April 2022 caused an increase in short-term insurance claims, with the homes and businesses of many of our members in that region affected.

From an investment perspective, the markets were volatile throughout the year. This can be ascribed to inflation rising sharply worldwide and the economic impact of the war in Ukraine. These two effects are, of course, strongly correlated due to global supply chain specifics and energy market impacts. At home, this was exacerbated by South Africa’s precarious power supply position, especially during the second half of the year when the number of hours lost to loadshedding was at its highest ever.

As I reported in the previous period, 2021 was a very strong year in the investment markets and our funds performed exceptionally well. But, like a good personal financial adviser, I had to caution against exuberant future expectations. I warned that we expected returns to be much lower and perhaps even negative over the next year or two. Unfortunately, these comments proved somewhat prophetic! Investment markets were under significant pressure in 2022. Especially overseas equities and bonds had a torrid time in many months. For good diversification and growth reasons, we hold significant portions of the

assets we invest for our members in such overseas assets. As a result, our core balanced portfolio, in which most of our members’ Profit-Share assets are invested, ended the year slightly negative. July, October and November were good investment return months, resulting in a more-or-less flat performance for 2022. Our investment managers did well to navigate the challenges presented in 2022 due to their diversification strategy, designed to mitigate risk.

It is no exaggeration to say that 2022 was as challenging as the two preceding periods, with our channels having had to work exceptionally hard to recruit new members and provide cross-solutioning to our existing members. Operational staff also continued to be stretched, with claim volumes still far exceeding average pre-COVID-19 volumes. Our IT and operational staff had to deal with ever-greater information security risks. This is not unique to PPS; all organisations face these risks. It is part of doing business in these times where our lives have become ever-more digitally connected.

New business flows are a barometer of the health of a financial services business. These flows will be weak if your value proposition does not stack up, your service is poor or there is no trust in the organisation to deliver. And this is especially true if most new business is from independent intermediaries, as is the case at PPS. Hence, we took immense pleasure from the 2022 market statistics, which showed exceptional new business growth for PPS in a basically flat market. Across our businesses, we had another record year for new business inflows. The independent adviser channel for life new business grew by 11% from 2021 to 2022. Gross flows to PPS Investments grew by 9%. In terms of new life members, the membership in South Africa and Namibia grew from around 128 600 at the start of the year to over 131 000 at the end of 2022.



* Past performance is not necessarily indicative of future performance.



YOU.

Individual.

Or maybe not?

You see, you are many.

Built on the shoulders of others.

Of the ones who encouraged and nurtured.

And held you up with strength throughout your life.

Like you, PPS is built on the foundation of many working as one.

The company, intermediaries and members, all adding to the bigger picture.

With a shared interest in long-term success, we build and grow together.

Contributing to the foundation of mutuality, trust, support and shared value.

Because by pooling our resources, we can unleash the power of shared success.

