



FOR PROFESSIONALS

SINCE 1941

THE YEAR IN REVIEW
2017

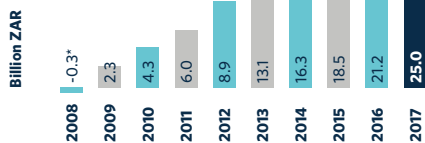
PPS HIGHLIGHTS FOR 2017



TOTAL ALLOCATIONS TO MEMBERS

R3.7 billion

R25 bn cumulatively allocated over the last 10 years



*Including negative investment returns as a result of the global financial crisis



PPS MILLIONAIRES

MORE THAN

4 400

MEMBERS HAVE ACCUMULATED MORE THAN

R1 million

IN THEIR PPS PROFIT-SHARE ACCOUNTS



TOTAL BENEFITS PAID

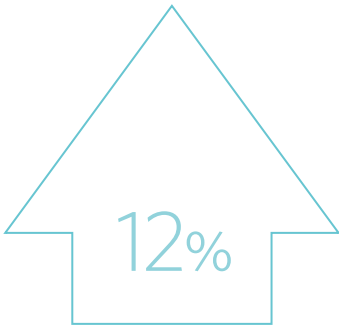
18.8%

R2.9 billion

SICKNESS	R 473.4 MILLION
PERMANENT INCAPACITY	R 410.4 MILLION
LIFE COVER	R 607.5 MILLION
CRITICAL ILLNESS	R 160.8 MILLION
LUMP SUM DISABILITY	R 109.0 MILLION
PROFIT-SHARE PAY OUT	R 1 018.0 MILLION
MOTOR & HOUSEHOLD	R 98.0 MILLION



TOTAL ASSETS*

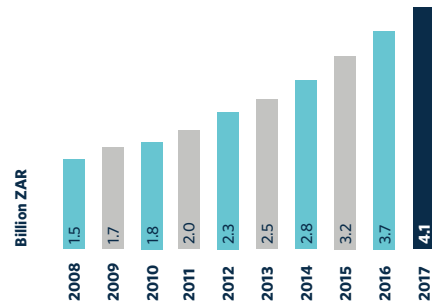


R35.3 billion

*Excluding unit trusts for third parties.



GROSS EARNED PREMIUM



R4 billion

Exceeded for the first time

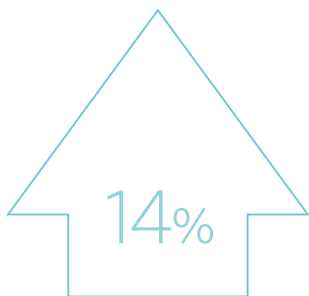


BLACK MEMBERSHIP

27%



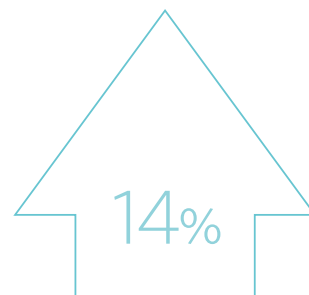
NEW INVESTMENT FLOWS



on prior year



PPSI ASSETS UNDER ADMINISTRATION



R28.6 billion



CREATING LEGACIES FOR OUR MEMBERS

PPS stands apart from all other financial service providers by:

- Only accepting graduate professionals who meet our criteria
- A business model based on mutuality – our members are the de facto shareholders.

As such, member interests inform all our decisions and actions. PPS has operated as a mutual since its founding 76 years ago – and will continue to do so.

In mid-2017 we established a new support unit offering fiduciary services such as drafting wills and winding up deceased estates. PPS is the only South African financial services provider with an end-to-end portfolio of solutions aimed directly at the unique needs of professionals.

THOUGHT LEADERSHIP IN A FAST CHANGING NICHE

As a mutual society of highly educated minds in South Africa and Australia, PPS takes the lead in developing our community of professionals. Every year we conduct 'Graduate Professional Index' and 'Student Confidence Index' surveys to identify threats and opportunities to inform how PPS can add membership value in a world that is evolving fast.

Digitalisation, innovation and disruption are shaping industries and economies. Professionals – young and older – will lead the changes. As such, PPS partnered with world renowned Singularity University to host an exclusive Exponential Forum for our members. In May 2018, members will discuss opportunities that may arise from concepts such as robotics, 3D printing, advances in health and medicine, biotech, artificial intelligence, the Internet of Things, the future of jobs and other emerging trends.

MENTORING THE NEXT GENERATION

In 2017 our graduate outreach portal, Professionals Connect, launched an initiative to pair experienced professionals with graduates and initiated mentorships in fields such as chartered accountancy, business analysis, law, human resources and biotechnology.

The group also partnered with GetReady, which mentors unemployed graduates by immersing them in executive coaching, critical thinking and analysis, while guiding them through solving corporate case examples.

INVESTING IN THE FUTURE OF PROFESSIONALISM

PPS is redesigning the membership experience around professional collegiality and exclusive products for members to optimise their lifestyles, from graduation to retirement and beyond.

The underlying principles underpinning our enhanced membership value proposition are:

- Developing a PPS community
- Financial coaching through all lifestyle changes
- Delivering relevant, quality products and services to members
- Creating a legacy across the full lifespan of members.

PPS was founded in 1941 and is the only mutual financial services company in South Africa where rare skills are rewarded, as the focus is exclusively on graduate professionals, providing tailor-made insurance, investment and healthcare solutions to our members.

Over the past two years, we have expanded our offering to include a dedicated Financial Planning Division and PPS Short-Term Insurance, now a fully-fledged short-term insurance company.

OUR STRATEGY

The needs of the graduate professional have been central to the PPS strategic intent for the last 76 years. We have designed our products and servicing models accordingly and believe that the mutual model provides long-term benefits to our members that cannot be matched. Our strategy therefore focuses on:

- Mutuality and growing membership.
- Group sustainability.
- Distribution.



MESSAGE FROM IZAK SMIT PPS GROUP CEO

WHY IS PPS UNIQUE?

MUTUALITY

A mutual society exists only for the benefit of its members, who are its de facto shareholders. It must fund its operational and regulatory costs, but does not pay dividends to non-members, nor does it issue shares that rise and fall in value in accordance with market movements.

A well managed and governed mutual society such as PPS, with a proven track record over decades, has no rival in South Africa. We focus year after year on extracting value for our members.

PPS reinvests profits and investment returns on behalf of our members. These funds accumulate in members PPS Profit-Share Accounts and vest free of tax at retirement, resignation from PPS, or death.

LONG-TERM MINDSET

PPS is not focused on delivering short-term returns to shareholders. PPS is focused on creating and sustaining long-term growth and wealth, recognising that there is an alignment of the interests of policyholders and shareholders - entirely unlike other insurance companies in South Africa.

The mutual structure allows our stable management team and the Board to adopt a truly long-term approach to running the business, deploying sustainable long-term strategies, which make the most efficient use of capital, and benefit all the generations of professionals we serve.

MEMBER RETURNS

PPS has shared a total of R25 billion in profits and investment returns with its members over the last 10 years. Retiring members, on average, received back ALL the premiums that they paid to PPS over the lifetime of their membership - irrespective of whether they had ever claimed or not. This is a truly unique statistic in the South African insurance sector.

2017 was another challenging year for South Africa. We contended with economic, political and environmental challenges that suppressed commercial activity and business confidence. Many of these challenges were South Africa specific, at a time when most of the rest of the world is finally shrugging off the effects of the financial crises of a decade ago and returning to growth and fuller employment. In the financial services environment, times like this in South Africa make signing up new business difficult and insurance claims inevitably rise.

Despite these headwinds, PPS was equal to the challenge and recorded a solid operating profit for our members. This result was a real achievement in the current operating environment.

In this year of review, we grew our membership numbers across all the group businesses, while our investments performed above expectations.

Our new fiduciary services established in mid-2017 positioned PPS as one of few South African financial services providers presenting an end-to-end portfolio of solutions, and indeed the only one that focuses exclusively on the unique needs of professionals. Our offering ranges across healthcare administration, fiduciary services, short- and long-term insurance to financial planning and investments.

Over the next year we will launch digital tools and other initiatives to simplify and speed up intermediary and member interactions with PPS, as expected by an increasingly technological literate member base.

We experienced a notable increase in claims as we assisted our members in times of need.

IN 2017 PPS WON THE LONG-TERM INSURANCE CATEGORY AT THE PRESTIGIOUS FINANCIAL INTERMEDIARY ASSOCIATION (FIA) AWARDS

A major vote of confidence in the business, as the 'judges' are financial intermediaries themselves. Given our strong focus on a narrow market segment - the professionals - winning this award when being judged against rivals operating in multiple markets was especially pleasing.

PROFIT-SHARE ACCOUNTS PAID OUT ON DEATH
R91.3 MILLION

PROFIT-SHARE ACCOUNTS PAID OUT ON RETIREMENT
R692.3 MILLION

GROWTH IN THE PPS PROFIT-SHARE ACCOUNTS

PPS is pleased to have shared over R3.7 billion with members through their PPS Profit-Share Accounts.

Although claims increased considerably, PPS is well provisioned for paying out claims and was able to set aside a worthwhile distribution for members.

In 2017 we tackled the tough job of phasing out unnecessary costs in our distribution system and streamlining management levels. Tight control of costs helped to boost our operating profits.

RETIREMENT BENEFITS

Apart from the investment returns, the primary advantage for members of PPS is the profits that accrue to members on retirement through the unique PPS Profit-Share Accounts. When members retire they can invest their profit-share allocations into PPS products that will bolster post-retirement income. Members who prudently re-invest the cash will continue gaining from profit share through their investments.

During the year 2017, 651 members retired with a total Profit-Share Account payout of R692.3 million. Individual amounts varied between R50 000 and R3 million, depending on the tenure of membership with PPS, the amount of the premiums paid, together with how many products held.

GROWTH IN MEMBERSHIP

We grew our membership numbers across all group businesses, yet, found that many of our members do not yet leverage the full range of the PPS solutions. Many of our members are not yet aware of how effectively they can integrate PPS products for optimal financial rewards. We are enhancing the entire PPS membership experience to sensitise our members to how much more value PPS can create for them.

NEW MEMBERS 2017

7348

DISTRIBUTION

To further enhance our service to members, PPS consolidated its distribution channels into a single channel overseen by Financial Planning. Integrated distribution under one management team has raised our service levels and reduced costs while harmonising the working relationship between PPS staffers and our independent financial service providers.

TOTAL RISK CLAIMS PAID IN 2017

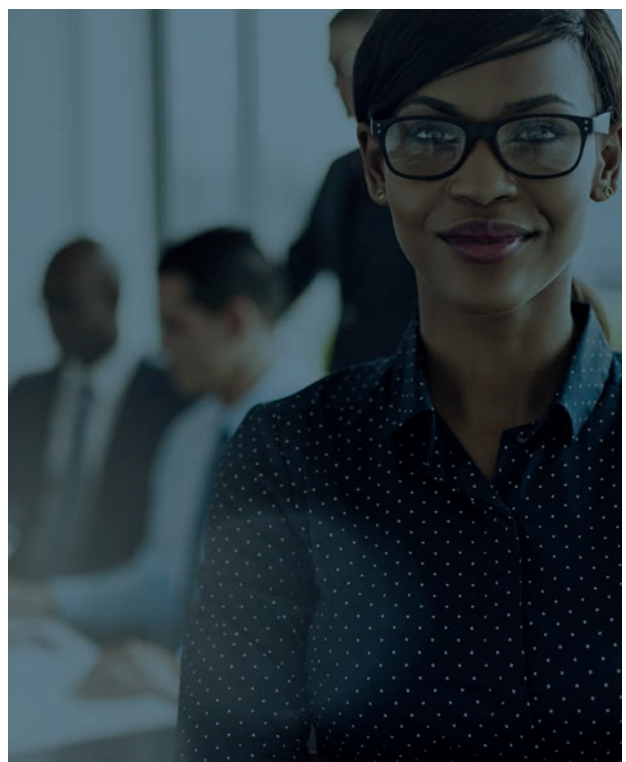
R 1.9 BILLION

101 CLAIMS PAID PER DAY

SUBSIDIARIES

PPS has set out energetically along the digital roadmap that will further improve our services and provide an even more welcoming environment to technologically astute and younger graduates. We will continue to make strategic digital investments into our subsidiaries, to enable us to serve the members better.

- **PPS Short-Term Insurance's** performance shows that professionals in general continue to manage their risks responsibly. Claims received were well within budgeted assumptions, supporting the belief that our member are a better risk pool, which bodes well for the future in terms of premiums and profit. The cash reserves remain substantial.
- **PPS Investments** performed particularly well. Our assets under management grew to R28.6 billion and our number of participating members increased significantly as we welcomed over 5 300 new professionals. This growth is particularly pleasing as rival asset managers have struggled to grow their client base and assets in the current environment. This pleasing performance was underpinned by prudent expense management
- **PPS Financial Planning** supports our members and their financial advisers with specialised interventions and advice. The model is fee-based, which enables our consultants to give professional advice without pressure to drive sales. We deliver on two fundamental promises to our members: being advised by competent professionals - and without pressure to buy specific products. Any necessary product implementations are usually referred back to the financial advisers, who implement decisions competently
- **PPS Healthcare** has recently invested into systems upgrades that have improved operational efficiencies. These are now paying off in heightened service levels and reduced costs.
- **PPS Mutual (Australia)** was launched in February 2016 after a rigorous viability study and was able to make its first profit distribution to its members in 2017. The costs of operating our Australian business are reduced by running much of its back-office administration through our Johannesburg facility. It also supports profit generation for our South African members.



DEATH CLAIMS

R607.5 MILLION

TOP 3 CAUSES:

CANCER
DISEASES OF THE CIRCULATORY SYSTEM
SUICIDE AND ACCIDENTS

SICKNESS BENEFITS

SICK PAY CLAIMS
R473.4 MILLION

CONDITIONS MOST CLAIMED FOR:

CANCER
DISEASES OF THE MUSCULOSKELETAL
SYSTEM AND CONNECTIVE TISSUE
INJURY

PERMANENT INCAPACITY BENEFITS

TOTAL PAID
R410.4 MILLION

CONDITIONS MOST CLAIMED FOR:

DISEASES OF THE MUSCULOSKELETAL
SYSTEM AND CONNECTIVE TISSUE
INJURY
PSYCHOLOGICAL ILLNESS

CRITICAL ILLNESS BENEFITS

TOTAL PAID
R160.8 MILLION

CONDITIONS MOST CLAIMED FOR:

CANCER
DISEASES OF THE
CIRCULATORY SYSTEM
DISEASES OF THE NERVOUS SYSTEM

LUMP SUM DISABILITY BENEFITS

TOTAL PAID
R109 MILLION

CONDITIONS MOST CLAIMED FOR:

DISEASES OF THE NERVOUS SYSTEM
DISEASES OF THE MUSCULOSKELETAL
SYSTEM AND CONNECTIVE TISSUE
NEUROLOGICAL

TOTAL CANCER CLAIMS PAID FOR ALL PRODUCTS

R248.4 MILLION

PROSPECTS

We sense a growing optimism about South Africa's political stability and economic prospects. A renewed commitment to good governance in the public and private sectors bodes well for the future.

The excellent results PPS achieved in 2017, despite stiff economic and political headwinds, hold promise for the current financial year.

During 2018 we are rolling out a member digital engagement strategy in line with global best practices. This strategy is aimed at speeding up member interactions and making these more proactive, and includes digital platforms and apps for members, intermediaries and agents. These will also enable remote engagement with financial planners and options for members to personally update their PPS portfolios.

PPS CORPORATE SOCIAL INVESTMENT, FOUNDATION AND ACADEMY

REACHING MILESTONES

We have reached several milestones in our first year as an established organisation. As a Foundation dedicated to improving access to Science, Technology, Engineering and Mathematics we have not only seen significant growth in our different programme initiatives but also increased our Bursary support and graduate intake for 2017 – despite challenging economic conditions.

EMPOWERING THE FUTURE

This early success reflects the contribution of our members towards social responsibility, thereby propelling the Foundation forward to empower the next generation with the essential financial management skills they'll need.

