

BANKMED

ANNUAL FINANCIAL STATEMENTS

31 December 2025



ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

The reports and statements set out below comprise the Annual Financial Statements presented to members:

CONTENTS	Pages
Report of the Board of Trustees	1 - 19
Trustees' responsibility and approval	20
Statement of corporate governance by the Board of Trustees	21
External auditor's report	22 - 28
Statement of Financial Position	29
Statement of Comprehensive Income	30
Statement of Cash Flows	31
Accounting policies	32 - 47
Notes to the Financial Statements	48 - 90

The Board of Trustees hereby presents its annual report for the year ended 31 December 2025.

1 DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

Bankmed (the Scheme) is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998 (the Act) and the Regulations thereto, as amended.

1.2 Benefit options within the Scheme

In terms of its rules, the Scheme offered six benefit options during 2025:

Bankmed Essential Plan
Bankmed Basic Plan
Bankmed Core Saver Plan
Bankmed Traditional Plan
Bankmed Comprehensive Plan
Bankmed Plus Plan

1.3 Personal Medical Savings Accounts

In order to provide a facility for members to set funds aside to meet future healthcare costs not covered in the benefit options, the Trustees have made the option of a savings plan available to meet this objective. The savings plan is available on the Bankmed Core Saver Plan, Bankmed Comprehensive Plan and Bankmed Plus Plan.

Unexpended savings amounts are accumulated for the long-term benefit of members and 50% of the interest earned on these funds are allocated to members.

The liability to the members in respect of the Personal Medical Savings Accounts is reflected in the Insurance contract liabilities in the Financial Statements, repayable in terms of Regulation 10 of the Act.

1.4 Reinsurance contracts (risk transfer arrangements)

The Scheme had the following reinsurance contracts in place during 2025:

- Discovery Health (Pty) Ltd - To cover primary healthcare for members on the Bankmed Essential Plan and Bankmed Basic Plan. Effective 1 January 2025 specialised diabetes and cardiometabolic management services to members on all benefit options were also provided.
- Centre for Diabetes and Endocrinology (Pty) Ltd - To cover diabetes claims for members on the Bankmed Core Saver Plan, Bankmed Traditional Plan, Bankmed Comprehensive Plan and Bankmed Plus Plan. This contract ended 30 April 2025.



2 MANAGEMENT

2.1 Board of Trustees in office during the year under review

The Board of Trustees comprises 12 members constituted as follows:

- Six members are appointed by the three largest employer groups.
- Six members are elected by the members on a rotation basis at the Annual General Meeting. Two of the elected Board members retire at each Annual General Meeting and the vacancies thus created are filled.

Appointed by employer groups

Dr L Rametsi (Chairperson)	Absa Bank Limited
Mr G Betela	Absa Bank Limited
Ms F Butler-Emmett (Vice-Chairperson from 23 July 2025)	FirstRand Limited
Mr P Lachman (Appointed 25 November 2025)	FirstRand Limited
Ms L Nkosi (Resigned 30 September 2025)	FirstRand Limited
Ms Z Boota (Appointed 01 September 2025)	The Standard Bank of South Africa Limited
Mr W MacFarlane (Resigned 31 August 2025)	The Standard Bank of South Africa Limited
Ms G Noemdoe	The Standard Bank of South Africa Limited

Elected by members

Mr J Cresswell (Resigned 26 June 2025)
 Mr DW Bolt (Re-elected 26 June 2025)
 Mr D Armstrong
 Mr RP Gush
 Ms D Mantle
 Mr D le Grange
 Mr H Swanepoel (Elected 26 June 2025)

The Board of Trustees met seven times during 2025 on the following dates:

26 February to 01 March 2025 (Annual Strategic Planning Session)
 24 April 2025
 25 June 2025
 23 July 2025
 08 August 2025 (Special Board of Trustees Meeting)
 02 October 2025
 25 November 2025

2 MANAGEMENT (continued)**2.2 Principal Officer**

Mr T Mosomothane WeWork Rosebank (The Link), 5F 173 Oxford Road Rosebank 2196	Private Bag X2 Rivonia 2128
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2.3 Registered office address and postal address

WeWork Rosebank (The Link), 1F 173 Oxford Road Rosebank 2196	Private Bag X2 Rivonia 2128
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2.4 Medical scheme administrator

Discovery Health (Pty) Ltd 1 Discovery Place Sandton 2196	PO Box 786722 Sandton 2146
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2.5 Managed care and wellness providers

Discovery Health (Pty) Ltd 1 Discovery Place Sandton 2196	PO Box 786722 Sandton 2146
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MediKredit Integrated Healthcare Solutions (Pty) Ltd 10 Kikuyu Road Sunninghill Sandton 2157	PO Box 521058 Saxonwold 2132
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2.6 Reinsurance contract providers (Risk transfer arrangement providers)

Discovery Health (Pty) Ltd 1 Discovery Place Sandton 2196	PO Box 786722 Sandton 2146
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Centre for Diabetes and Endocrinology (Pty) Ltd 81 Central Street Houghton 2198	P.O. Box 2900 Saxonwold 2132
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2.7 Investment managers

Ninety One SA (Pty) Ltd 14 Dock Rd, Victoria & Alfred Waterfront Cape Town 8001	P.O. Box 1655 Cape Town 8000
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Taquanta Asset Managers (Pty) Ltd 7th Floor Newlands Terraces 8 Boundary Road Newlands 7700	P.O. Box 23540 Claremont Cape Town 7708
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M&G Investment Managers (Pty) Ltd 7th Floor Protea Place 30 Dreyer Street Claremont 7735	P.O. Box 44813 Claremont Cape Town 7708
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Allan Gray South Africa (Pty) Ltd 1 Silo Square V&A Waterfront Cape Town 8001	P.O. Box 51318 V&A Waterfront Cape Town 8002
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Abax Investments (Pty) Ltd The Oval 1 Oakdale Road Newlands 7700	P.O. Box 23851 Claremont Cape Town 7708
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2.8 Investment consultant

Willis Towers Watson 1st Floor Illovo Edge 1 Harries Road Illovo 2196	Postnet Suite 154 Private Bag X1 Melrose Arch 2076
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2.9 Actuary

NMG Consultants and Actuaries (Pty) Ltd
 9th Floor
 19 Ameshoff Street
 Braamfontein
 2001

P.O. Box 3075
 Randburg
 2194

2.10 External auditor

PricewaterhouseCoopers Inc.
 4 Lisbon Lane
 Waterfall City
 Jukskei View
 2090

Private Bag X36
 Sunninghill
 2157

2.11 Internal auditor

BDO South Africa
 Wanderers Office Park
 52 Corlett Drive
 Illovo
 2196

Private Bag X60500
 Houghton
 2041

2.12 Attorney

Edward Nathan Sonnenbergs Inc.
 150 West Street
 Sandton
 2196

PO Box 783347
 Sandton
 2146

3 INVESTMENT STRATEGY OF THE SCHEME

The overall objective is that the return on the assets should be such that:

- the highest rate of return is achieved within the determined risk tolerance level;
- assets are broadly selected to obtain real growth relative to the Consumer Price Index (CPI);
- the negative effect of equity volatility is mitigated by diversifying investment holdings over various types of asset classes, and by employing multiple investment managers to administer these holdings; and
- risk mitigation provisions are applied.

This means that the multi-asset portfolios are expected to provide real rates of return over a three-year rolling period at the lowest possible rates of volatility, whilst the money market portfolio aims to ensure capital preservation and will be limited to investing in cash and fixed-interest instruments.

An investment consultant has been appointed to assist with design and implementation of the Investment Policy, appointment, and termination of asset managers, periodic review of each asset manager's performance against an agreed benchmark and assistance with all other investment consulting matters. Professional asset managers have been appointed to manage the assets of the Scheme. The Trustees will not undertake investment decisions in respect of the allocated assets without consulting the professional investment consultant.

The Trustees will not encumber asset managers with restrictions or pre-determinations, other than limitations documented in the Statement of Investment Policy or required by the Regulations of the Act. The asset managers will be free to invest assets under their control according to a specified mandate on the understanding that their performance will be assessed according to the benchmarks set by the Scheme.

The Scheme utilises a current account and a liquid money market portfolio to manage its cash requirements. Unused cash funds are kept in the higher interest yielding liquid money market portfolio to maximise investment returns. When funds are required for monthly operational purposes, they are transferred to the Scheme's transactional current account.

The Trustees have appointed an Investment Committee to recommend an appropriate Investment Policy, and strategy, to the Board of Trustees, and to oversee the implementation thereof.

4 ENVIRONMENTAL, SOCIAL AND GOVERNANCE INITIATIVES AND MEASURES

The importance of the impact that the operations of an organisation has on Environmental, Social and Governance (ESG) factors, is appreciated by the Scheme. The effect of an organisation's operations on the environment is an ever increasing point of focus, mainly due to the rapidly increasing number of climate change events. Along with this, the impact an organisation has on the social aspects of the community in which it operates, are direct indicators of the long-term sustainability and overall success of the organisation. Bankmed complies with the provisions of the Medical Schemes Act and the Regulations thereto. Bankmed insists on the highest standards of Governance practices within the Scheme, as well as within the Scheme's various service providers.

The Scheme's major sphere of influence on ESG factors is via the investment of its reserves. The Scheme's Investment Committee devotes substantial time to interrogating the Scheme's investment managers' ESG analysis and assessment methodologies. All of the Scheme's appointed investment managers subscribe to the principles of the Code of Responsible Investing in the Republic of South Africa, of which the first principle addresses ESG requirements. The investment managers are required to report to the Investment Committee annually on various aspects of their investment performance and processes, one of the aspects being their consideration of an organisation's ESG factors, and any initiatives in this regard that the organisation has adopted.

As mentioned in section 3, part of the Scheme's investment strategy is that the investment managers are mandated to decide which organisations they invest in. The Investment Committee does not dictate asset choice within investment managers' portfolios. The Scheme's investment managers undergo extensive scrutiny and due diligence before being appointed. But once appointed, their expertise in investing is not interfered with. Therefore, the regular analysis of their application of ESG considerations is carried-out instead of instructing the investment managers to invest or disinvest in any particular organisation. This includes the analysis of the investment managers' BBB-EE activities, where the Committee has adopted a greater focus than simply verifying the asset managers' B-BBEE credentials, and looks beyond just the compliance aspect.

The Scheme previously conducted an official assessment of the Scheme's office carbon footprint, which yielded very favourable results. The Scheme will continue to monitor its carbon footprint by conducting such assessments on a periodic basis.

5 REVIEW OF THE ACCOUNTING PERIOD’S ACTIVITIES

5.1 Operational statistics

	Essential Plan		Basic Plan		Core Saver Plan		Traditional Plan		Comprehensive Plan		Plus Plan		Consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Number of members at year end	6,651	6,006	26,472	24,225	33,591	33,107	11,082	11,292	29,214	30,506	2,440	2,582	109,450	107,718
Number of beneficiaries at year end	9,094	8,256	52,551	47,745	72,106	70,312	23,872	24,582	62,929	66,112	4,213	4,524	224,765	221,531
Average number of members for the year	6,229	5,652	25,937	23,920	33,490	33,236	11,145	11,419	29,471	30,843	2,484	2,629	108,756	107,699
Average number of beneficiaries for the year	8,502	7,737	51,433	47,112	71,603	70,248	24,057	24,912	63,561	66,901	4,308	4,634	223,464	221,544
Dependant-to-member-ratio at year end	0.37	0.37	0.99	0.97	1.15	1.12	1.15	1.18	1.15	1.17	0.73	0.75	1.05	1.06
Pensioner ratio (65 Years +)	1.01%	0.98%	2.23%	2.29%	3.70%	3.47%	12.91%	12.32%	18.22%	17.29%	50.75%	48.10%	9.17%	9.14%
Average age of beneficiaries	29.75	29.36	27.03	26.81	28.21	27.70	37.36	36.68	40.82	40.02	59.38	58.42	33.08	32.87
Avg Insurance revenue per member per month (pmpm)(R)	1,929	1,841	3,485	3,268	4,104	3,741	6,809	6,279	6,666	6,090	9,867	9,067	4,935	4,608
Avg Insurance revenue per beneficiary per month (pbpm)(R)	1,414	1,345	1,757	1,659	1,920	1,770	3,154	2,878	3,091	2,808	5,690	5,144	2,402	2,240
Avg Insurance service expense pmpm (R)	984	1,031	3,111	2,866	3,516	3,061	7,959	7,272	8,518	7,694	12,607	12,639	5,293	4,918
Avg Insurance service expense pbpm (R)	721	753	1,569	1,455	1,645	1,448	3,687	3,334	3,949	3,547	7,269	7,170	2,576	2,391
Relevant healthcare expenditure incurred pbpm (R)	617	650	1,462	1,333	1,553	1,359	3,597	3,247	3,860	3,459	7,158	7,062	2,481	2,211
Directly attributable insurance service expenses pbpm (R)	258	244	177	170	152	146	152	142	150	143	187	176	162	154
Insurance service expense as a percentage of insurance revenue	51.00%	56.01%	89.26%	87.68%	85.68%	81.84%	116.89%	115.83%	127.78%	126.34%	127.77%	139.40%	107.25%	106.74%
Relevant healthcare expenditure as a percentage of insurance revenue	43.62%	45.32%	83.20%	59.88%	80.89%	76.46%	114.04%	112.26%	124.88%	122.54%	125.81%	136.87%	103.28%	98.71%
Directly attributable insurance service expenses as a percentage of insurance revenue	18.23%	18.18%	10.09%	10.24%	7.90%	8.28%	4.83%	4.93%	4.84%	5.08%	3.29%	3.41%	6.74%	6.87%
Attributable and non-attributable expenses as a percentage of net contributions	21.66%	22.76%	12.25%	12.70%	10.02%	10.39%	6.05%	6.18%	6.18%	6.37%	4.18%	4.27%	8.42%	8.59%
Amounts paid to administrator (R'000)	17,217	14,875	71,688	62,946	85,666	80,907	28,508	27,798	75,382	75,083	6,353	6,400	284,814	268,009
Liability attributable to future members per member at 31 December (R)													29,783	30,135
Average Healthcare management expense pmpm (R)	137	130	137	130	126	121	126	121	126	121	126	121	129	123
Average Healthcare management expense pbpm (R)	101	95	69	66	59	57	60	55	58	56	73	68	63	60
Return on investments as per an independent review by the Scheme’s investment consultants													15.60%	11.03%

5 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)

5.2 Results of operations

The financial results of the Scheme are clearly set out in the Financial Statements accompanying this report.

5.3 Solvency ratio

	2025 R'000	2024 R'000
Liability to members for future benefits per the Statement of Financial Position	3,259,802	3,246,117
Less: Cumulative unrealised net gain on remeasurement of investments to fair value	<u>(534,734)</u>	<u>(315,003)</u>
Accumulated funds per Regulation 29 of the Act	<u>2,725,068</u>	<u>2,931,114</u>
Gross annual contributions	7,291,471	6,780,002
Insurance revenue (Note 7)	6,440,414	5,955,387
PMSA contributions received (Note 7)	851,057	824,615
Solvency ratio	37.37%	43.23%

The Scheme's solvency ratio exceeds the statutory reserve requirement of 25% of gross annual contribution income.

5.4 Provision for outstanding claims

At year-end, a provision is made for those claims outstanding that have been incurred but not yet reported. Movements in this provision is included in the Insurance contract liabilities and are set out in Note 4 to the Financial Statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

6 ACTUARIAL SERVICES

The Scheme's actuary has been consulted in determining the contribution increases, the provision for outstanding claims, the risk adjustment and the viability of benefit levels.

7 INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE SCHEME

The Scheme holds the following investments in employer groups:

	2025 R'000	2024 R'000
Financial assets at fair value through profit or loss	718,789	898,206
Cash and cash equivalents	<u>526,666</u>	<u>589,887</u>
Total	<u>1,245,455</u>	<u>1,488,093</u>

Refer to Note 13 for detailed disclosure in terms of related parties. The Scheme obtained an exemption from Section 35(8)(a) of the Act and is therefore permitted to hold investments in the participating employers of members.

8 AUDIT COMMITTEE

The Audit Committee (the Committee) operated in accordance with the provisions of the Act. The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems, IT governance and financial reporting practices. The internal and external auditors formally report to the Committee on significant findings arising from their audit activities.

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review. At all times the majority of the Committee is independent.

The Committee has adopted a Combined Assurance Model to facilitate a coordinated approach to all assurance activities. The Combined Assurance Model aims to optimise the assurance coverage obtained from Scheme management, auditors, service providers and other assurance providers.

The Committee comprised of:

Ms R Gani - Chairperson (Independent)

Ms F Levy-Hassen (Independent)

Mr B Phillips (Independent)

Mr G Betela (Trustee)

Ms F Butler-Emmett (Trustee)

The Committee met five times during 2025 on the following dates:

20 February 2025

28 March 2025 - Pre-Audit Committee Meeting

11 April 2025

31 July 2025

03 November 2025

The Chairperson of the Board of Trustees, the Principal Officer, the Finance Executive of the Scheme, the administrator, the internal auditor as well as the external auditor are invited to attend all Audit Committee meetings and have unrestricted access to the Chairperson of the Committee. The Chairperson of the Audit Committee is also a member of the Risk Management Committee.

9 REMUNERATION COMMITTEE

The Remuneration Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Remuneration Committee meetings are attended by an independent advisor to provide expert advice and guidance to the Committee.

The Committee comprised of:

Mr DW Bolt (Chairperson)
Mr D Armstrong (Chairperson of the Investment Committee)
Mr J Cresswell (Resigned 26 June 2025)
Dr L Rametsi (Chairperson of the Board of Trustees)
Ms G Noemdoe (Chairperson of the Risk Management Committee)

The Committee met three times during 2025 on the following dates:

04 February 2025
09 September 2025
11 November 2025

10 RISK MANAGEMENT COMMITTEE

The Risk Management Committee enabled the Board to oversee the risks against which the Scheme should be protected. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Ms G Noemdoe (Chairperson)(Trustee)
Ms R Gani - (Independent)(Chairperson: Audit Committee)
Ms D Mantle (Trustee)
Ms L Nkosi (Trustee)(Resigned 30 September 2025)
Mr W MacFarlane (Trustee)(Resigned 31 August 2025)
Ms Z Boota (Trustee)(Appointed 01 September 2025)
Mr D le Grange (Trustee)
Mr T Mosomothane (Principal Officer)
Mr N Coghlan (Executive: Finance and Risk)
Dr N Naidoo (Executive: Clinical and Operations)

The Committee met four times during 2025 on the following dates:

20 March 2025
15 May 2025
21 August 2025
16 October 2025

11 INVESTMENT COMMITTEE

The Investment Committee ensures that the investment process is operated within the parameters of the Scheme's investment strategy. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Mr D Armstrong (Chairperson)(Trustee)
Mr RP Gush (Trustee)
Mr G Betela (Trustee)
Mr J Cresswell (Trustee)(Resigned 26 June 2025)
Ms F Butler-Emmett (Trustee)
Mr H Swanepoel (Trustee)(Elected 26 June 2025)

The Committee met four times during 2025 on the following dates:

12 March 2025
23 May 2025
01 September 2025
20 November 2025

12 NOMINATIONS COMMITTEE

The Nominations Committee ensures that the process of assessing the suitability of potential trustee candidates is thorough, fair and complete. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Dr L Rametsi (Chairperson)
Mr D Armstrong (Trustee)
Mr W MacFarlane (Trustee)(Resigned 31 August 2025)
Ms G Noemdoe (Trustee)

The Committee met once during 2025 on the following date:

15 April 2025

13 MEETING ATTENDANCE

The following schedule sets out trustee meeting attendances where column A indicates the total number of meetings that could have been attended and B the actual number of meetings attended.

Trustee	Board of Trustees meetings		Remuneration Committee meetings		Audit Committee meetings		Risk Management Committee meetings		Nominations Committee meeting		Investment Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B
Dr L Rametsi	7	7	3	3	-	-	-	-	1	1	-	-
Mr D Armstrong	7	7	3	3	-	-	-	-	1	1	4	4
Mr D le Grange	7	7	-	-	-	-	4	4	-	-	-	-
Mr DW Bolt	7	7	3	3	-	-	-	-	-	-	-	-
Mr G Betela	7	6	-	-	5	3	-	-	-	-	4	4
Mr H Swanepoel	4	4	-	-	-	-	-	-	-	-	2	2
Mr J Cresswell	3	3	1	1	-	-	-	-	-	-	2	2
Mr P Lachman	1	1	-	-	-	-	-	-	-	-	-	-
Mr RP Gush	7	7	-	-	-	-	-	-	-	-	4	4
Mr W MacFarlane	5	5	-	-	-	-	3	2	1	1	-	-
Ms D Mantle	7	7	-	-	-	-	4	4	-	-	-	-
Ms F Butler-Emmett	7	7	-	-	5	4	-	-	-	-	4	4
Ms G Noemdoe	7	6	3	3	-	-	4	4	1	-	-	-
Ms L Nkosi	5	5	-	-	-	-	3	3	-	-	-	-
Ms Z Boota	2	2	-	-	-	-	1	1	-	-	-	-

14 NON-COMPLIANCE MATTERS

14.1 Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred insurance service result deficits for the year ended 31 December 2025, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for the failure

The Scheme offers multiple benefit options in order to provide benefits suited to the specific healthcare needs of the varying demographic groups within the Scheme's overall membership. The benefit design process, however, must also consider the overall financial impact on the Scheme of providing such benefits. This takes into account the Scheme's financial stability, reserve levels and ultimate sustainability. In order to achieve both objectives it may be necessary to incur losses on certain options, which are then offset by surpluses on other options. These losses are anticipated in the annual budget, which is approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2025 included a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

14 NON-COMPLIANCE MATTERS (continued)

14.2 Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact

Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2025, which is in contravention of Section 26(7) of the Act.

Causes for the failure

Due to internal process delays by some participating employers, the contributions paid on behalf of members were not paid within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

Scheme management continues to engage any employer group that pays late, and appropriate action is taken as and when necessary. Continuous improvements have been instrumental in timeous payment of contributions by employer groups.

14.3 Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact

The Scheme holds investments, via various instruments, with Absa Bank Limited, FirstRand Limited, Landbank SOC Limited and The Standard Bank of South Africa Limited all of who are participating employers of the Scheme. The Scheme also banks with FirstRand Limited and therefore has various current accounts with this participating employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes for the failure

As these institutions are major banks, an investment portfolio excluding these participating employers would fail to diversify optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 31 July 2025 to 30 November 2028.

14 NON-COMPLIANCE MATTERS (continued)

14.4 Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact

The Scheme has investments in other administrators via unitised fund holdings within the Ninety One Absolute Opportunity and M&G Global Real Return portfolios.

Causes for the failure

The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 1 December 2025 to 30 November 2028.

14.5 Non-compliance with Section 59(2) – Payment of claims within 30 days

Nature and impact

A medical scheme shall, in the case where an account has been rendered, subject to the provisions of the Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

Causes for the failure

A small number of claims were paid later than 30 days of the date of receipt. Delays occur when accounts are referred for clinical audit or other investigations. These are however exceptions and claims are generally paid within the prescribed time.

Corrective action

The Scheme continuous to comply as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

14 NON-COMPLIANCE MATTERS (continued)

14.6 Disclosure of personal information

Nature and impact

Regulation 15J(2)(b) requires the Scheme to ensure that there are provisions in place for ensuring confidentiality of clinical and proprietary information, including the diagnosis and treatment pertaining to any beneficiary. Condition 7 of the Protection of Personal Information Act (POPIA) requires that personal information be kept secure against the risk of loss, unauthorised access, interference, modification, destruction or disclosure.

Causes of failure

During the year under review there were incidents where minor amounts of personal information were unintentionally shared, by the Scheme's administrator, with 3rd parties.

Corrective action

These incidents were reported to the Information Registrar as required. Remedial action taken included additional training and the strengthening of control systems.

14.7 Non-compliance with Section 29(1)(o) – Prescribed minimum benefits

Nature and impact

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

Causes of failure

During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

Corrective action

These identified claims are reprocessed and paid.

15 MEMBERSHIP

The membership of the Scheme increased by 1.61% to 109,450 at the end of 2025 when compared to the total membership at the end of 2024 of 107,718. The Board of Trustees continues to monitor membership movements and the matter is receiving the necessary attention in terms of both risk management and future strategic options. In an effort to increase membership, the Board of Trustees has entrusted Scheme Management with specific strategic initiatives. At the end of 2025, the Scheme's average beneficiary age was 33.08 years (2024: 32.87 years). The pensioner ratio increased from 9.14% at the end of 2024 to 9.17% at the end of 2025.

16 BENEFIT OPTIONS

Benefit design is a dynamic process and aimed at fulfilling the needs and healthcare benefit requirements of the Bankmed member and employer base. For this reason, the Scheme offers six benefit options which are reviewed on an on-going basis in terms of affordability, financial viability, membership choice and legislative compliance.

17 SERVICE AND ADMINISTRATION

The Scheme's administration is outsourced to Discovery Health (Pty) Ltd. The Scheme regularly reviews its service level agreements. The Scheme also ensures that effective service delivery and service levels are monitored and evaluated on an on-going basis.

18 FINANCIAL OVERVIEW

The financial position of the Scheme and its robust risk management approach resulted in a reaffirmation of the AA+ rating from the Global Credit Ratings Agency in 2025, indicating its strong ability to pay claims.

18.1 Review of financial results

The overall claims for 2025 were 4.34% higher than that budgeted for the year.

Incurred claims expenditure, expressed as a percentage of insurance revenue, was 100.51% for 2025 (2024: 99.74%).

Due to very positive investment returns during 2025, the Scheme generated a net surplus for the year amounting to R13.7m. This compares very favourable against a budgeted deficit of R39.8m for 2025, and an actual deficit of R96.4m in 2024.

18.2 Administration expenditure

Administration expenditure (attributable and non-attributable to insurance contracts) remained stable at 4.95% of gross insurance revenue in 2025 (2024: 5.01%). The overall administration expenditure figure compares favourably with that of other medical schemes (as obtained from the latest available CMS annual report) in the healthcare industry.

18.3 Investments

The Scheme has a clearly documented Investment Policy and employs the services of independent investment managers in order to manage its various investment portfolios. Net investment income (including fair value gains after deducting asset management fees and finance expenses) during 2025 amounted to R597.2 million, which is 51.06% better than the R395.3 million generated in 2024. The performance of the Scheme's managers was in line with market performance. All of the Scheme's investment managers operate in terms of strict mandates that have been delegated to them by the Board of Trustees, which comply with the requirements of the Act and Regulations, and which are closely monitored.

The Board of Trustees has appointed an Investment Committee that in turn utilises the services of an independent investment consultant with the objective of advising the Board of Trustees regarding the implementation, benchmarking and monitoring of appropriate investment mandates. The investment mandates incorporate strategies which aim to outperform real growth relative to Consumer Price Inflation.

19 COMMUNICATION

Scheme communications continue to be aimed at the education and empowerment of members and elevating the profile of the Bankmed brand in order to retain the current membership and attract new members. Ongoing evaluation of communication tools and channels has ensured continuous improvement of the impact of the marketing and communication messages and strategies.

20 ROAD ACCIDENT FUND (RAF) CLAIMS

The Scheme has the right to recover medical expenditure incurred on by members who have been involved in motor vehicle accidents (MVAs), from those members, if the value of the medical expenditure is reimbursed by the RAF. Usually a portion of the award to a claimant by the RAF is compensating for medical expenditure incurred. Bankmed members, on joining the Scheme, agree to reimburse the Scheme for medical expenses paid by the Scheme, in the event that such expenses are reimbursed by the RAF.

The Scheme has no legal right to these funds until a court order has been issued instructing the RAF to reimburse the member for the medical costs incurred as a result of the MVA. Because of the significant uncertainty as to the outcomes of these claims, the Scheme, from an accounting perspective, can therefore not raise an amount owing, or contingent asset, until such an award is made by the court. As at the 31 December 2025, the Scheme had potential reimbursements of medical expenditure incurred on members involved in MVA's who had pending claims against the RAF, of R149.7 million.

The RAF has frequently (notably since August 2022) refused to pay past medical expenses for accident victims whose costs were covered by medical schemes, arguing that no actual loss was suffered by the member. The RAF effected its refusal to pay past medical expenses through directives that it had issued. This was legally challenged by Discovery Health (Pty) Ltd. In December 2024, the Pretoria High Court handed down judgment in the matter between Discovery Health (Pty) Ltd and the RAF. The High Court ruled 2:1 in favour of the RAF, declaring the directives lawful. However, one judge dissented, arguing that the RAF was obligated to pay these expenses regardless of medical scheme coverage. Discovery Health (Pty) Ltd appealed the judgment to the Supreme Court of Appeal, agreeing with the dissenting judge's opinion. Subsequent High Court rulings, throughout 2025, have highlighted difficulties with the Pretoria High Court ruling. During 2025, the RAF continued to refuse payment, notwithstanding the courts consistently ruling that the RAF's rejection of these claims is unlawful. These subsequent rulings include a full Bench of the Western Cape High Court rejecting the RAF's reliance on internal directives to deny liability for past medical expenses. Although the rulings subsequent to the December 2024 judgement have been generally in favour of Discovery Health (Pty) Ltd's legal challenge, and the medical scheme industry as a whole, there is still no absolute finality on this matter. Legal battles in this regard are ongoing, and this will be resolved in superior courts.

21 MANAGED CARE

The Scheme constantly reviews the manner in which it mitigates its clinical and financial risks while at the same time ensuring the provision of the highest quality of care to members. The Managed Care programmes will continue to undergo improvement and development in order to cater for the prevailing conditions in the industry, and the interest of the members.

22 EVENTS AFTER THE REPORTING DATE

There have been no significant events that have occurred subsequent to the end of the accounting period that effect the Financial Statements, and that the Trustees consider should be brought to the attention of the members of the Scheme.

23 GOING CONCERN

The Trustees have no reason to believe that the Scheme will not be a going concern in the year ahead.

24 VOTE OF APPRECIATION

On behalf of Bankmed, the Board would like to express its thanks to:

- All members of Bankmed and their employers.
- Independent members of the Board committees for their support.
- The Executive team and staff of Bankmed for the diligent manner in which they have managed the affairs of the Scheme.
- The Registrar of Medical Schemes and his staff for their co-operation and assistance.
- Our contracted service partners, industry associations and healthcare service providers.

25 CONCLUSION

The Scheme is well positioned to meet the current industry challenges, as well as future changes in the legislative framework. The Scheme continues to be financially strong and its products are competitive in terms of pricing, benefits and service levels.



L RAMETSI
CHAIRPERSON

23 April 2026

DATE



F BUTLER-EMMETT
VICE CHAIRPERSON



T MOSOTHANE
PRINCIPAL OFFICER

TRUSTEES' RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation of the Financial Statements, which fairly present the state of affairs of Bankmed, comprising the Statement of Financial Position at 31 December 2025, and the Statements of Comprehensive Income and Cash Flows for the year then ended, and the notes to the Financial Statements. These include a summary of material accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa as amended, and the Regulations thereto. In addition, the Trustees are responsible for preparing the Board of Trustees' report and the Statement of Corporate Governance.

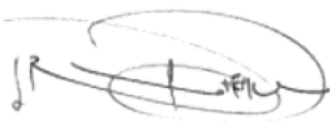
The Trustees are responsible for such internal controls as they deem necessary to enable the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error. The Trustees ensure the use of appropriate accounting policies and prudent judgements and estimates. The Trustees are also responsible for maintaining adequate accounting records and an effective system of risk management.

The Trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe that the Scheme will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Financial Statements

The Financial Statements, as identified in the first paragraph, were approved by the Board of Trustees on 23 April 2026 and are signed on its behalf by:



L RAMETSI
CHAIRPERSON



F BUTLER-EMMETT
VICE CHAIRPERSON



T MOSOTHANE
PRINCIPAL OFFICER

23 April 2026

DATE

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Bankmed is committed to the principles and practice of responsibility, fairness, transparency, integrity and accountability in all dealings with its stakeholders. The Scheme conducts its affairs according to ethical values, and in compliance with a governance framework based on the principles published by the King Commission.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that the discussion of items of policy, strategy and performance are critical, informed and constructive. The performance of third party service providers is monitored against contracted service level agreements. The Trustees have adopted, and maintain, a process of risk identification, assessment and management.


All Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

The Board of Trustees has appointed an Audit Committee, a Remuneration Committee, a Risk Management Committee, an Investment Committee and a Nominations Committee to assist it in executing its duties. The performance of the Board of Trustees, and the appointed sub-committees, is assessed annually against agreed upon terms of reference for each committee.

INTERNAL CONTROL

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Financial Statements and to safeguard, verify and adequately maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties. The adequacy and effectiveness of the systems are assessed by the Scheme's Internal and External Auditors.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



L RAMETSI
CHAIRPERSON



F BUTLER-EMMETT
VICE CHAIRPERSON



T MOSOMOTHANE
PRINCIPAL OFFICER

23 April 2026

DATE



Independent Auditor's Report

To the Members of Bankmed

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bankmed (the Scheme), set out on pages 29 to 90, which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Bankmed as at 31 December 2025, and its financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards® and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), we report:

Final materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View,
2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the final materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Final materiality	R64,404,140
How we determined it	1% of insurance revenue
Rationale for the materiality benchmark applied	<p>We chose insurance revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Scheme is most commonly measured by users, and is a generally accepted benchmark in the industry.</p> <p>We chose 1% which is consistent with quantitative materiality thresholds used for non-profit orientated entities in this sector.</p>

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In terms of the EAR Rule we are required to report the outcome of audit procedures or key observations with respect to the key audit matters and these are included below.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of the liability for incurred claims from healthcare events that have occurred but have not yet been reported</p> <p>Refer to the following disclosure in the financial statements as it relates to this key audit matter:</p> <ul style="list-style-type: none"> • Significant judgements and estimates in the Accounting policies section; • Insurance contracts in the Accounting policies section; and 	<p>Our audit addressed this key audit matter as follows:</p> <p>We obtained an understanding from the Scheme’s actuaries regarding the process followed in calculating the LIC from healthcare events that have occurred but have not yet been reported, which included the design and implementation of controls within the process.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December</p>

- Note 4 Insurance contract liability.

As at 31 December 2025 the Scheme recognised insurance contract liabilities amounting to R1,357,557,000.

The Scheme’s insurance contract liabilities comprise the liability for remaining coverage (LFRC) and the liability for incurred claims (LIC).

In determining the LIC, the Scheme applies significant judgement and estimation uncertainties, due to the Scheme having to determine claims from healthcare events that have occurred but have not yet been reported.

The value of the LIC from healthcare events that have occurred but have not yet been reported is the sum of the probability-weighted estimate of the expected future cash flows and the risk adjustment. The LIC reported is calculated by the Scheme’s actuaries which is reviewed by management and the Audit Committee and recommended to the Board of Trustees for approval. The LIC from healthcare events that have occurred but are not yet reported amounts to R241,540,000.

The most significant assumptions made in the determination of the LIC are:

- the future cash flow projections; and
- the risk adjustment for non-financial risk.

Future cash flow projections

The future cash flow projections comprise estimates of all future claim payments, receivables from third parties as well as the directly attributable expenses arising from the healthcare events within the boundary of the insurance contracts. The Scheme’s actuaries use an actuarial model, based on the Scheme’s actual claim development patterns throughout the period, to determine the probability-weighted

2025 used in calculating the LIC from healthcare events that have occurred but are not yet reported.

We assessed the completeness of the claims data on the member administration system by understanding management’s controls. We selected a sample of claim transactions from the claim source and agreed these to the member administration system. No material inconsistencies were noted.

We substantively tested a sample of claims received by the Scheme in the 31 December 2025 financial year, selected from the member administration system, and evaluated the accuracy of the service and process dates and the validity of the claim against the relevant Scheme rules. No material inconsistencies were noted.

We assessed the completeness of the claims data in the Scheme’s actuarial model by obtaining an understanding of management’s controls and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. We also inspected the reported dates of a sample of the claims data used in the Scheme’s actuarial model and considered that the data used in the Scheme’s actuarial model did not include data reported to the Scheme subsequent to year end. No material inconsistencies were noted.

To assess the reasonableness of the Scheme actuaries’ estimation process, we compared the actual claim results in the current year to the prior year LIC from healthcare events that have occurred but are not yet reported. We noted no matters for further consideration with respect to the estimation process.

With the assistance of our internal actuarial specialists, we independently calculated the Scheme’s probability-weighted estimate of future cash flow projections of the LIC from healthcare events that have occurred but are not yet reported, taking into account the claims data tested above. We compared



estimate of expected future cash flows. This model applies the Chain Ladder method.

Risk adjustments for non-financial risk

In determining the Scheme's risk adjustment for non-financial risk, the Scheme uses a confidence level technique (value at risk) under *IFRS 17, Insurance Contracts (IFRS 17)*. The Scheme makes use of an internally developed risk-based solvency (RBS) approach based on claims variability in determining the IFRS 17 risk adjustment. The Scheme's calibrated risk adjustment (using value at risk) is such that the insurance contract liabilities are held to be sufficient at the 90th percentile of the ultimate loss distribution.

We considered the valuation of the LIC from healthcare events that have occurred but have not yet been reported to be a matter of most significance to the current year audit due to the significant judgement and estimation uncertainties applied in determining the future cash flow projections and the risk adjustments for non-financial risk.

our results with that of the Scheme and did not note any material exceptions.

With the assistance of our internal actuarial specialists, we tested the risk adjustment component of the LIC from healthcare events that have occurred but are not yet reported by performing the following procedures:

- We evaluated the Scheme's methodology relative to the principles of IFRS 17 to assess whether this approach is consistent with the principles of the risk adjustment under IFRS 17. The risk adjustment covers non-financial risk relating to insurance contracts and the compensation required by the Scheme in lieu of this risk, with reference to the Scheme's risk appetite. We did not identify any matters requiring further consideration;
- We tested the risk adjustment by performing independent calculations using the Scheme's data and taking into consideration the Scheme's risk adjustment methodology. Based on the work we performed, we did not identify any matters requiring further consideration; and
- Based on the output of our independent stochastic models, we assessed whether our independently calculated liabilities are sufficient at the 90th percentile. We noted no matters requiring further consideration.

We performed the following procedure(s) to assess the adequacy of the LIC from healthcare events that have occurred but are not yet reported:

- We obtained the actual claims run-off report up to 31 March 2026 from the Scheme's administrator and compared the claims paid post year-end to the LIC from healthcare events that have occurred but are not yet reported at year-end as part of subsequent event procedures. No material inconsistencies were noted.
- For a sample of claims from the claims run-off report, we tested the occurrence and accuracy of the claims as



	<p>well as the accuracy of the related service dates by agreeing the claims to underlying supporting documents on the policy administration system and we identified no material inconsistencies.</p> <ul style="list-style-type: none">• We inquired from the Scheme's administrator whether there were delays in processing claims at year end that could possibly impact the claims run-off pattern subsequent to year end. No such delays were identified.• We obtained a list of pre-authorisations approved prior to year end from the administrator. For a sample of pre-authorisations with a service date before year-end, we requested the related claim documentation and assessed if the related claim had been included correctly in the claims run-off report up to 31 March 2026. No material inconsistencies were noted.
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Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled "Bankmed Annual Financial Statements 31 December 2025". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with IFRS® Accounting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Scheme's trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Scheme's trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, as amended, that have come to our attention during the course of our audit:

1. Non-compliance with Section 29(1)(o) c – Prescribed Minimum Benefits not paid in full: There were instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.
2. Non-compliance with Section 33(2) – Option self sufficiency: Certain benefit options were not self-supporting in terms of financial performance.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. firm has been the auditor of Bankmed for seven years.

The engagement partner, Linda Pieterse, has been responsible for Bankmed's audit for seven years

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Linda Pieterse

Registered Auditor

Johannesburg, South Africa

30 April 2026

STATEMENT OF FINANCIAL POSITION
as at 31 December 2025



	Notes	2025 R'000	2024 R'000
ASSETS			
Equipment		956	553
Financial assets at fair value through profit or loss	1	4,567,206	4,464,032
Other financial assets at amortised cost	2	2,371	3,484
Cash and cash equivalents	3	68,795	54,164
Reinsurance contract assets	5	-	624
TOTAL ASSETS		4,639,328	4,522,857
LIABILITIES			
Liability to members for future benefits	4.2	3,259,802	3,246,117
Post-retirement medical aid benefit liability		5,492	5,432
Liability to members for current benefits	4.1	1,357,557	1,256,955
Reinsurance contract liabilities	5	2,604	-
Other financial liabilities at amortised cost	6	13,873	14,353
TOTAL LIABILITIES		4,639,328	4,522,857

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	Notes	2025 R'000	2024 R'000
Insurance revenue	7	6,440,414	5,955,387
Insurance service expenses**		(6,907,261)	(6,356,553)
Net claims incurred*	7	(6,473,449)	(5,947,575)
Accredited managed healthcare services*	7	(168,798)	(159,238)
Directly attributable insurance services expenses	7	(265,014)	(249,740)
Net (expense)/income from reinsurance contracts*	7	(9,670)	7,391
Premiums paid		(243,522)	(210,455)
Amounts recovered from reinsurance contracts		233,852	217,846
Insurance service result		(476,517)	(393,775)
Other income		684,935	466,180
Investment income	8	303,453	323,524
Net gains on investments at fair value through profit or loss	8	379,751	137,993
Sundry income	9	1,731	4,663
Other expenditure		(194,733)	(168,790)
Other operating expenditure	11	(108,704)	(102,591)
Asset management fees		(34,078)	(19,768)
Finance expense from insurance contracts	10	(51,951)	(46,431)
Net surplus/(deficit) for the year before amounts attributable to members for future benefits		13,685	(96,385)
Amounts attributable to members for future benefits	4.2	(13,685)	96,385
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-
Relevant healthcare expenditure*		(6,651,917)	(6,099,422)

*Relevant healthcare expenditure consists of net claims incurred, accredited managed healthcare services and net expense from risk transfer arrangements

**The Scheme has expanded its presentation of the Insurance service expense to reflect the breakdown of relevant healthcare expenditure and align with the medical schemes accounting guide issued by the South African Institute of Chartered Accountants.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2025

	Notes	2025 R'000	2024 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		7,291,672	6,779,386
Cash receipts from members - contributions	4.1	7,291,672	6,779,056
Cash receipts from members and providers - other	19	-	330
Cash paid to members and providers		(7,822,732)	(7,292,947)
Cash paid to members and providers - claims and other directly attributable expenses paid	4.1	(7,422,747)	(6,933,290)
Cash paid to reinsurer	5	(240,294)	(211,079)
Cash paid to providers - non-healthcare expenditure	19	(106,422)	(97,325)
Cash paid to members - savings plan refunds	4.1	(53,269)	(51,253)
Asset management fees paid		(34,078)	(19,768)
Dividends received	8	49,717	51,724
Interest received	19	254,074	271,792
Net cash utilised in operating activities		(261,347)	(209,813)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(599)	(99)
Purchase of investments	1	(6,028,797)	(6,969,598)
Proceeds on disposal of investments	1	6,305,374	7,173,880
Net cash generated from investing activities		275,978	204,183
Net decrease in cash and cash equivalents		14,631	(5,630)
Cash and cash equivalents at beginning of the year		54,164	59,794
Cash and cash equivalents at end of the year		68,795	54,164

GENERAL INFORMATION

Bankmed (the Scheme) is a medical scheme that offers hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly owned subsidiary of Discovery Limited, listed in the insurance sector of the Johannesburg Stock Exchange (JSE).

The Scheme is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998, as amended (the Act), and is domiciled in the Republic of South Africa.

BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with IFRS[®] Accounting Standards (IFRS) and IFRIC[®] Interpretations, which are set by the International Accounting Standards Board (IASB). The Financial Statements are also prepared in accordance with the Act, which requires additional disclosures for registered medical schemes.

The detailed accounting policies have been set out in the respective Note to the Financial Statements, with the general accounting policies applied in the preparation of these Financial Statements set out below. These policies have been consistently applied to all years presented, except for changes required by the mandatory adoption of new and revised IFRS and changes in accounting policies.

The preparation of financial statements in conformity with IFRS[®] Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement, or areas where estimates are significant to the Financial Statements, are disclosed below.

The Financial Statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities, which include:

- Financial instruments at fair value through profit or loss; and
- Insurance and reinsurance assets and liabilities – measured in terms of IFRS 17.

The Statement of Financial Position is disclosed in the order of liquidity as it provides more reliable information about the transactions and conditions on the financial position of medical schemes largely due to the uncertainty around the actual identifiable operating cycle and the asset decisions taken to manage such uncertain operating cycle.

Due to the short-term nature of the Scheme's financial assets and liabilities, all values are shown as current unless otherwise stated.

All monetary information and figures presented in these Financial Statements are stated in South African Rand thousand (R'000), which is the Scheme's functional currency, unless otherwise indicated.

IMPLEMENTATION OF NEW STANDARDS

New standards, amendments and interpretations not yet effective and relevant to the Scheme

The following new standards, amendments and interpretations to the existing standards have been published and are not yet effective for the current financial year. The Scheme has not early adopted them and it is not expected that they will have any material impact on the Scheme's assets, liabilities and results but may result in additional disclosure in the Financial Statements.

Standard	Scope	Effective date
Amendments to the Classification and Measurement of Financial Instruments – amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.	These amendments to IFRS 9 and IFRS 7 address feedback from the post-implementation review of classification and measurement requirements. They clarify the treatment of financial liabilities settled via electronic payment systems and refine the assessment of contractual cash flows, particularly for financial assets with ESG-linked features. Additionally, they enhance disclosure requirements for equity investments designated at fair value through other comprehensive income and introduce new disclosures for financial instruments with contingent features unrelated to basic lending risks and costs. This amendment has no further impact on the Scheme.	1 January 2026
Annual improvements to IFRS Accounting Standards – Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS7; IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; IAS 7 Statement of Cash Flows	These amendments, published in Annual Improvements to IFRS Accounting Standards – Volume 11, introduce clarifications and minor revisions to five IFRS standards, effective for annual reporting periods beginning on or after 1 January 2026. The changes address inconsistencies and potential confusion in the application of IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. Key amendments include clarifications on hedge accounting for first time adopters, derecognition of lease liabilities, disclosure of deferred differences in fair value, determination of a 'de facto agent' in consolidated Financial Statements, and the use of the term 'cost method' in cash flow statements. These updates ensure consistency and improve the usability of the standards without introducing major policy changes. The Scheme will assess the additional disclosure requirements.	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statement	The Standard was issued in April 2024 and supersedes IAS 1 Presentation of Financial Statements. The Standard provides additional requirements for the presentation and disclosure of information in the primary Financial Statements and the notes to improve transparency and comparability of information. IFRS 18 will impact the Scheme's Income statement and related note disclosures. The Scheme will assess the additional disclosure requirements.	1 January 2027

SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Scheme's accounting policies, which are described below and in the notes, the Board of Trustees is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Following are the significant judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the Scheme's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Significant Judgements

Classification of the Scheme as a mutual entity

A medical scheme is not legally defined as a mutual entity and the classification of the scheme as a mutual entity was done based on the principles set out in IFRS.

IFRS 3 defines a “mutual entity” as “An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities.”

IFRS 17 does not define a “mutual entity” however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. IFRS 17 paragraph BC265 explains that “a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder.” The Act is not explicit that members (i.e. policyholders) hold a residual interest or are entitled to the residual interest upon the liquidation of the medical scheme. Section 64 of the Act requires the medical scheme rules to be followed in the event of liquidation.

The rules of the Scheme do not contain specific guidance on how the assets of the Scheme should be distributed on liquidation. The Act prohibits the disposal of assets of a medical scheme except in limited, listed circumstances, one of them being the liquidation of the Scheme. Members can opt for voluntary liquidation and can distribute the Scheme's remaining assets amongst themselves. As the Scheme does not have shareholders, the current members will access the reserves through economic benefits such as funding reductions in contributions or deferral of contribution increases.

Although the rules do not specify how the assets should be distributed on liquidation, IFRS 17 states that “contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation” (IFRS 17.2). Therefore, based on customary business practices, the remaining assets of a scheme should be distributed to the members on liquidation if there are any and if the scheme does not amalgamate with another scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Significant Judgements (continued)

Classification of the Scheme as a mutual entity (continued)

The substance of the legal framework issued regarding insurance contracts and observed practice is that once a contribution is paid to the medical scheme, the contribution is used to provide benefits to members. The benefits are provided by the medical scheme (or amalgamated schemes) through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members).

It is therefore expected that the remaining assets of the scheme will be used to pay current and future members. Based on the above, the Scheme meets the definition of a mutual entity in terms of IFRS.

The Scheme has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the Scheme recognises any cumulative profits or losses as part of the Liability attributable to future members (which forms part of the Insurance contract liabilities on the face of the Statement of Financial Position).

Consequently, the Statement of Comprehensive Income reflects no total comprehensive income for the year.

Due to the Scheme being a mutual entity, the assessment of onerous contracts is also affected.

Onerous contract assessment

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, the Scheme considers whether the expected deficit of the following year exceeds the insurance liability attributable to future members. In the rare scenario where the following year's deficit exceeds the insurance liability attributable to future members – the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to future members exceed the following year's deficit the contracts would not be determined as onerous, and no provision raised as a liability is already recognised.

Unit of account

Judgement has been applied to how the Scheme determined the unit of account for the measurement of its insurance contracts. Management has assessed the portfolio of the Scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a scheme level.

The above is demonstrated by the following:

- Hospital claims are managed on a scheme level.
- Chronic conditions are managed on a scheme level, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Reinsurance contracts are based on conditions and not on benefit options.
- Pricing and benefit option changes are determined at a scheme level to manage member migration between different benefit options to ensure each option is sustainable.
- Risk (utilisation and concentration) is managed holistically.

SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Significant Judgements (continued)

Risk adjustments - liability for incurred claims

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Scheme fulfils insurance contracts. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Scheme's degree of risk aversion. The Scheme estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the portfolio level as the Scheme does not have groups due to laws that constrain the Scheme's ability to set a price based on the individual risk profile of the member. The Risk-Based Solvency methodology was used which calculates the deviations of the recommended provision from the actual using past data and then builds the distribution based on approaches used for Solvency II insurance regulation. The confidence level method was used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the *Liability for incurred claims*. The confidence level is set at 90%.

The Scheme will present the changes in the risk adjustment for non-financial risk in the insurance service result. The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in the current year.

Recoveries from reinsurance

Judgement has been applied to how the Scheme calculates the recoveries from reinsurance contracts. These recoveries represent the value of claims the Scheme would potentially have incurred should the reinsurance agreements not have been in place.

An estimate of the expected similar costs is obtained using other scheme lives not subject to these reinsurance contracts and then multiplied by the lives exposure to these contracts. This amount results in the recoveries from reinsurance.

Significant estimates

The preparation of Financial Statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the Financial Statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios.

The sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, are detailed in the Insurance Risk Management note in the Financial Statements.

SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Significant estimates (continued)

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of the *Liability for incurred claims* of a group of contracts are all the future cash flows within the boundary of the group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Scheme uses information about past events, current conditions and forecasts of future conditions. The Scheme's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing, and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a full range of scenarios.

The uncertainty in the insurance contracts lies in the number, severity and timing of claims.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Method used to measure the insurance contracts

The Scheme estimates insurance liabilities in relation to claims incurred for healthcare contracts.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. The actuarial methodology used in assessing the estimated claims outcome of insurance liabilities is the chain ladder method.

The chain ladder method involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each period (in the Scheme's case, for the four months post year-end) that is not yet fully developed to produce an estimated ultimate claims cost for each reporting period. The chain ladder method is the most appropriate for this claim pattern.

Run-off triangles are used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The following was taken into account when estimating the *Liability for incurred claims* :

- The homogeneity of the data.
- Changes in pattern of claims.
- Changes in the composition of members and their beneficiaries.
- Changes in benefit limits.
- Changes in the prescribed minimum benefits.

EQUIPMENT

Equipment is measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised when it is reliably measurable and will result in probable future economic benefits. Expenditure incurred to replace a separate component of an item of equipment is capitalised to the cost of the item and the component replaced is derecognised. All other expenditure is recognised in the Statement of Comprehensive Income as an expense when incurred.

Disposal or retirement

On disposal or retirement of an item of equipment, any gain or loss, determined as the difference between the net disposal or retirement proceeds and the carrying amount of the asset, is included in the Statement of Comprehensive Income in the period of disposal or retirement.

Depreciation

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of items of equipment that are accounted for separately.

The estimated maximum useful lives of items of equipment are:

Computer equipment	3 years
Office equipment, furniture and fittings	5 years

FINANCIAL INSTRUMENTS

Recognition

The Scheme recognises a financial instrument when, and only when, it becomes a party to the contractual provisions of the instrument. The Scheme classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss, derivatives, and other receivables. Other receivables are receivables other than those arising from insurance contracts and include sundry accounts receivable and interest receivable. Other receivables are disclosed under "Other financial assets at amortised cost".

Classification

The classification depends on the purpose for which the financial instruments are acquired. Management determines the classification of financial instruments at initial recognition. All purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Scheme commits to purchase the financial asset or assume financial liability.

FINANCIAL INSTRUMENTS (continued)

Offsetting financial instruments

This applies where a legally enforceable right to set off exists for recognised financial assets and financial liabilities, and there is an intention and ability to realise the asset and settle the liability simultaneously or to settle on a net basis.

The Scheme will disclose the net asset or liability in the Statement of Financial Position and on a gross basis in the accompanying notes if the above conditions are met.

Derecognition of financial assets and liabilities

The Scheme derecognises a financial asset or part of a financial asset when:

- The contractual right to the cash flows from the asset expires.
- The Scheme retains the contractual right to receive cash flows of the asset, but assumes the obligation to pay one or more third parties the cash flow without material delay.
- The Scheme transfers the asset, while transferring substantially all the risks and rewards of ownership.
- The Scheme neither transfers the financial asset nor retains significant risk and reward of ownership, but has transferred control of the financial asset.

The Scheme derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value, net of transaction costs incurred. After initial recognition the financial liabilities are measured at amortised cost, using the effective interest method. In addition, the Scheme is not permitted to borrow, in terms of Section 35 (6)(c) of the Act. The Scheme therefore has no long-term financial liabilities.

PROVISIONS

The Scheme recognises a provision when the following conditions are met:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- and
- a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

CONTINGENT LIABILITIES

The Scheme will disclose a contingent liability if one of the following conditions are met:

- A possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme.
- A present obligation that arises from past events but not recognised because:
 - It is not probable that an outflow of resources will be required to settle an obligation.
 - The amount of the obligation cannot be measured with sufficient reliability.

INSURANCE CONTRACTS

Definition and classification

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Scheme uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

Separating components within insurance contracts

Before the Scheme accounts for an insurance contract it analyses whether the contract contains components that should be separated. There are three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

The Scheme does not have contracts with specified embedded derivatives. Certain of the contracts with members contain a Personal Medical Savings Account (PMSA) component. The PMSA, an investment component, and the insurance component of the insurance contract are highly interrelated.

The PMSA is a non-distinct investment component with the balances included in Insurance contract liabilities in the Statement of Financial Position. While the cash flows are not recorded in the Statement of Comprehensive Income, they are considered in assessing onerous contracts.

Level of aggregation

The level of aggregation has a significant impact on accounting for the insurance contract, including the measurement of insurance contracts and the extent of offsetting or cross subsidisation to determine onerous contracts. A portfolio comprises contracts subject to similar risks and managed together. Once the group of insurance contracts has been established, it becomes the unit of account.

The contracts issued by the Scheme are subject to similar risks and managed together thus falling into the same portfolio with no further disaggregation into groups. The level of aggregation is assessed to be at a Scheme level.

INSURANCE CONTRACTS (continued)

Contract boundary

The Scheme uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the member is obligated to pay contributions, or the Scheme has a substantive obligation to provide the member with insurance coverage or other services. A substantive obligation ends when both of the following criteria are satisfied:

- the Scheme has the practical ability to reassess the risks of the portfolio of insurance contracts and set a price or level of benefits that fully reflects the risks of that portfolio; and
- the pricing of contributions related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered.

Cash flows outside the insurance contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Scheme has assessed its portfolio of insurance contracts to have a contract boundary of one year, which coincides with the Scheme's financial year.

Recognition and derecognition

The group of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period; or
- the date when the first payment from the member is due or actually received, if there is no due date; or
- when the Scheme determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled);
or
- if the terms are modified due to an agreement between the Scheme and its member or by regulation and the modification terms meet the requirements of IFRS 17.

If the modification does not comply with all the requirements of IFRS 17, the Scheme shall treat the changes in cash flow as changes in estimates of fulfilment cash flows.

INSURANCE CONTRACTS (continued)

Initial and subsequent measurement

The coverage period of each contract in the Scheme's portfolio of insurance contracts is one year or less. Therefore, the Scheme has made the accounting policy choice to simplify the measurement of its group of contracts using the Premium Allocation Approach (PAA).

For insurance contracts issued, on initial recognition, the Scheme measures the *Liability for remaining coverage* at the amount of contributions received.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:

- the *Liability for remaining coverage* decreased by any investment component paid or transferred to the *Liability for incurred claims*; and
- the *Liability for incurred claims*, comprising the fulfilment cashflows related to past service at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the *Liability for remaining coverage* is:

- increased for contributions received in the period;
- decreased by any investment component paid or transferred to the *Liability for incurred claims*; and
- decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued at each of the subsequent reporting dates the *Liability for incurred claims* is:

- the probability weighted estimate of the present value of the future cash flows; and
- the risk adjustment for non-financial risk.

Refer to Judgements and Estimates earlier in this note for the significant judgements and estimates used to determine the *Liability for incurred claims* and the estimates to determine the fulfilment cash flow.

Insurance revenue

As the Scheme provides services under a group of insurance contracts, it reduces the *Liability for remaining coverage* and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Scheme expects to be entitled to in exchange for those services.

For the group of insurance contracts measured under the PAA, the Scheme recognises insurance revenue based on the passage of time over the coverage period of the group of contracts.

INSURANCE CONTRACTS (continued)

Insurance service expenses

Insurance service expenses include:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- changes that relate to past service (i.e. changes in the fulfilment cashflows relating to the *Liability for incurred claims*);
- changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components);
- amounts attributable to future members; and
- recoveries from third parties (including reimbursement from the Road Accident Fund).

Cash flows that are not directly attributable to a group of insurance contracts are recognised in other operating expenses as incurred.

Other incurred directly attributable insurance service expenses include:

Accredited managed care healthcare services (no risk transfer)

Accredited managed healthcare services (no risk transfer) fees comprise amounts paid or payable to a third party for managing the utilisation, costs and quality of healthcare services to the members of the Scheme and are expensed as incurred. Accredited managed healthcare services are part of healthcare expenditure as they directly impact on the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of the Scheme.

Accredited administration services

Expenses for accredited administration services are paid to the Scheme's administrator.

Cash flows that are not directly attributable to a group of insurance contracts are recognised in other operating expenses as incurred and include the Scheme's operating expenses and other administration services fees paid to the Scheme's administrator.

Reimbursements from the road accident fund

The Scheme grants assistance to its members in defraying expenditure incurred in connection with the rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made against the Road Accident Fund, administered in terms of the Road Accident Fund Act No 56 of 1996. If the member is reimbursed by the Road Accident Fund, they are obliged, contractually, to cede that payment to the Scheme to the extent that they have already been compensated.

Due to the uncertainty around the confirmation and measurability of the Road Accident Fund amounts, the Scheme accounts for these amounts on a cash basis. These amounts are recognised as a reduction of net claims incurred.

INSURANCE CONTRACTS (continued)

Insurance interest income and expenses

The non-distinct investment component (PMSA) accrues interest. This is disclosed as the finance expense on Personal Medical Savings Accounts.

Interest payable on members' Personal Medical Savings Accounts is expensed when incurred.

Classification of contribution receivables

The Scheme has accounted for all contribution debtors that relate to insurance services already rendered in Liability for Remaining Coverage (LFRC) at year-end.

Classification of Personal Medical Savings Accounts (PMSA)

The Scheme has accounted for all PMSA transactions that relate to insurance services already rendered in the Liability for Incurred Claims (LIC) at year-end.

Classification of expenditure/income outstanding at year-end that meet the definition of financial liabilities or financial assets

The fulfilment cash flows may include expenditure incurred in accounting standards other than IFRS 17. Where expenditure/income outstanding at year-end meet the definition of financial liabilities or financial assets, the Scheme has an accounting policy choice to either include the payable/receivables in the insurance contract liabilities or to recognise it as a separate IFRS 9 liability/asset such as trade and other payables/receivables. The Scheme has chosen to include these payables in the insurance contract liabilities.

REINSURANCE CONTRACTS

Definition

Reinsurance contracts are contractual arrangements entered into by the Scheme with a provider. The provider is paid a fixed fee per member to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Insurance contracts do not reduce the Scheme's primary obligations to its members and their dependents.

Unit of account

Groups of reinsurance contracts held are assessed for aggregation separately from groups of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Scheme aggregates the reinsurance contracts, which are concluded within a calendar year (annual cohorts), into groups of contracts for which there is a net gain at initial recognition, if any, contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently and remaining contracts in the group, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Scheme tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net gain position without a significant possibility of a net cost arising subsequently.

Recognition and derecognition

The reinsurance contract held that covers the losses of separate insurance contracts on a proportionate basis is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

Initial and subsequent measurement

The coverage period of each reinsurance contract in the Scheme's group of reinsurance contracts, is one year or less. Therefore the Scheme has made the accounting policy choice to simplify the measurement of its group of reinsurance contracts using the PAA.

For reinsurance contracts held, on initial recognition, the Scheme measures the remaining coverage at the amount of reinsurance fees paid.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- the *Liability for remaining coverage*; and
- the *Liability for incurred claims*, comprising the fulfilment cashflows related to past service allocated to the group at the reporting date.

Subsequent measurement of the remaining coverage for reinsurance contracts held is:

- increased for the reinsurance fees paid in the period; and
- decreased for the amount of reinsurance fees recognised as reinsurance expenses for the services received in the period.

The Scheme does not adjust the asset for the remaining coverage for reinsurance contracts held for the effect of the time value of money. The reinsurance contributions are due within coverage periods which are one year or less.

REINSURANCE CONTRACTS (continued)

Contract boundary

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Scheme is compelled to pay amounts to the reinsurer or in which the Scheme has a substantive right to receive services from the reinsurer.

The Scheme's reinsurance contracts held have a duration of one year or less.

Net income/(expense) from reinsurance contracts held

The amount that depicts the value the Scheme benefits from entering into a reinsurance contract (i.e. the value of services received from the reinsurance contract provider).

Reinsurance expenses consist of:

- reinsurance premiums; and
- effect of changes in risk of reinsurer non-performance.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of reinsurance fees the Scheme expects to pay in exchange for those services.

All groups of reinsurance contracts held are measured under the PAA. The Scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

INCOME TAX

In terms of Section 10 (1)(d) of the Income Tax Act 58 of 1962, as amended, receipts and accruals of a benefit fund are exempt from normal tax. A medical scheme is included in the definition of a benefit fund and consequently the Scheme is exempt from income tax.

STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual agreements. A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has determined that some of its investments in pooled funds and in collective investments ("funds") are investments in unconsolidated structured entities. Disclosure of these investments has been made in Note 17 to the Financial Statements. The objectives include achieving medium to long-term capital growth. The investment strategy does not include the use of leverage.

These funds are managed by independent asset managers who apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the Statement of Comprehensive Income in "Fair value gains from investments held at fair value through profit or loss".

ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT PLANS

The following items are directly allocated to benefit plans:

- Insurance revenue;
- Insurance service expense; and
- Finance expenses on Personal Medical Savings Accounts

The risk adjustment for non-financial risk is calculated at Scheme level. The allocation to benefit plans is based on the proportion of each benefit option's share in the provision for outstanding claims in the Insurance Contract Liability.

The following items are apportioned based on the number of members per benefit plan:

- Other operating expenses;
- Investment income, excluding interest on Personal Medical Savings Accounts;
- Fair value gains from investments held at fair value through profit or loss;
- Interest income from financial assets not measured at fair value through profit or loss;
- Sundry income; and
- Asset management fees.

1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

The Scheme's investment strategy ("business model objective") is determined by means of an allocation across different asset classes and grouping of financial assets into specific portfolios. Independent asset managers manage these portfolios under fully discretionary, active mandates with performance evaluated at portfolio level on a fair value basis. All asset managers are remunerated based on the fair value of the portfolios under management. The business model objective is achieved through the selling of assets per the documented strategy for realisation of gains with the collection of contractual cash flows being incidental to the primary business model objective. The financial assets are managed together and grouped into specific portfolios. Based on the business model objective the financial assets are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs, if applicable, are expensed in the Statement of Comprehensive Income.

The fair value of the financial instruments traded in an active market is determined by using quoted market prices or dealer quotes. The fair value of financial instruments not traded in an active market is determined by using valuation techniques that maximise the use of observable market data and rely as little as possible on entity specific estimates.

Gains or losses arising from subsequent changes in fair value are recognised under fair value gains from Investments held at fair value through profit or loss in the Statement of Comprehensive Income within the period in which they arise.

The methodology applied to assess assets as non-current or current:

Commodities and equities

The Scheme's intention is not to liquidate these portfolios; however, in the event that operational or strategic requirements require, these portfolios may be liquidated. As a result these portfolios have been included as open ended.

Collective Investment Schemes

The Scheme's intention is not to liquidate these portfolios; however, in the event that operational or strategic requirements require, these portfolios may be liquidated. As a result, these portfolios have been included as open ended.

Money market instruments

Assets that are expected to be realised to fund operating activities within 12 months from the reporting date are considered to be settled within 12 months. All other instruments are classified as open ended.

Bonds

The maturity date at instrument level is used to determine the expected settlement. If the maturity date is within 12 months from the reporting date, the instrument is considered to be settled within 12 months. All other instruments are considered open ended.

Linked Insurance Policies

The Scheme's intention is not to liquidate these portfolios; however, in the event that operational or strategic requirements require, these portfolios may be liquidated. As a result, these portfolios have been included as open ended.

1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note

The Scheme's Financial assets at fair value through profit or loss are summarised by measurement classes as follows:

	2025	2024
	R'000	R'000
Listed equities	1,277,324	1,099,242
Commodity linked instruments	42,895	51,213
Local collective investment schemes	545,668	554,593
Offshore collective investment schemes	91,958	113,320
Money market instruments	351,739	407,095
Bonds	1,419,583	1,475,950
Linked Insurance Policies	838,039	762,619
	<u>4,567,206</u>	<u>4,464,032</u>

Reconciliation

Fair value at the beginning of the year	4,464,032	4,530,321
Purchase of investments	6,028,797	6,969,598
Dividends recapitalised	49,717	51,724
Interest recapitalised	246,006	264,498
Acquisition of Financial assets at fair value through profit or loss	5,733,074	6,653,376
Proceeds on disposal of investments	(6,305,374)	(7,173,880)
Asset management fees	(34,078)	(19,768)
Proceeds on disposal of Financial assets at fair value through profit or loss	(6,271,296)	(7,154,112)
Net movement on revaluation of Financial assets at fair value through profit or loss	219,731	53,831
Realised gains on disposal	160,020	84,162
Fair value at the end of the year	<u>4,567,206</u>	<u>4,464,032</u>
Current assets	1,600,885	1,631,064
Non-current assets	2,966,321	2,832,968

A register of investments is available for inspection at the registered office of the Scheme.

The weighted average effective interest rate on bonds for the year was 24.24% (2024: 17.20%).

2. OTHER FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those the Scheme intends to sell in the short term.

Receivables are initially recognised at fair value, plus transaction costs. The Scheme holds its other receivables with the objective to collect the contractual cash flows and measures them subsequently at amortised cost using the effective interest method.

Impairment of other receivables

The Scheme applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for other receivables. To measure the expected credit losses, other receivables are grouped based on shared credit risk characteristics and days past due. There are no impairments of other receivables.

Note	2025	2024
	R'000	R'000
Interest receivable	630	968
Prepayments	1,649	2,424
Sundry accounts receivable	92	92
Current assets	<u><u>2,371</u></u>	<u><u>3,484</u></u>

At 31 December 2025, the carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. Interest is not charged on overdue balances.

3. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents are short-term, highly liquid instruments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

In the Statement of Cash Flows, cash and cash equivalents comprise:

- Money on call and short notice; and
- Balances with banks.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes and are carried at cost, which, due to their short-term nature, approximates fair value.

Note

	2025	2024
	R'000	R'000
Current accounts	16,098	9,319
Cash held in segregated portfolios	52,697	44,845
Current assets	<u>68,795</u>	<u>54,164</u>

The weighted average effective interest rate earned on cash held in segregated portfolios for the year was 7.50% (2024: 8.46%). The cash held in segregated portfolios have a weighted average maturity of 1 day (2024: 1 day).

The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

4. INSURANCE CONTRACT LIABILITIES

4.1 LIABILITY TO MEMBERS FOR CURRENT BENEFITS

Insurance contracts issued	2025				2024			
	Liability for remaining coverage (LFRC)	Liability for incurred claims (LIC)		Total	Liability for remaining coverage (LFRC)	Liability for incurred claims (LIC)		Total
		Present value of future cash	Risk adjustment			Present value of future cash	Risk adjustment	
Net opening balance	(48,493)	1,292,468	12,980	1,256,955	(43,530)	1,257,891	18,330	1,232,691
Insurance service result	(6,440,414)	6,906,741	520	466,847	(5,955,387)	6,361,903	(5,350)	401,166
Insurance revenue	(6,440,414)			(6,440,414)	(5,955,387)	-	-	(5,955,387)
Insurance service expense	-	6,906,741	520	6,907,261	-	6,361,903	(5,350)	6,356,553
Incurred claims and directly attributable expenses	-	6,681,191	-	6,681,191	-	6,159,510	-	6,159,510
Changes in fulfilment cash flows relating to the liability for incurred claims - past service	-	(2,490)	(12,980)	(15,470)	-	(9,415)	(18,330)	(27,745)
Changes in fulfilment cash flows relating to the liability for incurred claims - current service	-	228,040	13,500	241,540	-	211,808	12,980	224,788
Finance income from insurance contracts issued	-	51,951	-	51,951	-	46,431	-	46,431
Total amounts recognised in the Statement of Comprehensive Income	(6,440,414)	6,958,692	520	518,798	(5,955,387)	6,408,334	(5,350)	447,597
Investment component - PMSA	(855,184)	855,184	-	-	(828,632)	828,632	-	-
PMSA contributions received	(851,057)	851,057	-	-	(824,615)	824,615	-	-
Transfers received from other schemes	(4,127)	4,127	-	-	(4,017)	4,017	-	-
Total movement	(7,295,598)	7,813,876	520	518,798	(6,784,019)	7,236,966	(5,350)	447,597
<i>Cash flows</i>								
Contributions received	7,291,672	-	-	7,291,672	6,779,056	-	-	6,779,056
Claims and other directly attributable expenses paid	-	(7,422,747)	-	(7,422,747)	-	(6,933,290)	-	(6,933,290)
Refunds on death or resignation - PMSA	-	(53,269)	-	(53,269)	-	(51,253)	-	(51,253)
Claims related to recoveries from reinsurance (Note 5)	-	(233,852)	-	(233,852)	-	(217,846)	-	(217,846)
Total cash flows	7,291,672	(7,709,868)	-	(418,196)	6,779,056	(7,202,389)	-	(423,333)
Net closing balance	(52,419)	1,396,476	13,500	1,357,557	(48,493)	1,292,468	12,980	1,256,955

4. INSURANCE CONTRACT LIABILITIES (continued)

4.1 LIABILITY TO MEMBERS FOR CURRENT BENEFITS (continued)

Notes **2025** **2024**
R'000 R'000

Breakdown of cashflows

Contributions received		7,291,672	6,779,056
Risk contributions		6,436,488	5,950,424
PMSA contributions		851,057	824,615
Transfers from other schemes		4,127	4,017
Claims and directly attributable expenses paid		(7,422,747)	(6,933,290)
Risk claims		(6,140,151)	(5,728,234)
PMSA claims		(795,515)	(770,976)
Other directly attributable expenses		(433,812)	(382,827)
PMSA refunds		(7,369,478)	(6,882,037)
		(53,269)	(51,253)

Included in Liability to members for current benefits

Personal Medical Savings Account monies	4.3	1,070,967	1,012,616
Reported claims not yet paid		72,349	44,839
Amounts due to administrator		31,473	30,480
Amounts due to managed care organisation		714	-
Liability for incurred claims incurred but not yet reported		241,540	224,788
Unallocated funds		747	-
Less:			
Insurance revenue outstanding		(52,419)	(48,493)
Member and service provider claims debt		(35,533)	(35,243)
Provision for impairment		32,799	31,500
Forensic receivables		(5,080)	(3,532)
		1,357,557	1,256,955

4.2 LIABILITY TO MEMBERS FOR FUTURE BENEFITS

Balance at the beginning of the year		3,246,117	3,342,502
Amounts attributable to members for future benefits		13,685	(96,385)
Balance at the end of the year relating to Liability to members for future benefits		3,259,802	3,246,117
Current liability		-	39,842
Non-current liability		3,259,802	3,206,275

4. INSURANCE CONTRACT LIABILITIES (continued)

4.3 PERSONAL MEDICAL SAVINGS ACCOUNT MONIES

The personal medical savings account monies, which is managed by the scheme on behalf of its members, represents savings contributions, and accrued interest thereon in terms of the rules of the scheme, net of any savings claims paid on behalf of members in terms of the scheme's registered rules.

Unspent savings at year end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Reconciliation of personal medical savings account monies	2025	2024
	R'000	R'000
Balance at the beginning of the year	1,012,616	959,782
Plus:		
PMSA contributions received	851,057	824,615
Transfers received from other schemes	4,127	4,017
Interest on PMSA monies	51,951	46,431
Less:		
PMSA claims	(795,515)	(770,976)
Refunds on death or resignation	(53,269)	(51,253)
Balance at the end of the year	<u>1,070,967</u>	<u>1,012,616</u>

It is estimated that claims to be paid out of members' medical savings accounts in respect of claims incurred in 2025 but not recorded amount to R4,137m (2024: R5,176m).

5. REINSURANCE CONTRACT LIABILITIES/(ASSETS)

Healthcare Risk – Reinsurance
contracts held

	2025 R'000			2024 R'000				
	Remaining coverage component	Incurred claims for contracts under the PAA		Total	Remaining coverage component	Incurred claims for contracts under the PAA		Total
		Present value of future cash flows	Risk adjustment for non- financial risk			Present value of future cash flows	Risk adjustment for non- financial risk	
Net opening balance	(624)	-	-	(624)	-	-	-	-
Net expenses/(income) from reinsurance contracts held	243,522	(233,852)	-	9,670	210,455	(217,846)	-	(7,391)
Reinsurance expenses	243,522	-	-	243,522	210,455	-	-	210,455
Claims recovered	-	(233,852)	-	(233,852)	-	(217,846)	-	(217,846)
Total amounts recognised in the Statement of Comprehensive Income	243,522	(233,852)	-	9,670	210,455	(217,846)	-	(7,391)
Cash flows								
Premiums paid	(240,294)	-	-	(240,294)	(211,079)	-	-	(211,079)
Recoveries from reinsurance*	-	233,852	-	233,852	-	217,846	-	217,846
Total cash flows	(240,294)	233,852	-	(6,442)	(211,079)	217,846	-	6,767
Net closing balance	2,604	-	-	2,604	(624)	-	-	(624)

* Recoveries from reinsurance represent the value of the services provided by the reinsurance contract provider. This represents a non-cash transaction.

6. OTHER FINANCIAL LIABILITIES AT AMORTISED COST

Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Unallocated funds

Unallocated funds arise on the receipt of unidentified deposits in favour of the Scheme. Unallocated funds that have legally prescribed, that is funds older than three years, are written back and included under Sundry income on the face of the Statement of Comprehensive Income.

A liability for unallocated funds that have not legally prescribed is recognised below. The liability is measured at amortised cost using the effective interest method.

Note

	2025 R'000	2024 R'000
Financial liabilities		
Accruals	13,873	13,518
Unallocated funds	-	835
Current liability	<u><u>13,873</u></u>	<u><u>14,353</u></u>

At 31 December 2025 the carrying amounts of financial liabilities at amortised cost approximate their fair values due to the short-term maturities of these liabilities.

7. INSURANCE REVENUE AND SERVICE EXPENSES

Insurance revenue from contracts measured under the PAA	6,440,414	5,955,387
Gross contributions	7,291,471	6,780,002
Personal Medical Savings Account contributions	(851,057)	(824,615)
Insurance service expenses	(6,907,261)	(6,356,553)
Net claims incurred	(6,473,449)	(5,947,575)
Incurred claims	(6,476,999)	(5,952,588)
Third party recoveries	3,550	5,013
Directly attributable expenses	(433,812)	(408,978)
Accredited managed healthcare services (no risk transfer)	(168,798)	(159,238)
Accredited administration services	(252,217)	(237,256)
Other directly attributable expenses	(12,797)	(12,484)
Net (expense)/income from reinsurance contracts held	(9,670)	7,391
Reinsurance expense	(243,522)	(210,455)
Reinsurance income	233,852	217,846
Total insurance service result	<u><u>(476,517)</u></u>	<u><u>(393,775)</u></u>

7. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

Detail of accredited administration services, accredited managed healthcare services and net income/(expense) from reinsurance contracts held has been provided below:

	2025 R'000	2024 R'000
Accredited administration services		
Member record management	25,933	24,466
Contribution management	22,777	21,488
Claims management	28,694	27,071
Financial management	920	868
Information management and data control	46,506	43,875
Customer services	127,387	119,488
	<u>252,217</u>	<u>237,256</u>
Accredited managed healthcare services (no risk transfer)		
Clinical risk management	52,491	49,444
Hospital referrals and pre-authorisations	47,499	44,726
Medical provider network management	44,163	41,585
Pharmacy benefit management	24,645	23,483
	<u>168,798</u>	<u>159,238</u>

Net income/(expense) from reinsurance contracts held

Accounting policy

Reinsurance contracts (risk transfer arrangements) held are contractual arrangements entered into by the Scheme and third parties who undertake to indemnify the Scheme against all or part of the loss that the Scheme may incur as a result of carrying on the business of a medical scheme. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependants. The arrangements only decrease the loss the Scheme may incur as a result of carrying on the business of a medical scheme.

Risk transfer arrangement fees are recognised as an expense over the indemnity period on a straight-line basis.

The claims incurred under member insurance contracts and the equivalent claims recoveries are presented in the Statement of Comprehensive Income on a gross basis. Amounts recoverable under such contracts are therefore recognised in the same year as the related claims. The claims incurred liability under risk transfer arrangements and the equivalent receivable are also presented in the Statement of Financial Position on a gross basis.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions, and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provision, claims reported not yet paid, and settled claims associated with the risk transfer arrangement.

7. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

Accounting policy (continued)

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. These assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Scheme may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Scheme will receive under the risk transfer arrangement.

Note	2025 R'000	2024 R'000
Made up as follows:		
Discovery Health (Pty) Ltd	(11,402)	2,460
Reinsurance expense	(240,990)	(202,833)
Claims recovered	229,588	205,293
Centre for Diabetes and Endocrinology (Pty) Ltd	1,732	4,931
Reinsurance expense	(2,532)	(7,622)
Claims recovered	4,264	12,553
	(9,670)	7,391

The Scheme has entered into selective risk transfer arrangements with these third party providers in order to reduce its exposure to claims risk and receive specialist case management. These arrangements form a relatively small component of the total claims cost of the Scheme.

The cost of providing the capitated services was estimated by calculating Per Life Per Month (PLPM) estimates for services covered under these risk transfer arrangements and multiplying them by the number of members exposed for the period to the respective programmes.

8. INVESTMENT INCOME

Accounting policy

Investment income comprises dividends and interest received and accrued on Financial assets at fair value through profit or loss and interest on Financial assets not measured at fair value through profit or loss.

Investment income received is disclosed as cash flows from operating activities in the Statement of Cash Flows because they enter into the determination of profit or loss. The income from investments are considered operating activities as it generates cash flows to maintain the operating capability of the Scheme.

Interest income is recognised using the effective interest method, taking into account the principal amount outstanding and the effective interest over the period to maturity, when it is determined that such income will accrue to the Scheme.

Dividend income from investments is recognised when the right to receive payment is established - this is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares.

Realised gains and losses represent amounts realised when investments at fair value through profit or loss have been derecognised through disposal. Unrealised gains or losses represent changes in fair value of these investments.

<i>Note</i>	2025 R'000	2024 R'000
Interest income from financial assets not measured at fair value through profit or loss	7,730	7,302
Investment income from investments held at fair value through profit or loss	295,723	316,222
- Dividend revenue from investments at fair value through profit or loss	49,717	51,724
- Interest revenue from investments at fair value through profit or loss	246,006	264,498
Net gains on investments at fair value through profit or loss	379,751	137,993
- Net realised gains on fair value adjustments	160,020	84,162
- Movement in fair value adjustments	219,731	53,831
Net investment income	683,204	461,517

9. SUNDRY INCOME

Accounting policy

Amounts due by the Scheme that have legally prescribed, that is funds older than three years, are reversed and included under Sundry income.

Note

Prescribed amounts written back	1,731	4,663
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10. INSURANCE FINANCE EXPENSES

Accounting policy

Interest payable on members' Personal Medical Savings Accounts is expensed when incurred.

Note

Interest allocated on Personal Medical Savings Accounts	51,951	46,431
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11. OTHER OPERATING EXPENSES

Accounting policy

Other operating expenses are expensed as incurred.

Note	2025 R'000	2024 R'000
Administration fees	32,597	30,752
Other services		
Internal audit services	3,855	3,637
Marketing services	13,261	12,511
Forensic investigations and recoveries	4,822	4,549
Governance and compliance	761	718
Additional services		
Quality management and monitoring services	3,633	3,427
Advanced data analytics	3,029	2,858
Digital service offering	1,126	1,062
Enhanced service offering	603	569
Enterprise risk management services	603	569
Legal services	174	164
Product innovation	730	688
Actuarial fees	3,600	3,444
Association fees	1,095	817
Communication expenses	8,271	12,293
Consulting fees	2,281	2,050
Depreciation	196	98
External audit fees*	2,345	3,440
Fidelity guarantee and professional indemnity insurance premium	259	247
Internal audit fees	1,000	961
Legal fees	2,110	748
Levies - Council for Medical Schemes	5,574	5,226
Office lease and other rental charges	721	934
Other expenses	10,779	9,733
Principal Officer's remuneration	5,302	4,871
Staff costs	29,246	23,835
Trustee remuneration (note 12)	3,329	3,142
	108,704	102,591

*Included in this amount is the fee of R191,304 (2024: R169,565) relating to the engagements for the annual statutory returns audit and compliance report in accordance with the requirements of Sections 36(1), 36(5) and 36(8) of the Medical Schemes Act as required by the CMS.

12. TRUSTEE REMUNERATION

	Fees for meeting attendance		Fees for attendance of training session		Travel costs		Accommodation costs		Total	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000	2025 R'000	2024 R'000	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Dr Rametsi, L* (Chairperson)	367	227	24	23	-	-	14	14	405	264
Ms F Butler-Emmett* (Vice-Chairperson)	282	230	18	29	-	-	14	14	314	273
Mr Cresswell, J	176	376	6	29	-	-	14	14	196	419
Mr Bolt, DW	223	269	24	29	20	-	14	14	281	312
Mr Armstrong, D	301	273	24	29	-	6	14	14	339	322
Mr Betela, G*	219	228	24	29	-	-	14	14	257	271
Ms Boota, Z*	52	-	-	-	-	-	-	-	52	-
Mr le Grange, D	205	120	-	23	-	-	14	-	219	143
Mr Gush, RP	200	192	24	29	16	8	14	14	254	243
Mr Lachman, P*	20	-	-	-	-	-	-	-	20	-
Ms Mantle, D	203	192	18	17	7	-	14	14	242	223
Mr MacFarlane, W*	135	181	18	22	-	-	14	14	167	217
Ms Nkosi, L*	144	131	18	6	-	-	14	14	176	151
Ms Noemdoe, G*	270	267	18	23	-	-	14	14	302	304
Mr Swanepoel, H	87	-	18	-	-	-	-	-	105	-
	2,884	2,686	234	288	43	14	168	154	3,329	3,142

* Attendance fees for these Board members are paid to their respective employers.

13. RELATED PARTY TRANSACTIONS

The Scheme is governed by the Board of Trustees which is constituted of twelve Trustees, six whom are employer appointed and six being member elected.

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the non-executive Board of Trustees and the Executive Officers of the Scheme. The disclosure deals with full-time Executive Officers who are compensated on a salary basis, and non-executive Board of Trustees who are compensated on a fee basis.

Close family members include close family members of the Board of Trustees and Executive Officers of the Scheme.

Parties with significant influence over the Scheme

Absa Bank Limited, FirstRand Limited and The Standard Bank of South Africa Limited have significant influence over the Scheme, as they participate in the Scheme's financial and operating policy decisions through representation on the Board of Trustees, but do not control the Scheme.

NMG Consultants and Actuaries (Pty) Ltd has significant influence over the Scheme, as it consults and advises on various strategic issues which guide the Scheme's operations, but do not control the Scheme.

Discovery Health (Pty) Ltd has significant influence over the Scheme, as Discovery Health (Pty) Ltd participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. Discovery Health (Pty) Ltd provides administration and managed care services. The Scheme furthermore has reinsurance contracts with Discovery Health (Pty) Ltd. As Discovery Health (Pty) Ltd is a related party, its subsidiaries and fellow subsidiaries within the Discovery Ltd group are related parties to the Scheme. Discovery Ltd's Annual Report provides detail of its group structure.

The Scheme contracted with Discovery Third Party Recovery Services (Pty) Ltd (DTPRS), a wholly-owned subsidiary of Discovery Health (Pty) Ltd, to manage the identification and collection of third party recoveries from the Road Accident Fund.

13. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

The following provides the total amount in respect of transactions, which have been entered into with related parties for the relevant financial year. All amounts are disclosed as absolute numbers.

Transactions with key management personnel and their close family members which includes Trustees and Executive Officers:

	2025 R'000	2024 R'000
Statement of Comprehensive Income		
Compensation		
Short-term employee benefits	16,911	16,382
Trustee remuneration (note 12)	3,329	3,142
Contributions and claims		
Insurance revenue	1,240	1,251
Incurred claims	1,693	1,108
Interest paid on Personal Medical Savings Accounts	5	5
Statement of Financial Position		
Liability attributable to current members (PMSA balances)	87	99

The terms and conditions of the related party transactions were as follows:

Transactions	Nature of transactions and their terms and conditions
Compensation	This constitutes remuneration and consideration paid to Trustees and Executive Officers short-term employee benefits.
Insurance revenue	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were on the same terms as applicable to other members.
Incurred claims	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to other members.
Personal Medical Savings Accounts	The amounts owing to the related parties relate to Personal Medical Savings Account balances to which the parties have a right. In line with the terms applied to other members, the balances earn monthly interest on an accrual basis, at interest rates determined by the Scheme from time to time at its discretion. The amounts are all current and would need to be payable on demand as applicable to other members.

13. RELATED PARTY TRANSACTIONS (continued)

Transactions with entities that have significant influence over the Scheme

	2025 R'000	2024 R'000
Statement of Comprehensive Income		
Actuarial fees	3,600	3,444
Total administration fees	284,814	268,008
- Accredited administration services (Note 7)	252,217	237,256
- Administration fees (Note 11)	32,597	30,752
Reinsurance contract premiums paid	240,990	202,833
Managed care: management services	160,199	150,863
Statement of Financial Position		
Financial assets at fair value through profit or loss: Participating employers	718,789	898,206
Cash and cash equivalents: Participating employers	526,666	589,887
Liability attributable to current members	31,473	30,480

The terms and conditions of the transactions with entities with significant influence over the Scheme were as follows:

Terms and conditions of the actuarial contract

The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Scheme has the right to terminate the agreement on 90 days notice.

Terms and conditions of the administration agreement

The administration agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations. The Scheme has the right to terminate the agreement on 6 months notice.

Terms and conditions of the reinsurance contracts

The reinsurance contracts are in accordance with instructions given by the Trustees of the Scheme. The contracts are reviewed annually and are renewable depending on fee negotiations.

Terms and conditions of the managed care agreements

The managed care agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations. The Scheme has the right to terminate the agreement on 6 months notice.

Terms and conditions of the third-party collection services

The third-party collection service agreement is in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations. The Scheme has the right to terminate the agreement on 6 months notice.

Terms and conditions of investments in participating employers

All investments in participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

14 NET RESULT PER BENEFIT OPTION

2025

	Bankmed Essential Plan R'000	Bankmed Basic Plan R'000	Bankmed Core Saver Plan R'000	Bankmed Traditional Plan R'000	Bankmed Comprehen- sive Plan R'000	Bankmed Plus Plan R'000	Consolidated R'000
Insurance revenue	144,218	1,084,646	1,649,353	910,624	2,357,447	294,126	6,440,414
Insurance service expense	(73,544)	(968,125)	(1,413,088)	(1,064,389)	(3,012,320)	(375,795)	(6,907,261)
Claims incurred*	(47,258)	(858,720)	(1,282,736)	(1,020,413)	(2,898,191)	(366,131)	(6,473,449)
Accredited managed healthcare services*	(10,265)	(42,700)	(50,643)	(17,450)	(43,988)	(3,752)	(168,798)
Other directly attributable insurance services expenses	(16,021)	(66,705)	(79,709)	(26,526)	(70,141)	(5,912)	(265,014)
Net (expense)/income from reinsurance contracts held*	(5,390)	(959)	(758)	(651)	(1,763)	(149)	(9,670)
Insurance service result	65,284	115,562	235,507	(154,416)	(656,636)	(81,818)	(476,517)
Other income	39,230	163,349	210,917	70,190	185,605	15,644	684,935
Other expenses	(11,153)	(46,441)	(59,965)	(19,956)	(52,769)	(4,448)	(194,733)
Amounts attributable to members	93,361	232,470	386,459	(104,182)	(523,800)	(70,622)	13,685
Number of members	6,651	26,472	33,591	11,082	29,214	2,440	109,450
Number of beneficiaries	9,094	52,551	72,106	23,872	62,929	4,213	224,765
Average age	29.75	27.03	28.21	37.36	40.82	59.38	33.08
Pensioner ratio	1.01%	2.23%	3.70%	12.91%	18.22%	50.75%	9.17%
Relevant healthcare expenditure*	(62,913)	(902,379)	(1,334,137)	(1,038,514)	(2,943,942)	(370,032)	(6,651,917)

14 NET RESULT PER BENEFIT OPTION (continued)

2024	Bankmed Essential Plan R'000	Bankmed Basic Plan R'000	Bankmed Core Saver Plan R'000	Bankmed Traditional Plan R'000	Bankmed Comprehen- sive Plan R'000	Bankmed Plus Plan R'000	Consolidated R'000
Insurance revenue	124,847	938,137	1,491,852	860,372	2,254,140	286,039	5,955,387
Insurance service expense	(69,925)	(822,558)	(1,220,976)	(996,534)	(2,847,836)	(398,724)	(6,356,553)
Claims incurred*	(47,181)	(726,308)	(1,097,624)	(954,150)	(2,733,348)	(388,964)	(5,947,575)
Accredited managed healthcare services*	(8,884)	(37,595)	(47,960)	(16,481)	(44,522)	(3,796)	(159,238)
Other directly attributable insurance services expenses	(13,860)	(58,655)	(75,392)	(25,903)	(69,966)	(5,964)	(249,740)
Net income/(expense) from reinsurance contracts held*	(4,245)	10,400	(19)	99	1,105	51	7,391
Insurance service result	50,676	125,979	270,857	(136,063)	(592,590)	(112,634)	(393,775)
Other income	25,993	104,841	143,279	48,869	132,023	11,175	466,180
Other expenses	(6,822)	(27,518)	(57,618)	(12,827)	(58,918)	(5,087)	(168,790)
Amounts attributable to members	69,847	203,302	356,518	(100,021)	(519,485)	(106,546)	(96,385)
Number of members	6,006	24,225	33,107	11,292	30,506	2,582	107,718
Number of beneficiaries	8,256	47,745	70,312	24,582	66,112	4,524	221,531
Average age	29.36	26.81	27.70	36.68	40.02	58.42	32.87
Pensioner ratio	0.98%	2.29%	3.47%	12.32%	17.29%	48.10%	9.14%
Relevant healthcare expenditure*	(60,310)	(753,503)	(1,145,603)	(970,532)	(2,776,765)	(392,709)	(6,099,423)

15. EVENTS AFTER THE REPORTING PERIOD

There have been no other events that have occurred subsequent to the end of the accounting period that materially effect the Financial Statements, and that the Trustees consider should be brought to the attention of the members of the Scheme.

16. INSURANCE RISK MANAGEMENT REPORT

Nature and extent of risks arising from insurance contracts

The Scheme issues contracts that transfer insurance risk. The primary insurance activity carried out by the Scheme indemnifies covered members and their dependants against the risk of loss arising as a result of the occurrence of a health event, in accordance with the Scheme Rules and legislative requirements.

This note summarises these risks and the way in which they are managed.

Insurance risk

The risk under any insurance contract can be expressed as the probability that an insured event occurs multiplied by the expected amount of the resulting claim. Insurance events are random and therefore the actual number and size of events during any year are unknown and vary from those estimated. The principal risk that the Scheme faces under its insurance contracts is that the actual claim payments exceed the projected amount of the insurance liabilities. This could occur because the frequency and severity of claims are greater than estimated. A larger number of members will result in smaller variability of the actual claims experience relative to expected levels. This is because an adverse experience is diluted by a larger group of members whose claims are stable and thus predictable.

Factors that aggravate insurance risk include unanticipated demographic movements, adverse experience due to an unexpected epidemic, changes in members' disease profiles, unexpected price increases, prevalence of fraud, supplier induced demand and the cost of new technologies or drugs.

The risks that the Scheme faces can be discussed for the different benefits offered. The three main types of benefits offered by the Scheme in return for monthly contributions are indicated below:

Hospital benefits

The hospital benefits cover medical expenses incurred arising from admission to hospital. This includes accommodation, theatre, professional fees, medication, equipment and consumables.

Day-to-day benefits

Day-to-day benefits cover the cost of out-of-hospital healthcare services, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines. The day-to-day benefits include both the Personal Medical Savings Account (PMSA) and an insurance risk element. This includes the Above Threshold Benefit (ATB). The Scheme does not carry risk for PMSA benefits.

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Insurance risk (continued)

Chronic benefits

The Chronic Illness Benefit (CIB) covers approved medication and treatment for up to 44 listed conditions (Plan dependent), including the 27 Prescribed Minimum Benefit (PMB) chronic conditions. These include conditions such as HIV / AIDS, high blood pressure, cholesterol and asthma.

The risks associated to the Scheme with the types of benefits offered to members are addressed below:

Hospital benefit risk

The main factors impacting the frequency and severity of hospital claims are the number of admissions and the cost per event. An increase in the frequency and severity of claims result in an increase in the cost of claims.

An increase in the admission rate is often linked to increases in the number of beneficiaries at older ages or with chronic conditions. The increase in cost per event is driven by annual tariff and other cost increases. An increased cost per event can also be caused by an increased case-mix, severity of admissions and the introduction of new hospital-based technologies.

The following table shows various factors that impact hospital claims:

Key indicators	2025	2024	% increase
Length of stay (days)	4.05	3.94	2.79%
Average hospital cost per admission (R)	44,836	41,626	7.71%
Total cost per event (R)	73,460	67,751	8.43%
Total cost per life per month (R)	915	843	8.53%
Admissions per 1 000 lives	244.90	244.05	0.35%

Day-to-day benefits risk

The frequency and severity of claims are driven by the number and disease burden of claimants. The mix of members between the different benefit options as well as an increase in the number of claims categorised as PMB claims will also have an impact on the claims. The frequency of the ATB claims increases throughout the year as an increased number of members run out of their PMSA.

Chronic benefits risk

The main factors impacting the frequency and severity of chronic claims are the number of claimants and the cost per claimant respectively.

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Insurance risk (continued)

Chronic benefits risk (continued)

Higher increases in chronic claimants are linked to increases in the number of beneficiaries at older ages. In addition, changes relating to the eligibility for chronic benefits will also impact costs. An increase in the number of items per claimant will drive up the costs of chronic claims per claimant. Increases in the regulated prices for chronic medication, the Single Exit Price, and increases in dispensing fees will also result in an increase in costs per claim. The mix between the various chronic conditions will also have an impact on the frequency and the presence of multiple chronic conditions per person will have an impact on the severity of the claims.

The mix between the various chronic conditions impacts the frequency and severity of claims. Certain factors that impact chronic cost are shown below:

Key indicators	2025	2024	% increase
Claimants per 1 000 lives	21.26	21.00	1.24%
Total cost per life per month (R)	6,579	6,455	1.92%

Risk management

The Scheme has various initiatives that are used to manage the risk associated with claims experience. These include:

- Members have to be referred by a doctor prior to an elective admission.
- All hospital admissions have to be pre-authorised.
- Case managers monitor members with hospital stays that are longer than expected to ensure that members are discharged at appropriate times.
- The work of the Centre for Clinical Excellence, which evaluates the effectiveness of new technologies and recommends whether the Scheme should cover these.
- The development of protocols around various high cost conditions, such as lower back surgery.
- A dedicated unit to focus on reducing surgical consumable spend.
- The profiling of statistically significant outlier doctors on admission rate and generated costs as well as peer reviewing them.
- A Coordinated Care Programme. This is a dedicated unit to ensure direct coordination of care from medical providers to high risk beneficiaries that are exposed to conditions that would generate multiple admissions if not managed.
- An Advanced Illness Benefit Programme dedicated to managing care during the end of life stage for patients who are terminally ill.
- A disease management unit dedicated to managing high risk beneficiaries with complex diseases.
- Alternative reimbursement contracts exist with hospitals to mitigate the risk of additional utilisation above that which is expected for the demographics of the Scheme and severity of admissions.
- The Scheme manages and mitigates the risks associated with chronic illness benefits through an extensive managed care programme, involving detailed drug policy interventions, medicine protocols and benefit rules, all of which comply with the Regulations on Prescribed Minimum Benefits. In addition, the Centre for Clinical Excellence is involved in evaluating the effectiveness of new drugs and recommends whether the Scheme should cover these drugs or not.

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Concentration of insurance risk

The Scheme is not subjected to a significant degree of concentration risk due to the various employers being located throughout the country. The Scheme also offers a wide range of benefit plans which meet a variety of members' needs. This results in the Scheme being representative of the medical scheme market and, as such, it experiences limited variability of the outcome.

An annual actuarial valuation is performed, which specifies the contributions to be charged in return for the benefits to be provided given the expected demographic profile of each benefit option.

Reinsurance contracts held

The Scheme has reinsurance contracts in which suppliers are paid to provide certain minimum benefits to Scheme members, as and when it is required by the members. These arrangements are also known as capitation arrangements and fix the cost to the Scheme of providing these benefits.

The Scheme does, however, remain liable to its members to provide the benefits. If any supplier fails to meet the obligations of the reinsurance contract, the Scheme will cover the cost of the benefit.

When selecting a supplier, the Scheme assesses their ability to provide the relevant service. This is to mitigate against the reputational and operational risks that the Scheme faces should a supplier not meet its obligations. The Scheme also monitors the performance of the suppliers, checks the quality of care provided and has access to data on the underlying fee-for-service claims which are included in the arrangement.

Claims development

Detailed claims development tables are not presented as the uncertainty regarding the amount and timing of claim payments are typically resolved within one year and in most cases within four months. At year-end, a probability weighted best estimate is made for those claims that have not yet been reported.

The methodology followed in setting the probability weighted best estimate of the claims incurred but not yet reported is the actuarial methodology of chain ladder estimation. This methodology is the most objective, but the accuracy of the estimate is sensitive to changes in the average time from treatment to payment of claims. For hospital claims in the latest service month, a blend of the chainladder method and another method using the estimated cost per event and pre-authorised admissions is also followed.

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Claims development (continued)

The December 2025 probability weighted best estimate of future cash flows for claims incurred but not yet reported and risk adjustment was made in accordance with Advisory Practice Note 304 of the Actuarial Society. In accordance with this practice note, the following factors are considered to determine whether they would have any impact on the probability weighted best estimate of the claims incurred but not yet reported and risk adjustment estimates:

- The homogeneity of claims data.
- The credibility of claims data.
- Changes in emergence and settlement patterns.
- The impact of seasonality.
- The impact of re-opened or adjusted claims.
- The impact of benefit limits and changes.
- External influences.
- The demographic profile of the Scheme.

Based on the processing patterns and claims development up to the end of December 2025 in respect of treatment dates during 2025, the recommended probability weighted best estimate of the claims incurred but not yet reported as at December 2025 is R228.0 million (2024: R211.8 million).

The recommended risk adjustment for non-financial risk, the compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Scheme fulfils insurance contracts, as at 31 December 2025 is R13.5 million (2024: R13.0 million).

The following table provides a sensitivity on the insurance contract liabilities. As the Scheme is a mutual entity, the impact of any changes in the Liability attributable to current members would impact the Liability attributable to future members. The table presents information on how reasonably possible changes in risk confidence level made by the Scheme will impact the risk adjustment.

	2025 R'000		2024 R'000	
	LIC as at 31 December	Impact on SOCI*	LIC as at 31 December	Impact on SOCI*
Insurance contract liability	1,357,557	-	1,256,955	-
Change in LIC provision - 10% movement #	-	24,154	-	22,479

*Statement of Comprehensive Income

the impact increases the LIC by the same value

Sensitivity of risk adjustment

	2025 R'000	2024 R'000
Risk adjustment with a 90% confidence level - as reported	13,500	12,980
Risk adjustment with a 75% confidence level	6,770	6,490

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Claims development (continued)

Liquidity risk

One of the main components of the Scheme's insurance contract liabilities is the probability weighted best estimate of the claims incurred but not yet reported. These are generally settled in a short period of time, approximately 95% of this balance is settled within three months after the claim was incurred and the balance is expected to be settled within six months. The remaining insurance liabilities are generally settled within 30 days from year-end.

The members' PMSA contain a demand feature. In terms of Regulation 10 of the Act, any credit balance on a member's PMSA must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit plan and enrolls in another benefit plan or medical scheme without a savings account or does not enrol in another medical scheme. Therefore, the carrying values of the members' PMSA are deemed to be equal to their fair values, which is the amount payable on demand.

Liquidity risk can also arise when the Scheme's investment mix does not match the nature of the liabilities. However, investments are managed by professional asset managers and finance professionals who ensure that investments, including cash and cash equivalents, are always sufficiently liquid to meet current liabilities while excess reserves are invested to maximise investment return within the scope of the Regulations to the Act.

Assumption risk

The Liability attributable to future members and therefore the Scheme's solvency is sensitive to changes in claims development patterns. Another relevant assumption is medical inflation. Other assumptions that are considered include utilisation trends, the impact of new technology and the expected demographic profile of the Scheme membership.

17. FINANCIAL RISK MANAGEMENT REPORT

Overview

The Scheme is exposed to financial risk through its financial assets, financial liabilities and insurance contract liabilities. In particular the financial risk is that the proceeds, for any reason, from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk include market risk, interest rate risk, credit risk and liquidity risk.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

The Board of Trustees has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Scheme manages these risks through various risk management processes. These processes have been developed to ensure that the long-term investment return on assets supporting the insurance liabilities is sufficient to contribute towards funding members' reasonable benefit expectations.

The Scheme manages the financial risks as follows:

- The Investment Committee, a Committee of the Board of Trustees, recommends the Scheme's Investment Policy to the Board of Trustees for approval. The Investment Committee meets at least quarterly and reports back to the Board of Trustees on the matters included in its terms of reference.
- The Scheme has appointed reputable external asset managers to manage its investments and their performance is monitored regularly.
- An external investment consulting company has been appointed to assist in formulating the investment strategy and to provide ongoing reporting and monitoring of the asset managers.
- The Scheme ensures compliance with Regulation 30, Annexure B of the Act.

Market risk

Market risk is the risk that changes in market variables, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Scheme's insurance liabilities are settled within one year and the Scheme does not discount insurance liabilities. Consequently, changes in market interest rates would not affect the Scheme's net result arising from changes in the insurance liability.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk (continued)

The table below summarised the primary risks affecting the Scheme's financial assets at fair value through profit or loss exposure to market risk.

As at 31 December 2025	Currency risk R'000	Price risk R'000	Interest rate risk R'000	Total R'000
Financial assets at fair value through profit or loss	91,958	1,320,219	3,155,029	4,567,206
Listed equities	-	1,277,324	-	1,277,324
Commodity linked instruments	-	42,895	-	42,895
Local collective investment scheme	-	-	545,668	545,668
Offshore collective investment schemes	91,958	-	-	91,958
Money market instruments	-	-	351,739	351,739
Bonds	-	-	1,419,583	1,419,583
Linked Insurance Policies	-	-	838,039	838,039
As at 31 December 2024	Currency risk R'000	Price risk R'000	Interest rate risk R'000	Total R'000
Financial assets at fair value through profit or loss	113,320	1,232,708	3,118,004	4,464,032
Listed equities	-	1,099,242	-	1,099,242
Commodity linked instruments	-	51,213	-	51,213
Local collective investment scheme	-	-	554,593	554,593
Offshore collective investment schemes	113,320	-	-	113,320
Money market instruments	-	-	407,095	407,095
Bonds	-	-	1,475,950	1,475,950
Linked Insurance Policies	-	82,253	680,366	762,619

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk (continued)

Currency risk

The Scheme operates in the Republic of South Africa and therefore its cash flows are denominated in South African Rand. In terms of the diversified investment strategy operated by the Investment Committee, the Scheme has offshore investments.

The Scheme is exposed to foreign exchange risk arising from its investment in offshore collective investment schemes denominated in United States of America (US) Dollars.

At 31 December 2025 R92.0 million was invested in offshore collective investment schemes (2024: R113.3 million) which accounted for 1.98% of total investments, including cash and cash equivalents (2024: 2.51%).

The sensitivity of the Rand depreciating against the US Dollar is presented below.

	2025 R'000	2024 R'000
<i>Market risk sensitivity analysis</i>		
Financial assets at fair value through profit or loss	91,958	113,320
Change in Liability attributable to future members due to 20% change in the Rand	<u>35,930</u>	<u>23,328</u>

Price risk

The Scheme is exposed to equity price risk as it invests funds in South African equities, managed by the Scheme's asset managers. The Scheme's equity portfolio is a long-term investment, and the funds invested in this portfolio are not needed in the short or medium-term. This mitigates the risk associated with short-term fluctuations in the equity market. The Scheme has appointed reputable asset managers with good track records in terms of performance.

At 31 December 2025 R1,320.2 million was invested in listed equities (2024: R1,232.7 million) which accounted for 28.48% (2024: 25.46%) of total investments.

The sensitivity of equity prices is presented below.

	2025 R'000	2024 R'000
<i>Price risk sensitivity analysis</i>		
Financial assets at fair value through profit or loss	1,320,219	1,232,708
Change in Liability attributable to future members due to 10% change in the Johannesburg Stock Exchange All Share Index	<u>148,263</u>	<u>127,919</u>

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk (continued)

Interest rate risk

The Scheme is exposed to interest rate risk as it places funds in short-term investments, money market accounts and bonds. The risk is managed by maintaining an appropriate mix between fixed and floating rate investments within the Scheme's money market investment portfolio as well as additional fixed and call deposit investments.

The Scheme holds 68.05% (2024: 70.83%) of its cash and cash equivalents and Financial assets at fair value through profit or loss in interest bearing instruments. This constitutes a significant portion of the Scheme's investments being exposed to changes in market interest rates, as the majority of the Scheme's interest bearing assets are held at variable rates.

The table below summarises the Scheme's exposure to interest rate risks. Included in the table are the Scheme's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

	0 - 3 months R'000	> 3 - 12 months R'000	> 12 months R'000	Total R'000
As at 31 December 2025				
Cash and cash equivalents	68,795	-	-	68,795
Financial assets at fair value through profit or loss	1,386,761	122,167	1,646,101	3,155,029
	<u>1,455,556</u>	<u>122,167</u>	<u>1,646,101</u>	<u>3,223,824</u>
As at 31 December 2024				
Cash and cash equivalents	54,164	-	-	54,164
Financial assets at fair value through profit or loss	1,272,085	163,407	1,682,512	3,118,004
	<u>1,326,249</u>	<u>163,407</u>	<u>1,682,512</u>	<u>3,172,168</u>

The sensitivity of interest rate change is presented below.

	2025 R'000	2024 R'000
<i>Interest rate risk sensitivity analysis</i>		
Cash and cash equivalents	68,795	54,164
Financial assets at fair value through profit or loss	3,155,029	3,118,004
	<u>3,223,824</u>	<u>3,172,168</u>
Change in Liability attributable to future members due to 2% change in prime lending interest rate	<u>148,257</u>	<u>140,474</u>

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Legal risk

Legal risk is the risk that the Scheme will be exposed to contractual obligations which have not been provided for. At 31 December 2025, the Scheme did not consider there to be any significant concentration of legal risk and no provision has been raised.

Investment risk

Investment risk is the risk that the investment returns on accumulated assets will not be sufficient to cover future liabilities.

The Scheme's Investment Committee oversees that the funds are invested in line with the Act.

The investment philosophy is to hold a diversified pool of assets. The assets are selected as being most appropriate given the liquidity and solvency requirements of the Scheme. In contemplating solvency, the return goals of the Scheme, as well as the risk associated with all assets and asset classes are considered. Diversification is across securities, issuers, asset classes, geographic regions as well as managers within asset classes where practical. The Scheme diversifies its investment portfolio by investing in short-term deposits, money market, bonds, listed property and equity portfolios managed by reputable asset managers.

The Investment Committee monitors the performance of the Scheme's asset managers to ensure performance in accordance with the agreed mandates.

The following table compares the fair value and carrying amounts of assets and liabilities per class of assets and liabilities. The carrying amounts approximate the fair value amounts.

	Financial assets at fair value through profit or loss R'000	Financial assets at amortised cost R'000	Insurance contract liability R'000	Financial liabilities at amortised cost R'000
31 December 2025				
Investments	4,567,206	-	-	-
Other financial assets at amortised cost		2,371		
Cash and cash equivalents	-	68,795	-	-
Liability attributable to current members	-	-	(1,357,557)	-
Liability attributable to future members	-	-	(3,259,802)	-
Reinsurance contract liabilities	-	-	(2,604)	-
Financial liabilities at amortised cost	-	-	-	(13,873)
	4,567,206	71,166	(4,619,963)	(13,873)

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Investment risk (continued)

31 December 2024	Financial assets at fair value through profit or loss R'000	Financial assets at amortised cost R'000	Insurance contract liability R'000	Financial liabilities at amortised cost R'000
Investments	4,464,032	-	-	-
Other financial assets at amortised cost		3,484		
Cash and cash equivalents	-	54,164	-	-
Reinsurance contract assets	-	624	-	-
Liability attributable to current members	-	-	(1,256,955)	-
Liability attributable to future members	-	-	(3,246,117)	-
Financial liabilities at amortised cost	-	-	-	(14,353)
	4,464,032	58,272	(4,503,072)	(14,353)

Credit risk

Credit risk is the risk of financial loss resulting from a counterparty's failure to meet their contractual obligations. The Scheme does not have significant credit risk arising from reinsurance contract assets or insurance assets. The reinsurance agreements are used to manage insurance risk. This does not, however, discharge the Scheme's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Scheme remains liable for the payment to the member. Exposures to individual members are managed by adhering to the requirements of Section 26(7) of the Medical Schemes Act i.e actively pursuing all contributions not received within three days of becoming due, suspending benefits for all members where contributions have not been received for 30 days and terminating benefits for all all members where contributions have not been received for 60 days. The credit risk is taken into account when the expected contribution is calculated.

Key areas where the Scheme is exposed to credit risk are:

- Insurance contract assets and other receivables. The main components of insurance contract assets are in respect of contributions due from members and amounts recoverable from members and suppliers in respect of claims debt. The Scheme has limited exposure from its Financial assets at amortised cost;
- Financial assets are valued at fair value through profit or loss. These assets comprise bond instruments, commodities, equities, collective investment schemes, policies of insurance and money market instruments. The Scheme is exposed to the issuer's credit standing on these instruments. Exposure to credit risk is monitored and minimum credit ratings for these investments are set. Reputable asset managers have been appointed to manage these instruments; and
- Cash and cash equivalents comprise of fixed deposits, deposits held on call with banks and other short-term liquid investments. The risks associated with these deposits are managed by monitoring the Scheme's exposure to external financial institutions against approved deposit limits per institution.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

Exposure to credit risk

The carrying amount of Insurance contract assets, as included in the Insurance contract liabilities, and Financial assets at amortised cost represents the maximum credit exposure.

The Scheme ages and pursues unpaid accounts in terms of the Scheme's approved debt policy. The tables below highlight Insurance contract assets which are due, past due (by number of days) and are used to project the insurance contract cash flows that are not recoverable.

	2025	2024
	R'000	R'000
Insurance contract asset		
Not past due	52,513	49,339
Past due 1 - 30 days	977	1,407
Past due 31 - 60 days	865	435
Past due 61 - 150 days	1,528	1,658
151 days to more than 1 year	37,166	34,429
	<u>93,049</u>	<u>87,268</u>

Credit quality

The credit quality of insurance contract assets as presented above can be assessed by reference to historical information about counterparty default.

Insurance revenue outstanding

The Scheme collects over 98% of outstanding contributions in the month following the contributions being due. Therefore, the Scheme can establish that the credit quality of contribution debtors is high and no additional disclosure of the credit quality is provided.

Withdrawn member claims debtors

These amounts are due from members that have withdrawn from the Scheme. The Scheme estimates that 89% (2024: 93%) of these receivables are not recoverable. This has been taken into account in the insurance contracts fulfilment cash flows.

Service provider claims debtors

These debtors are the healthcare providers of the Scheme. The amounts due to the Scheme are offset against future payments to be made to these providers. This has been taken into account in the insurance contracts fulfilment cash flows.

Forensic receivables

Forensic debt recovery mechanisms primarily include Acknowledgement of Debt (AOD), reversals, and cost adjustments. AOD amounts are recovered through various means such as debit orders, Electronic Fund Transfers (EFTs) or direct deposits into the bank account, which undergo continuous monitoring.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

Financial assets held at fair value through profit or loss and cash and cash equivalents

The Scheme manages credit risk on its investment portfolios through the appointment of reputable and appropriate asset managers, extensive diversification and ongoing monitoring and management of credit risk exposures and portfolio holdings.

These investments are included in Financial assets at fair value through profit or loss in the Statement of Financial Position and no other material risks relating to these investments have been identified other than those already disclosed.

Cash and cash equivalents are only placed with reputable financial institutions with a high credit quality. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

For a breakdown of the Scheme's asset credit ratings, refer to Note 20.

Unconsolidated investment structures

The Scheme has involvement with investment funds in which it invests but it does not consolidate. The investment funds meet the definition of structured entities because:

- The voting rights in the funds are not dominant rights in deciding who controls them because they relate to the administrative tasks only;
- each fund's activities are restricted by prospectus; and
- the funds have narrow and well-defined objectives to provide investment opportunities.

The asset managers invest the Scheme's monies in reputable funds which generate returns for the Scheme. The Scheme views these funds as unconsolidated structured entities. The Scheme monitors the performance of the funds closely to ensure the Scheme earns high returns without unnecessary exposure to risk.

The Scheme has investments in certain pooled portfolios and collective investment schemes (the Funds) as listed in the table below. The exposure the Scheme has to these Funds is also listed in the table. The Scheme's maximum exposure is limited to the total fair value of its investments in the Funds.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

Unconsolidated investment structures (continued)

Fund	2025		2024	
	Fair value of fund assets held R'000	% Fund exposure attributable to Scheme	Fair value of fund assets held R'000	% Fund exposure attributable to Scheme
Abax SA Income Prescient Fund	1,864	0.04%	5,170	1.31%
M&G Corporate Bond Fund	21,444	0.27%	17,253	0.31%
M&G Global Fixed Income Fund	86,942	20.34%	85,978	21.09%
M&G High Interest Fund	18,620	0.15%	28,096	0.27%
Nedgroup Investments Core Income Fund Class C1	227	0.00%	140,598	1.19%
Nedgroup Investments Money Market Fund Class C1	13	0.00%	19,998	0.56%
Nedgroup Investments Money Market Fund Class C4	381,342	44.89%	222,563	26.20%
Nedgroup Structured Life Enhanced Income Fund	838,039	10.29%	762,619	9.37%
Ninety One GSF US Dollar Money Fund D USD	5,016	0.02%	27,341	0.10%
Ninety One Internal Money Market Fund	93,413	0.26%	94,544	2.33%
Ninety One Stefi Plus Fund Z	28,745	0.17%	26,370	0.18%

Liquidity risk

Liquidity risk is the risk that the Scheme will not have sufficient liquid funds available to settle financial obligations as they fall due.

The Scheme's approach to managing liquidity is to ensure, with significant conservative margin, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. In order to meet the objectives of enhancing returns while also providing high liquidity, the combined Scheme portfolios have explicit constraints that guarantee liquidity of at least 20% of the Scheme's assets within a period of one week.

The Scheme has complied with the requirements regarding the nature and categories of assets as prescribed by Section 35 and Regulation 30 of the Act.

Members of the Scheme are required to submit their claims within 4 months of the service date.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Liquidity risk (continued)

An expected maturity analysis for all liabilities is provided below:

	Up to 3 month R'000	>3 - 12 months R'000	> 12 months R'000	Total R'000
31 December 2025				
Assets	1,549,885	122,167	2,966,320	4,638,372
Financial assets at fair value through profit or loss	1,478,719	122,167	2,966,320	4,567,206
Other financial assets at amortised cost	2,371	-	-	2,371
Cash and cash equivalents	68,795	-	-	68,795
Reinsurance contract assets	-	-	-	-
Liabilities	(240,911)	(1,130,519)	(3,265,294)	(4,636,724)
Post-retirement medical aid benefit liability	-	-	(5,492)	(5,492)
Liability attributable to current members	(227,038)	(1,130,519)	-	(1,357,557)
Liability attributable to future members	-	-	(3,259,802)	(3,259,802)
Financial liabilities at amortised cost	(13,873)	-	-	(13,873)
Net assets/(liabilities)	1,308,974	(1,008,352)	(298,974)	
31 December 2024				
Assets	1,443,676	163,407	2,915,221	4,522,304
Financial assets at fair value through profit or loss	1,385,404	163,407	2,915,221	4,464,032
Other financial assets at amortised cost	3,484	-	-	3,484
Cash and cash equivalents	54,164	-	-	54,164
Reinsurance contract assets	624	-	-	624
Liabilities	(281,449)	(1,031,263)	(3,210,145)	(4,522,857)
Post-retirement medical aid benefit liability	(521)	(1,041)	(3,870)	(5,432)
Liability attributable to current members	(266,575)	(990,380)	-	(1,256,955)
Liability attributable to future members	-	(39,842)	(3,206,275)	(3,246,117)
Financial liabilities at amortised cost	(14,353)	-	-	(14,353)
Net assets/(liabilities)	1,162,227	(867,856)	(294,924)	

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair value estimation

Financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Scheme is the current closing price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

The carrying value of Financial assets at amortised cost are assumed to approximate their fair values due to their short-term nature.

Valuation of financial instruments by hierarchy level

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and normally obtainable from multiple sources.

Level 2:

Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair value estimation (continued)

	Level 1 R'000	Level 2 R'000	Total R'000
2025			
Investments at fair value through profit or loss			
Listed equities	1,277,324	-	1,277,324
Commodity linked instruments	42,895	-	42,895
Collective investment schemes	-	545,668	545,668
Offshore collective investment schemes	-	91,958	91,958
Money market instruments	-	351,739	351,739
Bonds	1,419,583	-	1,419,583
Linked Insurance Policies	-	838,039	838,039
	<u>2,739,802</u>	<u>1,827,404</u>	<u>4,567,206</u>

	Level 1 R'000	Level 2 R'000	Total R'000
2024			
Investments at fair value through profit or loss			
Listed equities	1,099,242	-	1,099,242
Commodity linked instruments	51,213	-	51,213
Collective investment schemes	-	554,593	554,593
Offshore collective investment schemes	-	113,320	113,320
Money market instruments	-	407,095	407,095
Bonds	1,475,950	-	1,475,950
Linked Insurance Policies	-	762,619	762,619
	<u>2,626,405</u>	<u>1,837,627</u>	<u>4,464,032</u>

Valuation techniques and observable input

Level 2 investments are valued using market-based techniques that maximise observable inputs while limiting entity specific assumptions. Interest bearing stocks are valued using the JSE pricing file, which incorporates observable market data such as market yield curves and credit spreads rather than directly observed trade prices, resulting in Level 2 classification. Money market instruments are valued using a discounted cash flow approach that applies observable market interest rate curves; however, because these valuations are not based on directly quoted trading prices of the underlying instruments, they are classified as Level 2. Instrument details and curve yields are used to determine the instrument fair value.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Capital risk management

Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations on actual or expected future experience.

The Scheme's objective is to manage its capital in such a way that the annual contribution increase to members is as low as possible and to remain a going concern. The Scheme therefore uses investment income and the investments to fund any possible deficit that might occur as a result of operational losses.

The calculation of the regulatory capital requirement is set out below.

	2025 R'000	2024 R'000
Liability to members for future benefits per the Statement of Financial Position	3,259,802	3,246,117
Less: cumulative unrealised net gain on remeasurement of investments to fair value	(534,734)	(315,003)
Accumulated funds per Regulation 29 of the Act	<u>2,725,068</u>	<u>2,931,114</u>
Gross annual contributions	7,291,471	6,780,002
Insurance revenue (Note 7)	6,440,414	5,955,387
PMSA contributions received (Note 7)	851,057	824,615
Solvency margin	37.37%	43.23%

The accumulated funds ratio above compares favourably to the minimum prescribed accumulated funds ratio of 25%.

18. NON-COMPLIANCE MATTERS

Circular 11 of 2006 (the Circular) issued by the Council for Medical Schemes (the CMS) deals with issues to be addressed in the audited Financial Statements of medical schemes. This includes the requirement that all instances of non-compliance be disclosed in the audited Financial Statements, irrespective of whether the auditor considers them to be material or not.

During 2025, the Scheme did not comply with the following Sections and Regulations of the Act.

18. NON-COMPLIANCE MATTERS (continued)

Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred insurance service result deficits for the year ended 31 December 2025, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes of failure

The Scheme offers multiple benefit options in order to provide benefits suited to the specific healthcare needs of the varying demographic groups within the Scheme's overall membership. The benefit design process, however, must also consider the overall financial impact on the Scheme of providing such benefits. This takes into account the Scheme's financial stability, reserve levels and ultimate sustainability. In order to achieve both objectives it may be necessary to incur losses on certain options, which are then offset by surpluses on other options. These losses are anticipated in the annual budget, which is approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2025 included a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact

Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2025, which is in contravention of Section 26(7) of the Act.

Causes of failure

Due to internal process delays by some participating employers, the contributions paid on behalf of members were not paid within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

Scheme management continues to engage any employer group that pays late, and appropriate action is taken as and when necessary. Continuous improvements have been instrumental in timeous payment of contributions by employer groups.

18. NON-COMPLIANCE MATTERS (continued)

Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact

The Scheme holds investments, via various instruments, with Absa Bank Limited, FirstRand Limited, Landbank SOC Limited and The Standard Bank of South Africa Limited all of who are participating employers of the Scheme. The Scheme also banks with FirstRand Limited and therefore has various current accounts with this participating employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes of failure

As these institutions are major banks, an investment portfolio excluding these participating employers would fail to diversify optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 31 July 2025 to 30 November 2028.

Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact

The Scheme has investments in other administrators via unitised fund holdings within the Ninety One Absolute Opportunity and M&G Global Real Return portfolios.

Causes of failure

The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 1 December 2025 to 30 November 2028.

18. NON-COMPLIANCE MATTERS (continued)

Non-compliance with Section 59(2) – Payment of claims within 30 days

Nature and impact

A medical scheme shall, in the case where an account has been rendered, subject to the provisions of the Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

Causes of failure

A small number of claims were paid later than 30 days of the date of receipt. Delays occur when accounts are referred for clinical audit or other investigations. These are however exceptions and claims are generally paid within the prescribed time.

Corrective action

The Scheme continues to comply as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

Disclosure of personal information

Nature and impact

Regulation 15J(2)(b) requires the Scheme to ensure that there are provisions in place for ensuring confidentiality of clinical and proprietary information, including the diagnosis and treatment pertaining to any beneficiary. Condition 7 of the Protection of Personal Information Act (POPIA) requires that personal information be kept secure against the risk of loss, unauthorised access, interference, modification, destruction or disclosure.

Causes of failure

During the year under review there were incidents where minor amounts of personal information were unintentionally shared, by the Scheme's administrator, with 3rd parties.

Corrective action

These incidents were reported to the Information Registrar as required. Remedial action taken included additional training and the strengthening of control systems.

Non-compliance with Section 29(1)(o) – Prescribed minimum benefits

Nature and impact

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

Causes of failure

During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

Corrective action

These identified claims are reprocessed and paid.

19. RECONCILIATION OF MOVEMENTS IN THE STATEMENT OF CASH FLOWS

	Notes	2025 R'000	2024 R'000
Cash receipts from members and providers - other		-	330
Movement in unallocated funds	6	-	330
Cash paid to providers - non-healthcare expenditure		(105,587)	(97,325)
Movement in prepayments	2	775	(437)
Movement in accruals	6	355	967
Movement in Post Retirement Medical Aid liability		60	(25)
Other operating expenses	11	(108,704)	(102,591)
Sundry income	9	1,731	4,663
Add back non-cashflow item: Depreciation	11	196	98
Interest received		254,074	271,792
Interest income from financial assets not measured at fair value through profit or loss	8	7,730	7,302
Interest revenue from investments at fair value through profit or loss	8	246,006	264,498
Movement in interest receivable	2	338	(8)

20 CREDIT RISK RATINGS

The following table discloses the Scheme's asset credit ratings using official long-term credit ratings where available:

	Total R'000	Government R'000	AAA R'000	AA+ to AA- R'000	A+ to A- R'000	B+ to B- R'000	BB+ to BB- R'000	Not rated R'000
31 December 2025								
Financial assets at fair value through profit or loss	3,246,987	696,844	114,139	1,539,532	-	8,352	3,744	884,376
Local collective investment schemes	545,668	-	-	545,668	-	-	-	-
Offshore collective investment schemes	91,958	-	-	91,958	-	-	-	-
Money market instruments	351,739	-	-	351,739	-	-	-	-
Bonds	1,419,583	696,844	114,139	550,167	-	8,352	3,744	46,337
Linked Insurance Policies	838,039	-	-	-	-	-	-	838,039
Cash and cash equivalents	68,795	-	-	63,625	5,170	-	-	-
Trade and other receivables	2,371	-	-	-	-	-	-	2,371
TOTAL	3,318,153	696,844	114,139	1,603,157	5,170	8,352	3,744	886,747
31 December 2024								
Financial assets at fair value through profit or loss	3,313,577	722,405	114,026	1,689,746	-	9,563	10,201	767,636
Local collective investment schemes	554,593	-	-	554,593	-	-	-	-
Offshore collective investment schemes	113,320	-	-	113,320	-	-	-	-
Money market instruments	407,095	-	-	407,095	-	-	-	-
Bonds	1,475,950	722,405	114,026	614,738	-	9,563	10,201	5,017
Linked Insurance Policies	762,619	-	-	-	-	-	-	762,619
Cash and cash equivalents	54,164	-	-	50,892	3,272	-	-	-
Trade and other receivables	3,484	-	-	-	-	-	-	3,484
TOTAL	3,371,225	722,405	114,026	1,740,638	3,272	9,563	10,201	771,120