



12 June 2017

MMI Holdings and African Bank:

a partnership to facilitate Financial Wellness



momentum



GUARDRISK

multiply

Momentum, Metropolitan, Guardrisk and Multiply are members of the MMI group of companies.



Nature of the commercial relationship

A mutually beneficial relationship on three fronts





Lending

- African Bank (ABL) credit expertise will be leveraged to enable the offering of lending solutions to MMI clients to fulfill their Financial Wellness goals
- Distribution will be via MMI's established sales channels using the Metropolitan Retail branding
- African Bank will be the exclusive credit provider of unsecured credit capabilities to MMI
- Multiply will be integrated into the lending solution and positive borrowing behaviors will be rewarded by paying cash back into the loan account
- Fully functional by the first half of 2018



Insurance

- Metropolitan's full range of insurance products will be made available to African Bank clients on an exclusive basis
- Over time, Metropolitan will have agents in all of African Bank's nearly 400 branches
- Agent roll-out done in phases, 3 years to have full coverage in branches
- Productivity level of the agents expected to be 4x higher than traditional field agents due to high customer volumes
- MMI will have the opportunity to extend the Financial Wellness model to the large African Bank client base
- African Bank has given permission to have Metropolitan branding inside and outside of its branches where Metropolitan agents are deployed
- Go live by July 2017



Products and Target Market

Lending

- Unsecured personal loans
- Term \leq 72 months
- Loan amounts up to R200k
- Average loan amount target = R60k
- Low to medium risk customers
- Initial focus on Metropolitan Retail clients

Insurance

- Initial product offering: life insurance, funeral cover & long term savings products
- Over time, short-term, health insurance and wills will be added
- Lower to middle income market



Structure

How to achieve 50/50 share
of economic value





Structure: Lending

Capital contributed 51% (MMI)
/ 49% (African Bank)

Funding provided on 50/50 basis



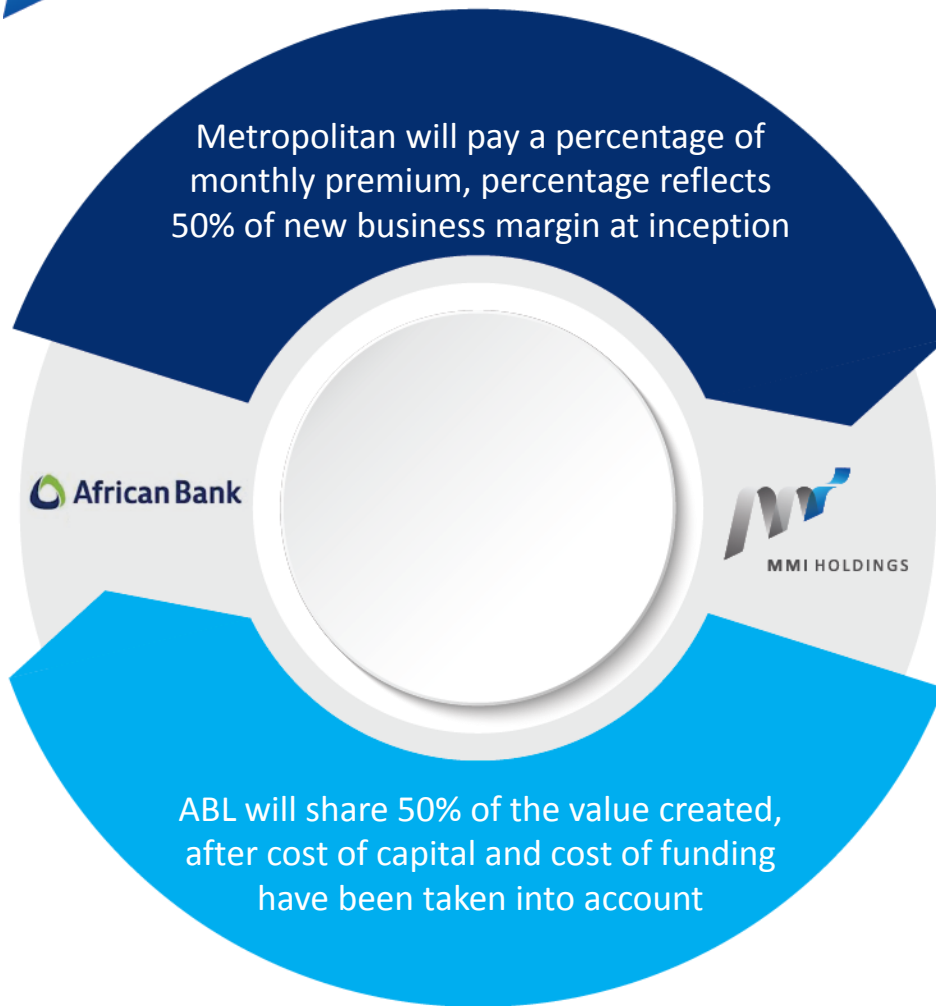
MMI and African Bank 51:49 joint venture



Compensates MMI and ABL for
services rendered in the JV

Profit shared on 50/50 basis

Structure: Insurance



- Executed through a 50/50 value share agreement
- Partners share the lapse risk by spreading out the value share over the lifetime of the policy



Responsibilities of the partners

- Two management committees from MMI and ABL will oversee the ventures
- Operational responsibilities will be fulfilled by each of the JV partners, in line with regulatory requirements and expertise

Lending		Insurance	
MMI	ABL	MMI	ABL
<ul style="list-style-type: none">• Sales & Advice• Distribution	<ul style="list-style-type: none">• Credit risk management• Client servicing• Administration• Debt collections	<ul style="list-style-type: none">• Product design• Underwriting• Regulatory compliance• Adviser training• Distribution	<ul style="list-style-type: none">• Infrastructure for distribution

Accounting effects

Lending

Consolidated onto MMI's balance sheet and reported as part of Metropolitan Retail



Insurance

This venture will consist of MMI selling products through a new distribution channel , thus there will be no accounting impact



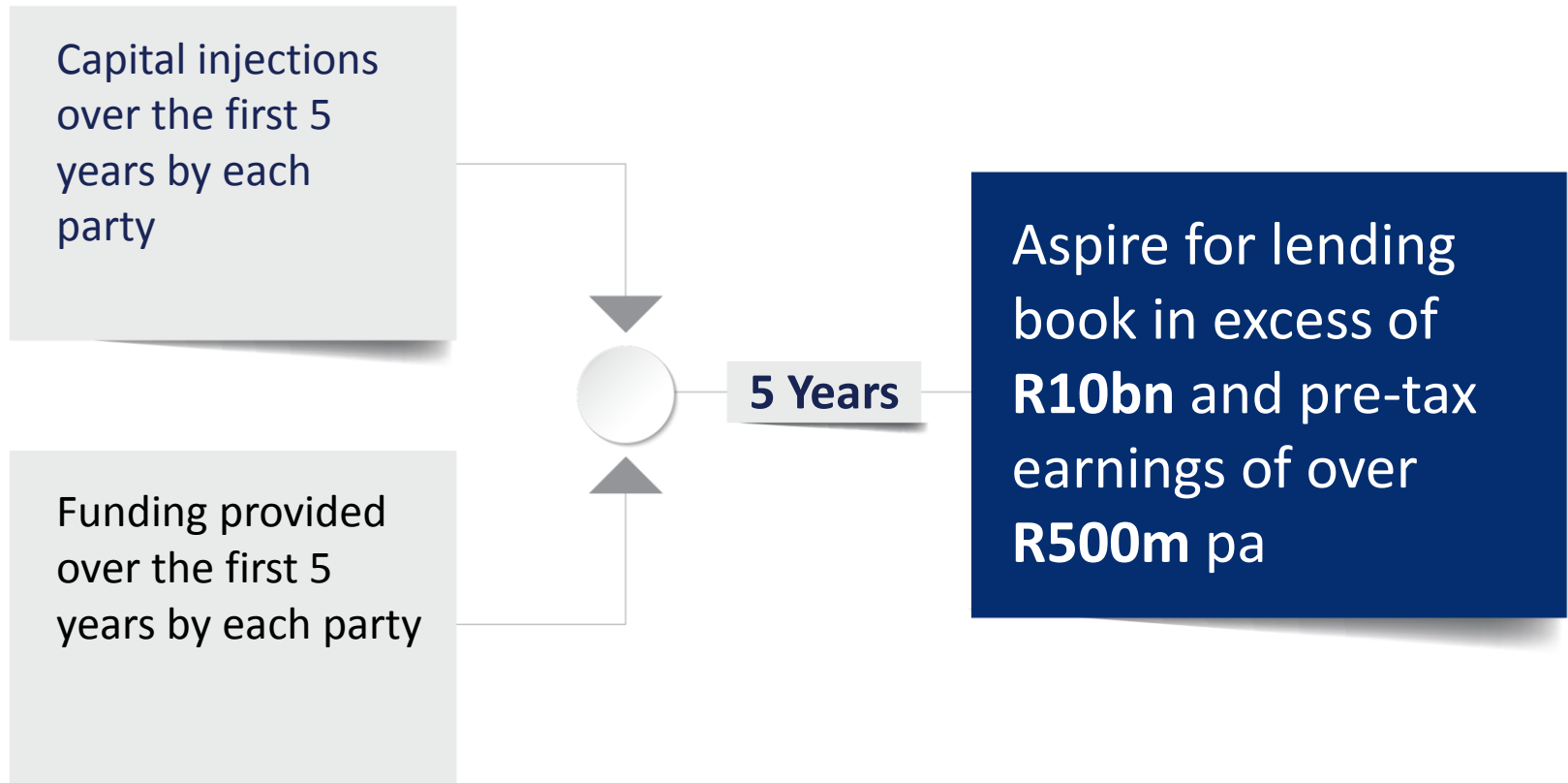


Financial Prospects

High level financial targets



Financial prospects: Lending





Financial prospects: Insurance

Limited capital injections. Material effort to recruit and train around 400 new agents for ABL branches

5 Years

We expect to have inforce premiums in excess of R1bn in 5 years' time



Future developments

Banking capabilities



Banking

- African Bank will act as the sponsoring bank to transactional banking capabilities over time
- A card-based solution will be available with African Bank providing the bank identification number (BIN)
- This venture will be structured as a service relationship where MMI leverages African Bank's bank infrastructure
- Commercial fees will be negotiated on an arms-length transaction between MMI and ABL
- This will enable MMI to offer banking products to its clients



“There is no doubt in my mind that the future will be won on the bases of the alliances, partnerships and joint ventures formed by insurance companies today. Anyone that thinks they can survive on their own in this environment is fooling themselves.”

Gary Reader

Head of Global Insurance, KPMG International (The Power of Alliances , March 2016)

Thank you

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