

FITCH ASSIGNS MMI GROUP'S SUBORDINATED DEBT 'A+(ZAF)' FINAL RATING

Fitch Ratings-Johannesburg/London-12 August 2015: Fitch Ratings has assigned South Africa-based MMI Group Limited's (MMI) issue of subordinated debt securities a final rating of 'A+(zaf)'. The rating is in line with Fitch's standard notching practices.

The assignment of the final rating follows the completion of the bond issue and receipt of documents conforming to the information previously received. The final rating is the same as the expected rating assigned on 31 July 2015.

KEY RATING DRIVERS

The notes are rated two notches below MMI's National Long-term rating of 'AA(zaf)'. This reflects one notch for the level of subordination and one more for "Moderate" non-performance risk. The latter reflects the notes' material interest deferral features, including a provision for interest deferral at the request of the regulator.

MMI is using the proceeds to redeem its existing ZAR1bn 8.5% fixed coupon notes (MGL01). MMI will redeem these notes on 15 September 2015.

MMI issued two fixed rate notes, as follows:

-ZAR270m fixed-rate notes paying a coupon of 11.3% pa semi-annually in arrears and maturing on 12 August 2030. The notes are callable after 10 years (MMIG04).

-ZAR980m fixed-rate notes paying a coupon of 10.86% pa semi-annually in arrears and maturing on 12 August 2027. The notes are callable after seven years (MMIG05).

The notes include a mandatory interest deferral feature, which is triggered when the company's level of regulatory minimum capital requirement is breached.

The subordinated debt has been structured for Tier 2 own funds eligibility according to QIS3 specifications under the Solvency Assessment and Management regime. According to Fitch's methodology, this subordinated bond is classified as 100% capital due to regulatory override within Fitch's risk-based capital calculation and is classified as 100% debt for the agency's financial leverage calculations.

The group's financial leverage (16.2% at end-2014) is expected to remain commensurate with the ratings following the proposed redemption of the 8.5% notes.

RATING SENSITIVITIES

The rating is sensitive to changes in MMI's National Long-term rating.

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Date of the relevant committee 31 July 2015

Additional information is available on www.fitchratings.com

- (a) No part of the rating was influenced by any other business activities of the credit rating agency;
- (b) The rating was based solely on the merits of the rated entity, security or financial instrument being rated;
- (c) Such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

Applicable Criteria

Insurance Rating Methodology (pub. 14 Jul 2015)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=868367

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