



Fitch Assigns MMI Group's Subordinated Debt 'A+(zaf)' Final Rating Ratings

Endorsement Policy

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Fitch Ratings-Johannesburg/London-28 November 2014: Fitch Ratings has assigned South Africa-based MMI Group Limited's (MMI) ZAR750m issue of subordinated debt securities a 'A+(zaf)' final rating, 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 21 November 2014.

KEY RATING DRIVERS

The notes are rated two notches below MMI's National Long-term rating of 'AA(zaf)', reflecting subordination and the coupon deferral features.

MMI expects to use the proceeds of the proposed subordinated debt issue to finance the redemption of ZAR500m 9.25% fixed coupon notes (MET01). MMI will redeem these notes on 15 December 2014.

The notes (MMIG03) have a tenor of 10.5-years, callable after 5.5 years. The floating rate coupon of three-month JIBAR plus 230 basis points is payable quarterly. MMIG03 includes a mandatory interest deferral feature which would be triggered on a breach (or potential breach on payment of interest) of the statutory solvency requirements.

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.

Financial leverage is expected to remain commensurate with the ratings. The new issue is expected to increase financial leverage on a pro-forma basis to no more than 17.6% based on FYE14 figures, following the redemption of MET01.

RATING SENSITIVITIES

The rating on the subordinated debt securities is notched down from the issuer's rating and is therefore sensitive to changes in MMI group's ratings.

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Additional information is available at 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', dated 4 September 2014 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Insurance Rating Methodology

Additional Disclosure
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