

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

Fitch Ratings-Johannesburg/London-14 March 2014: Fitch Ratings has assigned South Africa-based MMI Group Limited's (MMI, IFS 'AA+(zaf)'/Stable) issue of subordinated debt securities of ZAR1.5bn an '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 7 March 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.

The notes include a floating-rate note with a 10-year maturity, callable after five years (MMIG01), and a fixed-rate note with a 12-year maturity callable after seven years (MMIG02). The floating-rate coupon of 3-month JIBAR plus 146 basis points is payable quarterly and the fixed rate coupon of 10.065% semi-annually. 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 new issue is expected by Fitch to increase financial leverage on a pro-forma basis to 13.6% from 8.7% based on 31 December 2013 (end-1H14) figures, which remains strong for MMI's rating.

### **RATING SENSITIVITIES**

A downgrade of the group's ratings, including the debt rating, could result from a substantial deterioration in capitalisation, either based on Fitch's internal assessment or on the statutory capital adequacy ratio (CAR), in particular if MMI's reported CAR falls below 2.0x for a sustained period.

A sustained poor operating performance driven by a decline in the equity market, a reduction in new business margins relative to its peers or a material loss of market share could also result in a downgrade, as would a weakened outlook for South African life insurers based on further economic weakness.

Fitch considers an upgrade unlikely in the medium term. However, over the longer term, the group's ratings could be upgraded if it continues to improve its profitability significantly relative to peers and increases its market share.

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Additional information is available at [www.fitchratings.com](http://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 13 November 2013, are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Insurance Rating Methodology

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=723072](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=723072)

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