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## **Fitch Assigns MMI Group's Subordinated Debt Issue 'A+(zaf)(EXP)' Rating**

Fitch Ratings-Johannesburg/London-31 July 2015: Fitch Ratings has assigned South Africa-based MMI Group Limited's (MMI) proposed issue of subordinated debt securities a 'A+(zaf)(EXP)' expected rating. The rating is in line with Fitch's standard notching practices.

The final rating is contingent on the receipt of final documents conforming to the information already received.

### **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 such as a provision for interest deferral at the request of the regulator.

MMI expects to use the proceeds of the proposed subordinated debt issue to finance the redemption of ZAR1bn 8.50% fixed coupon notes (MGL01). MMI will redeem these notes on 15 September 2015.

MMI is proposing to issue two fixed rate notes, one with a 12-year maturity, callable after seven years (MMIG05), and another with a 15-year maturity, callable after 10 years (MMIG04). The fixed rate coupons will be payable semi-annually, and will be determined on the auction date by reference to the yields on the R2023 bond (MMIG05) and R186 bond (MMIG04), respectively. 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 8.50% notes.

### **RATING SENSITIVITIES**

The ratings on the subordinated debt securities are notched down from the issuer's rating and are therefore sensitive to changes in MMI's National Long-term rating.

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Additional information is available on [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.