

# Old Mutual downgraded by Fitch

Fitch Ratings has downgraded Old Mutual PLC's (Old Mutual) long-term issuer default rating (IDR) from 'A-' to 'BBB' and its senior unsecured debt from 'BBB+' to 'BBB-' and subordinated debt from 'BBB-' to 'BB'.

The agency has also downgraded Old Mutual Life Assurance Company (South Africa)'s subordinated debt from 'AA(zaf)' to 'AA-(zaf)' and affirmed its National IFS rating at 'AAA(zaf)'. The outlooks on the group's IDRs and IFS ratings are "stable".

The rating actions follow the downgrade of South Africa's Long-term foreign currency IDR to 'BBB'/Stable from 'BBB+'/'Negative and long-term local currency IDR to 'BBB+'/'Stable from 'A'/'Negative. The bulk of Old Mutual's IFRS group operating earnings come from South Africa, with the remainder largely from the UK.

"The two-notch downgrade of the group's non-South African operation Skandia Life Assurance reflects the change in Fitch's view of the credit quality of the Old Mutual group as a whole, which is driven by its South African business.

"The group's IFS rating is one notch higher than the South African local currency sovereign rating in recognition of Old Mutual's geographical diversification, with a sizeable proportion of earnings generated in the UK and Europe. The additional notch also reflects the group's ability to share with policyholders potential investment losses on its investments in the South African financial markets, and the financial flexibility from being listed on the London Stock Exchange," Fitch said.

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