

South African Life Insurer Liberty Group Ltd.'s Proposed Unsecured Subordinated Note Rated 'zaAA-'

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LONDON (S&P Global Ratings) Oct. 1, 2018--S&P Global Ratings today assigned its 'zaAA-' South Africa national scale issue rating to the unsecured deferrable subordinated note to be issued by life insurer Liberty Group Ltd. (Liberty; South Africa national scale zaAAA/--/zaA-1+). The rating is subject to confirmation of the final terms and conditions of the issue. The company will use the proceeds for general corporate purposes.

Under our methodology for rating such issues, we apply a one-notch downward adjustment to the global scale ratings on the issuer for deferability, and another two to the resulting national scale rating for subordination. For deferability we selected the higher of the two options of national scale ratings, reflecting Liberty's stronger credit quality when compared with most of the other rated entities at a similar rating level. As a result, we rate the proposed note three notches below our 'zaAAA' South Africa national scale rating on the issuer, Liberty. Any potential rating action on the global scale sovereign rating on South Africa could have a multiple-notch effect on our national scale issue ratings on Liberty.

Liberty can redeem the note on the specified maturity date and also has the right to redeem the note on a tax or regulatory event. Redemption of the note by Liberty requires prior consent of the regulator.

We expect to classify the note as having minimal equity, given its short

maturity. Including this debt issuance, we estimate Liberty's financial leverage will remain less than 20% and its fixed-charge coverage will remain over 8x in 2018-2020.

RELATED CRITERIA

- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria - Insurance - General: Methodology For The Classification And Treatment Of Insurance Companies' Operational Leverage, Oct. 31, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Criteria - Financial Institutions - General: Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010
- Criteria - Financial Institutions - Banks: Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments, Feb. 9, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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