

South Africa-Based Liberty Group Ltd.'s Proposed Unsecured Subordinated Notes Rated 'zaAA'

Primary Credit Analyst:

Ali Karakuyu, London (44) 20-7176-7301; ali.karakuyu@spglobal.com

Secondary Contact:

Lotfi Elbarhdadi, Paris (33) 1-4420-6730; lotfi.elbarhdadi@spglobal.com

LONDON (S&P Global Ratings) Aug. 22, 2017--S&P Global Ratings today assigned its 'zaAA' South Africa national scale issue ratings to the two unsecured deferrable subordinated notes to be issued by Liberty Group Ltd. (Liberty; South Africa national scale zaAAA/--zaA-1+). The ratings are 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 one 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 notes two 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 notes on the specified maturity date and also has the right to redeem the notes on a tax or regulatory event. Redemption of the notes by Liberty requires prior consent of the registrar.

We expect to classify the notes as having minimal equity content under our hybrid criteria, as the maturity is less than 20 years. Including this debt

issuance, we estimate Liberty's financial leverage (debt plus hybrid, divided by the sum of economic capital available, debt, and hybrid) and fixed-charge coverage (EBITDA divided by interest on senior and subordinated debt) will remain neutral rating factors for our national scale rating on Liberty.

RELATED CRITERIA

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, Aug. 14, 2017
- 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: National And Regional Scale Credit Ratings, Sept. 22, 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

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@spglobal.com

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

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