



RATING ACTION COMMENTARY

Fitch Revises Development Bank of Namibia's Outlook to Negative; Affirms at 'BB'

Fri 26 Jun, 2020 - 6:32 AM ET

Fitch Ratings - London - 26 Jun 2020: Fitch Ratings has revised the Outlook on state-owned Development Bank of Namibia's (DBN) Long-Term Issuer Default Ratings (IDRs) to Negative from Stable and affirmed the IDRs at 'BB' and National Long-Term Rating at 'AAA(zaf)'. This follows similar rating action on the Namibian sovereign. A full list of rating actions is below.

On 22 June 2020, Fitch revised the Outlook on Namibia's Long-Term IDRs to Negative from Stable, and affirmed the sovereign's Long-Term IDRs at 'BB' (see 'Fitch Revises Outlook on Namibia to Negative; Affirms at 'BB' on www.fitchratings.com). The rating action on the sovereign reflected the significant impact of the coronavirus pandemic on Namibia's economy and public finances.

KEY RATING DRIVERS

IDRs, SUPPORT RATING, SUPPORT RATING FLOOR AND NATIONAL RATINGS

DBN's Long- and Short-Term IDRs and National Ratings are affirmed and equalised with those of the Namibian sovereign, reflecting Fitch's view of potential support from the Namibian sovereign, if required. DBN's Support Rating (SR) and Support Rating Floor (SRF) have been affirmed considering Namibia's high support propensity but moderate ability to provide support. The Negative Outlooks on DBN's Long-Term IDRs and National Long-Term Rating mirror that on the sovereign's ratings.

Fitch's view of the sovereign's high propensity to provide support considers DBN's clearly defined policy role, 100% state ownership and significant share of state and state-guaranteed funding. Our base case is that Namibia will continue to honour DBN's funding guarantees for specific borrowings despite the sovereign's weaker credit profile.

Our assessment of Namibia's ability to support considers the country's substantial rise in general government debt after four years of poor economic performance, but also DBN's small size, meaning that sovereign support, if required, would be manageable.

National Ratings provide a relative measure of creditworthiness for rated entities only within the country. In this context, DBN's National Ratings denotes Fitch's expectations of the default risk relative to other issuers or obligations rated on the same scale.

VIABILITY RATING

Fitch does not assign a Viability Rating to DBN, as is usual for policy banks. This is because DBN's business model is highly dependent on ordinary state support, and in our view, would not be viable on a commercial basis.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Rating upside is currently limited given the Negative Outlook.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

DBN's Foreign and Local Currency Long-Term IDRs, SRF and National Long-Term Rating will be downgraded if Namibia's ratings are downgraded.

A downgrade of DBN's Short-Term IDRs and National Short-Term Rating would require a multi-notch downgrade of DBN's Long-Term IDRs and National Long-Term Rating.

A downgrade of the SR would require a multi-notch downgrade of Namibia's sovereign rating.

DBN's ratings are also sensitive to a reduced propensity of the authorities to support the bank. This could be indicated by a change in the bank's policy role, a material reduction in government ownership, or in funding guarantees.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit

<https://www.fitchratings.com/site/re/10111579>.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being

managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		
Development Bank of Namibia Limited	LT IDR	BB Rating Outlook Negative	Affirmed
	ST IDR	B	Affirmed
	LC LT IDR	BB Rating Outlook Negative	Affirmed
	LC ST IDR	B	Affirmed
	Natl LT	AAA(zaf) Rating Outlook Negative	Affirmed
	Natl ST	F1+(zaf)	Affirmed

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub. 08 Jun 2020\)](#)

ADDITIONAL DISCLOSURES

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Development Bank of Namibia Limited

EU Issued

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Banks Africa Namibia

