FitchRatings

Banks
Development Banks
Namibia

Development Bank of Namibia Limited

Key Rating Drivers

Development Bank of Namibia Limited's (DBN) Long-Term Issuer Default Rating (IDR) is equalised with that of Namibia, reflecting a moderate probability of support from the Namibian authorities if required. This considers Namibia's high propensity to support DBN but its moderate ability to do so, as indicated by Namibia's sovereign rating. The Negative Outlook on DBN's Long-Term IDR mirrors that on the sovereign rating.

DBN's Long-Term National Rating is aligned with Namibia's National Rating based on potential support, and reflects the bank's creditworthiness relative to that of issuers in South Africa and Namibia. The Stable Outlook reflects that on the sovereign's National Rating.

Fitch Ratings does not assign a Viability Rating to DBN as is usual for development banks. This is because its business model depends on government support and, in our view, its unique policy role cannot be carried out on a commercial basis.

Government Support: The Namibian government's high propensity to support the bank reflects DBN's important policy role, 100% state ownership and significant share of government-guaranteed funding. The sovereign's ability to provide support is moderate given its own rating.

Important Policy Role: DBN is Namibia's flagship policy bank and contributes to the country's economic growth and social development. Its strategy is aligned with national development objectives and is highly influenced by Namibian government policy, with oversight from its shareholder representative, the Ministry of Finance (MoF). DBN focuses on financing infrastructure, developmental and large industrial projects in strategically important sectors and, to a lesser degree, small and medium-sized enterprises (SMEs).

Significant State Funding Guarantees: Government-guaranteed funding increased to a material 95.1% of DBN's total liabilities at end-March 2021 (FYE21) (FYE20: 77.8%), due to new long-term funding facilities from KfW. A 17-year credit line from African Development Bank (AfDB) represented 75% of DBN's liabilities at FYE21. This facility is fully guaranteed by the government and a significant portion was used to fund a project of national importance.

Weak Asset Quality: The bank's impaired loans (Stage 3 loans under IFRS 9) ratio increased to 17.7% at FYE21 (FYE20: 12.9%), mainly due to recessionary pressures, which were exacerbated by the pandemic, and delays in resolving problem exposures through the courts. The ratio was well above the Namibian banking sector average (FYE21: 6.5%), reflecting DBN's weaker risk profile than domestic commercial banks', mainly due to its development lending focus.

Impairments to Significantly Pressure Profitability: DBN's operating profit/risk-weighted assets (RWAs) ratio weakened to 2.6% in FY21 (FY20: 5%) due to margin pressure from lower interest rates and loan book contraction, and higher loan impairment charges (LICs; 55.7% of pre-impairment operating profit). Fitch expects DBN's profitability to come under significant pressure in FY22 from a surge in LICs caused by asset-quality weakening, and reflecting historically moderate provisions (FYE21: total loan loss allowances/impaired loans at 67.1%).

Strong Capitalisation: DBN is well-capitalised, with a Fitch Core Capital (FCC) ratio of 75.5% at FYE21, supported by a low risk-weight density of 47.8% mainly reflecting high government lending. We view the bank's large capital buffers as prudent given its weak risk profile and modest pre-impairment operating profit buffer (FY21: 2.9% of average loans) to absorb rising LICs. We do not expect capital injections from the MoF in FY22-FY23 given the bank's strong capital position (FYE21: tangible equity/assets at 36.2%).

Ratings

Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB
Short-Term IDR	B
Government Support Rating	bb
National Rating	
Long-Term Rating	AAA(zaf)
Short-Term Rating	F1+(zaf)
Sovereign Risk (Namibia)	
Long-Term Foreign-Currency IDR	BB
Long-Term Local-Currency IDR	BB
National Long-Term Rating	AAA(zaf)
Country Ceiling	BB+
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Long-Term Local-Currency IDR	Negative
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative
Sovereign National Long-Term Rating	Stable

Applicable Criteria

Bank Rating Criteria (November 2021)
National Scale Rating Criteria (December 2020)

Related Research

Fitch Affirms Development Bank of Namibia at 'BB'; Outlook Negative (April 2022)
Fitch Affirms Namibia at 'BB'; Outlook Negative (July 2021)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

DBN's IDRs would be downgraded if Namibia's sovereign rating is downgraded. Its ratings are also sensitive to a reduced propensity of the authorities to support the bank. This could be indicated by an adverse change in DBN's policy role, or if its proportion of non-guaranteed funding increases materially (particularly if Fitch believes this to be indicative of a weakening in its policy role), or a material reduction in government ownership, which Fitch views as unlikely.

DBN's National Long-Term Rating is sensitive to a negative change in Fitch's opinion of the bank's creditworthiness relative to other South African and Namibian issuers.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Upside is limited given the Negative Outlook on DBN's Long-Term IDR.

DBN's National Long-Term Rating is at the highest level on Fitch's South African national rating scale and therefore cannot be upgraded.

Significant Changes

Issuer Level

Visible Development Impact: In FY21, DBN committed NAD999 million (FY20: NAD1.1 billion) in loans, guarantees and co-financing to support the country's development needs. Private-sector financing fell by 51% in FY21 due to weak credit demand and limited growth opportunities in an uncertain operating environment but still accounted for the bulk of disbursements (NAD543 million, or 54% of total financing). Public-sector financing, which was absent in FY20, was NAD203 million (representing 20% of total financing) in FY21. Public-private partnerships increased to NAD253 million (about a quarter of total financing) in FY21 from NAD41 million in FY20.

In alignment with national development goals, DBN prioritises sectors that drive industrial expansion, inclusivity and job creation, deliver essential infrastructure, address persistent inequalities, and foster economic transformation and growth. These sectors include manufacturing, tourism, transportation, energy, fisheries and agriculture. In FY21, the largest approvals by sector were to manufacturing (NAD272 million), housing (NAD204 million), electricity (NAD156 million) and business services (NAD82 million). DBN projects that approvals will create 1,792 temporary (FY20: 1,693) and 858 permanent jobs (FY20: 8,130), a demonstration of the bank's positive social impact.

Company Summary and Key Qualitative Factors

Operating Environment

Modest Recovery in GDP: Fitch estimates real GDP growth of 1.2% in 2021 after a record 8.5% contraction in 2020. Fitch forecasts GDP to accelerate to 3.0% in 2022 due to the reopening of industries and easing of travel restrictions, as well as expanding diamond mining activity. Risks to growth remain dominated by possible new waves of coronavirus infections given the slow pace of vaccinations and vaccine hesitancy in Namibia, rising energy prices, supply-chain disruptions and possible disrupted rainfall. We expect the Bank of Namibia (BoN) to raise the policy rate to 5.25% in 2022, in line with South Africa, amid high inflation, which we expect to peak at 5.5% in 2022 (2021: 3.6%).

Business Profile

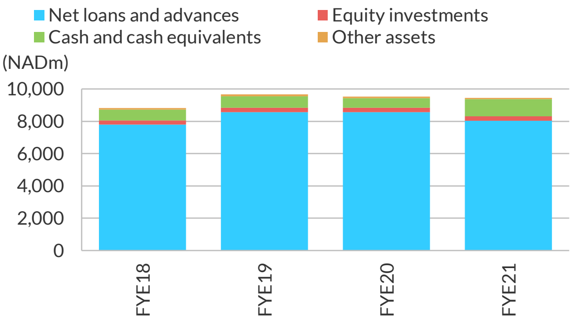
Namibia's Primary Development Bank: DBN was established in 2004 and is wholly owned by the Namibian government. It supported communities during the pandemic offering government-guaranteed working-capital loans to non-agricultural SMEs and providing repayment moratoriums to borrowers affected by Covid-19. Other domestic development finance institutions (DFIs), including Agri Bank and National Housing Enterprise, have their own specific focus and are unable to replicate DBN's broader policy mandate, in our view.

DBN provides medium- and long-term, local-currency development financing to private and public organisations, focusing on infrastructure and large industrial projects in Namibia. It also has a mandate to provide seed financing to SME start-ups, and growth financing to existing SMEs, but Fitch does not expect such lending to exceed 20% of DBN's loan book. DBN partners with regional DFIs, including AfDB (AAA/Stable), to finance domestic projects with the objective of promoting socio-economic transformation. The bank is prohibited from funding projects outside the country.

DBN's small and efficient operations (33% cost/income ratio in FY21) comprised a head office in Namibia's capital, Windhoek, three satellite offices and 117 staff at end-December 2021.

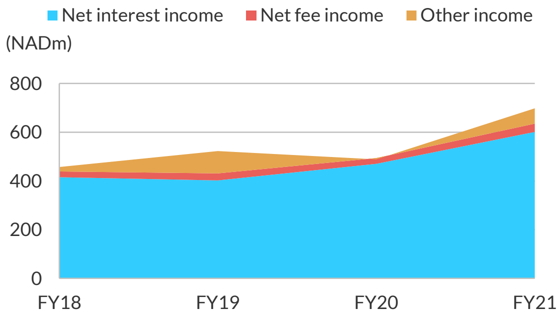
Government-led Strategy: DBN's strategy remains aligned with national development objectives. Its strategic direction is highly influenced by the government, in line with DBN's mandate, despite board and management independence. DBN holds regular meetings with the MoF to ensure strategic oversight. The bank's strategy promotes access to finance in all regions, particularly those areas with low economic activity, underused land and high social inequalities. DBN promotes finance for previously disadvantaged Namibians, including businesses owned by women and youth.

Assets Structure



Source: Fitch Ratings, DBN

Revenue Breakdown



Source: Fitch Ratings, DBN

Risk Profile

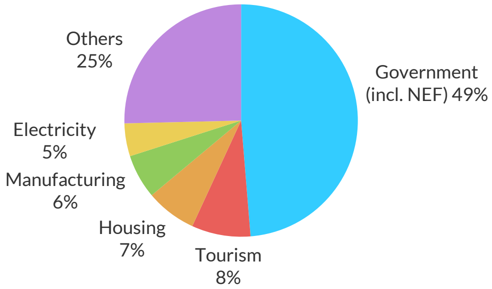
Policy Role Drives Weak Risk Profile: As a development bank, DBN has a weaker risk profile than local commercial banks. This is a consequence of the bank's role in financing emerging sectors and industries, as well as customer segments that are underserved by commercial banks. The bank is exposed to sectoral concentrations due to the nature of its business.

DBN's loan portfolio is skewed towards the government and public sector (56% of total loans at FYE21 and all considered related parties), on account of a single large exposure to the National Energy Fund (NEF), which comprised 37% of total loans at FYE21. The loan was extended by DBN under a government directive to fund the construction of Namibia's largest fuel storage facility, which is considered a project of national importance as it allows for a significant increase in fuel reserves. It was funded by a government-guaranteed loan facility of NAD4.5 billion obtained from AfDB. The NEF makes principal and interest repayments through a government-imposed fuel levy on consumers introduced in March 2017. Under a formal framework, the fuel levy provides sufficient cash flow to service the AfDB loan facility. NEF repayments amounted to NAD475 million in FY21.

Pandemic, Repayments Hit Growth: DBN's loan book contracted by 3.5% in FY21 mainly due to repayments and weak credit demand. Excluding the NAD475 million NEF repayment, the loan book grew by NAD122 million (or 2.2%) in FY21.

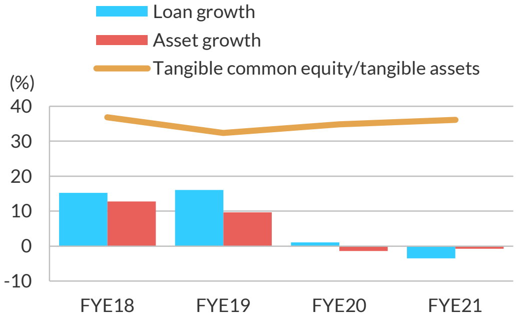
Moderate Market Risk Exposure: The bank's foreign-currency risk is limited given zero foreign-currency-denominated loans and borrowings, while interest rate and equity risks are considered moderate. DBN's equity investments (2.8% of total assets at FYE21) are held in line with its development purpose and are not actively traded.

Gross Loans by Sector
FYE21



Source: Fitch Ratings, DBN

Asset Growth



Source: Fitch Ratings, DBN

Financial Key Rating Drivers

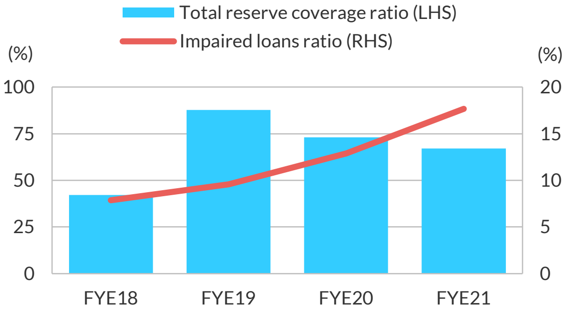
Asset Quality

DBN's impaired loans ratio (FYE21: 17.7%) would be materially higher (28%), excluding its largest performing loan to NEF. DBN's asset quality will remain weak in FY22-FY23 given heightened pressures on borrowers from weak GDP growth, rising inflation and the expiry of debt-relief measures.

The bank granted payment holidays (on interest and principal) for borrowers affected by the pandemic. About 6% of its loan book was under debt relief at FYE21, and mainly related to borrowers in the tourism and hospitality sectors. The loan moratorium is due to expire at end-June 2022.

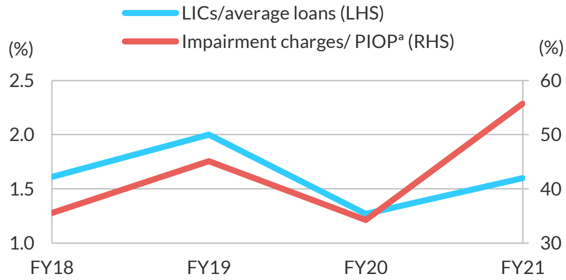
Total reserve coverage of impaired loans (67.1% at FYE21) reflects DBN's moderate reliance on collateral. Credit concentrations are very high in terms of single obligor and sector, exposing DBN to event risk in certain industries and borrowers.

Asset Quality



Source: Fitch Ratings, DBN

Impairment Charges



[a] Pre-impairment operating profit
Source: Fitch Ratings, DBN

Earnings and Profitability

DBN is not profit-oriented but aims to be financially sustainable. Profitability halved in FY21 given a narrowing of the net interest margin (NIM) to 4% from 5.3% in FY20 and a rise in LICs, which consumed 55.7% (FY20: 34.3%) of pre-impairment operating profit. We expect a further material fall in profitability in FY22 as LICs soar from asset-quality weaknesses.

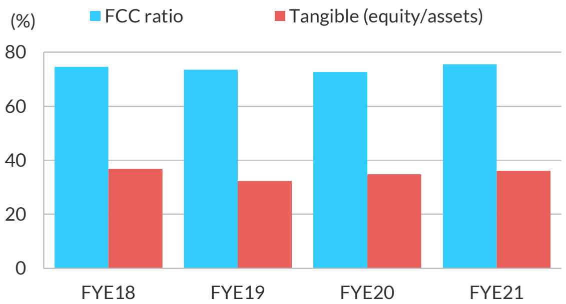
Net interest income drives DBN's operating income (86.1% in FY21), which makes the bank's earnings sensitive to changes in interest rates. Sharp revisions in policy rates by the BoN at the height of the pandemic and weak loan growth pressured NIM in FY21, despite lower funding costs. DBN's cost of funding is supported by its large equity base relative to assets and state guarantees on most of its liabilities.

Capital and Leverage

DBN's capital ratios can withstand earnings pressures given large capital buffers. Its tangible leverage ratio was a high 36.2% at FYE21. DBN's declared dividends are not paid to shareholders, supporting internal capital generation.

The bank's total capital ratio of 76% at FYE21 is strong and benefits from low RWAs (47.8% of total assets). RWAs are flattered by high government lending, which are of low risk-weighting (at between 0% and 20%), and zero RWAs held for operational risk. DBN is not required to comply with prudential capital requirements.

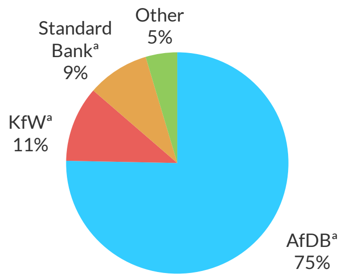
Capitalisation & Leverage



Source: Fitch Ratings, DBN

Funding Breakdown

FYE21



[a] Goverment guaranteed
Source: Fitch Ratings, DBN

Funding and Liquidity

Government-guaranteed funding was a higher 95.1% of DBN's total liabilities at FYE21 (FYE20: 77.8%), underpinning state support. The increase in FY21 was driven by additional borrowings from KfW, including a NAD120 million 12-year credit line for climate adaptive infrastructure financing, such as solar farms, wind generation and water infrastructure, and NAD450 million for Covid-19 relief loans.

DBN has diversified its funding base in recent years after the reduction in capital contributions from the MoF. The largest source of funding is a 17-year term loan facility from the AfDB received in FY17 (with a final principal repayment in 2033), which represented 75% of total liabilities at FYE21. DBN drew down on the final NAD500 million out of a NAD4.5 billion facility in FY21 and made its first principal repayment in August 2021 after a five-year grace period. The facility is fully guaranteed by the government and is deployed almost entirely in the NEF transaction. DBN also had NAD545 million (initial: NAD1.5 billion) of term funding from Standard Bank Namibia at FYE21, which is fully guaranteed by the government and used for the NEF project.

At FYE21, DBN had NAD231 million of senior unsecured notes (not government guaranteed) issued under its NAD2.5 billion medium-term note programme after repaying NAD394 million in FY21. DBN is permitted to collect wholesale deposits but considers this an expensive funding option. DBN holds limited liquid assets in the form of cash and cash equivalent (FYE21: 11% of assets) but is able to draw on existing credit lines for liquidity.

Financial Statements

		31 Mar 2021	31 Mar 2020	31 Mar 2019	31 Mar 2018
	Year End	Year End	Year End	Year End	Year End
	USDm	NADm	NADm	NADm	NADm
	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
Summary Income Statement					
Net interest and dividend income	23	342.7	470.1	402.2	415.7
Net fees and commissions	1	19.3	23.4	28.2	23.6
Other operating income	2	36.2	-4.8	91.7	18.1
Total operating income	27	398.2	488.7	522.1	457.4
Operating costs	9	131.4	140.4	136.5	116.7
Pre-impairment operating profit	18	266.8	348.3	385.6	340.7
Loan and other impairment charges	10	148.7	119.3	173.9	121.2
Operating profit	8	118.1	229.0	211.7	219.5
Other non-operating items (net)	0	-1.6	0.1	0.0	n.a.
Tax	n.a.	n.a.	n.a.	n.a.	0.0
Net income	8	116.5	229.1	211.7	219.5
Other comprehensive income	-1	-16.3	-10.9	27.2	-7.9
Fitch comprehensive income	7	100.2	218.2	238.9	211.6
Summary Balance Sheet					
Assets					
Gross loans	611	9,121.5	9,455.3	9,355.2	8,060.0
- of which impaired	108	1,610.2	1,219.7	894.5	634.7
Loan loss allowances	72	1,080.8	890.3	783.9	267.0
Net loans	539	8,040.7	8,565.0	8,571.3	7,793.0
Interbank	n.a.	n.a.	n.a.	n.a.	n.a.
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Other securities and earning assets	18	267.7	272.8	281.7	265.2
Total earning assets	557	8,308.4	8,837.8	8,853.0	8,058.2
Cash and due from banks	71	1,066.7	601.4	699.0	661.9
Other assets	6	91.4	96.2	118.7	98.6
Total assets	634	9,466.5	9,535.4	9,670.7	8,818.7
Liabilities					
Customer deposits	n.a.	n.a.	33.0	33.0	33.0
Interbank and other short-term funding	n.a.	n.a.	n.a.	n.a.	676.9
Other long-term funding	400	5,971.2	6,040.2	6,424.4	4,755.9
Trading liabilities and derivatives	n.a.	n.a.	n.a.	n.a.	35.7
Total funding and derivatives	400	5,971.2	6,073.2	6,457.4	5,501.5
Other liabilities	5	68.0	135.1	83.2	67.6
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	230	3,427.3	3,327.1	3,130.1	3,249.6
Total liabilities and equity	634	9,466.5	9,535.4	9,670.7	8,818.7
Exchange rate		USD1 = NAD14.9276	USD1 = NAD17.9622	USD1 = NAD14.5947	USD1 = NAD13.52255

Source: Fitch Ratings, Fitch Solutions, DBN

Key Ratios

	31 Mar 2021	31 Mar 2020	31 Mar 2019	31 Mar 2018
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.6	5.0	5.0	5.0
Net interest income/average earning assets	4.0	5.3	4.8	5.5
Non-interest expense/gross revenue	33.0	28.7	26.1	25.5
Net income/average equity	3.5	7.1	6.6	7.0
Asset quality				
Impaired loans ratio	17.7	12.9	9.6	7.9
Growth in gross loans	-3.5	1.1	16.1	15.2
Loan loss allowances/impaired loans	67.1	73.0	87.6	42.1
Loan impairment charges/average gross loans	1.6	1.3	2.0	1.6
Capitalisation				
Common equity Tier 1 ratio	75.0	72.0	72.0	74.0
Fully loaded common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	75.5	72.7	73.5	74.6
Tangible common equity/tangible assets	36.2	34.9	32.3	36.8
Basel leverage ratio	n.a.	n.a.	n.a.	n.a.
Net impaired loans/common equity Tier 1	n.a.	n.a.	n.a.	n.a.
Net impaired loans/Fitch Core Capital	15.5	9.9	3.5	11.3
Funding and liquidity				
Gross loans/customer deposits	n.a.	28,652.4	28,349.1	24,424.2
Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.
Customer deposits / total non-equity funding	n.a.	0.5	0.5	0.6
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, DBN

Support Assessment

Policy Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	BB or BB-
Actual jurisdiction D-SIB GSR	
Government Support Rating	**BB**
Government ability to support D-SIBs	
Sovereign Rating	BB/ Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	
Liability structure	
Ownership	
Policy role and status	
Ownership	Equalised
Policy role	Equalised
Guarantees and legal status	Equalised

The colours indicate the weighting of each KRD in the assessment.
Higher influence | Moderate influence | Lower influence

Moderate Probability of Support: As a policy bank, DBN's ratings are equalised with Namibia's ratings due to the authorities' strong propensity to support the bank given DBN's important and unique policy role, long-term and strategic government ownership, and significant state funding guarantees. However, the sovereign's ability to provide support is moderate given its own rating.

Environmental, Social and Governance Considerations

FitchRatings **Development Bank of Namibia Limited**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Development Bank of Namibia Limited has 1 ESG rating driver and 5 ESG potential rating drivers

- + Development Bank of Namibia Limited has exposure to services for underbanked and underserved communities: SME and community development programs; financial literacy programs which, in combination with other factors, impacts the rating.
- Development Bank of Namibia Limited has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	1	issues	4
potential driver	5	issues	3
not a rating driver	3	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	4	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

DBN has an ESG Relevance Score of '4[+]' for Human Rights, Community Relations, Access & Affordability due to its policy role, which promotes financing to underbanked and underserved communities, and SMEs. This has a positive impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

DBN's ESG Relevance Score for 'Governance Structure' was changed to '3' from '4', as Fitch reassessed the impact of the state's involvement in the bank's strategy, governance and operations, given DBN's policy role.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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