

FITCH AFFIRMS DEVELOPMENT BANK OF NAMIBIA AT 'BB+'; OUTLOOK STABLE

Fitch Ratings-London-30 May 2018: Fitch Ratings has affirmed Development Bank of Namibia's (DBN) Long-Term Issuer Default Rating (IDR) at 'BB+' and National Long-Term Rating at 'AA+(zaf)'. The Outlooks on the ratings are Stable. A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS

IDRS, SUPPORT RATING, SUPPORT RATING FLOOR and NATIONAL RATINGS

DBN's ratings are equalised with those of the Namibian sovereign (BB+/Stable). DBN is a policy bank and its IDRs, Support Rating (SR), Support Rating Floor (SRF) and National Ratings reflect a moderate probability of support from the Namibian authorities in case of need. The Stable Outlooks on DBN's Long-Term IDR and National Long-Term Rating mirror the Stable Outlook on the sovereign.

Fitch's assessment of the probability of sovereign support for DBN considers (1) the bank's important, longstanding and clearly defined policy role in funding economic growth and social development in Namibia, (2) its 100% state-ownership and (3) significant funding guarantees from the state.

Our assessment of Namibia's ability to support considers the country's weaker public finances, as demonstrated by the sovereign downgrade in November 2017, but also DBN's small size, meaning that support, if required, will be manageable. We continue to believe that the authorities have a high propensity to provide support to DBN given the latter's role and status as well as its ownership and oversight by the Ministry of Finance. In addition, DBN was incorporated through an act of parliament, which means that it is not fully subject to commercial law and enjoys certain protection regarding potential liquidation and winding up. The sovereign also guarantees a significant part of the bank's wholesale funding.

DBN's National Ratings reflect Fitch's opinion of the bank's creditworthiness relative to the universe of issuers and issues within the country and South Africa. Namibian issuers are rated on the South African National Rating scale.

VIABILITY RATING

As is usual for development banks, Fitch does not assign a Viability Rating (VR) to DBN. This is because its business model depends on state support and, in our view, would not be viable on a commercial basis. This is reflected in DBN's dedicated policy role and non-competitive status.

RATING SENSITIVITIES

IDRS, SUPPORT RATING, SUPPORT RATING FLOOR and NATIONAL RATINGS

DBN's IDRs, SR, SRF and National Ratings remain sensitive to changes in the Namibian sovereign ratings.

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 DBN's policy role, or a material reduction in government control of or funding guarantees for the bank. However, this is not our base case.

The rating actions are as follows:

Long-Term Foreign and Local Currency IDRs affirmed at 'BB+'; Outlook Stable

Short-Term Foreign and Local Currency IDRs affirmed at 'B'
Support Rating affirmed at '3'
Support Rating Floor affirmed at 'BB+'
National Long-Term Rating affirmed at 'AA+(zaf)'; Outlook Stable
National Short-Term Rating affirmed at 'F1+(zaf)'

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Applicable Criteria
Bank Rating Criteria (pub. 23 Mar 2018)
<https://www.fitchratings.com/site/re/10023430>
National Scale Ratings Criteria (pub. 07 Mar 2017)
<https://www.fitchratings.com/site/re/895106>

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