



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

Fitch Ratings-London-26 February 2019: Fitch Ratings has revised Development Bank of Namibia's (DBN) Outlook to Negative from Stable, while affirming the bank's Long-Term Issuer Default Ratings (IDRs) at 'BB+' and National Long-Term Rating at 'AA+(zaf)'. This follows a similar rating action on the Namibian sovereign. A full list of rating actions is at the end of this rating action commentary.

On 21 February 2019, Fitch revised the Outlook on Namibia's Long-Term IDRs to Negative from Stable, and affirmed the sovereign's Long-Term IDRs at 'BB+'. The action on the sovereign reflected Namibia's weak growth performance and Fitch's downward assessment of growth prospects with adverse implications for the government's ability to stabilise the public debt trajectory.

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. 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 Negative Outlooks on DBN's Long-Term IDRs and National Long-Term Rating mirror the Negative Outlooks on the sovereign's ratings. DBN's SR and SRF are affirmed considering Namibia's high support propensity and ability to provide support at the current rating level.

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, 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 revised to Negative from 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 revised to Negative from Stable

National Short-Term Rating affirmed at 'F1+(zaf)'

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Additional information is available on www.fitchratings.com

Applicable Criteria

Bank Rating Criteria (pub. 12 Oct 2018)

National Scale Ratings Criteria (pub. 18 Jul 2018)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

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