
Fitch Downgrades DBSA Following Sovereign Downgrade

Fitch Ratings, **London**, 21 April 2017: Fitch Ratings has downgraded the Support Rating (SR) of government-owned Development Bank of Southern Africa (DBSA) to '3', from '2', whilst affirming its National Long-Term Rating at 'AA+(zaf)' with a Stable Outlook.

The downgrade results from South Africa's sovereign Long-Term Foreign and Local Currency IDRs to 'BB+', from 'BBB-', see 'Fitch Downgrades South Africa to 'BB+'; Outlook Stable', dated 7 April 2017 at www.fitchratings.com.

A full list of rating actions is given in the rating action report above.

KEY RATING DRIVERS

SUPPORT RATINGS AND SUPPORT RATING FLOORS

The SR of DBSA is downgraded to '3' from '2', reflecting the weaker ability of the South African authorities to provide support to the bank, if required. Fitch believes that the authorities' propensity to support DBSA continues to be high. This considers its status as a development finance institution, with a clear mandate, incorporated by an Act of Parliament.

NATIONAL RATINGS

National Ratings reflect the creditworthiness of an issuer relative to the best credit and other entities in South Africa. The National Ratings of DBSA have been affirmed as their creditworthiness relative to that of the sovereign and other rated entities has not changed.

DBSA's National Long-Term Rating reflects a moderate probability of support from the South African authorities, if required. At 'AA+(zaf)' it reflects slightly lower perceived creditworthiness relative to the South African sovereign.

RATING SENSITIVITIES

SUPPORT RATING AND SUPPORT RATING FLOOR

DBSA's Support Rating of '3' could withstand a further sovereign downgrade of up to two notches, indicative of further weakening in the ability of the authorities to support the bank.

NATIONAL RATINGS

A change in National Long-Term Ratings would stem only from a change in the respective banks' creditworthiness relative to the sovereign or other South African entities.

For DBSA, this would be most likely to result from a change in Fitch's perception of the South African authorities' willingness to provide support if required. This could include public statements or actions indicating a decreased willingness to support. Conversely an increased willingness to support could come from explicit, formalised support such as guarantees or increased callable capital. The ratings are also sensitive to strategic or corporate governance failings, which could undermine the bank's public mission.

Contact:

Primary Analyst
Andrew Parkinson
Director
+44 203 530 1420
Fitch Ratings Limited
30 North Colonnade
London, E14 5GN

Secondary Analyst
Eric Dupont
Senior Director
+33 1 44 29 91 31

Bridget Gandy
Managing Director
+44 203 530 1095

Additional information is available on www.fitchratings.com