



Credit Rating Announcement

GCR assigns an unsolicited A+(ZA) South African Long-term National Scale Rating to First National Bank of Namibia Limited

Rating Action

Johannesburg, 16th October 2019 - GCR Ratings ('GCR') has assigned an unsolicited South African national scale rating of A+(ZA) to First National Bank of Namibia Limited ('FNB Namibia'). The outlook is stable.

The long and short-term Namibian national scale ratings of AA+(NA)/A1+(NA) remain unchanged. The outlook is stable.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
First National Bank of Namibia Limited	Issuer Long Term	National	AA+(NA)	Stable Outlook
	Issuer Long Term	National	A+(ZA)	Stable Outlook
	Issuer Short Term	National	A1+(NA)	-

Rating Rationale

On October 14th 2019, GCR released a rating announcement stating the review of FNB Namibia's issuer credit ratings under the new criteria. Please click [here](#)¹ to view the details of the release. In this rating action, GCR affirmed the Namibian national scale ratings of the bank and simultaneously withdrew the South African national scale ratings. However, due to market interest, we are (re)assigning the unsolicited South African National Scale Ratings to the bank.

The long-term South African National scale ratings were withdrawn from AA-(ZA), and have been reassigned at A+(ZA). The lower rating level exclusively reflects the new mapping table differentials between South Africa (mapping table 7.5 to 8) and Namibia (mapping table 5.5 to 6), which effectively represents our view of the difference in country risk (South Africa 7.5 and Namibia at 5.75), between the two jurisdictions.

The unsolicited Namibian national scale ratings on FNB Namibia reflect the strengths and weaknesses of FirstRand Namibia Limited ("the group"), the largest financial services group in Namibia. The ratings balance the group's strong competitive position, good business lines diversification, relatively good levels of capitalisation supported by stable earnings, a strong risk position, and a funding and liquidity profile that is in line with peers. For more details on the underlying creditworthiness of the entity, please see the release [here](#)¹.

Rating Outlook

The outlook is Stable, balancing the weak operating environment, which could pressurise growth and asset quality, with the currently strong levels of earnings and credit losses.

Rating Triggers

The South Africa national scale ratings could be lowered if asset quality deteriorates or the profitability suffers, if we don't consider group support to be relevant at the time, or if there is waning of Namibian country risk.

¹ <https://gcratings.com/announcements/gcr-affirms-lt-and-st-namibian-national-scale-ratings-of-aana-a1na-on-first-national-bank-of-namibia-limited>

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Related Criteria and Research

Criteria for the GCR Ratings Framework, May 2019

Criteria for Rating Financial Institutions, May 2019

GCR Ratings Scale, Symbols & Definitions, May 2019

GCR Country Risk Scores, June 2019

GCR Financial Institutions Sector Risk Score, July 2019

GCR Affirms LT and ST Namibian National Scale Ratings of AA+(NA), A1+(NA) on First National Bank of Namibia Limited, October 14th 2019

Ratings History

First National Bank of Namibia Limited (Namibian Scale)

Rating class	Review	Rating scale	Rating class	Outlook	Date
Issuer Long Term	Initial	National	AA+(NA)	Stable	February 2007
	Last	National	AA+(NA)	Stable	November 2018
Issuer Short Term	Initial	National	A1+(NA)	Stable	February 2007
	Last	National	A1+(NA)	Stable	November 2018

First National Bank of Namibia Limited (South African Scale)

Rating class	Review	Rating scale	Rating class	Outlook	Date
Issuer Long Term	Initial	National	AA-(ZA)	Stable	February 2007
	Last	National	AA-(ZA)	Stable	November 2018

Risk Score Summary

Risk score

Operating environment	12.25
Country risk score	5.75
Sector risk score	6.50
Business profile	1.00
Competitive position	1.00
Management and governance	0.00
Financial profile	1.50
Capital and Leverage	0.50
Risk	1.00
Funding structure and Liquidity	0.00
Comparative profile	0.00
Group support	0.00
Peer analysis	0.00
Total Score	14.75

Glossary

Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.

Salient Points of Accorded Ratings

GCR affirms that a.) no part of the ratings were influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

First National Bank of Namibia Limited participated in the rating process via telephone meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information used to analyse First National Bank Namibia Limited and accord the credit ratings included:

- Audited financial results as at 30 June 2019
- Banking sector information
- Industry comparative data; and
- Other publicly available information.

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