

RATING REPORT**Microcreditbank - Update**

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Support-Driven IDRs: Microcreditbank's (MCB) Long-Term Issuer Default Ratings (IDRs) are driven by Fitch Ratings' view of a moderate probability of support from the government of Uzbekistan (BB-/Stable), as reflected by MCB's Government Support Rating (GSR) of 'bb-'. This view is based on the bank's long-term strategic state ownership, its important role in the government's economic and social policy, the low cost of potential support relative to the sovereign's international reserves, and an extended record of capital and liquidity support. The bank's 'b-' Viability Rating (VR) reflects its exposure to the local operating environment, as well as its limited franchise, above-market lending growth, involvement in higher-risk directed lending, weak profitability, moderate capitalisation, and increased reliance on wholesale borrowings. **Resilient Growth; Sector Risks:** The impact of the Russia-Ukraine military conflict on Uzbekistan's economy has been limited to date, with real GDP growing by 5.7% in 2022. Fitch estimates Uzbekistan's GDP growth will slow to 4.8% in 2023. However, we consider Uzbekistan's operating environment as volatile, with significant potential risks stemming from structural weaknesses of the banking sector, including high dollarisation, continued asset quality deterioration and reliance on external debt.

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