

**Rating Action: Moody's upgrades the long-term deposit ratings of InFinBank to B2 from B3; outlook stable**

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Global Credit Research - 06 Dec 2017

London, 06 December 2017 -- Moody's Investors Service, has today upgraded the long-term local and foreign-currency deposit ratings of Uzbekistan's InFinBank to B2 from B3. The rating agency has also upgraded InFinBank's baseline credit assessment (BCA) and adjusted BCA to b2 from b3. Concurrently, Moody's upgraded the bank's long-term Counterparty Risk Assessment (CR Assessment) to B1(cr) from B2(cr) and affirmed the short-term local- and foreign-currency deposit ratings of Not-Prime and its short-term CR Assessment of Not-Prime(cr).

Outlook on all long term Bank Deposit ratings remains stable. A full list of affected ratings can be found at the end of this press release.

**RATINGS RATIONALE**

The upgrade of InFinBank's deposit ratings is driven by the recent material strengthening of its capital position, following the large capital injection in September 2017, which boosted the bank's regulatory capital to around UZS 300 billion from UZS 124 billion at YE2016. As a result, Moody's estimated that its key capital metric -- the TCE ratio -- increased to around 23% at end-October 2017 (most recent available data) from around 15% at end-December 2016. InFinBank also reported a regulatory capital adequacy ratio of 22.5% at end-October 2017, well above the required minimum of 12.5% and its cushion against potential credit losses has strengthened accordingly. Moody's expects InFinBank's TCE ratio to gradually decline over the next 12-18 months as a result of the expected lending growth, but will remain above 16% in the long term.

The expected trends in InFinBank's asset quality and profitability are also supportive of the ratings upgrade. Moody's estimates that the level of problem loans will remain below 1% of gross loans over the next 12-18 months because InFinBank was not directly exposed to the risk related to recent local currency devaluation as its proportion of FX denominated loans was low at around 4% of gross loans in Q3 2017. In addition, the bank's asset quality will benefit from a good diversification of its loan book with focus on export-oriented corporate clients.

In upgrading the bank's BCA to b2, Moody's also incorporates its expectation that the bank will maintain good profitability metrics supported by a healthy net interest margin of above 4% and robust income stream from fees and commission. For the first ten months in 2017, InFinBank reported (under local GAAP) net profit of UZS 22.3 billion compared to UZS 17.6 billion for the whole 2016, which translates into annualized ROAA of 2% (2016: 1.76% IFRS).

**WHAT COULD MOVE THE RATINGS UP/DOWN**

A longer track record of improving its risk profile, sustained good loss absorption capacity along with strengthening and diversification of its business franchise could lead to an upgrade of InFinBank's long-term ratings. At the same time, negative pressure could be exerted on the bank's ratings in case of significant deterioration of its asset quality and/or liquidity from current levels or if InFinBank's exposure to related party transactions materially increases.

**LIST OF AFFECTED RATINGS**

Issuer: InFinBank

Upgrades:

...LT Bank Deposits, Upgraded to B2 from B3, Outlook Remains Stable

...Adjusted Baseline Credit Assessment, Upgraded to b2 from b3

...Baseline Credit Assessment, Upgraded to b2 from b3

....LT Counterparty Risk Assessment, Upgraded to B1(cr) from B2(cr)

Affirmations:

....ST Bank Deposits, Affirmed NP

....ST Counterparty Risk Assessment, Affirmed NP(cr)

Outlook Actions:

....Outlook, Remains Stable

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in September 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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