

Rating action: Moody's changes outlook on KazakhExport to stable from negative

Global Credit Research - 25 August 2017

London, 25 August 2017 - Moody's Investors Service has today affirmed and changed the outlook to stable from negative on the Baa3 insurance financial strength rating (IFSR) of KazakhExport Export Insurance Company JSC (KazakhExport). This rating action follows the stabilisation of Kazakhstan's credit profile, as captured by Moody's change of outlook to stable from negative on Kazakhstan's government rating (Baa3) on 26 July 2017. For additional information, please refer to the related announcement: https://www.moody's.com/research/--PR_370462.

RATINGS RATIONALE

The change of outlook to stable from negative on KazakhExport, whose rating benefits from government support, reflects the change in the outlook of Kazakhstan's Baa3 government bond rating. Moody's believes that the capacity and willingness of the Kazakhstan government to assist state-owned KazakhExport remains unchanged.

Moody's views the linkages between the government of Kazakhstan and KazakhExport as very strong based on KazakhExport's: (i) full ownership by the government, ; (ii) dependence on the Kazakh economy for its revenues and operating profits; (iii) investment portfolio being mainly concentrated in Kazakh government bonds and deposits at Kazakh banks, and (iv) financial support from the government, as evidenced by the recent capital injections of KZT14 billion each in October 2016 and March 2017 for further business development purposes. KazakhExport was excluded from the privatization list according to the government's decision as of 3 August 2017.

KazakhExport is 100% owned by the Government of Kazakhstan through the National Management Holding Baiterek. Therefore, in accordance with Moody's Government Related Issuer (GRI) rating methodology, KazakhExport's Baa3 IFSR reflects a combination of: (i) the insurer's ba1 standalone baseline credit assessment (BCA); (ii) the Baa3 long-term issuer rating of Kazakhstan; and (iii) Moody's assessment of a very high dependence between the issuer and the government, and an assumption of strong support from the government of Kazakhstan.

KazakhExport was established by the government with three key strategic priorities: (i) to help Kazakh companies export goods and diversify geographically by providing financial support via export credit insurance; (ii) promote awareness and the financial advantages of insurance among local companies via consulting and advisory services; and (iii) assist in the development of the reinsurance business infrastructure in Kazakhstan and provide reinsurance capacity to the national insurance market.

WHAT COULD MOVE RATINGS UP OR DOWN

With KazakhExport's IFSR already being positioned at the sovereign rating level, an upgrade is unlikely in the absence of a corresponding change in the sovereign rating and foreign currency deposit ceiling.

Conversely, the rating could be revised downwards in case of a downgrade on the sovereign rating. The rating may come under downward pressure also if Moody's observes a substantial deterioration in the macroeconomic environment (which is not currently anticipated), and/or if the Kazakhstan government's capacity or propensity to render support to KazakhExport diminishes.

LIST OF AFFECTED RATINGS

Issuer: KazakhExport EIC JSC

Affirmations:

....Insurance Financial Strength, Affirmed Baa3

Outlook Actions:

....Outlook, Changed To Stable From Negative

PRINCIPAL METHODOLOGIES

The methodologies used in this rating were Global Reinsurers published in April 2016, and Government-Related Issuers published in August 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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