

Rating Action:

Moody's upgrades KazakhExport's rating to Baa2, changes outlook to stable

18 August 2021

London , August 18, 2021 – Moody's Investors Service ("Moody's") today upgraded insurance financial strength rating (IFSR) of KazakhExport Export Insurance Company JSC (KazakhExport) to Baa2 from Baa3 and changed the issuer outlook to stable from positive.

This rating action follows the ratings' upgrade of its parent company Baiterek National Management Holding, JSC (Baiterek), on 17 August 2021 (Please see "Moody's takes rating actions on financial institutions in Kazakhstan; repositions NSRs"; https://www.moodys.com/research/--PR_452072). This, in turn, was driven by the upgrade of the Government of Kazakhstan's long-term issuer ratings to Baa2 from Baa3 on 11 August 2021. (Please see "Moody's upgrades Kazakhstan's ratings to Baa2; changes outlook to stable from positive"; https://www.moodys.com/research/--PR_450654).

Please refer to the end of this press release for a list of affected ratings.

RATINGS RATIONALE

The upgrade of KazakhExport's IFSR reflects the increased support capacity of the Kazakh government through Baiterek. KazakhExport in fact fulfils a public-policy role in the development of credit insurance business in Kazakhstan as the key operator of the National Export Strategy of the government.

KazakhExport's Baa2 IFSR now benefits from a two-notch uplift, from the previous one notch, from its standalone credit profile of ba1 because of the implicit and explicit support from its direct parent and the Government of Kazakhstan. This is based on the full ownership of KazakhExport by the Government of Kazakhstan through Baiterek and the track record of regular support provided to KazakhExport in the form of both capital injections and state guarantees against a significant part of its insurance portfolio.

Since 2016 the company received KZT95.9 billion in capital injections from the government through Baiterek for the development of the credit insurance and non-commodity exports in Kazakhstan. In addition, in December 2019, the national government provided a 10-year state guarantee totaling KZT102 billion, which covered around 50% of KazakhExport's insurance portfolio as of 1 July 2021.

KazakhExport's ba1 standalone assessment benefits from the insurer's consistently strong capitalisation, as reflected in its limited underwriting leverage, sound asset quality with around half of its investments in investment-grade assets, and good financial flexibility with low financial leverage. At the same time, these strengths are tempered by the company's modest size in global terms, low granularity of its insurance book, limited geographical diversification with exposure to lower-rated countries, which can challenge its reserve adequacy, and weak underwriting profitability.