

Our Methodology

SIMAH Rating Agency (TASSNIEF), will display the highest level of transparency in communicating its ratings to the marketplace, so that investors can be provided with the details of TASSNIEF's ratings approach, opinions and analyses.

TASSNIEF's ratings Sovereign credit ratings are opinions on government's creditworthiness. In assessing the credits, SIMAH Rating begins by applying this methodology and if there is a need to assess debt securities to be issued by the sovereign, appropriate criteria will subsequently be used, depending on the underlying transaction of the debt securities.

Moreover, TASSNIEF's Sovereign rating methodology is built on 9 factors within 3 broad categories, in which the sum of weighted scores of the factors leads to the Total Weighted Score (TWS). TASSNIEF'S Rating Committee holds the full liberty to discretionarily adjust the TWS by an Adjustment Quantum of either risk reduction or risk augmentation if the TWS dose not quite reflect the committee's opinion.

TASSNIEF's long-term ratings go hand in hand with an outlook, in which the direction can be positive, negative or stable. In addition, TASSNIEF allows itself to place any rating on watch in the following three months, if the economic conditions is subject to change.

Rating Process

Once TASSNIEF is appointed as the credit rating agency and the contract is signed, the Sovereign issuer shall submit all required information and documents. In addition, TASSNIEF rating team will meet with the government officials to better assess the creditworthiness of the Sovereign issuer from a rating perspective.

Afterwards, TASSNIEF's analytical team will start its analysis and presents the outcome to its rating Committee for deliberation. Therefore, there is no person solely responsible for a rating; instead our rating exercise is rather a collective work of TASSNIEF's experienced team, which is validated in the Saudi context.

TASSNIEF will also provide the Sovereign issuer with the opportunity to appeal on the Credit Rating for a second review, depending on the circumstances.

Subject to the final approval of the issuer, the Rating Report will be distributed at the discretion of the issuer.



Sovereign Rating Framework

Standalone Rating Factors:

Structural Factors

- Competitiveness and comparative advantage
- Economic structures
- Public sector indebtedness

40%

Institutional Factors

- Political stability
- Institutionalization and normalization
- Propensity to shocks

35%

Cyclical Factors

- Fiscal position and policy
- Monetary position and policy
- State of the balance of payments

25%

		Short-term rating scale	Long-term rating scale	Definitions
Investment Grade	T-1		AAA	Highest creditworthiness, thus minimal credit risk
	T-2		AA+	High creditworthiness, thus very low credit risk
			AA	
	T-3		AA-	Medium to High creditworthiness, thus low credit risk
		A+		
Non-Investment Grade	T-4		A	Medium creditworthiness, with some features of speculative nature of credit risk
			A-	
		BBB+		
Non-Investment Grade	T-5		BBB	Mediocre creditworthiness, thus significant credit risk
			BBB-	
	T-6		BB+	Low creditworthiness, thus high credit risk
			BB	
			BB-	
T-7		B+	Low creditworthiness, thus very high credit risk	
		B		
		B-		
		CCC+	Highly speculative credit profiles, and the default is imminent	
		CCC		
		CCC-		
		CC	Explicitly defaulted	
		C		

Key Definitions

Long-term ratings are applicable to maturity of rated debt instruments superior to 365 days.

short-term ratings are applicable to maturity of rated debt instruments inferior or equal to 365 days.

Modifiers are « + » and « - » signs that adds more granularity in the ordinal credit classification.

outlook is an indication of the direction of the rating over a horizon of 18 months.

Watch is a three-month surveillance followed the assigned rating.