

Sukuk Rating Framework

Underlying Rating Methodology:

Asset Based Sukuk

- Corporate Rating Methodology
- Financial Institution Rating Methodology
- Project Finance Rating Methodology

Asset Backed Sukuk

	Short-term rating scale		Long-term rating scale	Definitions
Investment Grade	T-1		AAA	Highest creditworthiness, thus minimal credit risk
	T-2		AA+	Very High creditworthiness, thus very low credit risk
			AA	
			AA-	
	T-3		A+	High creditworthiness, thus low credit risk
			A	
T-4		A-	Adequate creditworthiness, thus average credit risk	
		BBB+		
		BBB		
Non-Investment Grade	T-5		BBB-	Low creditworthiness, thus high credit risk
			BB+	
			BB	
	T-6		B+	Very Low creditworthiness, thus very high credit risk
			B	
			B-	
T-7		CCC+	Extremely Low creditworthiness, thus significantly high credit risk	
		CCC		
		CCC-		
			CC	Highly speculative credit profiles, and the default is imminent
			C	
			D	Explicitly defaulted

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.

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 measure the relative credit quality of an issuer or a debt issuance, compared to other issuers or debt issuances. The rating scale of TASSNIEF is by construction a global rating scale. It means that TASSNIEF, by default, rates all categories of debt issued by issuers domiciled in the Kingdom of Saudi Arabia (KSA) and outside KSA, denominated in Saudi Riyals or any other currency. Therefore, In each country, including KSA, TASSNIEF will determine a country ceiling, which will be equal or higher than the sovereign rating in the country.

Moreover, TASSNIEF's Sukuk rating methodology is built on a simplified sequential approach, in which it leads to the long-term Counterparty Rating of a Sukuk.

Sukuk can be formed using a single contract or a mixture of several Islamic contracts. However, a common feature in all Sukuk structures is the existence of the asset at their core, in line with the Shariah principle that requires economy activities to be reflected in any transaction. The underlying rating methodology that will be used for a Sukuk rating depends on obligor issuing the Sukuk and nature of Sukuk (i) asset based or (ii) asset backed sukuk.

Rating Process (Excluding Sovereign Rating Process)

Once TASSNIEF is appointed as the credit rating agency and the contract is signed, the client shall submit all required information and documents. In addition, TASSNIEF rating team will meet with the client's management and external auditor to better assess the creditworthiness of the company 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 client with the opportunity to appeal on the Assigned Rating for a second review, depending on the circumstances.

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

