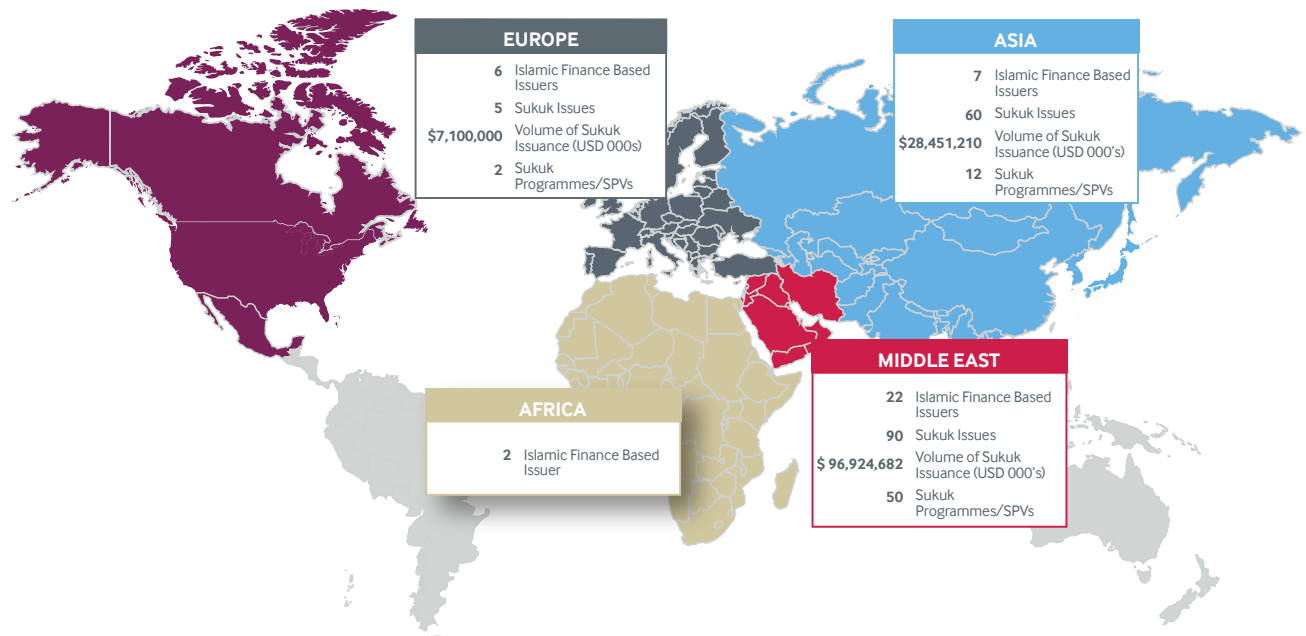


Islamic Finance

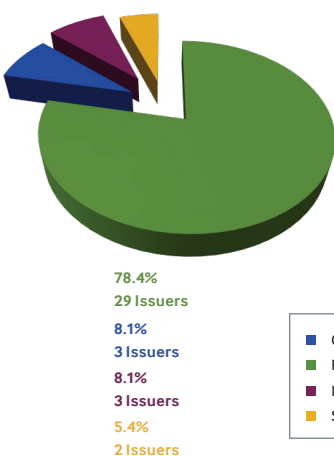
At Fitch Ratings, we have been providing independent and objective credit ratings to the Islamic Finance market for over a decade. With a strong track record in Islamic Finance, we rate more Islamic banks than any other global credit rating agency. We currently rate over 154 outstanding Islamic Finance instruments worldwide and over 35 Islamic Finance based issuers.

Fitch's Islamic Finance Group coordinates all Islamic Finance activities and expertise across the Sovereigns, Financial Institutions, Corporates, Structured Finance, Infrastructure, and Insurance teams. In addition to being involved in the rating process of Islamic Finance instruments, the group monitors and reports on this rapidly growing sector through specialised research and commentary, as well as criteria development. The Islamic Finance team spans various continents and time zones and brings a combination of local knowledge and a strategic global perspective to this evolving sector.

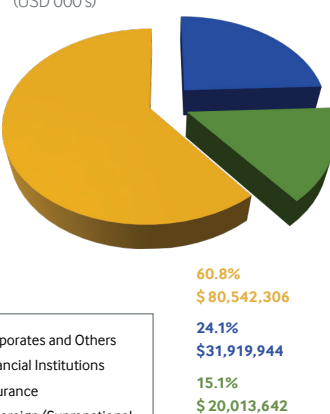
Fitch Ratings' Islamic Finance Coverage



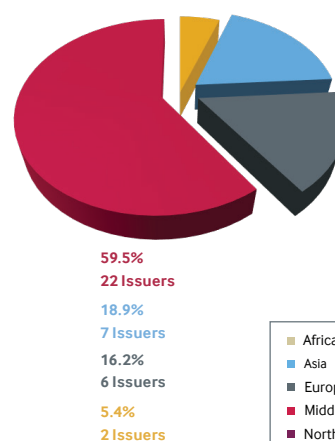
Islamic Finance Based Issuers by Sector



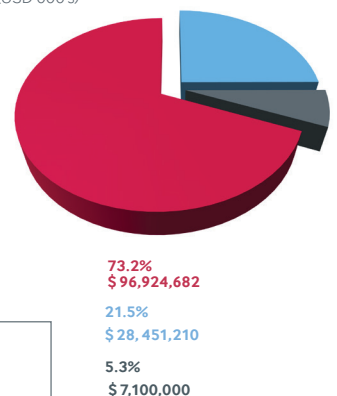
Volume of Sukuk Issuance by Sector (USD 000's)



Islamic Finance Based Issuers by Region



Volume of Sukuk Issuance by Region (USD 000's)



Criteria

Our dedicated Islamic Finance criteria is outlined in the *Sukuk Rating Criteria*, which describes Fitch Ratings' approach to assigning and maintaining ratings for new and existing originator-backed sukuk issues. These criteria apply to originator-backed (or "asset-based") sukuk structures, where investors rely upon obligor direct support features and contractual commitments built into the documentation. These criteria apply globally to corporates, financial institutions, sovereigns, supranationals, public finance, insurers and global infrastructure. They do not apply to asset-backed sukuk, which rely on underlying collateral.

It is also possible for sukuk to be structured as subordinated, short-term or secured claims. If so, they will be rated as such in accordance with Fitch's established criteria, with the ratings again benchmarked to the Issuer Default Rating (IDR) or the issuer's Viability Rating (VR) where the case dictates.

<p>FitchRatings</p> <p>Sukuk Rating Criteria</p> <p>Cross-Sector Criteria</p> <p>Scope</p> <p>This report describes Fitch Ratings' approach to assigning and maintaining ratings for new and existing originator-backed sukuk issues. These criteria apply to originator-backed (or "asset-based") sukuk structures, where investors rely upon obligor direct support features and contractual commitments built into the documentation. These criteria apply globally to corporates, financial institutions, sovereigns, supranationals, public finance, insurers and global infrastructure. They do not apply to asset-backed sukuk, which rely on underlying collateral.</p> <p>The originator typically incorporates an undertaking whereby the obligor is committed irrevocably to repurchase the underlying sukuk assets on maturity for earlier, in the event of any dissolution event or default, covering in full the outstanding principal and any accrued but unpaid periodic distribution amounts in a timely manner, during the life of a sukuk or at any dissolution event. If the sukuk principal payment were subject to market risk, which affects the requirement amount to sukuk holders, the sukuk would be non-redeemable.</p> <p>It is also possible for sukuk to be structured as subordinated, short-term or secured claims. If so, they will be rated as such in accordance with Fitch's established criteria, with the ratings anchored on the Issuer Default Rating (IDR) or Viability Rating (VR) where the case dictates.</p> <p>Key Rating Drivers</p> <p>Sukuk are a form of financing that complies with Shariah (Islamic) rulings and do not have a standard structure. Each structure may involve different underlying contractual arrangements. As a result, each structure has to be assessed individually to assess whether it fits within these criteria. These criteria discuss the influence of the most common features in originator-backed sukuk issue ratings. The different forms of sukuk means that not all factors mentioned in these criteria may be present or relevant in all circumstances.</p> <p>Rating Anchored on IDR: For originator-backed asset-based sukuk, Fitch looks through the structure of the sukuk at the obligor/issuer of the transaction. Sukuk often require the creation of a special purpose vehicle (SPV) and the transfer of assets underlying the sukuk by the entity seeking to raise finance (the originator) to the SPV. The rating is anchored on the rating of the originator. For a senior unsecured obligation the rating would typically be in line with the originator's IDR.</p> <p>Full Recourse to Originator: Fitch's analytical assumption under these criteria is that the structure of the sukuk and the underlying transactional provide for full recourse to the originator - as with a conventional bond issue - and the sukuk rating is driven solely by the originator's rating. Sukuk analysis and ratings will reflect Fitch's view that the default of these senior unsecured obligations under the legal structure and sukuk documentation would reflect default of the entity in accordance with Fitch's rating definitions.</p> <p>Sukuk Form Affects Rating: Sukuk can take a variety of forms, which could affect their recourse, debt ranking and recoveries upon issuer default, and therefore their ultimate effect on the analysed debt instrument rating. The sukuk ranking (senior, subordinated or pari passu with other obligations) could also be influenced by a guarantee on all or part of the obligations under the documentation, which could make a contribution to recoveries and therefore affect the rating.</p> <p>Legal Risk: Legal precedents for effective enforcement in many jurisdictions where sukuk issuance is prevalent are lacking. It therefore remains uncertain whether certificate holders will be able to enforce their contractual rights in relevant courts.</p>	<p>Islamic Finance Cross-Sector Criteria Global</p> <p>Table of Contents</p> <ul style="list-style-type: none"> Scope Key Rating Drivers Rating Example of a Sukuk Transaction Transaction specific disclosure Violations from Criteria Limitations Rating Assumptions, Sensitivity Appendix: Islamic Finance Concepts <p>This report updates and replaces Sukuk Rating Criteria dated 22 July 2020. There have been no significant changes.</p> <p>Related Criteria</p> <ul style="list-style-type: none"> sovereign Rating Criteria (October 2020) sovereign Rating Criteria (October 2020) International Local and Regional Governments Rating Criteria (October 2020) Corporate Rating Criteria (December 2020) Bank Rating Criteria (February 2020) Non-Bank Financial Institutions Rating Criteria (February 2020) Insurance Rating Criteria (August 2020) Corporate Issuers' Treatment under Sukuk Rating Criteria (November 2020) International and Global Finance Rating Criteria (March 2020) <p>Analyst</p> <p>Bashar Al Nattoor +971 4 424 1242 bashar.alnattoor@fitchratings.com</p>
---	--

Research & Commentary

The Islamic Finance Group publishes a wide range of specialised research and commentary across sectors and regions on major developments, industry outlooks, and market trends, including Rating Action Commentaries (RACs), Fitch Wires, and special reports. Recent examples include:

- [Government to Continue Driving Islamic Finance Growth in Nigeria](#)
- [Promising Outlook for Global Sukuk Market Following Robust 2021](#)
- [Global Sukuk Outlook Dashboard: 2022](#)
- [Fitch Ratings 2022 Outlook: Gulf Cooperation Council Islamic Banks](#)
- [Pressured Earnings, Stable Capital at GCC Islamic Banks in 2022](#)
- [European Islamic Funds Industry Led by Luxembourg](#)
- [Bangladesh Policy Steps May Spur Islamic Finance Development](#)
- [What Investors Want to Know: United Arab Emirates' Banks](#)
- [Fitch Named Best Islamic Finance Rating Agency for Fifth Year](#)
- [Indonesia's Nascent Corporate Sukuk Market Has Room to Grow](#)
- [Slow Progress in Spin-Off of Indonesia Takaful Firms; Long-Term Benefits](#)
- [Coronavirus Impact on Saudi Banks Has Been Contained](#)
- [Saudi Arabian Banks - Peer Review](#)
- [Kuwaiti Islamic Banks Dashboard: 1H21 Results](#)
- [Kuwaiti Islamic Banks See Slower Growth, but Resilient Asset Quality](#)

Data as of January 2022

For More Information

To learn more about the sector, please read the [Guide to Islamic Finance: Fitch Ratings' Perspective](#). For further information on Fitch's Islamic Finance ratings, visit fitchratings.com/site/islamicfinance

Contact us

Bashar Al Nattoor

Analytical, Global Head of Islamic Finance
Dubai
+971 4 424 1242
bashar.alnattoor@fitchratings.com

Jay Leitner

Business & Relationship Management
Dubai
+971 4 424 122
jay.leitner@fitchratings.com

Sing Chan Ng

Business & Relationship Management
Singapore
+65 6796 7210
singchan.ng@fitchratings.com

About Fitch Ratings

Fitch Ratings is a leading provider of credit ratings, commentary and research. Dedicated to providing value beyond the rating through independent and prospective credit opinions, Fitch Ratings offers global perspectives shaped by strong local market experience and credit market expertise. The additional context, perspective and insights we provide help investors to make important credit judgments with confidence.

Fitch Group is a global leader in financial information services with operations in more than 30 countries. In addition to Fitch Ratings, the group includes Fitch Solutions, a leading provider of credit market data, analytical tools and risk services; and Fitch Learning, a provider of learning and development solutions for the global financial services industry. Fitch Group is wholly-owned by Hearst Corporation.