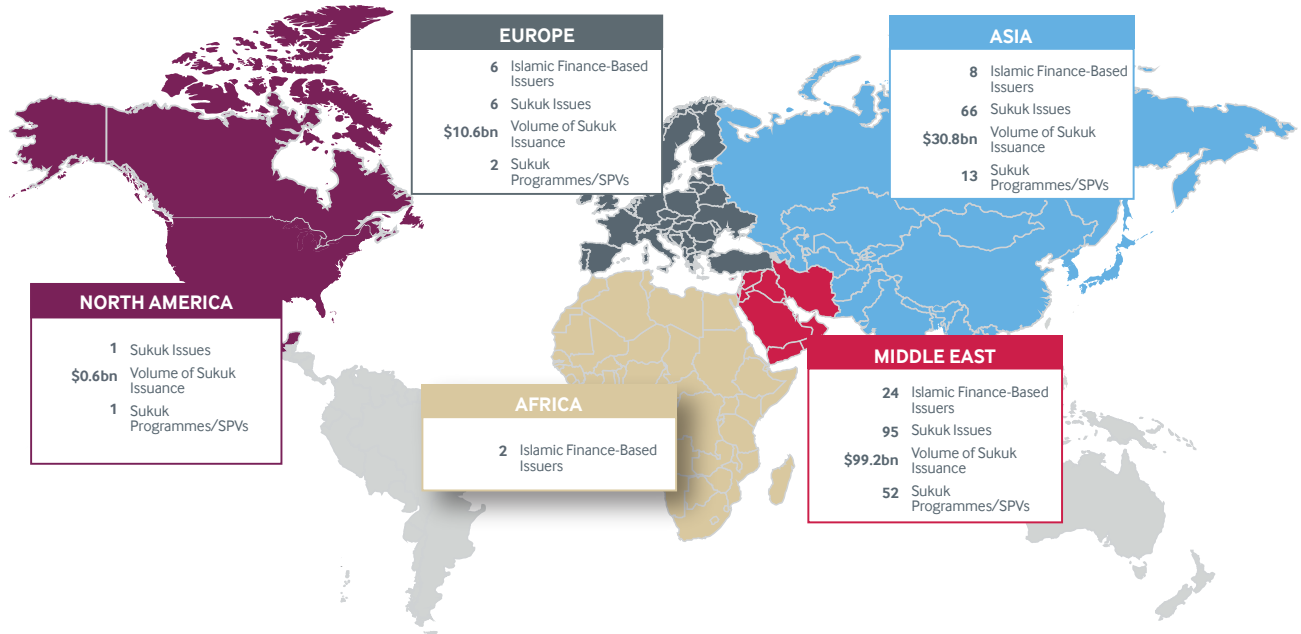


Islamic Finance

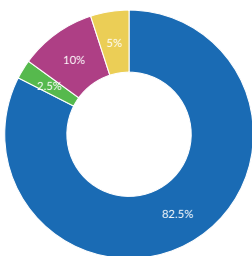
At Fitch Ratings, we have been providing independent and objective credit ratings to the Islamic Finance market for over a decade. With a strong track record in Islamic Finance, we rate more Islamic banks than any other global credit rating agency. We currently rate over 168 outstanding Islamic Finance instruments worldwide and over 40 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



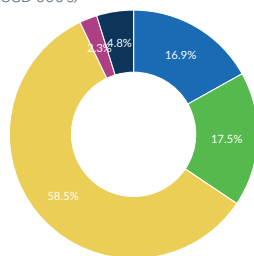
Islamic Finance-Based Issuers by Sector



82.5%
33 Issuers
10.0%
4 Issuers
2.5%
1 Issuer
5%
2 Issuers

- Financial Institutions
- Corporates and Others
- Insurance
- Sovereign/Supranational

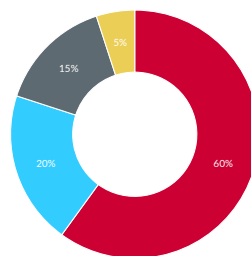
Volume of Sukuk Issuance by Sector (USD 000's)



58.5%
\$82.6bn
16.9%
\$23.9bn
2.3%
\$3.3bn
4.8%
\$6.7bn
17.5%
\$24.7bn

- Financial Institutions
- Corporates and Others
- Sovereign/Supranational
- Structured Finance: ABS
- Infrastructure and Project Finance

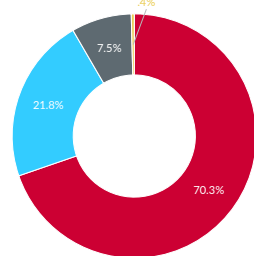
Islamic Finance-Based Issuers by Region



60%
24 Issuers
15%
6 Issuers
20%
8 Issuers
5%
2 Issuers

- Middle East
- Asia
- Europe
- Africa

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



70.3%
\$99.2bn
21.8%
\$30.8bn
7.5%
10.6bn
0.4%
0.6bn

- Middle East
- Asia
- Europe
- North America

Criteria

Our dedicated Islamic Finance criteria is outlined in the Sukuk Rating Criteria, which describes Fitch Ratings' approach to assigning and maintaining international and national 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.

FitchRatings		Islamic Finance Cross-Sector Criteria	
Sukuk Rating Criteria			
Cross-Sector Criteria			
Scope	This report describes Fitch Ratings' approach to assigning and maintaining international and national 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.		
Key Rating Drivers	Sukuk are a form of financing that complies with sharia (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 reviewed 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.		
Rating Anchored on IDR	For originator-backed/asset-based sukuk, Fitch looks through the structure of the sukuk at the obligor/originator/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.		
Full Recourse to Obligator	Fitch's analytical assumption under these criteria is that the structure of the sukuk and the underlying transactions 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.		
Sukuk from Offshore Rating	Sukuk can take a variety of forms, which could affect their recovery, debt rating and recoveries upon issue default, and, therefore, their ultimate effect on the overall debt recovery rating. The sukuk rating (senior, subordinated or junior) plus 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 ratings.		
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.		
Table of Contents		<ul style="list-style-type: none"> Scope 1 Key Rating Drivers 1 Analytical Approach 2 Rating Methodology 2 Transaction Specific Disclosure 2 Variations from Criteria 3 Limitations 3 Rating Methodology Summary 4 Applicable Islamic Finance Concepts 7 	
Related Criteria		<ul style="list-style-type: none"> Sovereign Rating Criteria (April 2020) Supranational Rating Criteria (April 2020) International Local and Regional Government Rating Criteria (September 2020) Corporate Rating Criteria (October 2020) Bank Rating Criteria (November 2020) Non-Bank Financial Institution Rating Criteria (November 2020) Insurance Rating Criteria (November 2021) Corporate Health, Insurance and Banking Criteria (November 2020) Infrastructure and Project Finance Rating Criteria (August 2021) 	
Analysts		<ul style="list-style-type: none"> Bashar Al Nattoor VPF 4 424 1242 bashar.alnattoor@fitchratings.com Sif Shuang VPF 4 424 1247 sif.shuang@fitchratings.com 	
This report includes confidential data. Rating Criteria dated 15 February 2021. There have been no significant changes.			

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:

- [Saudi Islamic Banks' Growth, Capital Remain Strong](#)
- [Sukuk Pipeline Building Up Despite Volatilities](#)
- [Global Sukuk Outlook Dashboard: 1Q23](#)
- [IMF to Separate Islamic Finance in SNA/BPM; No Headline Impact Expected](#)
- [Turkish Islamic Banks' Market Shares to Grow Further in 2023](#)
- [Morocco's Islamic Finance Industry Is Nascent; Faces Key Challenges](#)
- [Oman's Islamic Banking Share to Rise Amidst Improving Demand, Structure](#)
- [Bahraini Islamic Banking Penetration Solid, to Benefit from Consolidation](#)
- [Sukuk and Bond Pricing Mostly Similar; Sukuk Less Liquid](#)
- [Malaysia Takaful Growth to Continue, Volatile Profitability Remains a Challenge](#)
- [Indonesia's Islamic Banks to Maintain Positive Momentum Amid Challenges](#)
- [Malaysia's Islamic Financing Growth to Continue Outperforming Conventional Banks](#)
- [Long-Term Challenges for Indonesia's Takaful Sector amid Growing Market Share](#)
- [Nigerian Islamic Finance Industry to Continue Growth on Policy Push](#)
- [Fitch Ratings Sees Growth Prospects for Islamic Derivatives; Gaps Persist](#)

Date as of May, 2023

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](https://www.fitchratings.com/site/islamicfinance)

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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.