

# Financial Institutions Rating Methodology

## Feedback Report

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Scope Ratings would like to thank market participants who provided feedback on its proposed Financial Institutions rating methodology, published on the 4<sup>th</sup> of August 2025. This report addresses comments received on a confidential basis during the call for comments period, which ended on the 4<sup>th</sup> of September 2025.

### Key metrics used for the assessment of issuer level operating environment (ILOE) assessment

**Comment:** “Base metric for weighting geographies: Using total assets or credit exposures ensures that the ILOE reflects structural credit risk rather than volatile earnings”

**Scope’s answer:** Scope agrees on the superiority of balance sheet metrics for the stability of issuer level operating environment assessment. However, Scope believes that while assets or exposures are relevant metrics, they would not alone adequately capture important dimensions, such as riskiness of the exposure as well as their relevance to the bank’s business in terms of P&L contribution. Moreover, identifying a single specific metric based on which to calculate an arithmetic average has significant drawbacks, including the possibility that such metric could not be available on a consistent basis. The ILOE assessment is not derived mathematically via a weighted average but is the result of a rating committee decision that takes into account both quantitative and qualitative elements for the countries in which the issuer operates. Specifically, this assessment includes weighted averages of country level operating environment (CLOE) based on balance sheet and income statement metrics, as well as other qualitative elements (if relevant).

### Materiality of operations in different geographies

**Comment:** Applying a clear materiality principle prevents distortion from marginal geographies while retaining flexibility for exceptional cases.

**Scope’s answer:** Scope will indeed only assess the operating environment for countries where the rated issuer has material operations. Scope has discussed the advantages and disadvantages of establishing a pre-defined materiality threshold. Scope believes that a pre-defined materiality threshold does not allow to adequately capture the risk profile of i) a potentially relevant risk dimension of small operations in high-risk countries, ii) granularity of an operating environment for banks with highly diversified operations – for which the materiality threshold will have to be set differently.

### Disclosure of country level operating assessments

**Comment:** Publishing Scope’s country-level assessments (CLOEs) and weights — not only in issuer rating reports but also in independent, periodically updated reports — provides the transparency and replicability required by investors and regulators.

**Scope's answer:** Scope's country-level operating environment assessment will be published. Currently Scope's foresees publication of operating environment reports once a year, either independently or in the format of a single booklet.

### **Weight of home country in issuer level operating environment assessment**

**Comment:** Giving greater weight to the home country in developed markets ensures that ratings are appropriately anchored to the regulatory and supervisory environment that truly drives long-term viability.

**Scope's answer:** In general, Scope agrees on the importance of the home market in driving the resilience of an issuer. This is reflected as part of the structural features score in the operating environment assessment for the home country. Scope does not mechanically derive ILOEs as a simple weighted average and will in general consider if the home country should carry greater weight in the ILOE decision.

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