



Financial Institutions

Scope Financial Institutions Ratings Group: How we are different

Marco Troiano, CFA
Managing Director, Financial Institutions

Agenda

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→ Coverage

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Registered credit rating agency

ESMA accreditation in 2012
One of the “Big Five” (2023¹)
(European Securities and Markets Authority)

Serving ~350 institutional investors

with total assets under
management of circa € 49trn

250+ employees

entrepreneurial culture

ECB

Only European rating agency holding ECAF²
status since:

2023

Pan-European

Berlin · London · Madrid
Frankfurt · Milan · Paris · Oslo
Hamburg · Poznań

Only European rating agency mandated³ by the European Union

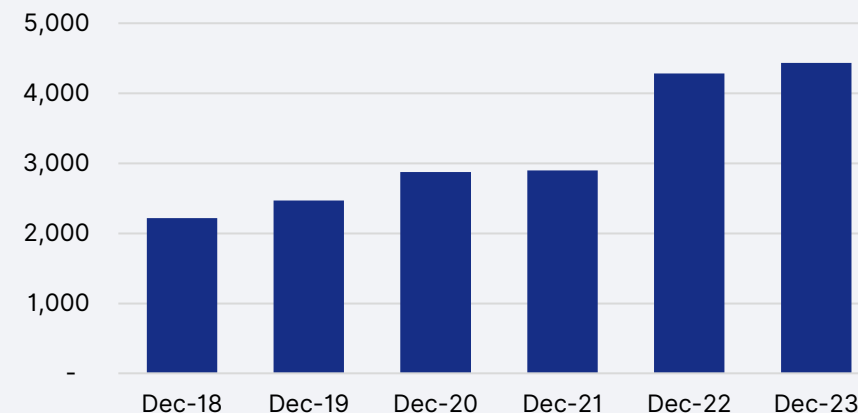
¹ See “[EU Credit Ratings market 2023](#)” (2023) ² “[ECB accepts Scope Ratings within Eurosystem Credit Assessment Framework](#)” ³ Please see “[European Commission mandates Scope to rate its creditworthiness](#)” (2022).

Overview: Financial Institutions (FI) ratings

Ratings coverage

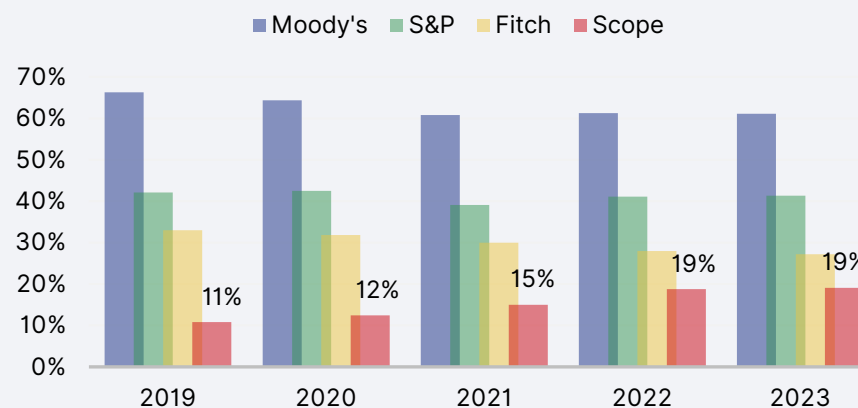
- 125 issuer ratings, 73 individual banking groups with an aggregated balance sheet of c. EUR 35trn
- Over 4,400 individual bank bonds rated, ISIN-based coverage increased by almost 50% in 2022
- Growing share of EU rating market (ISIN based), converging on the US-3 CRAs

Rated bonds, number



Scope's coverage	Geography		Type		# of issuers
	EU	Global/ Other	Public	Subscription/ Private	
Banks	68	29	12	85	97
Non-bank financial Institutions	11	12	10	13	23
Government-related entities	5	0	2	3	5
Total	84	41	24	101	125

Market share, %



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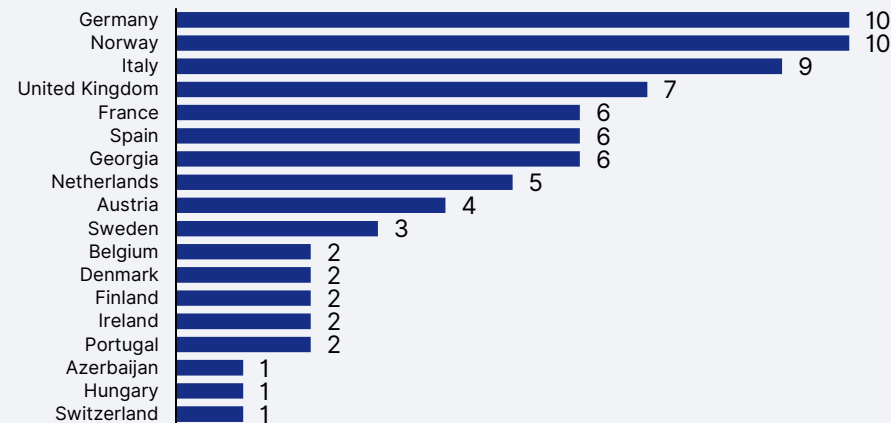
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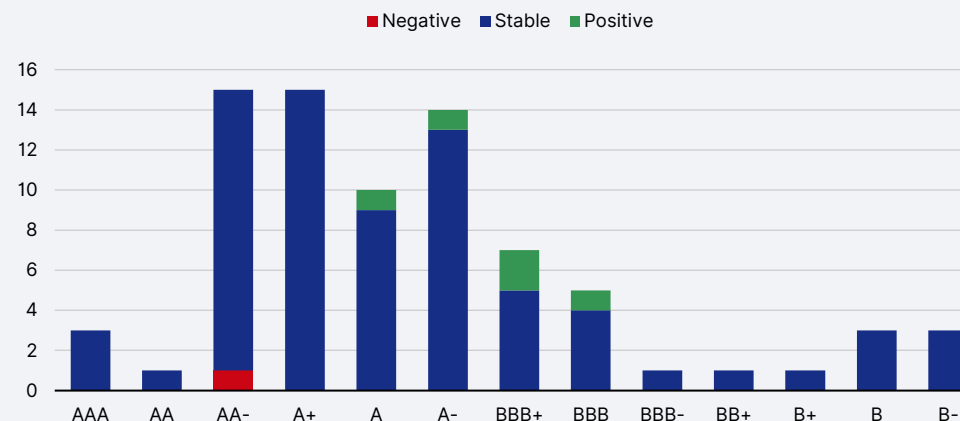
Coverage – Rating distribution and Outlook

- Our coverage is skewed toward investment-grade names, with less than 10% of issuers rated sub-investment grade.
- Our ratings have displayed through-the-cycle stability, with limited downside rating actions during the Covid downturn.
- Currently, the majority of European banks' rating Outlooks are stable, reflecting our expectation that banks are well positioned to weather some expected deterioration in the credit cycle and tighter liquidity conditions. Solid pre-provision profitability provides a strong first line of defense against losses. Capital positions are sound across the board.

Financial institutions' rating¹ distribution by country as of December 2023



Financial institutions' rating¹ distribution by Outlook as of December 2023

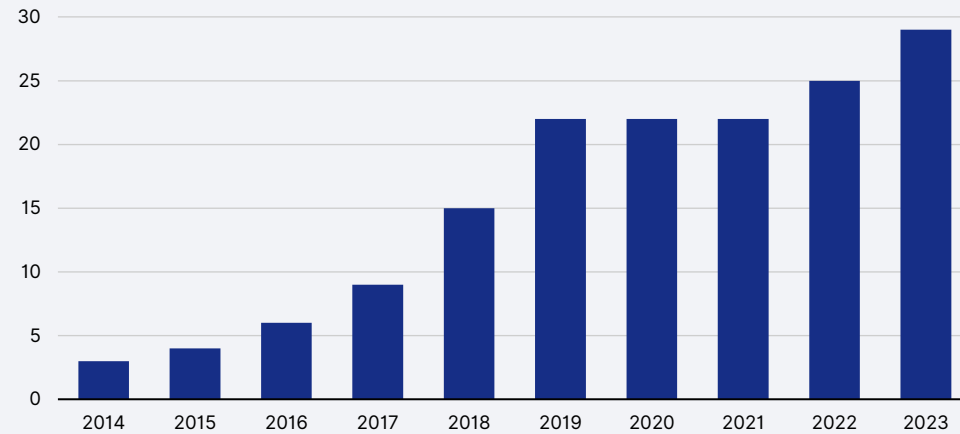


¹ Ultimate issuers only
Source: Scope Ratings

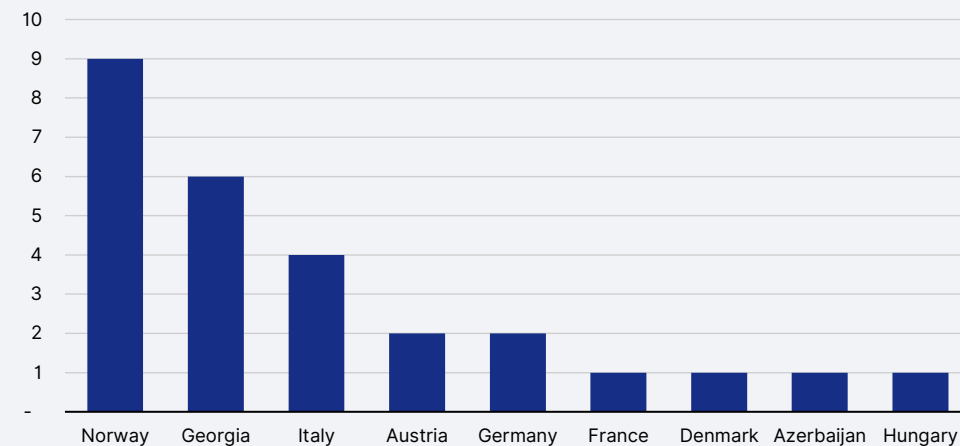
Coverage – Focus on solicited ratings

- Solid track record of growth in rating mandates since 2014. Growth in rating mandates resumed since 2022.
- Central-bank recognition, for example in Norway and Georgia, has been an important catalyst for demand for solicited ratings over recent years
- Eurosystem Credit Assessment Framework (ECAAF) recognition expected to drive further growth in demand for our ratings in the euro area

Current solicited ratings (public & private)



Current solicited ratings (public & private) by country



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Analytical USPs: How we are different



Emphasis on EU Banking Union as a strength

- We emphasise post-Global Financial Crisis (GFC) reforms, including the convergence in regulatory and supervisory standards, which provide a bulwark of stability for bank ratings.
- Recognition that the ECB has embraced its role as lender of last resort and has proven time and again the readiness to back stop bank liquidity.



A through-the-cycle view on bank business models

- The business-model assessment is the starting point of our rating analysis, which anchors rating outcomes through the cycle
- Diversification, competitive position, intrinsic risk-return features, and strategic direction drive our assessments
- Cyclical financial performance weighs less on the ratings, as evidenced by our measured response during the Covid-19 crisis



Factoring ESG in bank credit ratings

- Alongside digitalisation, Environment, Social and Governance (ESG) is part of our assessment of an issuer's long-term sustainability.
- We believe being well positioned with respect to these emerging factors can lead to positive as well as negative credit differentiations.



No mechanical link to sovereign credit quality

- Ratings on banks exclude direct mechanical upgrades or downgrades based on sovereign-rating changes, in the absence of evidence of close linkages/ownership by the government
- The credit rating of a sovereign is not an adequate anchor/cap for a bank rating within the euro area, as such an approach ignores functional regional arrangements or intrinsic strengths transcending national boundaries

Analytical USPs: A through-the-cycle view on bank business models

Our business-model assessment is based on four key drivers:



Degree of geographical and product diversification, usually measured in terms of assets and revenue mix. Diversification can lead to more resilient financial performance against idiosyncratic shocks.



Market positioning and pricing power informed by the entity's size and market share. The stability of an issuer's franchise can also inform our business-model assessment.



Risk-adjusted return profile. Some activities are inherently riskier or more volatile than others (e.g., consumer lending, investment banking). Highly-volatile key performance indicators typically point to riskier business models.



Implementation of medium-term strategy. We review the issuer's strategic direction and recent corporate activity to assess the likely impact on the business model. Strategic clarity, coherence with previous plans, and execution track record are also considered.

Analytical USPs: Factoring in ESG and digitalisation (ESG-D)

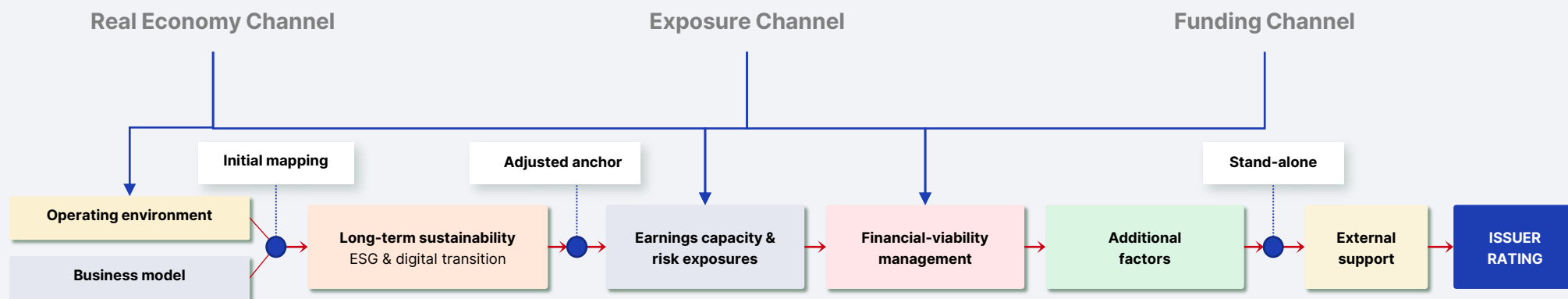
Sustainability considerations (ESG + digitalisation) have a direct and measurable impact on our credit ratings

- **Dedicated credit-rating factor** combines our views on long-term sustainability issues, such as ESG factors and digitalisation. Long-term sustainability considerations could only impact performance several years in the future, but our forward-looking ratings aim to incorporate such effects today.
- **Increasing regulatory focus** has led to an increase in the near-term materiality of non-financial risks for financial institutions.
- **Data limitations** do not hinder our ability to take a view. While data and disclosures remain heterogeneous, Scope analysts scan available information for evidence on how issuers are managing these emerging risks.
- **Full transparency on the rating impact** of these factors for investors. We review a broad range of factors, and systematically disclose drivers of the assessment.

Best in class ↑	The issuer stands out as an early adopter of the most-advanced industry sustainability-related standards or practices. The issuer's approach to long-term sustainability, including target setting and commitment to delivery, clearly enhances its credit standing.
Advanced ↑	The issuer is effectively and proactively managing sustainability-related considerations and stands out as a front runner in at least one sustainability theme that enhances its credit standing.
Developing →	The issuer is embracing changes in the ESG-D area, in line with peers. Progress made may be tangible but does not warrant further credit differentiation.
Constrained →	The issuer is embracing changes to cope with stakeholder demand in relation to sustainability but needs to address some identified and manageable shortcomings that constrain our overall assessment.
Lagging (-1) ↓	The issuer's management of material sustainability considerations displays significant shortcomings, which need to be addressed in the short term to catch up with evolving industry standards or market perceptions.
Lagging (-2) ↓	

Analytical USPs: Reducing the bank-sovereign nexus

- The link between sovereign and bank credit risk in the euro area is looser than before, as several channels of contagion have been weakened following the euro-area sovereign crisis.
- Scope is **committed to reflecting sovereign risk in bank ratings analytically and not mechanically**. This approach we believe contributes to further loosening the bank-sovereign nexus.
 - Euro-area break-up scenarios are considered extremely remote and do not materially affect our assessments of issuers in the euro area.
 - The risk of a macroeconomic deterioration is captured in our operating-environment assessment.
 - Direct exposures to sovereign risk are analysed as a concentrated risk exposure. Depending on the rating differential, size and portfolio characteristics, this may constrain our earnings & risk-exposure assessment.
 - Funding risk is mitigated by the role of the ECB as the lender of last resort and by the increasing mutualisation of bank contingent liabilities (e.g. Single Resolution Fund, European Deposit Insurance Scheme).

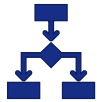


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Methodology: Easy-to-understand and transparent approach



Highly-standardised step by step rating approach **transparently** illustrated in issuer reports.



Rating users can easily dissect, **understand** and challenge the ratings.



Extensive use of data and peer-based evaluations through the ratings process ensures ratings are **consistent** and comparable.



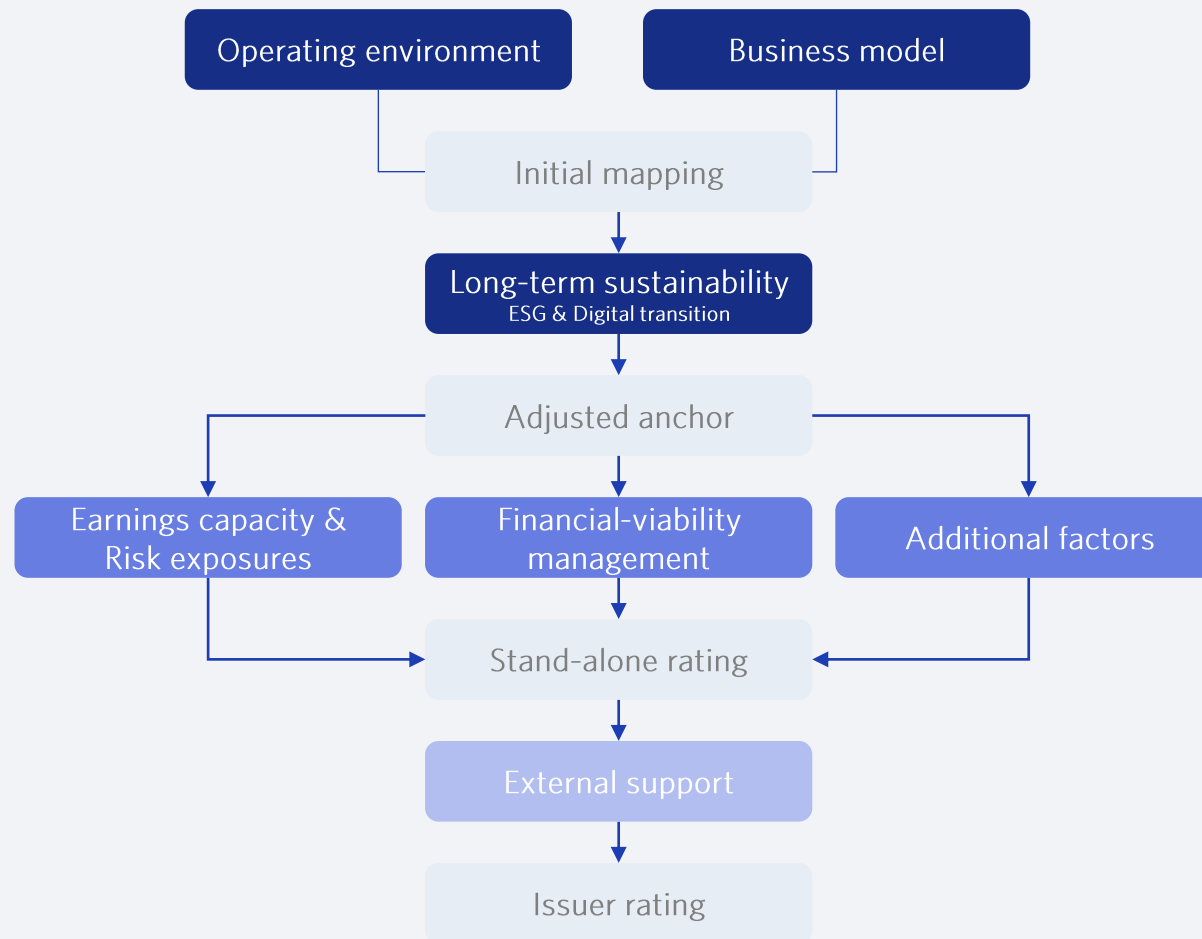
Limited use of mechanistic quantitative models or mechanical rating triggers acknowledges the complexity of financial institutions' credit risks and allows analysts to **concentrate on risks**, rather than on one-size-fits-all metrics, thresholds and weightings.

Methodology: Easy-to-understand and transparent approach

Step 1: The adjusted anchor assessment incorporates our views on the operating environment, the business model and the long-term sustainability of an issuer. These assessments tend to be extremely stable over the cycle.

Step 2: We refine our adjusted-anchor assessment through a compare-and-contrast analysis of financial performance, including of profitability, asset quality and risks, capital, funding, and liquidity.

Step 3: External support is considered only when appropriate (government support, State support, parental support, and other forms of group membership)



To see Scope's Financial Institutions Rating Methodology, [click here](#)





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Research: Highlights

Main research products:

 <h3>Commentaries</h3>	 <h3>Periodic reports</h3>	 <h3>Ad-hoc research articles</h3>	 <h3>Outlooks</h3>
<p>Quick reactions to relevant industry- or issuer-specific news, to help investors navigate the credit implications of the newsflow.</p>	<p>Periodic thematic research focusing on specific sub-sectors (e.g., Italian banks, French banks, etc.) or specific analytical areas (i.e., asset quality, capital structures, etc.).</p>	<p>Deeper dives into a specific topic, for when a hot topic deserves more in-depth analysis than a short commentary might provide.</p>	<p>We publish at least once a year our forward-looking view on European banking-sector trends.</p>

To sign up to receive Scope Financial Institutions research, [click here](#)

Examples:

[2024 European Banking Outlook: sound fundamentals support credit profiles but profitability will decline](#) (Outlook, 15/01/2024)

[Commerzbank's updated strategy promises profitable future; implementation will be challenging](#) (commentary, 20/11/2023)

[European Bank Capital Quarterly Q4-2023](#) (research report, 20/10/2023)

[Italian banks: solid funding and liquidity against challenging backdrop](#) (research report, 05/04/2023)

Impact:

Cited on major European and global media such as The Wall Street Journal, Reuters, CNBC, Il Sole 24 Ore, Milano Finanza, Handelsblatt, Expansión

Research: Thought leadership

Scope's financial-institutions research has frequently been market leading on a broad range of subjects

Banks as utilities

Scope has long championed the view that, due to the role they play in credit intermediation in Europe, banks should be seen as quasi-utilities. They are highly-regulated, well-supervised and ultimately low-risk. In good times, when core profitability is high and financial-stability concerns low, they are [targeted](#) by governments to raise additional tax revenues.

Early and measured response to the Covid-19 Crisis

Scope took a measured response to the Covid-19 crisis. While acknowledging [early on](#) the pandemic-crisis' risks and the potential for meaningful credit implications, we also saw banks as '[part of the policy solution](#)' (which raised the likelihood of support for the credits at a time of high economic uncertainty).

Limited contagion from US regional bank failures

During the short-lived crisis caused by US regional bank failures, Scope took the view that there would not be significant spill-over effects to European banks given [tighter rules and strong oversight](#). This proved to be right, as European banks' liquidity positions have remained solid thereafter (Credit Suisse collapse was largely due to individual, pre-existing issues).

Forward-looking views on asset quality

Scope recognised early on that asset quality was a legacy issue and no longer an issue for the main [Spanish](#) and [Italian](#) banks in the aftermath of the European sovereign-debt crisis. More recently, we called the reversal of the asset-quality cycle [early in 2023](#).

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Financial institution – Team overview

10+ years of rating activity

Team established in London in 2013

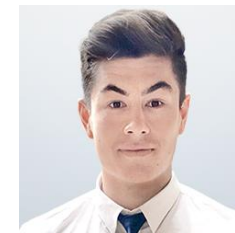
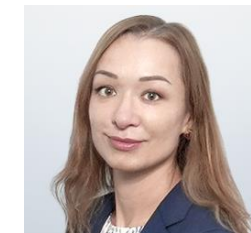
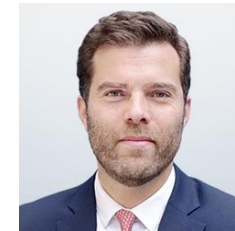
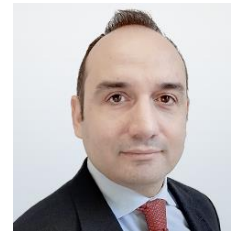
European analytical DNA

Analysts operating in Scope offices in London, Frankfurt, Milan and Paris, with deep knowledge and understanding of domestic banking markets.

Diversity as an added value

FI ratings analysts come from a variety of personal and professional backgrounds: rating agencies (small and large), credit buy side, equity sell side, banks.

Languages we speak: 



Team biographies



Marco Troiano, CFA

Managing Director – Head of Financial Institutions Ratings

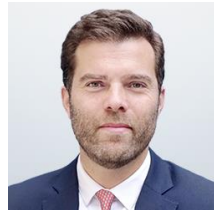
MILAN

Languages:     

Marco joined Scope in 2014, and currently manages the FI team.

Marco has broad experience, having covered a wide range of Financial Institutions across Europe as an equity analyst at S&P and Berenberg Bank, and as lead credit analyst at Scope.

He is a guest lecturer at his alma mater Bocconi University in Milan and a member of the ECB Banking Supervision Market Contact Group.



Nicolas Hardy

Executive Director – Deputy Head

PARIS

Coverage: France, Benelux, Ireland

Languages:  

Nicolas joined Scope in 2020. Prior to joining Scope, Nicolas worked at S&P Global Ratings (2008-2020), covering financial institutions in emerging markets (Middle East and North Africa region) and in Western Europe (primary analyst on French banks, lead analyst for the Benelux region). He has a PhD from École des hautes études en sciences sociales in Paris and is a certified ESG analyst from CFA Institute and the European Association of Financial Analysts.





Pauline Lambert

Executive Director

LONDON

Coverage: UK, Switzerland, Norway

Languages:  

Pauline joined Scope in 2013. While her previous bank coverage spanned across Europe, she focuses today on the UK, Switzerland and Norway. Previously, she was a credit analyst with Credit Suisse and Pictet Asset Management with responsibility for advising portfolio managers and clients on their investments in banks and insurers. Pauline was also a ratings advisor with Citigroup and UBS, working with companies to obtain and manage their credit ratings. She has an MBA from Columbia University, New York, and is a CFA certified ESG analyst.



Carola Andrea Saldias Castillo

Senior Director

MILAN

Coverage: Sweden, Finland, Spain, Portugal

Languages:    

Carola joined Scope in 2022. Prior to joining Scope, Carola worked at Fitch Ratings (2004 – 2011), covering international financial institutions (insurance companies and banks) with operations in Latin America. Later, she moved to the EU and worked from 2013 to 2019 at Dagong Europe Credit Ratings, developing its analytical tools and methodologies and covering European financial institutions in Portugal, Italy, Germany, France, among other countries. She has an MBA from the University of Edinburgh Business School and is a certified CESGA analyst from the European Federation of Financial Analyst Societies.

Team biographies






Christian van Beek

Director

FRANKFURT

Coverage: Germany, Austria, Denmark

Languages:   

Christian joined Scope's Financial Institutions team as a Director in 2021. Based in Frankfurt, he covers the German, Austrian and Danish markets. Prior to joining Scope, Christian had worked for more than 20 years as a credit analyst at Fitch Ratings and international banks such as Mizuho Bank, Commerzbank and Dresdner Kleinwort with a special focus on credit-risk management. Christian graduated in East Asian Regional Studies from Gerhard Mercator University in Duisburg, Germany and Seinan Gakuin University in Fukuoka, Japan. During his studies, he worked as a trainee for HypoVereinsbank.






Alessandro Boratti, CFA

Senior Analyst

MILAN

Coverage: Italy, CEE, Greece

Languages:   

Alessandro joined Scope's Financial Institutions team in 2018, focusing on Italian banks. Since then, he has taken lead responsibility for all financial institutions in Italy and Greece, as well as in the Central and Eastern Europe (CEE) region.

Alessandro is a CFA charterholder since 2022. He has a Bachelor's degree in Economics & Management at the University of Trento (Italy) and a MSc in Finance from Grenoble École de Management (France).





Álvaro Domínguez

Analyst

LONDON

Coverage: UK, Georgia

Languages:  



Alvaro joined Scope in 2017. At Scope, Alvaro is an Analyst within the Financial Institutions team, responsible for the analytical coverage of financial institutions of Commonwealth of Independent States (CIS) countries and several banks in the UK. Prior to joining Scope, he was an analyst in Mizuho's Market Risk team, where he was responsible for the bank's stress testing and scenario analysis. Alvaro started his career with Santander UK Global Banking & Markets within the Short-term Markets (Repo trading) and ALM team, where he worked for three years as an analyst. He studied a dual Bachelor in Business administration and Law from Universidad Carlos III de Madrid.



Andre Hansen

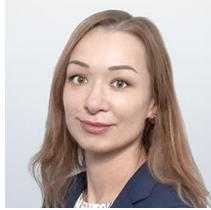
Associate Analyst

LONDON

Languages:  

Andre joined Scope in 2019. Prior to joining Scope, he graduated from Bath Spa University with a Bachelor's degree in Business and Management.

Team biographies



Milya Safiullina

Associate Analyst

FRANKFURT

Languages:   

Milya joined Scope in 2022. She has 20 years of experience as a risk manager for the largest banks in Russia, including VTB and Bank Zenit, covering a broad range of financial institutions. Milya holds an Honour's degree in Finance and Credit - Banking Economist from Kazan Federal University.



Tatiana Fomenko

Associate Analyst

PARIS

Languages:   

Tatiana joined Scope in 2021. Prior to that, Tatiana was a credit analyst covering financial institutions in emerging economies (Central Asia) while working at the EBRD in London. She also worked in management consulting (Accenture, Paris), working with major French banks. She has a Master's degree in Finance from Sorbonne University.



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About Scope Group

Scope SE & Co. KGaA

is the holding company of the Scope Group and the leading EU-based provider of independent ratings, research and risk analysis solutions across all asset classes. The Scope Group is based in Berlin and has offices in Frankfurt, London, Madrid, Milan, Oslo and Paris. The Scope Group has five fully-owned operating companies.

Scope Ratings GmbH and Scope Ratings UK Limited

are lead providers of solutions for credit risk analysis. They are the leading European credit rating agencies registered in accordance with the EU and the UK's credit rating regulation and operating in the European Union and the UK with External Credit Assessment Institution (ECAI) status. Scope Ratings offers clients with opinion-driven, forward-looking and non-mechanistic credit risk analysis and contributes to a greater diversity of opinions for institutional investors. It also offers a complete suite of analytical products related to credit risk analysis including high quality credit risk solutions, enabling market participants to measure and manage credit risk, providing capabilities to extend their credit workbench, and helping them to meet regulatory requirements.

Scope Fund Analysis GmbH

is a lead provider of solutions for Funds analysis. It specialises in the analysis and rating of mutual funds, alternative investment funds, asset management companies and certificate issuers. Scope Analysis offers opinion-driven and forward-looking risk-return research and monitors risks on an ongoing basis.

Scope ESG Analysis GmbH

is a provider of solutions for ESG analysis. It offers investors and issuers the tools for analysing and reporting ESG impact, ESG risk and sustainability. Scope ESG offers ESG scorings, adverse impacts measures, research and portfolio analysis for monitoring and optimising ESG strategies in asset allocation. Scope ESG also provides second party opinion for green and social bonds.