

SUMMARY OF FEEDBACK ON FINANCIAL INSTITUTIONS METHODOLOGY REVISION

On 5 Mar. 2025, Nordic Credit Rating requested comments on proposed amendments to its financial institutions rating methodology. Following market feedback, we finalised and published the criteria on 12 May 2025.

Here, we provide a summary of the responses. Some adjustments were made in response to the comments, without changing the analytical approach or overall implications.

We thank respondents for their input.

SIMILAR RISK FACTORS

Respondents asked for our view on the risk of "double counting" the same underlying risk factor in multiple sections of the methodology. Our response is that the methodology is deliberately designed to allow us to assess similar underlying risk factors under several sub-factors, and we regard this as a strength. We believe that the fixed weights in our scoring system allow us to reflect key risks for an issuer appropriately and that to do this "double counting" is sometimes necessary.

ASSESSMENT OF OPERATIONAL AND RISK MANAGEMENT

Respondents sought additional information on how we qualitatively assess an issuer's operational and risk management functions, and the implications for credit risk. In our view, such assessments are integral to our analysis and are captured throughout the risk appetite section. We consider this to be adequately explained in §37-38 of the updated methodology.

CAPITAL GENERATION ABILITY WITHIN PERFORMANCE INDICATORS

Respondents asked if our ability to disregard the guidelines in our earnings assessment in relation to capital generation ability (and need) was also applicable to loss performance. We have added an explanation in the performance indicators section and a reference in the loss performance section.

CLARIFICATION OF CAPITAL STRUCTURE PROTECTION

Respondents sought clarification on thresholds for eligibility for our new capital structure protection notch, and the potential role of Tier 2 instruments. We have included Tier 2 instruments in the types of instruments that could result in protection. We have also said that to obtain one notch of uplift, the minimum threshold is 5% of the issuer's risk exposure amount, and that "significantly higher" buffers could lead to an additional notch.

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