

## CREDIT OPINION

25 April 2024

Update

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### RATINGS

#### Advanzia Bank S.A.

Domicile	Luxembourg
Long Term CRR	Baa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa3
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Baa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## Advanzia Bank S.A.

Update following rating upgrade

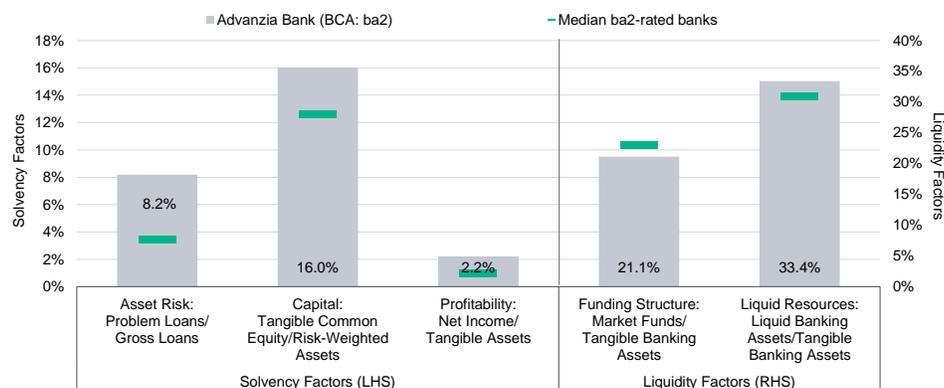
### Summary

Advanzia Bank S.A.'s (Advanzia) deposit and issuer ratings of Baa3 result from (1) the bank's Baseline Credit Assessment (BCA) of ba2, (2) the application of our Advanced Loss Given Failure (LGF) analysis, resulting in a very low loss given failure and a two-notch uplift for deposit and senior unsecured ratings and (3) a low probability of government support, resulting in no uplift. The outlook on the deposit and issuer ratings is stable.

Advanzia's BCA of ba2 reflects (1) the bank's very high asset risk incurred through its unsecured consumer lending activities pursued in Western Europe, primarily in Germany, since its foundation in 2005, (2) its very high profitability resulting from high-margin revolving credits, providing good coverage of loan-loss charges, (3) its limited risk-weighted capitalisation buffer above regulatory minima, reflecting high loan growth and dividend payouts, (4) its funding profile dependent on price-sensitive online saving deposits which the bank wants to gradually diversify into more stable, albeit confidence-sensitive, market funding instruments, (5) its adequate liquidity and (6) elevated regulatory risks on consumer lending activities, especially as the bank is exclusively focused on these activities.

Exhibit 1

### Rating Scorecard - Key financial ratios



Note: Asset Risk and Profitability reflect the weaker of either the latest figure or the three-year and latest figure average. Capital is the latest reported figure. Funding Structure and Liquid Resources reflect the latest fiscal year-end figures.

Source: Moody's Financial Metrics

## Credit strengths

- » Established presence and track record in Germany
- » Strong profitability driven by very high net interest margins and very good operating efficiency, which allows solid coverage of loan-loss charges
- » Adequate capitalisation, supported by strong earnings generation, despite modest buffers above regulatory minima
- » Ample liquidity bringing comfort against deposit outflows and drawings on revolving credit limits

## Credit challenges

- » Very high asset risk linked to unsecured credit card lending, albeit highly granular, unseasoned portfolios in some new markets, and challenges due to economic weakness
- » Increase in funding cost pressuring net interest margins
- » High albeit decreasing dependence on online saving deposits for funding
- » Elevated business risk linked to possibly evolving regulatory landscape

## Rating outlook

The stable outlook on Advanzia's long-term deposit, issuer and senior unsecured debt ratings reflects our view that the bank will be able to maintain an adequate credit profile over the outlook horizon thanks to the very high profitability of its lending activities, despite a significant likelihood of negative developments on net interest margins and loan-loss charges.

## Factors that could lead to an upgrade

- » Although unlikely at present given the unfavourable economic environment, we could upgrade the BCA if Advanzia decided to substantially increase its capitalisation buffers, while preserving its profitability and risk profile.

## Factors that could lead to a downgrade

- » We could downgrade the BCA and ratings as a result of a significant deterioration in asset quality impacting profitability and capitalisation. In addition, a downgrade could also occur if net interest margins and profitability were to substantially decrease.
- » Although unlikely viewing today's upgrade, Advanzia's long-term deposit and senior unsecured debt ratings could also be downgraded as a result of an increase in loss given failure, should these instruments benefit from lower subordination and instrument volume than is currently the case.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key Indicators

Exhibit 2

### Avanzia Bank S.A. (Unconsolidated Financials) [1]

	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (EUR Million)	4,155.6	3,248.4	3,126.1	2,649.9	2,548.4	13.0 <sup>4</sup>
Total Assets (USD Million)	4,590.5	3,466.9	3,542.2	3,242.3	2,860.6	12.6 <sup>4</sup>
Tangible Common Equity (EUR Million)	363.2	265.9	297.8	254.5	177.7	19.6 <sup>4</sup>
Tangible Common Equity (USD Million)	401.2	283.7	337.4	311.4	199.5	19.1 <sup>4</sup>
Problem Loans / Gross Loans (%)	7.8	7.3	9.4	11.1	6.8	8.5 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	16.0	13.5	17.3	17.0	13.0	15.4 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	38.1	40.8	45.2	53.1	43.3	44.1 <sup>5</sup>
Net Interest Margin (%)	9.8	10.7	10.2	10.3	9.6	10.1 <sup>5</sup>
PPI / Average RWA (%)	13.2	14.3	14.0	13.5	12.7	13.6 <sup>6</sup>
Net Income / Tangible Assets (%)	2.2	3.6	3.8	3.8	2.9	3.3 <sup>5</sup>
Cost / Income Ratio (%)	34.8	33.8	33.3	36.2	36.3	34.9 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	21.1	14.3	13.7	8.0	9.0	13.2 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	33.4	26.6	33.6	31.9	34.5	32.0 <sup>5</sup>
Gross Loans / Due to Customers (%)	109.6	107.7	99.3	92.3	85.7	98.9 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

Avanzia Bank S.A. (Avanzia) is a Luxembourg-based digital bank founded in 2005, which specializes in consumer credit through the issuance of credit cards to customers in Germany (around 83% of gross loans to retail customers), Luxembourg, France, Austria, Spain and Italy. Avanzia had gross outstanding loans of €3 billion (including Professional Card Services for private banks) as of end-December 2023, representing the loan balances of approximately 2.6 million credit card customers. Avanzia is largely funded through deposits, which amounted to €2.7 billion at end-December 2023, raised through approximately 59,000 private individuals essentially based in Germany.

In addition to Avanzia's own-branded credit cards issued to private customers, the bank's operations are supported by over 190 business partnerships for co-branded credit card programs and by card issuing services<sup>1</sup> to above 90 partner banks under white label. In this PCS business line, Avanzia is the lender but does not bear the credit risk of the end-customer using the card. The bank promotes its own branded Mastercard Gold credit cards through online marketing channels and distributes its white-labelled and co-branded credit cards via business partner networks.

Avanzia is an independent bank, with a limited number of private investors. The Norway-based Kistefos Group, a private investment company, has been the controlling shareholder since 2006 and currently holds 60.3% of the issued shares.

## Detailed credit considerations

### Elevated problem loans and cost of risk reflect very high inherent credit risk of credit card revolving credits

Avanzia's asset risk is very high, reflecting the risk characteristics of unsecured credit card lending, which we view as prone to high levels of impairment in economic downturns. The bank's problem loan ratio excluding PCS was 7.8% at year-end 2023. Nonetheless, this ratio is not fully reflective of asset risks because problem loans are regularly sold or written off, hence deflating it.

Most problem loans are outsourced to external debt collection agencies after 90 days past-due (60 days in France) with legal claim entitlements lasting up to 30 years in Germany. Avanzia does not engage in partial repayment plans with defaulted customers and internal forbearance is rare. The bank also regularly sells problem loans to institutional investors via two processes, (1) aged collection portfolios or (2) agreements to sell future collection cases on a monthly basis.

In May 2023, Advanzia signed an agreement with a German debt collection agency named Hoist Finance for a duration of one year, by which it is selling around 40% of the new German problem loans while other claims are serviced through external debt collection agencies. We expect future NPL sales could become more costly considering the weak economic environment.

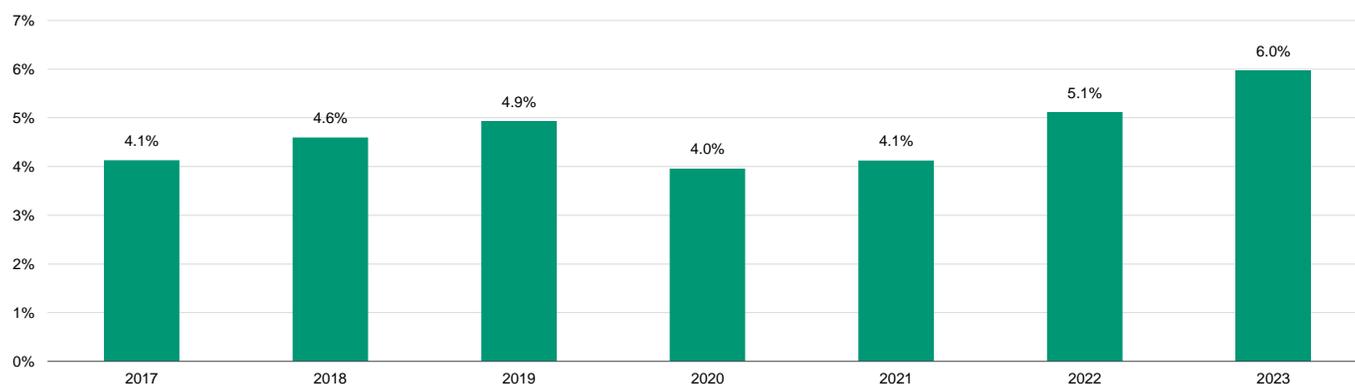
Advanzia's cost of risk was 6% of average credit card loans in 2023, which is reflective of the risky nature of credit card revolvers. The average cost of risk between 2019 and 2023 was very high at 4.8% annually. Credit card fraud represented between 1% and 5% of the loan losses during this period.

- » In Germany, the bank has a long experience in managing consumer loan portfolios and its cost of risk is pretty stable, albeit high. Advanzia's underwriting practices strongly benefit from the buildup of long track records and the testing and fine-tuning of credit risk models over long periods. Hence, the cost of risk is usually more elevated and volatile in countries where the risk is less seasoned.
- » In France, the bank has difficulties to optimize the risk-reward balance of its lending operations, a situation that is largely due to the legal constraints contained in the law known as the "Lagarde legislation"<sup>2</sup>. This led to much higher cost of risk in this country and the bank significantly reduced its loan origination in the country.
- » In Italy and Spain, the bank reported very high levels of loan-loss charges, both countries being still in their launching phase, but it decided to limit growth there until models are more seasoned.

Exhibit 3

### Advanzia's cost of risk is structurally high

Loan-loss charges in percentage of average gross customer loans



Sources: Company reports and Moody's Ratings

Although asset risk is very high, it is also very granular. The average loan size was reported to be only around €1,800 euros in 2023. The initial credit limit for a new client has historically been €1,000–€1,500 with a maximum of €3,000. After a few months, the limit increases if no credit event is reported. On average, credit limits are €4,500 with a cap of €10,000. Hence, the 20 largest problem loans, including accrued interest, accounted for only €222,000 at year-end 2023. In addition, stage 3 loans were more than fully covered (105%) by provisions at year-end 2023.

We expect the current economic weakness in Germany to weigh on the bank's cost of risk going forward while the expansion in Spain and Italy, will typically result into higher loan-loss charges, as risk models are not seasoned in the first few years. Recovery rates on recent vintages appears lower than in the past. We also expect a higher stock of NPL compared with recent years due to less NPL sales under the new agreement with a debt collection agency.

Our assigned Asset Risk score of b3 is adjusted down by four notches to reflect high non-performing loan formation, partly hidden by sales and write-offs.

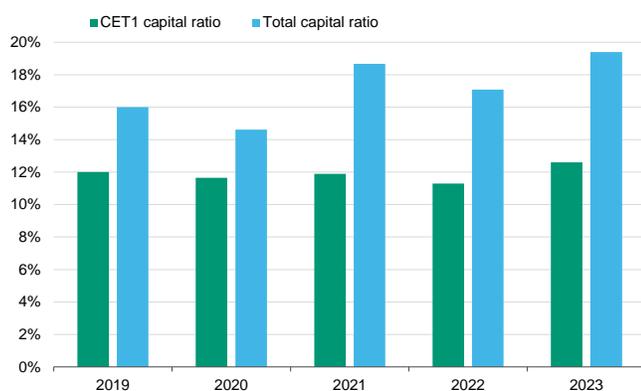
### Capitalisation is supported by high earnings generation, but offers only modest buffers above regulatory minima

The bank's Common Equity Tier 1 (CET1) ratio was 12.6% excluding interim profits (15.6% including interim profits) at end-December 2023 (Exhibit 4). This was modestly above the EU's Supervisory Review and Evaluation Process (SREP) CET1 minimum of 10.5%, including countercyclical buffer. Similarly, the bank's total capital, including Additional Tier 1 (AT1) and Tier 2 debt, was 19.4% excluding interim profits (22.4% including interim profits) against the SREP requirement for total capital of 16.2%.

Exhibit 4

#### The bank retains modest capital buffers above regulatory minima

Regulatory capital ratios (in percentage terms)

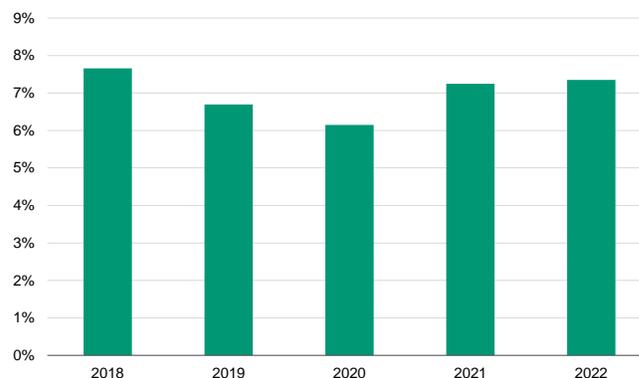


Sources: Company reports and Moody's Ratings

Exhibit 5

#### Leverage ratio remains high

Regulatory Tier 1 leverage ratio (in percentage terms)



Sources: Company reports and Moody's Ratings

The cushion above the regulatory minima has been constrained by the bank's significant loan growth (15% per year on average during the period 2020–2023 for retail loans) and the modest earnings retention. The dividend payout ratio was around 80% in 2020 and 2021, 51% in 2022 and 55% in 2023. Most excess cash versus Advanzia's target buffer over regulatory minima is therefore upstreamed to the shareholders and earnings retention is minimal.

Nonetheless, Advanzia's very high return on equity (31% on average in the last three years) enables the bank to accrue capital quickly. In addition, Advanzia can also moderate quickly its loan-loss charges by reducing its loan origination, given that most losses occur at a very early stage of the loan life. The capacity to slow down loan origination also provides Advanzia with some flexibility on customer acquisition costs.

The bank uses the standardized approach for the calculation of risk weights, which are fixed at 75% for performing loans and 100% for the portion net of provisions of non-performing loans. These high risk weights coupled with the SREP requirements result in relatively high capital requirements.

Our assigned Capital score of ba1 is adjusted down to reflect the tightly managed capital buffer over regulatory minima despite high asset risks.

### Profitability and efficiency are strong, driven by very high net interest margins

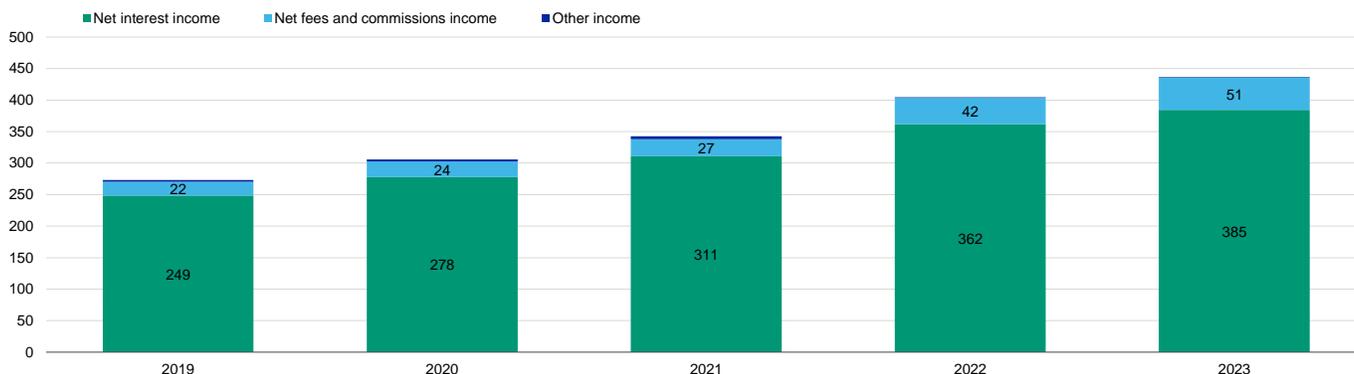
Advanzia reports strong profitability and efficiency metrics thanks to the very high interest rates charged to its credit card borrowers (Exhibit 6). Net income was 2.2% of tangible assets in 2023, below 2022 levels (3.6%). These profits are largely driven by very high net interest margins, which were reported to be 14% on the retail customers loan book in 2023.

The bank's strong presence in Germany dating 2006, accounted for 83% of its €2.9 billion of gross loans to retail credit card customers at year-end 2023, with a market share of approximately 24% of issued cards.<sup>3</sup> This portfolio is a stable anchor for the bank's profitability. Advanzia has a long track record of highly profitable growth in this country. Lending activities in France, starting in 2012, are much smaller and have given mixed results in a business where risk models and the need to build long track records of asset performance are key. The bank started its lending activities in Austria in 2015. The lending activities in Spain and Italy were only launched in 2019 and 2021, respectively, and growth in these countries was slowed down by the bank as of the second half of 2023 until risk models are more refined, in view of initial losses.

Exhibit 6

**Net interest income is the main driver of Advanzia's revenue**

Breakdown of net banking income in € million



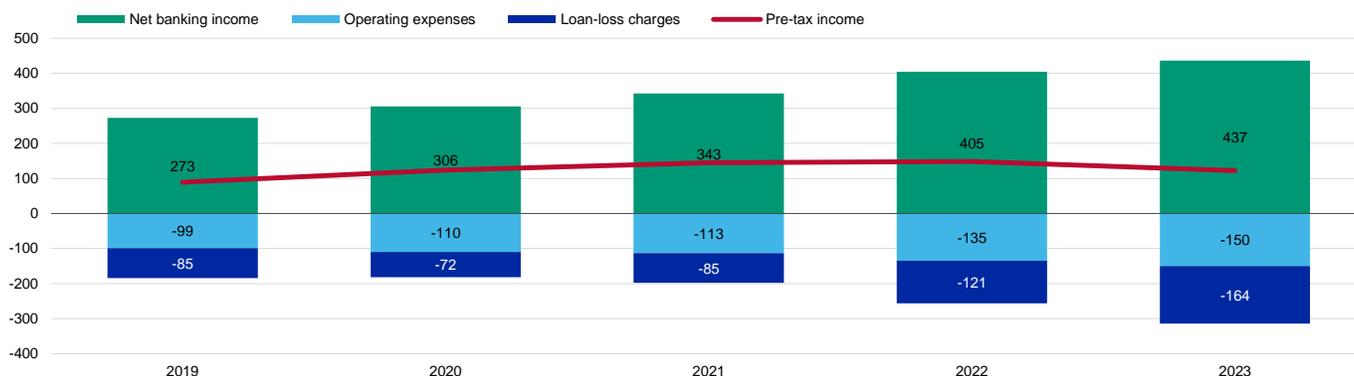
Sources: Company reports and Moody's Ratings

The bank's net interest margins amply cover operating expenses, resulting into strong operating efficiency as shown by its low cost-to-income ratio of 34% in 2023 (including client acquisition costs). Costs incurred for the acquisition of new clients amounted to 35% of operating expenses during the same year. These expenses can be rapidly cut to protect profitability in a severe downturn scenario. High operating profits are necessary to cover high loan-loss charges, which represented 57% of operating profits in 2023 and 45% in 2022.

Exhibit 7

**Rising impairment charges strain pre-tax income**

Breakdown of pre-tax income in € million



Sources: Company reports and Moody's Ratings

The bank's in-force credit cards are spread among customers with three differing profitability profiles: (1) The "transactors", who use the credit cards for purchases but repay their whole balance before month-end and therefore before accruing interests, are relatively neutral for the overall profits of the bank; (2) the "borrowers", or revolving users, bring most of the profits as they are charged very high interest rates; and (3) the "inactive customers" are a cost for the bank but represent potential revenue in the future. The aim of the bank is to increase the number of borrowers and their share of wallet. In addition, Advanzia aims to increase commissions thanks to insurance fees, membership fees, interchange, ATM fees, forex fees and data monetisation, as net fee and commission income represented only 12% of net banking income in 2023.

We believe that a major business risk for the bank and its profitability is regulatory risk which can involve the establishment of interest rate caps. Although the revision of the European Union's Consumer Credit Directive (CCD) did not establish EU-wide caps, interest rate caps could still be put into force at local levels, which would significantly impact the profitability of Advanzia's activities. Previous instances of such caps can be found in France, where the bank's business has a much less favourable risk-reward profile and is slowing down loan growth as a result.

Going forward, profitability should remain high, but profit margins will remain under pressure. We expect the bank's funding costs to increase given the recent issuance of debt securities, which should nonetheless be largely offset by the repricing of its loans to existing customers in Germany. In addition, sluggish macroeconomic conditions will likely keep loan-loss charges high.

Our assigned Profitability score of a2 is adjusted down by three notches to reflect inherent earnings volatility, upcoming margin pressure and high regulatory risk on earnings prospects.

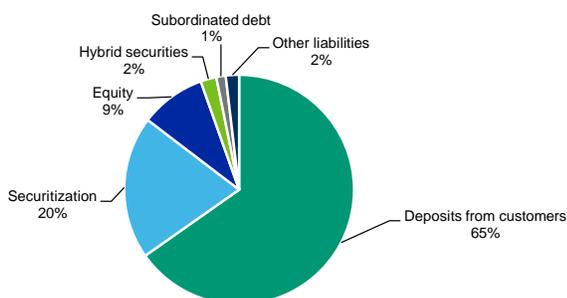
### The funding profile has been historically stable thanks to granular online saving deposits and a low reliance on wholesale markets

The funding profile has been historically stable thanks to granular online saving deposits and a low reliance on wholesale markets. Advanzia finances its credit card lending activities essentially through retail saving deposits raised online, which proved to be a relatively stable and flexible source of funding historically even if they are on-demand deposits.

Saving deposits represented 65% of total funding (including shareholders' equity) at year-end 2023, the remainder being mostly provided by securitization (20%) and common equity (9%). The bank also has a €25 million senior secured multicurrency overdraft facility, which is usually only partially drawn for hedging purposes.

Exhibit 8

#### Advanzia is essentially funded through customer deposits Breakdown of liabilities and shareholder's equity



Sources: Company reports and Moody's Ratings

The bank issued an inaugural securitization in 2021 as part of its objective to reduce its reliance on saving deposits. Although deposits will remain the principal source of funding, the goal is to have a better balance between deposits, securitization and senior unsecured funding. Advanzia made further progress on funding diversification in April 2024 through the inaugural issuance of €200 million senior unsecured debt. Market funding, which represented 21% of tangible banking assets at year-end 2023, will therefore progressively increase.

We view positively the ongoing plan of the bank to diversify and lengthen its funding sources away from competitive and price-sensitive online deposits. Saving deposits raised online with individuals who are not captive clients of the bank are more volatile than traditional retail bank deposits, being subject to uncertain inflows linked to the success of a campaign to attract deposits or sudden outflows due to changes in interest rates paid by competitors. In addition, the deposits raised by Advanzia are sight deposits, which can be withdrawn instantaneously by depositors. Nonetheless, saving deposits were to a large extent raised in Germany (96%) and were around 90% covered by national deposit guarantee schemes at year-end 2023, which offers some degree of comfort on their stability.

The bank reported a regulatory net stable funding ratio of 214% at year-end 2023.

Our assigned Funding Structure score of ba2 is adjusted down by four notches to reflect the nature of deposits raised by the bank and the limited track record of market access.

### Ample liquidity allows good comfort against deposit outflows and drawings on revolving credit limits

The bank maintains ample liquidity on its balance sheet, which we view as adequate to its funding profile. Liquid assets of €1.4 billion, consisting of cash at central banks, nostro bank accounts and loans to financial institutions, represented 33% of tangible assets and 51% of deposits at year-end 2023, offering good security against deposit outflows and unexpected client drawdowns on unused credit card limits.

The bank also needs large liquidity buffers to face an unexpected increase in client drawings on their revolving credit limits. Credit card loan balances reached €3 billion at end-December 2023 (including PCS), but undrawn revolving credit limits, which are off-balance sheet commitments, reached an additional €6.5 billion at the same date. Nonetheless, the bank has the legal right to cancel most unused limits in a matter of a few days (and all within two months) and turn the drawn amounts into amortizing loans, an action that was not needed in the bank's history.

Around 30% of the balance sheet was encumbered at year-end 2023 due to the increase of securitisation in the bank's funding mix after the increase of the securitisation warehouse to €1 billion (from €475 million) in November 2023. We expect asset encumbrance to increase to around 40% in the future, as securitization becomes a larger proportion of the bank's funding.

The bank reported a regulatory liquidity coverage ratio of 230% at end-December 2023 (168% at year-end 2022).

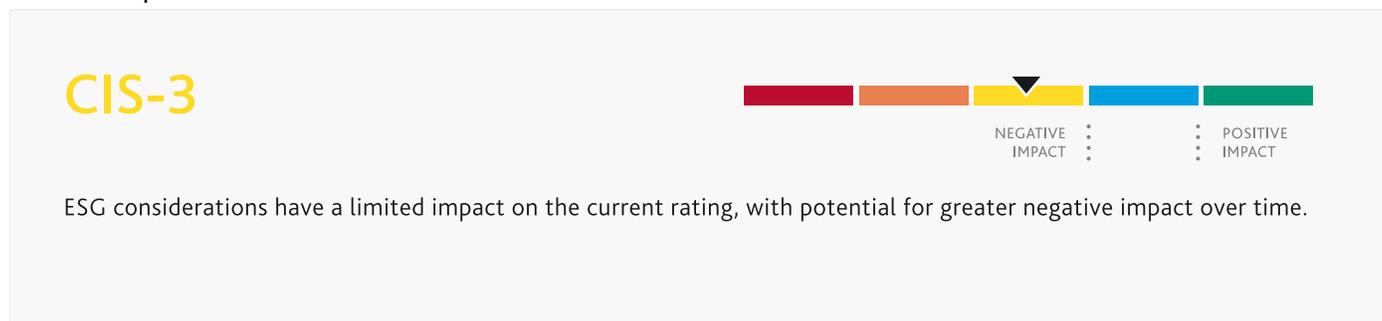
Our assigned BCA is ba2, one notch below the Financial Profile of ba1. Similar to its peer monoline issuers, we apply a negative qualitative adjustment of one notch, reflecting the limited business diversification of the bank.

## ESG considerations

### Avanzia Bank S.A.'s ESG credit impact score is CIS-3

Exhibit 9

#### ESG credit impact score



Source: Moody's Ratings

Avanzia Bank's **CIS-3** indicates the limited impact of ESG considerations on the current rating, with potential for greater impact over time, mainly due to moderate governance risks. As a credit card lender, Avanzia Bank faces high exposure to social risks, particularly related to treating customers fairly and product pricing. Well-developed frameworks and processes help mitigate but not eliminate these risks.

Exhibit 10

**ESG issuer profile scores**

Source: Moody's Ratings

**Environmental**

Advanzia has a low exposure to environmental risk because its lending operations are focused on unsecured consumer loans.

**Social**

Advanzia's faces high social risks related to customer relations, in particular regulatory risks in its various regional markets, and to treating customers fairly from both a conduct and pricing point of view. Regulatory scrutiny and intervention in many of Advanzia Bank's markets increases social risk for the firm, often with financial implications. Societal trends such as digitalisation also strain the business model as do requirements to manage and mitigate potential breaches of data privacy.

**Governance**

Advanzia's governance risks are moderate. The bank's risk management and risk appetite are prudent and satisfactory, mitigating risks implied by its credit card lending model. Nonetheless, the bank's financial strategy is characterized by fast loan growth, tight capital buffers in light of elevated asset risks and high earnings distribution. Governance risks are stemming from the bank's still modest track record in accessing the unsecured funding markets and demonstrating its ability to diversify funding sources.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

**Support and structural considerations****Affiliate support**

We believe that the probability that Advanzia's shareholders, including its majority shareholder Kistefos, would extend support in case of need is low, resulting in no affiliate support uplift and an Adjusted BCA of ba2, in line with the BCA.

**Loss Given Failure (LGF) analysis**

Advanzia is subject to the European Union Bank Recovery and Resolution Directive, which is an Operational Resolution Regime. In estimating Loss Given Failure and in line with our standard assumptions, we assume residual TCE of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. In addition, we assume a 10% share of wholesale deposits relative to total deposits, which is our central assumption for banks relying mostly on retail deposits.

Advanzia's deposits and senior unsecured debt are likely to face very low loss given failure because of the loss absorption provided by the volume of senior instruments and the amount of subordination in the form of AT1 and Tier 2 subordinated debt. This results in a two-notch uplift from the Adjusted BCA.

**Government support considerations**

We expect a low probability of government support for Advanzia's deposits and senior obligations, resulting in no uplift for the deposit and senior unsecured ratings of the bank.

**Counterparty Risk Ratings (CRRs)**

**Advanzia's CRRs are Baa2/Prime-2**

The CRR for Advanzia is three notches higher than the Adjusted BCA of ba2, based on the level of subordination to CRR liabilities in the bank's balance sheet, and assuming the volume of such liabilities.

### Counterparty Risk (CR) Assessment

#### **Advanzia's CR Assessments are Baa2(cr)/Prime-2(cr)**

The long-term CR Assessment is positioned three notches above the Adjusted BCA of ba2, based on the substantial buffer against default provided to the senior counterparty obligations by more junior instruments, such as senior unsecured debt and dated subordinated debt. Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

## Rating methodology and scorecard factors

Exhibit 11

Advanzia Bank S.A.

<b>Macro Factors</b>											
<b>Weighted Macro Profile</b>		<b>Strong +</b>		<b>100%</b>							
<b>Factor</b>	<b>Historic Ratio</b>	<b>Initial Score</b>	<b>Expected Trend</b>	<b>Assigned Score</b>	<b>Key driver #1</b>	<b>Key driver #2</b>					
<b>Solvency</b>											
<b>Asset Risk</b>											
Problem Loans / Gross Loans	8.2%	ba2	↔	b3	Long-run loss performance	Unseasoned risk					
<b>Capital</b>											
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.0%	aa2	↔	ba1	Capital retention						
<b>Profitability</b>											
Net Income / Tangible Assets	2.2%	aa2	↓	a2	Earnings quality	Expected trend					
Combined Solvency Score		a2		ba2							
<b>Liquidity</b>											
<b>Funding Structure</b>											
Market Funds / Tangible Banking Assets	21.1%	baa1	↔	ba2	Deposit quality	Expected trend					
<b>Liquid Resources</b>											
Liquid Banking Assets / Tangible Banking Assets	33.4%	a2	↔	a3	Asset encumbrance						
Combined Liquidity Score		a3		baa3							
<b>Financial Profile</b>											
				ba1							
<b>Qualitative Adjustments</b>				<b>Adjustment</b>							
Business Diversification				-1							
Opacity and Complexity				0							
Corporate Behavior				0							
<b>Total Qualitative Adjustments</b>				-1							
<b>Sovereign or Affiliate constraint</b>				Aaa							
<b>BCA Scorecard-indicated Outcome - Range</b>				ba1 - ba3							
<b>Assigned BCA</b>				ba2							
<b>Affiliate Support notching</b>				0							
<b>Adjusted BCA</b>				ba2							
<b>Balance Sheet</b>											
		<b>in-scope (EUR Million)</b>		<b>% in-scope</b>		<b>at-failure (EUR Million)</b>	<b>% at-failure</b>				
Other liabilities		1,146		27.7%		1,335	32.3%				
Deposits		2,711		65.5%		2,521	61.0%				
Preferred deposits		2,440		59.0%		2,318	56.0%				
Junior deposits		271		6.6%		203	4.9%				
Dated subordinated bank debt		55		1.3%		55	1.3%				
Preference shares (bank)		100		2.4%		100	2.4%				
Equity		124		3.0%		124	3.0%				
Total Tangible Banking Assets		4,136		100.0%		4,136	100.0%				
<b>Debt Class</b>											
		<b>De Jure waterfall</b>		<b>De Facto waterfall</b>		<b>Notching</b>		<b>LGF</b>	<b>Assigned</b>	<b>Additional</b>	<b>Preliminary</b>
		<b>Instrument</b>	<b>Sub-</b>	<b>Instrument</b>	<b>Sub-</b>	<b>De Jure</b>	<b>De Facto</b>	<b>Notching</b>	<b>LGF</b>	<b>Notching</b>	<b>Rating</b>
		<b>volume +</b>	<b>ordination</b>	<b>volume +</b>	<b>ordination</b>			<b>Guidance</b>	<b>notching</b>		<b>Assessment</b>
		<b>subordination</b>	<b>subordination</b>					<b>vs.</b>			
								<b>Adjusted</b>			
								<b>BCA</b>			
Counterparty Risk Rating	11.7%	11.7%	11.7%	11.7%	11.7%	2	2	2	3	0	baa2
Counterparty Risk Assessment	11.7%	11.7%	11.7%	11.7%	11.7%	3	3	3	3	0	baa2 (cr)
Deposits	11.7%	6.8%	11.7%	6.8%	11.7%	1	1	1	2	0	baa3
Senior unsecured bank debt	11.7%	6.8%	11.7%	6.8%	11.7%	1	0	1	2	0	baa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	baa2	0	Baa2	Baa2
Counterparty Risk Assessment	3	0	baa2 (cr)	0	Baa2(cr)	
Deposits	2	0	baa3	0	Baa3	Baa3
Senior unsecured bank debt	2	0	baa3	0	Baa3	Baa3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 12

Category	Moody's Rating
<b>ADVANZIA BANK S.A.</b>	
Outlook	Stable
Counterparty Risk Rating	Baa2/P-2
Bank Deposits	Baa3/P-3
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)
Issuer Rating	Baa3
Senior Unsecured -Dom Curr	Baa3
ST Issuer Rating	P-3

Source: Moody's Ratings

## Endnotes

- 1 Professional Card Services (PCS).
- 2 The Lagarde legislation is a French consumer protection law on consumer credit and over-indebtedness enacted on 1 July 2010. The law notably aims at protecting French consumers against abusive lending.
- 3 Advanzia's internal analysis using ECB data.

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