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CREDIT OPINION

1 September 2023

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	Not Assigned
Long Term Deposit	Ba1
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 change of outlook to stable

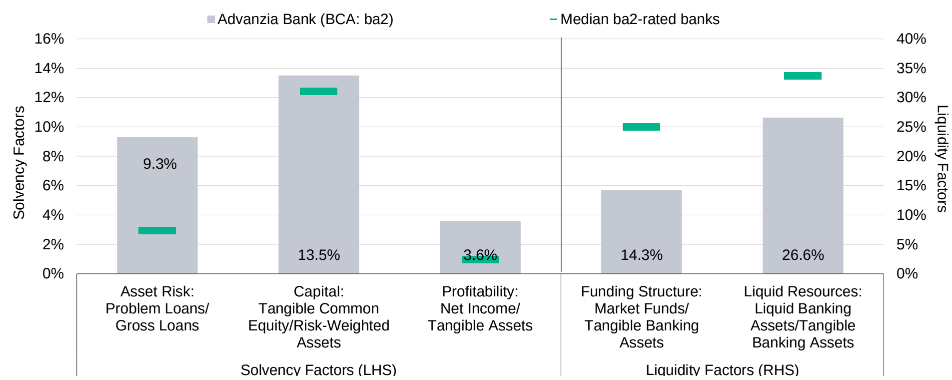
Summary

Advanzia Bank S.A.'s ("Advanzia") deposit and issuer ratings of Ba1 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 low loss given failure and a one-notch uplift for deposit and issuer 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 European Union (EU) regulatory risks on consumer lending activities, especially as the bank is exclusively focused on these activities.

Advanzia decided to postpone the planned issuance of senior unsecured debt given market conditions experienced in the first half of 2023. Furthermore, the departure during the first quarter of 2023 of the Chief Executive Officer (CEO), who has not yet been replaced at the time of publication of this Credit Opinion, also creates uncertainty at the bank.

Exhibit 1
Rating Scorecard - Key financial ratios



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 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 slowdown

» Increase in interest rates pressuring net interest margins, as it may prove difficult to increase interest rates charged to customers

» 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 deposits and issuer 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 high likelihood of negative developments on net interest margins and loan-loss charges. However the stable outlook also reflects our expectation that further issuance of loss-absorbing instruments will take longer than initially expected.

Factors that could lead to an upgrade

» Advanzia's deposit and issuer ratings would be upgraded as a result of a decrease in loss given failure, should depositors and senior creditors benefit from higher subordination and instrument volume than is currently the case. We expect upward rating pressure to materialise if the bank issues an amount of approximately €120 million of senior unsecured debt or approximately €50 million of subordinated instruments under Q1 2023 balance sheet assumptions.

» Although unlikely at present given the unfavourable economic environment, we could also 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 dwindle. Further challenges to implement the bank's strategy or a prolonged absence of CEO could also weigh negatively on the bank's BCA.

» Although unlikely at present, Advanzia's long-term deposit and issuer 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.

Key Indicators

Exhibit 2

Advanzia Bank S.A. (Unconsolidated Financials) [1]

	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	3,248.4	3,126.1	2,649.9	2,548.4	8.4[4]
Total Assets (USD Million)	3,466.9	3,542.2	3,242.3	2,860.6	6.6[4]
Tangible Common Equity (EUR Million)	265.9	297.8	254.5	177.7	14.4[4]
Tangible Common Equity (USD Million)	283.7	337.4	311.4	199.5	12.5[4]
Problem Loans / Gross Loans (%)	7.3	9.4	11.1	6.8	8.6[5]
Tangible Common Equity / Risk Weighted Assets (%)	13.5	17.3	17.0	13.0	15.2[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	40.8	45.2	53.1	43.3	45.6[5]
Net Interest Margin (%)	10.7	10.2	10.3	9.6	10.2[5]
PPI / Average RWA (%)	14.3	14.0	13.5	12.7	13.7[6]
Net Income / Tangible Assets (%)	3.6	3.8	3.8	2.9	3.5[5]
Cost / Income Ratio (%)	33.8	33.3	36.2	36.3	34.9[5]
Market Funds / Tangible Banking Assets (%)	14.3	13.7	8.0	9.0	11.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	26.6	33.6	31.9	34.5	31.7[5]
Gross Loans / Due to Customers (%)	107.7	99.3	92.3	85.7	96.2[5]

[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 Investors Service and company filings

Profile

Advanzia Bank S.A. (Advanzia) is a Luxembourg-based digital bank founded in 2005, which specializes in consumer credit through the issuance of credit cards to customers in Germany (83% of gross loans to retail customers), Luxembourg, France, Austria, Spain and Italy. Advanzia had gross outstanding loans of €2.8 billion (including Professional Card Services for private banks) as of end-June 2023, representing the loan balances of approximately 2.4 million credit card customers. Advanzia is largely funded through deposits, which amounted to €2.7 billion at end-June 2023, raised through approximately 57,000 private individuals essentially based in Germany.

In addition to Advanzia's own-branded credit cards issued to private customers, the bank's operations are supported by over 180 business partnerships for co-branded credit card programs and by card issuing services[1] to above 90 partner banks under white label. In this PCS business line, Advanzia 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.

Advanzia 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

Advanzia'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 7.3% at year-end 2022. Nonetheless, the problem loan ratio is not fully reflective of asset risks because problem loans are regularly sold or written off, which deflates the ratio.

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. Advanzia 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 July 2021, Advanzia entered into a two-year agreement with debt collector Axactor under which it sold them 80% of its monthly German problem loans. In May 2023, Advanzia signed a new agreement with German collection agency Hoist Finance for a duration of one year, by which it will sell around 40% of the new German problem loans while other claims will be serviced through external debt collection agencies. We expect future NPL sales to be more costly in a recessionary environment.

Advanzia's cost of risk was 5.1% of outstanding credit card borrowings in 2022, 5.4% in Q1 2023 and 5.6% in Q2 2023, which is reflective of the risky nature of credit card revolvers. The average cost of risk between 2018 and 2022 was very high at 4.5% annually. Credit card fraud represented between 1.3% and 4.7% of the loan losses during this period. This compares with an average cost of risk of approximately 30 basis points for Luxembourg banks in 2022[2].

» 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.

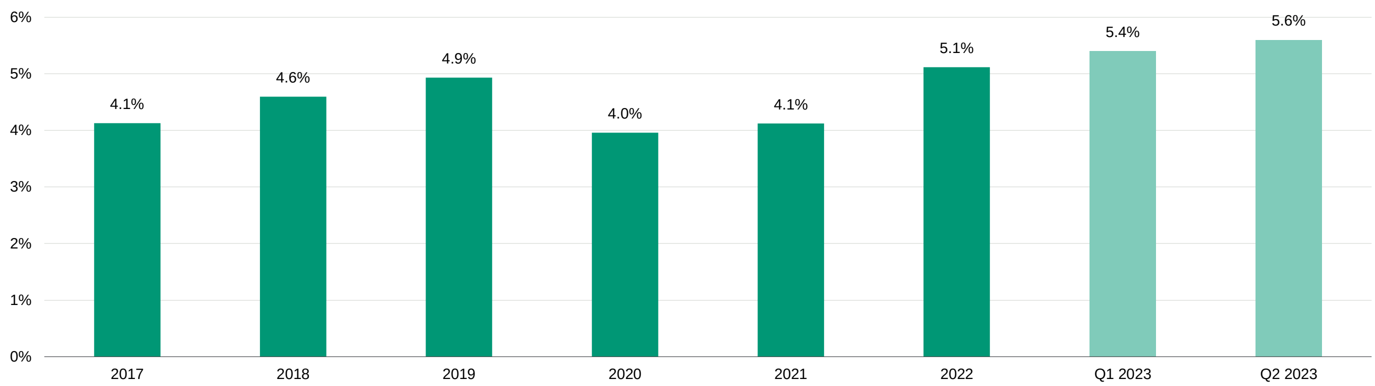
» In France, the bank has difficulties to optimize the risk-reward balance of its lending operations, a situation that is largely due to the legal constraints contained in the law known as the "Lagarde legislation"[3]. This led to much higher cost of risk in this country.

» In Italy and Spain, we expect very high levels of loan-loss charges, both countries being still in their launching phase.

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 Investors Service

Although asset risk is very high, it is also very granular. The average loan size was reported to be only around €1,700 euros in 2022. 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 €5,000 with a cap of €10,000. Hence, the 20 largest problem loans, including accrued interest, accounted for only €395,000 at year-end 2022. In addition, stage 3 loans were more than fully covered (102%) by provisions at year-end 2022.

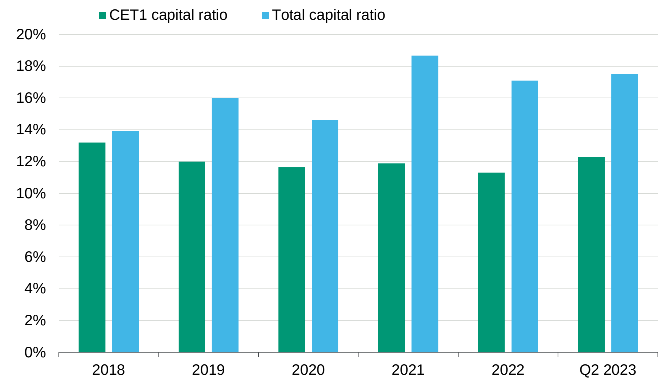
We expect inflationary pressures to weigh on the bank's cost of risk going forward. In addition, the expansion into new countries, namely Spain and Italy, will typically result into higher loan-loss charges, as risk models are not seasoned in the first few years.

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

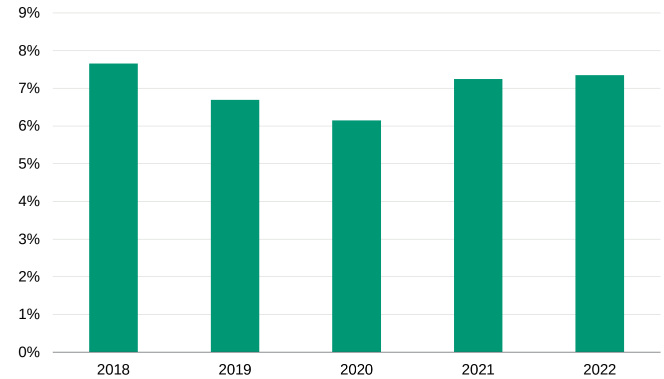
The bank's Common Equity Tier 1 (CET1) ratio was 12.3% excluding interim profits (14.7% including interim profits) at end-June 2023 (Exhibit 4). This was modestly above the EU's Supervisory Review and Evaluation Process (SREP) CET1 minimum of 9.8%. Similarly, the bank's total capital, including Additional Tier 1 (AT1) and Tier 2 debt, was 17.5% excluding interim profits (19.8% including interim profits) against the SREP requirement for total capital of 16.1%.

Exhibit 4
The bank retains modest capital buffers above regulatory minima
Regulatory capital ratios (in percentage terms)



Sources: Company reports and Moody's Investors Service

Exhibit 5
Leverage ratio remains high
Regulatory Tier 1 leverage ratio (in percentage terms)



Sources: Company reports and Moody's Investors Service

The cushion above the regulatory minima is constrained by the bank's significant loan growth (14% per year on average during the period 2019-2022 for retail loans) and the modest earnings retention. The dividend payout ratio was 79% in 2020, 80% in 2021 and 51% in 2022. Hence, most excess cash versus Advanzia's target buffer over regulatory minima is upstreamed to the shareholders and earnings retention is minimal.

Nonetheless, Advanzia's very high return on equity (35% 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. Slowing origination down also means decreasing 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. The modest capital buffers added by the bank above these requirements sums up into an overall solid capital position. The regulatory Tier 1 leverage ratio was a high 7.35% at year-end 2022, incorporating NOK 625 million (around €58.6 million) of Additional Tier 1 securities (Exhibit 5).

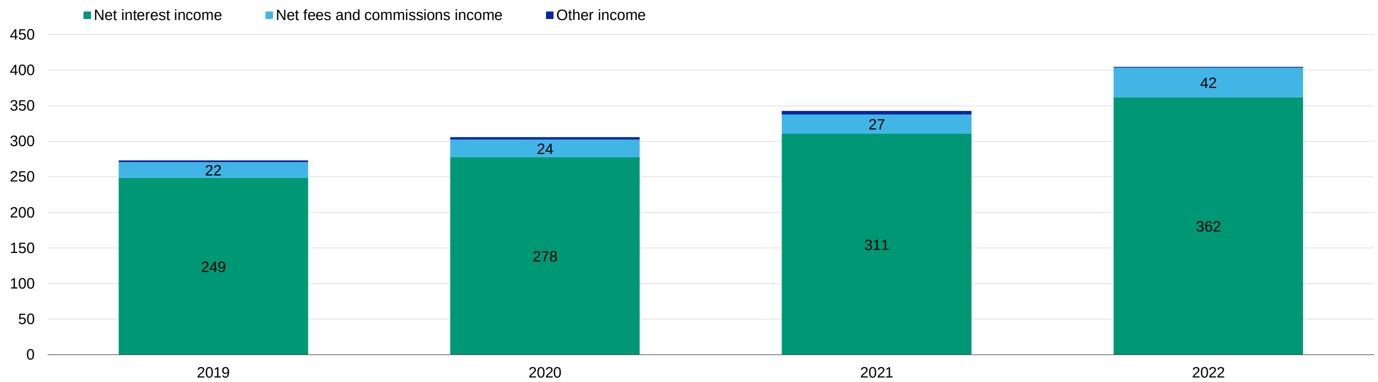
Our assigned Capital score of ba1 is adjusted down by five notches to reflect the tightly managed capital buffer over regulatory minima despite high asset risks.

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 3.8% of tangible assets in 2022, unchanged versus 2021, which compares to 0.5% for Luxembourg banks. These high profits are largely driven by very high net interest margins, which were reported to be 15.1% on the retail customers loan book in 2022. During the first half of 2023, Advanzia's net profit decreased by 21.7% versus H1 2022, notably due to decreasing net interest margins (15.0% in Q1 2023 and 14.7% in Q2 2023).

The bank's strong presence in Germany dating 2006, which accounted for 83% of its €2.5 billion of gross loans to retail credit card customers at year-end 2022, with a market share of approximately 22% of issued cards[4], 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 are still in a phase of portfolio testing and ramp-up.

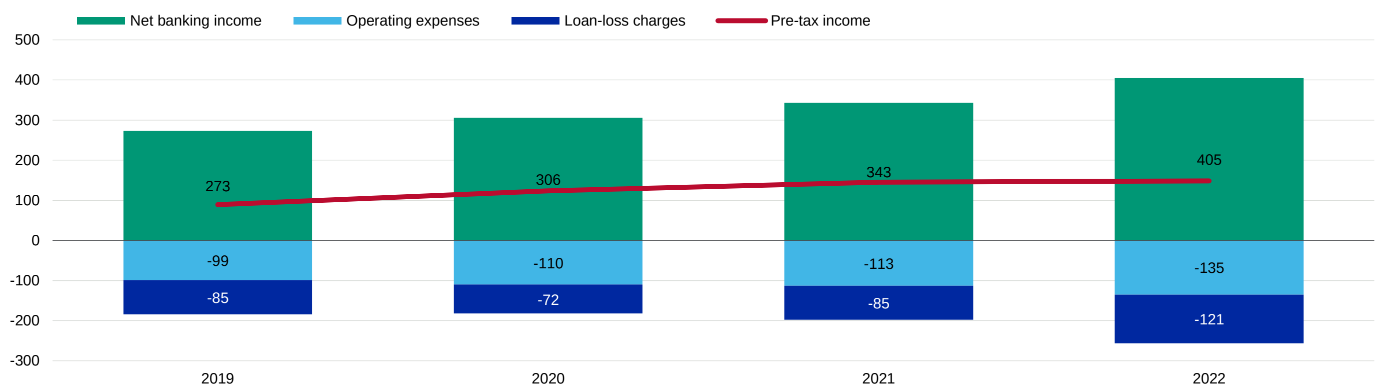
Exhibit 6
Net interest income is the main driver of Advanzia's revenue
Breakdown of net banking income in € million



Sources: Company reports and Moody's Investors Service

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 33.8% in 2022 (including client acquisition costs). Costs incurred for the acquisition of new clients amounted to 35% of operating expenses in 2022. These expenses can be easily cut to protect profitability in a severe downturn scenario. Operating profits allow good coverage of credit losses. Loan-loss charges represented 45% of operating profits in 2022 and 37% in 2021.

Exhibit 7
Rising impairment charges strained pre-tax income
Breakdown of pre-tax income in € million



Sources: Company reports and Moody's Investors Service

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 and forex fees, as net fee and commission income represented only 10% of net banking income in 2022.

We believe that a major business risk for the bank and its current high profitability is the evolving regulatory landscape for consumer credit in the European Union (EU). The ongoing revision of the EU's Consumer Credit Directive (CCD) or any consecutive revision of domestic legislations could possibly result into the establishment of interest rate caps, 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. The new CCD could also result in more extensive precontractual and consumer information obligations, which will increase operating expenses and keep legal risks very high on the subjects of “responsible lending” and “duty of care”.

Going forward, profitability should remain high, but profit margins will be slightly under pressure. Interest rate rises are currently increasing Advanzia’s funding costs whereas it may prove difficult to increase the interest rates charged to customers, resulting in decreasing net interest margins. In addition, sluggish macroeconomic conditions will add pressure on loan-loss charges. As a result, we expect profitability, measured as return on assets, to decrease in 2023 from the high levels observed in 2021 and 2022.

Our assigned Profitability score of a1 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

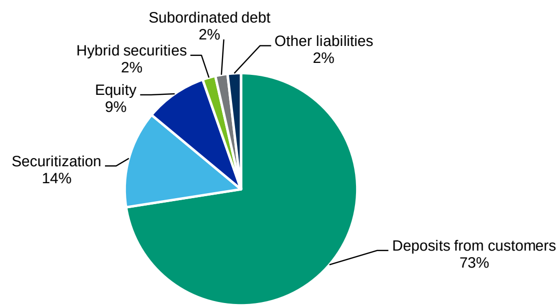
Advanzia finances its credit card lending activities essentially through retail saving deposits raised online, which proved to be a relatively stable and flexible source of funding historically even if they are on-demand deposits.

Saving deposits represented 73% of total funding (including shareholders' equity) at year-end 2022, the remainder being provided by securitization (14%), Tier 2 (2%), Additional Tier 1 (AT1) (2%), common equity (9%) and other liabilities (2%). 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 Investors Service

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. Market funding, which represented only 14% of tangible banking assets at year-end 2022, will therefore progressively increase.

We view positively the objectives of the bank to diversify 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 92%-covered by national deposit guarantee schemes at year-end 2022, which offers some degree of comfort on their stability.

The bank reported a regulatory net stable funding ratio of 246% at year-end 2022.

Our assigned Funding Structure ratio of ba2 is adjusted down by six 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 €857 million, consisting of cash at central banks, nostro bank accounts and loans to financial institutions, represented 27% of tangible assets and 37% of deposits at year-end 2022, 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 €2.6 billion at end-December 2022 (including PCS), but undrawn revolving credit limits, which are off-balance sheet commitments, reached an additional €5.8 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.

Part of the balance sheet is encumbered, largely due to the securitization made in 2021. Asset encumbrance was close to 20% at year-end 2022. We expect asset encumbrance to increase to around 40% in the future, as securitization becomes a larger proportion of funding.

The bank reported a regulatory liquidity coverage ratio of 206% at end-June 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

Advanzia Bank S.A.'s CIS-3 indicates that ESG considerations have a moderate impact on the current rating

Exhibit 9
ESG Credit Impact Score

CIS-3

Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

Advanzia 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, Advanzia 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

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-2	S-4	G-3
Neutral-to-Low	Highly Negative	Moderately Negative

Source: Moody's Investors Service

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

Social
Advanzia Bank's faces high industrywide 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 Bank'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 limited track record in accessing the unsecured funding markets and demonstrating its ability to diversify funding sources. The departure of the bank's CEO in the first quarter of 2023, who has not yet been replaced, also adds some management uncertainty. The risks arising from its concentrated ownership by Kistefos Group, a private investment company, are partly mitigated by the presence of independent directors in the Supervisory Board as well as by the Luxembourg's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.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 are likely to face low loss given failure because of the loss absorption provided by the amount of subordination in the form of AT1 and Tier 2 subordinated debt. This results in a one-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 issuer 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.

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	9.3%	ba2	↓	b3	Long-run loss performance	Unseasoned risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	13.5%	a2	↔	ba1	Capital retention	
Profitability						
Net Income / Tangible Assets	3.6%	aa1	↓	a1	Earnings quality	Expected trend
Combined Solvency Score		a3		ba2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	14.3%	a2	↔	ba2	Deposit quality	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	26.6%	a3	↔	a3	Asset encumbrance	
Combined Liquidity Score		a2		baa3		
Financial Profile				ba1		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				ba1 - ba3		
Assigned BCA				ba2		
Affiliate Support notching				0		
Adjusted BCA				ba2		

Balance Sheet	in-scope (EUR Million)	% in-scope	at-failure (EUR Million)	% at-failure
Other liabilities	657	20.4%	822	25.5%
Deposits	2,356	73.1%	2,191	68.0%
Preferred deposits	2,120	65.8%	2,014	62.5%
Junior deposits	236	7.3%	177	5.5%
Dated subordinated bank debt	55	1.7%	55	1.7%
Preference shares (bank)	59	1.8%	59	1.8%
Equity	97	3.0%	97	3.0%
Total Tangible Banking Assets	3,224	100.0%	3,224	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	12.0%	12.0%	12.0%	12.0%	3	3	3	3	0	baa2
Counterparty Risk Assessment	12.0%	12.0%	12.0%	12.0%	3	3	3	3	0	baa2 (cr)
Deposits	12.0%	6.6%	12.0%	6.6%	1	1	1	1	0	ba1
Senior unsecured bank debt	12.0%	6.6%	6.6%	6.6%	1	0	1	1	0	ba1

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	1	0	ba1	0	Ba1	Ba1
Senior unsecured bank debt	1	0	ba1	0	Ba1	Ba1

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 12

Category	Moody's Rating
ADVANZIA BANK S.A.	
Outlook	Stable
Counterparty Risk Rating	Baa2/P-2
Bank Deposits	Ba1/NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)
Issuer Rating	Ba1
ST Issuer Rating	NP

Source: Moody's Investors Service

Endnotes

1 Professional Card Services (PCS).

2 European Banking Authority's Risk Dashboard.

3 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.

4 Advanzia's internal analysis using ECB data.

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