



**ADVANZIA
BANK**

FINANCIAL REPORT
First Quarter 2024



Installation view: "COPY PASTE" at Nybruket Gallery, Kistefos.
29 April – 29 October 2023. Photo: Vegard Kleven



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ADVANZIA
BANK

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FINANCIAL REPORT FIRST QUARTER 2024

Avanzia Bank S.A.

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Highlights for the first quarter 2024

KPI	Q1-24	QoQ %	YoY %
Gross credit card loan balance (MEUR)	3 058	+2.9%	+17.2%
Performing active clients	1 644 000	+3.0%	+14.8%
Cards in force ¹	2 638 000	+3.1%	+14.4%
Card acquisition cost (MEUR)	15.6	+36.3%	+9.1%
Loan loss rate (provisions and write offs)	5.8%	-0.1%-points	+0.4%-points
Profit after tax (MEUR)	33.4	+43.8%	+33.7%
Return on shareholders' equity	35.3%	+10.2%-points	+2.1%-points

Demand for Advanzia's credit cards continued to grow steadily during the first quarter of 2024, with the Bank's portfolio of performing active clients increasing by 3.0% QoQ and 14.8% YoY, reaching 1 644 000 active credit card customers at the end of the quarter. The gross loan balance amounted to MEUR 3 058 at the end of the quarter (+2.9% QoQ and +17.2% YoY). Total income amounted to MEUR 125.3, an increase of 8.9% QoQ and 18.5% YoY, driven by positive interest income dynamics. The positive development is a result of the Bank's past and ongoing initiatives to stabilise the net interest margin.

Operating expenses amounted to MEUR 41.3 in Q1, in line with the previous quarter, and an increase of 15.9% YoY.

Total loan loss provisions amounted to MEUR 40.3 during the quarter, a reduction of 13.0% QoQ and an increase of 8.3% YoY.

Profit after tax for the quarter amounted to MEUR 33.4, an increase of 43.8% and 33.7% QoQ and YoY, respectively.

During February, Advanzia successfully issued T2 bonds amounting to MEUR 55 with a margin of 675 bps to the 3-month EURIBOR. During the quarter, the Bank prepared its inaugural senior unsecured bond issuance, that closed in April.

¹ Cards in force: The number of issued cards including active and inactive cards

Profit development

in MEUR, QoQ

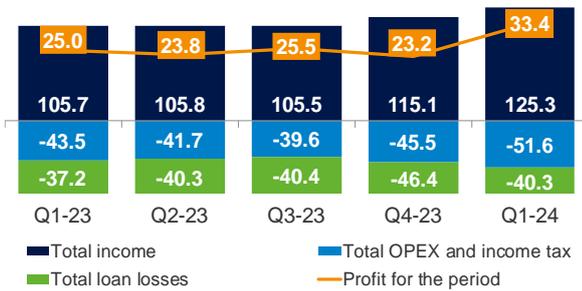
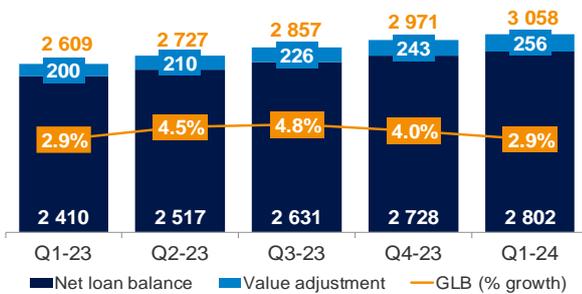


Figure 1: Profit development.

Credit cards

Credit card loan balance

in MEUR, QoQ



Performing active clients

in 000's, QoQ

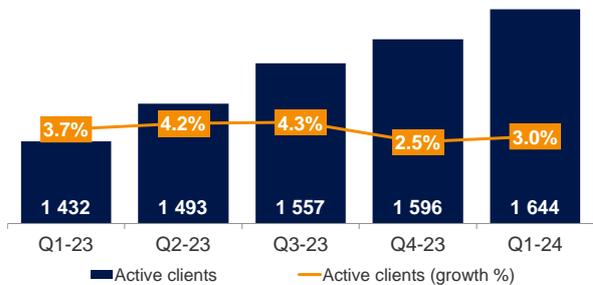


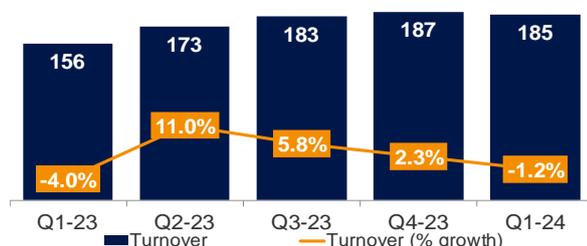
Figure 2: Credit cards statistics.

During Q1 2024, the loan balance increased by 2.9%. In absolute terms, Germany was the largest contributor to the positive development, thanks to successful marketing campaigns.

Professional Card Services (PCS)

PCS card turnover

in MEUR, QoQ



Number of serviced cards

in 000's, QoQ

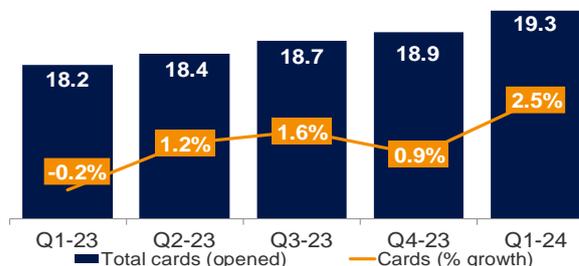


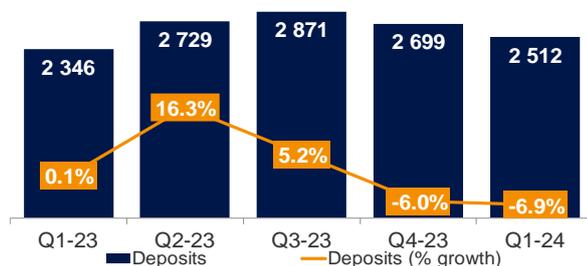
Figure 3: PCS statistics.

In the PCS business segment, card turnover declined by 1.2% QoQ, largely due to seasonal effects (end of the holiday period). The number of open cards, on the other hand, increased by 2.5% QoQ, which is attributable to newly onboarded partner banks.

Deposit account

Deposit balance

in MEUR, QoQ



Number of active depositors

in 000's, QoQ

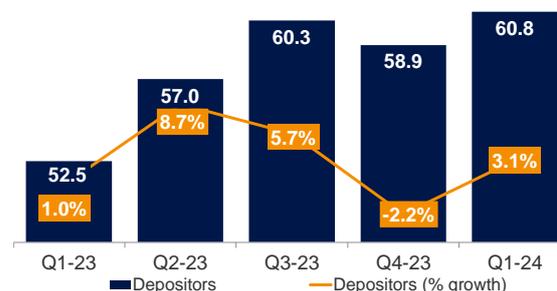


Figure 4: Deposit statistics.

During the first quarter of 2024, Advanzia registered a net deposit outflow of MEUR 186, corresponding to a decrease of 6.9%. This was in line with the Bank's plans and expectations as the increase of the securitisation programme during November 2023 put the Bank in a position of being overly liquid at the end of 2023. Nonetheless, the number of active depositors increased by 3.1%, ending at close to 61 000 accounts at the end of the quarter.

Board, management and staff

As of 31 March 2024, Advanzia Bank has 206 full-time equivalent employees, up from 200 at the end of 2023.

Shareholding

Kistefos AS, a Norwegian investment company owned by Mr. Christen Sveaas, is the largest shareholder with 60.3% ownership. Other shareholders each hold below 10%.

Financial statements

The unaudited accounts of Advanzia as at the end of the first quarter of 2024 are presented below. Advanzia Bank follows IFRS standards and the figures reflect Advanzia's actual business activities and operations.

Assets (EUR million)	Actual Q1-24	Actual Q4-23	QoQ Growth	Actual Q1-23	YoY Growth	Actual YTD-24	Actual YTD-23	YoY Growth
Cash, balances with central banks	1 015.1	1 188.3	-14.6%	668.9	51.7%	1 015.1	668.9	51.7%
Loans and advances to credit institutions	121.9	125.8	-3.1%	80.4	51.6%	121.9	80.4	51.6%
Net loans and advances to PCS partner banks	61.5	67.5	-9.0%	66.5	-7.5%	61.5	66.5	-7.5%
Loans and advances to credit card clients	3 057.9	2 971.3	2.9%	2 609.2	17.2%	3 057.9	2 609.2	17.2%
Value adjustments (losses)	-256.2	-243.0	5.4%	-199.6	28.3%	-256.2	-199.6	28.3%
Net loans and advances to credit card clients	2 801.7	2 728.3	2.7%	2 409.6	16.3%	2 801.7	2 409.6	16.3%
Tangible and intangible assets	39.9	24.1	65.5%	24.6	62.4%	39.9	24.6	62.4%
Investment in subsidiary	3.8	0.1		0.0	-	3.8	0.0	-
Other assets	16.2	21.5	-24.7%	20.9	-22.7%	16.2	20.9	-22.7%
Total assets	4 060.0	4 155.6	-2.3%	3 270.9	24.1%	4 060.0	3 270.9	24.1%

Liabilities and equity (EUR million)	Actual Q1-24	Actual Q4-23	QoQ Growth	Actual Q1-23	YoY Growth	Actual YTD-24	Actual YTD-23	YoY Growth
Amounts owed to credit institutions	36.8	37.1	-0.9%	23.6	56.1%	36.8	23.6	56.1%
Amounts owed to customers	2 514.4	2 711.1	-7.3%	2 358.3	6.6%	2 514.4	2 358.3	6.6%
Amounts owed to financial corporates	840.0	836.8	0.4%	439.8	91.0%	840.0	439.8	91.0%
Other liabilities, accruals, provisions	107.3	40.4	165.3%	31.6	239.9%	107.3	31.6	239.9%
Subordinated loan (T2)	110.0	55.0	100.0%	55.0	100.0%	110.0	55.0	100.0%
Sum liabilities	3 608.4	3 680.4	-2.0%	2 908.2	24.1%	3 608.4	2 908.2	24.1%
Subscribed capital and reserves	75.1	68.7	9.3%	68.7	9.3%	75.1	68.7	9.3%
Other equity instruments (AT1)	94.8	98.7	-4.0%	54.1	75.4%	94.8	54.1	75.4%
Profit (loss) brought forward	251.3	216.4	16.1%	216.4	16.1%	251.3	216.4	16.1%
Profit for the financial year (net of interim dividend and AT1 distributions)	30.3	91.4	-66.8%	23.6	28.6%	30.3	23.6	28.6%
Sum equity	451.6	475.2	-5.0%	362.7	24.5%	451.6	362.7	24.5%
Total liabilities and equity	4 060.0	4 155.6	-2.3%	3 270.9	24.1%	4 060.0	3 270.9	24.1%

Income statement (EUR million)	Actual Q1-24	Actual Q4-23	QoQ Growth	Actual Q1-23	YoY Growth	Actual YTD-24	Actual YTD-23	YoY Growth
Interest receivable, credit cards	133.6	125.7	6.3%	101.3	31.8%	133.6	101.3	31.8%
Interest receivable (payable), others	-21.0	-22.5	-6.6%	-7.3	186.9%	-21.0	-7.3	186.9%
Net interest income	112.6	103.2	9.1%	94.0	19.7%	112.6	94.0	19.7%
Commission receivable	16.2	19.7	-17.7%	18.4	-11.9%	16.2	18.4	-11.9%
Commission payable	-6.5	-6.5	0.8%	-6.2	5.6%	-6.5	-6.2	5.6%
Other operating result	3.0	-1.3	-328.4%	-0.6	-645.3%	3.0	-0.6	-645.3%
Total income	125.3	115.1	8.9%	105.7	18.5%	125.3	105.7	18.5%
Card acquisition costs	-15.6	-11.4	36.3%	-14.3	9.1%	-15.6	-14.3	9.1%
Staff costs	-6.1	-6.8	-10.6%	-5.3	14.2%	-6.1	-5.3	14.2%
Other general administrative expenses	-16.7	-15.5	7.6%	-13.6	23.1%	-16.7	-13.6	23.1%
Depreciation, tangible + intangible assets	-3.0	-7.3	-59.1%	-2.5	20.3%	-3.0	-2.5	20.3%
Total operating expenses	-41.3	-41.0	0.8%	-35.7	15.9%	-41.3	-35.7	15.9%
Total loan losses	-40.3	-46.4	-13.0%	-37.2	8.3%	-40.3	-37.2	8.3%
Profit (loss) on ordinary activities before taxes	43.6	27.7	57.5%	32.8	33.0%	43.6	32.8	33.0%
Income tax and net worth tax	-10.2	-4.5	128.3%	-7.8	30.7%	-10.2	-7.8	30.7%
Profit (loss) for the period	33.4	23.2	43.8%	25.0	33.7%	33.4	25.0	33.7%

Table 1: Unaudited accounts as at 31 March 2024 (MEUR).

Comments on the accounts

In Q1 2024, the total income was MEUR 10.2 higher than the previous quarter (+8.9%), mainly driven by increased interest income. Due to a different setup of the insurance product, part of the commission income generated is recorded in other operating results.

Operating expenses amounted to MEUR 41.3 during the first quarter of 2024, in line with the previous quarter. The QoQ performance is mainly due to the higher spending on sales activity in Germany to capture market opportunities (+36.3%), partially offset by lower staff-related costs (-10.6%) and sharply lower depreciation costs (-59.1%), due to the fact that the Bank impaired certain capitalised IT investments of MEUR 4.6 during the fourth quarter of 2023.

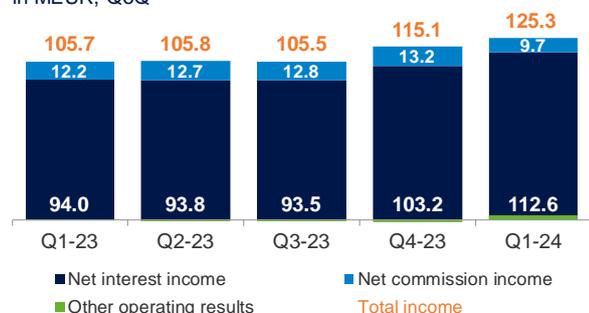
Total loan loss provisions declined by MEUR 6.0 QoQ, amounting to MEUR 40.3 in the quarter, reflecting improvements in Italy, Spain and France. In Italy, Advanzia implemented a new IFRS9 model as the Bank has now collected sufficient market-specific data to develop a bespoke model for the country. Simultaneously, the development in Spain and France is mainly driven by reduced onboarding volumes, coupled with tighter acceptance criteria and limit assignments.

Profit after tax for the quarter amounted to MEUR 33.4, an increase of MEUR 10.2 compared to the fourth quarter of 2023 and an increase of MEUR 8.4 compared to the first quarter of 2023.

At the end of the quarter, Advanzia declared a dividend of MEUR 50, payable in April. The dividend payment has been recognised as other liabilities in the Bank’s accounts. Due to the office relocation into the new, zero-carbon “Emerald” building, the Bank has recognised lease assets of MEUR 16.3 as tangible assets, as well as a corresponding amount in other liabilities the balance sheet, in line with the IFRS 16.

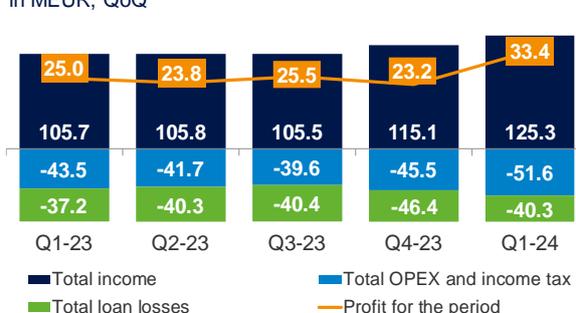
Income split and development

in MEUR, QoQ



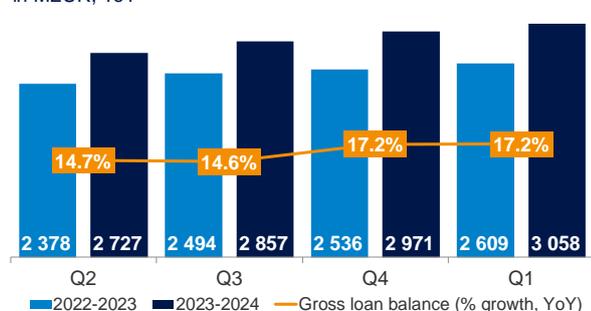
Profit development

in MEUR, QoQ



Credit card gross loan balance

in MEUR, YoY



Net Interest Income

in MEUR, YoY

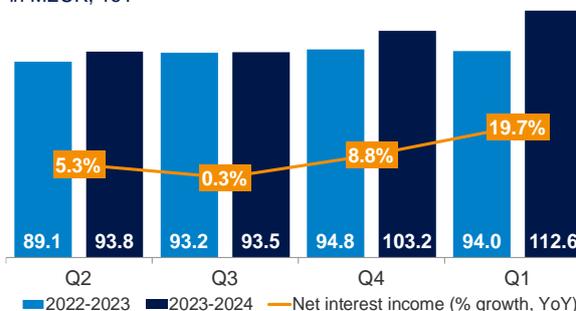


Figure 5: Financials.

Key performance indicators (KPIs)

In Q1 2024, the net interest margin increased by 0.1%-points, and this trend reversal was propelled by the interest rate repricing undertaken in the prior quarters. This allowed to compensate for funding costs that still increased as expected by 0.4%-points QoQ. The loan loss rate decreased by 0.1%-points, due to reallocation of customer intake between the various markets, coupled with the improved ECL model in Italy. The cost/income ratio decreased to 33.0% in the quarter, a positive development mainly attributable to a total income growth of 8.9% during the quarter. The positive developments in the abovementioned KPIs contributed to the annualised return on shareholders' equity increasing to 35.3%, compared to 25.2% during Q4 2023. The Bank retains its strong solvency position with a capital adequacy ratio (incl. interim profits) of 22.9%, while liquidity levels decreased to an adequate level of LCR of 152.2% following controlled outflows on customer deposits during the quarter.

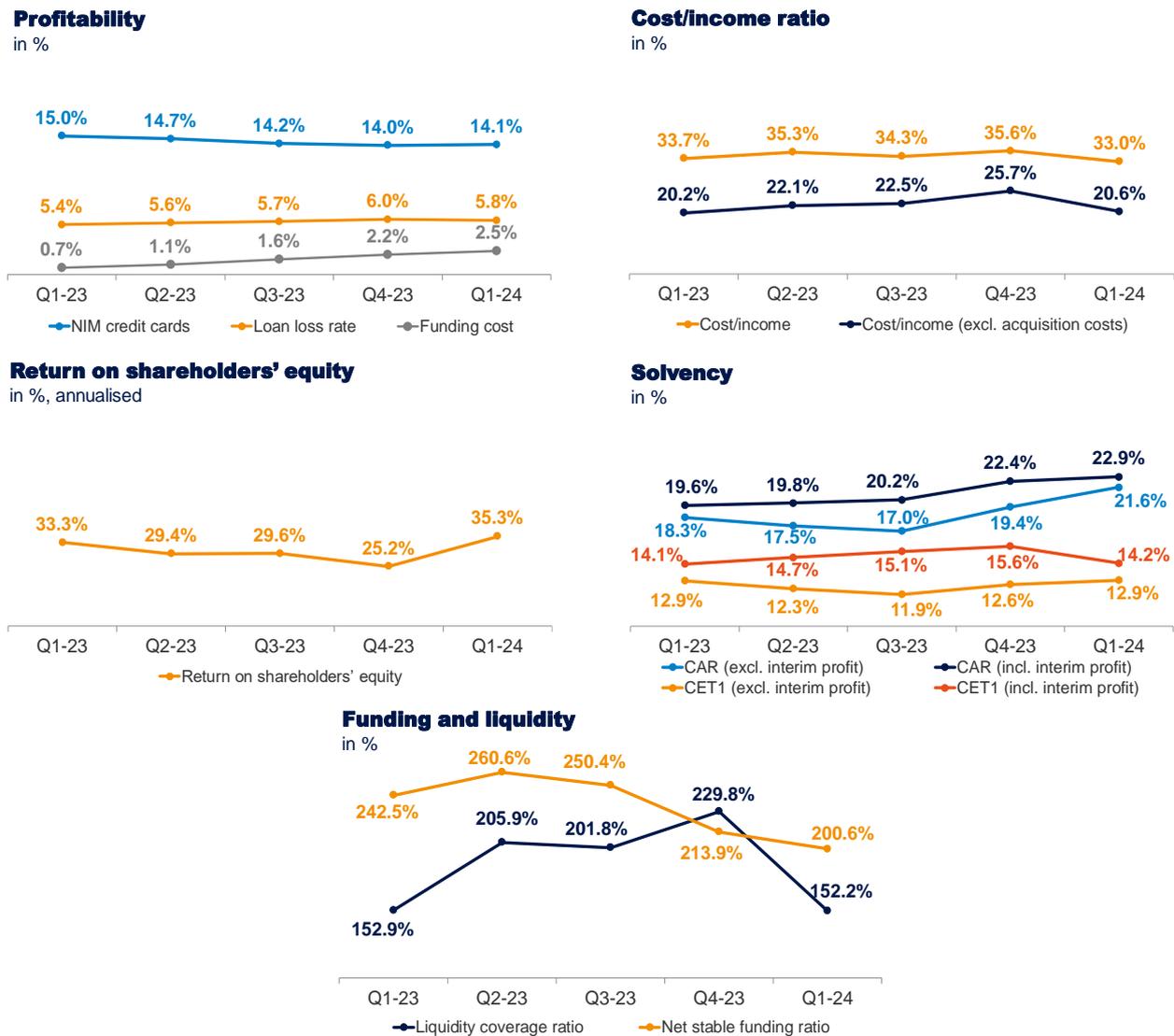


Figure 6: Key performance indicators².

² Net interest margin credit cards, funding cost and loan loss rate: computed on a last 12-month basis (trailing).

CET1: Common Equity Tier 1, CAR: Capital Adequacy Ratio, consisting of CET1, Additional Tier 1 and Tier 2 capital.

Outlook

Despite the continued weak macroeconomic development, the Bank's performance continues to show resilience, delivering solid profitability in the German market, with loan balance, active clients and interest receivables increasing in the first quarter of 2024. German default levels developed as anticipated, showing an expected slow increase.

The increased funding costs that have negatively affected the Bank since the end of 2022, are to a certain extent mitigated by the various initiatives successfully implemented in the second half of 2023. Advanzia remains well capitalised, pursuing its digital transformation and enrolment process harmonisation plan, ensuring competitiveness and delivery of high-value services to customers.

In April, the Bank successfully placed a senior unsecured bond of MEUR 200, marking an important milestone in the Bank's funding diversification roadmap. The bullet bond has a maturity of 4 years and pays a fixed coupon of 7.00%. As a consequence of the issuance, Moody's Ratings upgraded Advanzia Bank's deposit and issuer ratings to investment grade, Baa3, outlook stable, on 19 April.

Munzbach, Luxembourg

06.05.2024

Patrick Thilges
Chief Financial Officer

Nishant Fafalia
Chief Executive Officer



**Installation view: "Tony Cragg – Material in Mind" at Kistefos Museum, The Twist.
29.04 – 29.10.2023. Photo: Michael Richter**



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