



**ADVANZIA
BANK**

FINANCIAL REPORT
Fourth Quarter 2021



Carol Bove. PASANASAP. 2021

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FINANCIAL REPORT FOURTH QUARTER 2021

Advanzia Bank S.A.

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Highlights for the fourth quarter 2021

- Gross credit card loan balance of MEUR 2 205, growth +1.5% QoQ and +15.4% YoY.
- 1 232 000 performing active clients, growth +0.4% QoQ and +6.8% YoY.
- 2 054 000 cards in force¹, growth +0.8% QoQ and +6.9% YoY.
- Card acquisition cost of MEUR 7.9, growth -14.6% QoQ and -4.2% YoY.
- Loan loss rate (provisions and write offs) of 4.1% (+0.1%-points QoQ and +0.1%-points YoY).
- Net profit of MEUR 36.1, +35.5% QoQ and +24.3% YoY.
- Annualised return on equity of 43.3% in Q4-21 vs. 42.9% in Q4-20.

Avanzia successfully concluded 2021 with yet another good quarter. In addition to satisfactory financial results, the Bank made significant progress towards growing its business and diversifying its funding. Further on, Avanzia launched Carta YOU in the Italian market.

A milestone in the Bank's funding diversification strategy was reached during the quarter with the issuance of a securitisation transaction of MEUR 475 in senior funding. This was the first asset-backed securities programme in continental Europe based on a German credit card portfolio.

The roll out of the new website, customer portal and mobile application in Q3-21 were positively received by our German customers in the quarter.

Despite the uncertainty caused by the Omicron variant of COVID-19 in Avanzia's key markets, lending activity continued to develop satisfactorily with the gross loan balance growing to MEUR 2 205, up 1.5% QoQ and 15.4% YoY.

Total income grew to MEUR 92.5 in Q4, up 5.1% QoQ and 18.7% YoY, as the higher loan balance generated higher interest income and higher card turnover generated higher net commissions.

Operating expenses of MEUR 26.5 were down 3.1% QoQ, driven by lower marketing costs during Q4 compared to Q3, and up 8.2% YoY. Total loan loss provisions and write offs were MEUR 25.5, up 1.5% QoQ and 32.0% YoY, mainly because of loan balance growth and recent parameter updates in the expected credit loss model.

Earnings before taxes were MEUR 40.4, up 13.9% compared to the previous quarter and 18.7% compared to last year. Net profit ended at MEUR 36.1, up 35.5% from the previous quarter and 24.3% when compared to last year. Annualised return on equity for Q4-21 was 43.3%.

Net profit for the full year 2021 ended at MEUR 120.7, an increase of 20.1% compared to 2020. Gross loan balance increased with 15.4% despite the new forward flow agreement in Germany. Active customers grew only by 6.8%, negatively impacted by the COVID-19 related confinement measures.

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

Net profit

in EUR million, YoY

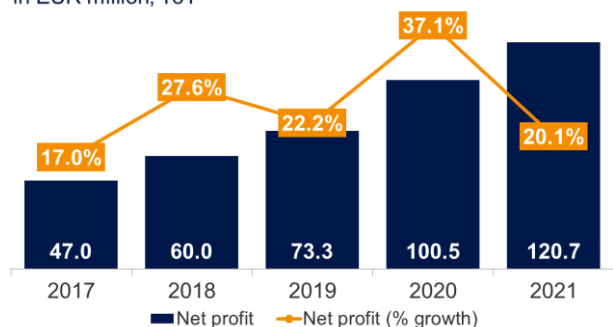


Figure 1: Net profit development per year.

Since 2016, Advanzia has delivered a compound annual growth rate (CAGR) of 24.6% in net profit, 18.6% in loan balance and 14.9% in the number of performing active credit card clients.

Loan balance development

Credit card loan balance

in EUR million, QoQ

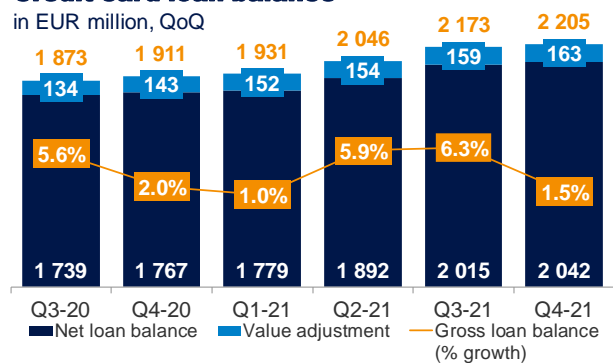


Figure 2: Loan balance development².

Following the evolution of the pandemic with Omicron related restrictions, the gross loan balance growth slowed down to 1.5% during the quarter. All markets contributed positively to the growth.

² The values of the gross loan balance as well as the stock of value adjustments were revised upwards following the reclassification performed on 31 December 2021 and applied retroactively to allow comparability of the figures. This reclassification had no effect on the net loan balance, please see footnote 3.

Active clients/credit cards

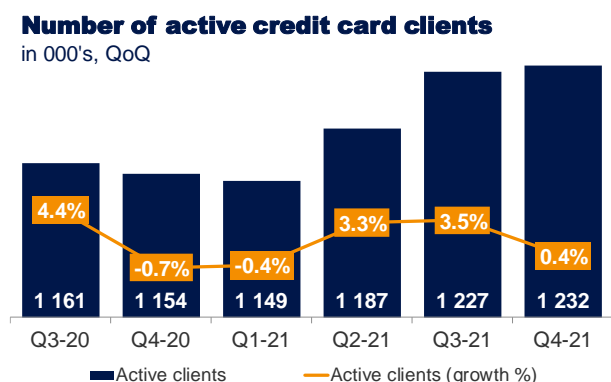


Figure 3: Active credit card clients.

Despite the confinement measures and negative economic impact of the Omicron variant of COVID-19, the Bank was able to increase the number of active clients by 5 000 in Q4, up 0.4% QoQ, and 78 000 in 2021, 6.8% YoY.

Financial institutions – Professional Card Services (PCS)

Key Figures, PCS clients	Actual Q4-21	Actual Q3-21	QoQ growth	Actual Q4-20	YoY growth	Actual 2021	Actual 2020	2021 growth
Number of banks	92	92	0.0%	89	3.4%	92	89	3.4%
Total cards (opened)	17 308	17 113	1.1%	16 834	2.8%	17 308	16 834	2.8%
Turnover (in EUR million)	136.7	129.4	5.6%	90.1	51.8%	449.9	348.3	29.2%

Table 1: PCS statistics.

The PCS business segment specialises in turnkey credit card solutions for banks and financial institutions, managing the entire card programme, from licensing, issuance and processing, to settlement and customer service. This solution allows our partner banks to choose a branded or white-labelled credit card with a cost-efficient and innovative solution. To support our partners' branding strategies, we offer personalisation at every client touch point – for example, on card application forms, monthly statements, cardholder web access, and on the card itself. Our flexible card programme can accommodate partners with client bases of all sizes.

The PCS business segment remained robust during the quarter with increased card turnover of MEUR 136.7 or 5.6% QoQ and 51.8% YoY. During the quarter, the Bank concluded two new partnerships. The total number of partnerships remained at 92 as a few partnerships merged their activities.

Deposits

Deposit balance

in EUR million, QoQ

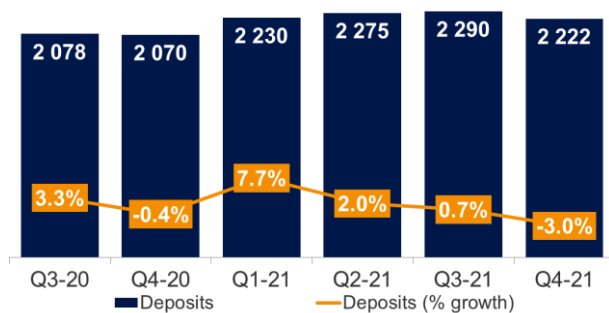


Figure 4: Deposit statistics.

To optimise liquidity levels following the newly issued securitisation programme, the Bank decreased its standard deposit rate from 0.10% to 0.05% eff. p.a. in Q4, leading to a net outflow of MEUR 68 corresponding a 3.0% deposit balance decrease compared to the previous quarter.

Board, management and staff

As of 31 December 2021, Advanzia Bank employed 187 full-time equivalent employees, down from 189 at the end of the previous quarter.

Shareholding

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

Financial statements

The unaudited accounts of Advanzia as at the end of the fourth quarter of 2021 are shown below. These reflect the amended approach for the recognition of interest income on non-performing loans at the net carrying amount. This reclassification was neutral to the Bank's balance sheet and profit and loss.³ Advanzia Bank follows IFRS standards, and the figures reflect Advanzia's actual business activities and operations.

Assets (EUR million)	Actual Q4-21	Actual Q3-21	QoQ growth	Actual Q4-20	YoY growth	Actual 2021	Actual 2020	2021 growth
Cash, balances with central banks	835.3	790.4	5.7%	689.8	21.1%	835.3	689.8	21.1%
Loans and advances to credit institutions	145.3	133.7	8.7%	109.8	32.4%	145.3	109.8	32.4%
Net loans and advances to PCS partner banks	60.1	55.0	9.3%	37.4	60.9%	60.1	37.4	60.9%
Loans and advances to credit card clients	2 205.4	2 173.4	1.5%	1 910.5	15.4%	2 205.4	1 910.5	15.4%
Value adjustments (losses)	-163.0	-158.6	2.7%	-143.4	13.7%	-163.0	-143.4	13.7%
Net loans and advances to credit card clients	2 042.4	2 014.8	1.4%	1 767.2	15.6%	2 042.4	1 767.2	15.6%
Tangible and intangible assets	29.6	30.5	-2.9%	33.7	-12.0%	29.6	33.7	-12.0%
Other assets	12.6	15.6	-19.7%	12.1	3.6%	12.6	12.1	3.6%
Total assets	3 125.3	3 040.1	2.8%	2 649.9	17.9%	3 125.3	2 649.9	17.9%
Liabilities and equity (EUR million)	Actual Q4-21	Actual Q3-21	QoQ growth	Actual Q4-20	YoY growth	Actual 2021	Actual 2020	2021 growth
Amounts owed to credit institutions	23.2	227.4	-89.8%	208.8	-88.9%	23.2	208.8	-88.9%
Amounts owed to customers	2 221.8	2 289.7	-3.0%	2 070.3	7.3%	2 221.8	2 070.3	7.3%
Amounts owed to financial corporates	400.4	0.0	-	0.0	-	400.4	0.0	-
Other liabilities, accruals, provisions	42.1	43.0	-2.2%	42.0	0.1%	42.1	42.0	0.1%
Subordinated loan (T2)	55.0	55.0	0.0%	25.0	120.0%	55.0	25.0	120.0%
Sum liabilities	2 742.5	2 615.1	4.9%	2 346.2	16.9%	2 742.5	2 346.2	16.9%
Subscribed capital	27.4	27.4	0.0%	27.4	0.0%	27.4	27.4	0.0%
Other equity instruments	61.7	60.6	1.8%	21.2	190.6%	61.7	21.2	190.6%
Reserves	29.9	29.9	0.0%	21.7	37.9%	29.9	21.7	37.9%
Profit (loss) brought forward	147.1	225.2	-34.7%	134.7	9.2%	147.1	134.7	9.2%
AT1 bondholder distributions	-4.0	-2.7	44.1%	-1.8	123.0%	-4.0	-1.8	123.0%
Profit for the financial year	116.8	81.9	42.6%	100.5	16.2%	116.8	100.5	16.2%
Sum equity	382.9	425.0	-9.9%	303.7	26.1%	382.9	303.7	26.1%
Total liabilities and equity	3 125.3	3 040.1	2.8%	2 649.9	17.9%	3 125.3	2 649.9	17.9%

Table 2: Unaudited statement of financial position as at 31 December 2021 (in EUR million).

³ The effects of the reclassification were the following: As at 1 January 2020 both the gross loan balance as well as the stock of value adjustments increased by MEUR 26. As at 31 December 2020 both the gross loan balance as well as the stock of value adjustments increased by MEUR 29; interest income increased by MEUR 1, offset by MEUR 1 higher loan losses. As at 31 December 2021 both the gross loan balance as well as the stock of value adjustments increased by MEUR 36; interest income increased by MEUR 2, offset by MEUR 2 higher loan losses.

Income statement (EUR million)	Actual Q4-21	Actual Q3-21	QoQ growth	Actual Q4-20	YoY growth	Actual 2021	Actual 2020	2021 growth
Interest receivable, credit cards	88.3	84.1	5.0%	75.9	16.3%	325.0	293.5	10.7%
Interest receivable (payable), others	-3.1	-2.7	12.2%	-2.2	42.1%	-10.6	-8.8	20.2%
Interest payable, deposits	-0.5	-0.7	-28.9%	-1.5	-66.3%	-3.7	-6.8	-45.2%
Net interest income	84.7	80.6	5.1%	72.3	17.2%	310.7	277.9	11.8%
Commission receivable	12.9	11.5	12.2%	10.8	19.0%	45.1	40.3	11.9%
Commission payable	-4.5	-5.0	-9.5%	-3.5	29.0%	-17.9	-15.9	13.0%
Other operating result	-0.6	0.9	-168.1%	-1.7	-63.8%	-1.7	-4.4	-60.3%
Total income	92.5	88.0	5.1%	77.9	18.7%	336.1	298.0	12.8%
Card acquisition costs	-7.9	-9.2	-14.6%	-8.2	-4.2%	-33.7	-34.9	-3.4%
Card operating costs	-7.1	-7.0	0.6%	-4.5	56.0%	-27.3	-25.9	5.4%
Staff costs	-5.4	-5.4	-0.7%	-5.4	-0.2%	-21.1	-19.8	6.5%
Other administrative expenses	-3.6	-3.7	-2.4%	-4.4	-18.2%	-15.6	-13.6	14.5%
Depreciation, tangible + intangible assets	-2.6	-2.0	28.2%	-2.0	30.3%	-8.6	-8.2	6.0%
Sum operating expenses	-26.5	-27.4	-3.1%	-24.5	8.2%	-106.3	-102.3	3.9%
Value adjustments	-4.3	-4.9	-11.6%	-9.0	-52.1%	-19.5	-25.9	-24.5%
Write-offs	-21.2	-20.3	4.6%	-10.3	105.1%	-65.3	-46.0	41.8%
Total loan losses	-25.5	-25.1	1.5%	-19.3	32.0%	-84.8	-71.9	17.9%
			-		-			-
Profit (loss) on ordinary activities before taxes	40.4	35.5	13.9%	34.1	18.7%	145.0	123.7	17.2%
Income tax and net worth tax	-4.3	-8.8	-50.9%	-5.0	-13.7%	-24.3	-23.2	4.6%
Profit (loss) for the period	36.1	26.6	35.5%	29.0	24.3%	120.7	100.5	20.1%

Table 3: Unaudited income statement as at 31 December 2021 (in EUR million).

Comments on the Q4 accounts

The net loan balance increased MEUR 28 QoQ as credit card activity remained satisfactory. The deposit balance decreased by 3.0% following the reduction of the rate from 0.10% eff. p.a. to 0.05% eff. p.a. for all clients.

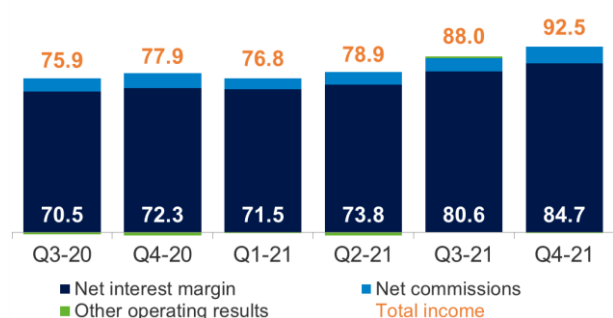
Total income in Q4 reached MEUR 92.5, increasing by 5.1% QoQ or MEUR 4.5, mainly because of the higher credit card balance generating higher interest income and higher card activity generating higher net commission income. Operating expenses of MEUR 26.5 were down 3.1% QoQ primarily due to lower card acquisition costs.

Total loan loss provisions of MEUR 25.5 were up 1.5% QoQ. The increase is due to loan balance growth and recent updated parameters used to compute expected credit losses.

In November, the Bank issued a securitisation programme of MEUR 475 in senior financing and thus repaid a syndicated covered loan of MEUR 206.

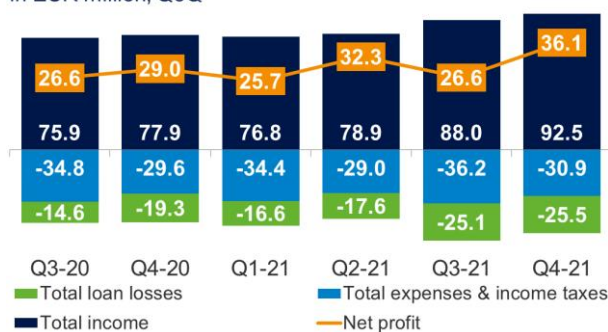
Income split and development

in EUR million, QoQ



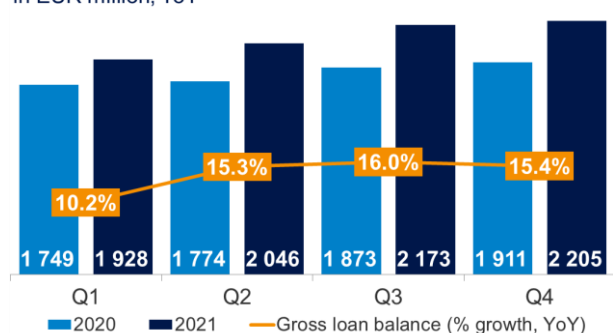
Profit development

in EUR million, QoQ



Credit card loan balance

in EUR million, YoY



Net interest income

in EUR million, YoY

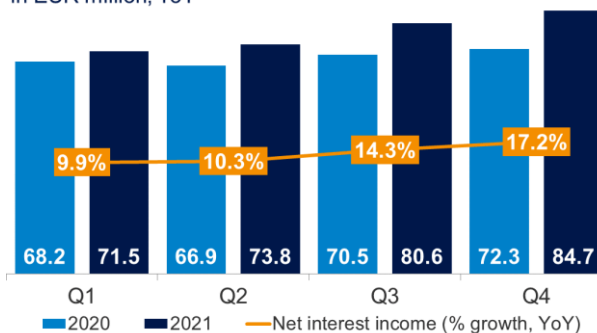


Figure 5: Income, profit, loan balance and net interest margin development⁴. Q2 and Q4 net profit figures are positively impacted by tax related intra-year differences.

⁴ Please see footnote 3.

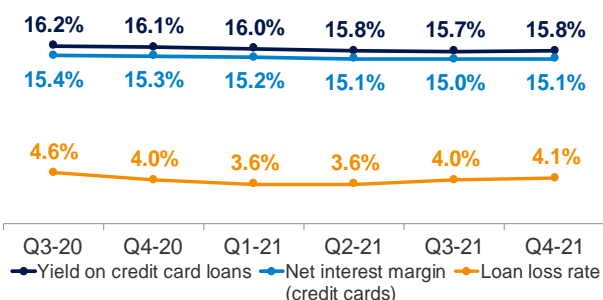
Key performance indicators (KPIs)

The net interest margin increased 10 bps in Q4 and has shown stability throughout 2021. The loan loss ratio increased by 10 bps; the increase observed during the year is mainly driven by the resumption of the forward-flow sale of non-performing loans that decreases the gross loan balance. The cost-income ratio improved 240 bps due to the combination of lower operating expenses (including marketing cost) and higher total income. The annualised return on equity increased to 43.3% driven by higher profit.

Liquidity levels remained highly comfortable with a liquidity coverage ratio of 216.7%. The Bank is highly solvent with a capital adequacy ratio (incl. interim profits) of 24.8%.

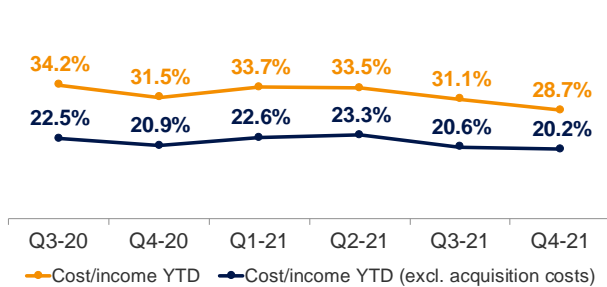
Profitability

in %, QoQ



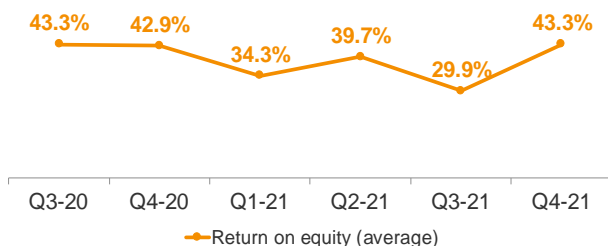
Cost/income ratio

in %, QoQ



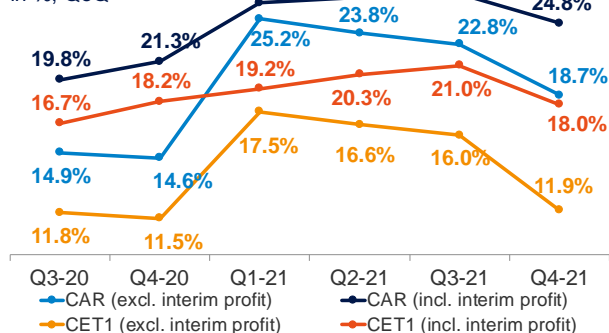
Return on equity

in %, annualised, QoQ



Solvency

in %, QoQ



Funding and liquidity

in %, QoQ

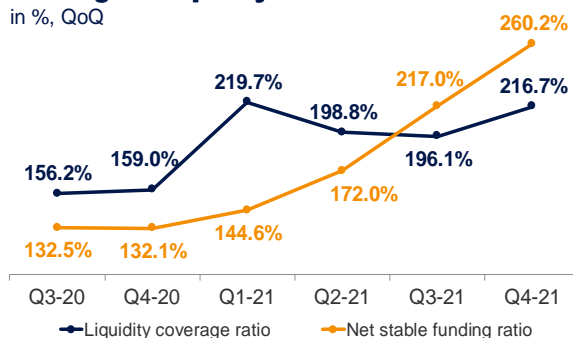


Figure 6: Key performance indicators⁵.

⁵ CET1 - Common Equity Tier 1, CAR - Capital Adequacy Ratio, consisting of CET1 + additional Tier 1 and Tier 2 capital.

Outlook

As the pandemic confinement measures seem to slowly come to an end, the expectation is that GDP and general activity and consumption will increase. The markets served by Advanzia expect a GDP growth of approximately 4%, an improved employment rate and reduced public deficits in 2022. Despite inflationary pressures and probable interest rate increases, the outlook remains positive for all markets that the Bank is present in. This, coupled with increased travelling driven by fewer restrictions, will increase credit card activity across our client base in all markets.

The Bank's credit risk is stable on a comfortable level with a comparatively low number of new default cases across all markets. Nevertheless, the Bank continues to closely monitor the macroeconomic development and receivables performance and is ready to take actions should unexpected events arise.

In Italy, the Bank's most recent market, marketing efforts will increase throughout 2022. In line with 2021, the Bank will continue to advance on its ambitious digitalisation roadmap with the aim to offer additional mobile services to its customers throughout 2022.

Given the favourable economic outlook and the Bank's strong capital position, Advanzia anticipates that growth levels will return stepwise to pre-pandemic levels resulting in 2022 and beyond being years of strong growth.

Munzbach, Luxembourg

22.04.2022

Patrick Thilges
Chief Financial Officer

Roland Ludwig
Chief Executive Officer



Ida Ekblad, A DEADLY SLUMBER OF ALL FORCES, 2021.

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Foto: Vegard Kleven.



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