Public

PILLAR III REPORT

For the Year Ended 31 December 2024
Advanzia Bank S.A.

Advanzia Bank S.A.

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1 GENERAL INFORMATION

These disclosures were validated and approved for publication by the Board of Directors in June 2025.

1.1 Introduction

Advanzia Bank S.A. (hereafter also referred to as “the Bank” or “Advanzia”) publishes a Pillar III disclosure report in compliance with Part Eight of Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (the Capital Requirements Regulation or CRR), as amended by Regulation (EU) 2024/1623 (CRR III). The original CRR entered into force on 17 July 2013, while CRR III became applicable from 1 January 2025.

The report is also prepared in compliance with the Implementing Technical Standards (ITS) on disclosure published by the European Banking Authority (EBA)[1], and relevant circulars issued by the Commission de Surveillance du Secteur Financier (CSSF)[2], the national supervisory authority. The Bank has also taken into account relevant EBA Guidelines[3] to ensure comprehensive and transparent disclosure in line with market discipline requirements.

The CRR framework is derived from the Basel III standards issued by the Basel Committee on Banking Supervision (BCBS) and is built on three pillars:

Pillar I: Minimum capital requirements
Pillar II: Supervisory review and evaluation process
Pillar III: Market discipline

Basel III is an internationally agreed set of measures developed by BCBS to strengthen the regulation, supervision and risk management of banks.

1.2 Scope of application (Art. 431 and 433c CRR)

The Bank has adopted a policy to comply with the disclosure requirements of CRR Part 8 in relation to the appropriateness including their verification and frequency.

The Pillar III report contains the information of Advanzia Bank S.A. as of 31 December 2024 on a standalone basis as the Bank does not have any subsidiaries or branches.

The Internal Audit function reviews the Pillar III report as part of its Audit Plan.

[1] EBA/ITS/2024/05 (Final Draft Implementing Technical Standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 and the national transposition regulations).
[2] Circular CSSF 15/618, Circular CSSF 20/751 as amended by Circular CSSF 23/830, Circular CSSF 20/755 amending Circular CSSF 18/687.
[3] In particular EBA/GL/2014/14, EBA/GL/2018/10 amended by EBA/GL/2022/13, EBA/GL/2020/11 and EBA/GL/2020/12 amending Guidelines EBA/GL/2018/01 , EBA/GL/2022/13 amending EBA/GL/2018/10, respectively adopted by the CSSF in its Circulars.

1.3 Frequency, format and location of disclosure (Art. 433c and 434 CRR)

Advanzia Bank S.A. publishes the Pillar III disclosure report on an annual basis, in accordance with Art. 433c of the CRR. The report will be submitted to the European Banking Authority (EBA) in electronic format once the Pillar 3 Data hub geos live.

The report will also be published on Advanzia's corporate website (advanzia.com). In accordance with Art. 434(1) of the CRR, the disclosures will not be subject to external audit, except to the extent that any disclosures are equivalent to those made in the annual accounts.

1.4 Materiality (Art. 432(1) CRR)

According to CRR Art. 432(1), institutions may omit one or more of the disclosures if the information provided by such disclosures is not regarded as material, except for the disclosures laid down in Art. 435(2)(c), Art. 437 and Art. 450. Information is not material if its omission or misstatement could not change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

1.5 Proprietary or confidential information (Art. 432(2) CRR)

According to CRR Art. 432(2), institutions may omit one or more items of information included in the disclosures listed in Titles II and III if those items include information which is regarded as proprietary or confidential, except for the disclosures laid down in Art. 437 and Art. 450.

Information shall be regarded as proprietary to institutions if disclosing it publicly would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an institution's investments therein less valuable. Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding an institution to confidentiality.

Where information has been omitted from this disclosure in relation to the CRR Art. 432(2), this has been stated in the relevant sections.

2 GOVERNANCE AND RISK MANAGEMENT FRAMEWORK

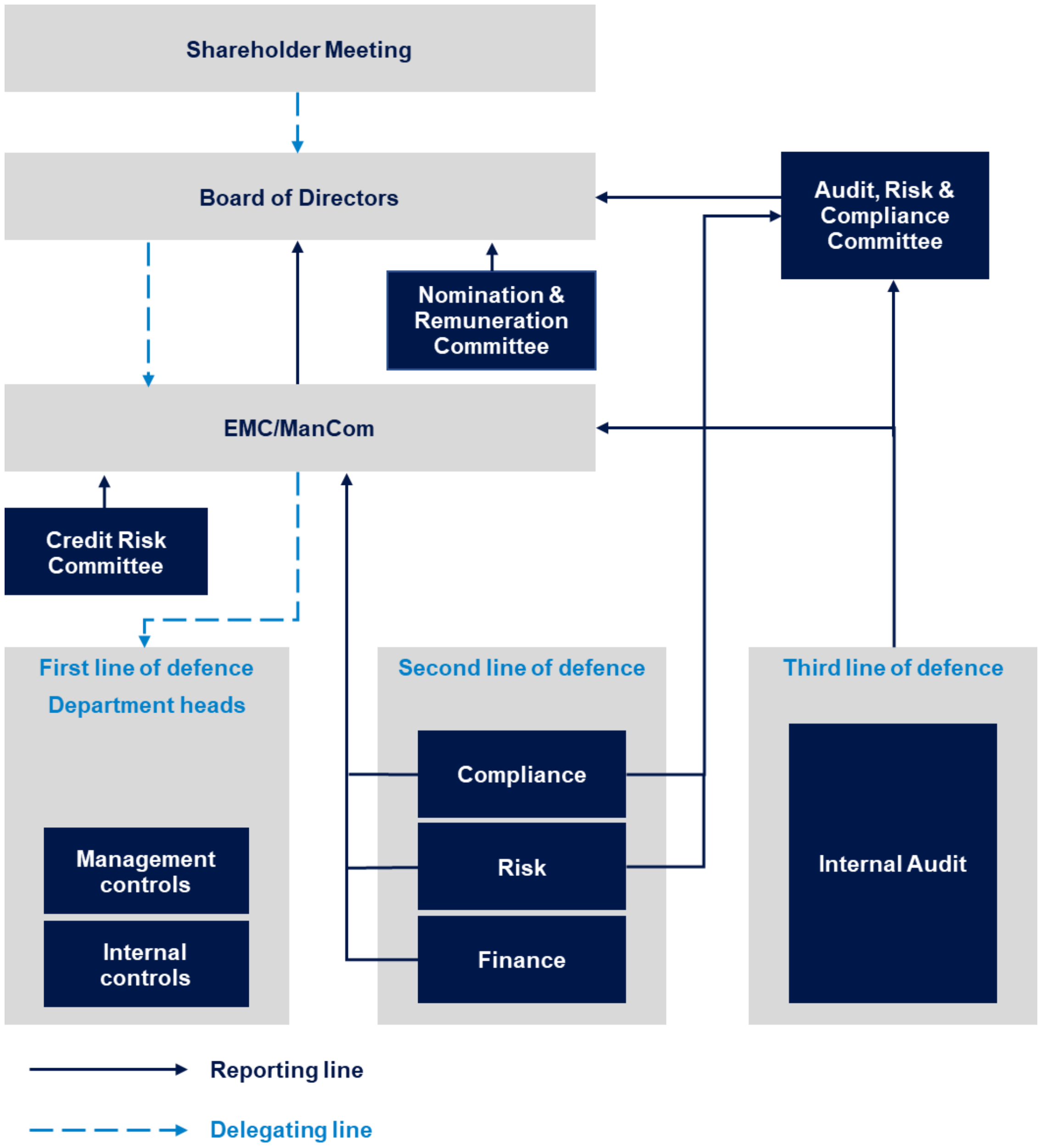
2.1 Governance framework (Art. 435 CRR)

To ensure the effectiveness of Advanzia's risk management framework, the Board of Directors and the Management Committee have established the "Three lines of defence" model which is in line with the provisions of Circular CSSF 12/552, as amended by Circular CSSF 24/860.

- **First line of defence**: Consists of the business units that take or acquire risks and are responsible for their management under predefined policies, procedures and limits and carry out operational controls (Circular CSSF 12/552 (as amended), Section 6.1.1),
- **Second line of defence**: Formed by the support functions, including the Financial and Accounting function (Circular CSSF 12/552 (as amended), Section 5.3.2) as well as the IT and Information Security function (Circular CSSF 12/552 (as amended), Section 5.3.3), and especially the Compliance and Risk

Management functions (Circular CSSF 12/552 (as amended), Sub-chapter 6.2 and Sections 6.2.5 and 6.2.6), which control risks on an independent basis and support the business units in complying with the applicable policies and procedures,

- **Third line of defence**: Consists of the internal audit function (Circular CSSF 12/552 (as amended), Sub-chapter 6.2 and Section 6.2.7) which provides an independent, objective and critical review of the first two lines of defence and the internal governance arrangements.



Board of Directors

The Board of Directors of Advanzia is responsible for establishing the main principles for risk taking and management. It also determines the risk appetite in relation to the nature and business of Advanzia. The Board approves risk levels and risk measures. Detailed information in relation to the composition of the

Board of Advanzia is accessible on Advanzia's website: https://www.advanzia.com/en-gb/about-us/investor-relations.

The following table summarises the number of directorships held by the members of the management body:

Board member	Number of directorships held (including intragroup directorships)
Mr. Bengt Arve Rem	15 (incl. Advanzia Bank S.A.)
Mr. Eirik Holtedahl	2 (incl. Advanzia Bank S.A.)
Mr. Tor Erland Fyksen	3 (incl. Advanzia Bank S.A.)
Mr. Kristian Huseby	18 (incl. Advanzia Bank S.A.)
Mr. Wiljar Nesse	3 (incl. Advanzia Bank S.A.)

Nomination & Remuneration Committee

In order to assist the Board in overseeing the Bank's remuneration policy and making recommendations on the basis of such policy, the Board has established a Nomination & Remuneration Committee (NRC). The NRC is responsible for assessing the mechanisms and systems adopted to ensure that the remuneration system takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is consistent with and promotes sound and effective risk management.

Audit, Risk & Compliance Committee

The Board has established an Audit, Risk & Compliance Committee (ARC). The ARC provides a structured, systematic oversight of the Bank's governance, risk management and internal control practices. The committee assists the Board and management by providing advice and guidance on the adequacy of the Bank's initiatives for governance structure, compliance, risk management, internal control framework, activities of internal and external auditors and financial statements and public accountability reporting.

Executive Management Committee (EMC) / Management Committee (ManCom)

The Executive Management Committee approves the risk management process. The EMC also delegates to each department head the task to identify and follow up on risks within their area of responsibility. The EMC will give its appraisal of relevant risks and report this to the Board.

Department Head (1st line of defence)

Each department head is responsible for identifying all risk areas in their range of responsibilities. This work is done in cooperation with the Chief Risk Officer (CRO). The department head is responsible for defining proper routines and procedures for mitigating the risks. This work is done in close cooperation with the individuals actually performing the applicable functions. The department head is also responsible for following up any risk response that has arisen within the CRO's area as a consequence of ICAAP and ILAAP (or other risk assessment procedure).

Chief Risk Officer (2nd line of defence)

The Chief Risk Officer (CRO) defines the risk management process. The CRO is responsible for identifying the ICAAP and ILAAP relevant risks. The CRO is also responsible for categorising and validating the risks to which Advanzia is subject. The CRO is also responsible for overseeing that the department heads have completed the prescribed risk analyses and risk reviews in their respective areas of responsibility, and that the measures are implemented.

Data Protection Officer (2nd line of defence)

The Data Protection Officer (DPO) informs and advises the Bank and the employees who carry out processing of their obligations related to data protection matters; monitors compliance with data protection laws (e.g., GDPR) and with the policies of the Bank related to the protection of personal data, including the assignment of responsibilities, awareness-raising and training of staff involved in processing operations and the related audit. The DPO also provides advice in regard to the data protection impact assessment and monitors its performance; he cooperates with the supervisory authority and acts as the contact point for the supervisory authority on issues relating to processing, including the prior consultation in accordance with GDPR.

Information Security Officer (ISO) (2nd line of defence)

It is the Information Security Officer's responsibility to manage the establishment, implementation, operation, monitoring, review, maintenance and improvement of the Information Security Management System (ISMS) and its associated documentation. The ISO role is to ensure that the strategy defined by the management is appropriately enforced (identification, assessment, mitigation, etc.) by defining and initiating an ISMS implementation plan, coordinating the different activities to identify assets, threats and vulnerabilities, performing the risk evaluation and proposing and monitoring the risk treatment plan. Security awareness and training planning and roll-out is managed by the ISO.

Compliance Function (2nd line of defence)

The Compliance function ensures compliance with external rules and regulations that are imposed on the Bank as a whole, and the compliance with internal systems of control that are imposed to achieve compliance with the externally imposed rules and regulations.

Finance Department (2nd line of defence)

The Finance department ensures monitoring and reporting on financial key performance indicators through its budgeting and controlling activities.

Internal Audit Function (3rd line of defence)

The Internal Audit function is to provide independent assurance that the Bank's governance, risk management and internal control processes are operating effectively. The Internal Audit has a functional reporting line to the Audit, Risk & Compliance Committee, making it independent of the executive.

2.2 Risk management framework (Art. 435 CRR)

According the Circular CSSF 12/552 as amended, and the Risk and Own Funds Strategy of the Bank, the Board of Directors shall decide on acceptable types and an associated level of risk appetite in relation to the objectives of the Bank and regulatory requirements.

As a general guideline, the Board of Directors accepts risks which are within the decided appetite by type of risk. Risks exceeding the decided level of risk appetite shall not be accepted, unless the management ensures that all relevant corrective measures have been taken in order to bring the risk within the decided threshold.

The management presents its proposal for concrete targets for the relevant budget period, and the decided targets should be included in the approved budget document for the relevant year. The Board of Directors can delegate to the management to decide on the acceptable level for other non-material risks.

By the nature of its business and operations, Advanzia will undertake certain risks. The Bank has identified that credit and liquidity risks are the largest risks to which the Bank is subject. Given the nature of Advanzia, proper acceptance and management of credit and funding risks remains the quintessence for the Bank's long-term profitability and success. Thus, the Board of Directors accepts that Advanzia will take on a certain amount of credit and liquidity risk in exchange for creating an acceptable level of return. The development of the risk-reward relationship will be monitored and adjusted for optimal performance with the objective of creating long-term value for the Bank.

On the other hand, all other risks not directly associated with achieving the objectives of the Bank are to be either minimised or avoided, if possible. One of the key success factors for achieving this strategy is to focus on few and simple products and related core operations. These should be produced in an organisation with outsourcing of functions as deemed beneficial, while maintaining a focus on control of costs and risks well within the boundaries of the regulatory framework.

Having regard to the current nature, size and complexity of the Bank's activities, the Board considers the current risk management measures to be appropriate and in line with the current risk profile and risk strategy of the Bank.

Please note that further information in relation to the risks faced by the Bank can be found under Section 6.

2.3 Risk appetite

The Board of Directors decides on acceptable and unacceptable types of risk. As a general guideline, the Board of Directors accepts risks which are within the decided appetite by type of risk. Risks exceeding the decided level of risk appetite are not accepted.

Advanzia considers its risk appetite as proprietary information and therefore opts for non-disclosure in accordance with CRR Art. 432(2).

3 OWN FUNDS AND KEY METRICS (ART. 437 & 447 CRR)

3.1 Equity reconciliation

The Bank's supervisor, the Commission de Surveillance du Secteur Financier (CSSF), sets and monitors capital requirements for the Bank. According to applicable regulations relating to capital adequacy, credit institutions are required to dispose sufficient capital resources to cover different types of risks.

Since 1 January 2008, the Bank has complied with the provisions of the Basel II framework in respect of regulatory capital. The Bank has applied the Standardised Approach to credit risk and the Alternative Standardised Approach (ASA) for operational risk in order to calculate the Pillar I minimum capital requirements. Following the adoption of Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU (CRD IV) in 2014, the Bank became subject to the Basel III framework as implemented in EU law. These were subsequently amended by CRR II/CRD V and, from 1 January 2025, by CRR III (Regulation (EU) 2024/1623) and CRD VI, completing the implementation of the final Basel III reforms, to which Advanzia is subject.

(in MEUR)	IFRS	Regulatory adjustments	Own funds
Subscribed capital	17.55		17.55
Issue premiums	9.89		9.89
Other reserves	47.66		47.66
Profit carried forward	251.33		251.33
Interim profits	20.00		20.00
Additional Tier 1 capital	74.87		74.87
Other transitional adjustments to CET1 capital		0.41	0.41
Additional Tier 2 capital	85.00		85.00
Deductions from capital		-21.39	-21.39
Total	**506.29**	**-20.98**	**485.31**

Pursuant to CRR Art. 36(1) the Bank has deducted its intangible assets from its own funds.

Advanzia's own funds consist of Tier 1 and Tier 2 capital, which includes ordinary subscribed capital. Issue premiums, legal reserves, as well as reserves for reduction of net wealth tax (both included in "reserves") and retained earnings, after deductions for intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Template EU CC1 - Composition of regulatory own funds		Amounts
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
1	Capital instruments and the related share premium accounts	27.5
	of which: Instrument type 1	17.6
	of which: Instrument type 2	9.9
	of which: Instrument type 3	
2	Retained earnings	251.3
3	Accumulated other comprehensive income (and other reserves)	47.7
EU-3a	Funds for general banking risk	

4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	20
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**346.5**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	0.4
8	Intangible assets (net of related tax liability) (negative amount)	-21.39
9	Not applicable	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitised assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (negative amount)	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
20	Not applicable	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	
EU-20c	of which: securitisation positions (negative amount)	
EU-20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	
22	Amount exceeding the 17,65% threshold (negative amount)	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Not applicable	
25	of which: deferred tax assets arising from temporary differences	
EU-25a	Losses for the current financial year (negative amount)	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	
26	Not applicable	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	
27a	Other regulatory adjustments	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-20.99
29	**Common Equity Tier 1 (CET1) capital**	**325.44**

Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	74.87
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	74.87
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which: instruments issued by subsidiaries subject to phase out	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	74.87
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
41	Not applicable	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	
42a	Other regulatory adjustments to AT1 capital	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	
44	**Additional Tier 1 (AT1) capital**	74.87
45	**Tier 1 capital (T1 = CET1 + AT1)**	**400.31**
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	85
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Credit risk adjustments	
51	**Tier 2 (T2) capital before regulatory adjustments**	**85**
Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
54a	Not applicable	

55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
56	Not applicable	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	
EU-56b	Other regulatory adjustments to T2 capital	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	
58	**Tier 2 (T2) capital**	85
59	**Total capital (TC = T1 + T2)**	**485.31**
60	**Total Risk exposure amount**	
Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	12.36%
62	Tier 1 capital	15.21%
63	Total capital	18.44%
64	Institution CET1 overall capital requirements	11.49%
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical capital buffer requirement	0.68%
67	of which: systemic risk buffer requirement	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.00%
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**1.88%**
National minima (if different from Basel III)		
69	Not applicable	
70	Not applicable	
71	Not applicable	
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	
74	Not applicable	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	

	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)
80	Current cap on CET1 instruments subject to phase out arrangements
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)
82	Current cap on AT1 instruments subject to phase out arrangements
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)
84	Current cap on T2 instruments subject to phase out arrangements
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)

3.2 Description of equity items

The Bank's regulatory capital consists of Tier 1 and Tier 2 capital, which includes the fully paid in subscribed capital, issue premiums, legal reserves as well as reserves for reduction of net wealth tax (both included in "Reserves") and retained earnings.

3.2.1 Additional Tier 1

	Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments	Additional Tier 1
1	Issuer	Advanzia Bank S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NO0010955891
2a	Public or private placement	Public
3	Governing law(s) of the instrument	The Capital Securities are governed by, and construed in accordance with the laws of Norway
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 1
5	Post-transitional CRR rules	Eligible
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	N/A
7	Instrument type (types to be specified by each jurisdiction)	Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	33.91
9	Nominal amount of instrument	400 000 000 NOK
EU-9a	Issue price	100 per cent of the Aggregate Nominal Amount
EU-9b	Redemption price	Redemption at par
10	Accounting classification	Subordinated liability
11	Original date of issuance	24/03/2021
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Earliest 24/03/2026 at par
16	Subsequent call dates, if applicable	Each distribution date commencing 24/03/2026
	Coupons / dividends	*3 months*
17	Fixed or floating dividend/coupon	Floating

18	Coupon rate and any related index	7 per cent per annum + three months NIBOR
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	Bank resolution
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	Optional
28	If convertible, specify instrument type convertible into	Shares or other bonds
29	If convertible, specify issuer of instrument it converts into	Issuers shares and instruments
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	7% of CET1
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	Pari Passu
EU-34b	Ranking of the instrument in normal insolvency proceedings	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	(i) Pari passu without any preference among themselves, (ii) Pari passu with the existing AT1 instruments of the issuer, and any other obligations or capital instruments of the issuer that rank or are expressed to rank pari passu with the Bonds on a liquidation or bankruptcy of the issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the issuer, (iii) Senior to holders of the issuer's CET1 instruments and any other obligations or capital instruments of the issuer that rank or are expressed to rank junior to the Bonds on a liquidation or bankruptcy of the issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the issuer, and (iv) junior to any present or future depositors of the issuer, any other unsubordinated creditors of the issuer, and subordinated creditors of the issuer including holders of Tier 2 instrument other than the present and future claims of creditors that rank or are expressed to rank pari passu with or junior to the Bonds.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments		Additional Tier 1
1	Issuer	Advanzia Bank S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NO0013083576
2a	Public or private placement	Public

3	Governing law(s) of the instrument	The Capital Securities are governed by, and construed in accordance with the laws of Norway
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 1
5	Post-transitional CRR rules	Eligible
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	N/A
7	Instrument type (types to be specified by each jurisdiction)	Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	42.39
9	Nominal amount of instrument	500 000 000 NOK
EU-9a	Issue price	100 per cent of the Aggregate Nominal Amount
EU-9b	Redemption price	Redemption at par
10	Accounting classification	Subordinated liability
11	Original date of issuance	08/12/2023
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Earliest 08/12/2028 at par
16	Subsequent call dates, if applicable	Each distribution date commencing 08/12/2028
	Coupons / dividends	*3 months*
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	8.5 per cent per annum + three months NIBOR
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	Bank resolution
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	Optional
28	If convertible, specify instrument type convertible into	Shares or other bonds
29	If convertible, specify issuer of instrument it converts into	Issuers shares and instruments
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	7% of CET1
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	Pari Passu
EU-34b	Ranking of the instrument in normal insolvency proceedings	

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	(i) Pari passu without any preference among themselves, (ii) Pari passu with the existing AT1 instruments of the issuer, and any other obligations or capital instruments of the issuer that rank or are expressed to rank pari passu with the Bonds on a liquidation or bankruptcy of the issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the issuer, (iii) Senior to holders of the issuer's CET1 instruments and any other obligations or capital instruments of the issuer that rank or are expressed to rank junior to the Bonds on a liquidation or bankruptcy of the issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the issuer, and (iv) junior to any present or future depositors of the issuer, any other unsubordinated creditors of the issuer, and subordinated creditors of the issuer including holders of Tier 2 instrument other than the present and future claims of creditors that rank or are expressed to rank pari passu with or junior to the Bonds.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

3.2.2 Additional Tier 2

	Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments	**Tier 2**
1	Issuer	Advanzia Bank S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NO0010955909
2a	Public or private placement	Public
3	Governing law(s) of the instrument	The Capital Securities are governed by, and construed in accordance with the laws of Norway
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Eligible
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	N/A
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	30
9	Nominal amount of instrument	EUR 30 000 000
EU-9a	Issue price	100 per cent of the Aggregate Nominal Amount
EU-9b	Redemption price	100 % of Face Value, plus accrued unpaid interest
10	Accounting classification	Subordinated liability
11	Original date of issuance	24/03/2021
12	Perpetual or dated	N/A

13	Original maturity date	24/03/2031
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Earliest 24/03/2026 at par
16	Subsequent call dates, if applicable	Each distribution date commencing 24/03/2026
	Coupons / dividends	*3 months*
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	5,25 per cent per annum + three months EURIBOR
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	Bank resolution
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	Optional
28	If convertible, specify instrument type convertible into	Shares or other bonds
29	If convertible, specify issuer of instrument it converts into	Issuers shares and instruments
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	BRRD requirements
32	If write-down, full or partial	Full/Partial
33	If write-down, permanent or temporary	permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	Pari Passu
EU-34b	Ranking of the instrument in normal insolvency proceedings	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	(i) Pari passu without any preference among themselves; (ii) pari passu with any other obligations or capital instruments of the Issuer that rank or are expressed to rank pari passu with the Bonds on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; (iii) senior to holders of the Issuer's CET1 instruments, Additional Tier 1 Instruments and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Bonds on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; (iv) junior to any present or future depositors of the Issuer, and any other unsubordinated creditors of the Issuer, other than the present and future claims of creditors that rank or are expressed to rank pari passu with or junior to the Bonds.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments		Tier 2
1	Issuer	Advanzia Bank S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NO0013162743
2a	Public or private placement	Public
3	Governing law(s) of the instrument	The Capital Securities are governed by, and construed in accordance with the laws of Norway
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Eligible
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	N/A
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	55
9	Nominal amount of instrument	EUR 55 000 000
EU-9a	Issue price	100 per cent of the Aggregate Nominal Amount
EU-9b	Redemption price	100 % of Face Value, plus accrued unpaid interest
10	Accounting classification	Subordinated liability
11	Original date of issuance	28/02/2024
12	Perpetual or dated	N/A
13	Original maturity date	28/02/2034
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Earliest 28/02/2029 at par
16	Subsequent call dates, if applicable	Each distribution date commencing 28/02/2029
	Coupons / dividends	*3 months*
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	6.75 per cent per annum + three months EURIBOR
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	Bank resolution
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	Optional
28	If convertible, specify instrument type convertible into	Shares or other bonds
29	If convertible, specify issuer of instrument it converts into	Issuers shares and instruments
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	BRRD requirements

32	If write-down, full or partial	Full/Partial
33	If write-down, permanent or temporary	permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	Pari Passu
EU-34b	Ranking of the instrument in normal insolvency proceedings	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	(i) Pari passu without any preference among themselves; (ii) pari passu with any other obligations or capital instruments of the Issuer that rank or are expressed to rank pari passu with the Bonds on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; (iii) senior to holders of the Issuer's CET1 instruments, Additional Tier 1 Instruments and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Bonds on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; (iv) junior to any present or future depositors of the Issuer, and any other unsubordinated creditors of the Issuer, other than the present and future claims of creditors that rank or are expressed to rank pari passu with or junior to the Bonds.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

3.3 Key metrics

The following table provides an overview of the Bank’s key regulatory metrics and ratios as defined by Art. 447 CRR.

Template EU KM1 - Key metrics template

		a	b	c	d	e
	(in MEUR)	**2024-Q4**	**2024-Q3**	**2024-Q2**	**2024-Q1**	**2023-Q4**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	325.4	324.7	302.3	302.4	286.0
2	Tier 1 capital	400.3	399.9	379.9	397.2	384.7
3	Total capital	485.3	509.9	489.9	507.2	439.7
	Risk-weighted exposure amounts					
4	Total risk exposure amount	2 632.2	2 601.7	2 450.2	2 343.8	2 268.2
4a	Total risk exposure pre-floor					
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	12.36%	12.48%	12.34%	12.90%	12.61%
5a	Not applicable					
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)					
6	Tier 1 ratio (%)	15.21%	15.37%	15.51%	16.95%	16.96%
6a	Not applicable					
6b	Tier 1 ratio considering unfloored TREA (%)					
7	Total capital ratio (%)	18.44%	19.60%	19.99%	21.64%	19.39%
7a	Not applicable					

7b	Total capital ratio considering unfloored TREA (%)					
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	5.00%	5.00%	5.00%	5.00%	5.00%
EU 7e	of which: to be made up of CET1 capital (percentage points)	2.81%	2.81%	2.81%	2.81%	2.81%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	3.75%	3.75%	3.75%	3.75%	3.75%
EU 7g	Total SREP own funds requirements (%)	13.00%	13.00%	13.00%	13.00%	13.00%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.68%	0.68%	0.69%	0.69%	0.67%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement (%)	3.18%	3.18%	3.19%	3.19%	3.17%
EU 11a	Overall capital requirements (%)					
12	CET1 available after meeting the total SREP own funds requirements (%)	5.05%	5.17%	5.03%	5.59%	5.30%
	Leverage ratio					
13	Total exposure measure	5 161.5	5 021.0	5 053.2	4 744.9	4 784.7
14	Leverage ratio (%)	7.75%	7.96%	7.51%	8.36%	8.02%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	943.7	889.4	1.090.3	988.0	1.019.4
EU 16a	**Cash outflows - Total weighted value**	819.2	805.7	799.6	720.8	652.2
EU 16b	**Cash inflows - Total weighted value**	236.7	185.8	149.5	154.8	179.3
16	Total net cash outflows (adjusted value)	582.5	619.9	650.0	566.0	472.9
17	Liquidity coverage ratio (%)	**162.01%**	**143.48%**	**167.74%**	**174.56%**	**215.55%**
	Net Stable Funding Ratio					
18	Total available stable funding	3 994.4	3 898.9	3 933.7	3 630.6	3 712.1
19	Total required stable funding	2 958.5	1 977.4	1 871.4	1 806.0	1 735.1
20	NSFR ratio (%)[4]	**135.01%**	**197.18%**	**210.21%**	**201.03%**	**213.94%**

[4] The ratios presented reflect the actual regulatory reporting figures officially submitted by the Bank. No retrospective adjustments have been made to these ratios in relation to the reclassification of credit card loan time buckets that occurred during the reporting period.

4 CAPITAL REQUIREMENTS & RISK WEIGHTED EXPOSURE (ART. 438 CRR)

4.1 Pillar I capital requirements

In conformity with Regulation (EU) 575/2013 (CRR), as amended, the Bank's total own funds must equal at least 8% of its total risk-weighted exposure amount (RWEA), calculated for credit risk, market risk and operational risk. This corresponds to multiplying the capital requirement by 12.5 to derive RWEA. As of 30 April 2021, the CSSF requires Advanzia to permanently maintain a minimum total capital ratio of 15.5% and a CET 1 ratio of 9.8% (plus any applicable countercyclical capital buffer).

Advanzia calculates its capital requirements in accordance with chapter 2 of part three, title II by adapting 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Art. 112 CRR.

The total amount of risk exposures with the corresponding minimum capital requirements broken down by their risk types as of 31 December 2024 are shown in the following table:

Template EU OV1 – Overview of risk weighted exposure amounts		**Risk weighted exposure amounts (RWEAs)**		**Total own funds requirements**
	(in MEUR)	**2024-Q4**	**2023-Q4**	**2024-Q4**
1	Credit risk (excluding CCR)	2 493.4	2 129.4	403.3
2	Of which the standardised approach	2 493.4	2 029.4	403.3
3	Of which the foundation IRB (FIRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk – CCR			
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
9	Of which other CCR			
10	Credit valuation adjustments risk – CVA risk			
11	*Empty set in the EU*			
12	*Empty set in the EU*			
13	*Empty set in the EU*			
14	*Empty set in the EU*			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%/ deduction			
20	Position. foreign exchange and commodities risks (Market risk)			
21	Of which the standardised approach			
EU 21a	Of which the Simplified standardised approach (S-SA)			
22	Of which IMA			
EU 22a	Large exposures			
23	*Reclassifications between the trading and non-trading books*			

24	Operational risk	138.8	138.8	22.5
EU 24a	Exposures to crypto assets			
25	*Amounts below the thresholds for deduction (subject to 250% risk weight)*			
26	*Output floor applied (%)*			
27	*Floor adjustment (before application of transitional cap)*			
28	*Floor adjustment (after application of transitional cap)*			
29	**Total**	**2 632.2**	**2 268.2**	**425.8**

4.2 Pillar II capital requirements

As of 1 February 2024, the CSSF established a Pillar II capital guidance (P2G) of 1% on top of the overall capital requirement.

The table below provides more granular details regarding requirements and guidance for regulatory capital adequacy.

Capital type/buffer (% of RWA)	Minimum CET 1	Minimum Tier 1	Minimum overall capital
Common equity tier 1 base	4.5%	4.5%	4.5%
Capital conservation buffer (CCoB)	2.5%	2.5%	2.5%
Countercyclical buffer (CCyB)	0.0% (0.7%)	0.0% (0.7%)	0.0% (0.7%)
Systemic buffer (SyRB. G-SII and O-SII buffers)	0.0%	0.0%	0.0%
Tier 1 capital	-	1.5%	1.5%
Tier 2 capital	-	-	2.0%
SREP add-on	2.8%	3.8%	5.0%
SREP P2G	1%	1%	1%
Total	**10.8% (11.5%)**	**13.3% (13.9%)**	**16.5% (17.2%)**

(additional CCyB requirement reflected in parentheses)

Advanzia operates a comprehensive ICAAP and ILAAP framework, in line with the requirements of Pillar II of the Basel framework. The ICAAP and ILAAP processes follow an annual cycle, integrated into the Bank's strategic planning and risk management practices. The framework consists of the following:

- Budget process in Advanzia, where strategy, development, risks, profitability and solidity are determined, and the assessment of the ICAAP and ILAAP is performed in relation to this process.
- Annual ICAAP and ILAAP review (Risk and Own Funds Strategy), providing the description of the ICAAP and ILAAP framework, risk appetite limits and an in-depth risk assessment, produced by the Risk Management function of Advanzia, reviewed by the management and presented to the Board of Directors for approval.
- Periodic ICAAP and ILAAP assessment and reporting by the management of Advanzia (quarterly ICAAP and ILAAP Report). The assessment is based on the on-going risk monitoring, including stress tests, as well as the actual development of Advanzia, thereby providing a continuously updated ICAAP and ILAAP assessments. Through the quarterly process, the management ensures that the coverage of risks remains comprehensive and that the amount, the types and the distribution of internal capital and liquidity buffers are appropriate to effectively mitigate risks during normal and stressed conditions.

- The ICAAP and ILAAP Report also includes statements on current and future capital and liquidity adequacy.
- Ongoing risk management process and assessment by the management of Advanzia, which is reported to the Board of Directors of Advanzia on a regular basis.
- Supervisory Review and Evaluation Process (SREP) with the CSSF, followed up on the initiative of the regulator by a structured dialogue which may contain prudential measures.

The ICAAP and ILAAP framework consists of three major parts:

- Identifying, measuring, managing and reporting risks to which Advanzia is exposed. By following this process, Advanzia is able to control the risks and assess internal capital needs and adequate liquidity buffers.
- Capital planning and capital management which ensures the Bank's capital adequacy on a continuous basis.
- Funding planning ensuring adequate liquidity and funding risk management.

To assess the internal capital and liquidity adequacy, Advanzia goes through a process of three main stages: risk identification, risk measurement and the assessment of internal capital needs and adequate liquidity buffers.

Risks assessed in the ICAAP and ILAAP are identified by the Bank as existing or potential risks that the Bank faces or could be facing. It also needs to reflect the economic and regulatory environment in which Advanzia operates or could operate, taking into account possible planned activity expansion. Department heads are responsible for identifying all risk areas in their area of responsibility in cooperation with the CRO.

The inventory of risks is reviewed during the yearly ICAAP and ILAAP process in cooperation with all functions of the Bank and could be expanded if new risks are identified. The risks currently identified by Advanzia are reported on a regular basis.

4.3 Risk overview

The table below summarises the ICAAP and ILAAP relevant risks and how they are categorised:

Risk type	Control methodology
Credit risk	Covered by Pillar I capital requirement (using standardised approach) Integration in stress scenarios Internal control measures Regular monitoring and reporting
Liquidity risk	Underlying with internal own funds in the ICAAP case ILAAP stress testing Internal control measures Regular monitoring and reporting
Operational risks	Covered by Pillar I capital requirement (using alternative standardised approach) Pillar I capital sufficiency assessed through value-at-risk quantification. Internal control measures Regular monitoring and reporting
ICT risks	Internal control measures Regular monitoring and reporting
Concentration risks	Internal control measures

	Regular monitoring and reporting
Systemic risk	Internal control measures
External fraud risk	Internal control measures Regular monitoring and reporting
Counterparty risk - Financial institutions	Internal control measures Regular monitoring and reporting
Country risk (transfer)	Internal control measures
Foreign exchange risk	Internal control measures Regular monitoring and reporting
IRRBB risk	Underlying with internal own funds in the ICAAP case Integration in stress scenarios Internal control measures Regular monitoring and reporting
CSRBB risk	Internal control measures Principle of proportionality
Model risk	Internal control measures Regular monitoring and reporting
Income risk	Deductible from internal own funds in the ICAAP case Internal control measures Integration in stress scenarios
Reputation risk	Internal control measures
Regulatory compliance risk	Internal control measures
Money laundering and terrorist financing risk	Internal control measures
Outsourcing risk	Internal control measures
Investment risk	Internal control measures Principle of proportionality
ESG risk	Internal control measures
Geopolitical risk	Internal control measures

Please note that further information on the identified risks, related capital requirements and risk management techniques are provided in Section 6 below.

5 CAPITAL BUFFERS (ART. 440 CRR)

According to Article 440 (1)(a) and (b) the Bank has to disclose its compliance with the requirement for a countercyclical buffer referred to in Title VII, Chapter 4 of EU 2013/36. The Bank considered the provisions under Commission Delegated Regulation 2015/1555 for disclosures purposes. As shown below, the Bank must apply a countercyclical capital buffer of 0% for each country exposure except Luxembourg, Great Britain, Belgium, France and Germany.

Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Breakdown by country	General Credit Exposures		Relevant credit exposures – Market risk		Securitisation Exposure value for non-trading book	Total exposure value	Own Funds Requirements				Risk-weighted exposure amounts	Own funds requirement weights	Counter cyclical capital buffer rate
(in MEUR)	Exposure value for SA	Exposure value IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for SA		Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Austria	129.65						10.37			10.37	129.65	5.20%	0.00%
Belgium	8.67						0.69			0.69	8.67	0.35%	1.00%
Bahamas	0.37						0.03			0.03	0.37	0.01%	0.00%
Switzerland	4.15						0.3			0.3	4.15	0.17%	0.00%
Germany	2 051.99						164.16			164.16	2 051.99	82.3%	0.75%
Spain	61.66						4.93			4.93	61.66	2.47%	0.00%
France	98.62						7.89			7.89	98.62	3.96%	1.00%
Great Britain	0.47						0.04			0.04	0.47	0.02%	2.00%
Guernsey	0.78						0.06			0.06	0.78	0.03%	0.00%
Gibraltar	0.32						0.03			0.03	0.32	0.01%	0.00%
Italy	44.14						3.53			3.53	44.14	1.77%	0.00%
Cayman Islan	0.06						0.01			0.01	0.06	0.00%	0.00%
Liechtenstein	0.04						0.00			0.00	0.04	0.00%	0.00%
Luxembourg	76.32						6.11			6.11	76.32	3.06%	0.50%
Monaco	6.62						0.53			0.53	6.62	0.27%	0.00%
Panama	0.24						0.02			0.02	0.24	0.01%	0.00%
Virgin Island	0.00						0.00			0.00	0.00	0.00%	0.00%
Bermuda	9.30						0.74			0.74	9.30	0.37%	0.00%
Total	**2 493.4**						**199.47**			**199.47**	**2 493.4**	**100%**	**0.00%**

The institution-specific countercyclical buffer for Advanzia is at 0.7%.

Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer	Amount (in MEUR)
Total risk exposure amount	2 632.22
Institution specific countercyclical buffer rate	0.7%
Institution specific countercyclical buffer requirement	17.79

6 INVENTORY OF RISKS

6.1 Credit risk (Art. 435 and 442 CRR)

6.1.1 Credit risk management framework

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Given the inherent nature of the Bank's operations that is focused on unsecured consumer lending, credit risk represents the largest single risk factor for the Bank. The Bank is reducing the credit risk by applying a Credit Policy based on actively managing the financial risk exposure by restricting the credit limits to high-risk clients and assigning relatively small credit lines to a diversified spectrum of customers.

The Bank's risk strategy regarding credit risk is to reach an appropriate balance between risk and reward that maximises long-term value creation. This is achieved by applying several scorecards at application, and later based on behaviour, and using this to determine probability of default and to assign the appropriate credit limit for the individual customer.

The Credit Policy is approved by the Board of Directors, whereas the Credit Risk Committee is responsible for establishing the necessary procedures and routines to ensure systematic analysis and surveillance of the Bank's credit risk. The Credit Risk Committee is also responsible for implementing necessary corrective actions if needed, as the Credit Policy is constantly under scrutiny.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Executive Management Committee, which further has delegated the responsibility to the Credit Risk Committee responsible for surveying and assessing credit risk. The Risk Modelling function, as first line of defence, is the owner of credit risk, who is responsible for risk scoring, assessing, monitoring and reporting credit risk. They are also responsible for continuous and comprehensive portfolio analysis, analysis of trends and recommendations to ensure long term sustainability of the Bank and its business.

The Risk Management function, as second line of defence, proposes improvements regarding the Bank's credit risk management framework, the credit risk appetite and concentration limits. They actively participate in the decision-making processes relating to credit risk. The function also performs stress testing related to credit risk, monitors credit risk limits and indicators, validates and monitors credit scoring models and Expected Credit Loss (ECL) models. The Risk Management function also ensures that the Bank's first line of defence responsible for credit risk is anticipating, identifying, monitoring and managing credit risk of the Bank.

Internal Audit, as the third line of defence, provides for an independent review of the credit risk framework as well as follow-up on the risk appetite in that respect. Audits are executed according to the 3-year audit plan.

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Bank is not exposed to any Credit Valuation Adjustment (CVA) risk.

6.1.2 Capital requirements for credit risk (Art. 444 and Art. 453 CRR)

The Bank applies the Standardised Approach for calculating capital requirements for credit risk. As of 31 December 2024, Pillar I capital requirements for credit risk amounted to EUR 423.3 million[5]. Under the Standardised Approach, the Bank's exposures to credit institutions mainly qualify for a 20% risk weighting. Exposures to credit card clients are subject to a 75% risk weighting, except net exposures to clients that are 90 days or more past due, which are subject to a 100% risk weighting. A breakdown of the applied risk weights across the relevant exposure classes is presented in the table below.

	Exposure classes	Risk weight						Total	Of which unrated
		0%	20%	50%	75%	100%	Others		
		a	e	j	m	p	y	z	aa
1	Central governments or central banks	1 037.63						1 037.63	
2	Non-central government public sector entities							0.00	
EU 2a	Regional governments or local authorities							0.00	
EU 2b	Public sector entities							0.00	
3	Multilateral development banks							0.00	
EU 3a	International organisations							0.00	
4	Institutions		727.75					727.75	
5	Covered bonds							0.00	
6	Corporates			6.23		4.22		10.45	4.22
6.1	Of which: Specialised Lending							0.00	
7	Subordinated debt exposures and equity							0.00	
EU 7a	Subordinated debt exposures							0.00	
EU 7b	Equity					9.30		9.30	
8	Retail exposures				9 835.95			9 835.95	
9	Secured by mortgages on immovable property and ADC exposures							0.00	
10	Exposures in default					335.61		335.61	
EU 10a	Claims on institutions and corporates with a short-term credit assessment							0.00	
EU 10b	Collective investment undertakings (CIU)							0.00	
EU 10c	Other items	0.01				32.53		32.54	
EU 11c	**TOTAL**	1 037.63	727.75	6.23	9 835.95	381.66	0.00	11 989.22	4.22

[5] Basel requirement: EUR 199.5 million

Credit risk is subject to close and continuous monitoring. On a monthly basis, credit risk indicators are reported to the Credit Risk Committee (CRC). Any deviation (apart from seasonal and expected monthly variations) is promptly investigated, with root causes identified and appropriate remedial actions taken without delay. In addition, the impact of any strategic or operational decision that may affect the Bank’s credit risk profile is monitored closely and reported to the CRC. The Bank also closely follows macroeconomic developments through a quarterly re-assessment of the forward-looking elements of the IFRS 9 impairment model. The outcomes of this assessment, including potential macroeconomic scenario adjustments, are presented to the CRC. The Committee evaluates whether revisions to IFRS 9 model parameters are warranted based on current or emerging risks. Hence, whenever an expected or unexpected change in credit risk development occurs, the Bank is well-positioned to react promptly and adjust respectively.

6.1.3 Asset portfolio (Art. 438 CRR)

The total amount of exposures broken down by their exposure classes and maturity as of 31 December 2024 are shown in the following table:

Template EU CR1-A: Maturity of exposures		Net exposure value					
	(in MEUR)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	2 725	8	103	-	-	2 835
2	Debt securities	3	46	1 153	-	-	1 201
3	Undrawn loan commitment	7 206					7 206
4	**Total**	**9 933**	**54**	**1 255**	**0**	**0**	**11 242**

In addition to the above, the Bank had at balance sheet date through the credit cards issued entered into undrawn commitment of EUR 7 206 million (2023: EUR 6 513 million) with its credit card clients being neither past due nor impaired.

6.1.4 Non-performing and forborne exposures (Art. 442 CRR)

Non-performing exposures of the Bank are defined as material exposures which are more than 90 days past due or where the debtor is assessed as unlikely to meet its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due.

The Bank does not undertake forbearance activities on its credit card portfolio. Once an account becomes past due, the card is blocked from further use. Contracts for delinquent (more than 90 days past due) accounts are usually cancelled, the outstanding balance becomes immediately due and the claim is either transferred to recovery or sold to a debt collection agency. An impairment allowance is also applied to all delinquent accounts.

The table below presents an assessment of performing and non-performing exposures by days past due.

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	**1 040.65**	**1 040.65**										-
010	Loans and advances	**3 359.01**	**3 239.90**	**119.11**	**335.59**	**3.52**	**145.16**	**45.94**	**81.98**	**53.59**	**3.95**	**1.45**	
020	*Central banks*												
030	*General governments*												
040	*Credit institutions*	177.28	177.28		- 0.01			- 0.00	- 0.00				
050	*Other financial corporations*	4.22	4.22		- 0.01			- 0.00	- 0.00				
060	*Non-financial corporations*												

070	*Of which SMEs*												
080	*Households*	3 177.50	3 058.40	119.11	335.61	3.52	145.16	45.95	81.99	53.59	3.95	1.45	
090	Debt securities												
100	*Central banks*												
110	*General governments*												
120	*Credit institutions*												
130	*Other financial corporations*												
140	*Non-financial corporations*												
150	Off-balance-sheet exposures	**7 204.84**			**0.83**								
160	*Central banks*												
170	*General governments*												
180	*Credit institutions*	483.42											
190	*Other financial corporations*												
200	*Non-financial corporations*												
210	*Households*	6 721.42			0.83								
220	***Total***	**11 604.50**	**4 280.55**	**119.11**	**336.43**	**3.52**	**145.16**	**45.94**	**81.98**	**53.59**	**3.95**	**1.45**	**-**

The table below presents performing and non-performing exposures and related provisions.

Template EU CR1: Performing and non-performing exposures and related provisions.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	**1 040.65**	**1 040.65**													
010	Loans and advances	**3 359.01**	**2 712.60**	**646.41**	**335.61**	**-**	**335.61**	**-93.17**	**-25.62**	**-67.55**	**-237.37**	**-**	**-237.37**			
020	*Central banks*															
030	*General governments*															
040	*Credit institutions*	*177.28*	*177.28*					-0.00	-0.00							
050	*Other financial corporations*	*4.22*	*4.22*					-0.00	-0.00							
060	*Non-financial corporations*															
070	*Of which SMEs*															
080	*Households*	3 177.50	2 531.10	646.41	335.61		335.61	-93.17	-25.62	-67.55	-237.37		-237.37			
090	Debt securities															
100	*Central banks*															
110	*General governments*															
120	*Credit institutions*															
130	*Other financial corporations*															
140	*Non-financial corporations*															
150	Off-balance-sheet exposures	***7 204.84***	***7 085.98***	***118.86***	***0.83***		***0.83***									
160	*Central banks*															
170	*General governments*															
180	*Credit institutions*	483.42	483.42													
190	*Other financial corporations*															
200	*Non-financial corporations*															
210	*Households*	6 721.42	6 602.56	118.86	0.83		0.83									
220	***Total***	***11 604.50***	***10 839.24***	***765.26***	***336.44***	***-***	***336.44***	***-93.17***	***-25.62***	***-67.55***	***-237.37***	***-***	***-237.37***			

During the reporting period, the Bank did not hold any assets secured by collateral. Furthermore, the Bank did not hold instruments that were cancelled in exchange for collateral obtained by taking possession on the value of the collateral.

6.1.5 Past due and impaired exposures (Art. 442 CRR)

The Bank has divided its portfolio into different segments based on exposure and risk profiles and adapts the Expected Credit Loss (ECL) calculation on each of them.

For the credit card portfolio, the Bank applies internally developed models to estimate probability of default (PD), exposure at default (EAD) and loss given default (LGD). For other segments (PCS and Nostro), the ECL calculation is based on an intermediate or basic approach, which consists of interpretation of historical data or on the use of external data.

Expected credit loss and its components

The expected credit loss is applicable to all financial instruments and is composed of the three components: PD, EAD and LGD, all adjusted to take into account macro-economic scenarios. ECL is the multiplication of those three components.

Probability of default (PD)

The PD of a loan is derived from a statistical model relying on internally compiled data comprising both quantitative and qualitative factors. Different statistical models have been developed for homogenous subsets of the Bank’s credit card portfolio.

Loss given default (LGD)

Based on historical recovery data of defaulted loans, the Bank models the expected LGD. The recovery rate is calculated on a discounted cash flow basis, net from recovery costs, using the effective interest rate as the discounting factor.

Exposure at default (EAD)

Exposure at default represents the exposure that an instrument has at the time of default. Undrawn commitments are reflected in EAD model based on historical information.

Three-stage deterioration model & allocation

A financial asset is at initial recognition allocated to stage 1. At each reporting date it is newly evaluated whether it can remain in stage 1 or whether transitioning to stage 2 is required because of a significant increase in relative credit risk (SICR) since initial recognition. If the instrument defaults, then it is transitioned to stage 3.

Any financial instrument at initial recognition is allocated to stage 1. Since Advanzia does not invest in credit impaired loans, all newly issued credit cards are allocated to stage 1 at initial recognition. As long as the risk of this instrument to default has not increased significantly by the next reporting date, the loan can be considered as performing and it stays in stage 1.

In case the credit risk of an instrument has increased significantly (SICR) after initial recognition by the next reporting date, the instrument is transitioned from stage 1 to stage 2. The Bank utilises default probabilities evolution, delinquency status and external ratings as the primary information to identify SICR.

In case an instrument defaults, it is transitioned to stage 3. For such non-performing loans, interest is no longer recognised on a gross, but net basis. The majority of the Bank's financial assets will move to stage 3 from stage 2, (e.g., loan first gets into in arrears before defaulting). Transition from stage 1 to stage 3 is unlikely, but possible (e.g., insolvency before the loan gets into in arrears). The Bank considers a financial asset to be in default (stage 3) when the loan is more than 90 days past due and/or the loan has been credit revoked.

Forward-looking information

Under IFRS 9, the Bank incorporates forward-looking information into its ECL measurement. A statistical model depending on external key leading indicators has been deployed to estimate the future development of PD, EAD, and LGD.

For loans and advances to financial institutions and central banks, external benchmark information is used (e.g., external credit assessment institutions for PD) to supplement the internally available information.

Credit risk adjusted exposure

The table below provides an overview of the credit quality of the Bank's exposures by geography and the related credit risk adjustments.

Template EU CQ4: Quality of non-performing exposures by geography

	Credit quality of exposures by geography	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	(in MEUR)		Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	**On-balance-sheet exposures**	4 735.27	335.61	335.61	335.61	-330.55		
020	Luxembourg	1 172.74	0.76	0.76	0.76	-2.18		
030	Germany	2 934.85	212.76	212.76	212.76	-214.32		
040	Austria	187.43	20.59	20.59	20.59	-16.90		
060	France	167.68	45.96	45.96	45.96	-40.35		
070	Spain	122.26	42.20	42.20	42.20	-41.80		
080	Italy	73.29	13.34	13.34	13.34	-14.99		
090	Other countries	77.01	0.00	0.00	0.00	0.00		
100	**Off-balance-sheet exposures**	7 205.67	0.83	0.83				
110	Luxembourg	0.00	0.00	0.00				
120	Germany	6 778.57	0.82	0.82				
130	Austria	279.24	0.01	0.01				
140	France	37.55	0.00	0.00				
150	Spain	34.50	0.00	0.00				
160	Italy	75.80	0.00	0.00				
170	Other countries							
180	Total	11 940.94	336.44	336.44	335.61	-330.55		

The following table represents the information provided to the local authorities and provides information in relation to the evolution of the value adjustments during the period 2024:

Movements in allowances for credit losses (in MEUR)	Opening balance as of 1 January 2024	Increase due to origination and acquisition	Decrease due to derecognition	Changes due to change in credit risk (net)	Other adjustments	Closing balance as of 31 December 2024	Recoveries recorded directly to the statement of profit or loss	Amounts written off directly to the statement of profit or loss
Specific allowances for financial assets. collectively estimated	- 243.0	-10.5	80.4	-157.6	0.1	-330.5		
Debt securities								
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations								
Loans and advances	-243.0	-10.5	80.4	-157.6	0.1	-330.5		
Central banks								
General governments								
Credit institutions	0.0		0.0		0.0	0.0		
Other financial corporations	0.0		0.0		0.0	0.0		
Non-financial corporations								
Households	-243.0	-10.5	80.4	-157.6	0.1	-330.5		
Collective allowances for incurred but not reported losses on financial assets								
Debt securities								
Loans and advances								
Total	**-243.0**	**-10.5**	**80.4**	**-157.6**	**0.1**	**-330.5**		

6.1.6 Credit risk mitigation (Art. 453 CRR)

Advanzia is not using any credit risk mitigation techniques according to Article 453 CRR.

6.1.7 Use of ECAIs (Art. 444 CRR)

Advanzia is using ratings of the following external credit assessment institutions (ECAIs) certified in accordance with Regulation (EC) No 1060/2009 on credit rating agencies:

– Moody's
– Standard & Poor's
– Fitch

The Bank uses those ratings to assess its credit risk in relation to its loans to financial institutions. The selection of the financial institutions with whom the Bank establishes business are approved by the Board of Directors. These banks have minimum requirements with respect to ratings and are usually considered to be "systemic banks." As of 31 December 2024, all banking counterparties are eligible for Credit Quality Step (CQS) 1, hence for a 20% risk-weight.

Table below presents a mapping of CQS along with rating of the three used ECAIs under the provisions of Commission Implementing Regulation 2018/634:

Credit quality step	**1**	**2**	**3**	**4**	**5**	**6**
Fitch Ratings						
Long-term issuer credit ratings scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, RD, D
Corporate Finance obligations – long-term rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C
Long-term international IFS ratings scale	AAA, AA	A	BBB	BB	B	CCC, CC, C
Short-term rating scale	F1+	F1	F2, F3	B, C, RD, D		
Short-term IFS ratings scale	F1+	F1	F2, F3	B, C		
Moody's Investors Service						
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Bond fund rating scale	Aaa-bf, Aa-bf	A-bf	Baa-bf	Ba-bf	B-bf	Caa-bf, Ca-bf, C-bf
Global short-term rating scale	P-1	P-2	P-3	NP		
Standard & Poor's Ratings Services						
Long-term issuer credit ratings scale	AAA, AA	A	BBB	BB	B	CCC, CC, R, SD/D
Long-term issue credit ratings scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Insurer financial strength ratings scale	AAA, AA	A	BBB	BB	B	CCC, CC, SD/D, R
Fund credit quality ratings scale	AAAf, AAf	Af	BBBf	BBf	Bf	CCCf
Mid-Market Evaluation ratings scale		MM1	MM2	MM3, MM4	MM5, MM6	MM7, MM8, MMD
Short-term issuer credit ratings scale	A-1+	A-1	A-2, A-3	B, C, R, SD/D		
Short-term issue credit rating scale	A-1+	A-1	A-2, A-3	B, C, D		

6.2 Counterparty credit risk

The Finance Policy of Advanzia stipulates maximum exposures with counterparties, which must be considered at a group level. As per applicable regulations, the sum of all placements with a single counterparty must not exceed the lesser amount of 100% of eligible capital or EUR 150 million, or 25% of eligible capital once the latter exceeds EUR 600 million. Central banks and governments are exempt from this limitation. The Credit Policy defines the acceptance criteria for counterparties as well as their subsequent monitoring.

Advanzia's counterparties are of mainly two kinds: they are either banks and central administrations (for Nostro accounts and placements) or financial institutions acting as partners in the Cards-as-a-Service (PCS) business. All significant counterparties for Nostro accounts and placement have been individually selected and approved by the Board of Directors. These banks, located in Western and Northern Europe, have minimum requirements with respect to ratings, and are usually considered to be "systemic banks". When placing funds with banks, Advanzia also considers the overall financial solidity and capacity of the country in which the banks are located and assesses concentration risk in that respect. Considering Cards-as-a-Service sales to financial institutions (PCS), the management has the competence to choose the PCS partners. The maximum exposure thresholds are defined according to the risk profiles of the partners in the Credit Policy.

The counterparties are continuously monitored by Advanzia, and the updated exposure is presented on a monthly basis to the Credit Risk Committee. At least once a year, the Bank's counterparties are reviewed, and the findings are provided to the Board of Directors.

Advanzia considers that no additional ICAAP requirements should be set aside for this risk. The reason is that the probability of default is considered to be very low.

Both significant and smaller counterparties are subject to monthly monitoring as described in the Counterparty Monitoring Procedure. The monitoring covers the ratings of the counterparties, the amounts placed with each counterparty, the exposure and any other information that the Bank may receive from various sources. The relevant monitoring is provided to the Credit Risk Committee. More frequent reporting may be required in the event of distress.

6.3 Concentration risk

Credit card loans

Advanzia's loans are small in size (on average approx. EUR 1 700 for active clients in good standing), maximum EUR 12 500, with credit limits above EUR 6 000 issued under strict policy rules and eligibility criteria. The loans are given to a large number of clients (in total above 2 430 000 credit cards in force of which more than 1 740 000 are active and in good standing). These clients are private individuals residing in Germany, Luxembourg, Austria, France, Spain and Italy. For Germany, the geographical representation of the Bank follows closely the overall German population distribution with customers from both genders, covering all age groups, distributed across several socio-economic groups.

Placement with other credit institutions

In its Finance Policy, Credit Policy and Counterparty Monitoring Procedure, Advanzia has established limits on the amounts placed with other credit institutions, which are to be considered on a group level basis. The Bank also considers any country concentration risk in relation to the correspondent bank with which it places its funds.

Country concentration risk

Advanzia may be considered to have some country concentration risk, as most of its exposure is towards Germany. The German economy is however arguably one of the strongest economies in the world, and a large and well diversified country. Advanzia maintains a dominant business share in Germany, where the Bank has developed extensive experience and demonstrated historically proven effectiveness in risk management, underpinned by a deep understanding of local risks. Simultaneously, the Bank pursues cautious expansion in new markets with a smaller, strategic business share to mitigate potential risks and leverage controlled growth opportunities. Due to persistent challenges encountered in the French market, Advanzia decided in Q3 2024 to exit that market.

Supplier/provider concentration risk

Advanzia is using a set of suppliers/providers to deliver its outsourced services. None of these are interrelated to an extent that Advanzia considers that there is any relevant risk.

6.4 Model risk

In Advanzia, decision-making regarding applicant eligibility for a credit card as well as its credit limit both during the application process and throughout the lifecycle of a customer are heavily dependent on credit scoring models. The models are designed to predict the probability of default or, in a more general sense, the probability of a customer developing a delinquency status such that the Bank would have not booked the account initially had it known such development would occur. When acquiring accounts, Advanzia builds its models on a static sample of accounts for which application, demographic and – whenever possible – credit bureau information is available. To support active credit limit management over time, Advanzia combines the static information acquired during the application process with dynamic behavioural data collected after a customer has become active.

Model risk occurs when the decisions (e.g., in assessments and valuations) made by Advanzia result in financial losses due to model deficiencies. The underlying primary cause of model errors is not necessarily negligence, but knowledge limits, insufficient data, or changes which cannot be predicted from historic data, or simply the fact that models are never perfect.

To mitigate this risk, Advanzia considers that it is of key importance to collect and process all relevant data regarding its clients and client behaviour, as well as other relevant key performance indicators and parameters that are considered vital and/or necessary for understanding, explaining and modelling Advanzia's business. The models employed by Advanzia are based on known principles and models, as well as the staff's experience and knowledge gained through professional activities.

A rigorous model management framework, governed by the Model Risk Management Policy and supporting procedures, is set in place to ensure the quality of Advanzia's models as well as their proper validation and thorough monitoring. The framework establishes that:

- During the development stage of a model, all data undergoes quality testing, and any approximations are fully documented. Appropriate testing procedures account for accuracy, robustness and stability of the models.
- All models go through a comprehensive validation process by an expert validator from the Risk Management function who is independent from the model development. The models have to also be

approved by the function developing the models in a formal peer review meeting as well as the Credit Risk Committee.
- All models are documented at a level of details for a third party to understand the operation, limitations and key assumptions of the models.
- After approval and implementation, all models are monitored monthly using several statistical metrics to account for model discrimination and stability.

A rigorous process which every model developed by Advanzia goes through and a continuous monitoring with the ability to correct model defects or recreate a model from scratch as soon as model deficiencies are observed, provides a solid risk mitigation strategy. Due to the ability to react to changes in the models quickly, Advanzia has been able to obtain stability and prudency in its models, not underestimating the probability of default of its customers. Hence, the model risk as defined by Advanzia has been decreasing in recent years in correlation with the improvements made in its models. Moreover, Advanzia has implemented automatic credit risk model monitoring which is thoroughly reviewed each month by the Risk Modelling and Risk Management functions and reported to the Credit Risk Committee on a quarterly basis.

Model risk in the particular case of Advanzia is strongly connected to the credit risk as the decision-making for credit assignment is heavily based on credit scoring models.

6.5 Market risk (Art. 445 CRR)

6.5.1 Market risk management framework

Market risks are the risks that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risks is vested in the Finance Department, which is responsible for the development of market risk management policies (subject to review and approval by the Board of Directors) and for the day-to-day review of their implementation. As the Bank has no trading portfolio, there is no market risk associated with this. The Bank has been entitled by the CSSF to calculate a simplified solvency ratio and does not reserve capital for exposure to market risk under Pillar I requirements.

6.5.2 Interest rate risk on positions not held in the trading book (Art. 448 of CRR)

By the nature of its core activities, Advanzia's exposure to interest rate risk is rather limited and mitigated:

- Advanzia has a straightforward business model: the Bank issues unsecured credit card loans that are mainly financed by deposits from retail clients. As a consequence, Advanzia has a simple product set made of interest-bearing assets and liabilities.
- The Bank's interest rate on credit card loans and client deposits tend to be less volatile than the market rates, contributing to a reduced sensitivity to interest rate risk. The applicable rates on the credit cards are typically more driven by legal constraints (usury regime) than by changes in the underlying rate. The former can thus be considered as "sticky" and rigid.

- The Bank's placements with other institutions are carefully managed with durations that align with other interest-bearing assets and liabilities, typically not exceeding three to six months.
- Advanzia is a rather small local player mainly present in Germany, as well as in other Western European countries (Luxembourg, France, Austria, Spain and Italy).
- The impact of this risk is fairly limited due the strong net interest margin of the Bank.

The Bank monitors and reports interest rate risk and its impact on both the Net Interest Income (NII) and the Economic Value of the Equity (EVE).

The computation of all interest stress models (sensitivity on economic value, sensitivity on income and gap analysis) is performed on a quarterly basis. In case of increased interest rate volatility or increased IRRBB levels, monitoring of exposure to IRRBB might be performed more frequently.

The Bank is committed to continuously enhance the interest rate risk management. The Bank has implemented a complete review of the IRRBB framework during the reporting period, including reviewing of IRRBB policies, procedures, methodologies and revising modelling to address regulatory and supervisory expectations.

The new IRRBB model was established in Q3 2024 to more accurately reflect the repricing profile of the Bank's non-maturity deposits (NMD), the behavioural cashflows of the Bank's credit card loans as well as changes in the yield curve under different interest rate environments.

For the ICAAP assessment, this new IRRBB model is also used for the internal capital estimation under updated scenarios.

Template EU IRRBB1 - Interest rate risks of non-trading book activities

Supervisory shock scenarios (in MEUR)		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	-48	-67	24	38
2	Parallel down	44	59	-16	-27
3	Steepener	9	16		
4	Flattener	-17	-22		
5	Short rates up	-27	-40		
6	Short rates down	32	49		

6.5.3 Foreign exchange risk

The Bank at the outset conducts all of its operations in Euro. This applies to credit card transactions (card transactions in other currencies normally are converted by Mastercard to Euro before they are presented to the Bank), deposit accounts and operations. In case customers tried to make payments in foreign currencies, these payments would be rejected by the Bank's Payment Operations function. There may be some suppliers that may require settlements in other currencies, but these are expected to be marginal.

Furthermore, due to the Bank's Cards-as-a-Service (CaaS) business (turnkey credit card solutions for private banks and financial institutions), foreign exchange positions will arise from revenue streams in other currencies which shall be unwound regularly, but at the latest when the net position in a given foreign currency exceeds the higher of EUR 500 000 or 0.25% of the Bank's Tier 1 Capital in EUR equivalent. For all currencies combined, the total exposure may not exceed EUR 1 000 000 or 0.50% of the Bank's Tier 1 Capital in EUR equivalent.

The Bank may exceptionally also have assets or liabilities in other currencies if this is necessary or particularly beneficial. Such exposures must be adequately hedged and approved by the Board of Directors. If needed, the Bank may undertake operations or purchase instruments in order to hedge currency risk.

Only a non-significant part of Advanzia's banking book assets and liabilities lie in a foreign currency. The Bank is hedging all relevant foreign currency positions and is monitoring them on a regular basis, so that the net foreign currency position and the associated risk is negligible. As of 31 December 2024, the total Euro-equivalent foreign exchange exposure was of TEUR 320.

6.5.4 Credit spread risk on positions not held in the trading book

Credit spread risk from non-trading book activities (CSRBB) is the risk driven by changes of the market price for credit risk, liquidity and potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk. CSRBB captures the risk of an instrument's changing spread while assuming the same level of creditworthiness, i.e., how the credit spread is moving within a certain rating/PD range.

Advanzia's CSRBB exposure is limited, largely due to its core business activities and simple business model, which are primarily non-credit spread sensitive:

- Advanzia has a straightforward business model: the Bank issues unsecured credit card loans that are mainly financed by deposits from retail clients.
- The credit card loan portfolio is not considered credit spread-sensitive, as its pricing does not reflect the credit worthiness of individual customers. The Bank applies a uniform interest rate to all customers, regardless of their credit scoring.
- The Bank's deposits are also not deemed a credit spread-sensitive instrument. Their pricing is primarily driven by changes to market reference rates and deposit campaigns rather than the credit spread.

Beyond its core business, the Bank holds a few funding instruments (liability side) that are exposed to the credit spread risk. However, the annual CSRBB sensitivity analysis and the annual CSRBB significancy test shows that the overall impact of CSRBB is currently minor. Additionally, the Bank's CSRBB risk profile leans more towards funding risk, as its CSRBB exposure predominantly stems from fixed-spread funding instruments, primarily liabilities with long-term maturities (repricing periods).

Given the current insignificance of the CSRBB risk to the Bank and its funding risk-oriented character, the Bank is mainly covering this risk under its funding risk management.

6.6 Operational risk (Art. 435, 438, 446 CRR)

Operational risk can broadly be defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, systems and people intervention, or from external events. This definition includes legal risk but excludes credit risk, market risk, liquidity risk, strategic risk, compliance risk and external fraud risk. Due to the specific nature of the Bank's business model (credit card operations), external fraud risk has been considered as a separate risk category with adequate assessment and monitoring procedures.

The Bank considers operational risk events resulting in operational risk loss: if it occurs, it causes direct or indirect losses in the form of financial loss or reputational loss respectively.

The Bank's operational risk management focuses on proactive measures in order to ensure business continuity, accuracy of information used internally and reported externally and a competent and well-informed staff. The operational risk management ensures adherence to established rules and procedures as well as on security arrangements to protect the physical and information and communications technology (ICT) infrastructure of the Bank.

A representative selection of different operational risk types included in this context is:

- **People**: may include internal fraud, breaches of employment law, unauthorised activity, key person risk, inadequate training or supervision.
- **Processes**: failures in payment or settlement, deficient documentation, valuation errors, project management failures, internal or external reporting problems and missing reconciliation.
- **Systems**: typically, this would include system failures, errors in system development and implementation, and inadequate IT resources.
- **External events**: these would include, amongst others, crime and outsourcing.

The Bank has established policies, procedures, routines and guidelines documenting most aspects of the Bank, as well as describing the operating of the Bank. These are constantly being reviewed, and the management is updating the applicable documents, as this is required due to internal requirements or changes in governing regulations, etc.

The Bank has also established several internal business continuity plans and disaster recovery plans for its internal organisation, to ensure the on-going operations for the Bank, even if negative events occur that could affect the Bank. These are in accordance with external regulations requirements and do, in the Bank's view, mitigate the risks in a satisfactory manner. These plans are also being developed further as Advanzia is growing in size and complexity.

The Bank uses risk control self-assessments (RCSAs) in order to assess and quantify (potential) operational risks (e.g., in terms of likelihood and severity/impact) and to ensure that appropriate means and resources can be identified and allocated to the management of the identified risks. Risk assessments also serve to determine the appropriate capital requirements for operational risk.

RCSAs are performed by all relevant functions within the Bank and are challenged by the Risk Management function. The frequency of the RCSAs follows a risk-based approach and is carried out at least annually, or if there are significant changes in systems, processes or staffing arrangements affecting such exposure. A materiality assessment is conducted for all identified risks based on both the likelihood of the risk materialising and the severity of the impact.

Risk reporting is an essential component of operational risk management ensures that it is embedded in the organisation and the risk exposures are proactively managed. Reporting must share a transparent view of the risk profile to provide an accurate, timely and clear account of the current and projected risk exposure.

All operational risk incidents are reported to the Risk Management function via its incident and operational risk event management tool. Incidents which are based on operational risks will be reported on a quarterly basis during the Security Committee or directly to the ManCom depending on the impact.

The table below shows the operational risk losses in the past five years[6].

	EU OR1 - Operational risk losses	T	T–1	T–2	T–3	T–4	Five-year average
Using EUR 20.000 threshold							
1	Total amount of operational risk losses net of recoveries (no exclusions)	1 967 210	1 056 183	1 534 623	2 863 645	1 291 046	1 742 541
2	Total number of operational risk losses	26 889	23 569	8 062	11 541	3 205	14 653
3	Total amount of excluded operational risk losses						
4	Total number of excluded operational risk events						
5	Total amount of operational risk losses net of recoveries and net of excluded losses	1 967 210	1 056 183	1 534 623	2 863 645	1 291 046	1 742 541
Using EUR 100.000 threshold							
6	Total amount of operational risk losses net of recoveries (no exclusions)						
7	Total number of operational risk losses						
8	Total amount of excluded operational risk losses						
9	Total number of excluded operational risk events						
10	Total amount of operational risk losses net of recoveries and net of excluded losses						
Details of operational risk capital calculation							
11	not applicable						
12	not applicable						
13	not applicable						

Advanzia has received acceptance from the regulator for using the Alternative Standardised Approach (ASA) as described in the Basel 2 framework as well as Regulation (EU) N° 575/2013 for assessing operational risk charge for capital adequacy purposes.

The table below shows the reported operational risk own funds requirements and risk exposure amounts as of 31 December 2024.

Operational risk own funds requirements and risk exposure amounts		
1	Business Indicator Component (BIC)	Not applicable
EU 1	Alternative Standardised Approach (ASA) Own Funds Requirements (OROF) under Article 314(4)	11.1
2	*Not applicable*	-
3	Minimum Required Operational Risk Own Funds Requirements (OROF)	11.1
4	Operational Risk Exposure Amounts (REA)	138.8

[6] Operational risk losses are collected and reported to the Risk Management function since 2020.

For the purpose of economic capital assessment, the Bank implemented a value-at-risk quantification for all material operational risks.

6.6.1 Disaster recovery plan/business continuity plan

For the purpose of a disaster recovery and the planning of the business continuity, a Business Continuity Management (BCM) framework is established on Board of Directors and Management Committee levels. The BCM framework layouts requirements and practices for planning, preparedness, organisation, and activities to be considered in crisis and emergency situations. Different disaster and crisis invoking events are covered, such as the long-term failure of the IT systems or disruption of the communication channels. The Bank has Business Continuity Plan, Crisis Management Plan and Technology Recovery Plans in place which are reviewed and tested at least annually. The Bank conducts business impact assessment regularly to identify continuity risks, critical processes, and to classify supporting technology.

6.7 Outsourcing risk

Advanzia is purchasing services from external service providers. The risks associated with this practice are related to the fact that suppliers will not provide the agreed deliveries, or that the quality may be insufficient. The consequence is that tasks may not be performed. At the same time, supplier/provider concentration risk refers to the potential vulnerabilities and adverse impacts that can arise if the Bank relies heavily on a single external provider or a limited number of providers for critical services, products or operational processes.

To mitigate these risks, Advanzia has established a set of internal rules when buying services from external suppliers. The Procurement and Outsourcing Procedure of Advanzia regulates the conditions and requirements for outsourcing operations of the Bank. In no way can outsourcing remove or lessen the responsibility Advanzia holds towards its customers, authorities or other entities in relation to the fulfilment of governing laws and regulations, such as data protection regulations and/or consumer law.

The executive management in Advanzia is responsible for keeping the Board of Directors duly informed about all important aspects related to the decision of outsourcing, procurement and supply management.

In order to cover all contractual aspects of outsourced services, Advanzia has a Procurement function in place.

6.8 Systemic risk and geopolitical risk

Systemic risk or macroeconomic risk is defined here as the increase in the probability that the overall economy will develop negatively, and its consequences on the Bank's portfolio.

Advanzia is mainly exposed to Germany (82% of the gross card loan balance), whereas the exposure to Luxembourg, France, Austria, Spain and Italy remains limited.

Nevertheless, since Advanzia's main operations are to some extent cyclical, and given that in the longer run, the economic development could eventually start to abate, the Bank must be able to address and mitigate a change in this risk. To this end, the Bank has implemented several risk-mitigating measures:

- Adjusting credit limits: the Bank retains the contractual right to reduce credit limits for existing customers and exercises this option as appropriate in response to changes in the risk.
- Adjusting applicant acceptance criteria: applicant acceptance strategy is regularly reviewed and adjusted in line with the economic outlook of each specific market.
- Adjusting for growth expectations: Advanzia maintains the flexibility to reduce its growth ambitions, particularly with respect to client acquisition and credit limit increases. This approach helps to contain credit risk and contributes to lower operational expenses (in particular acquisition costs).

Geopolitical risk is defined as institution-specific vulnerabilities and scenarios related to geopolitical uncertainties. In terms of geopolitical risk, Advanzia is mainly exposed to Germany considering its economic relevance to the Bank's operations and to Luxembourg considering that it is the headquarter location.

The Bank identifies and categorizes its geopolitical risk events, followed by a risk assessment to evaluate their impact and materiality on the Bank from an economic and operational perspective. Based on this assessment, corresponding geopolitical risk metrics are identified to track and monitor these risks.

In 2025, the Bank identified several material geopolitical risks, including global trade protectionism, the Russia-Ukraine conflict, Middle East regional war, European election and civil unrest and major cyber-attacks. These risks could negatively impact credit quality, funding costs and consumer confidence, especially via rising inflation, energy costs and political uncertainty.

The Bank tracks these risks through defined key risk indicators (e.g., inflation rates, country ratings, confidence indices), and incorporates them into its stress testing frameworks (ICAAP and ILAAP), loan loss provisioning models and internal reporting (e.g., quarterly KRI monitoring).

With rising geopolitical uncertainties and in response to regulatory expectations, the Bank conducted a gap analysis to assess its geopolitical risk management against regulatory requirements and industry best practices. Foundational improvements have been made to establish a geopolitical risk framework, including formal identification processes, risk appetite statement (RAS) updates and underwriting strategy integration. Further enhancements are planned throughout 2025 to strengthen monitoring and response capabilities.

6.9 External fraud risk

Fraud in the context of credit card operations is defined as the fraud committed by Advanzia's clients or other parties outside the Bank. The distinction between when the Bank is subject to either intentional application fraud or delinquent transaction behaviour is not always clear, but Advanzia records a certain set of incident categories as fraud.

Fraud prevention is governed by the Fraud Prevention Procedure and supported by a range of operational controls and routines. The Bank's Fraud Prevention function has implemented targeted measures to mitigate both application-level fraud and transaction-level fraud risks.

All types of fraud are systematically monitored and reported to senior management on a monthly basis. In addition, reportable cases are escalated to the Cellule de Renseignement Financier (CRF), Luxembourg's Financial Intelligence Unit, in compliance with applicable regulatory requirements.

Advanzia is constantly reviewing its existing fraud prevention measures, with ongoing efforts to strengthen detection capabilities through the adoption of advanced identification techniques and analytics-driven controls.

6.10 Legal and regulatory compliance risk

Legal and regulatory risk for Advanzia includes but is not limited to the risk of breaches of legal and/or regulatory requirements, ethical rules as well as litigation risk and risk of sanctions. Legal and regulatory risk may also encompass reputational risk for the Bank.

The Compliance function's role is to anticipate, identify, assess, mitigate and manage compliance risks and assist the Bank's management in preventing and limiting these risks on an ongoing basis. In particular, the Compliance function must ensure that the Bank's activities comply at all times with the applicable laws and regulations and remain within the compliance risk limits set by the Board of Directors.

The Chief Compliance Officer (CCO), also acting as the person responsible for compliance with the AML/CFT obligations ("RR"), as a member of the authorized management of the Bank is responsible for the Compliance function within Advanzia. The Compliance function, responsible for the implementation of compliance policies, procedures, processes and for the execution of the second line of defence controls, is overseen by the Head of Compliance.

Whilst the products and operations of Advanzia are highly standardised and the complexity is reduced, the Bank operates in several jurisdictions. The Bank has to ensure ongoing compliance with the standards applicable in those jurisdictions, where applicable, and to anticipate changes that may have legal or regulatory impact(s) on its products and services. Thus, the Compliance function is by default involved in the set-up of new products and markets.

The Bank has implemented a regulatory compliance process described in the Regulatory Compliance procedure. This process includes a regulatory watch tool to support the Compliance function in the identification and assessment of key legal and regulatory changes impacting the Bank.

In addition, a Compliance Risk Assessment (CRA) has been developed by the Compliance function with the purpose of identifying, assessing, and classifying the compliance risks to which the Bank is exposed in the conduct of its activities. The CRA covers all compliance areas falling directly under the remit of the Compliance function pursuant to §143(5) of the CSSF Circular 12/552.

In this regard, the CRA provides an overview of the compliance risks incurred by the Bank as well as their criticality.

Advanzia places high emphasis on proper implementation of policies, procedures, processes and internal controls, so that these are compliant with the applicable regulatory framework. Most of the processes are either automated or highly standardised, thereby reducing the risk of non-compliance due to human error or intentional misconduct.

Furthermore, the Bank has set up a Compliance Monitoring Plan (CMP) to prevent, monitor and manage compliance risks identified in the CRA. The purpose of the CMP is to ensure that compliance risks are appropriately covered and mitigated within the Bank, and that first line of defence controls are adequate and sufficient to address those risks. The CMP is established for a 3-year period but reviewed and, where necessary, amended on an annual basis to reflect new controls resulting from new risk exposure or new regulation.

To guarantee the steering of compliance within the Bank, the Compliance function has set up a Legal & Compliance Committee, whose members are responsible for maintaining a communication line with the Compliance function.

The scope and responsibilities of the committee, as laid down in its terms of reference, have been designed with the objective to increase the effectiveness of the Bank's regulatory compliance framework and, inter alia, includes the following key responsibilities: regulatory watch, legal and compliance updates, maintenance and oversight of the compliance action plan and compliance error log as well as approval of changes to the Bank's country risk list.

This committee ensures that the Bank is informed of forthcoming legal and regulatory changes and allows the Compliance function to centralise information on any issues or breaches. It also serves as a platform for discussing and addressing all compliance-related issues that may have an impact on other departments.

Any breach is subject to appropriate measures and addressed without undue delay by the Bank. The Compliance function monitors through the Compliance Error Log that issues are appropriately addressed and resolved.

6.11 Money laundering and terrorist financing risk

Money laundering (ML) is the illegal process of concealing the origins of money obtained illegally by passing it through a sequence of banking transfers or commercial transactions. The general pattern of this process is to send money back to the launderer in a way that is generally opaque and indirect.

All types of credit institutions accounts are vulnerable to terrorism financing as they can be used to access other financial products, they can be used to set up false customer profiles or to allow individuals to withdraw cash and are vulnerable to misuse by third parties.

Terrorism financing (TF) is and will remain extremely difficult to detect for a number of reasons, in particular because the funds may come from legitimate activities, the time between an individual accessing funds and committing an attack or travelling to a conflict zone may be very short or that transactions are often of low value and indistinguishable from ordinary financial behaviour.

Advanzia assesses its exposure ML/TF on a yearly basis through the ML/TF risk assessment. This exercise, conducted in accordance with the CSSF Circular 11/529, aims at identifying and assessing the Bank's vulnerabilities with regard to ML/TF as well as assessing the effectiveness of its internal anti-money laundering (AML) and counter-terrorism financing (CTF) control framework.

The Bank's mitigation measures implemented to reduce ML/TF risk are defined in detail in its ML/TF Risk Assessment, AML/CTF Policy, AML/CTF Credit Card Procedure, AML/CTF Deposit Account Procedure, AML/CTF Professional Card Services Procedure and other relevant internal guidelines.

The Bank has also established an internal Country Risk List which is based on various sources and takes into consideration the FATF statements.

Moreover, Advanzia's AML/CTF compliance framework includes screening tools, based on name matching, and controls to detect politically exposed persons (PEPs) as well as persons subject to sanctions/embargos. In this regard, an internal process is in place to ensure that the alerts generated by the screening tool are adequately reviewed by the first line of defence and, where required, escalated to the Compliance function for further investigation.

6.12 Liquidity risk (Art. 435(1), Art. 451a)

The liquidity risk arises from the Bank's business which requires a continuous flow of cash and the confidence of its depositors and creditors. Of primary importance to depositors and creditors is the Bank's ability to have funds available to repay maturing liabilities.

To finance its activities, the management of the Bank strives to achieve an optimal liability structure that balances solidity, flexibility for growth and cost-efficiency. For Advanzia, client deposits have proven to be very stable and reliable source of funding over time. Furthermore, since 2017 Advanzia has taken actions to diversify its funding sources away from retail deposits and strengthen its funding profile. At the end of December 2024, more than 32% of the Bank's total liabilities (excluding equity and AT1 bonds) derive from other funding sources than retail deposits.

Significant developments in 2023 and 2024 include the upsizing of the Bank's securitisation facility to BEUR 1, which increased the Bank's access to undrawn committed funding from the facility. In addition, the Bank issued two hybrid capital instruments (an AT1 bond of MNOK 500 and a Tier 2 bond of MEUR 55) as well as an inaugural MEUR 200 senior unsecured bond, which supported an upgrade in Advanzia's senior unsecured and deposit credit ratings to investment grade (Baa3 by Moody's).

The increasing share of longer-term debt in Advanzia's funding mix strengthens the Bank's funding profile. The upgrade of the Bank's external credit rating in the investment grade area and the recent debt issuances reinforce Advanzia's position in the capital markets and broaden the Bank's investor base.

Advanzia has a liquidity risk management framework that supports a moderate risk profile and safeguards the Bank's reputation from a liquidity perspective. This framework ensures that the Bank meets its payment obligations at a reasonable cost, even under severely adverse conditions and ensure that there is a clear division of responsibilities and there are no conflicts of interest by using the Three Lines of Defence system of risk governance. The Bank maintains uses a comprehensive set of liquidity indicators, such as the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and survival period, to monitor and measure liquidity risk, both in business as usual as well as in stressed conditions within the requirements set internally and by the regulator.

Regulatory indicators are monitored on an ongoing basis and reported monthly to the Board of Directors and the Management of the Bank as well as the Asset & Liability Committee (ALCO). At any time, any ALCO member can request further, more in-depth or more frequent update of the monitoring. To the extent possible, and when relevant, monitoring is automated.

Furthermore, Advanzia is continuously monitoring stress test scenarios. These are based on the largest deviances the Bank has ever experienced historically on the most important cash flows (turnover, repayments, deposit). Furthermore, stress testing for the main liquidity drivers, as well as a combination of all negative effects occurring simultaneously is performed. The likelihood of all events occurring simultaneously and without Advanzia not implementing any counteractions is considered highly remote. In a real stress scenario, management would consider various mitigating actions such as increased interest rate on deposit accounts, suspending credit card limit increases and new card issuance/sales or blocking open credit cards, which are outlined in the Bank's Recovery Plan.

In the quarterly ICAAP and ILAAP report, the liquidity adequacy of the Bank is assessed from economic and normative perspectives. The assessment includes a baseline and two adverse scenarios (severe economic downturn and going concern scenarios), in line with the overall planning objectives of the Bank. Additionally, Advanzia performs a reverse stress test for liquidity risk, which considers maximum outflows from deposit accounts that the Bank could handle in order to remain LCR compliant in terms or regulatory requirements and risk appetite.

The liquidity adequacy assessment as of end of December 2024 demonstrates that the Bank is expected to respect its regulatory limits for the near and mid-term future across all adverse scenarios. Thus, Advanzia's liquidity position is considered sufficient for the quarter and is projected to develop positively under an expected scenario.

During the year, the Bank has exceeded the LCR and NSFR regulatory requirements of 100% at all times. The evolution of the liquidity ratios for the year 2024 is presented in the following table. The sharp decrease in NSFR figures in Q4 2024 is attributable to the BCL's request for the Bank to reclassify its major credit card balances from the 6-month to 1-year time bucket to the over 1-year time bucket.

	2024-Q1	2024-Q2	2024-Q3	2024-Q4
LCR	152%	181%	155%	170%
NSFR	201%	210%	197%	135%
Survival period (severe scenario)	82 days	78 days	73 days	84 days

6.13 Income risk

There is a risk that Advanzia's income may change over time. There may be several sources for this risk, such as change in client behaviour, increase in funding costs, decrease in interest rates, etc. Advanzia's business model, however, is one of highly stable recurring revenue. The contribution from each monthly vintage is both stable and predictable over time and contributes to maintain the income risk at low levels.

Overall, the Bank foresees two potential scenarios that could affect its income to a significant extent: an increase of the funding costs (increase in the deposit rates) or a decrease of the credit card yield.

The Bank assumes that the scenario of an increase in deposit rates is already covered in the liquidity risk section; and the scenario of a decrease in credit card yield is covered under interest rate risk. Both scenarios are covered in the ICAAP and ILAAP assessment. Income risk *per se* is further assessed in ICAAP and ILAAP using historical data on the deviation between budgeted and actual income.

6.14 Reputation risk

Reputation risk may arise from the Bank acting incompetently or dishonestly towards its clients, that it presents itself in an unprofessional fashion, and possibly also due to founded or unfounded smear campaigns from others. Also, since the 2008 crisis and the rescue of the banking sector in many countries, the perception of the banking sector in general has clearly receded. This perception has only grown given more recent turbulence in the market provoked by the failures of Silicon Valley Bank and Credit Suisse.

The consequence of bad reputation could be a loss of confidence in the Bank. This can, in turn, imply that the Bank may lose customers for both product types. For credit cards it will mean a loss of income over time, whereas for deposits this may imply a liquidity risk, if clients start to withdraw their funds in considerable volumes. The risk can also arise/worsen if the Bank for liquidity reasons is forced to perform actions (such as block all credit card usage) and thereby signal a distress situation to the market which again may aggravate the situation.

The Bank maintains its reputation by remaining customer focused, complying with both internal as well as external regulations, applying fair business practises and using full transparency. In addition, the Bank strives to be sensitive towards the signals it sends to the various market players so that these are not interpreted as unnecessarily negative. The Bank also works on maintaining a good relationship and standing in the banking community in Luxembourg as well as abroad.

The Bank is subject to reputation risk, which is also considered for the ICAAP and ILAAP exercise. It is modelled here as an event that may give rise to liquidity risk, as the worst consequence of a negative reputation situation would clearly be large withdrawals of deposit account funds, or business risk as it may imply loss of income on the credit card side. It is therefore included in assessment of the other risks.

7 ASSET ENCUMBRANCE (ART. 443 CRR)

Some of the Bank's assets are encumbered. As of 31 December 2024, the carrying amounts for encumbered and unencumbered assets were as follows:

Encumbered assets (in MEUR)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	1 175.4		3 297.4	
Equity instruments				
Debt securities				
Other assets	1 175.4		3 297.4	

8 LEVERAGE RATIO (ART. 451 CRR)

The leverage ratio of Advanzia is part of the Extended Corep and disclosed in report C47.00 that is reported on quarterly basis to the CSSF. As of 31 December 2024, the leverage ratio was reported as follows.

LRSUM	(in MEUR)	Amount at Disclosure Date
Summary reconciliation of accounting assets and leverage ratio exposures		**Applicable Amounts**
1	Total assets (including off-balance sheet exposure)	11 663.0
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions (SFTs)	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-6 485.1
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013	
EU-6b	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013	
7	Other adjustments	-16.0
8	**Leverage ratio total exposure measure**	**5 161.9**

LRCom	(in MEUR)	Amount at Disclosure Date
Leverage ratio common disclosure		**CRR leverage ratio exposures**
On-balance sheet exposure (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs. but including collateral)	4 457.3
2	Asset amounts deducted in determining Tier 1 capital	-16.0
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**4 441.3**
Derivative exposures		**CRR leverage ratio exposures**
4	Replacement cost associated with derivative transactions	
5	Add-on amounts for PFE associated with derivative transactions	
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	
8	Exempted CCP leg of client-trade exposures	
9	Adjusted effective notional amount of written credit derivatives	
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	
11	**Total derivative exposures (sum of lines 4 to 5a)**	**0**
Securities financing transactions exposures		**CRR leverage ratio exposures**
12	Gross SFT assets (with no recognition of netting) after adjusting for sales accounting transactions	
13	Netted amounts of cash payables and cash receivables of gross SFT assets	
14	Counterparty credit risk exposure for SFT assets	

EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	Exempted CCP leg of client-cleared SFT exposure	
16	**Total securities financing transaction exposures**	**0**
	Off-balance sheet exposures	**CRR leverage ratio exposures**
17	Off-balance sheet exposures at gross notional amount	7 205.7
18	Adjustments for conversion to credit equivalent amounts	-6 485.1
19	**Total off-balance sheet exposures (sum of lines 17 to 18)**	**720.6**
	Exempted exposure in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013	**CRR leverage ratio exposures**
EU-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet)	
EU-19b	Intragroup exposures (solo basis) exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on and off-balance sheet)	
	Capital and Total Exposures	**CRR leverage ratio exposures**
20	Tier 1 capital	400.3
EU-21a	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013	
21	**Total Exposures (sum of lines 3. 11. 16. 19 and 21a)**	**5 161.9**
	Leverage Ratios	
22	End of quarter leverage ratio	7.76%
	Choice on transitional arrangements for the definition of the capital measure	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013	0

LRSpl	**(in MEUR)**	**Amount at Disclosure Date**
	Split-up of on balance sheet exposure (excluding derivatives and SFTs)	**CDR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs). of which:	4 441.3
EU-2	Trading book exposures	0
EU-3	Banking book exposures. of which:	0
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	1 037.6
EU-6	Exposures to regional governments. MDB. international organisations and PSE NOT treated as sovereigns	0
EU-7	Institutions	180.5
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	3 086.5
EU-10	Corporate	4.2
EU-11	Exposures in default	93.2
EU-12	Other exposures (e.g. equity. securitisations. and other non-credit obligation assets)	39.3

Leverage ratio was 7.76% as of 31 December 2024 (2023: 8.04%). The increase is driven by the growth of total exposure. Leverage ratio is monitored on a quarterly basis, and the management of the Bank takes relevant actions for this ratio to stay above the 3% requirement.

9 REMUNERATION POLICY (ART. 450 CRR)

9.1 Governance

Board of Directors

The Board of Directors (BoD) of the Bank has approved a policy which establishes the principles for the remuneration expenditure for management and employees.

The Board agrees and approves the fixed remuneration within the individual employment contract of the Executive Management Committee (EMC). The Board – together with the Nomination and Remuneration Committee (NRC) – also determines the variable remuneration of the EMC and – together with the CEO – assesses the individual performance of the Management Committee.

Meetings of the Board of Directors are held 4 times per year.

Nomination and Remuneration Committee (NRC)

The NRC is composed of three members of the Board of Directors in its supervisory function. Bengt Arve Rem (chairperson), Eirik Holtedahl and Wiljar Nesse (members). The primary function of the NRC is to assist the BoD in overseeing the Bank's Remuneration Policy and making recommendations on the basis of such policy to the BoD. In 2024, 3 meetings were held by the NRC.

The NRC:

– Is responsible for the approval of new hires of the category "material risk takers / identified staff"; as defined in the Remuneration Policy; the approval can be after the signature of an employment contract; in such case the employment contract is only valid under the condition of a subsequent approval by the NRC.
– Is responsible for the preparation of decisions on remuneration to be approved by the BoD, in particular regarding the remuneration of the members of the EMC, the Management Committee (ManCom) and other Identified Staff.
– Provides support and advice to the Board of Directors on the design of Advanzia's Remuneration Policy (including that such policy is gender neutral and support the equal treatment of staff of different genders) and ensuring that Advanzia's remuneration policy is still up to date.
– Supports the Board of Directors in overseeing the remuneration policies, practices and processes and the compliance with the Bank's Remuneration Policy.
– Reviews the appointment of external remuneration consultants that the Board of Directors may decide to engage for advice or support.
– Ensures the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration.

- Assesses the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall Remuneration Policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values, risk culture and the long-term interest of the Bank.
- Assesses the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and clawback arrangements.
- Reviews a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-test the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes.

Executive Management Committee (EMC)

The EMC agrees and approves the fixed remuneration within the individual employment contracts for the other members of the Management Committee.

Management Committee (ManCom)

The ManCom and EMC agree and approve the fixed remuneration within the individual employment contracts for employees who belong to the higher categories referred to in Art. L. 162-8 of the Luxemburgish Labour Law (cadre).

9.2 Pay and performance

Advanzia uses a set of Key Performance Indicators (KPIs) to quantify and thereby assess the performance of the Bank (a combination of overall performance, business unit performance, market specific performance) in order to determine the bonus envelope by the NRC/BoD. In principle, the Bank uses a combination of KPIs, which are considered being short- and long-term value creating elements. The annual bonus targets under each of the KPIs will be determined by the BoD, together with the CEO, at the beginning of each bonus year. The target values of the KPIs may be different for EMC and ManCom compared to those applicable for employees.

The Bank also takes into account the current and future risks in the calculation of the variable remuneration. In this regard, in order to ensure that the variable remuneration awarded is fully aligned with the risks taken, the Bank can adjust the variable remuneration depending on the current risks and the risk indicators. For this reason, a deferral schedule is applied, and payments are distributed over a two-years' period. The long-term component, which is paid in the two years following the bonus payments ensures sustainability of the performance in the long term, considering the impact of decisions taken in the past. In addition, a malus and clawback measure is part of the Bank's Remuneration Policy, granting the payment only if the amount is compatible with the financial situation of the Bank and is justified by the performance of the Bank, the operating unit and the person concerned.

On the basis of the above, the BoD determines an overall bonus provision for the year as part of the annual budget process. The allocation of the individual bonuses for the employees is under the responsibility of the CEO. The individual bonus amounts for EMC, ManCom and other Identified Staff are approved by the BoD upon recommendation of the NRC.

The BoD will at its discretion decide on the voluntary and non-binding bonus program from year to year. The BoD may also modify and update the program and its components during the year, such as e.g. the performance criteria for the bonus program.

When setting the bonus envelope, the ratio between the variable and the fixed remuneration of each Identified Staff is taken into account (and includes all types of variable remuneration granted to this Identified Staff for one year), as well as the financial situation of the Bank, including its capital base and liquidity situation.

Objective setting process

As part of the objective setting process the objectives for the whole company are defined by the BoD. These are based on the long-term strategy of the Bank, usually defined in a five-year planning. In a next step, the objectives are broken down to department level. The Managing Directors (i.e. the members of the ManCom), are assessed on these objectives in addition to individual objectives agreed together with the CEO of the company.

All employees will receive their individual objectives, which are based on the company's objectives – broken down to department / individual level, department objectives as defined by the department head, team objectives, which are defined on team level, and individual objectives. The nature of these objectives is always based on the individual role and responsibility. It includes financial objectives (only where appropriate and applicable) and non-financial objectives.

Performance evaluation

During the annual performance review process, all employees below ManCom level have a performance review meeting with their line manager, where their individual performance in the preceding year is assessed, based on a rating of general skills and their development and the assessment of their individual objectives.

A final grading will be allocated to each employee, ranging from C (unsatisfactory performance) to AAA (outstanding performance), where an "A" rating reflects a performance which fully meets the requirements.

A range for the individual bonus amount awarded is calculated based on the following:

- The overall budget available for bonus payments.
- The hierarchical level of an employee.
- The individual performance.

The exact bonus amount will be determined by each department head within the range provided as a result of the calculation above.

Identified Staff

For the purpose of identification of the employees whose professional activities have a material impact on the Bank's risk profile ("Identified Staff"), Advanzia takes into consideration the Law and the qualitative and quantitative criteria set out by the Regulation and has identified the following (groups of) employees as Identified Staff:

- Executive Management Committee (EMC), as staff members in the management body in its management function.
- Management Committee (ManCom), as staff members in the management body in its management function.

- Head of Risk Management & Data Analytics (“Chief Risk Officer”) as staff member with managerial responsibility over the institution’s control function for the activities of the Risk Management function.
- Head of Compliance (Chief Compliance Officer), as staff member with managerial responsibility over the institution’s control function for the activities of the compliance function and for the prevention of money laundering and terrorist financing.
- Head of Internal Audit (Chief Internal Auditor), as staff member with managerial responsibility over the institution’s control function for the activities of the internal audit function.
- Head of Legal, as staff member with managerial responsibility over legal affairs.
- Head of Accounting & Regulatory Reporting, as staff member head of the function responsible for the soundness of accounting policies and procedures and taxation matters.
- Head of Controlling, as staff member head of the function responsible for planning, budgeting and forecasting including capital needs and for performing economic analyses.
- Head of Corporate Finance, as staff member head of the function responsible for the Bank’s capital and debt raising.
- Head of Human Resources, as staff member with managerial responsibility over human resources.
- Head of Information Security, or Information Security Officer (ISO), as staff member with managerial responsibility over the “information security”.
- Head of IT Service Delivery, as staff member head of the function responsible for information technology.
- BoD, as members of the management body in its supervisory function.

Based on Advanzia’s business model and organisational structure, only the above-listed staff members should be considered as material risk takers because their functions could be performed in such a way to have an influence on the variable part of their remuneration and on the risk profile of Advanzia.

In order to keep the above list up to date, Advanzia conducts and documents annually self-assessments in order to identify all staff whose professional activities have or may have a material impact on the Bank’s profile while ensuring that staff that fall or are likely to fall under the criteria established by the Law, as well as the qualitative and quantitative criteria set out by the Regulation for a period of at least three months in a financial year are treated as Identified Staff. The assessment is made on the basis of a template indicating all qualitative and quantitative criteria set out by the Regulation.

The EMC shall be responsible for conducting the aforementioned annual self-assessment and prepare a list of Identified Staff what will be approved by the BoD upon recommendation of the NRC.

Ceiling on variable remuneration

- The ceiling on the total variable remuneration of the EMC is 50% of the total annual remuneration (equivalent to 100% of the fixed remuneration).
- The ceiling on the total variable remuneration of the ManCom is 50% of the total annual remuneration (equivalent to 100% of the fixed remuneration).
- The ceiling on the total variable remuneration for the Identified Staff is 50% of the total annual remuneration (equivalent to 100% of the fixed remuneration).
- The ceiling on the total variable remuneration for the individual employees is 50% of the total annual remuneration (equivalent to 100% of the fixed remuneration) for staff not covered by the Collective Bargaining Agreement (CBA) and 25% of the total annual remuneration (equivalent to 33% of the fixed remuneration) for staff covered by the CBA.

9.3 Paid remuneration

The implementation of the remuneration principles takes into account the proportionality principle among institutions described in the EBA Guidelines. The quantitative criteria laid down in CSSF Circular 22/797 is fulfilled considering Advanzia's size, internal organization and the nature, scope and complexity of its activities. In particular, the following requirements are therefore neutralised:

- Pay-out of the variable remuneration in instruments (fully, as Advanzia is a privately owned not listed company and payment in any other type of instruments is not possible).
- Retention policy (fully, no payment in instruments, which could be subject to a retention period).
- Deferral of part of the variable remuneration (partially, only over 2 years considering the economic cycle within the Bank's single product business model).
- Ex post incorporation of risk (fully, considering the economic cycle within Advanzia's "single product" business model).

In general, a total variable remuneration of up to EUR 50 000 does not require a deferral. 9 staff members, classified as identified staff, benefitted from this derogation.

If the variable payment is deferred, the deferral is over three years. 60% of the bonus is paid out in the year of the award and 20% in each of the subsequent two years. The variable remuneration consists only of settlements in cash.

The amounts listed in the following tables are represented in EUR, unless otherwise stated.

Template EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
1	Fixed remuneration	Number of identified staff	3	8	9	0
2		Total fixed remuneration			1 289 028	
3		Of which: cash-based	108 000	2 650 360	1 289 028	
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8		(Not applicable in the EU)				

			a	b	c	d
9	Variable remuneration	Number of identified staff		8	9	0
10		Total variable remuneration		2 668 111	356 300	
11		Of which: cash-based		2 668 111	356 300	
12		Of which: deferred	-	722 128	70 000	
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		108 000	5 406 657	1 645 328	

Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff		1		
2	Guaranteed variable remuneration awards -Total amount		1 000 000		
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap		1 000 000		
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff				
7	Severance payments awarded during the financial year - Total amount				
8	Of which paid during the financial year				
9	Of which deferred				
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
11	Of which highest payment that has been awarded to a single person				

The entire outstanding deferred remuneration is earned.

Template EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	**Total amount of deferred remuneration awarded for previous performance periods**	**Of which due to vest in the financial year**	**Of which vesting in subsequent financial years**	**Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year**	**Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years**	**Total amount of adjustment during the financial year due to ex post implicit adjustments**	**Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year**	**Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods**
1	MB Supervisory function	0	0	0	0	0	0	0	0
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	MB Management function	8 443 400	8 295 400	6 148 000	0	0		8 295 400	0
8	Cash-based								0
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments								
11	Other instruments								
12	Other forms								
13	Other senior management	0	0	0	0	0		0	0
14	Cash-based								
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments								
17	Other instruments								
18	Other forms								
19	Other identified staff	0	0	0		0		0	0
20	Cash-based								

21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments								
23	Other instruments								
24	Other forms								
25	Total amount	443 400	295 400	148 000	0	0	0	295 400	0

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	g	h	i
		Management body remuneration			Business areas		
		MB Supervisory function	MB Management function	Total MB	Retail banking	Independent internal control functions	All other
1	**Total number of identified staff**						
2	Of which: members of the MB	3	8	11			
3	Of which: other senior management				7	2	-
4	Of which: other identified staff				-	-	-
5	**Total remuneration of identified staff**	108 000	5 406 657	5 514 657	1 390 661	254 667	-
6	Of which: variable remuneration	-	2 668 111	2 668 111	307 800	48 500	-
7	Of which: fixed remuneration	108 000	2 738 546	2 846 546	1 082 861	206 167	-

10 RECRUITMENT AND DIVERSITY POLICY (ART. 435(2) (B, C))

In the selection and appointment of the Management Committee members to fill vacancies, the assessment will consider the candidates' good reputation, the balance of knowledge, skills, diversity, time and availability to perform their duties, and the experience of a candidate. Each member of the Management Committee must have thorough knowledge of the financial sector in general and their business area in particular. Each member must also have thorough knowledge of the Bank's social functions, of the interest of all the Bank's stakeholders and should possess adequate collective knowledge, skills and experience to be able to understand the Bank's activities including the main risks.

When the position of the CEO is to be filled, the selection, assessment and approval is done by the Board of Directors. For any other position within the Management Committee, the selection and assessment are done by the CEO, supported by the internal HR function and finally approved by the Board of Directors.

The following criteria are taken into account for the selection and recommendation of an appropriate candidate: reputation, experience, governance, independence, individual and collective requirements. The suitability of the Executive Management Committee members is assessed according to the joint ESMA and EBA Guidelines (EBA/GL/2021/06) on the assessment of the suitability of members of the management body and key function holders.

11 ESG RISKS (ART. 449A)

Environmental risk

While larger banks and other financial institutions will be substantially affected by financial risks arising from climate change and transition to a low-carbon economy in the near future, Advanzia's straightforward business model and limited geographic exposure minimises those risks.

Advanzia is a digital specialising in credit cards and card payment solutions for consumers, business partners and financial institutions in Germany, Luxembourg, France, Austria, Spain and Italy. Its headquarters are based in Luxembourg without any branches present in neither of the markets, in which Advanzia operates. Furthermore, the Bank is not exposed to climate-affected business lines such as the energy supply sector, real estate financing, etc.

Given the geographical location of Advanzia's customers (continental Europe with minor part of the customer base residing on European islands) as well as its limited product line (consumer credit cards and sight deposits), the Bank feels confident in its ability to continue being negligibly affected by climate risks.

However, in order to limit the ecological impact of its own operations, Advanzia has signed a lease agreement for the ecological office building, which is constructed and operated in a climate-neutral way. The building uses sustainable, efficient and green building technologies and materials, and is certified with the green label certificate "Excellent" according to BREEAM, one of the world's leading sustainability assessment methods.

The Bank's ongoing digital transformation is leveraging digital technologies that impact sustainability aspects of all business processes. The Omni-channel UX initiative is guiding the Bank towards more green cloud-based platforms and solutions, as well as the provision of new mobile and digital services for customers, simplifying business operations and reducing the need for paper-based and resource-heavy processes.

Social risk

The social pillar emphasizes human rights, fair and ethical labour practices, safe and healthy working conditions as well as diversity and inclusion. This includes prohibiting child labour, forced labour and discrimination in any form. Dedicated HR procedures are in place that cover these aspects.

As for the Bank's customers and product responsibility, access to transparent and high-quality information about the products and services the Bank offers is a typical focus point of the social pillar aimed at the protection of customers and end users. Responsible banking and responsible lending practices are key to the Bank's business model.

Advanzia's diverse supplier network supports a flexible, scalable operating model for business continuity and growth. Nearly 99% of procurement is sourced from countries with high human rights, environmental and social responsibility standards (EU 94%, UK 3%, US 1% and others 2%).

Governance risk

The Governance pillar focuses on compliance to relevant laws and regulations, AML and fraud prevention, business ethics and codes of conduct, as well as the definition of a sound business strategy and company values that underpin the activities of the Bank. Focus points for a digital bank such as Advanzia are also data protection, cyber security and responsible supply chain management.

The Bank's Code of Conduct defines the principles of professional behaviour, reminding staff that honesty, loyalty, professionalism, mutual respect, confidentiality and integrity are fundamental to responsible interactions with society, customers, colleagues, service providers and competitors. In 2024, Advanzia refined its purpose, mission statement and vision, and will further reassess its core values. The shared vision underpins Advanzia's commitment to sustainability and responsibility and ultimately contribute to Advanzia's continued transformation and growth.

In line with Circular CSSF 21/773, the Bank conducted a Double Materiality Assessment (DMA) during 2024, assessing ESG risk impacts on other risk categories over both short-to-medium and medium-to-long-term horizons. Additionally, to achieve CSRD compliance, the Bank focuses on identifying data and organisational gaps and developed a detailed implementation roadmap. The first public sustainability report was published in June 2024, which lays out the Bank's environmental, social and governance (ESG) approach, the progress made to date and ambitions for the future.

It is deemed by Advanzia that climate risk is not material, and social risks are covered by means of qualitative mitigating measures.

The Bank acknowledges the forthcoming application of the revised Capital Requirements Regulation (CRR 3), which will enter into force on 1 January 2025. However, the Bank has assessed that the specific ESG disclosure obligations introduced under CRR 3 do not apply to the present report with the reference period ending 31 December 2024.

Nonetheless, the Bank acknowledges the growing regulatory and supervisory emphasis on ESG risk management and transparency and has commenced preliminary activities in 2025. This includes the development of a formal transition plan, the enhancement of ESG data collection and assessment processes and the gradual integration of ESG considerations into the Bank’s risk management and governance arrangements, with the objective of ensuring alignment with the forthcoming CRR 3 requirements and broader regulatory expectations.

12 SHADOW BANKING (ART. 449B)

The Bank does not engage in any shadow banking activities.

13 CRYPTO-ASSETS AND RELATED ACTIVITIES (ART. 451)

The Bank does not hold or trade crypto assets, nor does it undertake any related activities.