



**ADVANZIA
BANK**

FINANCIAL REPORT
First Quarter 2021



BRICK & MORTAR USED TO FORM A DAM
MURSTEIN & MØRTEL FORMET EN DEMNING

TO INTERRUPT THE FLOW OF A WATERWAY
Å FORSTYRRE VANNVEIENS FLYT

Lawrence Weiner

A BRANCH BENT TO THE POINT OF SNAPPING
A TWIG CRUSHED TO DUST UNDERFOOT
BRICK & MORTAR USED TO FORM A DAM
TO INTERRUPT THE FLOW OF A WATERWAY

Unveiled in 2020

Language + the materials referred to

Photo: Vegard Kleven

Courtesy of Kistefos Museum

FINANCIAL REPORT

FIRST QUARTER 2021

Advanzia Bank S.A.

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Highlights for the first quarter 2021

- Gross credit card loan balance of MEUR 1 900, growth +1.0% QoQ and +10.3% YoY.
- 1 149 000 active clients, growth -0.4% QoQ and +3.7% YoY.
- 1 963 000 cards in force¹, growth +2.2% QoQ and +11.5% YoY.
- Card acquisition cost of MEUR 8.5, growth +3.6% QoQ and -5.6% YoY.
- Loan loss rate of 3.5% (-0.5%-points QoQ and -1.9%-points YoY).
- Net profit of MEUR 25.7, -11.5% QoQ and +36.2% YoY.
- Annualised return on equity of 34.3%² in Q1-21 vs. 35.5% in Q1-20.

The Bank showed an increase in its client base, loan balance and net profit compared to the first quarter of 2020, demonstrating the continued resilience of Advanzia's business model despite the challenges posed by the COVID-19 pandemic.

During the first quarter, the number of cards in force increased to nearly two million, up 2.2% QoQ and 11.5% YoY. The Bank's loan portfolio continued to grow and ended at MEUR 1 900, up 1.0% from last quarter and up 10.3% YoY despite a small reduction in the number of active clients due to the continued confinement measures in Germany. During these times of persisting uncertainty, the Bank continues to provide liquidity to its customers.

Total income reached MEUR 76.3, down 1.8% QoQ and up 4.0% YoY. The share of non-performing loans increased, as the Bank has stopped selling non-performing loans in Germany with effect from June 2020. As these loans are subject to a lower interest rate, total income grew slower than the loan balance YoY.

Total loan loss provisions were down 15.2% QoQ, reaching MEUR 16.1. The comparison with the previous quarter is, to some extent, distorted as the Bank revised its IFRS 9 methodology in Q4-20. Nevertheless, the loan loss provision rate stands at 3.5% at the end of the quarter, down 0.5%-points compared to Q4-20 and 1.9%-points compared to Q1-20. The ratio has been on a decline for more than five consecutive quarters and reflects the improved credit quality in the Bank's portfolio.

During the quarter, the Bank successfully issued an Alternative Tier 1 bond of MNOK 400 and a Tier 2 subordinated bond of MEUR 30.

Net profit ended at MEUR 25.7, a QoQ decrease of 11.5% and a YoY increase of 36.2%.

Annualised return on equity ended at 34.3%. Excluding held back dividends it would have been 41.8%.

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

² Annualised return on equity is by computed by dividing annualised net earnings by average monthly shareholders' equity.

Profit development

in EUR million, QoQ

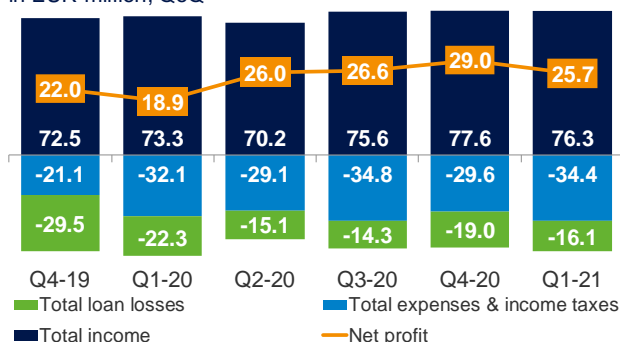


Figure 1: Profit development.

Growth metrics	Active clients	Loans and advances to credit card clients	Net profit
CAGR (2010 - LTM*)	18.9%	22.1%	31.9%
YTD 2021 vs. YTD 2020	3.7%	10.3%	36.2%

* Last twelve months

Table 1: CAGR and YTD growth.

Since the end of 2010, Advanzia has delivered a compound annual growth rate (CAGR) of 31.9% in net profit, 22.1% in loan balance and 18.9% in the number of active credit card clients.

Loan balance development

Credit card loan balance

in EUR million, QoQ

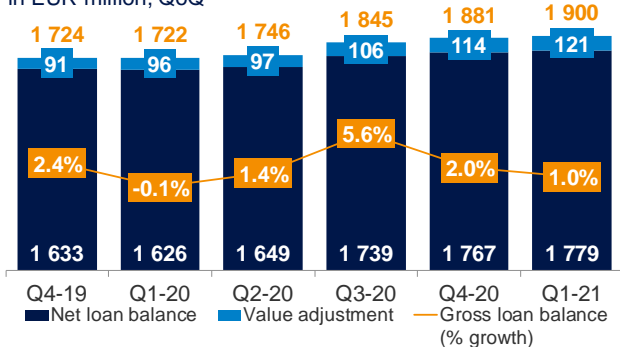


Figure 2: Loan balance development.

During the first quarter of 2021, the gross loan balance growth declined to 1.0%. This growth trend was consistent across all markets and is driven by the continued confinement measures, which temporarily reduce both the number of active clients and transactions per client.

Active clients/credit cards

Number of active credit card clients

in 000's, QoQ

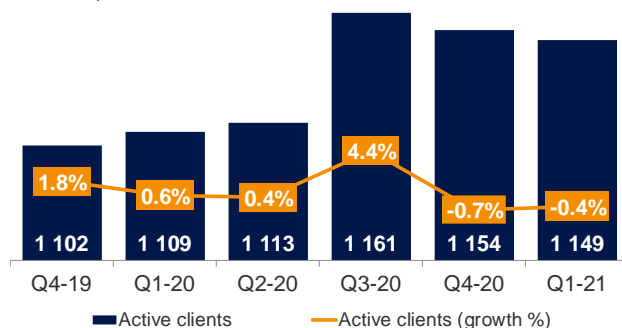


Figure 3: Credit card clients.

In Q1, the Bank totalled 1 149 000 active clients, down 0.4% QoQ and up 3.3% from Q1 last year. Again, the small decline is primarily driven by the confinement measures applicable in the markets Advanzia serves, which reduced card usage for both new and existing clients.

1.1 Financial institutions – Professional Card Services (PCS)

Key Figures, PCS clients	Actual Q1-21	Actual Q4-20	QoQ growth	Actual Q1-20	YoY growth	Actual YTD-21	Actual YTD-20	YTD growth
Number of banks	90	89	1.1%	89	1.1%	90	89	1.1%
Total cards (opened)	16 807	16 834	-0.2%	16 370	2.7%	16 807	16 370	2.7%
Turnover (in EUR million)	80.5	90.1	-10.6%	107.7	-25.3%	80.5	107.7	-25.3%

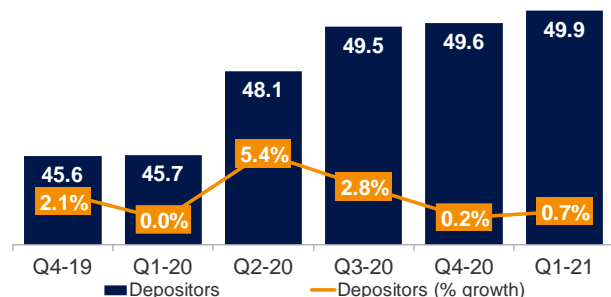
Table 2: PCS statistics.

In the PCS business segment, the Bank has 90 partners. Card turnover was down 10.6% QoQ, primarily due to the confinement measures, resulting in reduced customer spending in the travel and entertainment categories.

Deposit account

Number of active depositors

in 000's, QoQ



Deposit balance

in EUR million, QoQ

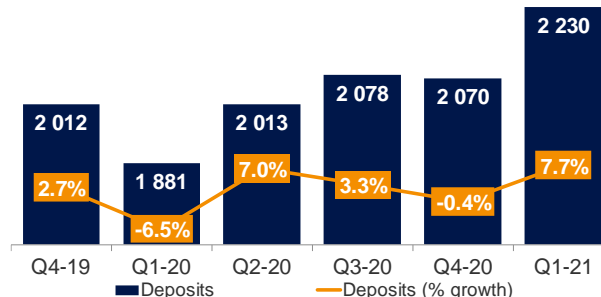


Figure 4: Deposit statistics.

With a three-month introductory campaign rate of 0.40% eff. p.a. and a standard rate of 0.25% eff. p.a., the Bank's sight deposit offering continued to be attractive. Consequently, the number of depositors reached 49 900, up 0.7% QoQ. The net inflow was MEUR 160, growing deposit balances by 7.7% QoQ.

Board, management and staff

As of 31 March 2021, Advanzia Bank employed 200 full-time equivalent employees, up from 198 at the end of the previous quarter.

On 14 January 2021, Mr. Wiljar Nesse succeeded Mr. Erlend Bondø as a member of the Board of Directors.

Shareholding

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

Financial statements

The unaudited accounts of Advanzia as at the end of the first quarter of 2021 are shown below. Advanzia Bank follows IFRS standards and the figures reflect Advanzia's actual business activities and operations.

Assets (EUR million)	Actual Q1-21	Actual Q4-20	QoQ growth	Actual Q1-20	YoY growth	Actual YTD-21	Actual YTD-20	YTD growth
Cash, balances with central banks	980.6	707.5	38.6%	666.1	47.2%	980.6	666.1	47.2%
Loans and advances to credit institutions	62.8	92.1	-31.8%	27.2	131.3%	62.8	27.2	131.3%
Net loans and advances to PCS partner banks	36.7	37.4	-1.8%	34.5	6.4%	36.7	34.5	6.4%
Loans and advances to credit card clients	1 899.9	1 881.2	1.0%	1 722.2	10.3%	1 899.9	1 722.2	10.3%
Value adjustments (losses)	-121.0	-114.1	6.1%	-95.8	26.3%	-121.0	-95.8	26.3%
Net loans and advances to credit card clients	1 778.9	1 767.2	0.7%	1 626.4	9.4%	1 778.9	1 626.4	9.4%
Tangible and intangible assets	32.3	33.7	-4.1%	36.8	-12.3%	32.3	36.8	-12.3%
Other assets	12.9	12.1	6.8%	11.8	9.2%	12.9	11.8	9.2%
Total assets	2 904.2	2 649.9	9.6%	2 402.9	20.9%	2 904.2	2 402.9	20.9%
Liabilities and equity (EUR million)	Actual Q1-21	Actual Q4-20	QoQ growth	Actual Q1-20	YoY growth	Actual YTD-21	Actual YTD-20	YTD growth
Amounts owed to credit institutions	209.9	208.8	0.5%	232.0	-9.5%	209.9	232.0	-9.5%
Amounts owed to customers	2 229.7	2 070.3	7.7%	1 881.2	18.5%	2 229.7	1 881.2	18.5%
Other liabilities, accruals, provisions	39.6	42.0	-5.8%	35.6	11.3%	39.6	35.6	11.3%
Subordinated liabilities	55.0	25.0	120.0%	32.4	69.7%	55.0	32.4	69.7%
Sum liabilities	2 534.2	2 346.2	8.0%	2 181.2	16.2%	2 534.2	2 181.2	16.2%
Subscribed capital	27.4	27.4	0.0%	27.4	0.0%	27.4	27.4	0.0%
Other equity instruments	62.2	21.2	193.3%	19.5	218.5%	62.2	19.5	218.5%
Reserves	29.9	21.7	37.9%	21.7	37.9%	29.9	21.7	37.9%
Profit (loss) brought forward	225.2	134.7	67.2%	134.7	67.2%	225.2	134.7	67.2%
AT1 bondholder distributions	-0.4	-1.8	-76.8%	-0.5	-20.0%	-0.4	-0.5	-20.0%
Profit for the financial year	25.7	100.5	-74.4%	18.9	36.2%	25.7	18.9	36.2%
Sum equity	370.1	303.7	21.8%	221.7	66.9%	370.1	221.7	66.9%
Total liabilities and equity	2 904.2	2 649.9	9.6%	2 402.9	20.9%	2 904.2	2 402.9	20.9%

Table 3: Unaudited statement of financial position as at 31 March 2021 (in EUR million).

Income statement (EUR million)	Actual Q1-21	Actual Q4-20	QoQ growth	Actual Q1-20	YoY growth	Actual YTD-21	Actual YTD-20	YTD growth
Interest receivable, credit cards	74.6	75.6	-1.4%	72.1	3.5%	74.6	72.1	3.5%
Interest receivable (payable), others	-2.1	-2.2	-2.0%	-2.2	-3.0%	-2.1	-2.2	-3.0%
Interest payable, deposits	-1.4	-1.5	-5.9%	-2.0	-30.5%	-1.4	-2.0	-30.5%
Net interest income	71.0	72.0	-1.3%	67.9	4.7%	71.0	67.9	4.7%
Commission receivable	9.8	10.8	-9.7%	10.6	-7.9%	9.8	10.6	-7.9%
Commission payable	-4.1	-3.5	16.5%	-5.3	-22.5%	-4.1	-5.3	-22.5%
Other operating result	-0.5	-1.7	-71.4%	0.1	-585.5%	-0.5	0.1	-585.5%
Total income	76.3	77.6	-1.8%	73.3	4.0%	76.3	73.3	4.0%
Card acquisition costs	-8.5	-8.2	3.6%	-9.0	-5.6%	-8.5	-9.0	-5.6%
Card operating costs	-6.6	-4.5	44.5%	-7.5	-12.2%	-6.6	-7.5	-12.2%
Staff costs	-4.9	-5.4	-8.5%	-4.4	10.7%	-4.9	-4.4	10.7%
Other administrative expenses	-3.9	-4.4	-11.2%	-2.9	36.3%	-3.9	-2.9	36.3%
Depreciation, tangible + intangible assets	-2.0	-2.0	-0.6%	-2.1	-3.9%	-2.0	-2.1	-3.9%
Sum operating expenses	-25.9	-24.5	5.5%	-25.9	0.1%	-25.9	-25.9	0.1%
Value adjustments	-6.6	-8.2	-19.2%	-4.3	53.4%	-6.6	-4.3	53.4%
Write-offs	-9.5	-10.9	-12.3%	-18.0	-47.1%	-9.5	-18.0	-47.1%
Total loan losses	-16.1	-19.0	-15.2%	-22.3	-27.7%	-16.1	-22.3	-27.7%
Profit (loss) on ordinary activities before taxes	34.3	34.1	0.5%	25.1	36.2%	34.3	25.1	36.2%
Income tax and net worth tax	-8.5	-5.0	69.7%	-6.3	36.3%	-8.5	-6.3	36.3%
Profit (loss) for the period	25.7	29.0	-11.5%	18.9	36.2%	25.7	18.9	36.2%

Table 4: Unaudited income statement as at 31 March 2021 (in EUR million).

Comments on the accounts

During Q1-21, the gross credit card loan balance increased by MEUR 18.7 (1.0% QoQ) to MEUR 1 900, with growth across all markets.

Despite the slight loan balance growth, total income decreased 1.8% QoQ to MEUR 76.3 as a result of a decrease in average balance over the quarter driven by the confinement measures in each market.

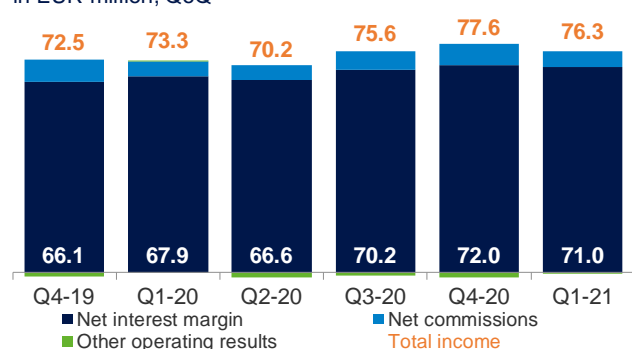
Operating expenses of MEUR 25.9 were up 5.5% QoQ but the comparison is affected by the reclassification of collection costs from operating costs to loan loss provisions, following the revision of the IFRS 9 methodology the previous quarter. Adjusting for these non-recurring items, operating expenses would have decreased 3.6% QoQ.

Total loan loss provisions of MEUR 16.1 were down 15.2% QoQ. .

Avanzia's net profit of MEUR 25.7 increased 36.2% compared to Q1-20.

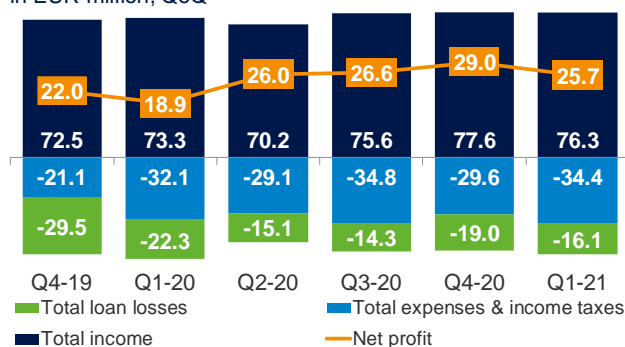
Income split and development

in EUR million, QoQ



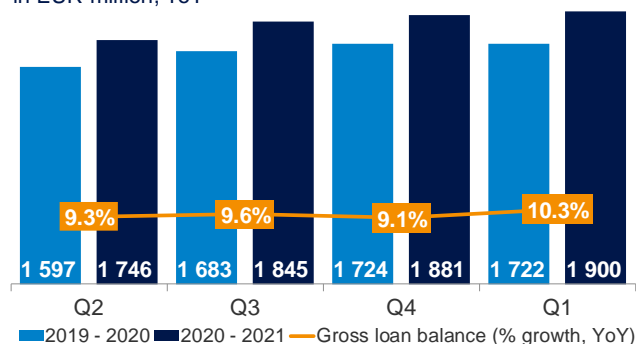
Profit development

in EUR million, QoQ



Credit card loan balance

in EUR million, YoY



Net interest income

in EUR million, YoY

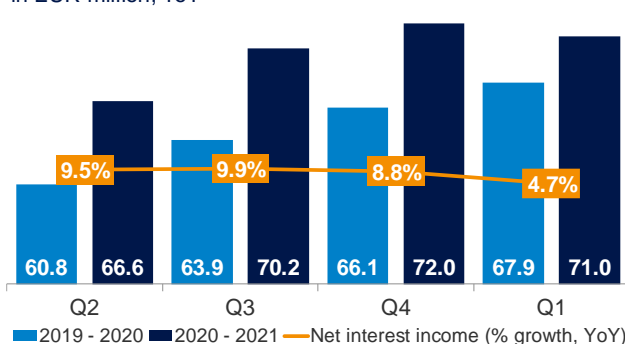


Figure 5: Interest Income, profit, loan balance and net interest margin development.

Key performance indicators (KPIs)

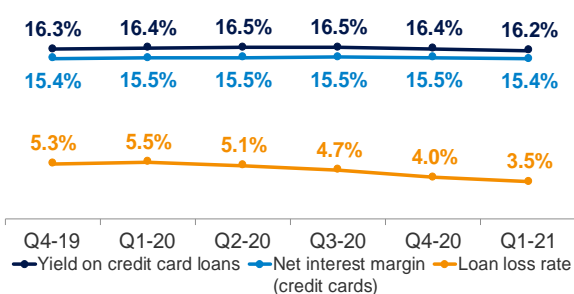
The net interest margin shows stability over the past quarters. The 12-month trailing loan loss provision rate decreased by 50 bps during Q1-21. The cost-income ratio increased from 31.6% in Q4-20 to 33.9% in Q1-21, as Q4-20 was positively impacted by the reclassification of collection costs.

Following the Annual General Meeting, and as a result of the issuance of AT1 and T2 instruments, all capital ratios have increased significantly. At 26.8% total capital adequacy ratio (including interim profit), Advanzia maintains a very strong capital position. Further, liquidity levels remain highly comfortable with a LCR of 219.7%.

Annualised return on equity ended at 34.3%³ in Q1-21 and excluding held back dividends (due to restrictions imposed) it would have been at 41.8%.

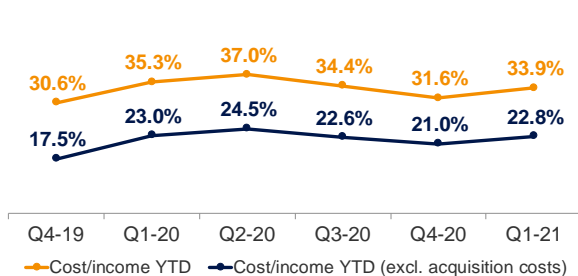
Profitability

in %, QoQ



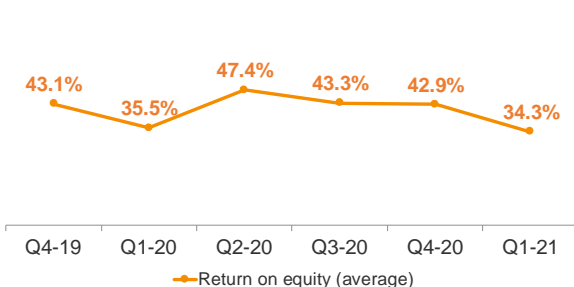
Cost/income ratio

in %, QoQ



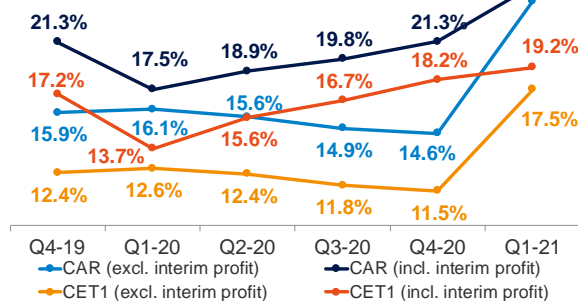
Return on equity

in %, annualised, QoQ



Solvency

in %, QoQ



Funding and liquidity

in %, QoQ

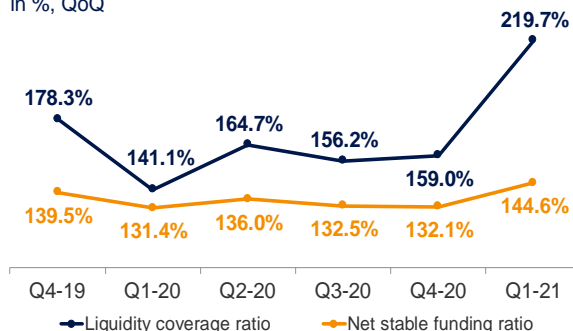


Figure 6: Key performance indicators⁴.

³ Annualised return on equity is by computed by dividing annualised net earnings by average monthly shareholders' equity.

⁴ CET1 - Common Equity Tier 1, CAR - Capital Adequacy Ratio, consisting of CET1 + additional Tier 1 and Tier 2 capital.

Outlook

German GDP fell 1.8% in the first quarter driven by confinement measures, weather-related losses in construction and temporary supply chain issues in the automotive industry. The country experienced a third wave of infections, and the government has imposed even harsher restrictions in virus hot spots. Expectations are that the restrictions will be loosened in the middle of the second quarter and to some extent remain in place until the third quarter. Consequently, the Bank is closely monitoring macroeconomic developments and receivables performance to determine if any credit or liquidity pressures require further actions.

An expansion of economic activities is expected as the measures are gradually lifted over the course of the upcoming summer season and the following months, especially in the services sector that was particularly affected by the pandemic. The RWI (Leibniz Institute for Economic Research) noted that Germany's economy is "likely to return to normal output levels around the start of the coming year", expecting a GDP growth of 3.7 % for 2021

Thus, the Bank continues to expect a rebound in the summer period, propelled by healthy global demand, supportive fiscal and monetary policies and households' pent-up demand. Advanzia subsequently anticipates a solid development in the Bank's growth, especially in the second of half of the year.

The Bank remains strongly capitalised and well positioned to weather the pandemic with limited impact on its financial metrics in 2021.

Munsbach, Luxembourg

12.05.2021

Patrick Thilges
Chief Financial Officer

Roland Ludwig
Chief Executive Officer



The prize winning Twist by Bjarke Ingels Group

At the Kistefos Museum, Norway

Photo: H el ene Binet

Courtesy of Kistefos Museum



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