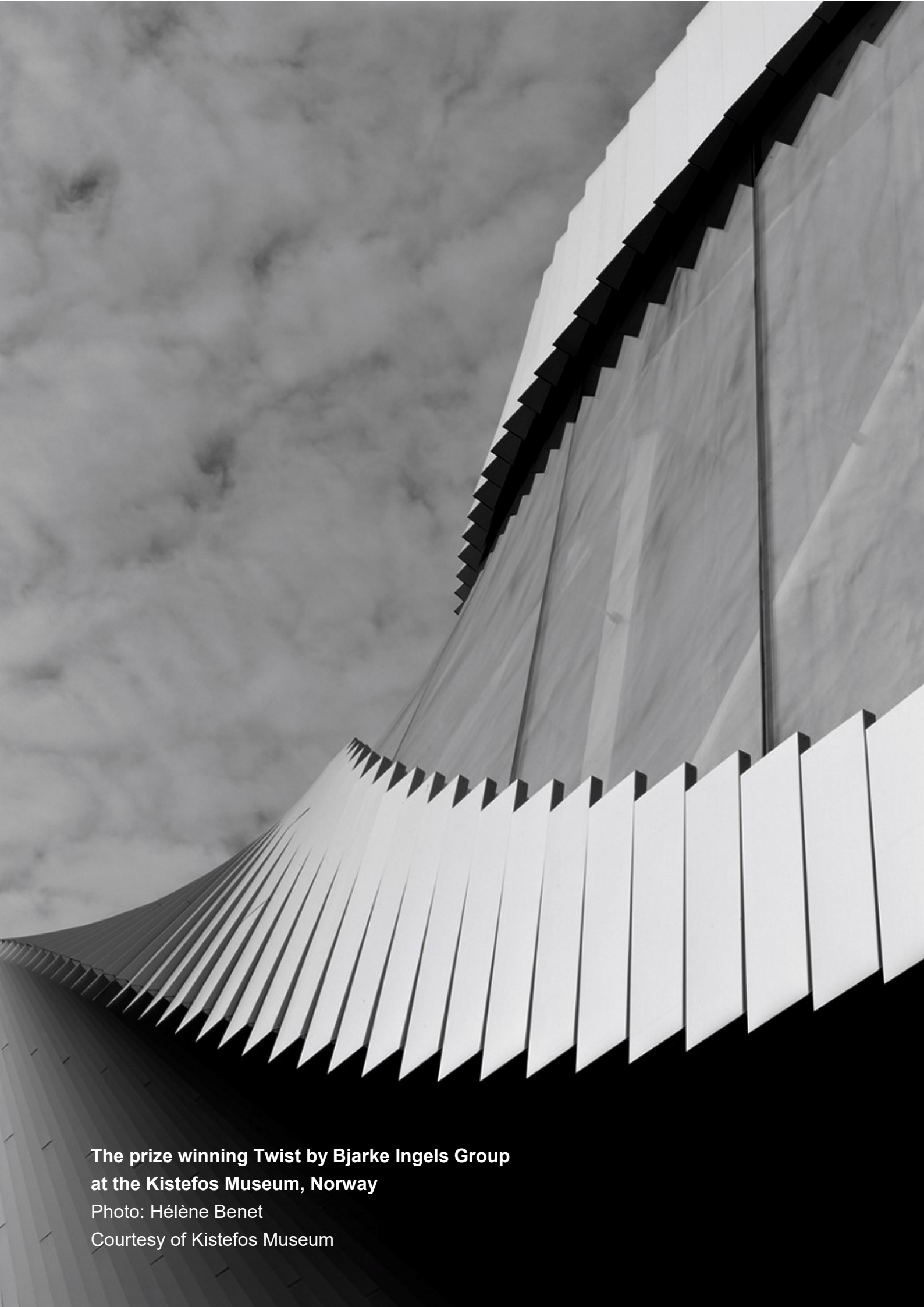




**ADVANZIA
BANK**

FINANCIAL REPORT
Fourth Quarter 2020



**The prize winning Twist by Bjarke Ingels Group
at the Kistefos Museum, Norway**

Photo: H el ene Benet

Courtesy of Kistefos Museum

FINANCIAL REPORT

FOURTH QUARTER 2020

Avanzia Bank S.A.

Avanzia Bank S.A.

Highlights for the fourth quarter 2020

- In 2020, the Bank reached the milestone of more than MEUR 100 in Net Profit.
- Gross credit card loan balance of MEUR 1 881, growth +2.0% QoQ and +9.1% YoY.
- 1 154 000 active clients, growth -0.7% QoQ and +4.6% YoY.
- 1 921 000 cards in force¹, growth +2.4% QoQ and +13.1% YoY.
- Card acquisition cost of MEUR 8.2, growth -8.1% QoQ and -13.1% YoY.
- Loan loss rate (provisions and write offs) of 4.0% (-0.7%-points QoQ and -1.3%-points YoY).
- Net profit of MEUR 29.0, +9.4% QoQ and +32.1% YoY.
- Annualised return on equity of 39.8% in Q4-20 vs. 38.9% in Q4-19.

Avanzia's business model continues to show strong resilience despite the challenges posed by the COVID-19 pandemic. The Bank's foremost priorities remain ensuring operational stability and providing continued service excellence to its clients in all markets while maintaining employee health and well-being.

During times of high uncertainty and increasing unemployment, the Bank's mission to provide liquidity to its customers and the markets it serves is ever more important. In 2020 the Bank has upheld its issuance of credit cards to applicants in line with previous years. This is evidenced by the 2.4% and 13.1 % increase in credit cards in force in Q4-20 compared to Q3-20 and Q4-19 respectively.

From a financial perspective, the COVID-19 pandemic and the related confinement measures mainly resulted in fewer active clients and therefore lower loan balance growth compared to previous years. Lower growth, in combination with improved credit quality, further led to a reduction in loan loss provisions.

During the fourth quarter, Avanzia changed its expected credit loss (ECL) methodology under IFRS 9. The total effect of this change is MEUR 1.8 in lower profit before tax in Q4-20, MEUR 6.6 lower profit before tax in Q4-19 and MEUR 1.2 in higher profit before tax in Q4-18.

Total income of MEUR 77.6 was up 2.6% QoQ and 7.0% YoY, mainly driven by higher credit card balances that generated more interest income, coupled with lower deposit expenses.

Operating expenses of MEUR 24.5 in Q4 decreased by 5.6% QoQ, mainly due the ECL methodology change, which included a reclassification of MEUR 2.3 in collection expenses from card operating costs to loan losses. Total loan loss provisions of MEUR 19.0 were up by 33.4% QoQ due to the same reason. The loan loss ratio ended at 4.0% in Q4-20, showing a decreasing trend over the year, and would have been 3.7% (MEUR 4.2 lower loan loss provisions) without the change in ECL methodology.

Avanzia's net profit of MEUR 29.0 increased by 9.4% QoQ and is 32.1% higher than in Q4-19.

In 2020, Avanzia reached the milestone of profit after tax surpassing MEUR 100, a consequence of the Bank's successful and resilient business model.

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

Net profit

in EUR million, YoY

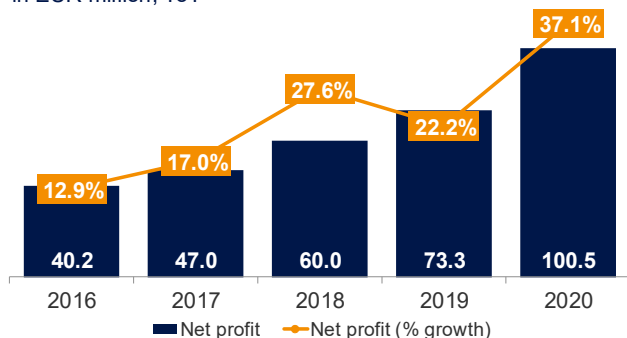


Figure 1: Net profit development per year.²

Growth metrics	Performing active clients	Loans and advances to credit card clients	Net profit
CAGR (2010 - LTM*)	19.5%	22.6%	32.0%
YTD 2020 vs. YTD 2019	4.6%	9.1%	37.1%

* Last twelve months

Table 1: CAGR and YTD growth.

Since the end of 2010, Advanzia has delivered a compound annual growth rate (CAGR) of 32.0% in net profit, 22.6% in loan balance and 19.5% in the number of performing active credit card clients.

Loan balance development

Credit card loan balance

in EUR million, QoQ

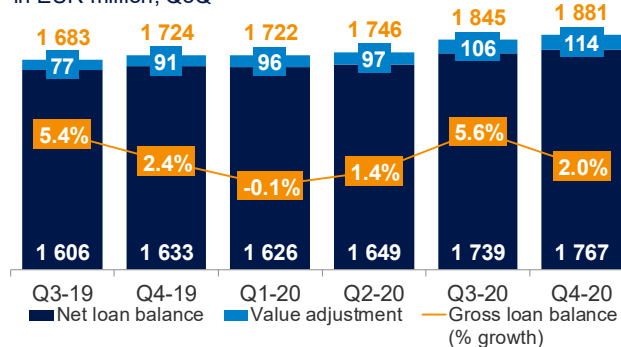


Figure 2: Loan balance development.³

During the fourth quarter of 2020, the loan balance grew by 2.0% QoQ. The strong rebound in growth witnessed over the summer subsequently slowed down again as a result of the COVID-19 containment measures implemented in Q4.

² Net results of 2018 and 2019 have been adjusted by the effect of the changed ECL methodology. They have been increased by MEUR 0.9 and reduced by MEUR 5.0, respectively.

³ Due to the ECL methodology change, compared to previous quarterly reports, value adjustments have been revised downwards by MEUR 1.3 for the period Q4-18 until Q3-19 and upwards by MEUR 5.0 for the period Q4-19 until Q3-20. The impact on the gross loan balance is negligible and thus omitted.

Active clients/credit cards

Number of active credit card clients

in 000's, QoQ



Figure 3: Credit card clients.

The Bank's credit card portfolio consisted of 1 154 000 active clients at the end of Q4. After a firm rebound of growth in Q3, the second wave of COVID-19 infections and subsequent countermeasures resulted in reduced card transactions. As a result, and contrary to the positive development of the loan balance, the active client base contracted by 0.7% QoQ. This mainly reflects the mechanics of Advanzia's strict definition of an "active client", which requires that an active client must either perform a transaction or have an outstanding balance in the latest month of the quarter.

The active client base increased by 4.6% during the course of 2020.

Financial institutions – Professional Card Services (PCS)

Key Figures, PCS clients	Actual Q4-20	Actual Q3-20	QoQ growth	Actual Q4-19	YoY growth	Actual YTD-20	Actual YTD-19	YTD growth
Number of banks	89	89	0.0%	88	1.1%	89	88	1.1%
Total cards (opened)	16 834	16 691	0.9%	16 774	0.4%	16 834	16 774	0.4%
Turnover (in EUR million)	90.1	95.0	-5.2%	135.4	-33.5%	348.3	421.2	-17.3%

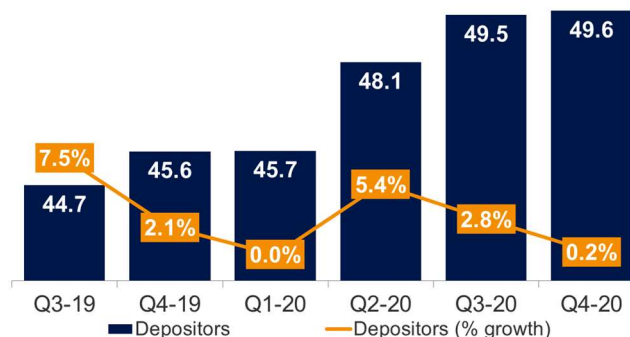
Table 2: PCS statistics.

In the PCS business segment, card turnover was down by 5.2% QoQ due to the second wave of COVID-19 infections and the subsequent restrictive measures. During the quarter, the Bank concluded one new partnership.

Deposit account

Number of active depositors

in 000's, QoQ



Deposit balance

in EUR million, QoQ

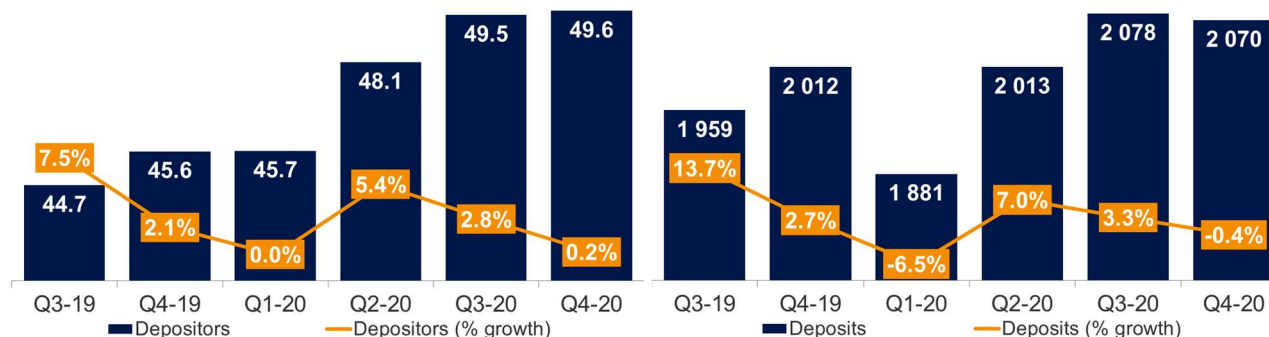


Figure 4: Deposit statistics.

The sight deposit market in Germany is currently characterised by lower interest rates and the Bank remains in a strong liquidity position. Therefore, during Q4-20, the rate of 0.4% eff. p.a. for the three-month introductory campaign as well as the rate of 0.25% eff. p.a. for the standard offering were left unchanged.

Board, management and staff

As of 31 December 2020, Advanzia Bank employed 198 full-time equivalent employees, up from 195 at the end of the previous quarter and 182 at the beginning of the year.

Shareholding

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

Financial statements

The unaudited accounts of Advanzia as at the end of the fourth quarter of 2020 are shown below. The effect of the restatement in relation to ECL is reflected as of Q4 of the respective year (2018 – 2020). Advanzia Bank follows IFRS standards and the figures reflect Advanzia's actual business activities and operations.

Assets (EUR million)	Actual Q4-20	Actual Q3-20	QoQ growth	Actual Q4-19	YoY growth	Actual YTD-20	Actual YTD-19	YTD growth
Cash, balances with central banks	689.8	709.6	-2.8%	720.5	-4.3%	689.8	720.5	-4.3%
Loans and advances to credit institutions	109.8	103.2	6.4%	102.3	7.4%	109.8	102.3	7.4%
Net loans and advances to PCS partner banks	37.4	43.4	-14.0%	45.5	-17.9%	37.4	45.5	-17.9%
Loans and advances to credit card clients	1 881.2	1 844.6	2.0%	1 724.1	9.1%	1 881.2	1 724.1	9.1%
Value adjustments (losses)	-114.1	-105.9	7.7%	-91.5	24.7%	-114.1	-91.5	24.7%
Net loans and advances to credit card clients	1 767.2	1 738.7	1.6%	1 632.6	8.2%	1 767.2	1 632.6	8.2%
Tangible and intangible assets	33.7	34.9	-3.6%	37.7	-10.7%	33.7	37.7	-10.7%
Other assets	12.1	8.8	37.9%	9.8	23.4%	12.1	9.8	23.4%
Total assets	2 649.9	2 638.7	0.4%	2 548.4	4.0%	2 649.9	2 548.4	4.0%
Liabilities and equity (EUR million)	Actual Q4-20	Actual Q3-20	QoQ growth	Actual Q4-19	YoY growth	Actual YTD-20	Actual YTD-19	YTD growth
Amounts owed to credit institutions	208.8	221.3	-5.7%	225.4	-7.4%	208.8	225.4	-7.4%
Amounts owed to customers	2 070.3	2 078.5	-0.4%	2 012.4	2.9%	2 070.3	2 012.4	2.9%
Other liabilities, accruals, provisions	42.0	39.8	5.7%	44.6	-5.8%	42.0	44.6	-5.8%
Subordinated loan (AT1,T2)	25.0	25.0	0.0%	33.6	-25.6%	25.0	33.6	-25.6%
Sum liabilities	2 346.2	2 364.6	-0.8%	2 316.1	1.3%	2 346.2	2 316.1	1.3%
Subscribed capital	27.4	27.4	0.0%	27.4	0.0%	27.4	27.4	0.0%
Other equity instruments	21.2	20.3	4.7%	22.5	-5.8%	21.2	22.5	-5.8%
Reserves	21.7	21.7	0.0%	16.8	28.7%	21.7	16.8	28.7%
Profit (loss) brought forward	134.7	134.7	0.0%	132.8	1.4%	134.7	132.8	1.4%
AT1 bondholder distributions	-1.8	-1.4	27.6%	-0.5	254.9%	-1.8	-0.5	254.9%
Profit for the financial year	100.5	71.4	40.7%	33.2	202.3%	100.5	33.2	202.3%
Sum equity	303.7	274.1	10.8%	232.3	30.7%	303.7	232.3	30.7%
Total liabilities and equity	2 649.9	2 638.7	0.4%	2 548.4	4.0%	2 649.9	2 548.4	4.0%

Table 3: Unaudited statement of financial position as at 31 December 2020 (in EUR million).

Income statement (EUR million)	Actual Q4-20	Actual Q3-20	QoQ growth	Actual Q4-19	YoY growth	Actual YTD-20	Actual YTD-19	YTD growth
Interest receivable, credit cards	75.6	73.9	2.3%	70.8	6.8%	292.3	263.2	11.1%
Interest receivable (payable), others	-2.2	-2.2	-1.2%	-2.0	5.8%	-8.8	-5.4	63.8%
Interest payable, deposits	-1.5	-1.5	0.1%	-2.6	-43.1%	-6.8	-9.2	-26.0%
Net interest income	72.0	70.2	2.4%	66.1	8.8%	276.7	248.6	11.3%
Commission receivable	10.8	10.0	8.7%	12.9	-16.1%	40.3	41.2	-2.2%
Commission payable	-3.5	-3.5	-0.5%	-5.2	-32.8%	-15.9	-19.2	-17.3%
Other operating result	-1.7	-1.1	57.4%	-1.3	26.5%	-4.3	-5.1	-15.3%
Total income	77.6	75.6	2.6%	72.5	7.0%	296.8	265.5	11.8%
Card acquisition costs	-8.2	-8.9	-8.1%	-9.5	-13.1%	-34.9	-36.4	-4.0%
Card operating costs	-4.5	-6.3	-27.7%	-3.6	25.0%	-25.9	-21.7	19.8%
Staff costs	-5.4	-5.2	4.0%	-4.6	16.3%	-19.8	-17.9	10.6%
Other administrative expenses	-4.4	-3.6	22.3%	-3.7	17.9%	-13.6	-10.6	28.2%
Depreciation, tangible + intangible assets	-2.0	-2.0	-0.3%	-0.7	176.7%	-8.2	-4.8	71.2%
Sum operating expenses	-24.5	-26.0	-5.6%	-22.2	10.7%	-102.4	-91.3	12.2%
Value adjustments	-8.2	-9.3	-12.5%	-17.7	-54.0%	-22.6	-2.6	781.3%
Write-offs	-10.9	-4.9	120.1%	-11.7	-7.5%	-48.1	-82.5	-41.6%
Total loan losses	-19.0	-14.3	33.4%	-29.5	-35.5%	-70.7	-85.0	-16.8%
Profit (loss) on ordinary activities before taxes	34.1	35.4	-3.7%	20.9	63.1%	123.7	89.2	38.6%
Income tax and net worth tax	-5.0	-8.8	-42.9%	1.1	-558.7%	-23.2	-15.9	45.6%
Profit (loss) for the period	29.0	26.6	9.4%	22.0	32.1%	100.5	73.3	37.1%

Table 4: Unaudited income statement as at 31 December 2020 (in EUR million).

Comments on the accounts

During Q4-20, the gross credit card loan balance increased by MEUR 36.6 (2.0% QoQ) to MEUR 1 881. Total income increased by 2.6% QoQ and reached MEUR 77.6. This was mainly due to higher credit card balances generating increased interest income. Operating expenses of MEUR 24.5 were down 5.6%, mainly due to a reclassification of collection agency expenses of MEUR 2.3 from card operating costs to value adjustments.

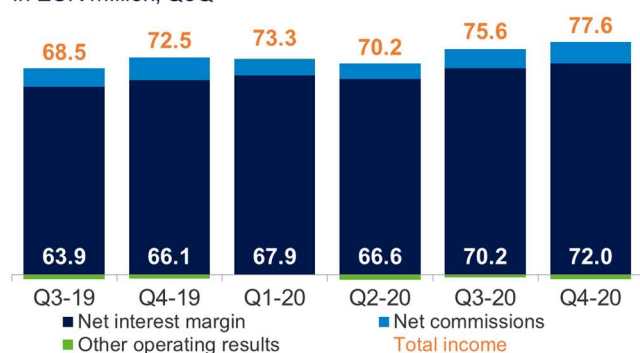
Total loan loss provisions of MEUR 19.0 were up 33.4% QoQ, and were impacted by the change in IFRS 9 methodology of computing ECL and the reclassification of the collection costs.

The total effect of the model change amounted to MEUR 6.8 in increased ECL. MEUR 5.0 of the increased ECL are accounted for in the years 2018 and 2019. The forward-looking component of the ECL has also been updated in order to reflect the latest developments. Therefore, the precautionary provision of MEUR 2.5 accounted for in Q2 has been released. In total, the impact including the release of the MEUR 2.5 precautionary provision on the Q4-20 accounts are MEUR 1.8 lower profit before tax.

Avanzia's net profit of MEUR 29.0 increased by 9.4% QoQ and is 32.1% higher than in Q4-19 (which is more negatively impacted by the ECL change on a relative basis).

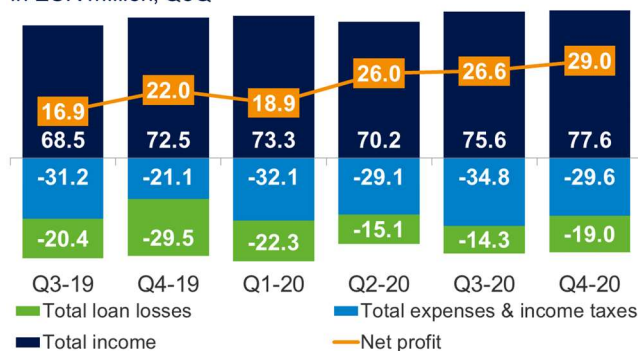
Income split and development

in EUR million, QoQ



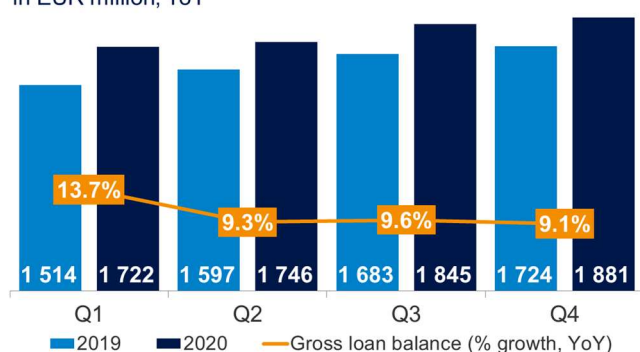
Profit development

in EUR million, QoQ



Credit card loan balance

in EUR million, YoY



Net interest income

in EUR million, YoY

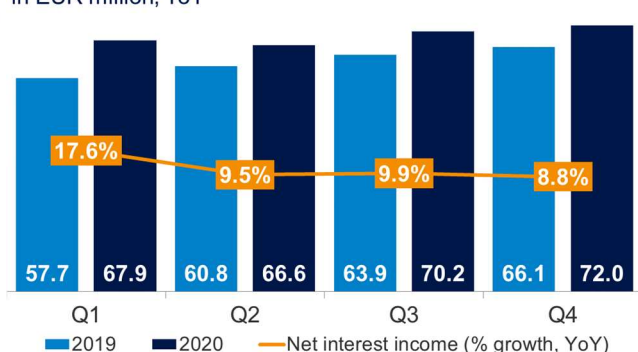


Figure 5: Interest Income, profit, loan balance and net interest margin development⁴.

⁴ Q4-19, Q2-20 and Q4-20 were positively affected by specific items of MEUR 5.0, MEUR 4.2 and MEUR 3.5, respectively. Furthermore, the effect of the 2019 restatement has been reflected in Q4-19.

Key performance indicators (KPIs)

The IFRS 9 methodology change and restatement of the accounts since 2018 has impacted some of the Bank's KPIs.

Both the yield as well as the net interest margin on credit cards remained stable in Q4-20. Throughout 2020, the Bank generated a high return on equity of nearly 40%, despite the high level of equity as a result of the restrictions to pay out dividends imposed by the regulators. The Bank remains highly solvent with a capital adequacy ratio (incl. interim profits) of 21.3%, while liquidity levels are comfortable with a LCR of 159.0%.

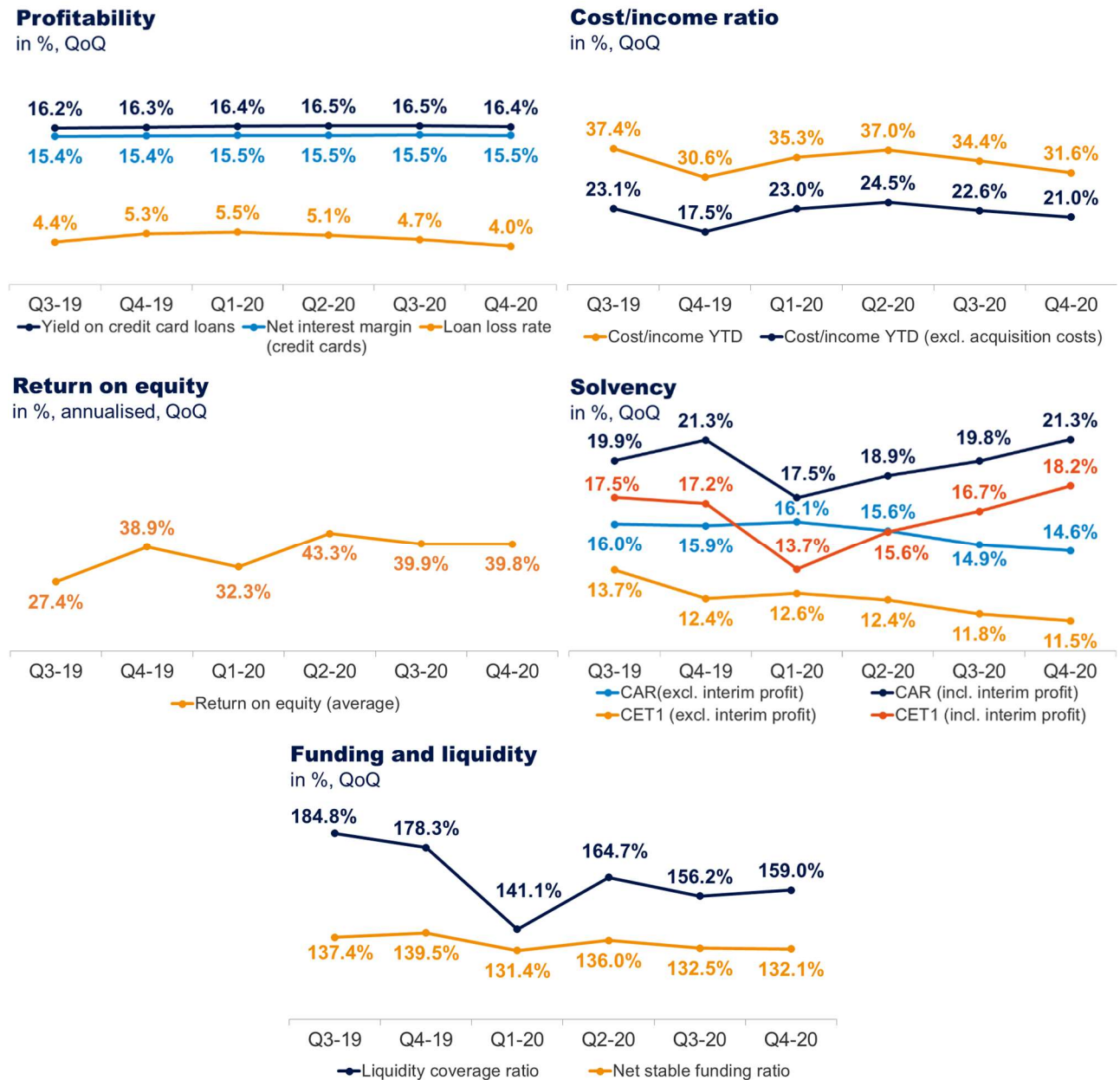


Figure 6: Key performance indicators⁵.

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

Outlook

Germany's GDP fell 5% in 2020, representing the first economic contraction in a decade. Despite the fall in GDP and the scale of the pandemic impact, the Bank experienced a significant reduction in new default cases in all markets. In Q3, the gradual recovery in retail sales and business sentiment in the German economy led to resumed loan balance growth, followed by a more stable development in Q4 despite new confinement measures in Germany.

The German economy is expected to return to growth in 2021, and Advanzia subsequently expects a solid development in the Bank's growth, especially in the second half of the year. The Bank remains very strongly capitalised and well positioned to weather the pandemic with limited impact on its financial metrics beyond 2020.

With most European countries implementing local or larger scale lockdowns facing a third pandemic wave, macroeconomic uncertainty remains. Alongside updates to the macroeconomic outlook, the Bank is closely monitoring receivables performance and actions taken by servicers to determine if any credit or liquidity pressures require further actions. The provisions not only reflect the improvement in credit losses realised in 2020, but also expected losses for 2021 and beyond.

Advanzia's management expects a solid development in the Bank's growth and results, but continues to closely monitor the macroeconomic development. The Bank remains strongly capitalised and has ample liquidity.

Advanzia will continue to provide liquidity to its more than one million clients during these difficult times, in line with the Bank's mission.

Munsbach, Luxembourg

02.03.2021

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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