



**ADVANZIA
BANK**

FINANCIAL REPORT
Third Quarter 2021



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

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FINANCIAL REPORT THIRD QUARTER 2021

Advanzia Bank S.A.

Advanzia Bank S.A.

Highlights for the third quarter 2021

- Gross credit card loan balance of MEUR 2 139, growth +6.3% QoQ and +16.0% YoY.
- 1 227 000 performing active clients, growth +3.5% QoQ and +5.7% YoY.
- 2 038 000 cards in force¹, growth +1.9% QoQ and +8.7% YoY.
- Card acquisition cost of MEUR 9.2, growth +13.6% QoQ and +3.1% YoY.
- Loan loss rate (provisions and write offs) of 3.9% (+0.4%-points QoQ and -0.7%-points YoY).
- Net profit of MEUR 26.6, -17.5% QoQ due to tax related intra-year differences, and +0.3% YoY.
- Annualised return on equity of 29.9% in Q3-21 vs. 43.3% in Q3-20, lower due to dividend restrictions.

In Q3, the Bank reached significant landmarks in its strategic long-term digital transformation journey towards market-leading customer offerings. The Bank launched a new website, customer portal and a new mobile application for its German clients, in combination with a new logo supporting these initiatives. These milestones have led to a significant improvement of the customer experience, and will contribute to further strengthen Advanzia's foothold in the German market for the long-term.

The gross loan balance grew to MEUR 2 139, up 6.3% QoQ and 16.0% YoY. This was driven by a strong holiday season post COVID-19 related confinement measures, which resulted in a credit card utilisation growth of 17.7 % QoQ and 20.8 % YoY. The active client base grew to 1.2 million active clients, up 3.5% compared to Q2-2021 and 5.7% compared to Q3-2020.

Total income for the third quarter was MEUR 87.5, up 11.6% QoQ and 15.7% YoY, as higher credit card customer activity led to higher interest income and higher net commissions, while interest expenses decreased for retail deposit accounts.

Operating expenses amounted to MEUR 27.4, up 3.5% QoQ and 5.3% YoY, driven mainly by higher marketing expenses linked to new customer acquisition campaigns. Total loan loss provisions and write offs were MEUR 24.6, up 44.2% QoQ and 72.7% YoY. The main driver of the increase is the pickup-up of customer activity during summer. The Bank did not experience any fundamental change in its underlying default rates. In July, the Bank concluded a new forward-flow agreement in the German market where the Bank sells 80% of its newly defaulted loans. This is expected to reduce the NPL ratio over the next years. The total amount of non-performing loans sold during the third quarter was MEUR 16.8.

Earnings before taxes were MEUR 35.5, up 1.8% compared to the previous quarter and 0.3% compared to last year. Net profit ended at MEUR 26.6, up 0.3% from the third quarter of last year. In comparison to the previous quarter, net profit was down by 17.5%, due to tax related intra-year differences.

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

Profit development

in EUR million, QoQ

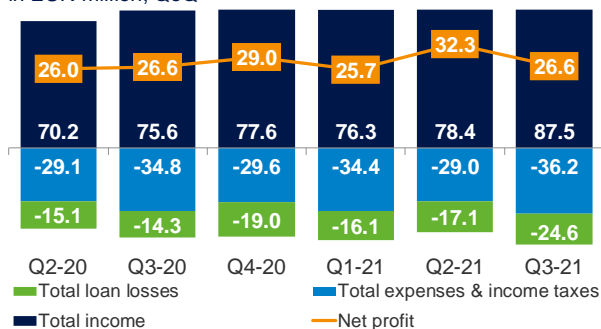


Figure 1: Profit development.

| Growth metrics | Performing active clients | Loans and advances to credit card clients | Net profit |
|-----------------------|---------------------------|---|------------|
| CAGR (2016 - LTM*) | 15.7% | 18.9% | 24.5% |
| YTD 2021 vs. YTD 2020 | 5.7% | 16.0% | 18.5% |

* Last twelve months

Table 1: CAGR and YTD growth.

Since 2016, Advanzia has delivered a compound annual growth rate (CAGR) of 24.5% in net profit, 18.9% in loan balance and 15.7% in the number of performing active credit card clients.

Loan balance development

Credit card loan balance

in EUR million, QoQ

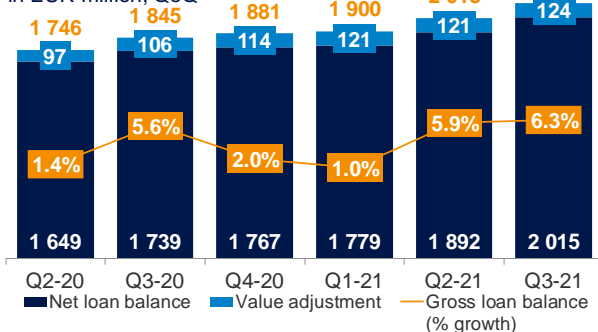


Figure 2: Loan balance development.

The gross loan balance continues to show a satisfying growth and was up 6.3% QoQ. The growth is consistent across all markets and reflects the increase in credit card activity noted earlier.

Active clients/credit cards

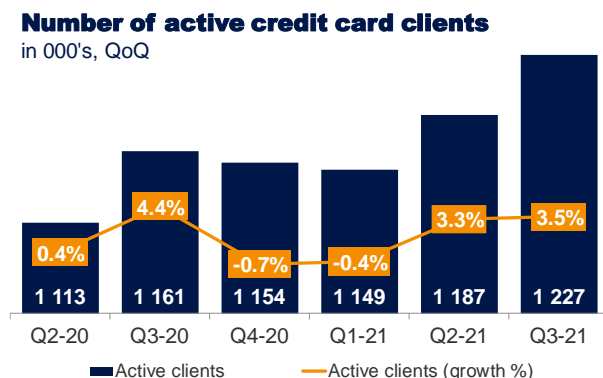


Figure 3: Credit card clients.

Building on last quarter's trend, the number of active clients grew by 40 000, 3.5% QoQ and 5.7% YoY. The number of active clients grew YTD by 73 000, a growth of 6.3%. This is consistent across all markets with Germany and France being the fastest growing markets.

Financial institutions – Professional Card Services (PCS)

| Key Figures, PCS clients | Actual Q3-21 | Actual Q2-21 | QoQ growth | Actual Q3-20 | YoY growth | Actual YTD-21 | Actual YTD-20 | YTD growth |
|---------------------------|--------------|--------------|------------|--------------|------------|---------------|---------------|------------|
| Number of banks | 92 | 92 | 0.0% | 89 | 3.4% | 92 | 89 | 3.4% |
| Total cards (opened) | 17 113 | 16 917 | 1.2% | 16 691 | 2.5% | 17 113 | 16 691 | 2.5% |
| Turnover (in EUR million) | 129.4 | 103.3 | 25.3% | 95.0 | 36.3% | 313.2 | 258.3 | 21.3% |

Table 2: PCS statistics.

After its recovery to pre-pandemic activity levels last quarter, the PCS business segment continues to grow with a total card turnover increase of 25.3% QoQ and 36.3% YoY.

Deposit account

Deposit balance

in EUR million, QoQ

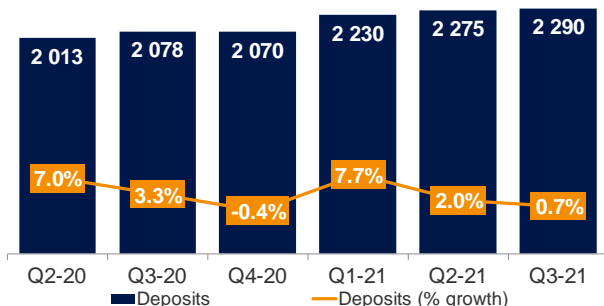


Figure 4: Deposit statistics.

The Bank decreased its standard rate from 0.15% to 0.10% eff. p.a. during the quarter. Nevertheless, the Bank continued to register a net inflow of MEUR 15 and the deposit balance grew 0.7% compared to last quarter. The Bank has approximately 50 000 depositors with an average deposit balance of EUR 46 000.

Board, management and staff

As of 30 September 2021, Advanzia Bank employed 189 full-time equivalent employees, down from 196 at the end of the previous quarter.

Shareholding

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

Financial statements

The unaudited accounts of Advanzia as at the end of the third 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 Q3-21 | Actual Q2-21 | QoQ growth | Actual Q3-20 | YoY growth | Actual YTD-21 | Actual YTD-20 | YTD growth |
|---|---------------------|---------------------|-------------------|---------------------|-------------------|----------------------|----------------------|-------------------|
| Cash, balances with central banks | 790.4 | 882.6 | -10.4% | 709.6 | 11.4% | 790.4 | 709.6 | 11.4% |
| Loans and advances to credit institutions | 133.7 | 133.3 | 0.3% | 103.2 | 29.6% | 133.7 | 103.2 | 29.6% |
| Net loans and advances to PCS partner banks | 55.0 | 49.1 | 12.0% | 42.7 | 28.9% | 55.0 | 42.7 | 28.9% |
| Loans and advances to credit card clients | 2 139.0 | 2 012.8 | 6.3% | 1 844.7 | 16.0% | 2 139.0 | 1 844.7 | 16.0% |
| Value adjustments (losses) | -124.2 | -121.0 | 2.6% | -105.9 | 17.3% | -124.2 | -105.9 | 17.3% |
| Net loans and advances to credit card clients | 2 014.8 | 1 891.8 | 6.5% | 1 738.8 | 15.9% | 2 014.8 | 1 738.8 | 15.9% |
| Tangible and intangible assets | 30.5 | 31.3 | -2.6% | 34.9 | -12.7% | 30.5 | 34.9 | -12.7% |
| Other assets | 15.6 | 19.4 | -19.6% | 9.5 | 64.9% | 15.6 | 9.5 | 64.9% |
| Total assets | 3 040.1 | 3 007.5 | 1.1% | 2 638.7 | 15.2% | 3 040.1 | 2 638.7 | 15.2% |
| Liabilities and equity (EUR million) | Actual Q3-21 | Actual Q2-21 | QoQ growth | Actual Q3-20 | YoY growth | Actual YTD-21 | Actual YTD-20 | YTD growth |
| Amounts owed to credit institutions | 227.4 | 237.1 | -4.1% | 221.3 | 2.7% | 227.4 | 221.3 | 2.7% |
| Amounts owed to customers | 2 289.7 | 2 274.7 | 0.7% | 2 078.5 | 10.2% | 2 289.7 | 2 078.5 | 10.2% |
| Other liabilities, accruals, provisions | 43.0 | 41.2 | 4.4% | 39.8 | 8.1% | 43.0 | 39.8 | 8.1% |
| Subordinated loan (AT1,T2) | 55.0 | 55.0 | 0.0% | 25.0 | 120.0% | 55.0 | 25.0 | 120.0% |
| Sum liabilities | 2 615.1 | 2 608.0 | 0.3% | 2 364.6 | 10.6% | 2 615.1 | 2 364.6 | 10.6% |
| Subscribed capital | 27.4 | 27.4 | 0.0% | 27.4 | 0.0% | 27.4 | 27.4 | 0.0% |
| Other equity instruments | 60.6 | 60.6 | 0.1% | 20.3 | 199.0% | 60.6 | 20.3 | 199.0% |
| Reserves | 29.9 | 29.9 | 0.0% | 21.7 | 37.9% | 29.9 | 21.7 | 37.9% |
| Profit (loss) brought forward | 225.2 | 225.2 | 0.0% | 134.7 | 67.2% | 225.2 | 134.7 | 67.2% |
| AT1 bondholder distributions | -2.7 | -1.6 | 72.8% | -1.4 | 97.4% | -2.7 | -1.4 | 97.4% |
| Profit for the financial year | 84.6 | 58.0 | 45.9% | 71.4 | 18.5% | 84.6 | 71.4 | 18.5% |
| Sum equity | 425.0 | 399.5 | 6.4% | 274.1 | 55.0% | 425.0 | 274.1 | 55.0% |
| Total liabilities and equity | 3 040.1 | 3 007.5 | 1.1% | 2 638.7 | 15.2% | 3 040.1 | 2 638.7 | 15.2% |

Table 3: Unaudited statement of financial position as at 30 September 2021 (in EUR million).

| Income statement (EUR million) | Actual Q3-21 | Actual Q2-21 | QoQ growth | Actual Q3-20 | YoY growth | Actual YTD-21 | Actual YTD-20 | YTD growth |
|---|--------------|--------------|---------------|--------------|--------------|---------------|---------------|--------------|
| Interest receivable, credit cards | 83.6 | 77.1 | 8.4% | 73.9 | 13.1% | 235.2 | 216.7 | 8.6% |
| Interest receivable (payable), others | -2.7 | -2.7 | 3.5% | -2.2 | 25.2% | -7.5 | -6.7 | 13.0% |
| Interest payable, deposits | -0.7 | -1.1 | -37.1% | -1.5 | -52.6% | -3.2 | -5.3 | -39.3% |
| Net interest income | 80.1 | 73.3 | 9.3% | 70.2 | 14.1% | 224.5 | 204.7 | 9.6% |
| Commission receivable | 11.5 | 10.9 | 5.2% | 10.0 | 15.2% | 32.2 | 29.5 | 9.3% |
| Commission payable | -5.0 | -4.3 | 16.2% | -3.5 | 41.8% | -13.4 | -12.4 | 8.5% |
| Other operating result | 0.9 | -1.5 | -157.1% | -1.1 | -183.8% | -1.1 | -2.7 | -57.5% |
| Total income | 87.5 | 78.4 | 11.6% | 75.6 | 15.7% | 242.1 | 219.2 | 10.5% |
| Card acquisition costs | -9.2 | -8.1 | 13.6% | -8.9 | 3.1% | -25.8 | -26.7 | -3.2% |
| Card operating costs | -7.0 | -6.6 | 7.3% | -6.3 | 12.1% | -20.2 | -21.3 | -5.4% |
| Staff costs | -5.4 | -5.4 | 0.3% | -5.2 | 4.5% | -15.7 | -14.4 | 9.0% |
| Other administrative expenses | -3.7 | -4.4 | -16.9% | -3.6 | 2.5% | -12.0 | -9.2 | 30.1% |
| Depreciation, tangible + intangible assets | -2.0 | -2.0 | 3.5% | -2.0 | 1.3% | -6.0 | -6.1 | -1.9% |
| Sum operating expenses | -27.4 | -26.5 | 3.5% | -26.0 | 5.3% | -79.7 | -77.8 | 2.5% |
| Value adjustments | -3.2 | -0.4 | 751.7% | -9.3 | -66.0% | -10.1 | -14.4 | -29.7% |
| Write-offs | -21.4 | -16.7 | 28.5% | -4.9 | 334.8% | -47.7 | -37.3 | 27.9% |
| Total loan losses | -24.6 | -17.1 | 44.2% | -14.3 | 72.7% | -57.8 | -51.7 | 11.8% |
| Profit (loss) on ordinary activities before taxes | 35.5 | 34.8 | 1.8% | 35.4 | 0.3% | 104.6 | 89.6 | 16.7% |
| Income tax and net worth tax | -8.8 | -2.5 | 247.6% | -8.8 | 0.3% | -19.9 | -18.2 | 9.7% |
| Profit (loss) for the period | 26.6 | 32.3 | -17.5% | 26.6 | 0.3% | 84.6 | 71.4 | 18.5% |

Table 4: Unaudited income statement as at 30 September 2021 (in EUR million).

Comments on the accounts

The net credit card loan balance surpassed the milestone of BEUR 2 and reached MEUR 2 015, up 6.5% QoQ or MEUR 123.

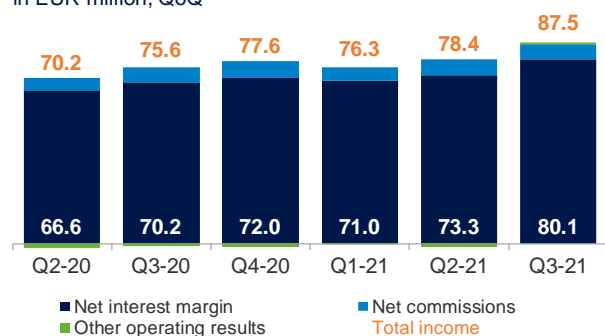
Total income increased by 11.6% QoQ to MEUR 87.5. This was mainly due to higher credit card balances and higher commission income, which was mainly driven by higher transaction volume in both the revolving credit card and PCS segment. Operating expenses of MEUR 27.4 were up 3.5% QoQ mainly due to higher marketing expenses.

Total loan losses of MEUR 24.6 were up 44.2% QoQ. Driven by the larger loan balance, the loan loss rate increased slightly by 40 bps but remains robust at 3.9%. The large change QoQ on value adjustments and write offs is due to the newly entered forward flow agreement. Under this agreement 80% of newly defaulted loans in Germany are sold.

Avanzia's earnings before tax increased 1.8% QoQ to MEUR 35.5 and were 0.3% higher compared to Q3-2020. The net profit ended at MEUR 26.6, down 17.5% from last quarter (due to a quarter-specific item in Q2) and up 0.3% compared to Q3-2020.

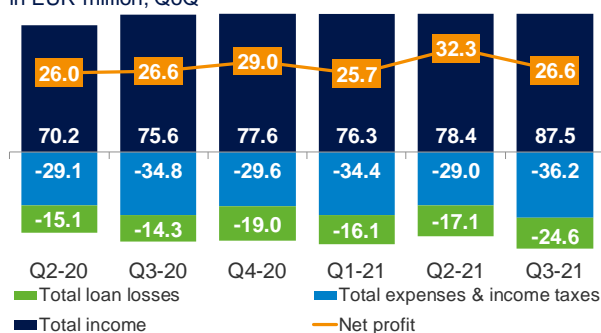
Income split and development

in EUR million, QoQ



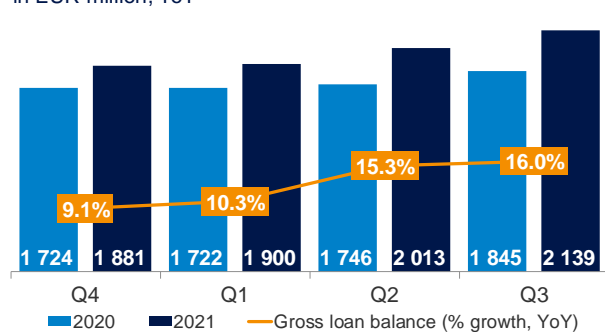
Profit development

in EUR million, QoQ



Credit card loan balance

in EUR million, YoY



Net interest income

in EUR million, YoY

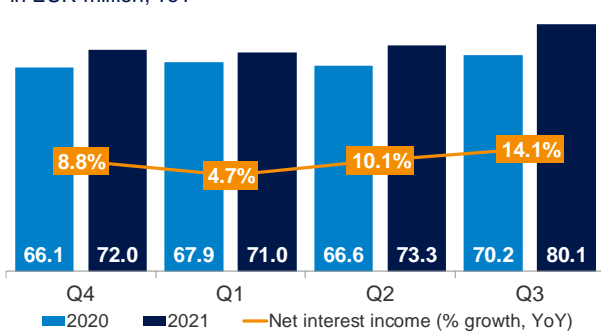


Figure 5: Income, profit, loan balance and net interest margin development. Q2 and Q4 net profit figures are positively impacted by tax related intra-year differences.

Key performance indicators (KPIs)

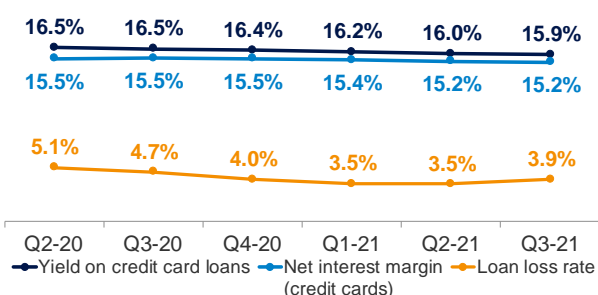
The strong loan balance growth affected the various KPIs. The yield on credit cards decreased slightly, the loan loss provision ratio increased by 40 bps, and the cost-income ratio improved by 250 bps as higher operating expenses were more than offset by higher income. The annualised return on equity decreased to 29.9%, driven by a combination of the large profits in the previous quarter and withheld dividends.

Liquidity levels remain stable with a liquidity coverage ratio of 196.1%, well above regulatory requirements. The net stable funding ratio (NSFR) increase in the last two quarters is due to a regulatory update and review of the ratio's calculation.

Overall, the Bank maintains a strong capital adequacy ratio (incl. interim profits) of 27.8%.

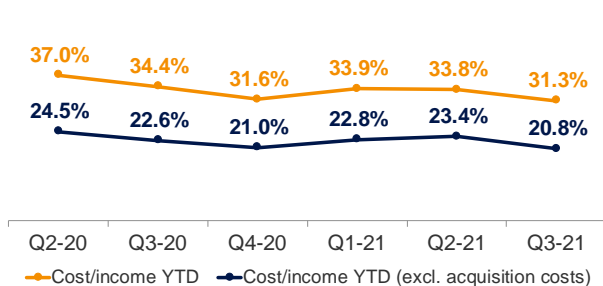
Profitability

in %, QoQ



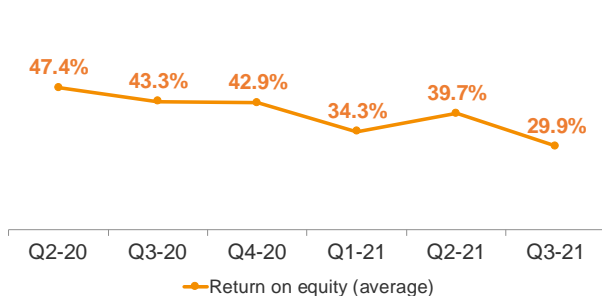
Cost/income ratio

in %, QoQ



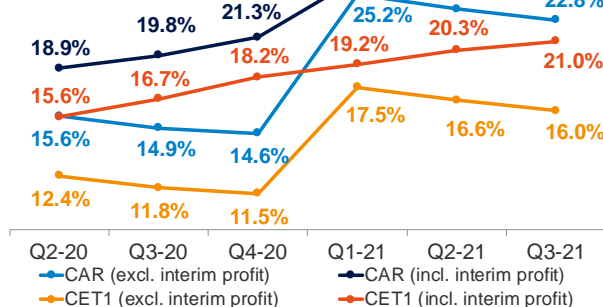
Return on equity

in %, annualised, QoQ



Solvency

in %, QoQ



Funding and liquidity

in %, QoQ

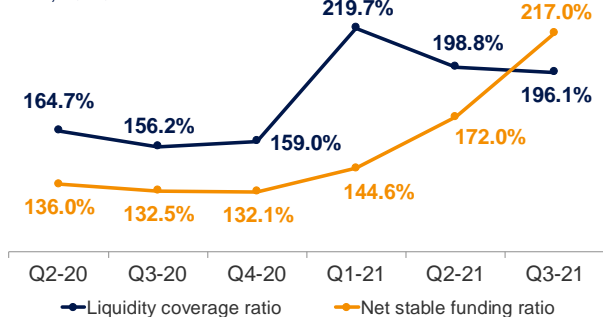


Figure 6: Key performance indicators².

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

Outlook

In general, the Bank is satisfied with the overall portfolio growth, robustness and default levels. The Bank's German portfolio continues to have a low number of new default cases, and this is expected to stabilise at slightly higher values in the upcoming year as the Bank continues to grow. In the French, Austrian and Spanish markets, the outlook is also positive with new default cases expected to remain stable.

In the fourth quarter of 2021, the Bank will enter the Italian market with the launch of Carta YOU on the new omni-channel front-end platform. Further, the Bank plans to issue an asset-backed security funding programme, which constitutes a major milestone in the Bank's funding diversification strategy.

The Bank continues to closely monitor macroeconomic developments and its credit risk development. Overall, the economic outlook for the coming quarters provides the Bank with growth potential for the remainder of 2021 and beyond.

Earnings after tax for the full year 2021 is expected to exceed 2020 profit with a continuing sustainable growth.

Munsbach, Luxembourg

11.11.2021

Patrick Thilges
Chief Financial Officer

Roland Ludwig
Chief Executive Officer



The Twist

Photo: H el ene Binet

Courtesy of Kistefos Museum



ADVANZIA.COM

Avanzia Bank
9, rue Gabriel Lippmann
L-5365 Munsbach
Luxembourg

Tel: +352 26 38 75 1
Fax: +352 26 38 75 699
E-mail: info@advanzia.com

Register of Commerce:
B109476

