



**ADVANZIA
BANK**

FINANCIAL REPORT
Fourth Quarter 2024



Installation view of Ross Bleckner, *Hot House* (1995) in Advanzia's Emerald Building.
© Ross Bleckner. Courtesy Christen Sveaas Art Foundation. Photo: Marie de Decker

FINANCIAL REPORT

FOURTH QUARTER 2024

Avanzia Bank S.A.

Avanzia Bank S.A.

Highlights for the fourth quarter 2024

KPI	Q4-24	QoQ %	YoY %
Gross credit card loan balance (MEUR)	3 513	+2.1%	+18.2%
Performing active credit card clients	1 749 000	+0.3%	+9.6%
Cards in force	2 816 000	+1.4%	+10.1%
Card acquisition cost (MEUR)	10.7	-3.1%	-6.1%
Loan loss rate (provisions and write offs)	5.9%	-0.1% - points	-0.1% - points
Profit after tax (MEUR)	40.7	+5.7%	+74.9%
Return on shareholders' equity	38.5%	+1.3% - points	+13.4% - points

Avanzia continued developing positively during the fourth quarter of 2024, ending the year with a gross loan balance amounting to MEUR 3 513, an increase of +2.1% QoQ and +18.2% YoY. The strong development was driven by a substantial sales performance in the German market. During the quarter, the number of performing, active credit card clients increased by 0.3% QoQ and 9.6% YoY, reaching 1 749 000 customers at the end of the year.

The contract termination process for French customers continued after the decision to exit the market was made in Q3. Consequently, the churn of the French portfolio accelerated with the gross loan balance decreasing 6.3% QoQ.

Total income amounted to MEUR 140.4, an increase of 1.6% QoQ and 22.0% YoY. The increase compared to the previous quarter is largely driven by the loan balance growth of MEUR 71 during the quarter.

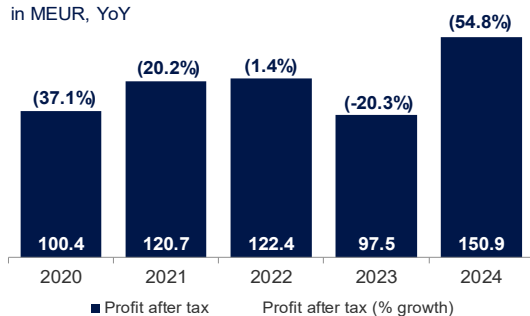
Operating expenses amounted to MEUR 38.9 in the fourth quarter which is at the same level as in the previous quarter. During the quarter, Avanzia's cost-income ratio amounted to 27.7%, a decline of 0.5%-points QoQ and 8.0%-points YoY.

Total loan loss provisions for the quarter amounted to MEUR 52.1, a decrease of 7.7% QoQ and an increase of 12.4% YoY. The loan loss rate amounted to 5.9% during the fourth quarter.

Profit after tax for the quarter amounted to MEUR 40.7, an increase of 5.7% QoQ and 74.9% YoY. For the year in total, profit after tax was 150.9 MEUR, an increase of 54.8% compared to 2023.

Profit after tax

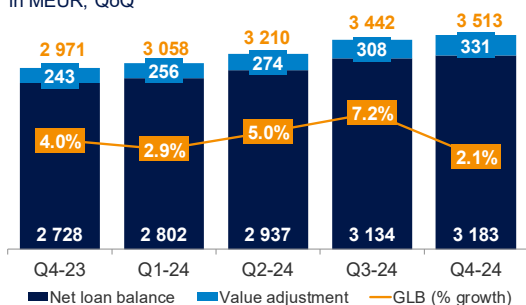
in MEUR, YoY

**Figure 1: Profit development.**

Credit cards

Credit card loan balance

in MEUR, QoQ



Performing active clients

in 000's, QoQ

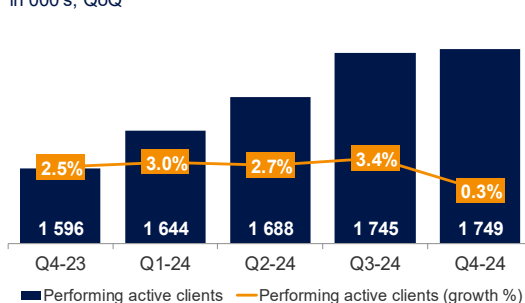


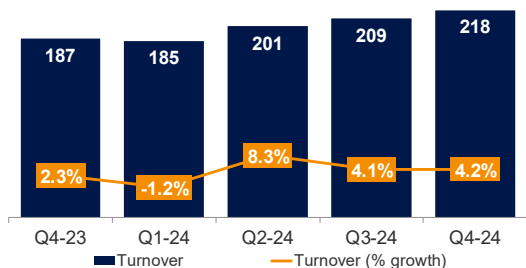
Figure 2: Credit card statistics.

The gross loan balance grew by MEUR 71 (2.1%) during Q4 2024, an effect mainly attributable to growth in the German market, offset by a declining loan book in France following the decision to exit the market.

Professional Card Services (PCS)

PCS card turnover

in MEUR, QoQ



Number of serviced cards

in 000's, QoQ

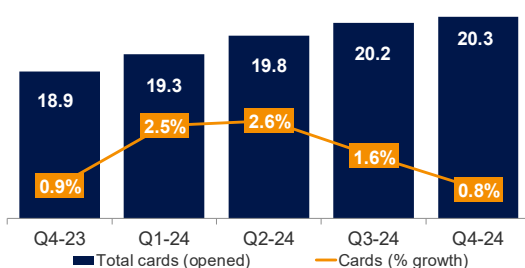


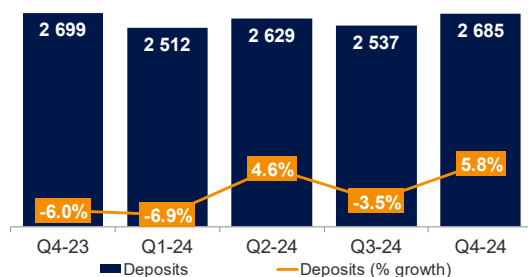
Figure 3: PCS statistics.

During the fourth quarter of 2024, the number of serviced cards increased by 0.8%, amounting to 20 300 cards at the end of the quarter. Typically, the growth rate in the PCS segment normally slows down during the Christmas holiday season. Nonetheless, the existing customer base remained active and consequently card turnover increased by 4.2% to MEUR 218.

Deposit account

Deposit balance

in MEUR, QoQ



Number of active depositors

in 000's, QoQ

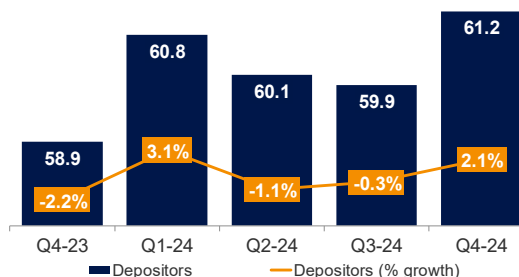


Figure 4: Deposit statistics.

To address the Bank's increasing credit demand, various successful campaigns were introduced for the deposit product during the quarter. The Bank registered a net inflow of MEUR 148, corresponding to an increase of 5.8% QoQ. The number of active depositors increased by 2.1% QoQ to 61 200.

Board, management and staff

As of 31 December 2024, Advanzia employed a total of 223 full-time equivalent employees, an increase from 220 at the end of the previous quarter.

Shareholders

Kistefos AS, a Norwegian investment company owned by Mr. Christen Sveaas, is the largest shareholder with 61.3% ownership. Other shareholders each hold below 10%.

Financial statements

The unaudited accounts of Advanzia as of the end of the fourth quarter of 2024 are shown below. Advanzia Bank follows IFRS standards and the figures reflect Advanzia's actual business activities and operations.

Assets (MEUR)	Q4-24	Q3-24	QoQ %	Q4-23	YoY %	YTD-24	YTD-23	YoY %
Cash, balances with central banks	1 040.7	977.4	6.5%	1 188.3	-12.4%	1 040.7	1 188.3	-12.4%
Loans and advances to credit institutions	102.1	103.5	-1.3%	125.8	-18.8%	102.1	125.8	-18.8%
Net loans and advances to PCS partner banks	79.4	69.0	15.0%	67.5	17.5%	79.4	67.5	17.5%
Loans and advances to credit card clients	3 513.1	3 442.1	2.1%	2 971.3	18.2%	3 513.1	2 971.3	18.2%
Value adjustments (losses)	-330.5	-308.3	7.2%	-243.0	36.0%	-330.5	-243.0	36.0%
Net loans and advances to credit card clients	3 182.6	3 133.7	1.6%	2 728.3	16.7%	3 182.6	2 728.3	16.7%
Tangible and intangible assets	34.8	38.0	-8.6%	24.1	44.2%	34.8	24.1	44.2%
Investment in subsidiary	9.3	11.1	-16.5%	0.1	-	9.3	0.1	-
Other assets	25.0	19.9	25.7%	21.5	16.5%	25.0	21.5	16.5%
Total assets	4 473.8	4 352.7	2.8%	4 155.6	7.7%	4 473.8	4 155.6	7.7%
Liabilities and equity (MEUR)	Q4-24	Q3-24	QoQ %	Q4-23	YoY %	YTD-24	YTD-23	YoY %
Amounts owed to credit institutions	40.8	53.2	-23.3%	37.1	9.8%	40.8	37.1	9.8%
Amounts owed to customers	2 684.5	2 538.0	5.8%	2 711.1	-1.0%	2 684.5	2 711.1	-1.0%
Amounts owed to financial corporates	1 090.2	1 093.5	-0.3%	836.8	30.3%	1 090.2	836.8	30.3%
Other liabilities, accruals, provisions	63.2	55.6	13.8%	40.4	56.5%	63.2	40.4	56.5%
Subordinated loan (T2)	85.0	110.0	-22.7%	55.0	54.5%	85.0	55.0	54.5%
Sum liabilities	3 963.7	3 850.2	2.9%	3 680.4	7.7%	3 963.7	3 680.4	7.7%
Subscribed capital and reserves	75.1	75.1	0.0%	68.7	9.3%	75.1	68.7	9.3%
Other equity instruments (AT1)	74.9	75.2	-0.4%	98.7	-24.2%	74.9	98.7	-24.2%
Profit (loss) brought forward	251.3	251.3	0.0%	216.4	16.1%	251.3	216.4	16.1%
Profit for the financial year (net of interim dividend and AT1 distributions)	108.8	100.9	7.8%	91.4	19.1%	108.8	91.4	19.1%
Sum equity	510.1	502.5	1.5%	475.2	7.3%	510.1	475.2	7.3%
Total liabilities and equity	4 473.8	4 352.7	2.8%	4 155.6	7.7%	4 473.8	4 155.6	7.7%
Income statement (MEUR)	Q4-24	Q3-24	QoQ %	Q4-23	YoY %	YTD-24	YTD-23	YoY %
Interest receivable, credit cards	154.9	149.5	3.6%	125.7	23.3%	578.3	443.8	30.3%
Interest receivable (payable), others	-27.4	-26.1	4.7%	-22.5	21.7%	-100.5	-59.3	69.4%
Net interest income	127.6	123.4	3.4%	103.2	23.6%	477.9	384.5	24.3%
Commission receivable	17.8	15.9	11.5%	19.7	-10.0%	65.1	76.9	-15.3%
Commission payable	-7.8	-7.7	1.6%	-6.5	20.5%	-29.4	-25.9	13.4%
Other operating result	2.9	6.7	-55.9%	-1.3	-	14.0	-3.3	-
Total income	140.4	138.2	1.6%	115.1	22.0%	527.6	432.1	22.1%
Card acquisition costs	-10.7	-11.1	-3.1%	-11.4	-6.1%	-46.9	-52.2	-10.0%
Other admin. expenses and depreciation	-28.1	-27.9	0.9%	-29.6	-4.9%	-109.1	-98.0	11.3%
Total operating expenses	-38.9	-39.0	-0.3%	-41.0	-5.2%	-156.1	-150.2	3.9%
Total loan losses	-52.1	-56.5	-7.7%	-46.4	12.4%	-193.1	-164.3	17.5%
Profit (loss) before taxes	49.4	42.8	15.5%	27.7	78.4%	178.5	117.6	51.8%
Income Tax and net worth tax	-8.8	-4.3	102.7%	-4.5	96.2%	-27.6	-20.1	37.2%
Profit (loss) for the period	40.7	38.5	5.7%	23.2	74.9%	150.9	97.5	54.8%

Table 1: Unaudited accounts as of 31 December 2024.

Comments on the accounts

In Q4 2024, total income increased by MEUR 2.2 (1.6%) compared to the previous quarter. The increase was driven by a higher interest income from credit cards, mainly attributable to MEUR 71 higher gross loan balance. This was partially offset by higher funding cost.

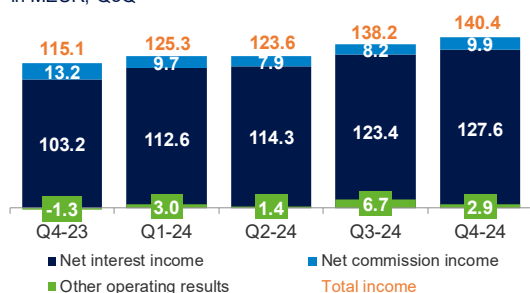
Operating expenses remained at similar levels to the previous quarter at MEUR 38.9. Total loan loss provisions amounted to MEUR 52.1, representing a decrease of MEUR 4.4 QoQ and an increase of MEUR 5.7 YoY. The QoQ decrease is mainly attributable to a provision of MEUR 5.0 related to the exit of the French market in Q3. Post the exit decision in France, the focus has shifted to Spain and in particular the Bank's future strategic position and growth plans in the market. The YoY increase is primarily related to the strong loan balance growth in the German market.

Profit after tax for the quarter was MEUR 40.7, an increase of MEUR 2.2 (5.7%) QoQ and MEUR 17.4 (74.9%) YoY. Profit before tax amounted to MEUR 49.4, an increase of 15.5% QoQ and 78.4% YoY.

The Bank paid an interim dividend of MEUR 30 to its shareholders in October and called the 2019 Tier 2 bond of MEUR 25 in November, following prior regulatory approval. Tangible and intangible assets decreased by MEUR 3.2 in Q4 primarily due to extraordinary impairments in relation to capitalised IT investments.

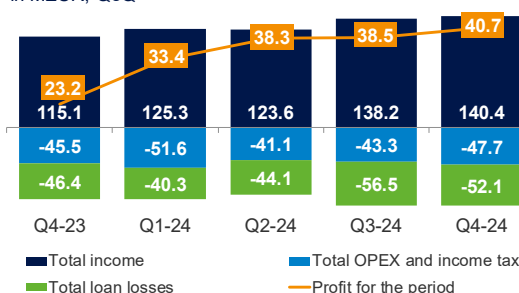
Income split and development

in MEUR, QoQ



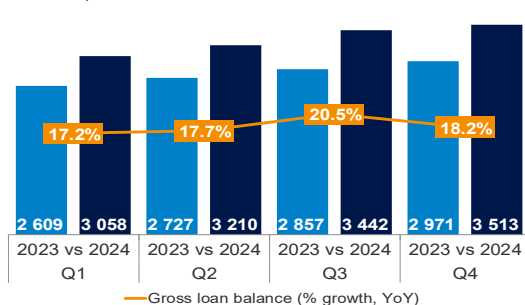
Profit development

in MEUR, QoQ



Credit card gross loan balance

in MEUR, YoY



Net interest income

in MEUR, YoY

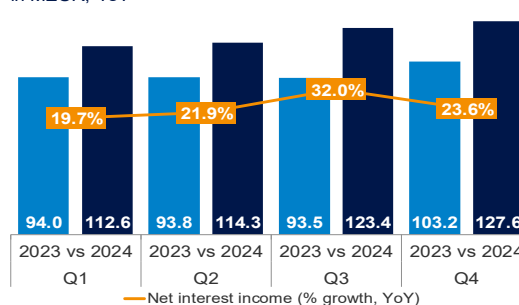


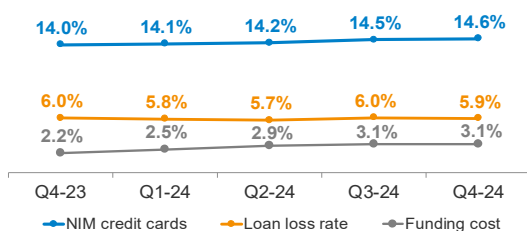
Figure 5: Financials.

Key performance indicators (KPIs)

The net interest margin on credit cards stabilized during the quarter. Simultaneously, the loan loss ratio decreased by 0.1%-points due to a combination of more pronounced growth in markets with a lower loan loss ratio, customers churning in France and further improvement of the credit performance in Italy. The cost/income ratio decreased to 27.7% this quarter, primarily driven by 3.4% higher net interest income, while operational cost decreased slightly by 0.3% during the quarter. The cost/income ratio excluding acquisition costs decreased to 20.0%. The annualised return on shareholders' equity amounted to 38.5%, compared to 37.2% in Q3 2024. The Bank maintains a strong solvency position with a capital adequacy ratio (incl. interim profits) amounting to 21.8%. The computation of the net stable funding ratio has been updated due to a requirement by the Luxembourg Central Bank. This change is applied retroactively resulting in a decrease by 60-70% points. Nevertheless, this change is not constraining as Advanzia retained a net stable funding ratio well above the required level of 100%.

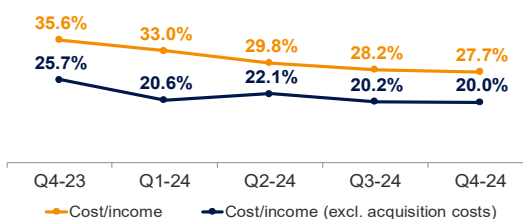
Profitability

in %



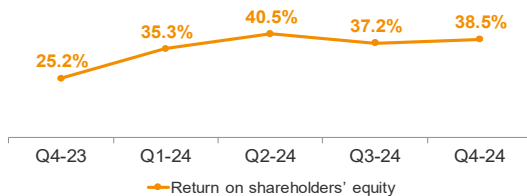
Cost/income ratio

in %



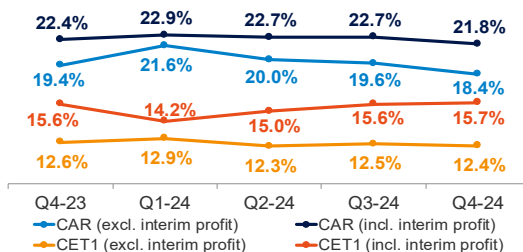
Return on shareholders' equity

in %, annualised



Solvency

in %



Funding and liquidity

in %

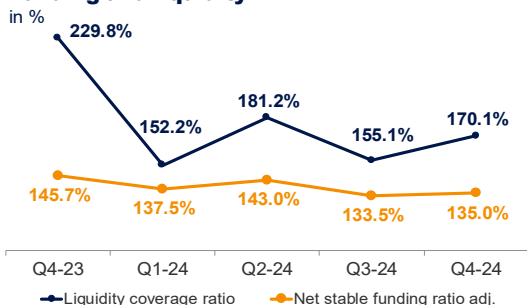


Figure 6: Key performance indicators¹.

¹ Net interest margin credit cards, funding cost and loan loss rate: computed on a last 12-month basis (trailing).

CET1: Common Equity Tier 1, CAR: Capital Adequacy Ratio, consisting of CET1, Additional Tier 1 and Tier 2 capital.

Outlook

During 2024, Germany's economy, which is Advanzia's largest market, faced significant challenges. This included sustained, high energy costs, weakened global demand, and the effects from the previous years' rising of interest rates. The European Central Bank's decision to cut interest rates during the year has provided some relief, but its impact was not immediate. Final figures indicate that Germany's GDP contracted by 0.2% in 2024, highlighting the continued economic strain.

Market indicators suggest a stagnant economy, due to the fact that German exports are expected to remain subdued due to sluggish global growth (particularly in China), coupled with ongoing geopolitical tensions. Finally, potential US tariffs could further cloud the trade environment.

Despite these economic headwinds, Advanzia demonstrated resilience by delivering steady loan balance growth throughout 2024, a trend expected to continue in 2025. Loan loss provisions in 2024 ended slightly higher than expected in the beginning of the year, but at the same time remained in line with recent forecasts. Risk intake has been further reduced during Q4 2024. As Germany continues to deal with economic challenges, the Bank remains cautious, closely monitoring macroeconomic developments and receivables performance across all its markets.

Munsbach, Luxembourg

10.02.2025

Patrick Thilges
Chief Financial Officer

Nishant Fafalia
Chief Executive Officer



Installation view of Christer Glein, *Three Palms Inn* (2009) in Advanzia's Emerald Building.
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