



**ADVANZIA
BANK**

FINANCIAL REPORT
Second Quarter 2024



Installation view, "Hurvin Anderson: Salon Paintings", Kistefos Museum, The Twist, 04.05. – 13.10.2024. Photo by Vegard Kleven

FINANCIAL REPORT SECOND QUARTER 2024

Avanzia Bank S.A.

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Highlights for the second quarter 2024

KPI	Q2-24	QoQ %	YoY %
Gross credit card loan balance (MEUR)	3 210	+5.0%	+17.7%
Performing active clients	1 688 000	+2.7%	+13.1%
Cards in force ¹	2 696 000	+2.2%	+13.1%
Card acquisition cost (MEUR)	9.5	-38.8%	-31.9%
Loan loss rate (provisions and write offs)	5.7%	-0.1% - points	+0.1% - points
Profit after tax (MEUR)	38.3	+14.7%	+61.3%
Return on shareholders' equity	40.5%	+5.2% - points	+11.0% - points

Avanzia continued to grow during the second quarter. The Bank's credit card portfolio of performing active clients increased by 2.7% QoQ and 13.1% YoY, reaching 1 688 000 active credit card clients at the end of the quarter. The growth in performing active clients, combined with increased card usage, contributed to a continued growth in the gross loan balance, which amounted to MEUR 3 210 at the end of the quarter (+5.0% QoQ and +17.7% YoY). Total income amounted to MEUR 123.6. This was slightly lower than the previous quarter, and corresponds to a YoY growth of 16.8%, driven by positive interest income dynamics and commission income, partially offset by higher funding costs.

Operating expenses amounted to MEUR 36.9 in the second quarter, a decrease by MEUR 4.4 QoQ, and by MEUR 0.4 YoY, primarily driven by declining customer acquisition costs. The reduction is mainly due to less campaign activity and consequently lower spending on card acquisition in the quarter, partially offset by higher staff-related costs and card processing costs.

Total loan loss provisions amounted to MEUR 44.1 during the quarter, an increase of 9.5% both QoQ and YoY. The loan loss rate amounted to 5.7% during the second quarter.

Profit after tax for the quarter amounted to MEUR 38.3, corresponding to an increase of 14.7% and 61.3% QoQ and YoY, respectively.

In April, the Bank successfully placed a senior unsecured bond of MEUR 200, marking an important milestone in Avanzia's funding diversification roadmap. The bond has a maturity of 4 years and pays a fixed coupon of 7.00%. Following the issuance, Moody's Ratings upgraded Avanzia Bank's deposit and issuer ratings to investment grade, Baa3, outlook stable, on 19 April 2024.

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

Profit development

in MEUR, QoQ

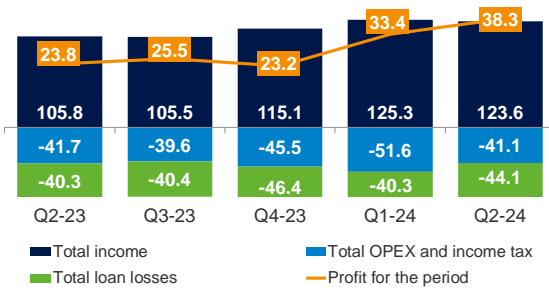
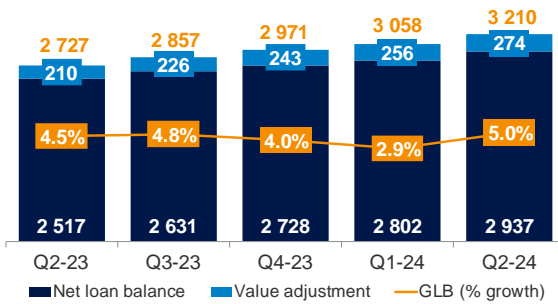


Figure 1: Profit development.

Credit cards

Credit card loan balance

in MEUR, QoQ



Performing active clients

in 000's, QoQ

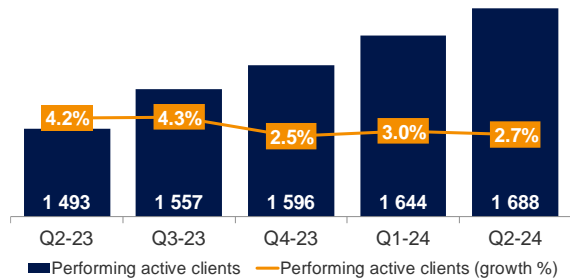


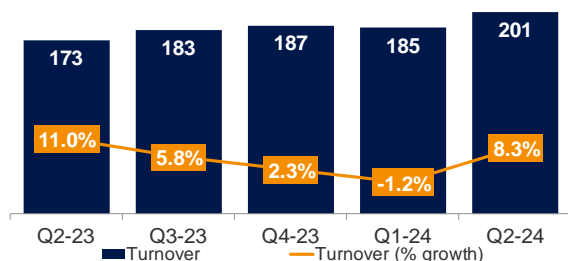
Figure 2: Credit cards statistics.

During Q2 2024, the loan balance increased by 5.0% or MEUR 152. The increase was mainly driven by the German market, due to successful marketing campaigns and increasing credit limits on performing customer segments in the back book.

Professional Card Services (PCS)

PCS card turnover

in MEUR, QoQ



Number of serviced cards

in 000's, QoQ

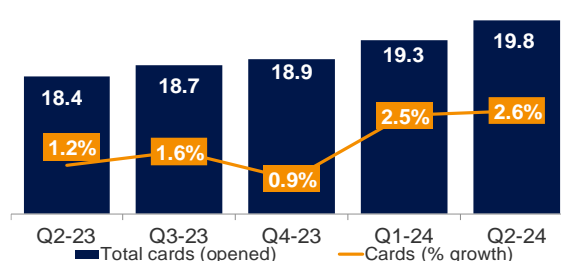


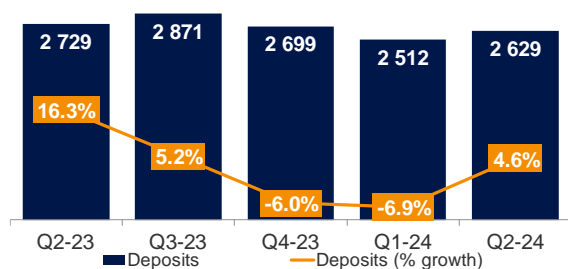
Figure 3: PCS statistics.

In the PCS business segment, card turnover increased by 8.3% QoQ, due to seasonal effects (the commencement of the summer holiday period). The number of serviced cards, similarly, increased by 2.6% QoQ, and 7.7% YoY.

Deposit account

Deposit balance

in MEUR, QoQ



Number of active depositors

in 000's, QoQ

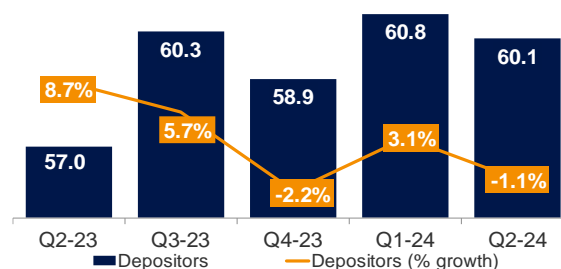


Figure 4: Deposit statistics.

During the quarter, the Bank registered a net inflow of MEUR 116, corresponding to an increase of 4.6% QoQ. The development was driven by a combination of increased standard deposit interest rate in April and attractive introduction campaigns throughout the quarter. The expiry of large campaign in Q1 resulted in slight decrease of active depositors by 1.1%, amounting to 60 100 depositors at the end of the quarter.

Board, management and staff

As of 30 June 2024, Advanzia Bank has 209 full-time equivalent employees, up from 206 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% ownership. Other shareholders each hold below 10%.

Financial statements

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

Assets (EUR million)	Q2-24	Q1-24	QoQ %	Q2-23	YoY %	YTD-24	YTD-23	YoY %
Cash, balances with central banks	1 202.2	1 015.1	18.4%	1 009.7	19.1%	1 202.2	1 009.7	19.1%
Loans and advances to credit institutions	124.9	121.9	2.4%	44.8	178.8%	124.9	44.8	178.8%
Net loans and advances to PCS partner banks	71.9	61.5	17.0%	79.0	-9.0%	71.9	79.0	-9.0%
Loans and advances to credit card clients	3 210.3	3 057.9	5.0%	2 726.9	17.7%	3 210.3	2 726.9	17.7%
Value adjustments (losses)	-273.7	-256.2	6.9%	-210.4	30.1%	-273.7	-210.4	30.1%
Net loans and advances to credit card clients	2 936.6	2 801.7	4.8%	2 516.5	16.7%	2 936.6	2 516.5	16.7%
Tangible and intangible assets	37.9	39.9	-4.9%	28.5	33.2%	37.9	28.5	33.2%
Investment in subsidiary	8.2	3.8	119.2%	0.0	-	8.2	0.0	-
Other assets	18.0	16.2	11.3%	27.0	-33.1%	18.0	27.0	-33.1%
Total assets	4 399.8	4 060.0	8.4%	3 705.5	18.7%	4 399.8	3 705.5	18.7%

Liabilities and equity (EUR million)	Q2-24	Q1-24	QoQ %	Q2-23	YoY %	YTD-24	YTD-23	YoY %
Amounts owed to credit institutions	42.8	36.8	16.2%	39.1	9.3%	42.8	39.1	9.3%
Amounts owed to customers	2 633.5	2 514.4	4.7%	2 746.8	-4.1%	2 633.5	2 746.8	-4.1%
Amounts owed to financial corporates	1 068.5	840.0	27.2%	447.0	139.0%	1 068.5	447.0	139.0%
Other liabilities, accruals, provisions	55.8	107.3	-48.0%	34.0	64.2%	55.8	34.0	64.2%
Subordinated loan (T2)	110.0	110.0	0.0%	55.0	100.0%	110.0	55.0	100.0%
Sum liabilities	3 910.5	3 608.4	8.4%	3 321.9	17.7%	3 910.5	3 321.9	17.7%
Subscribed capital and reserves	75.1	75.1	0.0%	68.7	9.3%	75.1	68.7	9.3%
Other equity instruments (AT1)	97.3	94.8	2.7%	52.6	84.9%	97.3	52.6	84.9%
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)	65.5	30.3	116.0%	45.9	42.8%	65.5	45.9	42.8%
Sum equity	489.3	451.6	8.3%	383.6	27.6%	489.3	383.6	27.6%
Total liabilities and equity	4 399.8	4 060.0	8.4%	3 705.5	18.7%	4 399.8	3 705.5	18.7%

Income statement (EUR million)	Q2-24	Q1-24	QoQ %	Q2-23	YoY %	YTD-24	YTD-23	YoY %
Interest receivable, credit cards	140.3	133.6	5.0%	105.1	33.5%	273.9	206.4	32.7%
Interest receivable (payable), others	-26.0	-21.0	23.8%	-11.3	130.2%	-47.0	-18.6	152.5%
Net interest income	114.3	112.6	1.6%	93.8	21.9%	226.9	187.8	20.8%
Commission receivable	15.2	16.2	-6.2%	19.2	-20.6%	31.5	37.6	-16.3%
Commission payable	-7.4	-6.5	12.4%	-6.5	13.3%	-13.9	-12.7	9.5%
Other operating result	1.4	3.0	-53.8%	-0.7	-302.7%	4.4	-1.2	-455.4%
Total income	123.6	125.3	-1.3%	105.8	16.8%	248.9	211.5	17.7%
Card acquisition costs	-9.5	-15.6	-38.8%	-14.0	-31.9%	-25.1	-28.3	-11.2%
Staff costs	-6.7	-6.1	9.1%	-6.2	6.8%	-12.8	-11.6	10.2%
Other general administrative expenses	-17.4	-16.7	4.4%	-14.6	19.3%	-34.1	-28.2	21.1%
Depreciation, tangible + intangible assets	-3.3	-3.0	10.4%	-2.5	31.2%	-6.2	-5.0	25.8%
Total operating expenses	-36.9	-41.3	-10.7%	-37.3	-1.2%	-78.2	-73.0	7.2%
Total loan losses	-44.1	-40.3	9.5%	-40.3	9.5%	-84.5	-77.6	8.9%
Profit (loss) before taxes	42.6	43.6	-2.4%	28.1	51.3%	86.2	61.0	41.4%
Income tax and net worth tax	-4.2	-10.2	-58.5%	-4.4	-3.0%	-14.5	-12.2	18.6%
Profit (loss) for the period	38.3	33.4	14.7%	23.8	61.3%	71.8	48.8	47.1%

Table 1: Unaudited accounts as at 30 June 2024 (MEUR).

Comments on the accounts

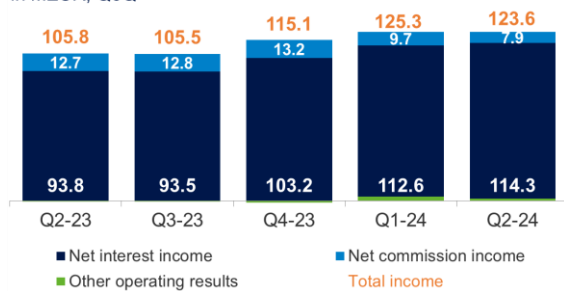
In Q2 2024, the total income was slightly lower than the previous quarter (-MEUR 1.7 or -1.3%). Increased interest income from credit cards linked to loan balance growth were offset by higher funding costs following the issuance of the senior unsecured bond in April and by lower net commission income and operating results.

Operating expenses amounted to MEUR 36.9, a reduction of MEUR 4.4 (10.7%) compared to the previous quarter. The reduction is mainly due to less campaign activity and consequently lower spending on card acquisition in the quarter, partially offset by higher staff-related costs and card processing costs.

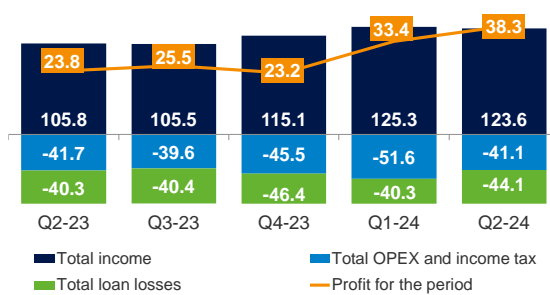
Total loan loss provisions amounted to MEUR 44.1, corresponding to a growth of MEUR 3.2 QoQ and YoY, reflecting substantial loan balance growth in Germany in particular. The loan losses in the Spanish and French markets are decreasing due to a reduction in sales activities and tighter acceptance criteria.

Profit after tax for the quarter amounted to MEUR 38.3, an increase of MEUR 4.9 QoQ and MEUR 14.6 (61.3%) YoY. Profit before tax reached MEUR 42.6, a slight decrease of 2.4% QoQ but strong growth of 51.3% YoY.

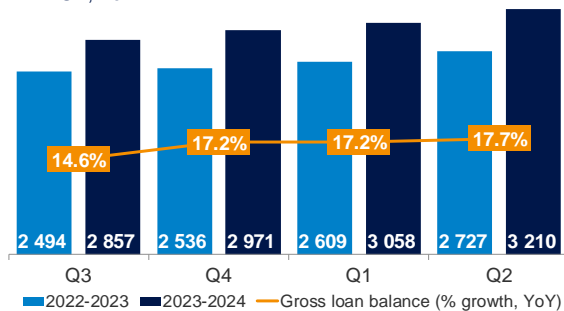
Income split and development
in MEUR, QoQ



Profit development
in MEUR, QoQ



Credit card gross loan balance
in MEUR, YoY



Net interest income
in MEUR, YoY

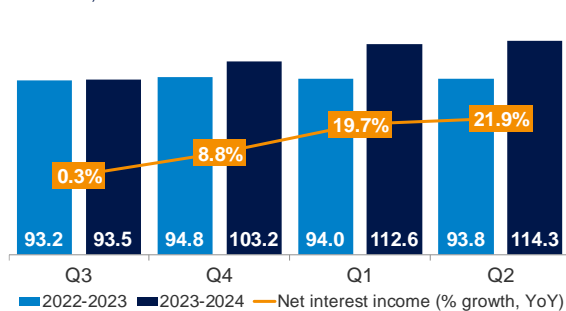


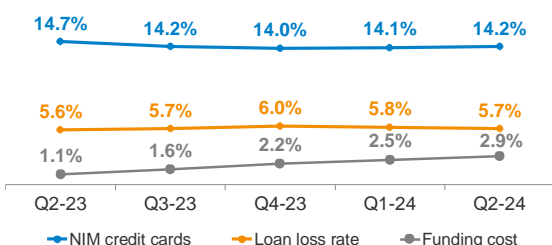
Figure 5: Financials.

Key performance indicators (KPIs)

In Q2 2024, the net interest margin on credit cards amounted to 14.2%, an increase of 0.1%-points QoQ. The Bank was able to maintain a steady net interest margin through successful repricing initiatives during the previous quarters. This contributed to mitigate the effects from increasing funding costs following the issuance of the senior unsecured bond during the quarter. The loan loss rate decreased by 0.1%-points, attributable to a combination of continued improvement of the loan loss performance in Italy and Spain and a more pronounced growth in Germany and Austria exhibiting the lowest credit risk in comparison to the other markets. The cost/income ratio decreased to 29.8% in the quarter, a positive development mainly driven by reduced card acquisition costs QoQ (-38.8%). The positive performance of the Bank contributed to the annualised return on shareholders' equity increasing to 40.5%, compared to 35.3% in Q1 2024. The Bank maintains a strong solvency position with a capital adequacy ratio (incl. interim profits) of 22.7%, while LCR increased to 181.2% following the issuance of the senior unsecured bond during the quarter.

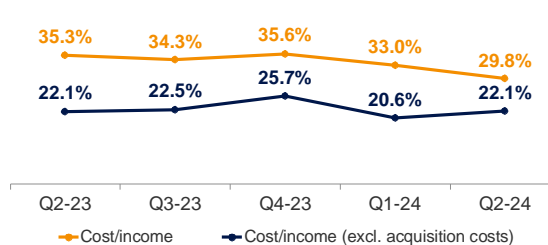
Profitability

in %



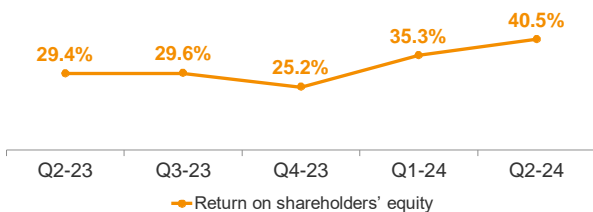
Cost/income ratio

in %



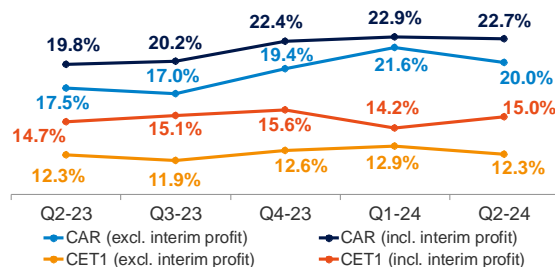
Return on shareholders' equity

in %, annualised



Solvency

in %



Funding and liquidity

in %

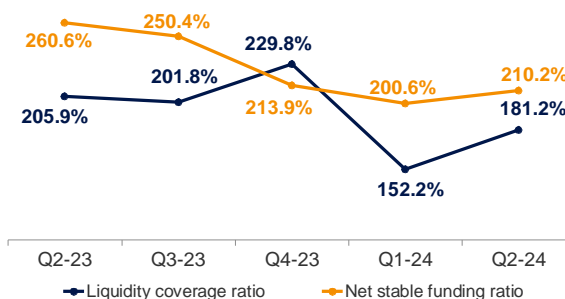


Figure 6: Key performance indicators².

² 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

Spending in Germany, the Bank's largest market, has reverted to positive growth following a decline during Q1 2024. Simultaneously, consumer confidence has improved, driven by the recent interest rate reduction from the ECB. However, despite these positive indicators, retail sales continue to underperform due to persistent economic challenges and geopolitical uncertainties.

The Bank expects to continue to deliver growth in loan balance, number of active clients and interest receivables. Furthermore, the Bank continues to develop in accordance with its strategy in its additional markets.

With an expected further easing of inflation, real household income is set to continue to recover.

The Bank continues to pursue its digital transformation and enrolment process harmonisation plan, with the new real-time digital enrolment process successfully deployed in the German market in July, following the pilot launched earlier this year in Austria. The deployment is a result of the significant investments the Bank has made and expect to continue to make, in transforming Advanzia into a fully modern digital bank. Furthermore, the Bank has strengthened its position as the leading Cards-as-a-Service provider in Europe with the launch of the Hilton Honors Credit Card in Germany and Austria.

Advanzia is well positioned to continue its growth, enabled by its sound solvency position and increasingly diversified funding base.

Munsbach, Luxembourg

15.08.2024

Patrick Thilges
Chief Financial Officer

Nishant Fafalia
Chief Executive Officer



Installation view, "Hurvin Anderson: Salon Paintings", Kistefos Museum, The Twist, 04.05. – 13.10.2024. Photo by Vegard Kleven



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