FINANCIAL STATEMENTS

For the Year Ended 31 December 2024
Advanzia Bank S.A.

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1 ABOUT ADVANZIA BANK

1.1 A European digital bank

Advanzia Bank S.A. (hereafter also referred to as “Advanzia” or “the Bank”) is a European digital bank specialising in credit cards and Cards-as-a-Service (CaaS) solutions for consumers, business partners and financial institutions. The Bank’s purpose is to enable its customers and partners reach their financial goals by providing access to flexible payment and credit solutions.

Advanzia was granted a banking license by the Luxembourg Ministry of Treasury and Budget in December 2005. The Bank currently has 2.8 million credit card customers and has developed a position as a leading digital credit card issuer in Germany, with operations extending to Luxembourg, Austria, Spain, Italy and France. Advanzia conducts its operations from Luxembourg and has no branches.

1.2 Flexible own-branded products

Advanzia offers two consumer products under its own brands: a no-fee Mastercard Gold credit card and a deposit account. The Mastercard Gold credit card is a flexible no-fee payment solution with an optional revolving credit facility and a range of attractive advantages and insurance benefits. The Advanzia Deposit Account is a sight deposit product offering favourable conditions and a competitive interest rate.

1.3 Bespoke CaaS solutions

Advanzia collaborates with a range of companies, associations and financial institutions for its CaaS offerings. Business partners use Advanzia’s co-branded credit cards to strengthen their customer loyalty strategy and generate a competitive advantage. Private banks and other financial institutions implement turnkey Visa and Mastercard credit card solutions delivered by Advanzia, either under their own brand or under the flagship Capitol brand. Advanzia handles the complete card programme, encompassing scheme licensing, card issuance, processing, settlement and customer service.

1.4 Regulatory stability

Advanzia is headquartered in Luxembourg, a socially and politically stable financial hub in the heart of Europe. Advanzia has a banking licence in Luxembourg and is regulated by the *Commission de Surveillance du Secteur Financier* (CSSF), which oversees the activities of the country’s financial sector. Advanzia passports cross-border services in the EU to a total of 16 countries.

1.5 Solid shareholder structure

Advanzia is an independent bank owned by a limited number of private investors. The private investment company Kistefos AS, based in Oslo, Norway, has been the controlling shareholder since 2006 and holds 61.3% of the issued shares.

2 REPORT OF THE BOARD OF DIRECTORS

Advanzia is a digital bank dedicated to making finance accessible and more inclusive by offering simple, smart and user-friendly payment and credit solutions that provide financial flexibility and deliver added value for its customers. Specialising in consumer finance and card servicing solutions, the Bank services end customers, as well as institutional clients such as business partners and private banks.

Advanzia markets its own branded Mastercard Gold credit cards across multiple European markets through various online channels. As Europe's leading CaaS provider, Advanzia further delivers white-labelled and co-branded credit card solutions distributed via a strong business partner network, as well as turnkey credit card programmes for banks and financial institutions.

2.1 Overall results

2.1.1 Strong financial performance

Advanzia has demonstrated strong financial resilience throughout the year and delivered a steady growth in the number of performing clients, despite ongoing macroeconomic challenges, increasing inflationary pressure towards the end of the year in Germany and consumer spending remaining below pre-pandemic levels.

For the year 2024, Advanzia reported a net profit of 151 MEUR, an increase of 53 MEUR compared to 2023. This can be attributed towards a substantial growth in the number of customers and credit card balance in Germany and Austria, as well as an improving net interest margin.

During 2024, the Bank paid a dividend of MEUR 50 out of its financial result for 2023, and an interim dividend of MEUR 30 out of its interim result from January 2024 to August 2024.

2.1.2 Increased funding diversification

Throughout 2024, the Bank further diversified its funding sources to support its growth ambitions.

During February 2024, Advanzia successfully issued a MEUR 55 Tier 2 bond to continue strengthening its regulatory capital base. In April 2024, Advanzia successfully issued its inaugural senior unsecured notes, raising MEUR 200 from institutional investors across Europe. Subsequently, and in connection with this, the Bank's deposit and issuer rating was upgraded to *investment grade* by Moody's (Baa3, stable outlook).

Advanzia remains committed to further diversifying its funding sources and strengthening its position in the capital markets during 2025.

2.1.3 Digital transformation and enhanced customer experience

Following the rollout in Austria in November 2023, the Bank introduced its fully digital and accelerated application process in its key market Germany in summer 2024, and in Italy at year-end. The new enrolment journey reduces application time from 10 days to minutes and provides credit card applicants with a seamless and frictionless omni-channel experience across all devices. Real-time credit scoring, automated and AI-driven ID checks and a fully compliant e-signature boost customer satisfaction and increase conversion. A rollout of the new digital customer onboarding for the Bank's deposit product is scheduled for 2025.

To enhance customer engagement and streamline time-to-market for new features, the Bank has prioritised enhancing its customer frontend solutions in 2024 and will continue to focus on this in 2025. This initiative aims to replace the legacy enrolment platform including its existing web portals and mobile apps, and commencement of a phased rollout is planned for Q1 2025.

Additionally, several new capabilities were introduced to elevate the customer experience. Notably, the digital card was launched, enabling customers to access key card details (PAN, CVC) and PIN directly via the mobile app. To increase the PPI customer experience, the mobile app user journey was enhanced, increasing in-app sales, and a PPI overlay was added to capture opt-ins after the card application process.

2.1.4 Continued growth in customer base

Overall, the Bank exhibited strong loan balance growth in 2024, surpassing the growth from 2023. The significant growth in loan balance stems from a combination of strong growth in new active customers, coupled with increased volumes per card.

Advanzia onboarded 374 000 new active credit card customers[1]. By the end of the year, Advanzia had more than 2.8 million credit cards in force[2] and a gross loan balance of MEUR 3 592, with profit after taxes amounting to MEUR 151.

During 2024, the total turnover on all cards amounted to EUR 7.8 billion or EUR 4 400 per performing active customer[3], while the average loan balance per active credit card client was approximately EUR 1 800. Advanzia's main income driver, the gross loan balance, amounted to MEUR 3 592 at the end of the year, corresponding to a year-on-year increase of 18.2%.

2.1.5 Product and market development

Advanzia operates Europe-wide, offering its own-branded consumer credit cards to private consumers, as well as CaaS white-label loyalty cards and turnkey credit card solutions to institutional clients such as business partners and private banks.

Own branded products

To reflect increasingly challenging market conditions, with higher funding cost, strengthened inflationary pressure and increased regulatory complexity, Advanzia completed interest rate adjustments to both new and existing clients across most markets during the year.

Throughout the year, sustained marketing campaigns led to a significant increase in both card applications and the number of new active clients for the "Gebührenfrei Mastercard Gold". The **German and Luxembourgish** markets ended the year with a total gross loan balance of MEUR 2 964[4].

In **Austria**, the year concluded with a total gross loan balance of MEUR 187, reflecting continued growth driven by innovative marketing campaign strategies, despite limited digital marketing opportunities. Advanzia's own branded Mastercard product in Austria is "Free at".

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[1] New active customers are those who have used their cards for the first time.
[2] Cards in force: The number of issued cards, including active and inactive cards.
[3] Active customers are customers with at least one movement on their account in the last month.
[4] The loan balance figures in this chapter also include the co-branded cards.

In **Spain,** the year ended with a total gross loan balance of MEUR 122 for “Tarjeta YOU”. **Italy** reached a gross loan balance of MEUR 73. The Bank will focus on enhancing profitability, particularly by refining credit risk scoring in these markets, before considering renewed growth.

Due to the absence of profitable growth perspectives, the Bank decided to initiate an exit from the **French** market during 2024. Consequently, onboarding of new customers was permanently ceased, and the French portfolio is expected to churn naturally over the coming years. “Carte ZERO” concluded the year with a gross loan balance of MEUR 166.

CaaS

A standout moment in the CaaS co-branding segment was the launch of the Hilton Honors credit card in Germany and Austria. Hilton, a leading global hospitality company, offers the award-winning Hilton Honors guest loyalty programme, with the credit card serving as an exclusive benefit for its members.

In addition, the Bank secured additional co-branded partnerships with United Internet (Germany’s leading email service provider), Turkish Airlines and Intersport. These collaborations further reinforce the Bank’s positioning as a trusted partner with extensive expertise, operational capabilities and scalability to successfully manage high-volume card portfolios and loyalty programmes.

Advanzia continues to build on its strong position as the European go-to bank for its CaaS offering for private banks. Various service and product enhancements were implemented to further develop the card management offering and to extend the Bank’s competitive advantage as a well-known and trusted partner for bespoke premium credit card solutions. This resulted in the onboarding of several new private banks during the year, contributing to Advanzia now servicing close to 100 banks in 14 countries and solidifying its position as the leading CaaS provider in Europe.

Advanzia Deposit Account

In addition to credit cards, Advanzia also offers an online sight deposit account, the Advanzia Deposit Account. During the year, the Bank registered a net outflow of MEUR 14, representing a 0.5% decrease compared to 2023, while active deposit customers increased to a total of 61 200 accounts. This development was consistent with the Bank’s strategy of continuing to diversify its funding mix.

2.2 Strategic roadmap

In 2024, the Bank revisited its strategic roadmap to address macroeconomic challenges and ensure continued focus on selective growth and long-term profitability, as well as offering a great customer experience. While maintaining its existing core pillars, the Bank adjusted its approach to accelerate progress towards its long-term vision: Becoming the leading European digital bank that makes finance, payments and credit more accessible by leveraging technology to create easy-to-use products and services.

2.2.1 Commercial pillars: products and markets

The Bank’s commercial pillars continue to be market and product development. However, the focus has shifted to how markets are managed, while product development continues to be a key component of the Bank’s commercial strategy for the coming years.

Advanzia will approach **markets** based on their maturity and the Bank's experience. In mature markets like Germany and Austria, where performance is strong, the Bank will focus on optimising growth and continue to invest. In contrast, the Bank will focus on optimising credit models in Spain and Italy prior to committing to significant investments in these markets. Lastly, France was discontinued in 2024 after more than a decade of unsatisfactory performance.

Advanzia will focus on three key levers to develop new **products**: First, improving the features of existing credit card offerings; second, exploring product diversification through complementary products, value-added services, and cross-/up-selling opportunities; and third, expanding into new business areas, such as its current CaaS bespoke offering for private banks, to create new revenue streams while staying focused on its core competency in consumer finance and payments.

2.2.2 Enhancements to the digital banking platforms

Advanzia's cloud-based digital banking platform is a robust foundation for enhanced digitalisation, product development and customer engagement. There are two levers:

Firstly, the **customer experience ecosystem** remains focused on elevating customer centricity, enhancing customer experience and delivering tailored, intuitive self-service digital solutions across all markets by integrating flexible and AI-powered technologies. This initiative follows three key steps:

1. Replacing the legacy enrolment platform. This was successfully implemented in the key markets in 2024, with only smaller markets still pending implementation.
2. Enhancing the engagement platform. This phase was further accelerated in 2024 and is expected to start delivering benefits to customers in 2025.
3. Customer service and lifecycle management. This step focuses on improving customer value while enhancing efficiency and accuracy to drive operational excellence.

Finally, the second lever is a **new IT transformation**, which will improve systems and back-end infrastructure. This initiative aims to deliver the business functionalities needed to support the long-term growth of the Bank.

The transformation will further introduce advanced capabilities to support three main business areas: customers, finance and cards. These capabilities will be underpinned by robust integration and data frameworks, enabling seamless interaction between third-party and core systems, while promoting high levels of self-service and governance for underlying data.

Looking ahead, this transformation is set to drive critical improvements in customer experience and operational efficiency. By leveraging enhanced capabilities and fostering a culture of continuous improvement, the Bank is well positioned to achieve and surpass its strategic objectives.

2.2.3 Human capital development and relocation to Emerald

Advanzia's ongoing success is fuelled by its greatest asset, the people working for the Bank. By the end of the year, the Bank employed a total of 231 individuals, an increase from 208 individuals at the end of 2023.

Throughout 2024, Advanzia launched numerous initiatives to boost employee satisfaction and engagement, promote well-being, and support skills development. Team-building activities and social events played a key role in enhancing collaboration and strengthening corporate culture.

Advanzia also intensified its efforts to find the *right* people, including tech profiles, as well as individuals whose personality aligns with the Bank’s culture. To enhance visibility in the employer market, the Bank attended a number of job fairs and recruitment events throughout the year and also sponsored the Luxembourg Times BusinessRun for the fourth time in a row – an event that promotes team spirit while raising awareness of the Bank as an attractive employer in Luxembourg.

In February, the Bank moved into Emerald, the first zero-carbon office building in Luxembourg and the Greater Region. Emerald was designed and constructed according to standards that not only prove sustainability and aim for carbon neutrality, but that also prioritise the health and wellbeing of Advanzia's employees. The building emphasises physical activity with a complimentary gym for staff and weekly training sessions provided by Advanzia. It also promotes healthy eating habits and offers spaces designed for relaxation and mental well-being, such as collaboration zones, coffee corners, an indoor patio and a rooftop terrace.

Emerald holds the BREEAM Excellent, DGNB Gold and ILFI Zero Carbon certifications. It features an efficient heating, cooling and ventilation system, photovoltaic panels, rainwater usage, sun protection and light control, all managed by a centralised system to optimise energy consumption and minimise its carbon footprint. 100% of the electricity used is sourced from renewable energies.

2.2.4 ESG strategy development and publication of first sustainability report

The publication of the Bank’s inaugural, public ESG report in June 2024 marked an important step in its journey to becoming more sustainable, and it coincided with the official inauguration celebrations of Emerald, the green new home of Advanzia.

In anticipation of the Corporate Sustainability Reporting Directive (CSRD), which applies to Advanzia as of 2025, the Bank conducted its first Double Materiality Assessment (DMA) to evaluate ESG-related impacts, risks and opportunities that could affect profitability. Based on the material topics identified by the DMA, the Bank commenced implementing its ESG strategy around four strategic pillars:

1. **Responsible business conduct**

Firstly, to conduct business in a responsible manner based on sound business processes. These processes underpin how Advanzia manages its service partner network, protects the substantial amounts of processed data, assesses and mitigates risks, and ensures customer satisfaction.

In 2024, Advanzia reformulated and refined its purpose, mission and vision statement, and started work on refining the corporate values reflecting the culture and collective aspirations of the Bank. The goal is to provide guidance for future decision-making and to strengthen the Advanzia brand.

2. **Sustainable and digital credit card and payment solutions**

Secondly, providing sustainable and digital credit card and payment solutions. At the core of Advanzia’s activities lies its commitment to responsible lending, protecting nearly three million customers and the business model’s continuity through prudent risk management and continued profitability.

In 2024, a responsible lending working group was created and started analysing potential measures to strengthen responsible lending throughout the customer lifecycle – from creditworthiness assessment to responsible collection processes.

Advanzia contributes to a more sustainable society through focusing on enhanced digitalisation, sustainable innovation and solutions for its customers, partners, as well as through its own operational setup.

3. **Advanzia, a responsible employer**

Thirdly, with employees at the core of the Bank's success and growth, Advanzia is committed to nurturing its dynamic talent pool and furnishing an inclusive, cooperative and open culture where employees thrive under the right balance between work and personal life.

The move to the Emerald building in 2024, along with its emphasis on employee wellbeing, played a significant role in advancing the Bank's goal of creating a safe, fulfilling, healthy and inspiring workplace. Advanzia's ambition is to become an employer of choice in Luxembourg.

4. **Positive impact**

Lastly, the Bank works towards continuing making a positive impact on society and the environment. It undertakes to operate more sustainably, from offering a nurturing work environment for its employees, to maintaining its long-standing commitment to supporting socially impacting projects close to its employees' hearts, benefiting a wide range of local, national and international communities in need.

In 2024, the ESG committee oversaw the coordination of more than 30 charitable projects including sponsorships of local and social associations.

2.3 Economic and business outlook for 2025

Germany's economy, Advanzia's largest market, is facing significant challenges, including high energy costs, weak global demand, and the lingering effects of elevated interest rates. The ECB rate cuts throughout 2024 offered some relief, but their impact was delayed. Germany's GDP contracted, though forecasts predict modest recovery to 0.3% growth in 2025. Inflation rose by year-end, reflecting persistent cost pressures despite an easing monetary policy. Although German retail revenue projections for 2025 indicate growth, ongoing economic challenges and cautious consumer behaviour could affect overall performance.

Despite these headwinds, Advanzia delivered steady loan growth, a muted loan loss development and a significant net profit increase in 2024, a trend expected to continue into 2025. Loan provisions are aligned with forecasts, and the Bank remains vigilant, monitoring economic developments and receivables performance.

The Bank' business outlook reflects a steadfast commitment to innovation aimed at enhancing the customer experience. Advanzia is focusing on sustained growth in its core markets of Germany and Austria, while maintaining a cautious strategy in other markets, prioritising profitability.

The Bank anticipates a sustained increase in net profit for 2025, driven by continued market optimisation, the delivery of value-added services to customers, improved operational efficiency through AI-driven solutions, and a strong emphasis on data and IT transformation.

Advanzia has a strong capital position, coupled by diversified funding which was further strengthened by the successful senior unsecured debt and Tier 2 bond issuances in 2024. These credit positive initiatives led to an upgrade of the Bank's deposit and issuer rating to Baa3 (Moody's, stable outlook) in 2024. Advanzia is committed to maintaining an investment grade rating and further diversifying its funding sources to support its profitable growth plans across all markets.

As a socially responsible company, Advanzia continues to deepen its commitment to human capital development, fostering a skilled and engaged workforce as a vital intangible asset and a key driver of the Bank's success. The Bank is also dedicated to reducing its carbon footprint by advancing digitalisation and embracing sustainable innovation, aligning these initiatives with its product development and customer engagement strategy.

In preparation of compliance with the CSRD, Advanzia has published its first sustainability report, underscoring its dedication to environmental, social, and governance (ESG) principles. By aligning operations with evolving regulatory standards, the Bank is reinforcing its sustainable and responsible business model, ensuring continued profitability while creating a positive impact for all stakeholders.

3 LEADERSHIP

Board of Directors

- Bengt Arve Rem, Chairperson of the Board, CEO of Kistefos AS, Class C Director
- Eirik Holtedahl, Deputy Chairperson of the Board, Private Investor, Seed Director
- Nishant Fafalia, CEO of Advanzia Bank S.A., Class C Director (until 3 March 2024)
- Tor Erland Fyksen, Private investor, Founder Director
- Kristian Fredrik Huseby, Class C Director (since 4 March 2024)
- Wiljar Nesse, Class C Director

Audit, Risk and Compliance Committee

- Tor Erland Fyksen, Chairperson
- Eirik Holtedahl, Member
- Wiljar Nesse, Member

Nomination and Remuneration Committee

- Bengt Arve Rem, Chairperson
- Eirik Holtedahl, Member
- Wiljar Nesse, Member

3.1 Management Team

Executive Management Committee

- Nishant Fafalia, Chief Executive Officer (since 1 January 2024)
- Kaj Larsen, General Counsel
- Patrick Thilges, Chief Financial Officer

Management Committee

- Nishant Fafalia, Chief Executive Officer (since 1 January 2024)
- Kaj Larsen, General Counsel
- Patrick Thilges, Chief Financial Officer
- Paulo Bastos, Chief Customer Service Officer
- Johan Bjurup, Chief Technology Officer (since 1 March 2024)
- Romain Fettes, Chief Technology Officer (until 29 February 2024)
- Ms. Linda Früh, Chief Commercial & Product Officer
- Frank Hamen, Chief Risk Officer (since 15 March 2024)

4 INTERNAL GOVERNANCE

Internal governance is established to ensure a clear organisational structure and well-defined processes and responsibilities. The Bank applies the three lines of defence model:

1. The first line of defence consists of business units that take or acquire risks (i.e. “risk-taking” departments) and carry out controls to mitigate those risks;
2. The second line of defence encompasses support functions such as the financial and accounting functions, as well as compliance and risk management functions; and
3. The third line of defence consists of the internal audit function.

To ensure an adequate internal control environment, the Bank has implemented different levels, including specialised committees, operational controls (i.e. day-to-day controls) as well as dedicated internal control functions.

4.1 Specialised committees

The Board of Directors (BoD) is assisted by specialised committees, specifically in the fields of audit, risk and compliance as well as remuneration.

The BoD has established an Audit, Risk and Compliance Committee (ARC), responsible for assisting the BoD in the assessment of the internal control framework and a Nomination and Remuneration Committee (NRC), responsible for assisting the BoD in the remuneration domain.

4.2 Operational controls

Operational controls are subdivided into three categories:

1. Day-to-day controls performed by operating staff;
2. Key critical controls, including, inter alia, hierarchical control, validation process, reciprocal control, account balance reconciliation, and compliance checks with internal limits; and
3. Controls performed by the Executive Management Committee (EMC) members over activities and functions that fall under their direct responsibility.

4.3 Internal controls

The Bank has implemented three distinct and independent internal control functions encompassing risk management, compliance and internal audit. The staff in charge of the internal control function report to the EMC, the BoD and the ARC.

The risk management function is responsible for anticipating, identifying, measuring, monitoring, managing and duly reporting on the risks to which the Bank is exposed. The Chief Risk Officer (CRO) heads the risk management function.

The compliance function is responsible for the anticipation, identification, assessment and reporting of compliance risks. It assists the EMC in limiting these risks and providing measures to comply with the applicable laws, regulations and standards. The Chief Compliance Officer (CCO) is the authorised member in charge of the compliance function.

The internal audit function ensures that the internal control framework operates effectively by assessing the efficiency of central administration, internal governance, and business and risk management. The function is headed by the Chief Internal Auditor (CIA), who reports directly to the EMC and has an unrestrictive access to the Chairperson of the BoD and the ARC.

All three internal control functions (internal audit, risk management and compliance) have the right to directly access the supervisory body, its chairperson, or, where appropriate, the specialised committees.

5 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The Bank is not aware of any significant events after the reporting date which would have a material impact on the 2024 financial statements.

6 FINANCIAL STATEMENTS

For arithmetical reasons, the following tables and the respective notes may contain rounding differences.

6.1 Statement of Financial Position as at 31 December 2024

In thousands of EUR

Assets	**Note**	**2024**	**2023**
Cash and cash equivalents	7.7.1	1 040 658	1 188 294
Loans and advances		3 364 064	2 921 652
whereof: financial institutions	*7.7.2*	*181 482*	*193 342*
whereof: corporates		*12*	*12*
whereof: customers	*7.7.3*	*3 182 570*	*2 728 298*
Property, plant and equipment	7.7.4	18 381	4 692
Intangible assets	7.7.5	16 396	19 422
Equity-accounted investees	7.7.6	9 304	50
Tax assets	7.6.7	4 650	5 668
Other assets	7.7.7	20 385	15 827
Total assets		**4 473 838**	**4 155 605**

Liabilities and equity			
Amounts owed to financial institutions		40 785	37 143
Amounts owed to customers	7.7.8	2 684 491	2 711 097
Structured financing	7.7.9	889 553	836 765
Debt securities in issue	7.7.11	200 664	-
Tax liabilities	7.6.7	3 764	4 742
Other liabilities	7.7.12	59 480	35 678
Subordinated liabilities	7.7.13	85 000	55 000
Total liabilities		**3 963 737**	**3 680 425**
Subscribed capital	7.7.14.1	17 553	17 553
Issue premiums	7.7.14.1	9 890	9 890
Other equity instruments	7.7.14.2	74 870	98 724
Other reserves	7.7.14.3	47 655	41 265
Profit (loss) carried forward		251 328	216 390
Result for the financial year		150 903	97 500
Interim dividends	7.7.14.4	-29 997	-
Interest and costs paid on Tier 1	7.7.14.2	-12 101	-6 142
Total equity		**510 101**	**475 180**
Total liabilities and equity		**4 473 838**	**4 155 605**

The notes are an integral part of these financial statements.

6.2 Statement of Profit and Loss and Other Comprehensive Income

In thousands of EUR	**Note**	**2024**	**2023**
Financial and operational income and expenses		**507 371**	**432 187**
Interest income	7.6.1.1	621 876	474 090
Interest expenses	7.6.1.2	-143 991	-89 564
Fee and commission income	7.6.2	65 147	76 881
Fee and commission expenses	7.6.2	-29 410	-25 940
Net exchange result		-524	-706
Other operating income	7.6.3	6 391	1 852
Other operating expenses	7.6.3	-12 118	-4 426
Share of profit of equity-accounted investees	**7.7.6**	**9 252**	**-**
Dividend income	**7.7.6**	**11 000**	**-**
Administrative expenses		**-142 344**	**-135 450**
Personnel expenses	7.6.4	-27 470	-24 581
General administrative expenses	7.6.5	-114 874	-110 869
Depreciation and amortisation		**-12 540**	**-10 104**
Depreciation on property, plant and equipment	7.7.4	-3 655	-1 721
Amortisation of intangible assets	7.7.5	-8 885	-8 383
Impairment on intangible assets	7.7.5	-1 206	-4 631
Other loan losses		**-4 089**	**-3 936**
Impairment on financial assets	7.6.6	**-188 979**	**-160 406**
Result on activities before taxes		**178 465**	**117 660**
Income taxes	7.6.7	-27 562	-20 160
Result on activities after taxes		150 903	97 500
Result for the year		150 903	97 500
Other comprehensive income for the year		-	-
Total profit and loss and other comprehensive income for the year		**150 903**	**97 500**

The notes are an integral part of these financial statements.

6.3 Statement of Changes in Equity

For the year ended 31 December 2024

In thousands of EUR

2024	Subscribed capital	Issue premiums	Other equity instru-ments	Reserves	Profit carried forward	Net profit or loss for the financial year	Total Equity
Equity balance as at 1 January 2024	**17 553**	**9 890**	**98 724**	**41 265**	**216 390**	**91 358**	**475 180**
Allocation to reserves	-	-	-	10 000	-	-10 000	-
Allocation to profit brought forward	-	-	-	-3 610	34 938	-31 328	-
Tier 1 (1)	-	-	-23 854	-	-	-	-23 854
Interest and cost paid on Tier 1	-	-	-	-	-	-12 101	-12 101
Dividends (2)	-	-	-	-	-	-80 027	-80 027
Total profit and loss and other comprehensive income for the year	-	-	-	-	-	150 903	150 903
Equity balance as at 31 December 2024	**17 553**	**9 890**	**74 870**	**47 655**	**251 328**	**108 805**	**510 101**

(1) The change in the Tier 1 balance relates to the redemption of Tier 1 bond of NOK 225 million and the foreign currency exchange revaluation.

(2) The amount consists of EUR 50.0 million paid to the shareholders out of the 2023 result and the EUR 30.0 million interim dividend paid during 2024.

The notes are an integral part of these financial statements.

For the year ended 31 December 2023

In thousands of EUR

2023	Subscribed capital	Issue premiums	Other equity instru-ments	Reserves	Profit carried forward	Net profit or loss for the financial year	Total Equity
Equity balance as at 1 January 2023	**17 553**	**9 890**	**58 588**	**38 359**	**162 376**	**56 920**	**343 686**
Allocation to reserves	-	-	-	8 000	-	-8 000	-
Allocation to profit brought forward	-	-	-	-5 094	54 014	-48 920	-
Tier 1 (1)	-	-	40 136	-	-	-	40 136
Interest paid on Tier 1	-	-	-	-	-	-6 142	-6 142
Total profit and loss and other comprehensive income for the year	-	-	-	-	-	97 500	97 500
Equity balance as at 31 December 2023	**17 553**	**9 890**	**98 724**	**41 265**	**216 390**	**91 358**	**475 180**

(1) The change in the Tier 1 balance relates to the new additional Tier 1 bond issuance of NOK 500 million and the foreign currency exchange revaluation.

The notes are an integral part of these financial statements.

6.4 Statement of Cash Flows

In thousands of EUR

Operating activities	Note	2024	2023
Interest, fee and commission receipts	7.6.1.1, 7.6.2	687 023	550 971
Interest, fee and commission payments	7.6.1.1, 7.6.2	-173 401	-115 504
Other receipts		6 391	1 852
Operating payments		-182 024	-160 036
(Increase) decrease in money market placements	7.7.2	11 860	-31 995
(Increase) decrease in loans to customers	7.7.3	-658 597	-553 838
(Increase) decrease in loans to corporates		-	-
Increase (decrease) in deposits from financial institutions		3 642	16 454
Increase (decrease) in deposits from customers	7.7.8	-26 606	355 435
Increase (decrease) in deposits from corporates		-	-
(Increase) decrease in other assets		-4 558	4 326
Increase (decrease) in tax liabilities		40	-11 107
Increase (decrease) in other liabilities		23 802	11 876
Net cash flow from operating activities		**-312 428**	**68 434**

Investment activities		2024	2023
Acquisition of plant and equipment and intangible assets	7.7.4, 7.7.5	-9 514	-8 464
Acquisition of investment securities		-375 000	-170 050
Proceeds from sales of investment securities		375 000	170 000
Dividends from equity-accounted investees	7.7.6	11 000	-
Net cash flow from investment activities		**1 486**	**-8 514**

Financing activities		2024	2023
Dividend paid to shareholders	7.7.14.4	-80 027	-
Proceeds from Tier 1	7.7.14.2	-	44 482
Payment of call of Tier 1	7.7.14.2	-23 854	-
Interests paid on Tier 1	7.7.14.2	-11 864	-6 142
Proceeds from issue of debt securities	7.7.11	200 000	-
Proceeds from issue of subordinated liabilities	7.7.13	55 000	-
Payment of call of subordinated liabilities	7.7.13	-25 000	-
Proceeds from structured financing	7.7.9	62 946	483 804
Payment made for structured financing	7.7.9	-10 158	-86 465
Principal elements of lease payments		-3 213	-1 787
Net cash flow from financing activities		**163 830**	**433 892**

Net cash flow		**-147 112**	**493 812**
Opening balance of cash and cash equivalents	7.7.1	1 188 294	695 188
Effects of exchange rate changes on cash and cash equivalents		-524	-706
Net cash flow for the period		-147 112	493 812
Ending balance of cash and cash equivalents	**7.7.1**	**1 040 658**	**1 188 294**

The notes are an integral part of these financial statements.

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 Reporting entity

Advanzia Bank S.A. (“the Bank” or “Advanzia”) is domiciled in the Grand Duchy of Luxembourg and is established for an indefinite duration. The address of the Bank’s registered office is 14, rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg. The Bank is included in the consolidated accounts of Kistefos AS forming the largest body of undertakings of which the Bank forms part as a subsidiary undertaking. The consolidated accounts are available at Kistefos’ registered office in Dokkveien 1, N-0250 Oslo, Norway. The financial statements of the Bank for the year ended 31 December 2024 were authorised for issue by the Bank’s board of directors on 7 March 2024.

7.2 Basis of preparation and summary of accounting principles

7.2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards), as adopted by the European Union.

7.2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis.

7.2.3 Functional and presentation currency

These financial statements are presented in Euro, which is the Bank’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

7.2.4 Accounting standards

7.2.4.1 Applicable accounting standards and changes in accounting policies

The Bank initially applied the following standards and amendments to standards from 1 January 2024.

Amendments to IAS 1 Presentation of Financial Statements

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.

The application date is 1 January 2024. The amendments do not have any material impact on the Bank.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial instruments: Disclosures

The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangement that would enable investors to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The supplier finance arrangement in scope should meet all of the following characteristics:

– A finance provider pays amounts a buyer owes its suppliers;
– A company agrees to pay under the terms and conditions of arrangements on the same date or at a later date than its suppliers are paid;
– The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

The amendments are effective from 1 January 2024 and have no impact on the Bank.

Amendments to IFRS 16 Leases

On 22 September 2022, the IASB issued amendments to IFRS 16, leases, which add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The amendments specify how a seller-lessee would apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in a sale and leaseback transaction.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not relevant for the Bank.

7.2.4.2 New accounting standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 7 Financial instruments: Disclosure and IFRS 9 Financial Instruments

In May 2024, the IASB issued the amendments to the classification and measurement requirements for financial instruments. The amendments include a clarification of the classification of financial assets that are linked to environmental, social and governance and similar characteristics. The amendments also clarify the point in time at which a financial asset or liability is derecognised, especially in the case of settlement of liabilities through electronic payments systems. It also introduced additional disclosure requirements regarding investment in equity instruments measured at fair value through other comprehensive income and financial instruments with contingent features.

The amendments apply for annual reporting periods beginning on or after 1 January 2026. The Bank expects limited impact from the amendments.

Issuance of IFRS 18 Presentation and Disclosure in Financial Statements

On 9 April 2024, the IASB published a new IFRS accounting standard – IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 and aims to provide more insightful information regarding a company's financial results. IFRS 18 introduces the following key new requirements:

– Within the statement of profit or loss, it requires a classification of all income and expenses into five categories, namely operating, investing, financing, income taxes and discontinued operations. A newly-defined operating profit subtotal is also required;
– It also requires disclosure of management-defined performance measures in a single note;

– Enhanced guidance is provided on how to group information in the financial statements.

In addition, when presenting operating cash flows under the indirect method for the statement of cash flows, the operating profit subtotal is required to be used as the starting point.

The standard will be effective from 1 January 2027 and will be applicable to the Bank.

Issuance of IFRS 19 Subsidiaries without Public Accountability: Disclosures

The new IFRS accounting standard – IFRS 19 Subsidiaries without Public Accountability: Disclosures – was published in May 2024 and allows eligible entities to apply IFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards.

Eligible subsidiaries can choose to apply the standard for reporting periods beginning on or after 1 January 2027. The Bank is not eligible to apply IFRS 19.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

Under IAS 21, a company uses a spot exchange rate when translating a foreign currency transaction. However, in rare cases, it is possible that one currency cannot be exchanged into another. In August 2023, the IASB amended IAS 21 to clarify when a currency is exchangeable to another currency and how a company estimates a spot rate when a currency lacks exchangeability.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. The Bank does not anticipate any impact.

7.3 Material accounting policies

7.3.1 Consolidation

Based on the criteria defined by Luxembourg law, the Bank is exempt from the obligation to draw up consolidated financial statements.

7.3.2 Foreign currency

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. A foreign currency transaction is recorded initially at the rate of exchange at the date of the transaction. At each subsequent balance sheet day, the foreign currency monetary amounts are reported by using the closing rate. Exchange differences arising when monetary items are settled or when monetary items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements are reported in profit or loss in the period.

7.3.3 Net interest margin

Interest income and expense are recognised in the Statement of Profit and Loss and Other Comprehensive Income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes fees paid or received, if any, that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Statement of Profit and Loss and Other Comprehensive Income include interest on financial assets and liabilities at amortised cost calculated on an effective interest basis.

The Bank has not held any assets at fair value through other comprehensive income or fair value through profit and loss during the reporting period or at balance sheet date.

7.3.4 Fees and commissions

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commissions received for the provision of banking and similar services (except those arising from the effective interest rate) and revenues from agent services fall under the scope of IFRS 15 Revenues from Contracts with Customers, see the table below for more detail:

Type of commission	Nature & timing of satisfaction of performance obligation	Revenue recognition
Revolving cards	**Interchange fees** Fees paid for the payment transactions at the various vendors / Charged per transaction.	Ongoing service, the fees are recognised to match provision of the service
Revolving cards	**ATM fees** Fees for cash withdrawal.	Recognised when the service is provided
Professional Card Services (PCS)	**Membership fees** Fees paid by partner banks for servicing their cards.	Ongoing service, the fees are recognised to match provision of the service
Professional Card Services (PCS)	**Mark-up fees** Charged for foreign currency conversion.	Recognised when the service is provided
Agent service	**Insurance linked fees** Fees in relation to insurances where Advanzia acts as an agent.	Recognised when the service is provided
Other	**Reminder fees** Fees charged by the Bank each time a client is overdue with the minimum payment requirement.	Recognised when the service is provided

7.3.5 Financial assets and financial liabilities

Financial assets are classified at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) based on the business model and according to the characteristics of the instruments upon initial recognition.

Financial liabilities are classified at amortised cost or at fair value through profit or loss upon initial recognition.

Financial assets and liabilities are recognised in the balance sheet when Advanzia becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets carried out within a period established by the regulations or an agreement in a particular market are recognised in the balance sheet on the settlement date.

7.3.5.1 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Financial assets are classified and therefore subsequently measured at amortised cost when they meet the following conditions:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (HTC CF); and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The objective of the Bank's business model is to hold assets only to collect contractual cash flows and not to sell those. The contractual cash flows from each of the assets of the Bank relate solely to payments of principal and interest (SPPI) on the principal amount outstanding.

Consequently, under IFRS 9 Financial Assets are still measured at amortised cost.

7.3.5.2 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties in an arm's length transaction on the measurement date.

Financial assets at fair-value through other comprehensive income (FVOCI)

Financial assets are classified and therefore subsequently measured at fair value through other comprehensive income when they meet the following conditions:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTCS); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Financial assets at fair-value through profit or loss (FVTPL)

Financial assets are classified and measured at FVTPL because they meet one of the following conditions:

- They are financial assets held for trading;
- They are non-trading financial assets mandatorily at fair value through profit or loss. It includes equities that are not at FVOCI, non-trading financial assets that failed the SPPI test, and non-trading financial assets managed on a fair value basis;
- They are financial assets designated at fair value through profit or loss. Financial assets may be irrevocably designated by the entity at FVTPL at initial recognition in case of accounting mismatch.

7.3.5.3 Identification and measurement of impairment

In addition to Pillar I models which focus on the unexpected credit loss, IFRS 9 also defines principles to estimate the Expected Credit Loss (ECL). Under IFRS 9, the ECL is a weighted average of credit losses, with the respective risks of a default occurring in a given time period. The Bank has divided its portfolio into different segments that have different sizes and risk profiles and adapts the ECL calculation on each of them.

For the credit card portfolios in Germany, France, Austria, Spain and Italy the Bank developed models: rating models, probability of default (PD), loss given default (LGD) and exposure at default (EAD) models. For all other segments, the ECL calculation is based on an intermediate or basic approach, which consists of interpretation of historical data or of the use of external data.

ECL and its components

The ECL is applicable to all financial instruments and is composed of the three components: PD, EAD, and LGD. ECL is adjusted with a forward-looking macroeconomic component.

Probability of default (PD)

The probability of default represents the likelihood of a loan to default over a particular time horizon. IFRS 9 requires taking into account the lifetime of the financial instrument. Lifetime is calculated for each relevant subsegment (market/stage) of the portfolio. PD models are calibrated on these calculated lifetimes.

The model used to estimate the PD depends on the type of segment. For the German, French, Austrian, Spanish and Italian credit card segments, the PD is estimated through an advanced approach based on regression analysis methodology. For the last two segments, namely deposits and credit cards issued to financial institutions, the PD is estimated through a basic approach based on the use of external data.

Loss given default (LGD)

If a loan defaults, the loss given default represents the relative difference between the asset's carrying amount and the estimated recoverable cash flows. The Standard requires the time value of money to be implemented in the calculation of the ECL. This may be incorporated in the computation of the LGD by discounting the expected cash shortfalls to the reporting date. It specifies that the applicable discount factor should be represented by the effective interest rate.

As for the PD estimation, the LGD model depends on the type of segment. The advanced approach, used for calculating the LGD for the German, French and Austrian credit card segment, is estimated through a regression analysis methodology based on historical data. For the Spanish and Italian credit card segments, where the Bank lacks sufficient data, the intermediate approach consists in using another source for LGD:

either figures from the EBA or other external sources on recoverability in the market, or data from a comparable internal market. Of these sources, the most prudent choice is favoured. For the remaining two segments (i.e. financial institution credit cards and deposits) a basic approach that relies on external data (from EBA) is used to estimate the LGD.

Exposure at default (EAD)

Exposure at default represents the exposure that an instrument has at the time of default. The Standard emphasises that for loan commitments (here credit facility of the credit card) the Bank has to include expectations of draw-downs in their estimation of the ECL.

For the German, French, Austrian, Spanish and Italian credit card segments, the calculation of EAD is based on a linear regression model.

Three-stage deterioration model and allocation

A financial asset is at initial recognition allocated to stage 1. At each reporting date it is newly evaluated whether it can remain in stage 1 or whether transitioning to stage 2 is required because of a significant increase in relative credit risk (SICR) since initial recognition. If the instrument defaults, then it is transitioned to stage 3.

Advanzia has defined its staging criteria as follows:

- Stage 1: The loan is either performing or with less than 30 days past due;
- Stage 2: Significant increase in relative credit risk (SICR) since initial recognition is assessed based on the 2 main triggers:
- Deterioration of the 12-month PD at initial recognition compared to 12-month PD at reporting date exceeding a defined threshold;
- Delinquency information – more than 30 days past due but with less than 90 days past due (back-stop)
- Stage 3: The loan is either in default, or in pre-litigation, or underperforming and in forbearance.

Any financial instrument at initial recognition is allocated to stage 1. Since Advanzia does not invest in credit impaired loans, all newly issued credit cards are allocated to stage 1 at initial recognition. As long as the risk of this instrument to default has not increased significantly by the next reporting date, the loan can be considered as performing and it stays in stage 1. For such performing stage 1 assets, a 12-month ECL allowance needs to be recognised. Interest is to be recognised on a gross basis.

In case the credit risk of an instrument has increased significantly (SICR) after initial recognition by the next reporting date, the instrument is transitioned from stage 1 to stage 2. When comparing the 12-month PDs, the SICR threshold is a combination of an absolute and relative percentage calculated based on the statistical analysis (the hypothesis testing applied to the compound theoretical distribution of the initial and current PDs). For stage 2 assets an ECL allowance needs to be recognised and based on the lifetime PD. This change in the PD results in an increased ECL. Interest is recognised on a gross basis.

In case an instrument defaults, it is transitioned to stage 3. For such non-performing loans, ECL is recognised and based on a PD equal to one. Interest is no longer recognised on a gross, but on a net basis. The majority of the Bank's financial assets will move from stage 2 to stage 3 (e.g. loan first gets into in arrears before defaulting). Transition from stage 1 to stage 3 is unlikely, but possible (e.g. insolvency before the loan gets into in arrears). The Bank considers a financial asset to be in default (stage 3) when the loan is more than 90 days past due and/or the loan has been credit revoked.

For loans and advances to credit card customers which include both a loan and an undrawn credit commitment component, IFRS 9 stipulates to measure the ECL over the period that the entity is expected to be exposed to credit risk, for which the ECL would not be mitigated by the Bank's normal credit risk management actions. The assessment of the expected lifetime has been conducted based on the historical information and experience of the Bank following the IFRS 9 guidance.

The PD of a loan is derived from a statistical model relying on internally compiled data comprising both quantitative and qualitative factors. Different statistical models have been developed for each homogenous subset of the Bank's credit card portfolio.

Undrawn commitments are reflected in the EAD model. For this purpose, based on historical information, the Bank estimates the share of undrawn credit commitment that will be drawn in case of a default (CCF approach).

Based on historical recovery data of defaulted loans, the Bank models the expected LGD. The recovery rate is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. LGD is calculated net of collection fees.

Under IFRS 9, the Bank incorporates forward-looking information into its ECL measurement. A statistical model depending on external key leading indicators has been deployed to estimate the future development of PD. This model is developed on the German and Austrian market (given that those markets cover a full economic cycle at this point).

For loans and advances to financial institutions and central banks, external benchmark information is used (e.g. external credit assessment institutions for PD, EBA Risk Dashboard) to supplement the internally available information.

7.3.5.4 Write-off

As per Bank policy, a credit card loan balance, or parts thereof, shall be written off in the following instances: in case of bankruptcy or death, in case of fraud where the client is not the offender or the offender cannot be identified, and loans whose amount are too low to be sent to collection agencies. Once transferred to a collection agency, a loan can be written off when the agency has decided not to proceed with the collection process in view of the customer's situation, or when the agency received a negative court ruling. The Bank also writes off cases that have been in collection for more than 36 months and on which no payment was received for the last six months. The Bank performs a partial write-off (85%) when the case has been classified by the collection agency as a long-term monitoring case; the remaining 15% are written off if no payment is received for the last 2 000 days in that monitoring process. The Bank performs a partial write-off in the case of sold NPLs (the write-off amount being the difference between the selling price and the book value).

7.3.5.5 Derecognition of financial assets or financial liabilities

All or part of a financial asset is derecognised when the contractual rights to the asset's cash flows expire or when the contractual rights to the cash flows from the asset and almost all of the risks and rewards related to the ownership of the asset are transferred. Unless all of these conditions are met, Advanzia retains the asset on its balance sheet and recognises a liability for the obligation created at the time of the asset's transfer.

Advanzia derecognises all or part of a financial liability when all or part of the liability ceases to exist.

7.3.6 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks, unrestricted balances held with other banks, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

7.3.7 Loans and advances

Loans and advances captions in the Statement of Financial Position include loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method and loans and advances mandatorily measured at FVTPL or designated as at FVTPL which are measured at fair value with changes recognised immediately in profit or loss.

The Bank issues revolving type credit cards, where the customers are given a credit limit which they can draw on. The customer may use these credit cards at points of sales, for online transactions and for purchases, and for cash withdrawals in banks. Transactions from card usage will result in the customer building up a loan balance.

Within the Professional Card Service business line, the Bank acts as a card issuer for other institutions and companies. The transactions from card usage build up a loan balance that is invoiced to the business partner on a monthly basis and is settled in total.

7.3.8 Property, plant and equipment

7.3.8.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income/other expenses in profit or loss.

7.3.8.2 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current and comparative periods are as follows:

IT equipment	3 years
Fixtures and fittings	5 years
Right-of-use assets	3-7 years, depending on the contract

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

7.3.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Bank can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use
- Its intention to complete and its ability and intention to use the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit as follows:

Software	3-5 years
Core Banking System	7 years
Portfolio acquisition	7 years

7.3.10 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

7.3.11 Reversal of impairments of non-financial assets

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

7.3.12 Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

7.3.13 Deposits, debt securities in issue, subordinated liabilities and structured funding

The Bank's sources of debt funding consist of customer deposits, direct loans from other financial institutions, subordinated liabilities, structured funding and debt securities in issue.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments, and as defined in IFRS 9 and IAS 32. Deposits, debt securities in issue, subordinated liabilities and structured funding are initially measured at amortised cost plus directly attributable transaction costs and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss. The Bank has decided not to exercise the fair value option.

7.3.14 Provisions recognised as liabilities

An accrual is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, but where no invoice or similar has been received, and it is probable that an outflow of economic benefits will be required to settle the obligation.

7.3.15 Employee benefits

7.3.15.1 Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

7.3.15.2 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

7.3.16 Share capital and reserves

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

7.3.17 Income tax

Income tax expense comprises current and deferred tax. It is recognised in the Statement of Profit and Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity or in other comprehensive income (OCI).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Bank is qualified as a Constituent Entity of the Group and is in the scope of the Pillar Two rules. The Bank has determined that the global minimum top-up tax allocated at the level of the Bank is an income tax in the scope of IAS 12. The Bank has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as a current tax when it is incurred.

7.3.18 Leases

7.3.18.1 Definition of a lease

The Bank assesses whether a contract is or contains a lease based on the definition of a lease as per IFRS 16. On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

The Bank has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

7.3.18.2 As a lessee

i. At initial recognition

The Bank recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The right-of-use asset is measured at its cost which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Bank; and an estimate of costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property leases and they are exercisable only by the Bank and not by the respective lessor. For more details, see Note 7.8.

The lease liability is measured at the present value of the lease payments that are not paid at the reporting date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank is using its incremental borrowing rate, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

ii. Subsequent measurement

The lease liability is measured as follows:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Bank is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

7.3.18.3 As a lessor

The Bank is not a party to an agreement where the Bank is a lessor.

7.3.19 Equity-accounted investee

The Bank's interests in equity-accounted investee comprise interests in its subsidiaries.

The Bank has elected to account for its investments in subsidiaries using the equity method in accordance with IAS 27.

On initial recognition, the investment is recognised at cost.

Subsequently, the carrying amount is increased or decreased to recognise the Bank's share of the profit or loss of the subsidiary after the date of acquisition. Distributions received from the subsidiary should be recognised when the right to receive the dividend is established and reduce the carrying amount of the investment. When the subsidiary's other comprehensive income changes, the carrying amount of the investment should also be changed to recognise the Bank's share. Those changes are recognised in the Bank's other comprehensive income. The carrying amount is further reduced by an impairment charge once potential impairment indicators are identified.

7.4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised prospectively.

7.4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 7.3.5.3 establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

7.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ended 31 December 2024 is included in the following notes:

Note 7.3.5.3 Identification and measurement of impairment: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

Note 8.2.2 Exposures to credit risk: key assumptions used in estimating recoverable cash flows.

7.5 Segment reporting

Segment reporting is in accordance with IFRS 8 and seeks to provide information on the business segments in accordance with the Bank's business model based on the internal management reporting. These segments are defined as the product lines that match the organisational structures of the Bank. The segment information is presented in IFRS based on internal reporting to the Executive Management Committee in the way it is reported internally on a monthly basis for performance assessment and for decisions on the allocation of resources to the segments.

Revenues such as interest income and commission income are directly allocated to the segments based on the actual activity. Funding costs are allocated to the segments pro-rata to the loan amounts issued, except for funding costs related to hybrid capital which are entirely allocated to Germany/Luxembourg for retail banking.

Net exchange result is entirely allocated to the corporate banking segment based on actual activity. Other operating profit/loss include other operating income and other operating expenses which are entirely allocated to Germany/Luxembourg for retail banking.

Segment expenses include original expenses, allocated based on activities, as well as other expenses, allocated based on keys decided by management. The loan loss provisions are allocated to the segments based on actual costs.

Loans and advances amounts are allocated to different segments based on actual activity.

7.5.1 Retail banking

Retail banking comprises the issuance of credit cards to private individuals either directly (B2C) or via partnerships (B2B) to which an optional revolving credit facility is attached. This segment is mainly driven by interest income and insurance premiums as customers make use of the revolving credit facility and may opt in on insurance products.

7.5.2 Corporate banking

Corporate banking comprises the issuance of turnkey card issuing and servicing solutions to private banks (PCS business line). This segment is mainly commission-driven, as the Bank invoices various fees to the participating partner banks such as membership fees, transaction-related fees, etc.

7.5.3 Segmentation by region

The Bank's reporting by geographical segment is performed based on various card programmes offered in the different countries for retail banking business. Corporate banking business is considered as Luxembourg.

In thousands of EUR

Segment 2024	**Retail banking**		**Corporate banking**	**Total**
	Germany & Luxembourg	**Others**	**Luxembourg**	
Interest income	541 041	79 838	997	**621 876**
Interest expenses	-122 346	-18 578	-3 067	**-143 991**
Fee and commission income	33 812	11 201	20 134	**65 147**
Fee and commission expenses	-21 019	-3 777	-4 614	**-29 410**
Net exchange result	-	-	-524	**-524**
Other operating profit/loss	14 608	-	-83	**14 525**
Administrative expenses	-122 142	-17 905	-2 297	**-142 344**
Depreciation, amortisation and impairment	-9 614	-270	-3 862	**-13 746**
Other loan losses and ECL on financial assets	-147 192	-45 866	-10	**-193 068**
Result on activities before taxes	**167 148**	**4 643**	**6 674**	**178 465**
Income taxes	-24 740	-1 158	-1 664	**-27 562**
Result on activities after taxes	**142 408**	**3 485**	**5 010**	**150 903**
Loans and advances to partner banks	-	-	79 368	**79 368**
Loans and advances to customers	2 747 680	434 890	-	**3 182 570**

In thousands of EUR

Segment 2023	**Retail banking**		**Corporate banking**	**Total**
	Germany & Luxembourg	**Others**	**Luxembourg**	
Interest income	404 117	69 231	742	**474 090**
Interest expenses	-74 655	-12 677	-2 232	**-89 564**
Fee and commission income	47 587	11 865	17 429	**76 881**
Fee and commission expenses	-18 921	-3 366	-3 653	**-25 940**
Net exchange result	-	-	-706	**-706**
Other operating profit/loss	-2 339	-	-235	**-2 574**
Administrative expenses	-105 966	-27 451	-2 033	**-135 450**
Depreciation, amortisation and impairment	-10 606	-267	-3 862	**-14 735**
Other loan losses and ECL on financial assets	-110 155	-54 177	-10	**-164 342**
Result on activities before taxes	**129 062**	**-16 842**	**5 440**	**117 660**
Income taxes	-23 003	4 200	-1 357	**-20 160**
Result on activities after taxes	**106 059**	**-12 642**	**4 083**	**97 500**
Loans and advances to partner banks	-	-	67 532	**67 532**
Loans and advances to customers	2 314 597	413 701	-	**2 728 298**

7.6 Notes to the statement of profit and loss and other comprehensive income

7.6.1 Net interest income

7.6.1.1 Interest income

Interest income is the main revenue stream of the Bank and is earned on bank placements (including money market placements) and customer loans.

In thousands of EUR

Interest income	2024	2023
Financial institutions	43 536	30 278
Of which: Interest received on balances held with the Central Bank of Luxembourg (BCL)	37 871	27 327
Customers	578 340	443 822
Total interest income	**621 876**	**474 090**

Interest income is charged on loans to customers based on the effective interest rate method. Out of this interest income, TEUR 9 250 is interest related to stage 3 exposures. This interest income is recognised net of applicable impairments to the loans.

7.6.1.2 Interest expenses

Interest expenses is paid on loans from credit institutions, customer deposits, subordinated liabilities, debt securities in issue, etc.

In thousands of EUR

Interest expenses	2024	2023
Financial institutions	-1 348	-314
Customer deposits	-79 914	-61 069
Subordinated liabilities	-9 955	-5 242
Structured financing	-42 009	-22 830
Debt securities in issue	-10 105	-
Interest expenses on lease liability	-660	-109
Total interest expenses	**-143 991**	**-89 564**

7.6.2 Net fee and commission income

The following table includes the fees and commissions from contracts with customers in the scope of IFRS 15 disaggregated by major type of product as well as the residual category for other fees and commissions.

In thousands of EUR	2024	
Product type	**Income**	**Expenses**
Revolving cards	21 275	-23 797
PCS	19 167	-4 611
Agent service	7 240	-1 002
Other	17 465	-
Total fee and commission income / expenses	**65 147**	**-29 410**

In thousands of EUR	2023	
Product type	**Income**	**Expenses**
Revolving cards	18 289	-20 873
PCS	15 388	-3 583
Agent service	25 548	-1 484
Other	17 656	-
Total fee and commission income / expenses	**76 881**	**-25 940**

Fee and commission income mainly contain interchange fees received from credit card schemes, fees in relation to insurances where Advanzia acts as an agent and reminder fees charged to credit card customers. The decrease on the fee and commission income of agent service was mainly due to the change of the business arrangement for insurance brokage service.

Fee and commission expenses include account handling fees paid to banks as well as miscellaneous fees paid to the credit card schemes.

7.6.3 Other operating income/expenses

Other operating income comprises all income not recorded elsewhere. Other operating expenses is mainly composed of the provisions of the contribution to the Luxembourgish deposit insurance scheme (FGDL) and other expenses to set up provisions not recorded elsewhere.

7.6.3.1 Deposit guarantee scheme

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (“the Law”), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on 18 December 2015.

As a result of the above law, the “Fonds de résolution Luxembourg” (FRL) was founded as finance mechanism. The funded amount of the FRL will reach by the end of 2024 at least 1% of covered deposits, as defined in article 1 number 36 of the Law, of all authorised credit institutions in all participating Member States. This amount will be collected from the credit institutions through annual contributions by the end of the year 2024.

Additionally, the former deposit guarantee and investor compensation scheme in place through the “Association pour la Garantie des Dépôts Luxembourg” (AGDL) was replaced by a new contribution-based system of deposit guarantee and investor compensation scheme “Fonds de Garantie des Dépôts Luxembourg” (FGDL). FGDL will cover eligible deposits of each depositor up to an amount of TEUR 100 and investments up to an amount of TEUR 20. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose be covered for an amount above TEUR 100 for a period of 12 months.

The target level of funding of the FGDL is set at 0.8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions and were reached by the end of 2018 through annual contributions. Since the level of 0.8% is reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 163 number 8 of the Law.

For 2024 the Bank accrued a payable of EUR 3.9 million to FGDL (2023 payment: EUR 2.8 million).

7.6.4 Personnel expenses

Personnel expenses include wages and salaries, social security and other expenses. In addition, some employees participate in a defined pension insurance contribution plan. The Bank’s cost for this pension plan and the applicable taxes in 2024 was TEUR 451 (2023: TEUR 461), which was included in the wages and salaries. All pension contributions are either paid in or provisioned.

In thousands of EUR

Personnel expenses	**2024**	**2023**
Wages and salaries	23 715	19 892
Social security contributions	1 790	2 154
Other personnel expenses	1 965	2 535
Total personnel expenses	**27 470**	**24 581**

7.6.5 General administrative expenses

General administrative expenses include card acquisition costs (costs to onboard new customers) such as marketing expenses, card operating costs (variable operational expenses to manage the customers) such as card processing expenses, call centre costs, as well as other administrative costs such as IT expenses, consultancy, legal, premise and office expenses.

In thousands of EUR

General administrative expenses	**2024**	**2023**
Card acquisition costs	46 949	52 150
Card operating costs	42 649	38 993
Other administrative expenses	25 276	19 726
Total general administrative expenses	**114 874**	**110 869**

7.6.6 Impairment on financial assets

The Bank applies an allowance for impairment on loans that it considers to be impaired. In addition, loans that are deemed uncollectible are written off.

The losses from impairment and write-offs of financial assets are composed as follows:

In thousands of EUR

Impairment	**2024**	**2023**
Net (loss)/gain from impairment	-87 538	-53 091
Write-offs	-101 441	-107 315
Total impairments	**-188 979**	**-160 406**

The Bank is assessing the total impairment on credit card loans on an individual customer basis. Total impairment includes ECL estimated using the Bank's ECL methodology (please see 7.3.5.3 for the ECL policy), expected recoveries of delinquent loans, and any written exposures during the year.

7.6.7 Income taxes

The Bank is subject to taxation in Luxembourg. The corporate income tax (CIT) rate was 17% in 2024. The income is further subject to the municipal business tax (6.75%), whereas the corporate income tax amount is subject to the solidarity surtax (7% imposed on the CIT).

In thousands of EUR

Income taxes	**2024**	**2023**
Result on activities before taxes	178 465	117 660
Aggregate tax rate	24.94%	24.94%
Theoretical income tax	**44 509**	**29 344**
Tax impact of exempt income	-17 302	-7 844
Tax impact of Tier 1 interest	-3 018	-1 532
Other regularisations	3 373	191
Effective income tax	**27 562**	**20 160**
Effective income tax rate	**15%**	**17%**

As at 31 December 2024, the Bank has tax assets of EUR 4.65 million from the over-paid 2023 income tax advance payment and tax liabilities of EUR 3.7 million.

Exempt income refers to the income received from short-term liquidity investments.

As at 31 December 2024, there are no deferred tax liabilities or assets.

With the new legislation to implement Pillar Two in Luxembourg, the Bank has applied a temporary mandatory relief from deferred tax accounting for the impacts on the top-up tax and accounts for it as a current tax when it is incurred. The Bank has considered the Pillar Two impact on the current tax for the year ended 31 December 2024.

7.7 Notes to the Statement of Financial Position

7.7.1 Cash and cash equivalents

In thousands of EUR

Cash and cash equivalents	2024	2023
Balances with central banks	1 037 632	1 157 673
Nostro account balances with financial institutions	3 026	30 621
Balance as at 31 December	**1 040 658**	**1 188 294**

Balances with central banks represent the placements with the Luxembourg Central Bank, which, inter alia, is also used to meet the Bank's minimum reserve requirements. These funds may be withdrawn at any time, as the minimum reserve requirements have to be respected as an average on a monthly basis. Nostro accounts are unrestricted balances with financial institutions available on demand. The Bank holds no cash at hand.

The carrying amount of the cash and cash equivalents is a reasonable approximation of their fair value due to the short-term nature of the balances.

7.7.2 Loans and advances and amounts owed to financial institutions

In thousands of EUR

Loans and advances to financial institutions	2024	2023
Available on demand	79 368	67 532
Money market placements	102 114	125 810
Balance as at 31 December	**181 482**	**193 342**

Money market placements are term deposits with other financial institutions (banks).

The Bank has two term deposits of NOK 900 million (400 million and 500 million respectively) with a revolving maturity of one month (2023: NOK 1 125 million). Before the end of every monthly period the amount gets revolved with the new conditions agreed upon.

Since the end of May 2021, Advanzia benefits from an overdraft facility with ING Belgium SA/NV, which provides the Bank access to short term financing in multiple currencies (EUR, USD, GBP, CHF, NOK, DKK and SEK) up to an amount equivalent to EUR 25 million. This credit line is secured by a cash deposit of EUR 25 million and mainly used to perform the daily settlements denominated in foreign currency with the credit card schemes (Visa and Mastercard). At balance sheet date, the Bank's liability in relation to overdraft is EUR 20.4 million (2023: EUR 16.3 million).

7.7.3 Loans and advances to customers

This item includes credit card loans to the Bank's retail customers.

In thousands of EUR

Loans and advances to customers	2024	2023
Credit card loans to retail customers	3 513 113	2 971 303
ECL	-330 543	-243 005
Balance as at 31 December	**3 182 570**	**2 728 298**

In thousands of EUR

Allowances for ECL	2024	2023
Balance as at 1 January as reported	243 005	189 914
Charge for the year	188 979	160 406
Write-offs (net of recoveries)	-101 441	-107 315
Balance as at 31 December	**330 543**	**243 005**

The carrying amount of the loans and advances to customers is a reasonable approximation of their fair value due to the short-term nature of the balances.

In the period between August 2018 and June 2020, and from July 2021 to June 2023, Advanzia was selling 75% and 80% respectively, of its monthly non-performing loans in the German market. Following the expiration of the sales contract in June 2023, a new agreement was reached to sell German market non-performing loans equating to 35% of the total monthly volumes for a period of one year from July 2023 to June 2024. This agreement has been extended and is now set to expire in February 2025, although negotiations for a further extension are currently ongoing. Respective gains from these sales are not significant as the sale price is close to the carrying value.

A part of the Bank's loan portfolio is encumbered as further detailed in the Note 7.7.9 (under the securitisation transaction).

7.7.4 Property, plant and equipment

In thousands of EUR

Cost	Right-of-use assets	IT equipment	Fixtures and fittings	Total
Balance as at 1 January 2024	**4 933**	**4 006**	**2 194**	**11 133**
Acquisitions	17 199	363	2 526	20 088
Disposals	-4 846	-	-450	-5 296
Balance as at 31 December 2024	**17 286**	**4 369**	**4 270**	**25 925**
Balance as at 1 January 2023	**6 527**	**3 977**	**1 589**	**12 093**
Acquisitions	4 933	34	1 247	6 214
Disposals	-6 527	-5	-642	-7 174
Balance as at 31 December 2023	**4 933**	**4 006**	**2 194**	**11 133**
Accumulated depreciation				
Balance as at 1 January 2024	**1 052**	**3 938**	**1 451**	**6 441**
Depreciation for the period	3 204	66	385	3 655
Disposals	-2 552	-	-	-2 552
Balance as at 31 December 2024	**1 704**	**4 004**	**1 836**	**7 544**
Balance as at 1 January 2023	**5 922**	**3 867**	**1 529**	**11 318**
Depreciation for the period	1 582	72	67	1 721
Disposals	-6 452	-1	-145	-
Balance as at 31 December 2023	**1 052**	**3 938**	**1 451**	**6 441**
Carrying amount at 31 December 2024	**15 582**	**365**	**2 434**	**18 381**
Carrying amount at 31 December 2023	**3 881**	**68**	**743**	**4 692**

The acquisitions of right-of-use assets represents the lease of the Emerald office building. Please refer to note 7.8.

7.7.5 Intangible assets

In thousands of EUR

Cost	**Purchased software**	**Portfolio Acquisition[1]**	**Total**
Balance as at 1 January 2024	39 678	24 677	64 355
Acquisitions / additions	7 065	-	7 065
Balance as at 31 December 2024	46 743	24 677	71 420
Balance as at 1 January 2023	31 848	24 677	56 525
Acquisitions / additions	7 830	-	7 830
Balance as at 31 December 2023	39 678	24 677	64 355

Accumulated amortisation	**Purchased software**	**Portfolio Acquisition**	**Total**
Balance as at 1 January 2024	24 053	16 249	40 302
Amortisation for the period	5 139	3 746	8 885
Balance as at 31 December 2024	29 192	19 995	49 187
Balance as at 1 January 2023	19 415	12 504	31 919
Amortisation for the period	4 638	3 745	8 383
Balance as at 31 December 2023	24 053	16 249	40 302

Impairment [2]	**Purchased software**	**Portfolio Acquisition**	**Total**
Balance as at 1 January 2024	4 631	-	4 631
Impairment for the period	1 206	-	1 206
Balance as at 31 December 2024	5 837	-	5 837
Balance as at 1 January 2023	-	-	-
Impairment for the period	4 631	-	4 631
Balance as at 31 December 2023	4 631	-	4 631
Balance as at 31 December 2024	11 714	4 682	16 396
Balance as at 31 December 2023	10 994	8 428	19 422

(1) On 29 March 2020, the Bank acquired card servicing operations of Catella Bank for consideration of TEUR 24 677. The remaining amortisation period is 3 years (until 31 March 2026).

(2) Given the business decision on developing a new online banking app and portal, the Bank decided to recognise an impairment on its intangible asset relating to its current online banking platform.

In accordance with IAS 36, the Bank performed an annual review of the acquired card servicing operations for impairment at the end of the reporting period. The review concludes that the actual and expected overall performance remains better than the initial business case. This is mainly attributable to the higher active client base with continuously increasing card spendings, resulting in significantly higher commission income. The card portfolio has fully recovered from any negative impacts of the COVID-19 pandemic. These positive factors more than offset higher operating and funding costs, which were impacted by the sharp rise in market lending rates and inflation.

7.7.6 Equity-accounted investees

Name	Country	Activity	% of capital held		Carrying amount *(in thousands of EUR)*	
			2024	**2023**	**2024**	**2023**
Advanzia Insurance AB	Sweden	Insurance brokage	100	-	2	-
The Cell	Bermuda	Reinsurance	100	100	9 302	50

In 2024, the Bank has set up a fully-owned subsidiary, Advanzia Insurance AB (“Advanzia Insurance”), in Sweden. Advanzia Insurance’s main business will be to distribute the payment protection insurance (“PPI”) products to the Bank’s credit card customers. The Bank uses the equity method to account for its investment in Advanzia Insurance. As at 31 December 2024, Advanzia Insurance was not yet in operation and the balance represents the original investment cost of Advanzia Insurance.

In 2023, the Bank has subscribed to preferred shares representing a cell (“the Cell”) in a Bermuda segregated accounts company, Agent Alliance Reinsurance Company, Ltd. (the “SAC”). Under the Bermuda law, the Cell conducts an independent reinsurance business, has its own segregated accounts within the SAC, and is insulated from the liabilities and debts of each other cell and the SAC’s general account. A separated class of shares is established for the cell and represents an interest only in one particular cell of the SAC. The Cell is principally engaged in the reinsurance business under the licence of the SAC. The Cell reinsures the risks assumed by the main insurer for the PPI products sold to the Bank’s credit card customers. The Bank uses the equity method to account for its investment in the Cell. During 2024, the Bank has received a dividend income of EUR 11 million.

7.7.7 Other assets

In thousands of EUR

	2024	**2023**
Mastercard Receivable	6 231	4 882
Insurance commission receivables	6 881	6 595
Prepaid administrative expenses	4 731	4 127
VAT receivable	2 454	-
Sundry	88	223
Balance as at 31 December	**20 385**	**15 827**

The carrying amount of the other assets is a reasonable approximation of their fair value due to the short-term nature of the balances.

As at 31 December 2024, the Bank has VAT receivable of EUR 2.45 million from the overpaid VAT in 2021 and 2022.

7.7.8 Amounts owed to customers

All amounts due to customers are on demand deposit accounts, repayable on a day-to-day basis, where the Bank may adjust the interest rate at any time. The Bank does offer neither any current accounts nor term deposits to its customers. Customers may deposit funds to and withdraw funds from accounts held in their own name. The Bank only accepts individuals as customers. The funds are available on demand, and the Bank may at any time change the interest rate that it pays on these accounts. The Bank may also cancel the accounts at any time.

The liability is recognised at its carrying amount due to the contractual parameters (short term, variable interest rate, cancellable).

7.7.9 Structured financing

As of 31 December 2024, the balance is composed of the deemed loan towards the Securitisation Special Purpose Vehicle (SSPV), more details about the transaction are provided in the Note 7.7.10. The balance includes the following:

In thousands of EUR

	2024	**2023**
Funding received from SSPV	1 076 879	1 000 011
Finance charges collections payable	3 354	17 276
less		
Junior notes issued	-159 380	-150 395
Subordinated debt	-14 449	-13 630
Excess spread	-14 224	-13 397
Servicing fees receivable	-1 834	-1 745
Transaction costs	-793	-1 355
Balance as at 31 December	**889 553**	**836 765**

The deemed loan towards the SSPV comprises:

– Consideration received for the credit card loan receivables originated by the Bank and legally sold to the SSPV and finance charges collections payable to the SSPV less
  (a) Junior notes issued by the SSPV to finance the purchase of the credit card loan receivables subscribed by the Bank;
  (b) Subordinated debt provided by the Bank to the SSPV to finance the cash reserve to be held by the SSPV at all times to ensure a sound liquidity position and provide additional credit enhancement in case of degraded loan portfolio performance;
  (c) Estimated excess spread to be returned to the Bank representing the "residual" income generated from the credit card loan portfolio after deducting all relevant interest and other charges according to the priority of payments;
  (d) Other components such as servicing fees receivable and transaction costs.

According to IFRS 9, the funding provided to the SSPV and the excess spread do not qualify for recognition as separate assets and they are an integral part of the deemed loan towards the SSPV and the securitised assets remain on the Bank’s balance sheet.

Following the upsize of the securitisation facility to EUR 1 billion in November 2023, the maturity of the deemed loan, initially falling in November 2024, was extended until 15 May 2026. This date corresponds to the end of the revolving period of the securitisation warehouse.

Compliance with loan covenants

The Bank has complied with the covenants attached to the secured funding during 2024, these are also known as early amortisation events, which would trigger the early repayment of the funding raised.

At the end of 2024, the main early amortisation events are as follows:

- securitised credit card receivables portfolio balance falls below 10% of the initially transferred amount;
- the delinquency ratio of the securitised credit card receivables portfolio exceeds 5%;
- the default ratio of the securitised credit card receivables portfolio exceeds 2.5%;
- the yield ratio of the securitised credit card receivables portfolio is below the greater of 11%+1-month Euribor and 13%;
- the cash reserve falls below 1.6% of the nominal amount of the senior notes, subject to a EUR 1 million floor;
- the minimum total capital ratio has been breached.

Other requirements relate to the due and proper performance by the Bank of its functions as a servicer and originator of the credit card loans as well as requirements attached to the SSPV itself in relation to the cash reserve.

7.7.10 Securitisation

Since 2021, the Bank uses securitisation as a source of funding. This asset-backed transaction includes the legal true sale of a portfolio of 'Loans and advances to customers’ to the Securitisation Special Purpose Vehicle – Advanzia Invest S.à r.l – issuing notes to finance the purchase of the credit card receivables in the portfolio.

At the end of 2024, Advanzia’s securitisation warehouse provides senior funding for an amount up to EUR 1 000 million (the facility limit), of which 90% is drawn. The senior funding amount can therefore be further increased and the undrawn portion of the facility serves as a contingent funding reserve in the meantime. The Bank has committed to provide the junior funding to the SSPV at a minimum of 15% of the total funding raised and has subscribed to seller notes up to EUR 10 million. The seller notes guarantee that the securitised portfolio remains funded once senior notes are fully consumed and rank pari pasu to senior notes unless an early amortisation event occurs.

This is a revolving securitisation structure, meaning that the Bank may continue to sell new eligible credit card receivables during an agreed revolving period and obtain funding from the investors for these. At the end of the revolving period, all securitised credit card receivables remain funded, and the related debt is repaid as the receivables liquidate. The revolving period ends on 15 May 2026, unless an early amortisation event occurs before that date. Early amortisation events include, among others, insolvency of the Bank, default or delinquency levels in the pool of securitised receivables exceeding specified limits, payment rates or yield on the securitised receivable falling below agreed thresholds, and credit enhancement features in the transaction not maintained at required levels.

Retained interests

The Bank retains junior and subordinated funding tranches and is entitled to receive an excess spread, three features that provide credit enhancement to the senior noteholders. Through these exposures, the Bank substantially retains risks attached to the securitised credit card receivables portfolio as well as the right to variable returns. As a result, the Bank has entered into a transfer of financial assets (as described in IFRS 9 'Financial Instruments') that does not qualify for de-recognition of the underlying assets and therefore the Bank continues to recognise the carrying value of all securitised assets within its Statement of Financial Position.

For regulatory reporting, these assets are also reported as encumbered.

Continuing obligations

The Bank has no obligation (but has a right if so wished) to repurchase any securitised credit card receivables becoming ineligible or otherwise defaulting after their initial assignment to the SSPV. Securitisation investors have no recourse to the Bank or the Bank's other assets for credit losses on the portfolio of securitised receivables and have no right to require the Bank to repurchase their investments. The Bank has no obligation to provide liquidity or make monetary contributions to the SSPV due to the performance of the securitised receivables other than by way of the direct credit enhancement features contracted: the junior notes, the cash reserve and the excess spread.

The Bank has an obligation to replace credit card receivables assigned to the SSPV further to wrong representations (e.g. eligibility criteria were not fulfilled upon initial designation). Additionally, the Bank continues to service the securitised credit card receivables, for which it receives a fee from the SSPV. The Bank has no right to sell or repledge the securitised assets in case it experiences financial difficulties.

The table below provides details of the carrying and fair values of both the transferred assets that are not derecognised and the associated liabilities as of 31 December 2024:

In thousands of EUR

	Carrying value	Fair value
Loans and advances to customers (1)	1 110 648	1 110 648
Structured financing (2)	-889 553	-889 553
Net balance as at 31 December 2024	**221 095**	**221 095**
Loans and advances to customers (1)	1 056 766	1 056 766
Structured financing (2)	-836 765	-836 765
Net balance as at 31 December 2023	**220 001**	**220 001**

(1) The carrying amount of the credit card receivables is a reasonable approximation of their fair value due to the short-term nature of the balances.

(2) The carrying amount of the deemed loan towards the SSPV is a reasonable approximation of their fair value considering that:

- There is a significant yield spread between the return on the securitised assets (>22% p.a.) and the senior notes funding costs (<5% p.a.);
- No breach of any early amortisation triggers is observed, allowing for a significant excess spread receivable each month;
- the structure is revolving, meaning that there is a monthly replenishment of the underlying securitised portfolio with new eligible credit card receivables.

7.7.11 Debt securities in issue

In April 2024, the Bank issued a senior unsecured bond of EUR 200 million. The bond has a maturity of 4 years and pays a fixed coupon of 7%.

The senior unsecured notes are listed on the Euro MTF market of the Luxembourg Stock Exchange, bear a fixed coupon of 7% p.a. payable semi-annually and have a maturity of 4 years. The notes are callable on any business day 3 months prior to the maturity date on 24 April 2028.

7.7.12 Other liabilities

In thousands of EUR

	2024	2023
Preferential creditors	1 659	847
Other accruals and provisions	41 102	29 987
Other liabilities	459	927
Lease liabilities	16 260	3 917
Balance as at 31 December	**59 480**	**35 678**

Preferential creditors include liabilities towards public authorities such as salary withholding tax, social security contributions, etc.

Other accruals and provisions cover mainly expected payments for goods or services delivered by balance sheet date, and which are foreseen to become payable within the next 12 months. The increase is mainly due to the various accrued expenses such as FGDL contributions (EUR 3.88 million, Note 7.6.3.1) and provisions for previous office lease termination (EUR 2.74 million, Note 7.8).

7.7.13 Subordinated liabilities

In March 2021, the Bank issued a floating rate Tier 2 callable bond of EUR 30 million and a tenor of 10 years. The bond carries a coupon of 3 months EURIBOR (zero-floored) + 525bps per annum.

In February 2024, the Bank issued a floating rate Tier 2 callable bond of EUR 55 million and a tenor of 10 years. The bond carries a coupon of 3 months EURIBOR (zero-floored) + 675bps per annum.

In November 2024, the Bank called its floating rate Tier 2 callable bond of EUR 25 million which was issued in 2019.

The Tier 2 bonds are listed on Nordic ABM as well as the Frankfurt Open Market and callable on each payment day (quarterly) starting five years after the disbursement day, subject to prior approval by the competent authority.

7.7.14 Equity

The movements in the capital accounts are presented under the Statement of Changes in Equity.

7.7.14.1 Subscribed capital and issue premiums

The subscribed capital, issue premiums, and voting and non-voting shares are as follows:

In thousands of EUR

Date	Subscribed capital	Issue premiums	Issued voting shares	Issued non-voting shares
1 January 2024	17 553	9 890	210 210	-
31 December 2024	17 553	9 890	210 210	-

As at 31 December 2024 and 2023, the 210 210 issued shares were distributed among the following share classes:

Share class	Number of shares
Class A	30 383
Class B	21 280
Class C	158 547
Total voting shares	**210 210**
Total issued shares	**210 210**

Shares in share classes A-C are ordinary voting shares and have a nominal value of EUR 83.50 each. As at 31 December 2024, the authorised management held no shares in Advanzia Bank S.A as well as the Bank held no own shares.

7.7.14.2 Other equity instruments

In July 2019, the Bank issued a perpetual Tier 1 bond of NOK 225 million (equivalent to EUR 19.0 million). The Bank performed the call of this instrument in July 2024. During 2024, a coupon was paid for the first and second quarter with the rate of NIBOR 3M (zero-floored) + 7.0% p.a.

In March 2021, the Bank issued a further perpetual hybrid Tier 1 bond of NOK 400 million (equivalent to EUR 33.8 million). A coupon is paid quarterly with the rate of NIBOR 3M (zero-floored) + 7.0% p.a.

In December 2023, the Bank issued a third perpetual hybrid Tier 1 bond of NOK 500 million (equivalent to EUR 42.2 million). A coupon is paid quarterly with the rate of NIBOR 3M (zero-floored) + 8.5% p.a.

The Bank paid TEUR 11 864 to Tier 1 bondholders during 2024 as distribution. The Bank can cancel distributions at any time.

The bonds are listed on Nordic ABM as well as the Frankfurt Open Market and callable by Advanzia with the first call option 5 years after issuance subject to prior approval by the competent authority.

7.7.14.3 Reserves

In 2024, the Bank allocated TEUR 10 000 of the 2023 profits to a reserve according to Luxembourg tax law and released TEUR 3 610 from reserves to profit carried forward. The reserves are composed of legal reserves of TEUR 1 755 and the reserve for the reduction of the net wealth tax of TEUR 45 900.

As of 31 December 2024, the legal reserve was fully formed.

7.7.14.4 Dividends

During the year ending 31 December 2024, the Bank distributed TEUR 50 030 out of the 2023 results (2023: nil) and TEUR 29 997 out of the 2024 interim results (2023: nil).

7.8 Leases

7.8.1 Leases as lessee

The Bank leases its current office premises located on 14 Rue Gabriel Lippmann L- 5365 Munsbach and vehicles provided to employees. Lease relating to office premises will end in 2033 and contains the option to renew twice for a five-year period each after upon expiration. For some lease agreements, lease payments may require adjustments to reflect changes in price indices.

During 2024, the Bank decided to terminate its leases for the properties relating to its previous office premises located on 9 Rue Gabriel Lippmann, L-5365 Munsbach. As at 31 December 2024, the negotiation of the final settlement with the landlord was still ongoing.

7.8.2 Extension options

The lease of office premises contains extension options exercisable by the Bank before the end of the contract period. As the current term will expire after 9 years, the Bank does not consider extension options for determining the lease term over which the lease liability is calculated.

7.8.3 Maturity analysis of lease liabilities

As at 31 December 2024, the undiscounted maturity analysis of lease liabilities is as follows:

In thousands of EUR

	Carrying amount	Minimum lease payments due	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years
Lease liability	**16 260**	**19 189**	2 231	2 170	2 139	4 132	8 517
Total	**16 260**	**19 189**	2 231	2 170	2 139	4 132	8 517

7.9 Auditor's fees

Accrued expenses and fees billed to the Bank by KPMG Luxembourg during the year were as follows:

In thousands of EUR

	2024	2023
Audit fees	218	194
Audit related fees	57	76
Tax services	148	82
Total fees (excl. VAT)	**423**	**352**

7.10 Staff

Average number	2024	2023
Management Committee	7	6
Employees (fulltime equivalent)	205	186
Total	**212**	**192**

In 2024, the Bank had on average 212 employees (FTE), including the Management Committee.

7.11 Related parties

7.11.1 Parent and ultimate controlling party

Kistefos AS, Norway retained majority control of the shares during the year ended 31 December 2024.

7.11.2 Transactions with board members and key management personnel

Except as disclosed elsewhere in the Notes to the financial statements, members of the Management Committee have transacted with the Bank during the period as follows:

In thousands of EUR

	2024	2023
Remuneration	3 116	3 401
Pensions	293	269
Loans	408	34
Other commitments	52	50

During the period, board members transacted with the Bank as follows:

In thousands of EUR

	2024	2023
Remuneration	108	119
Pensions	-	-
Loans	4	12
Other commitments	30	30

Additionally, during the period, Kistefos AS associates and their immediate relatives have transacted with the Bank with loans amounting to TEUR 42 and other commitments amounting to TEUR 280.

Interest rates charged on balances outstanding from related parties are the same as those that would be charged in an arm's length transaction. Credit card loans are not secured and no guarantees have been obtained.

ECL was applied, but no material impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

7.11.3 Transactions with other related parties

The Bank is executing a control over the SSPV – Advanzia Invest S.à r.l – for the purpose of raising a structured financing. For more details about the transaction and associated balances, please see Notes 7.7.9. and 7.7.10.

The Bank has invested in a cell in Agent Alliance Reinsurance Company, Ltd., who will reinsure the risks for the PPI products sold to the Bank's credit card customers. Please see notes 7.7.6 for details.

The Bank has set up a limited liability company in Sweden who will provide insurance brokage services to the Bank's credit card customers. Please see Notes 7.7.6 for details.

7.12 Significant events after the reporting date

The Bank is not aware of any significant events after the reporting date which would have a material impact on the 2024 financial statements.

8 RISKS AND RISK MANAGEMENT

The following note provides an overview and analysis of the risks to which Advanzia Bank is subject, and how the Bank manages such risks. Unless otherwise stated, all figures are in Euro as of 31 December 2024 and as of 31 December 2023.

8.1 Risk management: objectives and policies

The Board of Directors has overall responsibility for determining the Bank's risk appetite as well as the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank has exposure to risks including but not limited to:

- Credit risk
- External fraud risk
- Liquidity risk
- Market risks
- Operational risks
- Outsourcing risk
- Income risk
- Reputation risk
- Systemic risk
- Money laundering and terrorist financing risk
- ESG risks

For managing risks, the following principles are followed:

The Risk appetite framework and the Risk appetite statement is executed by the Bank's management on behalf of the Board of Directors in accordance to the business strategy as well as the type of risk involved. The Board of Directors is responsible for and monitors the execution of the Risk appetite framework and the Risk appetite statement.

For all types of risks relevant to the Bank, defined processes and organisational structures exist, and all the different tasks, expertise and responsibilities follow these.

For the purpose of the identification, measurements, steering as well as supervision of the different types of risk, adequate and compatible processes are determined and implemented. These processes are designed to avoid conflicts of interest.

For certain types of risks relevant to the Bank, appropriate limits are set and supervised. For other relevant risks, mitigation actions are implemented.

All relevant risks are reviewed and reassessed at various intervals as a part of the Risk and Own fund strategy through the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).

8.2 Credit risk

Credit risk represents the largest risk within the Bank. Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

8.2.1 Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to the Executive Management Committee, which further has delegated the responsibility to the Credit Risk Committee, being responsible for surveying and assessing credit risk. The Risk Modelling Function, reporting to the Credit Risk Committee, is responsible for managing the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. This includes principles for customer acceptance, assignment of initial credit limits on credit cards, and subsequent increases of credit card limits based on exhibited behaviour by the customer and in accordance to estimated risk. Authorisation limits are allocated centrally as part of the automated application process. Larger facilities, or facilities outside the ordinary automated process, require approval by the Credit Risk Committee, Management Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. The Bank assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties.
- Providing advice, guidance and specialist skills to other units in the Bank to promote best practice throughout the Bank in the management of credit risk.

Regular audits of business units and credit processes are undertaken by Internal Audit.

8.2.2 Exposure to credit risk

In thousands of EUR	Loans and advances to customers		Loans and advances to financial institutions	
Collectively impaired	**2024**	**2023**	**2024**	**2023**
Stage 3 (impaired)	335 607	231 155	-	-
Gross amount	**335 607**	**231 155**	**-**	**-**
Allowance for impairment	-237 375	-157 160	-	-
Carrying amount	**98 232**	**73 995**	**-**	**-**
Past due but not impaired	**2024**	**2023**	**2024**	**2023**
Stage 2	646 406	593 865	-	-
Gross amount	**646 406**	**593 865**	**-**	**-**
Allowance for impairment	-67 550	-59 969	-	-
Carrying amount	**578 856**	**533 896**	**-**	**-**
Neither past due nor impaired	**2024**	**2023**	**2024**	**2023**
Stage 1	2 531 102	2 146 290	181 712	193 349
Gross amount	**2 531 102**	**2 146 290**	**181 712**	**193 349**
Allowance for impairment	-25 618	-25 883	-7	-7
Carrying amount	**2 505 484**	**2 120 407**	**181 705**	**193 342**
Carrying amount - amortised cost	**2 505 484**	**2 728 298**	**181 705**	**193 342**

In addition to the above, on the off-balance sheet the Bank has an amount of EUR 7 206 million as undrawn commitments (2023: EUR 6 513 million), which originates from credit card clients being neither past due nor impaired. The undrawn commitment is no longer available as soon as the customer is classified as Stage 2 or 3.

Also following the set-up of the securitised funding, the Bank has commitment for the following items:

Undrawn junior notes – TEUR 18 820 at the end of 2024 (TEUR 28 139 at the end of 2023);
Undrawn seller notes – TEUR 10 000 at the end of 2024 (TEUR 10 000 at the end of 2023);
Undrawn subordinated debt – TEUR 1 551 at the end of 2024 (TEUR 2 400 at the end of 2023).

See also Note 7.3 regarding definitions and accounting policies for impaired loans, Note 7.4 regarding judgements and estimates, as well as note 7.6.6 regarding impairments on financial assets and Note 7.7.3 regarding loans and advances to customers.

Loss allowance

Loss allowance is calculated as a weighted average of three scenarios. In 2022, these scenarios were: one baseline scenario which is forecasted using macro-economic information from statistical databases of the EBA and Eurostat, one negative scenario based on the year with the highest result, and one positive scenario based on the year with the lowest result for the Bank in terms of losses.

In 2023, these scenarios were changed to: a baseline forecasted scenario as per 2022, a negative forecasted scenario based on stressed macro-economic information and in particular stress to inflation, GDP and interest rates, and a positive forecasted scenario, opposite to the negative one, with improved macro-economic information and in particular inflation, GDP and interest rates.

In 2024, the leading indicators have been selected using an ARIMA model, the most influential factors being: unemployment rate, exchange rate (EUR/USD), interest rates (short-term loans), interest rates (long-term loans) and inflation rate. Similarly, three scenarios have been produced, a positive scenario, where macroeconomic factors have been stressed with an upward or downward shock of around 20%, a negative scenario showing an opposite trend, and a neutral scenario where the model forecast is used without shocks. To carry out the sensitivity analysis, a weighting of 100% was assigned to each scenario, and the impact in terms of provisions (compared with reported figures, meaning weighted ECL) assessed for each scenario.

31/12/2024	Scenario weights		
	Positive	Neutral	Negative
Stressed ECL (positive scenario)	100%	0%	0%
Stressed ECL (neutral scenario)	0%	100%	0%
Stressed ECL (negative scenario)	0%	0%	100%
Reported ECL (weighted scenario)	10%	60%	30%

31/12/2023	Scenario weights		
	Positive	Neutral	Negative
Stressed ECL (positive scenario)	100%	0%	0%
Stressed ECL (neutral scenario)	0%	100%	0%
Stressed ECL (negative scenario)	0%	0%	100%
Reported ECL (weighted scenario)	15%	60%	25%

ECL sensitivity analysis: the impact of 100% weighting for each scenario in 2024 is as follows:

- Positive scenario: Assigning a probability of 100% to the positive scenario results in a 24.71% (MEUR 6.3) decrease in provisions for Stage 1, 22.39% (MEUR 15.1) decrease for Stage 2 and 0.46% (MEUR 1.1) decrease for Stage 3.
- Neutral scenario: Assigning a probability of 100% to the neutral scenario results in a 4.52% (MEUR 1.2) decrease in provisions for Stage 1, 3.65% (MEUR 2.5) decrease for Stage 2 and 0.04% (MEUR 0.1) decrease for Stage 3.
- Negative scenario: Assigning a probability of 100% to the negative scenario results in a 17.27% (MEUR 4.4) increase in provisions for Stage 1, 14.76% (MEUR 10) increase for Stage 2 and 0.24% (MEUR 0.5) increase for Stage 3.

31/12/2024	ECL provisions (in thousands of EUR)			Scenario impact on provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Stressed ECL (positive scenario)	19 288	52 427	236 278	75%	78%	100%
Stressed ECL (neutral scenario)	24 459	65 083	237 269	95%	96%	100%
Stressed ECL (negative scenario)	30 042	77 523	237 952	117%	115%	100%
Reported ECL (weighted scenario)	25 618	67 550	237 375	100%	100%	100%

31/12/2023	ECL provisions (in thousands of EUR)			Scenario impact on provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Stressed ECL (positive scenario)	19 816	44 887	156 558	77%	75%	99%
Stressed ECL (neutral scenario)	24 707	57 174	157 390	95%	95%	100%
Stressed ECL (negative scenario)	30 258	69 711	158 340	117%	116%	100%
Reported ECL (weighted scenario)	25 876	59 969	157 590	100%	100%	100%

It has been noted that the presentation of results for 2023 has been modified to follow the template set up for 2024. The figures remain unchanged.

The change of loss allowance is due to change of credit quality of the existing portfolio, which results in the sum of all transfers to stages and without transition. The change of loss allowance due to new issuing of cards equals to the sum of the “new issued” row. The change of loss allowance due to write-offs of existing NPL equal to the sum of the “write-offs” row.

The following table shows the reconciliation from the opening to the closing balance of the loss allowance for Loans and advances to customers at amortised cost.

In thousands of EUR

	2024		
Amounts arising from ECL	**Stage 1**	**Stage 2**	**Stage 3**
Opening ECL	**25 876**	**59 969**	**157 590**
Transfers to Stage 1	13 012	-12 462	-550
Transfers to Stage 2	-3 501	4 580	-1 079
Transfers to Stage 3	-1 656	-19 306	20 962
New issued	3 829	7 408	8 676
Write-offs	-398	-7 120	-53 758
Remeasurement	-11 546	34 481	113 661
Interest adjustment	-	-	-8 127
Closing ECL	**25 618**	**67 550**	**237 375**

In thousands of EUR

	2023		
Amounts arising from ECL	**Stage 1**	**Stage 2**	**Stage 3**
Opening ECL	20 109	42 287	127 518
Transfers to Stage 1	10 841	-10 589	-252
Transfers to Stage 2	-3 095	3 668	-573
Transfers to Stage 3	-1 258	-9 253	10 511
New issued	5 909	10 210	9 227
Write-offs	-421	-6 221	-68 860
Remeasurement	-6 209	29 867	77 588
Interest adjustment	-	-	2 431
Closing ECL	**25 876**	**59 969**	**157 590**

The inflow into one Stage is amount wise not equal to the transfers from the other stages. This is due to the fact that every stage has a different probability of default and thus a different Expected Credit Loss, so an ECL Transfer from Stage 2 in benefit of Stage 1 will result in a lower Increase of the ECL in Stage 1 because the Expected credit loss for Stage 1 exposures is lower.

8.2.3 Concentration risk

In general, credit card loans are well diversified and small. The Bank also follows a policy of maximum concentration per individual borrower or group of borrowers. See also Note 8.2.6 below regarding concentration risk with respect to financial institutions.

In addition, the Bank monitors concentrations of credit risk by sector and by geographic location. The concentration by location for loans and advances is measured based on the location of the borrower.

The monitoring is focused on the balance sheet position of the customers, considering that based on the historical conversion rates not all undrawn commitment is utilised on a monthly basis as well as according to the Bank’s business model, as soon as the customer is classified as Stage 2 or 3, the unused credit limit is no longer available.

The exposure by location as of 31 December 2024 is as follows:

In thousands of EUR	Loans and advances to customers		Loans and advances to financial institutions		Loans and advances to Corporates	
Concentration by sector	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Banks	-	-	181 482	193 342	-	-
Retail	3 182 570	2 728 298	-	-	-	-
Corporates	-	-	-	-	12	12
Total 31 December	**3 182 570**	**2 728 298**	**181 482**	**193 342**	**12**	**12**

Concentration by location	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Germany	2 720 088	2 361 341	434	34	-	-
Luxembourg	27 592	29 223	102 335	122 886	12	12
France	125 612	121 476	1 725	1 189	-	-
Austria	170 526	123 157	1	1	-	-
Spain	80 452	74 365	3	2	-	-
Italy	58 300	18 736	2	-	-	-
Other countries	-	-	76 982	69 230	-	-
Total 31 December	**3 182 570**	**2 728 298**	**181 482**	**193 342**	**12**	**12**

8.2.4 Trading assets

The Bank did not hold any trading assets, including derivative assets held for risk management purposes.

8.2.5 Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. Due to the limited number of operations, the limited size of transactions the Bank considers its settlement risk to be negligible and considers that proper operational routines are sufficient to mitigate the risk.

8.2.6 Financial institutions

Advanzia only places its spare liquidity with other banks that are all to be individually assessed and for larger exposures, also to be approved by the Board of Directors. These are banks that have minimum requirements with respect to ratings and are mostly to be considered as systemic banks. The Bank was as at balance sheet date compliant with the requirements of Regulation (EU) N°575/2013 (as amended) on prudential requirements for credit institutions and Regulation (EU) N°2021/451 on supervisory reporting.

8.3 External fraud risk

Credit cards may be subject to fraudulent misuse, which usually can be categorised into application fraud (where the identity of the cardholder is incorrect), or usage fraud which often is a result of phishing and several other attacks.

Advanzia has over the past years continuously enhanced the existing measures to identify and mitigate fraud losses. The credit card related fraudulent activity in 2024 resulted in a loss of TEUR 2 598 (TEUR 1 606 in 2023) which corresponds to a fraudulent amount rate measured as ratio of card turnover of 0.03% in 2024 (0.02% in 2023). These losses are in the financial statements included as part of the write-offs of credit card loans.

8.4 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities.

8.4.1 Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due and to maintain the statutory minimum liquidity requirement, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Bank's reputation.

The Bank projects daily cash flows from all its operations and activities on bi-weekly basis for the next six months. Cash flow estimates beyond this period are based on the budget and interim forecasts. The Bank then maintains a portfolio of short-term liquid assets, largely made up of loans and advances to banks, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank places its spare liquidity with other banks and the central bank on on-demand nostro accounts or on term deposits, which usually have a term of less than three months.

The daily liquidity position is monitored, and a KRI limit is set up to guarantee the coverage. Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Management Committee and the Board of Directors. Weekly reports cover the liquidity position and main cash flows, and liquidity is covered further in the Bank's monthly report to the Board of Directors as well as at the monthly Asset and Liability Committee.

The Bank relies on deposits from customers as its primary source of funding. The deposits from customers are repayable on demand. The short-term nature of these deposits increases the Bank's liquidity risk, and the Bank actively manages this risk through maintaining a competitive deposit offering and a constant monitoring of market trends. On an aggregate level, the customer deposits exhibit a high degree of stability. During 2024, customer deposits in savings products decreased by 1% (2023: increase of 15%). This development is consistent with the Bank's strategy to diversify its funding mix.

The Bank also has a securitisation facility providing senior funding for an amount up to EUR 1 billion. At the end of 2024, EUR 97.0 million of committed senior funding are undrawn under the facility (2023: EUR 150.1 million) and can be used as contingent funding reserves. For more details about this transaction refer to Notes 7.7.9 and 7.7.10.

8.4.2 Exposure to liquidity risk

The Bank monitors and reports the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) on a continuous basis. These ratios are calculated as defined in the Capital Requirements Regulation (Regulation (EU) No 575/2013) as amended, and have been as follows:

LCR (Min. 100%)	2024	2023
as at 31 December	170%	230%

NSFR (Min. 100%)	2024	2023
as at 31 December	135%	214%

There were no breaches of the liquidity requirements in 2024.

8.4.3 Residual contractual maturities of financial liabilities

31 December 2024

In thousands of EUR

NON-DERIVATIVE LIABILITIES	Carrying amount	Gross nominal inflow/ outflow	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Amounts owed to financial institutions	125 785	-150 838	-40 234	-1 957	-5 782	-102 865	-
Amounts owed to customers	2 684 491	-2 684 491	-2 684 491	-	-	-	-
Structured financing	889 553	-952 199	-2 891	-5 782	-26 020	-917 506	-
Debt Securitises Issued	200 664	-249 057	-	-	-14 038	-235 019	-
Undrawn loan commitments	7 205 673	-7 205 673	-7 205 673	-	-	-	-
Total	**11 106 166**	**-11 242 258**	**-9 933 289**	**-7 739**	**-45 840**	**-1 255 390**	**-**

31 December 2023

In thousands of EUR

NON-DERIVATIVE LIABILITIES	Carrying amount	Gross nominal inflow/ outflow	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Amounts owed to financial institutions	92 361	-100 616	-36 857	-1 700	-3 646	-58 413	-
Amounts owed to customers	2 711 097	-2 711 097	-2 711 097	-	-	-	-
Structured financing	836 765	-912 571	-3 314	-6 629	-29 830	-872 798	-
Undrawn loan commitments	6 513 485	-6 513 485	-6 513 485	-	-	-	-
Total	**10 153 708**	**-10 237 769**	**-9 264 753**	**-8 329**	**-33 476**	**-931 211**	**-**

The above table shows the undiscounted cash flows on the Bank's financial liabilities and undrawn loan commitments on the basis of their earliest possible contractual maturity, please see Notes 7.7.8 to 7.7.13 The amounts from the Subordinated Liability are calculated until the date the Bank is entitled to execute the call-option, please see Note 7.7.13. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, deposits from customers are expected to maintain a stable or increasing balance, and only a very small amount of undrawn loan commitments (i.e. the unused portion of credit card limits) may be expected to be drawn down immediately.

The gross nominal inflow or outflow disclosed in the previous table represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability or commitment.

8.5 Market risks

Market risks are the risks that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

8.5.1 Management of market risks

Overall authority for market risks is vested in the Risk Management function. As the Bank has no trading portfolio, there is no market risk associated with this.

Advanzia operates mainly in Euro. The Tier 1 bonds are denominated in NOK, and the currency risk related to this position is "hedged" with a NOK deposit of the same amount. In addition, the Bank holds nominal amounts in USD, GBP, CHF, SEK and DKK for the settlement of the Professional Card Services (PCS) card transactions that are at all times in relation with equivalent claims on the PCS client banks. The Bank normally holds no positions in other currencies and does not need to recognise or manage any other currency risk apart from the above. A few suppliers may invoice in currencies other than Euro, but these are immediately translated to Euro, and the currency risk as such is negligible.

As of 31 December 2024, the total Euro equivalent FX exposure was of TEUR 320.

Advanzia's exposure to IRRBB is mitigated by the nature of its core business activities and straightforward business model. The Bank's interest rate on credit card loans and client deposits tends to be less volatile than the market rates, contributing to a reduced sensitivity to interest rate risk. This is further supported by the Bank's strong net interest margin. Furthermore, the Bank's placements with other institutions are carefully managed with durations that align with other interest-bearing assets and liabilities, typically not exceeding three to six months.

The Bank monitors and reports interest rate risk and its impact on both the Net Interest Income (NII) and the Economic Value of the Equity (EVE) on a quarterly basis.

The Bank recognises that CSRBB exposure arises primarily from the liability-side credit spread risk, indicating mainly the funding risk aligned with its business model and asset-liability structure. The Bank maintains a low-to-moderate risk appetite for CSRBB, ensuring that the mainly funding-related credit spread risks remain manageable and do not materially impact the Bank's financial stability or capital adequacy. A limit indicator is set to manage and monitor the funding risk/CSRBB risk as a risk appetite limit. This approach supports the

Bank's overarching objective of balancing profitability with sound risk management practices in line with the Bank's CSRBB risk profile.

8.5.2 Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by matching the duration of the assets and liabilities.

A summary of the Bank's interest rate gap position for interest rate changes as at balance sheet date is as follows:

31 December 2024

In thousands of EUR

Interest-bearing assets	Gross amount	Less than 3 months	3-6 months	6-12 months	1-5 years	more than 5 years
Central bank - minimum reserve	27 300	27 300	-	-	-	-
Central bank reserves in excess of the minimum required (deposit facility)	1 010 327	1 010 327	-	-	-	-
Loans and advances to banks (assimilated to Nostro)	3 026	3 026	-	-	-	-
Term deposits	75 956	75 956	-	-	-	-
Gross loans and advances to credit card customers FR	183 039	52 083	10 380	17 987	71 499	31 090
Gross loans and advances to credit card customers AT	365 798	104 087	20 744	35 946	142 889	62 133
Gross loans and advances to credit card customers DELU	2 959 471	842 107	167 828	290 816	1 156 037	502 683
Gross loans and advances to credit card customers ES	125 697	35 767	7 128	12 352	49 100	21 350
Gross loans and advances to credit card customers IT	75 789	21 565	4 298	7 447	29 605	12 873
Total interest-bearing assets	**4 826 403**	**2 172 218**	**210 378**	**364 548**	**1 449 130**	**630 129**

Interest-bearing liabilities	Gross amount	Less than 3 months	3-6 months	6-12 months	1-5 years	more than 5 years
SPV deemed loan	890 217	890 217	-	-	-	-
Deposits from customers	2 681 818	1 562 984	-	-	-	1 118 834
Subordinated liabilities	159 870	159 870	-	-	-	-
Senior unsecured loan	200 000	-	-	-	200 000	-
Total interest-bearing liabilities	**3 931 905**	**2 613 071**	**-**	**-**	**200 000**	**1 118 834**

Gap	894 498	-440 853	210 377	364 548	1 249 130	-488 705
Cumul. gap	894 498	-440 853	-230 475	134 073	1 383 203	894 498
Cumul. gap (%)	18.5%	-9.1%	-4.8%	2.8%	28.7%	18.5%

31 December 2023

In thousands of EUR

Interest-bearing assets	Gross amount	Less than 3 months	3-6 months	6-12 months	1-5 years	more than 5 years
Central bank - minimum reserve	29 068	29 068	-	-	-	-
Central bank reserves in excess of the minimum required (deposit facility)	1 128 600	1 128 600	-	-	--	-
Loans and advances to banks (assimilated to Nostro)	30 621	30 621	-	-	-	-
Term deposits	100 085	100 085	-	-	-	-
Gross loans and advances to credit card customers FR	185 708	-	-	-	185 708	-
Gross loans and advances to credit card customers AT	165 795	-	-	-	165 795	-
Gross loans and advances to credit card customers DELU	2 462 540	-	-	-	2 462 540	-
Gross loans and advances to credit card customers ES	121 729	-	-	-	121 729	-
Gross loans and advances to credit card customers IT	35 532	-	-	-	35 532	-
Total interest-bearing assets	**4 259 678**	**1 288 374**	**-**	**-**	**2 971 304**	**-**

Interest-bearing liabilities	Gross amount	Less than 3 months	3-6 months	6-12 months	1-5 years	more than 5 years
SPV deemed loan	836 765	836 765	-	-	-	-
Deposits from customers	2 711 097	2 711 097	-	-	-	-
Subordinated liabilities	153 724	153 724	-	-	-	-
Total interest-bearing liabilities	**3 701 586**	**3 701 586**	**-**	**-**	**-**	**-**

Gap	558 092	-2 413 212	-	-	2 971 304	-
Cumul. gap	558 092	-2 413 212	-2 413 212	-2 413 212	558 092	558 092
Cumul. gap (%)	13.1%	-56.7%	-56.7%	-56.7%	13.1%	13.1%

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios.

31 December 2024

In thousands of EUR	Carrying amount	Present value of banking positions after interest shock		Impact on equity of the 12-month sensitivity on income	
Interest-bearing assets		**+200 bp**	**-200 bp**	**+200 bp**	**-200 bp**
Central bank - minimum reserve	27 300	27 296	27 299	544	-
Central bank reserves in excess of the min. required (deposit facility)	1 010 327	1 010 194	1 010 305	20 151	-20 152
Loans and advances to banks (assimilated to Nostro)	3 026	3 025	3 026	60	-60
Term deposits	75 956	75 092	75 847	1 142	-1 147
Gross loans and advances to credit card customers FR	183 039	291 093	314 163	2 535	-2 599
Gross loans and advances to credit card customers AT	365 798	501 228	524 231	5 109	-4 709
Gross loans and advances to credit card customers DELU	2 959 471	4 300 001	4 521 293	29 076	-34 654
Gross loans and advances to credit card customers ES	125 697	184 356	201 093	1 040	-1 131
Gross loans and advances to credit card customers IT	75 789	116 333	126 229	748	-786
Total interest-bearing assets	**4 826 403**	**6 508 618**	**6 803 486**	**60 405**	**-65 238**
Interest-bearing liabilities		**+200 bp**	**-200 bp**	**+200 bp**	**-200 bp**
SPV deemed loan	890 217	886 720	889 681	-16 328	16 182
Deposits from customers	2 681 818	2 599 792	2 774 460	-17 704	30 405
Subordinated liabilities	159 870	158 051	159 640	-2 404	2 414
Senior unsecured loan	200 000	176 136	199 921	-	-
Total interest-bearing liabilities	**3 931 905**	**3 820 699**	**4 023 702**	**-36 435**	**49 001**
Gap	894 498	2 687 919	2 779 784	23 970	-16 237
Cumul. Gap	894 498	2 687 919	2 779 784		
Cumul. Gap (%)	18.5%	41.3%	40.9%		

31 December 2023

In thousands of EUR	Carrying amount	Present value of banking positions after interest shock		Impact on equity of the 12-month sensitivity on income	
Interest-bearing assets		**+200 bp**	**-200 bp**	**+200 bp**	**-200 bp**
Central bank - minimum reserve	29 068	29 650	28 487	436	-436
Central bank reserves in excess of the min. required (deposit facility)	1 128 600	1 150 304	1 106 896	16 291	-16 291
Loans and advances to banks (assimilated to Nostro)	30 621	31 216	30 026	447	-447
Term deposits	100 085	101 657	98 507	1 180	-1 184
Gross loans and advances to credit card customers FR	185 708	185 708	183 223	-	-1 865
Gross loans and advances to credit card customers AT	165 795	165 795	163 527	-	-1 703
Gross loans and advances to credit card customers DELU	2 462 540	2 462 540	2 429 895	-	-24 503
Gross loans and advances to credit card customers ES	121 729	121 729	120 048	-	-1 262
Gross loans and advances to credit card customers IT	35 532	35 532	35 036	-	-372
Total interest-bearing assets	**4 259 678**	**4 284 131**	**4 195 645**	**18 354**	**-48 063**
Interest-bearing liabilities		**+200 bp**	**-200 bp**	**+200 bp**	**-200 bp**
SPV deemed loan	836 765	851 419	822 088	-10 999	11 017
Deposits from customers	2 711 097	2 761 389	2 660 764	-37 749	37 779
Subordinated liabilities	153 724	155 984	151 458	-1 696	1 701
Total interest-bearing liabilities	**3 701 586**	**3 768 792**	**3 634 310**	**-50 444**	**50 497**
Gap	558 092	515 339	561 335	-32 090	2 434
Cumul. Gap	558 092	515 339	561 335		
Cumul. Gap (%)	13.1%	12.0%	13.4%		

During the reporting period, the Bank conducted a comprehensive review of its IRRBB framework as part of our ongoing efforts to enhance its accuracy. This review included an assessment of IRRBB policies, procedures, and methodologies, as well as refinements to the Bank's modelling approach to address regulatory and supervisory expectations.

In particular, the Bank has recalibrated its IRRBB model to more precisely reflect customer behaviour with respect to non-maturity deposits and credit card loans. This recalibration has resulted in a more refined mapping of these exposures in terms of their repricing characteristics, duration assumptions, and behavioural repayment patterns, as well as their sensitivity to changes in the yield curve under different interest rate environments.

Consequently, the disclosure of the Bank's exposure distribution by repricing period and the impact on Present Value (PV) and Net Interest Income (NII) has significantly deviated from the figures reported in the previous year. The updated approach more accurately aligns with observed customer behaviours and enhances the robustness of our risk assessment.

8.5.3 Exposure to CSRBB Risk

The Bank tested the sensitivity of all the assets and liabilities as well as off-balance items to the changes of the “market credit spread” or “market price of credit risk” and the changes of the “market liquidity spread”.

A breakdown of the Bank’s CSRBB-sensitive positions across various repricing time buckets as of the balance sheet date is presented below:

31 December 2024 *In thousands of EUR*	**Carrying amount**	**Less than 1 year**	**1-3 years**	**More than 3 years**
CSRBB sensitive assets				
Loans and advances to financial institutions (Money market placements)	25 000	25 000	-	-
Total CSRBB sensitive assets	**25 000**	**25 000**	-	-
CSRBB sensitive liabilities				
Structured financing (ABS)	890 217	-	890 217	-
Senior unsecured loan	200 000	-	-	200 000
Subordinated liabilities	159 870	-	63 276	96 594
FX overdraft limit	25 000	25 000	-	-
Unutilised ABS limit	96 950	-	96 950	-
Total CSRBB sensitive liabilities	**1 372 037**	**25 000**	**1 050 443**	**296 594**
Gap	-1 347 037	-	-1 050 443	-296 594
Cumul. Gap	-1 347 037	-	-1 050 443	-1 347 037

8.6 Operational risks

Operational risk can broadly be defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, systems and people intervention, or from external events. This definition includes legal risk but excludes credit risk, market risk, liquidity risk, strategic risk, compliance risk and external fraud risk. Due to the specific nature of the Bank’s business model (credit card operations), external fraud risk has been considered as a separate risk category with adequate assessment and monitoring procedures.

The Bank considers operational risk events resulting in operational risk loss: if it occurs, it causes direct or indirect losses in the form of financial loss or reputational loss respectively.

The Bank’s operational risk management focuses on proactive measures in order to ensure business continuity, accuracy of information used internally and reported externally and a competent and well-informed staff. The operational risk management ensures adherence to established rules and procedures as well as on security arrangements to protect the physical and information and communications technology (ICT) infrastructure of the Bank.

The Bank has established policies, procedures, routines and guidelines documenting most aspects of the Bank, as well as describing the operating of the Bank. These are constantly being reviewed, and the Management is updating the applicable documents, as this is required due to internal requirements or changes in governing regulations, etc.

The Bank is mainly exposed to the following operational risk categories in its daily business activities:

- Internal fraud
- Employment practices and workplace safety
- Damage to physical assets
- Data management
- Information security risk
- Technology or systems failure
- Legal and regulatory
- Process execution and management
- Model risk

The Bank regularly assesses and reports its operational risks to management as well as to the Board of Directors. The Bank also regularly assesses its expected losses in relation to these risks on a regular basis. The Bank has not incurred nor recorded any material operational losses in 2024.

Advanzia Bank S.A. has received acceptance from the regulator for using the Alternative Standardised Approach (ASA) as described in the Regulation (EU) N° 575/2013 as amended for assessing operational risk charge for capital adequacy purposes. The amount assessed for this charge as at balance sheet date was TEUR 11 105.

Compliance with bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Bank.

Disaster Recovery/Business Continuity Plan

For continuity planning, crisis management, and recovery from adverse situations, a crisis management team has been established and a Business Continuity Management Coordinator named – together with applicable framework and plans.

The technical recovery plan and the business continuity plan are updated in response to changes on an ongoing basis in the business environment, and after regular Business Impact Assessments. Plans and key personnel is tested and trained regularly.

8.7 Outsourcing risk

Advanzia purchases services from external service providers. The risks associated with this practice are related to the fact that suppliers may not provide the agreed deliveries, or that the quality may be insufficient. The consequence is that tasks may not be performed.

To mitigate these risks, Advanzia has established a set of internal rules when buying services from external suppliers. The Procurement and Outsourcing Procedure regulates the conditions and requirements for outsourcing operations of the Bank. In no way can outsourcing remove or lessen the responsibility Advanzia holds towards its customers, authorities or other entities in relation to the fulfilment of governing laws and regulations, such as data protection regulations and/or consumer law.

The executive management in Advanzia is responsible for keeping the Board of Directors duly informed about all important aspects related to the decision of outsourcing, procurement and supply management.

8.8 Concentration risk

Given the limited individual balances and the large diversification of credit card customers, Advanzia does not consider that there is material concentration risk within this product. The same applies to customer deposits, which again are limited in average and maximum amount, and well diversified in number.

The Bank is applying limitations to the aggregate placements with other credit institutions or groups of other credit institutions. As at balance sheet date, the Bank was also in compliance with CSSF Circular 10/475 on large exposures, and had no exposures exceeding 100% of regulatory capital.

The Bank is subject to some product concentration risk as Advanzia is deriving most of its income from one product line (credit cards).

8.9 Income risk

There is a risk that Advanzia’s income may change over time. There may be several sources for this risk, such as change in client behaviour, increase in funding costs, decrease in interest rates, etc. Advanzia’s business model, however, is one of highly stable recurring revenue. The monthly credit card vintages show a very high degree of stability once they have reached their full potential with respect to key parameters such as overall loan balance and interest income.

Advanzia assesses that its income shows a high degree of stability and predictability over time and that the largest portion of this risk is already covered under other risks (in particular, credit and liquidity risks).

8.10 Reputation risk

Reputation risk may arise from the Bank acting incompetently or engage in dishonest practices towards its clients, presents itself unprofessionally, or possibly become the target of founded or unfounded smear campaigns by external parties. The consequence of tarnished reputation could be a loss of confidence in the Bank which, in turn, may result in the loss of customers for both product types. For credit cards, it translates to an erosion of income over time, while for deposits this may imply a liquidity risk should clients start withdrawing high volumes of funds.

The Bank is committed to maintaining its sound reputation by remaining customer-centric, compliant with both internal as well as external regulations and observing fair business practises. In addition, the Bank strives to be sensitive towards the signals it sends to the various market players so that these are not interpreted as negative.

To mitigate reputational risk, the Bank has implemented a code of conduct applicable to all personnel. To ensure diligent adherence, new employees are required to confirm their commitment to the principles and values outlined in this code. The Compliance function oversees compliance with these requirements and reviews the code of conduct annually.

Furthermore, in order to anticipate, identify, assess and prevent operational risk, the Compliance function has incorporated the reputational risk factor in its compliance risk assessment (CRA). This dimension is therefore taken into consideration in the assessment of the Bank's exposure to compliance risks and in the compliance monitoring plan (CMP) deployed to address these risks.

8.11 Systemic risk

Systemic risk or macroeconomic risk is defined here as the increase in the probability that the overall economy will develop negatively, and its consequences on the Bank's portfolio.

Advanzia is mainly exposed to Germany (80% of the gross card loan balance), whereas the exposure to Luxembourg, Austria, Spain, Italy and France remains limited.

Since Advanzia's main operations are to some extent cyclical, and given that in the longer run, the economic development could eventually start to abate, the Bank must be able to address and mitigate a change in this risk. The Bank addresses and mitigates this risk in the following ways:

- Adjusting the credit limits of existing clients down (Advanzia has the contractual right to do this).

- Adjusting for growth expectations: implying that Advanzia can easily reduce its ambitions with respect to growth in terms of client acquisition and credit limit increases. This reduces credit risk and also allows for decreased operational costs (in particular client acquisition costs).

To anticipate the effects to Advanzia's portfolios from adverse scenarios in the economy, both PD and LGD are monitored, and their corresponding forecasts are regularly updated. The focus is on the German portfolio (representing 80% of the gross card loan balance). Changes in the economy influence PD and LGD forecasted estimates via a set of leading indicators series, chosen at the time lag that produces the highest correlation with the observed default unit and LGD baseline hazard series. With regard to default, the development of new cases is monitored monthly, and default rates at various payment opportunities are presented to the CRC on a monthly basis.

8.12 Money laundering and terrorist financing risk

Money laundering (ML) is the illegal process of concealing the origins of money obtained illegally by passing it through a sequence of banking transfers or commercial transactions. The general pattern of this process is to send money back to the launderer in a way that is generally opaque and indirect.

All types of credit institutions accounts are vulnerable to terrorism financing as they can be used to access other financial products, they can be used to set up false customer profiles or to allow individuals to withdraw cash and are vulnerable to misuse by third parties.

Terrorism financing (TF) is and will remain extremely difficult to detect for a number of reasons, in particular because the funds may come from legitimate activities, the time between an individual accessing funds and committing an attack or travelling to a conflict zone may be very short or that transactions are often of low value and indistinguishable from ordinary financial behaviour.

Advanzia assesses its exposure to ML/TF on a yearly basis through the ML/TF risk assessment. This exercise, conducted in accordance with the CSSF Circular 11/529, aims at identifying and assessing the Bank's vulnerabilities with regard to ML/TF as well as assessing the effectiveness of its internal anti-money laundering (AML) and counter-terrorism financing (CTF) control framework. It is deemed by Advanzia that money laundering and terrorist financing risk is covered by means of qualitative mitigating measures.

8.13 ESG risks

Environmental pillar

Climate change and its impact on the global economy has become increasingly significant during the last years. A transition to a greener economy is on the forefront of European economic and social strategy.

While larger banks and other financial institutions will be substantially affected by financial risks arising from climate change and transition to a low-carbon economy in the near future, Advanzia's straightforward business model and limited geographic exposure minimises those risks.

Advanzia is a digital bank specialising in credit cards and card payment solutions for consumers, business partners and financial institutions in Germany, Luxembourg, France, Austria, Spain and Italy. Its headquarters are based in Luxembourg without any branches present in neither of the markets, in which Advanzia operates. Furthermore, the Bank is not exposed to climate-affected business lines such as the energy supply sector, real estate financing, etc.

Given the geographical location of Advanzia's customers (continental Europe with minor part of the customer base residing on European islands) as well as its limited product line (consumer credit cards and sight deposits), the Bank feels confident in its ability to continue being negligibly affected by climate risks.

Social pillar

Duty of care for employees and providing suitable working conditions, health and safety measures, equal opportunities and gender equality, as well as work-life balance also in the broader context of the protection of human rights - are typical elements of the social pillar aimed at the respectful treatment of Bank's employees. Dedicated HR procedures are in place that cover these aspects.

As for the Bank's customers, access to transparent and high-quality information about the products and services the Bank offers is a typical focus point of the social pillar aimed at the protection of customers and end users. Responsible banking and responsible lending practices are key to the Bank's business model. Advanzia follows responsible lending rules to ensure that its credit-granting decisions are not contributing to customer over-indebtedness and that its customers who are facing financial difficulties are treated fairly.

Governance pillar

The Governance pillar focuses on compliance to relevant laws and regulations, AML and fraud prevention, business ethics and codes of conduct, as well as the definition of a sound business strategy and company values that underpin the activities of the Bank. Focus points for a digital bank such as Advanzia are also data protection, cyber security and responsible supply chain management.

8.14 Capital management

Regulatory capital

The Bank's regulator, the Commission de Surveillance du Secteur Financier (CSSF) sets and monitors capital requirements for the Bank. According to applicable regulations relating to capital adequacy, credit institutions are required to dispose of sufficient capital resources to cover different types of risks.

The Bank complies with the provisions of the Regulation (EU) No 575/2013 as amended in respect of regulatory capital. The Bank is following the standardised approach to credit risk and the Alternative Standardised Approach (ASA) for operational risk to calculate the Pillar 1 minimum requirements. Luxembourg adopted in 2021 the amended capital requirements regulation and directive – CRR II/CRD V (Regulation (EU) No 575/2013 as amended and Directive EU 2013/36 as amended), and as such Advanzia is subject to the Basel 3 requirements as implemented in the said regulation.

The Bank's regulatory capital consists of Tier 1 and Tier 2 capital, which includes ordinary subscribed capital, issue premiums, legal reserves, free reserves as well as reserves for reduction of net wealth tax (all included in "Reserves") and retained earnings, after deductions for intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Banking operations are categorised as banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures as well as a risk-weighted asset requirement in respect of operational risk.

The Bank's policy is to maintain a sufficient capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank appreciates the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's regulatory capital position on 31 December 2024 was as follows:

In thousands of EUR

	Note	2024	2023
Subscribed capital	7.7.14.1	17 553	17 553
Issue premium	7.7.14.1	9 890	9 890
Reserves	7.7.14.3	47 655	41 265
Income carried forward		251 328	216 390
Phasing of IFRS 9 first time adoption impact		411	822
Minimum Loss Coverage*		-4 998	-4 239
Interim profits inclusion authorised by CSSF		20 000	23 750
Less intangible assets	7.7.5	-16 396	-19 422
CET 1		**325 443**	**286 009**
Eligible subordinated liabilities – Tier 1		74 870	98 724
Tier 1 Capital		**400 312**	**384 733**
Eligible subordinated liabilities – Tier 2		85 000	55 000
Total Capital		**485 312**	**439 733**

If considering the remaining profits for the year (after dividend distribution and applying a payout ratio of 63.81%), the Tier 1 capital as of 31 December 2024 would amount to EUR 516 million (2023: EUR 452 million).

*The Minimum Loss Coverage (EU/2019/630) must be applied for the non-performing exposure depending on when they were classified as non-performing.

8.15 Compliance with respect to capital adequacy (Pillar 1 and Pillar 2)

Pillar 1

Management uses regulatory capital ratios in order to monitor its capital base, and these capital ratios remain the international standards for measuring capital adequacy. The regulator's approach to such measurement based upon Basel 3 is primarily based on monitoring the relationship of the capital resources requirement (measured as 8% of risk-weighted assets including the operational risk charge) to available capital resources, where the minimum overall requirement is as of 2016 10.5%.

The capital ratio (Pillar 1) as of 31 December 2024 was 18.44% (2023: 19.39%). Had the remaining 2024 profits also been included; the Bank's total capital ratio would have been 21.81% (2023: 22.37%).

Pillar 2 (ICAAP and ILAAP)

Advanzia will submit its ICAAP and ILAAP documents for 2024 during the year, as per regulatory requirements.

During the ICAAP and ILAAP process in 2024, Advanzia has been following a strategy of assessing all risk aspects available and considered their relevance. The Bank is to a larger degree also quantifying its assessments based on experience data. The Bank assessed its ICAAP and ILAAP on a quarterly basis, and reported its findings to the Board of Directors.

The Pillar 2 ratio at 31 December 2024 was 19.1% (2023: 18.2%), and within the agreed risk appetite of Advanzia.

Capital allocation

Given the limited operational scope and product lines of the Bank, the Bank does not perform an internal capital allocation procedure. The Bank's policy in respect of capital management and allocation is reviewed and approved by the Board of Directors.

8.16 Remuneration policy and practices

The Board of Directors of the Bank has approved a policy which establishes the principles for the remuneration expenditure for management and employees.

Management of the Bank as well as the Head of Risk Management & Data Analytics, Head of Internal Audit, Head of Legal, Head of Human Resources, Head of Accounting & Regulatory Reporting, Head of Corporate Finance, Head of Controlling, Head of IT Service Delivery and Head of Information Security are considered material risk takers. The remuneration for both management and employees consists of a fixed component and a variable component. The variable component is related to the performance of the Bank as well as the individual performance. The variable component for executive management, management, identified staff and employees cannot exceed 50%, 33% and 25% respectively of the total annual remuneration. For executive management and management any variable payment above TEUR 50 is deferred over three years with 60% to be paid out for the current year, and 20% in each of the subsequent two years. The variable remuneration consists only of settlements in cash.

The performance measurement criteria for the Bank are related to its performance such as new clients, loan balance development and profitability. The targets for the criteria are determined and assessed by the Board of Directors for each financial year. The Bank retains the right to withhold payments when performance criteria are not met.

For the Bank's management remuneration please refer to Note 7.6.4 and 7.11.

Munsbach, Luxembourg, March 2025

Mr. Bengt Arve Rem
Chairperson of the board

Mr. Eirik Holtedahl
Deputy Chairperson of the board

Mr. Kristian Fredrik Huseby

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To the Board of Directors
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Advanzia Bank S.A. (the "Bank"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (the "CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation uncertainty with respect to impairment allowance on loans and advances to customers

Why the matter was considered to be one of most significance in our audit of the financial statements for the year ended 31 December 2024

The Bank's portfolio of loans and advances to customers amounts to EUR 3,183 million as at 31 December 2024. These loans and advances to customers are measured at amortised cost and their cumulative impairment allowance as at 31 December 2024 amounts to EUR 331 million, with a net impairment result on financial assets of EUR 189 million for the year 2024.

Certain aspects of the accounting for impairment allowance on loans and advances to customers require significant management judgements, such as the selection and application of models, assumptions and data used to estimate the Expected Credit Losses (ECL). Inappropriate judgments made in relation to the methodology and inputs used or the assumptions taken may have a material impact on the impairment amount recorded.

Due to the significance of loans and advances to customers and the related estimation uncertainty, we consider the valuation of loans and advances to customers as a key audit matter.

Please refer to Note 7.3.5 in the "Material accounting policies" in the notes to the financial statements for information on the accounting policies applied and the related disclosures in Note 8 "Risks and Risk Management".

How the matter was addressed in our audit

Our procedures for impairment of loans to customers included, but were not limited to the following:

- With regards to the Bank's related internal control environment, we have tested the design and implementation and the operating effectiveness of key controls in the following areas:
  - collection monitoring,
  - write-off handling,
  - reliability of data sources.
- In addition, we have performed the following tests of details:
  - We assessed together with our Risk Advisory and Information Risk Management specialists the selection and application of management's models, assumptions and data used in estimating the ECL requirements and performed a back testing based on the historical parameters.
  - We have assessed together with our Financial Risk Management specialists the calculation routine used for the ECL calculation as at 31 December 2024 and performed a recalculation of ECL on a sample basis.
  - Finally, we have assessed whether the related disclosures in the financial statements are appropriate.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the Report of the Board of Directors but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.
  If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern.
— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Board of Directors on 12 March 2024 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 19 years.

The Report of the Board of Directors is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Luxembourg, 7 March 2025

KPMG Audit S.à r.l.
Cabinet de révision agréé

M. Jahke
Partner