



**ADVANZIA  
BANK**

FINANCIAL REPORT  
Second Quarter 2021





**A. Kassen, River Man, 2016**  
**Photo: Frédéric Boudin**  
**Courtesy of the Kistefos Museum, Norway**



# **FINANCIAL REPORT**

## **SECOND QUARTER 2021**

Avanzia Bank S.A.

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### **Avanzia Bank S.A.**

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## Highlights for the second quarter 2021

- Gross credit card loan balance of MEUR 2 013, growth +5.9% QoQ and +15.3% YoY.
- 1 187 000 performing active clients, growth +3.3% QoQ and +6.7% YoY.
- 2 001 000 cards in force<sup>1</sup>, growth +1.9% QoQ and +10.2% YoY.
- Card acquisition cost of MEUR 8.1, decrease -4.6% QoQ and -7.1% YoY.
- Loan loss rate (provisions and write offs) of 3.5% (-0.0%-points QoQ and -1.6%-points YoY).
- Net profit of MEUR 32.3, +25.6% QoQ and +24.2% YoY.
- Annualised return on equity of 39.7% in Q2-21 vs. 47.4%<sup>2</sup> in Q2-20.

Avanzia experienced strong demand for credit across all its markets as vaccination campaigns across Europe continue to progress, driving economic recovery and increased consumption during the quarter. Compared to Q1 2021, the total turnover on Avanzia's revolving credit cards was up 22.4% (+38.6% compared to Q2 2020) and the number of active clients grew by 3.3% (+6.7% compared to Q2 2020). The loan balance grew by MEUR 113 over the quarter and was 15.3% higher compared to the same period last year.

Total income grew 2.8% QoQ to MEUR 78.4 and was up 11.6% YoY, primarily driven by the higher interest and commission income coupled with lower funding costs.

Operating expenses of MEUR 26.5 increased slightly QoQ (+2.2%) mainly due to higher administrative costs.

Total loan loss provisions reached MEUR 17.1, up 5.9% QoQ, in line with the loan balance growth. The loan loss rate (provisions and write offs) remained stable at 3.5%, which confirms a strong credit quality despite the pandemic.

The net profit ended at MEUR 32.3, an increase of 25.6% QoQ and 24.2% compared to the same quarter last year. The annualised return on equity was 39.7%.

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<sup>1</sup> Cards in force: The number of issued cards including active and inactive cards.

<sup>2</sup> Annualised return on equity is computed by dividing annualised net earnings by average monthly shareholders' equity

### Profit development

in EUR million, QoQ

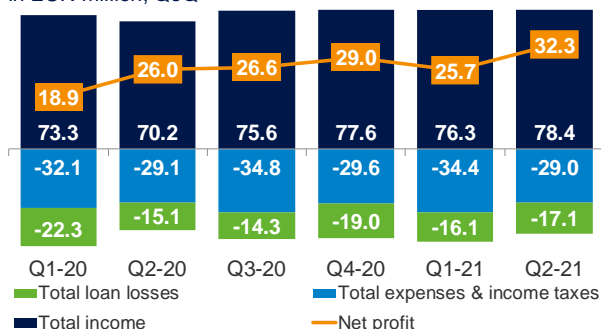


Figure 1: Profit development.

Growth metrics	Active clients	Loans and advances to credit card clients	Net profit
CAGR (2010 - LTM*)	18.8%	22.2%	31.8%
YTD 2021 vs. YTD 2020	6.7%	15.3%	29.2%

\* Last twelve months

Table 1: CAGR and YTD growth.

Since 2010, Advanzia has delivered a compound annual growth rate (CAGR) of 31.8% in net profit, 22.2% in loan balance and 18.8% in the number of performing active credit card clients.

### Loan balance development

#### Credit card loan balance

in EUR million, QoQ

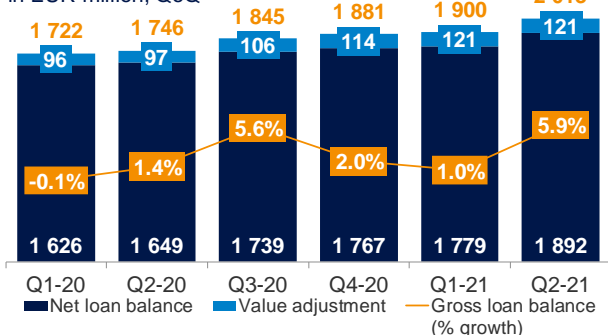
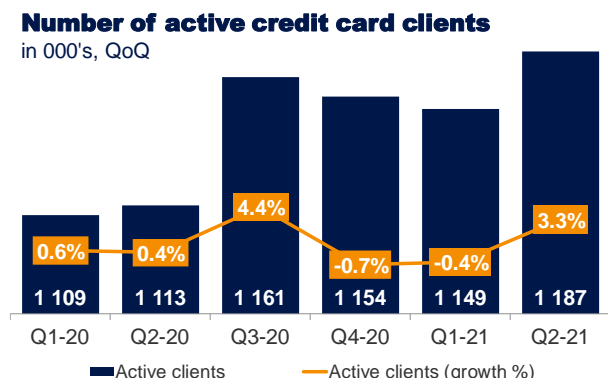


Figure 2: Loan balance development.

With a growth of 5.9% QoQ, the gross credit card loan balance surpassed the milestone of BEUR 2 at the end of the second quarter of 2021. The growth occurred across all markets in which the Bank operates and is driven by an increase in both the turnover per active client as well as the number of active clients.

## Active clients/credit cards



**Figure 3:** Credit card clients.

European economies started to re-open as COVID-19 cases decrease. Especially, travel restrictions and health measures in the hospitality industry were increasingly relaxed, creating more opportunities for card usage and thus more demand for credit. In Q2, the Bank counted 1 187 000 active clients, an increase of 3.3% QoQ and 6.7% YoY.

## Financial institutions – Professional Card Services (PCS)

Key Figures, PCS clients	Actual Q2-21	Actual Q1-21	QoQ growth	Actual Q2-20	YoY growth	Actual YTD-21	Actual YTD-20	YTD growth
Number of banks	92	90	2.2%	89	3.4%	92	89	3.4%
Total cards (opened)	16 917	16 807	0.7%	16 696	1.3%	16 917	16 696	1.3%
Turnover (in EUR million)	103.3	80.5	28.3%	55.5	86.0%	183.8	163.3	12.6%

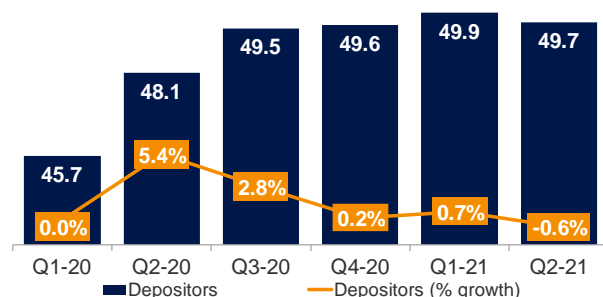
**Table 2:** PCS statistics.

With less travel restrictions, private consumption picked up again during the summer period. This had a positive effect on turnover for PCS, which increased substantially, 28.3% QoQ and 86% YoY, and returned to pre-pandemic levels. The Bank onboarded two new partner banks during the quarter.

## Deposit account

### Number of active depositors

in 000's, QoQ



### Deposit balance

in EUR million, QoQ

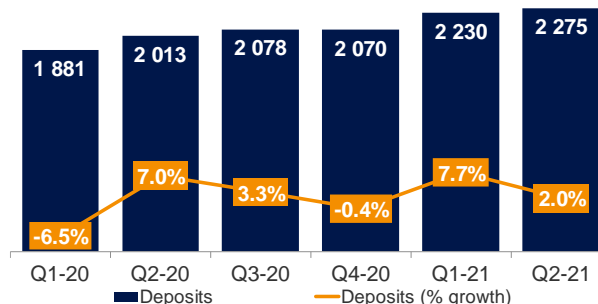


Figure 4: Deposit statistics.

The Bank has lowered its standard rate from 0.20% to 0.15% eff. p.a. and stopped introductory campaigns targeting new clients, which resulted in lower client intake during the quarter. Nevertheless, the total net inflow of deposit balances was MEUR 45, which resulted in an increase of 2.0% QoQ in the deposit balance.

## Board, management and staff

As of 30 June 2021, Advanzia Bank employed 196 full-time equivalent employees.

## Shareholding

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

## Financial statements

The unaudited accounts of Advanzia as at the end of the second quarter of 2021 are shown below. Advanzia Bank follows IFRS standards and the figures reflect Advanzia's actual business activities and operations.

<b>Assets (EUR million)</b>	<b>Actual Q2-21</b>	<b>Actual Q1-21</b>	<b>QoQ growth</b>	<b>Actual Q2-20</b>	<b>YoY growth</b>	<b>Actual YTD-21</b>	<b>Actual YTD-20</b>	<b>YTD growth</b>
Cash, balances with central banks	882.6	898.3	-1.8%	710.5	24.2%	<b>882.6</b>	710.5	24.2%
Loans and advances to credit institutions	133.3	145.1	-8.1%	105.6	26.2%	<b>133.3</b>	105.6	26.2%
Net loans and advances to PCS partner banks	49.1	36.7	33.8%	31.1	57.7%	<b>49.1</b>	31.1	57.7%
Loans and advances to credit card clients	2 012.8	1 899.9	5.9%	1 746.1	15.3%	<b>2 012.8</b>	1 746.1	15.3%
Value adjustments (losses)	-121.0	-121.0	0.0%	-96.6	25.3%	<b>-121.0</b>	-96.6	25.3%
Net loans and advances to credit card clients	1 891.8	1 778.9	6.3%	1 649.5	14.7%	<b>1 891.8</b>	1 649.5	14.7%
Tangible and intangible assets	31.3	32.3	-3.0%	34.3	-8.7%	<b>31.3</b>	34.3	-8.7%
Other assets	19.4	12.9	50.5%	10.3	88.8%	<b>19.4</b>	10.3	88.8%
<b>Total assets</b>	<b>3 007.5</b>	<b>2 904.2</b>	<b>3.6%</b>	<b>2 541.5</b>	<b>18.3%</b>	<b>3 007.5</b>	<b>2 541.5</b>	<b>18.3%</b>
<b>Liabilities and equity (EUR million)</b>	<b>Actual Q2-21</b>	<b>Actual Q1-21</b>	<b>QoQ growth</b>	<b>Actual Q2-20</b>	<b>YoY growth</b>	<b>Actual YTD-21</b>	<b>Actual YTD-20</b>	<b>YTD growth</b>
Amounts owed to credit institutions	237.1	209.9	13.0%	220.3	7.6%	<b>237.1</b>	220.3	7.6%
Amounts owed to customers	2 274.7	2 229.7	2.0%	2 012.8	13.0%	<b>2 274.7</b>	2 012.8	13.0%
Other liabilities, accruals, provisions	41.2	39.6	4.0%	35.0	17.7%	<b>41.2</b>	35.0	17.7%
Subordinated liabilities	55.0	55.0	0.0%	25.0	120.0%	<b>55.0</b>	25.0	120.0%
<b>Sum liabilities</b>	<b>2 608.0</b>	<b>2 534.2</b>	<b>2.9%</b>	<b>2 293.1</b>	<b>13.7%</b>	<b>2 608.0</b>	<b>2 293.1</b>	<b>13.7%</b>
Subscribed capital	27.4	27.4	0.0%	27.4	0.0%	<b>27.4</b>	27.4	0.0%
Other equity instruments	60.6	62.2	-2.7%	20.6	193.7%	<b>60.6</b>	20.6	193.7%
Reserves	29.9	29.9	0.0%	21.7	37.9%	<b>29.9</b>	21.7	37.9%
Profit (loss) brought forward	225.2	225.2	0.0%	134.7	67.2%	<b>225.2</b>	134.7	67.2%
AT1 bondholder distributions	-1.6	-0.4	286.7%	-1.0	64.2%	<b>-1.6</b>	-1.0	64.2%
Profit for the financial year	58.0	25.7	125.6%	44.9	29.2%	<b>58.0</b>	44.9	29.2%
<b>Sum equity</b>	<b>399.5</b>	<b>370.1</b>	<b>8.0%</b>	<b>248.3</b>	<b>60.9%</b>	<b>399.5</b>	<b>248.3</b>	<b>60.9%</b>
<b>Total liabilities and equity</b>	<b>3 007.5</b>	<b>2 904.2</b>	<b>3.6%</b>	<b>2 541.5</b>	<b>18.3%</b>	<b>3 007.5</b>	<b>2 541.5</b>	<b>18.3%</b>

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



<b>Income statement (EUR million)</b>	<b>Actual Q2-21</b>	<b>Actual Q1-21</b>	<b>QoQ growth</b>	<b>Actual Q2-20</b>	<b>YoY growth</b>	<b>Actual YTD-21</b>	<b>Actual YTD-20</b>	<b>YTD growth</b>
Interest receivable, credit cards	77.1	74.6	3.4%	70.7	9.0%	151.7	142.8	6.2%
Interest receivable (payable), others	-2.7	-2.1	25.0%	-2.3	16.7%	-4.8	-4.5	7.1%
Interest payable, deposits	-1.1	-1.4	-20.0%	-1.8	-38.2%	-2.5	-3.8	-34.1%
<b>Net interest income</b>	<b>73.3</b>	<b>71.0</b>	<b>3.2%</b>	<b>66.6</b>	<b>10.1%</b>	<b>144.4</b>	<b>134.5</b>	<b>7.3%</b>
Commission receivable	10.9	9.8	11.5%	8.9	23.2%	20.7	19.5	6.2%
Commission payable	-4.3	-4.1	5.4%	-3.6	21.3%	-8.4	-8.8	-4.9%
Other operating result	-1.5	-0.5	225.7%	-1.8	-10.0%	-2.0	-1.6	24.7%
<b>Total income</b>	<b>78.4</b>	<b>76.3</b>	<b>2.8%</b>	<b>70.2</b>	<b>11.6%</b>	<b>154.6</b>	<b>143.5</b>	<b>7.7%</b>
Card acquisition costs	-8.1	-8.5	-4.6%	-8.7	-7.1%	-16.6	-17.7	-6.3%
Card operating costs	-6.6	-6.6	0.0%	-7.6	-13.2%	-13.1	-15.1	-12.7%
Staff costs	-5.4	-4.9	9.5%	-4.8	12.2%	-10.3	-9.2	11.5%
Other administrative expenses	-4.4	-3.9	13.5%	-2.8	59.3%	-8.3	-5.6	47.6%
Depreciation, tangible + intangible assets	-2.0	-2.0	-1.2%	-2.0	-3.1%	-4.0	-4.1	-3.5%
<b>Sum operating expenses</b>	<b>-26.5</b>	<b>-25.9</b>	<b>2.2%</b>	<b>-25.9</b>	<b>2.1%</b>	<b>-52.4</b>	<b>-51.8</b>	<b>1.1%</b>
Value adjustments	-0.4	-6.6	-94.3%	-0.8	-53.1%	-7.0	-5.1	36.8%
Write-offs	-16.7	-9.5	75.3%	-14.3	16.4%	-26.2	-32.4	-18.9%
<b>Total loan losses</b>	<b>-17.1</b>	<b>-16.1</b>	<b>5.9%</b>	<b>-15.1</b>	<b>12.8%</b>	<b>-33.2</b>	<b>-37.4</b>	<b>-11.4%</b>
Profit (loss) on ordinary activities before taxes	34.8	34.3	1.7%	29.1	19.7%	69.1	54.2	27.4%
Income tax and net worth tax	-2.5	-8.5	-70.2%	-3.1	-17.5%	-11.1	-9.4	18.5%
<b>Profit (loss) for the period</b>	<b>32.3</b>	<b>25.7</b>	<b>25.6%</b>	<b>26.0</b>	<b>24.2%</b>	<b>58.0</b>	<b>44.9</b>	<b>29.2%</b>

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

### Comments on the accounts

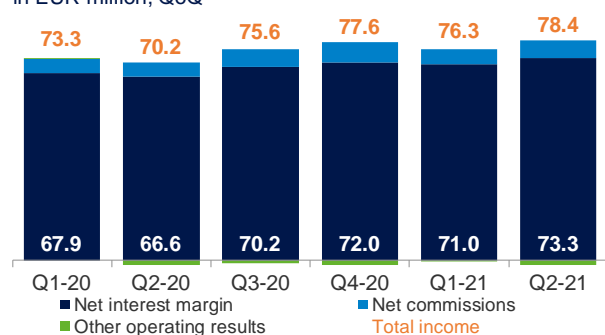
The gross credit card loan balance increased by MEUR 113 (5.9% QoQ) to MEUR 2 013 and total income was up 2.8% QoQ to MEUR 78.4. The growth in income is driven by increased credit card loan balances and higher commissions received from the PCS business line as turnover increased. Operating expenses of MEUR 26.5 registered a slight increase by 2.2% QoQ.

Total loan loss provisions of MEUR 17.1 were up 5.9% QoQ resulting in a stable loan loss rate (provisions and write-offs) of 3.5%.

Avanzia's earnings before taxes increased 1.7% QoQ to MEUR 34.8. Earnings after taxes increased by 25.6% to MEUR 32.3.

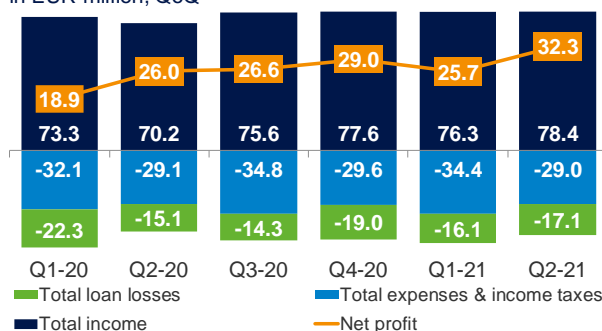
#### Income split and development

in EUR million, QoQ



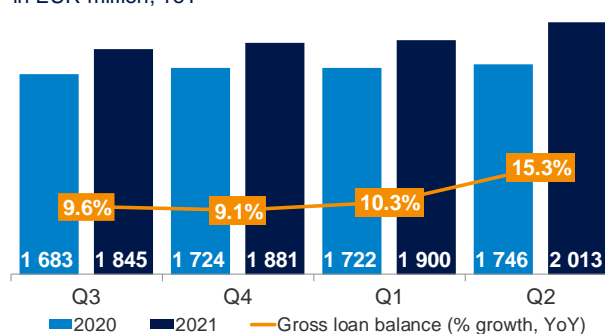
#### Profit development

in EUR million, QoQ



#### Credit card loan balance

in EUR million, YoY



#### Net interest income

in EUR million, YoY

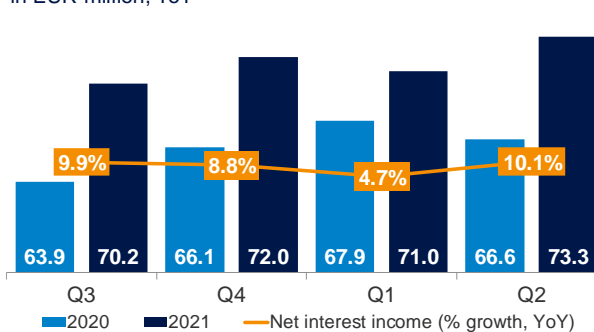


Figure 5: Interest income, profit, loan balance and net interest margin development.

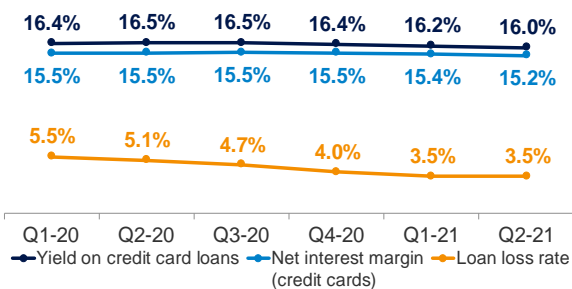
### Key performance indicators (KPIs)

Profitability measures decreased slightly QoQ as the share of non-interest bearing loans increased with higher turnover volume. On the efficiency side, the cost-income ratio improved slightly QoQ by 10 bps. The annualised return on equity improved to 39.7%<sup>3</sup>, an increase of 540 bps compared to the previous quarter.

The Bank maintains a very comfortable capital position, with a capital adequacy ratio (including interim profits) of 27.5%. Liquidity levels remain well above the regulatory requirements with LCR standing at 198.8%.

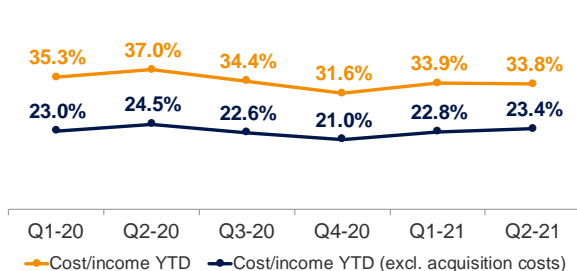
#### Profitability

in %, QoQ



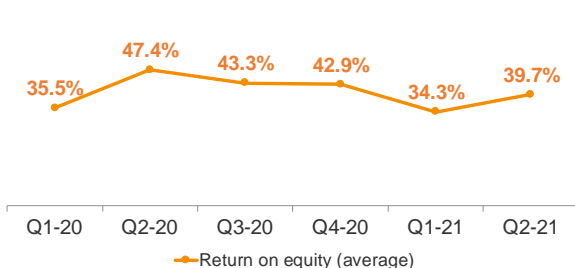
#### Cost/Income ratio

in %, QoQ



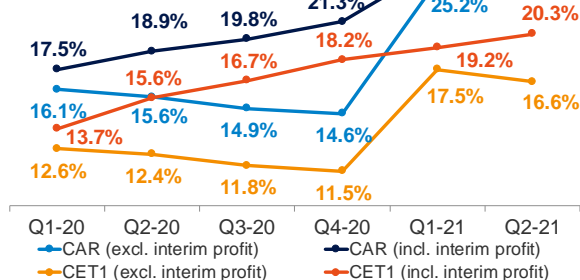
#### Return on equity

in %, annualised, QoQ



#### Solvency

in %, QoQ



#### Funding and liquidity

in %, QoQ

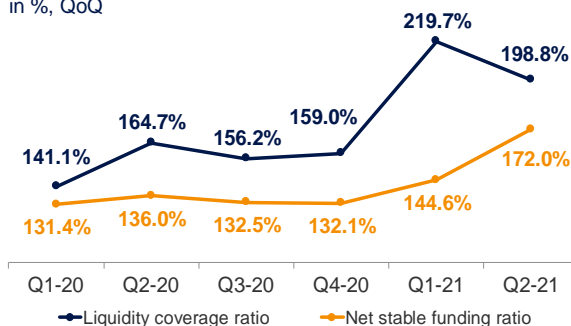


Figure 6: Key performance indicators<sup>4</sup>.

<sup>3</sup> Annualised return on equity is computed by dividing annualised net earnings by average monthly shareholders' equity.

<sup>4</sup> CET1 - Common Equity Tier 1, CAR - Capital Adequacy Ratio, consisting of CET1 + additional Tier 1 and Tier 2 capital. The increase in NSFR in Q2-21 results from an updated computation method due to CRR 2.



## **Outlook**

Following a mixed overall economic development in Q1 2021, many sectors experienced early signs of recovery in the months from April to June, including retail trade, accommodation, tourism and food services, along with a stabilisation in production. The latest 2021 growth forecast from Germany's Ifo Institute was decreased to 3.3% from 3.7% in Q1, due to the supply chain congestions and increased delivery costs. However, the economy is expected to expand by 4.3% in 2022, up from the previous forecast of 3.2%.

For the Bank, new default cases in the German portfolio remained low. COVID-19 has undoubtedly created opportunities for the digital banking sector, and Advanzia continued pursuing its digital transformation strategy, focusing on enhanced customer experience and high customer service standards. For the German market, a complete rebranding of the Bank's visual identity and online presence is planned for the second half of the year alongside a new mobile app and web portal.

The Bank continues to closely monitor macroeconomic developments and receivables. With a better economic outlook, strong balance sheet and solid profitability, Advanzia Bank expects to continue to grow its business for the remainder of 2021 and beyond.

Munsbach, Luxembourg

12.08.2021

Patrick Thilges  
Chief Financial Officer

Roland Ludwig  
Chief Executive Officer



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

Photo: H el ene Binet

Courtesy of Kistefos Museum



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