



**ADVANZIA  
BANK**

FINANCIAL REPORT  
First Quarter 2022





**Her Hauntology by Paulina Olowska at the Kistefos Museum, Norway**

Photo: Vegard Kleven

Courtesy of Kistefos Museum

# **FINANCIAL REPORT FIRST QUARTER 2022**

Advanzia Bank S.A.

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**Highlights for the first quarter 2022**

<b>KPI</b>	<b>Actual</b>	<b>QoQ %</b>	<b>YoY %</b>
Gross credit card loan balance (MEUR)	2 270	2.9%	17.6%
Performing active clients	1 250 000	1.5%	8.9%
Cards in force	2 097 000	2.1%	6.8%
Card acquisition cost (MEUR)	10.3	31.5%	21.6%
Loan loss rate (provisions and write offs)	4.3%	+0.2%-points	+0.8%-points
Net profit (MEUR)	30.1	-16.6%	17.1%
Annualised return on equity	35.3%	43.3% in Q4-21	34.3% in Q1-21

Avanzia continues to experience an increase in demand for its products, despite the volatile pandemic and geopolitical situation in the first quarter of 2022. However, the Bank remains observant of the situation in Ukraine which can pose a threat to Europe's economy. A key priority for Avanzia continues to be the acceleration of its digital transformation roadmap.

With pandemic related restrictions nearly removed, the Bank recorded higher transaction volumes. The increase in performing active clients of 1.5% QoQ led to a 2.9% growth in the gross loan balance. Compared to Q1 2021, Avanzia's credit card portfolio grew by a healthy 17.6% in terms of loan balance and by 8.9% in terms of performing active clients.

Total income of MEUR 92.8 was up 0.3% QoQ and 20.8% YoY. The YoY growth is mainly driven by the increase in credit card turnover which translated into 15.9% higher YoY interest income. Operating expenses were MEUR 28.1 in Q1, up 6.1% QoQ, and 8.7% higher YoY mainly driven by increased marketing spend.

Total loan loss provisions of MEUR 24.9 were down 2.4% QoQ and up 49.8% YoY. The YoY comparison is affected by low loan balance growth in Q1 2021.

Earnings before tax of MEUR 39.7 were down 1.8% QoQ but up by 15.9% compared to Q1 2021, while net profit was at MEUR 30.1 (-16.6% QoQ and 17.1% YoY).

### Profit development

in EUR million, QoQ

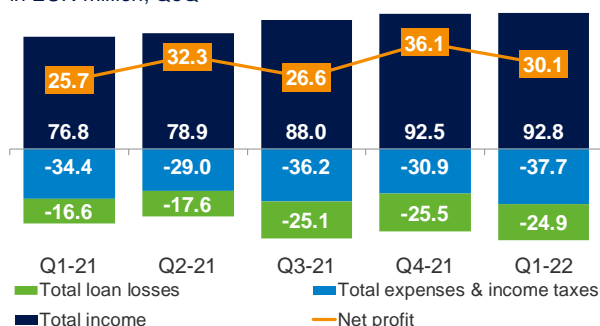


Figure 1: Profit development.

Growth metrics	Performing active clients	Loans and advances to credit card clients	Net profit
CAGR (2016 - LTM*)	14.5%	18.3%	24.1%
YTD 2022 vs. YTD 2021	8.9%	17.6%	17.1%

\* Last twelve months

Table 1: CAGR and YTD growth.

Since 2016, Advanzia has delivered a compound annual growth rate (CAGR) of 24.1% in net profit, 18.3% in loan balance and 14.5% in the number of performing active credit card clients.

### Loan balance development

#### Credit card loan balance

in EUR million, QoQ

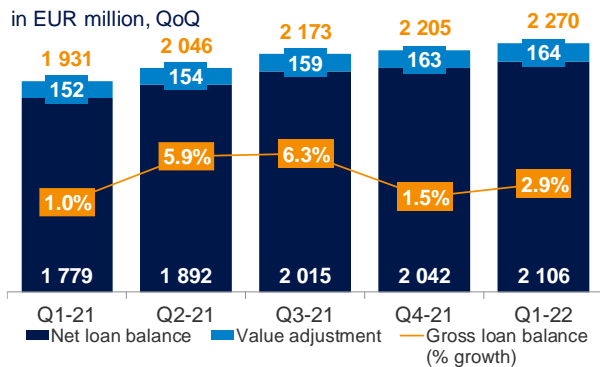
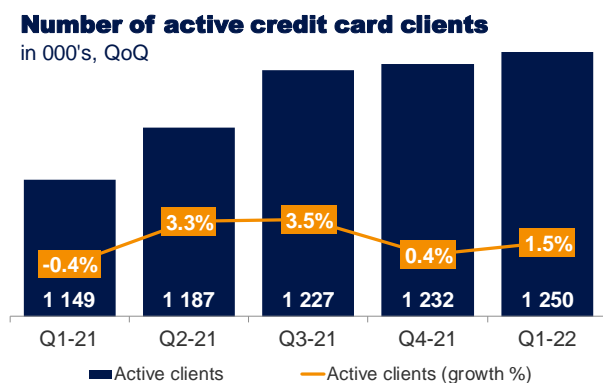


Figure 2: Loan balance development.

In the first quarter of 2022, the gross loan balance grew by 2.9% QoQ. Except for Austria, where the loan balance remained stable, all markets contributed positively to the growth.

## Active clients/credit cards



**Figure 3:** Credit card clients.

In Q1, the Bank had 1 250 000 active clients, an increase of 1.5% compared to the previous quarter and 8.9% YoY.

## Financial institutions – Professional Card Services (PCS)

Key Figures, PCS clients	Actual Q1-22	Actual Q4-21	QoQ growth	Actual Q1-21	YoY growth	Actual YTD-22	Actual YTD-21	YTD growth
Total cards (opened)	17 732	17 308	2.4%	16 807	5.5%	17 732	16 807	5.5%
Turnover (in EUR million)	129.1	136.7	-5.5%	80.5	60.4%	129.1	80.5	60.4%

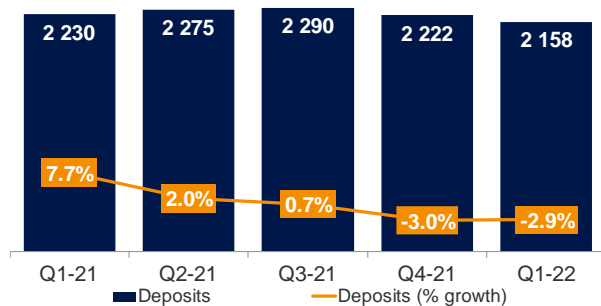
**Table 2:** PCS statistics.

In the PCS business segment, card turnover was down 5.5% QoQ, but up 60.4 YoY% due to the elimination of most pandemic-related restrictions. The number of cards increased by 2.4% QoQ and 5.5% YoY.

## Deposit account

### Deposit balance

in EUR million, QoQ



**Figure 4:** Deposit statistics.

The Bank maintained its deposit rate at 0.05% eff. p.a. and registered a net outflow of MEUR 64 corresponding to a 2.9% deposit balance decrease compared to the previous quarter.

## Board, management and staff

As of 31 March 2022, Advanzia Bank employed 183 full-time equivalent employees, down from 187 at the end of the previous quarter.

## Shareholding

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

## Financial statements

The unaudited accounts of Advanzia as at the end of the first quarter of 2022 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 Q1-22</b>	<b>Actual Q4-21</b>	<b>QoQ growth</b>	<b>Actual Q1-21</b>	<b>YoY growth</b>	<b>Actual YTD-22</b>	<b>Actual YTD-21</b>	<b>YTD growth</b>
Cash, balances with central banks	791.2	897.6	-11.9%	909.7	-13.0%	<b>791.2</b>	909.7	-13.0%
Loans and advances to credit institutions	84.8	83.0	2.2%	133.4	-36.4%	<b>84.8</b>	133.4	-36.4%
Net loans and advances to PCS partner banks	54.2	60.1	-9.9%	36.7	47.6%	<b>54.2</b>	36.7	47.6%
Loans and advances to credit card clients	2 270.2	2 205.3	2.9%	1 931.1	17.6%	<b>2 270.2</b>	1 931.1	17.6%
Value adjustments (losses)	-164.2	-163.0	0.7%	-152.0	8.0%	<b>-164.2</b>	-152.0	8.0%
Net loans and advances to credit card clients	2 106.0	2 042.3	3.1%	1 779.1	18.4%	<b>2 106.0</b>	1 779.1	18.4%
Tangible and intangible assets	28.9	29.6	-2.3%	32.3	-10.4%	<b>28.9</b>	32.3	-10.4%
Other assets	17.7	13.4	32.0%	13.6	29.9%	<b>17.7</b>	13.6	29.9%
<b>Total assets</b>	<b>3 082.8</b>	<b>3 126.1</b>	<b>-1.4%</b>	<b>2 904.9</b>	<b>6.1%</b>	<b>3 028.7</b>	<b>2 904.9</b>	<b>4.3%</b>
<b>Liabilities and equity (EUR million)</b>	<b>Actual Q1-22</b>	<b>Actual Q4-21</b>	<b>QoQ growth</b>	<b>Actual Q1-21</b>	<b>YoY growth</b>	<b>Actual YTD-22</b>	<b>Actual YTD-21</b>	<b>YTD growth</b>
Amounts owed to credit institutions	24.3	23.5	3.7%	210.6	-88.4%	<b>24.3</b>	210.6	-88.4%
Amounts owed to customers	2 139.6	2 221.3	-3.7%	2 228.0	-4.0%	<b>2 139.6</b>	2 228.0	-4.0%
Amounts owed to financial corporates	400.2	400.2	0.0%	0.0	-	<b>400.2</b>	0.0	-
Other liabilities, accruals, provisions	50.2	43.3	16.0%	41.2	22.0%	<b>50.2</b>	41.2	22.0%
Subordinated loan (T2)	55.0	55.0	0.0%	55.0	0.0%	<b>55.0</b>	55.0	0.0%
<b>Sum liabilities</b>	<b>2 669.3</b>	<b>2 743.2</b>	<b>-2.7%</b>	<b>2 534.8</b>	<b>5.3%</b>	<b>2 669.3</b>	<b>2 534.8</b>	<b>5.3%</b>
Subscribed capital and issue premiums	27.4	27.4	0.0%	27.4	0.0%	<b>27.4</b>	27.4	0.0%
Other equity instruments	63.4	61.7	2.9%	62.2	1.9%	<b>63.4</b>	62.2	1.9%
Reserves	29.9	29.9	0.0%	29.9	0.0%	<b>29.9</b>	29.9	0.0%
Profit (loss) brought forward	147.1	147.1	0.0%	225.2	-34.7%	<b>147.1</b>	225.2	-34.7%
Profit for appropriation	120.7	0.0	0.0%	0.0	-	<b>120.7</b>	0.0	-
AT1 bondholder distributions	-5.2	-4.0	31.5%	-0.4	1166.2%	<b>-5.2</b>	-0.4	1166.2%
Profit for the financial year	30.1	120.7	-75.1%	25.7	17.1%	<b>30.1</b>	25.7	17.1%
<b>Sum equity</b>	<b>413.5</b>	<b>382.9</b>	<b>8.0%</b>	<b>370.1</b>	<b>11.7%</b>	<b>413.5</b>	<b>370.1</b>	<b>11.7%</b>
<b>Total liabilities and equity</b>	<b>3 082.8</b>	<b>3 126.1</b>	<b>-1.4%</b>	<b>2 904.9</b>	<b>6.1%</b>	<b>3 082.8</b>	<b>2 904.9</b>	<b>6.1%</b>

**Table 3:** Unaudited statement of financial position as at 31 March 2022 (in EUR million).



<b>Income statement (EUR million)</b>	<b>Actual Q1-22</b>	<b>Actual Q4-21</b>	<b>QoQ growth</b>	<b>Actual Q1-21</b>	<b>YoY growth</b>	<b>Actual YTD-22</b>	<b>Actual YTD-21</b>	<b>YTD growth</b>
Interest receivable, credit cards	87.0	88.3	-1.4%	75.1	15.9%	<b>87.0</b>	75.1	15.9%
Interest receivable (payable), others	-2.1	-3.1	-30.6%	-2.1	0.6%	<b>-2.1</b>	-2.1	0.6%
Interest payable, deposits	-0.3	-0.5	-44.1%	-1.4	-80.0%	<b>-0.3</b>	-1.4	-80.0%
<b>Net interest income</b>	<b>84.6</b>	<b>84.7</b>	<b>-0.1%</b>	<b>71.5</b>	<b>18.3%</b>	<b>84.6</b>	<b>71.5</b>	<b>18.3%</b>
Commission receivable	13.1	12.9	1.2%	9.8	33.4%	<b>13.1</b>	9.8	33.4%
Commission payable	-5.0	-4.5	10.6%	-4.1	22.5%	<b>-5.0</b>	-4.1	22.5%
Other operating result	0.1	-0.6	-115.8%	-0.5	-120.1%	<b>0.1</b>	-0.5	-120.1%
<b>Total income</b>	<b>92.8</b>	<b>92.5</b>	<b>0.3%</b>	<b>76.8</b>	<b>20.8%</b>	<b>92.8</b>	<b>76.8</b>	<b>20.8%</b>
Card acquisition costs	-10.3	-7.9	31.5%	-8.5	21.6%	<b>-10.3</b>	-8.5	21.6%
Card operating costs	-7.4	-7.1	4.2%	-6.6	12.5%	<b>-7.4</b>	-6.6	12.5%
Staff costs	-4.6	-5.4	-14.7%	-4.9	-7.0%	<b>-4.6</b>	-4.9	-7.0%
Other administrative expenses	-3.4	-3.6	-3.8%	-3.9	-11.4%	<b>-3.4</b>	-3.9	-11.4%
Depreciation, tangible + intangible assets	-2.4	-2.6	-8.9%	-2.0	19.4%	<b>-2.4</b>	-2.0	19.4%
<b>Sum operating expenses</b>	<b>-28.1</b>	<b>-26.5</b>	<b>6.1%</b>	<b>-25.9</b>	<b>8.7%</b>	<b>-28.1</b>	<b>-25.9</b>	<b>8.7%</b>
Value adjustments	-1.2	-4.3	-72.4%	-8.3	-85.7%	<b>-1.2</b>	-8.3	-85.7%
Write-offs	-23.7	-21.2	11.9%	-8.3	184.6%	<b>-23.7</b>	-8.3	184.6%
<b>Total loan losses</b>	<b>-24.9</b>	<b>-25.5</b>	<b>-2.4%</b>	<b>-16.6</b>	<b>49.8%</b>	<b>-24.9</b>	<b>-16.6</b>	<b>49.8%</b>
Profit (loss) on ordinary activities before taxes	39.7	40.4	-1.8%	34.3	15.9%	<b>39.7</b>	34.3	15.9%
Income tax and net worth tax	-9.6	-4.3	120.7%	-8.5	12.2%	<b>-9.6</b>	-8.5	12.2%
<b>Profit (loss) for the period</b>	<b>30.1</b>	<b>36.1</b>	<b>-16.6%</b>	<b>25.7</b>	<b>17.1%</b>	<b>30.1</b>	<b>25.7</b>	<b>17.1%</b>

**Table 4:** Unaudited income statement as at 31 March 2022 (in EUR million).

### Comments on the accounts

During Q1 2022, the gross credit card loan balance increased by MEUR 64.8 (2.9% QoQ) to MEUR 2 270 due to increased customer activity. The deposit balance decreased by 2.9% as the Bank kept its rates constant due to holding excess liquidity.

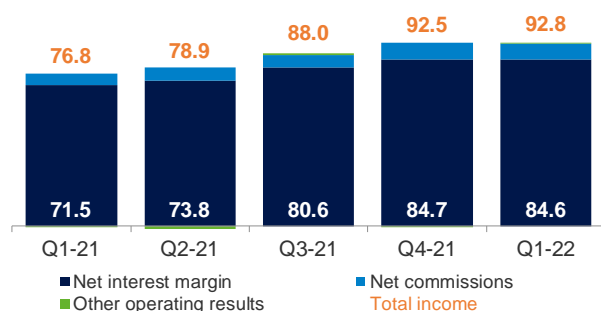
Total income increased by 0.3% QoQ and reached MEUR 92.8. Operating expenses of MEUR 28.1 were up 6.1% QoQ due to higher card acquisition costs. Excluding card acquisition costs, operating expenses decreased QoQ.

Besides the ongoing forward flow agreement, the Bank sold MEUR 5.7 of its older non-performing loans in Q1 2022. The transaction was neutral from a profit and loss perspective but affects growth rates negatively.

Avanzia's earnings before tax of MEUR 39.7 decreased by 1.8% compared to Q4 2021 and improved by 15.9% compared to Q1 2021. Avanzia's net profit of MEUR 30.1 declined by 16.6% compared to Q4 2021 and increased by 17.1% compared to Q1 2021.

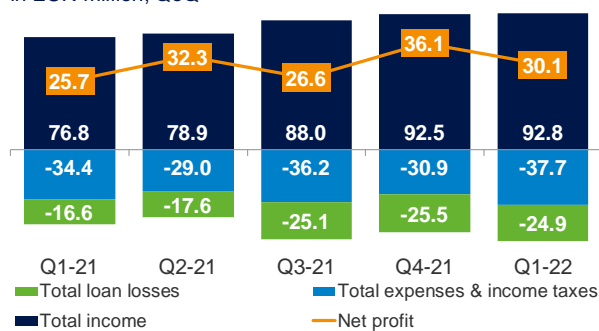
#### Income split and development

in EUR million, QoQ



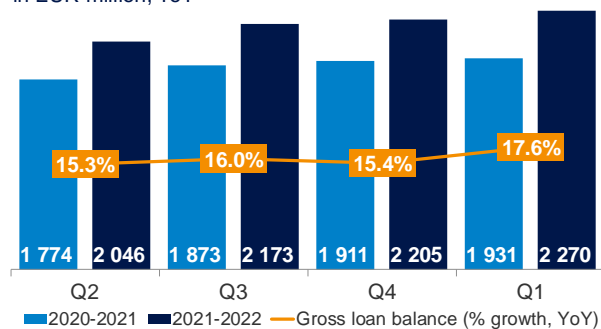
#### Profit development

in EUR million, QoQ



#### Credit card loan balance

in EUR million, YoY



#### Net interest income

in EUR million, YoY

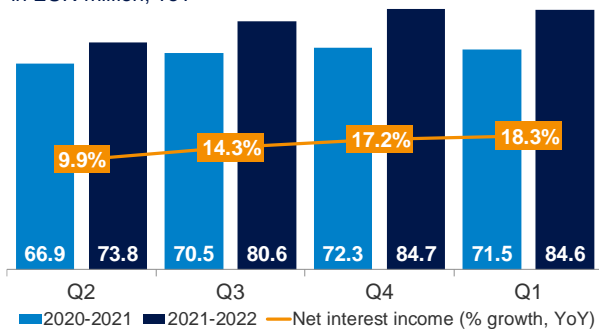


Figure 5: Income, profit, loan balance and net interest margin development. Quarterly net profit figures are impacted by tax related intra-year differences.

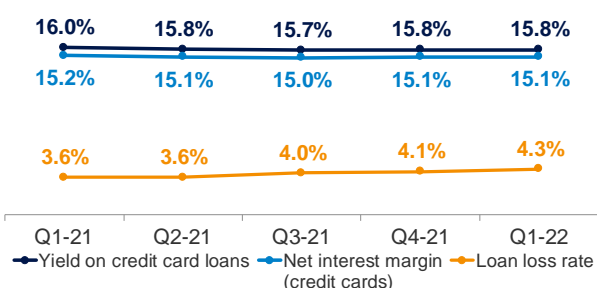
### Key performance indicators (KPIs)

In Q1 2022, both the yield as well as the net interest margin on credit cards remained stable QoQ. The 12-month trailing loan loss rate increased by 20 bps due to higher loan loss provisions compared to Q1 2021, when growth was lower. The cost-income ratio increased from 28.7% in Q4 2021 to 30.3% in Q1 2022 which is mainly attributable to higher marketing expenses during the quarter. The cost-income ratio excluding acquisition costs continued to decline. The annualised return on equity ended at 35.3%.

The Bank remains highly solvent with a capital adequacy ratio (incl. interim profits) of 25.5%, up 70 bps compared to the last quarter, while liquidity levels are comfortable with a LCR of 181.2%.

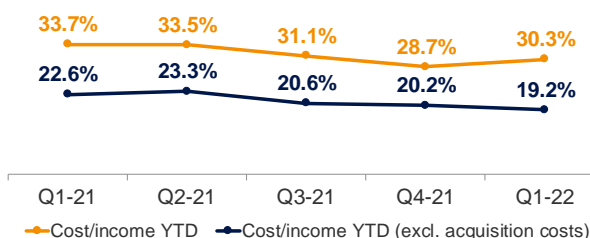
#### Profitability

in %, QoQ



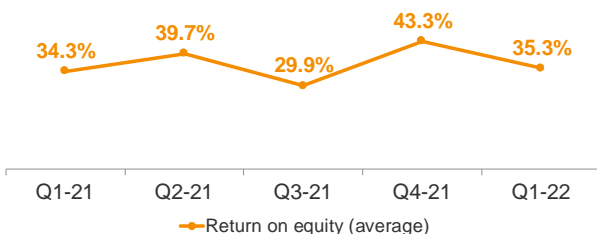
#### Cost/income ratio

in %, QoQ



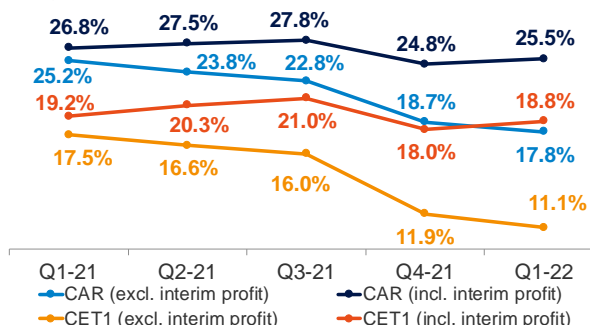
#### Return on equity

in %, annualised, QoQ



#### Solvency

in %, QoQ



#### Funding and liquidity

in %, QoQ

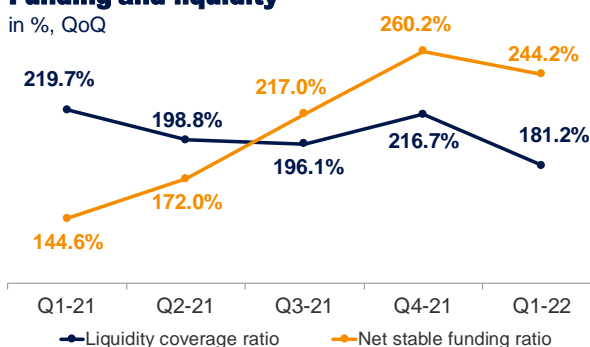


Figure 6: Key performance indicators<sup>1</sup>.

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

## Outlook

From an economical point of view, the conflict in Ukraine presents a potential serious setback to Europe's strong and ongoing recovery from the pandemic, even if fiscal and monetary support resulted in an impressive rebound in employment rates. GDP growth in the EU is expected to remain subdued for 2022 due to persistent supply disruptions, high energy prices and the ongoing war in the Ukraine.

The German government revised its inflation forecast for this year to 6.1%, up from 3.3% forecasted in January, not affecting consumption significantly per today. The relief measures announced across the EU would help consumers to cope with soaring energy costs, however, the extent of the impact is uncertain.

The Bank's credit risk remains stable and at a comfortable level with a low number of new default cases across all markets. A small increase in Germany can be expected as the Bank experienced record low numbers of default cases in 2021. In Italy, the Bank's most recent market entry, onboarding activities will increase driven by the positive developments since entry in Q4 2021.

The Bank continues to closely monitor the macroeconomic development and loan balance performance, ready to act should unexpected events arise. In line with its plans, the Bank will be advancing on its ambitious digital transformation journey with the aim to offer additional services throughout the year.

On the basis of a strong capital position, Advanzia anticipates that growth levels will continue their gradual return to pre-pandemic levels.

Munsbach, Luxembourg

13.05.2022

Patrick Thilges  
Chief Financial Officer

Roland Ludwig  
Chief Executive Officer





**Her Hauntology by Paulina Ołowska at the Kistefos Museum, Norway**

Photo: Vegard Kleven

Courtesy of Kistefos Museum





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