



**ADVANZIA  
BANK**

FINANCIAL REPORT  
Third Quarter 2022



**The Twist**

Photo: Vegard Kleven

Courtesy of Kistefos Museum

# **FINANCIAL REPORT THIRD QUARTER 2022**

Advanzia Bank S.A.

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**Highlights for the third quarter 2022**

<b>KPI</b>	<b>Q3-22</b>	<b>QoQ %</b>	<b>YoY %</b>
Gross credit card loan balance (MEUR)	2 494	+4.9%	+14.8%
Performing active clients	1 355 000	+4.0%	+10.4%
Cards in force <sup>1</sup>	2 223 000	+3.2%	+9.1%
Card acquisition cost (MEUR)	12.2	2.3%	+32.5%
Loan loss rate (provisions and write offs)	4.9%	+0.1% - points	+0.9% - points
Net profit (MEUR)	32.3	+0.0%	+21.1%
Annualised return on equity	48.2%	46.7% in Q2-22	29.9% in Q3-21

During Q3 2022, Advanzia's clients continued to revert to pre-pandemic habits which resulted in a continued strong rebound of card activities. Total card spending increasing a further 10% QoQ to a record high MEUR 1 457 and an increase of the gross loan balance to close to 2.5 billion EUR. The share of international transactions increased considerably contributing positively to the fee income of the Bank. As a result, total income reached MEUR 103.7, up 7.1% QoQ and 17.9% YoY. The Bank is experiencing a high demand for its products and grew the number of active clients by 4% in Q3.

Operating expenses reached MEUR 33.5 in Q3, up 6.5% QoQ, and 22.3% higher YoY mainly driven by increased marketing spending and higher card operating costs.

Total loan loss provisions of MEUR 31.1 were lower by 0.2% QoQ and up 23.8% YoY. The increase in provisions YoY is due to the combination of a faster loan balance growth than in the previous quarters and a higher default rate (which nevertheless remains lower than the rates observed in the pre-pandemic period). As a result, the loan loss rate increased by 0.1%-p QoQ and 0.9%-p YoY, reaching 4.9% in Q3.

Earnings before tax of MEUR 39.1 went up by 14.5% QoQ and 10.3% compared to Q3 2021, while the net profit for Q3 ended at MEUR 32.3, on par with Q2 and +21.1% YoY.

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

### Profit development

in EUR million, QoQ

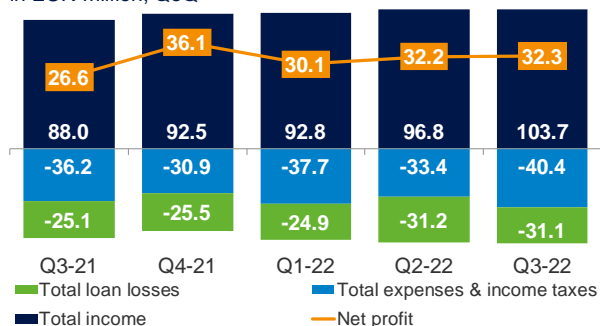


Figure 1: Profit development.

Growth metrics	Performing active clients	Loans and advances to credit card clients	Net profit
CAGR (2017 - LTM*)	14.7%	18.5%	22.8%
YTD 2022 vs. YTD 2021	10.4%	14.8%	11.8%

\* Last twelve months

Table 1: CAGR and YTD growth.

Since the end of 2017, Advanzia has delivered a compound annual growth rate (CAGR) of 22.8% in net profit, 18.5% in loan balance and 14.7% in the number of performing active credit card clients.

### Loan balance development

#### Credit card loan balance

in EUR million, QoQ

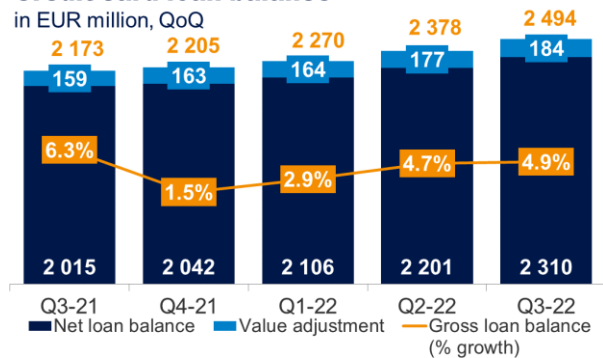
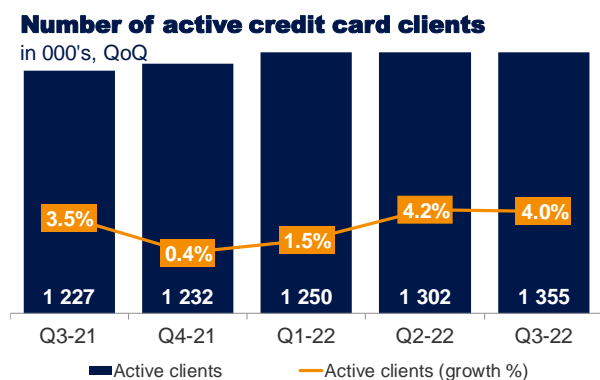


Figure 2: Loan balance development.

In the third quarter of 2022, the gross loan balance grew by 4.9% QoQ. All markets contributed positively to the growth.

## Active clients/credit cards



**Figure 3:** Credit card clients.

In Q3, the Bank had 1 355 000 active clients, an increase of 4.0% compared to the previous quarter and 10.4% YoY.

## Financial institutions – Professional Card Services (PCS)

Key Figures, PCS clients	Q3-22	Q2-22	QoQ	Q3-21	YoY	YTD-22	YTD-21	YoY
Total cards (opened)	18 177	18 021	0.9%	17 113	6.2%	18 177	17 113	6.2%
Turnover (in EUR million)	165.0	152.3	8.3%	129.4	27.5%	446.5	313.2	42.5%

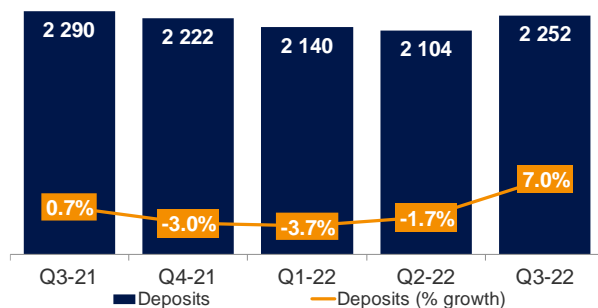
**Table 2:** PCS statistics

In the PCS business segment, card turnover was up 8.3% QoQ and 27.5% YoY due to increased international turnover. The number of cards increased by 0.9% QoQ and 6.2% YoY.

## Deposit account

### Deposit balance

in EUR million, QoQ



**Figure 4:** Deposit statistics.

The Bank increased its deposit rate to 0.65% eff. p.a., following the rate increases by the ECB and its impact on the competitive environment. Over the quarter, the Bank registered a net inflow of MEUR 148, corresponding to a 7.0% deposit balance increase QoQ.

## Board, management and staff

As of 30 September 2022, Advanzia Bank employed 193.5 full-time equivalent employees, up from 189 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 third 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>Q3-22</b>	<b>Q2-22</b>	<b>QoQ</b>	<b>Q3-21</b>	<b>YoY</b>	<b>YTD-22</b>	<b>YTD-21</b>	<b>YoY</b>
Cash, balances with central banks	592.0	576.2	2.7%	790.4	-25.1%	592.0	790.4	-25.1%
Loans and advances to credit institutions	85.3	85.9	-0.7%	133.7	-36.2%	85.3	133.7	-36.2%
Net loans and advances to PCS partner banks	72.5	69.3	4.6%	55.0	31.7%	72.5	55.0	31.7%
Loans and advances to credit card clients	2 494.3	2 377.7	4.9%	2 173.4	14.8%	2 494.3	2 173.4	14.8%
Value adjustments (losses)	-184.2	-177.1	4.0%	-158.6	16.1%	-184.2	-158.6	16.1%
Net loans and advances to credit card clients	2 310.1	2 200.7	5.0%	2 014.8	14.7%	2 310.1	2 014.8	14.7%
Tangible and intangible assets	26.7	28.1	-4.7%	30.5	-12.3%	26.7	30.5	-12.3%
Other assets	25.1	18.3	37.5%	15.6	60.4%	25.1	15.6	60.4%
<b>Total assets</b>	<b>3 111.7</b>	<b>2 978.3</b>	<b>4.5%</b>	<b>3 040.1</b>	<b>2.4%</b>	<b>3 111.7</b>	<b>3 040.1</b>	<b>2.4%</b>
<b>Liabilities and equity (EUR million)</b>	<b>Q3-22</b>	<b>Q2-22</b>	<b>QoQ</b>	<b>Q3-21</b>	<b>YoY</b>	<b>YTD-22</b>	<b>YTD-21</b>	<b>YoY</b>
Amounts owed to credit institutions	13.5	14.2	-4.9%	227.4	-94.1%	13.5	227.4	-94.1%
Amounts owed to customers	2 252.1	2 104.2	7.0%	2 289.7	-1.6%	2 252.1	2 289.7	-1.6%
Amounts owed to financial corporates	434.2	421.9	2.9%	0.0	-	434.2	0.0	-
Other liabilities, accruals, provisions	39.9	35.5	12.3%	43.0	-7.2%	39.9	43.0	-7.2%
Subordinated loan (T2)	55.0	55.0	0.0%	55.0	0.0%	55.0	55.0	0.0%
<b>Sum liabilities</b>	<b>2 794.7</b>	<b>2 630.8</b>	<b>6.2%</b>	<b>2 615.1</b>	<b>6.9%</b>	<b>2 794.7</b>	<b>2 615.1</b>	<b>6.9%</b>
Subscribed capital and reserves	63.4	63.4	0.0%	57.3	10.7%	63.4	57.3	10.7%
Other equity instruments (AT1)	58.2	59.5	-2.2%	60.6	-4.0%	58.2	60.6	-4.0%
Profit (loss) brought forward	164.8	164.8	0.0%	225.2	-26.8%	164.8	225.2	-26.8%
Profit for the financial year (net of interim dividend and AT1 distributions)	30.6	59.8	-48.9%	81.9	-62.7%	30.6	81.9	-62.7%
<b>Sum equity</b>	<b>317.0</b>	<b>347.5</b>	<b>-8.8%</b>	<b>425.0</b>	<b>-25.4%</b>	<b>317.0</b>	<b>425.0</b>	<b>-25.4%</b>
<b>Total liabilities and equity</b>	<b>3 111.7</b>	<b>2 978.3</b>	<b>4.5%</b>	<b>3 040.1</b>	<b>2.4%</b>	<b>3 111.7</b>	<b>3 040.1</b>	<b>2.4%</b>

**Table 3:** Unaudited statement of financial position as at 30 September 2022 (in EUR million).

<b>Income statement (EUR million)</b>	<b>Q3-22</b>	<b>Q2-22</b>	<b>QoQ</b>	<b>Q3-21</b>	<b>YoY</b>	<b>YTD-22</b>	<b>YTD-21</b>	<b>YoY</b>
Interest receivable, credit cards	96.5	91.1	5.9%	84.1	14.8%	274.6	236.8	16.0%
Interest receivable (payable), others	-3.3	-2.0	7.2%	-3.5	-5.0%	-7.7	-10.7	-28.1%
<b>Net interest income</b>	<b>93.2</b>	<b>89.1</b>	<b>4.6%</b>	<b>80.6</b>	<b>15.6%</b>	<b>266.9</b>	<b>226.0</b>	<b>18.1%</b>
Commission receivable	16.1	14.3	12.9%	11.5	40.2%	43.4	32.2	34.9%
Commission payable	-5.7	-5.3	6.8%	-5.0	12.9%	-16.0	-13.4	19.0%
Other operating result	0.0	-1.3	-103.3%	0.9	-95.3%	-1.1	-1.1	-1.1%
<b>Total income</b>	<b>103.7</b>	<b>96.8</b>	<b>7.1%</b>	<b>88.0</b>	<b>17.9%</b>	<b>293.3</b>	<b>243.7</b>	<b>20.4%</b>
Card acquisition costs	-12.2	-11.9	2.3%	-9.2	32.5%	-34.5	-25.8	33.5%
Staff costs	-5.8	-5.3	8.6%	-5.4	6.8%	-15.7	-15.7	-0.3%
Other general administrative expenses	-13.0	-11.8	10.3%	-10.7	21.3%	-35.6	-32.2	10.8%
Depreciation, tangible + intangible assets	-2.5	-2.4	4.3%	-2.0	22.7%	-7.3	-6.0	21.3%
<b>Total operating expenses</b>	<b>-33.5</b>	<b>-31.4</b>	<b>6.5%</b>	<b>-27.4</b>	<b>22.3%</b>	<b>-93.1</b>	<b>-79.7</b>	<b>16.7%</b>
<b>Total loan losses</b>	<b>-31.1</b>	<b>-31.2</b>	<b>-0.2%</b>	<b>-25.1</b>	<b>23.8%</b>	<b>-87.2</b>	<b>-59.3</b>	<b>46.9%</b>
Profit (loss) on ordinary activities before taxes	39.1	34.2	14.5%	35.5	10.3%	113.0	104.6	8.1%
Income tax and net worth tax	-6.9	-1.9	253.5%	-8.8	-22.3%	-18.4	-19.9	-7.7%
<b>Profit (loss) for the period</b>	<b>32.3</b>	<b>32.2</b>	<b>0.0%</b>	<b>26.6</b>	<b>21.1%</b>	<b>94.6</b>	<b>84.6</b>	<b>11.8%</b>

**Table 4:** Unaudited income statement as at 30 September 2022 (in EUR million).



### Comments on the accounts

During Q3 2022, the gross credit card loan balance increased by MEUR 116.5 (4.9% QoQ) to MEUR 2 494 due to increased customer activity. Deposits increased by 7.0% as the Bank raised its deposit rates.

Total income increased by 7.1% QoQ and reached MEUR 103.7. The growth in total income is driven by the growth in loan balance and higher commission income. Operating expenses of MEUR 33.5 were up 6.5% QoQ mainly due to higher card operating costs. Card operating costs increased by 10.3% QoQ mainly due to card destruction costs (old cards sent to destruction).

Total loan losses decreased by 0.2% QoQ and increased by 23.8% YoY mainly due to higher loan balance growth, higher default rates (which nevertheless remains lower than the rates observed in the pre-pandemic period) and a reflection of worsened macroeconomic indicators in the forward-looking adjustment in IFRS 9 (the latter when compared YoY).

Avanzia's earnings before tax of MEUR 39.1 increased by 14.5% compared to Q2 2022 and by 10.3% compared to Q3 2021. Avanzia's net profit of MEUR 32.3 remained unchanged compared to Q2 2022 and increased by 21.1% compared to Q3 2021.

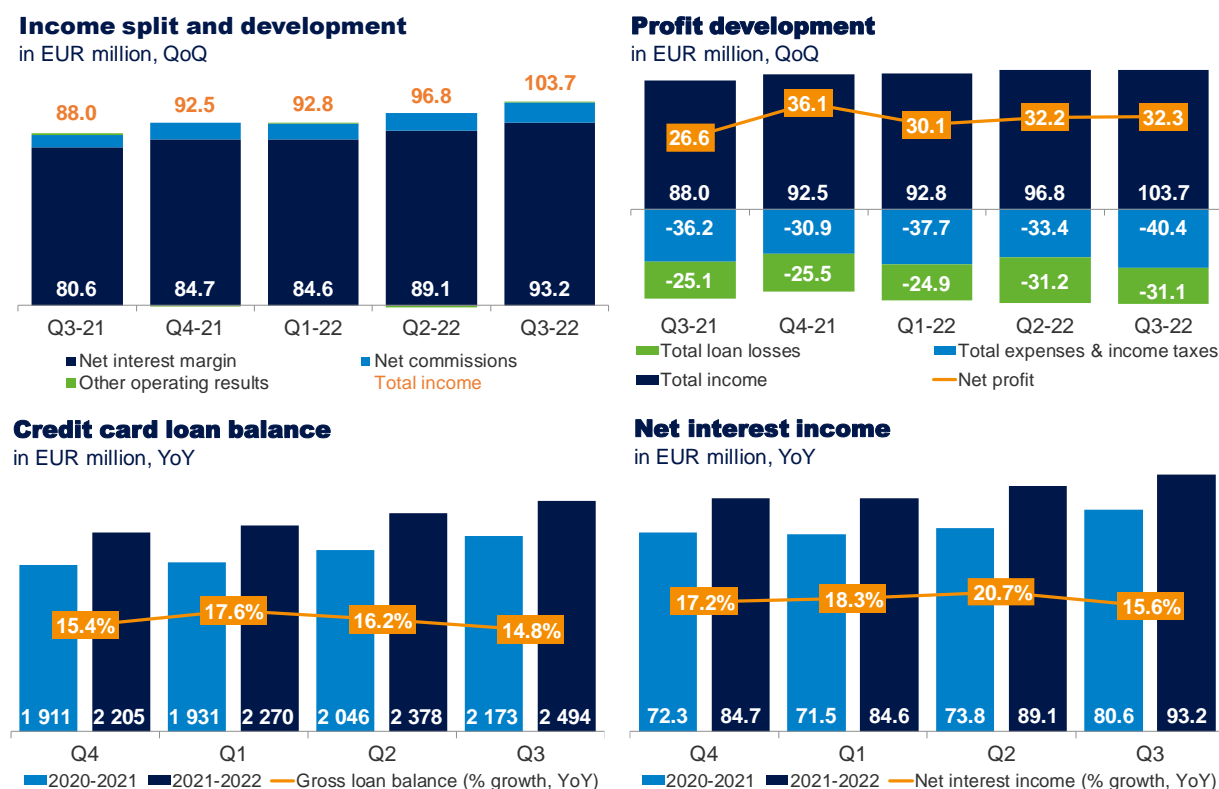


Figure 5: Income, profit, loan balance and net interest margin development. Quarterly net profit figures are impacted by tax related intra-year differences.

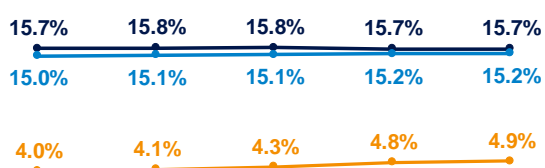
### Key performance indicators (KPIs)

In Q3 2022, both the yield and net interest margin on credit cards remained in line with previous quarters. The 12-month trailing loan loss rate increased by 0.1%-points due to higher loan loss provisions in Q3 2022 compared to Q3 2021. The cost-income ratio decreased from 32.5% in Q2 2022 to 32.3% in Q3 2022 which is mainly attributable to higher income generated in the quarter. The annualised return on equity of 48.2% increased QoQ by 150bps.

The Bank remains highly solvent with a capital adequacy ratio (incl. interim profits) of 18.6%, 2.4%-points lower compared to the last quarter mainly due to an interim dividend payment of MEUR 60. Liquidity levels are comfortable with a LCR of 147.6%.

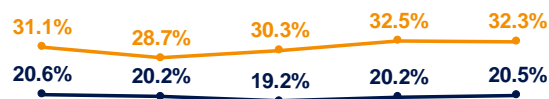
#### Profitability

in %, QoQ



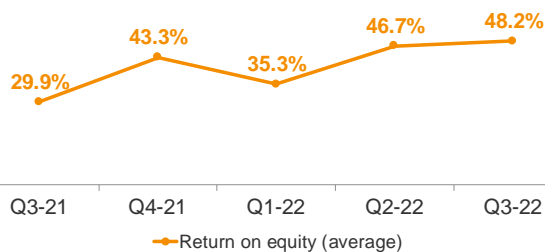
#### Cost/income ratio

in %, QoQ



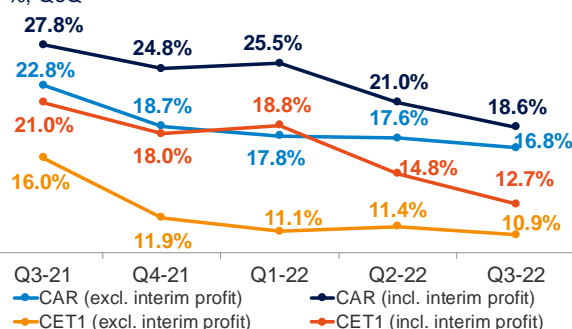
#### Return on equity

in %, annualised, QoQ



#### Solvency

in %, QoQ



#### Funding and liquidity

in %, QoQ

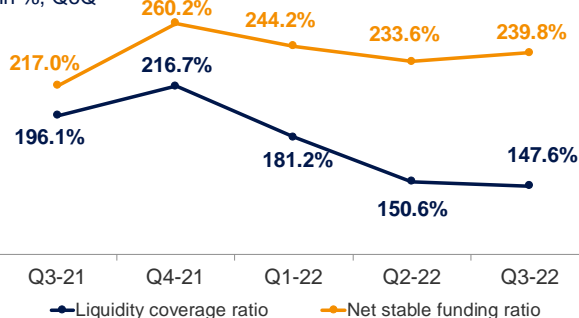


Figure 6: Key performance indicators<sup>2</sup>.

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

## Outlook

The current environment is characterized by high inflation and tightening financial conditions leading to a decline in business and consumer confidence. German real disposable income is expected to decline by 4.1% in 2023 compared to a decline of 0.4% in 2022. Thus, the outlook remains uncertain for the next years. On the other side, substantial additional government spending is anticipated to limit the impact of high energy prices and unemployment is expected to remain relatively stable in Germany.

Avanzia's risk models in Germany have a good track record, based on 15 years' worth of data and are continuously developed and enriched. Credit risk has remained within anticipated levels and, although gradually increasing across markets, default rates remain well under control.

Following the successfully completed migration of partner banks (that issued Omnium cards) to the main brand Capitol during Q3 2022 and the launch of the new Capitol App based on Avanzia's Omnichannel platform, the PCS business line has now streamlined and harmonised its platforms and is set to further grow and digitalise its Cards as a Service offering.

The Bank will continue to pursue sustainable and profitable growth in all business segments and markets, alongside progressing on its digital transformation project to enhance customer experience.

Munzbach, Luxembourg

15.11.2022

Patrick Thilges  
Chief Financial Officer

Roland Ludwig  
Chief Executive Officer



**The Twist**

Photo: Vegard Kleven

Courtesy of Kistefos Museum



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