Advanzia Bank S.A.

Quarterly report, 1st quarter 2014

As at 31.03.2014

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Highlights first quarter 2014

- **30 000 new active clients in Germany: +2% from Q4 2013, and +7% YoY**
- **3 400 new active clients in France: +39% from Q4 2013, and +265% YoY**
- **Overall credit card loan balance at EUR 542.8 million: +3% from Q4 2013 and +24% YoY**
- **Loan loss rate stable at 5.1%**
- **EUR 4.8M after tax profits: -10% from Q4 2013 and +15% YoY**

General economy and market overview

In the first quarter of 2014, the German economy remained strong with the unemployment rate finishing at a stable 6.7%, compared to 6.9% in the previous quarter. The German GDP is expected to show a quarter-on-quarter (QoQ) growth of 0.6% in Q1 2014 compared to a QoQ growth of 0.3% in Q4 2013. The sustained positive performance is mainly driven by indicators such as a high willingness to buy and improved economic expectations. In addition, private consumption increased more than expected in the first quarter, representing a strong foundation for the growth of the overall German economy during 2014.

The French GDP in Q1 2014 is expected to remain stable with a QoQ growth of 0.1%. The unemployment rate decreased marginally from 10.8% in Q4 2013 to 10.7% in Q1 2014. Other small improvements are starting to surface, as private consumption saw a slight increase of 0.4% at the end of the quarter. Nevertheless, the French economy remains sluggish, and all other sentiments remained below their long-term average through the end of Q1, making the start to the new year one of a negative undertone.

The ECB key rate remained at 0.25% since its decrease in early November 2013.

Credit Cards

Key figures, Germany	Actual 31.03.2014	Actual 31.12.2013	QoQ growth	Actual 31.03.2013	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Card applicants	163 677	160 364	*2%*	144 201	*14%*	163 677	144 201	*14%*
Unblocked cards (contract signed)	34 525	33 957	*2%*	33 934	*2%*	34 525	33 934	*2%*
New active cards	30 039	29 372	*2%*	28 112	*7%*	30 039	28 112	*7%*
Non delinquent active clients (total, after churn)	392 390	377 787	*4%*	323 461	*21%*	392 390	323 461	*21%*

Key figures, France	Actual 31.03.2014	Actual 31.12.2013	QoQ growth	Actual 31.03.2013	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Card applicants	29 004	24 393	*19%*	7 135	*307%*	29 004	7 135	*307%*
Unblocked cards (contract signed)	4 250	2 722	*56%*	1 157	*267%*	4 250	1 157	*267%*
New active cards	3 394	2 435	*39%*	930	*265%*	3 394	930	*265%*
Non delinquent active clients (total, after churn)	8 615	6 452	*34%*	1 231	*600%*	8 615	1 231	*600%*

For Germany in Q1, both credit card applications and unblocked cards increased by 2% compared to the previous quarter. The number new active cards increased to 30 000 which also represents a QoQ growth of 2%.

Sales and unblocked cards in France increased by 19% and 56%, respectively. Further improvements in the overall sales funnels performance resulted in an increase of new active cards by 39%.

Credit risk

During the first quarter, the average monthly default rate for the German portfolio remained relatively stable with marginal movements driven by seasonality. The expectation for medium term credit loss development continues at a loan loss rate of around 5% on an annual basis, assuming no major changes in the client composition or behaviour.

Fraud write-offs decreased by 35% to a total of 0.3 MEUR (0.4 MEUR in Q4 2013), as Advanzia has implemented real time monitoring systems that now are starting to work effectively.

The French portfolio maintains a considerably higher credit risk than Germany, with credit quality worsening for both the 2012 and 2013 vintages during the first quarter after a relative slowdown during the previous quarter. The Bank has started implementing various measures to improve performance earlier in the customer life cycle.

Fraud write-offs are increasing. This is mainly driven by application fraud related to cards issued prior to the introduction of new systems/procedures aimed at reducing this.

Deposit accounts

The competitive situation in the deposit account market remained stable in Q1, and at the end of the quarter, the best offer decreased to 1.40%.

Advanzia decreased its standard rate on Advanziakonto from 1.33% to 1.21% effective p.a. at the beginning of March. Overall in Q1, the net cash outflow on deposits was 2.6 MEUR.

Board, management and staff

The Chairman of the Board of Directors, Mr. Henning Jensen, as announced in November 2013, resigned his position as CEO of Kistefos, and consequently stepped down as board member of Advanzia. Effective as of February 2014, Mr. Tom Ruud succeeded Mr Jensen’s position as Advanzia’s new Chairman of the Board of Directors.

There have been no other changes to the Board of Directors nor to the management of Advanzia during the quarter. As at 31.03.2014, Advanzia held 79 full-time equivalent employees.

Financial statements

Below are the unaudited accounts for Advanzia for the first quarter 2014 as at 31.03.2014. All amounts are in millions of EUR. The Bank follows IFRS accounting principles, and the figures are presented so that they reflect Advanzia's actual business activities and operations.

Assets (EUR millions)	Actual Q1-14	Actual Q4-13	QoQ growth	Actual Q1-13	YoY growth
Cash, balances with central banks	45.7	30.9	*48%*	20.8	*120%*
Loans and advances to credit institutions	179.4	200.1	*-10%*	189.5	*-5%*
Loans and advances to credit card clients	*542.8*	*528.5*	*3%*	*437.3*	*24%*
Value adjustment (losses)	*(31.3)*	*(29.6)*	*6%*	*(23.6)*	*32%*
Net loans and advances to credit card clients	511.5	498.9	*3%*	413.6	*24%*
Intangible & tangible assets	1.2	1.3	*-8%*	1.3	*-7%*
Other assets (incl. Tax asset)	0.6	1.6	*-62%*	1.3	*-52%*
SUM ASSETS	**738.4**	**732.9**	***1%***	**626.5**	***18%***

Liabilities and equity (EUR millions)	Actual Q1-14	Actual Q4-13	QoQ growth	Actual Q1-13	YoY growth
Amounts owed to customers	653.3	652.8	*0%*	557.3	*17%*
Other liabilities, accruals, provisions	8.3	9.1	*-9%*	7.8	*6%*
Sum liabilities	661.6	661.9	*0%*	565.1	*17%*
Subscribed capital	35.9	34.9	*3%*	42.3	*-15%*
Reserves	2.7	2.7	*0%*	0.9	*182%*
Profit (loss) brought forward	33.3	12.1	*176%*	13.8	*141%*
Profit (loss) for the financial year	4.8	21.2	*-78%*	4.1	*15%*
Sum equity	76.8	70.9	*8%*	61.3	*25%*
SUM LIABILITIES AND EQUITY	**738.4**	**732.9**	***1%***	**626.5**	***18%***

Income statement (EUR millions)	Actual Q1-14	Actual Q4-13	QoQ growth	Actual Q1-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Interest receivable, credit cards	22.2	22.0	*1%*	18.2	*22%*	22.2	18.2	*22%*
Interest receivable and similar income, others	0.1	0.1	*7%*	0.1	*-15%*	0.1	0.1	*-15%*
Interest payable and similar expenses	(2.1)	(2.2)	*-6%*	(2.2)	*-4%*	(2.1)	(2.2)	*-4%*
Net interest margin	**20.2**	**19.9**	***2%***	**16.1**	***25%***	**20.2**	**16.1**	***25%***
Commission receivable	2.6	2.8	*-6%*	2.2	*20%*	2.6	2.2	*20%*
Commission payable	(1.6)	(1.6)	*-4%*	(1.3)	*21%*	(1.6)	(1.3)	*21%*
Other financial items/operating income	0.3	0.9	*-60%*	0.5	*-29%*	0.3	0.5	*-29%*
Total income	**21.6**	**21.9**	***-1%***	**17.5**	***23%***	**21.6**	**17.5**	***23%***
Card acquisition costs	(2.9)	(2.9)	*1%*	(2.5)	*19%*	(2.9)	(2.4)	*19%*
Card operating costs	(2.0)	(1.8)	*13%*	(1.3)	*54%*	(2.0)	(1.3)	*54%*
Staff costs	(2.0)	(1.8)	*8%*	(1.7)	*17%*	(2.0)	(1.7)	*17%*
Other administrative expenses	(0.6)	(0.6)	*0%*	(0.6)	*7%*	(0.6)	(0.5)	*7%*
Depreciation, tangible + intangible assets	(0.2)	(0.2)	*-1%*	(0.2)	*-3%*	(0.2)	(0.2)	*-3%*
Sum operating expenses	**(7.8)**	**(7.4)**	***6%***	**(6.3)**	***24%***	**(7.8)**	**(6.3)**	***24%***
Value adjustments	(7.5)	(2.4)	*-27%*	(1.3)	*37%*	(1.7)	(1.3)	*37%*
Write-offs	(5.3)	(4.6)	*14%*	(4.1)	*30%*	(5.3)	(4.1)	*30%*
Total loan losses	(7.1)	(7.1)	*1%*	(5.4)	*32%*	(7.1)	(5.4)	*32%*
Profit (loss) on ordinary activities before taxes	6.7	7.5	*-10%*	5.8	*15%*	6.7	5.8	*15%*
Taxes	(1.9)	(2.2)	*-10%*	(1.7)	*15%*	(1.9)	(1.7)	*15%*
Profit (loss) for the period	**4.8**	**5.3**	***-10%***	**4.1**	***15%***	**4.8**	**4.1**	***15%***

Comments to the accounts

In general the first quarter is influenced by the seasonal characteristics of the modest performance usually seen during the first quarter.

In Q1 2014, the gross loan balance on credit cards grew by 14.3 MEUR which is a 3% increase compared to Q4 2013, and is subdued by the seasonally weak turnover in Q1. Client deposits remained stable at 653 MEUR. As a consequence of the growth in credit card loans and reduction in deposits, the liquid assets decreased by 6 MEUR to 225 MEUR. This represents a liquidity ratio of 33.7%, which the Bank considers to represent a comfortable level.

The net interest income margin increased by 2% compared to the previous quarter as a result of the higher loan balance. Commission receivable decreased by 6% mainly due to a decrease in reminder fees and MasterCard interchange, which is mainly the result of the lower turnover in Q1. Total income decreased by 1% compared to Q4, as the prior quarter also had some one-off items boosting that income.

Overall, operating expenses increased by 6% compared to Q4. Card acquisition costs of 2.9 MEUR (sales and marketing, credit scoring, as well as the costs associated with issuing and sending out cards) remained stable. Card operating costs of 2.0 MEUR, which are all direct variable costs associated with operating the card and depositor portfolios, increased by 13% compared to the previous quarter, partly due to higher card replacement costs which is more of a one-off character. Staff costs of 2.0 MEUR also saw an increase of 8% compared to Q4. Other administrative expenses of 0.6 MEUR remained stable compared to Q4.

Total Q1 loan losses of 7.1 MEUR remained stable compared to Q4. Measured on a yearly basis, the increase in loan losses is in line with the increase in interest income.

In Q1 2014, Advanzia's pre-tax profits decreased 10% from 7.5 MEUR in Q4 to 6.7 MEUR, and the Q1 after tax profit landed at 4.8 MEUR.

Key indicators

	Actual 31.03.2014	Actual 31.12.2013	QoQ growth	Actual 31.03.2013	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Proportion of non delinquent clients revolving (%)	54,3%	55,1%	*-1%*	52,9%	*3%*	54,3%	54,5%	0%
Interest accrued on credit cards (%)	18,3%	18,3%	*0%*	18,6%	*-2%*	18,3%	18,6%	-2%
Return on equity (%)	26,1%	31,3%	*-17%*	27,7%	*-6%*	26,1%	28,0%	-7%
Capital adequacy ratio (%) (incl. interim profits)	17,1%	16,1%	*6%*	16,4%	*4%*	17,1%	16,4%	4%
Capital adequacy ratio (%) (excl. interim profits)	16,0%	11,2%	*43%*	15,3%	*5%*	16,0%	15,3%	5%
Liquidity ratio (%)	33,7%	34,9%	*-3%*	37,2%	*-9%*	33,7%	37,2%	-9%
Net interest margin (all interest bearing assets)	11,0%	11,1%	*0%*	10,3%	*7%*	11,0%	10,3%	7%
Net interest margin (credit cards)	17,0%	16,9%	*0%*	17,0%	*0%*	17,0%	17,0%	0%
Loan loss rate (12 months trailing, credit cards)	5,2%	5,1%	*1%*	4,9%	*7%*	5,2%	4,9%	7%
Cost/Income (%)	36,0%	33,7%	*7%*	35,9%	*0%*	36,0%	35,9%	0%

All key indicators are presented as at balance sheet date, and represent the quarterly performance at annualised rates where applicable.

Most indicators remain on track in Q1. The cost/Income ratio increased by 7% compared to Q4 2013 due to the decrease in total income and higher costs. Return on equity decreased by 17% in Q1 from Q4, due to lower income and higher equity. The Q1 2014 capital ratio, including and excluding interim profits, were 17.1% and 16.0%, respectively. Advanzia's regulatory capital consists of solely Tier 1 capital. The loan loss rate is measured as 12 month trailing and remained rather stable compared to the previous quarter.

Select French key indicators

The table below present some selected key performance indicators for France.

Key Figures, France (EUR millions)	Actual Q1-14	Actual Q4-13	QoQ growth	Actual Q1-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Gross Loan Balance	7.2	5.8	*23%*			7.2	-	
Interest receivable, credit cards	0.2	0.2	*23%*			0.2	-	
Loan Losses	(0.5)	(0.3)	*33%*			(471)	-	

The performance in France continues to reflect a young and growing portfolio where further optimisation is required. The Bank will continue to monitor these results and further optimise the French business model. The French volumes represent 1.1% of Advanzia's overall card loans.

Advanzia going forward

Overall, the current macroeconomic as well as market conditions continue to remain relatively benign given the strong German economy and the Eurozone as a whole showing signs of improvements. The Bank will, into 2014 continue its current path of balancing profitability and growth in the German market.

The French market entry still remains in a test phase. Despite some growth, the French economy remains stagnant with high unemployment. This combined, with a challenging operating environment for credit cards, will continue to impede Advanzia's performance in that market. The Bank continues to implement measures that over time will improve performance, and volumes will therefore continue to remain moderate until these have proven to be effective.

Advanzia is launching a new Professional Card Services program, where Advanzia will leverage its capacities and offer card issuing and processing services to other banks serving other market segments than Advanzia. This program is foreseen to diversify Advanzia's income base and risks, with limited capital expenditure. The Bank is in parallel also assessing new markets for entry.

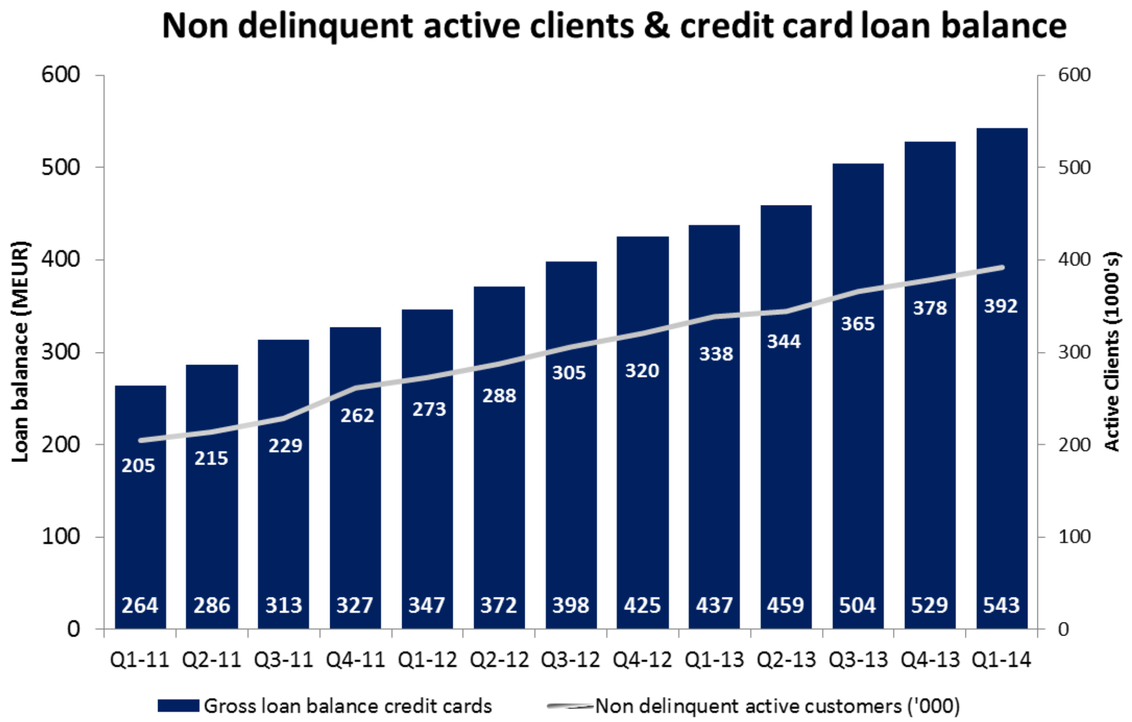
Munsbach, Luxembourg

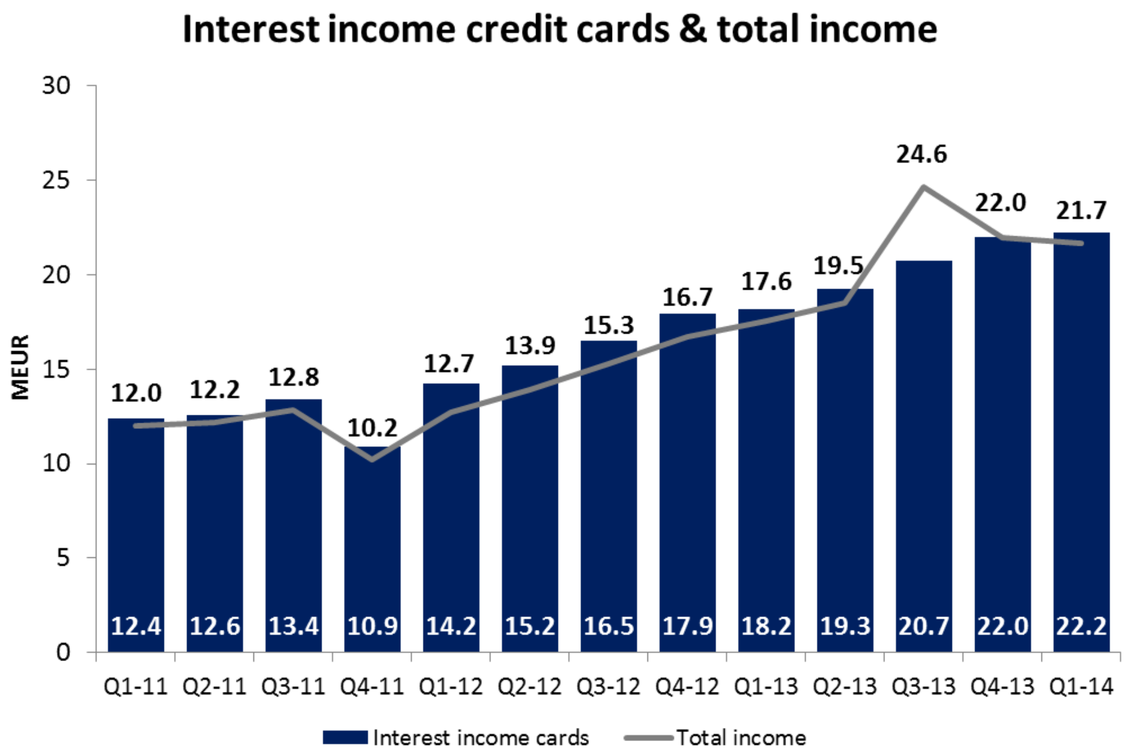
30.04.2014

Eirik Holtedahl
Chief Financial Officer/
Deputy Chief Executive Officer

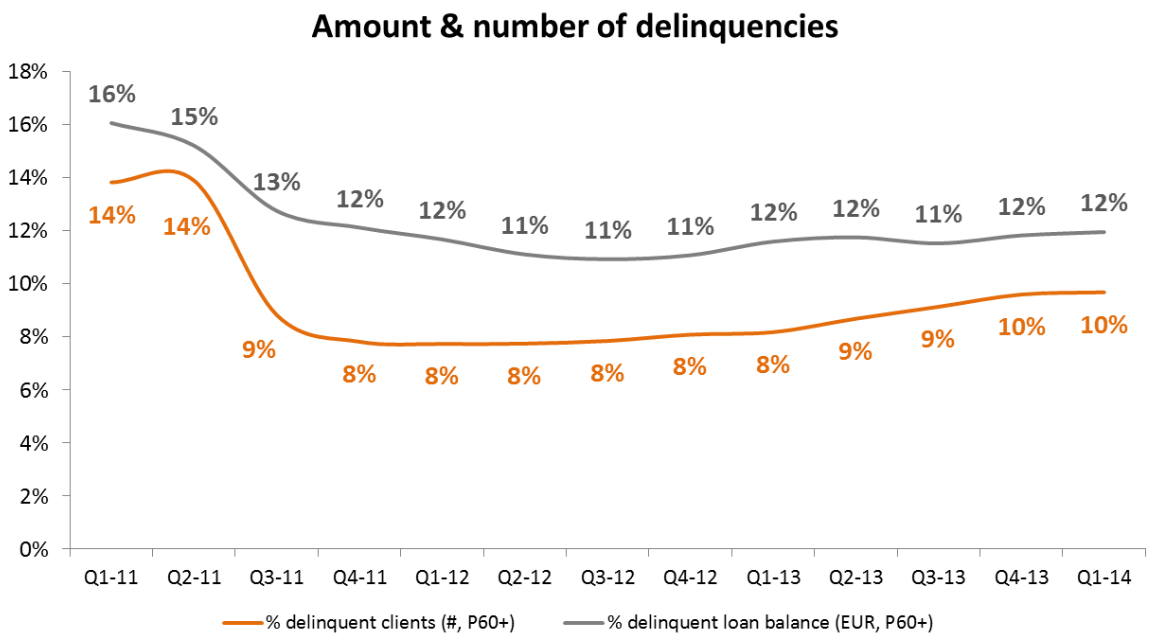
Marc Hentgen
Chief Executive Officer

Appendix: Development of key performance indicators

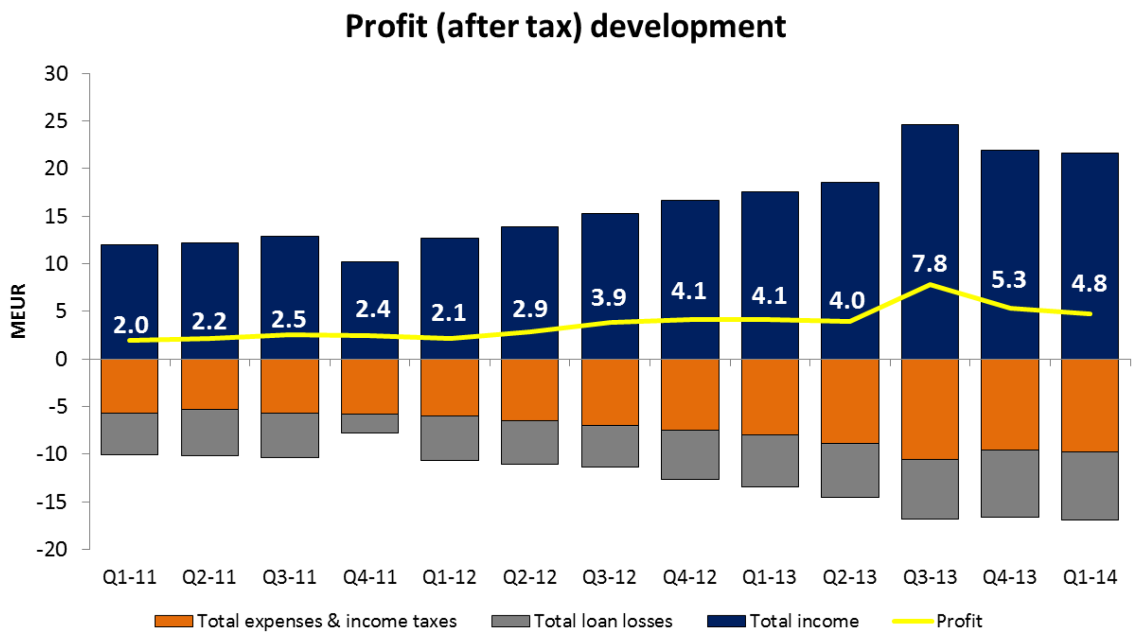




The Q4 2011 figures for interest income and total income are lower as the Bank in that quarter implemented the new metod for calculating interest income on delinquent accounts, which applied to the entire year 2011. The Q3-2013 income is influenced by a income shift transaction.



P60+ above refer to accounts/amounts that are more than 60 days past due. The reduction Q3-2011 of delinquent clients is due to a reclassification of so-called monitoring clients, which have largely been written off, and were then no longer recognised.



The lower Q4-2011 income, is due to a change in recognition of interest on delinquent accounts, with an equivalent effect on loan losses, where the full year effect was recorded in the quarter, and no change to overall profit. The Q3-2013 income is due to the income shift transaction.