



Advanzia Bank S.A.

Quarterly report, 2nd quarter 2015

As at 30.06.2015

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Highlights second quarter 2015

- Gross credit card loan balance of MEUR 701: +5% QoQ and +22% YoY
- Loan loss rate of 4.8%: 0.2% points improvement QoQ and 0.5% points improvement YoY
- After-tax profits of MEUR 8.2 for Q2: +20% QoQ and +43% YoY
- Completion of AT1 capital issuance of MNOK 85/MEUR 9.7
- Enhanced focus and investments for improving French performance

General economy and market overview

Macroeconomic overview (seasonally adj.)	Actual Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth	Expected 2015	Actual 2014	Yearly growth
Germany								
Unemployment rate	6.4%	6.4%	0bps	6.7%	-30bps	6.3%	6.7%	-40bps
GDP growth rate	1.0%	0.3%	70bps	-0.2%	120bps	1.6%	1.0%	60bps
Private consumption growth rate	1.5%	1.5%	0bps	1.2%	30bps	0.0%	1.2%	-120bps
France								
Unemployment rate	10.3%	10.6%	-30bps	10.4%	-10bps	9.2%	10.4%	-120bps
GDP growth rate	1.7%	0.6%	110bps	0.0%	170bps	0.0%	0.4%	-40bps
Private consumption growth rate	0.7%	-0.6%	130bps	1.0%	-30bps	0.0%	1.0%	-100bps
European Central Bank								
ECB key rate	0.05%	0.05%	-10bps	0.15%	-10bps	0.00%	0.15%	-15bps

*German unemployment rate: end of quarter; France unemployment rate: mid of quarter; German private consumption rate: annual; France private consumption: quarterly

In the second quarter of 2015, the German economy showed continued stability and resilience against the on-going economic tensions in Europe. The turmoil related to Greece is not expected to have any tangible impacts on the German economy as such.

The French economy is starting to show some signs of improvement with an improved unemployment rate of 10.3%. This boost in growth and job creations is expected to continue.

Credit cards

Key figures, (in '000)	Actual Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
New active cards	32.1	36.4	-12%	30.7	5%	68.5	60.7	13%
Germany	30.1	34.8	-14%	25.6	18%	64.9	52.2	24%
France	2.0	1.6	24%	5.1	-60%	3.7	8.5	-57%
Non delinquent active clients (total, after churn)	483.5	463.7	4%	409.6	18%	483.5	409.6	18%
Germany	467.3	448.6	4%	397.3	18%	467.3	397.3	18%
France	16.1	15.1	7%	12.2	32%	16.1	12.2	32%

Sales activities in Germany were moderated following a strong Q1, but still represented an 18% year-on-year increase in new customers on-boarded. In France, sales activity continued to increase, as activities with a number of new marketing partners were launched and site visitors increased year-on-year by over 30%. The number of customers accepted and on-boarded remained lower than 2014 owing to a tightened credit risk policy at the same level of applicants.

Professional Card Services

Key Figures, PCS clients	Actual Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Number of banks	5	5	0%	-	N/A	5	-	N/A
New active cards	79	212	-63%	-	N/A	291	-	N/A
Total cards	423	352	20%	-	N/A	423	-	N/A

The Bank is continuing the development of the programme, and is actively working with numerous prospects.

Deposit accounts

Avanzia decreased its standard rate on Advanziakonto from 1.01% to 0.90% effective p.a. at the end of the second quarter. This is approximately 20 BPS lower than the best competitor. The deposit product remains attractive, and the net inflow was MEUR 33 for the period.

Board, management and staff

There have been no changes to Board or management during the quarter

As at 30.06.2015, Avanzia held 95 full-time equivalent employees, up from 87 at 31.03.2015.

Financial statements

Below are the unaudited accounts for Advanzia as at 30.06.2015. 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 Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth
Cash, balances with central banks	45.0	35.0	29%	42.0	7%
Loans and advances to credit institutions	120.1	107.1	12%	129.4	-7%
Loans and advances to credit card clients	701.3	667.9	5%	576.2	22%
Value adjustment (losses)	(39.1)	(38.2)	2%	(33.3)	17%
Net loans and advances to credit card clients	662.2	629.7	5%	542.9	22%
Intangible & tangible assets	1.7	1.7	-1%	1.2	36%
Other assets	1.2	0.9	30%	0.6	104%

SUM ASSETS	830.2	774.4	7%	716.1	16%
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Liabilities and equity (EUR millions)	Actual Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth
Amounts owed to customers	725.3	690.1	5%	634.7	14%
Other liabilities, accruals, provisions	15.6	12.9	22%	10.9	44%
Subordinated loan (AT1)	9.7	-	-	-	-
Sum liabilities	750.6	703.0	7%	645.6	16%
Subscribed capital	26.4	26.3	0%	23.9	10%
Reserves	11.3	11.1	2%	5.0	124%
Profit (loss) brought forward	26.8	27.0	-1%	31.0	-14%
Profit (loss) for the financial year	15.0	6.8	120%	10.5	42%
Sum equity	79.6	71.4	12%	70.5	13%

SUM LIABILITIES AND EQUITY	830.2	774.4	7%	716.1	16%
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Income statement (EUR millions)	Actual Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Interest receivable, credit cards	28.6	26.9	6%	23.4	22%	55.5	45.5	22%
Interest receivable and similar income, others	0.0	0.0	87%	0.1	-92%	0.0	0.2	-94%
Interest payable and similar expenses	(1.8)	(1.8)	1%	(1.8)	-3%	(3.5)	(3.9)	-10%
Net interest margin	26.8	25.1	7%	21.6	24%	51.9	41.9	24%
Commission receivable	3.0	2.8	7%	2.9	6%	5.8	5.5	6%
Commission payable	(2.0)	(1.9)	4%	(1.7)	22%	(4.0)	(3.2)	23%
Other financial items/operating income	0.7	0.5	52%	0.5	64%	1.2	0.8	51%
Total income	28.5	26.5	8%	23.3	23%	55.0	45.0	22%
Card acquisition costs	(3.3)	(3.6)	-7%	(3.0)	11%	(6.9)	(5.9)	16%
Card operating costs	(2.4)	(2.2)	10%	(2.0)	23%	(4.6)	(4.0)	16%
Staff costs	(2.5)	(2.3)	7%	(2.1)	20%	(4.8)	(4.1)	18%
Other administrative expenses	(0.8)	(0.6)	29%	(0.6)	27%	(1.5)	(1.3)	15%
Depreciation, tangible + intangible assets	(0.2)	(0.2)	-3%	(0.2)	15%	(0.5)	(0.4)	14%
Sum operating expenses	(9.3)	(9.0)	4%	(7.9)	18%	(18.3)	(15.7)	17%
Value adjustments	(0.9)	(1.3)	-32%	(2.0)	-55%	(2.2)	(3.7)	-42%
Write-offs	(6.8)	(6.7)	2%	(5.4)	27%	(13.5)	(10.7)	26%
Total loan losses	(7.7)	(7.9)	-3%	(7.3)	5%	(15.6)	(14.4)	8%
Profit (loss) on ordinary activities before taxes	11.6	9.6	21%	8.1	43%	21.1	14.9	42%
Income tax and net worth tax	(3.4)	(2.8)	21%	(2.4)	43%	(6.2)	(4.3)	42%
Profit (loss) for the period	8.2	6.8	20%	5.7	43%	15.0	10.5	42%

Comments to the accounts

In Q2 2015, the gross loan balance on credit cards grew by MEUR 33 which is a 5% increase compared to Q1 2015. Client deposits increased to MEUR 725, which, combined with the AT1 loan (cf. below) are the main drivers for the increase in liquid assets of MEUR 23 to MEUR 165.

Total income increased by 8% compared to Q1 2015, mainly driven by higher interest income, interchange and reminder fees.

Overall, operating expenses increased by 4% compared to Q1 2015: a lower client acquisition spend was offset by increases primarily due to card operating costs, as well as higher staff costs due to the addition of new employees.

Loan losses continued at a steady level, decreasing to MEUR 7.7 in Q2, which is a 3% decrease on the previous quarter. Year-on-year, the growth in loan losses is less than the increase in loan balance and interest income.

Avanzia's pre-tax profits increased from MEUR 9.6 in Q1 2015 to MEUR 11.6 in Q2, and increased by 43% Y-o-Y. The Q2 after-tax profit landed at MEUR 8.2, which is an increase of 20% compared to Q1 2015.

The Bank also completed a placement of a perpetual loan (qualifying as alternative tier 1 capital) in Norwegian Kroner of MNOK 85 (or MEUR 9.7). This loan, to the extent permitted, is included in the Bank's tier 1 capital.

Key performance indicators

Financial ratios	Actual Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Non delinquent clients revolving (%)	54.7%	53.8%	0.8%-p	54.3%	0.4%-p	54.7%	54.3%	0.4%-p
Interest accrued on credit cards (%)	18.1%	18.2%	0%-p	18.2%	-0.1%-p	18.1%	18.2%	-0.1%-p
Net interest margin (all interest bearing assets)	13.6%	13.4%	0.2%-p	12.0%	1.6%-p	13.6%	12.0%	1.6%-p
Loan loss rate (12 months trailing, credit cards)	4.8%	5.0%	-0.2%-p	5.3%	-0.5%-p	4.8%	5.3%	-0.5%-p
Cost/Income (%)	32.6%	33.9%	-1.3%-p	33.8%	-1.3%-p	33.2%	34.9%	-1.7%-p
Return on equity (%)	43.5%	39.0%	4.5%-p	32.5%	11%-p	41.2%	29.5%	11.8%-p
Capital adequacy ratio (%) (incl. interim profits)	14.5%	12.4%	2.1%-p	15.2%	-0.6%-p	14.5%	15.2%	-0.6%-p
Capital adequacy ratio (%) (excl. interim profits)	11.8%	11.2%	0.7%-p	12.9%	-1.1%-p	11.8%	12.9%	-1.1%-p
Liquidity coverage ratio (LCR) (min 100%)	208.6%	163.4%	45.3%-p	224.2%	-15.6%-p	208.6%	224.2%	-15.6%-p
Net stable funding ratio (NSFR) (min 100%)	114.3%	114.0%	0.3%-p	125.0%	-10.7%-p	114.3%	125.0%	-10.7%-p

All key indicators represent the quarterly performance at annualised rates where applicable. The capital ratios reflect the inclusion of the Alternative Tier 1 capital.

Selected key performance indicators

Key Figures, Germany (EUR millions)	Actual Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Gross Loan Balance	701.3	667.9	5%	576.2	22%	701.3	576.2	22%
Interest receivable, credit cards	28.6	26.9	6%	23.4	22%	55.5	45.5	22%
Loan Losses	(7.7)	(7.9)	-3%	(7.3)	5%	(15.6)	(14.4)	8%

Key Figures, France (EUR millions)	Actual Q2-15	Actual Q1-15	QoQ growth	Actual Q2-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Gross Loan Balance	15.5	14.0	10%	9.2	69%	15.5	9.2	69%
Interest receivable, credit cards	0.5	0.5	15%	0.3	84%	1.0	0.5	87%
Loan Losses	(0.6)	(0.6)	-13%	(0.6)	0%	(1.2)	(1.0)	17%

Avanzia going forward

The German macroeconomic environment continues to remain benign, which is also reflected in Avanzia's performance, as the loan loss rates keep inching downwards. The favourable economic conditions are expected to continue going forward. Avanzia is therefore expected to maintain its growth momentum in Germany.

The French economy is expected to remain weak in 2015, but with signs of a recovery. Avanzia continues to invest in the development of internal systems, client quality, etc. in order to improve operations in France. Avanzia also continues to prepare for the market launch in Austria in 2015 which is foreseen towards the end of the year.

The financial situation of the bank is expected to remain strong, with strong earnings, stable costs and loan losses.

Munsbach, Luxembourg

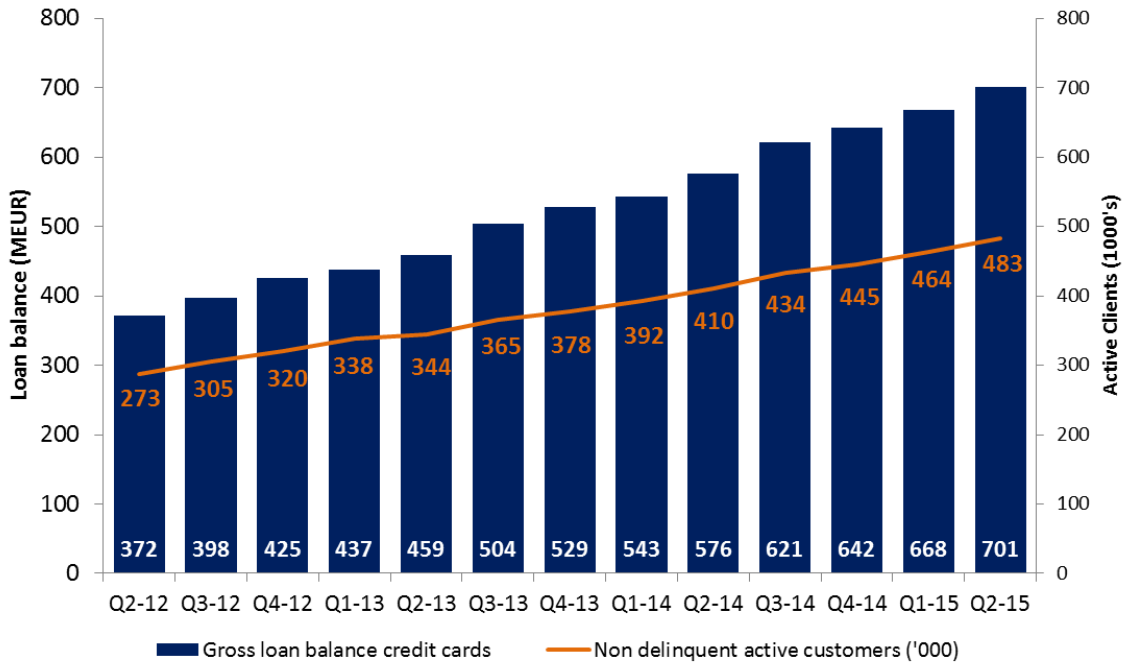
22.07.2015

Eirik Holtedahl
Chief Financial Officer/
Deputy Chief Executive Officer

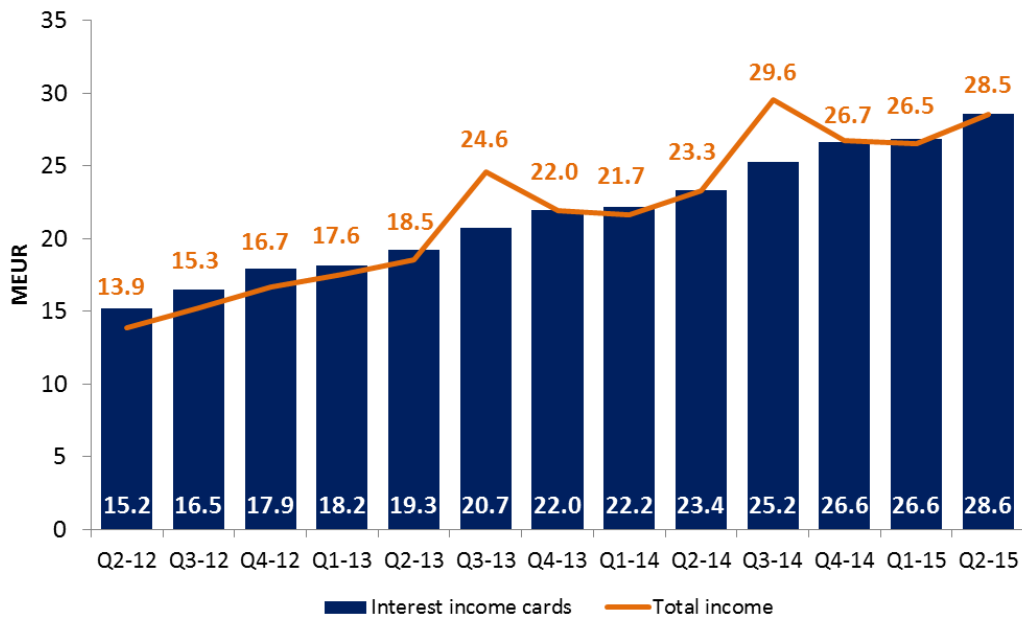
Marc Hentgen
Chief Executive Officer

Appendix: Development of key performance indicators

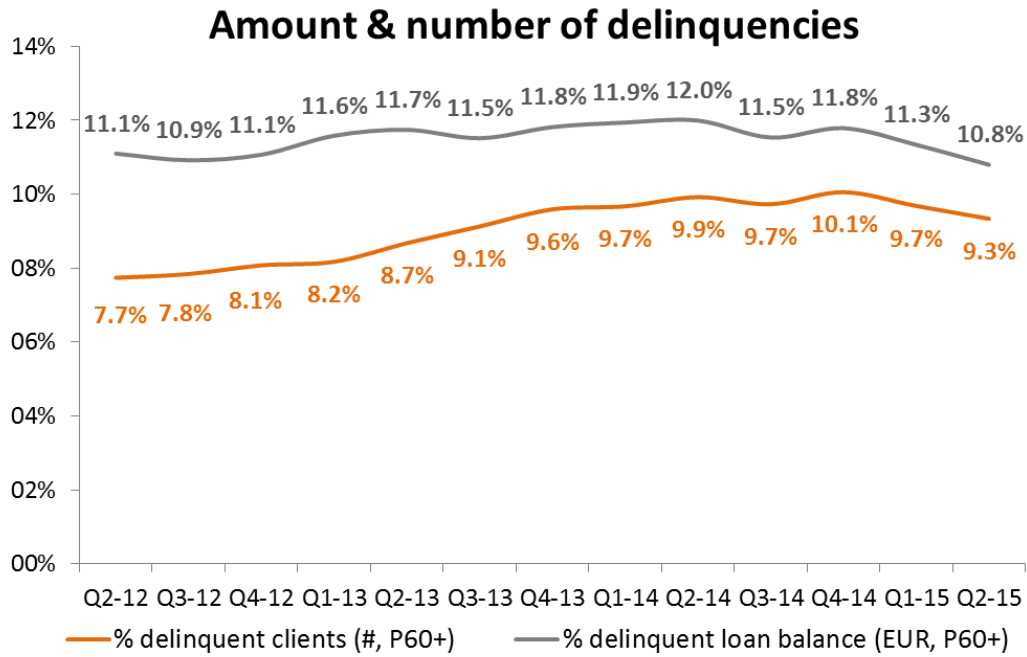
Non delinquent active clients & credit card loan balance



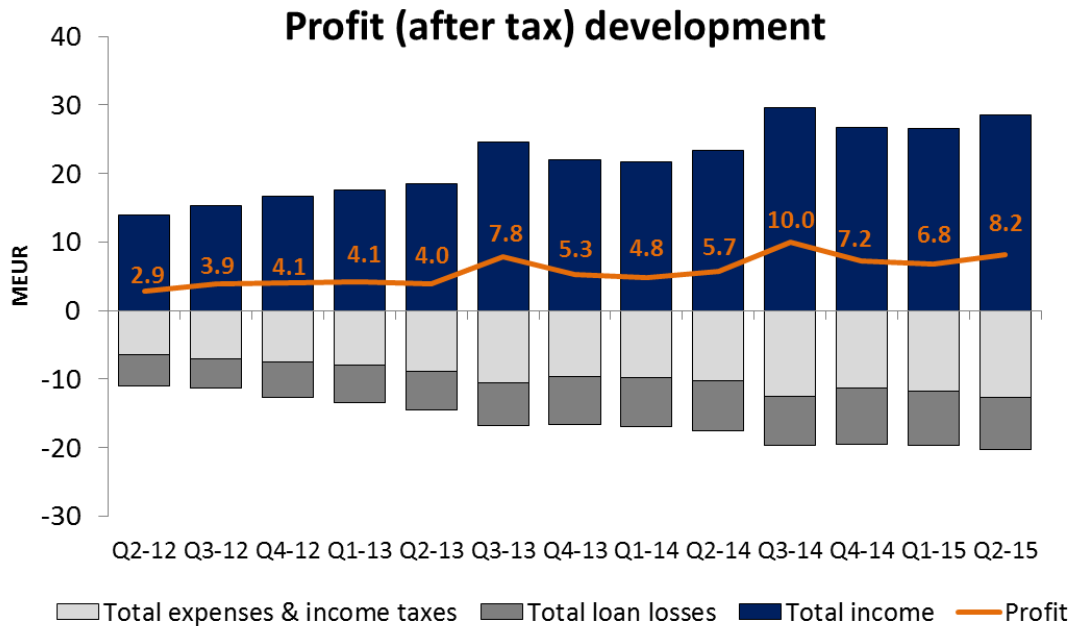
Interest income credit cards & total income



The Q3-2013 and Q3-2014 income are influenced by income shift transactions.



P60+ above refer to accounts/amounts that are more than 60 days past due.



The Q3-2013 and Q3-2014 income is influenced by an income shift transaction.

Appendix: Shareholding

There were no movements or changes in the distribution of shares during the quarter. Kistefos AS is the largest shareholder with 60.3%. Other shareholders hold below 10% individually.