Advanzia Bank S.A.

Quarterly report, 3rd quarter 2013

As at 30.09.2013

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Highlights third quarter 2013

- **Reported Q3 after-tax profit of EUR 7.8 M, including particular item of EUR 3.1M.**
- **Adjusted (ordinary) Q3 after-tax profit of EUR 4.7M, increased 21% compared to Q2.**
- **Credit card loan balance at EUR 504 million, 10% growth from Q2.**
- **Loan loss rate remained stable at 5%.**
- **171 000 applications in Q3, 11% increase from Q2.**
- **365 000 non-delinquent active card customers, 6% increase from Q2.**

General economy and market overview

In the third quarter of 2013, the German economy remained strong with a stable unemployment rate finishing at 6.9%. The German GDP is expected to show a sequential growth of 0.3% in Q3, compared to a growth of 0.7% in Q2. The positive results from indicators such as higher economic and income expectations as well as willingness to buy, also reflect the stable confidence among German consumers.

The French GDP in Q3 is expected to show a sequential growth of 0.1%, which follows the trend of growth in Q2 of 0.5%. The unemployment rate remained around 11% throughout the quarter. Other sentiments were negative until the end of Q3, with only consumer confidence showing a slight improvement.

The ECB key rate remains at 0.50%.

Credit Cards

Key figures, Germany	Actual 30.09.2013	Actual 30.06.2013	QoQ growth	Actual 30.09.2012	YoY growth	Actual YTD-13	Actual YTD-12	YTD growth
Card applicants	171 262	154 299	*11%*	125 363	*37%*	469 762	348 231	*35%*
Unblocked cards (contract signed)	35 481	35 475	*0%*	25 522	*39%*	104 890	79 711	*32%*
New active cards	32 897	32 172	*2%*	24 953	*32%*	93 181	74 417	*25%*
Non delinquent active clients (total, after churn)	365 234	344 461	*6%*	292 376	*25%*	365 234	292 376	*25%*

Key figures, France	Actual 30.09.2013	Actual 30.06.2013	QoQ growth	Actual 30.09.2012	YoY growth	Actual YTD-13	Actual YTD-12	YTD growth
Card applicants	22 393	12 511	*79%*			42 039	-	
Unblocked cards (contract signed)	3 532	1 954	*81%*			6 643	-	
New active cards	3 062	1 672	*83%*			5 664	-	
Non delinquent active clients (total, after churn)	4 994	2 605	*92%*			4 994		

In Q3, credit card applications increased by 11% compared to the previous quarter and by 35% compared to the same period last year. Signed contracts and new active cards continued at a stable level.

The Bank increased sales in France during summer for testing and optimising new marketing channels as well as gaining a larger customer base for its score card optimization. The number of cards sent out increased by 83% to approximately 3000. The specific French legal requirements of requesting paper documentation from the applicants implies however that fewer applicants complete the entire application procedure and the conversion rate to active clients thus becomes lower than in Germany, and the cost per applicant higher.

Credit risk

During the third quarter, the average monthly default rate regarding the total portfolio level remained relatively stable. As expected, the most recent vintages show the highest increase, respectively, with their income rapidly catching up.

The French portfolio has initially exhibited a high credit risk. Management is implementing various measures in order to improve its performance going forward.

Overall for the Bank, the expectation for medium term credit loss development continues at a loan loss rate of 5.0% on an annual basis, assuming no major changes in the future marketing/sales mix.

Fraud write-offs slightly decreased by 7%, to a total of EUR 376 000 (EUR 402 000 in Q2).

Deposit accounts

The competitive situation in the deposit account market remained stable in Q3, and at the end of the quarter, the best offer decreased to 1.50% (vs. 1.75% at the end of Q2).

Advanzia has kept its standard rate on Advanziakonto at 1.33% effective p.a. through Q3. As of mid-September, Advanzia successfully conducted a loyalty campaign targeting existing clients. Overall in Q3, the net cash inflow on deposits remained strong.

Board, management and staff

There have been no changes to the board of directors nor to the management of Advanzia during the quarter. As at 30.09.2013, Advanzia held 71.5 full-time equivalent employees.

Financial statements

Below are the unaudited accounts for Advanzia for the third quarter 2013 as at 30.09.2013. All amounts are in thousands 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 '000)	Actual Q3-13	Actual Q2-13	QoQ growth	Actual Q3-12	YoY growth
Cash, balances with central banks	30 453	30 198	1%	20 441	49%
Loans and advances to credit institutions	210 688	227 404	-7%	179 012	18%
Loans and advances to credit card clients	504 340	458 748	10%	397 854	27%
Value adjustment (losses)	(27 215)	(25 145)	8%	(21 213)	28%
Net loans and advances to credit card clients	477 125	433 603	10%	376 641	27%
Intangible & tangible assets	1 200	1 204	0%	1 547	-22%
Other assets (incl. Tax asset)	721	835	-14%	990	-27%
SUM ASSETS	**720 187**	**693 244**	**4%**	**578 631**	**24%**

Liabilities and equity (EUR '000)	Actual Q3-13	Actual Q2-13	QoQ growth	Actual Q3-12	YoY growth
Amounts owed to customers	645 057	625 537	3%	516 466	25%
Other liabilities, accruals, provisions	9 491	9 788	-3%	9 084	4%
Sum liabilities	654 547	635 325	3%	525 550	25%
Subscribed capital	34 887	34 985	0%	42 387	-18%
Reserves	2 720	2 720	0%	963	182%
Profit (loss) brought forward	12 096	12 096	0%	795	1421%
Profit (loss) for the financial year	15 937	8 117	96%	8 936	78%
Sum equity	65 640	57 919	13%	53 081	24%
SUM LIABILITIES AND EQUITY	**720 187**	**693 244**	**4%**	**578 631**	**24%**

Income statement (EUR '000)	Actual Q3-13	Actual Q2-13	QoQ growth	Actual Q3-12	YoY growth	Actual YTD-13	Actual YTD-12	YTD growth
Interest receivable, credit cards	20 744	19 255	8%	16 486	26%	58 180	45 887	27%
Interest receivable and similar income, others	122	125	-3%	287	-58%	381	1 352	-72%
Interest payable and similar expenses	(2 117)	(2 216)	-4%	(2 720)	-22%	(6 523)	(8 607)	-24%
Net interest margin	**18 748**	**17 165**	**9%**	**14 053**	**33%**	**52 038**	**38 631**	**35%**
Commission receivable	2 719	2 437	12%	2 189	24%	7 368	6 038	22%
Commission payable	(1 642)	(1 397)	18%	(1 318)	25%	(4 338)	(3 707)	17%
Other financial items/operating income	4 797	310	1449%	332	1345%	5 622	918	513%
Total income	**24 623**	**18 515**	**33%**	**15 255**	**61%**	**60 691**	**41 880**	**45%**
Card acquisition costs	(2 822)	(2 950)	-4%	(1 957)	44%	(8 232)	(5 813)	42%
Card operating costs	(1 718)	(1 739)	-1%	(1 187)	45%	(4 768)	(3 443)	38%
Staff costs	(1 866)	(1 786)	4%	(1 602)	17%	(5 368)	(4 631)	16%
Other administrative expenses	(695)	(579)	20%	(492)	41%	(1 857)	(1 475)	26%
Depreciation, tangible + intangible assets	(221)	(218)	1%	(230)	-4%	(663)	(649)	2%
VAT reclaimed	-	-		58	-100%	-	185	-100%
Sum operating expenses	**- 7 321**	**- 7 271**	**1%**	**- 5 411**	**35%**	**- 20 889**	**- 15 826**	**32%**
Value adjustments	(2 070)	(1 475)	40%	(363)	471%	(4 825)	69	-7058%
Write-offs	(4 183)	(4 162)	1%	(4 016)	4%	(12 460)	(13 671)	-9%
Total loan losses	(6 253)	(5 637)	11%	(4 379)	43%	(17 285)	(13 602)	27%
Deposit guarantee contribution	-	-		-		-	98	
Profit (loss) on ordinary activities before taxes	11 049	5 607	97%	5 466	102%	22 517	12 550	79%
Income tax and net worth tax	(3 229)	(1 638)	97%	(1 574)	105%	(6 580)	(3 614)	82%
Profit (loss) for the period	**7 820**	**3 969**	**97%**	**3 892**	**101%**	**15 937**	**8 936**	**78%**

Comments to the accounts

In Q3 2013, the gross loan balance on credit cards grew by 45.6 MEUR which is a 10% increase compared to Q2 2013. Client deposits increased by 19.5 MEUR to 645 MEUR mainly due to a loyalty campaign that started in September. As a consequence of the growth in credit card loans amounting to more than the increase in deposits, the liquid assets decreased by 16.5 MEUR to 241 MEUR. This represents a liquidity ratio of 36.7%, which the Bank considers to represent a comfortable level.

The net interest income margin increased by 9% compared to the previous quarter. Commission receivable increased by 12% mainly due to higher card turnover, and thus, higher MasterCard interchange. The Bank also undertook a transaction in Q3 that effectively shifted income classes, and which was recorded as Other income with an amount of 4.5 MEUR (or 3.1MEUR after tax). Total income increased thus by 33% compared to the previous quarter. There will be no further such transactions in 2013.

Overall, operating expenses remained stable compared to Q2. Card acquisition costs of 2.8 MEUR (sales and marketing, credit scoring, as well as the costs associated with issuing and sending out cards) decreased due to lower marketing costs. Card operating costs of 1.7 MEUR, which are all direct variable costs associated with operating the card and depositor portfolios, remained stable compared to the previous quarter. Staff costs of 1.9 MEUR increased by 4%. Other administrative expenses of 0.7 MEUR increased by 20% compared to Q2, due to periodisation of costs.

Total loan losses of 6.2 MEUR increased by 11% compared to Q2.

In Q3, Advanzia's pre-tax profits increased to a record high of 11.0 MEUR or 7.8 MEUR after tax, which is 97% above the Q2 2013 result. The increase is largely explained by the income shift transaction (cf. above). Without this transaction, the Q2 profits would have been 6.6 MEUR before tax or 4.7 MEUR after tax, which is 21% above Q2, and nevertheless remained as Advanzia's best quarter.

Key indicators

	Actual 30.09.2013	Actual 30.06.2013	QoQ growth	Actual 30.09.2012	YoY growth
Proportion of non delinquent clients revolving (%)	55.2%	54.3%	*2%*	56.2%	*-2%*
Interest accrued on credit cards (%)	18.3%	18.5%	*-1%*	18.3%	*0%*
Return on equity (%)	50.5%	26.9%	*88%*	30.0%	*68%*
Capital adequacy ratio (%)	11.6%	12.5%	*-7%*	12.9%	*-10%*
Liquidity ratio (%)	36.7%	40.6%	*-10%*	38.0%	*-4%*
Net interest margin (all interest bearing assets)	11.0%	10.8%	*2%*	9.4%	*17%*
Net interest margin (credit cards)	17.0%	17.0%	*0%*	16.0%	*6%*
Loan loss rate (12 months trailing, credit cards)	5.0%	4.8%	*3%*	5.2%	*-3%*
Cost/Income (%)	29.7%	39.3%	*-24%*	35.5%	*-16%*

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, with the exception for some, such as return on equity and cost income ratio which are positively influenced by the income shift transaction. The Q3 2013 capital ratio of 11.6% does, as per regulatory standards, not include the year-to-date profits. Had these profits been included, the capital ratio would have been 15.4%. Advanzia's regulatory capital consists of solely Tier 1 capital. The loan loss rate is measured as 12 month trailing and remained 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 '000)	Actual Q3-13	Actual Q2-13	QoQ growth	Actual Q3-12	YoY growth	Actual YTD-13	Actual YTD-12	YTD growth
Gross Loan Balance	3 929	1 740	*126%*			3 929	-	
Interest receivable, credit cards	99	52	*91%*			167	-	
Loan Losses	(180)	(75)	*140%*			(295)	-	

The performance in France reflects a young and growing portfolio. The Bank will continue to monitor these results and further optimise the French business model. Volumes will remain limited until the bank has optimised the processes and remains assured about the development. It should also be noted that so far, that the French volumes represent less than 1% of Advanzia's overall business.

Advanzia going forward

The current macroeconomic as well as market conditions continue to remain stable for Advanzia. The Bank will for the remainder of 2013 continue its current path of balancing profitability and growth.

The French market entry will still remain in a test phase as the Bank continues to develop the value chain and risk models. Near term volumes will therefore remain moderate.

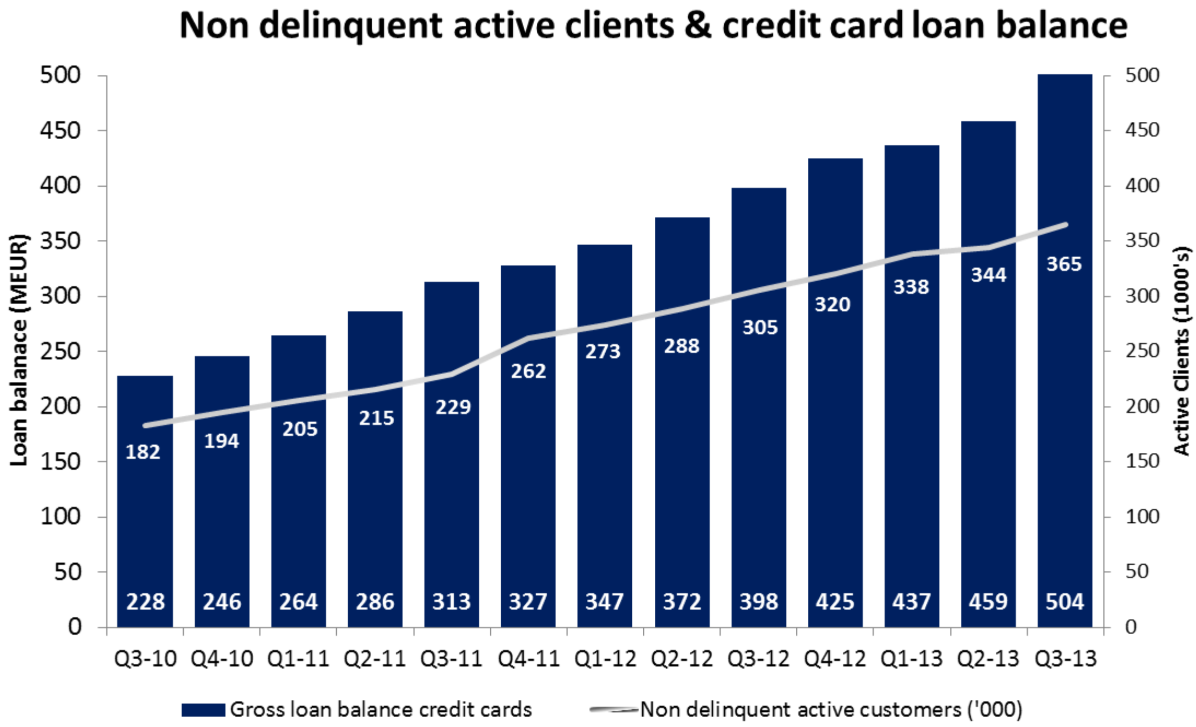
Munsbach, Luxembourg

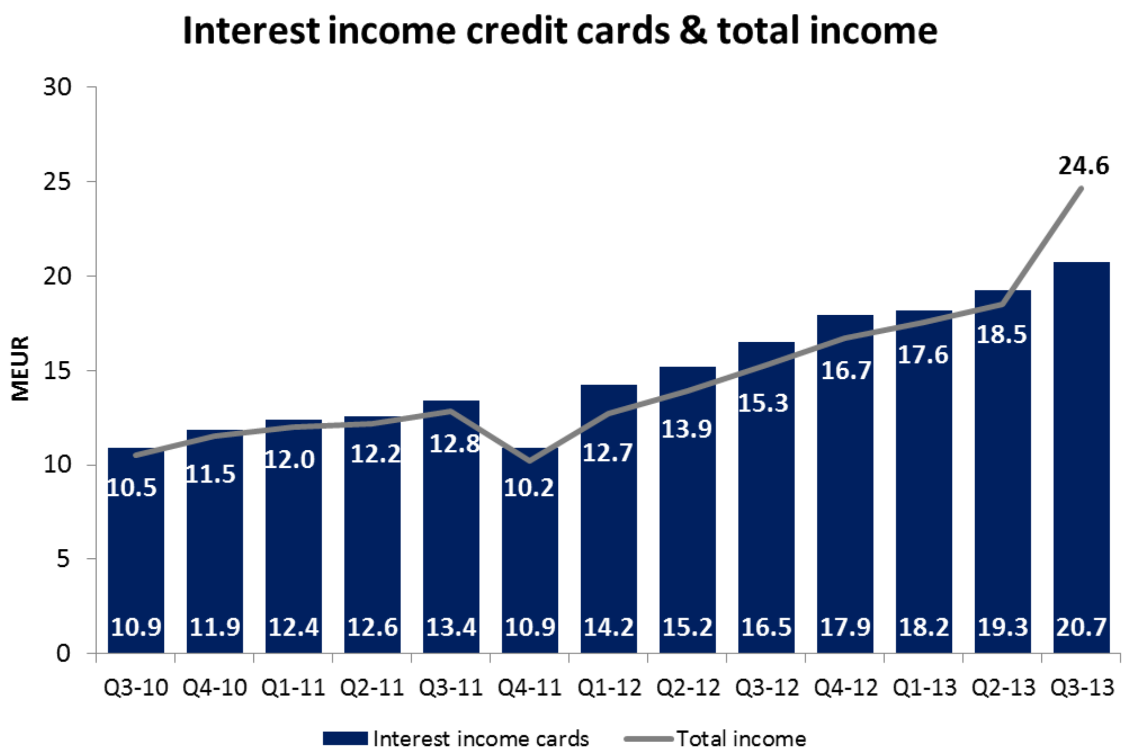
29.10.2013

Eirik Holtedahl
Chief Financial Officer/
Deputy Chief Executive Officer

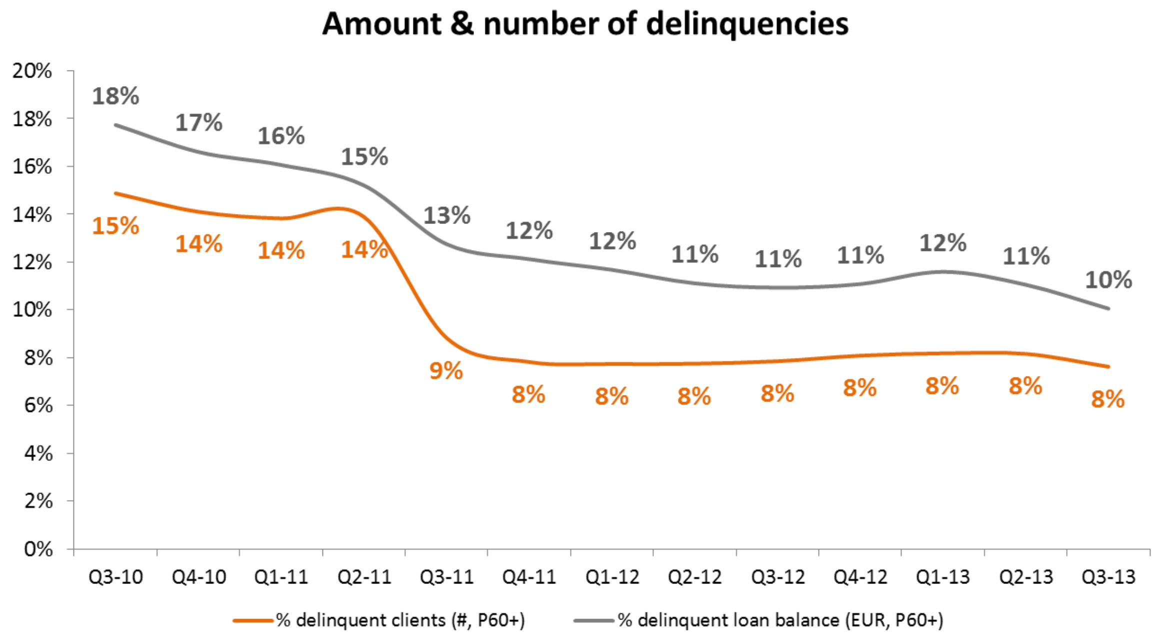
Marc Hentgen
Chief Executive Officer

Appendix: Development of key performance indicators

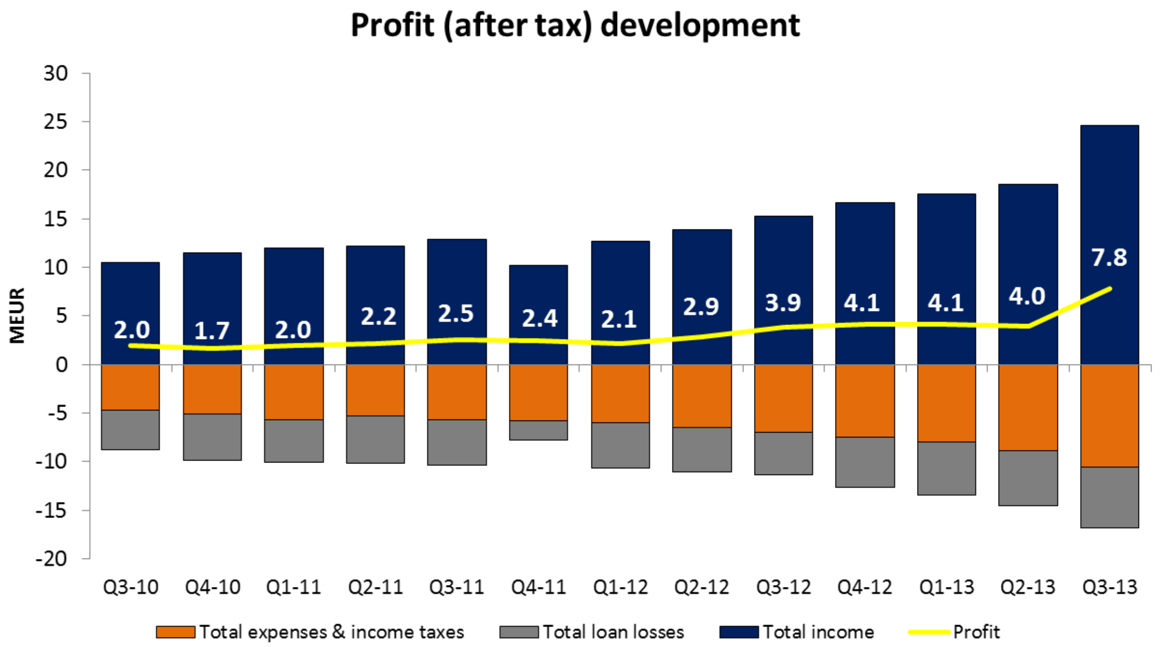




The Q4 2011 figures for interest income and total income are lower as the Bank in that quarter implemented the new metod for calculating interest income on delinquent accounts, which applied to the entire year 2011. The Q3-2013 income is influenced by the income shift transaction.



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 is due to the income shift transaction.