



Advanzia Bank S.A.

Quarterly report, 3rd quarter 2014

As at 30.09.2014

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Highlights third quarter 2014

- Overall credit card loan balance of EUR 621.5 million: +8% QoQ and +23% YoY
- Loan loss rate of 5.1%: -0.2% points QoQ and +0.1% points YoY
- After tax profits of EUR 9.9 million: +74% QoQ and +27% YoY
- Return on equity of 50.7%: +17.6% points QoQ and +0.2% points YoY
- Distribution to the shareholders of EUR 12.0 million

General economy and market overview

In the third quarter of 2014, the German economy started to show signs of decline due to the tense geopolitical situation. This, coupled with worsening exports affected all three major indices, which all showed a decrease in the third quarter. Nevertheless, the unemployment rate maintained a steady rate at 6.7%. Overall, the German economy is however expected to remain at a positive level.

The French GDP growth in Q3 2014 is expected to remain stagnant without any growth. The unemployment rate increased once again from 10.1% in Q2 2014 to 10.5% in Q3, showing the effects of a rather weak French economy.

The ECB key rate decreased from 0.15% to 0.05% with effect as from September 2014.

Credit Cards

Key figures, Germany	Actual Q3-14	Actual Q2-14	QoQ growth	Actual Q3-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Card applicants	136 340	128 098	6%	148 869	-8%	399 111	427 723	-7%
Unblocked cards (contract signed)	33 422	29 539	13%	31 949	5%	93 236	98 247	-5%
New active cards	30 669	27 309	12%	29 835	3%	83 014	87 517	-5%
Non delinquent active clients (total, after churn)	418 983	397 342	5%	360 240	16%	343 586	360 240	-5%
Key figures, France	Actual Q3-14	Actual Q2-14	QoQ growth	Actual Q3-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Card applicants	28 661	32 446	-12%	22 393	28%	90 111	42 039	114%
Unblocked cards (contract signed)	5 657	5 830	-3%	3 532	60%	15 737	6 643	137%
New active cards	5 003	5 124	-2%	3 062	63%	13 521	5 664	139%
Non delinquent active clients (total, after churn)	14 714	12 245	20%	4 994	195%	14 714	4 994	195%

Credit card sales remained overall fairly stable in Q3 2014, with Germany slightly increasing and France slightly decreasing compared to the previous quarter.

During the third quarter, medium term credit loss development continued at a loan loss rate of 4.6% (annualised for the quarter) vs 5.3% in Q2, reflecting improved default amount rates in the German portfolio. Fraud write-offs increased to a total of 0.5 MEUR in Q3 2014 (vs 0.4 MEUR in Q2 2014), mainly driven by a particular fraud scheme detected (and addressed) in Q3. Write offs slightly increased from 3.3 MEUR in Q2 to 3.4 MEUR in Q3 for the German portfolio mostly driven by insolvency cases.

During the third quarter, the French portfolio continued exhibiting a considerably higher credit risk than Germany, driven by the most recent 2013 and 2014 vintages with 2012 showing some

signs of stabilisation. Several measures have been put in place to identify potential segments for improved performance. Fraud write-offs in France decreased further in Q3 2014 and resulted in a 0.16 % write off ratio. Write offs also increased for the French portfolio from 646 case in Q2 to 994 case in Q3 with an increasing negative trend.

Deposit accounts

The competitive situation in the German deposit account market remained fairly stable in Q3. Advanzia maintained its standard rate on Advanziakonto at 1.01% effective p.a. throughout the quarter. This is approximately 30 BPS lower than the best competitor.

Other issues

Advanzia is continuing the development of the Professional Card Services (PCS) programme, and has now issued the first cards for the first two banks. The Bank is also in dialogue with other banks for signing them up for the PCS programme.

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 30.09.2014, Advanzia held 82 full-time equivalent employees.

Financial statements

Below are the unaudited accounts for Advanzia for the third quarter 2014 as at 30.09.2014. 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 Q3-14	Actual Q2-14	QoQ growth	Actual Q3-13	YoY growth
Cash, balances with central banks	35.0	42.0	-17%	30.5	15%
Loans and advances to credit institutions	80.5	129.3	-38%	210.7	-62%
Loans and advances to credit card clients	621.5	576.2	8%	504.3	23%
<i>Value adjustment (losses)</i>	<i>(34.9)</i>	<i>(33.3)</i>	<i>5%</i>	<i>(27.2)</i>	<i>28%</i>
Net loans and advances to credit card clients	586.6	542.9	8%	477.1	23%
Intangible & tangible assets	1.3	1.2	9%	1.3	11%
Other assets	0.7	0.7	9%	0.7	-9%
SUM ASSETS	704.1	716.1	-3%	720.2	-2%

Liabilities and equity (EUR millions)	Actual Q3-14	Actual Q2-14	QoQ growth	Actual Q3-13	YoY growth
Amounts owed to customers	624.2	634.7	-2%	645.1	-3%
Other liabilities, accruals, provisions	10.3	10.9	-6%	9.5	8%
Sum liabilities	634.5	645.6	-2%	654.5	-3%
Subscribed capital	24.9	23.9	4%	34.9	-28%
Reserves	5.1	5.0	1%	2.7	88%
Profit (loss) brought forward	18.9	31.0	-39%	12.1	57%
Profit (loss) for the financial year	20.5	10.5	95%	15.9	29%
Sum equity	69.6	70.5	-1%	65.6	6%
SUM LIABILITIES AND EQUITY	704.1	716.1	-2%	720.2	-2%

Income statement (EUR millions)	Actual Q3-14	Actual Q2-14	QoQ growth	Actual Q3-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Interest receivable, credit cards	25.3	22.2	8%	20.7	22%	70.8	58.2	22%
Interest receivable and similar income, others	0.05	0.1	-59%	0.1	-60%	0.2	0.4	-26%
Interest payable and similar expenses	(1.6)	(2.1)	-14%	(2.2)	-26%	(5.5)	(6.5)	-16%
Net interest margin	23.7	20.2	10%	18.8	27%	65.6	52.3	26%
Commission receivable	3.1	2.9	7%	2.7	13%	8.6	7.4	16%
Commission payable	(1.8)	(1.7)	10%	(1.6)	11%	(5.1)	(4.3)	17%
Other financial items/operating income	4.6	0.5	913%	4.8	-4%	5.4	5.6	-3%
Total income	29.6	23.3	27%	24.6	20%	74.5	60.7	23%
Card acquisition costs	(3.2)	(2.9)	5%	(2.8)	12%	(9.1)	(8.2)	10%
Card operating costs	(2.0)	(1.9)	3%	(1.7)	17%	(5.9)	(4.8)	25%
Staff costs	(2.1)	(2.0)	2%	(1.9)	14%	(6.2)	(5.4)	16%
Other administrative expenses	(0.8)	(0.6)	37%	(0.6)	26%	(2.1)	(1.9)	15%
Depreciation, tangible + intangible assets	(0.2)	(0.2)	4%	(0.2)	-1%	(0.6)	(0.7)	-3%
Sum operating expenses	(8.4)	(7.9)	6%	(7.3)	15%	(24.1)	(20.9)	15%
Value adjustments	(1.6)	(1.9)	-20%	(2.1)	-24%	(5.3)	(4.8)	9%
Write-offs	(5.6)	(5.4)	4%	(4.2)	33%	(16.3)	(12.5)	30%
Total loan losses	(7.1)	(7.3)	-3%	(6.3)	14%	(21.5)	(17.3)	25%
Profit (loss) on ordinary activities before taxes	14.1	8.1	74%	11.1	27%	28.9	22.5	29%
Taxes	(4.1)	(2.4)	74%	(3.2)	27%	(8.5)	(6.6)	28%
Profit (loss) for the period	9.9	5.7	74%	7.8	27%	20.5	15.9	29%

Comments to the accounts

In Q3 2014, the gross loan balance on credit cards grew by 45 MEUR which is an 8% increase compared to Q2 2014. Client deposits decreased to 624 MEUR. Liquid assets decreased by 56 MEUR to 116 MEUR, reflecting the combined effect of increased loan balance, lower client deposit balance and the 12 MEUR interim dividend paid out in August.

The net interest income margin increased by 10% compared to the previous quarter as a result of the higher loan balance and lower funding costs. Commission receivable increased by 7% mainly due to an increase in interchange fees and PPI premiums.

The Bank also undertook a one-off transaction in Q3 that effectively shifted income classes, which was recorded as Other income with an amount of 4.2 MEUR. The transaction was similar to the one undertaken in 2013. Total income increased by 27% in Q3 compared to Q2.

Overall, operating expenses increased by 6% compared to Q2. Card acquisition costs of 3.2 MEUR (sales and marketing, credit scoring, as well as the costs associated with issuing and sending out cards) showed a 5% increase. Card operating costs of 2.0 MEUR, which are all direct variable costs associated with operating the card and depositor portfolios, increased by 3% compared to Q2. Staff costs of 2.1 MEUR saw an increase of 2% compared to Q2. Other administrative expenses of 0.9 MEUR increased by 37% compared to Q2, due to some administrative costs related to the income shift transaction.

Total loan losses in Q3 of 7.1 MEUR decreased by 3% compared to Q2.

In Q3 2014, Advanzia's pre-tax profits increased to a record high of 14.1 MEUR or 9.9 MEUR after tax, which is 74% above the Q2 2014 result. The increase is largely explained by the income shift transaction (cf. above). Without this transaction, the Q3 profits would have been 9.9 MEUR pre-tax or 6.9 MEUR after tax, which still represents a 21% increase on Q2.

The subscribed capital increased by 1.07 MEUR as a consequence of a conversion of 2578 Class F shares. Profit brought forward was reduced by 12 MEUR due to the interim dividend distribution.

Key indicators

	Actual Q3-14	Actual Q2-14	QoQ growth	Actual Q3-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Proportion of non delinquent clients revolving (%)	52,8%	55,1%	-2,3%-p	54,9%	-2%-p	54,5%	54,0%	0,5%-p
Interest accrued on credit cards (%)	18,0%	18,2%	-0,2%-p	18,3%	-0,3%-p	18,3%	18,5%	-0,2%-p
Net interest margin (credit cards)	17,0%	17,1%	0%-p	17,0%	0%-p	17,0%	17,0%	0%-p
Net interest margin (all interest bearing assets)	13,8%	12,0%	1,8%-p	11,0%	2,8%-p	11,4%	10,7%	0,7%-p
Loan loss rate (12 months trailing, credit cards)	5,1%	5,3%	-0,1%-p	5,0%	0,1%-p	5,1%	5,0%	0,1%-p
Cost/Income (%)	28,3%	33,8%	-5,5%-p	29,7%	-1,4%-p	33,3%	34,4%	-1,1%-p
Return on equity (%)	50,7%	33,1%	17,6%-p	50,5%	0,2%-p	38,5%	35,4%	3,1%-p
Capital adequacy ratio (%) (incl. interim profits)	14,2%	15,2%	-0,9%-p	15,4%	-1,2%-p	14,2%	15,4%	-1,2%-p
Capital adequacy ratio (%) (excl. interim profits)	12,2%	12,9%	-0,7%-p	11,6%	0,5%-p	12,2%	11,6%	0,6%-p
Liquidity coverage ratio (LCR) (min 100%)	186,5%	224,2%	-37,7%-p	151,1%	35,4%-p			
Net stable funding ratio (NSFR) (min 100%)	107,4%	117,5%	-10,1%-p	132,0%	-24,6%-p			

All key indicators represent the quarterly performance at annualised rates where applicable.

Most indicators remain on track in Q3. Cost/income decreased (i.e. improved) due to the income shift transaction, whereas return on equity improved considerably to both the higher income as well as lower equity base.

The Q3 2014 capital ratio, including and excluding interim profits, were 14.2% and 12.2%, respectively, and decreased due to lower equity following the distribution to shareholders in the quarter and higher risk-weighted balance. Advanzia's regulatory capital consists of solely Tier 1 capital.

Select French key indicators

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

Key Figures, France (EUR millions)	Actual Q3-14	Actual Q2-14	QoQ growth	Actual Q3-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Gross Loan Balance	11.4	9.2	25%	4.2	174%	11.4	4.2	174%
Interest receivable, credit cards	0.4	0.3	20%	0.1	261%	0.9	0.2	444%
Loan Losses	(0.6)	(0.6)	0%	(0.2)	209%	(1.6)	(0.3)	438%

The performance in France still reflects a young and growing portfolio. So far loan losses remain high, and the Bank is actively working on measures that will improve these. The French volumes currently represent about 2% of Advanzia's overall card loans.

Advanzia going forward

In general, the macroeconomic environment remains benign, although recent indicators signal a certain uncertainty going forward. Advanzia will on that basis continue its development in Germany, and also expects that the client portfolio will develop accordingly.

The Bank is continuing to develop and assess the French operations so as to improve these further. Advanzia will also continue to prepare for a market launch in Austria in 2015.

Munsbach, Luxembourg

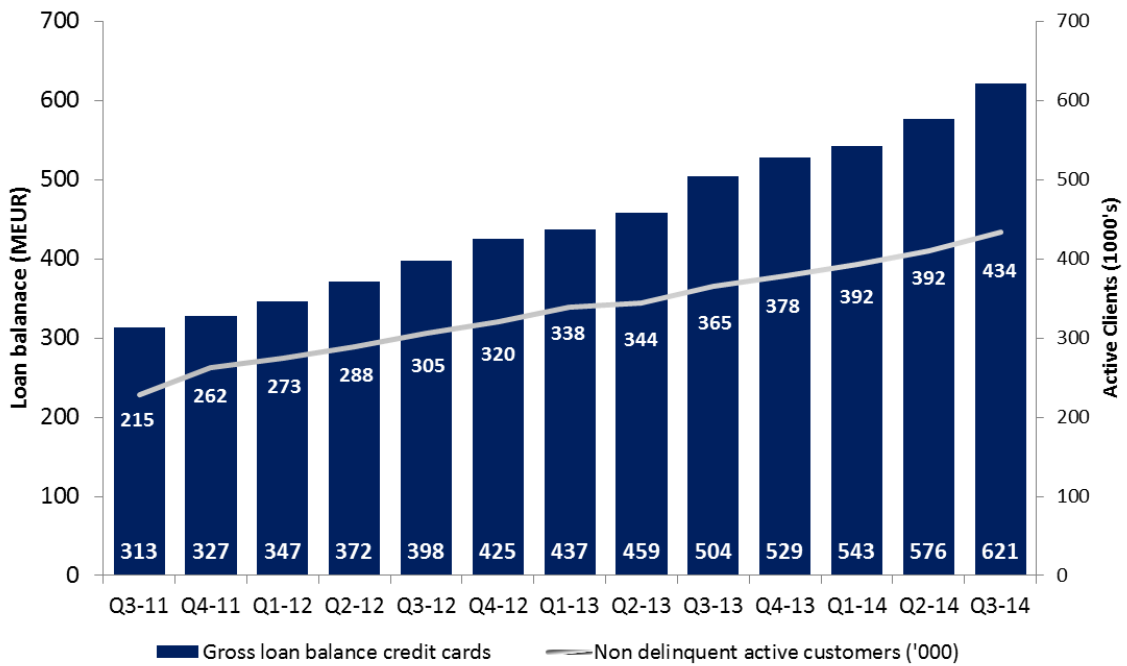
31.10.2014

Eirik Holtedahl
Chief Financial Officer/
Deputy Chief Executive Officer

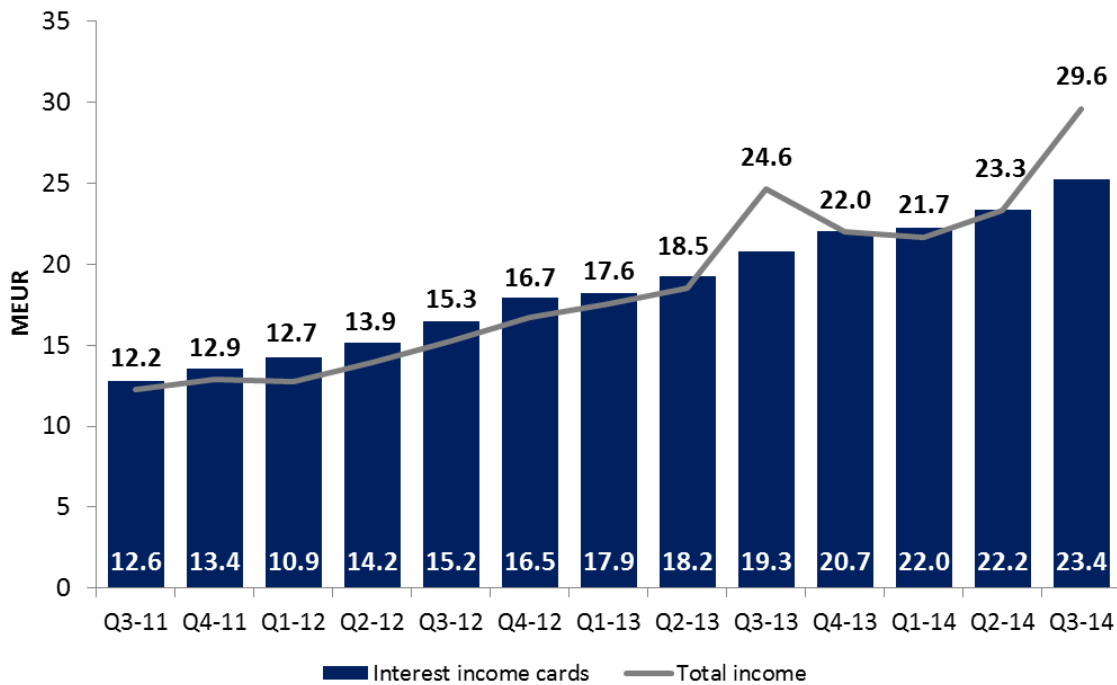
Marc Hentgen
Chief Executive Officer

Appendix: Development of key performance indicators

Non delinquent active clients & credit card loan balance

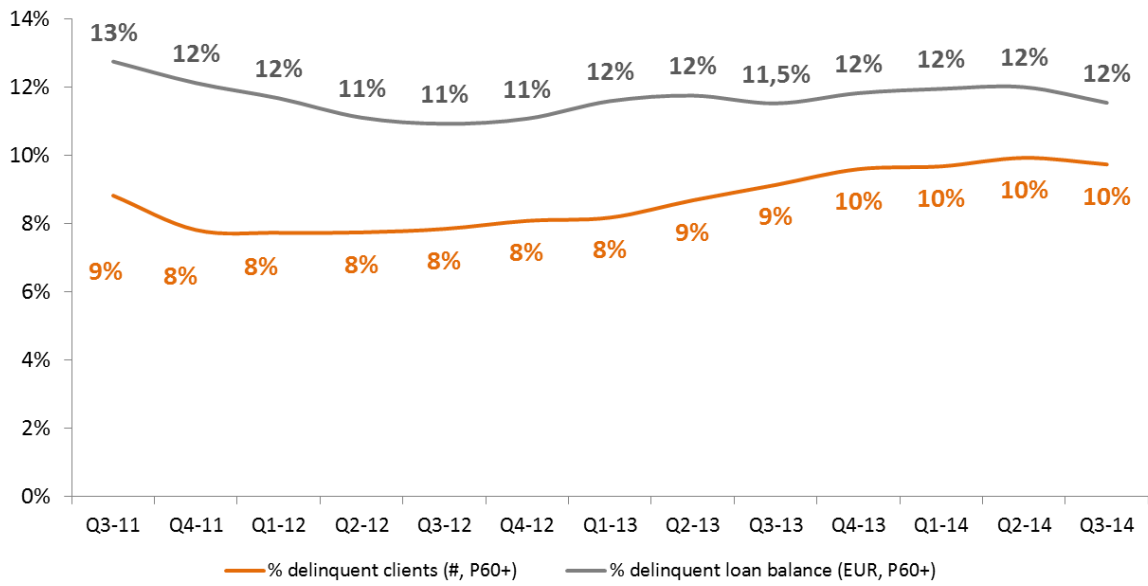


Interest income credit cards & total income



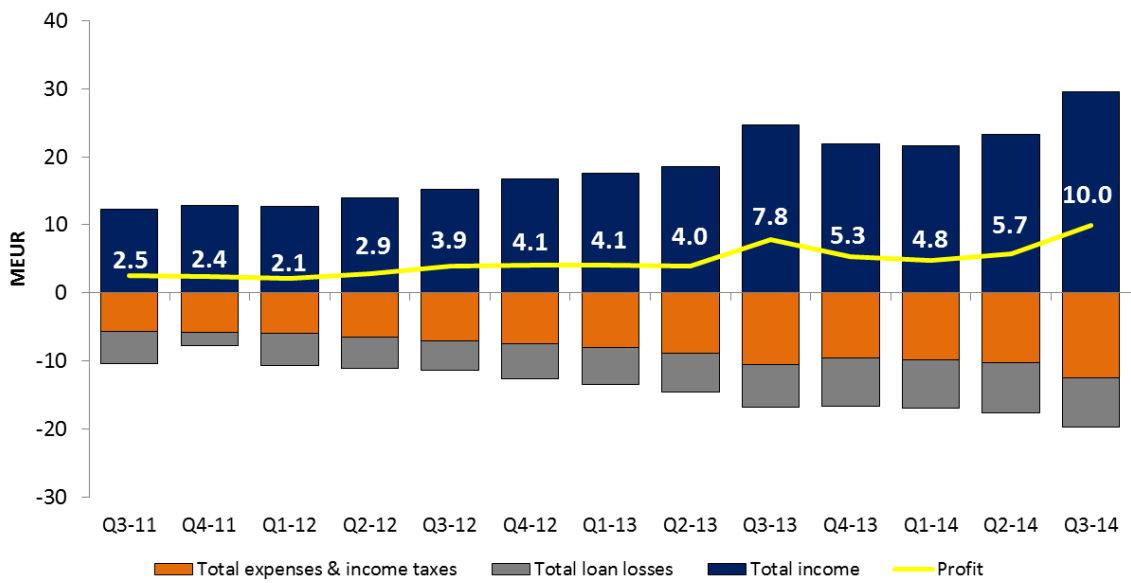
The Q3-2013 and Q3-2014 income is influenced by an income shift transaction.

Amount & number of delinquencies



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

Profit (after tax) development



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