



Advanzia Bank S.A.

Quarterly report, 4th quarter 2014

As at 31.12.2014

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Highlights fourth quarter 2014

- Overall credit card loan balance of MEUR 642: +22% YoY
- Loan loss rate of 5.1%: +0.1% points YoY
- After tax profits of MEUR 7.2 for Q4 and MEUR 27.7 for the year: +30% vs. 2013
- Return on equity of 39.9% for the year: +4.5% points vs. 2013
- Distribution to shareholders of MEUR 11 in Q4; MEUR 35 for the year

General economy and market overview

In the fourth quarter of 2014, the German economy showed signs of improvement after a slight decline in Q3 2014. The consumer climate continued on a positive trend. The unemployment rate, already at a historically low level in November, decreased further at the end of the year to reach 6.5%. Moreover, the business climate index continued its rise, confirming positive assessments of the current business situation.

The German GDP growth in Q4 2014 is expected to be around 0.25%, resulting in a growth of 1.5% for the year, its best performance in the last three years. Additionally, private consumption grew 0.6% for the year 2014.

The French economy remains weak, and the GDP is expected to grow by 0.1% in Q4, resulting in an annual growth of 0.25%. The unemployment rate remains sluggish with the number of unemployed reaching a record high in December. Consumer climate remained rather positive, however, showing slight signs of improvement.

The ECB key rate remained at 0.05% through Q4 2014.

Credit Cards

Key figures, Germany	Actual Q4-14	Actual Q3-14	QoQ growth	Actual Q4-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Card applicants	160 632	136 340	18%	135 971	18%	559 743	563 694	-1%
Unblocked cards (contract signed)	36 969	33 422	11%	31 235	18%	130 205	129 482	1%
New active cards	31 830	32 399	-2%	26 937	18%	114 844	114 454	0%
Non delinquent active clients (total, after churn)	429 937	418 983	3%	371 335	16%	429 937	371 335	16%
Key figures, France	Actual Q4-14	Actual Q3-14	QoQ growth	Actual Q4-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Card applicants	11 853	28 661	-59%	24 393	-51%	101 964	66 432	53%
Unblocked cards (contract signed)	2 077	5 657	-63%	2 722	-24%	17 814	9 365	90%
New active cards	2 548	5 003	-49%	2 435	5%	16 069	8 099	98%
Non delinquent active clients (total, after churn)	14 741	14 714	0%	6 452	128%	14 741	6 452	128%

Credit card sales remained overall fairly stable in Q4 2014, with Germany increasing and France decreasing compared to the previous quarter.

Sales in Germany performed very strongly in Q4 with double-digit growth year-on-year. Advanzia ran a number of high-profile campaigns to drive new customer acquisitions, including member-get-member, iPhone and iPad prize draws and test campaigns with high-

profile media partners. This completed a strong second half of the year, with the number of new customers on-boarded being over 60,000. Owing to some delays in card despatch, not all customers completed the on-boarding in December and will activate in January instead. Significant effort was also invested in Q4 to develop new and existing sales channels in order to continue the positive development in the coming quarters.

During the fourth quarter, the French portfolio continued exhibiting a considerably high credit risk. As a consequence the Bank has undertaken several measures such as further tightening of credit policies as well as other measures addressing these and other concerns. The Bank is now starting to see an improvement in recently acquired customers exhibiting lower defaults and higher reward. Fraud write-offs in France decreased further in Q4 2014 and resulted in a 0.05% write off ratio.

Professional Card Services

Avanzia has a contract with five banks for the PCS programme, and is issuing and processing cards for their clients. The Bank is continuing the development of the programme.

Deposit accounts

Avanzia 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. Through campaigns, the Bank has in Q4 attracted approximately MEUR 25 in new deposits.

Board, management and staff

During the quarter, Dr. Thomas Altenhain resigned from the Board of Avanzia and was replaced by Mr. Bengt Arve Rem, who will assume the position as deputy CEO in Kistefos AS in February 2015.

As at 31.12.2014, Avanzia held 82 full-time equivalent employees, up from 74 employees at 31.12.2013. This represents a growth of 11%.

Financial statements

Below are the unaudited accounts for Advanzia for the fourth quarter 2014 as at 31.12.2014. 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 Q4-14	Actual Q3-14	QoQ growth	Actual Q4-13	YoY growth
Cash, balances with central banks	35.0	35.0	0%	30.8	13%
Loans and advances to credit institutions	85.8	80.5	7%	200.1	-57%
Loans and advances to credit card clients	642.4	621.5	3%	528.6	22%
Value adjustment (losses)	(36.9)	(34.9)	6%	(29.6)	25%
Net loans and advances to credit card clients	605.4	586.6	3%	499.0	21%
Intangible & tangible assets	1.7	1.3	29%	1.3	30%
Other assets	1.0	0.7	51%	1.7	-41%

SUM ASSETS	728.9	704.1	4%	732.9	-1%
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Liabilities and equity (EUR millions)	Actual Q4-14	Actual Q3-14	QoQ growth	Actual Q4-13	YoY growth
Amounts owed to customers	650.9	624.2	4%	652.8	0%
Other liabilities, accruals, provisions	11.7	10.3	14%	9.1	28%
Sum liabilities	662.6	634.5	4%	662.0	0%
Subscribed capital	25.5	25.0	2%	34.9	-27%
Reserves	5.1	5.1	0%	2.7	88%
AGDL reserve	4.3	-	-	-	-
Profit (loss) brought forward	26.6	31.0	-14%	12.1	120%
Profit (loss) for the financial year	4.7	8.5	-44%	21.3	-78%
Sum equity	66.3	69.6	-5%	71.0	-7%

SUM LIABILITIES AND EQUITY	728.9	704.1	4%	732.9	-1%
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Income statement (EUR millions)	Actual Q4-14	Actual Q3-14	QoQ growth	Actual Q4-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Interest receivable, credit cards	26,6	25,2	5%	22,0	21%	97,4	80,2	22%
Interest receivable and similar income, others	0,0	0,0	-52%	0,1	-78%	0,3	0,5	-37%
Interest payable and similar expenses	(1,6)	(1,6)	5%	(2,2)	-27%	(7,1)	(8,8)	-19%
Net interest margin	25,0	23,7	5%	19,9	26%	90,6	71,9	26%
Commission receivable	3,1	3,1	0%	2,8	9%	11,6	10,2	14%
Commission payable	(1,9)	(1,8)	5%	(1,6)	17%	(7,0)	(6,0)	17%
Other financial items/operating income	0,6	4,6	-88%	0,9	-37%	6,0	6,5	-8%
Total income	26,7	29,6	-10%	22,0	22%	101,3	82,6	23%
Card acquisition costs	(3,4)	(3,2)	9%	(2,9)	18%	(12,5)	(11,1)	12%
Card operating costs	(2,0)	(2,0)	2%	(1,8)	14%	(8,0)	(6,6)	22%
Staff costs	(2,2)	(2,1)	3%	(1,9)	17%	(8,4)	(7,2)	16%
Other administrative expenses	(0,5)	(0,9)	-44%	(0,6)	-22%	(2,6)	(2,5)	6%
Depreciation, tangible + intangible assets	(0,2)	(0,2)	12%	(0,2)	10%	(0,9)	(0,9)	0%
Sum operating expenses	(8,4)	(8,4)	0%	(7,4)	14%	(32,5)	(28,3)	15%
Value adjustments	(2,0)	(1,6)	29%	(2,4)	-15%	(7,3)	(7,2)	1%
Write-offs	(6,1)	(5,6)	10%	(4,7)	31%	(22,4)	(17,1)	31%
Total loan losses	(8,1)	(7,1)	14%	(7,1)	15%	(29,7)	(24,3)	-88%
Profit (loss) on ordinary activities before taxes	10,2	14,1	-27%	7,5	36%	39,2	30,1	30%
Income tax and net worth tax	(3,0)	(4,1)	-27%	(2,2)	36%	(11,4)	(8,8)	30%
Profit (loss) for the period	7,2	10,0	-27%	5,3	36%	27,7	21,3	30%

Comments to the accounts

In Q4 2014, the gross loan balance on credit cards grew by MEUR 21 which is a 3% increase compared to Q3 2014. Client deposits increased to MEUR 651, and liquid assets increased by MEUR 5 to MEUR 121.

The net interest income margin increased by 5% compared to the previous quarter as a result of the higher loan balance. Commission receivable remained stable compared to the previous quarter. Total income decreased by 10% in Q4 compared to Q3, due to a one-off income shift transaction that resulted in Q3 being exceptionally high.

Overall, operating expenses were stable compared to Q3. Card acquisition costs of MEUR 3.4 (sales and marketing, credit scoring, as well as the costs associated with issuing and sending out cards) showed a 9% increase. Card operating costs of MEUR 2.0, which are all direct variable costs associated with operating the card and depositor portfolios, increased by 2% compared to Q3. Staff costs of MEUR 2.2 saw an increase of 3% compared to Q3. Other administrative expenses of MEUR 0.5 decreased by 44% compared to Q3, due to some administrative costs related to the income shift transaction in that quarter.

In Q4, loan losses amounted to MEUR 8.1, which is a 14% increase on the previous quarter. For 2014, they amount to MEUR 29.7, which is 22% above 2013, which is in line with the yearly increase in loan balance and interest income.

In Q4 2014, Advanzia's pre-tax profits decreased from MEUR 14.1 in Q3 to MEUR 10.2 with the difference primarily being due to the income shift transaction. When excluding the effect of the income shift transaction, the Q4 result is 3% above the Q3 result. For the year, the pre-tax profit came just shy of MEUR 40, and the after tax profit landed at MEUR 27.7, which is an increase of 30% compared to 2013.

The subscribed capital increased by MEUR 0.5 as a consequence of a capital increase related to a share conversion. To meet forthcoming requirements for the deposit insurance scheme (going from an ex-post scheme and establishing an ex-ante scheme), Advanzia has created an undistributable reserve of MEUR 4.3. This reserve represents 1% of insured deposits (up to EUR 100 000 per depositor), net of taxes, and is excluded from own funds for capital adequacy purposes. Please note that the two interim dividends, that together amount to MEUR 23, have for accounting purposes been deducted from YTD profits in the balance sheet. In addition to the MEUR 23 paid in interim dividends, the Bank has in Q2 2014 also distributed MEUR 12 from the share premium account, so that total distributions to the shareholders in 2014 amount to MEUR 35.

Key indicators

Financial ratios	Actual Q4-14	Actual Q3-14	QoQ growth	Actual Q4-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Proportion of non delinquent clients revolving (%)	54.8%	54.9%	-0.1%-p	55.1%	-0.3%-p	54.7%	54.3%	0.4%-p
Interest accrued on credit cards (%)	18.1%	18.0%	0%-p	18.3%	-0.3%-p	18.2%	18.4%	-0.3%-p
Net interest margin (credit cards)	17.1%	17.0%	0.1%-p	16.9%	0.2%-p	17.0%	17.0%	0.1%-p
Net interest margin (all interest bearing assets)	14.2%	13.8%	0.4%-p	11.1%	3.1%-p	12.7%	10.7%	2%-p
Loan loss rate (12 months trailing, credit cards)	5.1%	5.1%	-0.1%-p	5.1%	-0.1%-p	5.1%	5.0%	0.1%-p
Cost/Income (%)	31.4%	28.3%	3%-p	33.7%	-2.3%-p	32.0%	34.4%	-2.4%-p
Return on equity (%)	42.3%	50.7%	-8.5%-p	23.0%	19.3%-p	39.9%	35.4%	4.5%-p
Capital adequacy ratio (%) (incl. interim profits)	12.2%	14.2%	-2%-p	15.4%	-3.2%-p	12.2%	16.1%	-3.9%-p
Capital adequacy ratio (%) (excl. interim profits)	11.2%	12.2%	-0.9%-p	11.6%	-0.4%-p	11.2%	11.6%	-0.4%-p
Liquidity coverage ratio (LCR) (min 100%)	176.4%	186.5%	-10.1%-p	150.0%	26.5%-p			
Net stable funding ratio (NSFR) (min 100%)	112.8%	107.4%	5.4%-p	132.6%	-19.8%-p			

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

Most indicators remain on track or perform better in Q4 than in Q3. Some of the indicators (cost/income, return on equity) were in Q3 influenced by the income shift transaction. The Q4 2014 capital ratio, including and excluding interim profits, were 12.2% and 11.2%, respectively, and decreased due to lower equity following the distribution to shareholders in the quarter, the establishment of the AGDL reserve and a higher risk-weighted balance. Advanzia's regulatory capital consists of solely core equity tier 1 capital.

Select French key indicators

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

Key Figures, France (EUR millions)	Actual Q4-14	Actual Q3-14	QoQ growth	Actual Q4-13	YoY growth	Actual YTD-14	Actual YTD-13	YTD growth
Gross Loan Balance	13.1	11.4	15%	6.0	118%	13.1	6.0	118%
Interest receivable, credit cards	0.5	0.4	28%	0.2	123%	1.4	0.4	268%
Loan Losses	(0.6)	(0.6)	5%	(0.4)	67%	(2.2)	(0.7)	236%

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 German macroeconomic environment remains benign and stable, 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 French economy is expected to remain weak in 2015. Advanzia's operations in France continue to be challenging, particularly with respect to sales conversion (i.e. high acquisition costs) and credit risk. The Bank has in Q4 undertaken further analyses with respect to feasibility and profitability for the French market, which confirmed that there clearly is a potential. Advanzia therefore remains committed to the French market and will undertake several measures to improve performance in 2015.

Advanzia is also in preparation for market launch in Austria in 2015.

Munsbach, Luxembourg

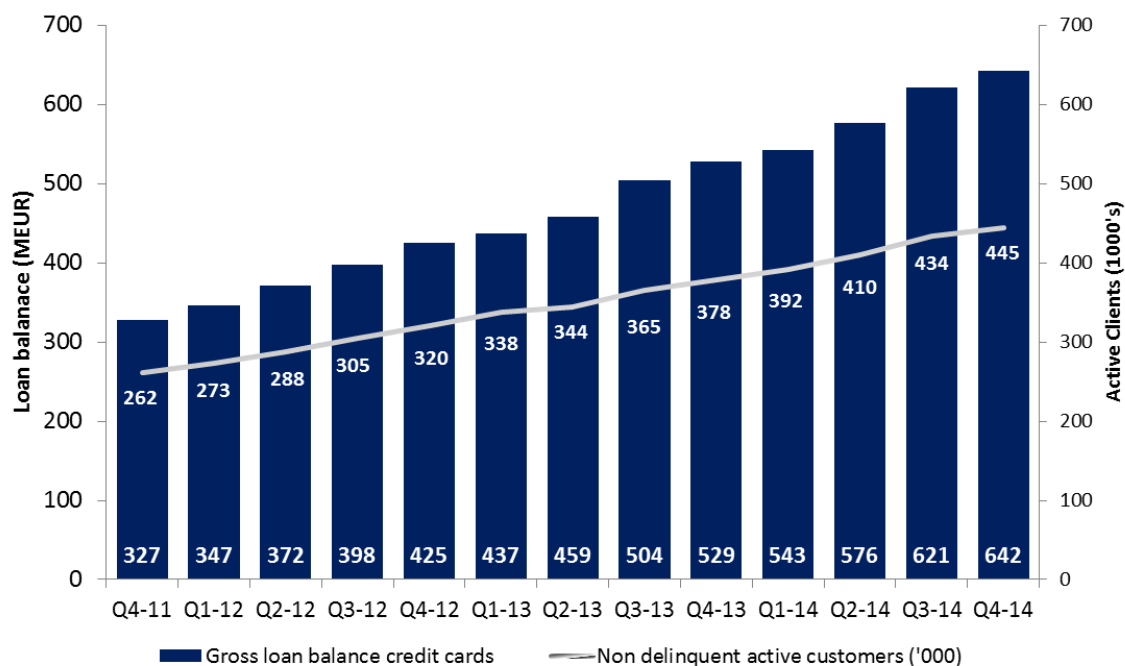
02.02.2015

Eirik Holtedahl
Chief Financial Officer/
Deputy Chief Executive Officer

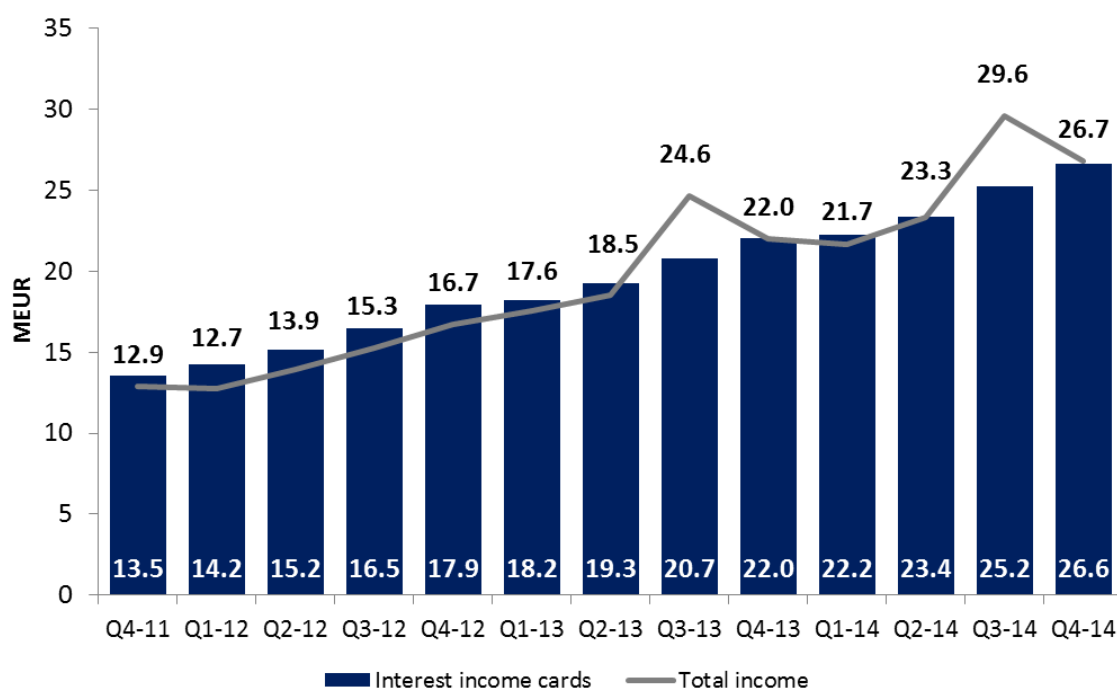
Marc Hentgen
Chief Executive Officer

Appendix: Development of key performance indicators

Non delinquent active clients & credit card loan balance

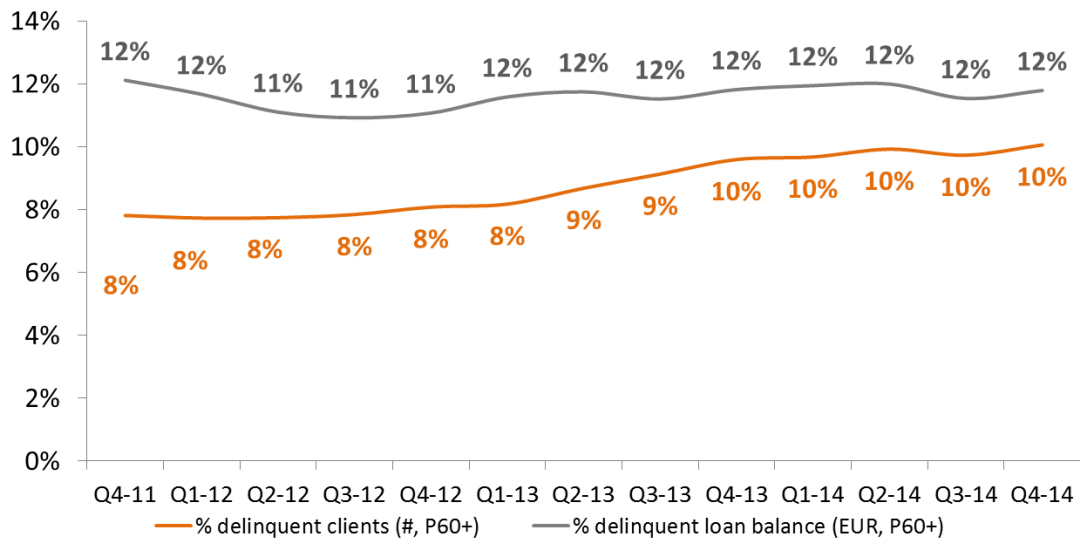


Interest income credit cards & total income



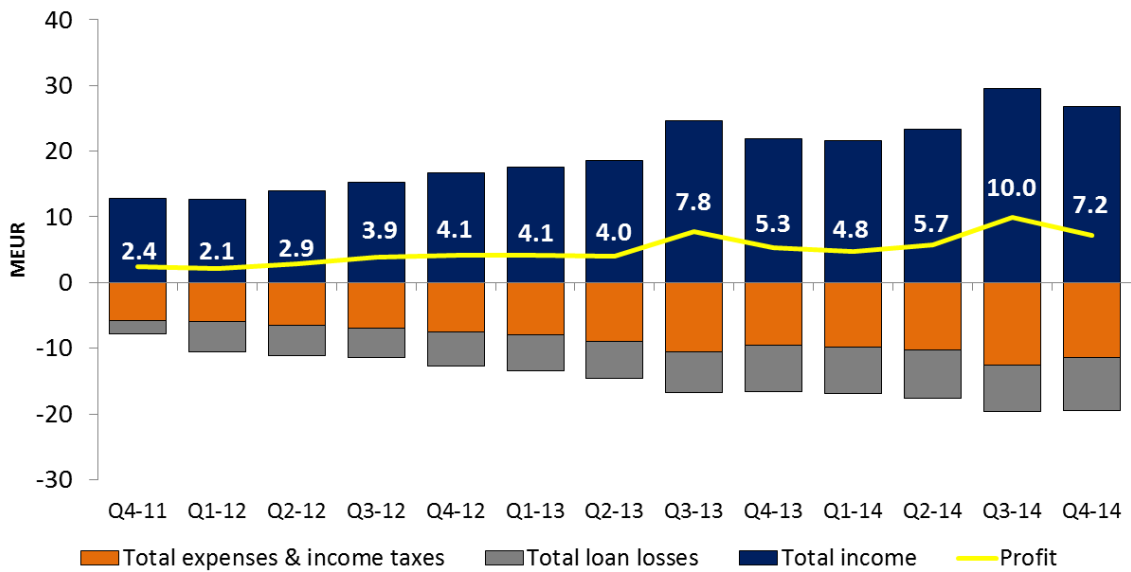
The Q3-2013 and Q3-2014 incomes are influenced by the income shift transactions.

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 incomes are influenced by the income shift transactions.