



Advanzia Bank S.A.

Quarterly report, 4th quarter 2015
As at 31.12.2015

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Highlights fourth quarter 2015

- Gross credit card loan balance of MEUR 772: +4% QoQ and +20% YoY
- Promising first sales results in Austria: almost 2 000 new active clients in Q4
- Loan loss rate of 4.7%: slightly improving QoQ, and a 0.4%-points improvement YoY
- After-tax profits of MEUR 12.0 for Q4; MEUR 35.6 in 2015 (+28% YoY)
- Return on equity: 47.5% in 2015, vs. 39.5 % in 2014

General economy and market overview

Macroeconomic overview (seasonally adj.)	Actual Q4-2015	Actual Q3-2015	QoQ growth	Actual Q4-2014	YoY growth	Expected 2015	Actual 2014	Yearly growth
Germany								
Unemployment rate (level at end of period)	6,3%	6,4%	-10bps	6,5%	-20bps	6,3%	6,5%	-20bps
GDP growth rate (QoQ)	0,3%	0,4%	-10bps	0,1%	20bps	2,0%	1,6%	40bps
Private consumption growth rate (QoQ)	0,6%	0,2%	40bps	0,2%	40bps	1,8%	1,8%	0bps
France								
Unemployment rate (level at end of period)	10,1%	10,8%	-70bps	10,3%	-20bps	10,2%	10,3%	-10bps
GDP growth rate (QoQ)	0,3%	0,0%	30bps	0,3%	0bps	1,2%	0,2%	100bps
Private consumption growth rate (QoQ)	0,3%	0,1%	20bps	0,3%	0bps	1,9%	0,7%	120bps
European Central Bank								
ECB key rate	0,05%	0,05%	0bps	0,05%	0bps	0,05%	0,05%	0bps

*French unemployment rate: as of mid of quarter; Expected 2015 & actual 2014: annual % change; GDP & private consumption growth rates as of previous quarter

In the fourth quarter of 2015, the German economy's growth remained on a positive trajectory. The unemployment rate dropped slightly. The German consumer confidence climate index rose, indicating a positive economic impulse. Increased government spending and a gradual introduction of refugees into the labour force are expected to support 2016 growth.

In France, high unemployment and low private consumption rates weigh on France's prospects, even though the unemployment rate did drop QoQ. The French consumer sentiment fell slightly, which indicates a possible decrease in household consumption in the near future. However, low energy prices and increasing demand from abroad may provide a possible increase in consumption and export volumes in 2016.

Credit cards

Key figures, (in '000)	Actual Q4-15	Actual Q3-15	QoQ growth	Actual Q4-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
New active cards	42,1	36,0	17%	34,4	22%	146,7	130,9	12%
Germany/Luxembourg	37,7	33,4	13%	31,8	18%	135,9	114,8	18%
France	2,6	2,7	-3%	2,6	2%	9,0	16,1	-44%
Austria	1,8	-	-	-	-	1,8	-	-
Non delinquent active clients (total, after churn)	525,2	503,6	4%	444,7	18%	525,2	444,7	18%
Germany/Luxembourg	504,3	485,8	4%	429,9	17%	504,3	429,9	17%
France	19,2	17,8	7%	14,7	30%	19,2	14,7	30%
Austria	1,8	-	-	-	-	1,8	-	-

To coordinate with a busy sales period, Advanzia intensified strategic campaigns in Q4, resulting in a strong growth in new active customers. In Germany and Luxembourg these measures yielded an 18% improvement against the same period last year. France sales volumes were roughly stable compared to Q3 and compared to the same period last year. The Bank's launch in Austria took form in Q4 with the first major marketing campaigns providing encouraging results with almost 2 000 new active clients.

Professional Card Services

Key Figures, PCS clients	Actual Q4-15	Actual Q3-15	QoQ growth	Actual Q4-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Number of banks	7	6	17%	4	75%	7	4	75%
New active cards	97	175	-45%	97	0%	563	127	-24%
Total cards	677	615	10%	147	361%	677	147	361%

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

Deposit accounts

Avanzia maintained its standard rate on Advanziakonto with a 0.90% effective interest rate p.a. during the fourth quarter. In parallel, the bank has been running a campaign with an introductory rate of 1.25 % (guaranteed until 26th of February 2016) for new clients. This offer is in line with the competitors offering the best rates in the market.

In December 2015, the Luxembourg parliament enacted a new law on a pre-paid deposit guarantee fund, to replace the current ex-post guarantee scheme. Avanzia will be required to pay into this fund, starting in 2015 with approximately MEUR 1.5 or 0.2% of insured deposits. The scheme is foreseen to be increased over the coming years to 1.6% of insured deposits.

Board, management and staff

In December 2015, Mr. Tom Ruud resigned as Chairman of the Board of Directors of Avanzia Bank S.A., but will continue as a member of the Board. Mr. Bengt A. Rem, the CEO of Kistefos and board member of Avanzia, was appointed as Mr Ruud's successor with immediate effect. There were no changes to management during the quarter.

As at 31.12.2015, Avanzia held 105 full-time equivalent employees, up from 82 at 31.12.2014. The increase in 2015 is explained by increased resources allocated to geographical expansion as well as due to the overall increase in the size of the business.

Financial statements

Below are the unaudited accounts for Advanzia as at 31.12.2015. 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. Please note that Advanzia has for capital adequacy reasons performed a limited review of its accounts as at 31.10.2015.

Assets (EUR millions)	Actual Q4-15	Actual Q3-15	QoQ growth	Actual Q4-14	YoY growth
Cash, balances with central banks	89,9	50,0	80%	35,0	157%
Loans and advances to credit institutions	80,1	85,9	-7%	85,8	-7%
Loans and advances to credit card clients	772,4	745,2	4%	642,4	20%
Value adjustment (losses)	(40,6)	(40,2)	1%	(36,9)	10%
Net loans and advances to credit card clients	731,8	705,0	4%	605,5	21%
Investments	0,9	-		-	
Intangible & tangible assets	1,6	1,7	-2%	1,7	-4%
Other assets	1,9	1,3	43%	1,0	89%
SUM ASSETS	906,2	843,9	7%	729,0	24%
Liabilities and equity (EUR millions)	Actual Q4-15	Actual Q3-15	QoQ growth	Actual Q4-14	YoY growth
Amounts owed to customers	791,2	740,9	7%	650,9	22%
Other liabilities, accruals, provisions	19,3	19,1	1%	11,7	65%
Subordinated loan (AT1)	8,9	8,9	-1%	-	
Sum liabilities	819,4	769,0	7%	662,6	24%
Subscribed capital	26,4	26,4	0%	25,5	3%
Reserves	11,0	11,6	-6%	9,4	17%
Profit (loss) brought forward	27,3	26,7	2%	26,6	3%
Profit for the financial year (net of interim dividend)	22,2	10,2	117%	4,7	370%
Sum equity	86,8	74,8	16%	66,3	31%
SUM LIABILITIES AND EQUITY	906,2	843,9	7%	729,0	24%

Income statement (EUR millions)	Actual Q4-15	Actual Q3-15	QoQ growth	Actual Q4-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Interest receivable, credit cards	31,8	30,5	4%	26,6	19%	117,8	97,4	21%
Interest receivable and similar income, others	0,0	0,0	-57%	0,0	-42%	0,1	0,3	-80%
Interest payable and similar expenses	(1,7)	(1,7)	4%	(1,6)	6%	(6,9)	(7,1)	-3%
Interest payable, other	(0,1)	(0,1)	-3%	-		(0,3)	-	
Net interest margin	30,0	28,7	4%	25,0	20%	110,6	90,6	22%
Commission receivable	3,1	3,3	-6%	3,1	1%	12,2	11,6	5%
Commission payable	(2,2)	(2,2)	-1%	(1,9)	14%	(8,4)	(7,0)	20%
Other financial items/operating income	(1,2)	0,8	-252%	0,6	-309%	0,8	6,0	-86%
Total income	29,7	30,5	-3%	26,7	11%	115,2	101,3	14%
Card acquisition costs	(4,7)	(3,4)	37%	(3,4)	37%	(15,0)	(12,5)	20%
Card operating costs	(2,6)	(2,5)	6%	(2,0)	28%	(9,7)	(8,0)	20%
Staff costs	(2,9)	(2,4)	19%	(2,2)	31%	(10,1)	(8,4)	20%
Other administrative expenses	(0,8)	(0,8)	0%	(0,5)	54%	(3,0)	(2,6)	12%
Depreciation, tangible + intangible assets	(0,2)	(0,2)	0%	(0,2)	1%	(1,0)	(0,9)	10%
Sum operating expenses	(11,2)	(9,3)	20%	(8,4)	33%	(38,8)	(32,5)	19%
Value adjustments	(0,5)	(1,1)	-58%	(2,0)	-78%	(3,7)	(7,3)	-49%
Write-offs	(7,9)	(7,9)	0%	(6,1)	30%	(29,3)	(22,4)	31%
Total loan losses	(8,4)	(9,0)	-7%	(8,1)	3%	(33,0)	(29,7)	11%
Profit (loss) on ordinary activities before taxes	10,1	12,2	-18%	10,2	-1%	43,5	39,2	11%
Income tax and net worth tax	1,9	(3,6)	-152%	(3,0)	-163%	(7,9)	(11,4)	-31%
Profit (loss) for the period	12,0	8,7	38%	7,2	65%	35,6	27,7	28%

Comments to the accounts

In Q4 2015, the gross loan balance on credit cards grew by MEUR 27, which represents a 4% increase compared to Q3.

Total income in Q4 2015 decreased by 3% compared to Q3, landing at MEUR 30.3. The main driver for this is the first contribution to the new deposit guarantee fund (cf. above), amounting to MEUR 1.5 MEUR and driving total income down. However, the interest income on credit cards increased compared to Q3 due to a higher loan balance.

Operating expenses increased by 20% compared to last quarter. This is mainly due to higher card acquisition costs relating to both the launch of a major B2B campaign and some additional investments in the B2C segment which resulted in a strong sales performance in Q4.

Loan losses decreased by 7% in Q4 2015 compared to Q3, which is mainly driven by lower value adjustments. On a YTD basis, the growth in loan losses from 2014 to 2015 (11%) is lower than the growth in gross loan balance and interest on credit cards (respectively 20% and 21%). The Bank has also undertaken transactions related to financial instruments, which have reduced the effective tax cost.

Avanzia's pre-tax profits decreased from MEUR 12.2 in Q3 2015 to MEUR 10.1 in Q4, due to the above mentioned factors. However, Avanzia has recorded a gain with respect to the income tax for the period. The Q4 after-tax profit thus landed at MEUR 12.0, which represents an increase of 38% compared to Q3 2015. In all, the 2015 profits were MEUR 35.6, which represents an increase of 28% compared to 2014.

Key performance indicators

Financial ratios	Actual Q4-15	Actual Q3-15	QoQ growth	Actual Q4-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Yield, credit card loans, weighted (%)	18,0%	18,0%	0,0%-p	18,1%	-0,1%-p	18,1%	18,2%	-0,1%-p
Net interest margin, int. bearing assets, weighted (%)	13,8%	13,9%	0,0%-p	14,1%	-0,2%-p	13,7%	12,7%	1,0%-p
Loan loss rate (12 months trailing, credit cards) (%)	4,7%	4,8%	-0,2%-p	5,1%	-0,4%-p	4,7%	5,1%	-0,4%-p
Cost/Income (%)	37,7%	30,5%	7,2%-p	31,4%	6,3%-p	33,6%	32,0%	1,6%-p
Return on equity (%), annualised	59,0%	47,0%	12,1%-p	42,6%	16,5%-p	47,5%	39,5%	8,0%-p
Capital adequacy ratio Tier 1 (%) (incl. interim profit)	15,0%	13,4%	1,7%-p	12,2%	2,8%-p	15,0%	12,2%	2,8%-p
Capital adequacy ratio Tier 1 (%) (excl. interim profit)	12,3%	11,6%	0,7%-p	12,2%	0,1%-p	12,3%	12,2%	0,1%-p
Liquidity coverage ratio (LCR) (min 100%)	415,0%	230,3%	184,7%-p	176,4%	238,5%-p	415,0%	176,4%	238,5%-p
Net stable funding ratio (NSFR) (min 100%)	115,8%	109,8%	5,9%-p	112,0%	3,8%-p	115,8%	112,0%	3,8%-p

Please note that Avanzia has received acceptance from the regulator to include MEUR 6 of the year-to-date profits as part of its own funds, and thus strengthening its capital ratio, which ended at 12.3%. When including all profits for the year, the Tier 1 capital ratio lands at 15.0%. The other ratios are in line with or exceed expectations.

Selected market performance indicators

Germany/Luxembourg (EUR millions)	Actual Q4-15	Actual Q3-15	QoQ growth	Actual Q4-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Gross Loan Balance	753,1	728,0	3%	629,7	20%	753,1	629,7	20%
Interest receivable, credit cards	31,1	29,9	4%	26,2	19%	115,4	96,1	20%
Loan Losses	(7,7)	(8,4)	-8%	(7,5)	2%	(30,5)	(27,5)	11%

France (EUR millions)	Actual Q4-15	Actual Q3-15	QoQ growth	Actual Q4-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Gross Loan Balance	19,3	17,1	13%	12,7	52%	19,3	12,7	52%
Interest receivable, credit cards	0,7	0,6	11%	0,5	50%	2,3	1,4	71%
Loan Losses	(0,7)	(0,6)	16%	(0,6)	15%	(2,5)	(2,2)	13%

Advanzia will include data about Austria when more data becomes available.

Outlook

The German macroeconomic environment remains benign, despite global uncertainties such as growth prospects for China, turbulence in the financial markets, etc. Advanzia thus expects to continue its positive development in Germany, and also increase card sales in 2016.

The French economy is expected to remain comparably weak in 2016. Advanzia continues to invest in development of processes and routines, and further measures are foreseen to be implemented. Overall, new client volumes are expected to be increased in 2016.

The operations in Austria are positive with respect to market reception and client performance is so far promising. Based on this, Advanzia will further develop and tune its operations and increase volumes in 2016.

The Bank's financial situation is expected to remain strong, with stable operating costs and loan losses, all contributing to continued strong financial performance.

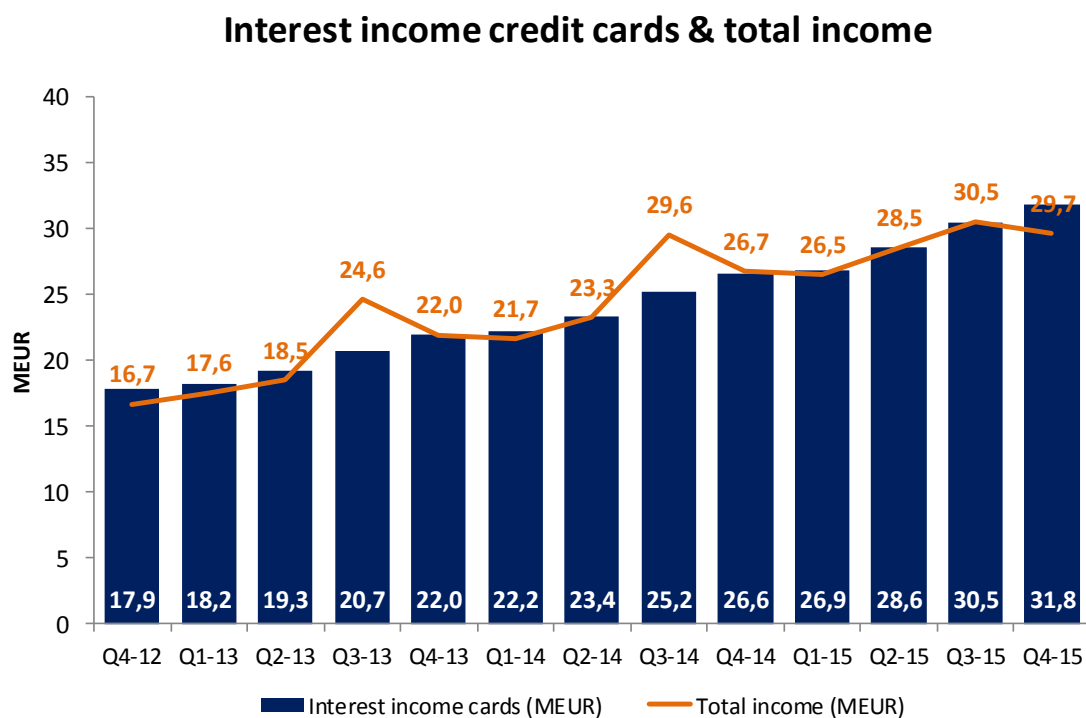
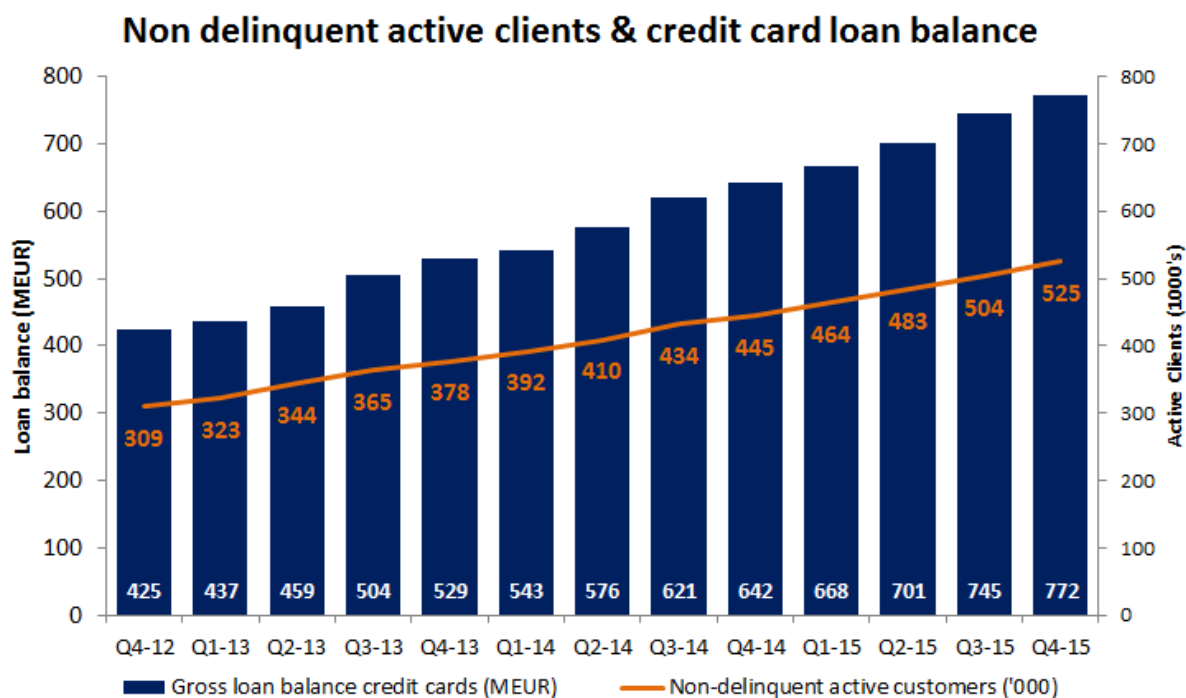
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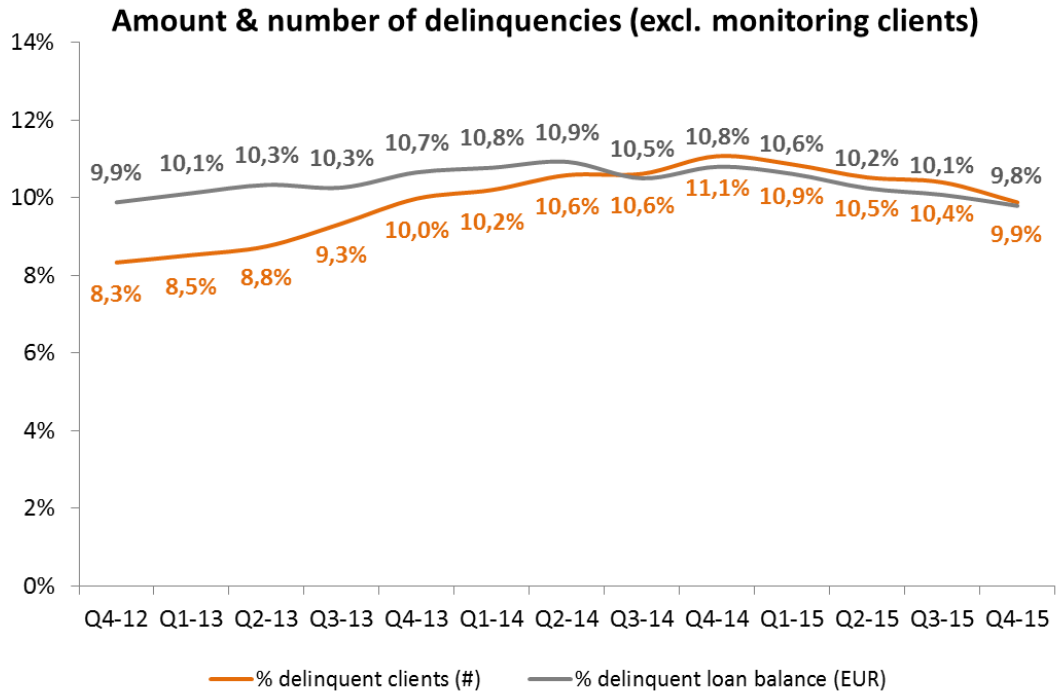
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Chief Financial Officer/
Deputy Chief Executive Officer

Marc Hentgen
Chief Executive Officer

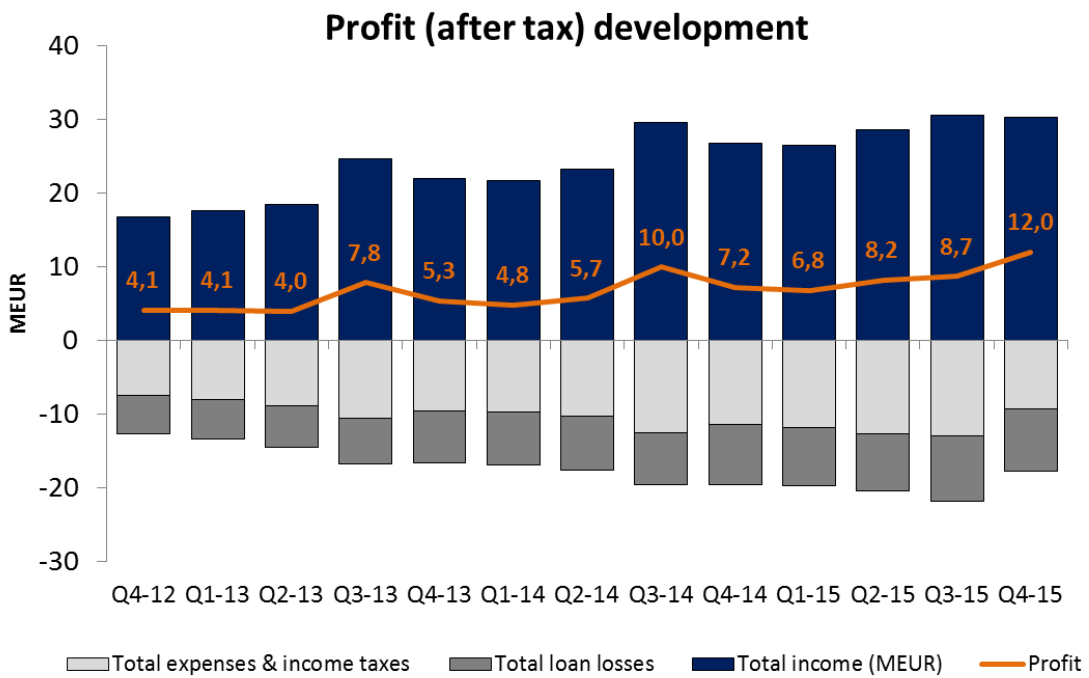
Appendix: Development of key performance indicators



The Q3 2013 and Q3 2014 Total income are influenced by income shift transactions, and the Q4 2015 Total income is influenced by the first contribution to the new deposit guarantee fund.



Delinquent clients/amounts are defined as being 60 days or more past due.



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.