



Advanzia Bank S.A.

Simplicity, Transparency and Trust

Quarterly report, first quarter of 2016

As at 31/03/2016

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Highlights: first quarter of 2016

- Gross credit card loan balance of MEUR 805: +4% QoQ and +21% YoY.
- Strong sales in Austria: almost 4 300 new active clients in Q1-16.
- Loan loss rate of 4.7%: stable QoQ and a 0.3%-points improvement YoY.
- After-tax profits of MEUR 7.5 for Q1-16; a 10% increase compared to Q1-15.
- Return on equity for Q1-16: 34.6% vs. 39.0 % in Q1-15.

Credit cards

| Key figures (EUR 000's) | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth | Actual YTD-16 | Actual YTD-15 | YTD growth |
|--|-----------------|-----------------|---------------|-----------------|---------------|------------------|------------------|---------------|
| New active cards | 48,4 | 42,1 | 15% | 36,4 | 33% | 48,4 | 36,4 | 33% |
| Germany/Luxembourg | 41,3 | 37,7 | 10% | 34,8 | 19% | 41,3 | 34,8 | 19% |
| France | 2,8 | 2,6 | 8% | 1,6 | 71% | 2,8 | 1,6 | 71% |
| Austria | 4,3 | 1,8 | 140% | - | - | 4,3 | - | - |
| Non delinquent active clients (total, after churn) | 533,9 | 525,2 | 2% | 463,7 | 15% | 533,9 | 463,7 | 15% |
| Germany/Luxembourg | 509,7 | 504,3 | 1% | 448,6 | 14% | 509,7 | 448,6 | 14% |
| France | 18,4 | 19,2 | -4% | 15,1 | 22% | 18,4 | 15,1 | 22% |
| Austria | 5,8 | 1,8 | 217% | - | - | 5,8 | - | - |

Avanzia started a few new marketing campaigns in Q1-16 from which the Bank expects promising growth prospects for our customer base. The Bank is continuing the high levels of client acquisition from Q4-15, which is bearing fruits as the number of new active clients is 15% above the previous quarter and 33% higher than Q1-15.

The growth is taking place in all markets, where especially the Austrian market seems to be picking up, with 4 300 new clients in the first full quarter of 2016.

Professional Card Services

| Key Figures, PCS clients | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth | Actual YTD-15 | Actual YTD-14 | YTD growth |
|--------------------------|-----------------|-----------------|---------------|-----------------|---------------|------------------|------------------|---------------|
| Number of banks | 9 | 7 | 29% | 5 | 80% | 9 | 5 | 80% |
| New active cards | 69 | 97 | -29% | 212 | -67% | 69 | 212 | -67% |
| Total cards | 740 | 677 | 9% | 352 | 110% | 740 | 352 | 110% |

Two new banks joined the Professional Card Services (PCS) programme, which the Bank continues to develop constantly.

Deposit accounts

Avanzia reduced its standard rate on Advanziakonto from 0.90% to 0.70% effective interest rate p.a. during the first quarter to reflect changes in the market. The Bank monitors its liquidity on a daily basis and tries to maintain only the minimum of liquidity required to run its operations.

Board, management and staff

There were no changes in the Board or management during the quarter.

As at 31/03/2016, Advanzia held around 109 full-time equivalent employees, up from 105 at the end of the previous quarter.

Financial statements

Below are the unaudited accounts for Advanzia as at end of the first quarter of 2016. 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 000's) | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth |
|---|-----------------|-----------------|---------------|-----------------|---------------|
| Cash, balances with central banks | 39,9 | 89,9 | -56% | 35,0 | 14% |
| Loans and advances to credit institutions | 169,9 | 80,1 | 112% | 107,1 | 59% |
| Loans and advances to credit card clients | 805,3 | 772,4 | 4% | 667,9 | 21% |
| Value adjustment (losses) | (42,5) | (40,6) | 5% | (38,2) | 11% |
| Net loans and advances to credit card clients | 762,8 | 731,8 | 4% | 629,7 | 21% |
| Investments | 0,9 | 0,9 | 0% | - | - |
| Tangible and intangible assets | 3,2 | 1,6 | 93% | 1,7 | 90% |
| Other assets | 1,8 | 1,9 | -6% | 0,9 | 86% |
| Total assets | 978,4 | 906,2 | 8% | 774,4 | 26% |

| Liabilities and equity (EUR 000's) | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth |
|---|-----------------|-----------------|---------------|-----------------|---------------|
| Amounts owed to customers | 861,9 | 791,2 | 9% | 690,1 | 25% |
| Other liabilities, accruals, provisions | 22,1 | 19,3 | 14% | 12,9 | 72% |
| Subordinated loan (AT1) | 9,1 | 8,9 | 2% | - | - |
| Sum liabilities | 893,1 | 819,4 | 9% | 703,0 | 27% |
| Subscribed capital | 26,4 | 26,4 | 0% | 26,3 | 0% |
| Reserves | 13,1 | 11,0 | 19% | 11,3 | 16% |
| Profit (loss) brought forward | 38,4 | 27,3 | 40% | 27,0 | 42% |
| Profit for the financial year (net of interim dividend) | 7,5 | 22,2 | -66% | 6,8 | 10% |
| Sum equity | 85,3 | 86,8 | -2% | 71,4 | 19% |
| Total liabilities and equity | 978,4 | 906,2 | 8% | 774,4 | 26% |

| Income statement (EUR 000's) | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth | Actual YTD-16 | Actual YTD-15 | YTD growth |
|---|-----------------|-----------------|---------------|-----------------|---------------|------------------|------------------|---------------|
| Interest receivable, credit cards | 32,7 | 31,8 | 3% | 26,9 | 22% | 32,7 | 26,9 | 22% |
| Interest payable and similar expenses | (1,9) | (1,7) | 10% | (1,8) | 9% | (1,9) | (1,8) | 9% |
| Interest payable, other | (0,1) | (0,1) | -1% | - | - | (0,1) | - | - |
| Net interest margin | 30,6 | 30,0 | 2% | 25,1 | 22% | 30,6 | 25,1 | 22% |
| Commission receivable | 2,5 | 3,1 | -18% | 2,8 | -10% | 2,5 | 2,8 | -10% |
| Commission payable | (2,2) | (2,2) | 1% | (1,9) | 14% | (2,2) | (1,9) | 14% |
| Other financial items/operating income | (0,5) | (1,2) | -140% | 0,5 | -3% | 0,5 | 0,5 | -3% |
| Total income | 31,4 | 29,7 | 6% | 26,5 | 19% | 31,4 | 26,5 | 19% |
| Card acquisition costs | (4,8) | (4,7) | 3% | (3,6) | 36% | (4,8) | (3,6) | 36% |
| Card operating costs | (2,8) | (2,6) | 6% | (2,2) | 26% | (2,8) | (2,2) | 26% |
| Staff costs | (2,6) | (2,9) | -9% | (2,3) | 12% | (2,6) | (2,3) | 12% |
| Other administrative expenses | (0,8) | (0,8) | 10% | (0,6) | 31% | (0,8) | (0,6) | 31% |
| Depreciation, tangible + intangible assets | (0,3) | (0,2) | 21% | (0,2) | 20% | (0,3) | (0,2) | 20% |
| Sum operating expenses | (11,3) | (11,2) | 1% | (9,0) | 26% | (11,3) | (9,0) | 26% |
| Value adjustments | (1,9) | (0,5) | 324% | (1,3) | 48% | (1,9) | (1,3) | 48% |
| Write-offs | (7,6) | (7,9) | -4% | (6,7) | 14% | (7,6) | (6,7) | 14% |
| Total loan losses | (9,5) | (8,4) | 14% | (7,9) | 20% | (9,5) | (7,9) | 20% |
| Profit (loss) on ordinary activities before taxes | 10,6 | 10,1 | 5% | 9,6 | 10% | 10,6 | 9,6 | 10% |
| Income tax and net worth tax | (3,1) | (1,9) | -265% | (2,8) | 10% | (3,1) | (2,8) | 10% |
| Profit (loss) for the period | 7,5 | 12,0 | -38% | 6,8 | 10% | 7,5 | 6,8 | 10% |

Comments to the accounts

In Q1-16, the gross loan balance on credit cards grew by MEUR 33, which represents a 4% increase compared to Q4-15, or a 21% increase compared to Q1-15. Overall liquidity increased by MEUR 50 during the quarter (from appr. MEUR 160 to MEUR 210) as a result of the increase (MEUR 70) in client deposits.

Total income in Q1-16 increased by 6% compared to Q4-15, landing at MEUR 31.4. The main drivers are improved interest income and lower costs from other financial items/operating income than Q4-15. MasterCard has reduced the interchange rate as per EU regulations, consequently Commissions receivable has been reduced. Going forward, the amount will again increase in line with volume increase.

Operating expenses increased by 1% compared to previous quarter. This is mainly due to higher card acquisition and operating costs relating to the launch of a major B2B campaign.

Loan losses increased by 14% in Q1-16 compared to Q4-15, which is mainly driven by higher value adjustments. On a YTD basis, the growth in loan losses from 2015 to 2016 (20%) is in line with the growth in gross loan balance and interest income on credit cards (respectively 21% and 22%).

Avanzia's pre-tax profits increased from MEUR 10.1 in Q4-15 to MEUR 10.6 in Q1-16 due to the above mentioned factors.

Overall equity decreased as a result of the MEUR 9 dividend decided by the Annual General Meeting and paid on 29 February 2016.

Key performance indicators

| Financial ratios | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth | Actual YTD-16 | Actual YTD-15 | YTD growth |
|--|--------------|--------------|------------|--------------|------------|---------------|---------------|------------|
| Yield, credit card loans, weighted (%) | 18,1% | 18,0% | 0,1%-p | 18,2% | 0,0%-p | 18,1% | 18,2% | 0,0%-p |
| Net interest margin, int. bearing assets, weighted (%) | 13,1% | 13,8% | -0,7%-p | 13,6% | -0,5%-p | 13,1% | 13,6% | -0,5%-p |
| Loan loss rate (12 months trailing, credit cards) (%) | 4,7% | 4,7% | 0,0%-p | 5,0% | -0,3%-p | 4,7% | 5,0% | -0,3%-p |
| Cost/Income (%) | 36,1% | 37,7% | -1,6%-p | 33,9% | 2,2%-p | 36,1% | 33,9% | 2,2%-p |
| Return on equity (%), annualised | 34,6% | 59,0% | -24,4%-p | 39,0% | -4,3%-p | 34,6% | 39,0% | -4,3%-p |
| Capital adequacy ratio Tier 1 (%) (incl. interim profit) | 13,5% | 15,0% | -1,6%-p | 12,4% | 1,0%-p | 13,5% | 12,4% | 1,0%-p |
| Capital adequacy ratio Tier 1 (%) (excl. interim profit) | 12,3% | 12,3% | 0,0%-p | 11,2% | 1,1%-p | 12,3% | 11,2% | 1,1%-p |
| Liquidity coverage ratio (LCR) (min 100%) | 113,7% | 415,0% | -301,3%-p | 163,4% | -49,7%-p | 113,7% | 163,4% | -49,7%-p |
| Net stable funding ratio (NSFR) (min 100%) | 119,3% | 115,8% | 3,5%-p | 113,8% | 5,5%-p | 119,3% | 113,8% | 5,5%-p |

The indicators are in line with expectations and the development of the business. The decrease in LCR reflects a change in placement of the liquidity and not a real change in the overall liquidity situation.

Selected market performance indicators

| Germany/Luxembourg (EUR 000's) | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth | Actual YTD-16 | Actual YTD-15 | YTD growth |
|-----------------------------------|-----------------|-----------------|---------------|-----------------|---------------|------------------|------------------|---------------|
| Gross Loan Balance | 781,5 | 752,6 | 4% | 653,9 | 20% | 781,5 | 653,9 | 20% |
| Interest receivable, credit cards | 31,9 | 31,1 | 2% | 26,4 | 21% | 31,9 | 26,4 | 21% |
| Loan Losses | (8,6) | (7,7) | 12% | (7,3) | 18% | (8,6) | (7,3) | 18% |

| France (EUR 000's) | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth | Actual YTD-16 | Actual YTD-15 | YTD growth |
|-----------------------------------|-----------------|-----------------|---------------|-----------------|---------------|------------------|------------------|---------------|
| Gross Loan Balance | 21,9 | 19,3 | 13% | 14,0 | 56% | 21,9 | 14,0 | 56% |
| Interest receivable, credit cards | 0,8 | 0,7 | 14% | 0,5 | 62% | 0,8 | 0,5 | 62% |
| Loan Losses | (0,9) | (0,7) | 29% | (0,6) | 35% | (0,9) | (0,6) | 35% |

| Austria (EUR 000's) | Actual Q1-16 | Actual Q4-15 | QoQ growth | Actual Q1-15 | YoY growth | Actual YTD-16 | Actual YTD-15 | YTD growth |
|-----------------------------------|-----------------|-----------------|---------------|-----------------|---------------|------------------|------------------|---------------|
| Gross Loan Balance | 1,9 | 0,5 | N/A | - | - | 1,9 | - | - |
| Interest receivable, credit cards | 0,0 | 0,0 | N/A | - | - | 0,0 | - | - |
| Loan Losses | (0,1) | (0,0) | N/A | - | - | (0,1) | - | - |

Outlook

The German macroeconomic environment remains benign, despite some general global uncertainties. Advanzia thus expects to continue its positive development in Germany, and also increase card sales further in 2016.

The French economy is expected to remain comparably weak in 2016, although there are some signs of improvement. 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 progressively in 2016.

The operations in Austria are clearly positive with respect to market reception, and client performance is so far promising. Based on this, Advanzia will further develop and fine-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.

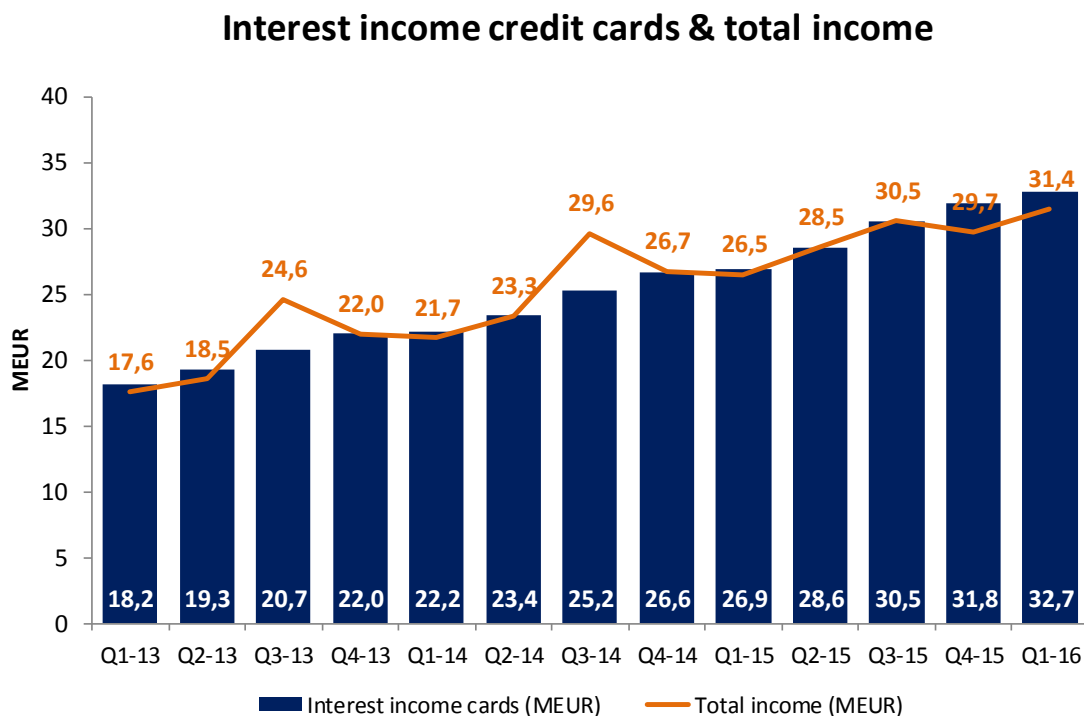
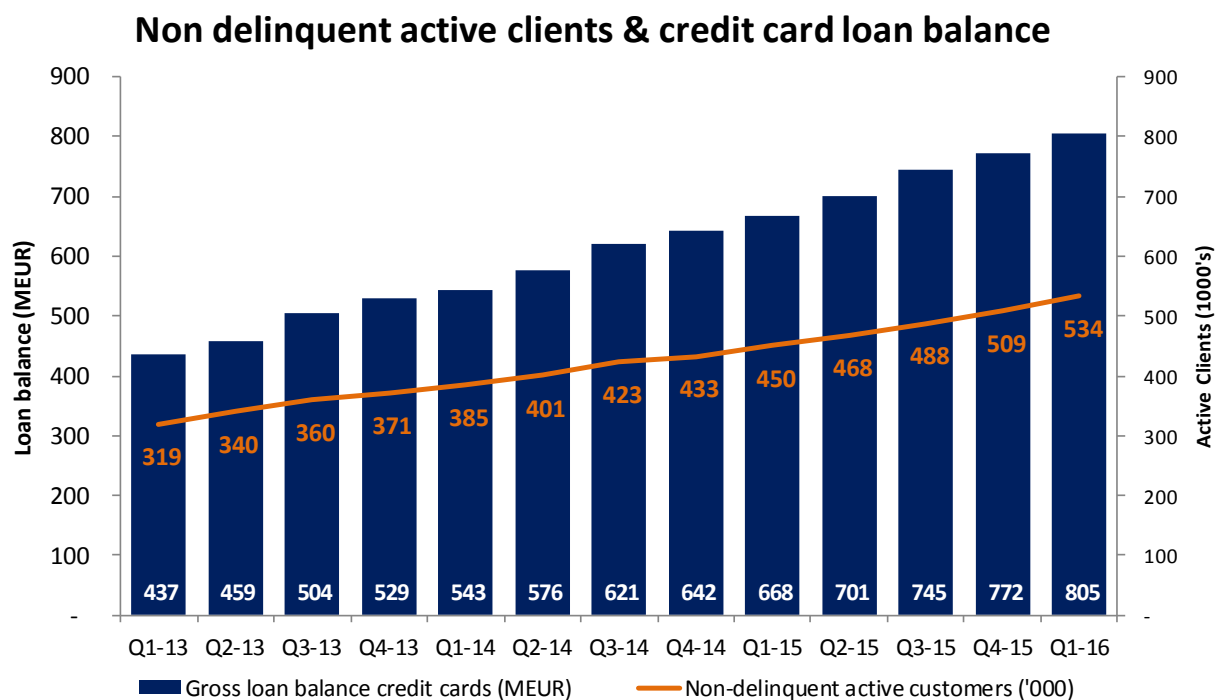
Munsbach, Luxembourg

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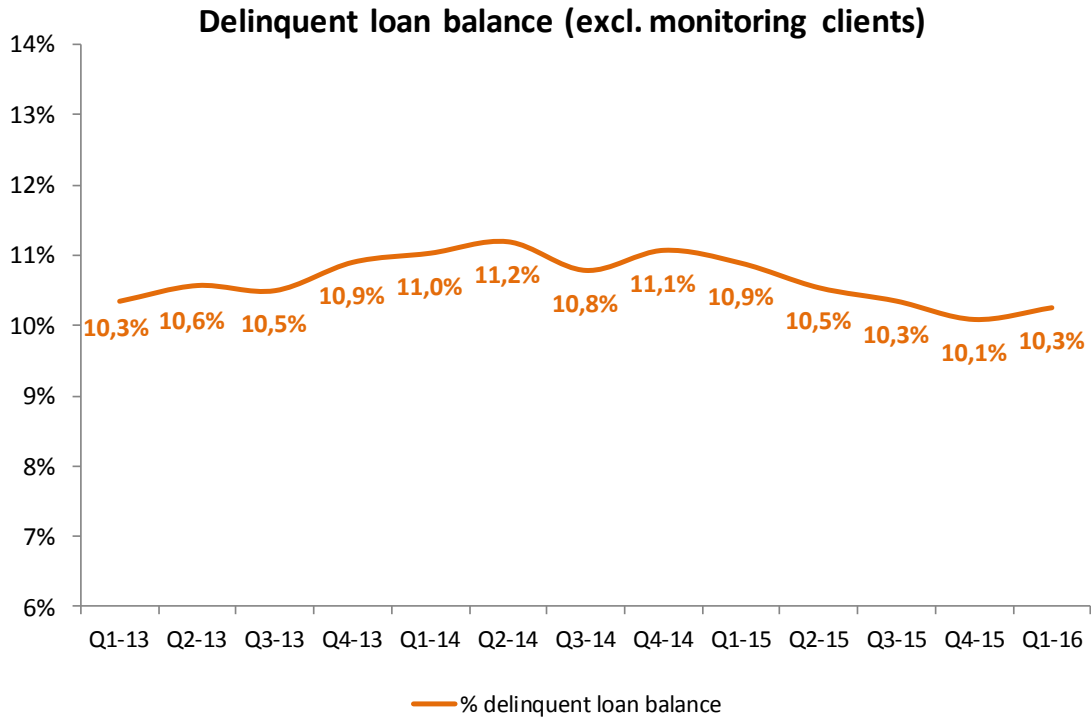
Eirik Holtedahl
Chief Financial Officer/
Deputy Chief Executive Officer

Marc Hentgen
Chief Executive Officer

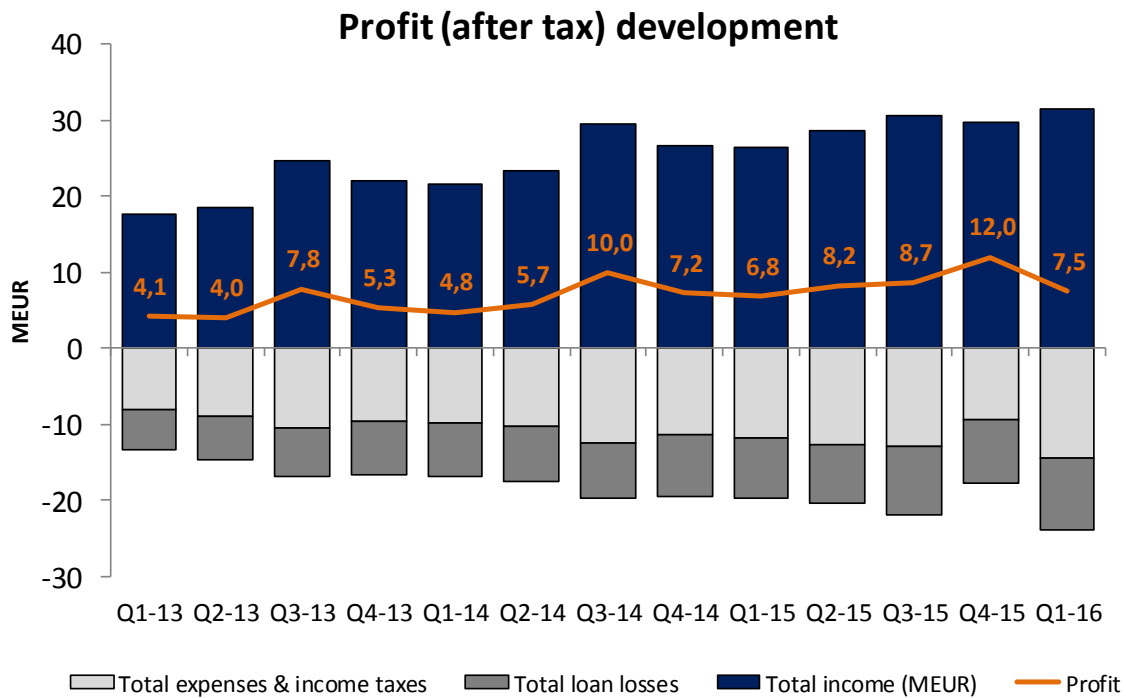
Appendix: Development of key performance indicators



The Q3-13 and Q3-14 total income are influenced by income shift transactions. The Q4-15 total income is influenced by the first provision to the new deposit guarantee fund.



Delinquent amounts are defined as being 60 days or more past due or at collection.



The Q3 2013 and Q3 2014 income are influenced by income shift transactions. Q4-15 is affected by a lower tax expense applicable to the entire year, but recognised in that period.

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.