



*Simplicity  
Transparency  
Trust*



**QUARTERLY  
REPORT Q1-17**  
Advanzia Bank S.A.



Quarterly Report  
For the Quarter ended 31 March 2017  
Advanzia Bank S.A.

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Simplicity, Transparency and Trust

**Advanzia Bank S.A.**

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Jeppe Hein, *Path of Silence*, 2016

Kistefos Museum, Norway

@ Courtesy of the Kistefos Museum. Photo: Kistefos Museum / Hege E. Johnsen

*Polished stainless steel, giant stones from the forests of the Kistefos, Norwegian slates, Siberian maple, Norwegian moss and flora.*

*Jeppe Hein's art puts people at the center. His artistic expression is located at the intersection of conceptual art, architecture and technology. Yet it is the meeting between man and art, or man in the encounter with himself that Hein is most occupying of.*

*Jeppe Hein was born in Denmark in 1974 and lives and works in Berlin. He is represented by a number of key public and private collections, including museums such as the Tate Gallery, London UK, MNAM-Centre Pompidou, Paris, France and MOCA, Museum of Contemporary Art, Los Angeles, USA.*

The **Advanzia strategy** is to create long-term value by resolutely increasing the number of customers and the loan balance. The plan requires substantial investments in customer acquisition. This will in the short-term yield a lower growth in profits, since it takes 2 to 3 quarters before new clients start to make a positive contribution and up to three years before total investments are recouped.

## Highlights: For the Quarter ended 31 March 2017

- Gross credit card loan balance of MEUR 974, growth +4% QoQ and +21% YoY
- 633 000 performing active clients, growth +3% QoQ and +19% YoY
- 1 034 000 cards in force<sup>1</sup>, growth +4% QoQ and +18% YoY
- Loan loss rate of 4.5% declined by 0.1%-points QoQ and 0.2%-points YoY
- Customer acquisition cost of MEUR 5.2, +1% QoQ and +7% YoY
- After-tax profit of MEUR 9.2, +23% YoY
- Annualized return on equity of 35.2% vs. 34.6 % in Q1-16

Advanzia continues to grow and has during the quarter surpassed the milestone of 1 million cards in force. The Bank recorded an increase of 4% in gross loan balance and increase of 3% in number of active clients compared to Q4-16. The progression of the loan balance is a consequence of continuing investments in customer acquisition. During the quarter, Advanzia has registered 42 700 new active cards, which slightly exceeds the increase in the previous quarter. The total number of performing active cards by the end of the quarter amounts to 633 000. The loan loss rate continued to improve during the quarter. Net profit in the quarter amounted to MEUR 9.2, a 23% increase compared to the same period of previous year.

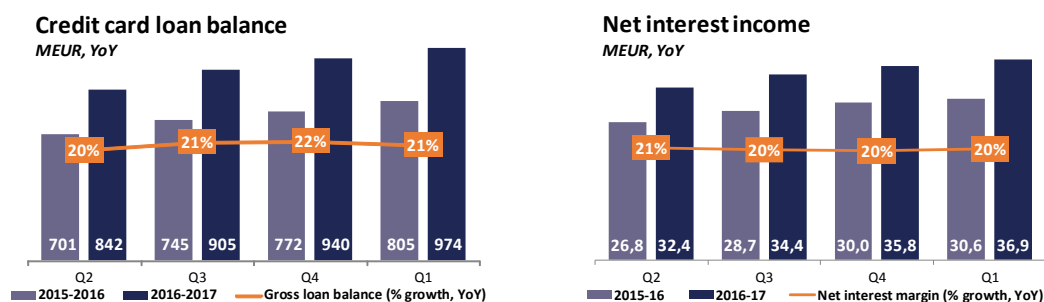


Figure 1: YoY growth – loan balance and net interest margin.

Growth metrics	Active credit card clients	Loans and advances to credit card clients	Profit after tax
CAGR (2010 - LTM*)	21%	25%	36%
YTD 2017 vs. YTD 2016	19%	21%	23%

\* Last twelve months

Figure 2: CAGR and YTD growth.

Since the end of 2010, Advanzia has delivered a CAGR of 36% in net profit, 25% in loan balance and 21% in number of active credit card clients.

<sup>1</sup> Cards in force: The number of issued cards including active and inactive cards.

## Loan balance development

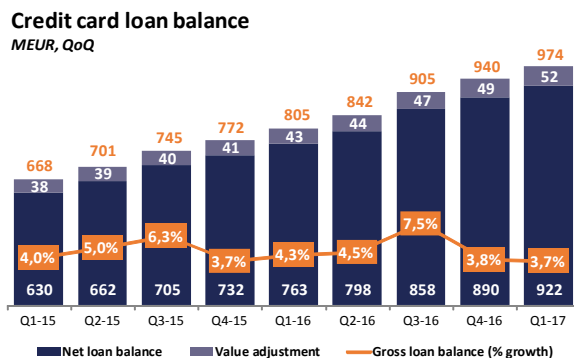


Figure 3: Loan balance development.

In line with new active cards, Advanzia increased its total gross loan balance by 4% QoQ and 21% YoY. The impaired loan balance followed a similar development, demonstrating an effective risk management.

## Active clients/credit cards

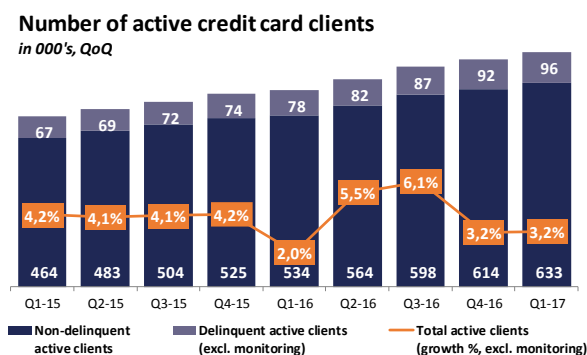


Figure 4: Credit card clients.

The number of performing active clients reached 633 100, a growth of 3% QoQ and 19% YoY.

Key figures (000's)	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Non delinquent active clients (total, after churn)	633,1	614,3	3%	533,9	19%	633,1	533,9	19%
Germany/Luxembourg	591,3	577,7	2%	509,7	16%	591,3	509,7	16%
France	22,7	21,1	8%	18,4	23%	22,7	18,4	23%
Austria	19,1	15,5	23%	5,8	232%	19,1	5,8	232%

Figure 5: Client/card statistics.

Total number of performing active clients in Germany shows a growth of 2% QoQ and 16% YoY. Total intake in Germany compared to previous year is influenced by the insolvency filing of a large B2B partner as well as the loss of a B2C partner during the second half of 2016. The Bank is on a good track to establish new partnerships in order to further increase the growth path in terms of new active clients.

For both France and Austria, the QoQ growth in active cards of 8% and 23%, has been satisfactory. Additional initiatives will be evaluated to increase growth further, especially in Austria where the development is promising.

## Professional Card Services (PCS)

Key Figures, PCS clients	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Number of banks	19	18	6%	9	111%	19	9	111%
New active cards	205	139	47%	69	197%	205	69	197%
Total cards (open)	1.303	1.131	15%	687	90%	1.303	687	90%
Turnover (in MEUR)	5,8	5,2	12%	2,5	133%	5,8	2,5	133%

Figure 6: Professional Card Services.

A new partner bank joined the Professional Card Services (PCS) programme during Q1-17. Advanzia has at the end of the period, 19 partner banks, an increase of 10 banks compared to a year ago. Turnover has increased by 12% compared to the previous quarter. Advanzia is actively working with several new prospects and continues to develop the offering.

## Deposit accounts

The Bank offered a standard rate of 0.50% effective p.a. in the entire first quarter a rate somewhat below the highest offerings in the market. As a result total deposits decreased to MEUR 1 041 and the number of active depositors is 30 400 per Q1 2017.

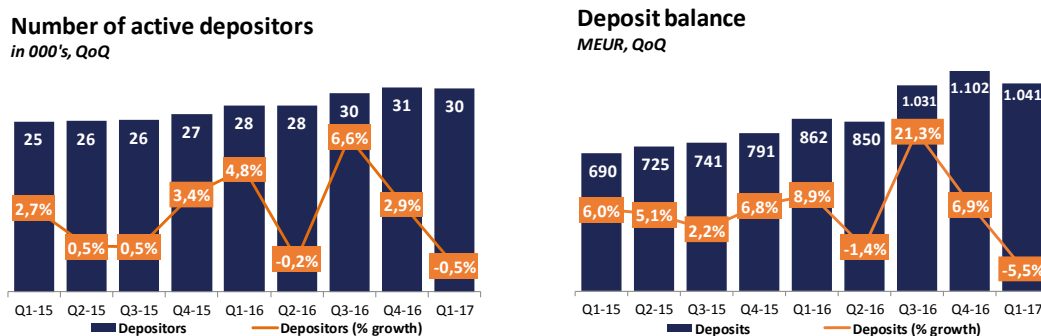


Figure 7: Depositors and deposit balance.

## Board, management and staff

As of 31 March 2017, Advanzia employed 135 full-time equivalent employees, up from 125 in the end of the previous quarter. The Bank continued to increase its workforce in view of its growth-oriented plans. On 1 April 2017 Roland Ludwig joined Advanzia as Deputy Chief Executive Officer.

## 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.

## Financial statements

Below are the unaudited accounts for Advanzia as at end of the first quarter of 2017. All amounts are in millions of euro (MEUR). Advanzia follows IFRS accounting principles and the figures are presented so that they reflect Advanzia's actual business activities and operations.

Assets (MEUR)	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Cash, balances with central banks	200,7	238,1	-16%	39,9	403%	200,7	39,9	403%
Loans and advances to credit institutions	53,9	97,5	-45%	169,9	-68%	53,9	169,9	-68%
Loans and advances to credit card clients	974,2	939,8	4%	805,3	21%	974,2	805,3	21%
Value adjustment (losses)	(52,3)	(49,4)	6%	(42,5)	23%	(52,3)	(42,5)	23%
Net loans and advances to credit card clients	921,9	890,4	4%	762,8	21%	921,9	762,8	21%
Investments	-	-	-	0,9	-100%	-	0,9	-100%
Tangible and intangible assets	5,9	5,8	2%	3,2	85%	5,9	3,2	85%
Other assets	3,1	2,4	31%	1,8	79%	3,1	1,8	79%
<b>Total assets</b>	<b>1.185,5</b>	<b>1.234,2</b>	<b>-4%</b>	<b>978,4</b>	<b>21%</b>	<b>1.185,5</b>	<b>978,4</b>	<b>21%</b>

Liabilities and equity (MEUR)	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Amounts owed to credit institutions	0,0	0,1	-100%	0,0	-100%	0,0	0,0	-100%
Amounts owed to customers	1.041,0	1.102,1	-6%	861,9	21%	1.041,0	861,9	21%
Other liabilities, accruals, provisions	26,6	23,2	15%	22,1	20%	26,6	22,1	20%
Subordinated loan (AT1)	9,3	9,4	-1%	9,1	3%	9,3	9,1	3%
Sum liabilities	1.076,9	1.134,8	-5%	893,1	21%	1.076,9	893,1	21%
Subscribed capital	27,4	27,4	0%	26,4	4%	27,4	26,4	4%
Reserves	14,2	13,1	9%	13,1	9%	14,2	13,1	9%
Profit (loss) brought forward	57,7	38,4	50%	38,4	50%	57,7	38,4	50%
Profit for the financial year (net of interim dividend)	9,2	20,5	-55%	7,5	23%	9,2	7,5	23%
Sum equity	108,6	99,4	9%	85,3	27%	108,6	85,3	27%
<b>Total liabilities and equity</b>	<b>1.185,5</b>	<b>1.234,2</b>	<b>-4%</b>	<b>978,4</b>	<b>21%</b>	<b>1.185,5</b>	<b>978,4</b>	<b>21%</b>

Income statement (MEUR)	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Interest receivable, credit cards	38,7	38,2	1%	32,7	18%	38,7	32,7	18%
Interest receivable and similar income, others	(0,2)	(0,2)	1%	(0,0)	744%	(0,2)	(0,0)	744%
Interest payable and similar expenses	(1,5)	(2,0)	-26%	(1,9)	-24%	(1,5)	(1,9)	-24%
Interest payable, other	(0,2)	(0,2)	-4%	(0,1)	29%	(0,2)	(0,1)	29%
Net interest income	36,9	35,8	3%	30,6	20%	36,9	30,6	20%
Commission receivable	3,6	2,7	35%	2,5	42%	3,6	2,5	42%
Commission payable	(2,3)	(2,6)	-12%	(2,2)	2%	(2,3)	(2,2)	2%
Other financial items/operating income	(0,7)	0,9	-176%	0,5	-237%	(0,7)	0,5	-237%
Total income	37,5	36,8	2%	31,4	20%	37,5	31,4	20%
Card acquisition costs	(5,2)	(5,1)	1%	(4,8)	7%	(5,2)	(4,8)	7%
Card operating costs	(3,2)	(3,3)	-4%	(2,8)	17%	(3,2)	(2,8)	17%
Staff costs	(3,6)	(3,2)	11%	(2,6)	36%	(3,6)	(2,6)	36%
Other administrative expenses	(1,5)	(1,3)	16%	(0,8)	84%	(1,5)	(0,8)	84%
Depreciation, tangible + intangible assets	(0,5)	(0,5)	2%	(0,3)	59%	(0,5)	(0,3)	59%
Sum operating expenses	(14,0)	(13,5)	4%	(11,3)	23%	(14,0)	(11,3)	23%
Value adjustments	(3,0)	(2,5)	19%	(1,9)	55%	(3,0)	(1,9)	55%
Write-offs	(8,0)	(7,0)	15%	(7,6)	6%	(8,0)	(7,6)	6%
Total loan losses	(11,0)	(9,5)	16%	(9,5)	15%	(11,0)	(9,5)	15%
Profit (loss) on ordinary activities before taxes	12,6	13,9	-9%	10,6	19%	12,6	10,6	19%
Income tax and net worth tax	(3,4)	1,5	-324%	(3,1)	10%	(3,4)	(3,1)	10%
<b>Profit (loss) for the period</b>	<b>9,2</b>	<b>15,4</b>	<b>-40%</b>	<b>7,5</b>	<b>23%</b>	<b>9,2</b>	<b>7,5</b>	<b>23%</b>

Figure 8: Unaudited accounts as at 31 March 2017.

## Comments to the accounts

In Q1-17, the gross credit card loan balance grew by MEUR 34.4 reaching MEUR 974, which represents a 4% increase compared to Q4-16 and a 21% increase compared to Q1-16. The customer acquisition costs were MEUR 5.2 in Q1-17 compared to MEUR 5.1 in Q4-16, an increase of 1%.

Overall liquidity decreased by MEUR 81 during the quarter as a result of net deposit outflows and an increasing loan balance. This was deliberate to limit costs resulting from holding excessive liquidity and consequently funding expenses were reduced by 26% QoQ.

Total income in Q1-17 increased by 20% compared to Q1-16, landing at MEUR 37.5 (2% higher QoQ). This was mainly driven by higher interest income due to the larger credit card loan balance and lower interest expense on deposits.

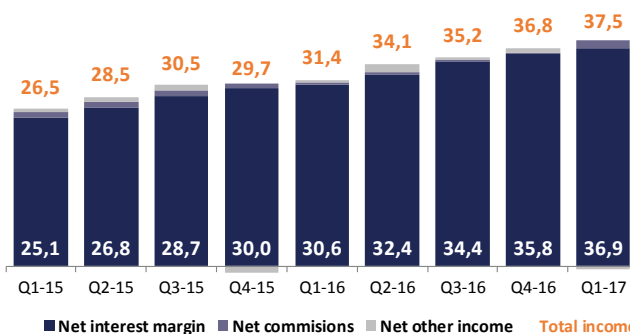
Operating expenses increased by 4% compared to the previous quarter, mainly because of higher staff costs.

Loan losses ended at MEUR 11.0 which corresponds to a loan loss rate of 4.5%, a decline of 0.1%-points QoQ and 0.2%-points YoY.

Avanzia's profit after tax grew by 23% compared to Q1-16, ending at MEUR 9.2 for the quarter. The drop in profit after tax compared to Q4-16 of 40% is due to end of year specific items in the previous quarter of MEUR 5.4.

### Income split and development

MEUR, QoQ



### Profit development

MEUR, QoQ

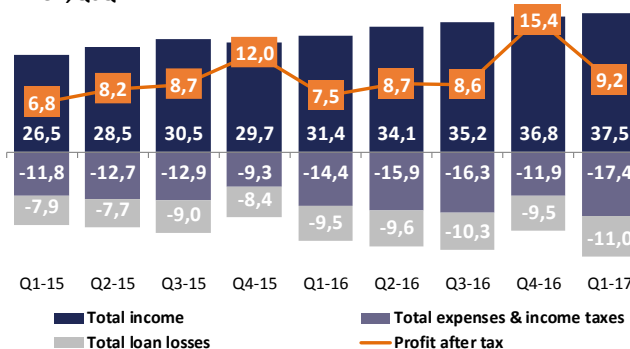


Figure 9: Income and profit development.

Note: Q4-15 and Q4-16 were positively impacted by end of year specific items of MEUR 4.8 and MEUR 5.4 respectively.



## Key performance indicators (KPIs)

Financial ratios	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Yield, credit card loans, weighted (%)	17,8%	17,7%	0,0%-p	18,1%	-0,4%-p	17,8%	18,1%	-0,4%-p
Net interest margin, int. bearing assets, weighted (%)	12,6%	12,0%	0,6%-p	13,1%	-0,6%-p	12,6%	13,1%	-0,6%-p
Loan loss rate (12 months trailing, credit cards) (%)	4,5%	4,5%	-0,1%-p	4,7%	-0,2%-p	4,5%	4,7%	-0,2%-p
Cost/Income (%)	37,2%	36,6%	0,6%-p	36,1%	1,1%-p	37,2%	36,1%	1,1%-p
Cost/Income (%) (excl. acquisition costs)	23,4%	22,6%	0,8%-p	20,7%	2,7%-p	23,4%	20,7%	2,7%-p
Return on equity (%), annualised	35,2%	63,0%	-27,8%-p	34,6%	0,6%-p	35,2%	34,6%	0,6%-p
Capital adequacy ratio Tier 1 (%) (incl. interim profit)	14,7%	13,8%	1,0%-p	13,5%	1,3%-p	14,7%	13,5%	1,3%-p
Capital adequacy ratio Tier 1 (%) (excl. interim profit)	13,5%	11,6%	1,9%-p	12,3%	1,2%-p	13,5%	12,3%	1,2%-p
Liquidity coverage ratio (LCR) (min 100%)	185,0%	387,9%	-202,9%-p	113,7%	71,3%-p	185,0%	113,7%	71,3%-p
Net stable funding ratio (NSFR) (min 100%)	119,7%	129,0%	-9,3%-p	119,3%	0,4%-p	119,7%	119,3%	0,4%-p

Figure 10: Key performance indicators.

The KPIs are in line with expectations and the development of the business. The gross yield on credit cards remains stable at around 18%. Advanzia managed to reduce its loan loss rate by 0.2%-points YoY. The cost-income ratio excluding acquisition cost was 23.4% in Q1-17. Advanzia maintains an ample solvency and liquidity, having a capital adequacy ratio (incl. interim profits) of 14.7% and a liquidity coverage ratio of 185% in Q1-17.

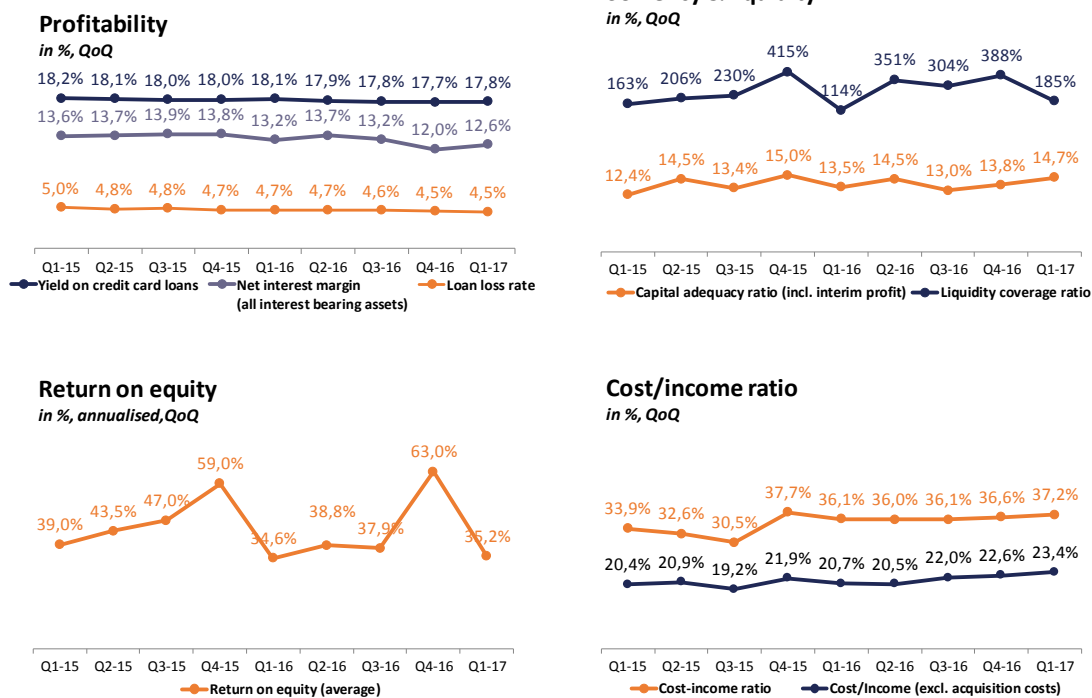


Figure 11: Key performance indicators.

## Selected market performance indicators

Germany/Luxembourg (MEUR)	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Gross loan balance	924,4	895,0	3%	781,5	18%	924,4	781,5	18%
Interest receivable, credit cards	37,0	36,7	1%	31,9	16%	37,0	31,9	16%
Loan losses	(9,7)	(8,6)	13%	(8,6)	13%	(9,7)	(8,6)	13%

France (MEUR)	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Gross loan balance	31,1	30,8	1%	21,9	42%	31,1	21,9	42%
Interest receivable, credit cards	1,1	1,0	7%	0,8	41%	1,1	0,8	41%
Loan losses	(0,8)	(0,7)	15%	(0,9)	-8%	(0,8)	(0,9)	-8%

Austria (MEUR)	Actual Q1-17	Actual Q4-16	QoQ growth	Actual Q1-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Gross loan balance	18,7	13,9	35%	1,9	-	18,7	1,9	-
Interest receivable, credit cards	0,6	0,5	35%	0,0	-	0,6	0,0	-
Loan losses	(0,5)	(0,2)	151%	(0,1)	-	(0,5)	(0,1)	-

Figure 12: Market performance indicators.

Germany/Luxembourg is growing satisfactorily. Austria, launched at the end of 2015, follows a similar successful pattern to the first year in Germany/Luxembourg. It is, however, too early to draw any final conclusions with regards to Austria. France remains weak but is expected to deliver better results with time. Advanzia is actively testing and implementing various initiatives such as new marketing channels, B2B partners and the portfolio acquisition mentioned below to achieve better results.

## Outlook

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For all markets the current economic environment is stable and their outlook is favourable. Advanzia will continue its momentum in Germany and Austria, but remains prudent about the development in France.

In line with the strategy, the Bank's gross loan balance is growing quickly, while profit growth is more subdued due to high acquisition investments and other general investments needed to realise the Bank's growth potential.

In April, the Bank closed its first acquisition by purchasing a revolving portfolio of approximately MEUR 60 in France. Besides building scale, the acquisition will accelerate the Bank's learning curve of the French market. The Bank continues to be on the lookout for attractive acquisition opportunities both in existing and potential new markets.

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

Munsbach, Luxembourg

31.10.2017

Roland Ludwig  
Deputy Chief Executive Officer

Marc Hentgen  
Chief Executive Officer



Tony Cragg, *I'm Alive*, 2001  
Kistefos Museum, Norway  
@ Courtesy of the Kistefos Museum. Photo: Frédéric Boudin

*I'm Alive* was created in 2001 by the British artist Tony Cragg (b. 1949). The sculpture with the telling title, *I'm Alive*, at first glance looks like a powerful creature that meanders forward. The surface is glossy, which underlines the impression that it is almost bursting with energy. The performance is intensified by all that moves around the sculpture – on the ground, in the sky and in the air – get caught up in a shiny surface that helps create exciting new experiences. The artist gives the impression of vitality in every centimetre!



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