



*Simplicity  
Transparency  
Trust*



**QUARTERLY  
REPORT Q4-17**  
Advanzia Bank S.A.



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

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Simplicity, Transparency and Trust

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Path of Silence, Jeppe Hein, 2016  
Kistefos Museum, Norway  
Courtesy of the Kistefos Museum. Photo: Kistefos Museum

## Highlights: For the Quarter ended 31 December 2017

- Gross credit card loan balance of MEUR 1 229, growth +5% QoQ and +31% YoY
- 758 000 performing active clients , growth +6% QoQ and +23% YoY
- 1 201 000 cards in force<sup>1</sup>, growth +6% QoQ and +20% YoY
- Customer acquisition cost of MEUR 8.3, +28% QoQ and +61% YoY
- Loan loss rate of 4.1%, increased by 0.1%-points QoQ and decreased by 0.4%-points YoY
- After-tax profit of MEUR 14.6, +21% QoQ and -5% YoY
- 2017 After-tax profit of MEUR 47.0, 17 % higher compared to 2016

Avanzia continues to deliver a stellar performance. The gross loan balance exhibited a continued strong growth with an increase of 5% over the quarter to end the year at MEUR 1 229. The German and Austrian markets were the main drivers of the growth. Notably, the Austrian loan balance grew by 26% QoQ. The growth of the balance translated into a favourable development of total income, which increased by 4% QoQ. The loan loss rate increased slightly this quarter as a result of the strong customer intake during the second half of the year. Nevertheless, in 2017 loan losses grew at a slower pace than interest income and the loan balance. Net income reached MEUR 14.6; 21% more than in Q3-17 but somewhat lower than in Q4-16 due to 61% higher acquisition costs (MEUR 8.3 compared to MEUR 5.1). These resulted in the strong customer intake. The annual profit after tax increased by 17% to MEUR 47.0 compared to MEUR 40.2 in 2016.

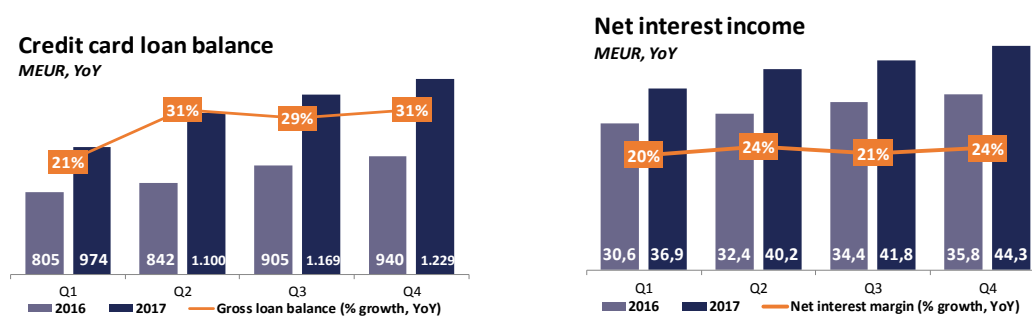


Figure 1: YoY growth – loan balance and net interest margin.<sup>2</sup>

Growth metrics	Active credit card clients	Loans and advances to credit card clients	Profit after tax
CAGR (2010 - 2017)	22%	26%	33%
2017 vs. 2016	23%	31%	17%

Figure 2: CAGR and YTD growth.

Since the end of 2010, Avanzia has delivered a CAGR of 33% in net profit, 26% in the loan balance and 22% in the number of active credit card clients.

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

<sup>2</sup> The acquisition of the French revolving credit portfolio (MEUR 62.8) was concluded in Q2-17.

## Loan balance development

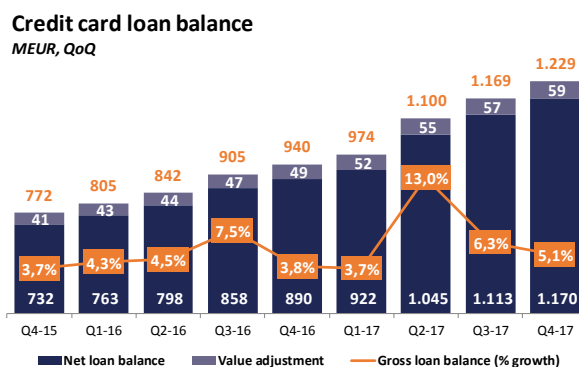


Figure 3: Loan balance development.<sup>3</sup>

With 5.1% QoQ growth, the gross loan balance continued to grow at a healthy pace thanks to sustained marketing campaigns targeting both new and existing clients. Value adjustments grew less than the loan balance in Q4-17, 3.8% QoQ, an indication of continued effective risk management.

## Active clients/credit cards

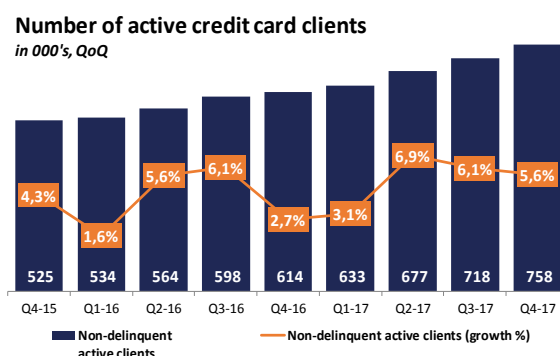


Figure 4: Credit card clients.

The number of performing active clients reached 758 200, a growth of 6% QoQ and 23% YoY. While all markets contribute to that growth, the Bank is especially pleased about the relative performance in Austria.

Key figures (000's)	Actual Q4-17	Actual Q3-17	QoQ growth	Actual Q4-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Non delinquent active clients (total, after churn)	758,2	717,8	6%	614,3	23%	758,2	614,3	23%
Germany/Luxembourg	684,4	650,4	5%	577,7	18%	684,4	577,7	18%
France	41,6	39,6	5%	21,1	98%	41,6	21,1	98%
Austria	32,2	27,9	16%	15,5	108%	32,2	15,5	108%

Figure 5: Client/card statistics.

<sup>3</sup> The growth in Q2-17 benefitted from the acquisition of the revolving credit portfolio in France with MEUR 62.8 in loan balance.

## Professional Card Services (PCS)

Key Figures, PCS clients	Actual Q4-17	Actual Q3-17	QoQ growth	Actual Q4-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Number of banks	20	20	0%	18	11%	20	18	11%
New active cards	90	80	13%	139	-35%	500	588	-15%
Total cards (opened)	1.453	1.395	4%	1.131	28%	1.453	1.131	28%
Turnover (in MEUR)	7,6	7,6	1%	5,2	47%	27,3	15,1	80%

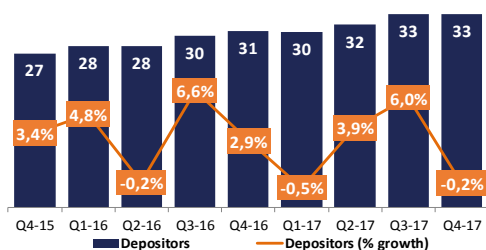
Figure 6: Professional Card Services.

20 partner banks were part of the Professional Card Services (PCS) programme during Q4-17, an increase of two from Q4-16. Advanzia is actively developing its pipeline of potential partner banks, as well as continuing to develop the current offering.

## Deposit accounts

The Bank offered an introductory rate of 0.5% effective p.a. during the entire fourth quarter, an offer above the market average. As a result, total deposits increased slightly to MEUR 1 454. The number of depositors is in line with the previous quarter.

Number of active depositors  
in 000's, QoQ



Deposit balance  
MEUR, QoQ

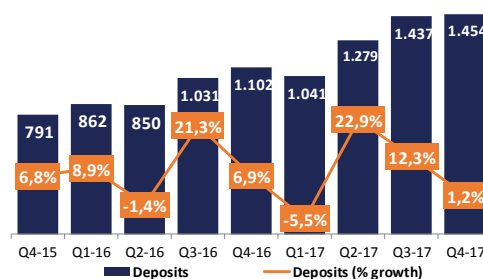


Figure 7: Depositors and deposit balance.

## Board, management and staff

As of 31 December 2017, Advanzia employed 140 full-time equivalent employees, up from 138 at the end of the previous quarter.

## Shareholding

There were no movements or changes in the distribution of shares during the quarter. Kistefos AS is the largest shareholder with 60.3%. All other shareholders hold less than 10% individually.

## Financial statements

Below are the unaudited accounts for Advanzia as at end of the fourth 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 Q4-17	Actual Q3-17	QoQ growth	Actual Q4-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Cash, balances with central banks	463,8	499,8	-7%	238,1	95%	463,8	238,1	95%
Loans and advances to credit institutions	59,0	77,5	-24%	97,5	-39%	59,0	97,5	-39%
Loans and advances to credit card clients	1.228,6	1.169,5	5%	939,8	31%	1.228,6	939,8	31%
Value adjustments (losses)	(58,7)	(56,6)	4%	(49,4)	19%	(58,7)	(49,4)	19%
Net loans and advances to credit card clients	1.169,8	1.112,9	5%	890,4	31%	1.169,8	890,4	31%
Tangible and intangible assets	7,0	6,2	12%	5,8	21%	7,0	5,8	21%
Other assets	29,6	3,2	816%	2,4	1135%	29,6	2,4	1135%
<b>Total assets</b>	<b>1.729,2</b>	<b>1.699,6</b>	<b>2%</b>	<b>1.234,2</b>	<b>40%</b>	<b>1.729,2</b>	<b>1.234,2</b>	<b>40%</b>
Liabilities and equity (MEUR)	Actual Q4-17	Actual Q3-17	QoQ growth	Actual Q4-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Amounts owed to credit institutions	100,2	100,1	0%	0,1	-	100,2	0,1	-
Amounts owed to customers	1.453,9	1.436,7	1%	1.102,1	32%	1.453,9	1.102,1	32%
Other liabilities, accruals, provisions	30,8	32,6	-6%	23,2	33%	30,8	23,2	33%
Subordinated loan (AT1)	8,7	9,0	-4%	9,4	-8%	8,7	9,4	-8%
Sum liabilities	1.593,5	1.578,5	1%	1.134,8	40%	1.593,5	1.134,8	40%
Subscribed capital	27,4	27,4	0%	27,4	0%	27,4	27,4	0%
Reserves	13,6	13,4	2%	13,1	4%	13,6	13,1	4%
Profit (loss) brought forward	58,3	58,5	0%	38,4	52%	58,3	38,4	52%
Profit for the financial year (net of interim dividend)	36,4	21,7	67%	20,5	77%	36,4	20,5	77%
Sum equity	135,8	121,1	12%	99,4	37%	135,8	99,4	37%
<b>Total liabilities and equity</b>	<b>1.729,2</b>	<b>1.699,6</b>	<b>2%</b>	<b>1.234,2</b>	<b>40%</b>	<b>1.729,2</b>	<b>1.234,2</b>	<b>40%</b>
Income statement (MEUR)	Actual Q4-17	Actual Q3-17	QoQ growth	Actual Q4-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Interest receivable, credit cards	48,3	45,5	6%	38,2	27%	174,8	141,3	24%
Interest receivable and similar income, others	(0,4)	(0,4)	18%	(0,2)	122%	(1,2)	(0,3)	291%
Interest payable and similar expenses	(3,2)	(3,0)	6%	(2,0)	60%	(9,3)	(7,1)	31%
Interest payable, other	(0,5)	(0,4)	12%	(0,2)	157%	(1,3)	(0,6)	102%
Net interest income	44,3	41,8	6%	35,8	24%	163,1	133,3	22%
Commission receivable	5,3	4,5	17%	2,7	98%	17,7	11,0	61%
Commission payable	(3,4)	(3,0)	12%	(2,6)	31%	(11,6)	(9,7)	20%
Other financial items/operating income	(1,6)	(0,4)	297%	0,9	-283%	(2,8)	2,9	-196%
Total income	44,6	42,9	4%	36,8	21%	166,4	137,5	21%
Card acquisition costs	(8,3)	(6,5)	28%	(5,1)	61%	(25,6)	(20,2)	27%
Card operating costs	(4,8)	(4,1)	16%	(3,3)	43%	(16,2)	(12,5)	30%
Staff costs	(4,1)	(3,5)	16%	(3,2)	27%	(14,7)	(11,4)	29%
Other administrative expenses	(1,4)	(1,3)	3%	(1,3)	5%	(5,8)	(4,0)	45%
Depreciation, tangible + intangible assets	(0,5)	(0,5)	-1%	(0,5)	5%	(1,9)	(1,6)	19%
Sum operating expenses	(19,0)	(15,9)	19%	(13,5)	41%	(64,3)	(49,8)	29%
Value adjustments	(2,1)	(1,3)	60%	(2,5)	-14%	(9,3)	(8,8)	6%
Write-offs	(10,3)	(9,0)	14%	(7,0)	47%	(35,2)	(30,0)	17%
Total loan losses	(12,7)	(10,3)	23%	(9,5)	34%	(44,8)	(38,8)	15%
Profit (loss) on ordinary activities before taxes	12,9	16,6	-22%	13,9	-7%	57,3	48,9	17%
Income tax and net worth tax	1,7	(4,5)	-138%	1,5	12%	(10,3)	(8,7)	18%
<b>Profit (loss) for the period</b>	<b>14,6</b>	<b>12,1</b>	<b>21%</b>	<b>15,4</b>	<b>-5%</b>	<b>47,0</b>	<b>40,2</b>	<b>17%</b>

Figure 8: Unaudited accounts as at 31 December 2017.

## Comments to the accounts

In Q4-17, the gross credit card loan balance grew by MEUR 60 reaching MEUR 1 229, which represents a 5% increase compared to Q3-17 and a 31% increase compared to Q4-16. The customer acquisition costs were MEUR 8.3 in Q4-17 compared to MEUR 6.5 in Q3-17, an increase of 28%. This investment has resulted in a good growth of new clients during the quarter.

Overall liquidity remained ample at MEUR 523. Other assets increased significantly because of the credit card turnover prepayment at the turn of the year. Generally, if there are more than two consecutive non-business days, the Bank has to prepay the card turnover. The prepayment was settled during the first working day of 2018.

Total income in Q4-17 increased by 4% compared to Q3-17, landing at MEUR 44.6. This was mainly driven by higher interest income due to the larger credit card loan balance. On an annual basis, total income increased by 21%.

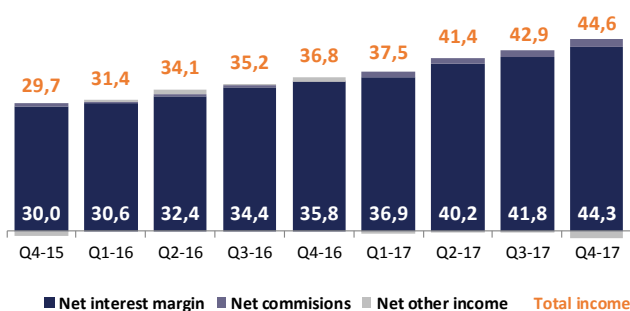
Operating expenses increased by 19% compared to the previous quarter, mainly as a result of higher card acquisition costs. The reinforced marketing activity delivered very strong sales volumes, most notably in Austria and Germany.

The loan loss rate in Q4-17 was 4.1% compared to 4.5% in Q4-16, coincidentally the loan loss rate for the full year 2017 also ended at 4.1% compared to 4.5 % in 2016.

Advanzia's profit after tax grew by 21% compared to Q3-17, ending at MEUR 14.6 for the quarter. In total, profit after tax for 2017 ended at MEUR 47.0, an increase of 17% compared to 2016.

### Income split and development

MEUR, QoQ



### Profit development

MEUR, QoQ

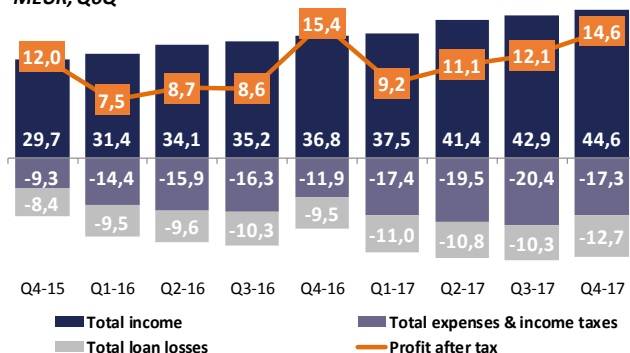


Figure 9: Income and profit development.<sup>4</sup>

<sup>4</sup> Q4-15, Q4-16, Q4-17 were positively affected by end of year specific items of MEUR 4.8, MEUR 5.4 and MEUR 4.5 respectively



## Key performance indicators (KPIs)

The KPIs are in line with expectations and the development of the business. The gross yield and the net interest margin on credit cards decreased in comparison to the previous year's levels, mainly because of the lower yield of the French portfolio acquired in April and higher deposit amounts and related deposit rate.

Avanzia managed to reduce its loan loss rate by 0.4%-points YoY. The cost-income ratio increased compared to the previous quarter mainly because of higher acquisition costs.

Avanzia maintains ample solvency and liquidity, with a capital adequacy ratio (incl. interim profits) of 14.2% and a liquidity coverage ratio of 156% at year-end. The liquidity coverage ratio decreased compared to Q4-16 although the Bank's liquid funds rose by more than 50%. The significant decrease in the ratio is caused by higher regulatory requirements to attain the 100% threshold.

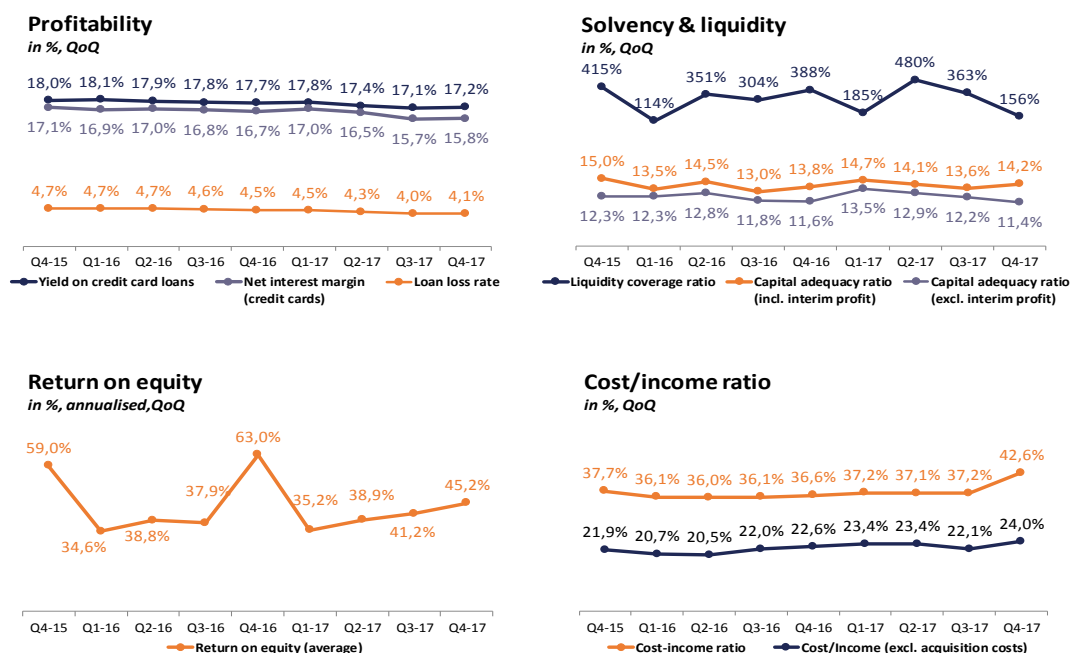


Figure 10: Key performance indicators.

## Selected market performance indicators

Germany/Luxembourg (MEUR)	Actual Q4-17	Actual Q3-17	QoQ growth	Actual Q4-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Gross loan balance	1.094,0	1.044,2	5%	895,0	22%	1.094,0	895,0	22%
Interest receivable, credit cards	44,3	42,0	5%	36,7	21%	162,2	136,9	19%
Loan losses	(10,9)	(8,9)	23%	(8,6)	27%	(38,5)	(34,6)	11%

France (MEUR)	Actual Q4-17	Actual Q3-17	QoQ growth	Actual Q4-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Gross loan balance	95,0	93,8	1%	30,8	208%	95,0	30,8	208%
Interest receivable, credit cards	2,6	2,4	8%	1,0	155%	8,6	3,6	139%
Loan losses	(1,2)	(0,8)	47%	(0,7)	72%	(4,1)	(3,7)	10%

Austria (MEUR)	Actual Q4-17	Actual Q3-17	QoQ growth	Actual Q4-16	YoY growth	Actual YTD-17	Actual YTD-16	YTD growth
Gross loan balance	39,6	31,6	26%	13,9	186%	39,6	13,9	186%
Interest receivable, credit cards	1,4	1,1	26%	0,5	198%	4,0	0,9	364%
Loan losses	(0,6)	(0,6)	-9%	(0,2)	188%	(2,2)	(0,5)	311%

Figure 11: Market performance indicators.

Germany/Luxembourg continue to grow satisfactorily.

The portfolio acquisition concluded in Q2-17 tripled the balance of France compared to the previous year. The Bank is incentivising the acquired clients to migrate to the standard Advanzia credit card.

Austria recorded a strong quarter with both the loan balance and the interest receivable increasing by 26% QoQ.

## Outlook

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The current economic environment is stable and the outlook is favourable for all markets. Advanzia will continue to build on 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.

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

16.02.2018

Gregor Sanner  
Chief Technology Officer

Roland Ludwig  
Chief Executive Officer



Ilya Kabakov, *The Ball*, 2017

Kistefos Museum, Norway

Courtesy of the Kistefos Museum. Photo: Kistefos Museum



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