QUARTERLY REPORT
Q1-18
Advanzia Bank S.A.

Quarterly Report
For the Quarter ended 31 March 2018
Advanzia Bank S.A.

Simplicity, Transparency and Trust

Advanzia Bank S.A.
9, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach (Luxembourg)

Registre de Commerce et des Sociétés Luxembourg:
B109476

Tel.: +352 263 875 1
Fax: +352 263 875 699
E-mail: advanzia@advanzia.com
BIC (SWIFT): ADVZLULL

Tony Cragg, *Castor & Pollux*, 2017
Kistefos Museum, Norway
Courtesy of the Kistefos Museum. Photo: Frédéric Boudin

Highlights: For the Quarter ended 31 March 2018

- **Gross credit card loan balance of MEUR 1 284, +5% QoQ and +32% YoY**
- **805 000 performing active clients, +6% QoQ and +27% YoY**
- **1 277 000 cards in force[1], +6% QoQ and +24% YoY**
- **Customer acquisition cost of MEUR 7.5, -10% QoQ and +44% YoY**
- **Loan loss rate of 4.0%, -0.1%-points QoQ and -0.4%-points YoY, despite the introduction of IFRS9**
- **After-tax profit of MEUR 12.2, -16% QoQ and +33% YoY**
- **Annualized return on equity of 38.6% vs. 35.2 % in Q1-17**

Advanzia's performance remained strong in Q1-18, with the gross loan balance ending at MEUR 1 284 at the end of the quarter. The German and Austrian markets remained the main drivers. Especially Austria exhibited a strong gross loan balance growth of 19% QoQ. The growth in loan balance combined with lower funding costs resulted in a net interest income of MEUR 46.5, an increase of 5% QoQ and 26% YoY. Despite the implementation of IFRS 9 and a high customer intake, the loan loss rate slightly decreased QoQ. Profit after tax reached MEUR 12.2 during the first quarter, an increase of 33% YoY. At the same time customer acquisition costs were up 44% YoY to MEUR 7.5, resulting in a strong customer intake.

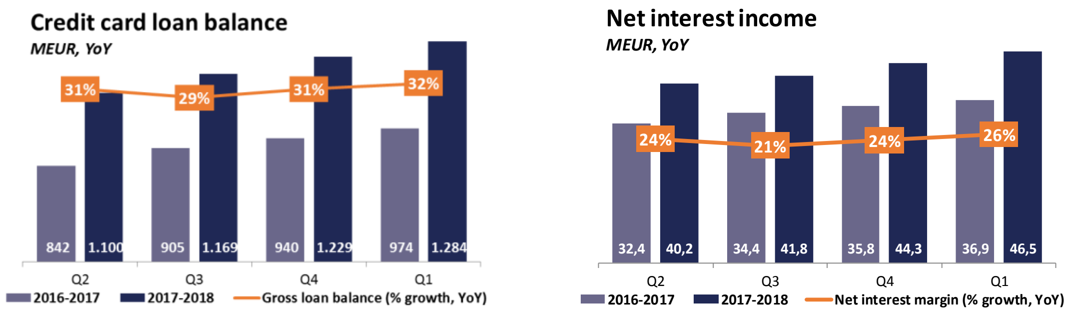


Figure 1: *YoY growth – loan balance and net interest margin.*[2]

Growth metrics	Active credit card clients	Loans and advances to credit card clients	Profit after tax
CAGR (2010 - LTM*)	22%	26%	33%
YTD 2018 vs. YTD 2017	27%	32%	33%

* Last twelve months

Figure 2: *CAGR and YTD growth.*

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

[1] Cards in force: The number of issued cards including active and inactive cards.

[2] The acquisition of the French revolving credit portfolio (MEUR 62.8) was concluded in Q2-17.

Loan balance development

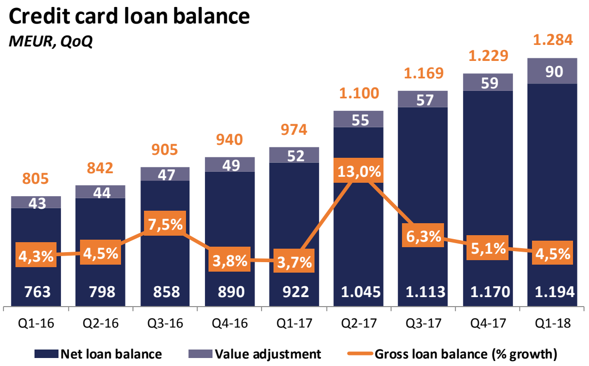


Figure 3: *Loan balance development.*[3]

The gross loan balance continued to grow at a healthy pace (4.5% QoQ) due to sustained campaigns targeting both new and existing clients. Value adjustments increased significantly, as expected, compared to the previous quarter due to the adoption of IFRS 9.

Active clients/credit cards

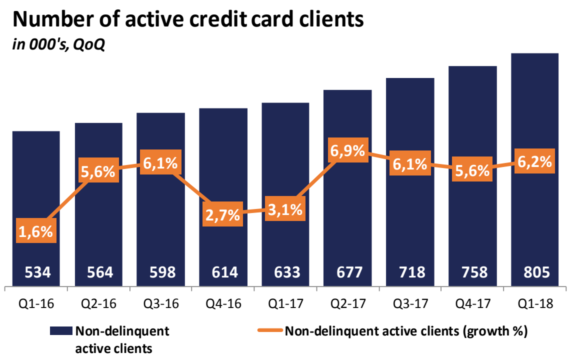


Figure 4: *Credit card clients.*

The number of performing active clients reached 805 200, which represents a growth of 6% QoQ and 27% YoY. The Austrian market grew the most in percentage terms and Germany shows a continued good performance. The Bank continues to follow a prudent path in France until further signs of improvement are apparent.

Key figures (000's)	Actual Q1-18	Actual Q4-17	QoQ growth	Actual Q1-17	YoY growth	Actual YTD-18	Actual YTD-17	YTD growth
Non delinquent active clients (total, after churn)	805,2	758,2	*6%*	633,2	*27%*	805,2	633,2	*27%*
Germany/Luxembourg	725,3	684,4	*6%*	591,3	*23%*	725,3	591,3	*23%*
France	42,9	41,6	*3%*	22,7	*89%*	42,9	22,7	*89%*
Austria	37,0	32,2	*15%*	19,1	*93%*	37,0	19,1	*93%*

Figure 5*: Client/card statistics.*

[3] The growth in Q2-17 benefitted from the acquisition of a revolving credit portfolio in France (MEUR 62.8).

Professional Card Services (PCS)

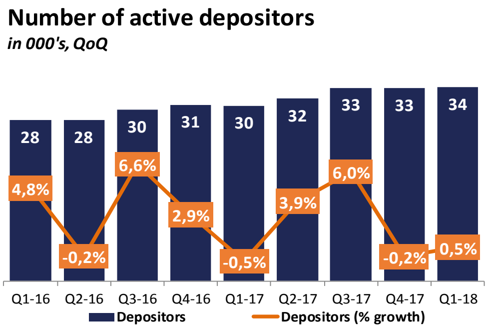
Key Figures, PCS clients	Actual Q1-18	Actual Q4-17	QoQ growth	Actual Q1-17	YoY growth	Actual YTD-18	Actual YTD-17	YTD growth
Number of banks	20	20	*0%*	19	*5%*	20	19	*5%*
New active cards	91	90	*1%*	205	*-56%*	91	205	*-56%*
Total cards (opened)	1.485	1.453	*2%*	1.303	*14%*	1.485	1.303	*14%*
Turnover (in MEUR)	7,2	7,6	*-6%*	5,8	*24%*	7,2	5,8	*24%*

***Figure 6**: Professional Card Services.*

20 partner banks were part of the Professional Card Services (PCS) programme during Q1-18. Advanzia is actively developing its pipeline of potential partner banks and is continuing to develop the current offering.

Deposit accounts

The Bank offered 0.5% effective p.a. during the entire first quarter. Total deposits and the number of active depositors remained roughly in line with the previous quarter.



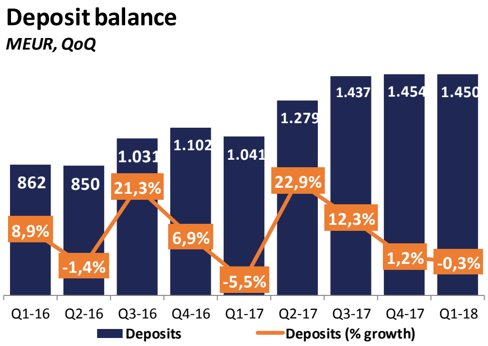


Figure 7: Depositors and deposit balance.

Board, management and staff

As at 31 March 2018, Advanzia employed 152 full-time equivalent employees including recently onboarded short term hires, compared to 140 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%. Other shareholders hold less than 10% individually.

Financial statements

Below are the unaudited accounts for Advanzia as of the end of the first quarter of 2018.
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 Q1-18	Actual Q4-17	QoQ growth	Actual Q1-17	YoY growth	Actual YTD-18	Actual YTD-17	YTD growth
Cash, balances with central banks	448,2	463,8	-3%	200,7	123%	448,2	200,7	123%
Loans and advances to credit institutions	59,4	59,0	1%	53,9	10%	59,4	53,9	10%
Loans and advances to credit card clients	1.283,9	1.228,6	5%	974,2	32%	1.283,9	974,2	32%
Value adjustments (losses)	(89,9)	(58,7)	53%	(52,3)	72%	(89,9)	(52,3)	72%
Net loans and advances to credit card clients	1.194,0	1.169,8	2%	921,9	30%	1.194,0	921,9	30%
Tangible and intangible assets	7,2	7,0	4%	5,9	23%	7,2	5,9	23%
Other assets	11,7	29,6	-60%	3,1	273%	11,7	3,1	273%
Total assets	**1.720,5**	**1.729,2**	**-1%**	**1.185,5**	**45%**	**1.720,5**	**1.185,5**	**45%**

Liabilities and equity (MEUR)	Actual Q1-18	Actual Q4-17	QoQ growth	Actual Q1-17	YoY growth	Actual YTD-18	Actual YTD-17	YTD growth
Amounts owed to credit institutions	100,0	100,2	0%	0,0	-	100,0	0,0	-
Amounts owed to customers	1.449,9	1.453,9	0%	1.041,0	39%	1.449,9	1.041,0	39%
Other liabilities, accruals, provisions	33,4	30,8	9%	26,6	26%	33,4	26,6	26%
Subordinated loan (AT1)	8,8	8,7	2%	9,3	-5%	8,8	9,3	-5%
Sum liabilities	1.592,1	1.593,5	0%	1.076,9	48%	1.592,1	1.076,9	48%
Subscribed capital	27,4	27,4	0%	27,4	0%	27,4	27,4	0%
Reserves	15,0	13,6	10%	14,2	6%	15,0	14,2	6%
Profit (loss) brought forward	73,7	58,3	26%	57,7	28%	73,7	57,7	28%
Profit for the financial year (net of interim dividend)	12,2	36,4	-66%	9,2	33%	12,2	9,2	33%
Sum equity	128,4	135,8	-5%	108,6	18%	128,4	108,6	18%
Total liabilities and equity	**1.720,5**	**1.729,2**	**-1%**	**1.185,5**	**45%**	**1.720,5**	**1.185,5**	**45%**

Income statement (MEUR)	Actual Q1-18	Actual Q4-17	QoQ growth	Actual Q1-17	YoY growth	Actual YTD-18	Actual YTD-17	YTD growth
Interest receivable, credit cards	49,7	48,3	3%	38,7	28%	49,7	38,7	28%
Interest receivable (payable), others	(0,9)	(0,9)	-1%	(0,4)	140%	(0,9)	(0,4)	140%
Interest payable, deposits	(2,3)	(3,2)	-26%	(1,5)	60%	(2,3)	(1,5)	60%
Net interest income	46,5	44,3	5%	36,9	26%	46,5	36,9	26%
Commission receivable	5,2	5,3	-1%	3,6	45%	5,2	3,6	45%
Commission payable	(3,3)	(3,4)	-3%	(2,3)	44%	(3,3)	(2,3)	44%
Other financial items/operating income	(0,5)	(1,6)	-71%	(0,7)	-30%	(0,5)	(0,7)	-30%
Total income	48,0	44,6	8%	37,5	28%	48,0	37,5	28%
Card acquisition costs	(7,5)	(8,3)	-10%	(5,2)	44%	(7,5)	(5,2)	44%
Card operating costs	(4,6)	(4,8)	-4%	(3,2)	42%	(4,6)	(3,2)	42%
Staff costs	(3,9)	(4,1)	-5%	(3,6)	10%	(3,9)	(3,6)	10%
Other administrative expenses	(1,4)	(1,4)	1%	(1,5)	-9%	(1,4)	(1,5)	-9%
Depreciation, tangible + intangible assets	(0,5)	(0,5)	-2%	(0,5)	0%	(0,5)	(0,5)	0%
Sum operating expenses	(17,8)	(19,0)	-6%	(14,0)	28%	(17,8)	(14,0)	28%
Value adjustments	(4,8)	(2,1)	123%	(3,0)	61%	(4,8)	(3,0)	61%
Write-offs	(8,9)	(10,6)	-15%	(8,0)	11%	(8,9)	(8,0)	11%
Total loan losses	(13,7)	(12,7)	8%	(11,0)	24%	(13,7)	(11,0)	24%
Profit (loss) on ordinary activities before taxes	16,5	12,9	28%	12,6	31%	16,5	12,6	31%
Income tax and net worth tax	(4,3)	1,7	-351%	(3,4)	26%	(4,3)	(3,4)	26%
Profit (loss) for the period	**12,2**	**14,6**	**-16%**	**9,2**	**33%**	**12,2**	**9,2**	**33%**

***Figure 8**: Unaudited accounts as at 31 March 2018.*

Comments to the accounts

In Q1-18, the gross credit card loan balance grew by MEUR 55 reaching MEUR 1 284, which represents a 5% increase compared to Q4-17 and a 32% increase compared to Q1-17.

Overall liquidity remained at very comfortable levels at MEUR 508.

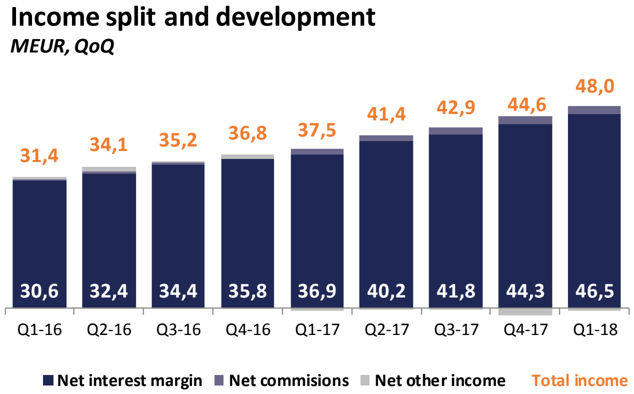
Total income in Q1-18 increased by 8% compared to Q4-17, landing at MEUR 48.0 (28% higher YoY). This was mainly driven by higher interest income due to the larger credit card loan balance as well as lower funding costs (as introductory campaigns launched in the summer of 2017 expired in the beginning of 2018).

Operating expenses decreased by 6% compared to Q4-17, mainly as a result of lower card acquisition costs. Still, compared to the first quarter 2017, marketing activity (customer acquisition costs YoY +44%) remained high and delivered strong sales volumes notably in Austria and Germany.

Loan losses increased by 8% QoQ and 24% YoY, this is influenced by the introduction of IFRS 9. For comparison purposes, assuming a continued application of IAS 39, loan losses would have increased 4% QoQ and 20% YoY, less than the growth in gross loan balance.

Equity decreased by MEUR 7.4, due to the first-time adoption effect of IFRS 9 (MEUR -19.6).

Advanzia's profit after tax grew strongly by 33% compared to Q1-17, ending at MEUR 12.2 for the quarter.



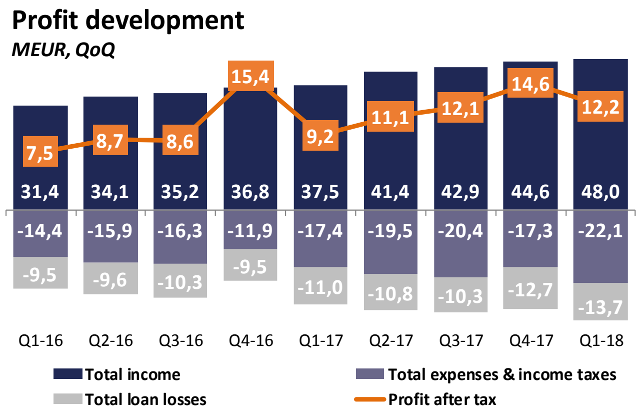


Figure 9: *Income and profit development.*[4]

[4] Q4-16, Q4-17 were positively affected by end of year specific items of MEUR 5.4 and MEUR 4.5 respectively

Key performance indicators (KPIs)

The KPIs are in line with expectations. The net interest margin on credit cards benefitted equally from an increase in the gross yield as well as reduced funding costs.

Advanzia achieved a slight decrease in the loan loss ratio despite the introduction of IFRS 9. The cost-income ratio decreased, as expected, to a level in line with previous quarters.

Advanzia maintains ample solvency and liquidity with a capital adequacy ratio of 15.1% (incl. interim profits) and a liquidity coverage ratio of 143% in Q1-18.

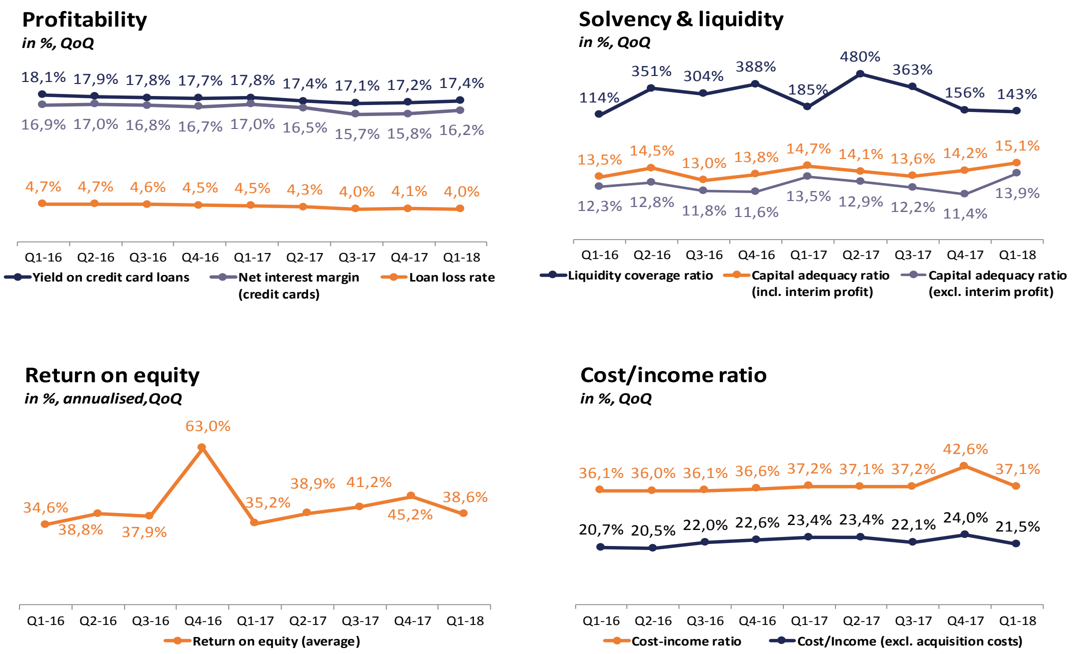


Figure 10: *Key performance indicators.*

Selected market performance indicators

Germany/Luxembourg (MEUR)	Actual Q1-18	Actual Q4-17	QoQ growth	Actual Q1-17	YoY growth	Actual YTD-18	Actual YTD-17	YTD growth
Gross loan balance	1.140,4	1.094,0	*4%*	924,4	*23%*	1.140,4	924,4	*23%*
Interest receivable, credit cards	45,4	44,3	*3%*	37,0	*23%*	45,4	37,0	*23%*
Loan losses	(11,1)	(10,9)	*2%*	(9,7)	*15%*	(11,1)	(9,7)	*15%*

France (MEUR)	Actual Q1-18	Actual Q4-17	QoQ growth	Actual Q1-17	YoY growth	Actual YTD-18	Actual YTD-17	YTD growth
Gross loan balance	96,1	95,0	*1%*	31,1	*209%*	96,1	31,1	*209%*
Interest receivable, credit cards	2,6	2,6	*-1%*	1,1	*135%*	2,6	1,1	*135%*
Loan losses	(1,7)	(1,2)	*45%*	(0,8)	*116%*	(1,7)	(0,8)	*116%*

Austria (MEUR)	Actual Q1-18	Actual Q4-17	QoQ growth	Actual Q1-17	YoY growth	Actual YTD-18	Actual YTD-17	YTD growth
Gross loan balance	47,3	39,6	*19%*	18,7	*153%*	47,3	18,7	*153%*
Interest receivable, credit cards	1,7	1,4	*25%*	0,6	*176%*	1,7	0,6	*176%*
Loan losses	(0,8)	(0,6)	*38%*	(0,5)	*58%*	(0,8)	(0,5)	*58%*

Figure 11: *Market performance indicators.*

Germany and Luxembourg continue to grow satisfactory.

Growth of the French loan balance was subdued during Q1-18. The growth compared to Q1-17 is explained by the acquisition of a revolving portfolio of MEUR 62.8 during Q2-17. The Bank continues to incentivise the acquired clients to migrate to the standard Advanzia product.

Austria recorded another strong quarter with both the loan balance and the interest receivable increasing by 19% and 25% respectively.

Outlook

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 continues to grow at a fast pace and the Bank continues to focus on the acquisition of new customers.

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

22.05.2018

Patrick Thilges
Chief Financial Officer

Roland Ludwig
Chief Executive Officer

Ilya Kabakov, *The Ball*, 2017
Kistefos Museum, Norway
Courtesy of the Kistefos Museum. Photo: Frédéric Boudin

advanzia

www.advanzia.com