FINANCIAL REPORT
First Quarter 2019

Advanzia Bank S.A.

Tony Cragg, *Castor & Pollux*, 2017
Kistefos Museum, Norway
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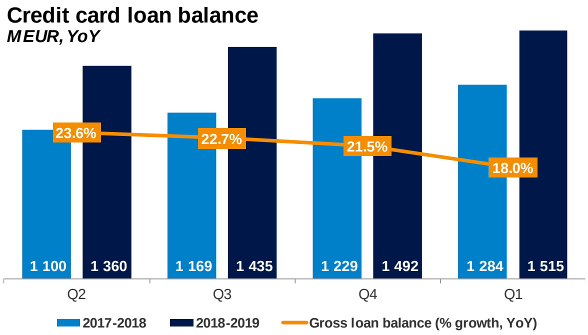
9, rue Gabriel Lippmann L-5365 Munsbach Luxembourg Phone: +352 26 38 75 1 Fax: +352 26 38 75 699
RCS Luxembourg: B 109 476 VAT: LU 20992462 info@advanzia.com www.advanzia.com

Highlights for the first quarter 2019

- Gross credit card loan balance of MEUR 1 515, growth +1.5% QoQ and +18.0% YoY.
- 967 000 performing active clients, growth +3.9% QoQ and +20.1% YoY.
- 1 493 000 cards in force[1], growth +4.4% QoQ and +17.0% YoY.
- Card acquisition cost of MEUR 8.5, growth +6.5% QoQ and +13.7% YoY.
- Loan loss rate (provisions and write offs) of 4.5% (-0.1%-points QoQ and +0.5%-points YoY). The YoY growth is affected by the adoption of IFRS 9.
- Net profit of MEUR 17.7, +44.7% YoY.
- Annualised return on equity of 38.3% in Q1-19 vs. 38.6% in Q1-18.
- Cost/income ratio of 33.1% in Q1-19 vs. 37.1% in Q1-18.

Advanzia's credit card portfolios continued to perform well and grow in all markets. The Spanish market entry shows promising first signs with more than 2 000 active clients onboarded. At the end of the first quarter, the Bank closed the purchase of the bank card operations of Catella Bank in Luxembourg, adding over 65 banks to the Professional Card Services business line. The gross loan balance increased by 1.5% QoQ and reached MEUR 1 515 representing an 18.0% growth YoY. Interest income on credit cards increased with the loan balance while funding costs for deposits decreased. As a result, total income of MEUR 60.0 increased by +2.8% QoQ and +24.8% YoY. Operating costs amounted to MEUR 19.9 in Q1, 10.2% lower than the previous quarter and 11.5% higher than Q1-18, scaling favourably relative to the income growth generated by the Bank. Loan loss provisions of MEUR 16.2 increased by 28.6% QoQ; however, Q4-18 loan losses were positively impacted by to the revision of the Bank's IFRS 9 models. Net profit showed a strong growth of 44.7% compared to the same quarter last year.



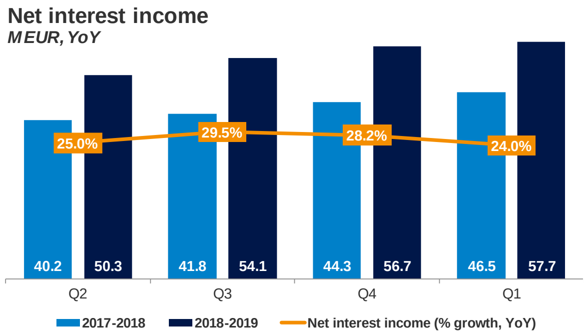


Figure 1: *YoY growth – loan balance and net interest margin.*[2]

Growth metrics	Non-delinquent active clients	Loans and advances to credit card clients	Net profit
CAGR (2010 - LTM*)	21.5%	24.7%	32.6%
YTD 2019 vs. YTD 2018	20.1%	18.0%	44.7%

* Last twelve months

Figure 2: *CAGR and YTD growth.*

[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.

Since the end of 2010, Advanzia has delivered a compound annual growth rate (CAGR) of 32.6% in net profit, 24.7% in loan balance and 21.5% in the number of active credit card clients.

Loan balance development

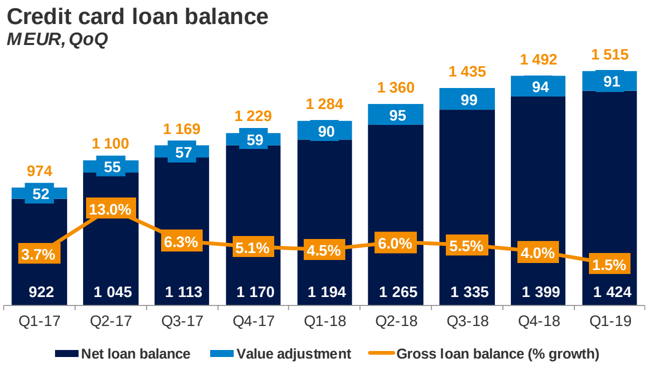


***Figure 3**: Loan balance development.*[3]

Loan balance growth of 1.5% over the quarter was more subdued due to the relatively low growth of onboarding volumes and the impact on the forward flow agreement.

In August 2018, the Bank entered into a forward flow agreement with a multinational purchaser of debt portfolios, for a significant portion of newly delinquent loans in Germany. Since August, the total nominal value of loans sold amounted to MEUR 42, of which MEUR 16 were sold in the first quarter. Without the forward flow agreement, loan balance growth would have been 2.4%.

Active clients/credit cards

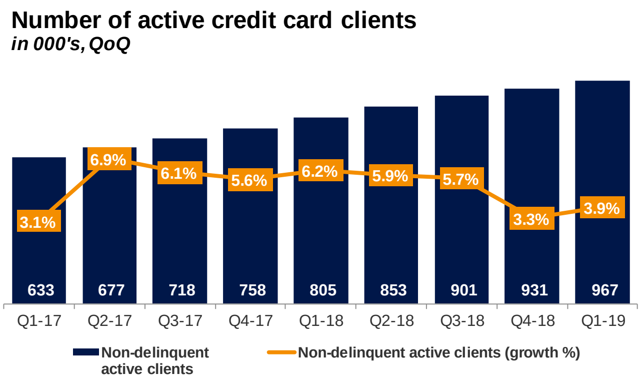


***Figure 4:** Credit card clients.*[4]

The number of performing active clients reached 967 000, representing a growth of 3.9% compared to Q4 and 20.1% YoY.

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[3] The growth in Q2-17 includes the acquisition of a revolving credit portfolio in France with a loan balance of MEUR 62.8.

[4] Starting from Q1-19, the number of non-delinquent active clients are those that are classified as stage 1 and 2 as per IFRS 9. The change in definition has a marginal effect (less than 1% positive impact).

Financial institutions – Professional Card Services (PCS)

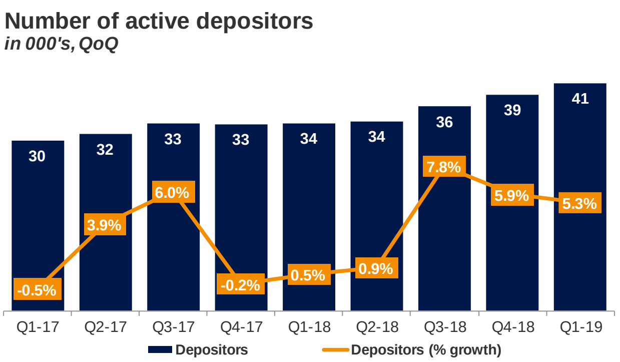
Key Figures, PCS clients	Actual Q1-19	Actual Q4-18	QoQ growth	Actual Q1-18	YoY growth	Actual YTD-19	Actual YTD-18	YTD growth
Number of banks	23	23	*0.0%*	20	*15.0%*	23	20	*15.0%*
New active cards	101	217	*-53.5%*	91	*11.0%*	101	91	*11.0%*
Total cards (opened)	2 053	1 920	*6.9%*	1 485	*38.2%*	2 053	1 485	*38.2%*
Turnover (in MEUR)	10.7	8.6	*23.8%*	7.2	*48.6%*	10.7	7.2	*48.6%*

Figure 5: *Professional Card Services (excluding acquisition of Catella portfolio).*

23 partner banks participated in the Professional Card Services (PCS) programme at the end of the first quarter. Advanzia closed the acquisition of the bank card servicing operations of Catella Bank in Luxembourg at the end of March. This acquisition adds over 65 partner banks to Advanzia's existing portfolio of banks and financial institutions. Through this acquisition, Advanzia will significantly expand its geographical reach, servicing banks in 13 countries, and will position Advanzia as a leading provider of credit card solution for private banks. The transaction is reflected in the financials but as the transaction is structured as an asset purchase of mainly customer contracts and closed at the very end of the quarter only the balance sheet movement of the purchase price can be seen this quarter.

Deposit accounts

Since the end of June 2018, the Bank has been offering a 3-month rolling preferential rate of 1.0% effective p.a. to new depositors. This led to a growth of 5.3% QoQ in the number of depositors and a 1.5% QoQ increase in deposit balances. The standard rate was reduced from 0.5% to 0.4% effective p.a. during the quarter.



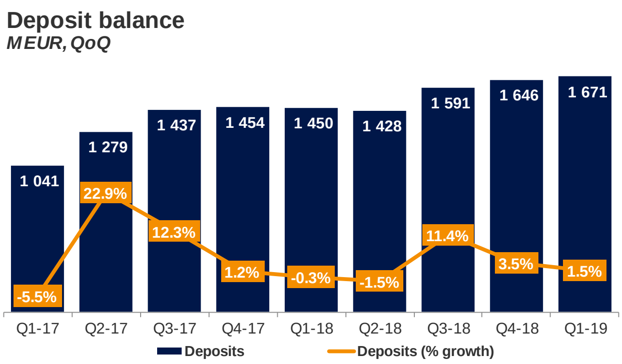


Figure 6: *Deposit statistics.*

Board, management and staff

As of 31 March 2019, Advanzia Bank employed 155 full-time equivalent employees, down from 157 at the end of the previous quarter. In the first quarter, Gregor Sanner left his role as Chief Technology Officer and member of the Executive Management Committee.

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

The unaudited accounts of Advanzia as at the end of the first quarter of 2019 are shown below. Advanzia Bank follows IFRS standards and the figures reflect Advanzia's actual business activities and operations.

Assets	**Actual Q1-19**	**Actual Q4-18**	**QoQ growth**	**Actual Q1-18**	**YoY growth**	**Actual YTD-19**	**Actual YTD-18**	**YTD growth**
Cash, balances with central banks	482.2	493.6	*-2.3%*	448.2	*7.6%*	482.2	448.2	*7.6%*
Loans and advances to credit institutions	81.6	64.3	*26.9%*	59.4	*37.3%*	81.6	59.4	*37.3%*
Loans and advances to credit card clients	1 514.8	1 492.1	*1.5%*	1 283.9	*18.0%*	1 514.8	1 283.9	*18.0%*
Value adjustments (losses)	(91.2)	(93.5)	*-2.5%*	(89.9)	*1.4%*	(91.2)	(89.9)	*1.4%*
Net loans and advances to credit card clients	1 423.6	1 398.6	*1.8%*	1 194.0	*19.2%*	1 423.6	1 194.0	*19.2%*
Tangible and intangible assets	28.2	9.0	*214.8%*	7.2	*289.7%*	28.2	7.2	*289.7%*
Other assets	2.9	4.2	*-31.7%*	11.7	*-75.3%*	2.9	11.7	*-75.3%*
Total assets	**2 018.5**	**1 969.7**	***2.5%***	**1 720.6**	***17.3%***	**2 018.5**	**1 720.6**	***17.3%***

Liabilities and equity	**Actual Q1-19**	**Actual Q4-18**	**QoQ growth**	**Actual Q1-18**	**YoY growth**	**Actual YTD-19**	**Actual YTD-18**	**YTD growth**
Amounts owed to credit institutions	100.0	101.1	*-1.1%*	100.8	*-0.8%*	100.0	100.8	*-0.8%*
Amounts owed to customers	1 670.9	1 646.5	*1.5%*	1 449.9	*15.2%*	1 670.9	1 449.9	*15.2%*
Other liabilities, accruals, provisions	44.9	37.4	*20.3%*	32.7	*37.4%*	44.9	32.7	*37.4%*
Subordinated loan (AT1)	8.8	8.6	*3.0%*	8.8	*0.2%*	8.8	8.8	*0.2%*
Sum liabilities	**1 824.6**	**1 793.5**	***1.7%***	**1 592.2**	***14.6%***	**1 824.6**	**1 592.2**	***14.6%***
Subscribed capital	27.4	27.4	*0.0%*	27.4	*0.0%*	27.4	27.4	*0.0%*
Reserves	18.1	13.9	*30.1%*	15.0	*20.5%*	18.1	15.0	*20.5%*
Profit (loss) brought forward	130.6	75.7	*72.5%*	73.7	*77.1%*	130.6	73.7	*77.1%*
Profit for the financial year (net of interim dividend)	17.7	59.1	*-70.0%*	12.2	*44.7%*	17.7	12.2	*44.7%*
Sum equity	**193.8**	**176.2**	***10.0%***	**128.4**	***50.9%***	**193.8**	**128.4**	***50.9%***
Total liabilities and equity	**2 018.5**	**1 969.7**	***2.5%***	**1 720.6**	***17.3%***	**2 018.5**	**1 720.6**	***17.3%***

Income statement	**Actual Q1-19**	**Actual Q4-18**	**QoQ growth**	**Actual Q1-18**	**YoY growth**	**Actual YTD-19**	**Actual YTD-18**	**YTD growth**
Interest receivable, credit cards	60.6	60.0	*1.0%*	49.7	*22.0%*	60.6	49.7	*22.0%*
Interest receivable (payable), others	(0.9)	(0.9)	*-7.2%*	(0.9)	*0.6%*	(0.9)	(0.9)	*0.6%*
Interest payable, deposits	(2.1)	(2.4)	*-12.6%*	(2.3)	*-11.3%*	(2.1)	(2.3)	*-11.3%*
Net interest income	**57.7**	**56.7**	***1.7%***	**46.5**	***24.0%***	**57.7**	**46.5**	***24.0%***
Commission receivable	6.7	6.3	*7.7%*	5.2	*28.7%*	6.7	5.2	*28.7%*
Commission payable	(3.8)	(3.9)	*-0.2%*	(3.3)	*17.7%*	(3.8)	(3.3)	*17.7%*
Other financial items/operating income	(0.6)	(0.8)	*-19.3%*	(0.5)	*40.0%*	(0.6)	(0.5)	*40.0%*
Total income	**60.0**	**58.3**	***2.8%***	**48.0**	***24.8%***	**60.0**	**48.0**	***24.8%***
Card acquisition costs	(8.5)	(8.0)	*6.5%*	(7.5)	*13.7%*	(8.5)	(7.5)	*13.7%*
Card operating costs	(5.1)	(5.0)	*2.7%*	(4.6)	*12.5%*	(5.1)	(4.6)	*12.5%*
Staff costs	(3.8)	(4.2)	*-9.2%*	(3.9)	*-2.2%*	(3.8)	(3.9)	*-2.2%*
Other administrative expenses	(1.4)	(3.5)	*-61.1%*	(1.4)	*-2.2%*	(1.4)	(1.4)	*-2.2%*
Depreciation, tangible + intangible assets	(1.0)	(1.4)	*-27.2%*	(0.5)	*118.4%*	(1.0)	(0.5)	*118.4%*
Sum operating expenses	**(19.9)**	**(22.1)**	***-10.2%***	**(17.8)**	***11.5%***	**(19.9)**	**(17.8)**	***11.5%***
Value adjustments	2.3	4.7	*-50.8%*	(4.8)	*-148.9%*	2.3	(4.8)	*-148.9%*
Write-offs	(18.5)	(17.3)	*6.8%*	(8.9)	*107.3%*	(18.5)	(8.9)	*107.3%*
Total loan losses	**(16.2)**	**(12.6)**	***28.6%***	**(13.7)**	***18.2%***	**(16.2)**	**(13.7)**	***18.2%***
Profit (loss) on ordinary activities before taxes	23.9	23.6	*1.2%*	16.5	*44.7%*	23.9	16.5	*44.7%*
Income tax and net worth tax	(6.2)	(2.7)	*127.6%*	(4.3)	*44.7%*	(6.2)	(4.3)	*44.7%*
Profit (loss) for the period	**17.7**	**20.9**	***-15.3%***	**12.2**	***44.7%***	**17.7**	**12.2**	***44.7%***

Figure 7: *Unaudited accounts as at 31 March 2019 (in MEUR).*

Comments on the accounts

During the first quarter, the gross credit card loan balance grew by MEUR 22.7 or 1.5%, reaching MEUR 1 515, driven by the growth in new customers. On the deposit side, QoQ growth matched the evolution of the loan balance.

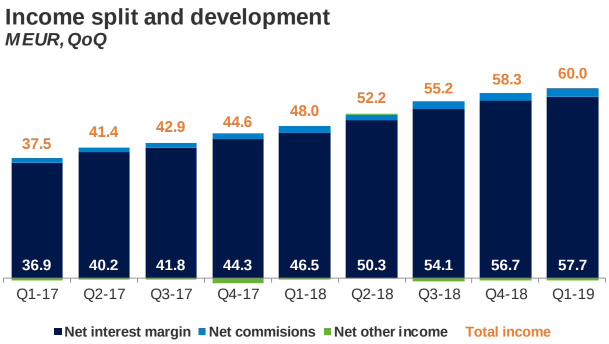
Total income increased by 2.8 % to reach MEUR 60.0 in the quarter, mainly driven by higher interest income, lower funding costs and higher fee income.

Operating expenses of MEUR 19.9 decreased by 10.2% QoQ despite increased card acquisition costs. Compared to Q1 2018 operating expenses have increased by 11.5% compared to the total income increase of 24.8%.

Loan loss provisions of MEUR 16.2 increased by 28.6% QoQ due to the very low loan loss provisions in Q4 2018 based on a revision of the bank IFRS9 model. Nevertheless, YoY growth in loan losses is less than the growth in total income signalling a favourable development.

As a result, Advanzia's net profit grew by 44.7% compared to the first quarter of 2018, reaching MEUR 17.7.

The closing of the deal with Catella Bank results in a first payment tranche of MEUR 12 that is recognised as an intangible asset. Furthermore, the new IFRS 16 lease standard that became effective as of 1 January 2019 brings MEUR 7 of leased tangible assets and liabilities onto the balance sheet.



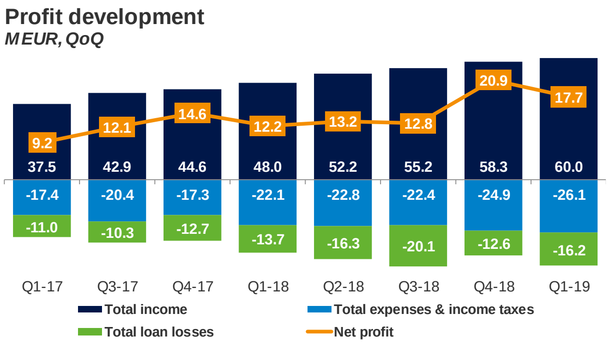


Figure 8: Income and profit development.[5]

[5] Q4-17, Q4-18 were positively affected by end of year specific items of MEUR 4.5 and MEUR 2.9 respectively.

Key performance indicators (KPIs)

The KPIs remain in line with expectations. The gross yield is positively impacted by the forward flow agreement as German non-performing loans, subject to a low legal rate, are eliminated from the Bank's books. The same is true for the interest margin, which is also positively affected by lower funding costs.

The loan loss rate decreased by 0.1%-points to 4.5%.

The cost/income ratio decreased to 33.1% YoY as income grew at a faster pace than operating costs. Cost/Income excluding marketing costs once again fell below 20%.

Advanzia Bank maintains a high solvency with a capital adequacy ratio (incl. interim profits) of 16.8%. Liquidity levels are comfortable at an LCR of 143.4%.

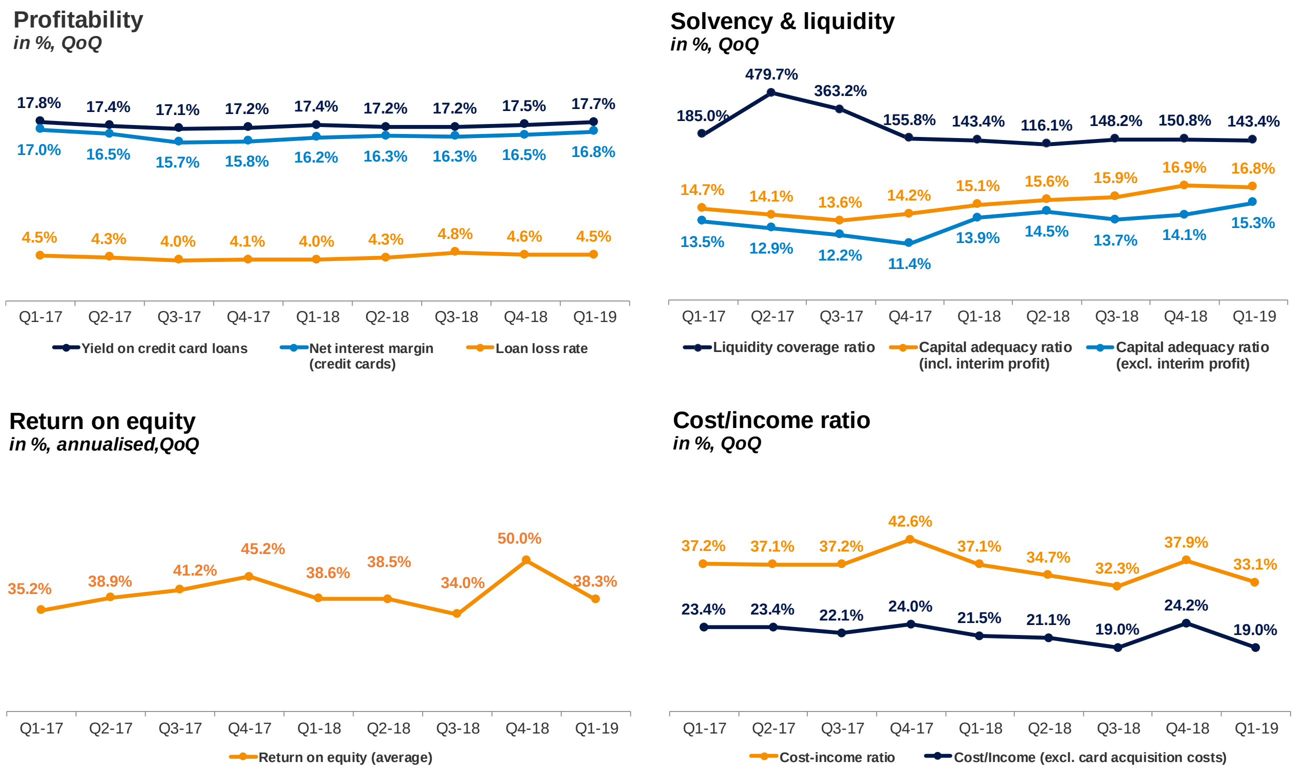


Figure 9: *Key performance indicators.*

Outlook

The economic outlook continues to be favourable for the markets in which Advanzia operates. The Bank expects to continue its growth in all markets and customer segments.

During Q1 2019, Advanzia gradually intensified marketing activities in Spain and expects to continue the ramp-up over the next quarters. The acquisition of the bank card servicing operations of Catella Bank was closed at the end of March and the Bank now focuses on the migration of the client portfolios. Advanzia continues to invest significantly in marketing in Germany and Austria, while the careful approach is still maintained for France.

The Bank’s financial situation is solid, with carefully managed operating costs and loan losses. Financial performance is therefore expected to remain strong.

Munsbach, Luxembourg

23.04.2019

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

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