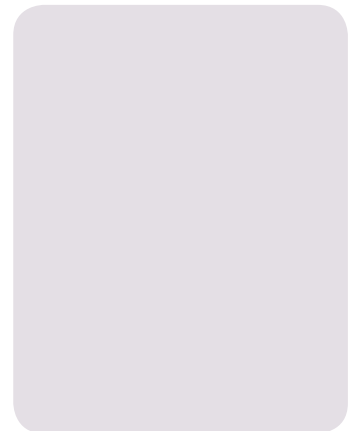




ADVANZIA  
BANK S.A.  
**2017**





Advanzia Bank S.A. 2017



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**1.2 million**

credit card customers<sup>1</sup>

**€1.45 billion**

in deposits

**33 400**

deposit customers

**31.1 million**

transactions

**31%**

annual growth rate<sup>2</sup>

**39%**

cost-income ratio

**Key facts  
and figures**

**€47 million**

result after tax

**41%**

return on equity

<sup>1</sup> Cards in force. <sup>2</sup> Based on gross loan balance.





Tony Cragg, Castor & Pollux, 2017  
Photo: Frédéric Boudin, Courtesy of Kistefos Museum



# CEO's Statement



2017 was a successful year for Advanzia, marked by continuous profitable growth of our core business in a changing regulatory environment. We have continued to increase our turnover and expand our customer base in all our current markets, strengthening our position with our own consumer brands, but also by enlarging our business partner network.

Furthermore, Advanzia has acquired a consumer loan portfolio in France which enabled us to significantly improve our position in this challenging market. Operationally, we have successfully achieved the first milestones in migrating our Core Banking System, which enables us to further accelerate our growth plans.

We currently serve over one million credit card customers in Germany, Luxembourg, France and Austria with 143 employees from 25 countries. As we continue to grow, one of our main priorities will be to make our processes as scalable as possible. To attract new customers and accelerate turnover, we aim to respond quickly to market developments, both in terms of our technical capabilities and our professional competencies.

Our priorities for 2018 are defined as followed:

- Accelerate profitable growth in existing markets by optimising our marketing and sales activities, and enhance our risk models
- Successfully enter the Spanish market with a standardised product offering
- Develop and launch the Advanzia App in the German market, enabling us to strengthen customer lifecycle management
- Further harmonise our IT infrastructure with the ongoing implementation of the new Core Banking System

I am confident that we are well positioned to continue our expansion over the coming years. This will enable us to reach our ambition of becoming the best-in-class pan-European online bank, specialised in credit cards and consumer finance solutions.

Advanzia's current success is built on more than a decade of excellent work from our former CEO Marc Hentgen. I would also like to thank our employees for their considerable contribution to the company over the past year.

As we reinforce our culture of collaboration based on Advanzia's values, I look forward to working together with all our teams to deliver continued success in 2018.

## **Roland Ludwig**

Chief Executive Officer  
Advanzia Bank S.A.

# Chairman's Words



On behalf of the Board, I would like to start with thanking Marc Hentgen for his leadership as Advanzia's CEO for more than a decade. Marc was instrumental in advancing Advanzia's success story by developing the company as a strong player in the banking sector.

Within this context, the Board would also like to extend a warm welcome to Advanzia's new CEO, Roland Ludwig. We can be assured that the company is in the best possible hands to continue its expansion into new European markets, while staying true to Advanzia's goal of providing simple, flexible and transparent payment solutions.

2017 was a year of many changes for Advanzia, but also a year of continued growth and profitability. Year after year, our business model continues to deliver satisfying results. Our loan balance is now at EUR 1 229 million with a card turnover at an all-time high of EUR 2.3 billion. The net profit after tax for 2017 ended at EUR 47 million, a return on equity of 41%.

As the Chairman of Advanzia and CEO of Kistefos, I am very pleased with how Advanzia has grown and become a significant player in Europe's consumer finance market. Building on our ongoing success in Germany and Luxembourg, we have made great progress in Austria, with 48 600 customers at the end of 2017. In France, we acquired a customer loan portfolio and made significant changes to our risk and marketing approach.

Nearly a decade after the worldwide financial crisis, the economic climate has improved substantially, and we are now in a growth-oriented, optimistic macroeconomic environment. As a successful pan-European direct bank active in payments, I am convinced we are in a strong position to continue our successful journey.

The Board would also like to extend their thanks and appreciation to all of Advanzia's employees, many of whom have been with the company since the very beginning, and who have not only witnessed, but also enabled the company's growth. We are especially grateful for your loyalty, dedication and hard work.

## **Bengt A. Rem**

Chairman of the Board of Advanzia Bank S.A.  
Chief Executive Officer of Kistefos AS





Petroc Sesti, Energy-Matter-Space-Time, 2006  
Photo: Kistefos Museum, Courtesy of Kistefos Museum



# Leadership

## Board of Directors



From left: Tor Erland Fyksen, Nishant Fafalia, Bengt Rem, Tom Ruud, Thomas Schlieper

- **Mr. Bengt Arve Rem**, Chairman of the Board, CEO Kistefos AS
- **Dr. Thomas Schlieper**, Deputy Chairman of the Board
- **Mr. Nishant Fafalia**, Kistefos AS
- **Mr. Tor Erland Fyksen**
- **Mr. Tom Ruud**, Kistefos AS

## Management Team



## Executive Management Committee

- **Mr. Roland Ludwig**, Deputy Chief Executive Officer as of 1 April 2017;  
Chief Executive Officer as of 1 July 2017
- **Mr. Marc Hentgen**, Chief Executive Officer until 30 June 2017;  
member of the Executive Management Committee until 31 December 2017
- **Mr. Gregor Sanner**, Chief Operations Officer



## Management Committee

- **Mr. Roland Ludwig**, Chief Executive Officer
- **Mr. Marc Hentgen**
- **Mr. Gregor Sanner**, Chief Operations Officer
- **Mr. Frank Hamen**, Chief Risk Officer
- **Mr. Johannes Neander**,  
Chief Marketing & Sales Officer
- **Mr. Patrick Thilges**, Chief Financial Officer
- **Mr. Petrus Johannes (Pieter) Verhoeckx**,  
Chief Customer Relations Officer

# Report of the Board of Directors



**Avanzia Bank S.A. accelerated its growth in 2017, adding 242 000 new active credit card customers. The Bank ended the year with 1 201 000 credit cards in force<sup>3</sup> and a gross loan balance of EUR 1 229 million. Profit after taxes was EUR 47 million and the Bank's capital ratio was 14.2% including interim year profits (net of distributions).**

Avanzia's strategy is to focus on being a specialised and efficient credit card issuer. The distribution strategy remains unchanged from previous years and consists in promoting the Bank's own branded Mastercard Gold credit cards via the internet (B2C), and white labelled/co-branded cards through partners (B2B).

In 2017, the total turnover on all cards amounted to EUR 2.30 billion or EUR 3 000 per active client, and the average loan balance per active client reached approximately EUR 1 450. The total loan balance, Avanzia's main income driver, increased by 31% over the year to EUR 1 229 million.

Avanzia is active in Germany, Luxembourg, France and Austria. Germany, which Avanzia entered in 2006, remains the Bank's largest market, with a gross loan balance of EUR 1 094 million. France, where operations started in 2012, has proven to be a more challenging market. In April 2017, the Bank purchased a revolving credit portfolio of EUR 63 million in order

to accelerate its development in France, resulting in a total gross loan balance of just under EUR 100 million. Finally, our Austrian product was launched in 2015 and has grown steadily since then, achieving a gross loan balance of EUR 40 million.

Avanzia offers various insurance products linked to its credit cards, which have helped to both diversify and increase Avanzia's profitability base. The Bank is also active in the area of Professional Card Services (PCS), with Avanzia issuing Omnium-branded and white label credit cards on behalf of other European banks. By the end of 2017, Avanzia had contracts with 20 partner banks.

Avanzia primarily funds its operations by offering an internet deposit account with attractive interest rates. By the end of 2017, the Bank's deposit balance stood at EUR 1.45 billion. In 2017, the Bank started to diversify into other funding sources and will continue doing so going forward.

The Bank prides itself on its effective risk management. Various credit scorecards maximise value while containing credit risk at an acceptable level, as evidenced by a loan loss rate of 4.1%. The Bank also continued to invest in credit card fraud prevention systems, reducing the fraud loss ratio to 0.05% of the turnover.

<sup>3</sup>Cards in force: The number of issued cards including active and inactive cards.





Avanzia has continued to upgrade its IT systems, and has begun the implementation of a new Core Banking System to support the Bank's growth ambitions.

At the end of the year, Avanzia employed 143 people in total.

The Bank continues to grow its capital base through retaining its earnings in line with its activity level. Surplus capital is paid out as dividends and in 2017, these amounted to EUR 10.7 million. The Bank has maintained a Tier1 capital ratio of above 11% at all times, ending the year with a ratio of 11.4%, or 14.2% including interim year profits (net of distributions). Avanzia's return on equity was 41% and its return on assets was 3%.

The economic outlook for 2018 is favourable for the countries in which Avanzia operates. Avanzia will maintain both its B2C and B2B growth channels in all its markets. The PCS business will also be further developed by growing the existing client base.

Overall, the Board of Directors is very pleased with Avanzia's performance in 2017, and expects continued strong growth and profitability in 2018.



Advanzia offices in Munsbach, Luxembourg

### Internal governance

Internal governance is established to ensure a clear organisation structure and well defined processes and responsibilities. The Bank applies the “three-lines-of-defence” model:

- The first-line-of-defence consists of business units that take or acquire risks and carry out controls;
- The second-line-of-defence encompasses support functions such as the financial and accounting functions, as well as the compliance and risk control functions;
- The third-line-of-defence consists of the internal audit function.

In order to ensure an adequate internal control environment the Bank has implemented different levels of control. These include operational controls as well as dedicated internal control functions.

### Operational controls

Operational controls are subdivided into three categories: (1) day-to-day controls performed by operating staff; (2) key structural controls including EMC review, account balance reconciliation, and compliance checks with internal limits; (3) controls performed by the EMC over activities and functions for which it is directly responsible.

### Internal controls

The Bank has implemented three distinct and independent types of internal control encompassing risk control, compliance and the internal audit. The people in charge of the internal control function are responsible to the EMC, the Board of Directors, and the Audit Committee.

### Risk control

The purpose the risk control function is to anticipate, identify, measure, monitor, control and report on the risks to which the Bank is exposed. Risk control is headed by the Chief Risk Officer.

### Compliance

The compliance function is responsible for the anticipation, identification and assessment of compliance risks to the Bank and assists the EMC limiting these risks. Compliance is headed by the CEO, as the authorised management member in charge of compliance, and the Chief Compliance Officer.

### Internal audit

The internal audit function ensures that the system of internal controls is operating effectively by assessing the effectiveness of central administration, internal governance and business and risk management. The function is headed by the COO, as the authorised management member in charge of internal audit.





A Kassen, River Man, 2016  
Photo: Frédéric Boudin, Courtesy of Kistefos Museum





Ilya Kabakov, The Ball, 2017  
Photo: Frédéric Boudin, Courtesy of Kistefos Museum



# About Advanzia



## A European online direct bank

Advanzia Bank S.A. is a European online direct bank specialising in credit cards and card payment solutions for consumers, business partners and financial institutions. Advanzia was granted a banking license by the Luxembourg Minister of Treasury and Budget in December 2005. With over one million active credit card customers, we are a leading online credit card issuer in Germany, with a strong presence in Luxembourg, Austria and France.

Kistefos has been Advanzia's main shareholder since 2006.

## Simple and flexible products

Advanzia currently offers two consumer products: a Mastercard credit card and a deposit account. The no-fee Mastercard offers an optional revolving credit facility and is a flexible payment method recognised worldwide with a range of additional advantages, including 24/7 customer service and various insurance benefits. The Advanzia Deposit Account offers favourable conditions and a competitive interest rate.

## Bespoke credit card solutions

Advanzia has business partnerships with over 140 companies, associations and institutions that use

our co-branded credit cards to create competitive advantage and enhance customer loyalty.

Our Omnium product line specialises in turnkey credit card solutions for banks and other financial institutions, and delivers a whole card programme, which encompasses licensing, issuance, processing, settlement and customer service.

## Regulatory stability

Advanzia is headquartered in Luxembourg, a socially and politically stable financial hub in the heart of Europe. As such, we are subject to Luxembourg banking laws which are based on EU regulations CRD IV /CRR (Basel 3), and we are regulated by the Commission de Surveillance du Secteur Financier (CSSF), which oversees the activities of banks operating in Luxembourg and guarantees their quality. Thanks to our European passporting licence, we are able to offer our products and services in the European Union and the European Economic Area.

## Solid shareholder structure

Advanzia is an independent bank, with a limited number of private investors. The Kistefos Group, based in Oslo, Norway, has been the controlling shareholder since the company became a bank in 2006, and currently holds 60.3% of the issued shares.

# Our Products and Solutions



Advanzia's main product is the Mastercard Gold credit card – a flexible and globally accepted means of payment.

We distribute our Mastercard Gold through two channels:

- To the consumer through our online platforms such as [www.gebuhrenfrei.com](http://www.gebuhrenfrei.com), [www.cartezero.fr](http://www.cartezero.fr) and [www.free.at](http://www.free.at)
- To our business partners, who are either companies or associations that want to offer a cobranded card to their customers, or financial institutions that require turnkey credit card servicing solutions

## The Mastercard Gold

Advanzia's Mastercard Gold credit card is a flexible and globally accepted means of payment currently available in the German, French, Luxembourgish and Austrian markets. The Mastercard has all the benefits of a gold credit card, such as travel insurance and a 24/7 customer service, but without the fees.

## No fees

Credit card terms and conditions are similar in all markets, with the absence of fees being an especially attractive feature. We charge neither annual fees nor transaction fees on purchases or cash withdrawals. We also do not apply any currency surcharge fees. Delivering a clear and consistent statement of “zero fees” reflects Advanzia's core values of simplicity, transparency and trust.

## Revolving credit

Our credit cards offer an optional revolving credit facility. This means that the customer does not have to repay their entire loan balance by the end of the month, but can choose to pay anything between the full balance and the minimum amount. If the customer chooses not to pay in full, or if they have made cash withdrawals or payments after the deadline, we charge interest. The interest rate is variable, and depends on the market and other factors.

### Co-branded credit cards for business partners

Avanzia has professional partnerships with over 140 companies, associations and institutions, which use our co-branded credit cards to create competitive advantage and enhance customer loyalty. We enable them to introduce a premium branded credit card with excellent additional benefits. We are experts in targeting, acquiring and retaining customers, and offer guidance throughout the entire marketing lifecycle, including: branded card design; customised card benefits and features; a fast and effective online application process; and tailor-made incentive schemes that offer real added value to our partners and their customers.

### Credit card solutions for financial institutions

Our Omnium business line specialises in turnkey credit card solutions for banks and financial institutions and takes care of the entire card programme, from licensing, issuance and processing, to settlement and customer service.

This solution allows our partner banks to offer their clients a branded credit card in the most cost-efficient way and with minimal administration.

To support our partners' brands, we offer personalisation at every client interaction point – for example, on card application forms, monthly statements, cardholder web access, and on the card itself. Our flexible card programme can accommodate partners with client bases of all sizes.

We provide card accounts in EUR, CHF, GBP and USD, and banks can choose between Mastercard Gold, World and Business. All card programmes include comprehensive travel insurance.

Avanzia currently works with 20 partner banks and financial institutions across several European countries.

### Deposit account

The Avanzia deposit account is a straightforward consumer savings account that offers simple, transparent and favourable terms and conditions.

### Attractive interest rate

The "Avanziakonto" – or in French "Livret Avanzia" – offers a competitive interest rate. There are no account or transaction fees and no minimum investment period, and the full credit balance is available on demand. There is a minimum deposit of EUR 5 000 in order for the customer to benefit from the favourable interest rate.

### A European offering

The deposit account product is sold on the internet and is available in German, French and English for customers in several European countries.

### Funding requirements for the bank

The average deposit balance of EUR 43 500 is much higher than the average credit card loan balance of EUR 1 000. The overall amount of Avanziakonto accounts is driven by Avanzia's funding needs.



# Our Markets

## Luxembourg

Avanzia is domiciled in the Grand Duchy of Luxembourg, which – along with Germany – was the first market where we launched our no-fee Mastercard Gold. With its swift implementation of EU regulations, a rapid decision-making process, and stable political and social conditions, Luxembourg has a first-class reputation as a financial centre in Europe. The country has a multilingual and multicultural population which, due to its stable economic growth and resulting expansion of its labour market, continues to grow.

Luxembourg remains a crucial location for Avanzia, being the central point from where we continue to grow our European operations. Credit card volumes remain limited due to the comparably small population size.

- Market entry: **2006**
- Credit cards in force: **9 871**
- Gross loan balance: **EUR 3.4 million**

[www.gebuhrenfrei.com](http://www.gebuhrenfrei.com)

## Germany

Germany has the EU's largest population and one of its strongest and most stable economies, with a large and skilled workforce and a relatively low unemployment rate. Despite the traditionally strong position of cash payments, Germany is a good market for credit cards, with those offering revolving credit, such as the Avanzia Mastercard Gold, becoming more popular in recent years, mainly thanks to the change in European regulation regarding interchange rates.

With over 1 million credit card customers in Germany, Avanzia has now established itself as one of the largest issuers of revolving credit cards.

- Market entry: **2006**
- Credit cards in force: **1.1 million**
- Gross loan balance: **EUR 1.09 billion**

[www.gebuhrenfrei.com](http://www.gebuhrenfrei.com)





## France

France is the largest country in the European Union and the third-largest in Europe as a whole. Historically, the French were quick to adopt payment by card, as they recognised the convenience and security this payment method offered, leading to a constant increase in the number of payment cards in circulation. Nine out of ten French adults have a payment card, and paying by card is widely preferred over cash payments. France is an attractive market for Advanzia given the population size, income level, card payment acceptance, and its geographical proximity to our office in Luxembourg. The market is, however, more regulated, and challenges remain to achieve our growth ambitions.

In 2017, we successfully acquired a customer loan portfolio, effectively growing our customer base to 47 516 credit card customers. We also made significant changes to our risk and marketing approach in the French market, which will improve our profitability in the future.

- Market entry: **2012**
- Credit cards in force: **47 516**
- Gross loan balance: **EUR 94.97 million**

[www.cartezero.fr](http://www.cartezero.fr)

## Austria

Located in the heart of Europe, Austria has long been regarded as an early adopter in terms of new technologies and payment trends, having implemented developments such as NFC and mobile payment wallets faster than many other European countries. Combined with a high level of internet usage, Austria is a very attractive market and a good fit for Advanzia's online product offering.

Austria is the fourth market that Advanzia has entered, and so far we have been very successful here.

- Market entry: **2015**
- Credit cards in force: **48 596**
- Gross loan balance: **EUR 39.63 million**

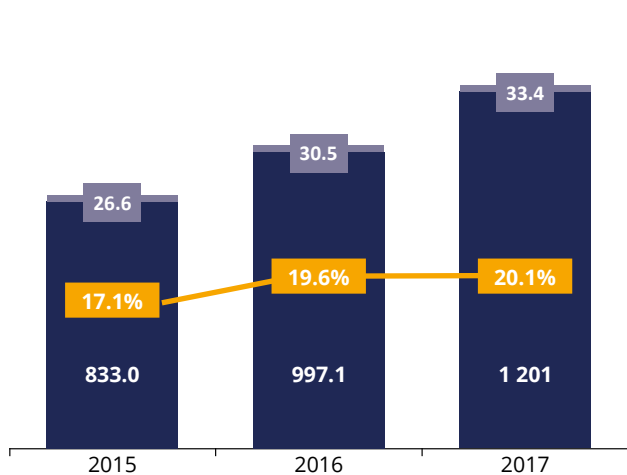
[www.free.at](http://www.free.at)

# Business KPIs

## Customer volume (cards in force):

Strong and sustainable increase

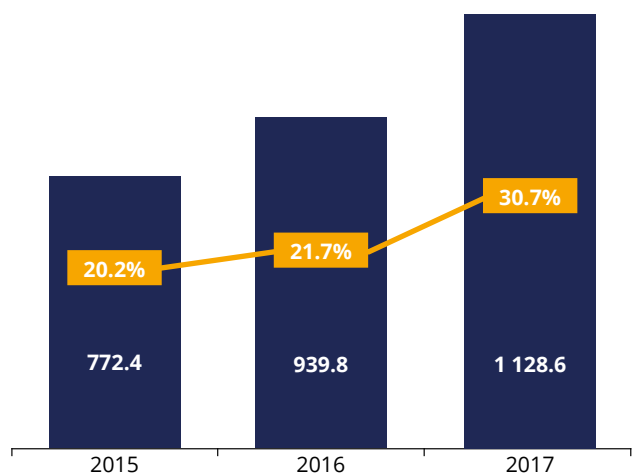
- Credits cards customers (cards in force) in thousands
- Deposit customers (active clients) in thousands
- Total growth



## Card loan volume:

High loan balance growth

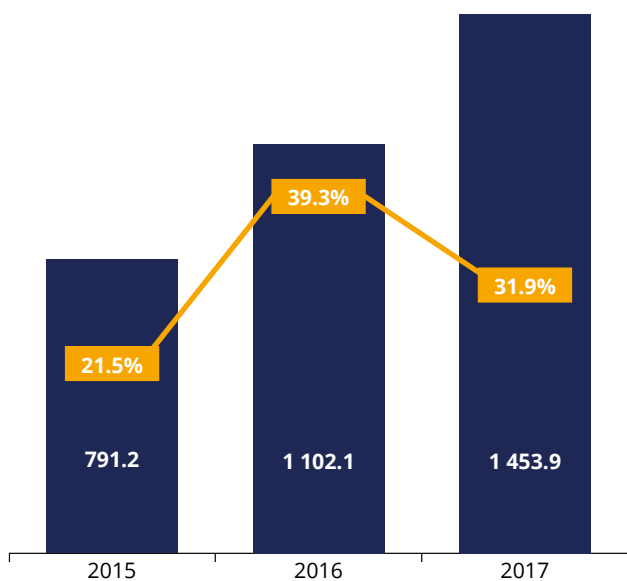
- Credit card volume gross (EURm)
- Growth



## Deposit volumes:

Development in line with growth and funding needs

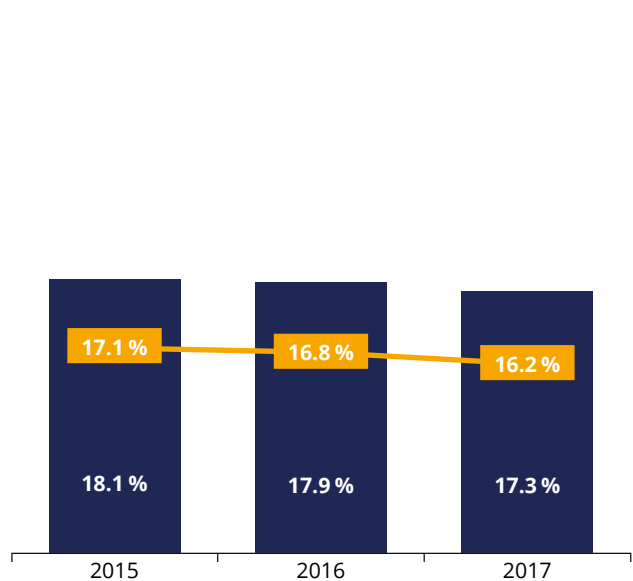
- Deposit volume (EURm)
- Growth



## Net interest margin (NIM) and yields:

Stable margin

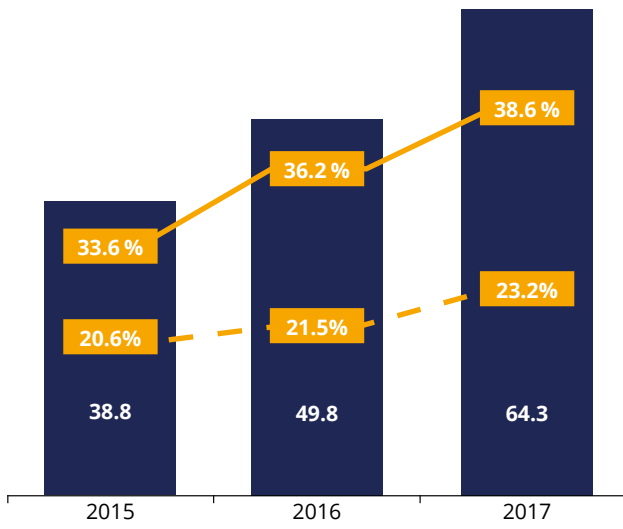
- Yield credit card loans weighted
- Net interest margin (credit cards)



### Operating expenses and cost-income ratio:

Low cost-income rate

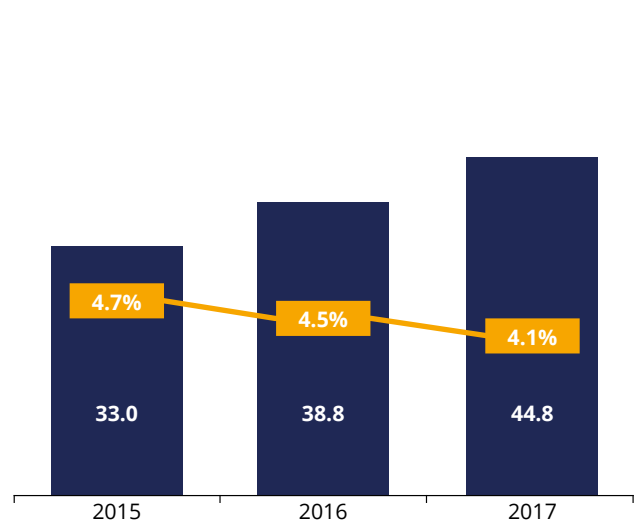
- Operating expenses (EURm)
- - - Cost-income ratio excl. acquisition costs
- Cost-income ratio



### Total loan losses:

Slower growth than business growth

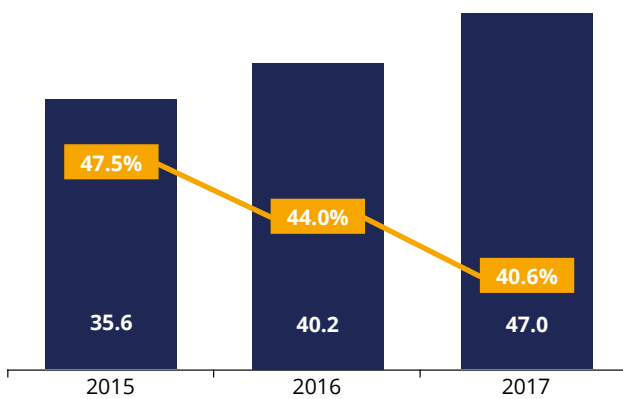
- Total loan losses (EURm)
- Loan loss rate (12 months trailing)



### Net profit and return on equity:

Continued growth in net profit

- Net profit (EURm)
- Return on equity





# Financial Position and Income 2017

For arithmetical reasons, the following tables may contain rounding differences.

## Statement of Financial Position as at 31 December 2017

In thousands of EUR

ASSETS	2017	2016
Cash, balances with central banks	463 795	238 121
Loans and advances	1 228 874	987 877
whereof: financial institutions	59 030	97 509
whereof: customers	1 169 844	890 368
Tangible assets	1 834	2 124
Intangible assets	5 147	3 657
Other assets	29 584	2 395
<b>Total assets</b>	<b>1 729 234</b>	<b>1 234 174</b>
<hr/>		
LIABILITIES AND EQUITY	2017	2016
Amounts owed to financial institutions	100 444	135
Amounts owed to customers	1 453 861	1 102 104
Tax liabilities	20 363	16 623
Other liabilities	10 173	6 562
Subordinated liabilities	8 638	9 355
<b>Total liabilities</b>	<b>1 593 479</b>	<b>1 134 777</b>
<hr/>		
Subscribed capital	17 553	17 553
Issue premiums	9 890	9 890
Other reserves	10 910	8 713
Deposit guarantee scheme reserve	2 731	4 367
Profit (loss) carried forward	58 314	38 381
Result for the financial year	47 025	40 202
Interim dividends	-10 668	-19 707
<b>Total equity</b>	<b>135 755</b>	<b>99 397</b>
<hr/>		
<b>Total liabilities and equity</b>	<b>1 729 234</b>	<b>1 234 174</b>

## Statement of Comprehensive Income for the year ended 31 December 2017

In thousands of EUR

	2017	2016
<b>Financial and operational income and expenses</b>	<b>166 349</b>	<b>137 495</b>
Interest income	174 893	141 422
Interest expenses	-11 752	-8 082
Commission income	17 682	14 795
Commission expenses	-11 647	-9 726
Net exchange result	22	-5
Other operating income	1 441	3 122
Other operating expenses	-4 289	-4 030
<b>Administrative expenses</b>	<b>-62 284</b>	<b>-48 143</b>
Personnel expenses	-14 658	-11 385
General administrative expenses	-47 626	-36 758
<b>Depreciation and amortisation on (in) tangible assets</b>	<b>-1 933</b>	<b>-1 626</b>
Depreciation on tangible assets	-679	-544
Amortisation on intangible assets	-1 254	-1 082
<b>Impairment on financial assets</b>	<b>-44 786</b>	<b>-38 807</b>
<b>Result on activities before taxes</b>	<b>57 347</b>	<b>48 919</b>
Income taxes	-10 322	-8 717
<b>Result on activities after taxes</b>	<b>47 025</b>	<b>40 202</b>
<b>Result for the year</b>	<b>47 025</b>	<b>40 202</b>
Other comprehensive income for the year	0	0
<b>Total comprehensive income for the year</b>	<b>47 025</b>	<b>40 202</b>



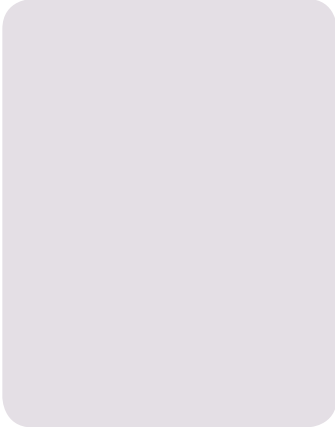
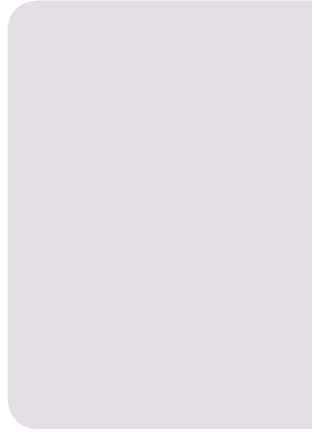
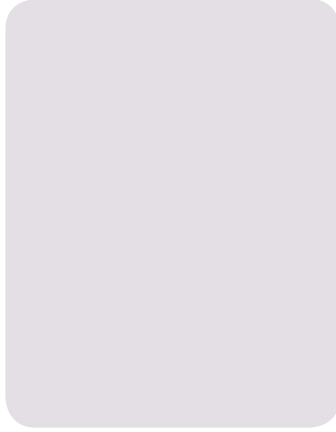
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