

Annual report 2018

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A part of the solution

In an ideal world non-performing loans (NPLs) do not exist. In the real world they do exist, and they represent a problem for individuals, companies, banks and the society in general.

As a leading pan-European debt specialist B2Holding strives to be part of the solution. That is why our skilled employees in 50 subsidiaries in 23 countries go to work every day.

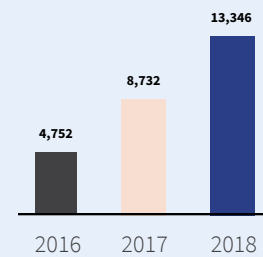
B2Holding is a company with Norwegian roots and its head office located in Oslo, Norway.

Here in the northernmost part of Europe we live with changing seasons. We know from experience that darkness will end. After a dark fall and cold winter, a new spring and summer will always follow.

In this annual report we introduce you to the Nordic seasons and all the way through we stick to our main message:

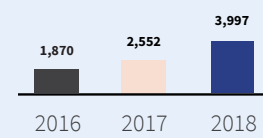
There will always be light. There are ways to get out of problems. We are here to help.

Key Figures



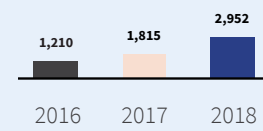
Book value of portfolios (NOKm)

Total carrying value on the balance sheet



Gross collection from purchased loan portfolios (NOKm)

Cash received from debt portfolios



Cash EBITDA (NOKm)

Gross cash collection minus all collection and administration costs

Key Financial Figures

(NOK thousand)

	2018	2017
Total operating revenues	2,905,622	2,082,762
Operating profit (EBIT)	1,377,856	984,205
Profit after tax	648,732	481,231
Net interest bearing debt	10,430,221	6,401,787
Total assets	16,173,734	10,797,431
Equity ratio	27 %	29 %
Basic earnings per share (EPS)	1.63	1.30

See page 21 for definitions and abbreviations

22,262

NOKm

Estimated remaining collections (ERC)

7.12

Million claims

152,172

NOKm

Face value of acquired portfolios

2,420

Full time equivalents (FTEs)

This is B2Holding

A LEADING PAN-EUROPEAN DEBT PURCHASER

B2Holding is a solution-oriented partner within the debt collection industry. Honesty and fairness are the fundamentals in our way of doing business.

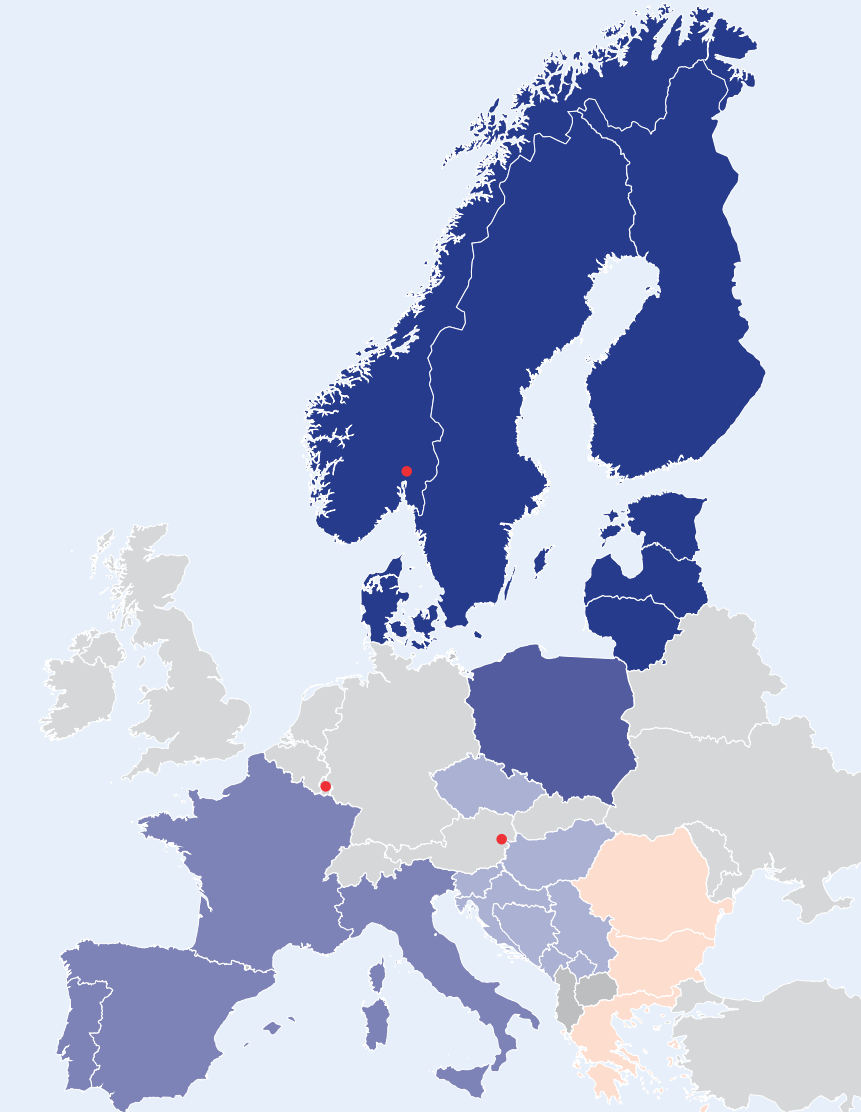
- Platforms in 23 countries
- Nordic based debt purchaser
- Diversified by geography and asset classes
- Stated strategy for further growth

REGIONS

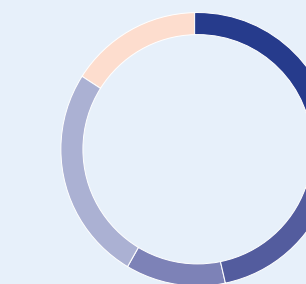
- **Northern Europe – 388 employees**
Norway, Sweden, Denmark, Finland, Estonia, Latvia and Lithuania
- **Poland – 775 employees**
- **Western Europe – 664 employees**
Italy, Spain, France and Portugal
- **Central Europe – 306 employees**
Czech Republic, Slovenia, Croatia, Hungary, Serbia, Bosnia and Herzegovina and Montenegro
- **South East Europe – 510 employees**
Romania, Bulgaria, Greece and Cyprus

OFFICES

- Norway, Head office in Oslo – 21 employees
- Luxembourg, Investment office and portfolio owner – 17 employees
- Austria, Regional office for Central Europe – 4 employees

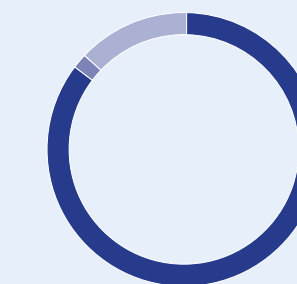


Estimated Remaining Collections (ERC) Per 31.12.18



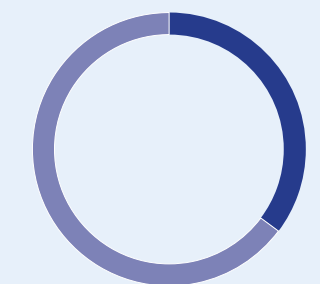
- Northern Europe 30 %
- Poland 16 %
- Western Europe 12 %
- Central Europe 26 %
- South East Europe 16 %

B2Holding's revenue



- NPL portfolio income, total 85 %
- Profit from shares and participation loan/notes in associated companies and joint ventures 2 %
- Other operating revenues 13 %

Gender distribution



- Male 35 %
- Female 65 %

== We strengthen our position in established markets

B2Holding is currently established with platforms in 23 European countries. Local expertise in so many countries adds great value and gives us access to several interesting markets as well as giving us new opportunities. Our strategy going forward is to become even more efficient and to take advantage of the opportunities offered in the individual markets, as well as to develop our services related to the management and financing of claims.

We have built B2Holding systematically over time to become a leading player in the European industry for the acquisition and management of non-performing debt. At the beginning of 2018 B2Holding was present in 20 countries. During the year we established a presence in Cyprus, in France through the acquisition of *Negotiation et Achat de Creances Contentieuses (NACC)*, and in Portugal through the acquisition of *GI Capital Solutions S.A. (GICS)*.

Now, at the start of 2019, we have access to the main markets in Europe. We see an interesting growth potential ahead and we have secured the possibility to spread our risk. This applies not only geographically, but also in terms of what types of claims we can acquire. This is further reinforced via our commitment to managing claims in portfolios where B2Holding has part ownership (joint ventures).

Our current focus is to become even better in the markets where B2Holding is already established.

For B2Holding this means continuing to build upon what has always been a strength for us – a local presence and a solution-oriented and flexible organisation. This also means we will continue to build good regional platforms as support for the local organisations.

We shall keep the entrepreneurial spirit at B2Holding. At the same time we will work hard to make our business

more efficient and continue to utilise the potential in sharing expertise and knowledge cross-border within the Group.

In this annual report we present two cases from Poland and Central Europe regions, both showing good examples of how we share both competence and organisational models within the Group. This is a model we have developed over time, and one we will continue to benefit from. Through this way of working, where we meet across countries and entities, we also build a common culture and common understanding of how we in B2Holding shall meet our customers – the debtors – and all our other stakeholders.

In the time ahead we will focus particularly on optimizing the values in our portfolios. Therefore, amongst other things, we will invest in strengthening our expertise related to “work-out”, meaning the business units managing secured portfolios. This will be implemented locally, regionally and at Group level. In a number of markets we currently experience that customers who are “bankable”, even so do not manage to obtain necessary refinancing. This is a result of limitations in local banking systems and we are therefore looking into different solutions to meet this challenge.

At B2Holding we place emphasis on wanting to be part of the solution



At B2Holding we place emphasis on wanting to be part of the solution. This is the common thread for B2Holding and the role we shall play in the markets that we operate in. We contribute to handling society's debt problems, and we shall always be a partner that banks and other vendors of non-performing debt portfolios can trust. Last, but not least, we will help to give our customers a new chance by the way we work with them.

Today we see attractive opportunities for growth through offering and developing new servicing concepts related to financing and handling of claims. Servicing and facilitating for co-investors are services we wish to develop and which I believe will be an important part of B2Holding's future. Such agreements, which are particularly relevant for larger portfolio purchases, give us the opportunity to remain an active and large player in all the markets we are established in. Co-investment means that we manage the individual portfolios, but that we share ownership with other professional players who do not have platforms in the markets in question.

Third-party servicing, where B2Holding manages collections on a non-performing loan without itself owning the claim, will continue to be a priority area in selected markets.

The autumn of 2018 brought some challenges for our industry. This applied equally as much to the valuation of stock-listed companies as to the possibility to obtain sufficient outside funding. This situation, combined with an increasing number of portfolios for sale, has resulted in lower prices on portfolios in several markets. This in turn means higher margins on new purchases.

In addition to its strong local platforms, one of B2Holding's competitive advantages is the Group's financial strength. As detailed in this annual report, moving into 2019 B2Holding has a capital structure that gives it financial flexibility and a solid basis for further growth. We are well positioned as a leading player in the European markets and based on the opportunities that we see 2019 will be a positive and exciting year for B2Holding.

Oslo, 25 April 2019

Olav Dalen Zahl
Chief Executive Officer

== Growth and efficiency

At B2Holding, we have developed a strategy to strengthen our position as one of the leading European players in the debt purchasing industry through growth and via increased efficiency in our established markets.

We exist to create solutions for our stakeholders and to help manage society's debt problems. To achieve this, we need to be a trusted partner and we will continuously search for ways to improve.

GROWTH IN ESTABLISHED MARKETS

Following years of rapid expansion into new markets, B2Holding has built a solid foundation for continued growth. Platforms in 23 countries in Europe secure good geographical diversification and access to the largest NPL markets in Europe and we see growth potential in our markets. As stated in our strategy, no further geographical expansion is planned in the immediate future. Going forward we will focus on taking advantage of the wide market access and large pipeline in our established markets to drive growth.

To strengthen our investment capacity, co-investment structures will be considered in order to gain access to larger investment opportunities. Recently, B2Holding has acquired non-performing loan portfolios in both Greece (October 2018) and Croatia (January 2019) through such co-investment structures.

Throughout 2018 we have strengthened our capacity for handling secured portfolios as well as unsecured portfolios. For our vendors, this reinforces B2Holding as a strategic partner, and it confirms our ability to act quickly and create value from complex situations. In the future, we intend to leverage our expertise and to expand our service spectrum within the lifespan of a claim.

AIMING FOR OPERATIONAL EXCELLENCE

As we have grown to become a large group of companies, we pursue synergies via scalability and increased efficiency. Through improved collection strategies, analytics, digitalisation and use of best practise projects, we aim to further increase operational efficiency and effectiveness going forward.

In order to achieve operational excellence in an industry that continuously changes, we need support from an agile organisation. Local presence in markets where we operate has always been one of our core strengths. At B2Holding, we will continue to focus on this local presence through strengthening the regional structure, while building and aligning the Group culture.

FINANCIAL TARGETS 2021

In 2018, B2Holding reviewed its financial targets for the strategy period 2018-2021. The Group will continue to uphold a balanced growth and prudently leveraged profile while delivering both on our strategic objectives and our financial targets.

≥ 14 %

ROI¹

≥ 20 %

ROE

≥ 20 – 30 %

DIVIDEND

≤ 3x

LEVERAGE (NET INTEREST-BEARING DEBT/CASH EBITDA)

≥ 25 %

EQUITY RATIO

¹ROI before tax, excl. overhead cost of central functions (B2Holding ASA in Oslo and B2Kapital Holding Sarl and ULTIMO Portfolio Investment SA in Luxembourg).

Highlights and history

2018



JANUARY

Cyprus

B2Kapital established by B2Holding in Cyprus. First portfolio acquired through B2Kapital Cyprus.

MARCH

France



Negociation et Achat de Creances Contentieuses ("NACC") was acquired. NACC has around 90 full time employees, with its headquarter in Paris and additional offices in Brest and Bordeaux.

MAY

Portugal



GI Capital Solutions S.A. ("GICS") was acquired. The company is organised as a part of the Spanish entity Verifica and enables servicing of customers in both Spain and Portugal within third party collection.



Cyprus

B2Holding's subsidiary in Cyprus, B2Kapital, obtained the license to operate as a credit and servicing company.

AUGUST

Romania



B2Holding's subsidiary in Romania, B2 Kapital Finance IFN S.A, obtained the licence as a non-banking financial institution.



Norway

B2Holding's subsidiary in Norway, Interkredit Kapital, obtained the licence to operate as a finance company.

OCTOBER

Spain



Acreditia Servicios Auxiliares, S.L., was acquired.

2017



Confirmación de Solicitudes de Crédito Verifica S.A. ("Verifica"), Spain, acquired (80 %).



UAB Skolų rizikos sprendimai ("SRS"), Lithuania, acquired (74 %).



Credit cash Factoring Plc, Hungary, acquired and rebranded to B2Kapital.



B2Kapital Greece obtained license for managing non-performing loans.



Nordic Debt Collection A/S (Nodeco), Denmark, acquired.



B2Kapital established in Czech Republic.



UAB Skolų valdymo centras ("SVC"), Lithuania, acquired.



B2Kapital s.r.l established in Italy.

2016



Debt Collection Agency AD, Bulgaria and Romania, acquired.



B2Holding ASA listed on Oslo Stock Exchange (June).



Consequence Europe, Hungary, acquired.



B2Kapital Portfolio Management SRL established in Romania.



B2Kapital established in Bosnia and Herzegovina.



B2Kapital established in Greece.

The share was included in the Oslo Stock Exchange Benchmark Index (OSEBX) (December).

2015

Investment Office in Luxembourg established.

2014



Creditreform Latvija SIA, Latvia, acquired.



ULTIMO S.A., Poland, acquired.

Purchase of portfolio from Hypo Alpe Adria, leading to start-ups in the Balkans.

The shares were listed on NOTC, The Norwegian Over the Counter Market.

2013



Interkredit AS, Norway, acquired.



B2Holding Kapital d.o.o. established in Croatia.



SIA B2Kapital established in Latvia.

2012



Investment in Sileo Kapital AB, Sweden.



OK Perintä, Finland, acquired.



OK Incüre OÜ (subsidiary of OK Perintä), Estonia, acquired.

2011

Activities in B2Holding AS started.

Balanced capital structure and a prudent leverage profile

B2Holding has a solid funding base to support future growth. As at the end of 2018 our gearing and our long-term funding structure gives us the liquidity and financial flexibility to deliver our strategy.

Our combination of equity, bond and loan financing provides access to capital when larger opportunities arise, while steady collections across the Group provide a strong cash flow.

Total share capital (equity) raised since 2011 is EUR 307 million of which EUR 79 million was raised in 2018.

The Group holds a EUR 510 million senior secured revolving credit facility (RCF) with DNB Bank ASA, Nordea Bank AB and Swedbank ABP with ultimate maturity date as of 31 May 2022.

The Group has four listed senior unsecured bond loans outstanding in total EUR 725 million:

- 5-year EUR 150 million issued on 8 December 2015
- 5-year EUR 175 million issued on 4 October 2016
- 5-year EUR 200 million issued on 14 November 2017
- 5-year EUR 200 million issued on 23 May 2018

Two bond loans from 2015 and 2016 became callable on 8 December 2018.

We will continue to finance our business through a mix of debt and equity, with a long-term equity ratio target larger than 25 % and a target leverage ratio below 3.0x. We aim to maintain solid liquidity, including undrawn RCF capacity and cash reserves, in order to facilitate future growth and to be able to act when attractive opportunities arise. The Group's strategy is to strengthen its position among the European debt collectors through continued growth and increased operational efficiency.

We are confident that our operating cash flows and borrowing capacity is more than sufficient to meet our requirements and commitments for the foreseeable future. Based on the current financing of the Group and estimated

cash flow, the Group has investment capacity of over NOK 5 billion each year without any new equity required.

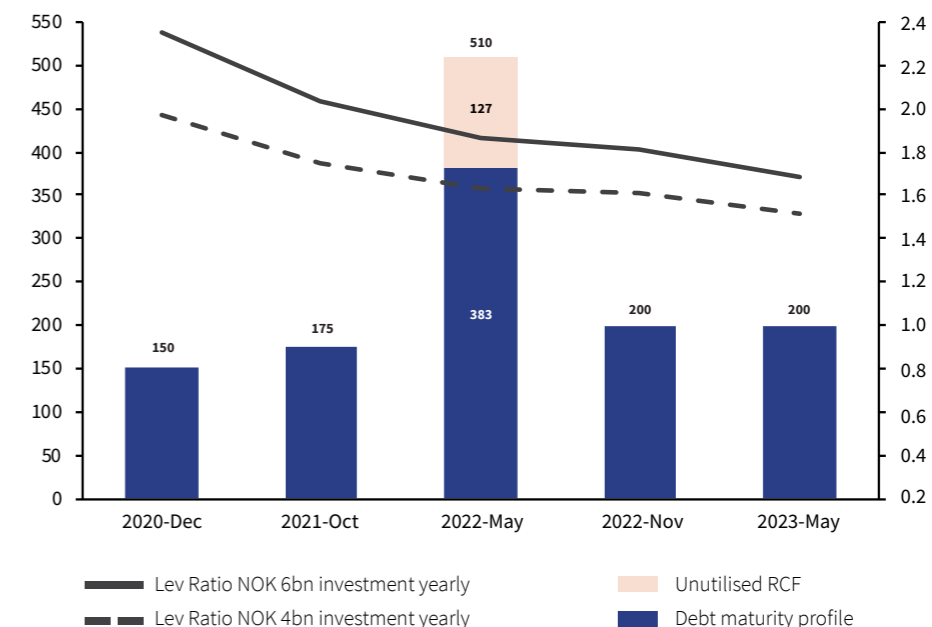
Funding	Liquidity
Equity	Cash Collection
Senior Unsecured Bonds	Revolving Credit Facility (RCF)

CREDIT RATING

The public rating is an assessment of the company's ability and willingness to meet its financial obligations. In 2018, B2Holding received its first public rating by Moody's Investors Service, Inc. (Moody's) and S&P Global Ratings (S&P). The public rating is an important tool for the company with regards to attracting investors and funding at attractive levels. B2Holding continuously works to improve the assigned rating. Please note that none of the bond loans are rated.

Agency	Corporate Rating	Last publication
S&P	BB-	02.05.18
Moody's	Ba3	08.02.19

DEBT MATURITY PROFILE



CAPITAL STRUCTURE TIMELINE

	CORPORATE	BANK LOAN	BOND LOAN
2018	Increased share capital through a successful private placement of NOK 747 million through issuance of 36,912,000 new shares		
March			
May	Assigned public rating. Moody's Investors Service, Inc. assigned a "Ba3", while S&P Global Ratings assigned a "BB-"	Increased existing senior secured RCF with EUR 150 million, maturing 2019	EUR 200 million senior unsecured bond, maturing 2023
Sept		All bank loans were refinanced into a "new" EUR 510 million senior secured RCF, maturing 2022	
2017		EUR 100 million senior secured term loan, maturing 2018	EUR 200 million senior unsecured bond, maturing 2022
2016	- Included in the Oslo Stock Exchange Benchmark Index (OSEBX) (December) - B2Holding ASA listed on Oslo Stock Exchange (June) - Increased share capital through a successful private placement of NOK 650 million through issuance of 54,166,666 new shares (June)		EUR 175 million senior unsecured bond, maturing 2021
2015		EUR 260 million senior secured RCF, maturing 2019	EUR 150 million senior unsecured bond, maturing 2020
2014	- The shares were listed on NOTC, The Norwegian Over the Counter Market - Increased share capital with NOK 950 million through two share issues of 100,000,000 and 46,666,667 new shares		

Respect and openness

As a debt purchaser with activities across Europe, B2Holding has a broad spectre of stakeholders. We are committed to exercising fairness to all our partners and strive to act with respect and openness.

OUR STAKEHOLDERS

All our investors, regulators, customers, vendors and employees reflect the societies in which we operate and all need to be confident that our business is based on honesty, fairness and sustainable principles.

Employees

Human capital is the foundation of B2Holding. It is a strategic objective to be a preferred employer.

Investors and capital providers

B2Holding is listed on the Oslo Stock Exchange and depends on equity and debt financing from investors and banks.

Banks and other vendors

Portfolios of non-performing loans are purchased from banks, other financial institutions and retailers, such as telecom companies.

Customers

When we take over a portfolio of non-performing loans, the debtors become our customers.

National governments

The local laws and regulations define the framework for our business in each country.

EU institutions

Within the European Union (EU) and the European Economic Area (EEA) the EU institutions define standards and requirements for the finance sector and the debt purchase industry.

Our code of conduct

The B2Holding Group is dedicated to being a preferred creditor for our customers, helping them back on track. We are committed to being a preferred and responsible employer, a reliable corporate citizen and a favored successor of banks' customers.

The B2Holding Group's Code of Conduct states common rules for our activities in all countries. The Code describes the minimum level of approved behaviour, even if it

stipulates higher standards than required by local law. In case local law is stricter than the Code, however, local law shall prevail.

ZERO TOLERANCE WITH BRIBERY OR CORRUPTION

We act honestly and without corrupt influences, and we expect the same from third parties serving B2Holding. We do not tolerate any form of bribery or corruption.

NO ILLEGAL BENEFITS OR REWARDS

B2Holding shall not offer rewards or benefits, whether directly or through intermediaries, to any business party or stakeholder, which is in violation with applicable laws.

MAINTAIN OBJECTIVITY

At B2Holding, employees must not accept gifts, benefits, reimbursements or entertainment, whether directly or through intermediaries, that could affect objectivity and professional judgement.

NO ABUSE OF POWER IN BUSINESS

The requirement of integrity and ethical and fair practices also applies in the battle for market share. We comply with the rules governing market behaviour that are expected at an international level.

TRANSPARENT RELATIONSHIP WITH AUTHORITIES

B2Holding is committed to being fair, accurate and timely in all communication. We pledge to ensure that our relationships with all relevant supervisory authorities are open, trustful, transparent and cooperative.

OPENNESS IN ALL REPORTING

Accounting records must show the nature of all transactions in a correct, timely and non-misleading manner. We practice openness in all reporting to comply with no-surprise policy.

STRICT NEUTRALITY

In B2Holding we observe strict neutrality with regard to political and religious interests. Neither names nor resources of B2Holding shall be used to promote such interests.

PROTECT CUSTOMER AND BUSINESS DATA

We are obliged to treat customer/debtor information strictly confidential. We do not pass on any customer data to third parties and we comply with applicable regulations protecting customer data.

NO DISCRIMINATION OR HARASSMENT

All employees, regardless of position, shall treat each other with respect as colleagues and avoid any kind of discriminatory behaviour or harassment.



== We believe in making each other better

At B2Holding, we aim to be a part of the solution to manage debt problems in the society. Every day we share expertise with our colleagues, earn the trust of our partners and find amicable solutions together with our customers. To put it simply, we create value by making each other better.

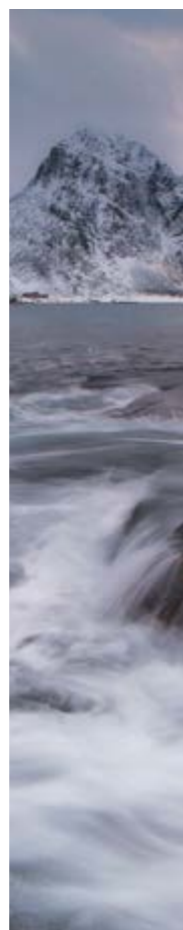
In this annual report we discuss each of these points to a greater extent. For a broader understanding of how we conduct our corporate social responsibility, please see the chapter about corporate responsibility in B2Holding.



Debt management WE HELP MANAGE SOCIETY'S DEBT PROBLEMS

High levels of non-performing loans influence the banking sector and are considered to be a severe challenge for the society. The implications are likely to be some combination of higher interest rates, reduced lending volumes and increased risk aversion. This will in turn undermine the growth prospects of otherwise viable firms and reduce economic activity in general.

As a debt purchaser and debt collector we are part of the solution to manage the society's debt problems. B2Holding takes over portfolios of non-performing loans from banks and other financial institutions in the markets where we operate, thereby help to resolve the problems in the banking and non-banking financial sector. Through our business we contribute to a more efficient use of the capital available in society.



Our partnerships WE ARE A RELIABLE BUSINESS PARTNER

For most banks and other financial institutions, the efficient management of non-performing loans is not part of their core activities. Many of them find that they lack the resources and expertise for loan-restructuring. At B2Holding, as well as having the required data and skills to provide an efficient and reliable pricing of any portfolio, we also have the experience to find solutions with the customers. By selling non-performing loans, our partners or vendors achieve better liquidity and risk management and are thereby better able to focus on their core business and fulfil their true role.

To safeguard their own reputation, banks and other companies with broad customer contact will only sell their portfolios to well-established and serious buyers. The ethical standards that all employees at B2Holding perform by every day are therefore crucial to our business partners.



Our customers WE FIND AMICABLE SOLUTIONS

Every day we meet and cooperate with people and company representatives who, for various reasons, have failed to fulfil their loan obligations. For these individuals it is of great importance to solve this problem and at B2Holding our strategy is to work together to find the solutions applicable to each of them.

Our approach is flexible. Provided that the customer is willing to cooperate and maintain a dialogue with us, it will be possible to find amicable solutions and help the individual back on track. In those cases where the debtor is unreachable and repayment through amicable settlements is not possible, we will conduct a legal process in compliance with local laws, industry standards and best practice.



Our expertise WE SHARE EXPERTISE, DATA AND BEST PRACTICE

The B2Holding Group is built on highly skilled key personnel both in our local and our regional organisations. The motivation and mobilisation of people is our strength, and we aim to recognize the skills and performance of all our employees' and also to welcome and respect their diversity. At B2Holding we commit ourselves to offer our people professional development and equal opportunities in a healthy work environment.

With a strong local presence, our business model helps us to secure efficient management of individual customers and makes B2Holding a trusted business partner for our vendors. Access to relevant data is a prerequisite for analysing portfolios both for pricing and collection strategies. Through sharing expertise, data and best practise within the Group every day, we are making each other better.



01

Debt management

High levels of non-performing loans herald hard times for any society and are a European challenge today. Our industry is recognised as a part of the solution.

== An eventful year

For the industry, 2018 started out as a positive year with high activity and good access to capital. The second half of the year turned out to be more challenging. As we enter 2019 the situation should cater for interesting opportunities in the industry.

As opposed to 2017, the industry consolidation took a break in 2018, and the players seemed more focused on developing existing operations.

The first half of 2018 was positive in terms of access to capital for the larger players and share prices were relatively stable. Activity was still high, with large transactions carried out in key markets, including Greece where portfolio sales have recently started.

During the second quarter, it became evident that GetBack in Poland was in a default situation, and this made some investors sceptical towards the industry. This scepticism was also fuelled by increasing short sale activity in many of the listed companies. As a result, the second half of 2018 turned out to be quite challenging for the industry with share prices under pressure, and spreads in the bond markets widening significantly. With limited access to new capital, the industry players seemed to take on a more cautious approach to portfolio acquisitions, resulting in less price pressure in several markets.

With NPL volumes still high, we anticipate interesting opportunities going into 2019 for players with a healthy cash flow and access to funding.

TRANSACTIONS IN THE INDUSTRY

Some large transactions were announced during the year, such as Intrum's announced strategic partnership with Banca Intesa Sanpaolo. There were also some local trans-

actions carried out, with Arrow acquiring two companies in Italy, MCS acquiring DSO Group in France, and B2Holding's acquisition of NACC. Apart from this, the industry consolidation slowed down in 2018 and the industry players seemed focused on developing existing operations.

CONTINUED MOMENTUM IS EXPECTED IN 2019

With increasing capital requirements for non-performing loans and a more aggressive write-off regime, we expect banks to have an increased focus on reducing their NPL levels. Holding non-performing loans will be more costly for European banks going forward and we expect therefore to see good volumes of non-performing loans for sale by European banks going forward.

LEGAL CHANGES

The most comprehensive update of legal regulations in the debt purchase industry was the introduction of the new privacy protection scheme in the EU General Data Protection Regulation (GDPR) which came into effect in May 2018.

The B2Holding Group has carried out a large GDPR project in order to implement the necessary frameworks to meet the GDPR requirements.

ABBREVIATIONS AND DEFINITIONS

ARM

Accounts receivables management

Cash EBITDA

Gross cash collection minus all collection and administration cost

CF

Cash flow

CMS

Credit management services

Cost to collect (CtC)

Actual variable and fixed costs related to collection or recovery of assets

EBITDA

Earnings before interest, taxes, depreciation and amortisation

Factoring

Financing of receivables through arrangement between a financial institution and a client (company), where the client gets advances from the financial institution in return for receivables

Forward flow agreement

Agreement where the Group agrees with a vendor over a fixed period to acquire all non-performing loans within pre-agreed characteristics and limitations

EPS

Earnings per share

ERC

Estimated remaining collections; Sum of all periods gross expected cash flow

FTE

Full-time equivalent

FV

Face value; unpaid principal balance plus interest and fees

Gross cash collection

Actual cash collected from purchased portfolio before related cost

IFRS

International Financial Reporting Standards

Invoice purchase

The business of purchasing issued invoices from companies

IRR

Internal rate of return; The interest rate that gives a net present value of zero

LTV

Loan to value ratio

Net borrowing

Nominal value of interest-bearing debt plus utilised bank overdraft less cash on account and short-term deposits

Net CF

Net cash flow; cash flow less collection cost

Net IRR

The expected net return before tax on a portfolio investment based on gross expected cash flow less cost to collect

NPL

Non-performing loan

Profit margin

Operating profit expressed as a percentage of total operating revenues

ROI

Return on Investments

ROE

Return on Equity

Single ticket

A large individual claim, usually secured

SMEs

Small and medium-sized enterprises

UPB

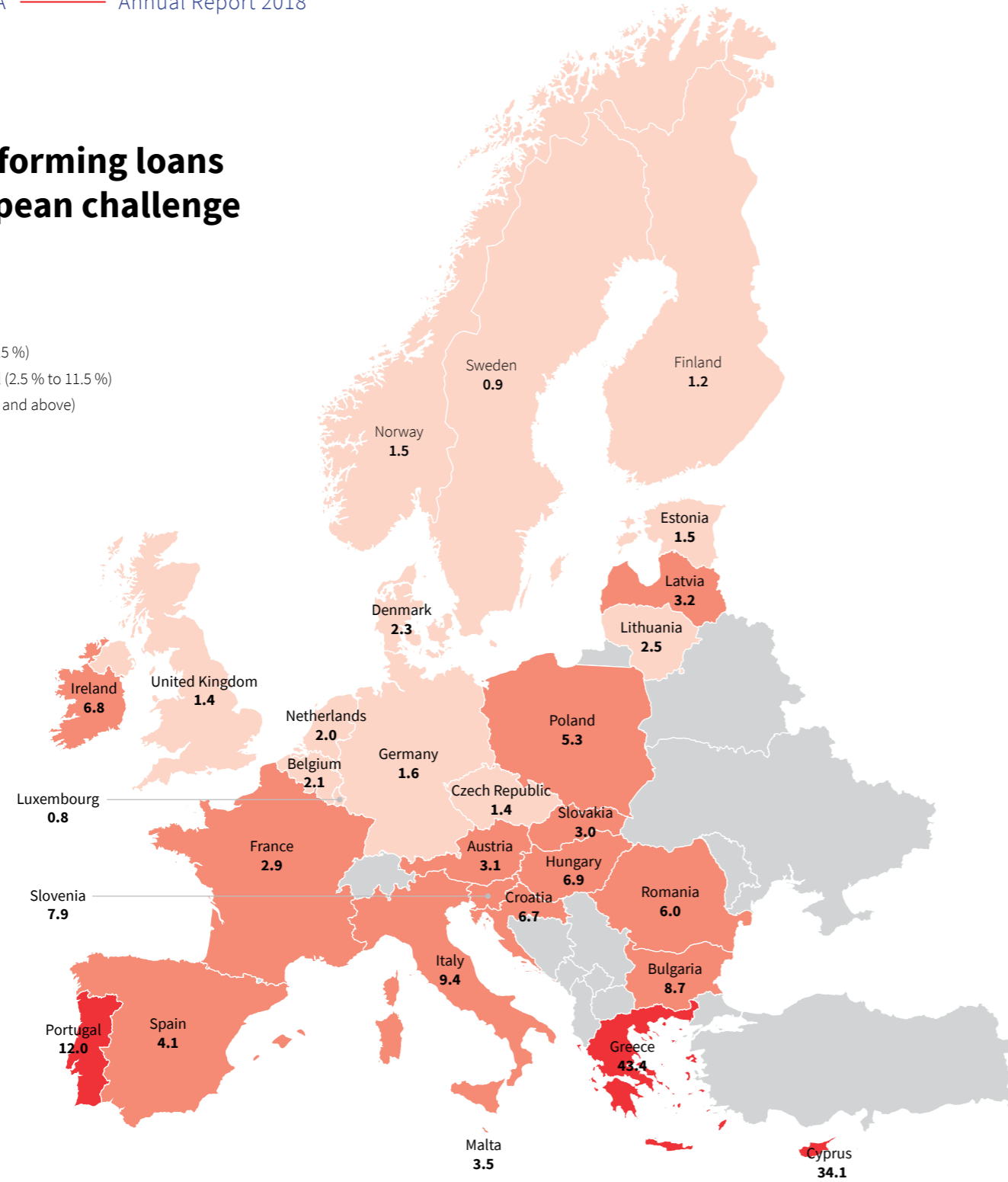
Unpaid principal balance

Non-performing loans – A European challenge

NPL RATIO %

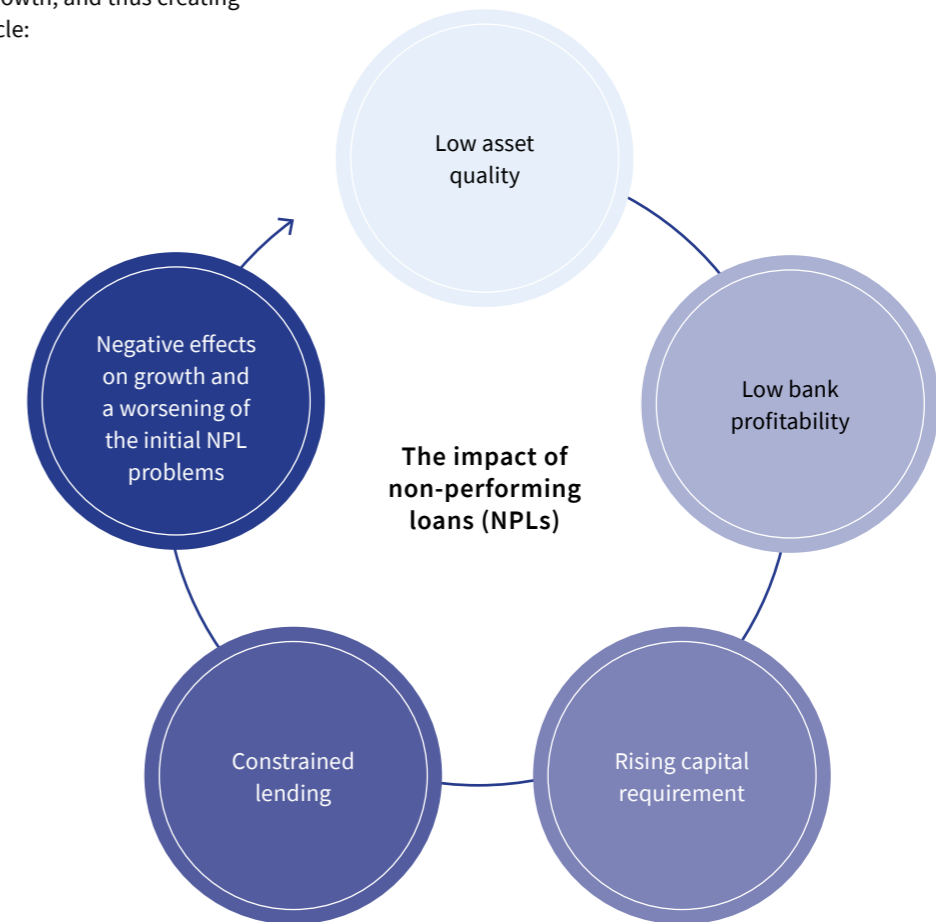
- Low level (up to 2.5 %)
- Relative high level (2.5 % to 11.5 %)
- High level (11.5 % and above)

This is for illustration only



Impacting society

High levels of non-performing loans will cause challenges in the banking sector, which in turn will lead to lending constraints and reduced economic growth, and thus creating a vicious circle:



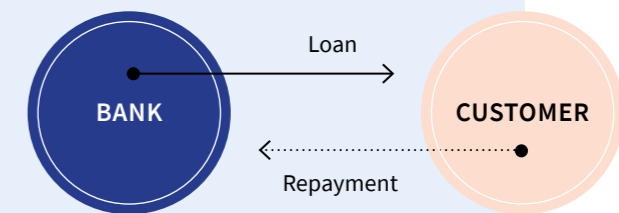
GROSS NPL (NOK billions)

Italy	153.4	Belgium	15.0	Hungary	3.1	Slovakia	1.2
France	130.2	Austria	14.5	Croatia	2.4	Lithuania	0.5
Spain	95.4	Ireland	13.6	Czech Republic	1.9	Malta	0.5
Greece	90.0	Cyprus	13.2	Romania	1.8	Latvia	0.4
United Kingdom	58.3	Denmark	12.9	Bulgaria	1.6	Estonia	0.3
Germany	43.6	Sweden	9.8	Finland	1.6		
Netherlands	36.6	Poland	6.3	Slovenia	1.4		
Portugal	28.5	Norway	3.8	Luxembourg	1.3		

Source: "Risk Dashboard, September 2018", European Banking Authority. All numbers per September 2018 except Cyprus per June 2018.

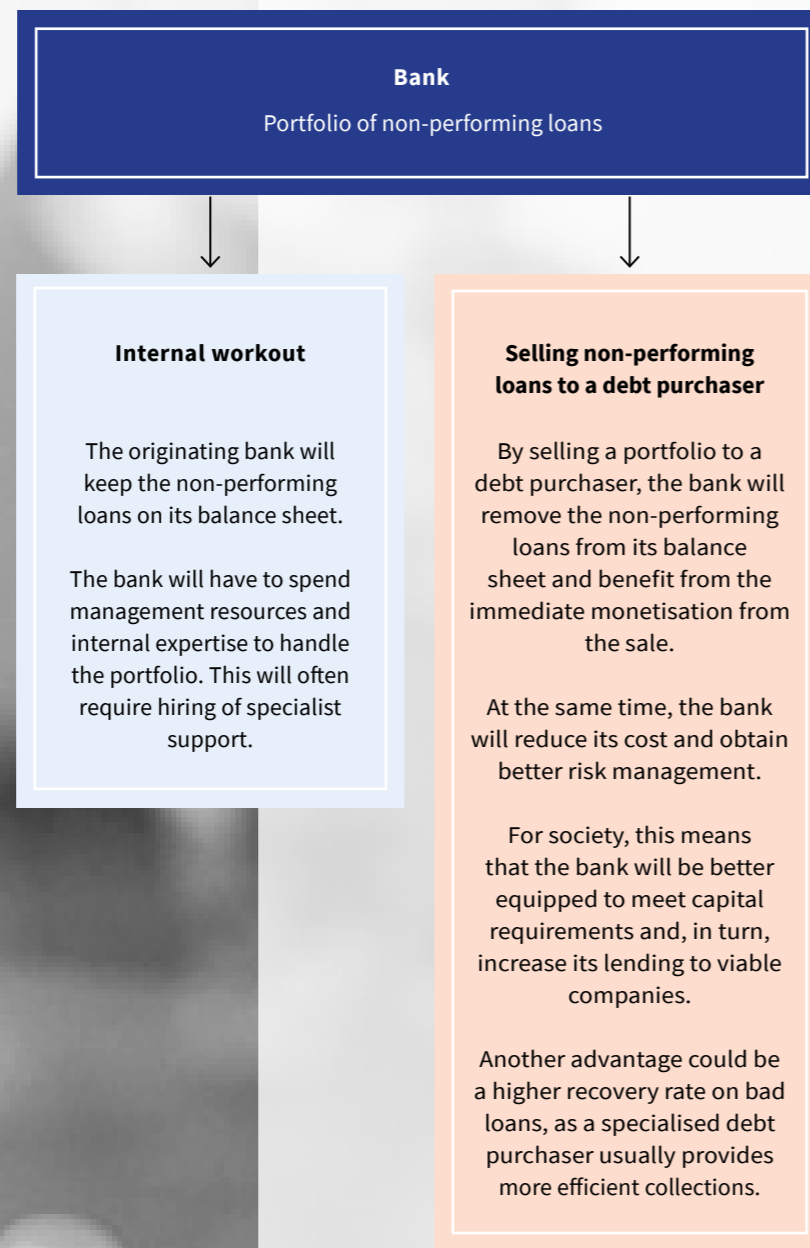
NON-PERFORMING LOAN

When a debtor has not made his or her scheduled payments for at least 90 days, the loan is defined as a non-performing loan (NPL).



How to handle non-performing loans in the banking sector

For the banking sector there are several approaches on how to handle non-performing loans. Two main strategies prevail:



Debt purchasing creates win-win situations

In ongoing discussions on how to resolve non-performing loans in Europe, the debt purchase industry is widely recognised as part of the solution. Our industry creates win-win situations:

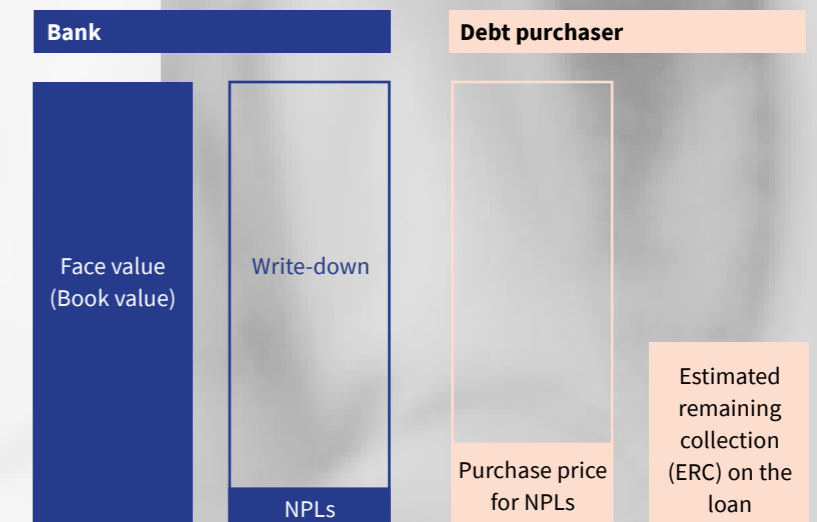


THE DEBT PURCHASE INDUSTRY CREATES VALUE FOR BUYERS AND SELLERS

Handling non-performing loans is a specialised part of the finance sector, highly attractive for both buyers and sellers.

Due to regulations, the bank will have to write down non-performing loans below face value. By selling to a debt purchaser, the bank reduces risk related to NPLs and is better positioned to fulfil its role in the economy.

The core business of a debt purchaser is to have the systems and expertise needed to achieve amicable solutions with its customers, and to do this in a highly efficient and low cost manner, thus achieving higher value from debt collection than more traditional lenders.



Market entries 2018

B2Holding entered three new markets in 2018. B2Kapital was established in Cyprus early in the first quarter; Négociation et Achat de Créances Contentieuses (NACC) in France was acquired in March, and; the acquisition of GI Capital Solutions in Portugal followed in the second quarter. By the end of 2018, B2Holding had platforms in 23 countries.

In the first quarter, B2Holding acquired 100 % of the shares in Négociation et Achat de Créances Contentieuses (“NACC”). NACC is one of the leading French players within debt purchase with extensive experience in the French market including the French territories. With the acquisition of NACC, B2Holding gained access to one of the largest NPL markets in Europe. French banks have so far not been very active in disposing of non-performing loans, but we believe that following the introduction of IFRS 9 and increasing capital requirements, we will experience increasing activity in the French market.

In the second quarter, B2Holding acquired 100 % of the shares of GI Capital Solutions (GICS). GICS was rebranded to Verifica Portugal shortly after and is part of the operation of Verifica in Spain. Several of the clients of Verifica in Spain also have operations in Portugal, and the acquisition of GICS was a natural extension of the business of Verifica in order to strengthen its position in the Iberian market.

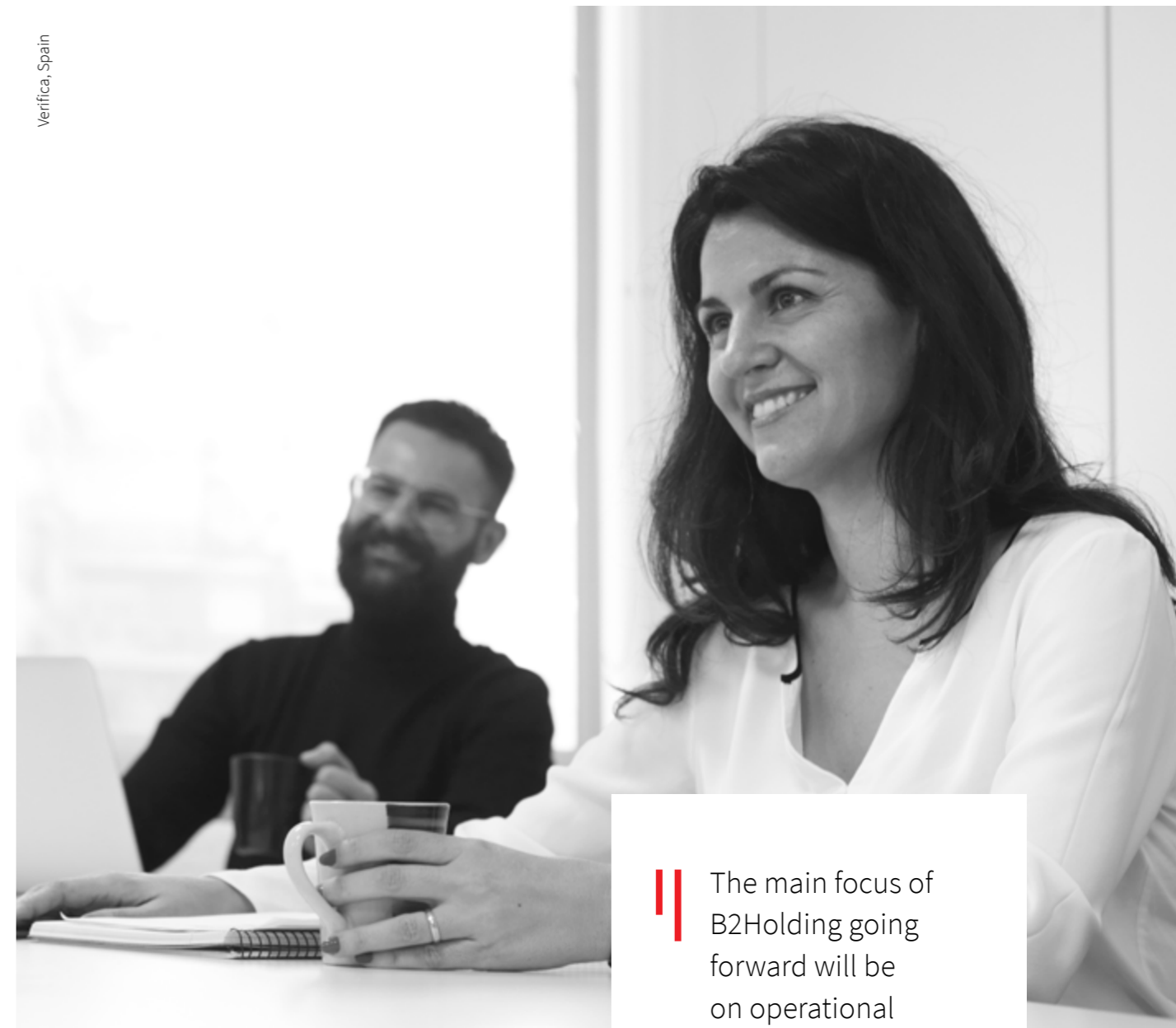
In the fourth quarter, B2Holding acquired 100 % of the shares of Acreditia Servicios Auxiliares (“Acreditia”) in Spain. Through the acquisition of Acreditia, B2Holding further reinforced its position in Spain. The founder of Acreditia, Maria Haddad, has extensive experience from the Spanish debt purchasing market. Following the transaction, Maria Haddad was assigned to the position of Regional Director for B2Holding Western Europe.

OUR FOCUS GOING FORWARD

The main focus of B2Holding going forward will be on operational improvements across the organisation and leveraging cross border synergies throughout the organisation. We will still consider acquisition opportunities, but with operations in more than 20 countries, further geographic expansion is not our primary focus.

We acknowledge that our industry is local with different legal environments and cultural differences. Consequently, we need strong local organisations in all our geographical markets, and organisational development and improved efficiency will be important.

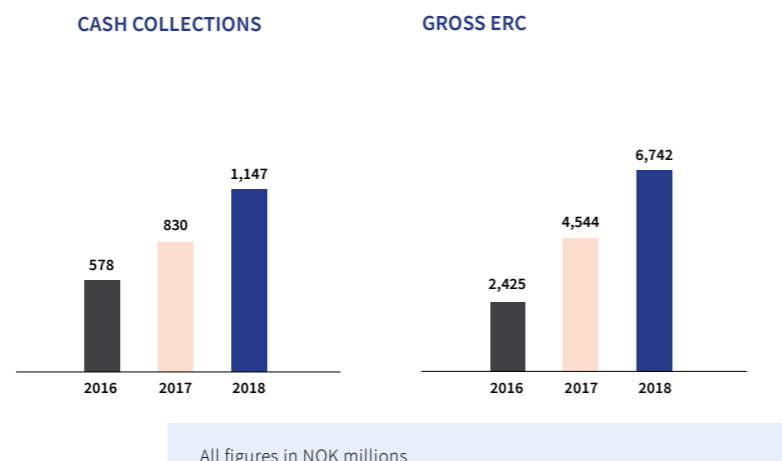
Verifica, Spain



The main focus of B2Holding going forward will be on operational improvements across the organisation and leveraging cross border synergies throughout the organisation.

Northern Europe

- Norway
- Estonia
- Sweden
- Latvia
- Denmark
- Lithuania
- Finland



All figures in NOK millions



THE DEBT PURCHASE MARKET IN NORTHERN EUROPE

The Northern European NPL markets are well matured with high portfolio prices and strong competition fuelled by low interest rates. The banking sector is concentrated, with relatively few major players dominating the market. Meanwhile, the supply of consumer credit has shown strong growth. In recent years, many new non-banking financial institutions have entered the unsecured consumer loan market. These companies operate through digital platforms, practice fast decision-making and are cost effective. In addition, many consumer loan brokers are offering their services at no cost to the consumer, resulting in easy access to credit for consumers. Another new business-line entering the market, are vendors that offer consolidation of debts. Unsecured loans offered by such vendors are significantly larger than seen previously.

In the Baltic states some secured assets have been offered in the market, but volumes are modest. In Finland, Sweden and Norway banks are using large in-house collection departments to handle secured asset classes. Credit losses, however, remain low.

Finland, Sweden and Norway have rather similar and effective collection systems. The collections are highly automated accompanied by efficient legal and bailiff systems. Stronger consumer protection laws can be expected in some countries, and in Finland such changes are expected in 2019.

Economists predict slower GDP growth in the region going forward compared with previous years.

B2HOLDING IN NORTHERN EUROPE

B2Holding established Interkreditt Kapital AS in Norway in April 2018 and in parallel applied for the financial license required to acquire portfolios from banks and other financial institutions. The Norwegian finance license was granted in August 2018 and this also permits invoice purchase and factoring. Since start up the company has acquired three small portfolios. Margins are pressures with strong competition in the portfolio market. Still, we see a large potential to achieve strong and solid growth by being selective, critical and loyal towards our strategic plan. Through Interkreditt Kapital, B2Holding is well prepared to purchase portfolios in the Norwegian market and will also examine possibilities within the invoice purchase business.

In the Baltics and Finland B2Holding experienced strong growth in 2018. Sweden and Denmark also experienced a growing demand, particularly for forward flow deals following the implementation of IFRS 9 and upcoming NPL backstop regulations.

In some large one-off deals, we also see that personnel are transferred to the purchaser. This happened most recently in the purchase of a portfolio from Nordea in Denmark.

B2Holding has a strong competitive edge in Northern Europe as most of our portfolio investments are completed as forward-flow contracts with our vendors. This creates strong and sustainable long-term relationships as well as improved efficiency for both parties.

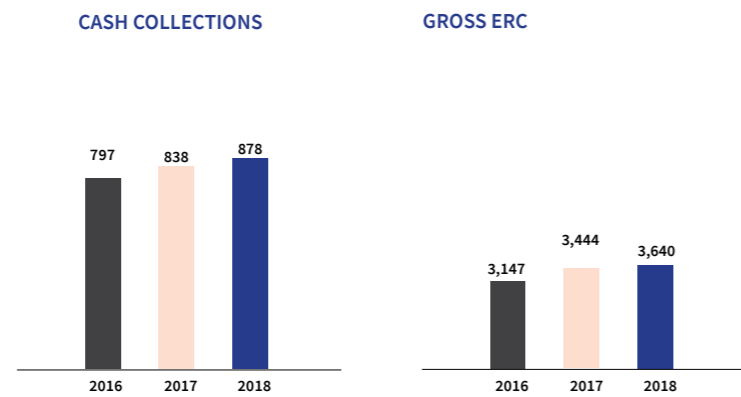
Our competitive edge is also supported by our focus on

operational excellence, which drives us to continuously improve systems and technology, as well as to maintain a high level of personnel and customer satisfaction.

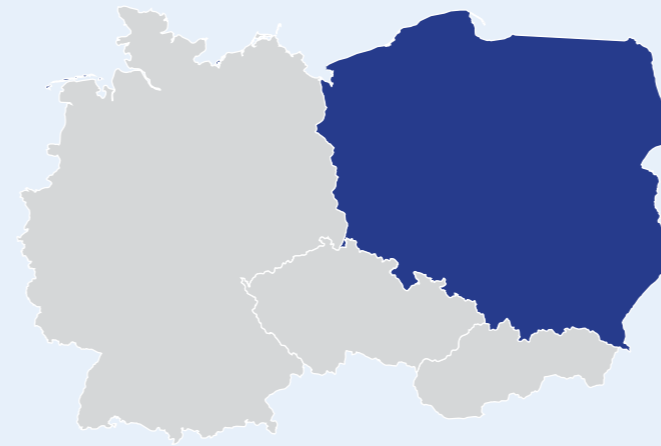
The strategic priority in Northern Europe is long-term sustainable and profitable growth through portfolio investments with high levels of compliance, while continuing our third-party servicing operations in all countries.

B2Holding has a strong competitive edge in Northern Europe

Poland



All figures in NOK millions



THE DEBT PURCHASE MARKET IN POLAND

The activity in the Polish market remained high in 2018, with approximately EUR 4.3 billion in nominal value of NPL transactions. Consumer finance reached record high levels, with forward flow deals increasing and estimated at approximately 25 % of total transaction volume. The supply of unsecured NPLs from banks remained stable, with a slight improvement towards fresher and better documented portfolios.

In many aspects 2018 was a year of disruption, mainly caused by the collapse of GetBack, Poland's second largest collection company, which was aggressively bidding for portfolios in the years 2015-17. Its default on bonds in early 2018 caused a weakening of the bond market, and consequently small and medium sized domestic players experienced difficulties in obtaining financing. The demand for new portfolios has gone down, and our former competitor is expected to generate some supply of secondary market portfolios in the months to come. Higher supply and reduced demand brings margins back to more profitable levels.

Secured corporate NPLs have been limited and we expect that trend to continue. Mortgage loan portfolios of Polish banks are healthy, hence residential secured loans are sold rather infrequently, through small packages.

In 2018 Poland experienced important effects of legislative activity. The treatment of the court regarding time

Ultimo is among the top three companies in the market, and a leader in the sector of consumer finance NPLs

barred cases has impacted the collection for older cases, reducing possibility of legal collections almost to zero. The bailiff system was subsequently subject to changes, further reducing limits of processing concentration. As a result, efficiency in legal collection was below expected, however, Ultimo has made a substantial effort to offset this impact by operational improvements and changes in legal collection strategies.

B2HOLDING IN POLAND

B2Holding is present in Poland mainly through Ultimo's NPL business, supported by consumer lending company Takto which generated almost 25 % of Poland's total EBITDA in 2018. Ultimo reached historically high NPL acquisitions, with investments at nearly EUR 70 million and a record-high number of portfolios.

Ultimo is among the top three companies in the market, and a leader in the sector of consumer finance NPLs. As the NPL market matures, the volume of forward flow transactions is growing quickly.

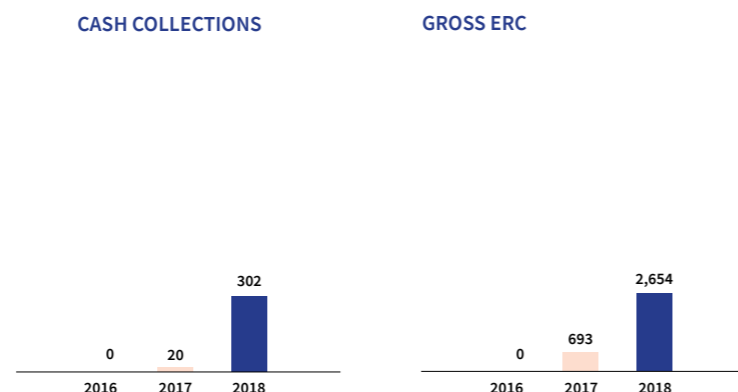
In the effort to continuously improve its operational efficiency, Ultimo is implementing a number of innovative solutions based on modern technologies such as machine learning, speech analytics, and chat bots. In 2018 an advanced "eUltimo" debt service portal was implemented, where customers can manage their debts and settlements via the internet and make online payments. Ultimo's focus

is to offer support in repayment of debt by providing various forms of contact available to suit customers' needs. This is accompanied by high quality of customer service and ethics of cooperation with business partners.

In 2019 we will continue to focus on forward flow transactions, increasing collection efficiency and reducing cost to collect. Ultimo aims to remain a dominant player in the consumer finance market, while further increasing its presence in retail banking unsecured portfolios, and selectively exploring opportunities in residential and corporate secured portfolios.

Western Europe

— Italy — France
— Spain — Portugal



All figures in NOK millions



THE DEBT PURCHASE MARKET IN WESTERN EUROPE

Western Europe is the largest region in the B2Holding Group in terms of NPL volumes and represents more than 50 % of the total NPL market in Europe. The four markets are at different stages of development, from growing to mature markets.

The Spanish market is a consolidated and mature market with many established players. NPL sales are an integral part of the financial ecosystem, demonstrated by high activity of NPL sales in 2018 and with large volumes still to come. The portfolios are of high quality and fresher vintages. A secondary market of debt sales is also emerging.

The Portuguese market is less mature than Spain but with a healthy activity level. Portuguese banks have accelerated their sale of non-performing loans, and the NPL market in Portugal continues to develop. The improvement in the economic environment and the growth of the real estate market are positive factors for the NPL market, and have led to an increase in liquidity which has made it more attractive for banks to reduce their NPL stock. The market has reached a point where focus has shifted towards sales of larger portfolios involving more complex assets.

Italy has been the hot spot in Europe in 2018 and is expected to remain one of Europe's largest NPL markets for several years to come with a steady flow of both secured and unsecured portfolios. Secondary portfolio sales in Italy are expected to increase going forward. The expected pipeline for 2019 confirms the will of Italian Banks to continue to reduce their non-performing exposures.

The French market is less mature compared with other

European countries. The bank sector is dominated by four large bank groups and there is a relatively low activity in NPL sales so far. However, the expectation is for considerable growth potential as large NPL volumes are expected to be divested in France in the coming years, among others due to the implementation of IFRS 9.

B2HOLDING IN WESTERN EUROPE

Western Europe was established as a region in the Group structure from 2017 with Spain and Italy, complemented by France and Portugal in the first half of 2018.

Through the acquisition of NACC in March 2018, B2Holding is now among the top five players in the French market and the only ISO 9001 certified company in its segment in France. NACC has more than 25 years of experience from investing in NPLs, mainly focusing on secured portfolios, both corporate and retail. NACC also offers third-party collection. B2Holding aims to grow further in France and NACC has a competitive advantage that allows it to buy and manage assets in nearly all French overseas territories.

B2Holding has established a strong platform in Italy through B2Kapital and completed important investments in 2018 within SMEs and secured portfolios. Expertise in specific niches have been built up the last year. The platform, including about 40 FTEs, has been further strengthened with specialised asset managers and real estate specialists working on current and future portfolios.

In Spain, B2Holding works through its 80 % owned subsidiary, Verifica. Verifica is one of the top five players with more than 450 employees and well-established procedures serving the main Spanish banks. Verifica has already

acquired some small unsecured portfolios. B2Holding envisages strengthening the secured capabilities in Spain to diversify in different assets, and the acquisition of Acreditia in October 2018 was a move towards.

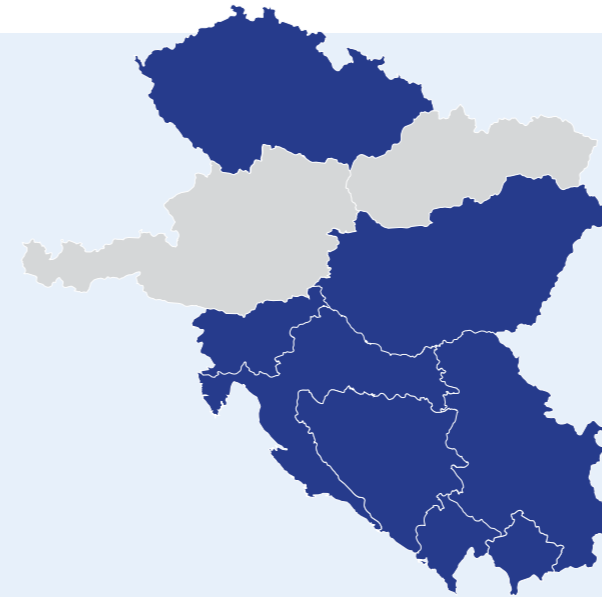
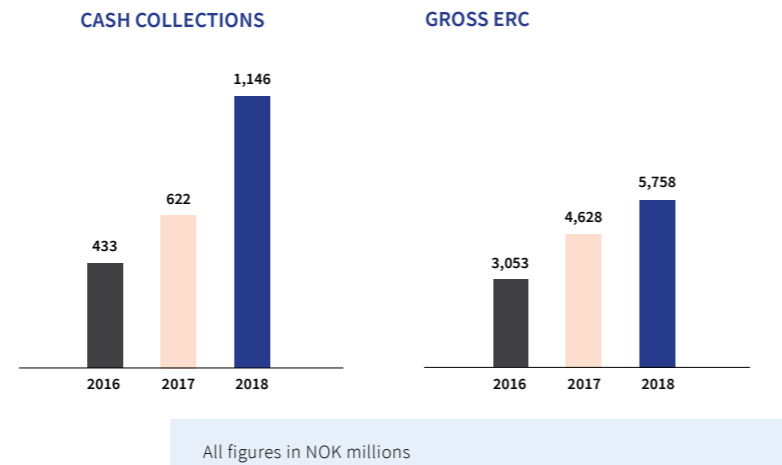
In Portugal, B2Holding acquired GI Capital Solutions S.A. in May 2018 and aims to develop the platform to replicate the successful business model of Verifica in Spain.

The Western Europe region aims to be a significant contributor to the Group's growth, targeting the best assets in each market. The strategic priorities for the region are to increase portfolio investments, capture servicing opportunities to foster further growth, roll out Group best practices across the region, implement various digitalisation and analytics initiatives and aim for operational excellence through continuous improvement of processes.

The Western Europe region aims to be a significant contributor to the Group's growth, targeting the best assets in each market

Central Europe

- Czech Republic
- Slovenia
- Croatia
- Serbia
- Hungary
- Montenegro
- Bosnia and Herzegovina



THE DEBT PURCHASE MARKET IN CENTRAL EUROPE

During 2018 the Central Europe region has proven to be a competitive market across all countries. Internal rates of return (IRR) on portfolios continued to decrease across the region as a result of increased competition and strong appetite from all investors. Several large portfolios were offered in the market, with vendors increasingly eager to divest their distressed assets. Looking forward there are signs of increased activity in Serbia and Slovenia, with several large portfolios offered for sale in the beginning of 2019.

B2Holding continues to be the leading player in Central Europe

B2HOLDING IN CENTRAL EUROPE

B2Holding continues to be the leading player in Central Europe and a preferred partner within the financial industry. With strong overall financial performance for the fifth year in a row, The Group maintains a strong foothold in the region. While former growth markets in the region such as Croatia are showing signs of maturity, others such as Slovenia and Serbia are quickly opening up and will contribute to a steady growth for the region in the coming years.

In Croatia, 2018 has been a successful year for acquisitions with the purchase of, among others, the two largest portfolios in the country's NPL market history. The Croatian entity has strengthened its position as the market leader throughout 2018. In 2019 fewer secured portfolios are expected to be offered in the market. Instead, a switch towards forward flow and single ticket deals is likely.

We expect further growth and strengthened operations in Slovenia, as well as for Serbia.

In Bosnia and Herzegovina, the market is still in an early phase, but smaller acquisitions during 2018 have ensured continued presence in the market. The Czech Republic remains a mature and competitive market where B2Holding is still in the phase of further expansion.

The Hungarian market has reached a high level of maturity and in 2018 the market was characterized by numerous claims with low face value. Continued intervention by state owned DCA agency strongly affects the NPL purchase market, making larger portfolios difficult to obtain. The Group expects to uphold a presence

in the market within debt purchasing and third-party servicing.

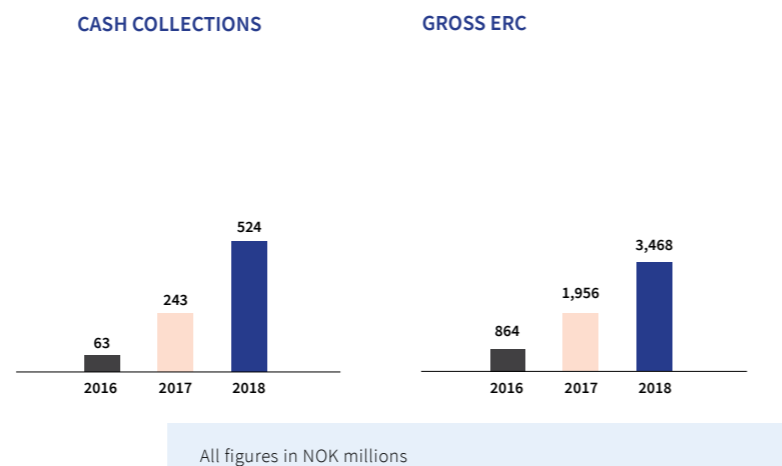
In Montenegro, B2Holding will gradually exit the NPL market due to regulatory changes, market size and lack of potential.

B2Holding aims to keep the position as market leader in Central Europe, diversifying the revenue stream with servicing, third-party collection and forward flow deals. As the market has become more mature, we see somewhat decreasing IRRs and we expect to see more cautious investment activity in the market during 2019. In line with this, B2Holding has a strong intention to remain the dominant player in the region while continuing to provide a steady stream of return to its investors.

B2Holding aims to keep the position as market leader in Central Europe, diversifying the portfolio with servicing, third-party collection and forward flow deals

South East Europe

— Romania — Greece
— Bulgaria — Cyprus



THE DEBT PURCHASE MARKET IN SOUTH EAST EUROPE

In the South East Europe region, the debt purchase markets are characterized by distinct differences in maturity, competition and regulatory environment.

The Romanian market is quite mature with several well positioned key players. Romania posted an exceptional reduction in new NPLs formation during 2018. Over the last three years, the country's corporate and retail NPL volumes have been reduced by 19 % and 40 % respectively. Still, there is an expectation that credit institutions will aim to reduce their non-performing exposures.

The NPL ratios are significantly higher in the Bulgarian market. In 2018 the market developed positively with a record volume in portfolio sales. In the first half of 2018 alone, the market recorded 60 % growth year-on-year. Corporate secured NPLs have been offered in the market since 2017 and this segment is among the fastest developing segments.

The Greek market is in a growth phase and with NPL volumes at approximately EUR 95 billion is currently one of the four largest NPL markets in Europe. All four

systemic banks have sold at least one sizeable portfolio of unsecured loans. The market has also witnessed the offering of some large secured portfolios and the launch of the single ticket market. Going forward, we expect banks to accelerate the sale of loans, especially within secured segments and to a lesser extent in the consumer unsecured segment. Approximately EUR 50 billion NPLs are expected to be put up for sale in Greece by 2021.

Cyprus is a market in its early stages, with relative NPL levels almost at the same percentage level as in Greece. The NPL volume is approximately EUR 13 billion. The recent upgrade in market ratings reflected the continued robust economic performance of the country, with the NPL ratio continuing to decrease. Following Bank of Cyprus' deleveraging of almost 25 % of its bad book in August 2018, other banks will probably start embarking on similar disposals going forward, while the fall of the Cooperative Bank may trigger a reshuffle of the servicing market.

B2HOLDING IN SOUTH EAST EUROPE

The region has experienced steady growth in 2018, with significant contributions to the B2Holding Group. B2Holding is a leading player in most of the markets, with a strong market position, and is considered a preferred partner.

In Romania, the expectation is for continued growth within the corporate secured segments as available retail portfolios may be impacted by proposed legislative changes. In parallel, the Group will continue to explore opportunities in the services market.

In Bulgaria, B2Holding has seen steady growth in 2018 and is the market leader in terms of acquired assets

through its fully owned subsidiary DCA. Many forward flow transactions have been completed throughout the year, and B2Holding has become the leading acquirer in the forward flow market. The growth is expected to continue in 2019, while the portfolio risk will be spread by engaging in corporate and SMEs' sale processes.

In Greece, 2018 was an active year in terms of portfolios acquired and third-party servicing business, resulting in a top three position in the country. Two retail portfolios were acquired from major Greek banks through co-investments with Waterfall Asset Management for both portfolios and the European Bank for Reconstruction and Development for the largest portfolio. B2Holding has also entered the servicing and master servicing markets, with focus on large corporate single tickets. As such, the operation has grown and B2Holding has secured a strong platform for further growth in one of the largest markets for NPLs in Europe.

In Cyprus, B2Holding has been a first-mover in the debt purchasing market with the first portfolio acquired in January 2018. For 2019, the focus is to strengthen the management team, improve business development and further pursue third-party servicing business.

South East Europe is strongly committed to optimize operations by sharing know-how and best practices across the region and establish centres of excellence to pursue cross-border initiatives. The overall goal is to increase collections and recoveries while keeping costs down.

The region has experienced a steady growth in 2018, with significant contributions to the B2Holding Group

South East Europe is strongly committed to optimize operations by sharing know-how and best practices across the region and establish centres of excellence to pursue cross-border initiatives



02

Our partnerships

At B2holding, we offer high quality services to banks and other credit providers. Through our everyday actions, we earn our vendors' and partners' trust.

== A reliable business partner

At B2Holding, we build strong relationships with financial institutions and other credit providers. In everything we do, we shall be a reliable business partner supporting the partner's reputation and offering attractive solutions.

TRUSTED DEBT PURCHASER

When acquiring non-performing loans, we take over consumer and corporate credits from banks, financial institutions and utility providers. These are our vendors and they rely on B2Holding to treat their customers with respect and fairness. To safeguard their own reputation, they trust that B2Holding maintains high ethical standards, privacy principles and routines and local services.

We earn our vendors' trust through our everyday actions. Over time we have shown that they can rely on us to take care of their customers and to treat them fairly. As a result, we build strong partnerships that benefit all parties.

DEPENDABLE INVESTMENT PARTNER

Co-investment structures are opportunities for the Group to grow and build scale through our servicing platforms and be able to better manage the Group's financial risk. In order to attract and transact with reputable and solid investment partners, B2Holding depends on gaining their trust. The investors must be confident that we are able to service the portfolio in an efficient and professional manner.

Through co-investment structures, B2Holding can gain access to larger portfolios in the European NPL market and build scale by increasing assets under management, while controlling the related risk by adjusting exposure and overall allocation. The structures utilise the broad platform base of the Group and our existing servicing capacity and contribute to an increase of the revenues from third-party servicing.

Our first co-investment partnership was established in 2016 in Romania through a joint venture with EOS for a large secured portfolio. As this joint venture has proved

successful over time, new partnerships were developed in 2018. In October 2018 the Group signed two new co-investment structures in Greece. The first was with Waterfall Asset Management (Waterfall) and the European Bank for Reconstruction and Development (EBRD) related to a portfolio purchased from Alpha-Bank earlier this year, and the second one was with Waterfall for a portfolio purchased from Eurobank.

In January 2019, B2Holding announced a joint venture structure with DDM Group, for a non-performing secured portfolio from HETA Asset Resolution in Croatia.

|| We earn our vendors' trust through our everyday actions

== High quality services

Whereas purchase of NPLs and collection and recovery of unsecured and secured debt remains our core business, B2Holding also provides other services. In all our activities, we focus on delivering high quality services.

OUR CORE BUSINESS: DEBT PURCHASE AND DEBT COLLECTION/RECOVERY

Purchase, collection and recovery of non-performing consumer and corporate debts constitute the core business of B2Holding. The debt purchasing activities will be within different asset classes of unsecured and secured non-performing debt.

Historically, B2Holding has focused on portfolios of retail (consumer) unsecured loans, but with the Group's entry into new markets, it has gained access to attractive opportunities across additional asset classes. We have seen a large supply of non-retail secured loan portfolios within Small and Medium Enterprises (SMEs), corporate and real estate, especially in South East and Central Europe. In some markets, we have also seen several mixed

loan portfolios and single tickets offered for sale. Mixed portfolios can include many different types of claims and may be distributed across several jurisdictions.

The servicing of unsecured loans and secured loans require different forms of expertise and knowledge. Therefore, we have increased our capacity relating to the purchase and recovery of secured assets over the past years. Today, B2Holding has the required capacity and expertise to handle both in a large scale.

The number of completed transactions of non-performing loans, as well as the scale of the Group's operations, support an efficient and professional handling. Our long-term experience of portfolio pricing, provides an efficient and reliable pricing for any industry, resulting in a realistic market value of the portfolios.

Type of portfolios owned in our markets

Asset class	Type of portfolio	NE	Poland	WE	CE	SEE
Retail	Retail unsecured – smaller claims, typically consumer loans, credit card debts etc. Forward flow agreements are normally retail unsecured	X	X	X	X	X
	Retail secured – mortgage secured portfolios	X	X	X	X	X
Non-retail	SMEs – small and medium enterprises with personal guarantee	X		X	X	X
	Corporate secured – loans secured with corporate real estate		X	X	X	X
Single tickets	– a single non-performing loan, unsecured or secured	X	X	X	X	

HOW WE HANDLE UNSECURED AND SECURED LOANS:**Unsecured loans**

The unsecured loan portfolios will typically have a large number of debtors and we use statistics and analytics to find the right price and strategic approach. For these portfolios, B2Holding follows two main collection strategies:

- Amicable solutions – for debtors who are willing to co-operate. Call centres will contact the debtors through letters, emails, phone calls or online customer portals - aiming to find amicable solutions.
- Legal collection – for debtors with financial ability who are not available for negotiation or where the debtor is better served by a formal process.

Secured loans

Secured portfolios will typically have larger average face value per claim and fewer debtors per portfolio. For these portfolios, B2Holding applies a line-by-line pricing methodology, and the recovery strategy is based on the characteristics of the non-performing loan. Typically, the market value and type of mortgage will have an impact on the acquisition price, recovery strategy and the expected recovery time.

OTHER SERVICES**Third-party servicing**

As opposed to debt purchasing, third-party servicing is collection of debt on behalf of others, such as banks and other credit providers. Third-party debt collection is currently offered as a service in Northern Europe, Western Europe (except Italy) and in Hungary in Central Europe. B2Holding plans to extend this service to several other markets in Central Europe and South East Europe. In some of the markets where B2Holding operates, we do third-party servicing and purchase debt from the same companies and financial institutions.

Credit information

B2Holding offers credit information as a service through Creditreform in Latvia. Creditreform is the leading player within credit information in the Latvian market and has a large database from which credit reports are prepared and provided as a service to customers.

Consumer lending

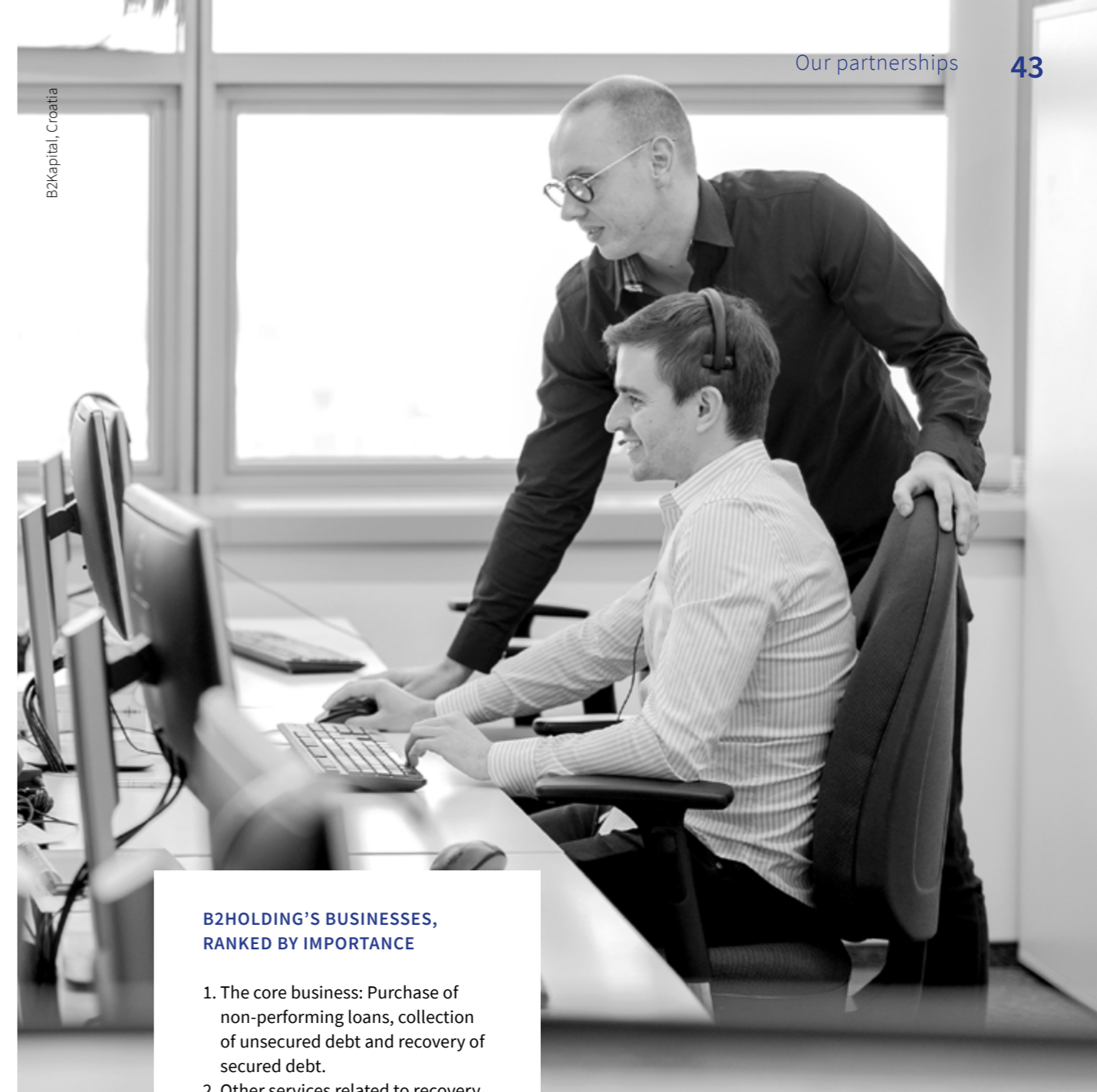
Consumer lending is an area where B2Holding offers products in selected markets. B2Holding currently has three licenced consumer lending companies; Takto in Poland, Kontant Finans in Sweden and B2Kapital Finance IFN, a start-up company in Romania.

Telemarketing and fraud prevention

B2Holding offers telemarketing through Verifica in Spain. Verifica has a call centre that specializes in marketing of consumer lending products and credit cards on behalf of some of the leading banks in Spain. Through its telemarketing service, Verifica is an important partner for the banks in a different part of the value chain, utilising synergies between telemarketing and collection, especially on the client relationship side. Verifica also offers fraud prevention by carrying out background checks on new subscribers. This service mainly targets the telecom sector.

Invoice purchasing

B2Holding offers invoice purchasing through Interkredit Kapital in Norway.



B2Kapital, Croatia

**B2HOLDING'S BUSINESSES,
RANKED BY IMPORTANCE**

1. The core business: Purchase of non-performing loans, collection of unsecured debt and recovery of secured debt.
2. Other services related to recovery of debts, such as third-party debt collection, invoice purchasing (in Norway) and providing credit information.
3. Consumer lending (in Poland, Sweden and Romania)



03

Our customers

B2Holding is dedicated to being a preferred creditor. For our customers, there are brighter times ahead, and we are there to help them back on track.

== We find amicable solutions

Every day we meet individuals and companies who, for one reason or another, have payment challenges. These are our customers, and we are dedicated to being a preferred creditor helping them back on track.

As a debt purchaser, we take over non-performing loan portfolios from banks and other credit providers, such as utility companies. A loan will be defined as non-performing when a certain time (usually set to 90 days) has passed without the borrower paying the agreed instalments or interest.

When a portfolio of non-performing loans is transferred from the original lender to us, we take over the further contact with the borrower.

FLEXIBLE APPROACH

The local B2Holding team in charge of a purchased portfolio will contact the customers, primarily by phone, otherwise by email, SMS or through an online customer portal. For each individual debtor this is a new opportunity. While banks must largely treat all their customers the same, our industry can offer flexibility and go far to help debtors who are willing to discuss solutions.

In our communication with the customer, we focus on understanding and co-operation, rather than denying that a debt problem exists.

Unlike most banks and creditors, we have room for negotiation with the customer made up by the discount we obtain when we purchase an NPL portfolio. The amount of the loan as detailed in the original loan contract (face value), is higher than the price we pay for the loan. Thus, we may reduce the amount collected or recovered and still make a reasonable profit. This provides for a win-win-situation for the debtor and the debt purchaser.

If the customer is willing to co-operate and is ready for negotiations and settlement, we will meet the customer with a flexible approach and be able to find amicable

solutions. This is the preferred approach for both unsecured collections and secured recovery.

LEGAL COLLECTION AND RECOVERY

If a customer is unreachable for us and consequently prevents the repayment of the debt through an amicable negotiation and settlement process, we will follow another strategy. For those cases, we have established effective procedures to recover debt through legal actions. In some countries, such as Sweden and Finland, legal collection is preferred because the debtor is better served by a formal process.

HONESTY AND FAIRNESS

As a debt purchaser, we need to earn the respect from both banks and their former customers. In the long run, no one will survive in this business without showing honesty and fairness. By following the B2Holding Group's Code of Conduct in our daily work, we secure that our business is conducted in a responsible and sustainable way.





Case from Central Europe:

Central Europe is the largest region in the Group in terms of countries, with seven countries working together as one strong unit under the name B2Kapital. Operations started six years ago as a greenfield operation and over time Central Europe has become one of the most profitable regions, not only in the B2Holding Group, but also in the European NPL industry.

In this case, region Central Europe explains its approach to customers.

The amicable approach is the foundation for good mutual relations with our customers

CASE

Working together for the best solution

At B2Kapital in Central Europe, we insist on an individual approach to our customers – the debtors. We have a flexible approach to help solve the situations our customers find themselves in.

Our focus is to find the best solutions. We are confident that flexibility, availability, understanding, and mutual trust as well as compassion and empathy for the customer's situation are components that distinguish B2Kapital from our competitors.

The amicable approach is the foundation for good mutual relations with our customers. It also reflects on the overall operations and the business results in Central Europe. All departments are equally important in this approach, from the administration department, the legal department, the acquisitions and valuations department, to the workout collection team. Through their inter-collaboration we find solutions and help our customers back on track.

The following departments stand out in the process:

- The Collection Call Center is normally the first to contact a customer after we take over a claim. They are in charge of the daily communication with the customer in order to help them make the payment. The department's role is especially important because customers form their first opinion of B2Kapital based on this initial interaction.
- The Administration Department processes the customers' requests to supply the necessary documents and answers customers' inquiries. This requires fast response time and information accuracy.

The customers are contacted through their preferred channels – by phone, email or letter. A constructive dialogue with our customers is normally most efficient

by phone and for this reason we commonly use this approach.

Furthermore, our legal department plays an important role in communicating with our customers. The department collaborates closely with the Collection Call Center and the Administration Department to provide the best possible service to our customers by giving them legal advice.

As part of the B2Holding Group, we aim to share knowledge and experience from Central Europe with other regions by organising and participating in workshops, such as best practice initiatives. We also support new companies in the Group by sending our most experienced people to share their skills and knowledge and to help other companies develop their business operations.

This is how we build mutual relations with our customers and work together to find the best solutions for settling our customers debt.



04

Our expertise

We believe in making each other better through direct communication and a proactive and open organisational culture.

Sharing competence and resources

The workforce of the B2Holding Group grew by 260 people to 2685 in 2018. The growth follows both acquisitions of new companies and hiring new people in existing operations.

Integration of newly established and acquired businesses and further development of the decentralised regional management structure has been an organisational priority in 2018. George Christoforou joined as Regional Director for South East Europe and Maria Haddad as Regional Director for Western Europe. They have developed structures to create synergies between local and Group processes and established projects in order to secure capacity for growth and to develop the business.

AGILE ORGANISATION

Courage, flexibility, excellence, trust and integrity are fundamental values for our people. Our values, combined with an open organisation with flat and direct communication have resulted in a proactive and open culture. We build friendly work environments where we appreciate our colleagues.

Sharing competencies and resources has been and will continue to be a main pillar in our Group – paving the way for a strong common culture. Through cross border best practice projects, we have strengthened the corporate culture and processes have been streamlined and standardised. These projects are managed by competent colleagues from different levels, in different countries and companies, all working together to build an advanced business model.

We build our operating model on the advantages of our diversity in nationalities, genders and cultures.

B2Holding wants to enable the organisation for disruption and swift changes through network organised activities. In 2018 we launched a new internal communication platform for all our people; B2Gether. Through the

platform people are informed and can communicate cross border, enabling more efficient processes. The platform is instrumental in building and aligning a common Group culture across the organisation.

B2Holding has developed an agile organisation with a dual management structure; the hierarchy securing highest efficiency in “business as usual” processes, and the network organisation allowing the flexibility to gather people independent of level and place in the organisation to solve specific challenges. The model has proven its efficiency in our organisation and will be further developed.

OPERATIONAL EXCELLENCE

In 2018, we increased our focus on efficient and effective operations. While Group best practise projects are important to streamline and structure processes, we also work to improve supporting systems and technology.

An example is the digitalization of the interface to our customers with unsecured claims, which is progressing through use of new channels. When combined with

increased and improved use of big data and analytics, we expect collection from unsecured portfolios to increase. For the recovery of secured portfolios, we have built competence in real estate and improved our recovery process. Consequently, we expect positive development in recovery of secured assets.

As a result of increased automation of manual processes and the implementation of lean operation processes, the Group’s platforms are becoming more cost efficient.

REWARD POLICY

We have a target driven organisation supported by a remuneration model.

B2Holding ASA’s reward policy is a management tool that contributes to the Group’s profit and increased shareholder value, and to attract, retain and develop qualified people with the right managerial and professional competencies. Reward includes all the instruments the organisation and its managers have at hand to encourage and reward performance.

Reward includes base salary and benefits, annual bonus (short term incentive) and long-term incentives. Both short- and long-term incentives are designed to enhance value creation for the shareholders through quantified result-based targets. Reward also comprises competency development, job contents, career and recognition.

A fundamental principle in B2Holding’s determination of total remuneration for the Management is that the terms are to be competitive with terms in positions with similar responsibility, workload and complexity in the local markets. Reward markets are local, and B2Holding adapts to the local market practice to the extent the Group finds expedient.



Ultimo, Poland

Region	Employees	
	Men	Women
Northern Europe	127	261
Central Europe	110	200
South East Europe	153	357
Western Europe	191	473
Poland	288	487
Central Functions	23	15
Total	892	1 793

Region	Full time equivalents (FTEs)	
	Men	Women
Northern Europe	111	224
Central Europe	97	171
South East Europe	152	328
Western Europe	178	435
Poland	284	402
Central Functions	23	15
Total	846	1 574



Case from Poland :

Ultimo was established in 2002 and remains the largest company in the B2Holding Group. The company is well established among the top three players in the Polish NPL market.

Since B2Holding's acquisition of Ultimo in 2014, the Polish market has gone through substantial changes in terms of organisation and competitiveness. On one hand, lending markets are evolving quickly towards a technologically advanced and predictable model, with multiple mature and well-organised vendors. On the other hand, the legal system supporting the collection processes remains slow, costly and labour intensive. All of the above, coupled with a period of intense competition in the years 2015-2018, has posed a challenge for Ultimo to retain its profitability.

In this case, Adam Parfiniewicz, CEO of Ultimo, describes how Ultimo has transformed its organisation and operations to increase competitiveness and prepare for the future.

Ultimo creates a unique value proposition in the Polish market

CASE

An organisation in a changing industry

At Ultimo, we have implemented an intense turnaround program. Inspired by the most efficient companies in the Group, a new, flatter and leaner organisation has been designed. At the same time, our operations have improved through focus on automation and efficiency.

Since 2017, Ultimo has focused on improving the market agility and responsiveness, accelerating collections and reducing the company's cost to collect.

NEW, LEAN ORGANISATION MODEL

The first step involved a change in the organisation. A new organisation model, inspired by the most efficient companies in the Group, was implemented in September 2017. The chosen structure is both flatter and leaner than our previous model. As a result, the number of full-time equivalents (FTEs) in Ultimo dropped by 161, from 736 in January 2017 to 575 in January 2019.

An efficient organisation is a way to achieve a better position in the market. Our attention has been on improving the way we work with the vendors and how we collect money from our debtors. Our newly established investment team works closely with our vendors to help them manage their business better. Specializing in consumer finance unsecured portfolios, Ultimo now works mainly through forward flow agreements. In 2018, 55% of the deals were acquired as forward flow. The company is regularly exchanging information with its main partners and helping them to improve their own business model by reducing the cost of risk. Consequently, Ultimo creates a unique value proposition in the Polish market.

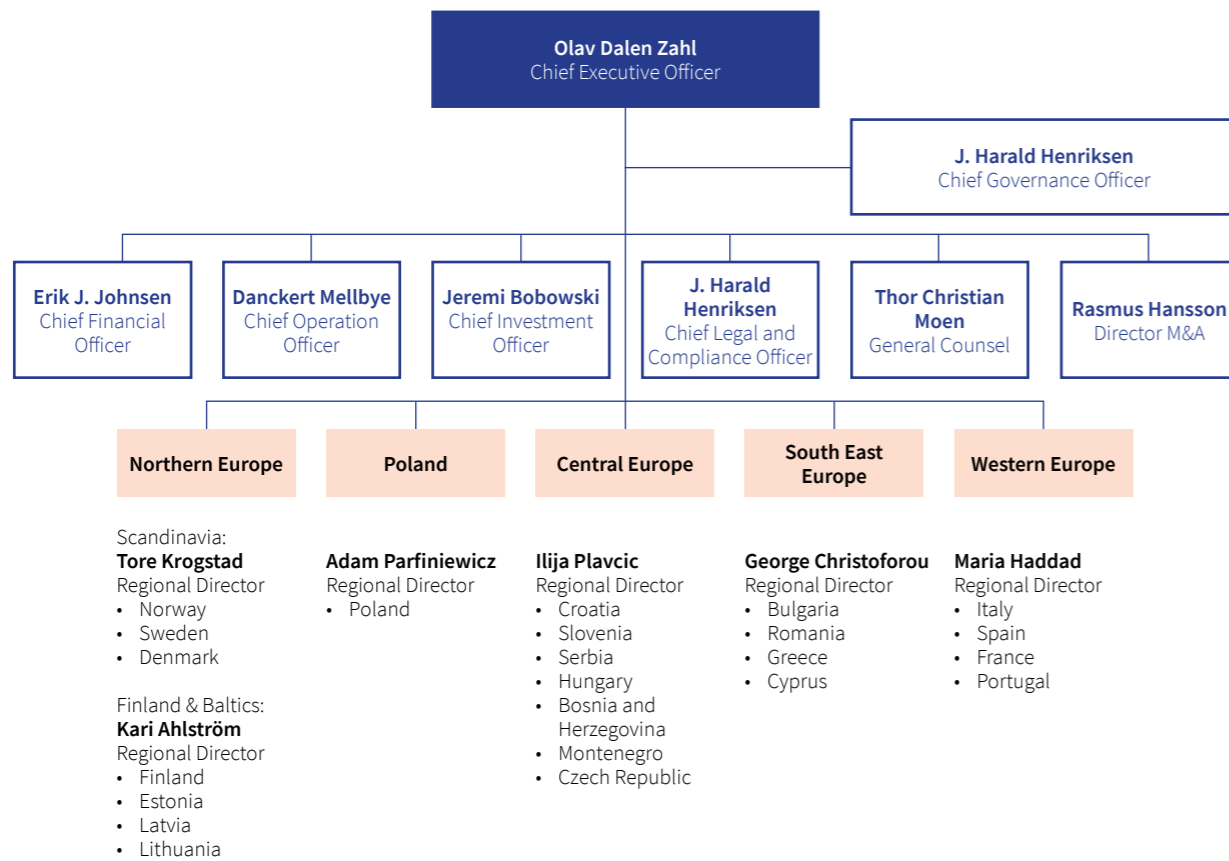
AUTOMATED AND MORE DIGITAL OPERATIONS

Parallel to the organisational change, the operations are focusing on automation and efficiency of collection strategies. The most spectacular example is related to the automation of processing of letters received from the bailiffs. By automating the reading and input of 11 letters (out of 52 types of letters and representing 35% of total letters received), Ultimo was able to reduce the headcount engaged in that process by 17 (33%).

Ultimo has also invested in digitalizing its customer interface. This means moving away from the traditional paper and telephone-based channels into self-service and artificial intelligence (AI) supported robots. The new "eUltimo" customer platform, implemented in September 2018, is based on state-of-the-art technologies and design employed by leading financial institutions. Furthermore, Ultimo is advanced in experimenting with the new generation of sophisticated telephone chat bots, used mainly for negotiating payments with debtors with small delays.

All of these initiatives, combined with improved collection strategies and better quality of portfolios acquired through forward flow agreements, have enabled improvement of collection per employee in operations. Between mid-2017 and the end of 2018, the collection per employee has increased by an impressive 30%, reducing the overall cost to collect from 41% in 2016 to 34% in 2018.

GROUP EXECUTIVE MANAGEMENT



B2Holding has a decentralised management structure with a small staff at the Head office providing key services. The Group's Head office is located in Oslo.

The Head office provides management services, secures financial control and carries out all funding and financing activities, including bank financing and issuing of other financial instruments.

Financial Reporting carries out the Group's financial reports and gives information to the investors and other stakeholders.

Strategy development, mergers and acquisitions (M&A) supports the Group's work.

Investment office supports with analysis, pricing and structuring of larger portfolio acquisitions, risk and portfolio management.

General Counsel, the Group's in house law firm, manages transactions and agreements and advises on legal issues.

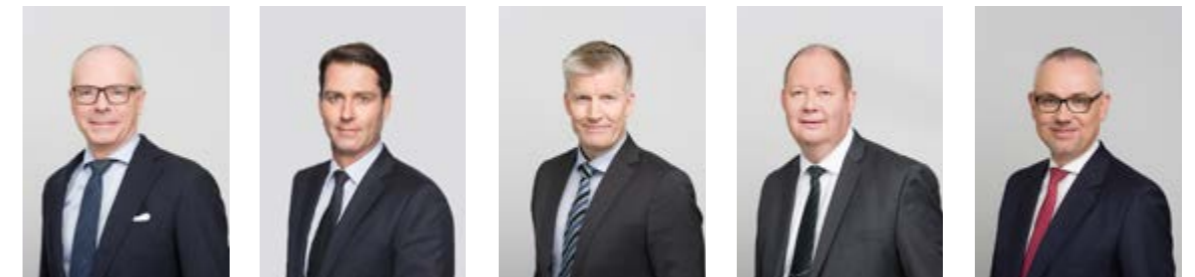
Legal and compliance develops, implements and monitors Group policies and legal processes and supports the Group companies in all legal and compliance matters.

Operation supports operation and IT and also covers human resource development.

Governance manages and surveys Group corporate governance and follows up on the implementation of the Board of Directors' decisions.



Olav Dalen Zahl
Chief Executive Officer
Erik Just Johnsen
Chief Financial Officer
Danckert Mellbye
Chief Operation Officer
Jeremi Bobowski
Chief Investment Officer
Harald Henriksen
Chief Legal and Compliance Officer



Thor Christian Moen
General Counsel
Rasmus Hansson
Director M&A
Tore Krogstad
Regional Director Scandinavia
Kari Ahlström
Regional Director Finland & Baltics
Adam Parfiniewicz
Regional Director Poland



Ilija Plavcic
Regional Director Central Europe
George Christoforou
Regional Director South East Europe
Maria Haddad
Regional Director Western Europe

THE GROUP BY REGION PER 31.12.18

NORTHERN EUROPE

NORWAY

- Portfolio purchase and collection (unsecured), third-party servicing
- 8 employees

SWEDEN

- Portfolio purchase and collection (unsecured), consumer lending, third-party servicing
- 55 employees

DENMARK

- Portfolio purchase and collection (unsecured), third-party servicing
- 24 employees

FINLAND

- Portfolio purchase and collection (unsecured), consumer lending, third-party servicing
- 125 employees

ESTONIA

- Portfolio purchase and collection
- 20 employees

LATVIA

- Portfolio purchase and collection (secured)
- 15 employees
- ---
- Collection (unsecured), credit information
- 89 employees

LITHUANIA

- Portfolio purchase and collection (unsecured), third-party servicing
- 52 employees

POLAND

- Portfolio purchase and collection (secured and unsecured), consumer lending
- 775 employees

WESTERN EUROPE

ITALY

- Portfolio purchase and collection (secured and unsecured)
- 30 employees

SPAIN

- Portfolio purchase and collection (secured and unsecured), third-party servicing, telemarketing
- 536 employees

PORTUGAL

- Portfolio purchase and collection (unsecured), third-party servicing
- 8 employees

FRANCE

- Portfolio purchase and collection (secured and unsecured), third-party servicing
- 90 employees

SOUTH EAST EUROPE

ROMANIA

- Portfolio purchase and collection (secured and unsecured)
- 213 employees

BULGARIA

- Portfolio purchase and collection (secured and unsecured)
- 227 employees

GREECE

- Portfolio purchase and collection (secured and unsecured)
- 61 employees

CYPRUS

- Portfolio purchase and collection (secured and unsecured)
- 9 employees

OFFICES

NORWAY

- Head office in Oslo
- 21 employees

LUXEMBOURG

- Investment office
- Portfolio owner
- 17 employees

AUSTRIA

- Regional office Central Europe
- 4 employees

CENTRAL EUROPE

CZECH REPUBLIC

- Portfolio purchase and collection (secured and unsecured), portfolio valuation
- 6 employees

SLOVENIA

- Portfolio purchase and collection (secured)
- 21 employees

CROATIA

- Portfolio purchase and collection (secured and unsecured)
- 211 employees

HUNGARY

- Portfolio purchase and collection (secured and unsecured)
- 49 employees

SERBIA & MONTENEGRO

- Portfolio purchase and collection (secured and unsecured)
- 14 employees

BOSNIA AND HERZEGOVINA

- Portfolio purchase and collection (secured and unsecured)
- 5 employees

THE GROUP – BUSINESS UNIT MANAGERS

NORWAY

Interkreditt AS
Jens Ivar Grytten Skarbø
 Interkreditt Kapital AS
Tore Krogstad

SWEDEN

Sileo Kapital AB
Jan Pettersson
 Kontant Finans Sverige AB
Niklas Thunström

DENMARK

Nordic Debt Collection A/S
Henning Gericke

FINLAND

OK Perintä OY
Kari Ahlström

ESTONIA

OK Incore OÜ
Marko Ilves

LATVIA

SIA B2Kapital
Gints Treijs

SIA Creditreform
Maris Baidekalns

LITHUANIA

UAB Skolų valdymo centras (SVC)
Sigute Aleknavičiute

UAB Skolų rizikos sprendimai (SRS)
Ramunė Vaičeliūnienė

POLAND

Ultimo S.A.
Adam Parfiniewicz

CZECH REPUBLIC

B2 Kapital Czech Republic s.r.o.
Ivan Jurčić

SLOVENIA

B2 Kapital d.o.o.
Nebojša Popović

CROATIA

B2 Kapital d.o.o.
Ivan Mihoković

MONTENEGRO

B2 Kapital d.o.o.
Kristina Marković

SERBIA

B2 Holding Kapital d.o.o.
Kristina Marković

HUNGARY

B2Kapital Zrt.
Kristina Marković

B2 Consequence Kft
Kristina Marković

BOSNIA AND HERZEGOVINA

B2Kapital d.o.o.
Tanja Miljanić Presečki (interim)

FRANCE

NACC (Négociation et Achat de Créances Contentieuses)
Nicolas Da Costa

PORTUGAL

Verifica Portugal S.A.
Luis Calhau

ITALY

B2 Kapital s.r.l.
Francesco Fedele

SPAIN

Verifica S.A.
José Ignacio Arribas

Acreditia Servicios Auxiliares
Maria Haddad

ROMANIA

Debt Collection Agency Ltd.
Dimana Vlaeva (until 1 March 2019)

B2Kapital Portfolio Management S.R.L.
Catalina Bucur

BULGARIA

Debt Collection Agency
Nina Stancheva and Martin Despov

GREECE

B2Kapital
George Christoforou

CYPRUS

B2Kapital Cyprus Ltd
Rakis Christoforou

LUXEMBOURG

Ultimo Portfolio Investment (Luxembourg) S.A.
Kristine Vanaga (Interim)



|| Courage, flexibility, excellence, trust and integrity are fundamental values for our people. Our values, combined with an open organisation with flat and direct communication have resulted in a proactive and open culture.

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05

Risk management

Risk management

B2Holding's scope is to generate sustainable values for the shareholders through managing exposure of credit, market, operational and liquidity risks. Effective risk management and internal control ensures shareholders' value.

The foundation for the Group's risk management is the internal control and risk management policy. The objective for the adopted risk management policy is to manage, exposure to risks related to the successful conduct of B2Holding's business. Effective risk management and good internal control routines contribute to secure our shareholders' investment in B2Holding ASA and the underlying assets.

The Group's scope of business is to generate value for the shareholders through controlled exposure of credit risks by its expertise in the process of acquiring and managing non-performing loans. Risk, such as liquidity, operational and market risk should be minimized but balanced, as far as it is economically justifiable. Other types of risk such as management, regulatory and reputational risk are addressed through various measures.

MANAGEMENT RISK

The foundation for how to run our business

Part of the Management Risk, such as losing key personnel, has been reduced through the implementation of guidelines for salaries and other remunerations for senior executives. Potential risk of having a decentralised organisation has partly been reduced through Group level functions covering legal, tax, compliance, project management and financial control to ensure control mechanisms and service to the local operations.

The Group is organised in regions where the CEO and the Regional Directors are responsible for and shall ensure that all business units operate and develop in accordance with B2Holding's risk management and internal control routines. The established legal, compliance, operations and controlling teams on the Group level, support the regions and business units in conducting their business

and with assessing and managing their risk.

The Group Executive Management (GEM) team consisting of the CEO, the Regional Directors and the head of Group functions (Financial, Legal, Compliance, Investments and Operations) is an advisory body to the CEO and a management forum for monitoring joint risk elements across functions.

REGULATORY RISK

We comply with external regulations, laws and policies and ensure their observance

The Group depends on authorisations and licenses from various authorities. We face regulatory risk with respect to changes in laws and regulations that may affect the markets where we operate and thereby our business prospects.

From a regulatory perspective, the different jurisdictions in which B2Holding operates approach the issue of NPLs in different ways. Some business units are licenced for either being a portfolio owner, a collection company, a credit information provider or a lender. The license requirements are under supervision by the relevant local operation. In addition, local collection and industry associations are working for the interest of the local industry and hence participating in managing the regulatory risk.

REPUTATIONAL RISK

Reputational risk is of great importance in the Group's relationship with banks, clients, customers, employees, investors, regulators and other stakeholders

Negative attention regarding the Group or the industry in general, may have a negative effect on the Group's customers, the employees' loyalty to the Group, the vendors willingness to sell and the investors willingness to

invest. Such reputational risks are continuously addressed. The implementation of a common Code of Conduct and various policies throughout the Group is one of many steps to manage the reputational risk.

CREDIT RISK

The risk of loss from customers not repaying principal or interests accrued

A large part of the Group's assets consists of portfolios of purchased consumer and corporate receivables, both unsecured and secured, which were non-performing when acquired by the Group. In other words, previous creditors have already attempted and failed to collect amounts due following initial or numerous non-payments. All acquisitions are based on careful valuations to predict future net collection and approved within the Investment process as illustrated on page 66. B2Holding constantly aim to reduce the risk through applying extensively personnel experience and using the Company's proprietary database built from its increasingly high number of portfolio analytics. It is crucial for the Group's business to achieve an overall rate of collection above the prices paid. While B2Holding believes that the recoveries on the Group's credit portfolios will be in excess of the amount paid, amounts recovered may be less than expected.

The credit risk is monitored, analysed and controlled by local business unit management, and by the Group's unit for business control.

MARKET RISK

The risk arising from unexpected movements in currency exchange rates and interest rates

Foreign exchange risk that has an impact on B2Holding's financial statements, arises mainly as a result of:

- The currency used in the consolidated financial statements is different from the reporting currency of the subsidiaries (translation risk).
- Assets and liabilities of the Group are denominated in different currencies and certain revenue and costs arise in different currencies (transaction risk).

B2Holding's accounts are denominated in NOK, while a large part of the Group's business is carried out in EUR, SEK, DKK, PLN, HRK, RON, BGN, CZK and other currencies. The Group's receivables portfolios (assets) are mainly denominated in foreign currencies. The Group's net borrowing adjusted for currency derivatives are made in relevant currencies reflecting the underlying expected cash flow from the loans and receivables. Thus, the Group is exposed to both translation and transaction risk.

Furthermore, in each of the jurisdictions where the Group is present, all revenue and most of the expenses are in local currency. Accordingly, any significant movements in the relevant exchange rates may have a material effect on the Group's business, results of operations or financial conditions and the issuer's ability to make payments due under the bonds.

The multicurrency bank facility and the bond loans nominated in EUR, are tools for establishing an operational hedge when financing acquired portfolio in the same currency as the portfolios. However, portfolios acquired for example in Croatia, Czech Republic, Bulgaria and Romania are financed by EUR due to limited possibilities of medium- and long-term hedging arrangements borrowing in the same currencies. Most of these countries have pegged their currency within a limited band against the EUR.

B2Holding is exposed to changes in interest rates, as the Group's debt has an element of floating interest rate. The Group employs hedging strategies that enable B2Holding to, within certain limits, hedge the interest exposure and hence monitor and reduce interest rate risk exposure.

Operational currency exposure is constantly monitored and relevant hedging arrangements are being assessed and applied in accordance with the risk policies.

OPERATIONAL RISK

Operational risk is a risk area that has increased due to the growth in number of platforms. The risk of loss from failed internal processes, people, IT systems or external events

Operational risk is a risk area that has increased due to the growth in number of portfolios as well as acquisitions of collection platforms and building new platforms. The risk is a result of system implementation and integrations, legal and tax risks and differences in company and country cultures.

B2Holding manages these risks through involvement and participation in local management bodies, local guidelines, reporting, risk identification and measures for reducing risks if assessed to be unacceptable. The "four-eyes-principle" is applied in all critical decisions and supporting systems. The Group has not planned for further geographical expansion; the exposure to operational risks will continue to be met by incident reporting, tracking of key risk indicators and internal training in the year to come.

An operational and financial risk assessment model has successfully been tested in the Finnish subsidiary for two years. The same model will be implemented in the Group's larger business units in 2019 and in all business units within the first half of 2020.

LIQUIDITY RISK

The risk of not obtaining funding and the inability to meet payment obligations when they fall due

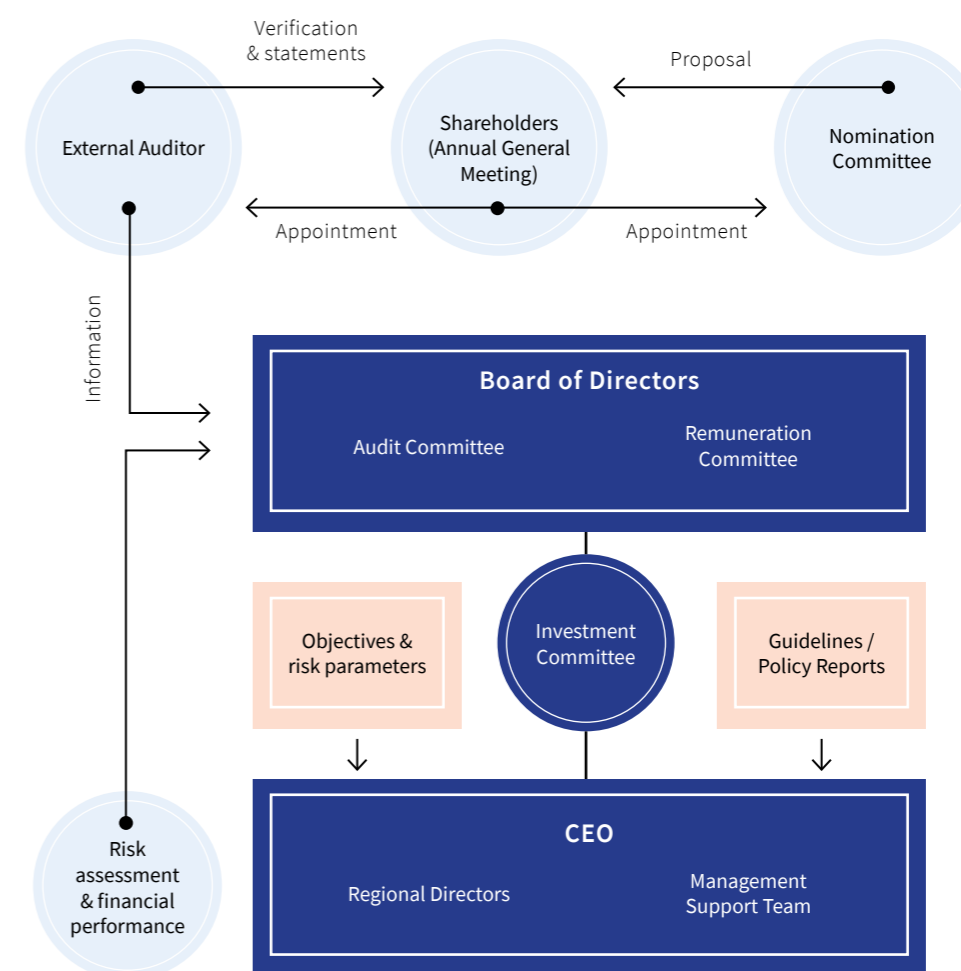
B2Holding's liquidity requirements consist mainly of funding of purchased portfolios, operating cost, tax and interest payments. The Group's principal sources of liquidity are net cash generated from operating activities, borrowings under the four bond loans and the revolving credit facility and share capital. Liquidity is reported monthly to the Board of Directors.

The capital threshold for equity is set at a minimum consolidated book equity ratio of 25 %, with a minimum liquidity capacity equivalent of NOK 200 million on a consolidated basis. The Group's capacity to assume risk is determined by the Board of Directors. B2Holding's risk control function monitors and ensures that the Group does not assume risk that exceeds the risk capacity and limits.

The refinancing risk is the risk that the Group, at the maturity of an existing financing facility, is unable to successfully refinance the indebtedness. B2Holding's revolving credit facility and bonds contain certain covenants, which are customary in financings of this type, which impose restrictions on the Group's operations and financial flexibility. The risk control function is designed to mitigate the refinancing risk by monitoring the debt market and refinance debt structure when market conditions are favourable

The liquidity risk has decreased during last year, mainly due to a new funding structure with longer duration for funding together with a conservative policy for managing the liquidity reserve and a substantial cash-flow generated by portfolios acquired in previous years. The risk is monitored by the Investment Committee and the Board of Directors.

GOVERNING BODIES IN THE B2HOLDING GROUP

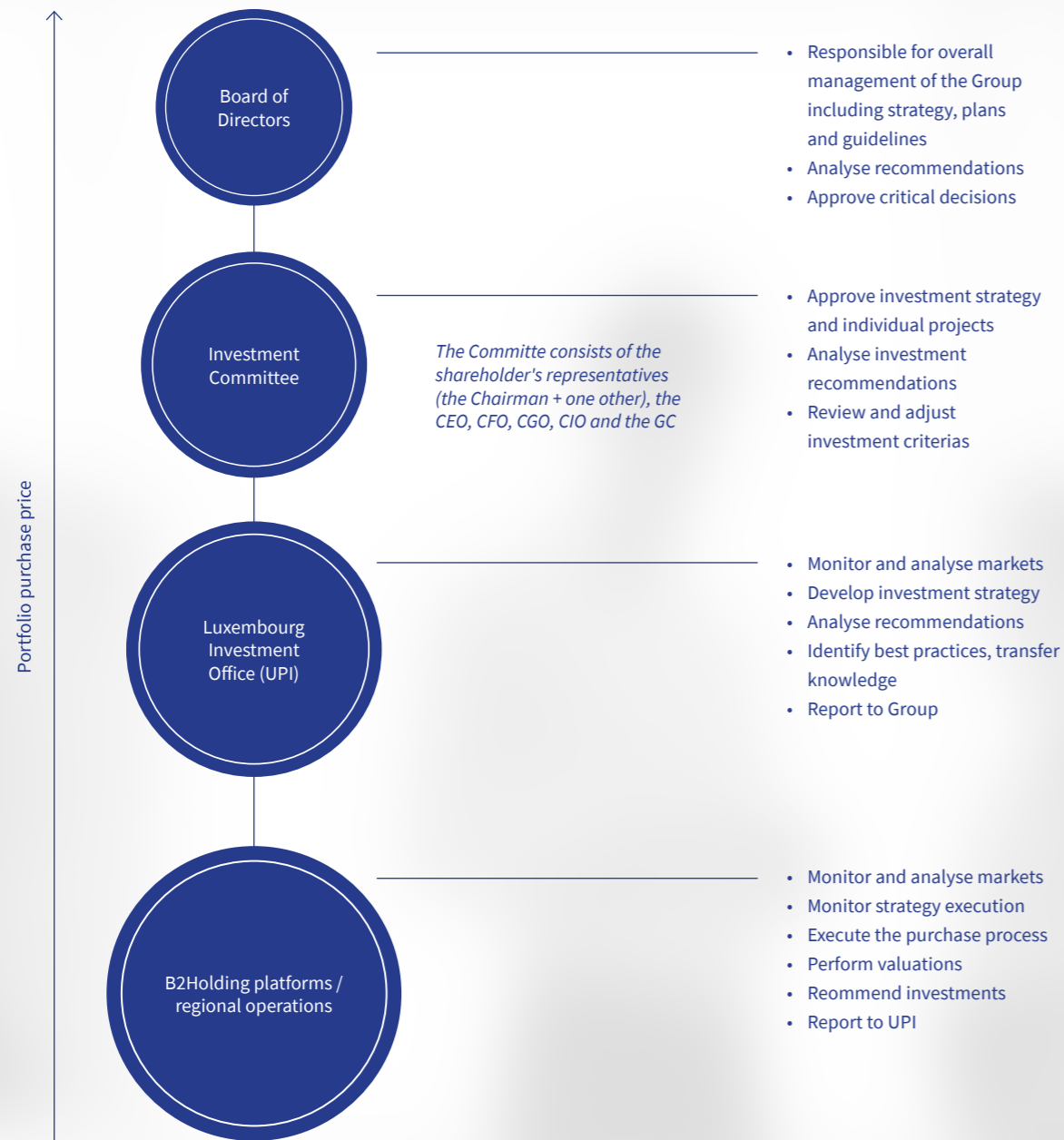


The Board of Directors has the principal responsibility for the Group's business operations, which includes ensuring that operations, financial reporting and asset management are subject to adequate control. Separate instructions have been established for the Board of Directors, the Board committees and the CEO.

The Board of Directors has appointed and authorised the Investment Committee to make portfolio investment decisions in current

geographical markets subject to a specific threshold hierarchy. The Investment Committee consists of five members of the Executive Management team (including the CEO) supplemented with two members of the Board of Directors when required according to the threshold hierarchy. Portfolio investment in new geographical markets or portfolio investments with purchase price above EUR 75 million will require approval from the Board of Directors.

OUR INVESTMENT PROCESS



06

Our corporate responsibility

== A part of the solution

At B2Holding, we see ourselves as part of the solution and believe our experience and employees' expertise will make a positive difference – and ultimately benefit the society as a whole.

OUR APPROACH TO SUSTAINABILITY

B2Holding aims to create value for society through handling non-performing loans and supporting debtors in solving their payment challenges to get “back on track”.

We believe that corporate responsibility will have consequences for B2Holding's financial performance and long-term value creation, and we commit ourselves to acting sustainably in our everyday business.

Our stakeholder groups are varied. In 2018, we revised our stakeholder analysis, adding our lenders as a key stakeholder group given the fundamental impact it has to our business. The four stakeholder groups considered to be of special importance to us are:

- our customers, the debtors struggling with indebtedness
- our business partners, banks and other vendors trusting us to treat their customers fairly
- our lenders, who support and enable further development
- our employees, our most valuable resource

We consider that all our stakeholders contribute to, and are affected by, the society in one way or another. Through our operations we help manage society's debt problems and aim to contribute to a stable economy with better capital efficiency. In this regard, we also wish to maintain and build long term relations and be regarded as a trustworthy and qualified partner for dialogue by local authorities. This is an important part of our corporate

social responsibility and this report shall reflect what kind of company we strive to be.

We meet our stakeholders in different arenas such as meetings, investor presentations, phone calls and letters. The assessment of relevant matters is based on what our stakeholders are concerned with and the consequences for B2Holding if we fail to meet our stakeholders' expectations.

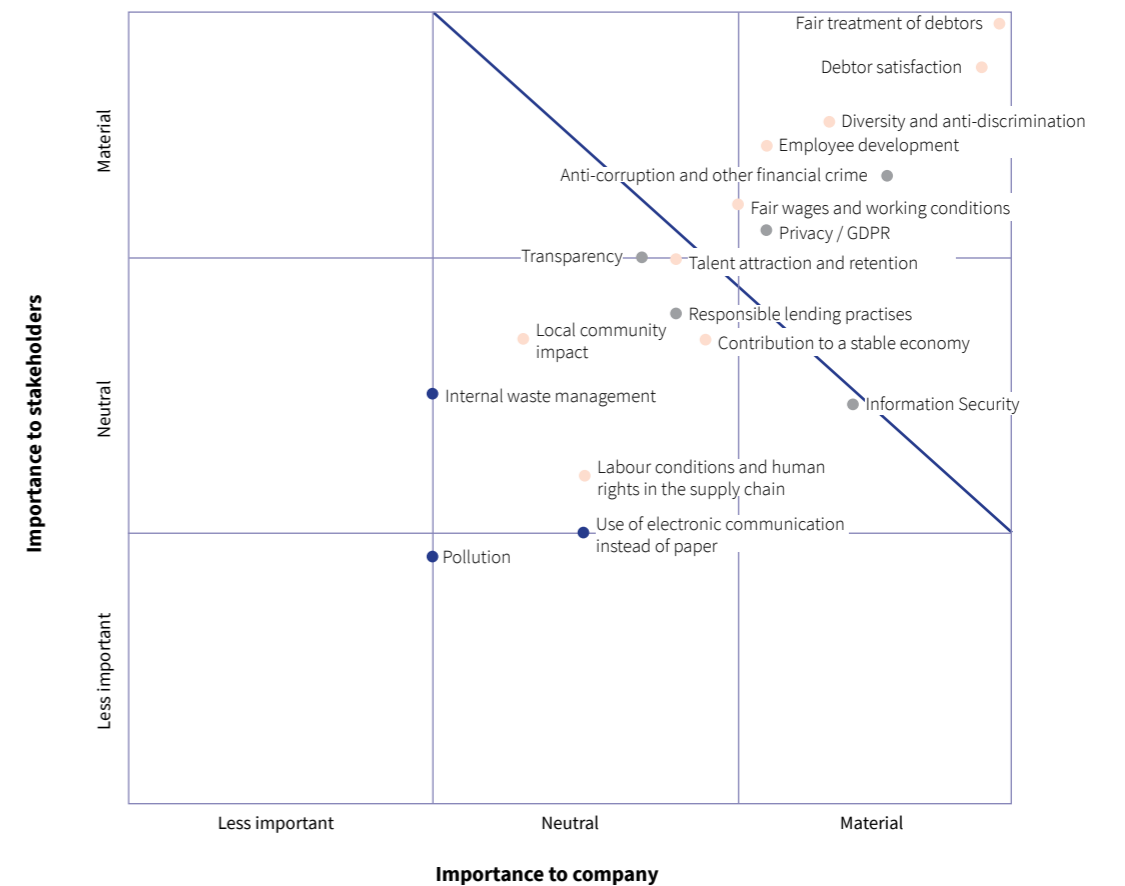
The materiality analysis shown on the next page includes all topics identified, while the topics above the marked line are regarded as most material to both B2Holding and our stakeholders. This report covers both global activities in the B2Holding Group, in our majority-owned subsidiaries and in B2Holding ASA.

|| Through our operations we help manage society's debt problems

B2Holding's materiality analysis

Our focus areas are ranged in the following three categories:

- Environmental aspects
- Social aspects
- Governance aspects



FAIR TREATMENT OF DEBTORS

Materiality Rationale

Within the B2Holding Group, we refer to the debtors as our customers. We commit ourselves to treat all debtors with dignity and respect in the same way we would meet a customer.

Ethical, sustainable and responsible services for our customers are of key importance for the B2Holding Group. We value the strong partnership with our vendors and their customers and find that fair treatment of debtors is a prerequisite for building a good and long relationship with vendors.

Our basic approach

We acquire NPL portfolios from banks and financial institutions and service the portfolios using inhouse collection and recovery resources. This gives us the opportunity to be more flexible towards the debtors. It is in the best interest of both B2Holding and the debtor to find an amicable solution and regain financial credibility. Our local presence is an advantage and each employee has the responsibility to ensure respectful and solution-oriented approach to support a positive customer experience.

Being flexible also means that decisions are made on an individual basis. Our corporate culture implies that all individual employees perform good judgement and have the integrity necessary to handle difficult situations that may arise. Along with policies and procedures, our Code of Conduct sets the overall standard on what is and what is not an acceptable behaviour.

Our employees shall not only act in compliance with all laws and regulations. All employees with customer contact also need skills and training to know how to manage the process from an ethical and human perspective. To be able to deliver on this expectation, it is not enough only to recruit the right people. Setting the standard at the top by involving the senior management at all levels in the Group is also essential.

Main achievements and targets

In our collection and recovery practice as well as in our service development, training of employees and handling of complaints, our focus will be on respecting the debtor and finding amicable solutions.

With the positive experience of new online customer portals and easy payments in some countries, the Group will have access to more effective tools for simplified communication in the future, and this improves our ability to find amicable solutions. By logging in to an online personal account, the debtor can quickly find the details of his or her debt. This is now available in Poland, Finland and Spain. In Poland, we have also started a pilot project for chatbots both online and by telephone with the purpose to increase our availability towards debtors.

In 2019, we are working to improve the proportion of amicable solutions.

ENGAGING ON ANTI-CORRUPTION AND OTHER FINANCIAL CRIME

Materiality Rationale

B2Holding defines corruption as the abuse of entrusted power for illegitimate personal benefits or private gain and has a zero-tolerance policy against corruption. This involves both financial and non-financial benefits. By this it is understood that employees are not allowed to offer or accept bribes, facilitation payments or gifts that may be considered inappropriate. Our attitude towards corruption is communicated through our Code of Conduct.

Norway is ranked among the ten least corrupt countries in the world, according to Transparency International's Corruption Perception Index for 2018. We acknowledge that countries like Bulgaria, Greece, Hungary and Romania, all of them countries in which B2Holding has business operations, are perceived as higher risk countries according to the same ranking.

For B2Holding, the corruption risk will largely be related to acquisition of portfolios or disinvestments of mortgages or loan receivables when these are not sold through

regulated channels. Such sales are less frequent and are remedied by guidelines of an authorisation hierarchy and the rules of the "four-eyes principle".

Our basic approach

In order to ensure a common set of rules and understanding throughout the Group, the Board of Directors has provided guidelines in the Code of Conduct applicable for all business units in the Group. All local managers are responsible for establishing adequate and effective procedures in their business units to prevent and uncover irregularities or fraudulent behaviour such as corruption.

In 10 of our 23 countries there is a legal obligation to set up a reporting channel for whistleblowing. In some countries, like Norway, whistleblowing is facilitated through an internal mailbox for reporting all ethics-related matters. Notifications are dealt with by the compliance or the HR functions and further reported to the local Board of Directors and Group Compliance function if relevant.

Main achievements and targets

We expect and encourage our business units to focus on conducting effective compliance risk assessments to ensure a risk-based approach to combat financial crime.

Several new Group policies will be introduced during 2019, including Group policies on whistleblowing, third-party checks, anti-corruption and anti-money laundering. The purpose is to set focus on and to mitigate the risk of corruption. The implementation will involve dilemma training to raise the awareness and to encourage employees to notify about censurable matters they become aware of.

The Board of Directors in B2Holding ASA has provided a policy saying that all companies within the Group shall give the whistle-blower the same rights and protection, irrespective of whether this is regulated by local law or not.

DEBTOR SATISFACTION

Materiality Rationale

We acknowledge that, in general, the debt collection industry has a reputation hurdle to overcome in many countries. We aim to change that by building positive relations and safeguard the debtors' integrity and dignity through constructive and transparent dialogue. Our overall goal is to be a preferred creditor for our debtors. Treating our debtors as customers sets our priorities and how we communicate at all levels of the organisation.

Being a debt collection company with few complaints is part of our success and relevant also for our business partners when considering entering into long-term agreements with us, such as forward flow agreements.

Our basic approach

The debtors' satisfaction with B2Holding and our individual employees are measured through feedback we receive both orally and in writing. The number of complaints can provide an indication of how well our companies have performed on B2Holding's goal of being a preferred creditor and a preferred business partner.

Our local compliance function has access to and monitors the relevant subsidiary's complaints register to ensure that all complaints are dealt with properly and to address any recurring or systematic problems. In some circumstances, complaints may develop into a reportable incident. The complaint system in each subsidiary will depend on local regulations.

Main achievements and targets

Our goal for 2018 was to keep the number of complaints on the same minimum level as in 2017. In 2018, the number of complaints represented 0.001 % of total number of claims, which is similar to last year.

We believe our strategy of controlling all parts of the value chain by using inhouse collection and recovery agencies and our own call centres, is a key element for

this success and will continue to keep the number of complaints on a low level.

For further improvement of our collection practice, we also want to hear the voices from those not filing a complaint. In 2019, we will discuss, with selected major subsidiaries, methods for receiving such feedback on a wider level.

PRIVACY

Materiality Rationale

As privacy is of high importance to our stakeholders, it is also highly prioritised within the Group to be compliant with the privacy regulations and in a professional manner facilitate for the data subjects' possibility to exercise their rights according to the General Data Protection Regulation (GDPR).

Our basic approach

Group policies and routines provide detailed guidelines on how we shall process personal data. All our employees are bound by confidentiality statements about all matters related to our debtors.

We do not obtain personal data not necessary to conduct our services, and any access to our debtors' personal data base shall only be granted to employees who need it in the course of their work tasks. These rules are among our general privacy principles.

All local Business Units have privacy statements available on their dedicated websites.

Main achievements and targets

During 2018, all our business units have employed new or engaged existing employees as responsible for privacy compliance in their local unit. Where dedicated Data Protection Officers (DPOs) are required, the requirement is fulfilled. When necessary, they are in contact with the local data protection authorities, and with data subjects who have inquiries related to processing of their personal data.

Throughout the year, all business units have installed IT-solutions which ensure compliance with the

requirements for e.g. data subjects' right to access, storage, backup solution and deletion. Data protection training has been given to all relevant employees.

The Group's GDPR project is now an ongoing program with annual audits, reporting and monitoring through operational, IT and Compliance functions internally.

FAIR WAGES AND WORKING CONDITIONS

Materiality Rationale

We aim to take care of our most valuable asset, our people, and ensure that they are paid fairly and have safe and good working conditions. Our industry is known to have a high employee turnover rate, and we believe that to continuously invest in our employees through training and ensure good working environment and conditions can give us an advantage as an employer. Fair wages and good working conditions may lead to lower sick leave and increased satisfaction among our employees.

Our basic approach

With a large workforce, comprising people working both full- and part-time, we find the focus on decent labour practices, safe working conditions, freedom of organisation and anti-discrimination to be vital for B2Holding. In order to secure similar conditions throughout the Group, Group procedures for recruitment, onboarding, appraisals, training, future potentials and the exit process are implemented.

In the first quarter of 2019, we have initiated a Group employee satisfaction survey. The target is to get feedback from all our people in the Group and use the results to improve the employee experience in all subsidiaries.

Main achievements and targets

We aim to pay equal salaries for equal work and performance regardless of gender. The Group will continue to pay salaries based on achievements, but will continuously work to eliminate gaps due to gender or other dimensions of diversity.

All subsidiaries shall always make the effort to facilitate for individuals who need adjustable workstations, different tasks or flexible working hours.

DEVELOPING OUR EMPLOYEES

Materiality Rationale

We aim to be a workplace where all employees thrive and are given opportunities for professional development. To give employees the opportunity to use their abilities, develop their skills and be part of a larger group are, in our point of view, components for success. To invest in our employees could also result in a lower turnover rate in which eventually would impact our performance.

At year-end 2018, the Group had a total of 2,685 employees.

Our basic approach

B2Holding has conducted several activities aimed at developing our employees. In 2018, a wide range of best practice projects were initiated. It has been said that sharing best practice is one of the greatest ways of creating a learning environment in a company.

We have experienced that sharing creative and innovative ideas has also provided our employees with an increased knowledge base in their daily work.

In region Central Europe, we have established a Future Potentials ("FuPo") programme, an internal talent management program where the main goal is to motivate, develop and invest in young talents in the Group. The first FuPo project started in 2017. Currently, the FuPo program includes talents from Croatia, Serbia, Slovenia and Czech Republic. In the upcoming years, we want to expand the programme to other regions and involve even more talented employees.

All former FuPo participants have also been invited to the B2 Leadership Academy, a program created to educate and train existing and future managers. The goal is to build strong leaders and a Group culture with skilled managers who will transfer their knowledge to others.

Main achievements and targets

Through best practice projects, we have developed Group policies, procedures and recommendations within IT, valuations and transactions, compliance and GDPR, and HR.

By introducing our new internal communication platform "B2Gether" in 2018, we have experienced extended collaboration, innovation and knowledge sharing among employees across the Group. We spend less time arranging meetings and sending e-mails, instead online groups are used to share and discuss ideas, documents and experiences. By the end of 2018, 60 % of our employees had logged into their account on "B2Gether".

Our future goal is to continue developing B2Holding as a knowledge-based organisation. By sharing knowledge across countries, companies and culture, we aim to improve the total performance of the Group.

DIVERSITY AND ANTI-DISCRIMINATION

Materiality Rationale

It is rooted in our common Code of Conduct that we have a zero-tolerance towards discriminatory behaviour in the Group. We do not tolerate discrimination based on age, gender, race, political opinion religion or any other characteristics that are not related to people's merit or the inherent requirements of the position.

Diversity is a strength and is necessary to ensure innovation, to create value and to increase our opportunity to attract the greatest talents. We are a major employer in several cities in Europe and want to stand out as a good example when it comes to workplace equality and diversity.

Our basic approach

We seek to recruit people with different backgrounds, skill, knowledge and perspective to enrich our organisation's diversity. Foremost, we have worked to increase awareness among managers, and for them to develop an understanding of the advantages of diversity.

Main achievements and targets

In the recent years, B2Holding has raised awareness of gender diversity among all our managers.

B2Holding wants to increase the proportion of women within the top management. In 2018, B2Holding ASA participated in “SHE Index”, a survey powered by professional services firm EY. The survey intended to gather more facts and motivate companies to work on the leadership gender gap. This increased our awareness on gender equality within our top management, and B2Holding was ranked number 15 of 25 listed companies on Oslo Børs.

Since then, we are happy to announce that Maria Haddad has joined our team as regional director of Western Europe and member of our Group Executive Management (GEM). Today, GEM consists of 12 men and 1 woman. Among our country managers, approximately 35 % were women by year end. We believe this is a step in achieving a more gender balanced organisation in the future.

Our future goal is to continue to increase the proportion of women on management level in B2Holding ASA.



07

The share

The share

B2Holding ASA has been listed on Oslo Stock Exchange since 8 June 2016 and included in the Oslo Stock Exchange Benchmark Index (“OSEBX”) since 1 December 2016.

B2Holding raised NOK 662 million in net proceeds as part of the stock listing in 2016 to finance further expansion as well as NOK 728 million in net proceeds on 13 March 2018 as part of the strategy to be one of the leading Pan-European debt buyers and servicers of non-performing loans.

Based on the last trade on 28 December 2018, which was NOK 12.30, B2Holding’s market capitalization was NOK 5,031 million as of the same date.

B2Holding’s share price has, after an increase of 74.2 % from the offering price in June 2016 to the end of 2017, decreased and represents an increase from the offering price of 2.5 % by the end of 2018. The highest closing price quoted during the year was NOK 21.58 on 12 March 2018, and the lowest closing price was NOK 12.16 on 27 December 2018.

Since the listing in June 2016 and through 2018, a total of 475,575,176 B2Holding shares were traded, corresponding to an average daily trading volume of 735,047 shares. The average daily trading volume in 2018 was 910,337 shares for 249 trading days.

SHARE CAPITAL

At year-end 2018, B2Holding’s share capital amounted to NOK 40.99 million, divided among 409,032,598 shares. There is one class of shares, and all shares are treated equally. The shares are freely negotiable and with equal rights to vote and equal entitlement to B2Holding’s profit and dividend.

OWNERSHIP STRUCTURE

The number of shareholders was 4,271 per year-end 2018, an increase from 3,133 at year-end 2017. 89.2 % of B2Holding’s shares are owned by Nordic investors.

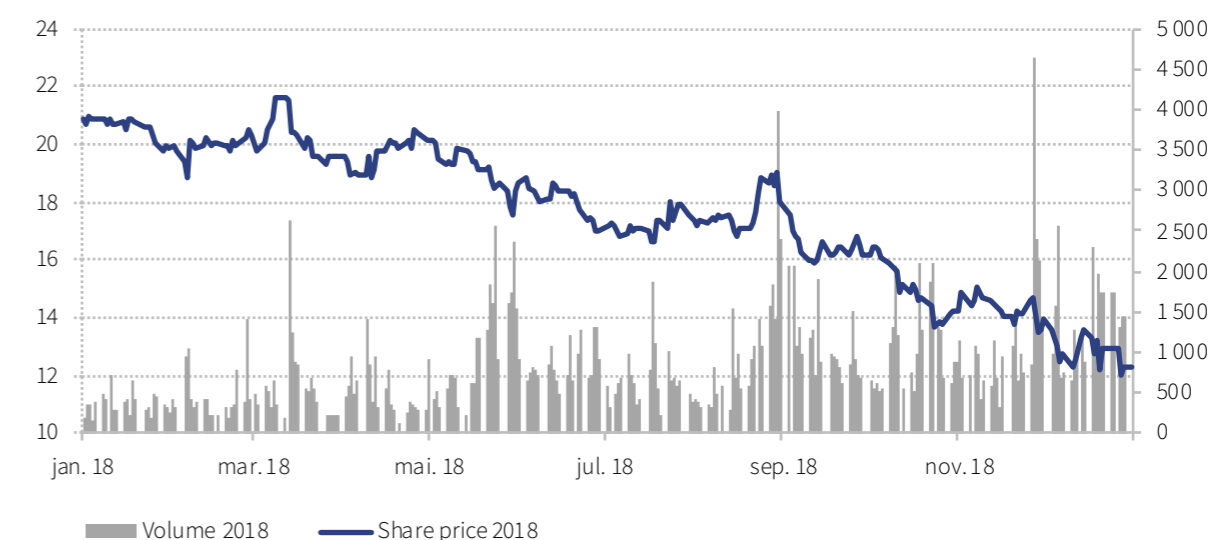
Approximately 74 % of the share capital is owned directly or indirectly by private individuals or family offices and the remaining 26 % is owned by institutional investors (financial investors or funds under management)

DIVIDEND

The Board of Directors considers applicable legal restrictions, capital expenditures requirements, the financial conditions, general business conditions and contractual obligations when assessing the ability to pay dividends. The amount of dividends paid may not exceed the amount recommended by the Board of Directors.

As B2Holding foresees significant opportunities in the near to medium-term, it aims to distribute 20-30 % of the Group’s net profits after tax as dividend to its shareholders. Starting at the lower end of this range for the financial years 2016 and 2017. The dividend was NOK 0.15/share for the financial year 2016 and NOK 0.30/share for the financial year 2017. The Board of Directors believes that the Group’s strong cash generation capacity supports a higher long-term pay-out target.

The Board of Directors has proposed a dividend of NOK 0.45 per share for the financial year 2018, a 50 % increase from last year corresponding to 28.4 % of the net profit. Based on the last price paid on 28 December 2018 (NOK 12.30), the proposed dividend represents a dividend yield of 3.6 %.



Shareholders per 31.12.2018

% of total share	Investor
12.76	PRIORITET GROUP AB
11.35	RASMUSSENGRUPPEN AS
6.65	VALSET INVEST AS
4.25	STENSHAGEN INVEST AS
2.93	VERDIPAPIRFONDET DNB NORGE (IV)
2.20	VEVLEN GÅRD AS
2.12	BRYN INVEST AS
2.00	K11 INVESTOR AS
2.00	RUNE BENTSEN AS
1.85	VERDIPAPIRFONDET ALFRED BERG GAMBA
1.70	ARCTIC FUNDS PLC
1.64	STOREBRAND NORGE I VERDIPAPIRFOND
1.56	VERDIPAPIRFONDET PARETO INVESTMENT
1.46	ARCTIC FUNDS PLC
1.42	GREENWAY AS
1.32	SWEDBANK ROBUR NORDENFON
1.30	VERDIPAPIRFONDET ALFRED BERG NORGE
1.25	VERDIPAPIRFONDET DNB NORGE SELEKTI
0.93	EVERMORE GLOBAL VALUE FUND
0.86	LIN AS
38.45	Others
100.00	

Ownership structure per 01.03.2019

Size class	No of shares	Capital/votes %	No of owners	Owners %
1 - 1,000	724,671	0.2	1,563	35.8
1,001 - 10,000	7,186,682	1.8	1,820	41.7
10,001 - 100,000	24,715,545	6.0	740	17.0
100,001 - 1,000,000	57,377,813	14.0	180	4.1
1,000,001 - 5,000,000	84,803,951	20.7	40	0.9
5,000,001 - 10,000,000	84,497,440	20.6	12	0.3
10,000,001 - 52,000,000	150,626,496	36.7	5	0.1
Total	409,932,598	100.0	4,360	100.0

Geographical distribution of shareholders per 31.12.2018

	%
Norway	72.86
Sweden	15.54
Belgium	3.32
Germany	2.91
UK	2.36
Finland	0.61
Spain	0.56
Austria	0.60
Others	1.23
Total	100.00

08

Corporate governance

Corporate governance

B2Holding considers good corporate governance to be a prerequisite for the trustworthiness needed to get access to capital and to access the NPL market, and ultimately to create values for B2Holding's stakeholders.

In the pursuit for securing robust and sustainable corporate governance, it is important to perform ethical and sustainable business practices, reliable and transparent financial reporting and to comply with all regulations, requirements and industry standards in all countries where B2Holding operates. Corporate Governance in B2Holding is about how the Board of Directors and Management conduct the affairs, actions and policies to preserve and develop the Company's values and ethical footprint.

B2Holding is a multi-national organisation divided into regions. The Regional Directors together with the Group's CEO with support from professional Group functions, are responsible for and shall ensure that all business units operate and develop in accordance with B2Holding's standards of conducting the business, the governance policies and the Code of Conduct to the benefit of our stakeholders.

B2Holding ASA is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as well as section 7 on the Continuing Obligations of stock exchange listed companies. The Norwegian Code of Practice for Corporate Governance ("the Code"), most recently revised on 17 October 2018, may be found at www.nues.no/en/

B2Holding is incorporated and registered in Norway and is subject to Norwegian law. As an issuer of bond loan certificates and shares listed on Oslo Børs, B2Holding must comply with rules regarding Oslo Børs and rules regarding

public limited companies.

We hereby give an account of B2Holding's corporate governance principles and practice, pursuant to the Code of Practice. Where there are deviations, these will be commented under the actual section.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

B2Holding has governance documents setting out principles for how the business should be conducted. These apply to all B2Holding business units. References to certain more specific policies will be included where relevant.

The Board of Directors in B2Holding (the Board) approves the B2Holding Corporate Governance Principles that are based on the Code, and as such designed for supporting good corporate governance.

By pursuing the Corporate Governance Principles, the Board and the Management shall contribute to achieving the following objectives:

- Openness and transparency in communication with our stakeholders.
- Independence in the relationship between the Board, the Management and the owners to ensure that decisions are made on an unbiased and neutral basis.
- Equal treatment and equal rights for all shareholders.
- Good control and corporate governance mechanisms to secure predictability and reduce the level of risks for owners and other interest groups.

B2Holding's mission is: "Making each other better".

We share expertise, information and best practice within the Group, we are a reliable business partner, we have the ability to find amicable solutions for individual debtors and we help manage society's debt problems. In B2Holding, we believe in acting professionally, aiming for best practice and helping debtors back on track.

In B2Holding, we believe that the highest degree of ethical and integrity standards in our approach to dealing with customers and investors combined with being in compliance with regulatory frameworks, are key competitive advantages.

B2Holding is a group of companies that each possesses extensive experience and well-established reputation in their respective local markets. By conducting our business and sharing our values, we believe we will contribute to well-functioning credit markets in the countries in which we operate as well as support our business model for debtors in finding amicable and realistic payment plans.

Within B2Holding, we are aware of our responsibility to follow-up on customer. We have to take care of our own and our vendors' reputation and every single day we have to ensure that we build, maintain and win the privilege of mutual trust from our stakeholders while performing our business.

The Board actively adheres to good corporate governance standards and will at all times ensure that B2Holding complies with the requirements of section 3-3b of the Accounting Act and the Code. This is done by ensuring that the topic of good governance is an integral

part of the decision-making process in matters dealt with by the Board. B2Holding's corporate governance principles are subject to annual review and discussion by the Board. This statement is an integrated part of the Directors Report and considered in a Board meeting.

The following statement of policy is structured in the same way as the Code, covers each point of the Code and describes B2Holding's compliance efforts. B2Holding is committed to promoting sustainable social development by operating in compliance with responsible business principles, systematically improving its operations in relation to the external environment, climate and energy resources and investing in non-performing loan portfolios that can generate positive financial results for the investors and social effects for the society.

No deviations from the Code.

2. BUSINESS

B2Holding's strategy is to strengthen our position as one of the leading European players in the debt purchasing industry through growth in our established markets and increased efficiency.

The fundamental business drivers are to create solutions and values for our stakeholders and to help manage society's debt problems. To achieve this, we need to be a trusted partner and continuously search for ways to improve.

Following years of rapid expansion with platforms in 23 countries, B2Holding has created a solid foundation for

continued growth, securing a good risk balance through geographical diversification with a balanced combination of various credit products in the NPL markets.

The strategy and goals are evaluated annually and a set of policies are established to support the Code of Conduct implemented in 2017. Guidelines for Our Corporate Responsibility to integrate the activities, will be developed further as described in the section “Our Corporate Responsibility” on page 68.

B2Holding keeps the market updated through investor presentations in connection with quarterly financial reporting, Capital Market Days and business updates in compliance with the Continuing Obligations of Oslo Stock Exchange.

No deviations from the Code.

3. EQUITY AND DIVIDENDS

The Board is responsible for ensuring that the Group is adequately capitalised and financed relative to the risk and scope of operations in the various jurisdictions and that the capital requirements set forth in laws and regulations and licenses are met.

The Board monitors the Group’s capital structure on a quarterly basis and will immediately take adequate steps should it be apparent at any time that the Company’s equity or funding structure is less than adequate. The Company is financed through a long-term bank loan (RCF) and four long-term bond loans in a traditional waterfall system with a harmonized covenant structure. The capital structure is continually considered in order to provide funding to meet market opportunities and operational flexibility.

The Board of Directors considers the B2Holding Group to be adequately capitalised and financed.

Dividend policy

The Company will, at all times, have a clear and predictable dividend policy established and revised annually by the Board. The dividend policy forms the basis

for the Board’s proposals on dividend payments to the general meeting and shall be disclosed.

In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account applicable legal restrictions as set out in the Norwegian Public Limited Companies Act and B2Holding’s solidity and future capital requirements. This includes liquidity and solidity risk, market opportunities, timing effect from portfolio recoveries, financial covenants, general business conditions and capital restrictions etc. at the time of the dividend to be assessed and paid.

As the Company foresees significant opportunities in the near to medium-term, it aims to distribute 20-30 % of the Group’s net profits as dividend to its shareholders. There can be no assurance that a dividend will be proposed or declared in any given year. If a dividend is proposed or declared, there can be no assurance that the dividend amount or yield will be as advised above. The Board proposes to the annual general meeting to approve a dividend of NOK 0.45 per share (2016: NOK 0.15 per share/2017: NOK 0.30 per share), which is in line with the dividend policy established in 2016.

B2Holding’s dividend policy is available on the Company’s website.

Authorisations to the Board

Any authorisations granted to the Board to increase the share capital will be restricted to defined purposes. When the general meeting is to pass resolutions on authorisations to the Board for the increase of share capital for different purposes, each such authorisation shall be considered and resolved separately by the general meeting. Authorisations granted to the Board to increase the share capital or purchase treasury shares, shall be limited in time, and shall in no event last longer than until the next Annual General Meeting.

No deviations from the Code.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

B2Holding has only one class of shares. Each share carries one vote, and all shares carry equal rights, including the right to participate and vote in general meetings. All shareholders will be treated on an equal basis, unless there is just cause for treating them differently.

Share issues without pre-emption rights for existing shareholders

In the event of an increase in share capital through the issue of new shares, a decision to waive the existing shareholders’ pre-emptive rights to subscribe for shares will be justified. Where the Board resolves to issue shares and waive the pre-emptive rights of existing shareholders pursuant to an authorisation granted to the Board by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

Transactions in treasury shares

Any transactions carried out by B2Holding in its treasury shares, will be carried out through Oslo Børs, and in any case to prevailing stock exchange prices. In the event that there is limited liquidity in the shares, B2Holding will consider other ways to cater for equal treatment of shareholders. There have been no such transactions in 2018.

Approval of agreements with shareholders and other close associates

In the event of transactions that are considered not to be immaterial between B2Holding and its shareholders, a shareholder’s parent company, members of the Board, executive personnel or close associates to any such party, the Board will arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the provisions in the Norwegian Public Limited Companies Act. Independent valuations will also be procured for transactions between companies within

the Group if any of the companies involved have minority shareholders.

No deviations from the Code.

5. SHARES AND NEGOTIABILITY

The shares of B2Holding are freely negotiable and there is no restriction on the ability to own, trade or vote for the shares. Each share carries one vote.

No deviations from the Code.

6. GENERAL MEETINGS

The Board shall ensure that as many of the shareholders as possible are able to exercise their voting rights in the general meeting, and that the general meetings are an effective forum for shareholders and the Board.

B2Holding’s corporate governance principles state that the general meetings shall be facilitated through the steps described in the Code and regulated by the Norwegian Accounting Act. This includes among others, to distribute sufficiently detailed and comprehensive information allowing the shareholder to form a view on all matters, The registration deadline is set as close as possible to the meeting date.

There will be an independent chairman for the general meeting.

Participation without being present

Shareholders who are unable to be present at the General Meeting will be given the opportunity to vote by proxy. B2Holding will in this respect provide information on the procedure for attending by proxy and nominate a person who will be available to vote on behalf of shareholders as their proxy.

There will also be prepared a proxy form, which shall be set up so that it is possible to vote on each of the items on the agenda and for candidates that are nominated for election, one by one.

No deviations from the Code.

7. NOMINATION COMMITTEE

In accordance with the Articles of Association section 7, B2Holding has established a nomination committee. The General Meeting elects the members and the chairman of the Nomination Committee and determines their remuneration.

The majority of the Nomination Committee shall be independent of the Board and Management. No more than one member of the Nomination Committee may also be a member of the Board, in which case such member shall not be re-elected to the Board. The CEO and other members of the Management shall not be members of the Nomination Committee.

The objectives, responsibilities and functions of the committee shall be in compliance with rules and standards applicable to the Group and are described in “Instructions for the Nomination Committee” as disclosed on the Company’s webpage. The General Meeting shall adopt the instructions for the Nomination Committee. The Company shall provide information regarding the members of the Nomination Committee and deadlines for submitting proposals to the Nomination Committee.

The Nomination Committee shall recommend candidates for the election of members and chairman of the Board, candidates for the election of members and chairman of the Nomination Committee, and remuneration of the Board and the Nomination Committee.

The Nomination Committee’s recommendation of candidates to the Nomination Committee shall ensure that they represent a broad cross-section of the shareholders as well as being balanced with regards to independency. The Nomination Committee’s recommendation of candidates to the Board shall ensure that the Board is composed to comply with legal requirements, the Code and B2Holding’s corporate governance principles (cf. section 8 below).

The proposals from the Nomination Committee shall include a reasoning for its proposal.

No deviations from the Code.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The composition of the Board should consider expertise, capacity and diversity appropriate to attend to B2Holding’s goals, main challenges and the common interests of all shareholders. Further, individuals of the Board should be willing and able to work as a team, resulting in the Board working effectively as a collegiate body.

In accordance with the Code and B2Holding’s corporate governance principles, the Board is composed so that it can act independently of any special interests. A majority of the members of the Board shall be independent of the Management and material business connections of the Group. Furthermore, at least two of the members of the Board shall be independent of B2Holding’s major shareholder(s). For the purpose of B2Holding’s corporate governance principles, a major shareholder shall mean a shareholder that owns or controls 10 % or more of the Company’s shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

No member of B2Holding’s Management should be a member of the Board. The Chairman of the Board is elected by the General Meeting.

The term of office for members of the Board shall not be longer than two years at a time. Members of the Board may be re-elected, and phases of terms should be taken into account.

B2Holding’s annual report provides information regarding the expertise of the members of the Board, as well as information on their history of attendance at board meetings. Further, the annual report will identify the members of the Board that are considered to be independent. Members of the Board are encouraged to own shares in B2Holding.

No deviations from the Code.

9. THE WORK OF THE BOARD

The Board has issued an instruction for its own work and for the CEO and this particularly focuses on clear internal allocation of responsibilities and duties.

The objectives, responsibilities and functions of the Board and the CEO shall be revised annually and be in compliance with rules and standards applicable to the Group.

Our corporate governance principles state that members of the Board and executive personnel must notify the Board when such members have any direct or indirect interest in a transaction carried out by B2Holding.

In matters where the Chairman of the Board is personally involved, the Board’s consideration of such matter is chaired by some other member of the Board.

Audit Committee

The Board has established an audit committee. The duties and composition of the Audit Committee are in compliance with the Norwegian Public Limited Companies Act.

The committee is a working committee for the Board, preparing matters and acting in an advisory capacity.

The members of the Audit Committee are elected by and amongst the members of the Board for a term of up to two years. The committee members must have the overall competence required to fulfil their duties based on the organisation and operations of the Group. At least one member of the Audit Committee should be competent in respect of finance and audit and be independent of the Group. The majority of the members shall be independent of the management.

The objectives, responsibilities and functions of the committee shall be revised annually and follow rules and standards applicable to the Group and are described in “Instructions for the Audit Committee”.

Remuneration Committee

The Board has established a remuneration committee as a preparatory and advisory committee for the Board in questions relating to remuneration of the Management.

The purpose of the Remuneration Committee is to ensure thorough and independent preparation of matters relating to remuneration paid to the Management. The Remuneration Committee puts forth a recommendation for the Board’s guidelines for remuneration to senior executives in accordance with Section 6-16a of the Public Limited Companies Act.

The members of the Remuneration Committee are elected by and amongst the members of the Board for a term of up to two years and shall be independent of the Management.

The objectives, responsibilities and functions of the committee shall be revised annually and be in compliance with rules and standards applicable to the Group and are described in “Instructions for the Remuneration Committee”.

The Board provides details of the appointment of board committees in the annual report.

Annual evaluations

The Board annually evaluates its performance and expertise in the previous year.

No deviations from the Code.

10. RISK MANAGEMENT AND INTERNAL CONTROL

As a part of B2Holding’s risk management, the Board has adopted a risk profile as further set out in the internal policies. B2Holding shall comply with all laws and regulations that apply to the Group’s business activities. The Group’s compliance policy describes the main principles for compliance and how the compliance function is organised. The Group must not be associated with operations that could harm its reputation.

B2Holding has approved policies, and guidelines in the following areas to support its objective in respect of internal control and risk management:

- Ethics, code of conduct
- Corporate social responsibility
- Risk management

- Compliance (including Group policies covering anti-corruption, anti-money laundering, sanctions- and whistleblowing)
- Communication
- Financial management, including guidelines for quality assurance of financial reporting
- People and organisation, including guidelines for variable remuneration
- Shareholder relations

The Board conducts an annual review of the most important areas of exposure to risk and such areas' internal control arrangements.

The Director's report describes the main features of the internal control and risk management systems. The Board is obligated to ensure that it is updated on the Company's financial situation, and continuously evaluate whether the Company's equity and capital structure are adequate in terms of the risk from, and scope of, the Company's activities, and shall immediately take the necessary action if it is demonstrated at any time that the Company's capital or funding structure are inadequate. The Company shall focus on frequent and relevant management reporting to the Board of both operational and financial matters with the purpose of ensuring that the Board has sufficient information for decision-making and is able to respond quickly to changing conditions. The Board of Directors will carry out the annual review of the Company's most important areas of exposure to risk and its internal control arrangements in a separate, annual board meeting.

No deviations from the Code.

11. REMUNERATION OF THE BOARD

The remuneration of the Board is determined by the shareholders at the annual general meeting based on the proposal from the Nomination Committee. The level of remuneration should reflect the Board's responsibility, expertise, the complexity of the Company, as well as time spent and the level of activity in both the Board and any

board committees.

The remuneration of the Board shall not be linked to B2Holding's performance and share options shall not be granted to members of the Board.

Board members, or companies associated with Board members, shall not engage in specific assignments for B2Holding in addition to their appointments as members of the Board. If they, nonetheless, do take on such assignments, the entire Board must be informed and the consideration for such additional duties is subject to approval by the Board.

Any consideration paid to members of the Board in addition to their board remuneration, will be specifically identified in the annual report. There are no such remuneration paid to members of the Board except for the remuneration approved by the Annual General Meeting on 25th May 2018.

No deviations from the Code.

12. REMUNERATION OF EXECUTIVE PERSONNEL

B2Holding's policy for determining remunerations to the CEO and members of the Management team should, at all times, support the Group values and strategy. The total remuneration to the CEO and other senior executives consists of base salary, benefits, annual bonus, share options, pension and insurance schemes.

Performance-related remuneration of the Management in the form of annual bonus and share option programme is designed to enhance value creation for shareholders or B2Holding's profit over time through quantifiable factors that the employee may influence.

A cap is set on performance-related remuneration. The Board annually prepares a policy for the remuneration of the Management. The policy will contribute to align the interests of shareholders and Management and is presented for the Annual General Meeting for its consideration in a separate document sent out together with the notice to the Annual General Meeting. The documents shall include an annual executive compensation plan and a

long-term incentive plan. The Annual General Meeting will vote for both elements separately. The General Meeting's decision regarding the guidelines in the statements are to be taken as advisory by the Board of Directors and if share instruments are involved as long-term incentive, the vote will be binding for the Company. Reference is made to a special section «Remuneration of executive personnel» on page 158, note 28 in the annual accounts as well as the declaration from the Board to the Annual General Meeting.

No deviations from the Code.

13. INFORMATION AND COMMUNICATIONS

Guidelines have been established to secure timely and precise information to shareholders, Oslo Børs and the financial markets in general. Relevant information is given in the form of annual reports, semi-annual reports, quarterly reports, Capital Market Days, Stock Exchange releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. B2Holding aims to clarify its long-term potential, including strategies, value drivers and risk factors.

Unless exceptions apply and are invoked, B2Holding will promptly disclose all inside information (as defined by the Norwegian Securities Trading Act). In all circumstances, B2Holding will provide information about certain events, e.g. by the Board and General Meeting concerning dividends, amalgamations, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by B2Holding and related parties.

Separate guidelines have been drawn up for handling of inside information, see "Instructions for handling of inside information" and "Rules for primary insiders" (available on the Company's website).

In addition to the Board's dialogue with the shareholders in the general meetings, the Board makes suitable arrangements for shareholders to communicate with B2Holding at other times. Communications with the shareholders should always be in compliance with the

provisions of applicable laws and regulations and in consideration of the principle of equal treatment of the shareholders. As part of the Investor Relations activities, dedicated representatives for the Executive Management meet with investors and financial analysts through regular roadshows, investor conferences, group and individual meetings, ad hoc calls and e-mail messages. B2Holding aims to host capital markets days and similar events as needed in order to further increase transparency and dialogue with investment communities.

B2Holding shall reply quickly and precisely with relevant information in communications with stakeholders as long as they clearly do not require the disclosure of inside information or are otherwise deemed to be potentially damaging to the Group.

No deviations from the Code.

14. TAKE-OVERS

In a take-over process, the Board and Management each have an individual responsibility to ensure that B2Holding's shareholders are treated equally and that there are no unnecessary interruptions to the Group's business activities. The Board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board shall abide by the principles of the Code, and ensure that the following take place:

- the Board will not seek to hinder or obstruct any takeover bid for the Company's operations or shares unless there are particular reasons for doing so
- the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company
- the Board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders
- the Board must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether the shareholders should accept the bid.

Deviations from the Code: There are no other written guidelines for procedures to be followed in the event of a takeover bid. The Group has not found it appropriate to draw up any explicit basic principles for B2Holding's conduct in the event of a takeover bid, other than the actions described above. The Board otherwise concurs with what is stated in the Code regarding this issue.

No deviations from the Code.

15. AUDITOR

The Board of Directors will make sure that the auditor presents the main features of the plan for its work with the audit to the Audit Committee and the Board.

The auditor participates in meeting(s) of the Board and the Audit Committee where any of the following is on the agenda: the annual accounts, accounting principles, assessment of any accounting estimates and matters of importance on which there has been disagreement between the auditor and the Management and/or the Audit Committee.

The Audit Committee and the Board hold a meeting with the auditor at least once a year at which no representative of the Management is present.

The Board has specified the Management's right to use the auditor for other purposes than auditing.

The Board reports the remuneration paid to the auditor to the shareholders at the annual General Meeting.

No deviations from the Code.



09

Director's report

== Directors' report

THE NATURE OF THE BUSINESS AND ITS OPERATIONS

The B2Holding's strategy is to strengthen our position as one of the leading European contenders in the debt purchasing industry through growth in our established markets and increased efficiency. We exist to create solutions for our stakeholders and to facilitate solutions that manage society's debt problems. To achieve this, we need to be a trusted partner and continuously search for ways to improve.

Following years of rapid expansion into new markets, B2Holding has created a solid foundation for continued growth combined with balancing the overall risk. Capitalising on platforms in 23 countries in Europe will secure good geographical diversification and access to large NPL markets in Europe. We see considerable growth potential in all our markets. As stated in our strategy going forward, no further geographical expansion is planned for. Thus, we will focus on taking advantage of the wide market access and large pipeline in our established markets to increase growth.

B2Holding ASA is the parent company of the B2Holding Group and since the incorporation of the company in 2011, the B2Holding Group has grown into a Pan-European debt service provider. Focus is on non-performing loans (NPLs), debt restructuring and debt refinancing, with ability to serve as a debt solution provider to both retail and corporate clients. In addition, the Group provides third-party debt collection and offers credit information in some of the companies in the Group. B2Holding ASA is headquartered in Oslo and the Group has operations in five regions; Northern Europe, Poland, Western Europe, Central Europe and South East Europe and is targeting continued growth in existing markets. In addition, the B2Holding Group has

its Investment office in Luxembourg.

An essential component of the Group's strategy is to have market presence through ownership of companies that can administer and service both their own and others' loan portfolios. In 2018, the Group extended its geographical footprint by entering three new countries being Cyprus, France and Portugal.

To strengthen our investment capacity in a highly competitive market, co-investment structures will be considered to access larger investment opportunities. Through joint venture structures with strong regional partners, B2Holding will acquire new portfolios in our established markets. Recently, B2Holding has acquired non-performing loan portfolios both in Greece (October 2018) and Croatia (January 2019) through such co-investment structures.

Western Europe was established as a new region in the Group structure from the beginning of 2018 with Spain and Italy, complemented by France and Portugal in the first half of 2018. The markets in this region have different maturity ranging from France that is early in the growth phase with low NPL sales activity so far, to the mature Spanish market. Through the acquisition of NACC in March, the Group secured a strong platform in France. The operations in Italy have been further strengthened in 2018, especially within servicing of SMEs and corporate secured portfolios. In Spain, the establishment of an NPL unit in Verifica expands our service capabilities in the market. The Portuguese company acquired in May 2018 has also been organised as a part of Verifica.

Operations in Central Europe, which includes the Western Balkan countries, Hungary and Czech Republic showed continued high activity in most markets, with Croatia still the country with highest activity. On the

back of a period with significant growth in this region the operations in the area continue to focus on operational improvements and several initiatives have been implemented during 2018.

In the region South East Europe which includes Romania, Bulgaria, Greece and Cyprus (from early 2018) the Group is established as one of the large contenders. Portfolio purchase activity in Romania and Bulgaria has been high throughout the year with both secured and unsecured portfolios being acquired. Furthermore, we received the license needed to operate as a credit acquiring and servicing company from the Central Bank of Cyprus in May 2018, and we expect to see an increase in our activities in Cyprus going forward. Two major portfolios were acquired in Greece through co-investments with Waterfall Asset Management and the European Bank for Reconstruction and Development, and the Group has secured a strong platform in the market for further growth.

The Polish market experienced disruption in 2018, mainly caused by the collapse of Poland's second largest collection company, who contributed to a price pressured market by aggressively bidding for portfolios. It is still a competitive market; however, higher supply and reduced demand are bringing margins into more profitable levels. The Group is well positioned to take advantage of the improved markets conditions, yet still emphasize price discipline in Poland and focus on forward flow transactions. A large operational improvement programme has been implemented in Poland since 2017, which has resulted in a leaner organisation and increased efficiency in operations.

The Northern Europe showed another year of record high activity through portfolio purchases in a combination of increased forward flow arrangements and larger

one-off transactions. The operations showed strong operational efficiency, and good earnings development, with Finland and Denmark leading the way in terms of portfolio volumes and Finland leading the way in terms of operational efficiency. Through Interkreditt Kapital AS, established in Norway in April 2018, The Group obtained The Norwegian Finance licence in August 2018 and has purchased some smaller portfolios.

B2Holding ASA has since 8 June 2016 been listed on Oslo Stock Exchange and included in the Oslo Stock Exchange Benchmark Index ("OSEBX") since 1 December 2016. B2Holding raised NOK 662 million in net proceeds as part of the stock listing in 2016. To finance further expansion and NOK 728 million in net proceeds in the private placement on 14 March 2018 which was a part of the strategy to be one of the leading Pan-European debt buyers and servicers of non-performing loans. The private placement in March 2018 was significantly oversubscribed.

Following the private placement B2Holding also announced the purchase of a larger portfolio in Greece, agreement of commercial terms for the purchase of two significant portfolios in Central- and South East Europe as well as entering the French market through the acquisition of 100 % of the shares in Negociation et Achat de Creances Contentieuses (NACC).

To facilitate further growth, the Group issued a EUR 200 million (2018/2023) senior unsecured bond loan on 9 May 2018. As of 31 December 2018, the Group had NOK 1.3 billion in available investment capacity in addition to the strong operating cash flow from collection of the current portfolio investment. The Group has investment capacity for 2019 in line with investment level for 2018.

FINANCIAL STATEMENTS

The Board of Directors is of the opinion that the annual financial statements provide a true and fair view of the net assets, financial position and result of B2Holding ASA and the Group for the year. The Group's consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Profit and loss

B2Holding (the Group) recorded a full year operating profit of NOK 1,377.9 million for the year 2018, an increase of NOK 393.7 million (40.0 %) from NOK 984.2 million in 2017. The main reason for the increase is the continued growth of the Group, with growth in operating profit in all the Groups geographic segments. The profit margin remained stable at 47 % in 2018 mainly due to focus on operational efficiency.

Operating revenues for the year amounted to NOK 2,905.6 million compared to NOK

2,082.7 million in 2017, an increase of NOK 822.9 million (39.5 %). Revenues from purchased loan portfolios amounted to NOK 2,479.5 million and increased with NOK 722.3 million (41.1 %) compared to NOK 1,757.1 million in 2017. The increase in revenues is driven by high activity in portfolio acquisitions in existing markets and entering into new markets in 2018.

Operating expenses, excluding depreciation and amortisation, increased with NOK 373.4 million (39.4 %) in 2018 compared to 2017 mainly due to increased activity in the Group. Number of FTEs in the Group was 2,420 at end of December 2018, up 17.1 % from the beginning of the year. The increase in FTEs is due to the acquisition of NACC, France in 2018 and growth in operations in key markets. Operating efficiency programs reduced number of FTEs with 161 from January 2017 to December 2018 in platforms owned by the B2Holding Group. Internal expenses related to development of IT-systems and the Group's services are expensed when incurred.

Net financial items ended at NOK 569.7 million, of which interest expenses on interest bearing debt amounted to NOK 610.6 million and a net foreign exchange gain of NOK 44.0 million. The Net foreign exchange gain is mainly related to unrealised exchange losses on internal financing of the Group.

CASH FLOWS AND CASH COLLECTION

Gross cash collections increased in 2018 with NOK 681.9 million (36.5 %) to NOK 3,997.4 million due to significant increase in purchased loan portfolios and activity. The cash collections increased in all the Group's geographical segments.

Cash flow from operating activities for the year ended at NOK 2,290.6 million, NOK

1,001.2 million (77.7 %) higher than the same period in 2017. The difference between operating cash flows and the operating profit of NOK 912.7 million is mainly related high cash collection from purchased loan portfolios offset by unrealised foreign exchange balances, paid taxes and timing differences. Cash flow from investment activities ended at NOK 6,274.1 million mainly due to purchased loan portfolios of NOK 6,212.6 million and the acquisition of NACC. Net cash flow from financing activities in the period ended at NOK 3,986.1 million after proceeds from issuing of new share capital of NOK 771.5 million and issuing of a EUR 200 million senior unsecured bond loan in May.

Balance sheet and liquidity

Total assets at 31 December 2018 amounted to NOK 16,173.7 million compared to NOK 10,797.4 million in 2017. The equity amounted to NOK 4,355.5 million and the equity ratio was 26.9 % compared to 29.2 % at 31 December 2017.

Portfolio purchases in 2018 totalled to NOK 6,212.6 million of which 30.3 % in the Northern Europe, 10.6 % in Poland, 13.0 % in Western Europe, 23.4 % in Central Europe and 22.7 % in South East Europe. Total book value of purchased loan portfolios ended at NOK 13,346.1 million end of December 2018, an increase of 4,614.5 million (52.3 %) from year-end 2017.

After the Group issued a EUR 200 million senior unsecured bond loan, interest bearing loans and borrowings amounted at the end of 2018 to NOK 10,828.9 million compared to NOK 6,853.8 million at the end of 2017.

Cash and cash equivalents amounted to NOK 397.7 million at the balance sheet date compared to NOK 452.0 million at the end of 2017. Of this amount NOK 8.0 million were restricted balances. The Group's liquidity situation and the ability to finance future investments is satisfactory.

PARENT COMPANY

B2Holding ASA, the parent company, recorded a full year profit of NOK 911.1 million after changes in deferred tax of NOK 5.1 million compared to a full year loss of NOK 51.7 million in 2017. The difference from 2017 is mainly due to dividend and interest received from subsidiaries of NOK 1,389.7 million in 2018 compared to NOK 250.9 for 2017. After the EUR 200 million bond issue, issue of new share capital, increase in long term loans to group companies, net cash flow for the year ended at NOK 2.5 million compared to NOK 6.1 million for 2017.

Total assets at 31 December 2018 amounted to NOK 11,452.6 million compared to NOK 7,684.5 million in 2017. The equity amounted to NOK 3,695.6 million and the equity ratio was 32.3 %.

Cash and cash equivalents amounted to NOK 11.2 million at the balance sheet date compared to NOK 8.7 million at the end of 2017. Of this amount, NOK 3.4 million were restricted balances. The Company's liquidity situation, and the ability to finance future investments is satisfactory.

FINANCIAL AND OTHER RISKS

The foundation for the Board of Directors' work with risk management is the internal control and risk management policy. The objective for the adopted risk management policy is to manage, rather than eliminate, exposure to risks related to the successful conduct of B2Holding's business. Effective risk management and good internal control routines contribute to secure shareholders' investment in B2Holding ASA and the underlying assets.

The Group's scope of business is to generate values for the shareholders through controlled exposure of credit risks by its expertise in the process of acquiring and managing non-performing loans. Risk, such as liquidity, operational and market risk should be minimized but balanced, as far it is economically justifiable.

Other types of risk such as managerial, regulatory and reputational risk are addressed with the purpose of being managed through various measures. The CEO and the Regional Directors are responsible for and shall ensure that all business units operate and develop in accordance with B2H's risk management and internal control policy and routines. The Group Executive Management team

consisting of the CEO, the Regional Directors and the head of Group functions (Financial, Legal, Compliance, Investments, Operations and M&A) is an advisory body to the CEO and a management forum for monitoring joint risk elements across functions.

The Board of Directors is reviewing annually the Group's most important risk areas and its approach to address the identified risk.

Those are, in addition to the financial risks described below, the managerial/organisational risk, the regulatory risk and the reputation risk. The potential risk of having a decentralised organisation has been partly mitigated through establishing new group functions (legal, compliance and organizational development), establishing guidelines for management remunerations and reorganisation of the management structure into five regions.

The Group depends on authorisations and licenses from various authorities. The B2Holding Group face regulatory risk with respect to changes in laws and regulations that may affect the markets where we operate. From a regulatory perspective, the different jurisdictions in which B2Holding operates approach the issue of NPLs in different ways. Some business units are licenced for either being a portfolio owner, a collection company, a credit information provider or a lender. The license requirements are under supervision by the relevant local operation. In addition, local collection and industry associations are working for the interest of the local industry and hence participating in managing the regulatory risk.

Reputational risk is of great importance in the Group's relationship with banks, clients, customers, employees, investors, regulators and other stakeholders. Negative attention regarding the Group or the industry in general, may have a negative effect on the Group's customers, the employees' loyalty to the Group, the vendors willingness to sell and the investors willingness to invest. Such reputational risks are continuously addressed. The implementation of common Code of Conduct throughout the Group is one of many steps to manage the reputation risk.

Reference is made to page 61 and the chapter Risk Management describing the risk management structure in more detail and this chapter constitutes an integral part of

the Directors' Report.

The Group's activities are exposed to several financial risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

CREDIT RISK

A large part of the Group's assets consists of portfolios made up of purchased consumer and corporate receivables, both unsecured and secured, which were non-performing when acquired by the Group. In other words, previous creditors have already attempted and failed to collect amounts due following initial or numerous non-payments. All acquisitions are based on careful valuations to predict future net collection and approved within the Investment routine with specific decision-making thresholds. The risk is reduced due to B2Holding's extensive experience and large database and high number of portfolios used in analytics.

The credit risk is monitored, analysed and controlled by local business unit management, and by the Group's unit for business control.

MARKET RISK

B2Holding's accounts are denominated in NOK, while a large part of the Group's business is carried out in EUR, SEK, DKK, PLN, HRK, RON, BGN, CZK and other currencies. The Group's receivables portfolios (assets) are mainly denominated in foreign currencies. The Group's net borrowing adjusted for currency derivatives are made in relevant currencies reflecting the underlying expected cash flow from the loans and receivables. Thus, the Group is exposed to both translation and transaction risk.

B2Holding is exposed to changes in interest rates, as the Group's debt has an element of floating interest rate. The Group employs hedging strategies which enables B2Holding to, within certain limits, hedge the interest exposure and hence monitor and reduce interest rate risk exposure.

OPERATIONAL RISK

Operational risk is a risk area that has increased due to the growth in number of portfolios as well as acquisitions of existing platforms combined with building new platforms. The risk is a result of system implementation and integrations, and differences in company- and country cultures.

B2Holding manages these risks through involvement and participation in local management bodies, local guidelines, reporting, risk identification and measures for reducing risks if assessed to be unacceptable. The "four-eyes-principle" is applied in all critical decisions and supporting systems. The Group has not planned further geographical expansion; the exposure of operational risks remains unchanged and will continue to be met by incident reporting, tracking of key risk indicators and training in the year to come.

LIQUIDITY RISK

B2Holding's liquidity requirements consist mainly of funding of purchased portfolios, operating cost, tax and interest payments. The Group's principal sources of liquidity are net cash generated from operating activities, borrowings under the four bond loans, the revolving credit facility and share capital increases. The Group's multi-currency revolving credit facility and four bond loans ensure necessary funding to meet future payment obligations.

The capital threshold for equity is set at a minimum consolidated book equity ratio of

25 %, and the minimum liquidity capacity is set to an equivalent of NOK 200 million on a consolidated basis. Based on the Group's capacity to assume risk, the thresholds are determined by the Board of Directors. B2Holding's risk control function monitors and ensures that the Group does not assume risk that exceeds the risk capacity and limits.

The Board considers the Group's liquidity reserves, drawing capacity and cash generated from operations to be sufficient and flexible enough for covering financial obligations when they fall due as well as meeting its business priorities.

ENVIRONMENT AND EMPLOYEES

Administration and personnel

There were 115 (2.88 %) days of sick leave in the parent company B2Holding ASA in 2018 compared to 8 (0.18 %) last year. Throughout 2018, no accidents resulting in serious injury or material damage have been reported. The workplace environment is considered to be positive, and improvements are made on a continuous basis. B2Holding ASA, the Group's headquarters located in Oslo, had 21 employees at the end of the year, of which 7 were women and 14 were men. At 31 December 2018, the Board of Directors consisted of five members of which two were women and three were men. Of two deputy board members there are one woman and one man.

Equality and discrimination

The B2Holding Group has 2,685 employees at year end comprised of 1,793 women and 892 men. The total number of full-time employee equivalents was 2,420 of which 1,574 women and 846 men. The Group aims to be a workplace where there is gender equality. The Group employs a policy where no discrimination is allowed.

The Norwegian Anti-discrimination Act aims to promote equal opportunities and rights, and prevent discrimination based on ethnicity, nationality, lineage, skin colour, language, religion or spiritual affiliation. The Group works actively, purposefully, and systematically to promote and ensure that the Group adheres to the fundamental principles laid out by the Anti-discrimination Act. These activities are targeted in recruitment, wage and working conditions, promotion, development, and protection against harassment.

The Group strives to be a workplace where no discrimination is made as a result of mental disability or physical limitations. The Group works to design and facilitate the physical environment in a way so that it can be accessible to as many as possible. Employees and applicants with physical disabilities will receive individual solutions in order to facilitate their workplace environment and responsibilities.

Environment and corporate responsibility (CR)

Under section 3-3a and 3-3c of the Norwegian Accounting Act, B2Holding is required to report on its corporate

responsibility and selected related issues. The section Corporate Responsibility on page 68 is based on the principles described in "Oslo Børs guidance on the reporting of corporate responsibility" from September 2016 and the CR report constitutes an integrated part of the Directors' Report.

B2Holding aims to create value for society through handling non-performing loans and supporting debtors in solving their payment challenges to get "back on track". We believe that Corporate Responsibility will have consequences for B2Holding's financial performance and long-term value creation, and the Board of B2Holding is committed to act sustainably when conducting the Group's business. In 2018, we have added and focused on our financial partners as a key stakeholder group given the fundamental impact it has to our business.

We consider that all our stakeholders contribute to, and are affected by, the society in one way or another. Through our operations we help manage society's debt problems and aim to contribute to a stable economy with better capital efficiency. We want to maintain and build long-term relations and be regarded as a trustworthy and qualified partner in dialogue with local authorities. The number of reported complaints for the Group in 2018 was at a very low level like last year, and all complaints were solved during the year.

The Board of Directors wishes to thank all employees for all support and efforts made for the achieved results and progress in 2018.

CORPORATE GOVERNANCE

Risk Management and internal control

The Corporate Governance report on page 80 constitute an integrated part of the Directors' Report. B2Holding ASA is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance most recently revised on 17 October 2018, as well as section 7 on the Continuing Obligations of stock exchange listed companies.

At B2Holding ASA's General Meeting on 25 May 2018, Jon Harald Nordbrekken, Kari Skeidsvoll Moe, Niklas Wiberg, Per Kristian Spone and Adele Bugge Norman Pran were elected as members of the Board of Directors.

Grethe Wittenberg Meier and Kjetil Garstad were elected as deputy board members entitled to participate in the board meetings. Adele Bugge Norman Pran was elected for a period until the annual general meeting in 2019 and the other members were elected for the period until the annual general meeting in 2020. Kari Skeidsvoll Moe was elected for two years at the General Meeting in May 2017. All members were elected in accordance with the proposal and recommendation from the Nomination Committee.

The internal control and risk management policy adopted by the Board of Directors on 15 February 2016 establish the processes and policies for managing and controlling the risks faced by the Company. According to the policy adopted, the Board of Directors established the Audit Committee, which after the General Meeting on 25 May 2018 consists of Per Kristian Spone as leader and Adele Bugge Norman Pran as Committee member. The external auditor, EY, will participate in meetings with the Audit Committee when matters falling within the scope of the external auditors' responsibilities are considered.

On 19 May 2016 the Board of Directors resolved to appoint the Remuneration Committee with Kari Skeidsvoll Moe as leader. Niklas Wiberg replaced Trygve Lauvdal as a member of the committee after the General Meeting on 25 May 2018.

The objective for the adopted risk management and internal control policy is to manage, rather than eliminate, exposure to risks related to the successful conduct of the Company's business and to support the quality of its financial reporting. Effective risk management and good internal control contribute to securing shareholders' investment in the Company and the Company's assets.

The Company's scope of business is to generate values for the shareholders through its expertise in the debt purchase and servicing of non-performing loans and hence manage or cover unacceptable risks involved with performing its business.

In the pursuit for securing robust and sustainable corporate governance, it is important to perform ethical and sustainable business practices, reliable and transparent financial reporting and to comply with all regulations, requirements and industry standards in all countries where B2Holding operates. Corporate Governance in B2Holding is about how the Board of

Directors and Management conduct the affairs, actions and policies to preserve and develop the company's values and ethical footprint.

B2Holding is a multi-national organisation divided into regions. The regional directors together with the Group's CEO with support from professional Group functions, are responsible for and shall ensure that all business units operate and develop in accordance with B2H's standards of conducting the business, the governance policies and the Code of Conduct to the benefit of our investors, lenders, employees, customers, partners and the society in general.

The Group has a decentralised management model featuring delegated responsibility for profits. As a result, the control function parallels the Group's management model, and it is the individual business unit's responsibility to make sure that it has the capacity and expertise required to carry out efficient internal control

For investment in and evaluation of loan portfolios, the Board of Directors has established policies for an internal control framework including an Investment Committee and an Investment Office in Luxembourg. This framework is established to control the specific operational risks and risks related to financial reporting of purchased loan portfolios.

Management prepares monthly consolidated financial reports that are sent to the Board of Directors. When the Group's quarterly financial reports are to be presented, the Audit Committee reviews the reports prior to the board meeting.

The Board of Directors annually reviews the strategic plan. In addition, as part of the preparation to the strategic discussion, the Board also reviews the group risks.

NOMINATION COMMITTEE

B2Holding's Nomination Committee is stated in the articles of association. The committee shall have three members, including the head of the committee. As to the composition of the nomination committee, the interests of the shareholders will be considered, and the majority of the members shall be independent of the Board and of the executive management. The Chairman of the Board and CEO shall be invited to a minimum of one meeting of the Nomination Committee before it gives its final recommendation. They will have the right to address the

committee but have no voting rights.

The Nomination Committee shall propose and present to the general meeting candidates for election to the Board. The Instruction for the Nomination Committee was approved by the Extraordinary Meeting on 19 May 2016 after which each member of the Nomination Committee shall act for two years. At B2Holding ASA's General Meeting in May 2017, Ole Grøterud (leader), Albert Collet and Egil Dahl were elected for a period until the annual general meeting in 2019.

EQUITY

The parent company's share capital at 31 December 2018 amounted to NOK 40.9 million. Total equity for the Group at 31 December 2018 was NOK 4,355.5 million corresponding to an equity ratio of 26.9 %. Considering the nature and scope of B2Holding's business, the Board considers that the Company has adequate equity.

GOING CONCERN

The annual accounts have been prepared on a going concern basis and in the opinion of the Board of Directors the accounts provide a fair presentation of the Company's business and financial results. The Board of Directors confirms that the going concern assumption has been satisfied.

OUTLOOK

With operations in all the largest markets for non-performing loans in Europe, the Group see a strong pipeline for both secured and unsecured portfolios going forward. The Group also see a continued positive

development for forward flows deals especially. The Group experience improved portfolio pricing conditions in several of its markets.

After a period with strong growth, the Board of Directors see a phase where operational efficiency will have increased focus and slightly lower growth rate should be expected. By leveraging on the existing platforms, streamlining and automatizing routines, in addition to centralising some functions, profitability and cash flow will increase further going forward.

In January 2019, the Group announced an agreement with HETA Asset Resolution for the purchase of a non-performing loan portfolio in Croatia composed of secured corporate loans, in a 50/50 joint venture structure with DDM Group. The portfolio has a face value of approximately EUR 800 million and is expected to be closed in Q2 2019. The revenue from joint venture is expected to increase in the coming quarters.

ANNUAL PROFITS AND DISTRIBUTIONS

The Board has proposed to allocate the 2018 profit of NOK 911.1 million of the parent company B2Holding ASA as follows:

Proposed dividend of NOK 0.45 per share for 2018:

Share dividend	NOK 184,470,000
Transfer to retained earnings	NOK 726,613,000
Total distributions	NOK 911,083,000

Oslo, 25 April 2019

/sign/
Jon H. Nordbrekken
Chairman of the Board

/sign/
Per Kristian Spone
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Adele Bugge Norman Pran
Board Member

/sign/
Olav Dalen Zahl
Chief Executive Officer

Board of Directors



**JON HARALD
NORDBREKKEN**
Chairman

- After four years as CEO of Intrum Justitia Norway, Nordbrekken founded Aktiv Kapital in 1991, where he stayed on as CEO until 1999 and as Chairman from 1999 to 2004.
- In 2005, he founded B2Holding AS, parent to both Gothia Financial Group and Bank2.
- Gothia was sold to Herkules in 2008 and Nordbrekken stepped down as Chairman of the Board of Bank2 in 2010, before establishing the “new” B2Holding the following year.

Number of board meetings in 2018: 34 of 35
Number of shares: 27,200,000
Born: 1952



KARI SKEIDSVOLL MOE

- Independent
- Leader of the Remuneration Committee
- Board member since May 2016

- General Legal Counsel at TrønderEnergi AS. Previous positions include Vice President and Legal Manager at Norsk Hydro ASA/Norsk Hydro Brasil Ltda, Legal Counsel for Norsk Hydro ASA and Legal Manager for Hydro Energi.
- Chairman of TrønderEnergi Nett AS, board member in Sintef Venture IV, Sintef Venture V and Fosen Vind DA, member of the corporate assembly of Equinor ASA.
- Cand. jur degree from University of Oslo, LL.M from Humboldt Universität in Berlin and post graduate diploma from King's College London.

Number of board meetings in 2018: 32 of 35
Number of shares: 6,200
Born: 1975



PER KRISTIAN SPONE

- Independent
- Leader of the Auditing Committee
- Board member since start-up

- Former CEO of Indigo Invest AS, an investment company owned by the Bentsen family. Development of car parks, real estate and financial investments.
- Extensive board experience.
- HRS degree (“Høyere revisorstudium”) and an MSc Economics and business administration.

Number of board meetings in 2018: 33 of 35
Number of shares: 72,708
Born: 1973



NIKLAS WIBERG

- Represents largest shareholder Prioritet Group AB
- Board member since May 2018. Deputy board member 2016-2018, board member 2013-2016.
- Executive Vice President and Deputy CEO at Prioritet Finans AB, Sweden's largest buyer of invoices. Prioritet Finans is owned by the Wiberg family.
- Magister level degree in Business with Specialisation in accounting, finance and entrepreneurship.

Number of board meetings in 2018: 26 of 35
Number of shares: 0
Born: 1978



ADELE BUGGE NORMAN PRAN

- Independent
- Board member since May 2018
- Management consultant, Board Professional and Investor.
- Professional experience from private equity and M&A consulting.
- Partner and CFO in Herkules Capital for 12 years.
- Board member of ABG Sundal Collier ASA, Mesta AS, Zalaris ASA and XXL ASA.
- Cand. jur degree from University of Oslo, Master of Accounting from NHH Norwegian School of Economics.

Number of board meetings in 2018: 14 of 14
Number of shares: 0
Born: 1970



KJETIL GARSTAD

- Represents fourth largest shareholder Stenshagen Invest AS
- Deputy board member since May 2018. Previously board member from 2014 to 2016.
- Analyst at Stenshagen Invest AS, a family owned investment office managing a concentrated portfolio of NOK 1.2bn in equities only.
- Head of oil services and partner in Arctic Securities 2007 to 2014 Mr Garstad
- MSc Economics.

Number of board meetings in 2018: 10 of 11
Number of shares: 451,425
Born: 1976



GRETHE WITTENBERG MEIER

- Independent
- Deputy board member since May 2018
- CEO at PrivatMegleren AS. Previous positions include CEO at Terra Aktiv Eiendomsmegling AS, CEO at SATS AS, CEO at Vita AS and marketing director at Bank2 AS.
- Chairman of Eiendom Norge AS, board member of Fitness Group Nordic AS, Norges Håndballforbunds Fondsstyre (Norwegian Handball Association Fund Management) and Nyeboliger AS.
- Bachelor of Commerce/ Business Studies from The Norwegian Business School (BI).

Number of board meetings in 2018: 11 of 11
Number of shares: 25,000
Born: 1965

A close-up photograph of a leaf with numerous water droplets on its surface, set against a blurred background of more leaves. The image is tinted with a blue color scheme.

10

Financial statements

Consolidated income statement ¹⁾

Year ended 31 December	Notes	2018 IFRS 9	2017 IAS 39
Interest income from purchased loan portfolios	4	2 537 113	1 680 221
Net credit gain/(loss) from purchased loan portfolios	4	-57 625	76 919
Profit from shares in associated parties/joint ventures and participation loan/notes	16	47 757	70 083
Other revenues	7	378 376	255 538
Total revenues	6	2 905 622	2 082 762
External expenses of services provided	8	-363 312	-285 539
Personnel expenses	9	-691 678	-490 287
Other operating expenses	10	-416 651	-286 837
Depreciation and amortisation	15	-56 126	-35 893
Operating profit (EBIT)		1 377 856	984 205
Financial income		4 652	3 290
Financial expenses		-618 378	-358 157
Net exchange gain/(loss)		43 973	18 283
Net financial items	11	-569 753	-336 583
Profit before tax		808 103	647 622
Income tax expense	12	-159 370	-166 391
Profit after tax		648 732	481 231
Profit attributable to:			
Parent company shareholders		648 582	481 651
Non-controlling interests		151	-420
Earnings per share (in NOK):			
Basic	13	1.63	1.30
Diluted	13	1.60	1.27

1) See note 1.4 for details regarding changes in presentation of financial information

Consolidated statement of comprehensive income

Year ended 31 December	Notes	2018 IFRS 9	2017 IAS 39
Profit after tax		648 732	481 231
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		-13 860	304 408
Hedging of currency risk in foreign operations	4	12 237	-19 828
Tax attributable to items that may be reclassified to profit or loss		-2 983	4 957
Other comprehensive income		-4 606	289 537
Total comprehensive income		644 126	770 769
Total comprehensive income attributable to:			
Parent company shareholders		643 906	771 234
Non-controlling interests		221	-465

Consolidated statement of financial position¹⁾

As at 31 December	Notes	2018 IFRS 9	2017 ²⁾ IAS 39
Deferred tax assets	12	97 219	65 778
Goodwill	14	785 230	522 366
Tangible and intangible assets	15	273 812	201 015
Investments in associated companies and joint ventures	16	12 144	5 564
Purchased loan portfolios	4	13 346 098	8 731 632
Loan receivables	17	357 801	414 580
Participation loan/notes	16	588 846	161 167
Other long-term financial assets	17	34 582	36 455
Total non-current assets		15 495 732	10 138 557
Other short-term assets	18	280 300	206 873
Cash and short-term deposits	19	397 702	452 000
Total current assets		678 002	658 874
Total assets		16 173 734	10 797 431
Share capital	20	40 903	36 952
Other paid in capital	20	2 835 895	2 087 317
Other capital reserves	21	20 436	17 852
Foreign currency translation reserve		314 381	319 011
Other equity		1 143 274	687 438
Total equity attributable to parent company's shareholders		4 354 889	3 148 569
Equity attributable to non-controlling interests		601	-189
Total equity		4 355 489	3 148 380
Deferred tax liabilities	12	162 925	95 709
Long-term interest bearing loans and borrowings	22	10 768 808	5 738 696
Other long-term liabilities	23	97 757	70 207
Total non-current liabilities		11 029 489	5 904 612
Short-term interest bearing loans and borrowings	22	363	989 436
Bank overdraft	22	59 115	125 655
Accounts and other payables	24	300 536	266 603
Income taxes payable	12	47 121	56 531
Other current liabilities	25	381 621	306 213
Total current liabilities		788 756	1 744 439
Total equity & liabilities		16 173 734	10 797 431

1) See note 1.4 for details regarding change in presentation of financial information

2) See note 1.5 for details regarding implementation effect of new IFRS standards

Oslo, 25 April 2019

/sign/
Jon H. Nordbrekken
Chairman of the
Board

/sign/
Adele Bugge
Norman Pran
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Per Kristian Spone
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Olav Dalen Zahl
Chief Executive Officer

Consolidated statement of changes in equity

	Notes	Attributable to parent company's shareholders						Non-controlling interests	Total equity
		Share capital	Other paid-in capital	Other capital reserves	Foreign currency translation reserve	Other equity	Total		
At 1 January 2017		36 912	2 083 216	13 867	29 533	262 890	2 426 417	-1 528	2 424 889
Profit for the year after tax						481 651	481 651	-420	481 231
Other comprehensive income					289 582		289 582	-45	289 537
Total comprehensive income					289 582	481 651	771 234	-465	770 769
Issue of share capital	20	40	4 100				4 140		4 140
Share based payments	21			3 985			3 985		3 985
Dividend paid to parent company's shareholders	20					-55 368	-55 368		-55 368
Dividends to non-controlling interests								-176	-176
Acquisition of non-controlling interests	5				-104	-1 736	-1 840	1 821	-19
Non-controlling interest arising on business combinations	5							160	160
At 31 December 2017		36 952	2 087 317	17 852	319 011	687 438	3 148 569	-189	3 148 380
Implementation effect IFRS 9	1					-69 476	-69 476	-24	-69 500
Restated at 1 January 2018		36 952	2 087 317	17 852	319 011	617 962	3 079 093	-213	3 078 880
Profit for the year after tax						648 582	648 582	151	648 732
Other comprehensive income					-4 676		-4 676	70	-4 606
Total comprehensive income					-4 676	648 582	643 906	221	644 126
Issue of share capital	20	3 951	767 593				771 544		771 544
Transaction costs	20		-19 015				-19 015		-19 015
Share based payments	21			2 584			2 584		2 584
Dividend paid to parent company's shareholders	20					-121 960	-121 960		-121 960
Dividends to non-controlling interests								-273	-273
Acquisition of non-controlling interests	5				46	-1 309	-1 263	866	-397
At 31 December 2018		40 903	2 835 895	20 436	314 381	1 143 274	4 354 889	601	4 355 489

Consolidated statement of cash flows

Year ended 31 December	Notes	2018	2017
Cash flow from operating activities			
Profit before tax		808 103	647 622
<i>Adjustment for non-cash items:</i>			
Interest income from purchased loan portfolios		-2 537 113	-1 680 221
Net credit gain/(loss) from purchased loan portfolios	4	57 625	-76 919
(Profit)/loss on sale of purchased loan portfolios	7	61 037	
Depreciation and amortisation	15	56 126	35 893
Interest expenses	11	610 560	357 153
Unrealised foreign exchange differences		18 064	-97 515
Share based payment expense	21	2 584	3 985
(Profit)/loss on sale of tangible and intangible assets		-752	-131
<i>Operating cashflows:</i>			
Gross cash collection from purchased loan portfolios	4	3 997 380	2 552 281
Interest paid		-525 265	-317 953
Income tax paid during the year		-175 719	-138 139
<i>Operating capital adjustments:</i>			
Decrease/(increase) in current assets		-47 913	-48 710
Decrease/(increase) in other non-current financial assets		19 139	-43 967
Increase/(decrease) in current liabilities		58 520	117 375
Increase/(decrease) in non-current liabilities		-119 901	-18 155
Other items		8 093	-3 261
Net cash flow from operating activities		2 290 567	1 289 337
Cash flow from investing activities			
Net purchase of purchased loan portfolios	4	-5 878 642	-4 072 940
Investment in subsidiary companies and joint ventures	5	-288 245	-115 201
Payment of contingent consideration	5	-20 838	-29 154
Purchase of tangible and intangible assets	15	-92 552	-55 814
Proceeds from the sale of tangible and intangible assets		6 189	3 000
Net cash flow from investing activities		-6 274 088	-4 270 109
Cash flow from financing activities			
Proceeds from the issue of new shares	20	771 544	4 140
Transaction costs from the issue of new shares	20	-19 015	
Proceeds from new external loans during the year	22	18 486 538	5 981 701
Repayment of external loans during the year	22	-15 130 782	-2 866 710
Dividend paid to parent company's shareholders	20	-121 960	-55 368
Dividends paid to non-controlling interests		-273	-176
Net cash flow from financing activities		3 986 052	3 063 587
Net cash flow during the year		2 531	82 816
Cash and cash equivalents at 1 January		326 345	217 608
Exchange rate difference on cash and cash equivalents		9 711	25 921
Cash and cash equivalents at 31 December		338 587	326 345
<i>Cash and cash equivalents comprised of:</i>			
Cash and short-term deposits	19	397 702	452 000
Bank overdraft	22	-59 115	-125 655
		338 587	326 345

Notes to the consolidated financial statements

NOTE 1: GENERAL INFORMATION, BASIS OF PREPARATION, CONSOLIDATION PRINCIPLES, NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP AND NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE

1.1 General information

B2Holding ASA (the Company or Parent) and its subsidiaries (together the Group) operates in the Portfolio business. The Portfolio business consists of the acquisition of and collection management processes for non-performing loans.

B2Holding ASA is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs) with ticker B2H. The Company's registered office is at Stortingsgaten 22, 0161 Oslo, Norway.

The consolidated financial statements of the Group for the year ending 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 25 April 2019.

1.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and approved by the EU.

Preparation of the financial statements, including note disclosures, requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. See note 3 "Critical accounting judgments and key sources of estimation uncertainty".

The consolidated financial statements have been prepared on a historical cost basis except for the following assets and liabilities that are at measured at fair value:

- derivatives,
- contingent considerations arising from business combinations,
- participation loan/notes,
- structured bond and investment funds, and
- collateral assets.

The functional currency of B2Holding ASA is the Norwegian krone (NOK). The B2Holding Group consolidated financial statements are presented in NOK and all values are rounded to the nearest thousand (NOK'000) except when otherwise indicated. B2Holding ASA has been granted permission from the Norwegian authorities to publish the Group accounts in English only.

The Group consolidated financial statements are prepared on the basis of uniform accounting principles for similar transactions and events. Unless otherwise stated the accounting policies as set out below have been consistently applied to all reporting periods presented. Presentation and classification of items in the financial statements is also consistent for the periods presented, except as noted in section 1.4 "Changes in presentation of financial information".

1.3 Consolidation principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that gives it the current ability to direct the relevant activities of the investee),
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee,
- rights arising from other contractual arrangements, and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

1.4 Changes in presentation of financial information

In connection with the adoption of IFRS 9 Financial Instruments and the new presentation requirements of IAS 1.82(a)(i) and IAS 1.82(ba), the Group has restated the line item presentation within "Total revenues" in the consolidated income statement. The changes in presentation include the new line, "Interest

income from purchased loan portfolios", which is the interest revenue using the effective interest method from the purchased loan portfolios, and the new line item "Net credit gain/(loss) from purchased loan portfolios", which is the credit gain/loss recognised for the reporting period for the purchased loan portfolios. This was previously part of "Revenue from purchased portfolios". In addition, the line item "Profit from shares and participation loan/notes in associated companies and joint ventures" is moved from the section "Operating profit (EBIT)" to the section "Total revenues".

In 2018 the line items "Depreciation of tangible fixed assets" and "Amortisation of intangible assets" from the 2017 Annual Report,

have been merged and are now presented as one-line item "Depreciation and amortisation". The line items "Other interest income", "Other financial items" and "Other interest expense" have been included in new line item "Financial income" and new line item "Financial expenses".

There is no impact on "Operating profit (EBIT)", "Profit after tax" or "Total equity" from these reclassifications. Profit margin decrease is due to reclassification of the "Profit from shares in associated parties/joint ventures and participation loan/notes". The previously reported and reclassified items from the consolidated income statement for 2017 are given in the table below:

	2017	2017
	Reported	Reclass.
Revenue from purchased loan portfolios	1 757 140	
Revenue from external collection	124 075	
Other operating revenues	131 464	
Total operating revenues	2 012 678	
Interest income from purchased loan portfolios		1 680 221
Net credit gain/(loss) from purchased loan portfolios		76 919
Profit from shares in associated parties/joint ventures and participation loan/notes		70 083
Other revenues		255 538
Total revenues		2 082 762
Operating profit (EBIT)	984 205	984 205
Net realised and unrealised exchange gains/(losses)	18 283	
Other interest income	2 907	
Other interest expense	-357 153	
Other financial items	-621	
Net financial items	-336 583	
Financial income		3 290
Financial expenses		-358 157
Net exchange gain/(loss)		18 283
Net financial items		-336 583
Profit before tax	647 622	647 622

In the 2018 statement of financial position, the line items "Tangible fixed assets" and "Intangible assets" from the 2017 Annual Report, have been merged and are now presented as one line item "Tangible and intangible assets". The new line item "Participation loan/notes" was in 2017 Annual Report reported as part of the line item "Other long-term financial assets". The line item "Accounts receivables" in 2017 Annual Report has been merged into and presented as a part of the line item "Other short-term assets" in 2018. The line item "Post-employment liabilities" in 2017 Annual Report has been merged into and presented as part of "Other long-term liabilities" in 2018. The line item "VAT, payroll and other indirect taxes" in 2017 Annual Report has also been merged into and presented as part of line item "Other current liabilities" in 2018. The reclassifications have no impact on "Total assets", "Total equity" or "Total equity & liabilities".

1.5 New and amended standards adopted by the Group

The following new standards have been adopted by the Group as of 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from contracts with customers replaces IAS 18 Revenue which covers contracts for goods and services and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. IFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. B2Holding has adopted IFRS 15 using the modified retrospective approach.

Revenue from contracts with customers are mainly revenue from external collection, telemarketing, fraud prevention and credit information services. These customer contracts have

been assessed against the IFRS 15 five-step model. The effect of adoption had no effect on 1 January 2018 opening equity and no effect on the timing or amount of revenue recognised in the consolidated income statement as compared to the timing and amounts recognised under IAS 18. For presentation and classification purposes, Management has decided to combine the revenue lines "Revenue from external collection" and "Other operating revenues" into one-line item called "Other revenues". See also note 2.6 "Revenue from customer contracts".

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial instruments as of 1 January 2018 in its entirety, including the IFRS 9 hedge accounting requirements. The Group applied the new rules retrospectively from 1 January 2018, with the practical expedients as permitted in the standard. Comparatives for 2017 are not restated, as is allowed by IFRS 9. There are no classification changes for financial assets recognised at amortised cost. All financial assets at fair value through profit or loss (FVTPL) remain at FVTPL. The net investment hedge continues as a qualifying hedge under IFRS 9, and there are no presentation or measurement changes for the net investment hedge upon adoption of IFRS 9.

The only material financial statement implementation effect at 1 January 2018, is an increase in loss allowances and a corresponding decrease in equity. This is related to the new impairment rules for financial assets carried at amortised cost. IFRS 9 replaces the incurred loss model from IAS 39 with an expected loss model where a loss allowance is recognised before

a loss event has incurred. The opening balance effect is primarily related to the financial asset "Loan receivables". Credit loss and changes in loss allowance in the reporting period for the loan receivables are included in the line item "Other revenues" and specified in a note disclosure. Interest income on loan receivables is included in the line item "Other revenues" and specified in note disclosures.

Purchased loan portfolios are credit-impaired at acquisition and are out of scope for the general expected credit loss (ECL) impairment model at initial recognition. In accordance with IFRS 9, the amount of the change in full lifetime expected credit losses since initial recognition are recognised each reporting period in the income statement in the line item "Net credit gains/(losses) from purchased loan portfolios". There is no loss allowance implementation effect or other implementation effects for the purchased loan portfolios other than updated presentation in the consolidated income statement and disclosures.

The main changes upon adoption of IFRS 9:

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 are disclosed in the table below. Differences in carrying amount are solely due to IFRS 9 increases in the impairment loss allowance recognised 1 January 2018 against opening equity. There are no changes to the classification or measurement categories of financial liabilities and equity instruments.

Measurement and classification IAS 39 and IFRS 9:

Financial assets	Measurement category IAS 39	Carrying amount IAS 39	Measurement category IFRS 9	Carrying amount IFRS 9
Purchased loan portfolios	Loans and receivables	8 731 632	Amortised cost	8 731 632
Loan receivables	Loans and receivables	414 580	Amortised cost	345 686
Other long-term financial assets	Loans and receivables	11 351	Amortised cost	11 245
Other long-term financial assets – structured bonds	FVTPL – fair value option (IAS 39.11a)	3 356	FVTPL – does not meet the SPPI test	3 356
Participation loan/notes	FVTPL	161 167	FVTPL	161 167
Derivatives - FX and interest rate swaps (short and long-term)	FVTPL	34 442	FVTPL	34 442
Accounts receivables	Loans and receivables	74 989	Amortised cost	74 246
Other short-term assets (financial)	Loans and receivables	34 065	Amortised cost	34 065
Cash and cash equivalents	Loans and receivables	452 000	Amortised cost	452 000

Reconciliation of loss allowance:

	Loss allowance IAS 39	Remeasurement of loss allowance	Loss allowance IFRS 9	Change in deferred taxes	Net change opening balance equity
Loan receivables	-67 585	-68 894	-136 479	67	-68 827
Other long-term financial assets		-106	-106	26	-79
Accounts receivables	-7 303	-744	-8 047	150	-594
Total	-74 888	-69 744	-144 632	244	-69 500

1.6 New and amended standards issued but not yet effective
Standards and interpretations that are issued but not yet effective up to the date of the issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) and a liability for the future lease payments (i.e. the lease liability). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The standard applies for all lease agreements previously recognized as operating leases except leases where the lease term is below 12 months (short-term leases) or the underlying asset has a low value (low-value leases).

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted the new Lease standard and will apply IFRS 16 from 1 January 2019. The Group will use the modified retrospective approach, which requires no restatement of comparative periods. The right-of-use asset will be measured at an amount equal to the lease liability adjusted by the amount of any previously recognized prepaid or accrued lease payments. Consequently, equity as of 1 January 2019 will not be impacted by the implementation of IFRS 16.

The Group will elect to apply the exemptions for short-term leases and low-value leases. As of the reporting date the Group has finance lease assets of NOK 2 million and finance lease commitments of NOK 1 million, see note 15 and note 26.2. For these existing finance leases, the Group will use the practical expedient in IFRS 16.C3 and not reassess whether these contracts are, or contain, a lease at the date of initial application of IFRS 16. Intangible assets will not be recognised as a lease.

Upon adoption of IFRS 16 on 1 January 2019, Management expects to recognize lease liability and right-of-use assets of approximately NOK 130 million. The majority of the Group's leases are leases of office buildings. In the consolidated income statement, operating lease expense will be replaced with depreciation of right-of-use asset and interest expense of lease liability. Management expects EBITDA to increase by approximately NOK 40 million based on the leases the Group had as of 1 January 2019. Profit before tax will not be materially affected as the total of the depreciation and interest expenses are expected to increase by approximately the same amount as the decrease in other operating expenses. In the consolidated statement of cash flows, net cash flow from operating activities will increase and net cash flow from financing activities will decrease comparatively, as lease payments after implementation of IFRS 16 will be presented as a part of net cash flow from financing activities. Management expects operating

cash flows will increase and financing cash flows will decrease by approximately NOK 35 million based on the leases the Group had as of 1 January 2019.

Management does not expect any significant IFRS 16 adoption impact on existing debt covenants.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group when preparing its consolidated financial statements.

2.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. According to this method, acquisitions of subsidiaries are viewed as transactions by which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities, and values those assets and liabilities meeting the conditions for recognition under IFRS 3, Business Combinations, at their fair value on the acquisition date.

The Group's cost of the subsidiary's shares or operations consists of the fair value of the consideration given on the transfer date, including any conditional purchase consideration which is recognised as a liability at fair value at the acquisition date, as well as the amount of any non-controlling interest in the subsidiary. Contingent consideration is a financial instrument and falls within the scope of IFRS 9 Financial Instruments. Any changes in the fair value of contingent consideration is recognised in the consolidated income statement. A contingent payment that is considered to be remuneration for future services of employees or former owners of the acquiree is recognised as personnel costs.

Non-controlling interests arise in cases where the Group acquires less than 100 % of the shares in the subsidiary. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in other operating expenses in accordance with the acquisition method.

In business combinations where the Group's cost exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is reported as goodwill. If the difference is negative, it is recognised directly in the consolidated income statement.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount of the CGU. The Group calculates the recoverable amount of the CGU by determining the higher of the fair value less cost to sell and its value in use. The key assumption for the value in use calculation is the forecasted cash flows during the forecast period. If the recoverable amount of the CGU is less than the carrying value

of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in the consolidated income statement and is not reversed in a subsequent period.

On disposal of an operating unit within a CGU to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

2.2 Investments in associated companies and joint arrangements

Associated companies are companies that are not subsidiaries but where the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Investments in associated companies are recognised in the consolidated accounts according to the equity method.

A joint arrangement is an arrangement where the Group together with one or several parties have joint control over the arrangement. Joint arrangements are classified as either joint ventures or joint operations. The equity method is applied when accounting for joint ventures. For joint operations, the parties recognise their rights to assets and liabilities in their balance sheets and recognise their share of income and costs incurred jointly in their income statements. The Group's joint arrangements are determined for reporting purposes to be joint ventures.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method the investment is recognised at cost and subsequently adjusted to the Group's share of the change in the investment's net assets since acquisition date. The equity method is applied from the date a significant influence arises until the time it ceases, or the associated company or joint venture becomes a subsidiary.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Group, except for the Joint Venture EOS Credit Funding BL DAC, which prepare financial statements for the period 1 March to 28 February. Adjustments are made for the effects of transactions or events that occur between the date of the Group's consolidated financial statements and that date.

If the Group's share of reported losses in the investment exceeds its carrying value, the carrying value is reduced to zero. Losses can be offset against the Group's unsecured receivables from the investment if they constitute part of the net investment. Further losses are not recognised provided the Group has not issued guarantees to cover them.

Upon loss of significant influence over the associated companies or joint control over the joint venture, and as such the equity method ceases, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in the income statement.

2.3 Foreign currencies

The Group's consolidated financial statements are presented in

Norwegian kroner, which is also the Parent company's functional currency. Each entity in the Group determines its own functional currency based on local operations, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in a currency other than the local functional currency are recognised at the exchange rate in effect on the transaction date. When such transactions are settled, any difference in the exchange rate will give rise to a realised exchange rate gain or loss. Monetary assets or liabilities in a currency other than the local functional currency are translated at the exchange rates on each balance sheet date and will give rise to an unrealised exchange rate gain or loss. Both realised and unrealised exchange rate differences are recognised in net financial items in the consolidated income statement.

On consolidation, the income statements and balance sheets of the Group companies with functional currencies other than Norwegian kroner are translated as follows. The assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate at the relevant balance sheet date, and income and expenses for each income statement (including comparatives) are translated using the average of the monthly average rates for the relevant period, which serves as an approximation of the rate that applied on each transaction date.

Translation differences arise on the translation of foreign operations in part because the exchange rates on the balance sheet dates change each year and in part because the average rate for the period differs from the exchange rate on the balance sheet date. All translation differences are recognised in other comprehensive income as the year's change in the foreign currency translation reserve. On the disposal of a net investment, the cumulative amount in the translation reserve related to the foreign operation is reclassified to the income statement as part of the gain or loss on disposal.

Any goodwill arising on the acquisition of a foreign operation, and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

When the settlement of a monetary item receivable from or payable to a foreign subsidiary is neither planned nor likely in the foreseeable future, the unrealised exchange rate gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented as part of the foreign currency translation reserve component of equity.

2.4 Purchased loan portfolios

Purchased loan portfolios consist of portfolios of non-performing loans and debt, purchased at prices significantly below the nominal receivable. They are recognised at amortised cost according to the credit-adjusted effective interest method in accordance with the rules for credit-impaired receivables set out in IFRS 9. Purchased loan portfolios are classified as non-current assets in the statement of financial position.

The credit-adjusted effective interest method is a method of calculating the amortised cost of a credit-impaired financial asset and of allocating the interest income to the income statement over the relevant period. The credit-adjusted effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or when

appropriate a shorter period, to the net carrying amount of the financial asset.

In connection with purchased loan portfolios, the effective interest rate is calculated provisionally based on the acquisition cost, including all transaction costs, and estimated future cash flows which includes the nominal amount, reminder fees, collection fees and late interest that, based on a probability assessment, are expected to be received from debtors.

Each portfolio is initially recorded in the statement of financial position at cost, including all transaction costs. Subsequent price adjustments for portfolios acquired are recorded as an adjustment to the statement of financial position. Interest income on purchased loan portfolios is accrued monthly in the income statement based on each portfolio's credit adjusted effective interest rate. Monthly cash flows greater than the cash flow forecast for the same period are recorded as part of the "Net credit gain/(loss) from purchased loan portfolios" in the period. Likewise, monthly cash flows that are less than the monthly cash flow forecast for the same period are also classified as part of the "Net credit gain/(loss) from purchased loan portfolios" in the period.

Portfolios are defined to be the lowest reliable level for aggregating accounts with similar attributes, such as accounts in the same jurisdiction or similar types or classes of debt. Typically, each portfolio consists of an individual acquisition of receivables. The portfolio is accounted for as a single unit for the recognition of income, principal payments and adjustments due to the recalculation of the estimated future cash flows.

Significant estimates have been made by management with respect to the collectability of future cash flows from portfolios. The cash flow estimates are prepared by management over a forecast period of time. If the cash flow estimates are revised, the carrying amount is recalculated by computing the present value of estimated future cash flows using the original credit-adjusted effective interest rate.

Management's interpretations of historical cash flows, type of receivable, age, face value of the individual account, collaterals and experience from other portfolios form the basis for the cash flow estimates. Actual results may differ from the estimates, making it reasonably possible that a change in estimates could occur and impact the carrying value of the related purchased loan portfolio. On a quarterly basis for unsecured portfolios and a monthly basis for secured portfolios, Management reviews the estimates of future cash flows and whether it is reasonably possible that its assessment of collectability may change based on actual results and other factors that may have an impact on the estimates. Where management is made aware of special circumstances relating to a purchased loan portfolio that may affect the reliability of previous assumptions, they will review and, if necessary, change the future cash flow estimates.

The Group also acquires portfolios on a forward flow basis. This means that a contract is established for purchases of loan portfolio at an agreed price as a percentage of a nominal receivable, but where the volumes of debts are not fully known at the time of agreement. The acquisition (delivery) of forward flow debts can be done on a monthly basis. For reporting and IFRS evaluation purposes, the Group combines these acquisitions into portfolio pools by vendor and sets future collection expectations based on these combined pools. The internal rate of return can therefore vary from each pool based on content of the pool.

Unidentified receipts and excess payments:

The Group receives large volumes of payments from debtors for itself and its clients. There are instances where the sender's reference information is missing or incorrect making it difficult to allocate the payment to the right case. There are also situations where payments are received on closed cases. In such instances, a liability is recognised in the statement of financial position for unidentified or incorrectly received payments. A reasonable search and attempt to contact the payment sender is made but, failing this, the payment is recognised as income at intervals that are permitted according to the rules and business practices of the local jurisdiction.

Repossession of assets:

Secured purchased loan portfolios are loans and debts with collateral in property or other assets. Assets which are repossessed as part of the management of secured purchased loan portfolios are recognised as collection from the secured portfolio at the fair value of the asset at the time of acquisition. In the statement of financial position, the asset is classified according to the nature of the asset. After acquisition, repossessed property is valued at fair value as investment property. The Group mainly repossesses real estate assets. Repossessed assets are presented in the balance sheet line "Other short-term assets" as collateral assets.

Repossessed assets classified as investment property are in subsequent periods measured at fair value. Internal and external expertise is used for valuations. Changes in fair value and gain/(loss) from sale or disposal are recognised in the income statement as "Other revenues".

2.5 Segments

An operating segment is a part of the Group that generates income and incurs expenses, and for which separate financial information is available that is evaluated regularly by the chief operating decision maker, the Chief Executive Officer, in deciding how to assess performance and allocate resources to the operating segment.

From 1 January 2018, the Group presents Western Europe as a new geographical region. Western Europe includes operations in Spain, Portugal, Italy and France. Comparable numbers for 2017 have been restated to be consistent with the 2018 presentation.

The Group's operating segments are the geographical regions:

- Northern Europe (NE)
Norway, Sweden, Denmark, Finland, Estonia, Latvia and Lithuania
- Poland
- Central Europe (CE)
Croatia, Slovenia, Serbia, Montenegro, Bosnia and Herzegovina, Austria, Czech Republic, and Hungary
- Western Europe (WE)
Spain, Portugal, Italy and France
- South East Europe (SEE)
Bulgaria, Romania, Greece and Cyprus
- Central Functions (CF)
including the Parent company, the Netherlands, and Group functions in Luxembourg.

Results from purchased loan portfolios are included in the region where the portfolio is originated. The breakdown by geographical region is also used for internal monitoring in the Group.

Revenue and operating profits are reported by geographical region. Financial income and expenses are not as the allocation of

financial items is dependent on the Group structure and financing and is not affected by the actual performance of the regions.

2.6 Revenue from contracts with customer

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties. Revenue from contracts from customers is presented in one-line item in the consolidated income statement as part of "Other revenues" and specified in note 7 Other revenues.

2.7 Taxes

Current income tax:

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

Income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the income statement.

Deferred tax:

Deferred income tax is computed using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts in the statement of financial position at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer

probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax:

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- where the sales tax incurred on the purchase of assets or services is not recoverable from the tax authority so that the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item. This is the case in many of the tax jurisdictions in which the Group operates where the collection of debts is not subject to sales tax; and
- receivables and payables which are subject to sales tax are stated with the amount of sales tax included.

The net amount of the sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

2.8 Tangible assets

Tangible fixed assets, such as improvements to rented offices, equipment, fixtures and fittings are stated at cost, less accumulated depreciation and accumulated impairment. Cost includes the purchase price and costs directly attributable to installing the asset in the way intended. Repair and maintenance costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the useful life of these assets, and for improvements to rented offices, over the remaining expected term of the property lease, if this is less than the useful life. The useful lives of these tangible assets mentioned above are from two to ten years. For practical reasons, the residual value of the asset is set to zero.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The tangible fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

A tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the tangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the tangible asset) is included in the income statement on derecognition.

2.9 Leases

In accordance with IAS 17 Leases a lease agreement is classified as either a finance or operating lease. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The leased asset is recognised in the statement of financial position

as a fixed asset and the future lease payments are recognised as a liability, with the portion falling due for payment within one year recognised as a current liability and the remaining portion recognised as a non-current liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are expensed on a straight-line basis over the lease term.

2.10 Intangible assets

Intangible assets include purchase of software and intangible assets acquired separately or in a business combination. Internal expenses for IT development and internal and external maintenance expenses are expensed as incurred.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The intangible assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The amortisation expense on intangible assets with finite lives is presented in the income statement as part of "Depreciation and amortisation".

Any gain or loss arising on derecognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset) is included in the income statement in the year the intangible asset is derecognised.

2.11 Impairment of tangible assets and other non-current assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement in those expense categories consistent with the nature of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or

may have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

See also section 2.1 Business combinations and goodwill and section 2.10 Intangible assets for the specific criteria which is applied in determining the impairment of these classes of asset.

2.12 Financial assets and liabilities: classification, measurement and impairment

A financial instrument is defined as any form of agreement giving rise to a financial asset in a company and a financial liability or equity instrument in a counterparty. Financial instruments include, as assets, purchased loan portfolios, participation loan/notes, other long-term assets, accounts and other receivables, and cash and cash equivalents, and as liabilities, interest-bearing loans and borrowings, accounts and other payables, and other long-term liabilities. The Group also uses derivative financial instruments for purposes of risk management which are described in section 2.13.

Within the scope of IFRS 9, financial assets are classified as either financial assets at fair value through profit or loss (FVTPL), financial assets at fair value over other comprehensive income (FVOCI) or at amortised cost. Financial assets at FVTPL are equity-traded instruments and other investments not meeting the criteria of cash flows consisting of solely payments of principle and interest (SPPI). Financial assets at FVOCI meet the SPPI criteria and have a business model of Hold to collect and sell. All other financial assets are those meeting the SPPI criteria and with a business model of Hold to collect and are measured at amortised cost. Financial liabilities are classified as either financial liabilities at fair value through profit or loss (if so designated at FVTPL by management) or at amortised costs. Financial assets and liabilities measured at FVTPL include derivatives not designated for hedging purposes, assets held for trading and financial assets and liabilities that are not classified in one of the other categories.

Financial assets and liabilities are recognised by the Group when it becomes party to the contractual provisions of the instrument and are initially measured at fair value or amortised cost. The Group determines the classification of its financial assets and financial liabilities at the point in time of initial recognition. Subsequent measurement of the Group's financial assets and liabilities depends on their classification at fair value or amortised cost. Financial assets and liabilities measured at FVTPL include derivatives not designated for hedging purposes, assets held for trading and financial assets and liabilities that are not classified in one of the other categories.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Purchased loan portfolios:

Purchased loan portfolios are measured at amortised cost. Their accounting treatment is described in more detail in section 2.4 and note 3.

Participation loan/notes:

Participation loans/notes are at FVTPL. See note 16 Investments in associated companies and joint ventures and participation loan/notes for additional information about participation loan/notes.

Other long-term financial assets:

Long-term receivables have an anticipated maturity of more than one year. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method, less impairment which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. See note 17 Other long-term assets for additional information about fair value financial assets.

Other short-term assets:

Accounts and other receivables are recognised when the Group has performed and there is a contractual obligation on the counterparty to pay, even if an invoice has not yet been received. Accounts receivable are recognised when an invoice has been sent. Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost less any loss allowance. The loss allowance is based on a lifetime credit loss (ECL) model. The anticipated maturity of these receivables is short, so their carrying values are not discounted.

Customer cash accounts represent cash received on collection of a specific debt on behalf of a client and payable to the client within a specific period of time. The same amount is reported within other payables.

Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term deposits as well as immediately available balances with banks and similar institutions. Short-term deposits are easily and readily convertible to a known amount of cash and have a maturity of not more than three months.

Interest-bearing loans and borrowings:

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net financial items when the liabilities are derecognised as well as through the amortisation process. The upfront fees are a part of the borrowing cost and are recognised as part of the interest expense in accordance with the effective interest method.

Accounts and other payables:

Payables are recognised when the counterparty has performed and there is a contractual obligation on the Group to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice has been received.

Accounts and other payables are recognised initially at fair value and subsequently measured at amortised cost. The anticipated maturity of these payables is short, so their carrying values are not discounted.

Impairment of financial assets:

IFRS 9 requires recognition of expected credit losses (ECL) for the Group's investments in debt instruments measured at amortised cost. The Group applies the practical expedient of the lifetime ECL model for accounts receivable. For loan receivables at amortised cost, the ECL 3-stage model is applied. In stage 1, ECL from default events that are possible within the next 12 months is recognised. In stage 2 and 3 (credit risk has increased significantly since initial recognition), lifetime ECL is recognised. Loan receivables are

transferred from stage 1 to stage 2 when days past due before default are 11 days. The purchased loan portfolios are considered to be credit-impaired at acquisition and are out of scope for the general ECL impairment model. Full lifetime ECL is included in the estimated cash flows when calculating the effective interest rate on initial recognition, and no additional loss allowance recognition is required.

2.13 Derivatives

The Group uses the following derivative financial instruments to hedge its risks associated with interest rates and foreign exchange rates: interest rate swaps (with or without cap), interest rate caps, foreign exchange swaps and cross currency rate swaps with cap. Derivatives are initially and subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The gain/(loss) arising from changes in fair value of interest rate derivatives is presented as part of "Financial expenses" and of currency derivatives as part of "Net exchange gain/(loss)" in the consolidated income statement.

The Group does not have any derivatives that are used for hedge accounting.

2.14 Derecognition of financial assets and liabilities

Financial assets:

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In such cases, the Group also recognises an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.15 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.16 Fair value of financial instruments

The fair value of financial instruments that are traded on active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments that are not traded on an active market, the fair value is determined using appropriate valuation techniques which include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- a discounted cash flow analysis or other valuation model.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 4 Financial risk management.

2.17 Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Contingent liabilities and contingent assets are a possible obligation or possible income depending on whether some uncertain future event occurs, or a present obligation, whose payment is not probable or amount cannot be measured reliably, or a possible inflow of economic benefit that is not certain. Contingent liabilities and assets are not recognised in the balance sheet but are disclosed in the notes to the accounts.

2.18 Pensions and other post-employment liabilities

Defined contribution pension plans:

The Group has a series of defined contribution pension plans which are pension plan under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods, and therefore does not record a pension liability in the statement of financial position.

Other post-employment liabilities:

The Group's employees in certain jurisdictions are entitled to one month's severance pay in the event of old-age or disability retirement, in accordance with national labour regulations. This post-employment liability is based on a valuation carried out by a professional actuarial firm.

Provisions for other termination benefits are created once employment is terminated.

2.19 Share based payments

Members of the group management team and selected key employees receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 21 Share-based payments. That cost is recognised in personnel costs, together with a corresponding increase in other capital reserves within equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured at the date of modification is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. For further details, see note 13 Earnings per share.

2.20 Equity and net investment hedge

Share capital is stated at the nominal value of the shares that have been issued.

Other paid-in capital consists of any premiums received in connection with the initial issue of share capital. Any transaction costs associated with the issuing of shares are deducted from other paid-in capital, net of any related income tax benefits.

Other capital reserves represent the cumulative cost of share-based payments, as described in note 2.19 above.

The effects of exchange differences on translation of foreign currency are included as a separate component of equity.

The Group has established a net investment hedge in a foreign operation. The hedged risk is the foreign currency translation risk caused by the consolidation of an investment in a foreign subsidiary with a different functional currency than the parent. Under the hedge accounting, a larger share of exchange rate fluctuations will be reported as "Hedging of currency risk in foreign operations" in Other comprehensive income. Gains or losses on the hedging instrument relating to the effective portion

of the hedge are recognised as Other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss. For further details, see note 4 Financial risk management.

Other equity includes current and prior period results as disclosed in the consolidated statement of profit or loss and other comprehensive income.

2.21 Dividends

The Group recognises a liability to pay a dividend to owners of equity once it has been approved by the shareholders at the Shareholders' General Meeting. A corresponding amount is recognised directly in equity.

Dividend revenue is recognised when the Group's right to receive the payment is established, which is generally when the shareholders have approved the dividend.

2.22 Classification in the statement of financial position

Current assets and liabilities include items due less than one year from the reporting date, and items tied to the operating cycle, if longer. The current portion of long-term debt is included as current liabilities. Other assets are classified as non-current assets.

2.23 Related parties

Parties are defined as related parties if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. All transactions between the related parties are based on the principle of 'arm's length' (estimated market value).

2.24 Consolidated statement of cash flows

The indirect method is used for the consolidated statement of cash flows which reconciles the change in cash and cash equivalents to the profit for the year before tax. For the purpose of the consolidated statement of cash flows, cash and cash equivalents, defined in section 2.12 Financial assets and liabilities, are shown net of any outstanding bank overdrafts.

Foreign subsidiary transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are recognised as cash flow from investing activities on a net basis after deducting cash and cash equivalents in the acquired or divested company.

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements and assumptions that can significantly affect the amounts recognised in the financial statements. Additionally, major sources of estimation uncertainty at the end of the reporting period can have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities in future periods.

Key sources of estimation uncertainty and critical judgements are continually evaluated and updated based on expectations about future events that are believed by Management to be reasonable under the circumstances.

When applying the Group's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Purchased loan portfolios – classification:

Purchased loan portfolios are the primary business activity of the Group and consist of portfolios of non-performing loans and debt, purchased at prices significantly below the nominal value of the receivable. During 2017 under IAS 39 these portfolios were carried at amortised cost using the effective interest method to measure and recognise income and adjustments in book value due to changes in estimated future cash flows. After adoption of IFRS 9 on 1 January 2018, these portfolios are defined as credit-impaired at acquisition, and classification under IFRS 9 is dependent on an evaluation of the B2Holding business model and whether these portfolios meet the SPPI criteria (cash flows are solely payments of principal and interest). If these portfolios are determined to meet the criteria for a business model of Hold to collect and the cash flows consist of only principal and interest, then the classification is amortised cost. If not amortised cost, then the classification would be measurement at fair value over other comprehensive income (FVOCI), as the SPPI criteria are met and the business model would be Hold to collect and sell. Management has performed a detailed analysis and exercised significant judgement related to the classification of the purchased loan portfolios upon implementation of IFRS 9. Management reviewed the portfolio cash flows, collection methods, and strategies as well as the infrequency of sales of individual receivables claims in the process of coming to a classification decision. It is management's conclusion that the IFRS 9 criteria for a business model of Hold to collect and the SPPI criteria are satisfied for these portfolios. Purchased loan portfolios will continue to be measured at amortised cost using the effective interest method in accordance with the rules for credit-impaired at acquisition financial assets as set out in IFRS 9.

Purchased loan portfolios – recognition in the income statement:

The Group uses a credit-adjusted effective interest rate method to account for the loan receivables in the purchased loan portfolios. The use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows at each balance sheet reporting date. The underlying estimates that form the basis for interest income recognition and impairment losses on the portfolios depends on variables such as the ability to contact the customer and reach an agreement, estimated timing of cash flows, the general economic environment and statutory regulations. Differences between the estimated future cash flows and actual cash flows for a period are recognised as "Interest income on purchased loan portfolios" in the consolidated income statement. If the estimations for future periods are revised, the Group adjusts the carrying amount of the portfolios and loans to reflect actual and revised estimated cash flows in accordance with IFRS 9.B5.4.6. This adjustment, due to changes in the actual and estimated cash flows, is recognised as an impairment loss in the consolidated income statement as "Net credit gain/(loss) from purchased loan portfolios". Events or changes in assumptions and Management's assessments and judgement will affect the amount and timing of the recognition of interest income and impairment losses. For further details, see note 4 Financial risk management.

Purchased loan portfolios – measurement:

Purchased loan portfolios consist mainly of acquired credit-impaired (non-performing) loans and receivables (non-derivative financial assets). When these portfolios meet the definition of

having cash flows that are payments of solely principal and interest and are managed in a business model of Hold to collect they are measured at amortised cost. The initial book value of the purchased loan portfolios is at fair value, defined as the acquisition cost plus transaction expenses at the time of purchase. Subsequent measurement is at amortised cost using the credit-adjusted effective interest rate established as of the date of initial acquisition of the portfolio. Events or changes in actual versus estimated collections and Management's assessment of future cash flows will impact the net present value of future cash flows and therefore the amortised cost book value of the purchased loan portfolios. For further details, see notes 2.4 Purchased loan portfolios and 4 Financial risk management.

Goodwill impairment testing:

In accordance with IAS 36, goodwill is tested at least on an annual basis for impairment. If a loss in value is indicated, the recoverable amount is the cash-generating unit's (CGU's) fair value less the cost of disposal or its value in use. When testing goodwill for impairment, Management defines the recoverable amount as the estimated value in use. The value in use is the net present value of the estimated cash flows before tax. The discount rate used is the weighted average cost of capital (WACC) before tax calculated for each CGU. Estimating the financial assets' recoverable amount is based on Management's judgements related to estimates of future performance and cash flows, the interest income generating capacity of the assets and assumptions related to future market conditions. A possible impairment of goodwill is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. For specific details related to the testing of goodwill, see note 14 Goodwill.

Contingent consideration:

Contingent consideration, resulting from business combinations, is initially recognised at fair value as of the acquisition date as part of the business combination and is classified either as "Other long-term liabilities" or "Other current liabilities", depending on the contractually agreed payment dates. As the contingent consideration payable meets the definition of a financial liability, it is subsequently measured at fair value through profit or loss (FVTPL) at each reporting date. The determination of the fair value is based on a discounted cash flow model that includes a probability weighting of the assessed outcomes of the contractually agreed performance targets over the contractually agreed payment dates. Post-acquisition performance or other events can change the assumptions used by Management to assess the inputs used in the fair value estimate of the contingent consideration liability. For further details, see note 5 Business combinations and acquisition of non-controlling interests.

Share-based payments:

Estimating the fair value for share-based payment transactions requires judgement as to the use of the most appropriate valuation model, which depends on the terms and conditions of the option program agreements. Management has decided to use the Black-Scholes option-pricing model. The estimate of the option's fair value requires Management judgement related to the definition and estimation of the inputs to the option-pricing model, which include the expected life of the share option, as well as the estimated volatility of the underlying share price and determination of the risk free rate of return. The assumptions and model used for estimating the fair value for share-based payments are discussed in more detail in note 21 Share-based payments.

Deferred tax assets:

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that will be recognised, based upon the reliable evidence as to the estimated timing and amount of the future taxable profits. Further details are included in note 2.7 and note 12 Income tax.

NOTE 4: FINANCIAL RISK MANAGEMENT

4.1 Financial risk

The Group's activities are exposed to financial risks: market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market and regulatory environment:

The prime market risk for the Group is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables. The services and products offered in the respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licenses, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

Currency and interest rate risk:

The strategy of the Group is to manage and limit both currency and interest rate risk. The Group holds various derivative financial instruments with the purpose of reducing its interest rate exposure and achieving a suitable currency ratio between its assets and liabilities.

Currency risk

Net borrowing (nominal value of interest bearing loans and borrowings plus utilised bank overdraft less cash and short-term deposits) adjusted for derivatives are made in relevant currencies reflecting the underlying expected future cash flows from loans and receivables. The exceptions are Croatian Kuna (HRK), Romanian Leu (RON), Bulgarian Lev (BGN), Hungarian Forint (HUF), Bosnian Convertible Mark (BAM), Czech Koruna (CZK) and Serbian Dinar (RSD) where all borrowing is done in EUR.

The Group's bond loan is denominated in EUR and borrowings under the multi-currency revolving credit facility are drawn in PLN and NOK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2018: (i) FX Forward of NOK 450 million bought against DKK, (ii) FX Forward of NOK 125 million bought against DKK, (iii) FX Forward of NOK 200 million bought against EUR, (iv) FX Forward of NOK 400 million bought against EUR, (v) FX Forward of NOK 284 million bought against SEK and (vi) FX Forward of NOK 425 million bought against SEK. At 31 December 2018, net borrowings amounted to NOK 10,430 million. Adjusted for the currency derivatives mentioned above, the net borrowings represented a currency basket comprising EUR: 71 %, PLN: 16 %, SEK: 8 % and DKK: 5 %.

Interest rate risk

The Group uses interest rate swaps and interest rate caps to reduce its interest rate exposure. The Group's strategy is to hedge between 60 % and 120 % of net borrowings up to a maximum period of 5 years. The hedging ratio at 31 December 2018 was 79 % with a duration of 4.15 years.

Under the arrangements in effect at 31 December 2018, a 1 percentage point decrease in market interest rates is estimated to have a negative effect on net financial items of NOK 11 million, including a decrease in the fair value of the derivatives of NOK 40 million. A 1 percentage point increase in market interest rates is estimated to have a positive effect on net financial items of NOK 15 million, including an increase in the fair value of the derivatives of NOK 94 million. The reason for the negative effect if interest rates fall is that the interest bearing loan agreements (both the multi-currency revolving credit facility and the bond loan) have capped the floating rate to zero, which means that the benefit of any current negative interest rates is not fully matched by the derivatives whose main purpose is to avoid increased financing costs if interest rates rise.

In general, changes in macroeconomic factors such as interest rates may impact the debtors' ability to repay their debt and thereby influence the future cash flow received from the portfolios.

The currency sensitivity analysis shown below is based on book value of loans and receivables at 31 December 2018, net of net borrowings and the effect of currency derivatives.

Currency	Closing rate at 31 December 2018 against NOK	NOK strengthens by 20 %	NOK strengthens by 10 %	NOK weakens by 10 %	NOK weakens by 20 %
DKK	1.332	-39 048	-19 524	19 524	39 048
EUR	9.948	703 930	351 965	-351 965	-703 930
HRK	1.342	-682 931	-341 466	341 466	682 931
SEK	0.970	-66 309	-33 154	33 154	66 309
HUF	0.031	1 336	668	-668	-1 336
BAM	5.080	-1 790	-895	895	1 790
RSD	0.084	-12 616	-6 308	6 308	12 616
PLN	2.313	-64 592	-32 296	32 296	64 592
RON	2.133	-183 156	-91 578	91 578	183 156
BGN	5.087	-122 150	-61 075	61 075	122 150
CZK	0.387	-91 965	-45 983	45 983	91 965
Total impact on book values		-559 290	-279 645	279 645	559 290

The EUR has an opposite effect to the other currencies in the table above because EUR net borrowings, including derivatives, exceeds the book value of EUR loans and receivables. The reason for this is that all borrowings relating to the acquisition of loan portfolios in Czech Republic, Croatia, Serbia, Bosnia and Herzegovina, Hungary, Romania and Bulgaria are done in EUR and not in their local currency, as mentioned in the currency risk paragraph above.

Credit risk:

Most of the loans and receivables are unsecured. As long as there is uncertainty about the ability of debtors to fulfil their obligations, there will also be considerable risk linked to cash collected from the Group's loans and receivables. Management's view is that the real credit risk exposure is reduced through the price discount paid on acquisition of the portfolios.

In order to minimise the credit risk exposure, the Group continues to invest in staff with broad experience in credit management, and focus on increased analytical approaches to portfolio assessments. In addition, the Group's investment in effective IT systems and a more uniform cross-border business model will result in better control of the Group's business, which in turn will also help reduce the risk of credit losses.

Maximum exposure to credit risk	2018	2017
Purchased loan portfolios	13 346 098	8 731 632
Loan receivables	357 801	404 924
Participation loans/notes	588 846	161 167
Other long-term financial assets	34 582	36 455
Accounts receivable	34 908	74 989
Other short-term assets	76 533	131 884
Cash and short-term deposits	397 702	452 000
Total at 31 December	14 836 470	9 993 051

Liquidity risk:

The Group's multi-currency revolving credit facility of EUR 510 million, the Bond Loan of EUR 150 million, the Bond Loan of EUR 175 million, the first Bond Loan of EUR 200 million, the second Bond loan of EUR 200 million and cash and cash equivalents, totalling NOK 12,684 million at 31 December 2018, ensures necessary funding to meet future payment obligations. At 31 December 2018, the Group had an unused part of the revolving credit facility totalling EUR 93 million or NOK 922 million, an unused part of the multi-currency overdraft totalling EUR 34 million or NOK 339 million in addition to cash and cash equivalents of NOK 398 million.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	12 months or less	1-2 years	2-5 years	More than 5 years
Interest bearing loans & borrowings (short-term and long-term)	698 395	2 108 759	10 192 784	
Other long-term liabilities		50 475	77 135	
Bank overdraft	59 115			
Accounts and other payables	300 536			
Other current liabilities	204 648			
Total at 31 December 2018	1 262 695	2 159 234	10 269 919	0
Interest bearing loans & borrowings (short-term and long-term)	1 662 425	1 085 952	5 667 661	76
Other long-term liabilities		46 933	58 425	
Bank overdraft	130 367			
Accounts and other payables	266 603			
Other current liabilities	173 450			
Total at 31 December 2017	2 232 845	1 132 885	5 726 086	76

Capital structure:

The Group's interest-bearing debt net of cash and cash equivalents was NOK 10,430 million at 31 December 2018. Total equity, net of intangible assets (incl. goodwill), was NOK 3,382 million and total assets, net of intangible assets (incl. goodwill), was NOK 15,200 million.

The Group monitors its capital structure by calculating a total loan to value ratio, defined as the total nominal amount of net interest bearing debt, adjusted for vendor financing, earn out, financial lease, fair value of hedging instrument, less cash and deposits divided by the carrying value of purchased loan portfolios, loan receivables and goodwill. The total loan to value ratio at 31 December 2018 was 72 % which is lower than the maximum allowed loan to value covenant requirement under the multi-currency revolving credit facility and the bond loan of 75 %.

Refer to note 22 for more information about the Group's financial covenants.

4.2 Derivatives and net investment hedge

At 31 December 2018, the Group had the following derivatives:

Instrument	Currency	Notional amount in currency	Notional amount in NOK	Fixed rate	Strike/capped rate	Floating 3M IBOR	Fair value NOK	Start date	Due date
Interest rate derivatives:									
Interest rate swap with cap	EUR	50 000	497 415		1.1950 %	-0.31 %	-1 900	16.12.2015	8.12.2020
Interest rate swap with cap	EUR	60 000	596 898		1.1695 %	-0.31 %	-2 938	10.04.2017	11.04.2022
Interest rate swap with cap	PLN	100 000	231 280		3.8880 %	1.72 %	-2 735	10.04.2017	11.04.2022
Interest rate swap with cap	SEK	100 000	97 010		1.3180 %	-0.13 %	-825	10.04.2017	11.04.2022
Interest rate swap	EUR	5 000	49 742	0.5300 %		-0.31 %	-291	16.11.2015	10.09.2019
Interest rate swap	DKK	350 000	466 270	0.2540 %		-0.28 %	-1 109	21.12.2018	14.12.2023
Interest rate cap	EUR	65 000	646 640		1.0000 %	-0.31 %	1 250	22.12.2017	22.12.2022
Interest rate cap	EUR	65 000	646 640		1.0000 %	-0.31 %	1 826	22.12.2017	22.12.2022
Interest rate cap	EUR	100 000	994 830		1.0000 %	-0.31 %	1 955	28.08.2017	29.08.2022
Interest rate cap	EUR	100 000	994 830		1.0000 %	-0.31 %	3 862	10.07.2018	10.07.2023
Interest rate cap	EUR	100 000	994 830		1.0000 %	-0.31 %	4 766	10.07.2018	10.07.2023
Interest rate cap	EUR	75 000	746 123		1.0000 %	-0.31 %	5 752	21.12.2018	14.02.2024
Interest rate cap	EUR	75 000	746 123		1.0000 %	-0.31 %	5 356	21.12.2018	14.02.2024
Interest rate cap	SEK	300 000	291 030		1.0000 %	-0.13 %	879	28.08.2017	28.08.2022
Interest rate cap	SEK	300 000	291 030		1.0000 %	-0.13 %	3 727	21.12.2018	14.03.2024

Instrument	Currency Hedge	Forward amount in currency	Forward amount in NOK	Forward rate	Forward amount hedge	Spot rate	Fair value NOK	Start date	Due date
Currency derivatives:									
FX forward	DKK/NOK	450 000	450 000	1.2822	350 958	1.2773	-17 712	31.10.2018	14.01.2019
FX forward	DKK/NOK	125 000	125 000	1.3074	95 612	1.3040	-2 419	28.11.2018	14.01.2019
FX forward	EUR/NOK	200 000	200 000	9.5651	20 909	9.5352	-8 064	05.11.2018	14.01.2019
FX forward	SEK/NOK	284 478	284 478	0.9483	300 000	0.9450	-7 855	14.12.2018	14.03.2019
FX forward	EUR/NOK	400 000	400 000	9.8141	40 758	9.7790	-6 558	18.12.2018	14.03.2019
FX forward	SEK/NOK	425 000	425 000	0.9486	448 051	0.9451	-10 077	28.11.2018	14.02.2019
							-52 685		

The Group uses interest rate swaps and caps to hedge (from floating to fixed) its interest rate risk exposure, and foreign exchange forward contract to hedge its currency exposure. The fair value of the interest swaps and caps at 31 December 2018 was positive with NOK 19.6 million and the fair value of the cross currency swaps and FX forwards at 31 December 2018 was negative with NOK 52.7 million. In total the fair value of all derivatives at 31 December 2018 was negative with NOK 33.1 million.

In addition to changes in fair value the interest payable and premium for the Interest rate caps affects net financial items. The net interest cost from the interest rate swaps was NOK 3.9 million in 2018 and the premium for the interest rate caps was NOK 31.7 million.

The Group uses hedge accounting to hedge the net investment in one of its foreign subsidiaries. The hedged risk is the foreign currency translation risk caused by the consolidation of an investment in a foreign subsidiary with a different functional currency than the parent. The hedging instrument is the lower amount of the designated amount of borrowing in PLN under the multi revolving currency facility (see note 22) and the consolidated equity book value in the subsidiary. The designated amount is at 31 December 2018 PLN 100 million and the equity book value in the subsidiary is PLN 597 million. The hedge ratio is 1:1 and there is no sources of hedge ineffectiveness in the hedging relationship. The hedge has been highly effective since inception and no part has been recognised as ineffective in the consolidated income statement.

Net investment in foreign operation	2018	2017
Carrying amount (Long-term interest bearing loans and borrowing)	1 803 984	1 225 016
PLN carrying amount	780 000	520 000
PLN designated amount	100 000	200 000
Hedge ratio	1:1	1:1
Hedging instrument maturity date	May 2022	August 2019
Change in carrying amount of long-term interest bearing loan as a result of foreign currency movements since 1 January, recognised in OCI	12 237	-19 828
Change in value of hedged item used to determine hedge effectiveness	-12 237	19 828

4.3 Purchased loan portfolios

Purchased loan portfolios at 31 December:

	2018	2017
At 1 January	8 731 632	4 751 878
Acquired in business combinations (note 5)	618 111	
Purchase of purchased loan portfolios	6 212 604	4 111 752
Gross cash collection from purchased loan portfolios	-3 997 380	-2 552 281
Interest income from purchased loan portfolios	2 537 113	1 680 221
Net credit gain/(loss) from purchased loan portfolios	-57 625	76 919
Book value of sold purchased loan portfolios ¹⁾	-866 195	
Exchange rate differences	167 837	663 143
At 31 December	13 346 098	8 731 632

1) Book value of sold purchased loan portfolios is at an arm's length transaction price and are the sales of two entire purchased loan portfolios

The face value of the closing balance of purchased loan portfolios amounts to NOK 131,935 million including accrued interest at 31 December 2018 (2017: NOK 95,681 million).

Gross cash collection from purchased loan portfolios:

Gross cash collection is the actual cash collected from purchased portfolios before costs related to collect the cash received.

Net credit gain/(loss) from purchased portfolios:

The Group purchases materially impaired loan portfolios at significant discounts and impairments are already included at purchase. The expected credit loss for the purchased loan portfolios is not explicitly recognized as a loss provision, as these financial assets are credit impaired by definition and the estimated loss is already part of the amortized cost. The Group's exposure to credit risk from the purchased loan portfolios is related to actual gross cash collection deviating from collection estimates and from changes in future cash collection estimates. The Group regularly evaluates the current collection estimates on single portfolios and the estimate is adjusted if collection is determined to deviate from current estimate over time. The adjusted collection estimate is discounted by the initial rate of return at acquisition of the portfolio. Changes from current estimate adjusts the book value of the portfolio and is included in the profit and loss statement in the line item "Net credit gain/(loss) from purchased loan portfolios". Due to volatility towards the timing of collection, secured portfolios are evaluated monthly. Unsecured portfolios are evaluated quarterly. Cash collection above collection estimates and upwards adjustment of future collection estimates increase revenue. Cash collection below collection estimates and downwards adjustment of future collection estimates decreases revenues.

Net credit gain/(loss) from purchased portfolios is specified in the table below.

Year ended 31 December 2018	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Total
Secured portfolios:						
Collection above/(below) estimates	5 599	5 161	-158 336	68 322	-92 138	-171 392
Changes in future collection estimates	-7 868	-1 807	86 252	-65 595	85 021	96 003
Net credit gain/(loss) from secured portfolios	-2 269	3 353	-72 084	2 727	-7 117	-75 390
Unsecured portfolios:						
Collection above/(below) estimates	7 770	-6 731	4 571	16 549	21 699	43 858
Changes in future collection estimates	-14 194	-12 451	-2 922	6 330	-2 856	-26 094
Net credit gain/(loss) from unsecured portfolios	-6 424	-19 182	1 648	22 880	18 843	17 765
Net credit gain/(loss) from purchased loan portfolios	-8 693	-15 828	-70 436	25 607	11 726	-57 625

Year ended 31 December 2017	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Total
Secured portfolios:						
Collection above/(below) estimates	629	8 992	162 818	6 814	-933	178 320
Changes in future collection estimates	-236	1 412	-97 547	-7 289	1 806	-101 854
Net credit gain/(loss) from secured portfolios	393	10 404	65 271	-475	873	76 466
Unsecured portfolios:						
Collection above/(below) estimates	995	-6 877	8 038	1 894	16 235	20 285
Changes in future collection estimates	-3 396	-20 878	-10 762	779	14 425	-19 833
Net credit gain/(loss) from unsecured portfolios	-2 402	-27 755	-2 724	2 673	30 661	452
Net credit gain/(loss) from purchased loan portfolios	-2 009	-17 351	62 547	2 198	31 533	76 919

Net purchase of purchased loan portfolios, cash flow:

	2018	2017
Purchase of purchased loan portfolios (note 6)	-6 212 604	-4 111 752
Issue of participation notes in H2P for purchase of loan portfolio (note 16.2)	-167 033	
Net cash effect from purchased loan portfolio sold to SPV (note 16.2)	509 912	
Sale price sold purchased loan portfolios (note 27)	-4 458	
Change in prepaid/amounts due on purchase of purchased loan portfolios	-4 459	38 813
Net purchase of purchased loan portfolios, cash flow statement	-5 878 642	-4 072 940

4.4 Fair value estimation purchased loan portfolios

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as net present value of estimated cash flows. For purchased loan portfolios, the discount rate used is the weighted average cost of capital, which is the weighted value of the cost of debt and the cost of equity in each particular country. The cost of equity is estimated by applying the capital asset pricing model.

As described in note 3, the preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from purchased loan portfolios. The fair value of the purchased loan portfolios is estimated to be approximately NOK 13,759 million and is based on net future estimated cash flows after tax, discounted with the estimated WACC for the countries in question. The corresponding carrying amount is NOK 13,346 million which is based on IFRS 9 using the estimated gross future cash flows, where the discount factor is the individual IRR for the each portfolio. The future gross cash flow forecasts used to estimate the fair value are the same as the cash flow forecasts used in the accounting for purchased loan portfolios at 31 December 2018.

The fair value estimation is based on estimated monthly net cash flows from the purchased loan portfolios per subsidiary and type of portfolio (unsecured/secured). The estimated monthly net cash flows from purchased loan portfolios is the assumed monthly future gross cash collection less assumed monthly cost to collect. Cost to collect is a percentage of the gross cash collection and differ from 5 % to 45 % depending on the stage of development of the subsidiary in its local market. In addition, the country specific marginal tax rate is applied. This individual cost to collect and tax rate is applied to each estimated future cash flow, adding up to an estimated total net cash flow (CF3) for the Group, presented in the table below.

Table showing CF1, CF2 & CF3 for the years from 2019 to 2039 for purchased loan portfolios owned at 31 December 2018

	2019	2020	----->	2039	Total
Gross cash collection (CF1)	6 209 515	4 458 518	10 429 040	1	21 097 074
Cost to collect	-948 662	-776 634	-2 141 469		-3 866 764
Gross cash collection less cost to collect (CF2)	5 260 853	3 681 884	8 287 571	1	17 230 310
Tax	-189 094	-114 855	-240 939		-544 888
Net cash flow from purchased loan portfolios (CF3)	5 071 759	3 567 030	8 046 632	1	16 685 422

The weighted average cost of capital after tax is estimated for each country where the cash flow is generated. Based on this rate, the discounted value of the estimated net cash flows for the forecast period indicates that the fair value of the purchased loan portfolios is NOK 13,759 million.

To evaluate this calculation, a sensitivity analysis is presented in the table below in order to see the effect of deviations in the cash flow estimates and effects of variations in the cost of capital used as discount rate.

Fair value of purchased loan portfolios at 31 December 2018 assuming different % forecast collection levels and discount rates		% forecast collection		
		90 %	100 %	110 %
Discount rate	WACC -1.5 %	12 481 806	14 284 711	16 087 616
	WACC -1.0 %	12 325 220	14 105 010	15 884 799
	WACC -0.5 %	12 172 701	13 929 979	15 687 258
	WACC used	12 024 091	13 759 437	15 494 784
	WACC +0.5 %	11 879 237	13 593 210	15 307 183
	WACC +1.0 %	11 737 996	13 431 132	15 124 268
	WACC +1.5 %	11 600 231	13 273 046	14 945 862

Cost of capital:

The cost of equity (R_e) was assessed by applying the Capital Asset Pricing Model, which assumes that the shareholders demand a risk premium in addition to the return on a risk-free (R_f) investment. The risk premium was estimated based on a general market risk (MRP), which was adjusted up or down depending on the industry's risk profile through multiplying by the β -risk. Empirical studies indicate that investors demand a higher rate of return from small companies. The cost of equity was modified to reflect this. An additional common adjustment to the traditional CAPM equation is a country risk premium, CRP. This expands our specification of the CAPM to:

$$R_s = R_f + \text{MRP} \cdot \beta + \text{SSP} + \text{CRP}$$

The weighted average cost of capital is estimated as:

$$\text{WACC} = \frac{\text{Equity}}{\text{Equity} + \text{Debt}} \cdot R_s + \frac{\text{Debt}}{\text{Equity} + \text{Debt}} \cdot R_b \cdot (1 - \text{Corporate tax rate})$$

Where R_b is the cost of debt. The cost of debt was estimated on the basis of long-term swap yields, adding a debt premium to compensate the financial creditor for the risk of the company's assets and future cash flows.

Risk free rate:

The risk free rate was estimated as the effective rate of return on long-term government bonds in the countries where the collection is generated.

Market risk premium:

The market risk premium is defined as:

$$\text{MRP} = (R_m - R_f)$$

where R_m = Market return and R_f = Risk free rate

A market risk premium of 5 % was applied.

Equity beta:

The beta coefficient is a measure of systematic risk. The value expresses the combination of the stock's risk and to what extent the stock correlates with the market. Beta was determined based on stock price statistics for quoted, comparable companies. Weekly observations over a two-year period was used to estimate beta. The Morgan Stanley World ACWI index was used as reference index. Bayesian adjusted betas were applied. The effect of debt on β was eliminated through the Harris and Pringle formula.

Small Stock Premium (SSP):

Several institutions perform regular studies as to the effect of company size on stock returns, i.e., small stock premium. The SSP for the Group was estimated using a methodology developed by IbbotsonAssociates.

Country Risk Premium (CRP):

A country risk premium is often added when the target company is located in or operating in a geographical area that is subject to additional political and economic risks compared to a similar company based in, for instance, Western Europe. There are several sources and methodologies available for estimating CRP. CRP for the Group was estimated using the Damodaran model, which is an extension of the sovereign spread model (Goldman model) where credit default risk for sovereign bonds is estimated based on sovereign bond credit ratings. The Damodaran model adjusts the bond default risk with a factor for assumed equity markets standard deviation divided by bond markets standard deviation (usually assumed to be 1.5).

Future cash flow estimates:

The future cash flow estimates are based on the forecast for the portfolio base as of 31 December 2018.

Weighted average cost of capital calculation:

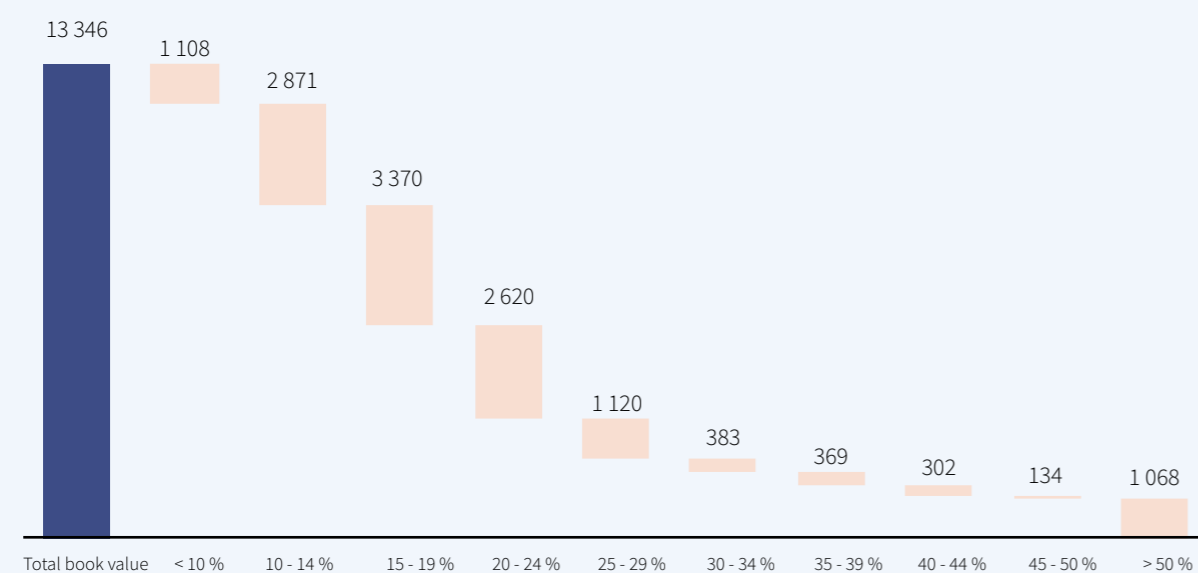
	2018
Risk free rate (long-term government bond yields)	-0.6 % to 1.9 %
Equity Beta	1.02
Country risk premium	0 %-13.4 %
Market risk premium	5.0 %
Additional liquidity risk premium/small stock premium	1.4 %
Total risk premium	6.4 %
Tax rate Group	20 %
Cost of equity	5.9 % to 21.0 %
Cost of debt	6.0 %
Equity weight	60 %
Debt weight	40 %
WACC (after tax)	5.5 %-14.5 %

Internal rate of return:

Due to the fact that purchased loan portfolios have an initial computed effective interest rate that differ from WACC, the fair value estimation shown in the sensitivity analysis above will differ from the corresponding IFRS value of the purchased loan portfolios, which is NOK 13,346 million due to higher discount factors. In addition, the fair value of the purchased loan portfolios is calculated on the basis of net cash flow after tax, whereas the IFRS value is calculated on the basis of gross cash collection.

The distribution of the purchased loan portfolio's book value according to the individual rate of return is displayed gratically below.

NOK millions

**4.5 Fair value of financial instruments**

As at 31 December 2018	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Purchased loan portfolios		13 346 098	13 346 098			13 759 437	13 759 437
Loans receivable		357 801	357 801			357 801	357 801
Derivatives	30 128		30 128		30 128		30 128
Participation loan/notes (note 16.2)	588 846		588 846			588 846	588 846
Other financial assets	11 592	3 101	14 692		11 592	3 101	14 692
Total	630 565	13 707 000	14 337 565	0	41 719	14 709 186	14 750 905
Financial liabilities							
Interest bearing loans and borrowings		10 828 286	10 828 286	7 059 811	3 733 667		10 793 478
Derivatives	63 239		63 239		63 239		63 239
Contingent consideration (note 5.3)	157 342		157 342			157 342	157 342
Total	220 581	10 828 286	11 048 867	7 059 811	3 796 906	157 342	11 014 059

As at 31 December 2017	Carrying amount				Fair value			
	Held for trading	Loans & receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Purchased loan portfolios		8 731 632		8 731 632			9 237 976	9 237 976
Loans receivable		414 580		414 580			414 580	414 580
Derivatives	34 443			34 443		34 443		34 443
Participation loan/notes (note 16.2)		161 167		161 167			161 167	161 167
Other financial assets		13 901		13 901			13 901	13 901
Total	34 443	9 321 281	0	9 355 724	0	34 443	9 827 625	9 862 068
Financial liabilities								
Interest bearing loans and borrowings			6 853 787	6 853 787	5 467 590	1 808 788		7 276 379
Derivatives	40 238			40 238		40 238		40 238
Contingent consideration (note 5.3)			75 592	75 592			75 592	75 592
Total	40 238	0	6 929 379	6 969 617	5 467 590	1 849 027	75 592	7 392 209

The fair value of unquoted financial assets has been estimated using valuation techniques based on assumptions that are not supported by observable market prices. The fair value of purchased loan portfolios has been calculated by discounting the expected net future cash flows from gross cash collection less cost to collect and tax with the estimated weighted average cost of capital for the countries where the purchased loan portfolio is originated.

The fair value of interest bearing loans and borrowings is equal to book value for the Multi-currency revolving credit facility (level 2) as the loans are based on 1 to 6 month floating interest, and the fair value for the bond loans (level 1) were determined by obtaining quoted market prices for the bond loans from the Norwegian Stock Exchange. The fair value of derivatives is set by calculating the present value of future cash flow using market rates for interest and currencies. In the case of the derivatives the fair value is confirmed by the financial institution that is the counterparty.

The Group classifies fair value measurements by using a fair value hierarchy that reflects the significance of the input that is used in preparing the measurements. The fair value hierarchy has the following levels:

Level 1: the input is quoted prices (unadjusted) in an active market for identical assets or liabilities.

Level 2: the input is prices, other than quoted prices included in level 1, that are observable for the asset or liability either directly (as prices) or indirectly (calculated from prices).

Level 3: the input to the asset or liability is not based on observable market data (non-observable input).

NOTE 5: BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS**5.1 Acquisitions in 2017****Acquisitions small entities**

During 2017 the Group acquired several smaller entities in the Northern Europe region (3) and in the Central Europe region (1). The Group perceives the acquisitions of the entities as an opportunity to strengthen its business and debt purchase platforms in the Northern Europe and Central Europe regions. Purchase consideration for the acquisitions were paid in cash to the sellers. The goodwill of NOK 8.0 million that was created on the acquisitions is mainly related to the positions in the debt collecting business, and its platforms for further growth in the local markets. None of the goodwill recognised is deductible for income tax purposes. Transaction costs attributable to the acquisitions amounted to NOK 1.5 million. These have been expensed as due diligence within other operating expenses.

Company name	UAB Skolu valdymo centras	Nordic Debt Collection A/S	Credit-cash Factoring Zrt.	UAB Skolu rizikos sprendimai	OK Laskutus OY*
Acquisition date	8 June	20 June	15 August	29 September	10 October
Country	Lithuania	Denmark	Hungary	Lithuania	Finland
Region	Northern Europe	Northern Europe	Central Europe	Northern Europe	Northern Europe
Percentage of shares acquired	100 %	100 %	100 %	74 %	49 %
Purchase consideration	NOK 1.0 million	NOK 2.6 million	NOK 3.1 million	NOK 4.4 million	NOK 0.02 million
Net assets acquired	NOK -1.0 million	NOK 0.6 million	NOK 3.0 million	NOK 0.5 million	
Goodwill on acquisition	NOK 2.0 million	NOK 2.0 million	NOK 0.1 million	NOK 3.9 million	

*) The Group acquired the remaining 49 % of the shares in OK Laskutus OY and holds 100 % of the shares after acquisition. The transaction is treated as an equity transaction in accordance with IFRS 10.23 and IFRS 10 B.96.

Acquisition of Verifica, Spain

On 30 November 2017, the Group acquired 80 % of Confirmación de Solicitudes de Crédito Verifica S.A. ("Verifica"), with an option (call) to acquire the remaining 20 % of the shares, and with an option for the seller to sell (put). The Group perceives the acquisition of Verifica as an opportunity to fulfil its strategic plan to expand its business in to one of the largest markets for NPLs in Europe. Verifica has three main business areas which include debt collection management services, telemarketing services for loans and credit cards and surveillance and non-payment prevention services. Verifica has client relationships with several of the large Spanish banks. The transaction provides Verifica with the access to the Group's capital and network of subsidiaries and partners in the European markets.

For accounting purposes, the effective date of the acquisition was 30 November 2017. Due to the structure regarding the remaining 20 % of the shares, the purchase is accounted for as a 100 % acquisition with a liability for the remaining expected payment, and no minority interest will be disclosed.

Purchase price allocation**Fair value recognised on acquisition**

Assets	
Tangible fixed assets	4 576
Intangible assets	74 566
Other long-term financial assets	4 241
Accounts receivable and other short-term assets	32 452
Cash and cash equivalents	17 662
	133 497
Liabilities	
Deferred tax liability	16 728
Other long-term liabilities	1 643
Accounts and other payables	13 323
Other current liabilities	16 698
	48 392
Total identifiable net assets at fair value	85 105
Goodwill arising on acquisition (note 14)	72 333
Purchase consideration	157 438
Contingent consideration	-31 487
Purchase consideration paid in cash	125 951
Net cash acquired with the subsidiary	17 662
Cash paid	125 951
Net cash outflow on acquisition	108 289

Transaction costs attributable to the acquisition amounted to NOK 3.7 million. These have been expensed as due diligence, transaction services and legal services within other operating expenses.

The goodwill of NOK 72 million that was created on the acquisition is mainly related to Verifica as a platform for further growth in the Spanish market, both for current business and for the Groups NPL business. Verifica has an experienced management team with good market knowledge and well developed analysis and collection systems. The Group is well positioned for further growth in the Spanish market. The goodwill recognised is not deductible for income tax purposes. The total fair value adjustment related to other intangible assets amounts to NOK 72.8 million, and is related to customer relationships.

The net operating revenue and profit after tax contributions to the consolidated income statement of the Group from the date of acquisition to 31 December 2017 were NOK 12.2 million and NOK 1.2 million. If the combination had taken place at the beginning of the year, the net operating revenue and profit after tax contribution to the consolidated income statement of the Group would have been NOK 130.6 million and NOK 5.9 million.

Contingent consideration; the transaction includes put and call option agreements with two remaining shareholders of Verifica, regarding the last 20 % of the company. The fair value of the "minority shares" at initial recognition is set to the market value at closing NOK 31.5 million, and is considered as debt in the Group's financial statements. The net present value of the put option is at closing estimated to NOK 51.1 million. The difference, the excess value, will be recognised through the income statement throughout the option period, in addition to changes in the fair value of the option. See further information in section 5.3.

5.2 Acquisitions in 2018

Acquisitions small entities

During 2018 the Group acquired some smaller entities in the Western Europe region (2). The Group perceives the acquisitions of the entities as an opportunity to strengthen its business and debt purchase platforms in the Western Europe region. Purchase consideration for the acquisitions were paid in cash to the sellers. The goodwill of NOK 11.7 million that was created on the acquisitions is mainly related to the positions in the debt collecting business, and its platforms for further growth in the local markets. None of the goodwill recognised is deductible for income tax purposes.

Company name	GI Capital Solutions S.A. (rebranded to Verifica Portugal S.A)	Acreditia Servicios Auxiliares, S.L.	Kontant Finans Sverige AB*
Acquisition date	30 April	23 October	18 October
Country	Portugal	Spain	Sweden
Region	Western Europe	Western Europe	Northern Europe
Percentage of shares acquired	100 %	100 %	9.9 %
Purchase consideration	NOK 2.9 million	NOK 14.2 million	NOK 0.4 million
Net assets acquired	NOK -0.3 million	NOK 5.6 million	
Goodwill on acquisition	NOK 3.2 million	NOK 8.6 million	

*) The Group acquired the remaining 9.9 % of the shares in Kontant Finans Sverige AB and holds 100 % of the shares after acquisition. The transaction is treated as an equity transaction in accordance with IFRS 10.23 and IFRS 10 B.96.

Acquisition of NACC, France

On 14 March 2018, the Group acquired 100 % of the shares of Negociation et Achat de Creances Contentieuses ("NACC"). With the acquisition of NACC, B2Holding has secured a strong platform for further growth in one of the larger markets for NPLs in Europe.

NACC is one of the leading players in France within debt purchase and servicing. NACC was established in 1993 and has strong client relationships with most of the large French banks. NACC currently has around 100 full time employees, with its headquarter in Paris and additional offices in Brest and Bordeaux. About 90 % of revenues come from collection on owned portfolios, while the remaining revenues come from third-party debt collection. NACC has a strong position and expertise within larger secured claims. At closing, NACC had an ERC of approximately NOK 986 million of which a majority consists of secured portfolios. The transaction provides NACC with the access to the Group's capital and network of subsidiaries and partners in the European markets.

For accounting purposes, the effective date of the acquisition was 31 March 2018.

Purchase price allocation

	Fair value recognised on acquisition
Assets	
Tangible fixed assets	980
Intangible assets	18 297
Purchased loan portfolios	618 111
Other long-term financial assets	379
Accounts receivable and other short-term assets	23 669
Cash and short-term deposits	23 045
	684 481
Liabilities	
Deferred tax liability	29 659
Other long-term liabilities	497 797
Accounts and other payables	12 726
Other current liabilities	10 378
	550 560
Total identifiable net assets at fair value	133 921
Goodwill arising on acquisition (note 14)	245 614
Purchase consideration	379 535
Contingent consideration	-87 480
Purchase consideration paid in cash	292 056
Net cash acquired with the subsidiary	23 045
Cash paid	292 056
Net cash outflow on acquisition	269 011

Transaction costs attributable to the acquisition amounted to NOK 6 million. These have been expensed as due diligence, transaction services and legal services within other operating expenses.

The goodwill of NOK 246 million that was created on the acquisition is mainly related to NACC as a platform for further growth in the French market. NACC has an experienced management team with good market knowledge and well developed analysis and collection systems. The Group is well positioned for further growth in the French market. The goodwill recognised is not deductible for income tax purposes.

Total revenue and profit after tax contribution to the consolidated income statement of the Group from the date of acquisition to 31 December 2018 was NOK 135 million and NOK 23 million. If the combination had taken place at the beginning of the year, total revenue and profit after tax contribution to the consolidated income statement of the Group would have been NOK 148 million and NOK -9 million.

Contingent considerations may be paid in accordance with an earn-out agreement with the former shareholders based on gross collection for the portfolio back book for the period September 2017 to December 2021. At acquisition, the Group estimated the fair value of the contingent considerations to be NOK 87 million. The consideration is due for measurement and payment to the former shareholders in the period January 2019 to June 2022. See further information in section 5.3.

5.3 Contingent consideration

As part of the purchase agreements with the previous owners of the following companies, contingent consideration is due based on the achievement of certain post-acquisition performance targets for a limited period of time:

- Creditreform Latvija SIA, Latvia and its subsidiaries, which was acquired in January 2014
- Debt Collection Agency AD (DCA), Bulgaria and its subsidiaries, which was acquired in June 2016
- Consequence Europe MKFT, Hungary, which was acquired in October 2016
- Verifica S.A, Spain, which was acquired in November 2017, and
- NACC, France, which was acquired in March 2018.

As at the acquisition date, the fair value of the contingent consideration was estimated and accounted for as a non-current or current liability depending on the payment date of the various installments.

A reconciliation of the fair value measurement of the contingent consideration liability is set out below:

	Creditreform	DCA	Consequence	Verifica Spain	NACC	Total
At 1 January 2017	6 794	60 070	1 138			68 001
Acquisitions of a subsidiary (note 5.1)				31 487		31 487
Payments during the year	-7 058	-20 765	-1 331			-29 154
Fair value adjustments during the year		-178	90	746		658
Exchange differences	264	4 090	103	142		4 599
At 31 December 2017	0	43 217	0	32 375	0	75 592
Acquisitions of a subsidiary (note 5.2)					87 480	87 480
Payments during the year		-20 838				-20 838
Fair value adjustments during the year		1 329		9 648	1 135	12 111
Exchange differences		-526		706	2 817	2 997
At 31 December 2018	0	23 183	0	42 728	91 432	157 342

The contingent consideration due to the previous owners of Creditreform and Consequence was paid and finalised in 2017.

The contingent consideration to former DCA owners is based on expected performance against the performance measures in the agreement. The main performance measure is related to performance of the non-performing loan portfolios DCA held at the acquisition date. If 100 % of the forecasted gross cash collection from portfolios held at acquisition date is reached for the years 2016 to 2018 the contingent consideration is paid in full for each of the years. If gross cash collected amount is lower than forecast the contingent consideration to be paid is reduced with EUR 50,000 per each percentage point per year. E.g. if gross cash collected amount is 90 % of forecast for a year the payment will be reduced with EUR 500,000. At the end of the third year, to avoid short time fluctuations, the gross cash collection is adjusted according to the performance for the whole period. At the end of the third year the contingent consideration may increase if gross cash collection is above forecast for the period. Actual collection 10 % above forecast would increase the payment with approximately EUR 800,000 for the three year period. In addition the contingent consideration is based on earnings before tax (EBT) for the target years. If EBT is more than 10 % below target, the contingent consideration is reduced with EUR 500,000 each year. At the end of the third year, to avoid short time fluctuations, EBT is adjusted according to the performance for the whole period. As at 31 December 2018, gross cash collection was approximately according to forecast and EBT was within the range of target for the period.

The contingent consideration related to Verifica is described above in section 5.1. Further to the description in section 5.1, the put and call option provides the right to sell/buy the minority shares provided that certain minimum EBITDA target levels are met on an aggregate basis during the fiscal years ending in 2018, 2019 and 2020 (the minimum target being at least 75 % of the EBITDA levels included in the applicable business plan of Verifica). The strike price for the put and call option will be adjusted based on the actual achieved EBITDA levels for the relevant years. The put option will cease to exist and no longer be exercisable in case the performance by Verifica is below the minimum target for the years ending 2019 and 2020, whereas the Group's call option will in such case continue to exist until 1 August 2023 at fixed strike price equal to the applicable price at the minimum target achievement level. Nonetheless, the Group's call option may be exercised at any time in full at a fixed strike price equal to the applicable price at the maximum target achievement level. Per 31 December 2018, the nominal values to be expensed through the income statement throughout the option period will increase in total with approximately NOK 14 million if 100 % of target is achieved.

The contingent consideration to former NACC owners is based on gross cash collection from portfolios NACC held at 31 December 2017 for the period 30 September 2017 to 31 December 2021. In addition, if cost to collect in relation to the gross cash collection from portfolios held at 31 December 2017 exceed the target threshold, cost to collect will reduce the gross cash collection constituting the calculation basis for the contingent consideration. Per 31 December 2018, the nominal value to be expensed through the income statement will be approximately NOK 18 million if the maximum contingent consideration is to be paid for the full period.

NOTE 6: OPERATING SEGMENTS

For management purposes, the Group is organised into different geographical regions corresponding to the countries where the Group operates. The Executive Management monitors the operating results of these geographical regions separately for the purposes of making decisions about resource allocation and performance assessment. The segment reporting is presented in the same manner as presented to the Executive Management. The Executive Management reporting differs from the reported numbers in the consolidated financial statements. The differences are related to the line item presentation of revenue from purchased loan portfolios and the presentation of operating cost. Total revenues and operating profit are equal in segment reporting and in the consolidated income statement. Amortisation/revaluation of purchased loan portfolios shows the difference between gross cash collection and revenue from purchased loan portfolios recognised in the condensed interim consolidated income statement.

Finance and taxes are managed on a Group basis and are not included at the regional level. The results of the parent company, the holding companies and the investment office in Luxembourg are reported as 'Central functions'. Results from purchased loan portfolios are included in the region where the portfolio is originated.

From 1 January 2018, the Group presents Western Europe as a new geographical region. Western Europe includes operations in Spain, Portugal, Italy and France. Comparable numbers for 2017 have been restated to be consistent with the 2018 presentation.

Year ended 31 December 2018	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	1 147 391	877 852	1 145 515	302 387	524 235		3 997 380
• Of which, secured portfolios	16 842	28 627	797 773	217 488	150 520		1 211 250
• Of which, unsecured portfolios	1 130 549	849 225	347 742	84 899	373 715		2 786 129
Amortisation/revaluation of purchased loan portfolios	-582 796	-375 285	-428 158	-77 171	-54 482		-1 517 891
Revenue from purchased loan portfolios	564 596	502 567	717 357	225 216	469 753	0	2 479 489
Profit from shares in associated parties/joint ventures and participation loans/notes	80				47 677		47 757
Total revenue from purchased loan portfolios	564 675	502 567	717 357	225 216	517 431	0	2 527 246
Revenue from external collection	114 499		2 138	123 289	15 736		255 662
Other operating revenues ¹⁾	20 881	117 781	-4 684	54 595	-65 858		122 714
Other revenues	135 380	117 781	-2 545	177 884	-50 123	0	378 376
Total revenues	700 055	620 348	714 811	403 099	467 308	0	2 905 622
Cost to collect	-206 339	-301 323	-183 992	-94 898	-196 467		-983 019
Cost other revenues	-112 074	-60 969	-1 420	-155 704	-13 754		-343 920
Administration & management costs	-7 313	-3 606	-3 996	-2 349	-1 531	-125 907	-144 702
EBITDA	374 329	254 451	525 404	150 148	255 556	-125 907	1 433 981
Depreciation and amortisation of tangible and intangible fixed assets	-6 808	-27 598	-5 273	-11 803	-4 156	-488	-56 126
Operating profit (EBIT)	367 521	226 853	520 131	138 346	251 401	-126 396	1 377 856

1) Included gain/(loss) on sale of two purchased loan portfolios in Q4 2018, net loss amounts to NOK -61 million

Year ended 31 December 2017	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	829 860	838 186	621 681	19 508	243 045		2 552 281
• Of which, secured portfolios	859	24 687	418 716	10 505	30 979		485 746
• Of which, unsecured portfolios	829 000	813 500	202 965	9 003	212 066		2 066 534
Amortisation/revaluation of purchased loan portfolios	-419 492	-334 085	-33 677	15 366	-23 252		-795 141
Revenue from purchased loan portfolios	410 368	504 101	588 004	34 874	219 794	0	1 757 140
Profit from shares in associated parties/joint ventures and participation loans/notes	-77				70 160		70 083
Total revenue from purchased loan portfolios	410 290	504 101	588 004	34 874	289 954	0	1 827 222
Revenue from external collection	101 443		5 225	6 980	10 427		124 075
Other operating revenues	15 658	111 118	-17	4 616	88		131 464
Other revenues	117 101	111 118	5 208	11 596	10 515	0	255 538
Total revenues	527 391	615 219	593 212	46 470	300 469	0	2 082 762
Cost to collect	-162 002	-312 354	-143 316	-15 245	-115 251		-748 168
Cost other revenues	-103 723	-59 093	-9 321	-8 270	-10 832		-191 239
Administration & management costs	-4 451					-118 805	-123 256
EBITDA	257 215	243 772	440 575	22 955	174 386	-118 805	1 020 098
Depreciation and amortisation of tangible and intangible fixed assets	-5 557	-24 382	-3 534	-690	-1 431	-299	-35 893
Operating profit (EBIT)	251 658	219 390	437 042	22 265	172 954	-119 104	984 205

Year ended 31 December 2018	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Central functions / eliminations	Total
Purchase of purchased loan portfolios in the period	1 884 537	657 269	1 454 467	804 830	1 411 502		6 212 604
Purchased loan portfolios, book value							
Purchased loan portfolios	3 764 203	2 034 868	4 231 599	1 811 326	1 504 101		13 346 098
Participation loan/notes to SPV's for purchase of purchased loan portfolios (note 16)					588 846		588 846
Purchased loan portfolios at 31 December 2018	3 764 203	2 034 868	4 231 599	1 811 326	2 092 948	0	13 934 944

Year ended 31 December 2017	Northern Europe	Poland	Central Europe	Western Europe	East Europe	functions / eliminations	Total
Purchase of purchased loan portfolios in the period	1 452 986	348 760	1 155 918	378 069	776 020		4 111 752
Purchased loan portfolios, book value							
Purchased loan portfolios	2 438 754	1 777 929	3 126 004	414 956	973 990		8 731 632
Participation loan/notes to SPV's for purchase of purchased loan portfolios (note 16)					161 167		161 167
Purchased loan portfolios at 31 December 2017	2 438 754	1 777 929	3 126 004	414 956	1 135 157	0	8 892 799

NOTE 7: OTHER REVENUES

	2018	2017
Revenue from external collection	255 662	124 075
Other revenues from contracts with customers	68 140	18 392
Revenues from contracts with customers	323 801	142 467
Interest income from loan receivables	276 580	259 368
Net credit gain/(loss) from loan receivables	-155 937	-147 734
Revenues from loan receivables	120 642	111 634
Net result collateral assets and other operating revenues	-66 067	1 437
Other revenues	378 376	255 538

Revenue from external collection consists of commissions and collection fees. These contracts contain one performance obligation, i.e. debt collection on behalf of the creditor, and the collection of a separate claim is considered to be a separate transaction. The consideration is variable and based on actual debt collection. Revenue from external collection is recognised over time, due the character of the consideration it will be recognised on collection of the debt. Other revenues from contracts with customers consists mainly of telemarketing, fraud prevention and credit information services.

Interest income from loan receivables are accrued monthly in the income statement and are calculated using the effective interest rate method. Net credit gain/(loss) from loan receivables include changes in future cash flow estimates and expected credit losses. Other revenues also include net result collateral assets and other operating revenues. In 2018, the line "Net result from collateral assets and other operating revenues" also includes gain/(loss) on sale of two purchased loan portfolios in the fourth quarter of 2018, with a net loss amounted to NOK -61 million. The net loss of NOK -61 million includes an accounting loss on the sale of a purchased loan portfolio in Greece of NOK 67 million. The sale of the portfolio generated a net positive cash gain when taking gross cash collection less cost to collect and purchase price into consideration. See note 16 for further information about the transaction.

NOTE 8: EXTERNAL EXPENSES OF SERVICES PROVIDED

	2018	2017
Fees to court and bailiffs for collection services	-241 808	-198 218
External cost portfolio acquisition & search	-10 610	-17 817
Other fees for external services, including fees to lawyers for collection services	-110 894	-69 505
	-363 312	-285 539

NOTE 9: PERSONNEL EXPENSES

	2018	2017
Wages, salaries and other benefits paid	-521 661	-361 779
Social security costs & payroll taxes	-87 782	-93 427
Defined contribution pension costs	-8 242	-3 572
Cost of external temporary staff	-47 688	-15 468
Other personnel costs, including training and recruitment costs	-26 305	-16 040
	-691 678	-490 287
Number of full time equivalents (FTEs) at 31 December	2 420	2 067

The pension schemes of the Norwegian companies in the Group follow the requirements in the Act on Mandatory company pension.

NOTE 10: OTHER OPERATING EXPENSES

	2018	2017
Printing, postage	-51 001	-47 145
IT, telecommunications	-64 623	-41 216
Cost of office premises	-58 208	-31 286
Travel, vehicles, accommodation	-32 823	-21 398
Marketing, business entertaining, meetings, arrangements	-30 573	-39 131
Consultancy fees - non collection services	-95 899	-41 386
Statutory and other corporate costs, including business insurance and trade licences	-30 284	-22 330
Office equipment and supplies	-12 391	-5 818
Impairment of receivables	2 893	-4 012
Bank charges	-5 234	-2 922
Other expenses	-38 506	-30 194
	-416 651	-286 837

NOTE 11: NET FINANCIAL ITEMS

	2018	2017
Interest income	4 183	2 907
Other financial income	469	383
Financial income	4 652	3 290
Interest expenses	-607 961	-348 753
Change in fair value of interest rate derivatives	-2 599	-8 400
Other financial expenses	-7 817	-1 003
Financial expenses	-618 378	-358 157
Realised exchange gain/(loss)	48 645	-39 039
Unrealised exchange gain/(loss)	34 639	90 787
Change in fair value of currency derivatives	-39 311	-33 465
Net exchange gain/(loss)	43 973	18 283
	-569 753	-336 583

NOTE 12: INCOME TAX

The major components of income tax reported in the income statement for the years ended 31 December 2018 and 2017 are set out below.

	2018	2017
Income tax expense:		
Current year income tax payable	165 514	128 966
Change in deferred tax	-2 243	33 525
Withholding tax	-3 900	3 900
Total tax expense reported in the income statement	159 370	166 391

In 2017 the Group made a provision of NOK 3.9 million related to the treatment of withholding tax on cash collection from purchased portfolios owned from outside of the country of origination. In 2018 it was concluded that the Group was not obligated to pay the withholding tax, thus the provision was reversed.

Reconciliation between the expected tax expense and the actual tax expense:

	2018	2017
Profit before tax	808 103	647 622
Expected tax expense at Norwegian nominal tax rate of 23 % (2017: 24 %)	185 864	155 429
Difference between local tax rates and the Norwegian nominal tax rate	-45 685	-62 617
Effect of change in Norwegian tax rate (from 23 % to 22 %)	622	492
Tax effect of permanent differences	26 128	35 046
Tax effect of the change in unrecognised deferred taxes	-7 512	31 732
Other differences	-47	6 309
Actual tax expense	159 370	166 391
Effective rate of tax	20 %	26 %

The nominal tax rate in Norway was 23 % in 2018. Subsidiaries outside Norway are subject to local tax rates in their country of operation. The effective taxation of operations outside Norway depends on both local tax rules and on whether it is possible to avoid double taxation. The tax expense is also dependent on whether or not to recognise a deferred tax asset from carry forward losses in the individual entity. As the Group has most of its operations outside Norway and tax-exempt income from share investments, the effective tax rate is lower than expected tax rate of 23 %.

In December 2018 it was decided that the general tax rate for companies in Norway will be lowered by 1 % in 2019, to 22 %.

Analysis of deferred tax assets and liabilities:

Tax effect of temporary differences	2018	2017
Taxable temporary differences - non-current items		
Tangible and intangible assets	28 115	22 584
Purchased loan portfolios	152 315	68 593
Loans to group companies and other long-term assets	201 425	89 092
Long-term interest bearing loans and borrowings	16 629	5 069
Loans from group companies and other long-term liabilities		243
	398 484	185 581
Taxable temporary differences - current items		
Other short-term assets	442	
Other current liabilities	107	
	549	0
Deductible temporary differences - non-current items		
Tangible and intangible assets	-11	-952
Purchased loan portfolios	-80 289	-40 473
Loans to group companies and other long-term assets	-938	-252
Long-term interest bearing loans and borrowings	-81 020	-52 278
Loans from group companies and other long-term liabilities	-79 078	-9 457
	-241 335	-103 412
Deductible temporary differences - current items		
Other short-term assets	-2 632	-1 964
Other current liabilities	-20 041	-9 017
	-22 673	-10 981
Tax losses carried forward		
Gross deferred tax liabilities/(assets)	-317 486	-247 686
	-182 461	-176 499
Deferred taxes not recognised		
Net deferred tax liabilities/(assets)	248 166	206 430
	65 706	29 931

Due to the right to offset deferred tax assets and liabilities within the same tax jurisdiction, the presentation of net deferred tax in the consolidated statement of financial position for each year end was as follows:

Deferred tax assets	-97 219	-65 778
Deferred tax liabilities	162 925	95 709
	65 706	29 931
Deferred tax liabilities/(assets) at 1 January	29 931	-12 977
Implementation effect IFRS 9	-244	
Restated deferred tax liabilities/(assets) at 1 January	29 687	-12 977
Deferred tax expense recognised in the income statement	-2 243	33 525
Deferred tax expense recognised in other comprehensive income	2 983	-4 957
Deferred taxes acquired in business combinations	34 512	16 799
Exchange differences	767	-2 459
Deferred tax liabilities at 31 December	65 706	29 931

Analysis of tax losses available for offset against future taxable income, by year of expiration:

	2018	2017
Within 5 years	148 123	33 138
After 5 years	230 983	158 026
No time limit	911 606	768 420
Total tax losses available for offset	1 290 711	959 584
Tax effect of tax losses, before consideration of whether the losses are recognisable or not	317 486	247 686

Tax losses carried forward at 31 December 2018 relate mainly to the Group's subsidiary companies in Luxembourg (NOK 891 million) and the Parent company in Norway (NOK 212 million). The tax losses in the Group's parent company in Norway and NOK 678 million in Luxembourg are not recognised as deferred tax assets.

NOTE 13: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit after tax for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit after tax for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2018	2017
Profit after tax attributable to parent company shareholders	648 582	481 651
Number of shares outstanding at 1 January	369 520 598	369 120 598
New shares issued during the year (note 20)	39 512 000	400 000
Number of shares outstanding at 31 December	409 032 598	369 520 598
Weighted average number of shares during the year	399 049 931	369 168 376
Effect of dilution		
Option programmes (note 21)	7 551 451	8 473 219
Weighted average number of shares during the year adjusted for the effect of dilution	406 601 383	377 641 594
Earnings per share (in NOK):		
- Basic	1.63	1.30
- Diluted	1.60	1.27

Options granted to employees are considered to be potential ordinary shares. Accordingly, they have not been included in the determination of basic earnings per share, but have been included in the determination of diluted earnings per share to the extent that they are dilutive. 1,825,000 options granted in 2018 are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 31 December 2018. These options could potentially dilute basic earnings per share in the future.

NOTE 14: GOODWILL

	Goodwill
Acquisition/purchase cost	
At 1 January 2017	396 625
Acquisitions of a subsidiary (note 5)	80 307
Exchange differences	47 381
At 31 December 2017	524 312
Acquisitions of a subsidiary (note 5)	257 350
Exchange differences	5 496
At 31 December 2018	787 158
Impairment	
At 1 January 2017	1 825
Impairment	
Exchange differences	121
At 31 December 2017	1 946
Impairment	
Exchange differences	-19
At 31 December 2018	1 928
Net book value	
At 31 December 2017	522 366
At 31 December 2018	785 230

Goodwill acquired through business combinations has been tested for impairment at the end of 2018. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax. The discount rate used is the weighted cost of capital before tax calculated for each cash generating unit. The following cash generating units have been tested for impairment:

Creditreform Latvia SIA, Latvia, and its subsidiaries Crefo Rating SIA and AS Crefo Birojs

At 31 December 2018, the carrying value of goodwill allocated to Creditreform Latvia SIA, Latvia, and its subsidiaries amounts to NOK 29 million. The companies have been tested using a 10 year cash flow model with a terminal value after 10 years discounted at a local pre tax WACC of 9.4 %. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The basis for the expected future cashflow is management approved forecast for 2019, a stable investment program for purchased loan portfolios and a 0 % growth rate in other revenue. The impact of reasonable changes to key assumptions have been considered and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

Poland Group

At 31 December 2018, the carrying value of goodwill allocated to Poland Group amounts amounts to NOK 280 million. Poland group has been tested using a 10 year cash flow model discounted at a local pre tax WACC of 7.5 %. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The terminal value of the purchased loan portfolio has been calculated by using the estimated book value after 10 years less estimated costs to collect multiplied by a factor of 1.6 and then discounted at the local pre-tax WACC. A factor of 1.6 represents a best estimate of the average multiple of expected future cash flow over portfolio book value for loan portfolio in the country specific market. The terminal value of loan receivables are estimated to be equal to book value as of the beginning of the cash flow period.

The basis for the expected future cash flow is management approved forecast for 2019, a stable investment program for purchased loan portfolios and a 0 % growth rate in other revenue. The sum of the future expected gross cash flows, less estimated costs to collect and costs related to other revenue, forms the basis for the net cash flow estimates used in the 10 year cashflow model. The impact of reasonable changes to key assumptions have been considered and assessed and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount. However, a decline of 0.1 in multiplier would trigger an impairment of NOK 15 million or an increase of 3 % in cost to collect would trigger an impairment of NOK 6 million.

Debt Collection Agency AD, Bulgaria, and its subsidiaries Debt Collection Agency S.R.L and Smart Collect EOOD

At 31 December 2018, the carrying value of goodwill allocated to Debt Collection Agency AD, Bulgaria, and its subsidiaries amounts amounts to NOK 110 million. The companies have been tested using a 10 year cash flow model discounted at a local pre tax WACC of 11.1 %. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The terminal value has been calculated by using estimated portfolio book value after 10 year less estimated costs to collect multiplied by 1.9, discounted at the local pre tax WACC. A factor of 1.9 represents a best estimate of the average multiple of expected future cash flow over portfolio book value for loan portfolio in the country specific market.

The basis for the expected future cash flow is management approved budget for 2019 and a stable investment program for purchased loan portfolios. The sum of the future expected gross cash flows, less estimated costs to collect, forms the basis for the net cash flow estimates used in the 10 year cash flow model. The impact of reasonable changes to key assumptions have been considered and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount. However, an increase of 9 % in cost to collect would trigger an impairment of NOK 12 million.

Confirmación de Solicitudes de Crédito Verifica S.A. (Verifica), Spain

At 31 December 2018, the carrying value of goodwill allocated to Verifica, Spain, amounts to NOK 73 million. The company has been tested using a 5 year cash flow model with a terminal value after 5 years discounted at a local pre tax WACC of 10.4 %. The basis for the expected future cashflow is management approved forecast for 2019 and a 0 % growth rate in other revenue. The sum of the future expected gross cash flows, less costs related to other revenue, forms the basis for the net cash flow estimates used in the 5 year cashflow model. The impact of reasonable changes to key assumptions have been considered and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

Négociation et Achat de Créances Contentieuses (NACC), France, and its subsidiary Tahiti Encaissements Services, Tahiti

At 31 December 2018, the carrying value of goodwill allocated to NACC, France, and its subsidiary amounts to NOK 253 million. The companies have been tested using a 10 year cash flow model discounted at a local pre tax WACC of 9.2 %. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The terminal value for loan portfolio has been calculated by using estimated portfolio book value after 10 year less estimated costs to collect multiplied by 1.7, discounted at the local pre tax WACC. A factor of 1.7 represents a best estimate of the average multiple of expected future cash flow over portfolio book value for loan portfolio in the country specific market.

The basis for the expected future cash flow is management approved forecast for 2019, a stable investment program for purchased loan portfolios and a 0 % growth rate in other revenue. The sum of the future expected gross cash flows, less estimated costs to collect and costs related to other revenue, forms the basis for the net cash flow estimates used in the 10 year cashflow model. The impact of reasonable changes to key assumptions have been considered and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount. However, a decline of 0.1 in multiplier would trigger an impairment of NOK 2 million, an increase of 5 % in cost to collect would trigger an impairment of NOK 2 million and an increase of 0.4 percentage points in WACC would trigger an impairment of NOK 1 million.

In addition, the following cash generating units, which are considered not significant in comparison with the Group's total carrying amount of goodwill, have been tested for impairment:

Company name	Region	Allocated goodwill at 31 December 2018 (NOK million)
Interkreditt AS, Norway	Northern Europe	11
OK Perinta OY, Finland, and its subsidiaries	Northern Europe	5
Nordic Debt Collection A/S, Denmark	Northern Europe	2
UAB Skolu valdymo centras, Lithuania	Northern Europe	2
UAB Skolu rizikos sprendimai, Lithuania	Northern Europe	4
Consequence Europe MKFT, Hungary	Central Europe	4
Credit-cash Faktoring Zrt.	Central Europe	0
Verifica Portugal S.A., Portugal	Western Europe	3
Acreditia Servicos Auxiliares S.L., Spain	Western Europe	9
Total		40

The result of the impairment tests showed that there was no requirement to further impair the goodwill in any of the cash generating units.

NOTE 15: TANGIBLE AND INTANGIBLE ASSETS

	Improvements to rented offices	Equipment, fixtures & fittings	Intangible assets	Total
Acquisition/purchase cost				
At 1 January 2017	17 461	58 266	115 098	190 825
Additions	811	44 023	10 980	55 814
Acquisitions of a subsidiary (note 5)	6 869	8 637	86 036	101 542
Disposals	-118	-8 671	-1 931	-10 719
Exchange differences	2 012	9 261	15 350	26 623
At 31 December 2017	27 035	111 516	225 533	364 085
Additions	7 607	35 801	49 144	92 552
Acquisitions of a subsidiary (note 5)	1 172	3 080	47 289	51 542
Disposals	-7 356	-9 442	-908	-17 705
Exchange differences	45	-131	2 642	2 556
At 31 December 2018	28 504	140 824	323 701	493 029
Depreciation and impairment				
At 1 January 2017	11 885	36 473	51 938	100 296
Depreciation charge for the year	1 749	11 059	23 085	35 893
Acquisitions of a subsidiary (note 5)	4 399	6 313	9 841	20 554
Disposals		-5 872	-1 931	-7 803
Exchange differences	1 410	4 695	8 025	14 130
At 31 December 2017	19 444	52 669	90 958	163 070
Depreciation charge for the year	3 363	17 425	35 338	56 126
Acquisitions of a subsidiary (note 5)	959	1 738	9 202	11 899
Disposals	-6 113	-5 248	-908	-12 269
Exchange differences	-25	-156	572	391
At 31 December 2018	17 626	66 427	135 163	219 217
Net book value				
At 31 December 2017	7 592	58 847	134 576	201 015
At 31 December 2018	10 878	74 396	188 538	273 812
Depreciation method	Straight line	Straight line	Straight line	
Economic useful lives	2-10 years	2-10 years	2-12 years or indefinite	

The carrying value of equipment held under finance leases at 31 December 2018 was NOK 1,802 thousand (2017: NOK 998 thousand). Additions during the year include NOK 1,292 thousand of equipment under finance lease contracts (2017: NOK 503 thousand). Disposals during the year include carrying value of NOK 0 thousand of equipment under finance lease contract (2017: NOK 43).

Leased assets are pledged as security for the related finance lease liabilities.

Intangible assets are the capitalised costs related to the software systems used throughout the Group, client relationships and licenses. The client relationships were acquired as part of business combinations (note 5). In 2018 the Group has also invested in development of a group data warehouse and a group websales tool.

The carrying value of intangible assets with indefinite useful lives at 31 December 2018 was NOK 1.6 million (2017: NOK 1.6 million) and are related to licenses acquired as part of a business combination in 2017.

NOTE 16: INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES AND PARTICIPATION LOAN/NOTES

16.1 Investments in associated companies and joint ventures and participation loan/notes

	2018	2017
Profit from shares in associated companies/joint ventures and participation loans/notes		
Share of profit from participation loan/notes (note 16.2)	43 613	66 458
Share of result from joint ventures	3 885	3 702
Share of result from associated companies	259	-77
	47 757	70 083

Investments in associated companies and joint ventures

	2018	2017
Joint ventures (note 16.3)	8 525	4 335
Associated companies (note 16.4)	3 619	1 229
At 31 December	12 144	5 564

Participation loan/notes

	2018	2017
Participation loan/notes (note 16.2)	588 846	161 167
At 31 December	588 846	161 167

16.2 Participation loan/notes

	2018	2017
Participation loan in EOS Credit Funding BL DAC	116 899	161 167
Participation notes in Hellas 3P Investment DAC (H3P)	298 847	
Participation notes in Hellas 2P Investment DAC (H2P)	173 100	
At 31 December	588 846	161 167

	2018	2017
At 1 January	161 167	159 060
Issue of participation notes in H3P for purchase of loan portfolio	278 868	
Issue of participation notes in H2P for purchase of loan portfolio	167 033	
Repayments	-55 225	-10 440
Change in fair value of participation loan/notes	20 305	-76
Exchange rate differences	16 698	12 623
At 31 December	588 846	161 167

The Group has entered into three investment agreements with other co-investors for the purchase of loan portfolios through SPVs. The portfolio purchases have been fully financed through participation loan/notes from the investors. The contractual arrangement of the participation loan/notes is directly linked to the performance of the portfolios purchased in the SPVs. All gross cash collections in the SPVs from the portfolios are paid monthly to the investors pro rata after deduction of cost to collect and overhead costs in the SPVs. The payments are split between interest income and repayments according to the amortisation of the portfolio, so the repayments of the loan are equal to the amortisation of the portfolio. If the SPVs need additional funding, the investors are obliged to contribute pro rata, but since the SPVs are self-funding through their operations this is not expected to occur. The participation loan/notes are measured at fair value through profit or loss. The Group considers the best estimate of fair value to be equal to the book value of the portfolios after amortised cost, since the remunerations is directly based on the portfolios. As of 31 December 2018, the Group's share of ERC is NOK 1,166 million. The profit from participation loan/notes is presented as a part of "Profit from shares in associated companies/joint ventures and participation loans/notes" in the Group's consolidated income statement.

In the fourth quarter of 2016, a mortgage portfolio in Romania was purchased in a joint venture (EOS Credit Funding BL DAC) with EOS Investment Ro GmbH. See note 16.3 for further information regarding the joint venture. The Group's share of participation loans in the EOS Credit Funding BL DAC is 50 %.

In the fourth quarter of 2018, the Group entered into an agreement with Waterfall Asset Management ("Waterfall") and the European Bank for Reconstruction and Development ("EBRD") for a co-investment structure of a Greek portfolio that the Group had purchased in March 2018. As a part of this agreement, the Group sold the Greek portfolio to a SPV (H3P) and financed 35 % of the participation notes

in H3P used for the portfolio purchase. The daily servicing of the portfolio will remain in the Group, together with local licensed partners, and thus increase the Group's revenue from external collection going forward. The agreement also reduces the Group's risk exposure. The book value exceeded the sale price with EUR 7 million and resulted in an accounting loss of the same amount (NOK 67 million, see note 7). Through 35 % of the participation notes in H3P, in addition to revenue from external collection, the Group expects that the accounting loss will be recaptured in the future. The sale of the portfolio generated a net positive cash gain when taking gross cash collection less cost to collect and purchase price into consideration. The net positive cash effect of the sale for the Group, i.e. the sale price less financing of 35 % of the participation notes in H3P, amounted to NOK 510 million.

In the fourth quarter of 2018, the Group entered into an agreement with Waterfall for a co-investment structure of another Greek portfolio through a SPV (H2P). The participation notes issued to the SPV for purchase of the portfolio amounted to NOK 167 million. The Group's share of participation notes in the H2P is 30 %. The Group's share of voting rights in H2P is 50 %.

16.3 Investments in joint ventures

As part of the portfolio purchase (see note 16.2), the Group became 50 % owner of the share capital and voting rights in the SPV, EOS Credit Funding BL DAC with offices in Dublin, Ireland (portfolio owner), and ENB Properties Solutions srl with offices in Bucharest, Romania, and has joint control in these two companies. The two companies are accounted for using the equity method in the consolidated financial statements.

As part of a new co-investment structure with DDM Group (see note 30), the Group became 50 % owner of the share capital and voting rights in CE Partner S.à.r.l. and CE Holding Invest S.C.S. with offices in Luxembourg. Operations in the joint ventures are expected to begin in 2019.

The Group does not have goodwill or other adjustments related to the joint ventures.

Investments in joint ventures	2018	2017
At 1 January	4 335	2 285
Additions	126	
The Group's share of the joint venture's result after tax	3 885	3 702
Reclassified to/(from) other short-term liabilities		-1 868
Exchange differences	179	216
At 31 December	8 525	4 335

	EOS Credit Funding BL DAC	ENB Properties Solution srl
Total assets	209 943	22 597
Liabilities	208 622	7 325
Equity	1 321	15 272
Total liabilities & equity	209 943	22 597
Profit for the year	-94	7 864

16.4 Investments in associates companies

The Group holds interests in two associated companies, being a 26 % interest in Creditreform OU, Estonia, and a 34.72 % interest in Creditreform UAB, Lithuania. Both companies specialise in the collection of third party debt within their respective countries.

The Group's shareholdings in these two companies are owned by Creditreform Latvija SIA, Latvia, which was acquired by the Group on 1 January 2014.

In 2018 the Group acquired a 28.02 % interest in Linjiska Nacionalna Plovidba d.d., Croatia. The Group does not have goodwill or other adjustments related to the associated companies.

Investments in associated companies	2018	2017
At 1 January	1 229	1 650
Additions	2 148	
The Group's share of the associate's result after tax	259	-77
Dividend received	-127	-448
Exchange differences	109	104
At 31 December	3 619	1 229

NOTE 17: LOAN RECEIVABLES AND OTHER LONG-TERM FINANCIAL ASSETS

17.1 Loan receivables

	2018	2017
Loan receivables - gross	961 501	914 653
Loss allowance	-603 700	-500 073
	357 801	414 580

Loan receivables are interest-bearing loans that normally are granted for a period of 6-36, with monthly installments and no up-front payment, and the Group collects contractual cash flow according to the loan schedules. There is no single debtor who represents a large share of the loan receivables and therefore pose a material credit risk.

On 1 January 2018, the Group adopted IFRS 9 and now measures the impairment loss on loan receivables using a 3-stage model for expected credit loss (ECL). For loan receivables in stage 1 (performing, i.e. days past due between 0-10 days), ECL for default events that are possible within the next 12 months are recognised. The Group consider that credit risk has increased significantly since initial recognition for loan receivables in stage 2 and 3 (underperforming and non-performing, i.e. days past due over 10 days), and lifetime ECL is recognised. Loss allowance increased with NOK 69 million due to implementation of IFRS 9 as of 1 January 2018.

At 31 December, the analysis of loan receivables was as follows:

	Total	Stage 1	Stage 2 and 3
Loan receivables - gross	961 501	267 111	694 390
Loss allowance (IFRS 9)	-603 700	-42 700	-561 000
Loan receivables - net, 31 December 2018	357 801	224 411	133 390
Loan receivables - gross	914 653		
Loss allowance (IAS 39)	-500 073		
Loan receivables - net, 31 December 2017	414 580		

17.2 Other long-term financial assets

	2018	2017
Financial assets at fair value through profit or loss		
Structured bonds		3 356
Derivatives (note 4)	30 128	21 756
	30 128	25 112
Financial assets at amortised cost		
Loan to ENB Properties Solution srl	3 101	10 554
Other	1 354	789
	4 455	11 343
	34 582	36 455

The loan to ENB Properties Solution srl has a fixed interest rate and interest income in 2018 for the loan was NOK 340 thousand (2017: NOK 476 thousand).

NOTE 18: OTHER SHORT-TERM ASSETS**18.1 Accounts receivable**

	2018	2017
Accounts receivable from contract revenues - gross	35 808	36 500
Accounts receivable from single transactions - gross	4 069	45 791
Loss allowance	-4 969	-7 303
	34 908	74 989

There is no single customer who represents a large share of the accounts receivable and therefore pose a material credit risk.

Accounts receivable are non-interest bearing and are generally on terms of 30-90 days. At 31 December, the ageing analysis of accounts receivables was as follows:

	Total	Not due	0-30 days	31-60 days	61-90 days	>90 days
Accounts receivable - gross, 31 December 2018	39 877	30 579	1 500	736	213	6 849
Loss allowance (IFRS 9)	-4 969	-312	-52	-40	-21	-4 544
Accounts receivable - net, 31 December 2018	34 908	30 267	1 448	696	192	2 305
Accounts receivable - gross, 31 December 2017	82 292	59 671	13 895	600	1 853	6 272
Loss allowance (IAS 39)	-7 303					
Accounts receivable - net, 31 December 2017	74 989					

On 1 January 2018 the Group adopted IFRS 9 and now measures the impairment loss on accounts receivable using a lifetime expected credit loss (ECL) model. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. Loss allowance increased with NOK 744 thousand due to implementation of IFRS 9 as of 1 January 2018.

18.2 Other short-term assets

	2018	2017
Collateral collected from debtors (note 18.3)	119 538	47 084
Value added, sales or other taxes receivable	13 454	8 267
Amounts due from previous owners of purchased loan portfolios	17 470	32 709
Advances & security deposits paid to suppliers	18 580	6 244
Prepayments	24 090	11 648
Amounts due from employees	349	1 356
Derivatives (note 4)		12 686
Amounts due from joint venture (note 16)	2 422	6 449
Accrued income not yet invoiced	16 092	1 462
Structured bonds and investment funds	11 592	
Other	21 805	3 979
	245 392	131 884

18.3 Collateral assets

Collateral assets are assets, mainly real estate, repossessed as part of the management of secured non-performing loan portfolios.

	2018	2017
At 1 January	47 084	36 754
Acquired in business combinations (note 5)	5 995	
Additions	95 518	21 434
Disposals	-19 927	-12 808
Fair value adjustments	-11 654	-3 169
Exchange differences	2 522	4 874
At 31 December	119 538	47 084

Which consists of:

	2018	2017
Retail Properties	49 298	30 844
Non-retail properties	61 880	9 021
Other	8 360	7 219
	119 538	47 084

Of the collateral assets NOK 91 million is located in Central Europe (2017: 22 million) and NOK 18 million is located in Poland (2017: 22 million). Retail properties is related to private housing and non-retail properties to commercial buildings.

The Group has no restrictions on the realisability of its collateral assets, nor any contractual obligations for construction, development, repairs or maintenance.

The fair value of the assets is based on internal and external valuations taking into account the market and business the Group is operating in, and reflects the expected value for the Group.

	2018	2017
Rental income	307	235
Gain/(loss) from disposal and fair value adjustments	-9 045	-2 510
Direct operating expenses	-7 468	-3 726
Operating profit/(loss) from collateral assets	-16 207	-6 001

Rental income and gain/(loss) from disposal and fair value adjustments are presented in the line "Other operating income" in the consolidated income statement. Direct operating expenses are directly related to the collateral assets and include repairs and maintenance costs, insurance, valuation costs and other similar types of running costs. Direct operating expenses are included in either "External expenses of services provided" or "Other operating expenses" depending upon the nature of the expense.

NOTE 19: CASH AND SHORT-TERM DEPOSITS

	2018	2017
Cash at banks		
- unrestricted balances	382 794	435 459
- tax deductions from employee payroll	2 268	1 482
- other restricted balances	5 781	1 428
	390 843	438 369
Short-term deposits	6 859	13 632
	397 702	452 000

Cash at banks earns interest at floating rates which are based on bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Other restricted balances represent deposits paid into a short-term escrow account in connection with, for example, the acquisition of loan portfolios or guarantees provided by third parties.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash and short-term deposit balances in the table above.

NOTE 20: SHARE CAPITAL AND OTHER PAID-IN CAPITAL

Ordinary shares have a nominal value of NOK 0.10 each. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital ¹⁾ NOK'000s
At 1 January 2017	369 120 598	36 912	2 083 216
Exercise of employee share options on 8 November at an average subscription price of 10.35	400 000	40	4 100
At 31 December 2017	369 520 598	36 952	2 087 317
Share issue on 13 March at NOK 20.25 per share in connection with the private placement	36 912 000	3 691	724 762
Exercise of employee share options on 28 May at an average subscription price of 14.11	100 000	10	1 401
Exercise of employee share options on 24 August at an average subscription of 8.08	1 500 000	150	11 965
Exercise of employee share options on 2 October at an average subscription of 10.55	1 000 000	100	10 450
At 31 December 2018	409 032 598	40 903	2 835 895
Exercise of employee share options on 25 January 2019 at an average subscription of 8.356	900 000	90	7 430
At 25 april 2019 (the date of completion of these financial statements)	409 932 598	40 993	2 843 326

1) Net proceeds after transaction costs

For further information regarding shares and shareholders, see note 12 to the parent company financial statements.

Dividend paid to parent company's shareholders in 2018 amounted to NOK 0.30 per share (2017: NOK 0.15 per share).

Mandates granted to the Board of Directors:

On 25 May 2018 the General Meeting of the shareholders of B2Holding ASA granted the Board a right to increase the share capital (i) in connection with acquisitions and raising of equity, by a maximum of NOK 4,064,326 which is equal to 10 % of the Company's share capital, and (ii) in connection with the Company's share option programme, by a maximum of NOK 2,190,700.

The General Meeting on 25 May 2018 also granted the Board a right to acquire own shares in B2Holding ASA from the shareholders in the company up to a total nominal value of NOK 4,064,326. The maximum amount which can be paid per share in connection with such acquisition is NOK 30.00 while the minimum amount to be paid is NOK 1.00 per share.

Each of the said authorisations provided to the Board are all effective until the earliest of the Company's 2019 Annual General Meeting and 30 June 2019 and replaces the authorisations issued by the General Meeting on 24 May 2017.

NOTE 21: SHARE BASED PAYMENTS**21.1 Option program**

The Group has granted share options to management and selected key employees under two different option programs established in 2015. The first option program was established in June 2015 (the "First Option Program") and the second option program was established in September 2015 (the "Second Option Program"). As of the date of completion of these financial statements, there were 18,175,000 options outstanding under the First and Second Option Program.

Each option gives the holder the right to acquire one share from the Company at a strike price defined in the individual share option agreement.

In general, one-third of the options granted under the First Option Program vest on 1 January 2016, one-third vest on 1 January 2017 and the remaining one-third vest on 1 January 2018. Under the Second Option Program, one-third of the options granted vest after one, two and three years respectively after the date of grant. All options are conditional that the grantee remains employed on such date. All vested options may be exercised in any period prior to the expiry date.

All of the Company's option agreements include a clause regarding accelerated vesting meaning that if 75 % of the shares in the Company are sold to an acquirer, all outstanding options are vested. In case of a merger, the grantee shall if possible be granted an equal share option in the merged company. If this is not possible, the grantee will have the right to exercise all the options prior to the merger.

Movements during the year:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding 1 January	19 425 000	9.53	18 900 000	9.16
Granted during the year	1 350 000	19.24	1 125 000	16.50
Exercised during the year	-2 600 000	9.68	-400 000	10.50
Forfeited during the year			-200 000	12
Outstanding at 31 December	18 175 000	10.23	19 425 000	9.53
Exercisable at 31 December	15 875 000	9.09	12 000 000	8.73

2 May 2018 the BoD decided to extend the expiry date until the General Meeting 2019, or 30 June 2019 at the latest, for 12,900,000 share options originally expired 1 July 2018 and 2,300,000 share options originally expired 31 December 2018. As compensation for the extended expiration date the exercise price shall increase with 7.5 % annually interest rate calculated from the original expiry date up until the actual exercise date. Further, there are no options that are cancelled or expired since grant date.

The weighted average fair value of options granted in 2018 was NOK 2.09 (2017: 2.72) per option and the cost of the options recognised in personnel costs together with a corresponding increase in other capital reserves was NOK 2,584 thousands in 2018 (2017: 3,985).

The fair value of options awarded is calculated using the Black-Scholes option pricing model. The risk-free interest rate on the award date has been obtained from Norges Bank and weighted average for options awarded in 2018 was 0.81 % (2017: 0.61 %). The weighted average expected volatility for the options granted in 2018 was 26.9 % (2017: 32.6 %), and the expected lifetime has been set as the vesting date.

At 31 December 2018, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

Exercise price	Outstanding options			Vested options		
	Outstanding options as of 31.12.2018	Weighted average remaining contractual life	Weighted average exercise price	Outstanding options as of 31.12.2018	Weighted average remaining contractual life	Weighted average exercise price
0.00 - 8.00	4 300 000	0.5	8.00	4 300 000	0.5	8.00
8.01 - 8.50	4 300 000	0.5	8.50	4 300 000	0.5	8.50
8.51 - 9.99	4 300 000	0.5	9.00	4 300 000	0.5	9.00
10.00 - 12.99	2 500 000	0.5	11.08	2 500 000	0.5	11.08
13.00 - 17.99	1 775 000	2.1	15.59	475 000	2.1	12.00
18.00 - 23.99	1 000 000	2.8	20.83			
Total	18 175 000	0.8	10.23	15 875 000	0.5	9.01

At 31 December 2017, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

Exercise price	Outstanding options			Vested options		
	Outstanding options as of 31.12.2017	Weighted average remaining contractual life	Weighted average exercise price	Outstanding options as of 31.12.2017	Weighted average remaining contractual life	Weighted average exercise price
0.00 - 8.00	4 800 000	0.5	8.00	4 800 000	0.5	8.00
8.01 - 8.50	4 800 000	0.5	8.50	4 800 000	0.5	8.50
8.51 - 9.99	4 800 000	0.5	9.00			
10.00 - 11.99	2 200 000	1.0	10.50	2 200 000	1.0	10.50
12.00 - 13.99	1 500 000	1.3	12.13	200 000	2.0	12.00
14.00 - 15.99	700 000	2.7	14.54			
16.00 - 20.30	625 000	3.0	17.89			
Total	19 425 000	0.8	9.53	12 000 000	0.6	8.73

See note 28 for information on share options to Board of Directors and Group Management.

NOTE 22: INTEREST BEARING LOANS AND BORROWINGS

	2018	2017
Long-term		
Multi-currency revolving credit facility	3 674 190	693 622
Bond loan	7 094 618	5 044 999
Loans from non-controlling interests		76
	10 768 808	5 738 696
	2018	2017
Short-term		
Multi-currency term loan		989 436
Bank overdraft	59 115	125 655
Other	363	
	59 478	1 115 091

Interest bearing loans:

The Group is financed by the following loans; (i) A EUR 510 million senior secured multi-currency revolving credit facility agreement, including a multi-currency cash pool with a EUR 40 million overdraft, which matures in May 2022, (ii) a EUR 150 million senior unsecured bond with maturity in December 2020, (iii) a EUR 175 million senior unsecured bond with maturity in October 2021, (iv) a EUR 200 million senior unsecured bond with maturity in November 2022 and (v) EUR 200 million senior unsecured bond with maturity in May 2023.

The multi-currency revolving credit facility and the bond loan carry a variable interest rate based on the interbank rate in each currency plus a margin supplement. In addition, there is a commitment fee, which is calculated as a percentage of the loan margin on the undrawn part of the credit facility. The overdraft carries a facility line fee. The loan agreements have a number of operational and financial covenants, including limits on certain key indicators, which have all been complied with as of 31 December 2018. There are no instalments to be paid before maturity.

At 31 December 2018, PLN 780 million and NOK 1 950 million, in total EUR 371 million, was utilised from the EUR 470 million multi-currency revolving credit facility, leaving an available, undrawn amount of EUR 99 million. The multi-currency overdraft facility of EUR 40 million was utilised with EUR 6 million, leaving an available, undrawn amount of EUR 34 million at 31 December 2018.

Details of the interest rates, maturity and outstanding nominal values by currency at 31 December 2018 and 31 December 2017 are summarised below:

At 31 December 2018	Currency	Interest rate %	Maturity	Outstanding nominal value
Multi-currency revolving credit facility	PLN	Floating	May 2022	1 803 984
	NOK	Floating	May 2022	1 950 000
Bond loans	EUR	7.50 %	December 2020	1 492 245
	EUR	7.00 %	October 2021	1 740 953
	EUR	4.25 %	November 2022	1 989 660
	EUR	4.75 %	May 2023	1 989 660
				10 966 502
At 31 December 2017	Currency	Interest rate %	Maturity	Outstanding nominal value
Multi-currency revolving credit facility	PLN	Floating	August 2019	235 580
	NOK	Floating	August 2019	500 000
Multi-currency term loan	PLN	Floating	December 2018	989 436
Bond loans	EUR	7.50 %	December 2020	1 476 045
	EUR	7.00 %	October 2021	1 722 053
	EUR	4.25 %	November 2022	1 968 060
				6 891 174

The repayment schedule by currency at 31 December 2018 and 31 December 2017 is shown in the table below:

At 31 December 2018	Multi-currency revolving credit facility		Bond loan	Total
	NOK	PLN	EUR	
2020			1 492 245	1 492 245
2021			1 740 953	1 740 953
2022	1 950 000	1 803 984	1 989 660	5 743 644
After 2021			1 989 660	1 989 660
	1 950 000	1 803 984	7 212 518	10 966 502

At 31 December 2017	Multi-currency revolving credit facility and term loan		Bond loan	Loans from non-controlling interest	Total
	NOK	PLN	EUR	SEK	
2018		989 436			989 436
2019	500 000	235 580			735 580
2020			1 476 045		1 476 045
2021			1 722 053		1 722 053
After 2021			1 968 060	76	1 968 136
	500 000	1 225 016	5 166 158	76	6 891 250

Financial covenants:

The financial covenants at 31 December 2018 for the bond loan and the multi-currency revolving credit facility are summarised below. All covenants have been met at 31 December 2018 and 31 December 2017.

The financial covenants for the bond loan are as follows:

	Requirement	2018	2017
Total loan to value	Maximum 75 %	72 %	66 %
Leverage ratio	Maximum 4.0	3.5	3.5
Net interest cover ratio	Minimum 4.0	4.8	5.6

The financial covenants for the multi-currency revolving credit facility are similar to the bond loan covenants but also include covenants for the borrowing base ratio, the equity ratio and the ratio of actual NPL portfolio cash collection compared to cash collection forecasts. In addition to this, the covenants for the borrowing base ratio and the ratio of actual NPL portfolio cash collection compared to cash collection forecasts are measured at the "Restricted Group" level, which comprises B2Kapital Holding S.à r.l. and its directly and indirectly owned subsidiaries. If the Group potentially were to come into a situation that it fails to comply with the financial covenants under the multi-currency revolving credit facility agreement or the bond agreements, default will be declared only if the failure to comply is not remedied within the applicable grace period.

Bank borrowings secured by pledged assets	2018	2017
Multi-currency revolving credit facility	3 674 190	1 683 058
	3 674 190	1 683 058

Balance sheet value of pledged assets	2018	2017
Share Pledge	3 672 405	2 527 683
Account charge over bank accounts	-321 664	-132 486
Intra Group Loan receivable	7 979 034	5 483 631
	11 329 775	7 878 828

At 31 December 2018, the multi-currency revolving credit facility is secured by a share pledge over B2Holding ASA's shares in Ultimo Netherlands BV, a share pledge over Ultimo Netherlands BV's shares in B2Kapital Holding S.a r.l., an account charge over a number of pre-defined B2Holding ASA bank accounts (the specified bank accounts is participating in the Group Cash Pool and have a negative balance at year end), a pledge over the intra-group loan receivables from B2Holding ASA to Ultimo Netherlands BV and the intra-group loan receivables from Ultimo Netherlands BV to B2Kapital Holding S.à r.l. The bond loans are unsecured.

Changes in liabilities arising from financing activities:

The table below shows a reconciliation of the opening and closing balance for liabilities arising from financing activities.

	2017	Changes from financing cash flows	Changes from acquisitions	Changes in foreign exchange rates	Changes in fair value	Other changes	2018
Interest bearing loans and borrowings	6 728 132	3 355 756	500 040	192 400		-7 158	10 769 171
	6 728 132	3 355 756	500 040	192 400	0	-7 158	10 769 171

The column «other changes» consist of non-cash effects from utilizing amortised cost principal.

NOTE 23: OTHER LONG-TERM LIABILITIES

	2018	2017
Financial liabilities at fair value through profit or loss		
Contingent consideration (note 5.3)	82 949	53 943
Derivatives (note 4)	10 263	12 990
Other	129	1 476
	93 342	68 409
Financial liabilities at amortised cost		
Financial lease liability - due after more than 12 months (note 26)	906	608
	906	608
Other non-financial liabilities		
Post-employment liabilities	3 509	1 190
	3 509	1 190
	97 757	70 207

Contingent consideration due within one year is classified within other current liabilities.

NOTE 24: ACCOUNTS AND OTHER PAYABLES

	2018	2017
Accounts payable	91 597	75 488
Vendor financing	144 839	149 741
Amounts owed to third party collection customers	14 051	7 799
Amounts prepaid by loan debtors	48 083	32 945
Financial lease liability - due within 12 months (note 26)	489	256
Other payables	1 477	375
	300 536	266 603

Accounts payable, amounts prepaid by loan debtors and amounts owed to third party collection customers are non-interest bearing and are normally settled within 30 days. Vendor financing is non-interest bearing and relates to portfolio purchases not yet fully paid but normally due within 6 months.

NOTE 25: OTHER CURRENT LIABILITIES

	2018	2017
Financial liabilities at fair value through profit or loss		
Contingent consideration (note 5.3)	74 393	21 649
Portfolio purchase option		21 678
Derivatives (note 4)	52 976	27 249
	127 369	70 575
Other liabilities at amortised cost		
Amounts due to employees	93 501	71 549
Accrued interest on external loans	76 435	67 213
Accrued costs of external collection services and other expenses	20 559	22 501
Other	13 196	8 825
	203 692	170 088
Indirect taxes payable		
Value added taxes / sales taxes payable	9 567	6 661
Payroll taxes payable	12 628	13 418
Social security payable	26 676	44 070
Other indirect taxes payable	1 691	1 401
	50 561	65 550
	381 621	306 213

Contingent consideration due within one year is classified as other current liabilities.

Amounts due to employees are accruals for fixed and variable salaries and includes accruals for holiday entitlements according to local regulations and practices.

Interest payable on loans and borrowings is normally paid quarterly throughout the financial year.

Indirect taxes are non-interest bearing and are payable on a regular basis to the relevant national tax authority.

Social security payable at 31 December 2018 and 31 December 2017 includes the accrued social security costs of the share option programmes and described in more detail in note 21.

NOTE 26: COMMITMENTS**26.1 Operating lease commitments - Group as lessee**

The Group has entered into operational leases for office premises, motor vehicles and office equipment. The lease payments for the majority of the office premises lease contracts are adjusted according to the consumer price index, have an extension option and have an average life of between 12 months and 5 years.

There are no restrictions placed upon the lessee under the lease contracts to use the office premises in the normal course of business. The operating lease costs for the following types of lease were as follows:

	2018	2017
Office premises	42 318	23 788
Motor vehicles	4 808	2 096
Office equipment	6 396	6 925
	53 522	32 809

Future minimum rentals payable under non-cancellable operating leases at 31 December 2018 and 31 December 2017 were as follows:

	2018	2017
Rentals payable within one year	50 746	28 625
Rentals payable from one to five years	106 923	38 921
Rentals payable after more than five years	3 483	83
	161 152	67 629

26.2 Finance lease commitments - Group as lessee

The Group has entered into finance leases for various items of equipment. These leases have terms of renewal at the option of the specific Group entity that holds the lease. Future minimum lease payments under finance leases and the net present value of the minimum lease payments at 31 December 2018 and 31 December 2017 were as follows:

	2018		2017	
	Future minimum payments	Present value of payments	Future minimum payments	Present value of payments
Rentals payable within one year	536	489	402	365
Rentals payable from one to five years	960	906	475	394
Total minimum lease payments	1 496	1 395	877	759
Less amounts representing finance charges	-101		-118	
Present value of minimum lease payments	1 395	1 395	759	759

26.3 Forward flow commitments

The Group has committed to buy non-performing debt portfolios for delivery in future years ('forward flow' contracts) in the following segments. The estimated face value and purchase price of contracts is based on the maximum face value in the purchase agreement or best estimate if there are not any maximum amounts in the purchase agreements. At 31 December, these commitments were as follows:

	2018		2017	
	Face value	Purchase price	Face value	Purchase price
Northern Europe	1 339 692	759 616	571 601	329 636
Poland	125 386	46 508	307 876	133 352
Central Europe			7 608	1 598
Western Europe			646 672	90 534
South East Europe	361 664	112 433	806 308	193 315
	1 826 742	918 558	2 340 065	748 434

NOTE 27: RELATED PARTY DISCLOSURE

The Group's related parties include the Group management team, Board of Directors of the parent company, associated companies and joint ventures (note 16).

Related party transactions with Group management team and Board of Directors are set out in note 28.

Transactions with associated companies and joint ventures:

See note 16 and 17 for transactions with associated companies and joint ventures.

Transaction with Bank2 ASA:

In end of May 2016 the Swedish part of the Group sold a Norwegian portfolio to Bank2 ASA. The agreement included an option for the seller to re-purchase the portfolio after two years, and with an option for the buyer to sell the portfolio back to the Group after two years. At the date of sale and until November 2018 it was expected that due to the contractual arrangements it was likely that the Group would purchase the portfolio back after two years. As a consequence the portfolio was not derecognized in the Group accounts as a sale, and the expected future cash outflow for repurchasing the portfolio was presented as a financial liability. At 29 November 2018, the Group agreed with Bank2 ASA that the options would not be exercised and as a result of this Bank2 ASA kept the ownership of the portfolio. The Group paid a compensation of NOK 4 million to Bank2 ASA and recognized a gain of NOK 6 million in the statement of profit or loss from derecognition of the portfolio and liability. Jon Harald Nordbrekken, Chairman of the Board of Directors, and shareholder in B2Holding ASA is also Chairman of the Board of Directors and shareholder in Bank2 ASA. He was not involved in the transaction.

Group companies:

Companies in the Group are also related parties. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured and interest free, other than for interest-bearing loans. At 31 December 2018 and 31 December 2017, the Group has not made any provision of doubtful debts relating to intra-group related party balances. This assessment has been undertaken for each period end based on an examination of the financial position of the related party and the market in which the related party operates.

B2Holding ASA, with its registered office in Oslo is the Parent Company of the Group. The list of Group subsidiaries is provided on the next page. All subsidiaries are included in the B2Holding Group consolidated financial statements.

Company name	Country of incorporation	Segment	Directly owned by B2Holding ASA	% equity interest	
				2018	2017
B2Holding ASA					
Interkredit AS	Norway	Northern Europe		100 %	100 %
Interkredit Kapital AS ³⁾	Norway	Northern Europe		100 %	³⁾
Ultimo Netherlands BV	Netherlands	Central functions	√	100 %	100 %
B2Kapital Holding Sarl	Luxembourg	Central functions		100 %	100 %
ULTIMO Portfolio Investment SA	Luxembourg	Central functions		100 %	100 %
ULTIMO SA	Poland	Poland		100 %	100 %
ULTIMO Securitisation Fund	Poland	Poland		100 %	100 %
ULTIMO Legal Office	Poland	Poland		99 %	99 %
ULTIMO TFI ³⁾	Poland	Poland		100 %	³⁾
TAKTO Group comprising TAKTO Sp z.o.o, TAKTO Securitisation Fund & Invest TAKTO SKA	Poland	Poland		100 %	100 %
Sileo Holding AB	Sweden	Northern Europe		100 %	100 %
Sileo Kapital AB	Sweden	Northern Europe		100 %	100 %
Sileo Finans AB	Sweden	Northern Europe		100 %	100 %
Kontant Finans Sverige AB	Sweden	Northern Europe		100 %	90.1 %
OK Perintä OY	Finland	Northern Europe		100 %	100 %
OK Laskutus OY ¹⁾	Finland	Northern Europe		¹⁾	100 %
Nordic Debt Collection A/S	Denmark	Northern Europe		100 %	100 %
TCM Estonia OÜ	Estonia	Northern Europe		100 %	100 %
B2Kapital SIA	Latvia	Northern Europe		100 %	100 %
Creditreform Latvija SIA	Latvia	Northern Europe		99.5 %	99.5 %
Crefo Rating SIA	Latvia	Northern Europe		100 %	100 %
AS Crefo Birojs	Latvia	Northern Europe		100 %	100 %
UAB Skolu valdymo centras	Lithuania	Northern Europe		100 %	100 %
UAB Skolu rizikos sprendimai	Lithuania	Northern Europe		74 %	74 %
B2 Kapital d.o.o	Croatia	Central Europe		100 %	100 %
B2 Real Estate d.o.o	Croatia	Central Europe		100 %	100 %
B2 Portfolio d.o.o.	Croatia	Central Europe		100 %	100 %
B2Kapital d.o.o	Bosnia and Herzegovina	Central Europe		100 %	100 %
B2Kapital d.o.o	Slovenia	Central Europe		100 %	100 %
B2 Holding Kapital d.o.o	Serbia	Central Europe		100 %	100 %
B2Kapital d.o.o	Montenegro	Central Europe		100 %	100 %
B2Kapital GmbH	Austria	Central Europe		100 %	100 %
B2Kapital Czech Republic s.r.o	Czech Republic	Central Europe		100 %	100 %
Consequence Europe MKFT	Hungary	Central Europe		100 %	100 %
B2Kapital Hungary Zrt	Hungary	Central Europe		100 %	100 %
B2Kapital Porfolio Management S.R.L	Romania	South East Europe		100 %	100 %
B2 Real Estate Management S.R.L. ³⁾	Romania	South East Europe		100 %	³⁾
B2 Kapital Finance I.F.N. S.A. ³⁾	Romania	South East Europe		100 %	³⁾
Debt Collection Agency S.R.L	Romania	South East Europe		100 %	100 %
Debt Collection Agency EAD	Bulgaria	South East Europe		100 %	100 %
Smart Collect EOOD	Bulgaria	South East Europe		100 %	100 %
B2Kapital AE	Greece	South East Europe		100 %	100 %
B2Kapital Cyprus LTD ³⁾	Cyprus	South East Europe		100 %	³⁾
B2 Kapital S.r.l	Italy	Western Europe		100 %	100 %
B2 Kapital Investment S.r.l.	Italy	Western Europe		100 %	100 %
B2 Kapital RE S.r.l. ³⁾	Italy	Western Europe		100 %	³⁾
Confirmación de Solicitudes de Crédito Verifica S.A. ⁴⁾	Spain	Western Europe		80 % ⁴⁾	80 % ⁴⁾
Acreditia Servicios Auxiliares S.L. ²⁾	Spain	Western Europe		100 %	²⁾
Verifica Portugal S.A. ²⁾	Portugal	Western Europe		100 %	²⁾
Négociation et Achat de Créances Contentieuses ²⁾	France	Western Europe		100 %	²⁾
Tahiti Encaissements Services ²⁾	French Polynesia	Western Europe		100 %	²⁾

1) Merged into OK Perinta OY during 2018

2) Acquired in business combinations in 2018, see note 5 for further information

3) Companies established in 2018

4) Option to acquire the remaining 20 % of the shares

NOTE 28: REMUNERATION**28.1 Remuneration policy****1. Purpose**

B2Holding ASA's reward policy is a management tool that shall contribute to Group profit and increased shareholder value and to attract, retain and develop qualified people with the right managerial and professional competencies. This reward policy applies to the Chief Executive Officer of B2Holding ASA (the "CEO"), the Managers in B2Holding ASA and the Directly Reporting Business Units Managers.

"Managers in B2Holding ASA" means managers employed by B2Holding ASA who report directly to the CEO, and the "Directly Reporting Business Units Managers" means managers employed by other group companies and who report directly to the CEO.

"Management" means the CEO, Managers in B2Holding ASA and the Directly Reporting Business Units Managers, and a "Manager" shall mean a member of the Management.

2. Reward Strategy

The fundamental principle in B2Holding's determination of salary and other remuneration for the Management is that the terms are to be competitive with terms in positions with similar responsibility, workload and complexity in the local markets. B2Holding ASA and its subsidiaries (the "Group") will adapt to the local market practices to the extent the Group find expedient.

3. Reward System

All positions relevant for this policy shall be objectively evaluated and given a job grade. The rating of each unique position is determined from the level of accountability, the level of problem solving, and the know-how requirements in the role. For each job grade, there is a salary band. The midpoint for each salary band is determined regularly, per country, with reference to the external market and the Group's remuneration strategy. Each salary band will have a maximum and a minimum pay level, which is +/- 30 % from the midpoint.

4. Reward

Reward includes all the instruments the organisation and its managers have at hand, and utilise to encourage and reward performance. Monetary reward includes:

- a. Base Salary
- b. Benefits - e.g. Pension Scheme, Personnel Insurances, Car Scheme, etc.
- c. Annual Bonus – Short-term Incentive
- d. Share Options – Long-term Incentive

5. Determining Base Salary

The base salary will be determined based on the following criteria's: Job level, Local competition, Salary band for the job, Performance level, Budget and guidelines for annual salary review. Determining annual base salary movements - the following criteria will apply: Performance level, Present position in salary band, Budget and guidelines for annual salary review. Expatriates are subject to tailor-made arrangements.

6. Determining Benefits

Benefits will be related to local market standards and job level.

7. Determining Annual Bonus

a. All Managers subject to this reward policy are eligible for an annual bonus subject to achievement of an agreed set of targets. Performance level related to the set of targets will be the criterion determining the size of the annual bonus. The target structure will comprise Group targets, Business Unit targets and individual targets when appropriate. A target level expressed in % of base salary will be defined for each Manager. Determination of the target will be based on local market standard for each individual managerial position. The Board of Directors of B2Holding ASA (the "BoD") will set the target bonus level for the CEO. The BoD will furthermore decide the target bonus level for the other Managers following a recommendation of the CEO.

- b. The target structure will include 2-3 independent weighted components
 - i. Group targets – The Group target will be determined by the BoD
 - ii. Business unit targets – The business unit targets are to be decided by the BoD following the recommendation of the CEO.
 - iii. Individual targets – when appropriate with a weight up to 40 %. The individual targets will be decided by the CEO.

The CEO's performance will be measured against targets i) and iii). The Business Unit Managers performance will be measured against i), ii), and iii) when an individual target has been decided. The Managers in B2Holding ASA will be measured against i), and iii) when an individual target has been decided.

- c. The bonus level matrix will be reviewed on a yearly basis to be in line with the local market and the Group's reward strategy.
- d. The BoD shall approve any annual bonus in excess of target bonus for the individual.
- e. Managers subject to an earn-out model as a result of an acquisition or merger are not eligible for Annual bonus before the earn-out period is over.
- f. Manager having submitted notice of resignation is not eligible for Annual Bonus.

8. Determining Share options

a. The BoD will establish a Share Option Program for the CEO, Managers in B2Holding ASA and Business Unit Managers responsible for an operating profit above NOK 50 mill. under which a 3-year share option program may be granted. Each candidate is however subject to individual approval both with regard to being included in the Share Option Program and as to the number of options to be granted to the candidate. The BoD will in its approval process emphasize the potential impact the candidate may have on the shareholder value development.

b. The BoD will not in any single calendar year grant share options representing in total more than 0.5 % of the share capital of B2Holding ASA as at the date of the Annual General Meeting in that year.

c. The strike price for first third of the options will be equal to volume weighted average price quoted on the Oslo Stock Exchange for the B2Holding shares in the last 30 trading days prior to the date on which the BoD grants the options ("VWAP"). The strike price for second third of the options will be equal to the strike price for the first third increased with 7.5 % The strike price for the last third of the options will be equal to the second strike price of the options increased with 7.5 %. The strike price shall be adjusted for dividend distribution and mathematical effects from rights issues and other dilutive corporate actions.

d. The Managers may sell his/her shares at any time after exercising the option.

e. Managers subject to a current running share option program are not eligible for the new Share Option Program before the current program term has expired.

f. Managers subject to an earn-out model as a result of an acquisition or merger are not eligible for the Stock Option Program before the earn-out period is over.

g. If a participant dies while being part of the Stock Option Program, the participant's heirs shall inherit the vested options. B2Holding ASA will not withdraw the Stock Option Program in case of a participant's disability.

9. Rights and obligations

The Reward Policy is a policy that the Company intends to comply with. The policy does, however, not create any rights for the Managers or obligations for B2Holding ASA or its affiliates and may be deviated from, amended, replaced or terminated by B2Holding ASA at its sole discretion at any point in time and without notice.

10. Governance

Any amendments to this policy shall be approved by the BoD.

The Group has been compliant to the above the last year.

28.2 Group Management and Board of Directors

Remuneration 2018	Salary	Bonus earned in 2018	Pension expense	Other benefits	Total	Share option cost	Directors fee
Group Management							
Olav Dalen Zahl, Chief Executive Officer	3 512	1 425	181	195	5 313		
Erik Just Johnsen, Chief Financial Officer	2 686	707	183	17	3 593		
J. Harald Henriksen, Chief Governance Officer ¹⁾	2 075	645	168	22	2 910		
Rasmus Hansson, Director M&A ²⁾	1 908	600	170	21	2 699	54	
Jeremi Bobowski, Chief Investment Officer	2 496	629	144		3 269	54	
Thor Christian Moen, General Counsel ³⁾	2 306	748	178	33	3 265	54	
Danckert P. Mellbye, Chief Operation Officer ⁴⁾	1 980	735	177	37	2 929	565	
Executive Management Team							
Henrik Wennerholm, Regional Director Scandinavia ⁵⁾	736		140	33	909	54	
Tore Krogstad, Regional Director Scandinavia ⁶⁾	1 284	594	190	27	2 095	399	
Kari Ahlström, Regional Director Finland & Baltics	2 054	627	557	163	3 401	390	
Ilija Plavcic, Regional Director Central Europe	2 880	871			3 751	91	
Adam Parfiniewicz, Regional Director Poland	2 028	706		29	2 764	223	
Christos Savvides, Regional Director South East Europe ⁷⁾							
George Christoforou, Regional Director South East Europe ⁸⁾	614	529		19	1 163	294	
Maria Haddad, Regional Director Western Europe ⁹⁾	365	193			558	101	
Board of Directors							
Jon Harald Nordbrekken, Chairman				13	13		675
Per Kristian Spone							288
Kari Skeidsvoll Moe							263
Niklas Wiberg ¹⁰⁾							115
Adele Bugge Norman Pran ¹¹⁾							175
Kjetil A. Garstad, Deputy member ¹¹⁾							175
Grethe Wittenberg Meier, Deputy member ¹¹⁾							175
Trygve Lauvdal ¹²⁾							88
Tove Raanes ¹²⁾							113
Total	26 924	9 009	2 088	611	38 632	2 279	2 067

1) J. Harald Henriksen, previously Chief Compliance Officer, took up the new position as Chief Governance Officer with effect from 14 February 2019.

2) In addition to the position as Director of M&A, Rasmus Hansson temporarily held the new position as Regional Director Western Europe in the period January - September 2018.

3) Thor Christian Moen, previously Chief Legal Officer, took up the new position as General Counsel with effect from 14 February 2019.

4) Danckert P. Mellbye, previously Chief Organisation & Improvement Officer, took up the new position as Chief Operation Officer with effect from 14 February 2019.

5) Henrik Wennerholm left the B2Holding Group and the position as Regional Director Scandinavia during April 2018.

6) Tore Krogstad took up the position as Regional Director Scandinavia with effect from 1 March 2018.

7) Christos Savvides held the position as Regional Director South East Europe in the period January to August 2018 and has been remunerated (via the company Sabel Investment Ltd) with a total consulting fee of EUR 94,000 excluding VAT and disbursement for this period.

8) George Christoforou took up the position as Regional Director South East Europe with effect from 1 September 2018.

9) Maria Haddad took up the position as Regional Director Western Europe with effect from 1 October 2018.

10) Niklas Wiberg has been remunerated with NOK 115,000 for his position as Deputy Member in the period January until the General Meeting in May 2018. Unpaid earned remuneration for the period June - December 2018 of NOK 175,000 as ordinary Director will be paid in June 2019.

11) Adele Bugge Norman Pran, Kjetil A. Garstad and Grethe Wittenberg Meier took up their positions as Director and Deputy Members with effect from the General Meeting in May 2018.

12) Trygve Lauvdal and Tove Raanes left their positions as Directors with effect from the General Meeting held in May 2018.

13) Accrued social security costs are not included as part of the share option cost stated above.

The employment agreements of the CEO and the Management have a 6-month period of notice from last day of the month in which the written notice is given. The CEO is entitled to a termination payment equal to 12 months base salary after the notice period if the Company terminates his employment agreement. The members of Management are entitled to termination payment equal to 12 months base salary after the notice period in case of changes in ownership structure, area of operation or organisation that directly affect the premises for their employment.

Remuneration 2017	Salary	Bonus earned in 2017	Pension expense	Other benefits	Total	Share option cost	Directors fee
Group Management							
Olav Dalen Zahl, Chief Executive Officer	3 218	1 181	204	172	4 775	665	
Erik Just Johnsen, Chief Financial Officer	2 314	980	206	18	3 518	166	
J. Harald Henriksen, Chief Compliance Officer	2 019	706	194	23	2 941	100	
Rasmus Hansson, Director Strategy and M&A	1 662	706	193	23	2 584	166	
Jeremi Bobowski, Chief Investment Officer	1 381	521		849	2 751	166	
Thor Christian Moen, Chief Legal Officer	2 061	902	201	23	3 186	166	
Danckert P. Mellbye, Chief Organisation & Improvement Officer	875	725	132	11	1 744	164	
Executive Management Team							
Henrik Wennerholm, Regional Director Scandinavia	1 243	570	361	3 167	5 340	384	
Ilija Plavcic, Regional Director Central Europe	1 054	1 194		0	2 248	277	
Adam Parfiniewicz, Regional Director Poland	658	645		13	1 316	486	
Kari Ahlström, Finland & Baltics Regional Director	578	627	203	37	1 445	395	
Christos Savvides, Regional Director South East Europe							
Board of Directors							
Jon Harald Nordbrekken, Chairman				15	15	665	500
Per Kristian Spone							302
Trygve Lauvdal							290
Kari Skeidsvoll Moe							290
Tove Raanes							302
Niklas Wiberg, Deputy member							125
Total	17 063	8 756	1 694	4 353	31 866	3 801	1 808

Shares owned by Group Management and Board of Directors

The number of shares owned directly or indirectly by the Board of Directors and Group Management at 31 December 2018 were as set out below. For details of options granted to the Board of Directors and Group Management, please refer to note 21.

Name	Position	Number of shares
Jon Harald Nordbrekken ¹⁾	Chairman of the Board	27 200 000
Per Kristian Spone ²⁾	Board member	72 708
Kari Skeidsvoll Moe	Board member	6 200
Kjetil A. Garstad ³⁾	Deputy Board member	451 425
Grethe Wittenberg Meier	Deputy Board member	25 000
Olav Dalen Zahl ⁴⁾	Chief Executive Officer	2 459 786
Erik Just Johnsen ⁵⁾	Chief Financial Officer	1 910 000
J. Harald Henriksen	Chief Governance Officer	20 057
Rasmus Hansson ⁶⁾	Director M&A	50 057
Thor Christian Moen	General Counsel	75 000
Danckert P. Mellbye ⁷⁾	Chief Operation Officer	15 351
Ilija Plavcic	Regional Director Central Europe	2 410 500
Tore Krogstad	Regional Director Scandinavia	31 000
Maria Haddad	Regional Director Western Europe	65 000

1) Jon H. Nordbrekken holds 2,200,000 personally. In addition, Valset Invest AS, an entity controlled by Nordbrekken and his related parties, holds 25,000,000 shares

2) Per K. Spone holds 66,708 personally. In addition, persons related to Spone hold 6,000 shares.

3) Steel City AS, an entity controlled by Kjetil A. Garstad, holds 451,425 shares.

4) Fjordsyn AS, an entity controlled by Olav Dalen Zahl, hold 2,456,386 shares. In addition, persons related to Olav Dalen Zahl holds 3,400 shares.

5) Pine AS, an entity controlled by Erik Just Johnsen holds 1,910,000 shares.

6) Rmh Invest AS, an entity controlled by Rasmus Hansson, holds 50,057 shares.

7) Yblem NUF, an entity controlled by Danckert P. Mellbye holds 15,351 shares.

Share options owned by Group Management and Board of Directors

The following members of the Board and Management participate in the option programs:

See note 21 for further information of the Group share option program.

	Grant date	Number of options granted	Number of options vested at 31 December 2018	Number of options vested at 31 December 2017	Expiry date ⁴⁾	Exercise price range NOK
Jon Harald Nordbrekken (Chairman of the Board)	1 July 2015	6 000 000	6 000 000	4 000 000	30 June 2019	8-9
Olav Dalen Zahl (Chief Executive Officer)	1 July 2015	6 000 000	6 000 000	4 000 000	30 June 2019	8-9
Erik Just Johnson (Chief Financial Officer) ¹⁾	1 July 2015	1 500 000		1 000 000	30 June 2019	8-9
J. Harald Henriksen (Chief Governance Officer) ²⁾	1 July 2015	900 000	900 000	600 000	30 June 2019	8-9
Rasmus Hansson (Director M&A)	9 September 2015	600 000	600 000	400 000	30 June 2019	10-12
Jeremi Bobowski (Chief Investment Officer)	9 September 2015	600 000	600 000	400 000	30 June 2019	10-12
Thor Christian Moen (General Counsel)	9 September 2015	600 000	600 000	400 000	30 June 2019	10-12
Ilija Plavcic (Regional Director Central Europe) ³⁾	9 September 2015	1 000 000		666 667	30 June 2019	10-12
Adam Parfiniewicz (Regional Director Poland)	15 June 2016	600 000	400 000	200 000	31 December 2019	12-14
Kari Ahlström (Regional Director Finland & Baltics)	27 April 2017	450 000	150 000		31 December 2020	14.26-16.32
Danckert P. Mellbye (Chief Operation Officer)	20 September 2017	375 000	125 000		31 December 2020	17.60-20.30
Tore Krogstad, (Regional Director Scandinavia)	1 April 2018	450 000			31 December 2021	20.60-23.75
George Christoforou, (Regional Director South East Europe)	1 September 2018	450 000			31 December 2021	17.81-20.58
Maria Haddad, (Regional Director Western Europe)	1 October 2018	450 000			31 December 2021	15.22-17.59
Total		19 975 000	15 375 000	11 666 667		

1) Erik J. Johnsen exercised 1,500,000 options 16 July 2018 at a subscription price per share of NOK 8.08 and has no remaining options at 31.12.2018.

2) J. Harald Henriksen exercised 900,000 options 2 January 2019 at a subscription price per share of NOK 8.356 and has no remaining options after this exercise.

3) Ilija Plavcic exercised 1,000,000 options 3 September 2018 at a subscription price per share of NOK 10.55 and has no remaining options at 31.12.2018.

4) See note 21 for extension of expiry date until 30 June 2019 for share options originally expired at 1 July and 31 December 2018.

28.3 Fees to auditors

The table below summarises audit fees, fees for further assurance services and tax services incurred by the Group during 2018 and 2017 from EY, who were appointed the Group auditors in December 2014. Fees include all companies in the Group.

	2018	2017
Audit fees	6 859	5 465
Fees for further assurance services	1 153	865
Fees for tax services	990	762
	9 002	7 092

VAT is both included and not included in the fees specified above, depending on if the receiving company has deduction for VAT.

NOTE 29: GUARANTEES

B2Holding ASA has issued a guarantee limited to EUR 612 million with the addition of any and all interests, default interests, costs and expenses to DNB Bank ASA as Agent on behalf of itself, Nordea Bank AB and Swedbank AB in connection with the provision of the Group's senior secured multicurrency revolving credit facility of EUR 510 million. The guarantee was issued on behalf of the borrower under the multicurrency revolving credit facility, B2Holding ASA's 100 % indirectly owned subsidiary, B2Kapital Holding S.à r.l. The drawdown amount of the facility at 31 December 2018 was PLN 780 million and NOK 1,950 million (total NOK 3,754 million).

B2Holding ASA issued a office rental guarantee with effect from 10 October 2017 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement is for a period of up to 40 months with the option of extending for an additional 3 years if not cancelled within a specified date. Although the guarantee is unlimited, the Group estimates that its exposure for the initial 40 months rental period is limited to the monthly office rentals for this period. The guarantee for the remaining rental period amounting to a total SEK 6 million.

B2Holding ASA issued a office rental guarantee with effect from 19 December 2017 in favour of the lessor of the Group's offices in Wrocław, Poland. The guarantee agreement is limited to the aggregated amount of EUR 402 thousand, which are ment to cover 3 months office rental cost, and are valid until 90 days following the rental agreement maturing in June 2023.

B2Holding ASA has a right to rent an additional floor in the company's office building from 31 October 2019 provided that the current lessee of the offices decides not to renew its rental agreement. If B2Holding ASA does not exercise this right, the company is liable to settle the residual value of the lessors investment, which is agreeded to be NOK 171 thousands.

Verifica S.A has issued two office rental guarantees in favour of the lessors of the Group's offices in Madrid, Spain. The guarantee agreements are limited to EUR 115 thousands and EUR 43 thousands, and expires September and December 2021 respectively.

NOTE 30: SUBSEQUENT EVENTS

The Board of Directors of B2Holding ASA has proposed a dividend of NOK 0.45 per share for 2018. The dividend is subject to approval on the general meeting, which will be held in May 2019.

In January 2019, the Group announced an agreement with HETA Asset Resolution for the purchase of a non-performing loan portfolio in Croatia composed of secured corporate loans, in a 50/50 joint venture structure with DDM Group. The portfolio has a face value of approximately EUR 800 million and is expected to be closed in Q2 2019.

Parent company income statement

Year ended 31 December	Notes	2018	2017
Other operating revenue from group companies		21 876	1 205
Operating revenue		21 876	1 205
Personnel costs	3	-34 713	-53 183
Depreciation of tangible fixed assets	7	-370	-220
Amortisation of intangible assets	8	-32	-40
Other operating expenses	4	-99 067	-25 675
Total operating expenses		-134 182	-79 118
Operating profit		-112 306	-77 913
Net gain / (loss) on investments		-53	
Dividend and group contribution	5	984 931	2 942
Net realised and unrealised exchange gains / (losses)	5	20 775	16 135
Interest income from group companies		404 747	247 995
Interest expense to group companies		-575	-649
Other interest expenses	5	-364 197	-229 918
Other financial items	5	-17 186	-9 390
Net financial items		1 028 442	27 115
Profit for the year before tax		916 136	-50 798
Change in deferred taxes	6	-5 053	-882
Profit for the year after tax		911 083	-51 680
<i>Allocations:</i>			
Dividends		-184 470	-121 930
Transfer to / (from) other equity		726 613	-173 610

Parent company balance sheet

As at 31 December	Notes	2018	2017
Intangible assets	8	40	41
Tangible fixed assets	7	1 987	1 322
Investment in subsidiary companies	9	2 759 979	2 087 194
Long-term loans to group companies	9	8 559 834	5 483 631
Other long-term financial assets		47 516	45 275
Total non-current assets		11 369 356	7 617 463
Short-term receivables from group companies	10	50 694	42 406
Other short-term assets		21 294	15 858
Cash and cash equivalents	10	11 254	8 727
Total current assets		83 242	66 991
Total assets		11 452 598	7 684 454
Share capital	11, 12	40 903	36 952
Other paid in capital	11, 12	2 835 895	2 087 317
Other capital reserves	11	13 741	12 615
Other equity	11	805 089	78 476
Total equity		3 695 628	2 215 360
Long-term interest bearing loans and borrowings	13	7 162 776	5 116 957
Deferred tax liabilities	6	16 169	11 116
Total non-current liabilities		7 178 945	5 128 073
Short-term payables to group companies	10	300 885	130 528
Accounts and other payables		1 829	1 822
VAT, payroll and other indirect taxes		4 525	3 315
Other current liabilities	14	270 786	205 356
Total current liabilities		578 025	341 021
Total liabilities		7 756 970	5 469 094
Total equity & liabilities		11 452 598	7 684 454

Oslo, 25 April 2019

/sign/
Jon H. Nordbrekken
Chairman of the
Board

/sign/
Adele Bugge
Norman Pran
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Per Kristian Spone
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Olav Dalen Zahl
Chief Executive Officer

Parent company cash flow statement

Year ended 31 December	2018	2017
Cash flow from operating activities		
Profit for the year before tax	916 136	-50 798
Adjustment for non-cash items:		
Depreciation and amortisation of assets	402	260
Interest expense on interest bearing loans	364 194	229 880
Amortisation of loan financing costs	16 705	9 186
Share based payment expense	1 126	2 476
Unrealised foreign exchange differences	-17 295	-19 675
Operating cashflows:		
(Grant) / repayment of long-term receivables	854	611
Interest paid on interest bearing loans & borrowings	-355 916	-219 118
Operating capital adjustments:		
Decrease / (increase) in short-term balances with group companies	162 069	322 952
Decrease / (increase) in accounts receivable and other current assets	-5 436	-5 695
Decrease / (increase) in other non-current financial assets	-19 941	-20 759
Increase / (decrease) in accounts payable and other current liabilities	-4 171	16 478
Net cash flow from operating activities	1 058 727	265 799
Cash flow from investing activities		
Purchase of tangible and intangible fixed assets	-1 066	-312
Purchase of shares in subsidiary companies	-673 933	
Sale of shares in subsidiary companies	1 148	
Decrease / (Increase) in long-term loans to group companies	-2 914 208	-2 126 605
Net cash flow from investing activities	-3 588 059	-2 126 917
Cash flow from financing activities		
Proceeds from the issue of new shares, net of transaction costs	752 529	4 140
Establishment of interest bearing loans and borrowings, less loan financing costs	1 901 260	1 918 461
Dividend paid to shareholders	-121 930	-55 368
Net cash flow from financing activities	2 531 859	1 867 233
Net cash flow during the year	2 527	6 115
Cash and cash equivalents at 1 January	8 727	2 612
Cash and cash equivalents at 31 December	11 254	8 727

Notes to the parent company financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2018, consist of the income statement, balance sheet, cash flow statement and notes to the accounts. The financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK' 000) except where otherwise indicated.

Investments

Investment in subsidiaries, associated companies and joint venture companies are accounted for using the cost method. The investments are recorded at the acquisition price of the shares and will be written down or impaired to fair value when a fall in value is due to reasons that cannot be assumed to be temporary and are necessary according to generally accepted accounting principles. Write-downs are reversed when there is no longer a basis for impairment. Dividends and group tax contributions from subsidiaries are recognised in the income statement when the subsidiary has proposed these.

Interest bearing loans and borrowings

Borrowings are recognised at nominal value. Directly associated costs are amortised straightline over the term of the loan.

Foreign currency

Transactions in a currency other than Norwegian kroner are recognised at the exchange rate in effect on the transaction date. When such transactions are settled, any difference in the exchange rate will give rise to a realised exchange rate gain or loss. Monetary assets or liabilities in a currency other than Norwegian kroner are translated at the exchange rates on each balance sheet date and will give rise to an unrealised exchange rate gain or loss. Both realised and unrealised exchange rate differences are recognised in net financial items in the income statement.

Classification

Current assets and liabilities include items due less than one year from the reporting date, and items tied to the operating cycle, if longer. The current portion of long-term debt is included as current liabilities. Other assets are classified as non-current assets.

Tangible fixed assets

Tangible fixed assets are recorded in the balance sheet at historical cost less depreciation based on an assessment of useful economic life. If the recoverable amount is less than the balance sheet value, then the amount is impaired to the recoverable amount which is the highest of net sales value or value in use. Value in use is the current value of the future cash flows that the asset will generate.

Intangible assets

Intangible assets include purchase of software. Expenditures for IT development and maintenance are expensed as incurred.

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with finite lives are amortised on a

straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The intangible assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The amortisation expense on intangible assets with finite lives is classified in the income statement as 'Amortisation of intangible assets'.

Any gain or loss arising on derecognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset) is included in the income statement in the year the intangible asset is derecognised.

Lease agreements

A lease is classified as either a finance or operating lease. Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease payments are expensed on a straight-line basis over the lease term.

Receivables and other current assets

Receivables and other current assets are accounted for at face value less any provision for expected losses.

Tax

Current income tax:

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax:

Deferred income tax is computed using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date as well as tax losses carried forward. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities.

Defined contribution pension plans

The Company operates a defined contribution pension plan under which the company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised

as an asset to the extent that a cash refund or a reduction in the future payments is available. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods, and therefore does not record a pension liability in the balance sheet.

Share based payments

Members of the management team and selected key employees receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in B2Holding Group financial statement note 21. That cost is recognised in personnel costs, together with a corresponding increase in other capital reserves within equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured at the date of modification is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. For further details, see note 13 in B2Holding Group financial statement.

Cash flow statement

The cash flow statement is prepared according to the indirect method which reconciles the change in cash and cash equivalents to the profit for the year before tax. Cash flows are divided into cash flows from operating activities, investing activities and financing activities. Cash and cash equivalents consist of cash and short-term deposits as well as immediately available balances with banks and similar institutions. Short-term deposits are easily

and readily convertible to a known amount of cash and have a maturity of not more than three months.

NOTE 2: FINANCIAL RISK MANAGEMENT

The B2Holding Group's activities are exposed to financial risks: market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. The Company focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects of the market fluctuations on the Group's financial performance.

Market risk

Market and regulatory environment:

The prime market risk for the Company is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the Group debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables.

The services and products offered in the respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licenses, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

Currency and interest rate risk

The strategy of the Company is to manage and limit both currency and interest rate risk for the Group. The Group holds various derivative financial instruments with the purpose of reducing its interest rate exposure and achieving a suitable currency ratio between the Group's assets and liabilities.

Currency risk:

Net borrowings (nominal value of interest bearing loans less cash) in the Group adjusted for derivative financial instruments are made in relevant currencies reflecting the underlying expected future cashflows from the Group's loans and receivables. The exceptions are Croatian Kuna (HRK), Romanian Leu (RON), Bulgarian Lev (BGN), Hungarian Forint (HUF), Bosnian Convertible Mark (BAM), Czech Koruna (CZK) and Serbian Dinar (RSD) where all borrowing are done in EUR.

The Group's bond loans is denominated in EUR and borrowings under the multi-currency revolving credit facility are drawn in PLN and NOK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2018: (i) FX forwards of NOK 575 million against DKK, (ii) FX forwards of NOK 600 million against EUR, (iii) FX forwards of NOK 709 million against SEK. At 31 December 2018, net borrowings amounted to NOK 10,430 million. Adjusted for the currency derivatives mentioned above, the net borrowings represented a currency basket comprising EUR: 71 %, PLN: 16 %, SEK: 8 % and DKK: 5 %.

For currency sensitivity analysis for the Group, please refer to note 4.1 in B2Holding Group financial statement.

Interest rate risk:

The Group uses interest rate swaps and interest rate caps to reduce its interest rate exposure. The Group's strategy is to hedge between 60 % and 120 % of net borrowings up to a maximum period of 5 years. The hedging ratio at 31 December 2018 was 79 % with a duration of 4.15 years. For details of the Group's hedging effective at 31 December 2018, please refer to note 4.1 in B2Holding group financial statement.

In general, changes in macroeconomic factors such as interest rates may impact the Group debtors' ability to repay their debt and thereby influence the future cash flow received from the portfolios.

Credit risk

Most of the loans and receivables are unsecured. As long as there is uncertainty about the ability of debtors to fulfil their obligations, there will also be considerable risk linked to cash collected from the Group's loans and receivables. It is the Management's view that the real credit risk is reduced through the price discount on acquisition of the portfolios funded by intercompany loans.

In order to minimise the credit risk exposure, the Group continues to invest in staff with broad experience in credit management, and focus on increased analytical approaches to portfolio assessments. In addition, the Group's investment in effective IT systems and a more uniform cross-border business model will result in better control of the Group's business, which in turn will also help reduce the risk of credit losses.

Liquidity risk

The Company's four bond loans of EUR 725 million in total and the Group's multi-currency revolving credit facility of EUR 510 million and cash and cash equivalents, totalling NOK 12,684 million at 31 December 2018, ensures necessary funding to meet future payment obligations.

At 31 December 2018 the Group had an unused part of the revolving credit facility totalling EUR 93 million or NOK 922 million, an unused part of the multi-currency overdraft totalling EUR 34 million or NOK 339 million in addition to cash and cash equivalents of NOK 398 million. For maturity profile for the Group's financial liabilities, please refer to note 4.1 in B2Holding Group financial statement.

NOTE 3: PERSONNEL COSTS

	2018	2017
Wages, salaries and other benefits paid	36 701	26 101
Social security costs	7 930	3 907
Defined contribution pension costs	2 623	2 158
Other personnel costs	5 068	4 590
Cost share option program	1 126	2 476
Social security cost share option program	-18 735	13 952
	34 713	53 183
Number of full time equivalents (FTEs) at 31 December	20.9	16.0

All employees are covered by a defined contribution pension plan which fulfill the company's obligations under the Norwegian occupational pension legislation.

NOTE 4: OTHER OPERATING EXPENSES

	2018	2017
Audit and tax services	2 655	2 064
External accounting services & temporary consultants	438	91
Legal services	4 206	438
Other professional services, including due diligence and transaction services	72 613	10 250
Cost of office premises	3 126	2 228
IT, telecommunications	2 009	1 474
Marketing, business entertaining	3 904	3 166
Travel, accommodation, meetings, arrangements	4 663	3 491
Printing, postage	1 204	1 146
Statutory and other corporate costs	4 249	1 326
	99 067	25 675

NOTE 5: FINANCIAL ITEMS

	2018	2017
Dividend from Ultimo Netherlands B.V.	973 980	
Group contribution from Ultimo Netherlands B.V., NUF	8 390	
Group contribution from Interkreditt AS	2 561	2 942
Dividend and group contribution	984 931	2 942
Realised exchange gains / (losses)	3 482	-3 540
Unrealised exchange gains / (losses)	17 293	19 675
Net realised and unrealised exchange gains / (losses)	20 775	16 135
Interest expense on interest bearing loans	-364 194	-229 880
Other interest expense	-3	-38
Other interest expenses	-364 197	-229 918
Interest income on cash & short-term deposits	103	67
Other interest income	0	9
Costs of financing	-17 289	-9 466
Other financial items	-17 186	-9 390

NOTE 6: TAXES

The major components of income tax reported in the income statement were:

	2018	2017
Current year income tax payable	0	0
Current income tax	0	0
Origination and reversal of temporary differences	5 053	882
Deferred tax expense / (income)	5 053	882
Total tax expense reported in the income statement	5 053	882

Calculation of the income tax base

	2018	2017
Profit before tax	916 136	-50 798
Permanent differences	-954 134	-16 512
Group contribution	10 951	2 942
Change in temporary differences	-36 104	-5 688
Transfer to / (from) tax losses carried forward	63 151	70 056
Current year income tax base	0	0
Current year income tax payable at 23 %	0	0

Calculation of the deferred tax base	Deferred taxes		Change in deferred taxes
	2018	2017	2018
Long-term loans to group companies	485 442	323 525	
Taxable temporary differences	485 442	323 525	
Fixed assets	-50	-77	
Other receivables & liabilities	-8 988	-27 723	
Long-term interest bearing loans	-391 956	-247 396	
Tax losses carried forward - no time limit on expiry	-214 626	-151 460	
Reversal of basis for deferred tax asset not recognised	203 671	151 460	
Deductible temporary differences	-411 949	-275 196	
Basis for deferred tax asset at 22 % (23 % in 2017)	-28 639	-23 720	-4 919
Deferred tax asset not recognised	44 808	34 836	9 972
Net deferred tax / change in deferred taxes	16 169	11 116	5 053
<i>Comprising:</i>			
22 % deferred tax liability (23 % in 2017)	106 797	74 411	
22 % deferred tax asset (23 % in 2017)	-90 628	-63 295	
	16 169	11 116	

Significant judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Reconciliation of the Norwegian nominal tax rate to the effective tax rate	2018	2017
Profit before tax	916 136	-50 798
Expected tax expense at the Norwegian nominal tax rate of 23 %	210 711	-12 192
Tax effect of permanent differences	-216 932	-3 257
Tax effect on change in Norwegian tax rates from 24 % to 23 %	-735	-483
Tax effect of the change in unrecognised deferred taxes	12 009	16 814
Total income and deferred tax expense	5 053	882

NOTE 7: TANGIBLE FIXED ASSETS

Equipment, fixtures & fittings

Acquisition / purchase cost

At 1 January 2018	1 994
Additions	1 035
Disposals	-191
At 31 December 2018	2 838

Depreciation and impairment

At 1 January 2018	672
Depreciation charge for the year	370
Accumulated depreciation on disposals	-191
At 31 December 2018	851

Net book value

At 31 December 2018	1 987
At 1 January 2018	1 322
Depreciation method	Straight line
Economic useful lives	0-5 years

NOTE 8: INTANGIBLE FIXED ASSETS

Software

Acquisition / purchase cost

At 1 January 2018	120
Additions	31
Disposals	-81
At 31 December 2018	70

Amortisation and impairment

At 1 January 2018	79
Amortisation charge for the year	32
Accumulated amortisation on disposals	-81
At 31 December 2018	30

Net book value

At 31 December 2018	40
At 1 January 2018	41
Depreciation method	Straight line
Economic useful lives	3 years

NOTE 9: INVESTMENT IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Name of subsidiary	Country of incorporation	Established/acquired	% equity interest ¹		Equity 2018	Profit 2018	Book value 2018
			2018	2017			
Ultimo Netherlands B.V.	the Netherlands	2014	100.00 %	100.00 %	3 040 476	768 269	2 759 853
B2 Kapital Portfolio Management S.r.l. ²⁾	Romania	2016	0.20 %	5.00 %	140 432	19 649	0
Joint venture companies							
CE Partner S.à.r.l.	Luxembourg	2018	50.00 %				58
CE Holding Invest S.C.S.	Luxembourg	2018	49.99 %				68
							2 759 979

1) Voting rights in the subsidiary is equivalent to % equity interest.

2) The 99,8 % majority of the shares are owned by B2Kapital Holding Sàrl (Luxembourg), a 100 % owned B2Holding Group company

As part of a new co-investment structure with DDM Group, the Company became 50 % owner of the share capital and voting rights in CE Partner S.à.r.l. and CE Holding Invest S.C.S. (0,01 % owned by CE Partner S.à.r.l.). Operations in the joint ventures is expected to begin in 2019.

B2Holding ASA is the ultimate parent company in the B2H Group and consolidates the accounts for the Group. A copy of the B2Holding Group financial statements is available at B2Holding ASA' office in Oslo and on its website at www.b2holding.no.

9.1 Long-term loans to group companies

	2018	2017
Ultimo Netherlands B.V.	8 559 834	5 483 631
Long-term loans to group companies	8 559 834	5 483 631

NOTE 10: CASH AND CASH EQUIVALENTS

Cash at banks	2018
Unrestricted balances	7 871
Tax deductions from employee payroll	1 928
Other restricted balances	1 455
	11 254

Cash at banks earns interest at floating rates which is based on bank deposit rates. Other restricted balances represent deposits paid into an escrow account in connection with lease of office premises.

For the purpose of the statement of cash flow, cash and cash equivalents comprised the cash balances in the table above.

In addition the Company holds bank accounts in the Group's multi-currency cashpool, with a net amount of NOK -321,9 million, classified as "Short-term payables to group companies" in the balance sheet.

NOTE 11: CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Other paid-in capital	Other capital reserves	Other equity	Total equity
At 1 January 2018	36 952	2 087 317	12 615	78 476	2 215 360
Profit for the year after tax				911 083	911 083
Issue of share capital (note 12)	3 951	748 578			752 529
Share based payment (note 16.1)			1 126		1 126
Dividends				-184 470	-184 470
At 31 December 2018	40 903	2 835 895	13 741	805 089	3 695 628

The Board of Directors has decided to propose for the Annual General Meeting in 2019 an ordinary cash dividend for 2018 of NOK 0.45 per share for payment to the owners in June 2019.

NOTE 12: SHARE CAPITAL AND OTHER PAID-IN CAPITAL

Ordinary shares have a nominal value of NOK 0.10 each and all provide the same rights in the Company. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital ¹⁾ NOK'000s
At 1 January 2018	369 520 598	36 952	2 087 317
Share issue on 13 March at NOK 20.25 per share in connection with the private placement	36 912 000	3 691	724 762
Exercise of employee share options on 28 May at an average subscription price of 14.11	100 000	10	1 401
Exercise of employee share options on 24 August at an average subscription of 8.08	1 500 000	150	11 965
Exercise of employee share options on 2 October at an average subscription of 10.55	1 000 000	100	10 450
At 31 December 2018	409 032 598	40 903	2 835 894
Exercise of employee share options on 25 January 2019 at an average subscription of 8.356	900 000	90	7 430
At 25 april 2019 (the date of completion of these financial statements)	409 932 598	40 993	2 843 325

1) Net proceeds after transaction costs

For further information about mandates granted to the Board of Directors to increase the share capital, please refer to note 20 in B2Holding Group financial statement.

The largest shareholders at 31 December 2018 were as follows:

	Number of shares	% total
Prioritet Group AB	52 200 000	12.76 %
Rasmussengruppen AS	43 073 236	10.53 %
Valset Invest AS	25 000 000	6.11 %
Stenshagen Invest AS	17 393 376	4.25 %
Verdipapirfondet DNB Norge (IV)	11 973 145	2.93 %
Vevlen Gård AS	9 000 000	2.20 %
Bryn Invest AS	8 676 690	2.12 %
K11 Investor AS	8 191 680	2.00 %
Rune Bentsen AS	8 191 680	2.00 %
Verdipapirfondet Alfred Berg Gambak	7 553 369	1.85 %
Arctic Funds Plc	6 934 734	1.70 %
Storebrand Norge i Verdipapirfond	6 723 344	1.64 %
Verdipapirfondet Pareto Investment	6 381 405	1.56 %
Arctic Funds Plc	5 986 327	1.46 %
Greenway AS	5 802 368	1.42 %
Swedbank Robur Nordenfond	5 400 000	1.32 %
Verdipapirfondet Alfred Berg Norge	5 331 620	1.30 %
Verdipapirfondet DNB Norge Selektiv	5 098 096	1.25 %
Remaining shareholders (less than 1 %)	170 121 528	41.59 %
	409 032 598	100.00 %

The number of shares owned directly or indirectly by the Board of Directors and Management at 31 December 2018 were as set out below. For details of options granted to the Board of Directors and Management, please refer to note 21 in B2Holding Group financial statement.

Name	Position	Number of shares
Jon Harald Nordbrekken ¹⁾	Chairman of the Board	27 200 000
Per Kristian Spone ²⁾	Board member	72 708
Kari Skeidsvoll Moe	Board member	6 200
Kjetil A. Garstad ³⁾	Deputy Board member	451 425
Grethe Wittenberg Meier	Deputy Board member	25 000
Olav Dalen Zahl ⁴⁾	Chief Executive Officer	2 459 786
Erik Just Johnsen ⁵⁾	Chief Financial Officer	1 910 000
J. Harald Henriksen	Chief Governance Officer	20 057
Rasmus Hansson ⁶⁾	Director M&A	50 057
Thor Christian Moen	General Counsel	75 000
Danckert P. Mellbye ⁷⁾	Chief Operation Officer	15 351
Ilija Plavcic	Regional Director Central Europe	2 410 500
Tore Krogstad	Regional Director Scandinavia	31 000
Maria Haddad	Regional Director Western Europe	65 000

1) Jon H. Nordbrekken holds 2,200,000 personally. In addition, Valset Invest AS, an entity controlled by Nordbrekken and his related parties, holds 25,000,000 shares

2) Per K. Spone holds 66,708 personally. In addition, persons related to Spone hold 6,000 shares.

3) Steel City AS, an entity controlled by Kjetil A. Garstad, holds 451,425 shares.

4) Fjordsyn AS, an entity controlled by Olav Dalen Zahl, holds 2,456,386 shares. In addition, persons related to Olav Dalen Zahl hold 3,400 shares.

5) Pine AS, an entity controlled by Erik Just Johnsen holds 1,910,000 shares.

6) Rmh Invest AS, an entity controlled by Rasmus Hansson, holds 50,057 shares.

7) Yblem NUF, an entity controlled by Danckert P. Mellbye holds 15,351 shares.

NOTE 13: LONG-TERM INTEREST BEARING LOANS AND BORROWINGS

The Company holds four unsecured bond loans as set out in table below.

	Currency	Nominal interest	Debt in local currency	Debt in NOK	Maturity
Senior Unsecured Bond Issue 2015	EUR	7.50 %	150 000	1 492 245	December 2020
Senior Unsecured Bond Issue 2016	EUR	7.00 %	175 000	1 740 953	October 2021
Senior Unsecured Bond Issue 2017	EUR	4.25 %	200 000	1 989 660	November 2022
Senior Unsecured Bond Issue 2018	EUR	4.75 %	200 000	1 989 660	May 2023

Repayment schedule at 31 December 2018

	EUR	NOK
In 2020	150 000	1 492 245
In 2021 ¹⁾	170 000	1 691 211
In 2022	200 000	1 989 660
In 2023	200 000	1 989 660
	720 000	7 162 776

1) Net after EUR 5 million in own bonds.

Financial covenants

The financial covenants are presented in the tables below. All covenants have been met at 31 December 2018 and 31 December 2017.

	Requirements	2018	2017
Total loan to value	Maximum 75 %	72 %	66 %
Leverage ratio	Maximum 4.0	3.5	3.5
Net interest cover ratio	Minimum 4.0	4.8	5.6

NOTE 14: OTHER CURRENT LIABILITIES

	2018	2017
Provision for social security on share options	8 026	26 761
Accrued bond loan interest	56 483	46 617
Proposed dividend	184 470	121 930
Other	21 807	10 048
	270 786	205 356

NOTE 15: COMMITMENTS

The Company has entered into commercial leases for office premises, motor vehicles and items of office equipment. The lease contracts for the office premises matures in June 2019 and are renewed with maturity in June 2024. The leases are annually adjusted according to the consumer price index. There are no restrictions placed upon the lessee under the lease contracts to use the office premises in the normal course of business. The operating lease costs for the following types of lease were as follows:

	2018	2017
Office premises	2 296	1 704
Motor vehicles	180	138
Office equipment	2	38
	2 478	1 880

Future minimum rentals payable under the non-cancellable operating lease at 31 December were as follows:

	2018	2017
Rentals payable within one year	3 747	2 355
Rentals payable from one to five years	13 804	955
Rentals payable after five years	1 700	
	19 251	3 310

NOTE 16: REMUNERATION

For statement on the Group's remuneration policy, please refer to note 28.1 in B2Holding Group financial statement.

16.1 Group Management and Board of Directors

Remuneration 2018	Salary	Bonus earned in 2018	Pension expense	Other benefits	Total	Share option cost ¹¹⁾	Directors fee
Group Management							
Olav Dalen Zahl, Chief Executive Officer	3 512	1 425	181	195	5 313	0	
Erik Just Johnsen, Chief Financial Officer	2 686	707	183	17	3 593	0	
J. Harald Henriksen, Chief Governance Officer ¹⁾	2 075	645	168	22	2 910	0	
Rasmus Hansson, Director M&A ²⁾	1 908	600	170	21	2 699	54	
Thor Christian Moen, General Counsel ³⁾	2 306	748	178	33	3 265	54	
Danckert P. Mellbye, Chief Operation Officer ⁴⁾	1 980	735	177	37	2 929	565	
Members of Executive Management Team							
Henrik Wennerholm, Regional Director Scandinavia ⁵⁾	736		140	33	909	54	
Tore Krogstad, Regional Director Scandinavia ⁶⁾	1 284	594	190	27	2 095	399	
Christos Savvides, Regional Director South East Europe ⁷⁾							
Board of Directors							
Jon Harald Nordbrekken, Chairman				13	13		675
Per Kristian Spone							288
Kari Skeidsvoll Moe							263
Niklas Wiberg ⁸⁾							115
Adele Bugge Norman Pran ⁹⁾							175
Kjetil A. Garstad, Deputy member ⁹⁾							175
Grethe Wittenberg Meier, Deputy member ⁹⁾							175
Trygve Lauvdal ¹⁰⁾							88
Tove Raanes ¹⁰⁾							113
Total	16 487	5 454	1 387	398	23 726	1 126	2 067

- 1) J. Harald Henriksen, previously Chief Compliance Officer, took up the new position as Chief Governance Officer with effect from 14 February 2019.
- 2) In addition to the position as Director of M&A, Rasmus Hansson temporarily held the new position as Regional Director Western Europe in the period January - September 2018.
- 3) Thor Christian Moen, previously Chief Legal Officer, took up the new position as General Counsel with effect from 14 February 2019.
- 4) Danckert P. Mellbye, previously Chief Organisation & Improvement Officer, took up the new position as Chief Operation Officer with effect from 14 February 2019.
- 5) Henrik Wennerholm left the B2Holding Group and the position as Regional Director Scandinavia during April 2018.
- 6) Tore Krogstad took up the position as Regional Director Scandinavia with effect from 1 March 2018.
- 7) Christos Savvides held the position as Regional Director South East Europe in the period January to August 2018 and has been remunerated (via the company Sabel Investment Ltd) with a total consulting fee of EUR 94,000 excluding VAT and disbursement for this period.
- 8) Niklas Wiberg has been remunerated with NOK 115,000 for his position as Deputy Member in the period January until the General Meeting in May 2018. Unpaid earned remuneration for the period June - December 2018 of NOK 175,000 as ordinary Director will be paid in June 2019.
- 9) Adele Bugge Norman Pran, Kjetil A. Garstad and Grethe Wittenberg Meier took up their positions as Director and Deputy Members with effect from the General Meeting in May 2018.
- 10) Trygve Lauvdal and Tove Raanes left their positions as Directors with effect from the General Meeting held in May 2018.
- 11) Accrued social security costs are not included as part of the share option cost stated above.

For further details of remuneration to Group management not employed in B2Holding ASA, please refer to note 28.2 in B2Holding Group financial statement.

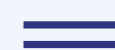
For further details of the share option program, please refer to note 21 in B2Holding Group financial statement.

Remuneration 2017	Salary	Bonus earned in 2017	Pension expense	Other benefits	Total	Share option cost ¹¹⁾	Directors fee
Group Management							
Olav Dalen Zahl, Chief Executive Officer	3 218	1 181	204	172	4 775	665	
Erik Just Johnsen, Chief Financial Officer	2 314	980	206	18	3 518	166	
J. Harald Henriksen, Chief Compliance Officer	2 019	706	194	23	2 941	100	
Rasmus Hansson, Director Strategy and M&A	1 662	706	193	23	2 584	166	
Thor Christian Moen, Chief Legal Officer	2 061	902	201	23	3 186	166	
Danckert P. Mellbye, Chief Organisation & Improvement Officer	875	725	132	11	1 744	164	
Henrik Wennerholm, Regional Director Scandinavia	1 243	570	361	3 167	5 340	384	
Christos Savvides, Regional Director South East Europe							
Board of Directors							
Jon Harald Nordbrekken, Chairman				15	15	665	500
Per Kristian Spone							302
Trygve Lauvdal							290
Kari Skeidsvoll Moe							290
Tove Raanes							302
Niklas Wiberg, Deputy member							125
Total	13 391	5 769	1 491	3 454	24 105	2 476	1 808

16.2 Fees to auditors

All figures including VAT.

	2018	2017
Audit fees	1 400	1 429
Fees for further assurance services	1 174	265
Fees for tax services	81	370
Total	2 655	2 064



Responsibility statement

NOTE 17: RELATED PARTY DISCLOSURE

The Company's related parties include the Group Management team, Board of Directors, associated companies and joint ventures. Related party transactions with Group Management team and Board of Directors are set out in note 16. The Company have no transactions in 2018 with associated companies and joint ventures.

Companies in the B2Holding Group are also related parties. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured, and other than for interest-bearing loans, and interest free. At 31 December 2018 and 31 December 2017, the Company has not made any provision of doubtful debts relating to intra-group related party balances. This assessment has been undertaken for each period end based on an examination of the financial position of the related party and the market in which the related party operates.

For details of the Group's transactions with related parties, please refer to note 27 in B2Holding Group financial statement.

NOTE 18: GUARANTEES

B2Holding ASA have issued a guarantee limited to EUR 612 million with the addition of any and all interests, default interests, costs and expenses to DNB Bank ASA as Agent on behalf of itself, Nordea Bank AB and Swedbank AB in connection with the provision of the Group's senior secured multicurrency revolving credit facility of EUR 510 million. The guarantee was issued on behalf of the borrower under the multicurrency revolving credit facility, B2Holding ASA's 100 % indirectly owned subsidiary, B2Kapital Holding S.à r.l. The drawdown amount of the facility at 31 December 2018 was PLN 780 million and NOK 1,950 million (total NOK 3,754 million).

B2Holding ASA issued an office rental guarantee with effect from 10 October 2017 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement is for a period of up to 40 months with the option of extending for an additional 3 years if not cancelled within a specified date. Although the guarantee is unlimited, the Group estimates that its exposure for the initial 40 months rental period is limited to the monthly office rentals for this period. The guarantee for the remaining rental period amounting to a total SEK 6 million.

B2Holding ASA issued an office rental guarantee with effect from 19 December 2017 in favour of the lessor of the Group's offices in Wroclaw, Poland. The guarantee agreement is limited to the aggregated amount of EUR 402 thousand, which are meant to cover 3 months office rental cost, and are valid until 90 days following the rental agreement maturing in June 2023.

B2Holding ASA has a right to rent an additional floor in the company's office building from 31 October 2019 provided that the current lessee of the offices decides not to renew its rental agreement. If B2Holding ASA does not exercise this right, the company is liable to settle the residual value of the lessors investment, which is agreed to be NOK 171 thousands.

NOTE 19: SUBSEQUENT EVENTS

The Board of Directors of B2Holding ASA has proposed a dividend of NOK 0.45 per share for 2018. The dividend is subject to approval on of the Annual General Meeting, in May 2019.

The Board of Directors has signed a plan to merge B2Holding ASA with its 100 % owned subsidiary Ultimo Netherlands BV in a cross-border upstream merger transaction. The merger will be completed free of consideration and there will be no change of the share capital of B2Holding ASA. The rights accorded to the shareholders of B2Holding ASA will not be affected by the merger. Implementation of the merger is conditional upon fulfillment of legal conditions and the approval of the Annual General Meeting of B2Holding ASA on 24 May 2019.

With reference to the tax audit for treatment of reverse VAT in 2014 (previously year commented in note 18 Contingent liabilities), the Company's appeal was denied in February 2019. However, the previously charged and paid additional tax of 20 % was finally reduced to 10 %, and the Company has been repaid about NOK 0.2 million in 2019 in addition to the NOK 1.6 received in 2017. The Company has decided to not pursue the case in court.

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole.

We also confirm that the Board of Directors' report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Oslo, 25 April 2019

/sign/

Jon Harald Nordbrekken

Chairman of the Board

/sign/

Niklas Wiberg

Board Member

/sign/

Kari Skeidsvoll Moe

Board Member

/sign/

Adele Bugge Norman Pran

Board Member

/sign/

Per Kristian Spone

Board Member

/sign/

Olav Dalen Zahl

Chief Executive Officer

Auditor's report



Statsautoriserede revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of B2Holding ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of B2Holding ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2018, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.



Estimated future cash collections from purchased portfolios

Purchased loan portfolios account for 83 % of total assets of the Group. Estimated future cash collections from purchased loan portfolios is the basis for the book value of purchased loan portfolios and is also input into the disclosure of fair value of purchased loan portfolios in the notes to the consolidated financial statements.

Estimation of future cash collections from purchased loan portfolios is complex and require significant judgement from management about the value, probability and timing of expected future cash flows. Furthermore, the estimates of future cash flows depend on management's approach to managing the portfolios (e.g. changes in collection policies and strategies) and local regulations. The estimation of future cash collections from purchased loan portfolios was considered a key audit matter based on the significant judgments involved.

We tested the consideration price upon acquisition of loan portfolios to the purchase agreement. We tested the approval by Group management of the initial cash collection forecast of the purchased portfolio prepared by local management, and compared the initial cash collection forecast to historical cash collection on similar loan portfolios. We also compared the calculated effective interest rate on the purchased loan portfolio to the effective interest rate on loan portfolios purchased in previous years. Furthermore, we tested changes in future cash collection estimates by comparing actual cash collection to forecasted cash collection and by testing the historical accuracy of prior year forecasts. As part of our procedures, we discussed the assumptions used including amounts, probability and timing of expected future cash flows, changes in policies and strategies, seasonality and local regulations with management and controllers.

We also assessed the Company's disclosure in note 3 *Critical accounting judgments and key sources of estimation uncertainty*, note 4.3 *Purchased loan portfolios* and note 4.4 *Fair value estimation purchased loan portfolios*.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 25 April 2019
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

Alternative performance measures

Alternative performance measures

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and approved by the EU. In addition, the Group presents alternative performance measures (APMs). These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies.

The APMs are regularly reviewed by Management and their aim is to enhance stakeholders' understanding of the Group's performance and to enhance comparability between financial periods. The APMs are reported in addition to, but are not substitutes for the financial statements prepared in accordance with IFRS.

The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations. The APMs also provide measures commonly reported and widely used by investors as an indicator of the Group's operating performance and as a valuation metric of debt purchasing companies. Furthermore, APMs are also relevant when assessing our ability to incur and service debt.

APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

Alternative performance measures - reconciliation:

	2018	2017
Operating profit (EBIT)	1 377 856	984 205
Add back depreciation and amortisation	56 126	35 893
EBITDA	1 433 981	1 020 098
Gross cash collection from purchased loan portfolios	3 997 380	2 552 281
Less interest income from purchased loan portfolios	-2 537 113	-1 680 221
Less net credit gain/(loss) from purchased loan portfolios	57 625	-76 919
Amortisation/revaluation of purchased loan portfolios	1 517 891	795 141
Total revenues	2 905 622	2 082 762
Add back amortisation/revaluation of purchased loan portfolios	1 517 891	795 141
Cash Revenue	4 423 513	2 877 903
Operating profit (EBIT)	1 377 856	984 205
Add back amortisation/revaluation of purchased loan portfolios	1 517 891	795 141
Add back depreciation and amortisation	56 126	35 893
Cash EBITDA	2 951 872	1 815 239

Alternative Performance Measures (APMs) - definitions:

Amortisation and revaluation - Amortisation/revaluation of purchased loan portfolios shows the difference between gross cash collection and revenue from purchased loan portfolios recognised in the income statement. Amortisation is the amount of the cash collections that are used to reduce the book value of the purchased portfolios. Revaluation is the change in portfolio value that comes from revised estimates on future remaining collection from the portfolio.

Available investment capacity - Available investment capacity includes cash and cash equivalents (less NOK 200 million to cover working capital) plus unutilised bank overdraft plus unutilised multi-currency revolving credit facility. Cash flow from future operations is not included in the number.

Cash EBITDA - Cash EBITDA consists of EBIT added back depreciation and amortisation of tangible and intangible assets and added back amortisation and revaluation of purchased loan portfolios. Cash EBITDA is a measure on actual performance from the collection business (cash business) included other business areas.

Cash margin - Cash margin consists of cash EBITDA expressed as a percentage of cash revenue.

Cash revenue - Cash revenue consists of total revenue added back amortisation and revaluation of purchased loan portfolios. Cash revenue is a measure on actual revenues (cash business) from the collection business included other business areas.

EBITDA - Operating earnings before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) added back depreciation and amortisation of tangible and intangible assets.

ERC - Estimated remaining collection (ERC) expresses the gross cash collection in nominal values expected to be collected in the future from the purchased loan portfolios owned at the reporting date and the Group's share of gross cash collection on portfolio purchased and held in SPVs.

Gross cash collection - Gross cash collection is the actual cash collected from purchased portfolios before costs related to collect the cash received.

Net borrowing - Consist of nominal value of interest bearing loans and borrowings plus utilised bank overdraft less cash and short-term deposits.

Operating cash flow per share - Operating cash flow per share is operating cash flow from consolidated statement of cash flows divided on the weighted average number of shares outstanding in the reporting period. Operating cash flow per share is a measure on actual cash earned from operating business per share.

Profit margin - Profit margin consists of operating profit (EBIT) expressed as a percentage of total operating revenues.



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