

ANNUAL  
REPORT  
2016

In an imaginary perfect market, all debtors would meet their obligations and all loan agreements would run smoothly. Thus, in an ideal world there would be no need for the debt purchase industry. However, when loan agreements are breached and credit is defaulted, that is when we can play an important role.

B2Holding's mission is to help manage society's debt problems. This includes helping debtors back on track. We believe in win-win arrangements and strive to find amicable solutions for the individuals with payment challenges.

Our business is a local one. To serve both debt vendors and debtors, we need to be present in each market with our expert colleagues.

At the same time, by building a pan-European group B2Holding will provide the systems and expertise needed to be a strong and reliable business partner in a highly specialised financing sector.

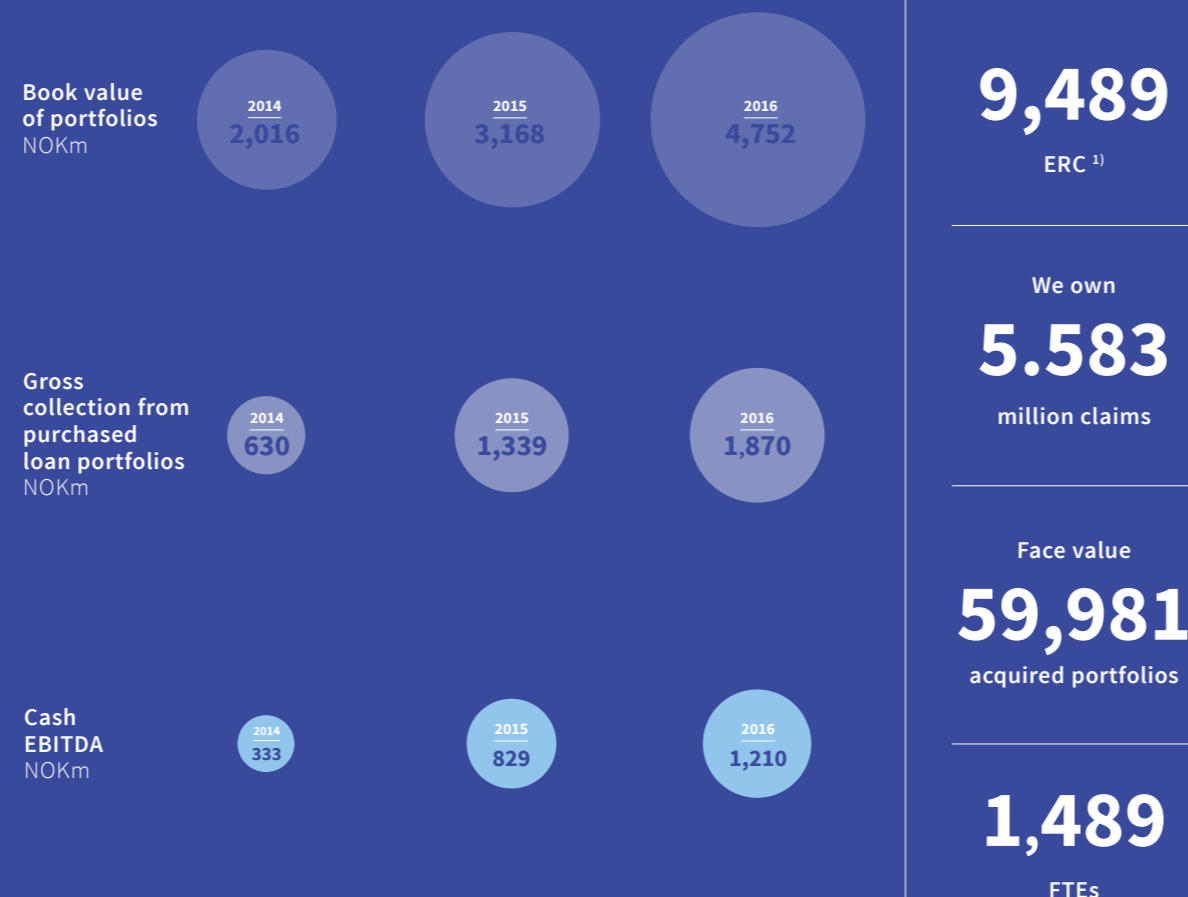
In Norway where B2Holding has its head office, we have a saying: Vi bygger sten for sten. This means "we build stone by stone" or "step by step" which is about patiently building something that is meant to be solid and lasting.

In this annual report for 2016 we tell you how we keep building the B2Holding Group.

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## KEY FIGURES\*



### KEY FINANCIAL FIGURES

	2015	2016
Total operating revenues	1,076,269	1,396,141
Operating profit	377,204	515,579
Profit before tax	243,300	227,364
Net interest bearing debt	1,761,543	3,000,107
Total assets	4,707,985	6,148,886
Equity ratio	36 %	39 %
Basic EPS	0.63	0.53

\* See list of abbreviations on page 15

<sup>1)</sup> Including the Group's share of portfolio purchased and held in joint venture

See note 34 in the consolidated financial statements for definition and reconciliation of alternative performance measures (APM)

## THIS IS B2HOLDING

### A LEADING PAN-EUROPEAN DEBT SPECIALIST

B2Holding ASA ("B2Holding" or "the Company") together with its subsidiaries ("the Group") provides debt solutions for banks and institutional vendors.

Since starting its activities at the end of 2011, B2Holding has grown rapidly and has established itself as one of the leading players in the markets where the Group operates.

Per 31.03.17 the Group has operations or portfolios in 18 European countries and offices in 3 additional countries. B2Holding's Head office is located in Oslo.

B2Holding has a stated strategy for further growth, mainly in Southern Europe (SE) and South East Europe (SEE).

#### Operations and portfolios

Finland	Poland	Serbia
Sweden	Bulgaria	Montenegro
Norway	Romania	Hungary
Estonia	Greece	Bosnia and Herzegovina
Latvia	Slovenia	Italy*
Lithuania*	Croatia	Czech Republic*

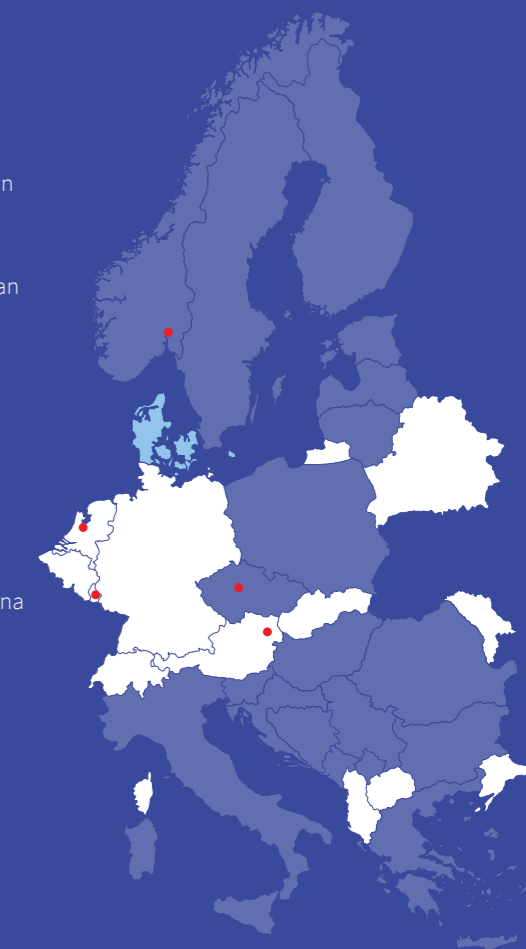
\* Acquired/established 2017

#### Portfolios – no operations

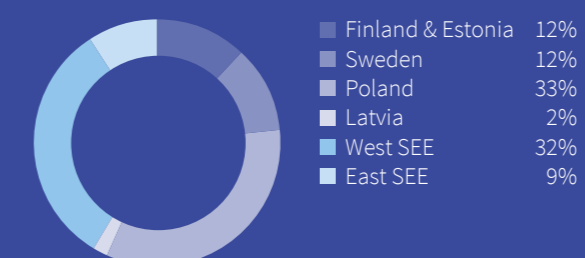
Denmark

#### Offices

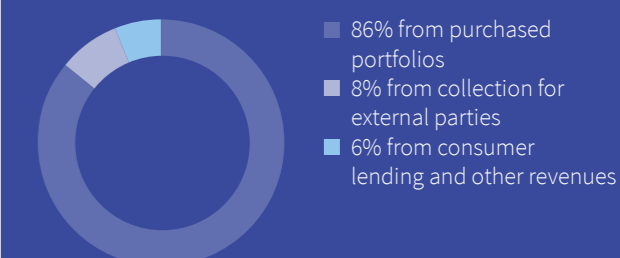
Norway	Head office in Oslo
Austria	Regional office West SEE
Czech Republic	Secured portfolio valuation centre
Luxembourg	Investment office and portfolio owner
Netherlands	Financial holding company



### ESTIMATED REMAINING COLLECTIONS (ERC) PER 31.12.16



### B2HOLDING'S REVENUE



## SOLID PLATFORM – MAJOR OPPORTUNITIES



**In 2016 the B2Holding Group further consolidated its position as a leading pan-European debt specialist and solution provider.**

The Group has now established companies in 18 European countries, and has identified potential for further growth. We are defined by our strong local presence, unwavering entrepreneurial spirit and a motivated and qualified organisation.

At B2Holding we deliver on our pledges: In accordance with our stated strategy, we have continued to generate growth, both through new portfolio acquisitions and by acquiring and establishing new companies. In the fourth quarter we acquired portfolios worth more than NOK 1 billion, a record high for the Group. B2Holding has expanded its geographical reach with businesses in seven new countries –

Bulgaria, Romania, Hungary, Greece and Bosnia and Herzegovina in 2016 and Italy, Czech Republic and Lithuania in the first quarter of 2017.

The year 2016 will go down as an important year in the history of B2Holding, primarily due to the Company's listing of shares and bond loans. The shares were listed on the Oslo Stock Exchange on 8 June, and have been included in the Oslo Stock Exchange's Main Index (OSEBX) since 1 December. We put in a lot of work to ensure a successful stock market launch, and have been delighted to see our share price rise since the IPO.

The Group is adhering to its target of maintaining a high equity ratio (30 per cent) – also in periods of strong growth. At the end of the year we floated a EUR 175 million senior unsecured bond issue on the Oslo Stock Exchange maturing in 2021, and we enter 2017 with a solid investment capacity.

Securing good access to attractive investment opportunities requires both a presence in relevant markets and the ability to offer the desired services to banks and other partners. During 2016 and the first months of 2017 we secured a broader geographic base and enhanced our service range.

The markets where we are now established are in different stages of maturity and subject to varying degrees of competition and different national laws and regulations. Our expanded reach makes us less vulnerable to fluctuations in individual countries, and this geographic platform gives us significant potential for continued growth.

B2Holding wishes to be a partner that caters for the needs of banks, financial institutions and other major players looking to divest non-performing loans.

In addition to unsecured loans to private individuals, we are finding that these organisations wish to divest all forms of defaulted and partially defaulted loans, including loans to businesses. Consequently, a key development in the reporting period was that we started to accumulate significant expertise in managing loans secured against real estate. Approximately 74 per cent of B2Holding's portfolios still consist of unsecured loans; however, we have experienced a relatively large growth in secured claims against residential or commercial real estate. The Group currently has dedicated units to manage secured loans – “work-out teams” – in Riga (for the Baltic region), Wrocław, Prague, Sofia, Bucharest, Zagreb and Ljubljana, and we intend to establish similar teams in Belgrade and Budapest in 2017.

Furthermore, B2Holding offers third party collection in the Nordics, the Baltics and Hungary. In Latvia we offer credit information services and consumer lending in Poland and Sweden.

Poland remains a challenging market. Competition is tougher here than in the other countries where we operate; however, B2Holding's platform in Poland is an important resource pool and an expertise base we leverage in a number of contexts. We are working to make the Company even more market-oriented.

B2Holding blends entrepreneurial spirit and growth ambitions with a long-term and systematic approach. In markets where we build up our operation from scratch we have to tolerate periods where costs exceed revenue. Over time we must also ensure that we improve efficiency gains. This primarily involves sharing expertise, embedding

shared systems and developing best practice across the Group so that we can all constantly improve.

“Making each other better” is B2Holding's vision. For us this is a simple way of summarizing what we strive to achieve every single day.

Each company in the Group has great respect for the other companies' expertise on their respective markets. Focus on proximity and local presence helps to boost our competitiveness. In particular a local presence helps us to secure efficient management of individual debtors. Our main strategy is to seek to enter into voluntary agreements with debtors. Provided that the debtor is willing to maintain a dialogue with us, it will be possible to find solutions. Consequently, we attach importance to maintaining a local presence in all the markets with expert colleagues who can establish efficient, viable solutions for individual parties.

At the same time our industry is undergoing a process of consolidation, and requirements for professional acumen and reliability are growing ever-greater. By adhering to our vision and our long-term strategy, B2Holding shall continue to be an attractive partner for European banks, financial institutions and other major players that sell us debts, and in our daily activities we shall demonstrate that we take our corporate social responsibility seriously. ■

Oslo, 27 April 2017

**Olav Dalen Zahl**  
Chief Executive Officer

# HIGHLIGHTS AND HISTORY



## DECEMBER

### **B2Holding ASA on OSEBX**

With effect from 01.12.2016 B2Holding ASA is included in the Oslo Stock Exchange Benchmark Index (OSEBX). The index is intended to be investable, and the shares included must be relatively easy to buy and sell in the market at any time.

## NOVEMBER

### **Established in Greece**

A fully owned entity of B2Holding was established in Greece.

### **Established in Bosnia and Herzegovina**

A fully owned entity of B2Holding was established in Bosnia and Herzegovina.

### **New bond issue listed on Oslo Stock Exchange**

In September 2016 B2Holding ASA successfully completed a EUR 175 million senior unsecured bond issue with maturity in 2021. The bonds were listed on Oslo Stock Exchange on 21.11.2016.

## OCTOBER

### **Acquisition of Consequence Europe in Hungary**

B2Holding acquired Consequence Europe, a Hungarian company specialising in third party servicing of unsecured portfolios.

## SEPTEMBER

### **Acquisition of NPLs in Romania in joint venture with EOS**

A portfolio consisting of some 6800 loans secured by real estate collaterals (nominal value EUR 370 million) was acquired in a 50/50 partnership with EOS Investment RO GmbH.

## JUNE

### **B2Holding ASA quoted on Oslo Stock Exchange**

As from 08.06.2016 B2Holding ASA (ticker B2H) is listed on Oslo Stock Exchange. The Company is classified as Consumer Finance. At the same time the Company raised net MNOK 662 in new equity.

## MAY

### **Conversion into a Norwegian public limited company**

By this and other corporate resolutions, the Extraordinary General Meeting on 19 May prepared for listing on Oslo Stock Exchange.

### **Acquisition of Debt Collection Agency AD (DCA)**

Through this acquisition the Group secured a strong platform for further growth in Romania and Bulgaria, two of the largest markets in the Balkan region.

2015

## JUNE

The Group established an Investment Office in Luxembourg.

## NOVEMBER

New EUR 260 million syndicated loan.  
EUR 150 million senior unsecured bond with maturity in December 2020.

2014

## JANUARY

Acquisition of Creditreform Latvija SIA, Latvia.

## AUGUST

Acquisition of ULTIMO S.A., Poland.  
Purchase of a substantial portfolio from Hypo Alpe Adria, leading to start-ups in the Balkans.

## DECEMBER

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

2013

## APRIL

Acquisition of Interkreditt AS, Norway.

## OCTOBER

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

2012

## APRIL

Investment in Sileo Kapital AB, Sweden.

## SEPTEMBER

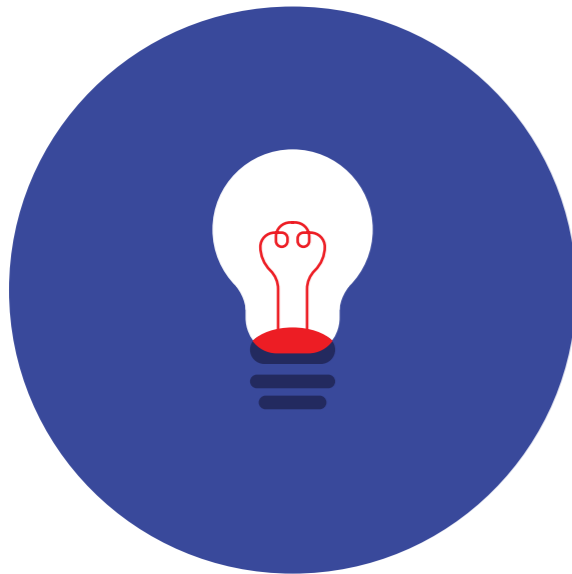
Acquisition of OK Perintä, Finland  
Acquisition of OK Incüre OÜ (subsidiary of OK Perintä), Estonia.

2011

## NOVEMBER

Activities in B2Holding AS started.

## OUR MISSION



**We share expertise,  
data and best practice**

across the B2Holding companies, enabling us to build better local operations within the Group.



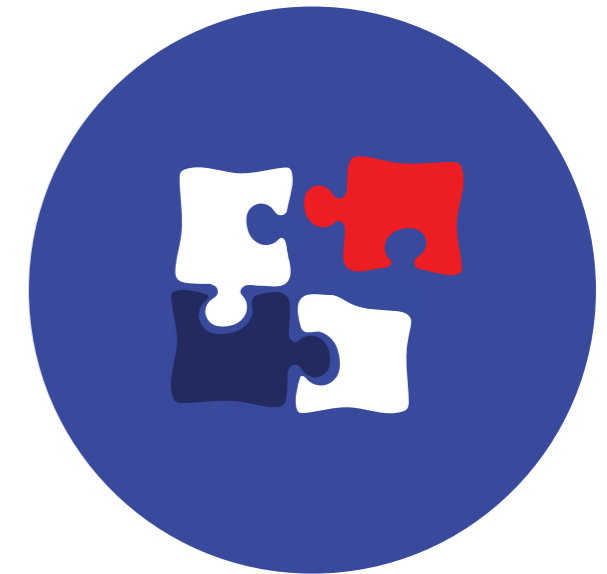
**We are a reliable business  
partner for banks**

and other institutional vendors, providing professional solutions for non-performing and other debt.



**We have the ability to  
find amicable solutions**

for individual debtors with payment challenges, to help them back on track.



**We help manage  
society's debt problems,**

and through our operations, we contribute towards greater capital efficiency in the economy.

## THE INDUSTRY

Providing  
stepping stones  
to both debtors  
and creditors.

# AN EXPANDING KNOWLEDGE INDUSTRY

The debt purchase industry has established itself as a knowledge industry with clear economies of scale. Significant events like Brexit, the Italian referendum and the US presidential election caused some delayed transactions in 2016, but further growth is expected.

The European debt purchase industry saw a total volume of transactions of 103,3 billion EUR in 2016 in terms of face value, slightly down from 104,3 billion EUR in 2015\*. The industry would most likely have seen growth from 2015 to 2016, had it not been for delayed transactions caused by Brexit and the US presidential election.

Italy led the way in Europe in 2016 with some 36 billion EUR in non-performing loans (NPL) sold. This number would probably have been even higher, as transactions were postponed due to the referendum in Italy, which would have lowered the barrier for legal changes in Italy with the opposite outcome. Despite the outcome of the referendum where status quo was the result, Italy is still expected to lead the way in 2017 as well, with an expected volume of 39 billion EUR in NPL volumes being offered to investors, according to Deloitte.

### CONTINUED GROWTH

As we enter 2017, there are certain fundamental characteristics common to the entire European region that indicate continued growth for our industry: The financial crisis in 2008-2009 led to a significant increase in the number of NPLs. This still has an impact on bank portfolios throughout Europe.

Following the financial crisis, banks were subject to new and stricter requirements for capital adequacy. This has led to an increasing need for banks to get NPLs off their balance sheet. The regulatory pressure from the European Central Bank (ECB) and the European Banking Authority (EBA) will continue to push banks to clean up their balance sheets, especially in Central and Eastern Europe (CEE), South East Europe (SEE) and Southern Europe (SE).

On the back of the financial crisis, we have seen a significant growth within the non-bank financial institutions sector across Europe, with different consumer lending products being offered to consumers. With the growth in consumer lending, debt purchasing companies have become an integral part of the value chain of many of the players in the consumer lending industry. NPL transactions are often characterized by relatively fresh claims, and consumer lending companies are selling their NPLs on a frequent basis, either through one off transactions or through forward flow arrangements.

### STRESS TESTS

The EBA stress tests in 2016 will see banks prepare for changes, such as the introduction of IFRS 9 in 2018, affecting the valuation of NPLs.

In Bulgaria for example, an Asset Quality Review (AQR) was concluded in July 2016, and even though the banks included passed the stress tests, NPL

### Greater capital efficiency

**Seen from a macro-economic perspective, a non-performing loan represents poor use of capital and is detrimental to the economy.**

- For creditors, it means additional work, a risk of financial losses and weakened liquidity.
- For debtors, it can be a stressful and socially stigmatising situation that makes it difficult to get ahead in life.

**The debt purchase industry provides greater capital efficiency in the economy.**

- The banks achieve better liquidity and risk management.
- Debtors with payment problems are given the opportunity to solve their debt problems.

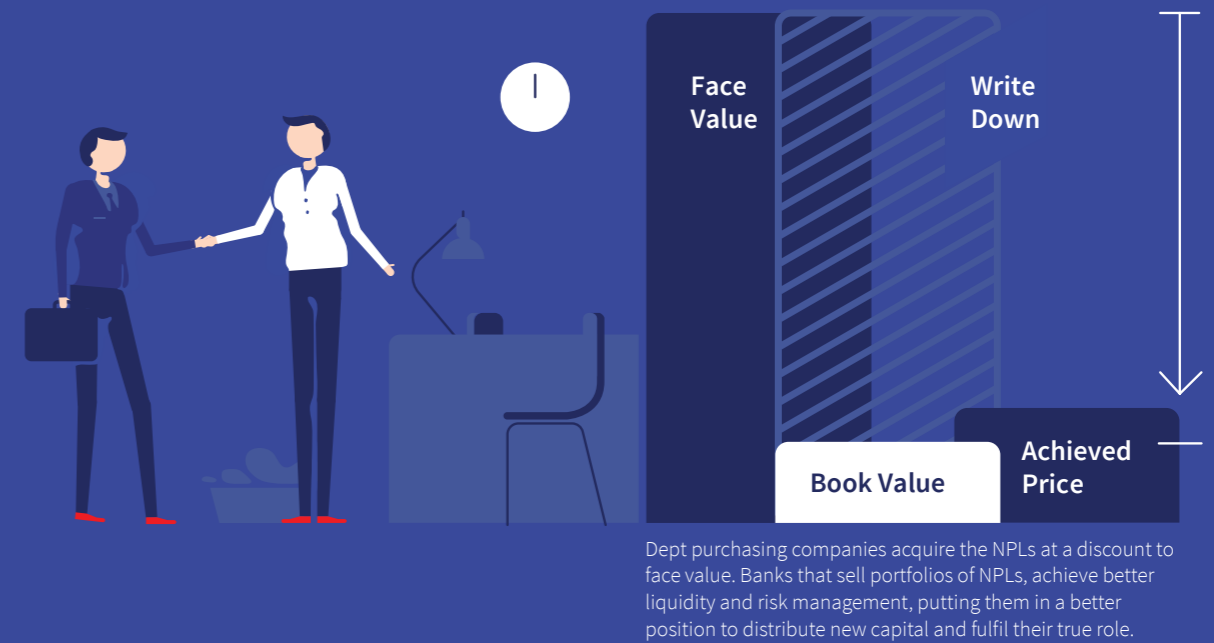
\* Source: Deloitte Deleveraging Europe 2016 – 2017

<https://www2.deloitte.com/uk/en/pages/financial-advisory/articles/deleveraging-europe-market-update.html>

## A SPECIALISED PART OF THE FINANCIAL SECTOR FINANCING



## MAKING A WIN-WIN SITUATION FOR THE BANK AND THE DEBT PURCHASER WHAT THE BANKS DO



## WHAT THE DEBT PURCHASERS DO



When collecting the debt, the debt purchasing companies will typically obtain a multiple of 1,5-3 x of the purchase price. This makes a win-win situation for both the bank and the debt purchaser.

## MAKING A WIN-WIN SITUATION FOR THE DEBTOR AND THE DEBT PURCHASER



### Amicable Solution



While banks must largely treat all their loan customers the same, our industry can show flexibility and go far to help debtors who are willing to discuss solutions. For the debtor willing to discuss amicable solutions, there is room for negotiation.

### Legal Solution



However, effective procedures have been established to recover debt through legal action when necessary.

levels are high with a NPL ratio of more than 16%. Therefore, NPL transactions can be expected in Bulgaria in 2017. Transactions are also expected in other SEE countries such as Serbia, Croatia and Slovenia.

#### LEGAL CHANGES

The NPL industry saw legal changes in some large NPL markets such as Poland and Romania, where changes in the legal framework caused temporary bottlenecks. Such legal changes will eventually affect pricing, as collections will be delayed. Furthermore, the new EU General Data Protection Regulation will be in effect from May 2018, and the NPL industry will need to implement several procedures in order to comply with the new rules.

#### CONSOLIDATION

Previously, there were many small companies offering services within the administration and follow-up of non-performing loans and credit. The situation has changed and what we are seeing today, is a knowledge industry with clear economies of scale. By collecting and organising data from many portfolios, the largest companies have a solid basis for making a qualified valuation of new portfolios.

Consolidation in the NPL industry in Europe is expected to continue going forward, with some large transactions carried out in 2016 such as Permira's acquisition of GFKL and Lowell. Furthermore, the merger between Intrum Justitia and Lindorff was announced in the fourth quarter of 2016, and is currently awaiting anti-trust approval by the European Commission, expected during the first half of 2017.

#### Abbreviations and definitions

ARM	Accounts receivables management
CF	Cash flow
DP	Debt purchase
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPS	Earnings per share
ERC	Estimated remaining collections
FTE	Full-time equivalent
FV	Face value (= unpaid principal balance plus interest and fees)
IVA	Individual voluntary arrangement
IRR	Internal rate of return (the interest rate that gives a net present value of zero)
Net CF	Net cash flow (= cash flow less collection cost)
NPL	Non-performing loan
UPB	Unpaid principal balance

#### HIGH ETHICAL STANDARDS

In our industry, we are brought in to take over credit from banks and other companies with broad customer contact. To safeguard their own reputation, our business partners can only resell non-performing loans and credit to well-established, serious buyers. Those who want to survive in this industry, must have at least the same high ethical standards and professionalism as the banks and other players from whom the loan portfolios are purchased. ■



## OUR SERVICES

Bridging the gap between challenges and opportunities.

# FLEXIBLE APPROACH

B2Holding offers extensive operational knowledge and the use of advanced data analysis to provide high quality services. We present a flexible approach to the restructuring of debts.

Our vendors are primarily banks and financing companies, but also telecom operators, retail and utility companies.

In our activities we focus on

- high quality services to our business partners
- a flexible and at the same time effective approach towards the debtors

### DEBT PURCHASE

At B2Holding we have built strong relationships with financial institutions and other large corporate customers. The number of completed transactions of NPLs, as well as the scale of the Group's operations, guarantee an efficient and professional handling. We have the necessary know-how to conduct the entire process of purchasing debt portfolios, and entering into amicable solutions with the debtors.

Our long-term experience of NPL portfolio pricing provides an efficient and reliable pricing for any industry, resulting in a realistic market value of the portfolios.

### COLLECTION OF PURCHASED DEBT

B2Holding offers tailored collection strategies for the follow-up of unsettled claims. We help debtors back on track, and provide optimal collections through amicable solutions or legal processes.

B2Holding presents a flexible approach to the restructuring of debts. Such an approach is often of considerable benefit to a debtor, whose goal, despite temporary problems, is to restore his/her financial credibility and status as a reliable consumer. In our communication with the debtor, we will focus on understanding and co-operation, rather than denying that a debt problem exists. B2Holding has two main collection strategies:

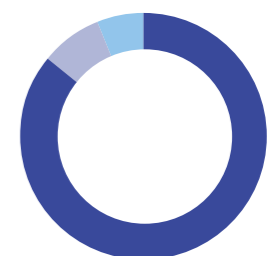
- **Amicable collection** – for debtors who are willing to co-operate and are ready for negotiations and settlement.
- **Legal collection** – for debtors with fixed income (salary, pension) who are unreachable and thus prevent the repayment of their debt through an amicable negotiation and settlement process.

### B2Holding's businesses, ranked by importance

1. The core business: Purchasing and collecting unsecured and secured non-performing retail (consumer) and non-retail debt.
2. Other services related to recovery of consumer debts, such as third party debt collection (in the Baltics, Finland, Hungary, Norway and Sweden) and credit information (Latvia).
3. Consumer lending (in Poland and Sweden).

### B2Holding's revenue

- 86 % from purchased portfolios
- 8 % from collection for external parties and credit information
- 6 % from consumer lending and other revenues



A strategy of actions depends on the nature of the debt and an individual analysis of the debtor's financial capability. B2Holding offers a wide scope of debt collection methods. Regardless of method, the most important principles are compliance with ethical and moral standards, protection of our partners' and vendors' reputation, and respect of debtor rights.

**OTHER SERVICES**

**Credit information and Third party debt collection**

B2Holding offers credit information as a service through Creditreform in Latvia. Creditreform is the leading player within credit information in Latvia, and has a large database where credit reports are prepared and sold to customers.

Third party debt collection is offered as a service in the Baltics, Finland, Hungary, Norway and Sweden. This service will also be offered in the Greek market when the needed license is obtained. As opposed to debt purchasing, third party debt collection is collection of debt on behalf of customers. In some of the markets where B2Holding operates, we carry out third party debt collection and purchase debt from the same customers.

**Consumer lending**

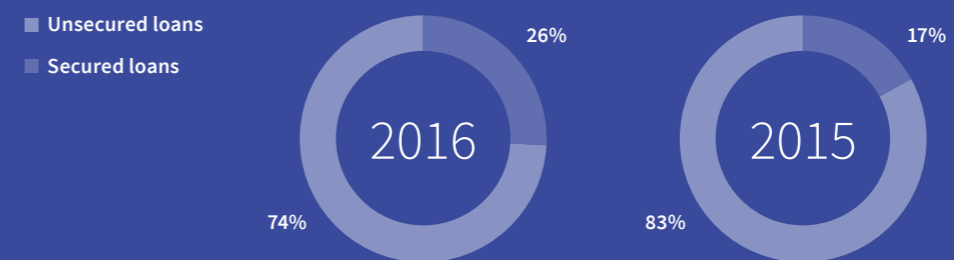
Consumer lending is an area where B2Holding offers products in selected markets. As of today, B2Holding has two consumer lending companies, Takto in Poland, and Kontant Finans in Sweden. ■

**Type of portfolios sold in our markets**

Asset class / Type of Portfolio		Nordics inc. Finland	Poland	South East Europe	Baltics
Retail	<b>Retail unsecured</b> – smaller claims, typically consumer loans credit cards debts etc.	X	X	X	X
	<b>Retail secured</b> – mortgage secured portfolios		X	X	X
Non-retail	<b>SME</b> – small and medium enterprises with personal guarantees			X	X
	<b>Corporate secured</b> – loans secured with real estate			X	X
<b>Mixed portfolios</b> – portfolios including secured and unsecured claims, retail and non retail				X	X

As shown in the table above, B2Holding has the ability to purchase debt within all different classes of NPLs. Historically, retail unsecured loans is where B2H is coming from, but as a result of our entry into new markets, interesting opportunities have been identified across different classes of NPLs. In some markets, especially in the SEE, we have also seen several mixed portfolios being offered for sale. Such mixed portfolios, can typically include many different types of claims, and can also be distributed across several jurisdictions. As such, B2Holding needs to have the competence and ability to both evaluate and collect on different types of assets.

**Unsecured / secured loans in our portfolios 2015-2016**



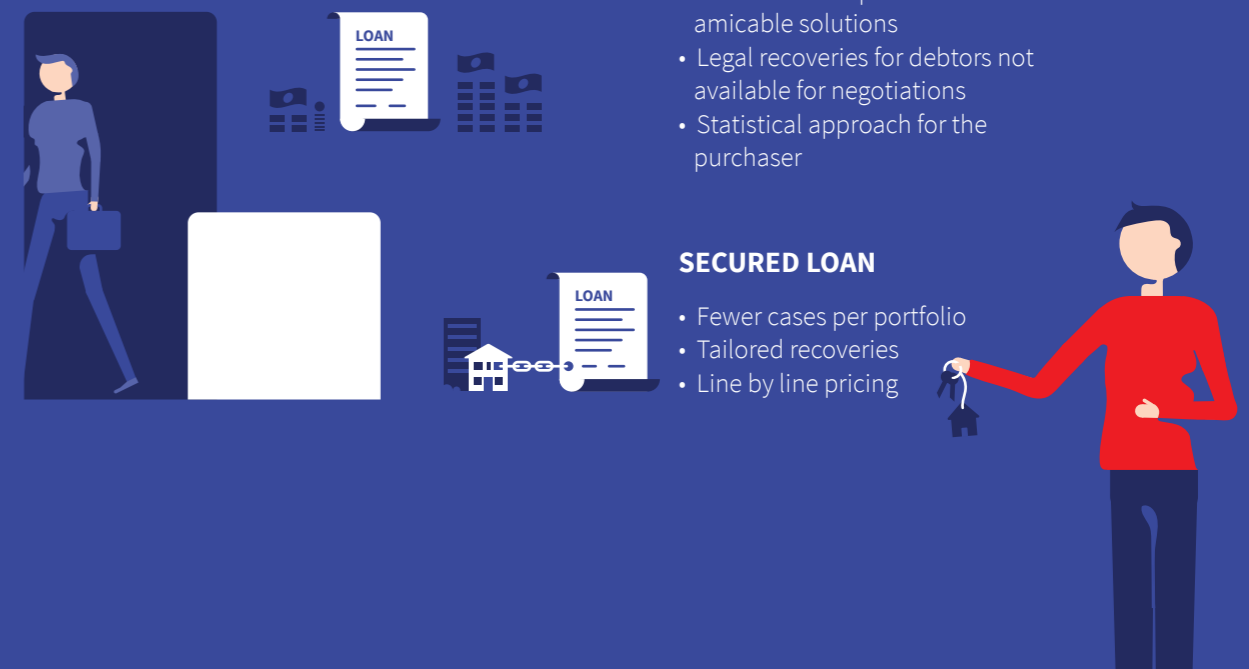
**How we handle unsecured and secured loans**

**UNSECURED LOAN**

- Mass number of debtors
- Call center will provide amicable solutions
- Legal recoveries for debtors not available for negotiations
- Statistical approach for the purchaser

**SECURED LOAN**

- Fewer cases per portfolio
- Tailored recoveries
- Line by line pricing





**OUR  
MARKETS**

Aiming for a leading position.  
One step at a time.

## NEW MARKET ENTRIES

In 2016 B2Holding experienced a year with high activity. In our markets combined, we purchased portfolios for about 2.5 billion NOK.

This included portfolio purchases in our new markets Bulgaria and Romania, in addition to all our existing markets. Furthermore, B2Holding established presence in new markets towards the end of 2016. New market entries include Hungary, Bosnia and Herzegovina and Greece, while presence in Italy and Lithuania has been established in the first quarter of 2017. In the first quarter of 2017 B2Holding also purchased its first portfolio in the Czech Republic.

With the growth in portfolio purchases and new market entries, B2Holding is well established as one of the ten largest players within the debt purchasing industry in Europe. As a result of our increased visibility on the European map, we are treated as a large and serious player by European banks, potential partners and by the capital markets. Being a listed company increases the focus on

transparency and compliance, which we believe is an advantage.

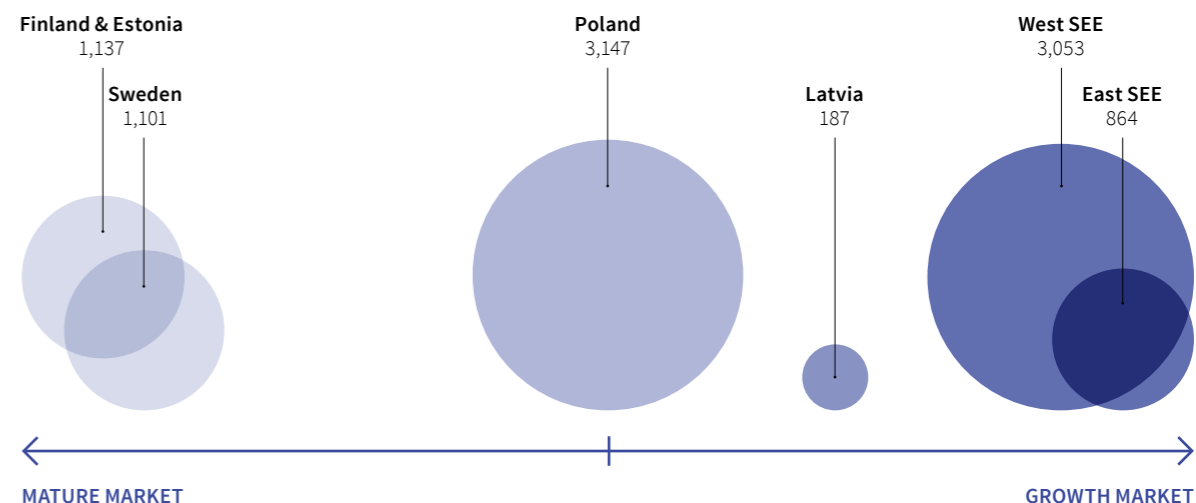
**OUR FOCUS GOING FORWARD**

B2Holding has experienced a rapid growth since its inception, and we cannot expect the same growth rate going forward.

Having said that, focus will still be on growth in the markets where we are currently established. We will also have strong focus on operational improvements across the organisation, aiming to utilize cross border synergies throughout the organisation.

We acknowledge that our industry is local with different legal environments and cultural differences. As such, we need strong local organisations in all our markets, and organisational development will be important going forward. ■

**B2Holding's ERC per region per 31.12.2016**



## FINLAND AND ESTONIA

■ Through the acquisition of OK Perintä OY in 2012, B2Holding was established as the third largest player in Finland within the debt purchasing and debt collection market, after Intrum Justitia and Lindorff. With the expected merger between Intrum Justitia and Lindorff, OK Perintä will become the second largest player in the Finnish market.

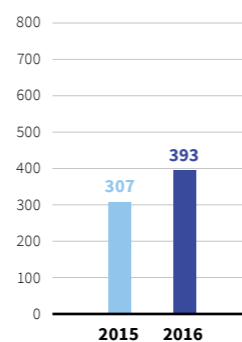
Finland had its bank crisis in the early 1990s as the rest of the Nordics, and as such the Finnish NPL market is at a very mature stage with a NPL ratio below 2%. Retail unsecured portfolios from consumer lending companies are dominant in the Finnish market.

Since B2Holding acquired OK Perintä, the company has shown significant growth, and at the same time improved operational performance significantly. OK Perintä is the most developed company in the B2Holding Group in terms of automation, and has a very efficient operation in terms of cost to collect. With OK Perintä, B2Holding is well positioned to maintain its stable but growing operation in the Finnish market. A significant amount of the portfolio acquisitions in Finland are based on forward flow arrangements with the vendors, where portfolios are acquired on a regular basis at agreed terms.

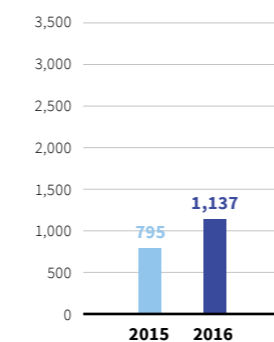
OK Perintä has a fully owned subsidiary in Estonia, OK Incüre. The market in Estonia is relatively small, and the portfolios sold are mainly retail unsecured. The vendors of portfolios are banks and non-bank financial institutions. OK Incüre's main activity is third party collection, but debt purchasing has increased throughout 2016.



Cash collections



Gross ERC



All figures in NOK millions

**Finland had its bank crisis in the early 1990s as the rest of the Nordics, and as such the Finnish NPL market is at a very mature stage with a NPL ratio below 2%.**

## SWEDEN

■ In 2012 Sileo Kapital AB was founded as a startup operation. Senior executives from the NPL industry together with B2Holding as sponsor founded the operation. Today, Sileo Kapital AB is fully owned by B2Holding.

Sileo Kapital AB primarily focuses on NPL acquisitions and has grown substantially in the Swedish NPL market. In addition to NPL acquisitions, Sileo Kapital AB offers certain key accounts third party debt collection services.

Sweden, just like the other Nordic countries, has a low NPL ratio compared to other markets where B2Holding is present. The typical vendors in the Swedish market are banks and non-bank financial institutions. The Swedish NPL market primarily consist of unsecured portfolios.

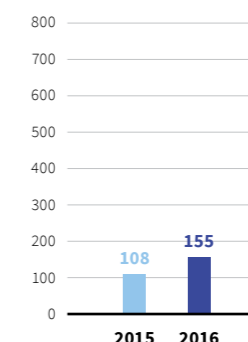
Sileo Kapital has experienced an increasing growth of unsecured portfolios coming to market during the last couple of years, both as a consequence of increased awareness of Sileo Kapital AB in the marketplace but also as vendor and seller expectations are closer. The transactions taking place in the Swedish market, constitutes both one off transactions and forward flow arrangements. Sileo Kapital AB focuses on increasing its forward flow arrangements.

Just as the other Nordic markets, the Swedish market is highly mature and stable, with a high level of automation and an efficient legal system. At the same time, though, Sweden is considered to be a very transparent market and very competitive.

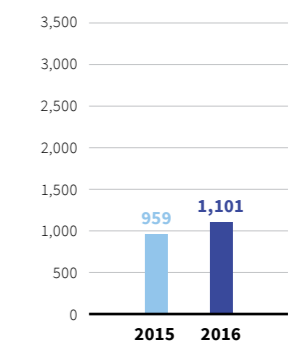
Via Sileo Kapital AB, B2Holding has established a strong, highly automated and scalable platform in Sweden, prepared for further significant growth.



Cash collections



Gross ERC



All figures in NOK millions

**Just as the other Nordic markets, the Swedish market is highly mature and stable, with a high level of automation and an efficient legal system.**

## NORWAY

■ In Norway, B2Holding has a fully owned subsidiary, Interkreditt AS, which was acquired in 2013. Interkreditt is a third party debt collection agency, but has also been involved in cross-border activity in connection with debt collection on acquired portfolios in the Nordics.

As in the rest of the Nordics, Norway had its bank crisis in the early 1990s, and the bank sector has since then recovered well and was relatively unscathed by the financial crisis that ravaged the bank industry in most of Europe from 2008 and onwards. As such, NPL levels in Norway are very low.

Norway has, however, seen a sharp increase in consumer lending, fueled by the establishment of a number of specialized consumer lending banks in the last couple of years. As such, B2Holding sees a potential for an increased volume of NPLs from this part of the bank sector going forward, and will monitor the development and consider to increase its activity in Norway as a consequence of this trend.



**Norway has seen a sharp increase in consumer lending, fueled by the establishment of a number of specialized consumer lending banks in the last couple of years.**

## LATVIA

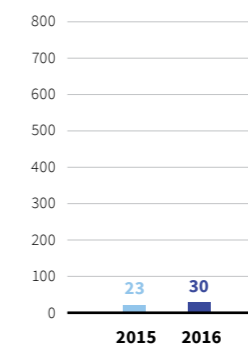
■ In Latvia, B2Holding has a fully owned subsidiary, Creditreform Latvia, which was acquired in 2014. Creditreform is the leading player within credit information, and also offers third party debt collection and debt purchasing, primarily unsecured retail loans. Furthermore, B2Holding has a fully owned subsidiary, B2 Kapital Latvia, which acquires portfolios across the Baltic region.

Latvia was hit hard by the financial crisis in 2008 and onwards, together with the rest of the Baltic region, and the real estate market experienced a sharp decline. As such, the banks in the Baltic region have been active in divesting NPL portfolios. We have also seen consumer lending companies selling NPL portfolios on a regular basis. NPL transactions in the Baltics have been a combination of retail and non-retail portfolios, secured and unsecured. Transactions in Latvia are a combination of one off transactions and forward flow agreements.

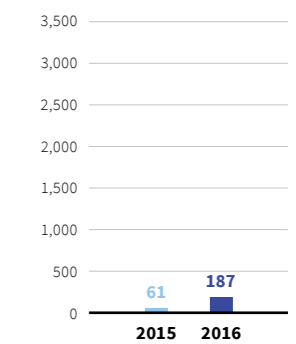
Latvia's NPL ratio had its peak in 2010 at about 16%, but has since then seen a sharp decline, with a NPL ratio at around 4% in 2016. After an economic downturn up until 2010, Latvia has experienced GDP growth of more than 3% from 2011 and onwards.



### Cash collections



### Gross ERC



All figures in NOK millions

**Latvia's NPL ratio had its peak in 2010 at about 16%, but has since then seen a sharp decline, with a NPL ratio at around 4% in 2016.**

## POLAND

ULTIMO is a leading collection company in the Polish market, well established in all main sectors supplying NPLs. It was acquired by B2Holding in 2014 from Advent, and was initially established in 2002 by a group of private entrepreneurs as one of the first collection companies in Poland.

The Polish NPL market is one of the larger in Europe, quickly evolving towards a mature market. It combines a regular supply of banking assets, systematically supported by other vendors such as telecoms and utility services, and opening new sectors, mainly non-bank lenders. Banks remain the main suppliers of NPLs, representing over 85% of total transactions in 2016. However, the growth of total volume of banking assets has slightly decelerated after 3 years of growth, as an effect of introduction of banking tax and increasing cost of capital. The level of retail banking NPLs stabilized around 6.25%, with 2.9% in mortgage and 12.3% in non-mortgage. Increasing sophistication of the market is also reflected by growing volume of the secondary debt portfolio transactions.

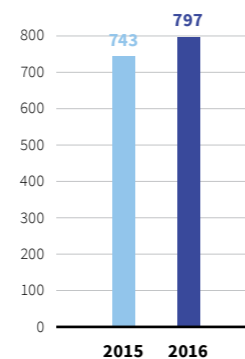
ULTIMO focuses on NPL portfolio acquisition and management, specializing in retail unsecured (and to a smaller extent secured) exposures. It is one of the leaders in the ethical collection and well respected by NPL sellers. In 2016 the portfolio vendors community voted ULTIMO the best collection company in Poland (Cessio award by the Conference of Financial Entreprises).

Part of the activities of ULTIMO group are dedicated to lending business. Through its subsidiary TAKTO the company is exploring a growing potential of the non-bank lending market, leveraging synergies with the powerful collection engine, mainly in risk assessment, customer analytics and both amicable and legal collection.

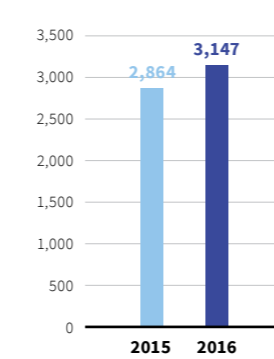
ULTIMO is now focusing on further growth of business volume, increasing efficiency and exploring new sources of revenues. This is being achieved by investments in automation of mass collection processes, exploring the growing niche of NPLs generated by non-bank lenders (and thus leveraging experience gained in running TAKTO), as well as exploring new businesses in an innovative way, including next step of evolution of the third party collection and to be on the forefront of the digital revolution in the collection industry.



Cash collections



Gross ERC



All figures in NOK millions

**The Polish NPL market is one of the larger in Europe, quickly evolving towards a mature market. It combines a regular supply of banking assets, systematically supported by other vendors such as telecoms and utility services, and opening new sectors, mainly non-bank lenders.**

## REGION WEST SEE

B2Holding's operation in the Western part of South East Europe started during summer 2013 when B2 Kapital in Croatia was established.

South East Europe was hit hard by the financial crisis, and the share of NPLs have been increasing since 2008 on the back of the financial crisis. During 2013 and 2014 the share of NPLs reached peak levels which resulted in growing number of NPL portfolio transactions. In 2014, B2 Kapital acquired a large portfolio covering four countries, and as a result increased its footprint in the region through the establishment of companies in Slovenia, Serbia and Montenegro.

In 2015, B2 Kapital successfully completed the first large non-retail secured portfolio transaction in Croatia. This was the first secured portfolio of size in the Croatian market, and B2 Kapital established a core team for the servicing of secured assets. In 2016 significant volumes were offered for sale across the region. B2 Kapital continued its growth through the acquisition of several portfolios, and is now established as the leading player in the Western part of South East Europe. Towards the end of 2016, B2 Kapital acquired a portfolio which included claims in Bosnia and Herzegovina, and as a result an office was established in Sarajevo.

The improvement of economic conditions (GDP growth) together with NPL ratios ranging between 10% and 22% (Slovenia 10%, Croatia 16%, Serbia 22%) has resulted in a market with high activity for NPL transactions.

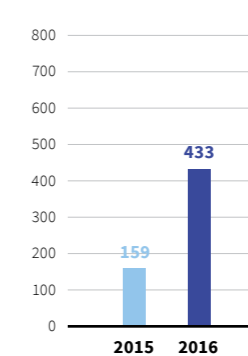
In 2017, it is expected that the market activity for NPL transactions will continue, with growing volumes offered for sale in Serbia, and steady volumes offered for sale in Slovenia and Croatia. It is also expected to be further NPL transactions in Bosnia and Herzegovina.

As of today, Hungary is included as a part of the West SEE region in the Group. Through the acquisition of Consequence Europe in October 2016, B2Holding has a platform for further growth in the Hungarian market. Consequence Europe is a third party collection company focusing on retail unsecured portfolios. B2Holding is currently in the process of obtaining a license for debt purchasing in Hungary.

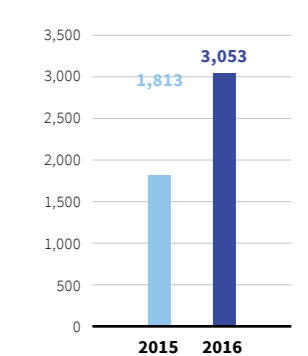
Furthermore, the Czech Republic, where



Cash collections



Gross ERC



All figures in NOK millions

B2Holding has a fully-owned subsidiary, is currently also part of the region West SEE. B2 Kapital Czech Republic s.r.o. was established in early 2016 with the objective of providing valuation and pricing support for corporate and retail secured NPL portfolios for the rest of the group companies. Since its inception, the company has priced approximately 40 secured portfolios.

In addition, B2 Kapital Czech Republic has the capacity to acquire and service selected portfolios as they are offered on the Czech market. The company recently acquired its first corporate secured portfolio during Q1 2017, which it is now servicing, and the company continues to actively seek additional portfolios in the sector.

The Czech banking system is in a very healthy state with quite low NPL ratios currently at 4,7% (2015) of total loan inventories which implies low volumes in the near-term and few NPL portfolios being offered in the Czech market. However, current heated economic activity is driving new loan growth. Given the lagging effect of NPL development, we anticipate NPL volume growth to start to increase within 18 to 36 months.

## REGION EAST SEE

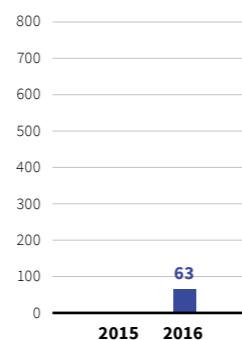
■ During 2016, B2Holding established presence in the eastern part of South East Europe, through the acquisition of Debt Collection Agency EAD (DCA) in Bulgaria and Romania and through the establishment of B2 Kapital Portfolio Management S.r.l. in Romania. The economy in both Bulgaria and Romania is recovering after the financial crisis, with GDP growth of more than 3% in 2015 and 2016.

With the acquisition of DCA, B2Holding now has a leading presence in Bulgaria. The Bulgarian market has up until recently been characterized by portfolios of consumer credit sold by consumer lending and fast credit companies. The Bulgarian National Bank performed an AQR (Asset Quality Review) of the largest Bulgarian Banks in 2016, and although all the Bulgarian banks that were reviewed met the minimum regulatory requirements on capital adequacy ratios, NPL levels are still high with an NPL ratio of around 16%. As such, B2Holding expects to see an increasing volume of portfolios being offered by Bulgarian banks, especially by the foreign banks established in Bulgaria.

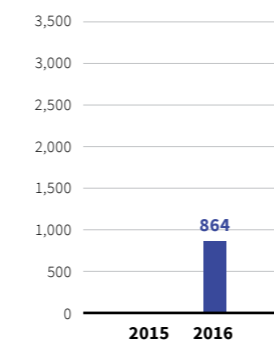
During 2016, the first corporate secured portfolios were offered to the market. DCA has up until 2016 focused on retail unsecured portfolios, but established a core team for servicing of secured assets in late 2016. As a leading player in Bulgaria through its wholly owned subsidiary DCA, B2Holding's strategy is to take an active role in the deleveraging of the banks in the Bulgarian market by purchasing NPL portfolios, both retail and non-retail. Furthermore, B2Holding will continue its strategy of buying retail unsecured portfolios from non-bank financial institutions.



Cash collections



Gross ERC



All figures in NOK millions

**B2Holding expects to see an increasing volume of portfolios being offered by Bulgarian banks, especially by the foreign banks established in Bulgaria.**

In Romania, the market for NPLs is more developed, and NPL ratios fell sharply from 2014 to 2016. The ratio is now at a level of around 13.5% from about 21.5% in mid-2014 according to National Bank of Romania. The market for retail unsecured portfolios is well developed, and competition is quite high. There are steady volumes coming out in the market, and the sellers are a combination of banks and non-bank financial institutions. For secured portfolios, the market is less competitive, and the banks are expected to sell secured portfolios going forward. The banking industry in Romania is dominated by foreign banks coupled with a few larger local banks. As such, we see Italian, French, Austrian and Greek banks in the market, currently deleveraging their balance sheets.

Through DCA, B2Holding has a strong platform for further growth in the retail unsecured segment. The Romanian operation of DCA has grown significantly throughout 2016. Furthermore, through the establishment of B2 Kapital Portfolio Management, B2Holding has established a strong core team for collection on secured portfolios. In Q3 2016, B2Holding announced a joint venture with EOS to acquire a mortgage portfolio from Erste Bank's subsidiary BCR with a nominal value of 370 million EUR. The servicing of this portfolio is shared between B2 Kapital Portfolio Management and EOS Romania. B2Holding's operations through DCA and B2 Kapital are located in the same office building in Bucharest. With the current operation in Romania, we believe B2Holding is well positioned to be a significant player in the Romanian market.

In November 2016, B2Holding established a fully

owned entity in Greece, B2 Kapital, headquartered in Athens. B2 Kapital Greece is currently in the process of applying for a debt collection license in accordance with the new law that was introduced in 2016 under the supervision of Bank of Greece. The strategy for Greece in the initial phase, is to secure servicing agreements with Greek banks for the work out and collection of non-performing loans. The volumes of NPLs in Greece is estimated at around 110 billion EUR in total, and B2Holding considers Greece as an interesting market going forward. We also see it as beneficial to have an organisation in place in Athens, as the four systemic Greek banks are also sellers of NPLs through their subsidiaries in other parts of the SEE region.

**In Romania, the market for NPLs is more developed, and NPL ratios fell sharply from 2014 to 2016. The ratio is now at a level of around 13.5% from about 21.5% in mid-2014 according to National Bank of Romania.**

## ORGANISATION

Building a unified team out of Pan-European diversity.

# COMPETENT AND EFFICIENT ORGANISATION

The B2Holding Group expanded its workforce by 369 people to 1700 in 2016. The growth in number of people follows both acquisitions of new companies and hiring of people in existing operations.

The Group has experienced successful growth and we have a universe of operations with different levels of size and maturity. This fact combined with a fundamental belief in that “business is local” have lead us to develop a decentralised organisation. The organisation is result-oriented and fast-paced.

In order to secure the necessary effectiveness and efficiency we focus on sharing expertise, experience and data within the Group to develop best practice and common values. A series of cross border initiatives have been launched to enhance learning and alignment, resulting in better processes and reduction of costs. We always aim for an entrepreneurial, fast moving and cost conscious organisation working in an innovative business model. We do also believe this to be the recipe to be a good solution provider both for our vendors and debtors.

B2Holding Group people from different nations bring considerable diversity and valuable competence to the organisation. Curious, innovative, dynamic and energetic are essential qualities that contribute to our success. We set ambitious targets, requiring us to build a robust and international organisation that grows in step with the size and complexity of the Group.

### REWARD POLICY

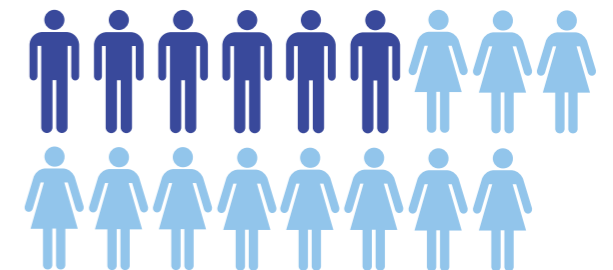
We are currently implementing a target driven model supported by a remuneration model.

B2Holding ASA’s reward policy is a management tool that shall contribute 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 and utilize 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.

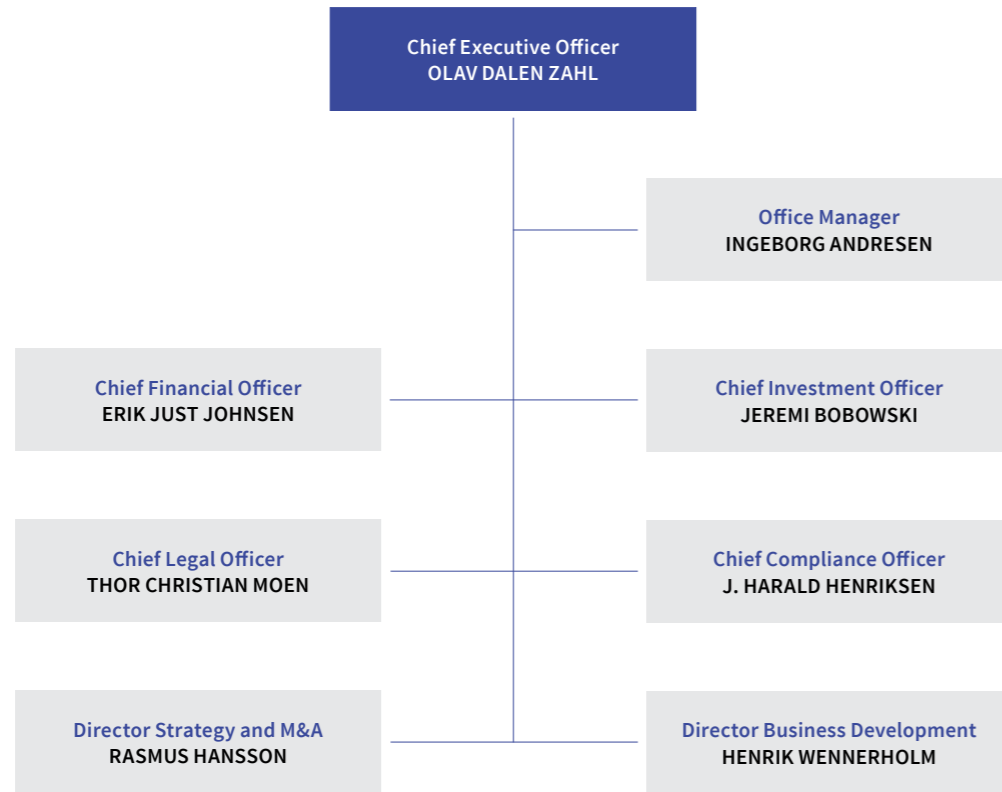
A fundamental principle in B2Holding’s determination of total remuneration for the Management is that the terms are to be competitive with terms in positions with similar responsibility, workload and complexity in the local markets. Labour markets are local, and B2Holding adapts to the local markets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

### The B2Holding Group per 31.03.17



	Employees	Full time equivalent(FTE)
Men	614	570.1
Women	1,104	936.9
<b>Total</b>	<b>1,718</b>	<b>1,507.0</b>

Group Management per 31.03.17



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

**THE HEAD OFFICE**  
carries out all funding and financing activities, including bank financing and issuing of bonds.

**BUSINESS DEVELOPMENT**  
supports and drives the sourcing of portfolios helping achieving our organic growth targets.

**STRATEGY DEVELOPMENT, MERGERS AND ACQUISITIONS (M&A)**  
supports the Group's further expansion.

**INVESTMENT OFFICE**  
supports with analysis, pricing and structuring of larger portfolio acquisitions.

**OTHER FUNCTIONS**  
include support with legal and compliance services.



From left: Rasmus Hansson, J. Harald Henriksen, Olav Dalen Zahl, Erik Just Johnsen, Ingeborg Andresen, Thor Christian Moen, Jeremi Bobowski and Henrik Wennerholm.

## The Group per 31.03.17

**NORWAY**

- Portfolio collection (unsecured)
- 5 people

**FINLAND**

- Portfolio purchase and collection (unsecured), consumer lending, third party collection
- 128 people

**ESTONIA**

- Portfolio purchase, and collection
- 18 people

**SWEDEN**

- Portfolio purchase and collection (unsecured), consumer lending, third party collection
- 39 people

**THE NETHERLANDS**

- Holding Company

**ITALY**

- Portfolio purchase (secured and unsecured)
- 3 people

**B2HOLDING ASA**

- Group Management and support
- 12 people

**POLAND**

- Portfolio collection (unsecured), consumer lending
- 935 people

**LATVIA**

- Portfolio purchase (secured portfolio)
- 2 people
- Portfolio collection (unsecured) and rating
- 75 people

**LITHUANIA**

- Third party collection
- 17 people

**AUSTRIA**

- Regional office
- 3 people

**CROATIA**

- Portfolio purchase and collection (secured)
- 164 people

**SERBIA & MONTENEGRO**

- Portfolio purchase and collection (secured)
- 12 people

**SLOVENIA**

- Portfolio purchase and collection (secured)
- 9 people

**HUNGARY**

- Third party collection (planned portfolio purchase)
- 21 people

**BOSNIA AND HERZEGOVINA**

- Portfolio purchase

**BULGARIA**

- Portfolio purchase and collection (secured and unsecured)
- 174 people

**ROMANIA**

- Portfolio purchase and collection (secured and unsecured)
- 86 people

**GREECE (2017)**

- Portfolio purchase and collection (secured and unsecured)
- 6 people

**LUXEMBOURG**

- Investment office
- Portfolio owner
- 7 people

**CZECH REPUBLIC**

- Portfolio purchase and Secured portfolio valuation
- 3 people

## Country Managers per 31.03.17



**ITALY**  
Francesco Fedele  
B2 Kapital Italy



**GREECE**  
Petros Zabetas  
B2 Kapital Greece



**FINLAND**  
Kari Ahlström  
OK Perintä



**ROMANIA**  
Dimana Vlaeva  
Debt Collection Agency Romania



**BULGARIA**  
Martin Despov  
Debt Collection Agency Bulgaria



**CROATIA**  
Tanja Miljanić Presečki  
B2 Kapital Croatia



**AUSTRIA**  
Ilija Plavcic  
B2 Kapital GmbH  
Regional Manager SEE  
Southeastern Europe



**NORWAY**  
Jens Ivar Grytten  
Skarbø  
Interkredit



**HUNGARY**  
László Antal  
Consequence Europe



**SERBIA & MONTENEGRO**  
Kristina Marković  
B2 Kapital Serbia & Montenegro



**SWEDEN**  
Jan Pettersson  
Sileo Kapital



**LATVIA**  
Maris Baidekalns  
Creditreform



**POLAND**  
Adam Parfiniewicz  
Ultimo



**LATVIA**  
Gints Vins  
B2 Kapital Latvia



**CZECH REPUBLIC**  
Brian Wilson  
B2 Kapital Czech Republic

## WE BELIEVE IN

### ACTING PROFESSIONALLY

- We respect our debtors, vendors, business partners, co-workers and investors.
- We protect business information by complying with relevant legal regulations and best practice.
- We actively communicate with officials, authorities and participate in national debt association activities when appropriate.
- We preserve the reputation of all our stakeholders.

### HELPING DEBTORS BACK ON TRACK

- We restructure debt by finding solutions adapted to our debtors' current status and specific issues when interacting with our debtors by using best practices and good judgement.
- We are flexible to the needs of our stakeholders where this makes good business sense.

### AIMING FOR BEST PRACTICE

- We abide by collectors' best practice codes defined by international and local authorities.
- We comply with external regulations and laws and internal policies and ensure their observance.
- B2 Holding's major business partners attach great importance to fulfilling their corporate social responsibility, and this also places an obligation on us to perform our business under these same standards.
- We have initiated a centrally coordinated compliance monitoring program, which assesses compliance with legal, regulatory and industry best practices.

### PEOPLE AND CULTURE

- We believe business is local and we manage a decentralised business organisation.
- We focus on sharing expertise, experience, data and best practice across the Group to develop more effective and efficient local operations.
- We align the reward system to local conditions around business goals to enhance performance of people.
- We develop values and aim for a performance driven corporate culture.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Within B2Holding, we define Corporate Social Responsibility (CSR) as the responsibility we must take every single day to ensure that we build, maintain and win the privilege of mutual trust from our stakeholders while performing our business.

Our commitment to CSR is integrated in our business model and reflects what we believe in and what we want to be recognised for. We strongly believe that our business model will contribute to positive progress for our debtors, our employees, our partners and our investors and to the society in general.

We believe that the concept of corporate social responsibility will have consequences for B2Holding's financial performance and value creation. How we meet our social responsibility, will affect the Group in relation to access to and cost of capital, market access, vendor's preferences, local licences and authorisations required to operate.

The most important strategic stakeholders like our debtors, authorities, investors, employees and the society in general, all have expectations regarding how B2Holding exercises its role in the local communities where we operate. By being open about our collection strategies, the services offered and our role as an employer, B2Holding will meet stakeholders' expectations and build and win trust.

During 2017 B2Holding will prioritize areas related to sustainability and corporate social responsibility and clarify goals, policies and action plans for prioritized subjects.

A full stakeholder and related risk assessment in line with the Oslo Stock Exchange's guidance on reporting of corporate responsibility will take time and as a beginning this year, B2Holding wants to give an overall picture of main risks and stakeholders that we assess to have the greatest impact on the Group's future value creation. Hence, the description below is given in accordance with Section 3-3 a-d of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance for Stock listed companies.

B2Holding will implement and report in line with the requirements in the annual report for the full year 2017.

### THE DEBTORS

Among our most important strategic stakeholders are the debtors struggling with indebtedness. In B2Holding we realise that every point of contact is an opportunity to either win or lose trust. Our aim is to build positive relations and safeguard the debtor's integrity and dignity through constructive and transparent dialogue. We will help the debtors to find amicable solutions, and thus help them improve their financial situation.

For our employees facing difficult conversations, it is utmost important to uphold our commitment to treat customers with respect and dignity. Employees facing sensitive and stressful situations, will have specific training on how to conduct such calls and how to act in different situations.

We regularly share our collection values and our care for security of personal data with our regulated and non-regulated vendors and collection providers.

The overall group project for 2017 is to verify and ensure that our service provided in all subsidiaries in all countries will be in compliance with the General Data Protection Regulation initiated by the European Commission, by May 2018. It will start as a project and be implemented as a program going forward.

### REPUTATION AND BUSINESS ETHICS

B2Holding is committed to ethical standards and a high degree of integrity to safeguard our debtors, partners and investors. While we comply with legal and regulatory requirements, we will strive to be among the best companies within this industry. It is

## B2Holding wants to encourage an open culture and protect employees who report undesirable behaviour.

our responsibility to ensure that all employees share the same values, standards and expectations. An important task is to implement ongoing measures aimed at all employees in B2Holding to understand the basic characteristics of fraud and money laundering and hence not contribute to infringement of corruption and criminal acts. The anti-corruption efforts are an integral part of the work with our ethical guidelines. B2Holding has the ambition to provide training across the Group on Code of Conduct and underlying policies. All country managers have regularly been updated on group compliance issues and will be a part of the training when implementing such program in all countries across the Group. Fulfilment of internal objectives related to such training will be integrated in the ongoing internal business reporting.

Employees working with purchasing of portfolios and collection of larger claims, who are deemed to be most exposed to ethical challenges and potential breaches of the law, will have further training throughout the year on preventing corruption and money laundering.

When buying portfolios from regulated and non-regulated vendors, we conduct proper due diligence in order to reduce risk. Once an acquisition is approved, a local team takes over the portfolio in a structured process with the vendor in compliance with all regulations and internal procedures. There are strict complaint clauses in most of the portfolio purchase agreements, reducing the transaction risk.

B2Holding wants to encourage an open culture and protect employees who report undesirable behaviour. A channel of communication will be established. Regulations on anti-corruption, money laundering and how to protect whistle-blowers are different in the vari-

ous jurisdictions. Each country management within the Group is responsible for adapting policies on anti-corruption, money laundering and whistleblowing in compliance with national regulations in close cooperation with Group Management.

### HUMAN AND LABOUR RIGHTS

Human and labour rights entail respect for the individual, and within B2Holding we commit ourselves to offer our employees professional growth and equal opportunities in a healthy and safe workplace.

B2Holding has conducted a number of activities aimed at strengthening affiliation between professionals across the Group, including sharing best practice and motivating employees to contribute to the progress of the Company. Regular meetings with all managers have resulted in better intercultural understanding and sharing of corporate values.

B2Holding will ensure a gender balance among managers and profiled key persons who speak on behalf of the Group both internally and externally. As per end of December 2016 B2Holding had 1,489 full time employee equivalents of which 62% were female employees.

In all parts of the Group's operations, there is a zero tolerance approach to discrimination on the basis of for example gender and ethnic or political background, and B2Holding shall ensure good working standards in all countries where B2Holding is represented.

In addition to complying with Norwegian standards, B2Holding will support and conduct its business in line with the UN Global Compact initiative, which has been a tool and source for inspiration the last two years. (Reference is made to the Annual Reports for 2014 and 2015.) ■

# RISK MANAGEMENT

B2Holding's scope is to generate values for the shareholders through controlled exposure of credit-, market-, operational- and liquidity risks. Effective risk management and internal control contributes to securing shareholders' investment.

B2Holding ASA has since the start in 2012, experienced a strong growth through building a multijurisdictional platform with focus 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. Third party debt collection and provider of credit information are services offered from some of the Group companies. All businesses are exposed to risk, which is an inherent part of the business model and fundamental for long-term profitability.

### RISK MANAGEMENT STRUCTURE

The internal control and risk management policy, adopted by the Board of Directors on 15 February 2016, establishes the processes and policies for managing and controlling the risks faced by the Group. 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 B2Holding's businesses. Effective risk management and good internal control contributes to securing shareholders' investments 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 acquisition and management of non-performing loans. Other types of risks, such as operational risks and market risks, should be minimized as far as it is economically justifiable.

The Group's risk capacity is determined by assessing the size and quality of B2Holding's capital and the liquidity situation from time to time. The risk capacity is the ability to absorb losses before mini-

mum critical levels are reached, and the liquidity risk capacity is the size of the liquidity outflow the Group can manage without new funding capacity and without breaching a minimum liquidity level on consolidated group level. The capital threshold is set at a minimum consolidated book equity ratio of 30%, and the liquidity reserve is set to an equivalent of NOK 200 millions on a consolidated basis. Based on the Group's capacity to assume risk, the appetite 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 Group is for internal reporting purposes organised in decentralised, geographical management segments fully accountable for its own profitability. The structure facilitates closeness between management and the operation, which in turn provides good oversight and adequate internal business control. For investment in and evaluation of loan portfolios, B2Holding has established a separate internal control framework including an Investment Committee rooted in the Board of Directors 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.

The Management prepares monthly consolidated operational and financial reports reflecting the Group's activity, position and results. When the Group's quarterly financial reports are to be presented, the Audit Committee (established on 15 February 2016), reviews the reports prior to the board meeting. 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.

The Group's risk control function assists the Board and the CEO in continuously evaluating risk development and recommends improvements in the risk framework.

The Board annually reviews the strategic plan. In addition, as part of the preparation to the strategic discussion, the Board also reviews the group risks. The Group's financial position and risks are described in a separate section of the Board of Directors' Report.

#### **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 made up of purchased consumer receivables, both unsecured and secured which were non-performing when acquired by B2Holding, i.e. previous creditors have already attempted and failed to collect amounts due following an initial or numerous non-payments. B2Holding generally purchases portfolios at prices that vary from less than 10% to above 70% of the face value (principal amount). 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 geographical 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, PLN, HRK and other currencies. The Group's receivables portfolios (assets) are mainly denominated in foreign currencies. Secured loans 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 B2Holding is present, all revenue and the majority 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 condition 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, Bulgaria and Romania are financed by EUR due to limited possibilities of medium term hedging arrangements borrowing in the same currencies.

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 to hedge the interest exposure and hence monitor and reduce its interest rate risk exposure.

#### **OPERATIONAL RISK**

##### **The risk of loss from failed internal processes, people, IT system 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 up 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 participations 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 plan for further geographical expansion will increase the exposure of operational risks which will be met by incident reporting, tracking of key risk indicators and training in the year to come. Establishing risk mitigating routines and processes is a priority area for B2Holding's risk management and risk control units in the year to come.

#### **LIQUIDITY RISK**

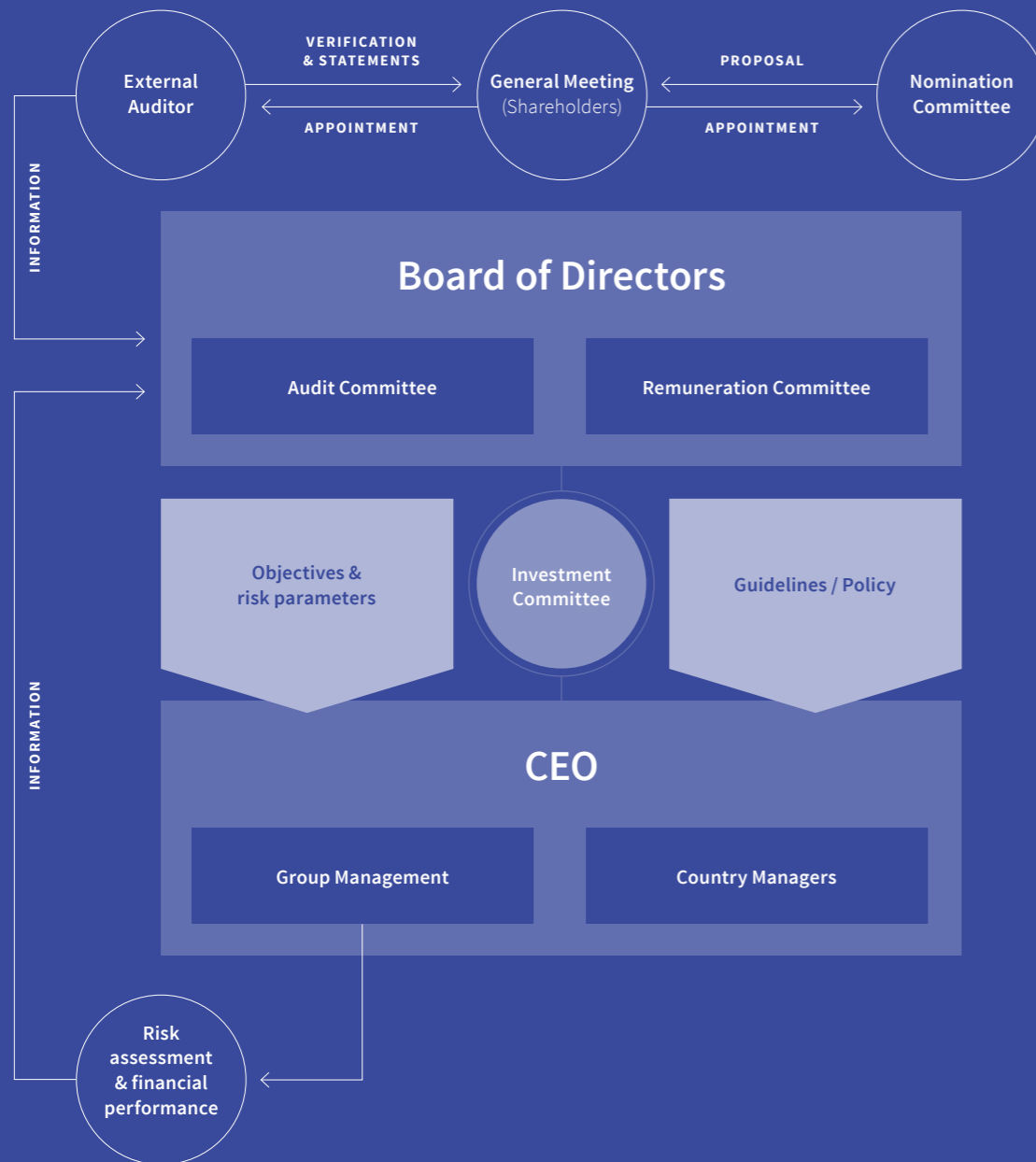
##### **The risk of not obtaining funding and inability to meet payment obligations when they fall due**

B2Holding's liquidity requirements consist mainly of debt, funding and tax servicing requirements in addition to funding of purchases of portfolios, capital expenditure and working capital. The Group's principal sources of liquidity are net cash generated from operating activities (before portfolio purchases) and borrowings under the two bond loans and the revolving credit facility.

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 the bonds contain certain covenants, which are customary in financings of this type, which impose restrictions on the Group's operations and financial flexibility.

The liquidity risk has decreased during last year, mainly due to 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 acquired portfolio the first four years. The risk is monitored by the Treasury function in combination with the Investment Committee monitoring the investment strategy and the allocation of available financial resources. ■

## Governing bodies in the B2Holding Group



The Board of Directors has 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 6 members of the Group Management team (including the CEO) supplemented with two members of the Board when required according to the threshold hierarchy. Portfolio investment in new geographical markets or portfolio investments with purchase price above MEUR 35 requires approval from the Board.

## INTRODUCTION ON THE STOCK EXCHANGE

B2Holding's shares were listed on the Oslo Stock Exchange on 8 June 2016 and included in the Oslo Stock Exchange Benchmark Index ("OSEBX") 1 December 2016.

As part of the listing, B2Holding raised NOK 662 million in net proceeds to finance further expansion. Based on the last trade on 30 December 2016, which was NOK 15.30, B2Holding's market capitalisation was NOK 5,648 million as of the same date.

As of year-end, B2Holding's share price had increased 27.5% from the offering price of NOK 12.00 per share. During the same period, OSEBX increased 10%. The highest closing price quoted during the year was NOK 15.30 on 30 December, and the lowest closing price was NOK 10.85, on 28 September.

In 2016 and since the listing in June, a total of 79,282,870 B2Holding shares were traded, corresponding to an average daily trading volume of 535,695 shares.

### SHARE CAPITAL

At year-end 2016 B2Holding's share capital amounted to NOK 36.9 million, divided among 369,120,598 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 2,109 per year-end 2016. Of B2Holding's share capital, 70,9% is owned by Norwegian investors. Sweden, UK and Belgium accounts for the largest share of foreign ownership.

Approximately 68% of the share capital is owned directly or indirectly by private individuals or family offices and the remaining share capital holdings are owned by institutional investors.

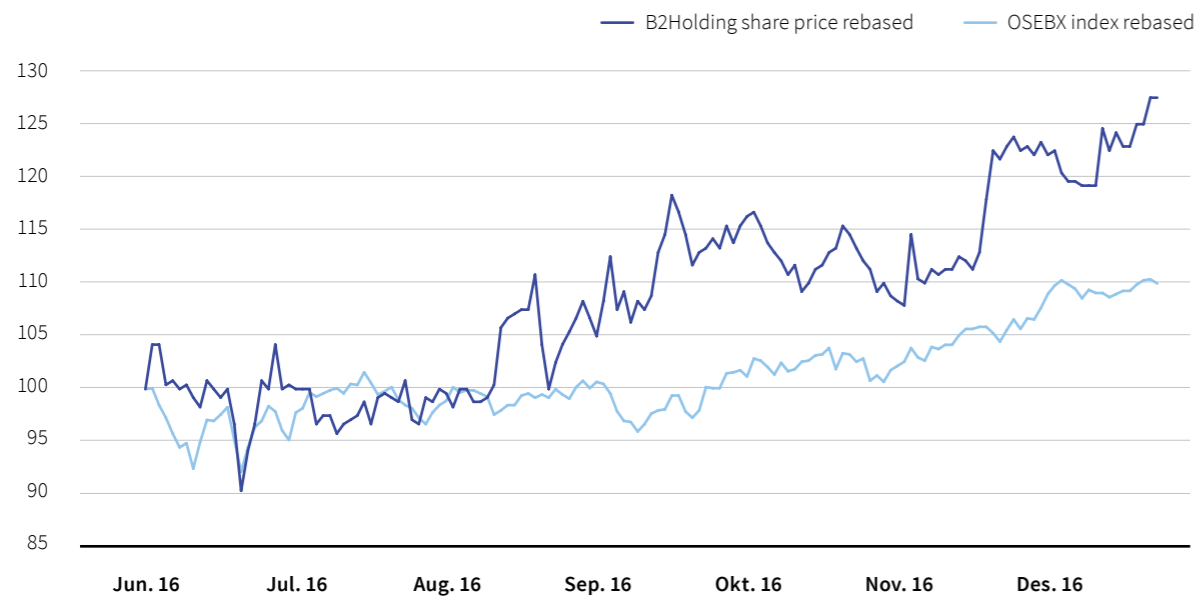
### DIVIDEND

The Board of Directors takes into account applicable legal restrictions, capital expenditure requirements, the financial condition, 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.

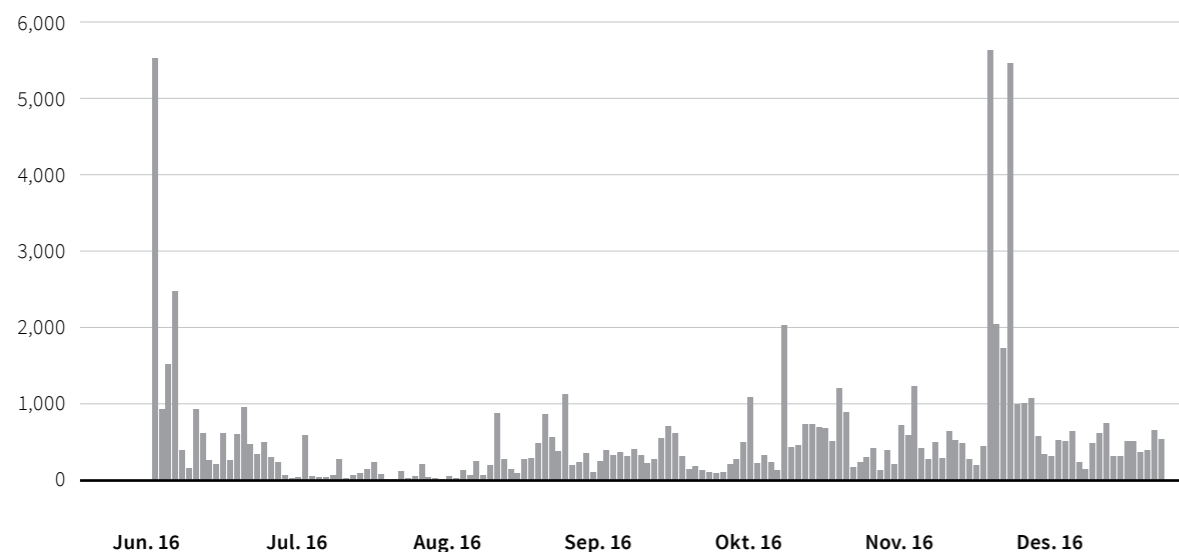
As B2Holding foresees significant opportunities in the near to medium-term, it aims to distribute 20-30% of the Group's net profits after taxes as dividend to its shareholders, starting at the lower end of this range for the financial year 2016. The Board of Directors believes that the Group's strong cash generation capacity supports a higher long-term pay-out target, and potential distribution through both dividends and share buybacks.

The Board of Directors has proposed a dividend of NOK 0.15 per share, corresponding to 22% of net profit adjusted for currency translation items due to reporting the accounts in NOK. Based on the last price paid on 30 December 2016 (NOK 15.30), the proposed dividend represents a dividend yield of 0.98%.

## B2Holding share price 2016



## B2Holding share volume 2016

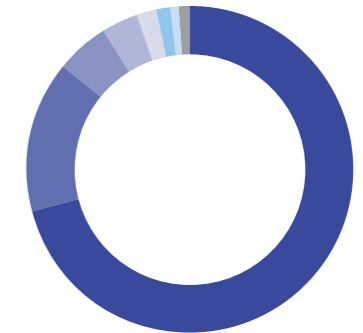


## Shareholders per 1.3.2017

% of total share	Investor
13.85	Prioritet Group AB
12.57	Rasmussengruppen
6.50	Vaset Invest AS
5.12	Stenshagen Invest AS
4.24	Indigo Invest
2.73	Verdipapirfondet DNB Norge (IV)
2.35	Bryn Invest AS
2.17	Verdipapirfondet Handelsbanken
1.67	Verdipapirfondet DNB Norge Selektiv
1.65	Arctic Funds PLC
1.63	Swedbank Robur Nordenfond
1.57	Greenway AS
1.51	Evermore Global Value Fund
1.30	Vevlen Gård AS
1.14	Verdipapirfondet Alfred Berg Gambak
1.02	Verdipapirfondet Alfred Berg Norge
0.91	Storebrand Norge i verdipapirfond Alfred Berg Norge
0.87	LIN AS
0.84	VJ Invest AS
0.81	Artel Holding AS
35.55	Others
<b>100.00</b>	

## Geographical distribution of shareholders per 1.3.2017

	%
Norway	70.93
Sweden	14.91
UK	5.48
Belgium	3.53
US	1.92
Luxembourg	1.33
Finland	0.88
Other European	1.00
<b>Total</b>	<b>100.00</b>



## Ownership structure per 1.3.2017

Size class	No of shares	Capital/votes %	No of owners	Owners %
1 - 1,000	269,026	0.1	496	23.5
1,001 - 10,000	4,077,943	1.1	992	47.0
10,001 - 100,000	14,459,200	3.9	408	19.3
100,001 - 1,000,000	52,406,247	14.2	156	7.4
1,000,001 - 5,000,000	88,835,597	24.1	43	2.0
5,000,001 - 10,000,000	56,337,711	15.3	9	0.4
10,000,001 - 52,000,000	152,734,874	41.4	5	0.2
<b>Total</b>	<b>369,120,598</b>	<b>100.0</b>	<b>2,109</b>	<b>100.0</b>



## CORPORATE GOVERNANCE

Keeping a steady course towards trustworthiness.

# CORPORATE GOVERNANCE

B2Holding considers good corporate governance to be a prerequisite for value creation and trustworthiness and for access to capital.

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 30 October 2014, may be found at [www.nues.no/en/](http://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. 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 business should be conducted. These apply to all B2Holding subsidiaries and units. References to certain more specific policies will be included where relevant.

The B2Holding governance regime is approved by the Board of Directors in B2Holding (“the Board”). B2Holding’s Corporate Governance Principles are based on the Code, and as such is designed to establish a basis for good corporate governance.

By pursuing the Corporate Governance Principles, approved by the Board of B2Holding, the Board and Management shall contribute to achieving

the following objectives: Openness in communication with the stakeholders and other interest groups. 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, data 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 debtors, customers and investors combined with being in compliance with regulatory frameworks, are key competitive advantages.

B2Holding is made up 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 debtors. 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 stake-

holders 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, which has also considered this statement at 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 profitable non-performing loan portfolios that can generate positive financial and social effects for the society.

*No deviations from the Code.*

## 2. BUSINESS

B2Holding's business objective reads as follows: "The Company's business operation is investment, participation and administration of other companies within the business of investment in, administration of and collection of receivables and other thereto related business."

The Group's targets and strategies are described in the Directors' report. B2Holding keeps the market

updated through investor presentations in connection with quarterly financial reporting, 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 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 continuously monitors the Group's capital situation and will immediately take adequate steps should it be apparent at any time that the Company's equity or liquidity is less than adequate.

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

### Dividend policy

The Company will, at all times, have a clear and predictable dividend policy established 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, B2Holding's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay divi-

dends and the maintenance of appropriate financial flexibility.

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, starting at the lower end of this range for the financial year 2016 (payable in 2017). 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 contemplated above. The Board proposes to the annual general meeting to approve a dividend of NOK 0.15 per share, which is in line with the dividend policy applicable for the year 2016.

B2Holding's dividend policy is available on the 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 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.

### 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 to 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.

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.

*No deviations from the Code.*

## 5. FREELY NEGOTIABLE SHARES

The shares of B2Holding are freely negotiable.

*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. This includes among others, to distribute sufficiently detailed and comprehensive information allowing the shareholder to form a view on all matters, no later than 21 days prior to the date of the General Meeting.

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, nominate a person who will be available to vote on behalf of shareholders as their proxy, and prepare a proxy form, which shall, insofar as this is possible, be set up so that it is possible to vote on each of the items on the agenda and candidates that are nominated for election.

*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.

A 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 for the Nomination Committee shall ensure that they represent a broad cross-section of the shareholders. 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 shareholder-elected

members of the Board shall be independent of the Management and material business connections of the Group. Further, at least two of the members of the Board shall be independent of B2Holding's major shareholder(s). For the purposes 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 members 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.

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 produces an annual schedule for its work, with particular focus on objectives, strategy and implementation. Instructions for the Board and the CEO, focusing on determining allocation of internal responsibilities and duties, is implemented and disclosed on the Company's webpage. The objectives,

responsibilities and functions of the Board and the CEO shall be in compliance with rules and standards applicable to the Group and are described in “Board of Directors’ rule of procedure” and “Instructions for the CEO”.

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

#### **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 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 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.

#### **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 developed and 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
- 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.

In the Directors’ report the Board 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 liquidity 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 liquidity is 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 to be held by the end of third quarter every year.

*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 19th May 2016.

*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 prepares a policy for the remuneration of the Management. The policy will contribute to align the interests of shareholders and Management. The policy will be presented for the Annual General Meeting for its consideration. Reference is made to a special section «Remuneration of executive personnel» on page 113, note 30 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, quarterly reports, 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. An annual, electronic financial calendar with an overview of dates for important events is published on the website. Information to B2Holding's shareholders will be published on the Company's website simultaneously as being released to the Oslo Stock Exchange (Newsweb).

Unless exceptions apply and are invoked, B2Holding will promptly disclose all inside informa-

tion (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 inside information, see "Instructions for handling inside information" and "Rules for primary insiders" (available on the 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 also 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 or not 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.*

### 15. AUDITOR

The auditor annually presents the main features of the plan for 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 auditor will at least once a year present to the Board or the audit committee a review of the internal control procedures, including identification of weaknesses and proposals for improvement.

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, including a break-down of the fee paid for audit work and fees paid for other specific assignments, if any.

*No deviations from the Code.*

# DIRECTORS' REPORT: THE NATURE OF THE BUSINESS AND ITS OPERATIONS

B2Holding ASA is the parent company of a group of companies within the debt management/service industry. Since the incorporation of the Company in 2011 the B2Holding Group has grown into a multi-jurisdictional platform with focus on partly performing and 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 also provides third party debt collection and offers credit information in some of the companies in the Group. B2Holding is headquartered in Oslo and the Group has operations in the Nordic countries, the Baltics, Poland and the SEE area and is targeting continued growth in existing and new markets. In addition the B2Holding Group have offices in Czech Republic specialising in evaluating secured assets, an Investment office in Luxembourg, and an office in the Netherlands.

An essential component of the Group's strategy is to have market presence, established operations, through ownership of companies that can administer and collect both their own and others' loan portfolios. In 2016, the Group continued to extend its geographical footprint by entering into five new countries, and the Group has at year-end 2016 established operations in 15 countries. The Group continued the rapid growth in purchased loan portfolios on the balance sheet in all market segments in 2016, and the Group has established itself as one of the leading players in all the markets where the Group operates.

Operations in the western part of South East Europe (SEE) showed continued high activity and large portfolio purchases, especially secured portfolio purchases, in the second and fourth quarters. The operations in the area finalized implementing

new collection systems in the fourth quarter, and the focus on operational improvements will continue to be a priority in the year to come. The Group established itself as large player in the eastern part of SEE through the purchase of Debt Collection Agency (DCA) in Bulgaria with its daughter company in Romania. In Romania the Group also went into cooperation with EOS in a joint venture project through purchase of a retail secured portfolio.

Poland is still a competitive market with increased competition and generally higher portfolio prices. In such an environment, the Group has applied a cautious approach through price discipline and continued focus on operational efficiency through streamlining the operations.

The Nordics and the Baltics showed 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.

The Group listed its shares on the Oslo Stock Exchange on 8 June. The Group raised, net of costs, NOK 662 million. In order to support the growth strategy, the Group issued a EUR 175 million (2016/2021) senior unsecured bond loan on 4 October 2016. As of 31 December 2016, the Group had NOK 1,962 million in available investment capacity in addition to the strong operating cash flow from collection of the current portfolio investment.

## 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 515.6 million for the year 2016, an increase of NOK 138.4 million (36.7%) from NOK 377.2 million in 2015. The main reasons for the increase is the continuing growth in the SEE area and strong performance in the Nordic countries. Operating profit in the SEE area increased with NOK 167.5 million (174.7%) mainly through increased activity and the acquisition of the DCA Group. The Nordic countries increased operating profit with NOK 48.1 million (33.7%).

Net operating revenues for the year amounted to NOK 1,396.1 million compared to NOK 1,076.2 million in 2015. Before adjusting for changes in portfolio cash flow estimates, the increase in revenues from purchased loan portfolios amounted to NOK 311.0 million of which the SEE area accounted for NOK 241.1 million.

Operating expenses, excluding depreciation and amortisation, increased with NOK 179.6 million (26.8%) in 2016 compared to 2015 mainly due to increased activity in the Group. The year 2016 includes non-recurring items of NOK 19.9 million of which NOK 12 million is related to IPO costs, NOK 2.3 million in transaction costs related to the DCA acquisition, and NOK 5.1 million is related to non-recurring personnel costs. The B2Holding Group does not conduct any research activities. Expenses related to development of IT-systems and the Group's services are expensed when incurred.

Net financial expenses ended at NOK 288.2 million, of which interest expenses on interest bearing debt amounted to NOK 224.6 million and a net foreign exchange loss of NOK 66.1 million. The latter is mainly related to unrealised exchange losses on internal financing of the Group.

## Cash flows and cash collection

Gross cash collections in 2016 increased with NOK 531.3 million (39.7%) to NOK 1,870.4 million due to significant increase in purchased loan portfolios and activity. The cash collections increased in all the Group's operational segments.

Cash flow from operating activities for the year ended at NOK 802.4 million, NOK 211.3 million (35.7%) higher than the same period in 2015. The difference between operating cash flows and the operating profit of NOK 515.6 million is mainly related to high cash collection from purchased loan portfolios offset by unrealised foreign exchange balances and timing differences. Cash flow from investment activities ended at NOK 2,713.2 million mainly due to purchased loan portfolios of NOK 2,431.7 million, purchase of DCA group of companies and payment of contingent considerations. Net cash flow from financing activities in the period ended at NOK 1,400.1 million after the issue of new shares and a senior unsecured bond loan in October 2016.

## Balance sheet and liquidity

Total assets at 31 December 2016 amounted to NOK 6,148.9 million compared to NOK 4,708.0 million in 2015. The equity amounted to NOK 2,424.9 million and the equity ratio was 39.4% compared to 35.5% at 31 December 2015.

Portfolio purchases in 2016, including the Group's share in the portfolio purchased in the JV with EOS, totalled to NOK 2,583.6 million of which 47.8% were in the SEE area (40.7% in West SEE), 24.2% in Poland and 24.7% in the Nordic countries (Finland & Estonia and 16.7%, Sweden 8.0%). Total book value of purchased loan portfolios ended at NOK 4,751.9 million end of December 2016, an increase of 1,584.3 million (50%) from year-end 2015

After issue of a EUR 175 million senior unsecured bond loan in October 2016 interest bearing loans amounted at the end of 2016 to NOK 3,217.7 million compared to NOK 2,526.1 million at the end of 2015.

Cash and cash equivalents amounted to NOK 217.6 million at the balance sheet date compared to NOK 764.7 million at the end of 2015. Of this amount NOK 3.4 million were restricted balances. The Group's liquidity situation is satisfactory and the ability to finance future investments is solid.

#### Parent company

B2Holding ASA, the parent company, recorded a full year loss after tax of NOK 78.9 million compared to a full year profit of NOK 327.5 million in 2015. The difference from 2015 is mainly due to a restructuring of the Group in November 2015 where B2Holding ASA transferred the shares in all of its subsidiaries (except Sileo Finans AB), to its 100% owned subsidiary, Ultimo Netherlands B.V. generating a profit of NOK 301.6 million.

After the EUR 175 million bond issue, issue of new shares, increase in long term loans to group companies, net cash flow for the year ended at NOK -184.1 million compared to NOK 69.5 million for 2015.

Total assets at 31 December 2016 amounted to

NOK 5,416.9 million compared to NOK 3,361.2 million in 2015. The equity amounted to NOK 2,382.4 million and the equity ratio was 44.0%.

Cash and cash equivalents amounted to NOK 2.6 million at the balance sheet date compared to NOK 186.8 million at the end of 2015. Of this amount, NOK 2.1 million were restricted balances. The Company's liquidity situation is satisfactory and the ability to finance future investments is good.

#### Financial risk

The Group's activities are exposed to a number of 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. Reference is made to page 39 and the chapter Risk Management describing the risk management structure more in detail and this chapter constitutes an integrated part of the Directors' Report.

#### Credit Risk

Change in interest rates will also affect the investment opportunities going forward. In general, changes in macroeconomic factors such as interest rates may also impact the debtors' ability to repay their debt and thereby influence the future cash flow received from the Group's loan portfolios.

The Group is exposed to acquisition risk in buying companies and loan portfolios. This risk is managed through continuous monitoring of performance measured against plan. All investments in the Group are within a small variance of the plan, with most investments performing better than the plan.

As long as there is uncertainty about the

ability of debtors to fulfil their obligations, there will also be considerable credit risk linked to cash collected from the Group's loans and receivables. The Management's view is that the real credit risk exposure is reduced through the price discount paid on the 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.

#### Market Risk

The Group is exposed to changes in foreign exchange rates, especially changes in the Polish Zloty, Euro, Croatian Kuna, Rumanian Leu, Bulgarian Lev and Swedish Krona, as a substantial share of the Group's revenues and costs are in these local currencies. The net borrowing, adjusted with derivative financial instruments, are made in relevant currencies reflecting the underlying expected future cash flow from the portfolios, contributing to a natural hedge of the currency risk.

The Group's interest-bearing debt attracts interest rate exposure as all borrowing is made on a floating basis. The interest rate risk related to net borrowing in different currencies is reduced through the use of interest rate hedging instruments.

#### Operational Risk

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. Any legislative changes concerning consumer credit

could affect the Group's earnings, market position and range of products and services.

Risks associated with changes in economic conditions are managed through ongoing dialogue with each country management team and through regular checks on developments in each country.

#### Liquidity Risk

The Group's multi-currency revolving credit facility and bond loan ensures necessary funding to meet future payment obligations. The total committed loans have a remaining maturity of 3.7 years and no loans have a remaining maturity of less than 12 months. At 31 December 2016, the Group had an unused part of the revolving credit facility (including a EUR 20 million overdraft) totalling EUR 216 million or NOK 1,962 million, in addition to cash and short-term deposits of NOK 218 million.

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 was no sick leave in the parent company B2Holding ASA in 2016. Throughout 2016, 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 is located in Oslo and had 11 employees at the end of the year, of which four were women and seven were men. At 31 December 2016,

the Board of Directors consisted of five members of which two were women and three were men. The deputy board member is a man.

#### Equality and discrimination

In the B2Holding Group the total number of employees at year end was 1,700, comprised of 1,088 women and 612 men. The total number of full time employee equivalents was 1,489 of which 921 women and 568 men. The Group aims to be a workplace where there is gender equality. The Group employs a policy where no discrimination is allowed in issues relating to wages, promotion, or recruitment. Reference is made to page 37 and the report on Corporate social responsibility which constitutes an integrated part of the Directors' Report.

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 due to mental disability or physical limitations. The Group works to design and facilitate the physical environment in a way so that it can be utilised by as many as possible. As a matter of policy, individual adoptions are made to ensure optimal working conditions for employees and applicants with physical disabilities.

#### Environment and corporate social responsibility (CSR)

During 2017 B2Holding will prioritize areas related to sustainability and corporate social responsibility and clarify goals, policies and action plans for prioritized subjects.

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 social responsibility on page 37 constitutes an integrated part of the Directors' Report.

As part of the work to strengthen the Group, emphasis is placed on setting group standards within the areas of human rights, employee rights and social conditions, the environment, anti-corruption and ethics. The Group is not regulated by licenses or restrictions associated with activities that pollute the environment and does not pollute the external environment to any material extent.

The Group works actively in its day-to-day operation to minimise the negative impact on the external environment. The areas which will affect the external environment, is business travel and the need for paper when communicating with debtors. Due to B2Holding's geographically widespread activities, emissions from business travel represent the Company's largest impact on the external environment. B2Holding has installed Skype for Business in all countries for video conferencing and will use e-conferencing as a tool for improving the efficiency, which will also reduce the Group's environmental footprint.

B2Holding is working towards replacing paper with electronic solutions in all countries when

communicating with debtors. Awareness of setting environmental goals, have resulted in local programs for printing control, use of environmental friendly and recycled paper which will affect the environmental footprint. Legal regulatory requirements in some countries imply to communicate with debtors by sending physical paper letters which will delay the digitalization of the industry and be a challenge for the environmental footprint.

The Board of Directors wishes to thank all employees for all support and efforts made for the achieved results and progress in 2016.

#### Corporate Governance

##### Risk Management and internal control

The Risk Management section on page 39 and the Corporate governance section on page 47 constitute an integrated part of the Directors' Report.

At B2Holding ASA's Extraordinary General Meeting on 19 May 2016, Jon Harald Nordbrekken, Trygve Lauvdal, Kari Skeidvoll Moe, Tove Raanes and Per Kristian Spone were elected as members of the Board of Directors and Niklas Wiberg was elected as a deputy board member entitled to participate in the board meetings. Each member was elected for the period until the annual general meeting in 2018, save for Kari Skeidvoll Moe and Tove Raanes who were elected for the period until the annual general meeting in 2017. Hence, B2Holding ASA complies with the requirements in section 6-11a of the Public Limited Liability Companies Act regarding representation of both genders on the Board of Directors. 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 establishes the processes and policies for managing and controlling the risks faced by the Company. On the same date the Board of Directors also established an Audit Committee, which was re-established after the Extraordinary General Meeting on 19 May 2016 with Per Kristian Spone as leader and Tove Raanes 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 as previously resolved in Board meeting on 15 February 2016, with Kari Skeidvoll Moe as leader and Trygve Lauvdal as Committee member.

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 acquisition and management of non-performing loans and hence manage or cover unacceptable risks involved with performing its business. B2Holding is for internal reporting purposes organised in distinct markets as defined by geographical segments. Each segment and company is fully accountable for its own profitability. The structure facilitates closeness between management and the operation, which in turn provides good oversight and adequate internal

business control. For investment in and evaluation of loan portfolios, the Group has established a separate internal control framework including an Investment Committee rooted in the Board of Directors 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.

The Group has established 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 unit's responsibility to make sure that it has the capacity and expertise required to carry out efficient internal control.

#### 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 taken into account, as well as 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.

The Nomination Committee members are: Ole Grøterud, Head of committee; Albert Collett and Egil Dahl.

#### Equity

The parent company's share capital at 31 December 2016 amounted to NOK 36.9 million. Total equity for the Group at 31 December 2016 was NOK 2,424.9 million corresponding to an equity ratio of 39.4 per cent. 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 the accounts provide a fair presentation of the Company's business and financial results. The Board confirms that the going concern assumption has been satisfied.

#### Outlook

Due to seasonality, the second half of the year is typically very strong in the debt purchasing industry. During the last quarter of 2016 B2Holding started activities to expand further into new markets. More specifically, the Group started the process of establishing the B2Holding Group in Italy through an SPV designated for portfolio purchases and an operating entity with HQ located in Rome. Italy is a large and important European NPL market and we expect increasing activity in Italy throughout 2017.

During the fourth quarter, B2Kapital in Greece was established. The fully owned entity has offices in

Athens, and a core team is in place. The local team started the process of preparing the license applications as required under the new licensing regime regulated by The Bank of Greece. The license was submitted in March 2017. With NPL volumes well above EUR 100 billion, B2Holding views Greece as a highly interesting market to be present in going forward. As communicated in fourth quarter, we will continue to focus on developing and streamlining our operations, in order to improve output and operating margin.

The Board emphasizes that every assessment of future conditions necessarily involves an element of uncertainty.

#### Annual profits and distributions

The Board has proposed to allocate the 2016 loss of NOK 78.9 million of the parent company B2Holding ASA as follows;

Proposed dividend of NOK 0.15 per share for 2016

Share dividend	NOK	55,368,000
Transfer from retained earnings:	NOK	-134,298,000
<b>Total distributions:</b>	<b>NOK</b>	<b>-78,930,000</b>

Oslo, 27 April 2017

/sign/

Jon Harald Nordbrekken  
Chairman of the Board

/sign/

Trygve Lauvdal  
Board Member

/sign/

Kari Skeidsvoll Moe  
Board Member

/sign/

Tove Raanes  
Board Member

/sign/

Per Kristian Spone  
Board Member

/sign/

Olav Dalen Zahl  
Chief Executive Officer

# THE 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 1998 and as Chairman from 1998 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 2016:* 33 out of 34  
*Number of shares:* 26,088,496  
*Born:* 1952



## TRYGVE LAUVDAL

- Represents second largest shareholder Rasmussengruppen AS
- Member of the Remuneration Committee
- Board member since 2013
- Portfolio Manager at Rasmussengruppen AS, an investment company owned by the Rasmussen family with substantial interests in real estate, shipping and financial holdings and equity of app. USD 1.5bn.
- PhD civil engineering.

*Number of board meetings in 2016:* 30 out of 34  
*Number of shares:* 0  
*Born:* 1969



## KARI SKEIDSVOLL MOE

- Independent
- Leader of the Remuneration Committee
- Board member since 19 May 2016
- Head of legal at TrønderEnergi AS. Previous positions include Vice President Corporate Legal Department at Norsk Hydro ASA and Legal Manager at Hydro Brazil Ltda.
- Chairman of TrønderEnergi Nett AS, board member in Norsk Tipping AS and alternate to the the corporate assembly of Statoil ASA.
- Cand. jur degree from University of Oslo, LL.M from Humboldt Universität in Berlin and a post graduate diploma from King's College in London.

*Number of board meetings in 2016:* 12 out of 15  
*Number of shares:* 0  
*Born:* 1975



## TOVE RAANES

- Independent
- Member of the Auditing Committee
- Board member since 19 May 2016
- Mrs. Raanes currently works as part-time investment adviser at Varner Kapital AS, Dyvi Invest and AS Vidsjå. She is also investment adviser for Nore-Invest AS and Trane AS, and associate partner of Lean Consulting AS.
- Extensive board experience, currently serves on the board of Bouvet ASA and Medistim ASA, both listed on the Oslo Stock Exchange.
- MSc in Economics and Business Administration.

*Number of board meetings in 2016:* 14 out of 15  
*Number of shares:* 7,500  
*Born:* 1977



## PER KRISTIAN SPONE

- Represents fifth largest shareholder Indigo Invest AS
- Leader of the Auditing Committee
- Board member since start-up
- CFO 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 2016:* 33 out of 34  
*Number of shares:* 6,000  
*Born:* 1973



## NIKLAS WIBERG

- Represents largest shareholder Prioritet Group AB
- Deputy board member since 2016, board member 2013-2016
- Sales Manager at Prioritet Finans AB, Sweden's largest buyer of invoices. Prioritet Finans is owned by the Wiberg family, and has app USD 250m equity.
- Magister level degree in Business with Specialisation in accounting, finance and entrepreneurship.

*Number of Board meetings in 2016:* 33 out of 34  
*Number of shares:* 0  
*Born:* 1978

## FINANCIAL STATEMENTS

Seeing the whole  
as the sum of  
the details.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2016	2015
<b>Operating revenue</b>			
Interest income on purchased loan portfolios	5	1,220,562	909,544
Revenue from external collection		104,401	104,101
Other operating revenues		85,799	57,296
		<b>1,410,761</b>	<b>1,070,941</b>
Changes in portfolio cashflow estimates	5	-14,621	5,298
<b>Net operating revenues</b>	7	<b>1,396,141</b>	<b>1,076,239</b>
External cost of services provided	8	-243,665	-189,304
Personnel costs	9	-358,824	-294,184
Depreciation of tangible fixed assets	14	-9,693	-8,529
Amortisation of intangible assets and impairment of goodwill	15	-20,182	-19,424
Other operating expenses	10	-248,198	-187,594
<b>Total operating expenses</b>		<b>-880,562</b>	<b>-699,035</b>
<b>Operating profit</b>		<b>515,579</b>	<b>377,204</b>
Profit from shares and participation in associated companies and joint ventures	16	152	230
Net realised and unrealised exchange gains/(losses)	11	-66,138	25,237
Other interest income	11	1,604	2,200
Other interest expenses	11	-224,577	-112,533
Other financial expenses	11	743	-49,128
<b>Net financial items</b>		<b>-288,214</b>	<b>-133,904</b>
<b>Profit for the year before tax</b>		<b>227,364</b>	<b>243,300</b>
Income tax expense	12	-46,288	-45,125
<b>Profit for the year after tax</b>		<b>181,077</b>	<b>198,175</b>
<b>Other comprehensive income, net of tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		-96,755	78,586
<b>Total comprehensive income for the year, net of tax</b>		<b>84,322</b>	<b>276,761</b>
Profit for the year after tax attributable to:			
Parent company shareholders		181,575	197,211
Non-controlling interests		-498	964
		<b>181,077</b>	<b>198,175</b>
Total comprehensive income for the year, net of tax attributable to:			
Parent company shareholders		84,741	275,852
Non-controlling interests		-419	909
		<b>84,322</b>	<b>276,761</b>
<b>Earnings per share attributable to parent company shareholders (in NOK):</b>			
Basic	13	0.53	0.63
Diluted	13	0.52	0.63

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures in NOK'000s unless otherwise stated

At 31 December	Notes	2016	2015
<b>Non-current assets</b>			
Tangible fixed assets	14	27,368	28,821
Intangible assets	15	63,161	71,461
Goodwill	15	394,800	317,675
Shares in associated companies and joint ventures	16	3,935	1,598
Purchased loan portfolios	5	4,751,878	3,167,628
Loan receivables	5	311,296	259,819
Other long term financial assets	17	192,030	
Deferred tax asset	12	64,004	26,349
<b>Total non-current assets</b>		<b>5,808,473</b>	<b>3,873,351</b>
<b>Current assets</b>			
Accounts receivable	18	50,734	20,432
Other short term assets	18	72,071	49,524
Cash and short term deposits	19	217,608	764,678
<b>Total current assets</b>		<b>340,413</b>	<b>834,634</b>
<b>Total assets</b>		<b>6,148,886</b>	<b>4,707,985</b>
<b>Equity</b>			
Share capital	20	36,912	31,187
Other paid in capital	20	2,083,216	1,426,790
Other capital reserves	21	13,867	7,162
Foreign currency translation reserve		29,533	126,368
Other equity		262,890	81,313
<b>Total equity attributable to parent company shareholders</b>		<b>2,426,417</b>	<b>1,672,820</b>
Equity attributable to non-controlling interests		-1,528	-909
<b>Total equity</b>		<b>2,424,889</b>	<b>1,671,911</b>
<b>Non-current liabilities</b>			
Long term interest bearing loans and borrowings	22	3,217,715	2,526,121
Deferred tax liabilities	12	51,027	59,307
Post-employment liabilities	23	474	380
Other long term liabilities	24	64,054	31,047
<b>Total non-current liabilities</b>		<b>3,333,270</b>	<b>2,616,855</b>
<b>Current liabilities</b>			
Accounts and other payables	25	156,486	107,703
Income taxes payable	12	62,097	25,825
VAT, payroll and other indirect taxes	26	29,483	33,460
Other current liabilities	27	142,660	252,231
<b>Total current liabilities</b>		<b>390,726</b>	<b>419,219</b>
<b>Total liabilities</b>		<b>3,723,996</b>	<b>3,036,074</b>
<b>Total equity &amp; liabilities</b>		<b>6,148,886</b>	<b>4,707,985</b>

Oslo, 27 April 2017

/sign/  
Jon Harald Nordbrekken, Chairman of the Board  
/sign/  
Per Kristian Spone, Board Member

/sign/  
Tove Raanes, Board Member  
/sign/  
Kari Skeidsvoll Moe, Board Member

/sign/  
Trygve Lauvdal, Board Member  
/sign/  
Olav Dalen Zahl, Chief Executive Officer

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All figures in NOK'000s unless otherwise stated

	Attributable to parent company shareholders						Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Other capital reserves	Foreign currency translation reserve	Other equity	Total		
<b>At 1 January 2015</b>	30,904	1,403,198	1,415	47,847	-109,540	1,373,824	-1,672	1,372,152
Profit for the year after tax					197,211	197,211	964	198,175
Other comprehensive income, net of tax				78,641		78,641	-55	78,586
<b>Total comprehensive income</b>				78,641	197,211	275,852	909	276,761
Issue of share capital (note 20)	283	23,592				23,875		23,875
Share based payments (note 21)			5,747			5,747		5,747
Acquisition of non-controlling interests (note 6)				-120	-6,358	-6,478	-86	-6,564
Dividends to non-controlling interests							-60	-60
<b>At 31 December 2015</b>	<b>31,187</b>	<b>1,426,790</b>	<b>7,162</b>	<b>126,368</b>	<b>81,313</b>	<b>1,672,820</b>	<b>-909</b>	<b>1,671,911</b>
Profit for the year after tax					181,575	181,575	-498	181,077
Other comprehensive income, net of tax				-96,834		-96,834	79	-96,755
<b>Total comprehensive income</b>				-96,834	181,575	84,741	-419	84,322
Issue of share capital (note 20)	5,725	682,082				687,807		687,807
Transaction costs (note 20)		-25,656				-25,656		-25,656
Share based payments (note 21)			6,705			6,705		6,705
Dividends to non-controlling interests							-199	-199
<b>At 31 December 2016</b>	<b>36,912</b>	<b>2,083,216</b>	<b>13,867</b>	<b>29,533</b>	<b>262,890</b>	<b>2,426,417</b>	<b>-1,528</b>	<b>2,424,889</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2016	2015
<b>Cash flow from operating activities</b>			
Profit for the year before tax		227,364	243,300
<i>Adjustment for non-cash items:</i>			
Interest income on purchased loan portfolios and change in portfolio cashflow estimates	5	-1,205,942	-914,842
Depreciation and amortisation of assets	14,15	29,875	27,953
Interest expense on interest bearing loans	11	227,315	104,582
Unrealised foreign exchange differences		180,046	-111,239
Fair value adjustment of contingent consideration	11	692	45,350
Share based payment expense	21	6,705	5,747
(Profit)/loss on sale of tangible and intangible fixed assets		41	502
<i>Operating cashflows:</i>			
Cash collection from purchased loan portfolios	5	1,870,388	1,339,083
Interest paid on interest bearing loans and borrowings		-183,761	-91,269
Income tax paid during the year		-60,393	-26,583
<i>Operating capital adjustments:</i>			
Decrease/(increase) in current assets		-48,281	-9,625
Decrease/(increase) in other non-current financial assets		-266,608	-74,593
Increase/(decrease) in current liabilities		33,120	33,109
Increase/(decrease) in non-current liabilities		-8,258	19,260
Other items		101	388
<b>Net cash flow from operating activities</b>		<b>802,406</b>	<b>591,123</b>
<b>Cash flow from investing activities</b>			
Purchase of loan portfolios	5	-2,431,717	-1,358,266
Investment in subsidiary companies and joint ventures	6	-91,964	
Payment of contingent consideration	6	-162,678	-13,164
Purchase of tangible and intangible fixed assets	14,15	-29,232	-17,501
Proceeds from the sale of tangible and intangible fixed assets		2,383	1,198
<b>Net cash flow from investing activities</b>		<b>-2,713,208</b>	<b>-1,387,733</b>
<b>Cash flow from financing activities</b>			
Proceeds from the issue of new shares, net of transaction costs		662,151	17,311
Proceeds from new external loans during the year		2,492,574	4,424,756
Repayment of external loans during the year		-1,754,439	-3,209,171
Dividends paid to non-controlling interest		-199	-60
<b>Net cash flow from financing activities</b>		<b>1,400,087</b>	<b>1,232,836</b>
<b>Net cash flow during the year</b>		<b>-510,715</b>	<b>436,226</b>
Cash and cash equivalents at 1 January		764,678	294,148
Exchange rate difference on cash and cash equivalents		-36,355	34,304
<b>Cash and cash equivalents at 31 December</b>	19	<b>217,608</b>	<b>764,678</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 1 General information, basis of preparing the consolidated financial statements and consolidation principles

#### 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, management and collection of 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 ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 27 April 2017.

#### 1.2 Basis of preparing the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and interpretations set by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, contingent considerations and investment properties which are recorded at fair value. The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK'000) except when otherwise indicated. B2Holding ASA has from the year end 31 December 2014 been permitted by the Norwegian authorities to publish its financial statements in English only.

The consolidated financial statements of the Group have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

The policies set out below have been consistently applied to all the years presented unless otherwise stated.

#### 1.3 Consolidation principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2016. 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 (ie. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- 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
- the Group's voting rights and potential voting rights

The Group re-assesses 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 of 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 into 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 on 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.

### NOTE 2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in 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 IAS 39, Financial Instruments: recognition and measurement. Any changes in the fair value of contingent consideration is recognised in the 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 acquisition does not relate to the entire 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 an asset, called goodwill. If the difference is negative, it is recognised directly in the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

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 reviewed 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 that regarding the forecast 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 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 profit 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.

Joint arrangements are classified as either joint ventures or joint operations. When accounting for joint ventures, the equity method is applied. 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 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 investments 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.

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 investment, 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 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 income statement.

On consolidation, the income statements and balance sheets of 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 years 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 effective interest method in accordance with the rules for loans and receivables set out in IAS 39. All portfolios are classified as non-current assets in the statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the income statement over the relevant period. The 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 effective interest rate. Monthly cash flows greater than the cash flow forecast for the same period are recorded as income in the period. Likewise, monthly cash flows that are less than the monthly cash flow forecast for the same period are recorded as a reduction of income 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 effective interest rate. A reduction in the carrying amount is recorded as a reduction in income while an increase in the carrying amount is recognised as an increase in income. Both are recorded as an adjustment to "Changes in portfolio cashflow estimates" in the income statement.

Management's interpretations of historical cash flows, type of receivable, age, face value of the individual account 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 loans and receivables. On a quarterly basis, 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 portfolio that may affect the reliability of previous assumptions, they will review and, if necessary, change the future cash flow estimates on a monthly basis.

From time to time, the Group acquires portfolios on a forward flow basis. This means that a contract is established for purchases of debts at an agreed price as a percentage of 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.

### Repossession of assets

Secured loan portfolios are loans with collateral in property or other assets. Assets which are repossessed as part of the management of secured non-performing loan portfolios are recognised as collection from the secured portfolio at the fair value of the asset at the time of acquisition. In the balance sheet 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 included 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 gains/(loss) from sale or disposals are recognised in the line item "Other operating revenue".

### 2.5 Segments

An operating segment is a part of the Group from which it can generate income and incur 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.

The Group's operating segments are the geographical regions, Norway, Sweden, Finland & Estonia, Poland & Luxembourg (geographical regions of the Ultimo group of companies acquired in 2014), Latvia, West SEE (Croatia, Slovenia, Serbia, Montenegro, Austria, Czech Republic, Bosnia-Herzegovina and Hungary), East SEE (Bulgaria, Romania and Greece) and Other (including the parent company and the Netherlands). The breakdown by geographical region is also used for internal monitoring in the Group.

Net revenue and operating profits are reported by geographical region but 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 recognition

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. The following specific recognition criteria must also be met before revenue is recognised

#### Income on purchased loan portfolios:

The method of accounting for interest income is explained in more detail in section 2.4 above.

#### Revenue from external collection:

Revenue, consisting of commissions and collection fees, is recognised on collection of the debt.

#### 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 finan-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

cial 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.

### Other revenue:

This includes interest on loan receivables as well as subscription income for credit information and other services which is recognised proportionately over the term of the underlying service contract which is usually one year.

### Dividends:

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

## 2.7 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 fixed assets

Tangible fixed assets, such as improvements to rented offices, equipment, fixtures and fittings are stated at cost, less accumulated depreciation and accumulated impairment in value. 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 fixed assets mentioned above are from three to ten years. For practical reasons, the residual value of the asset is set to zero.

The carrying values of tangible fixed 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 fixed 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

A lease 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 long term 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.

Expenditures for IT development and maintenance 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 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.

## 2.11 Impairment of fixed 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 indi-

cation 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: 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

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, accounts and other receivables, purchased loan portfolios, other long term assets and cash and short term deposits, and as liabilities, accounts and other payables, and loan and other long term liabilities. The Group also uses derivative financial instruments which are described in section 2.13.

Within the scope of IAS 39, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial assets and financial liabilities after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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. Subsequent measurement of the Group's financial assets and liabilities depends on their classification, as described below.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets are impaired as a result of one or more events that has occurred after the initial recognition of the asset that has an impact on the estimated future cash flows.

### Accounts and other receivables:

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 the amount expected to be received after deducting impaired receivables. The anticipated maturity of these receivables is short, so their carrying values are not discounted.

### Purchased loan portfolios:

Purchased loan portfolios are designated as loans and receivables. Their accounting treatment is described in more detail in section 2.4.

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### Long term receivables/Other long term financial assets:

Long term receivables have an anticipated maturity of more than one year. After initial measurement, they are subsequently measured at amortised cost using the effective interest rate method, less impairment which is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The Group acquired in 2016 a portfolio in Romania through a SPV in a joint venture with EOS. The financing of the purchase was through participation loans from the investors. This loan is valued at fair value, see note 17 for further information.

### Cash and short term deposits:

Cash and short term deposits consist of cash and cash equivalents 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.

### Client funds:

Client funds 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. Client funds are liquid funds with a restricted disposition right. The same amount is reported within other payables.

### Accounts and other payable:

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 the amount expected to be paid. The anticipated maturity of these payables is short, so their carrying values are not discounted.

### Interest-bearing debt:

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.

### 2.13 Derivative financial instruments

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), foreign exchange swap and cross currency rate swap with cap. Such derivative financial instruments 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to other financial income or other financial expenses in the income statement.

The Group does not have any derivative financial instruments that are hedge accounted.

### 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 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 5.

### 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 reim-

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bursed, 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. 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 likeli-

hood 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.

### 2.20 Equity

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 represents the cumulative cost of share-based payments, as described further in note 2.19 above.

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

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 Shareholder's General Meeting. A corresponding amount is recognised directly in equity.

### 2.22 Balance sheet 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.

### 2.23 Related parties

Parties are related 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 short term deposits to the profit

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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.

Cash flows are divided into cash flows from operating activities, investing activities and financing activities.

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 short term deposits 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, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. As regards estimates and assumptions concerning the future, the resulting accounting estimates will, by definition, seldom equal the related actual results.

In the process of 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:

#### Revenue recognition:

The Group uses the effective interest rate method to account for loans and receivables. The initial book value of purchased loan portfolios are recognised at cost plus transaction expenses at the time of purchase. The use of the effective interest rate method requires the Group to estimate future cash flows from loans and receivables at each balance sheet date. The underlying estimates that form the basis for revenue recognition depends on variables such as the ability to contact the customer and reach an agreement, timing of cash flows, 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 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 IAS 39 paragraph AG8. The book value of purchased loan portfolios at any given balance sheet day will be equal to the discounted value of each portfolio discounted at the initial internal rate of return calculated from the initial cash flow forecast. Events or changes in assumptions and Management's judgement will affect the recognition of revenue in the period. Further details are included in note 2.4.

#### Book value of purchased loan portfolios:

Purchased loan portfolios consist mainly of acquired non-performing loans and non-derivative financial assets without fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Events or changes

in assumptions and Management's judgement will affect the estimated cash flow for the portfolios and therefore also the net present value of future cash flows and the book value of the portfolios. Further details are included in note 2.4.

#### Impairment of goodwill:

The Group determines whether goodwill is impaired when circumstances indicate that there may be a potential impairment. Estimating recoverable amounts of assets are partly based on Management's evaluation, including estimates of future performance, revenue generating capacity of the assets, and assumptions of the future market conditions. Changes in circumstances and in Management's estimation of future events may give rise to impairment losses. Impairment of goodwill is evaluated on an annual basis and determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Estimating the recoverable amount requires the Group to make assumptions regarding the expected future cash flow and the discount rate used to calculate the net present value of those cash flows. Further details are included in note 2.1.

#### Contingent consideration:

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination and is classified as either long term liability or other current liabilities depending on the contractually agreed payment dates. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows as well as the probability of meeting the contractually agreed performance targets. Post-acquisition performance or other events can change the assumptions used by Management to assess the fair value of the contingent consideration liability. Further details are included in note 2.1.

#### Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model and includes Management assumptions regarding the expected life of the share option or instrument, as well as its volatility and the risk free rate of return. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 21.

#### 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 can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 2.7

### NOTE 4 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 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instru-

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ments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9 on the Groups loan receivables. The Group expects a higher loss allowance on its loan receivables resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

#### (a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Non-performing loans, loans receivables as well as account receivables are expected to continue to be measured at amortised cost under IFRS 9. However, the Group will analyse those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

#### (b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Groups non-performing loan portfolios are considered to be credit-impaired on acquisition, the lifetime expected losses is already taking into account, and IFRS 9 are assessed to have no material impact on the balance sheet or in equity. The Group expects an impact on its balance sheet and equity due to the unsecured nature of its loan receivable and account receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

#### (c) Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting in more detail in the future.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date. During 2016, the Group performed a preliminary assessment

of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group is in the Portfolio business. The Portfolio business consists of the acquisition, management and collection of non-performing loans and, as financial instruments and contractual rights or obligations within the scope of IFRS 9 or IAS 39 are specifically excluded from the scope of IFRS 15, it is expected that the standard will not have significant impact on the financial statements.

#### IFRS 16 Leases

IFRS 16 was issued in January 2016 and it 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. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). 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.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

### NOTE 5 Financial risk management

#### 5.1 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.

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### 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 borrowings (nominal value of interest bearing loans less cash) adjusted for derivative financial instruments 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), Bosnian Convertible Mark (BAM) and Serbian Dinar (RSD) where all borrowing are done in EUR.

The Group's bond loan is denominated in EUR and borrowings under the multi-currency revolving credit facility are drawn in SEK and PLN. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2016: a cross currency swap of SEK 225 million against EUR and a foreign exchange forward of PLN 400 million against EUR. At 31 December 2016, net borrowings amounted

to NOK 3,094 million. Adjusted for the currency derivatives mentioned above, the net borrowings represented a currency basket comprising EUR: 53%, PLN: 38% and SEK:8%.

### 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 2016 was 64% with a duration of 2.7 years.

Under the arrangements in effect at 31 December 2016, a 1%-point decrease in market interest rates is estimated to have a negative effect on net financial items of NOK 14 million, including a decrease in the fair value of the derivatives of NOK 9 million. A 1%-point increase in market interest rates is estimated to have a positive effect on net financial items of NOK 10 million, however this including an increase in the fair value of the derivatives of NOK 25 million since the cap derivatives is about to start being effective. 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 2016, net of net borrowings and the effect of currency derivatives.

Currency	Closing rate at 31 December 2016 against NOK	NOK strengthens by 20%	NOK strengthens by 10%	NOK weakens by 10%	NOK weakens by 20%
DKK	1.2222	-1,519	-759	759	1,519
EUR	9.0863	101,742	50,871	-50,871	-101,742
HRK	1.2019	-288,895	-144,448	144,448	288,895
SEK	0.9512	-59,454	-29,727	29,727	59,454
HUF	2.9300	-115	-57	57	115
BAM	4.6490	-1			1
RSD	0.07365	-8,578	-4,289	4,289	8,578
PLN	2.0602	-131,926	-65,963	65,963	131,926
RON	2.0018	-15,019	-7,510	7,510	15,019
BGN	4.6458	-18,968	-9,484	9,484	18,968
CZK	0.3363	-222	-111	111	222
<b>Total impact on book values</b>		<b>-422,954</b>	<b>-211,477</b>	<b>211,477</b>	<b>422,954</b>

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 Croatia, Romania, Bulgaria, Bosnia and Serbia are done in EUR and not in their local currency, as mentioned in the currency risk paragraph above.

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### 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

	2016	2015
Purchased loan portfolios	4,751,878	3,167,628
Other long term financial assets	176,333	
Loan receivables	305,703	259,819
Investment in associated companies	3,935	1,598
Accounts receivable	50,734	20,432
Other short term assets	72,071	49,524
Cash and short term deposits	217,608	764,678
<b>Total at 31 December</b>	<b>5,578,262</b>	<b>4,263,679</b>

### Liquidity risk:

The Group's multi-currency revolving credit facility of EUR 260 million, the Bond Loan of EUR 150 million, the Bond Loan of EUR 175 million and cash and short term deposits, totalling NOK 5,533 million at 31 December 2016, ensures necessary funding to meet future payment obligations. At 31 December 2016, the Group had an unused part of the revolving credit facility totalling EUR 216 million or NOK 1,962 million, in addition to cash and short-term deposits of NOK 218 million.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

At 31 December 2016	12 months or less	1-2 years	2-5 years	More than 5 years
Interest bearing loans & borrowings (short term and long term)	263,312	263,312	3,895,674	515
Other long term liabilities		42,576	21,478	
Accounts and other payables	156,486			
Income taxes payable	62,097			
Payroll, social and other indirect taxes	29,483			
Other current liabilities	98,686			
<b>Total</b>	<b>610,065</b>	<b>305,888</b>	<b>3,917,152</b>	<b>515</b>

At 31 December 2015	12 months or less	1-2 years	2-5 years	More than 5 years
Interest bearing loans & borrowings (short term and long term)	189,239	186,130	3,083,883	551
Other long term liabilities	4,569	15,797	8,786	
Accounts and other payables	107,703			
Income taxes payable	25,825			
Payroll, social and other indirect taxes	31,203	1,461	796	
Other current liabilities	230,993			
<b>Total</b>	<b>589,532</b>	<b>203,388</b>	<b>3,093,465</b>	<b>551</b>

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### Capital structure:

The Group's interest-bearing debt net of cash and cash equivalents was NOK 3,000 million at 31 December 2016. Total equity, net of intangible assets, was NOK 1,967 million and total assets, net of intangible assets, was NOK 5,691 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 and contingent consideration, 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 2016 was 60% 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%.

### 5.2 Fair value estimation

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. Market values of interest and currency derivatives are calculated using mid-rates (excluding margins) based on available market rates where each cash flow is discounted by the zero-coupon rate for the date of the payment.

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 5,089 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 4,752 million which is based on IAS 39 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 2016.

The fair value estimation is based on estimated annual net cash flows from the purchased loan portfolios. The estimated annual net cash flows from portfolios is the assumed annual future collection per country, less assumed annual collection costs per country before tax. The collection costs as a percentage of the portfolio collection differ from country to country, ranging from 17% to 39% 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 collection cost and tax rate is applied to each country's 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 2017 to 2035 for purchased loan portfolios owned at 31 December 2016**

	2017	2018	----->	2035	Total
Collection (CF1)	2,026,456	2,032,441	5,096,892	1,252	9,157,041
Operating expenses	555,810	543,686	1,330,289	228	2,430,013
Collection less operating expenses (CF2)	1,470,645	1,488,755	3,766,603	1,024	6,727,028
Tax	119,189	84,044	119,137		322,370
<b>Collection less operating expenses and tax (CF3)</b>	<b>1,351,456</b>	<b>1,404,711</b>	<b>3,647,466</b>	<b>1,024</b>	<b>6,404,658</b>

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 5,089 million. The fair value for expected net cash flows for a 10 year forecast period is NOK 5,009 million.

To evaluate this calculation, a sensitivity analysis of the cash flow estimates is presented in the table below in order to see the effect of deviations to the cash flow estimates and variations in the cost of capital.

**Fair value of purchased loan portfolios at 31 December 2016 assuming different % forecast collection levels and discount rates**

		% forecast collection		
		90 %	100 %	110 %
Discount rate	WACC -1.5%	4,687,634	5,359,093	6,019,392
	WACC -1.0%	4,605,402	5,265,720	5,915,149
	WACC -0.5%	4,526,331	5,175,914	5,814,867
	WACC used	4,450,224	5,089,454	5,718,300
	WACC +0,5%	4,376,900	5,006,135	5,625,223
	WACC +1.0%	4,306,192	4,925,770	5,535,427
	WACC +1.5%	4,237,945	4,848,185	5,448,722

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### Cost of Capital:

The cost of equity ( $R_s$ ) 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  $\beta$ -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:

$$R_s = R_f + \text{MRP} * \beta + \text{SSP} + \text{CRP}$$

The weighted average cost of capital is estimated as:

$$\text{WACC} = \frac{\text{Equity}}{\text{Equity} + \text{Debt}} * R_s + \frac{\text{Debt}}{\text{Equity} + \text{Debt}} R_b * (1 - \text{corporate tax rate})$$

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. The largest collections comes from Poland, Finland, Sweden, Croatia, Slovenia and Latvia.

### 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

Most empirical studies conclude that the average market risk premium is in the range of 4 - 9 %. 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  $\beta$  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 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### Weighted average cost of capital calculation

2016

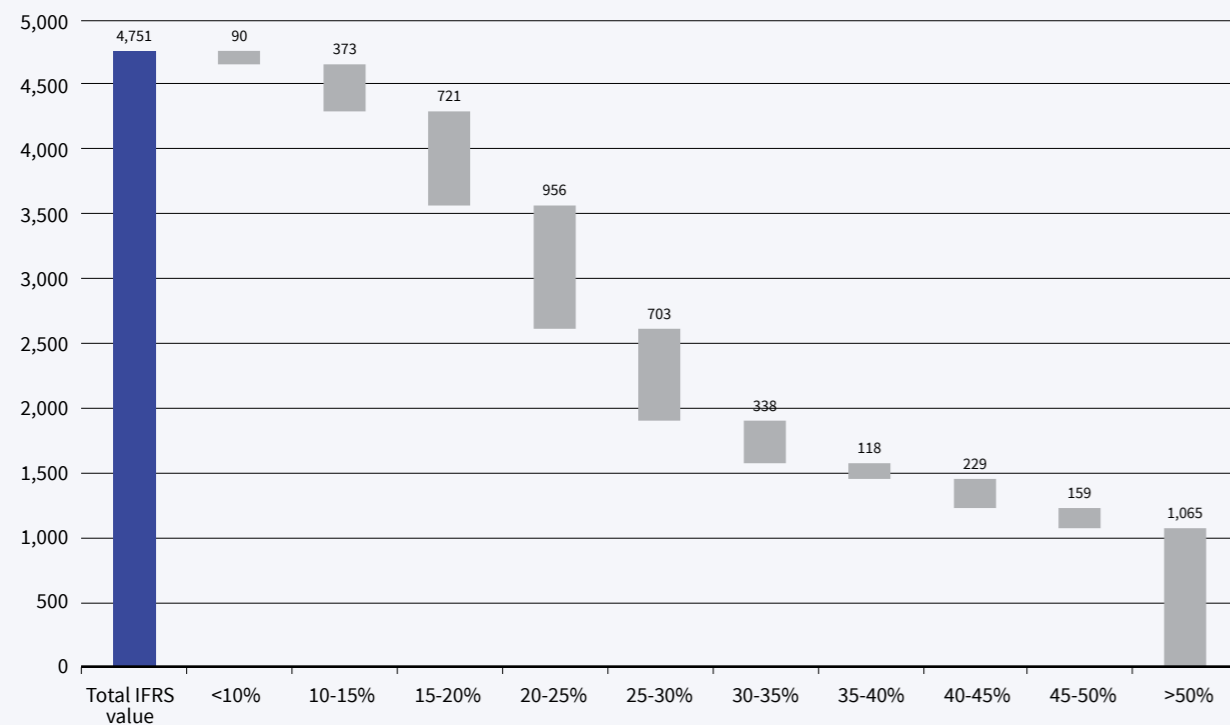
Risk free rate (long term government bond yields)	0.5%-5.3%
Equity Beta	0.84
Country risk premium	0%-7.1%
Market risk premium	5.0%
Additional liquidity risk premium/small cap premium	2.2%
Total risk premium	7.2%
Tax rate Group	10%-25%
<b>Cost of equity</b>	<b>6.9%-17.4%</b>
<b>Cost of debt</b>	<b>2.3%-7.1%</b>
<b>Equity weight</b>	<b>62%</b>
<b>Debt weight</b>	<b>38%</b>
<b>WACC (after tax)</b>	<b>5.1%-13.5%</b>

### Internal rate of return

Due to the fact that 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 portfolios, which is NOK 4,752 million due to higher discount factors. In addition, the fair value of the portfolios is calculated on the basis of net cash flow after tax, whereas the IFRS value is calculated on the basis of gross cash flows.

The distribution of the portfolio values according to the individual rate of return is displayed graphically below.

NOK'Millions



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### 5.3 Purchased loan portfolios and changes in portfolio collection estimates

#### Purchased loan portfolios at 31 December

2016 2015

<b>At 1 January</b>	<b>3,167,628</b>	<b>2,016,705</b>
Acquisitions of a subsidiary (note 6)	96,472	
Purchases of loan portfolios during the year	2,431,717	1,358,266
Cash collections	-1,870,388	-1,339,083
Interest recognised on portfolios	1,220,562	909,544
Change in portfolio collection estimates	-14,621	5,298
Exchange rate differences	-279,492	216,898
<b>At 31 December</b>	<b>4,751,878</b>	<b>3,167,628</b>

The face value of purchased loan portfolios amounts to NOK 59,981 million including accrued interest at 31 December 2016 (2015: NOK 44,221 million). Including the Groups share of purchased loan portfolio in joint venture, face value amounts to NOK 61,217 million, see note 7 and 16 for further information.

#### Changes in portfolio collection estimates:

Management reviews and evaluates the cash flow forecast for all portfolios on a quarterly basis. The effect of the changes of the Group's future cash flow estimates during 2016 resulted in a net decrease of income of NOK 14.6 million. This amount has been calculated as the net present value of the difference in the cash flow estimates.

The net change in portfolio collection estimates in 2016 is specified in the table below.

	Negative revaluations	Positive revaluations	Net change in collection estimates
Norway			
Finland & Estonia	-661		-661
Sweden	-5,724	5,541	-183
Poland & Luxembourg	-107,155	92,236	-14,920
Latvia	-3,183	3,442	260
West SEE	-96,609	99,050	2,441
East SEE	-9,012	7,455	-1,557
<b>Total</b>	<b>-222,344</b>	<b>207,724</b>	<b>-14,621</b>

The negative revaluations are a result of Management's lowered estimates of future cash flows for some portfolios that have not performed as expected or on portfolios that one have received early collection above expectation and future cash flows were needed to be revised downward. The change in collection estimates resulting in positive revaluations in the table above is related to portfolios which have performed significantly over forecast, or portfolios where expected cash flow dues were extended out in time.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

	Fair value recognised on acquisition
<b>Assets</b>	
Tangible fixed assets	882
Intangible assets	150
Deferred tax asset	25
Non performing loan portfolios	96,472
Accounts receivable and other short term assets	1,294
Cash and short term deposits	6,186
	<b>105,009</b>
<b>Liabilities</b>	
Deferred tax liability	3,182
Other long term liabilities	147
Short term interest bearing loans and borrowings	30,066
Accounts and other payables	1,542
Income taxes payable	492
Other current liabilities	18,069
	<b>53,498</b>
<b>Total identifiable net assets at fair value</b>	<b>51,511</b>
Goodwill arising on acquisition (note 15)	102,614
<b>Purchase consideration</b>	<b>154,125</b>
Contingent consideration	-60,925
<b>Purchase consideration paid in cash</b>	<b>93,200</b>
<b>Cash flow on acquisition</b>	
Net cash acquired with the subsidiary	6,186
Cash paid	93,200
<b>Net cash outflow</b>	<b>87,014</b>

Transaction costs attributable to the acquisition amounted to NOK 2.3 million. These have been expensed as due diligence, transaction services and legal services within other operating expenses.

The goodwill of NOK 102.6 million that was created on the acquisition is mainly related to DCA maintaining and expanding its position as one of the leading companies in the Bulgarian non-performing loans market, and its platform for further growth in the Bulgarian and Romanian markets. DCA has an experienced management team with good market knowledge and good knowledge of portfolio purchases. It has an efficient organisation with its own well developed analysis and collection systems. The Group is well positioned for further growth in the East SEE markets. None of the goodwill recognised is deductible for income tax purposes.

The net operating revenue and profit before tax contribution to the consolidated income statement of the Group from the date of acquisition to 31 December 2016 was NOK 53.8 million and NOK 19.8 million. If the combination had taken place at the beginning of the year, the net operating revenue and profit before tax contribution to the consolidated income statement of the Group would have been NOK 88.6 million and NOK 35.9 million, and the Group net operating revenue would increase to NOK 1,430.9 million and operating profit before tax increase to NOK 243.1 million.

Contingent consideration may be paid in accordance with an earn-out agreement with the former shareholders based on gross collections for the portfolio back book and profit before tax, for the years 2016 to 2018. At the time of acquisition, the Company estimated the fair value of the contingent consideration to be NOK 60.9 million. The consideration is due for measurement and payment to the former shareholders in the period January 2017 to June 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### Acquisition of Consequence Europe MKFT

On 26 October 2016, the Group acquired 100% of the shares in Consequence Europe MKFT (Consequence), with operations in Hungary. The Group perceives the acquisition of Consequence as an opportunity to fulfil its strategic plans to expand its business and debt purchase platforms in the West SEE region by strategic acquisitions in these markets. Consequence Europe MKFT is a 3rd party collection company in Hungary. Preliminary purchase considerations in the acquisition is NOK 4.1 million for net assets of NOK 0.7 million and goodwill of NOK 3.4 million.

The goodwill of NOK 3.4 million that was created on the acquisition is mainly related to the position of Consequence in the Hungarian debt collecting business, and its platform for further growth in the Hungarian market. None of the goodwill recognised is deductible for income tax purposes.

Transaction costs attributable to the acquisition amounted to NOK 0.4 million. These have been expensed as due diligence within other operating expenses.

### 6.3 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:

- OK Perintä OY, Finland and its subsidiaries, which was acquired in 2012
- Creditreform Latvija SIA, Latvia and its subsidiaries, which was acquired in January 2014
- Ultimo Holding Sarl, Luxembourg and its subsidiaries, which was acquired in August 2014
- Debt Collection Agency AD (DCA), Bulgaria and its subsidiaries, which was acquired in June 2016; and
- Consequence Europe MKFT, Hungary, which was acquired in October 2016

As at the acquisition date, the fair value of the contingent consideration was estimated and accounted for as a long-term 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:

Instrument	OK Perinta	Credit-reform	Ultimo	DCA	Consequence	Total
<b>At 1 January 2015</b>	<b>41,846</b>	<b>11,584</b>	<b>73,553</b>			<b>126,983</b>
Payments during the year	-11,122	-2,042				-13,164
Fair value adjustments during the year	38,673	-888	7,565			45,350
Exchange differences	4,429	525	5,789			10,743
<b>At 31 December 2015</b>	<b>73,826</b>	<b>9,179</b>	<b>86,907</b>			<b>169,912</b>
Acquisitions of a subsidiary (note 6.1)				60,925	1,132	62,057
Payments during the year	-73,826	-1,945	-86,907			-162,678
Fair value adjustments during the year				692		692
Exchange differences		-440		-1,547	6	-1,981
<b>At 31 December 2016</b>		<b>6,794</b>		<b>60,070</b>	<b>1,138</b>	<b>68,001</b>

The fair value of the contingent consideration liability relating to the acquisition of OK Perintä increased during 2015 due to significantly improved performance compared to the contractually agreed performance targets.

The contingent consideration due to the previous owners of OK Perintä and Ultimo was paid and finalised in 2016. The contingent consideration due to the previous owners of Creditreform is valued at the maximum amount due under the purchase agreement; the amount most likely to be paid based on post-acquisition performance to date.

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 collection from portfolios 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 collected amount is lower than forecast the contingent consideration to be paid is reduced with EUR 50,000 per each percentage point per year. Eg. if 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 collections is adjusted according to the performance for the whole period. At the end of the third year the contingent consideration may increase if collection is above forecast for the period. A 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 of 31 December 2016 its is expected that collection will be according to forecast and EBT will be within the range of target (above 90%) for the period.

The contingent consideration related to Consequence is based on expected performance related to financial results.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 7 Operating segments

For management purposes, the Group is organised into a single business divided into different geographical regions corresponding to the countries where the Group has its operations. The Executive Management monitors the operating results of these geographical regions separately for the purposes of making decisions about resource allocation and performance assessment. Regional performance is evaluated based on the operating results and cash collections from purchased loan portfolios and is consistent with the equivalent figures that are reported in the consolidated financial statements.

Financing and taxes are managed on a Group basis and are disregarded by Executive Management for decision making purposes at the regional level.

Internal transactions between the geographical regions are eliminated on consolidation and are reflected in the "Adjustments" column. They are transacted on an arm's length basis in a manner similar to transactions with third parties.

The results, assets and liabilities of the parent company and the holding company in the Netherlands are reported as 'Other'.

East SEE was included as a segment after purchasing of the DCA group of companies in second quarter 2016. For further information, see note 6.

West SEE has previously been reported as Balkans.

Year ended 31 December 2016	Norway	Finland & Estonia	Sweden	Poland and Luxem- bourg	Latvia	West SEE	East SEE	Other	Adjust- ments	Total
<b>Regional net operating revenue</b>										
Interest income on purchased loan portfolios		198,706	96,769	514,085	18,535	337,880	54,588			1,220,562
Revenue from external collection	7,086	81,357	6,613		8,394	908	43			104,401
Income from services to group companies	523			32	46	1,336	709		-2,646	
Other operating revenues		2,993	1,877	63,673	11,294	5,915	47			85,799
Changes in portfolio cash flow estimates		-661	-183	-14,920	260	2,441	-1,557			-14,621
	<b>7,609</b>	<b>282,394</b>	<b>105,076</b>	<b>562,870</b>	<b>38,528</b>	<b>348,480</b>	<b>53,829</b>		<b>-2,646</b>	<b>1,396,141</b>

### Results

Depreciation & amortisation	14	1,698	121	22,259	3,455	1,731	321	276		29,875
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<b>Regional operating profit before net financial items and taxes</b>	<b>2,088</b>	<b>128,640</b>	<b>62,357</b>	<b>149,324</b>	<b>9,067</b>	<b>244,127</b>	<b>19,278</b>	<b>-99,302</b>		<b>515,579</b>
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### Purchased loan portfolios

Purchased loan portfolios	611,387	552,042	1,605,263	105,860	1,762,814	114,513				4,751,878
Share of purchased loan portfolio in joint venture						154,508				154,508
	<b>611,387</b>	<b>552,042</b>	<b>1,605,263</b>	<b>105,860</b>	<b>1,762,814</b>	<b>269,020</b>				<b>4,906,386</b>

### Other long term assets

Loan receivables	3,747	10,095	291,861			127		5,466		311,296
Other long term financial assets <sup>1)</sup>			9,740				230	182,059		192,030
	<b>3,747</b>	<b>10,095</b>	<b>301,601</b>			<b>127</b>	<b>230</b>	<b>187,525</b>		<b>503,326</b>

### Other disclosures

Cash collections from purchased loan portfolios <sup>2)</sup>	392,847	154,581	796,845	29,951	432,686	63,480				1,870,388
Purchase of loan portfolios <sup>3)</sup>	431,107	207,532	624,766	84,336	1,052,398	183,429				2,583,568

1) The segment 'Other' includes participation loan to joint venture, see note 17 for further description

2) Excluded cash collections in joint venture

3) Included the Group's share of purchased loan portfolio in joint venture

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Year ended 31 December 2015	Norway	Finland & Estonia	Poland and Sweden Luxembourg	Latvia	West SEE	Other	Adjust- ments	Total
<b>Regional net operating revenue</b>								
Interest income on purchased loan portfolios		144,562	73,946	526,274	13,350	151,412		909,544
Revenue from external collection	6,774	85,216	2,984		9,127			104,101
Income from services to group companies	1,175						-1,175	0
Other operating revenues		3,716	1,576	38,712	11,534	1,758		57,296
Changes in portfolio cash flow estimates		4,965	330	70	-67			5,298
	<b>7,949</b>	<b>238,459</b>	<b>78,836</b>	<b>565,056</b>	<b>33,944</b>	<b>153,170</b>	<b>-1,175</b>	<b>1,076,239</b>

### Results

Depreciation & amortisation	12	1,688	1,007	20,457	3,338	1,198	253	27,953
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<b>Regional operating profit before net financial items and taxes</b>	<b>2,551</b>	<b>99,175</b>	<b>43,703</b>	<b>205,618</b>	<b>8,308</b>	<b>95,882</b>	<b>-78,033</b>	<b>377,204</b>
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### Purchased loan portfolios

Purchased loan portfolios	402,630	447,031	1,413,764	36,317	867,886			3,167,628
	<b>402,630</b>	<b>447,031</b>	<b>1,413,764</b>	<b>36,317</b>	<b>867,886</b>			<b>3,167,628</b>

### Other long term assets

Loan receivables	7,717	18,170	227,394		135	6,403		259,819
	<b>7,717</b>	<b>18,170</b>	<b>227,394</b>		<b>135</b>	<b>6,403</b>		<b>259,819</b>

### Other disclosures

Cash collections from purchased loan portfolios	306,591	108,210	742,756	22,622	158,904			1,339,083
Purchase of loan portfolios	334,033	67,156	309,700	13,275	634,102			1,358,266

### NOTE 8 External cost of services provided

	2016	2015	
Fees to courts, bailiffs and lawyers for collection services		198,655	151,685
Fees to external parties for collection and skip tracing services		19,905	18,419
Fees to third parties for credit information		7,007	5,390
Fees to third parties for portfolio acquisitions		15,408	4,713
Other costs		2,690	9,097
	<b>243,665</b>	<b>189,304</b>	

The increase in external cost of services provided from 2015 to 2016 is mainly due to increased activity in the Group. In addition to this, the increase is also explained by increased legal costs in Poland and the costs from the DCA group of companies acquired in June 2016. In Poland, the Group has in fourth quarter 2016 invested in future cash collection by entering a high number of claims into the legal system. This is due to updated collection strategy and as a protection for potential new legislation that might cause certain claims to be time barred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 9 Personnel cost

	2016	2015
Wages, salaries and other benefits paid	279,582	223,809
Social security costs & payroll taxes	58,025	50,837
Defined contribution pension costs	1,533	1,223
Other personnel costs, including external temporary staff, training and recruitment costs	19,685	18,315
	<b>358,824</b>	<b>294,184</b>
Number of full time equivalents (FTE's) at 31 December	1,489	1,178

The increase in personnel costs from 2015 to 2016 is mainly due the increase in FTEs in 2016 and the full year effect of FTEs hired in 2015. In addition to this, the increase in personnel costs is also explained by the costs from the DCA group of companies aquired in June 2016. FTEs at 31 December 2016 included 226 FTEs at the DCA group of companies.

The Group has defined contribution plans in Norway, Sweden and Finland covering 43 FTEs at 31 December 2016 (40 FTEs at 31 December 2015) which are additional to the pension benefits provided under the relevant government-backed pension schemes in each of the countries where the Group operates.

### NOTE 10 Other operating expenses

	2016	2015
Printing, postage	38,642	32,241
IT, telecommunications	35,086	26,712
Marketing, business entertaining	25,936	20,927
Cost of office premises	26,003	19,087
Other professional services	23,072	14,058
Travel, accommodation, meetings, arrangements	16,598	12,529
Legal services	6,942	11,214
Statutory and other corporate costs, including business insurance and trade licences	14,878	8,967
Impairment of receivables	1,979	5,688
External accounting services	6,742	5,671
Audit and tax services	7,907	5,495
Due diligence and transaction services	14,771	4,578
Bank charges	4,001	3,259
Office equipment	3,234	2,402
Office supplies, stationary	2,115	1,811
Other costs	20,291	12,955
	<b>248,198</b>	<b>187,594</b>

The increase in other operating expenses from 2015 to 2016 is due to a combination of the following:

- the general increase in operational activity through the Group from 2015 to 2016;
- the one-off costs related to IPO in 2016;
- the costs from the DCA group of companies aquired in June 2016;
- the one-off due diligence, legal and other costs in 2016 related to the acquisition of the DCA group of companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 11 Net financial items

	2016	2015
<b>Net realised and unrealised exchange gains/(losses)</b>		
Realised exchange gains/(losses)	-13,790	-38,976
Unrealised exchange gains/(losses)	-83,671	73,165
Change in fair value of derivative financial instruments (note 5)	31,323	-8,862
	<b>-66,138</b>	<b>25,327</b>
<b>Other interest income</b>		
Interest income on cash & short term deposits	1,360	2,100
Other interest income	245	100
	<b>1,604</b>	<b>2,200</b>
<b>Other interest expenses</b>		
Interest expenses on interest bearing loans	-197,581	-104,204
Other interest expenses	-29,734	-378
Change in fair value of derivative financial instruments (note 5)	2,738	-7,951
	<b>-224,577</b>	<b>-112,533</b>
<b>Other financial income/(expenses)</b>		
Fair value adjustment of contingent consideration (note 6.3)	-692	-45,350
Losses on financial instruments	-3,458	
Costs of financing		-2,264
Other financial income/(expenses)	4,893	-1,514
	<b>743</b>	<b>-49,128</b>

Unrealised gains/(losses) on derivative financial instruments, interest derivatives and currency derivatives, have previously been presented as "Other financial income/(expenses)". In 2016 they are presented as part of "Net realised and unrealised exchange gains/(losses)" for the currency contracts and "Other interest expenses" for interest contracts. Comparative figures for 2015 have been adjusted.

### NOTE 12 Income tax

The major components of income tax reported in the income statement for the years ended 31 December 2016 and 2015 are set out below.

	2016	2015
<b>Current income tax:</b>		
Current year income tax payable	95,790	41,646
<b>Deferred tax expense/(income):</b>		
Origination and reversal of temporary differences	-49,502	3,479
<b>Total tax expense reported in the income statement</b>	<b>46,288</b>	<b>45,125</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Reconciliation between the expected tax expense and the actual tax expense	2016	2015
Profit before tax	227,364	243,300
<b>Expected tax expense at Norwegian nominal tax rate of 25% (2015: 27%)</b>	<b>56,841</b>	<b>65,691</b>
Difference between local tax rates and the Norwegian nominal tax rate	-52,730	-50,345
Effect of change in Norwegian tax rates from 25% to 24% (2015: 27% to 25%)	27	-1,860
Tax effect of permanent differences	1,977	11,584
Tax effect of the change in unrecognised deferred taxes	43,933	20,946
Other differences	-3,759	-891
<b>Actual tax expense</b>	<b>46,288</b>	<b>45,125</b>
<b>Effective rate of tax</b>	<b>20 %</b>	<b>19 %</b>

The nominal tax rate in Norway was 25 % in 2016. Subsidiaries outside Norway are subject to local tax rates in their country of operation, and nominal tax rates range from 9% to 29%. The effective taxation of operations outside Norway depends on both local tax rules and on whether it is possible to avoid double taxation. 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 25 %.

In October 2016 it was decided that the general tax rate for companies in Norway will be lowered by 1% in 2017, to 24%. It is expected that this will decrease further in the future. In Croatia, one of the Group's most important markets, the tax rate will decrease from 20% in 2016 to 18% in 2017.

### Analysis of deferred tax assets and liabilities

Tax effect of temporary differences:	2016	2015
<b>Taxable temporary differences - non current items</b>		
Tangible and intangible fixed assets	6,156	9,346
Purchased loan portfolios	44,238	10,100
Loans to group companies and other long term assets	3,745	39,861
Long term interest bearing loans and borrowings	25,086	
Other long term liabilities	3,930	
	<b>83,155</b>	<b>59,307</b>
<b>Deductible temporary differences - non current items</b>		
Tangible and intangible fixed assets	-372	-315
Purchased loan portfolios	-27,082	-1,075
Other long term assets	-18,888	-200
Long term interest bearing loans and borrowings	-4,529	-2,887
Other long term liabilities	-3,546	-6,340
	<b>-54,417</b>	<b>-10,817</b>
<b>Deductible temporary differences - current items</b>		
Accounts receivable	-411	-208
Other current assets	-231	-1,438
Other current liabilities	-3,814	-7,979
	<b>-4,456</b>	<b>-9,625</b>

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	2016	2015
Tax losses carried forward	-245,621	-88,721
	<b>-221,339</b>	<b>-49,856</b>
Deferred taxes not recognised	208,362	82,814
<b>Net deferred tax liabilities/(assets)</b>	<b>-12,977</b>	<b>32,958</b>

Due to right of offsetting deferred tax assets and liabilities in the same tax jurisdiction, the presentation of net deferred tax in the consolidated statement of financial position for each year end was as follow:

Deferred tax assets	-64,004	-26,349
Deferred tax liabilities	51,027	59,307
	<b>-12,977</b>	<b>32,958</b>

	2016	2015
Deferred tax liabilities/(assets) at 1 January	32,958	20,487
Deferred tax expense recognised in the income statement	-49,502	3,479
Deferred tax expense recognised in other comprehensive income		8,422
Deferred taxes acquired in business combinations	3,157	
Exchange differences	410	570
<b>Deferred tax liabilities at 31 December</b>	<b>-12,977</b>	<b>32,958</b>

Analysis of tax losses available for offset against future taxable income, by year of expiration:	2016	2015
Within 5 years	1,102	1
After 5 years	120,478	41,742
No time limit	760,337	283,629
Total tax losses available for offset	881,917	325,372
<b>Tax effect of tax losses, before consideration of whether the losses are recognisable or not</b>	<b>245,621</b>	<b>69,437</b>

Tax losses carried forward at 31 December 2016 relate mainly to the Group's parent company (NOK 82 million) and the Group's subsidiary companies in Luxembourg (NOK 646 million) and Netherlands (NOK 109 million). The material change in tax losses from 2015 is mainly due to new information in 2016 about tax positions in Luxembourg. The tax losses in Luxembourg and the Group's parent company in Norway are not recognised as deferred tax assets, as the Group at the moment can not prove reliable that it is probable that it can be utilised in the future. The tax loss carried forward in the Netherlands is recognised as a deferred tax asset as it is expected to be utilised by future taxable profits. Of the NOK 109 million, NOK 21 million expires in the financial year 2023, NOK 34 million in 2024 and NOK 54 million in 2025.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that it can be utilized against future taxable profits. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 13 Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year after tax 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 for the year after tax 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:

	2016	2015
<b>Profit for the year after tax attributable to parent company shareholders</b>	<b>181,575</b>	<b>197,211</b>
Number of shares outstanding at 1 January	311,872,095	309,038,763
New shares issued during the year (note 20)	57,248,503	2,833,332
Number of shares outstanding at 31 December	369,120,598	311,872,095
<b>Weighted average number of shares during the year</b>	<b>342,718,770</b>	<b>311,027,053</b>

#### Effect of dilution:

Option program (note 21)	5,683,926	3,706,261
<b>Weighted average number of shares during the year adjusted for the effect of dilution</b>	<b>348,302,696</b>	<b>312,828,980</b>

#### Earnings per share (in NOK)

- Basic	0.53	0.63
- Diluted	0.52	0.63

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. 0.4 million options granted on 15 June 2016 are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 31 December 2016. These options could potentially dilute basic earnings per share in the future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 14 Tangible fixed assets

	Improvements to rented offices	Equipment, fixtures & fittings	Total
<b>Acquisition/purchase cost</b>			
<b>At 1 January 2015</b>	<b>15,878</b>	<b>43,093</b>	<b>58,971</b>
Additions	496	13,709	14,205
Disposals		-4,784	-4,784
Exchange differences	1,118	3,512	4,630
<b>At 31 December 2015</b>	<b>17,492</b>	<b>55,530</b>	<b>73,022</b>
Additions	1,287	10,438	11,726
Acquisitions of a subsidiary (note 6)		2,585	2,585
Disposals		-5,868	-5,868
Exchange differences	-1,319	-4,419	-5,738
<b>At 31 December 2016</b>	<b>17,461</b>	<b>58,266</b>	<b>75,727</b>
<b>Depreciation and impairment</b>			
<b>At 1 January 2015</b>	<b>10,407</b>	<b>25,757</b>	<b>36,164</b>
Depreciation charge for the year	747	7,782	8,529
Disposals		-3,289	-3,289
Exchange differences	743	2,054	2,797
<b>At 31 December 2015</b>	<b>11,897</b>	<b>32,304</b>	<b>44,201</b>
Depreciation charge for the year	824	8,869	9,693
Acquisitions of a subsidiary (note 6)		1,377	1,377
Disposals		-3,443	-3,443
Exchange differences	-836	-2,634	-3,470
<b>At 31 December 2016</b>	<b>11,885</b>	<b>36,473</b>	<b>48,359</b>
<b>Net book value</b>			
<b>At 31 December 2016</b>	<b>5,576</b>	<b>21,793</b>	<b>27,368</b>
<b>At 31 December 2015</b>	<b>5,595</b>	<b>23,226</b>	<b>28,821</b>
Depreciation method	Straight line	Straight line	
Economic useful lives	3-10 years	3-10 years	
	or remaining lease term, if shorter		

The carrying value of equipment held under finance leases at 31 December 2016 was NOK 495 thousand (2015: NOK 1,346 thousand). Additions during the year include NOK 364 thousand of equipment under finance lease contracts (2015: NOK 350 thousand), of which NOK 208 thousand was the carrying value of equipment held under finance lease in the DCA group of companies on the date of acquisition. Disposals during the year include carrying value of NOK 886 thousand of equipment under finance lease contract (2015: NOK 184).

Leased assets are pledged as security for the related finance lease liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 15 Intangible assets and goodwill

	Intangible assets	Goodwill	Total
<b>Acquisition/purchase cost</b>			
<b>At 1 January 2015</b>	<b>96,195</b>	<b>303,003</b>	<b>399,198</b>
Additions	3,296		3,296
Disposals	-206		-206
Exchange differences	6,966	16,643	23,609
<b>At 31 December 2015</b>	<b>106,251</b>	<b>319,646</b>	<b>425,897</b>
Additions	17,506		17,506
Acquisitions of a subsidiary (note 6)	432	106,008	106,440
Exchange differences	-9,092	-29,029	-38,121
<b>At 31 December 2016</b>	<b>115,098</b>	<b>396,625</b>	<b>511,724</b>
<b>Amortisation and impairment</b>			
<b>At 1 January 2015</b>	<b>14,173</b>	<b>881</b>	<b>15,054</b>
Amortisation	18,482		18,482
Impairment of goodwill		942	942
Exchange differences	2,135	148	2,283
<b>At 31 December 2015</b>	<b>34,790</b>	<b>1,971</b>	<b>36,761</b>
Amortisation	20,182		20,182
Acquisitions of a subsidiary (note 6)	268		268
Exchange differences	-3,302	-146	-3,448
<b>At 31 December 2016</b>	<b>51,938</b>	<b>1,825</b>	<b>53,763</b>
<b>Net book value</b>			
<b>At 31 December 2016</b>	<b>63,161</b>	<b>394,800</b>	<b>457,961</b>
<b>At 31 December 2015</b>	<b>71,461</b>	<b>317,675</b>	<b>389,136</b>
Amortisation method	Straight line	Yearly impairment testing	
Economic useful lives	5 years		

Intangible assets are the capitalised costs related to the software systems used throughout the Group for debt collection, operational and administrative purposes. These include assets acquired through business combinations. In 2016 the Group has invested in new collection systems in the SEE area.

Goodwill acquired through business combinations has been tested for impairment at the end of 2016. 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/after tax. The discount rate used is the weighted cost of capital calculated for each cash generating unit. The following cash generating units have been tested for impairment:

#### Interkreditt AS, Norway

The company was purchased in 2013 and the goodwill created at the time of acquisition amounted to NOK 10.9 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 8.3%. The basis for the expected future cash flow is management approved budget for 2017, forecast for 2018-2021 based on budget and a 0% rate of future revenue growth.

#### Creditreform Latvija SIA, Latvia

The company was purchased in 2014 and the goodwill created at time of acquisition, NOK 26.5 million, includes estimated contingent consideration in the form of an earn-out agreed with the sellers. 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 8.5%. The basis for the expected future cash flow is management approved budget for 2017, forecast for 2018-2021 based on budget, management approved cash flow forecast for loan portfolio and a 0% rate of future revenue growth.

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#### Ultimo Holding Sarl, Luxembourg

The company was purchased in 2014 and the goodwill created at time of acquisition, NOK 233.7 million, includes estimated contingent consideration in the form of an earnout agreement with the sellers. The company has been tested using a 10 year cash flow model discounted at a local post tax WACC of 8.6%. The terminal value for loan portfolio has been calculated by using estimated portfolio book value after 10 year less estimated costs to collect and the country specific marginal tax rate multiplied by two, discounted at the local post tax WACC of 8.6%. A factor of two 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 book value as of beginning of cash flow period. A 10 year cash flow model has been used as this reflects expected time of cash flow from future purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable portfolio investment program.

The basis for the expected future cash flow is management approved budget for 2017, forecast for 2018-2021 based on budget, cash flow forecast for loan portfolios and 10 % rate of increase in loan receivables. For portfolios owned at 31 December 2016 and for portfolios expected to be acquired, management has approved an estimate of future expected gross cash flows over a 10 year period. The sum of the future expected gross cash flows, less estimated costs to collect and the country specific marginal tax rate, forms the basis for the net cash flow estimates used in the 10 year cash flow model.

Management expects that the continued implementation of best collection and portfolio analysis practices throughout the Group will result in actual future gross cash flows that exceed the cash flows used in the 10 year cash flow model. They also expects over the same period of time, that the continued positive development and growth in the Polish economy will keep the long term post-tax WACC at a stable or declining level. Although, a decline of 4% in the future gross cash flows or an increase of 0.5% in the local post tax WACC would trigger an impairment of part of the goodwill balance at 31 December 2016. A decline of 4 % in the future gross cash flows would trigger an impairment of NOK 4.1 million or an increase of 0.5% in the local post tax WACC would trigger an impairment of NOK 3.3 million.

#### Kontant Finans Sverige AB, Sweden ("Kontant Finans")

The company was purchased in 2014 and the goodwill created at the time of acquisition amounted to NOK 0.9 million. In 2015 the goodwill was fully impaired and the carrying value of the goodwill created on the acquisition of Kontant Finans is 0 million.

#### Debt Collection Agency AD, Bulgaria

The company was purchased in 2016 and the goodwill created at time of acquisition, NOK 102.6 million, includes estimated contingent consideration in the form of an earn-out agreed with the sellers. The company has been tested using a 10 year cash flow model discounted at a local pre tax WACC of 13.2%. The terminal value has been calculated by using estimated portfolio book value after 10 year less estimated costs to collect multiplied by three, discounted at the local pre tax WACC of 13.2%. A factor of three 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. A 10 year cash flow model has been used as this reflects expected time of cash flow from future purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable portfolio investment program.

The basis for the expected future cash flow is management approved budget for 2017, forecast for 2018-2021 based on budget and cash flow forecast for loan portfolio. For portfolios owned at 31 December 2016 and for portfolios expected to be acquired, management has approved an estimate of future expected gross cash flows over a 10 year period. 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 company has delivered in line with expectations after the acquisition and there is not considered to be any risk of material impairments.

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 16 Investments in associated companies and joint ventures

#### 16.1 Investments in associates companies and joint ventures

Profit from shares and participation in associated companies and joint ventures	2016	2015
Share of result from joint ventures	-2,511	
Share of result from participation loan to joint venture	2,263	
Share of result from associated companies	400	230
	<b>152</b>	<b>230</b>

A mortgage portfolio in Romania was acquired in the fourth quarter of 2016 in a joint venture with EOS. The financing of the portfolio purchased in the Irish SPV is through participation loans from the investors. The revenue from the participation loan for the Group is directly related to the performance of the underlying portfolio purchased in the Irish SPV and is in the consolidated statement of profit and loss and other comprehensive income included in the line "Profit from shares and participation in associated companies and joint ventures". See note 16.2 and note 17 for further information.

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Investments in associated companies and joint ventures	2016	2015
Joint ventures	2,285	
Associated companies	1,650	1,598
<b>At 31 December</b>	<b>3,935</b>	<b>1,598</b>

### 16.2 Interest in joint ventures

In relation to the portfolio purchase (reference 16.1), 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.

The Group does not have goodwill or other adjustments related to the associated companies.

Investments in joint ventures	2016	2015
At 1 January		
Additions/disposals	2,872	
The Group's share of the joint venture's result after tax	-2,511	
Reclassified to other short term liabilities	1,868	
Exchange differences	56	
<b>At 31 December</b>	<b>2,285</b>	

The Group's share of negative equity in EOS Credit Funding BL DAC is reclassified to other short term liabilities.

	EOS Credit Funding BL DAC	ENB Properties Solution srl
Total assets	314,266	20,014
Liabilities	318,001	15,474
Equity	-3,735	4,540
<b>Total liabilities &amp; equity</b>	<b>314,266</b>	<b>20,014</b>
<b>Profit for the year</b>	<b>-4,935</b>	<b>-87</b>

### 16.3 Investments in associated companies

The Group has invested in two associated companies, a 26% interest in Creditreform OÜ, Estonia and a 34.72% interest in Creditreform UAB, Lithuania. Both companies specialise in the collection of third party debt in their respective countries, and are privately owned companies.

The Group's shareholdings in these companies are owned by Creditreform Latvija SIA, Latvia, which was acquired by the Group on 1 January 2014.

The Group does not have goodwill or other adjustments related to the associated companies.

Investments in associated companies	2016	2015
At 1 January	1,598	1,895
The Group's share of the associate's result after tax	400	230
Dividend received	-260	-620
Exchange differences	-87	93
<b>At 31 December</b>	<b>1,650</b>	<b>1,598</b>

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### NOTE 17 Other long term financial assets

	2016	2015
<b>Financial assets at fair value through profit or loss:</b>		
Participation loan, EOS Credit Funding BL DAC	159,060	
Derivative financial instruments (note 5.5)	15,468	
	<b>174,528</b>	
<b>Financial assets at amortised cost:</b>		
Loan to ENB Properties Solution srl	7,532	
Brigde loan SPV Project 1609 S.r.l	9,741	
Other	229	
	<b>17,502</b>	
	<b>192,030</b>	

#### Participation loan, EOS Credit Funding BL DAC

A mortgage portfolio in Romania was acquired in the fourth quarter of 2016 in a joint venture with EOS. See note 16 for further information regarding the joint venture. The portfolio purchase was fully financed through participation loans from the Investors pro rata according to the ownership of the joint venture (the Group 50%). The contractual arrangement of the participation loan is directly linked to the performance of the portfolio purchased in the SPV. All collections in the SPV from the portfolio is monthly paid to the investors pro rata after deduction of collection and overhead costs in the SPV. The payments are split between interests income and repayments according to the amortisation of the portfolio, so the repayments of the loan is equal to the amortisation of the portfolio. At each balance sheet date the value of the portfolio is equal to the value of the loan.

#### Brigde Loan SPV Project 1609 S.r.l

In fourth quarter of 2016 the Group was in the process of establishing in Italy. As part of the process the Group had at 31 December 2016 granted a loan of NOK 9.7 million to the Italian SPV, SPV Project 1609 S.r.l. See note 33 for further information.

### NOTE 18 Accounts receivable and other short-term assets

#### 18.1: Accounts receivable

	2016	2015
Accounts receivable – gross	53,324	21,958
Provision for impaired balances	-2,589	-1,526
	<b>50,734</b>	<b>20,432</b>

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 past due or impaired	Past due but not impaired			Past due and impaired
			0-60 days	61-120 days	>120 days	
<b>2016</b>	<b>53,324</b>	42,811	6,336	141	1,447	2,589
<b>2015</b>	<b>21,958</b>	11,923	5,703	2,184	622	1,526

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 18.2: Other short-term assets

	2016	2015
Collateral collected from debtors (note 18.3)	36,754	18,253
Value added, sales or other taxes receivable	6,450	8,151
Amounts due from previous owners of purchased loan portfolios	7,753	5,611
Advances & security deposits paid to suppliers	4,047	5,589
Prepayments	7,594	5,551
Amounts due from employees	4,010	4,752
Other	5,463	1,617
	<b>72,071</b>	<b>49,524</b>

### 18.3: Collateral assets

Collateral assets are assets, mainly real estate, repossessed as part of the management of secured non-performing loan portfolios.

	2016	2015
At 1 January	18,253	12,434
Additions	38,047	10,551
Disposals	-14,050	-5,054
Fair value adjustments	-3,301	
Exchange differences	-2,195	323
<b>At 31 December</b>	<b>36,754</b>	<b>18,253</b>

Which consists of:

	2016	2015
Retail Properties	27,531	17,115
Non-retail properties	9,027	1,032
Other	195	106
	<b>36,754</b>	<b>18,253</b>

Of the collateral assets NOK 21.3 million is located in Poland (2015: 18.3) and NOK 15.5 million is located in Croatia (2015: 0) Retail properties is related to private housing and non-retail properties to commercial type of buildings.

The Group has no restrictions on the realisability of its collateral asset, and no contractual obligations to construct, develop or for repair and 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.

	2016	2015
Rental income	103	
Gain/(loss) from disposal and fair value adjustments	-1,217	-919
Direct operating expenses	-2,760	-502
<b>Operating profit/(loss) from collateral assets</b>	<b>-3,874</b>	<b>-1,421</b>

Rental income and gain/(loss) from disposal and fair value adjustments is presented in the line "Other operating income" in the statement of profit and loss. Direct operating expenses is directly related to the collateral asset and includes repair and maintenance costs, insurance and similar type of running costs and valuation costs. Direct operating expenses is included in "External costs of services provided" and "Other operating expenses" according to the nature of the expense.

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### NOTE 19 Cash and short term deposits

	2016	2015
Cash at banks		
- unrestricted balances	214,195	751,757
- tax deductions from employee payroll	1,059	844
- other restricted balances	2,318	6,571
	<b>217,572</b>	<b>759,172</b>
Short term deposits	35	5,506
	<b>217,608</b>	<b>764,678</b>

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 NOK'000s
<b>At 1 January 2015</b>	<b>309,038,763</b>	<b>30,904</b>	<b>1,403,198</b>
Share issue on 27 February at NOK 7.50 per share in connection with the acquisition of the 40.8% non-controlling interest in Sileo Kapital AB, Sweden (note 6)	2,174,908	217	16,094
Share issue on 17 April at NOK 7.50 per share in connection with the bonus payment to the Chief Executive Officer and Chairman of the Board	133,334	13	987
Share issue on 16 November 2015 at NOK 12.50 per share in connection with the acquisition of the 9.1% non-controlling interest in Sileo Kapital AB, Sweden (note 6)	525,090	52	6,511
<b>At 31 December 2015</b>	<b>311,872,095</b>	<b>31,187</b>	<b>1,426,790</b>
Share issue on 11 February at NOK 14.00 per share in connection with the bonus payment to the Chief Executive Officer and Chairman of the Board	57,144	6	794
Share issue on 7 June at NOK 12.00 per share in connection with the initial public offering	54,166,666	5,416	620,310
Share issue on 11 July at NOK 12.00 per share in connection with the Over-allotment Option in connection with the initial public offering 7 June	3,024,693	303	35,322
<b>At 31 December 2016</b>	<b>369,120,598</b>	<b>36,912</b>	<b>2,083,216</b>
<b>At 27 April 2017 (the date of completion of these financial statements)</b>	<b>369,120,598</b>	<b>36,912</b>	<b>2,083,216</b>

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

For further information regarding shares and shareholders, see note 12 to the parent company financial statements.

#### Mandates granted to the Board of Directors:

The General Meeting of shareholders on 26 June 2015 granted the Board a right to increase share capital up to NOK 3,113,470.05 by issuing up to 31,134,701 new shares with par value 0.10 at a subscription rate of a minimum of NOK 7.50 to a maximum of NOK 15.00 per share. This authorisation replaces the authorisation issued by the general meeting on 3 December 2014 and is effective until 26 June 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

The General Meeting on 26 June 2015 also granted the Board a right to acquire own shares in B2Holding ASA from the shareholders in the Company up to a total par value of NOK 3,113,470. The maximum amount which can be paid per share is NOK 15.00 while minimum amount which can be paid is NOK 1.00 per share. This authorisation is effective until 26 June 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 Programme") 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 18,900,000 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 on 1 September 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.

	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding 1 January	18,300,000	9.03		
Granted during the year	600,000	13.00	18,300,000	9.03
<b>Outstanding at 31 December</b>	<b>18,900,000</b>	<b>9.16</b>	<b>18,300,000</b>	<b>9.03</b>
Exercisable at 31 December	6,100,000	8.43		

There are no options that are exercised, forfeited, expired, cancelled or modified since grant date.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2016 was 1.65 years (2015: 2.61 years).

The range of exercise prices for options outstanding at the end of the year was NOK 8 to NOK 14 (2015: NOK 8 to NOK 12).

The average fair value of options granted in 2016 was NOK 1.64 (2015: 0.84) per option and the cost of the options recognised in personnel costs together with a corresponding increase in other capital reserves was NOK 6,705 thousands in 2016 (2015: 5,747).

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. The expected volatility for the options granted in 2016 has been set at 30.42% (2015: 24.8%) based on a 360 day median from comparable companies. The expected lifetime has been set as the vesting date.

See note 30 for information on share options to Board of Directors and Group Management.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 22 Interest bearing loans and borrowings

	2016	2015
<b>Long term</b>		
Multi-currency revolving credit facility	351,495	1,104,366
Bond loan	2,865,705	1,421,207
Loans from non-controlling interests	515	548
	<b>3,217,715</b>	<b>2,526,121</b>

#### Interest bearing loans

The Group is financed by the following loans; (i) A EUR 260 million senior secured multi-currency revolving credit facility agreement, including a multi-currency cash pool with a EUR 20 million overdraft, which matures in August 2019, (ii) a EUR 150 million senior unsecured bond with maturity in December 2020, and issued in October 2016, and (iii) a EUR 175 million senior unsecured bond with maturity in October 2021.

The multi-currency revolving credit facility 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 facility. The overdraft carries a facility line fee. Bond loan interest rates are fixed. 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 December 2016. There are no required instalments to be paid before maturity.

At 31 December 2016, PLN 150 million and SEK 100 million, in total EUR 44 million, was utilised from the EUR 240 million multi-currency revolving credit facility, leaving an available, undrawn amount of EUR 196 million. The multi-currency overdraft facility of EUR 20 million was unutilised at 31 December 2016.

The EUR 260 million multi-currency revolving credit facility is secured by guarantees issued by B2Holding ASA, a share pledge over B2Holding ASA's 100% directly owned subsidiaries, an account charge over a number of pre-defined B2Holding ASA bank accounts, and a pledge over the intra-group loan receivables from B2Holding ASA to its subsidiaries. The Bond Loans are unsecured.

Details of the interest rates, maturity and outstanding nominal values by currency at 31 December 2016 and 31 December 2015 are summarised below:

	Currency	Interest rate %	Maturity	Outstanding nominal value
<b>At 31 December 2016</b>				
Multi-currency revolving credit facility	PLN	Floating	August 2019	309,030
	SEK	Floating	August 2019	95,120
Bond loans	EUR	7.50 %	December 2020	1,362,945
	EUR	7.00 %	October 2021	1,590,103
				<b>3,357,198</b>
<b>At 31 December 2015</b>				
Multi-currency revolving credit facility	PLN	Floating	August 2019	1,183,392
Bond loan	EUR	7.50 %	December 2020	1,442,850
				<b>2,626,242</b>

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All figures in NOK'000s unless otherwise stated

The repayment schedule by currency at 31 December 2016 and 31 December 2015 is shown in the table below:

At 31 December 2016	Multi-currency revolving credit facility		Bond loan EUR	Loans from non-controlling interest		Total
	SEK	PLN		SEK	EUR	
2019	95,120	309,030				404,150
2020			1,362,945			1,362,945
2021			1,590,103			1,590,103
After 2021				72	443	515
	95,120	309,030	2,953,048	72	443	3,357,713

At 31 December 2015	Multi-currency revolving credit facility		Bond loan EUR	Loans from non-controlling interest		Total
	PLN	EUR		SEK	EUR	
2019	1,183,392					1,183,392
2020			1,442,850			1,442,850
After 2020				80	471	551
	1,183,392	1,442,850		80	471	2,626,793

### Financial covenants

The financial covenants at 31 December 2016 for the bond loan and the multi-currency revolving credit facility are summarised below. All covenants have been met at 31 December 2016 and 31 December 2015.

The financial covenants for the bond loan are as follows:

	Requirement	2016	2015
Total loan to value	Maximum 75 %	60 %	56 %
Leverage ratio	Maximum 4.0	2.7	2.5
Net interest cover ratio	Minimum 4.0	6.5	8.1

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 Ultimo Netherlands BV and its directly and indirectly owned subsidiaries.

### Bank borrowings secured by pledged assets

	2016	2015
Multi-currency revolving credit facility	351,495	1,104,366
	351,495	1,104,366

### Balance sheet value of pledged assets

	2016	2015
Share Pledge	2,087,194	956,866
Account charge over bank accounts	191,044	184,830
Intra Group Loan receivable	3,046,847	2,131,773
	5,325,085	3,273,469

At 31 December 2016, the multi-currency revolving credit facility is secured by a share pledge over B2Holding ASA's 100% directly owned subsidiaries, an account charge over a number of pre-defined B2Holding ASA bank accounts, and a pledge over the intra-group loan receivables from B2Holding ASA to its subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 23 Post employment liabilities

At the Ultimo group of companies in Poland, employees are entitled to one month's severance pay in the event of old-age or disability retirement. The fair value of this liability has been calculated by an actuary and represents the discounted payments that will be made in the future, taking into account employee turnover, age, discount rates and estimated future salary increases.

There were 892 employees (2015: 875 employees) covered under this scheme at 31 December 2016 and the liability at that date was NOK 474 thousand (2015: NOK 380 thousand).

### NOTE 24 Other long term liabilities

	2016	2015
<b>Financial liabilities at fair value through profit or loss</b>		
Contingent consideration (note 6.3)	41,218	6,354
Portfolio purchase option	22,509	
Derivative financial instruments (note 5)		18,750
	63,727	25,104

### Other liabilities at amortised cost

Vendor financing		5,518
Financial lease liability – due after more than 12 months (note 28)	327	425
	327	5,943
	64,054	31,047

Contingent consideration due within one year is classified within other current liabilities.

The change in fair value of derivative financial instruments during the year is presented as part of "Net realised and unrealised exchange gains/(losses)" for the currency contracts and "Other interest expenses" for interest contracts in the statement of profit or loss.

Vendor financing relates to portfolios purchased with deferred payment terms. These are non-interest bearing and are normally less than one year. At 31 December 2015, the Group had vendor financing with terms of more than one year.

### Portfolio purchase option

In end of May 2016 the Swedish part of the Group sold a Norwegian portfolio to Bank 2 ASA (see also note 29). 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 it was expected that due to the contractual arrangements it was likely that the Group will purchase the portfolio back after two years. As a consequence the portfolio has not been derecognised in the Group accounts as a sale, and the expected future cash outflow repurchasing the portfolio is presented as a financial liability. At 31 December 2016 the Group still expect the buy back situation. If the Group would expect that the options would not be exercised it would recognise a gain of NOK 12.8 million in the statement of profit or loss from derecognition of the portfolio and liability.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 25 Accounts and other payables

	2016	2015
Accounts payable	28,155	23,101
Vendor financing	106,994	51,919
Amounts owed to third party collection customers	1,258	14,685
Amounts prepaid by loan debtors	19,524	13,797
Financial lease liability - due within 12 months (note 28)	288	606
Other payables	267	3,595
	<b>156,486</b>	<b>107,703</b>

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 26 Indirect taxes payable

	2016	2015
Value added taxes / sales taxes payable	3,869	13,597
Payroll taxes payable	5,215	6,367
Social security payable	19,779	12,477
Other indirect taxes payable	620	1,019
	<b>29,483</b>	<b>33,460</b>

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 2016 and 31 December 2015 includes the accrued social security costs of the share option programs established in 2015 and described in more detail in note 21.

### NOTE 27 Other current liabilities

	2016	2015
<b>Financial liabilities at fair value through profit or loss</b>		
Contingent consideration (note 6.3)	26,783	163,558
<b>Other liabilities at amortised cost</b>		
Amounts due to employees	46,237	57,411
Accrued interest on external loans	43,975	21,238
Accrued costs of external collection services and other expenses	19,841	8,580
Other	5,825	1,444
	<b>115,877</b>	<b>88,673</b>
	<b>142,661</b>	<b>252,231</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 28 Commitments

#### 28.1 Operating lease commitments - Group as lessee

The Group has entered into commercial leases for office premises, motor vehicles and items of 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:

	2016	2015
Office premises	16,098	11,733
Motor vehicles	2,089	1,713
Office equipment	5,090	3,946
	<b>23,277</b>	<b>17,392</b>

Future minimum rentals payable under non-cancellable operating leases at 31 December 2016 and 31 December 2015 were as follows:

	2016	2015
Rentals payable within one year	21,015	15,924
Rentals payable from one to five years	31,816	14,735
Rentals payable after more than five years		352
	<b>52,831</b>	<b>31,011</b>

#### Property sub-leases

Some smaller sections of the leased office premises have been sublet by the Group. Sub-lease receipts are recognised as a reduction in the operating lease payment during the period and amounted to NOK 514 thousand in 2016 (2015: NOK 514 thousand). Future minimum rentals receipts under non-cancellable sub-leases at 31 December 2016 and 31 December 2015 were as follows:

	2016	2015
Rentals receipts within one year	9	549
Rentals receipts from one to five years		1,347
	<b>9</b>	<b>1,896</b>

#### 28.2 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 2016 and 31 December 2015 were as follows:

	2016		2015	
	Future minimum payments	Present value of payments	Future minimum payments	Present value of payments
Rentals payable within one year	312	288	649	606
Rentals payable from one to five years	330	327	450	425
Total minimum lease payments	642	615	1,099	1,031
Less amounts representing finance charges	-26		-68	
<b>Present value of minimum lease payments</b>	<b>615</b>	<b>615</b>	<b>1,031</b>	<b>1,031</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### 28.3 Forward flow commitments

The Group has committed to buy non-performing debt portfolios for delivery in future years ('forward flow' contracts) in the following countries. The estimated face value and purchase price of the majority of contracts is based on the maximum face value in the purchase agreement. At 31 December 2016 and 31 December 2015, these commitments were as follows:

	2016		2015	
	Face value	Purchase price	Face value	Purchase price
Sweden	182,201	92,297	159,220	96,370
Finland	133,720	82,379	122,143	76,952
Bulgaria	230,654	51,592		
Romania	35,992	3,186		
Latvia	19,081	12,721		
	<b>601,649</b>	<b>242,176</b>	<b>281,363</b>	<b>173,322</b>

### NOTE 29 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 30.

Transactions with other related parties were as follows in 2016:

	Joint ventures
Loans as at 1 January	
New loans/repayments during the year	166,592
<b>Loans as at December 31</b>	<b>166,592</b>
<b>Interest income 2016</b>	<b>2,292</b>

#### Transaction with Bank2 ASA

The Group concluded in May 2016 a sale of a portfolio to Bank 2 ASA. See note 24 for further information regarding the transaction. Jon Harald Nordbrekken Chairman of the Board of Directors and shareholder in B2Holding ASA is also member of the Board of Directors and shareholder in Bank2 ASA. He was not involved in the transaction.

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 other than for interest-bearing loans, are interest free. At 31 December 2016 and 31 December 2015, the Group has not made any provision of doubtful debts relating to intra-group related party balances, nor have guarantees been provided or received. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The financial statements of the Group include the subsidiaries listed in the following table:

Company name	Country of incorporation	Directly owned by B2Holding AS	% equity interest 2016	% equity interest 2015
Interkreditt AS	Norway		100 %	100 %
Ultimo Netherlands B.V.	Netherlands	X	100 %	100 %
ULTIMO Holding Sarl	Luxembourg		100 %	100 %
ULTIMO Portfolio Investment SA	Luxembourg		100 %	100 %
ULTIMO SA	Poland		100 %	100 %
ULTIMO Securitisation Fund	Poland		100 %	100 %
ULTIMO Legal Office	Poland		99 %	99 %
TAKTO Group comprising TAKTO Sp z.o.o., TAKTO Securitisation Fund & Invest TAKTO SKA	Poland		100 %	100 %
Sileo Holding AB	Sweden		100 %	100 %
Sileo Kapital AB	Sweden		100 %	100 %
Sileo Finans AB	Sweden	X	100 %	100 %
Kontant Finans Sverige AB	Sweden		90.1 %	90.1 %
OK Kapital OY	Finland		100 %	100 %
OK Perintä OY	Finland		100 %	100 %
OK Laskutus OY	Finland		51 %	51 %
OK Sileo OY	Finland		100 %	100 %
OK Incüre OÜ	Estonia		100 %	100 %
TCM Estonia OÜ	Estonia		100 %	100 %
B2Kapital SIA	Latvia		100 %	100 %
Creditreform Latvija SIA	Latvia		99.5 %	99.5 %
Crefo Rating SIA	Latvia		100 %	100 %
AS Crefo Birojs	Latvia		100 %	100 %
Crefo Finance SIA	Latvia			(1)
B2Kapital d.o.o	Croatia		100 %	100 %
B2 Real Estate d.o.o	Croatia		100 %	100 %
B2 Portfolio d.o.o.	Croatia		100 %	(2)
B2Kapital d.o.o	Bosnia-Herzegovina		100 %	(2)
B2Kapital d.o.o	Slovenia		100 %	100 %
B2 Holding Kapital d.o.o	Serbia		100 %	100 %
B2Kapital d.o.o	Montenegro		100 %	100 %
B2Kapital GmbH	Austria		100 %	100 %
B2Kapital Czech Republic s.r.o	Czech Republic		100 %	(2)
Consequence Europe MKFT	Hungary		100 %	(4)
B2Kapital Porfolio Management S.R.L	Romania		100 %	(2)
Debt Collection Agency S.R.L	Romania		100 %	(3)
Debt Collection Agency EAD	Bulgaria		100 %	(3)
Smart Collect EOOD	Bulgaria		100 %	(3)
B2Kapital AE	Greece		100 %	(2)

(1) Merged into Creditreform Latvija SIA during 2015  
(2) Company established in 2016

(3) Purchased in business combination June 2016 (DCA Group), see note 6 for further information  
(4) Purchased in business combination October 2016, see note 6 for further information

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 30 Remuneration

#### 30.1 Statement on remunerations

The Board determines the remuneration for the Chief Executive Officer (the "CEO") and gives guidelines regarding the remuneration of the Management. The "Management" is in this declaration defined as the CEO and managers in the B2Holding Group (the "Group") reporting directly to the CEO.

B2Holding's reward policy shall contribute to Group profit and increased shareholder value, and to attract, retain and develop qualified people with the right managerial and professional competencies.

The fundamental principle in B2Holding's determination of remuneration for the Management is that the terms are to be competitive with the terms of positions with similar responsibility, workload and complexity in the local markets. Reward markets are local, and B2Holding will adapt to local markets practices to the extent the Group finds expedient.

This specifically implies that the Management are given base salary and other remuneration at a level reflecting the principles mentioned above.

Remuneration includes:

**Base salary** - The base salary will be determined based on the following criteria: job level, local competition, salary band for the job, performance level, budget and guidelines for annual salary review.

**Benefits** - The benefits are related to local market standards and job level. B2Holding ASA's collective retirement plan includes all employees of the Company. The retirement age is 70.

**Annual bonus** - All Managers are eligible for an annual bonus. Performance level related to an agreed 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. The annual bonus may not exceed 50% of the base salary without prior consent of the board of directors of B2Holding ASA (the "BoD").

**Share options** - 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 a determined level under which share options with a 3-year-term 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 that candidate. The BoD will in its approval process emphasize the potential impact the candidate may have on the shareholder value development.

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.

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's grant 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.

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.

The Group have been compliant to the above the last year, provided however that a business unit manager was in 2016 granted 600,000 share options to be earned over 3 years with a fixed annual strike price.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 30.2 Group Management and Board of Directors

Remuneration 2016	Salary	Bonuses earned in 2016	Pension expence	Other benefits	Total	Share option cost <sup>8)</sup>	Director's fee
Olav Dalen Zahl, Chief Executive Officer	2,667,632	1,000,000	47,543	167,222	3,882,397	1,669,050	
J. Harald Henriksen, Chief Financial Officer <sup>1)</sup>	1,757,696		43,479	24,989	1,826,164	250,357	
Erik Just Johnsen, Chief Group Controller <sup>2)</sup>	1,839,747		48,244	20,208	1,908,199	417,262	
Rasmus Hansson, Director Strategy and M&A	1,305,769	1,000,000	43,505	26,894	2,376,168	384,852	
Thor Christian Moen, Head of Legal	1,903,589		59,387	12,946	1,975,922	384,852	
Henrik Wennerholm, Director Business Development <sup>3)</sup>	1,457,039		283,785	107,337	1,848,162	384,852	
Jeremi Bobowski, Chief Investment Officer	1,347,453	3,949,432		884,469	6,181,353	384,852	
<b>Board of Directors</b>							
Jon Harald Nordbrekken, Chairman	5,801,923		41,305	12,209	5,855,437	1,669,050	315,502
Per Kristian Spone							150,000
Trygve Lauvdal <sup>4)</sup>							
Kari Skeidsvoll Moe <sup>5)</sup>							
Tove Raanes <sup>5)</sup>							
Niklas Wiberg <sup>6)</sup>							150,000
Kjetil Andreas Garstad <sup>7)</sup>							150,000
<b>Total</b>	<b>18,080,848</b>	<b>5,949,432</b>	<b>567,248</b>	<b>1,256,274</b>	<b>25,853,802</b>	<b>5,545,127</b>	<b>765,502</b>

1) J. Harald Henriksen took up the new position as Chief Compliance Officer with effect from 16 January 2017.

2) Erik Just Johnsen took up the new position as Chief Financial Officer with effect from 16 January 2017.

3) Henrik Wennerholm holds a 40% management position in the subsidiary Sileo Kapital AB and a 60% management position in B2Holding ASA.

4) Trygve Lauvdal, as a representative for shareholder Rasmussengruppen AS, has not received remuneration. Rasmussengruppen AS has been compensated with a consultant fee of NOK 150,000 excluding VAT (NOK 150,000 excluding VAT in 2015).

5) Kari Skeidsvoll Moe and Tove Raanes became members of the Board in May 2016 and directors fee is paid in 2017.

6) Niklas Wiberg resigned as member of the board and became deputy member of the Board in May 2016.

7) Kjetil Garstad was member of the Board until May 2016.

8) Accrued social security costs are not included as part of the share option cost stated above.

Remuneration 2015	Salary	Bonuses earned in 2015	Pension expence	Other benefits	Total	Share option cost	Director's fee
Olav Dalen Zahl, Chief Executive Officer	2,990,848	1,000,000	42,656	163,339	4,196,843	1,968,085	
J. Harald Henriksen, Chief Financial Officer	1,558,337		52,268	26,537	1,637,142	295,213	
Erik Just Johnsen, Chief Group Controller	1,806,023		42,480	21,658	1,870,161	492,021	
Rasmus Hansson, Director Strategy and M&A	1,190,769		50,541	29,684	1,270,994	157,559	
Thor Christian Moen, Head of Legal	360,000				360,000	157,559	
Jeremi Bobowski, Chief Investment Officer	1,162,323	243,638		479,937	1,885,898	157,559	
Henrik Wennerholm, Director Business Development	685,815		106,032	68,595	860,443	157,559	
<b>Board of Directors</b>							
Jon Harald Nordbrekken, Chairman	1,903,873	1,000,000	41,629	19,029	2,964,531	1,968,085	
Trygve Lauvdal							
Per Kristian Spone				492	492		150,000
Niklas Wiberg							150,000
Kjetil Andreas Garstad							70,000
Ole Grøterud							80,000
Rune Husby							80,000
<b>Total</b>	<b>11,657,988</b>	<b>2,243,638</b>	<b>335,606</b>	<b>809,272</b>	<b>15,046,504</b>	<b>5,353,640</b>	<b>530,000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### Benefits upon termination

Members of Group Management have entered into employment agreements which provide for the following benefits upon termination:

- Olav Dalen Zahl, is entitled to 12 months salary if his employment is terminated;
- Harald Henriksen, Erik Just Johnsen, Rasmus Hansson, Thor Christian Moen and Henrik Wennerholm are entitled to 12 months salary after termination of employment in connection with an acquisition of the Company; and
- Jeremi Bobowski has a 12 months non-compete period following termination of his employment and is entitled to 12 months salary if his employment is terminated.

### Agreement with the Chief Executive Officer

Olav Dalen Zahl, the Chief Executive Officer, has a share and bonus payment plan covering the period 2013-2016. If the share price is over a specific target for a given year, he is entitled to a cash bonus. The cash bonus less the personal income tax payable on the bonus, shall be re-invested in B2Holding ASA shares at a price no lower than the price of the most recent share issue, or equivalent market price.

### Agreement with the Chairman of the Board

Until May 2016, Jon Harald Nordbrekken, the Chairman of the Board, has had an agreement with the Company regarding remunerations for consultancy work conducted on behalf of the Group and in connection with acquisition of companies and portfolios. Further to this agreement, Nordbrekken has had a 60% position with the Company and has been entitled to an annual remuneration equal to 60% of the remuneration paid to the Group's Chief Executive Officer. In May 2016 this agreement was terminated and Nordbrekken was compensated with an amount of NOK 5,096,054.

### Agreement with Valset Invest AS

On 18 December 2015, the Company entered into an agreement with Valset Invest AS regarding the purchase of 33,333 shares or two-thirds of the issued share capital in Sileo Finans AB. In accordance with this agreement, the Company paid a total purchase price of SEK 33,333 for the shares in Sileo Finans AB, equalling the purchase price paid by Valset Invest AS when acquiring the shares from B2Holding ASA and the total nominal value of the shares. The seller of the shares, Valset Invest AS, is an entity controlled by the Chairman of the Board, Jon Harald Nordbrekken. The completion of the transfer of the shares is subject to an ownership assessment and approval by the Swedish Financial Supervisory Authority.

### Agreement with Advokatfirmaet Forsberg DA

Thor Christian Moen (Head of Legal) was employed by B2Holding ASA with effect from 1 October 2015 in a 80% position and took up a 100% position from 1 September 2016. Moen was also a partner in Advokatfirmaet Forsberg DA which has provided legal services to B2Holding ASA amounting to NOK 608,237 for the full year 2016. For the period 1 January to 1 September 2016 B2Holding ASA compensated Advokatfirmaet Forsberg DA for Moen's office expenses amounting to NOK 154,375. In addition, B2Holding ASA invoiced Advokatfirmaet Forsberg DA for cost of a sublease as Advokatfirmaet Forsberg DA's offices were located within B2Holding ASA's leased premises. For the period 1 January 2016 to termination of the sublease 1 November 2016 this amounted to NOK 448,944. At termination Advokatfirmaet Forsberg DA was compensated with an amount of NOK 570,342.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### 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 2016 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 <sup>1)</sup>	Chairman of the Board	26,522,496
Per Kristian Spone <sup>2)</sup>	Board member	6,000
Tove Raanes <sup>3)</sup>	Board member	7,500
Olav Dalen Zahl <sup>4)</sup>	Chief Executive Officer	2,296,116
Erik Just Johnsen <sup>5)</sup>	Chief Financial Officer	290,000
J. Harald Henriksen	Chief Compliance Officer	20,057
Henrik Wennerholm <sup>6)</sup>	Director Business Development	1,981,342
Rasmus Hansson <sup>7)</sup>	Director Strategy and M&A	40,057
Thor Christian Moen	Head of Legal	75,000

1) Jon Harald Nordbrekken holds 2,088,496 personally. In addition Valset Invest AS, an entity controlled by Nordbrekken and his related parties, holds 24,000,000 shares, and Cryptic AS, an entity controlled by a related party of Jon Harald Nordbrekken, holds 434,000 shares.

2) Persons related to Spone holds 6,000 shares.

3) Trane AS, an entity controlled by Tove Raanes, holds 7,500 shares.

4) Fjordsyn AS, an entity controlled by Olav Dalen Zahl, holds 2,292,716 shares. In addition, persons related to Olav Dalen Zahl hold 3,400 shares.

5) Pine AS, an entity controlled by Erik Just Johnsen holds 290,000 shares.

6) Femwen AB, and entity controlled by Henrik Wennerholm, holds 1,981,342 shares.

7) Rmh Invest AS, an entity controlled by Rasmus Hansson, holds 40,057 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 programs.

	Grant date	Number of options granted	Number of options vested at 31 December 2016	Number of options vested at 31 December 2015	Expiry date	Exercise price range NOK
Jon Harald Nordbrekken (Chairman of the Board)	1 July 2015	6,000,000	2,000,000		1 July 2018	8-9
Olav Dalen Zahl (Chief Executive Officer)	1 July 2015	6,000,000	2,000,000		1 July 2018	8-9
J. Harald Henriksen (Chief Financial Officer)	1 July 2015	900,000	300,000		1 July 2018	8-9
Erik Just Johnsen (Chief Group Controller)	1 July 2015	1,500,000	500,000		1 July 2018	8-9
Rasmus Hansson (Director Strategy and M&A)	9 September 2015	600,000	200,000		31 December 2018	10-12
Thor Christian Moen (Head of Legal)	9 September 2015	600,000	200,000		31 December 2018	10-12
Jeremi Bobowski (Chief Investment Officer)	9 September 2015	600,000	200,000		31 December 2018	10-12
Henrik Wennerholm (Director Business Development)	9 September 2015	600,000	200,000		31 December 2018	10-12
<b>Total</b>		<b>16,800,000</b>	<b>5,600,000</b>			

### 30.3 Fees to auditors

The table below summarises audit fees, fees for further assurance services and tax services incurred by the Group during 2016 and 2015 from Ernst & Young, who were appointed the Group auditors in December 2014. Fees include all companies in the Group.

	2016	2015
Audit fees	4,257	3,310
Fees for further assurance services	1,728	1,510
Fees for tax services	1,412	1,840
	<b>7,397</b>	<b>6,660</b>

VAT is both included and not included in the fees specified above, depending on if the receiving company has deduction for VAT.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### ■ NOTE 31 Contingent liabilities

B2Holding ASA, the Group's parent company, was subject to a tax audit of the treatment of reverse VAT charges on the delivery of services "capable of delivery from a remote location" at the end of 2014. For further information, see note 18 to the parent company financial statements.

### ■ NOTE 32 Guarantees

On 16 November 2015, B2Holding ASA, the Group's parent company, issued a EUR 300 million guarantee to DNB Bank ASA as Agent on behalf of itself and Nordea Bank Norge ASA in connection with the provision of a syndicated multicurrency loan of EUR 260 million established in order to refinance existing borrowing facilities and provide additional facilities to fund future portfolio acquisitions for the Group. The guarantee was issued on behalf of the borrower under the syndicated multicurrency loan, B2Holding ASA's 100% directly owned subsidiary, Ultimo Netherlands B.V. The drawdown amount of the syndicated multicurrency loan at 31 December 2016 was PLN 150 million and SEK 100 million (total NOK 404 million).

B2Holding ASA, the Group's parent company, issued a office rental guarantee with effect from 1 November 2015 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement is for a period of up to 3 years 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 3 year rental period is limited to the monthly office rentals for this period. The guarantee for the remaining rental period, with yearly adjustments, amounting to a total SEK 1.5 million

Other office rental guaranties for Group companies amount to NOK 0.3 million.

### ■ NOTE 33 Subsequent events

The Board of Directors of B2Holding ASA has proposed that the general meeting to be held in May 2017 approve a dividend of NOK 0.15 per share for 2016.

In the first quarter of 2017 the Group has finalised the setup of the initial Italian operations with an operational entity (B2 Kapital s.r.l) and a SPV (SPV Project 1609 s.r.l) entity for acquiring portfolios. Through the setup, the Group acquired the first Italian portfolio.

In the first quarter of 2017, the Group has also expanded further in the Baltics and in Hungary by purchasing two smaller entities in the regions. The Hungarian entity includes a license for portfolio ownership.

### ■ NOTE 34 Alternative performance measures

Reconciliation of alternative performance measures to the most directly line items in the financial statements:

	2016	2015
<b>EBITDA</b>		
Net operating revenues	1,396,141	1,076,239
Less total operating expenses	-880,562	-699,035
Add back depreciation & amortisation	29,875	27,953
	<b>545,454</b>	<b>405,157</b>
<b>Cash Revenue</b>		
Net operating revenues	1,396,141	1,076,239
Less interest income on purchased portfolios	-1,220,562	-909,544
Adjusted for changes in cash flow estimates	14,621	-5,298
Add back gross cash collections	1,870,388	1,339,083
	<b>2,060,587</b>	<b>1,500,480</b>
<b>Cash EBITDA</b>		
Cash revenue	2,060,587	1,500,480
Total operating expenses	-880,562	-699,035
Add back depreciation & amortisation	29,875	27,953
	<b>1,209,900</b>	<b>829,398</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Definitions and description of key figures and alternative performance measures (APM):

**EBITDA** - Operating earnings before depreciation and amortisation (EBITDA) consist of net operating revenues less external cost of services provided, personnel costs and other operating expenses.

**Gross cash collection** - Gross cash collection is the actual cash collected from purchased portfolios before costs related to collect the cash received.

**Cash revenue** - Cash revenue consists of net operating revenues less interest income on purchased portfolios and changes in portfolio cash flow estimates, and added gross cash collection. Cash revenue is a measure on actual revenues (cash business) from the collection business included other business areas.

**Cash EBITDA** - Cash EBITDA consists of EBITDA adjusted for the difference between net operating revenues and cash revenue. Cash EBITDA is a measure on actual performance from the collection business (cash business) included other business areas.

**ERC** - Estimated remaining collection expresses the gross cash collection in nominal values expected to be collected in the future from the purchased portfolios owned at the reporting date.

## PARENT COMPANY INCOME STATEMENT

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2016	2015
Other operating revenues		1,084	161
<b>Operating revenue</b>		<b>1,084</b>	<b>161</b>
Personnel costs	3	-41,529	-29,469
Depreciation of tangible fixed assets	7	-232	-226
Amortisation of intangible assets	8	-44	-27
Other operating expenses	4	-45,134	-44,232
<b>Total operating expenses</b>		<b>-86,939</b>	<b>-73,954</b>
<b>Operating profit</b>		<b>-85,855</b>	<b>-73,793</b>
Net gain / (loss) on investments	9	-8,500	301,587
Group contribution		2,209	4,237
Net realised and unrealised exchange gains / (losses)	5	-86,411	69,333
Interest income from group companies		214,873	79,597
Impairment financial receivables	9	7,984	-8,946
Other interest expenses	5	-134,159	-20,063
Other financial items	5	-5,319	-2,653
<b>Net financial items</b>		<b>-9,323</b>	<b>423,092</b>
<b>Profit for the year before tax</b>		<b>-95,178</b>	<b>349,298</b>
Change in deferred taxes	6	16,248	-21,786
<b>Profit for the year after tax</b>		<b>-78,930</b>	<b>327,512</b>
Allocations:			
Dividends		-55,368	
Transfer from other equity		-134,298	327,512

## PARENT COMPANY BALANCE SHEET

All figures in NOK'000s unless otherwise stated

At 31 December	Notes	2016	2015
<b>Non-current assets</b>			
Intangible assets	8	80	85
Deferred tax asset	6	0	12,965
Tangible fixed assets	7	1,230	1,126
Investment in subsidiary companies	9	2,087,194	956,866
Long term loans to group companies	9	3,046,847	2,131,773
Other long term financial assets		33,937	23,500
<b>Total non-current assets</b>		<b>5,169,289</b>	<b>3,126,315</b>
<b>Current assets</b>			
Short term receivables from group companies	10	234,830	43,699
Other short term assets		10,163	4,434
Cash and short term deposits	10	2,612	186,750
<b>Total current assets</b>		<b>247,606</b>	<b>234,883</b>
<b>Total assets</b>		<b>5,416,895</b>	<b>3,361,198</b>
<b>Equity</b>			
<b>Paid in capital</b>			
Share capital	11, 12	36,912	31,187
Other paid in capital	11, 12	2,083,217	1,426,790
Other capital reserves	11, 17	10,139	5,133
		2,130,268	1,463,110
<b>Retained earnings</b>			
Other equity	11	252,086	386,384
<b>Total equity</b>		<b>2,382,354</b>	<b>1,849,494</b>
<b>Non-current liabilities</b>			
Long term interest bearing loans and borrowings	13	2,907,616	1,442,850
Deferred tax liabilities	6	10,234	39,446
Other long term liabilities	14	0	6,354
<b>Total non-current liabilities</b>		<b>2,917,850</b>	<b>1,488,650</b>
<b>Current liabilities</b>			
Accounts and other payables		987	834
VAT, payroll and other indirect taxes		1,999	10,353
Other current liabilities	14	113,705	11,867
<b>Total current liabilities</b>		<b>116,691</b>	<b>23,054</b>
<b>Total liabilities</b>		<b>3,034,541</b>	<b>1,511,704</b>
<b>Total equity &amp; liabilities</b>		<b>5,416,895</b>	<b>3,361,198</b>

Oslo, 27 April 2017

/sign/  
Jon Harald Nordbrekken, Chairman of the Board

/sign/  
Per Kristian Spone, Board Member

/sign/  
Tove Raanes, Board Member

/sign/  
Kari Skeidsvoll Moe, Board Member

/sign/  
Trygve Lauvdal, Board Member

/sign/  
Olav Dalen Zahl, Chief Executive Officer

## PARENT COMPANY CASH FLOW STATEMENT

All figures in NOK'000s unless otherwise stated

Year ended 31 December	2016	2015
<b>Cash flow from operating activities</b>		
Profit for the year before tax	-95,178	349,298
<b>Adjustment for non-cash items:</b>		
Depreciation and amortisation of assets	276	253
Impairment financial assets	516	8,946
Profit on sale of shares in subsidiary companies	0	-301,587
Interest expense on interest bearing loans	132,564	20,031
Amortisation of loan financing costs	5,336	3,829
Share based payment expense	5,006	5,133
Unrealised foreign exchange differences	71,948	-83,819
<b>Operating cashflows:</b>		
(Grant)/repayment of long term receivables	938	-152
Interest paid on interest bearing loans & borrowings	-105,349	-13,701
<b>Operating capital adjustments:</b>		
Decrease/(increase) in short term balances with group companies	-191,453	7,369
Decrease/(increase) in accounts receivable and other current assets	-5,729	-155
Decrease/(increase) in other non-current financial assets	-16,711	-20,925
Increase/(decrease) in accounts payable and other current liabilities	11,054	-21,759
Increase/(decrease) in non-current liabilities	-6,354	-2,605
<b>Net cash flow from operating activities</b>	<b>-193,136</b>	<b>-49,844</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible and intangible fixed assets	-376	-1,420
Purchase of shares in subsidiary companies	-1,138,828	-3,080
Decrease / (increase) in long term loans to group companies	-1,029,925	-1,122,071
<b>Net cash flow from investing activities</b>	<b>-2,169,129</b>	<b>-1,126,571</b>
<b>Cash flow from financing activities</b>		
Proceeds from the issue of new shares, net of transaction costs	662,152	17,311
Establishment of interest bearing loans and borrowings, less loan financing costs	1,560,563	1,700,522
Repayment of interest bearing loans and borrowings during the year	-44,588	-471,931
<b>Net cash flow from financing activities</b>	<b>2,178,127</b>	<b>1,245,902</b>
<b>Net cash flow during the year</b>	<b>-184,138</b>	<b>69,487</b>
<b>Cash and cash equivalents at 1 January</b>	<b>186,750</b>	<b>117,263</b>
<b>Cash and cash equivalents at 31 December</b>	<b>2,612</b>	<b>186,750</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### 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 2016, 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 and associated companies is 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 infinite 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 infinite 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).

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

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 that 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 short term deposits 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 short term deposits consist of cash and cash equivalents 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 purpose of financial risk management is to handle the exposure of operational risks relating mainly to the Group's assets and liabilities in different currencies and can be divided into: market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. The Company focuses on the unpredictability 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's 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 its assets and liabilities.

##### Currency risk:

Net borrowings (nominal value of interest bearing loans less cash) 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), Bosnian Convertible Mark (BAM) and Serbian Dinar (RSD) where all borrowing are done in EUR.

The Company's bond loans are denominated in EUR and borrowings under the Group's multi-currency revolving credit facility are drawn in SEK and PLN. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2016: a cross currency swap of SEK 225 million against EUR and a foreign exchange forward of PLN 400 million against EUR. At 31 December 2016, net borrowings amounted to NOK 3,094 million. Adjusted for the currency derivatives mentioned above, the net borrowings represented a currency basket comprising of EUR: 53%, PLN: 38% and SEK: 8%.

For currency sensitivity analysis for the Group, please refer to note 5.1 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 2016 was 64% with a duration of 2.7 years. For details of the Group's hedging effective at 31 December 2016, please refer to note 5.1 in B2Holding group financial statement.

In general, changes in macroeconomic factors such as interest rates may impact the Group's debtors' ability to repay their debt and thereby influence the future cash flow received from the portfolios.

#### Credit risk

The Company's credit exposure mainly consists of intercompany receivables that are related to the above mentioned funding of portfolio investments in subsidiaries. The credit risk is reflected through the subsidiaries profits on their portfolio investments. It is the Company's view that the credit risk is relatively low, as the portfolios funded through intercompany loans have been purchased at significant discounts compared to original value.

#### Liquidity risk

The Company's two bond loans of EUR 325 million in total and the Group's multi-currency revolving credit facility of EUR 260 million, totalling NOK 5,533 million at 31 December 2016, ensures necessary funding to meet future payment obligations.

At 31 December 2016, the Group had an unused part of the revolving credit facility totalling EUR 216 million or NOK 1,962 million, in addition to cash and short-term deposits of NOK 218 million.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 3 Personnel costs

	2016	2015
Wages, salaries and other benefits paid	24,453	18,585
Social security costs & payroll taxes	3,852	2,643
Social security cost share option program	6,163	6,647
Defined contribution pension costs	338	298
Other personnel costs	6,723	1,296
	<b>41,529</b>	<b>29,469</b>
Number of full time equivalents (FTEs) at 31 December	10.8	8.4

All employees are covered by a defined contribution pension plan which fulfils the Company's obligations under the Norwegian occupational pension legislation.

### NOTE 4 Other operating expenses

	2016	2015
Legal services	845	3,802
Travel, accommodation, meetings, arrangements	3,199	2,487
Other professional services, including due diligence and transaction services	21,195	17,638
Cost of office premises	2,428	1,667
IT, telecommunications	1,152	991
Marketing, business entertaining	926	976
External accounting services & temporary consultants	1,815	3,662
Audit and tax services	2,221	1,703
Bank charges	30	40
Office supplies, stationary	164	246
Printing, postage	697	657
Other costs	10,462	10,363
	<b>45,134</b>	<b>44,232</b>

### NOTE 5 Net financial items

	2016	2015
<b>Net realised and unrealised exchange gains/(losses)</b>		
Realised exchange gains/(losses)	-14,463	-14,486
Unrealised exchange gains/(losses)	-71,948	83,819
	<b>-86,411</b>	<b>69,333</b>
<b>Other interest expenses</b>		
Interest expense on interest bearing loans	-132,564	-20,031
Other interest expense	-1,595	-32
	<b>-134,159</b>	<b>-20,063</b>

#### Other financial items

Interest income on cash & short term deposits	63	457
Other interest income	0	0
Other financial income	0	888
Costs of financing	-5,382	-3,998
	<b>-5,319</b>	<b>-2,653</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 6 Taxes

The major components of income tax reported in the income statement were:	2016	2015
Current income tax:		
Current year income tax payable	0	0
Deferred tax expense/(income):		
Origination and reversal of temporary differences	-16,248	21,786
	-16,248	21,786
<b>Total tax expense reported in the income statement</b>	<b>-16,248</b>	<b>21,786</b>

Calculation of the income tax base	2016	2015
Profit before tax	-95,178	349,298
Permanent differences	-25,676	-314,330
Group contribution	2,209	4,237
Change in temporary differences	93,285	-76,137
Transfer to/(from) tax losses carried forward	25,360	36,932
<b>Current year income tax base</b>	<b>0</b>	<b>0</b>
<b>Current year income tax payable at 25%</b>	<b>0</b>	<b>0</b>

Calculation of the deferred tax base	Deferred taxes		Change in deferred taxes 2016
	2016	2015	
Taxable temporary differences:			
Long term loans to group companies	85,166	157,784	
Deductible temporary differences:			
Fixed assets	-57	-35	
Other receivables & liabilities	-13,773	-13,359	
Long term interest bearing loans	-28,696	-8,464	
Tax losses carried forward - no time limit on expiry	-81,385	-56,082	
Reversal of basis for deferred tax asset not recognised	81,385	26,082	
	-42,526	-51,858	
Basis for deferred tax asset at 24% (25% in 2015)	-9,299	19,961	-29,260
Deferred tax asset not recognised	19,532	6,521	13,012
<b>Net deferred tax/change in deferred taxes</b>	<b>10,234</b>	<b>26,482</b>	<b>-16,248</b>
Comprising:			
24% deferred tax liability (25% in 2015)	20,440	39,446	
24% deferred tax asset (25% in 2015)	-10,206	-12,965	
	<b>10,234</b>	<b>26,482</b>	

Deferred tax on losses is not recognised as deferred tax asset, as the Company can not prove reliable that it is probable that it can be utilised in the future. 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.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Reconciliation of the Norwegian nominal tax rate to the effective tax rate	2016	2015
Profit before tax	-95,178	349,298
<b>Expected tax expense at the Norwegian nominal tax rate of 25%</b>	<b>-23,794</b>	<b>94,310</b>
Tax effect of permanent differences	-5,867	-83,725
Tax effect on change in Norwegian tax rates from 25% to 24%	-426	-2,119
Tax effect of the change in unrecognised deferred taxes	13,826	7,042
Tax effect on estimate change	14	6,277
<b>Total income and deferred tax expense</b>	<b>-16,248</b>	<b>21,786</b>

### NOTE 7 Tangible fixed assets

Acquisition/purchase cost	Equipment, fixtures & fittings
At 1 January 2016	1,345
Additions	337
Disposals	0
<b>At 31 December 2016</b>	<b>1,682</b>

Depreciation and impairment	
At 1 January 2016	219
Depreciation charge for the year	233
Disposals	0
<b>At 31 December 2016</b>	<b>452</b>

Net book value	
<b>At 31 December 2016</b>	<b>1,230</b>
<b>At 1 January 2016</b>	<b>1,126</b>
Depreciation method	Straight line
Economic useful lives	0-5 years

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 8 Intangible fixed assets

	Software
<b>Acquisition/purchase cost</b>	
At 1 January 2016	112
Additions	39
<b>At 31 December 2016</b>	<b>151</b>
<b>Amortisation and impairment</b>	
At 1 January 2016	27
Amortisation charge for the year	44
<b>At 31 December 2016</b>	<b>71</b>
<b>Net book value</b>	
<b>At 31 December 2016</b>	<b>80</b>
<b>At 1 January 2016</b>	<b>85</b>
Depreciation method	Straight line
Economic useful lives	3 years

### NOTE 9 Investment in subsidiaries

Name of subsidiary	Country of incorporation	Established/acquired	% equity interest <sup>1</sup>		Equity 2016	Profit 2016	Book value 2016
			2016	2015			
Ultimo Netherlands B.V.	the Netherlands	2014	100 %	100 %	2,588,647	-61,203	2,086,047
Sileo Finans AB	Sweden	2013	100 %	100 %	1,145	-35	1,147
B2 Kapital Portf. Mngmt. srl	Romania	2016	5 %	0 %	24	0	0
							<b>2,087,194</b>

1) Voting rights in the subsidiary is equivalent to % equity interest.

In order to simplify the intercompany loan structure in the B2Holding Group, Ultimo Netherlands B.V. issued new loans to group companies that had long term loans to B2Holding ASA for their repayment, ref note 9.1. At the same time, to strengthen the equity in Ultimo Netherlands B.V., B2Holding ASA converted EUR 125 mill of the receivables to a voluntary non-agreed share premium in December 2016, without the issuance of any new shares to the capital of Ultimo Netherlands B.V.

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](http://www.b2holding.no).

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### 9.1 Long term loans to group companies

	2016	2015
Ultimo Netherlands B.V.	3,030,706	1,273,599
Sileo Kapital AB	0	400,215
Kontant Finans AB	16,141	16,767
OK Kapital OY	0	178,542
B2 Kapital d.o.o, Croatia	0	260,762
B2 Kapital d.o.o, Slovenia	0	1,888
<b>Long term loans to group companies</b>	<b>3,046,847</b>	<b>2,131,773</b>

At 31 December 2015 the Company made a provision of doubtful debts relating to Sileo Finans AB of NOK 7.8 million. Per 31 December 2016 the provision is reversed and the total receivable from Sileo Finans AB of NOK 8 million has been converted to share contribution.

### NOTE 10 Cash and short term deposits

	2016
Cash at banks	
- unrestricted balances	546
- tax deductions from employee payroll	943
- other restricted balances	1,123
	<b>2,612</b>

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 multicurrency cashpool, with a total amount of NOK 190,5 million, classified as "Short term receivables 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
<b>At 1 January 2016</b>	<b>31,187</b>	<b>1,426,790</b>	<b>5,133</b>	<b>386,384</b>	<b>1,849,494</b>
Profit for the year after tax				-78,930	-78,930
Issue of share capital (note 12)	5,725	656,426			662,151
Share based payment (note 16.1)			5,006		5,006
Dividends				-55,368	-55,368
<b>At 31 December 2016</b>	<b>36,912</b>	<b>2,083,216</b>	<b>10,139</b>	<b>252,086</b>	<b>2,382,354</b>

No dividends or non-cash distributions to owners have been paid in the period from 1 January 2016 to the of completion of these financial statements. The Bord of Directors have decided to propose for the Annual General Meeting in 2017 an ordinary cash dividend for 2016 of NOK 0,15 per share for payment to the owners in June 2017.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### 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 NOK'000s
<b>At 1 January 2016</b>	<b>311,872,095</b>	<b>31,187</b>	<b>1,426,790</b>
Share issue on 11 February at NOK 14.00 per share in connection with the bonus payment to the Chief Executive Officer and Chairman of the Board	57,144	6	794
Share issue on 7 June at NOK 12.00 per share in connection with the initial public offering	54,166,666	5,417	618,928
Share issue on 11 July at NOK 12.00 per share in connection with the over-allotment option in connection with the initial public offering 7 June	3,024,693	302	36,705
<b>At 31 December 2016</b>	<b>369,120,598</b>	<b>36,912</b>	<b>2,083,216</b>
<b>At 27 april 2017 (the date of completion of these financial statements)</b>	<b>369,120,598</b>	<b>36,912</b>	<b>2,083,216</b>

### The largest shareholders at 31 December 2016 were as follows:

	Number of shares	% total
Prioritet Group AB	51,118,519	13.85 %
Rasmussengruppen AS	43,073,236	11.67 %
Valset Invest AS	24,000,000	6.50 %
Stenshagen Invest AS	18,900,500	5.12 %
Indigo Invest	15,642,619	4.24 %
Bryn Invest AS	8,676,690	2.35 %
Protector Forsikring ASA	7,007,531	1.90 %
Arctic Funds Plc	6,084,734	1.65 %
Swedbank Robur Nordenfond	6,000,000	1.63 %
Verdipapirfondet Handelsbanken	6,000,000	1.63 %
Verdipapirfondet DNB Norge (IV)	5,878,761	1.59 %
Greenway AS	5,802,368	1.57 %
Evermore Global Value Fund	5,476,042	1.48 %
Vevlen Gård AS	5,411,585	1.47 %
Verdipapirfondet DNB Norge Selektiv	4,765,646	1.29 %
Verdipapirfondet Alfred Berg Gambak	4,122,619	1.12 %
Verdipapirfondet Alfred Berg Norge	3,779,536	1.02 %
Remaining shareholders (less than 1 %)	147,380,212	39.93 %
	<b>369,120,598</b>	<b>100.00 %</b>

The number of shares owned directly or indirectly by the Board of Directors and Management at 31 December 2016 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.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Name	Position	Number of shares
Jon Harald Nordbrekken <sup>1)</sup>	Chairman of the Board	26,522,496
Per Kristian Spone <sup>2)</sup>	Board member	6,000
Tove Raanes <sup>3)</sup>	Board member	7,500
Olav Dalen Zahl <sup>4)</sup>	Chief Executive Officer	2,296,116
Erik Just Johnsen <sup>5)</sup>	Chief Financial Officer	290,000
J. Harald Henriksen	Chief Compliance Officer	20,057
Henrik Wennerholm <sup>6)</sup>	Director Business Development	1,981,342
Rasmus Hansson <sup>7)</sup>	Director Strategy and M&A	40,057
Thor Christian Moen	Head of Legal	75,000

- 1) Jon Harald Nordbrekken holds 2,088,496 shares personally. In addition Valset Invest AS, an entity controlled by Nordbrekken and his related parties, holds 24,000,000 shares, and Cryptic AS, an entity controlled by a related party of Jon Harald Nordbrekken, holds 434,000 shares.
- 2) Persons related to Spone holds 6,000 shares.
- 3) Trane AS, an entity controlled by Tove Raanes, holds 7,500 shares.
- 4) Fjordsyn AS, an entity controlled by Olav Dalen Zahl, holds 2,292,716 shares. In addition, persons related to Olav Dalen Zahl hold 3,400 shares.
- 5) Pine AS, an entity controlled by Erik Just Johnsen holds 290,000 shares.
- 6) Femwen AB, and entity controlled by Henrik Wennerholm, holds 1,981,342 shares.
- 7) RMH Invest AS, an entity controlled by Rasmus Hansson, holds 40,057 shares.

### NOTE 13 Long term interest bearing loans and borrowings

In addition to the EUR 150 million unsecured bond issued in December 2015, B2Holding ASA successfully completed a EUR 175 million senior unsecured bond issue in October 2016 with maturity in October 2021, where the Company holds bonds for EUR 5 million.

	Currency	Nominal interest	Debt in local currency	Debt in NOK	Maturity
Senior Unsecured Bond Issue 2015	EUR	7.50 %	150,000	1,362,945	December 2020
Senior Unsecured Bond Issue 2016	EUR	7.00 %	170,000	1,544,671	October 2021

### Repayment schedule

At 31 December 2016	EUR	NOK
In 2020	150,000	1,362,945
In 2021	170,000	1,544,671
	<b>320,000</b>	<b>2,907,616</b>

### Financial covenants

The financial covenants are presented in the tables below. All covenants have been met at 31 December 2016.

	Requirements	2016
Total loan to value	Maximum 75%	60 %
Leverage ratio	Maximum 4.0	2.7
Net interest cover ratio	Minimum 4.0	6.5

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 14 Other long term liabilities

Other long term liabilities in 2015 represent contingent consideration on the acquisition of Creditreform Latvia SIA, Latvia which was due in more than 12 months. The contingent consideration is finally due in 2017 and is classified as other current liabilities per 31 December 2016, amounted to NOK 6,8 million.

This liability is described in more detail in note 6.3 to the B2Holding Group financial statements.

### NOTE 15 Commitments

The Company has entered into commercial leases for office premises, motor vehicles and items of office equipment. The lease contract for the office premises mature in June 2019 and the lease is 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 leases were as follows:

	2016	2015
Office premises	1,402	1,655
Motor vehicles	126	70
Office equipment	45	42
	<b>1,574</b>	<b>1,767</b>

Future minimum rentals payable under the non-cancellable operating leases at 31 December were as follows:

	2016	2015
Rentals payable within one year	2,086	2,059
Rentals payable from one to five years	2,997	5,011
	<b>5,083</b>	<b>7,070</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 16 Remuneration

For statement on the Group's remuneration policy, please refer to note 30.1 in B2Holding Group financial statements.

#### 16.1 Management and Board of Directors

Remuneration 2016	Salary	Bonuses earned in 2016	Pension expense	Other benefits	Total	Share option cost <sup>8)</sup>	Director's fee
Olav Dalen Zahl, Chief Executive Officer	2,667,632	1,000,000	47,543	167,222	3,882,397	1,669,050	
J. Harald Henriksen, Chief Financial Officer <sup>1)</sup>	1,757,696		43,479	24,989	1,826,164	250,357	
Erik Just Johnsen, Chief Group Controller <sup>2)</sup>	1,839,747		48,244	20,208	1,908,199	417,262	
Rasmus Hansson, Director Strategy and M&A	1,305,769	1,000,000	43,505	26,894	2,376,168	384,852	
Thor Christian Moen, Head of Legal	1,903,589		59,387	12,946	1,975,922	384,852	
Henrik Wennerholm, Director Business Development <sup>3)</sup>	876,118		146,196	6,619	1,028,933	230,911	

#### Board of Directors

Jon Harald Nordbrekken, Chairman	5,801,923		41,305	12,209	5,855,437	1,669,050	315,502
Per Kristian Spone							150,000
Trygve Lauvdal <sup>4)</sup>							0
Kari Skeidsvoll Moe <sup>5)</sup>							0
Tove Raanes <sup>5)</sup>							0
Niklas Wiberg <sup>6)</sup>							150,000
Kjetil Andreas Garstad <sup>7)</sup>							150,000
<b>Total</b>	<b>16,152,474</b>	<b>2,000,000</b>	<b>429,659</b>	<b>271,087</b>	<b>18,853,219</b>	<b>5,006,334</b>	<b>765,502</b>

1) J. Harald Henriksen took up the new position as Chief Compliance Officer with effect from 16 January 2017.

2) Erik Just Johnsen took up the new position as Chief Financial Officer with effect from 16 January 2017.

3) Henrik Wennerholm holds a 40% management position in the subsidiary Sileo Kapital AB and a 60% management position in B2Holding ASA.

4) Trygve Lauvdal, as a representative for shareholder Rasmussengruppen AS, has not received remuneration. Rasmussengruppen AS has been compensated with a consultant fee of NOK 150,000 excluding VAT (NOK 150,000 excluding VAT in 2015).

5) Kari Skeidsvoll Moe and Tove Raanes became members of the Board in May 2016 and directors fee are paid in 2017.

6) Niklas Wiberg resigned as member of the Board and became deputy member of the Board in May 2016.

7) Kjetil Garstad was member of the Board until May 2016.

8) Accrued social security costs are not included as part of the share option cost stated above.

Remuneration 2015	Salary	Bonuses earned in 2015	Pension expense	Other benefits	Total	Share option cost	Director's fee
Olav Dalen Zahl, Chief Executive Officer	2,990,848	1,000,000	42,656	163,339	4,196,843	1,968,085	
J. Harald Henriksen, Chief Financial Officer	1,558,337		52,268	26,537	1,637,142	295,213	
Erik Just Johnsen, Chief Group Controller	1,806,023		42,480	21,658	1,870,161	492,021	
Rasmus Hansson, Director Strategy and M&A	1,190,769		50,541	29,684	1,270,994	157,559	
Thor Christian Moen, Head of Legal	360,000				360,000	157,559	
Henrik Wennerholm, Director Business Development						94,536	

#### Board of Directors

Jon Harald Nordbrekken, Chairman	1,903,873	1,000,000	41,629	19,029	2,964,531	1,968,085	
Trygve Lauvdal					0		0
Per Kristian Spone				492	492		150,000
Niklas Wiberg					0		150,000
Kjetil Andreas Garstad					0		70,000
Ole Grøterud					0		80,000
Rune Husby					0		80,000
<b>Total</b>	<b>9,809,850</b>	<b>2,000,000</b>	<b>229,573</b>	<b>260,739</b>	<b>12,300,162</b>	<b>5,133,058</b>	<b>530,000</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### Benefits upon termination

Members of management have entered into employment agreements which provide for the following benefits upon termination:

- Olav Dalen Zahl is entitled to 12 months salary if his employment is terminated; and
- Harald Henriksen, Erik Just Johnsen, Rasmus Hansson, Thor Christian Moen and Henrik Wennerholm are entitled to 12 months salary after termination of employment in connection with an acquisition of the Company.

### Agreement with the Chief Executive Officer

Olav Dalen Zahl, the Chief Executive Officer, has a share and bonus payment plan covering the period 2013-2016. If the share price is over a specific target for a given year, he is entitled to a cash bonus. The cash bonus less the personal income tax payable on the bonus, shall be re-invested in B2Holding ASA shares at a price no lower than the price of the most recent share issue, or equivalent market price.

### Agreement with the Chairman of the Board

Until May 2016, Jon Harald Nordbrekken, the Chairman of the Board, has had an agreement with the Company regarding remunerations for consultancy work conducted on behalf of the Group and in connection with acquisition of companies and portfolios. Further to this agreement, Nordbrekken has had a 60% position with the Company and has been entitled to an annual remuneration equal to 60% of the remuneration paid to the Group's Chief Executive Officer. In May 2016 this agreement was terminated and Nordbrekken was compensated with an amount of NOK 5,096,054.

### Agreement with Valset Invest AS

On 18 December 2015, the Company entered into an agreement with Valset Invest AS regarding the purchase of 33,333 shares or two-thirds of the issued share capital in Sileo Finans AB. In accordance with this agreement, the Company paid a total purchase price of SEK 33,333 for the shares in Sileo Finans AB, equalling the purchase price paid by Valset Invest AS when acquiring the shares from B2Holding ASA and the total nominal value of the shares. The seller of the shares, Valset Invest AS, is an entity controlled by the Chairman of the Board, Jon Harald Nordbrekken. The completion of the transfer of the shares is subject to an ownership assessment and approval by the Swedish Financial Supervisory Authority.

### Agreement with Advokatfirmaet Forsberg DA

Thor Christian Moen (Head of Legal) was employed by B2Holding ASA with effect from 1 October 2015 in an 80% position and took up an 100% position from 1 September 2016. Moen was also a partner in Advokatfirmaet Forsberg DA which has provided legal services to B2Holding ASA amounting to NOK 608 237 for the full year 2016. For the period 1 January to 1 September 2016 B2Holding ASA compensated Advokatfirmatet Forsberg DA for Moen's office expenses amounting to NOK 154,375. In addition, B2Holding ASA invoiced Advokatfirmaet Forsberg DA for cost of a sublease as Advokatfirmaet Forsberg DA's offices were located within B2Holding ASA's leased premises. For the period 1 January 2016 to termination of the sublease 1 November 2016 this amounted to NOK 448,944. At termination Advokatfirmaet Forsberg DA was compensated with an amount of NOK 570,342.

### 16.2 Fees to auditors

All figures including VAT.

	2016
Audit fees	893
Fees for further assurance services	1,481
Fees for tax services	431
	<b>2,805</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 17 Related party disclosure

The Company's related parties include the management team and members of the Board of Directors. Related party transactions with management team and Board of Directors are set out in note 16.

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. No guarantees have been provided or received. 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.

### NOTE 18 Contingent liabilities

B2Holding ASA was subject to a tax audit of the treatment of reverse VAT charges on the delivery of services "capable of delivery from a remote location" at the end of 2014. In 2016 the Company received and paid a claim of NOK 12 million to Norwegian Tax Authorities after their findings. B2Holding ASA does not agree with their findings and has appealed the decision. Per 31 December 2016 the Company was waiting for the tax authorities to process the appeal. See note 20 for Subsequent events.

### NOTE 19 Guarantees

On 16 November 2015, B2Holding ASA issued a EUR 300 million guarantee to DNB Bank ASA as Agent on behalf of itself and Nordea Bank Norge ASA in connection with the provision of a syndicated multicurrency loan of EUR 260 million established in order to refinance existing borrowing facilities and provide additional facilities to fund future portfolio acquisitions for the Group. The guarantee was issued on behalf of the borrower under the syndicated multicurrency loan, B2Holding ASA's 100% directly owned subsidiary, Ultimo Netherlands B.V. The drawdown amount of the syndicated multicurrency loan at 31 December 2016 was PLN 150 million and SEK 100 million (total NOK 404 million).

B2Holding ASA issued an office rental guarantee with effect from 1 November 2015 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement is for a period of up to 3 years 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 3 year rental period is limited to the monthly office rentals for this period. The guarantee for the remaining rental period, with yearly adjustments, amounts to a total SEK 1.5 million.

### NOTE 20 Subsequent events

With reference to note 19. In March 2017 the tax authorities waived most of the additional tax claimed in 2016 and repaid NOK 1,6 million to B2Holding ASA. The rest of the Company's appeal regarding the VAT is still under assessment by the tax authorities.

## RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2016 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, 27 April 2017

/sign/

Jon Harald Nordbrekken  
Chairman of the Board

/sign/

Trygve Lauvdal  
Board Member

/sign/

Kari Skeidsvoll Moe  
Board Member

/sign/

Tove Raanes  
Board Member

/sign/

Per Kristian Spone  
Board Member

/sign/

Olav Dalen Zahl  
Chief Executive Officer

## AUDITOR'S REPORT



Statsautoriserte revisorer  
Ernst & Young AS  
Dronning Eufemias gate 6, NO-0191 Oslo  
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA  
Tlf: +47 24 00 24 00  
Fax: +47 24 00 24 01  
www.ey.no  
Medlemmer av Den norske revisorforening

### 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 2016, the income statement, statements of cash flows and changes in equity 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 2016, the statements of other 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 2016, and of its financial performance and its cash flows for the year 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 2016 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 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 of the current period. 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 loan portfolios

Purchased loan portfolios accounts for 77% 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 fair value calculation of purchased loan portfolios in the notes to the consolidated financial statement.

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, 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 judgment 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, compared the initial cash collection forecast to historical cash collection on similar loan portfolios and 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 test of the historical accuracy of prior year forecasts. As part of our procedures, we discussed the assumptions used including value, 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 and note 5.3 Purchased loan portfolios and changes in portfolio collection estimates and 5.4 Fair value estimation.

#### 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 Director (management) is 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.

Independent auditor's report - B2Holding ASA

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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.

Independent auditor's report - B2Holding ASA

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### Report on other legal and regulatory requirements

#### Opinion on the Board of Directors' report and in 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 concerning the financial statements and in the statements on corporate governance and corporate social responsibility, 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, 27 April 2017  
ERNST & YOUNG AS

Asbjørn Rødal  
State Authorised Public Accountant (Norway)

**B2Holding ASA**

Head office

Postal address:  
PO Box 1726 Vika  
0121 Oslo  
Norway

Visiting address:

Stortingsgaten 22, 7th floor, Oslo  
Tel: +47 22 83 39 50  
Fax: +47 22 83 39 51  
E-mail: [post@b2holding.no](mailto:post@b2holding.no)