Annual report 2020

B2 HOLDING

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Design: Uniform

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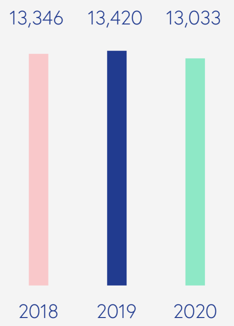
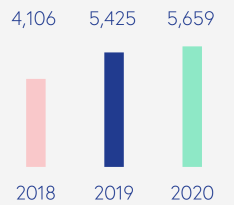
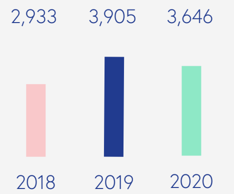


Book value of portfolios (NOKm)



Gross collection from purchased loan portfolios* (NOKm)



Cash EBITDA (NOKm)

23,100 NOKm

Estimated Remaining Collections (ERC)*
Sum of all future periods gross expected cash flow

8.1

Million claims*

146,093 NOKm

Face value of acquired portfolios*
Unpaid balances plus accrued interest and fees

2,191

FTEs
Number of employees converted to full-time posts

Key Financial Figures

(NOK million)	2020	2019
Total operating revenues	3,174	2,874
Operating profit (EBIT)	1,224	959
Profit after tax	309	107
Net interest bearing debt	11,068	11,379
Total assets	17,169	16,942
Equity ratio (as defined in the RCF agreement)	28 %	25 %
Basic earnings per share (EPS)	0.75	0.26
Book Value of Equity Per Share (BVPS)	11.51	10.34

*Including the Group's share of portfolios purchased and held in joint ventures

This is B2Holding

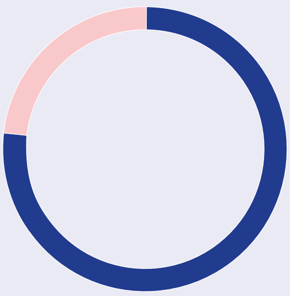
A LEADING PAN-EUROPEAN DEBT SPECIALIST

B2Holding is a professional and reliable partner within the debt purchase and servicing industry. Our vision is to become the leading trusted partner that actively re-shapes the credit management industry.

Through our business solutions we contribute to handling society's debt problems, bridging the gap that defaulted debt represents in the credit chain. Our business is about people and creating shared value for business and society. Being a socially responsible creditor and a trusted solution provider for our partners are fundamental in our way of doing business.

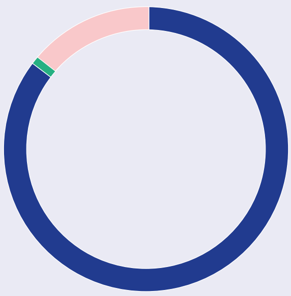
- Nordic-based
- Diversified by geography and asset classes
- Solid capital structure with prudent leveraging

Estimated Remaining Collections (ERC)



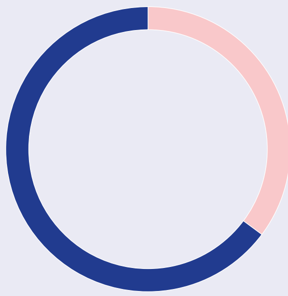
- Unsecured 77 %
- Secured 23 %

Revenue split



- NPL portfolio income, total 80 %
- Profit from shares and participation loan/notes in associated companies and joint ventures 1 %
- Other operating revenues 19 %

Gender distribution



- Male 35 %
- Female 65 %

BUSINESS LINES

The Group's main business lines are Unsecured and Secured Asset Management. The countries are allocated according to their dominant ERC asset class and expected market potential.

Unsecured markets:

Norway, Sweden, Denmark, Finland, Estonia, Latvia, Lithuania, Poland, Spain, Bulgaria, Czech Republic, Hungary

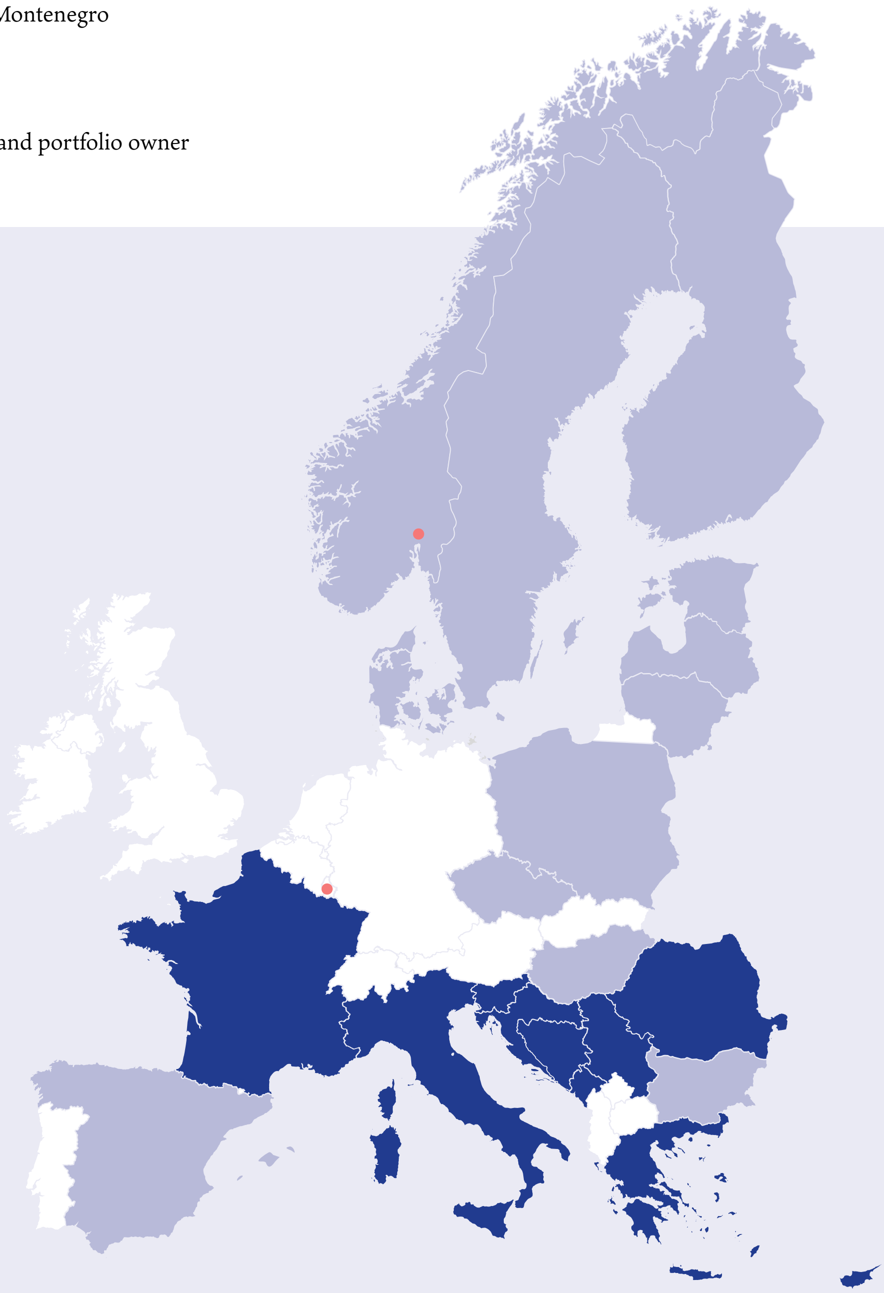
Secured markets:

Italy, France, Romania, Greece, Cyprus, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro

OFFICES

- Norway, Head office in Oslo
- Luxembourg, Investment office and portfolio owner

- Secured market
- Unsecured market
- Oslo and Luxembourg office



Building strength in challenging times

In 2020 our resilience and endurance were tested. Looking back at a demanding year, we are pleased to deliver solid results and emerge as a stronger Group.

2020 was an extraordinary year for individuals, for businesses and for society in general. As we finalise this annual report the world is still fighting the Covid-19 pandemic. The pandemic has challenged us to adapt to new ways of living, working and interacting. While we have not seen the end of the pandemic, our results in 2020 are a testament to our ability to adapt and turn the challenge into an opportunity.

When the world as we knew it changed dramatically in March 2020, our main priority was the health and safety of our employees and this remains our focus. In just a few weeks, we shifted more than 90 % of our operations to work-from-home. We witnessed an organization that was agile and able to quickly find new solutions that ensured both safe working conditions and stable operations. I would like to express my gratitude to all employees in the B2Holding Group. I am proud of how our employees are handling the persistent challenging and uncertain situation, ensuring business continuity and limited operational impact.

B2Holding's mission is to bridge the gap in the credit chain caused by non-performing loans (NPL). As a result of the pandemic, this is more important than ever. Following years of gradual improvement, the trend of NPL ratios is now rising across Europe and is demonstrative of the financial impact of the pandemic and how it has affected people and businesses. In the aftermath of the pandemic, our mission is being reinforced and the importance of our role in the financial ecosystem prevails.

As a debt collection company, in addition to our responsibilities to our customers, we have a responsibility towards society as a whole. Ethical and responsible collections have always driven our business, and in these challenging times it has been more important than ever. As a result of the

In the aftermath of the pandemic, our mission is being reinforced and the importance of our role in the financial ecosystem prevails.

pandemic, more people find themselves in challenging and uncertain financial situations. During the year, we have implemented new protocols to identify and follow up those that have been affected by the pandemic so that we can offer tailor-made solutions for them.

Stress test scenarios were an important tool we employed when planning our responses to the changing environment during the year. Fortunately, collections in every quarter exceeded our expectations in these scenarios. At the end of the year, we are pleased to report gross collections higher than the previous year. Especially Northern Europe and Poland showed resilience, with performance close to pre-pandemic forecasts. In March, we implemented a cost reduction programme with ambitious targets and during the year we have been able to significantly reduce the general cost level in the Group while ensuring limited impact on our workforce.

In an uncertain macroeconomic environment with lower visibility, the valuation and pricing of portfolios is challenging, and as a result of this the Group chose to significantly reduce its investments during 2020 in order to preserve capital. The majority of our investments during the year were forward flow portfolios in Northern Europe and Poland.

While the market activity was reduced, we shifted our focus towards organizational and operational improvements. In June 2020 we reviewed our business plan and reinforced our main strategic targets; to maintain profitable growth via focused investments in our core markets and to strengthen the Group's servicing capabilities. We are in the process of transforming the Group into a more cost-efficient operating model where efficiency is preferred versus footprint, and where we leverage the Group's servicing capabilities by increasing assets under management.

During 2020 we have reinforced our organization with more centralized risk and investment functions. Additionally, we have established senior positions in compliance and internal control, launched a new Code of Conduct and improved our compliance training and awareness programme.

Operationally, we are continuously exploring new ways to improve efficiency and effectiveness. Program Foresight, a Group-wide program focusing on better utilization of data and artificial intelligence, is progressing and yielding results in both entities and regions. During the pandemic, digital ways to interact with our customers have been important and we see clear indications that the more digitally mature regions are also the most resilient. By the end of 2021, digital customer platforms will be a prioritized channel in all our core markets.

An important part of our revised strategy is our reinforced commitment to sustainable development. In early 2021, B2Holding became a member of the UN Global Compact, committing to the Ten Principles and incorporating them into strategies, policies, and procedures. The Sustainability report has been improved and is prepared based on the Global Reporting Initiatives (GRI) standards, as well as the Stock Exchange Guidelines. This helps us to be more transparent and to provide measurable sustainability reporting. Several other initiatives have been carried out in 2020, including an in-depth Environmental, Social and Governance (ESG) analysis carried out by an external adviser. Such an analysis has given us valuable insight to improve and strengthen our ESG activities going forward. ESG is more important than ever, and we are committed to take responsibility and actions.

OUTLOOK FOR 2021

Going into 2021, we are a quite different company than one year ago. We have a stronger balance sheet and a strengthened liquidity position, providing additional financial flexibility. The Group has improved operations, increased efficiency, and a more developed central organization. This combination gives us a solid foundation to achieve our strategic goals.

In the coming years, we expect increased volumes of non-performing loans and improved yields. That said, we remain uncertain about the long-term macroeconomic effects of the pandemic, and we will therefore continue with our cautious approach going forward. Our focus is to further strengthen our earnings via profitable investments and to continue to develop our servicing platforms. We see many positives for our industry going forward and we believe we are very well positioned for the future.

Oslo, 21 April 2021

Erik J. Johnsen
Chief Executive Officer

01

The share

B2Holding is committed to open and transparent communication with the market. Through dialogue with share-holders, investors, analysts and with the financial market in general, we aim to create and achieve long term value growth for the shareholders.

Photo: Luis Eusebio, Unsplash

The share

B2Holding ASA has been listed on Oslo Stock Exchange since 8 June 2016 with the ticker code B2H. The share is included in Oslo Stock Exchange Benchmark index ("OSEBX").

2020 SHARE DATA

Based on the last trade on 30 December 2020, which was NOK 7.42, B2Holding's market capitalization was NOK 3,042 million as of the same date. The highest closing price quoted during the year was NOK 10.15 on 2 January 2020, and the lowest closing price was NOK 3.50 on 12 March 2020. During 252 trading days in 2020, a total of 461,659,636 B2Holding ASA shares were traded. The average daily trading volume of the B2Holding ASA shares on the Oslo Stock Exchange in 2020 was 1.83 million, equivalent to 0.45 % of the total number shares.

SHARE CAPITAL

At year-end 2020, B2Holding's share capital amounted to NOK 41 million, divided among 409,932,598 shares and corresponding to a nominal value of NOK 0.10 per share. 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 5,632 per year-end 2020, a 25 % increase from 4,492 at year-end 2019. According to the shareholder register maintained by the Norwegian Central Securities Depository (VPS), 93.40 % of B2Holding's shares are owned by Nordic investors.

Approximately 72 % of the share capital was owned directly or indirectly by private individuals or families and the remaining 28 % was owned by institutional investors (financial investors or funds under management).

DIVIDEND

The Board of Directors considers applicable legal restrictions, capital expenditures requirements, the financial conditions, general business conditions and contractual obligations when assessing the company's ability to pay dividends. The amount of dividend approved by the Annual General Meeting, shall not exceed the amount recommended by the Board of Directors.

The dividend was NOK 0.15/share for the financial year 2016, NOK 0.30/share for the financial year 2017 and NOK 0.45/share for the financial year 2018. Due to the uncertainty associated with the Covid-19 pandemic, no dividend was paid for 2019.

Under the current uncertainty and market conditions the Board maintains its assessment and propose for the Annual General Meeting not to pay dividend for the year 2020. The Board will assess the situation on an ongoing basis and will ask the Annual General Meeting for authorization to reconsider dividends for 2020 if the situation should return to a more predictable situation during the year.


B2Holding share price rebased
OSEBX index rebased
110.0
100.0
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
Jan/20
Mar/20
May/20
Jul/20
Sep/20
Nov/20


Volume
Share price
12
10
8
6
4
2
0
14000
12000
10000
8000
6000
4000
2000
0
Jan/20
Mar/20
May/20
Jul/20
Sep/20
Nov/20


Share price
11
10
9
8
7
6
5
4
3
2
Jan/20
Mar/20
May/20
Jul/20
Sep/20
Nov/20

The share

Shareholders per 31.12.2020

% of total share	Investor
12.91	PRIORITET GROUP AB
12.65	RASMUSSENGRUPPEN AS [1)]
6.34	VALSET INVEST AS
4.61	STENSHAGEN INVEST AS
2.82	DNB MARKETS AKSJEHANDEL/-ANALYSE
2.59	VERDIPAPIRFONDET ALFRED BERG GAMBA
2.12	BRYN INVEST AS
2.02	K11 INVESTOR AS
2.00	RUNE BENTSEN AS
1.75	VERDIPAPIRFONDET ALFRED BERG NORGE
1.71	STOREBRAND NORGE I VERDIPAPIRFOND
1.67	VPF DNB AM NORSKE AKSJER
1.57	VERDIPAPIRFONDET DNB NORGE
1.42	GREENWAY AS
1.15	SKANDINAVISKA ENSKILDA BANKEN AB
0.85	LIN AS
0.84	VERDIPAPIRFONDET ALFRED BERG AKTIV
0.83	VERDIPAPIRFONDET KLP AKSJENORGE INDEX II
0.81	VERDIPAPIRFONDET PARETO INVESTMENT
0.75	AS TANJA
38.60	OTHERS
100.00	

1) *Total shareholdings of Rasmussengruppen AS includes shareholdings of its fully owned subsidiaries Portia AS, Cressida AS and Viola AS*

Ownership structure per 31.12.2020

Size class	No of shares	Capital/votes %	No of owners	Owners %
1 - 1,000	870,280	0.2	2,084	37.0
1,001 – 10,000	9,540,639	2.3	2,380	42.3
10,001 – 100,000	30,113,325	7.3	917	16.3
100,001 – 1,000,000	52,584,966	12.8	194	3.4
1,000,001 – 5,000,000	95,394,131	23.3	43	0.8
5,000,001 – 10,000,000	58,377,137	14.2	8	0.1
10,000,001 – 53,000,000	163,052,120	39.8	6	0.1
Total	**409,932,598**	**100.0**	**5,632**	**100.0**

Geographical distribution of shareholders per 31.12.2020

	%
Norway	77.16
Sweden	16.24
Belgium	1.41
UK	1.11
US	1.07
Ireland	0.87
Germany	0.60
Finland	0.48
Others	1.05
Total	**100**

02

Risk management

B2Holding's approach to risk management is to proactively manage risks so that it generates profitability and value for all the Company's stakeholders and ensure sustainability.

Photo: Polina Kuxovakova, Unsplash

Risk management

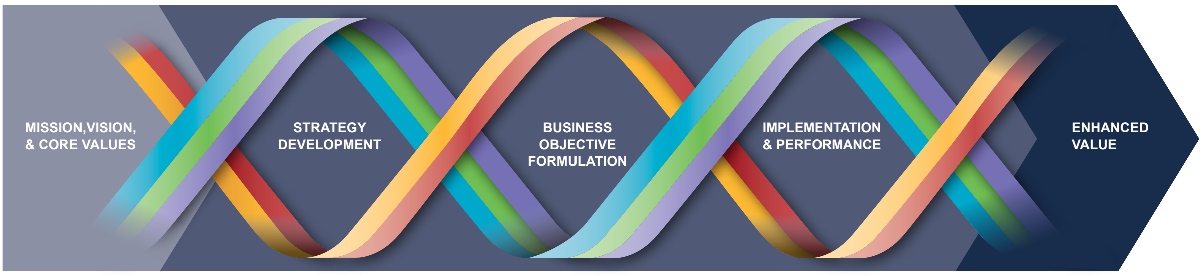
B2Holding ASA ("the Company") is the parent company of the B2Holding consolidated group of companies described as "the Group" or "B2Holding". The Risk management report is an integral part of the Directors' report.

B2Holding has placed significant focus on risk management during 2020 by embedding a new Group-wide enterprise risk management framework. The framework facilitates effective analysis and monitoring of significant risks (both internal and external), by enabling the Group's management at all levels to easier identify and quantify the risk factors that may negatively affect the Company's profitability and sustainability, while at the same time strengthening internal controls and governance.

B2HOLDING RISK MANAGEMENT FRAMEWORK

B2Holding is implementing risk management principles based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) framework with the overriding objective to achieve improved governance, drive operational excellence and achieve enhanced value for all stakeholders.

The components and principles of the COSO ERM framework that B2Holding is actively embedding across the Group are transforming the business into a risk aware organization.



Governance & Culture

1. Exercises Board Risk Oversight
2. Establishes Operating Structures
3. Defines Desired Culture
4. Demonstrates Commitment to Core Values
5. Attracts, Develops, and Retains Capable Individuals

Strategy & Objective-Setting

6. Analyzes Business Context
7. Defines Risk Appetite
8. Evaluates Alternative Strategies
9. Formulates Business Objectives

Performance

10. Identifies Risk
11. Assesses Severity of Risk
12. Prioritizes Risks
13. Implements Risk Responses
14. Develops Portfolio View

Review & Revision

15. Assesses Substantial Change
16. Reviews Risk and Performance
17. Pursues Improvement in Enterprise Risk Management

Information, Communication, & Reporting

18. Leverages Information and Technology
19. Communicates Risk Information
20. Reports on Risk, Culture, and Performance

Source: COSO Enterprise Risk Management Framework

At B2Holding, the risk framework is underpinned by ten key principles which define internal expectations on risk management with all employees expected to apply these principles in their daily work, promoting risk ownership and management where it arises. Risk management principles are grouped into categories as follows:

Dimension	Definition	Principle and Objectives
1. Strategic	Risks linked with the overall business plan, organizational structure, culture, competition, and macro and political environment.	Build a strong vision, strategy and product offering that enables the Company to grow profitably aligned with its strategic objectives. Lead by example, create a culture that promotes loyal and ethical behaviour aligned with company values and stakeholders' expectations.
2. Financial	Risks linked to financial losses, impacting the overall financial results, including liquidity, currency and interest rates, credit, investments, and tax.	Build a strong, transparent, and auditable financial position that enables the Company to plan and optimise its financial resources, meet financial obligations and grow profitably.
3. Operations	Risks linked with failed internal processes and procedures, people's actions, systems or from external events including legal and compliance.	Deliver exceptional service that meets and exceeds targeted operational expectations. Create operational efficiencies, build company resiliency, auditability, transparency, and processes optimisation.

At the end of 2020, the risk framework and risk mapping process, has been rolled out in six major B2Holding entities with clear actions and improvement plans agreed and pro-actively followed up by the Group Risk function. The risk framework will be rolled out to the remaining Group entities in 2021.

The risk governance structure is overseen by the Board through the Audit Committee, owned by the Group CEO and headed by the Group Chief Risk Officer (CRO) with appointed risk managers from local entities, who have a dotted reporting line to the CRO.

The Group Risk function works with local risk managers to correctly identify and assess risks, challenge risk assessments and act as a consultant to support clear and transparent risk mapping process.

FUNCTIONAL DESCRIPTION OF EFFECTIVE RISK MANAGEMENT AND CONTROL

During 2020, the Internal Audit function was established by appointing a Group Internal Auditor, thus completing the implementation of the risk management and control functions, which started in 2019 and are now implemented.

1. The first function comprises the business operations and responsible for the risks they take. This entails responsibility for daily risk management and compliance with Group's internal policies and external regulations.
2. The second function comprises Risk and Compliance functions and responsible for independent risk monitoring, management support and control.
3. The third function comprises of the Internal Audit function which ensures proper functioning of the first and second lines.

During 2020, the Group has worked to strengthen its internal governance with more central control and oversight implemented, including re-organization of key Board and Group Management positions.

Furthermore, the Group's core internal policies – such as the Code of Conduct, core values and policies related to operations – were updated. The work to strengthen Group governance will continue into 2021.

RISK STRATEGY AND APPETITE

The Group's core business is to generate profitable returns through controlled exposure to credit risks in the form of acquiring and managing non-performing loans. Therefore, we actively pursue this type of risk which inherently carries the highest potential impact on the income statement and balance sheet. As such, there is an increased central focus on this area of risk, with particular emphasis and oversight on the portfolios acquisition process, performance management and reporting.

Risks such as liquidity, operational and market risk should be minimized but balanced, as far as it is economically justifiable, following internal policies and guidelines. Other types of risk such as management, regulatory and reputational risk are addressed through the Group's governance and compliance policies.

PRINCIPAL RISKS

Principal risks are identified through the Group-wide risk framework or through incidents raised. All material risks raised, are discussed at periodic senior management meetings, with mitigating actions defined, implemented and improvements actively monitored by the Group Risk function. The risks are grouped into three broad categories: strategic, financial and operations, with the table below summarising the key risks and mitigants B2Holding is exposed to:

Risk Type	Description	Mitigation
Strategic Risks - Risks linked with the overall business plan, organizational structure, culture, competition and macro and political environment.		
Management risk	B2Holding operates in multiple countries with different competitive and regulatory landscape and historically operating a decentralised model. This may give rise to different types of risks as local entities have different operating models and different levels of maturity.	A more centralised model through Group level functions and oversight is being implemented, enabling synergies, optimisation and greater governance control. An ongoing Group-wide project to update, harmonise and modernise policies, processes and procedures taking into consideration oversight requirements. Aim: More standardised and unified business operating model, greater financial control mechanisms, local operations supported to a larger extent by Group knowledge and competence.
Competition risk	The risk of increased competition in purchasing NPL portfolios, pricing pressure and lower returns accepted by competitors may adversely affect operations and profitability.	Management monitors the competitive environment by regularly monitoring the countries opportunity pipeline and horizon scanning for suitable transactions to pursue and these are taken into consideration during the decision-making process. The Group uses local collection platforms with established positions and experience, providing in-depth local knowledge of the markets. The local platforms are supported by dedicated Group resources in key business areas, such as investment pricing, portfolio management, operations, IT and others. The Group is actively pursuing investment partnerships which allow opportunistic participation in multiple portfolio investments with reduced capital requirements, whilst benefitting from additional servicing earnings.
Macroeconomic and political risk	B2Holding operates in multiple countries and therefore it is implicitly exposed to different economic and political regimes. Changes in the economic and political environment may negatively impact B2Holding's ability to collect from portfolios acquired or competitively price these.	The Group maintains an on-going dialogue with the local management teams and conducts regular checks on the macroeconomic and political development of each market. The Group uses external market research and data to actively monitor the macroeconomic trends in each country. The market and macroeconomic analyses and insights are incorporated into the Group's strategic considerations.

Financial Risks - Risks linked to financial losses, impacting the overall financial results, including liquidity, currency and interest rates, credit, investments and tax.

Liquidity risk	B2Holding is dependent on access to financing, both from banks and capital markets through issuance of bonds and share capital to have sufficient liquidity available to meet its contractual obligations.	The Group's capacity to assume risk is determined by the Board of Directors. B2Holding policy is to always have liquidity available to cover the contractual financial forward flows and outstanding binding portfolio investment offers, operating within bank and financing covenants restrictions. The capital threshold for equity in the loan agreements are set at a minimum consolidated book equity ratio of 25 %. Liquidity risk is monitored by the Group Treasury function and reported monthly to the Board of Directors. B2Holding works actively to maintain good relationships with the financing banks and credit rating agencies.
Currency and interest rate risk	B2Holding is partly exposed to fluctuations in exchange and interest rates. These risks can affect the earnings and financing costs as B2Holding's accounts are denominated in NOK, whilst a large part of the Group's business is carried out in Euros and other local currencies	To mitigate the currency risk the Group uses a multicurrency bank facility and bond loans denominated in Euros, to effectively establish natural hedging. For most countries, investments, revenues, and operating expenses are denominated in local currencies, therefore the currency fluctuations have a relatively minor effect on operating earnings within the relevant country, which limits transaction exposure. However, portfolios acquired in specific countries such as Croatia, the Czech Republic, Bulgaria and Romania are financed in Euros due to limited possibilities for medium and long-term hedging arrangements when borrowing in those currencies. Croatia and Bulgaria have pegged their currency to the Euro. B2Holding is exposed to changes in interest rates since the Group's debt has an element of floating interest rate. The Group employs hedging strategies that enable B2Holding to, within certain limits, hedge its interest exposure and hence monitor and reduce overall interest rate risk exposure. Currency and interest rates exposure are regularly monitored with hedging arrangements assessed and modified in accordance with the Group's Treasury policies to continuously minimise these risks.

Credit risk	The risk of loss arising from customers not repaying principal or interests accrued or counterparties not meeting their contractual obligations. For B2Holding, this refers mainly to NPL portfolios acquisitions receivables, cash and cash equivalents, and outlays on behalf of clients.	NPL portfolio risks are addressed under investments risk. For cash and cash equivalents, these are deposited with established banks where the risk of loss is remote. For counterparty risks, the Group deals primarily with known customers who have a good creditworthiness risk. Credit risk is analysed, monitored, and controlled by the local entities management and strengthen with additional oversight from the Group controlling units.
Investments risk	B2Holding invests in NPL portfolios and then tries to make a profit from these investments by assuming all rights and risks arising from these transactions. The risk on this type of business may arise by overestimating collections or underestimating costs to collect, or timing for these, and thereby incurring losses. Therefore, it is crucial for the Group's business to achieve an overall rate of collection above that reflected in the prices paid. While B2Holding believes that the recoveries on the Group's loan portfolios will be in excess of the amount paid, amounts recovered may be less than targeted.	B2Holding buys NPL portfolios at discounted prices and therefore the risk is partially mitigated through pricing and expected returns. Furthermore, the Group's assets are diversified both in terms of asset classes (secured, unsecured) and geographical location across more than 20 countries. All acquisitions are based on careful valuations to predict future net collections and are strictly governed via the Group Investment Office and investment process as illustrated on page 21. B2Holding constantly aims to reduce the risk through applying extensive experience and using the Company's proprietary database consisting of detailed analytical data based on a history of NPL purchases and performance. In 2020, the Group strengthened this process further by introducing new standardized forecasting models owned by the Group Risk function.
Tax risk	Changes in domestic and international direct and indirect tax laws may result in financial losses or increased expenses for the Group, related to investments and on operational level.	B2Holding's policy is to always engage the services of external tax advisors for large and complex transactions, to ensure these are properly assessed and managed. B2Holding has established a reporting tool whereby Group companies report potential tax risks on a monthly basis to Group Tax, before they are due or changes in legislation occurs.

Operational Risks - Risks linked with failed internal processes and procedures, people actions, systems or from external events including legal and compliance.

Data Protection Risk	The operations are dependent on a large amount of information containing personal data. Risk arises from human error non-compliance with our internal policies or external regulations, or inappropriate processes and procedures implemented including internal control.	B2Holding prioritises privacy and has restricted and controlled access to personal information. The overriding principle is that, in accordance with applicable regulations, B2Holding only processes personal data for which the Company has legal grounds to do so and are necessary for the operations. In 2020, the Group updated and implemented the Group GDPR policy and Data Breach policy across the Group and all its local subsidiaries.

		All Group and operating subsidiaries have appointed a Data Protection Officer who assure and regularly monitor GDPR compliance. All employees are trained on GDPR regulations and are expected to report any breaches to their respective data protection officer. Furthermore, all data and compliance breaches are now monitored through Group central databases.
Regulatory risk	The Group depends on authorisations and licenses from different authorities in order to operate. Risk arises from non-compliance or breaches to existing processes and procedures implemented. Regulatory changes can also influence the markets and local operations, either in a positive or in a negative way.	License requirements, adherence to these and potential regulatory changes are managed and monitored by the relevant local operations and reported to Group on a regular basis. In 2020, the Group updated and implemented the Group Compliance policy across the Group and all its local subsidiaries. The Group also monitors regulatory changes and developments through open dialogue with the local senior management team. Furthermore, B2Holding also participates and co-operates with policy makers and actively participates in industry associations that develop standards and best practices and promote the role of the industry in supporting the health and viability of the financial system. All data and compliance breaches are now monitored through Group central databases.
Reputation risk	A good reputation is crucial to B2Holding's long-term sustainability to operate as a viable company, and more so as it deals with debt collection activities and the customers need to trust B2Holding in order to positively engage with the Company. It is therefore crucial to B2Holding that the customers are always fairly treated. The Group places great emphasis on reputation and relationships with all stakeholders: clients, customers, employees, board members, investors authorities and suppliers.	Group's compliance policies, Code of Conduct and adopted values are embedded in the operations and how the employees conduct themselves in day-to-day work and relationships with stakeholders. In 2020, the above policies were updated, communicated, and implemented across the Group. The Group also expects its suppliers to comply with the Code of Conduct, including in particular those that provide collection services on behalf of the Company. All the entities have a compliance function that follows up on collections practices and internal standards regularly to ensure that good ethical practices are applied through the Group. All data and compliance breaches are now monitored through Group central databases. The Group is also in the process of setting up a whistleblowing channel and finalising the Group whistleblowing policy.

Risk	Description	Mitigation
IT functionality and security risk	The Group depends on accessible and well-functioning IT systems. Interruptions and errors in business-critical systems can pose risks to the operations and Company reputation. Although strict protocols are implemented there is always a risk of illegal infringement and access to the systems, giving unauthorised access to information, loss of data through malicious software or illegal exploitation on the Company's behalf through phishing.	IT functionality and security risks are managed through a combination of technical and administrative controls, security training and regular checks and monitoring of systems, and applies to both local entities and Group level. For Group functions, centralised logging and prevention of intrusion is in place. During 2020, a new IT risk policy was implemented with entities required to report local IT arrangements and breaches to the Group. In 2020, the Group also strengthened its systems access control by introducing multi-factor authentication access to its systems applications, initiated the migration of its central database to cloud and recruited additional IT expert competency to the Group. A full review of the IT strategy and governance for the Group has also been initiated and is expected to be completed in 2021.
Corruption risk	The Group's employees face corruption, bribery, and money laundering attempts both internally and in relation to external stakeholders. Therefore, there is a risk that employees will use their position of power in order to benefit themselves, or to influence decision makers. B2Holding also faces being exploited to money laundering from criminal activities through insufficient knowledge of clients or through the payment of transactions undertaken.	B2Holding applies zero tolerance policy to corruption and bribery, and this is reflected in the Code of Conduct and B2Holding's values. To minimise this risk, B2Holding collects information about clients and their shareholders and have local Know Your Counterparty (KYC) policies in place. The Group regulatory compliance function works to identify, evaluate and manage risks in this area, and also provides training as appropriate. All employees are expected to report suspected cases of corruption or illegal activity by directly contacting the Group Compliance function. This will be extended to the whistleblowing channel, once finalised. The Company is currently working on a Group KYC policy which will be applicable as minimum standards for all entities of the Group. Furthermore, it is also in the process of setting up a whistleblowing channel and finalising the Group whistleblowing policy. These are all due to be completed in 2021.
Employee risk	The employees are crucial to B2Holding's success and the Group is committed to attract and retain competent and motivated employees and managers to ensure success.	All Group subsidiaries have internal Employment and Training policies which are compliant with local laws and regulations and most entities monitor and manage their employee induced turnover ratios. The Group is constantly working on harmonising and strengthening programs dedicated to promoting employee loyalty and retention.

EXTERNAL EVENT: COVID-19 PANDEMIC

2020 was marked by the outbreak of the Covid-19 pandemic which affected the circumstances in all of the markets in which B2Holding is present, and changed the way the vendors, clients and employees operated.

The European governments have introduced significant economic relief packages, and at the time of writing this report, are in the process of vaccinating the population. The ultimate timing and effectiveness of these efforts remains uncertain and the spread of the virus in Europe is not yet under control.

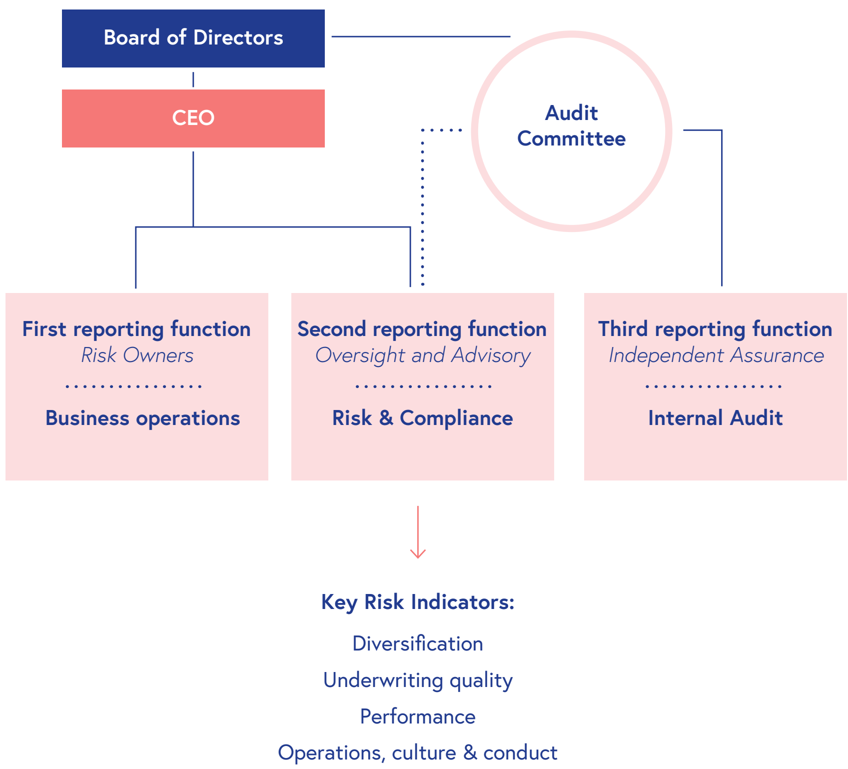
B2Holding's primary concern is the well-being of its employees, followed by ensuring business continuity, and it has actively addressed both as the pandemic progressed.

B2Holding and its entities moved their workforce to work-from-home within weeks from the inception of the pandemic and complied with all regulations imposed by the local health authorities and governments. This allowed the Group to mitigate the risks caused by the lockdowns imposed in first quarter 2020. Furthermore, the Group has successfully operated under flexible work-from-home schemes throughout 2020, being able to adjust its operations to the health and safety requirements during the subsequent waves of the pandemic.

In second quarter 2020, B2Holding undertook the stress testing of its back book to estimate the financial impact of the outbreak on its portfolios. So far, the Group has been outperforming the projected stressed scenarios.

B2Holding continues to actively monitor the pandemic developments as they unfold and maintains a cautious stance towards new investments.

ILLUSTRATION OF THE FUNCTIONAL ORGANIZATION OF EFFECTIVE RISK MANAGEMENT AND CONTROL



- The three functional responsibilities provides clear separation of internal functions:
  - Business operations
  - Independent support (Risk, Compliance, Corporate Governance) and
  - Independent assurance (Internal Audit)
- The Risk function has a dual reporting line to the CEO and the Board (Audit Committee)
- The objective of the second reporting function is to protect company value at key decision making moments and to support the executive management and the BoD with unbiased risk assessment

Key Risk Indicators are set and monitored in cooperation with the BoD

- asset concentrations
- valuation accuracy
- performance
- operational & compliance incidents

OUR INVESTMENT PROCESS

Portfolio purchase price

Board of Directors

- Responsible for overall management of the Group including strategy, plans and guidelines
- Analyse recommendations
- Approve critical decisions
- Approve investment strategy and investment project above certain threshold

Investment Committee

The Investment Committee consists of the CEO, CFO, CLCO, CRO and the CIO.

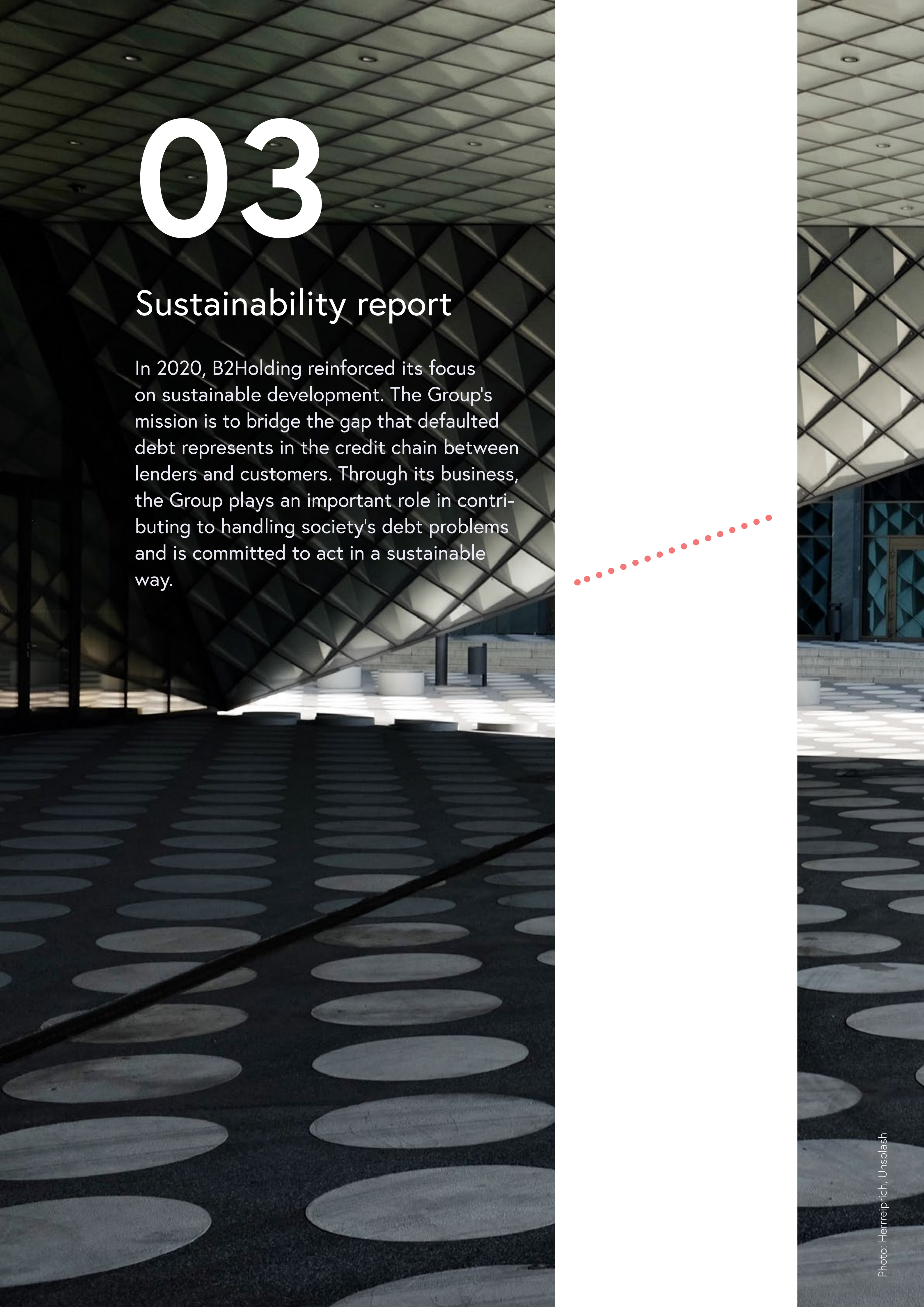
- Approve individual projects
- Analyse investment recommendations
- Review and adjust investment criterias

Luxembourg Investment Office (UPI)

- Monitor and analyse markets
- Develop investment strategy
- Analyse recommendations
- Identify best practices, transfer knowledge
- Report to Group

B2Holding platforms / business line operation

- Monitor and analyse markets
- Monitor strategy execution
- Execute the purchase process
- Perform valuations
- Recommend investments
- Report to UPI



03

Sustainability report

In 2020, B2Holding reinforced its focus on sustainable development. The Group's mission is to bridge the gap that defaulted debt represents in the credit chain between lenders and customers. Through its business, the Group plays an important role in contributing to handling society's debt problems and is committed to act in a sustainable way.

Photo: Herreiprich, Unsplash

Sustainability report

Introduction

SUSTAINABILITY IN B2HOLDING

In 2019, B2Holding decided to strengthen its focus on and approach to sustainability. The Covid-19 pandemic has accelerated this process as B2Holding plays an important role in this challenging crisis. Although the full extent of the pandemic's impact is not yet visible, B2Holding has seen increasing unemployment and economic hardship in the countries where B2Holding is present. As a consequence, the volume of non-performing loans (NPLs) in these markets has significantly increased. Through its business solutions, B2Holding plays an important role in contributing to handling society's debt problems. B2Holding's mission and purpose is to bridge the gap that defaulted debt represents in the credit chain between lenders and customers, and it is the Group's responsibility to act in a sustainable way.

The world has changed with the pandemic. Customers and employees are the main priority and the key drivers of B2Holding's sustainability strategy. As a debt collection company, B2Holding has strong social and governmental responsibilities. Additionally, the Group has a responsibility and opportunity to reduce the environmental footprint when performing the Group's activities.

PRIORITIES AND ACTIVITIES IN 2020

Since the pandemic reached Europe in March 2020, B2Holding's main priority has been the health and safety of the employees. The Group has taken extensive measures to ensure business continuity under flexible work-from-home schemes. Furthermore, the Group has dedicated resources across the countries in which it operates to help those in vulnerable situations as a result of the Covid-19 pandemic. The Group has adapted its collections strategies, offering payment solutions to accommodate vulnerable groups and those especially affected by the pandemic.

B2Holding will ensure its long-term ability to create value for the Group's stakeholders be they customers, vendors, lenders, or employees. For this purpose, in third quarter 2020 the Group launched a materiality analysis review, redefined KPIs and is currently in the process of developing a strategic plan, including actions that will enhance the Group's sustainability performance and ensure development.

As a result, B2Holding has expanded and strengthened the dialogue with stakeholders in order to understand their needs and expectations. Furthermore, the Group has participated in forums related to sustainability and best practices in the industry.

PREPARING FOR THE EU TAXONOMY REGULATION

B2Holding closely monitors the EU's work on Sustainable Finance and the EU Taxonomy regulation. The new legislative and non-legislative actions introduced in the European Green Deal and the EU Sustainable Finance Action Plan will require financial market participants and companies to consider and disclose how they are working with sustainability in a new and standardized manner.

The EU Taxonomy, a cornerstone of this work, establishes a classification system with criterias for which economic activities can be considered environmentally sustainable. Large companies will be required to disclose to what extent their turnover, investments and operational costs align with the EU Taxonomy criterias.

Going forward, B2Holding plans to analyse and disclose how the Group's operations align with the EU Taxonomy. B2Holding will also assess how the framework can be used for internal risk management, financial planning, and strategy processes.

VISION, MISSION AND VALUES

B2Holding's core values are the heart and soul of the Group. B2Holding considers the values to be a guiding force, the common language that is used and lived by every day to clearly demonstrate B2Holding's culture. The values are the Group's behaviours and attitudes as an organization that allows it to achieve what it wants to be (vision) doing what it must do (mission).

B2HOLDING BELIEVES IN

- **Agility:** The Group seeks to gain new knowledge and grow. Through constant development, the Group is able to adapt quickly and effectively to changing environments and to the needs of its business partners. B2Holding focuses on solutions, not problems.
- **Integrity:** B2Holding follows the highest ethical principles and does the right thing in all situations. The Group stands for what is right and speaks up in the event of misconduct. It is honest, responsible, accountable, and dedicated, even when challenged. Integrity is the foundation on which the Group builds trust.
- **Diversity:** B2Holding believes that a multicultural, inclusive, and diverse work environment is an asset. The Group values and respects people of different backgrounds and experiences. B2Holding creates a culture where everyone is welcome.

- **Excellence:** The Group always contributes to the best of its abilities and encourages colleagues to do the same. The Group is committed to continuous improvement. B2Holding drives change and strives to find better ways of doing things. Technology and digitalization are at the top of the agenda to increase efficiency and foster a culture of innovation.
- **Responsibility:** B2Holding is committed to society and the environment. The Group goes beyond compliance and is accountable for its actions.

Mission Why we exist	Through our business solutions, we contribute to handling society's debt problems, bridging the gap that defaulted debt represents in the credit chain
Vision What we want to become	The leading trusted partner that actively re-shapes the credit management industry

Sustainability governance

B2HOLDING'S WORK WITH SUSTAINABILITY

As part of B2Holding's strategy for and commitment to sustainable development, ESG responsibility has been delegated to the Head of Corporate Development, a member of the Group Management.

The Board recognize the development of a sustainability strategy as a strategic focus for the Group.

In early 2021, a Group Sustainability Committee (GSC) was created to ensure coordination and integration in the Group. Led by the Head of Corporate Development, the GSC comprises members from B2Holding's business lines, human resources, risk, compliance and finance. The GSC ensures that the Group's ESG strategy is anchored and implemented throughout the organization.

Furthermore, in 2020, all Group entities appointed a local sustainability ambassador to support and lead local initiatives, in addition to harmonizing with Group initiatives.

B2HOLDING'S GOVERNING DOCUMENTS

B2Holding has several policies that govern how the Group work with sustainability issues. Below is a selection of relevant policies:

- Code of Conduct
- Compliance Policy
- Whistleblower Policy
- Anti-Corruption Policy
- Anti-Money Laundering, Counter Terrorist Financing and Sanction Policy
- GDPR Policy
- Instructions for Handling Inside and Confidential Information
- Investment Approval Policy
- Group Transaction Team memo - Covid-19 and contractual impact
- Tax Policy
- Transfer Pricing Policy
- Information Security Policy

B2HOLDING COMMITMENTS

UN Global Compact

In early 2021 B2Holding became a signatory to the UN Global Compact, committing to its ten principles:

1. Human Rights	2. Labour	3. Environment	4. Anti-corruption
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and **Principle 2:** make sure that they are not complicit in human rights abuses	**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; **Principle 4:** the elimination of all forms of forced and compulsory labour; **Principle 5:** the effective abolition of child labour; and **Principle 6:** the elimination of discrimination in respect of employment and occupation	**Principle 7:** Businesses should support a precautionary approach to environmental challenges; **Principle 8:** undertake initiatives to promote greater environmental responsibility; and **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.	**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

The Group supports public accountability and transparency and therefore commits to reporting on its progress within one year of joining the UN Global Compact and annually thereafter in the form of a Communication on Progress (COP) regarding the implementation of the ten principles.

These principles are implemented through internal policies and B2Holding's Code of Conduct, which supports the fundamental goal of building and sustaining long-term relations with all stakeholders by maintaining high ethical standards in every decision made. By following the Code of Conduct, the Group wants to ensure that its business is conducted in a responsible and sustainable way. The Code of Conduct is available on the Company's website.

Human Rights

B2Holding is committed to the UN Guiding Principles on Business and Human Rights as a common standard for the corporate responsibility to respect human rights.

B2Holding aims to create and maintain a safe and fair workplace with equal opportunities for all, fostering diversity and inclusion. The Group ensures working conditions that exceed minimum standards. New hires are trained and informed on their rights and obligations in terms of vacation, working hours, overtime, parental leave, and salary.

All Group entities are covered by Collective Bargaining Agreements unless national rules do not have one or the local company itself is not included because its size is below the threshold. B2Holding guarantees applicable national legislation in regard to working conditions. It is mandatory for all employees to receive Compliance training, including the Code of Conduct.

Stakeholder dialogue and materiality

B2HOLDING'S STAKEHOLDERS

B2Holding's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, as well as key topics and concerns that have been raised in 2020 and how B2Holding responded, are described in the table below.

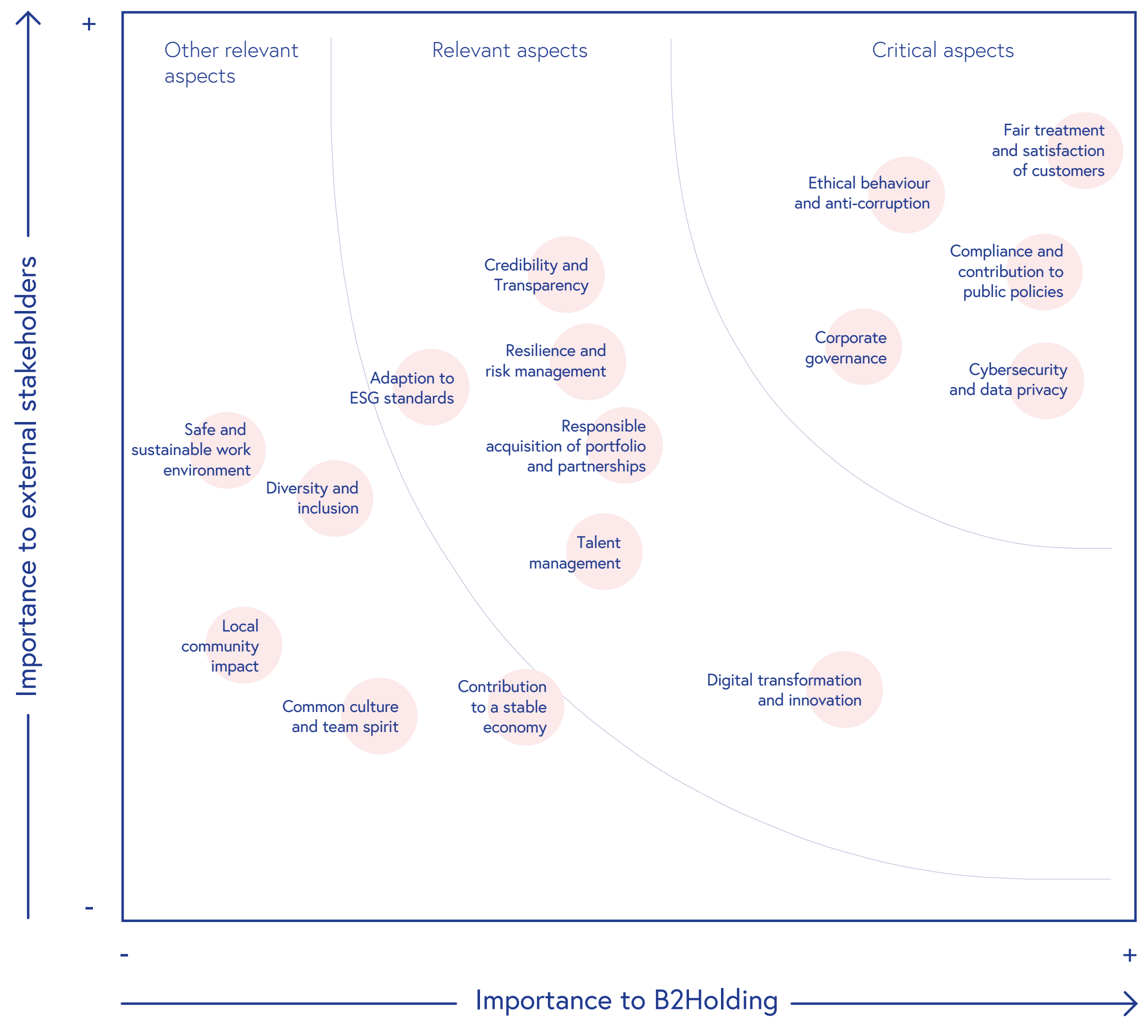
Stakeholder group	Type of contact and frequency	Key topics and concerns raised	B2Holding's response
Customers (debtors)	• Daily contact through website, email, phone, letters, SMS • Debtor survey • Customer service	Covid-19 pandemic financial implications for their payment agreements.	Implemented protocols to help those most affected by Covid-19.
Business partners and financial vendors	• Industrial forums • Regular meetings • Valuation processes	• Covid-19 implications for defaults • Regulatory changes and implications for their assets under management • Post-sale reputational risks	• Implemented protocols adapting collection strategies to Covid-19 • Increased interactions and follow up • Reviewed values and operations culture to address partners' and vendors' expectations
Investors (lenders and shareholders)	• Quarterly reporting • Press releases, investor presentations, road shows • Annual General Meeting • Capital Markets Day	• Share price • Company performance and competitiveness • Capital structure • Market development • Regulatory environment • External credit ratings • ESG ratings	Provided trading updates to the investor community with focus on Covid-19 related measures during the first wave of the pandemic. All quarterly presentations and investor presentations were carried out digitally. ESG was covered specifically, especially social responsibility towards employees and customers.
Employees	• Internal communication platform (Workplace) • HR onboarding programmes • Daily digital or face-to-face interactions • Digital training and feedback sessions	• Workplace environment and wellbeing • Development opportunities • Covid-19 management, digital working practises	• Consciousness of the need to develop a wellness corporate plan • Increased internal communication in Workplace platform • Covid-19 protocol & follow up over business impact, country status, company status, % work-from-home, infected, office & government measures • Improved and increased tools to enable all employees to work-from-home

DEFINING MATERIAL TOPICS

To identify the sustainability topics that are material to B2Holding, the Company conducted a materiality analysis in 2017, based on requirements set out by the Global Reporting Initiative (GRI). The analysis was updated in 2020 with the help of an external consultant.

Interviews with external and internal stakeholders were conducted in order to map their views on various sustainability related topics. The list of topics considered is based on GRI recommendations as well as a benchmark of peers, press releases analyses, requirements from ESG indexes and ratings and analyses of other internal documentation.

The materiality matrix below includes the topics considered "material", in terms of their importance to the external stakeholders and B2Holding when it comes to the Group's economic, environmental, and social impact. The topics in the upper-right corner of the materiality matrix thus represent the topics that are considered most material to the Group. In 2021 the Group will update the matrix to be fully compliant with the GRI recommendations.



While most of the sustainability topics in the matrix are likely to be lasting material topics for B2Holding, each year new topics gain influence and other topics become less relevant.

"Fair treatment and satisfaction of customers" continue to be the most critical topic. In 2020, the topic "Credibility and transparency" has increased in relevance and new aspects have entered the matrix (Resilience and risk management, Adaptation to ESG standards, Common culture and team pride).

Lately, topics concerning B2Holding's environmental management such as the climate footprint and climate-related risks and opportunities have taken place on the Group's agenda. While these topics are not reflected in themselves in this matrix, information about these topics are included under the topic "Safe and sustainable work environment".

Contributing to the UN Sustainable Development Goals (SDGs)

B2Holding recognizes that businesses play a key role in achieving the 17 Sustainable Development Goals (SDGs) put forth by the United Nations in 2015. The Group's main contribution as a debt solution provider lies in creating value for society by handling non-performing loans and supporting customers (debtors) in solving their payment challenges, enabling them to return to the standard financial system. While most of the goals are relevant to B2Holding's operations, the Group believes the following goals present the strongest opportunities to have a meaningful and sustainable impact:

5 GENDER EQUALITY	Achieve gender equality and empower all women and girls.	Goal 5.1: By ensuring and fostering diversity in B2Holding's organization, not only from a gender perspective but by avoiding all forms of discrimination. Goal 5.5: By ensuring women's full and effective participation and equal opportunities in leadership positions.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.	Goal 8.3: By fostering a culture where knowledge sharing is encouraged to upskill, improve creativity and innovation and hiring policies are developed that ensure the creation of decent and stable jobs.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infra-structure, promote inclusive and sustainable industrialization and foster innovation.	Goal 9.3: By providing access to financial markets and giving a second chance to customers that have ended up in financial distress.
10 REDUCED INEQUALITIES	Reduce inequality within and among countries.	Goal 10.2: By fostering diversity in the workforce and create opportunities for all. Goal 10.5: By contributing to a healthier financial ecosystem through the acquisition of distressed debt from partners and helping individuals to return to the financial chain.
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts.	Goal 13.2: By measuring greenhouse emission per year and designing policies and target to reduce and combat climate change. Goal 13.3: By increasing workforce awareness and training on climate change mitigation and B2Holding's impact.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.	Goal 16.4: By combating financial money laundering crime, implementing measures, strict procedures, and employee training. Goal 16.5: By ensuring the Code of Conduct is embedded in the employees' day to day actions, as well as speaking up when witness misconduct in corruption and bribery. Strong controls in place.
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.	Goal 17.6: By B2Holding being a participant of the UN Global Compact. Goal 17.17: By promoting partnering with external parties to build on strategic experiences.

Sustainability goals and targets

In 2020, B2Holding increased its focus on sustainability performance and reporting.

Importantly, B2Holding has worked on setting KPIs relating to the topics the Group has defined as material (see page 27), making its efforts related to the different sustainability areas visible. Please see the different sections in this sustainability report for an overview of the KPIs. This work is part of the wider strategic work of developing B2Holding's sustainability performance. B2Holding worked throughout 2020 to develop a Sustainability strategy for 2021–2023 that is aligned with the Group's business strategy and embedded in the operations. The strategy is intended to establish a set of measures around the different defined strategic lines, which will be reviewed on a quarterly basis to ensure focus in the activities.

B2Holding has also started its journey towards providing accurate data on energy use and emissions (see page 42). Going forward, the Group will increase the scope of energy and emissions reporting and start the work of developing company-specific targets for energy use and emissions reduction that will be in line with the Paris Agreement.

Moreover, B2Holding has started to align its reporting with the Global Reporting Initiative (GRI) standard and plans to produce a fully compliant report for 2021.

In spite of being in the process of defining the strategy for 2021-2023 with detailed actions, B2Holding aims to:

- Promote sustainable payments through different initiatives like training and education in personal finance;
- Expand the measurement for customer satisfaction to more countries;
- Formulate a plan to increase diversity and inclusion;
- Strengthen the implementation of the Group's values;
- Reduce emissions and other environmental impacts associated with B2Holding's activities;
- Strengthen anti-corruption and legal compliance in all operations;
- Foster talent development among employees; and
- Establish formal principles in the treatment of customers.

REPORTING LOGIC

This report covers global activities in the B2Holding Group, both in the majority-owned subsidiaries and in B2Holding ASA.

The report is B2Holding's first sustainability report and covers the year 2020. Going forward, B2Holding will publish sustainability reports on an annual basis.

The report is based on the Euronext Oslo Børs Guidelines to Issuers for ESG Reporting and was prepared by applying the GRI reporting framework.

Sustainability disclosures contained in this report have not been externally assured. Please contact Head of Corporate Development, Maria Haddad, with questions concerning sustainability.

Reporting performance

FAIR TREATMENT & CUSTOMER SATISFACTION

Approach

Debt collection companies focuses on the establishment of a satisfactory and respectful relationship with the customer (debtor) that will result in a positive outcome for both parties.

To this end, B2Holding seeks to guarantee ethical treatment of the customer in line with the legal framework, as well as with the Code of Conduct and with the Company's values.

Further, assertive and transparent communication is considered highly important in the interest of finding agreements and amicable solutions whenever possible; customers' needs are taken into account and simple and understandable language is privileged.

Moreover, as a company working face to face with the public, B2Holding is required to have mechanisms to allow customers to express their opinion and to assess their level of satisfaction. This includes not only treating claims adequately but also having the capacity to identify how to improve the relationship with customers and develop associated plans.

To this end, responsibility lies with the Heads of Operations in all the Group's entities, as well as the Heads of business lines in the Group Management.

This aspect is a top priority of B2Holding's ESG management for several reasons.

First, the management of customers represent the core of B2Holding's operations, and its main impact in terms of ESG is thus associated with this stakeholder. Furthermore, in light of the business niche of its activity, the company must ensure treatment in line with the most basic rights, such as respect and dignity, for people in vulnerable situations.

Second, the relationship with customers shapes the public image of B2Holding and the perception that stakeholders may have of the Group. As a result, good management is key to reinforce B2Holding's main stakeholders' confidence in the Group's services.

Finally, ensuring the fair treatment and satisfaction of customers responds to B2Holding's commitment to provide a service to society, helping people in a situation of debt to regain control and financial credibility.

Main achievements and performance

KPI	2019	2020
Amicable solutions owned portfolios	n/a	86 %
Amicable solutions third-party servicing	n/a	98 %
Amicable solutions JVs	n/a	92 %
Quality management	n/a	98 %
Complaints from customers	0.001 %	0.013 %
Customer satisfaction survey	n/a	98 %

This topic is material to B2Holding entities acting as solution providers focused on delivering amicable solutions to customers before starting legal action. The majority of payments come from amicable solutions.

10 out of 22 entities surveyed (45 %) have established internal Quality & Auditing Control reviewing calls and other actions performed for customers in order to supervise and review the Group's operations. These fulfil both internal requirements and partners' and clients' requests with regards to ethical, respectful and professional ways of working. Of all audited calls and actions in 2020, 98 % comply with the established standards. To improve performance, action plans and trainings are planned on a monthly basis. It is the Group's ambition to extend Quality & Auditing Control to all Group entities.

The industry is especially exposed to complaints or claims that could lead to serious reputational damage; however, the incidence of complaints in 2020 was very low. Complaints made by customers regarding customer rights, disagreements or non-conformity (non-judicial claims) in 2020 represented only 0.01 % of cases serviced during this period.

Currently, two entities in B2Holding are performing customer surveys to collect feedback on services provided. The average score on a customer satisfaction survey was 4.88, which means that 97.5 % of surveyed customers were satisfied with the professional approach when finding a solution for their debt. Given the positive results and insights from these surveys, the implementation of customer satisfaction surveys in other countries are planned in the strategy for 2021-2023.

ETHICAL BEHAVIOUR AND ANTI-CORRUPTION

Approach

It is increasingly clear that companies need to have an ethical business model that fights corruption due to the risk it poses to management quality and institutional continuity. Ethics business practices are also a moral duty of any company towards its own employees and society in general.

B2Holding defines corruption as the abuse of entrusted power for illegitimate personal benefits or private gain and has a zero-tolerance policy against corruption. This involves both financial and non-financial benefits. The Group's attitude towards corruption is communicated mainly through the Code of Conduct.

Corruption represents a high risk for B2Holding not only because the Group has presence in countries and markets which are more exposed to financial crime than others, but also due to the business activity and the industry B2Holding is operating in. The Group takes a firm zero-tolerance position against bribery or corruption in any form. B2Holding believes that a culture with no corruption can only be achieved if it is appropriately and effectively led from the top.

Furthermore, for B2Holding, the development of a corporate culture with well-rounded programmes and policies to manage corruption risks is very important, particularly in the countries that are most exposed to financial crime.

The corruption risk for the Group is assessed to be related largely to the acquisition of debt portfolios when these are not sold through regulated channels. Such sales are guided by the authorization hierarchy and the application of the "four eyes principle".

The responsibility to comply with the principles set out in the Code of Conduct and the ethical rules lies with all B2Holding employees.

The identification, management, and remediation of non-ethical and/or corruption risks are to be handled in the light of the three reporting functions model where:

- The Business operations owns and manages risks (first reporting function);
- The Compliance and Risk management functions support the implementation of risk and compliance management procedures, as well as measuring, monitoring, following up and reporting any risks (second reporting function); and
- The Internal Auditor independently evaluates the governance, risk management and control processes within the first and second reporting functions (third reporting function).

The ultimate responsibility lies with the Board.

Main achievements and performance

KPI	2019	2020
Incidents reported via whistleblowing channel	n/a	11
Confirmed incidents regarding anticorruption	0	0
Incidents reported as discrimination or harassment	n/a	11

The Code of Conduct was reviewed, updated, and ultimately approved by the Board in June 2020. Furthermore, it was presented to all employees in an online event in November. The Code of Conduct is accessible on the Company's website, as well as through its internal communication platforms. It has been translated into all local languages. Various workshops and mandatory training sessions are planned over the course of 2021 to ensure common culture is embedded in the organization.

During 2020, B2Holding continued its efforts to raise awareness on the risks related to corruption across the Group, in line with the values enshrined in the Code of Conduct. In B2Holding, all employees and managers are responsible for understanding the importance of the legal and ethical issues that affect the industry and for always performing the duties with integrity.

Further, B2Holding's Anti-Corruption Policy, which is rooted in the Code of Conduct, outlines what is meant by corruption, the risks related thereto, and how all employees should handle them, regardless of the status and role, as well as the responsibilities and consequences in case of corruption activities. An updated version of the Group Anti-Corruption Policy is currently being prepared and is finalized in the course of 2021.

In 2020, no confirmed corruption incidents have been reported.

Moreover, B2Holding has worked actively towards fulfilling its commitment to implementing an internal whistleblowing channel for the Group. Some entities in the Group already have their own local Whistleblowing Policy and channel, whilst other have been waiting for the Group Whistleblowing Policy and channel to be in place in the course of 2021.

In 2020, there has been reported a total of eleven whistleblowing incidents, whereof seven have been reported and solved by the local entities in the local compliance reporting channel. Of the four incidents that were filed directly at the Group level, one has been solved in 2020 and the remaining three are under investigation with final report with conclusions, recommendations, and potential measures to be finalised in short time. The reported whistleblowing incidents in 2020 mainly concerned unwanted social behaviour and breach of internal procedures/governance.

All reported whistleblowing incidents made on the Group level have been registered and investigated, either internally or with the assistance of qualified external lawyers with expertise in conducting complex investigations. Once the investigation has been duly completed, a final report has been drafted, outlining the main conclusions and recommendations, and where necessary, measures have been taken.

B2Holding is in the process of setting up a common whistleblowing channel for the Group and finalising the Group Whistleblowing Policy. All whistleblowing incidents are handled with the utmost confidentiality. The common whistleblowing channel will ensure confidentiality and enable all whistleblowers to report on an anonymous basis, provided that this is allowed in the light of the local legislations. B2Holding encourage employees to report misconduct and the Group expects the number of whistleblowing incidents to raise when the new whistleblowing channel is established, and the Group's employees are trained in using this.

In 2020, the incidents referred to as reported whistleblowing incidents to the Group level above have been assessed as harassment. As for the incidents related to discrimination, B2Holding has not collected the figures for 2020, but aims at disclosing numbers in the 2021 report.

In 2021, the Compliance function has introduced compliance e-learning trainings which are mandatory for all employees. The compliance reporting via the centralised Data Warehouse has also been launched. The central Compliance function has met with all entities to set up and train for the Compliance Annual Program for 2021. These meetings have emphasized the importance of the training to be provided both by the Group and the local entities during the year, including but not limited to compliance-related matters.

COMPLIANCE AND CONTRIBUTION TO PUBLIC POLICIES

Approach

Compliance is crucial to guarantee that the organization develops its business in a responsible manner, as well as to create stable value for stakeholders. In this sense, B2Holding works hard to establish appropriate processes to ensure that the Group complies with applicable regulations and to minimize any operational or legal risks that may arise.

Responsibility for compliance lies with all Legal and Compliance functions in the Group's entities, which have become more closely linked in 2020 and work in tandem under the Chief Legal and Compliance Officer, a member of Group Executive Management. These functions work closely with other functions in the Group to ensure policies and guidelines are implemented and updated, training is received, improvement areas are identified, and actions are taken when required.

The Group's goal is to safeguard its good reputation for long term sustainability to operate as a viable company. This is crucial for the Group as it deals with debt collection activities and the Group's customers need to trust B2Holding in order to positively engage with Group.

The Group's target in this respect is that compliance policies, the Code of Conduct, and adopted values are embedded in the Company's operations and in how employees conduct themselves in day-to-day work and in relationships with stakeholders.

B2Holding interacts with organizations in charge of preparing public policies, communicating both the Group's concerns and experiences in the legal areas related to its activity.

In addition, compliance is an important part of internal efforts as the Company has operations in multiple locations and regulations are constantly evolving and increasingly strict. Furthermore, from the ESG point of view, compliance is especially important as it is tangential to many of the other relevant issues for the Company such as fair treatment of debtors, data privacy and anti-corruption.

Main achievements and performance

KPI	2019	2020
Breaches regarding non-compliance with laws and other obligations accepted by B2Holding	n/a	9
Sanctions regarding non-compliance with laws and other obligations accepted by B2Holding	n/a	0

In 2020, nine cases related to breaches of applicable laws or other obligations were registered. Only two cases were assessed as critical by the local entity which experienced them. The local entity has confirmed that appropriate remediation measures have been taken and the cases are closed.

In 2020, B2Holding has collected the figures related to sanctions imposed after an audit has been conducted by the local authorities. Such audits have been conducted by the authorities in Poland and Romania, however no sanctions have been imposed.

Sanction without an audit resulting from non-compliance with laws and other obligations is not included. The Group aims at reporting the latter figures in the 2021 report.

Furthermore, the Group Compliance Policy and the Code of Conduct were implemented in the Group in 2020 and communicated to local entities.

CORPORATE GOVERNANCE

Approach

Corporate governance is the backbone of any organization and comprises all the practices an organization has in place to guarantee that its top management performs in an ethical and effective way.

For B2Holding, good governance represents the ability to lead and is key to identifying and managing risks, as well as to visualizing, planning, and fulfilling the goals of the Company.

The implementation of good corporate governance practices also contributes to the efficiency of processes, reduction of costs and access to financing. Moreover, it fosters an ethical and responsible organizational climate, which increases the Company's ability to attract and retain employees, maintain team commitment, and ensure positive perception.

Good governance is a key element to promote ethical behaviour by the Company, which is essential to generate the trust of all stakeholders.

Main achievements and performance

B2Holding's corporate governance is described in the Corporate governance report (see page 50), which outlines specific procedures, mechanisms, commitments, and responsibilities.

KPI	2019	2020
Number of Board members	5	7
Number of Board meetings	20	22
Board meetings attendance	93 %	98 %
Shareholding by Board and Group management (directly and indirectly owned)	8 %	1 %
Share of women on the Board	40 %	43 %
Share of independent members on the Board	60 %	71 %
Number of nationalities represented on the Board	2	2
Total remuneration received by the Board (NOK thousand)	2,710	2,710
Total remuneration received by the CEO (NOK thousand)	3,894	5,307

CYBERSECURITY AND DATA PRIVACY

Approach

Regarding the responsible management of information and data, B2Holding's ability to adapt to emergent regulatory changes related to data privacy and protection is of great significance, including General Data Protection Regulation (GDPR) or best practice actions regarding cybersecurity.

In the current digital world, globalization and data sharing have triggered an increase in cyberattacks and data breaches. As a result, B2Holding prioritizes the implementation of prevention plans to avoid these risks and the development of information pathways to ensure that the Company's information is secure.

Furthermore, the Group acknowledges that the world and its customers are moving towards online services and digitalization and therefore sees cybersecurity as an opportunity to thrive in such a competitive market.

Considering that the portfolios B2Holding own or service involve several million customers, for whom privacy is of the utmost importance, data privacy is a major concern for the company's top management. As a result, the Company has developed and implemented several policies to ensure the responsible management of data and information security in order to adapt to the legislation and recommendations concerning these issues. Additionally, considering that online services and digitalization are highly relevant to B2Holding's business model, the Group is committed to developing the necessary cybersecurity tools to tackle the associated risks.

B2Holding has implemented and respects the GDPR requirements in the Group and the local data protection laws. Appropriate and suitable safeguards and technical measures have been implemented in order to protect personal data, to safeguard the rights and freedoms of the data subjects.

B2Holding has approved the policies currently in place, which are revised and updated regularly, in order to appropriately handle customer privacy and personal data processing:

Personal Data Processing:
- GDPR Policy
- Personal Data Breach Management Policy
- Cookie Files Policy
- Risk Analysis Policy

IT:
- Information Security Policy

B2Holding protects and safeguards customer data, applying the fundamental principles of information security and complying with the rules and requirements of the EU's GDPR.

Confidentiality, integrity, and availability are respected during the whole data processing cycle: collection, processing, storage, and erasure with the aim to protect customers' personal data.

Main achievements and performance

KPI	2019	2020
Security and data privacy breaches	0	0

In 2020, neither investigations have been conducted, nor sanctions have been imposed against B2Holding by any European government authorities responsible for the application of and compliance with GDPR and data processing requirements.

In addition to the trainings with respect to the GDPR and data processing requirements, all changes, clarifications, recommendations, etc. related to GDPR and privacy that may impact the Group's business have been duly monitored both locally by local Data Protection Officers (DPOs) and at the Group level by the Group DPO and communicated across the Group on an on-going basis.

In 2020, the clear majority of the employees have been trained by the Group DPO with respect to the applicable GDPR and data processing requirements. The trainings are mandatory and conducted on an annual basis.

B2Holding has an external Group DPO, and all Group entities use dedicated DPOs where required.

All Group entities have IT software to ensure compliance with GDPR requirements, and Data Protection training is provided to employees as part of the regular training programmes.

In 2020 the Group underwent and finalized the first full annual audit of all Group entities including reporting and monitoring through operational, IT and compliance functions internally. It has been established as an ongoing process that will follow up on action plans for improvement where needed.

In 2020 the Group achieved its ISO/IEC 27001 certification in Spain. The Group's ambition is to certify or obtain a rating for collection platforms where appropriate.

CREDIBILITY AND TRANSPARENCY

Approach

Transparency and credibility at the corporate level are closely related and influence the confidence of all stakeholders. It is therefore essential for B2Holding to ensure good internal and external communication based on corporate values.

With regard to external communication, B2Holding is a publicly listed company, which provides stakeholders with access to information regarding regulatory compliance including financial and non-financial information.

Furthermore, internal communication constitutes a strategy to transmit corporate values and objectives to employees, and thereby guide them towards carrying them out, while increasing the level of commitment to the business. It implies, among other things, a successful business culture, as well as the implementation of policies and tools for ensuring transparency and increasing employee engagement.

B2Holding considers transparency and accessibility crucial for its growth.

Main achievements and performance

KPI	2019	2020
Internal communications made by corporate to employees regarding financial and/or non-financial performance or the strategy of the company	28	37
Employees on Workplace communication platform	n/a	98 %
Employees active on Workplace communication platform	n/a	88 %
Financial audit fees (NOK million)	9	9

Internal communications from the Group to all employees are mainly transmitted through B2Holding's internal communications platform, Workplace by Facebook ("Workplace").

Nearly 100 % of employees have access to Workplace, and remaining employees are encouraged to access the platform. A large number of employees are active on the platform every month, with an average of 88 % in 2020.

Interactions have been frequent during 2020 and the Group has published news about the Company's financial performance, relevant IT projects, compliance strategy, Group strategy, ESG focus going forward, people and culture initiatives and its updated vision, mission and values. Furthermore, B2Holding held its first live-streamed event with all employees in which the strategy was presented, as well as the new Code of Conduct and vision, mission and values.

DIGITAL TRANSFORMATION AND INNOVATION

Approach

In 2020, a three-year programme was launched in the Group with the long-term ambition to transform all business processes using data and analytics to build the best-in-class NPL investor and servicer in Europe. The programme's goal is to improve data quality, volume, access, and utilization by identifying and developing advanced analytical models. It is a Group-wide priority programme in the coming years that will improve both business outcomes and customer experience.

Considering the competitive nature of the market and the process of globalization affecting all companies, digitalization is a necessary component of B2Holding's strategy. In this regard, digitalization goes hand in hand with innovation, illustrating the capacity of B2Holding to respond to emergent trends and the expectations of local markets.

For B2Holding, digitalization is increasingly important when considering how to approach payments and contact with customers. Nowadays, it is important to tailor services to customers' needs and preferences, as well as to the local legislation and digital maturity of the different countries of operation.

B2Holding acknowledges the importance of being proactive and innovative when it comes to technological advancements. Digitalization is considered key to ensuring the Company's competitiveness in the market.

Main achievements and performance

<u>Availability of digital services in B2Holding's unsecured markets:</u>

- Digital payments available for customers (digital banking via payment service, mobile PSPs, card payments): 43 % of countries with unsecured portfolios (servicing 77 % of unsecured ERC)
- Digital self-service platforms (debt information, status of payments, possibility to set up payment plan): 43 % of countries with unsecured portfolios (servicing 77 % of unsecured ERC)
- Digital communication platforms (OTT, chat, chat bot, RCS, outbound IVR, outbound voice bot): 43 % of countries with unsecured portfolios (servicing 55 % of unsecured ERC)

In 2021, several projects are planned in the Group's unsecured business line in order to maximize both collections as well as quality and customer experience via digital channels. Improvement in digital payment ratio as well as self-service payments ratio is key for 2021.

The most digitally advanced platforms include Finland, Poland and Sweden, which jointly represent nearly 60 % of the unsecured ERC. Their digital payments ratio (digital payments/all negotiated payments) is already approaching 100 %, and the ratio of self-service payment plans (self-service payments plans/all payment plans) varies between 3 % and 50 %. Most recent experience of digital transformation in Poland shows significant improvement in digital self-service, with collections through digital channels multiplying by over fifteen between January 2019 and January 2021. The priority for 2021 is to increase availability and penetration of digital self-service channels through sharing knowledge and best practices in all B2Holding's operations.

The Covid-19 pandemic has boosted digitalization of training tools at B2Holding. Nearly 30 % of entities had an e-learning platform in place. 32 % of all employees performed some digital training courses, whether internal or external, and 100 % of employees had access to the internal communication platform Workplace to communicate, interact and get feedback and training from colleagues.

Furthermore, three countries piloted an e-learning platform. By the end of 2020, the expansion of the Group e-learning tool to all locations was approved and this was fully implemented in first quarter 2021.

Availability of e-learning platform in Group entities:

KPI	2019	2020
Countries with e-learning platform	n/a	27 %
Employees with e-learning training	n/a	32 %

Additionally, since mid-March 2020, the Group implemented Microsoft Teams as a tool for digital meetings and video calls.

RESPONSIBLE ACQUISITION OF PORTFOLIOS AND PARTNERSHIPS

Approach

Before rendering services, B2Holding works with different organizations, such as vendors or co-investors, to acquire non-performing loans.

Given the strategic nature of these alliances, the goal is to establish mutual trust agreements without incurring any unwanted risks. In order to make this happen, an extension of the scope of control over certain matters that are of great sensitivity to us, such as prevention of corruption, treatment of customers, absence of aggressive commercial strategies, high risk reputational activities, anti-competitive practices, legal sanctions, etc., must be guaranteed.

B2Holding's acquisition of non-performing loans and third-party debt collection services have important ESG implications.

Main achievements and performance

KPI	2019	2020
Portfolio acquisition and partnerships with any ESG criteria	n/a	100 %

For this purpose, in 2020, B2Holding started monitoring ESG criteria in potential investments, such as prevention of corruption, treatment of customers, absence of aggressive commercial strategies, high risk reputational activities, anti-competitive practices, legal sanctions and unethical lending conditions. The use of these practices was checked during due diligence. As a result, all investments in 2020 included some ESG criteria.

The Group's goal for 2021 is to design and approve an ESG Responsible Acquisition Policy that can be deployed to all Group entities to ensure the harmonization of requirements and standards.

TALENT MANAGEMENT

Approach

For B2Holding, talent management begins in the recruitment process and must accompany employees throughout their working lives in the Company. In this sense, the Group aims not only to attract qualified professionals but also to value existing talent. Due to its extensive scope, this aspect addresses all the issues associated with employee growth itself and the Company's ability to attract and retain professionals and develop their potential.

More specifically, some of the phases of this process are selection and recruitment of personnel, training and promotion in the Company, evaluation and recognition of performance, retention of talent (e.g. working conditions, etc.).

Main achievements and performance

KPI	2019	2020
Turnover rate	n/a	35 %
Voluntary turnover	n/a	13 %
Countries with talent programmes in place	n/a	10 %
Countries with e-learning platform	n/a	27 %
Employees with e-learning training	n/a	32 %

During 2020, the Company ran a pilot project, implementing a digital platform for learning in three major entities, covering 30 % of total employees. This was the first step in developing a culture for continuous development and learning. By March 2021, the platform was implemented in all Group entities with a combination of global, local, voluntary and mandatory content.

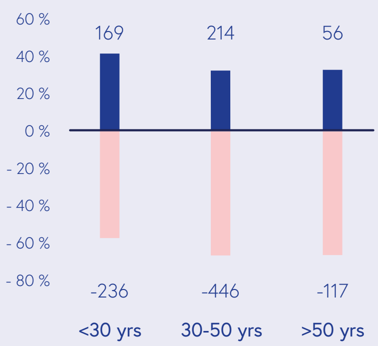
Further, 32 % of all employees participated in different training courses using digital platforms whether internal or external.

Total turnover rate in 2020 was 35 %. This figure is slightly above the average of the debt collection industry, in large due to the organizational adjustment required to adapt to the Covid-19 pandemic. Although the monthly turnover average was around 2 %, the Group experienced a peak of 9 % in March 2020 due to Covid-19. However, voluntary turnover remained low at 13 %.

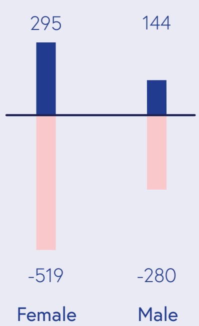
The breakdown of people joining and leaving B2Holding by age range and gender is illustrated below.

The Workplace communication platform has facilitated digital collaboration, innovation, and knowledge transfer across the Group. It has become an important tool for all types of cross-border and cross-functional communication.

In 2020, Group entities in two countries had talent programmes in place to develop people's skills. The goal is to expand this type of initiative and promote and foster its expansion in all other local entities.



No. people entering and leaving by age



No. people entering and leaving by gender

ADAPTATION TO ESG STANDARDS

Approach

B2Holding is aware of ESG concerns and is committed to sustainable development as an investment for improved growth and development of the Group.

Furthermore, investors, co-investors, lenders, and other crucial stakeholders are demanding better ESG practices. For this reason, there is a growing need to adapt to these demands, to raise awareness and to take action to tackle emergent environmental (e.g. climate change and plastic use), social (e.g. diversity and inclusion) and governance (e.g. corruption and transparency) issues.

Main achievements and performance

In the beginning of 2020, the Head of Corporate Development was appointed responsible of ESG for B2Holding. The main focus has been to analyse the Group's and the stakeholders' needs and requests by performing a materiality analysis and to set up a set of minimum KPIs to assess performance.

Interactions with all stakeholders have significantly increased, but different actions have been performed internally and externally. With employees, ESG workshops, surveys, interviews have taken place, and there have been external interactions with investors, lenders, clients, partners, and rating agencies through different channels.

The Group has decided to be proactive in the improvement and has participated in forums and events such as the Goldman Sachs Investor Day discussing ESG issues.

In 2021, B2Holding is committed to reporting significant changes and progress related to its implementation of Sustainability strategy on the Company's website.

RESILIENCE AND RISK MANAGEMENT

Approach

As a result of the Covid-19 pandemic, more attention has been drawn to the resilience of companies in the face of emergent risks which were sometimes classified as "less likely" to happen.

In this sense, it is important for B2Holding to have prevention plans and robust risk management systems in place to identify, evaluate and manage the potential risks that might impact the Company's activities and performance, including ESG issues. Having these measures in place will be vital to mitigate the potential detrimental impacts of such events.

Social risks, such as strikes or epidemics, also have a major impact on a company's performance and should be evaluated and integrated into its risk management system, particularly in a sector in which environmental factors do not play a major role, such as the debt collection industry.

Main achievements and performance

KPI	2019	2020
Employees infected by Covid-19	0	211

211 active employees, less than 10 %, have been infected by Covid-19 in the Group. Spain and Italy have been the countries most affected.

The Company has experienced no fatalities from the pandemic.

The lockdowns imposed from mid-March 2020 were unlike anything any of the Company's employees had ever experienced; however, the entire Group managed to navigate the situation with great success and all employees were working from home within weeks. Having robust management systems and IT connections proved key during the adaptation process and ensured that there were no negative effects on operations.

Finally, 2020 was an especially challenging year in some countries, such as Croatia, which experienced two earthquakes. Out of concern for the Group's people, premises were closed for a few days, and all employees were contacted to ensure their health and safety and offered assistance; measures were also taken regarding collection procedures and flexibility for vulnerable clients.

DIVERSITY AND INCLUSION

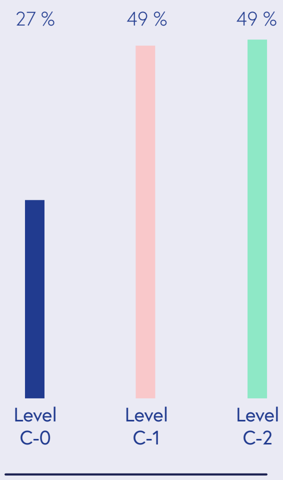
Approach

When considering a company's diversity, many issues are usually highlighted including gender, race, age, capabilities, and background. B2Holding believes that having a diverse workforce will contribute to providing a more holistic approach to ideas and initiatives and improve innovation as well as performance and productivity.

As a result, B2Holding fosters the development of action plans to guarantee equal labour opportunities to all individuals, no matter their gender, ethnicity, or age. Furthermore, current trends emphasize the need to ensure that gender diversity ratio (particularly in top management positions) and pay gap are properly disclosed and that great efforts are dedicated to reducing any difference.

Main achievements and performance

KPI	2019	2020
Share of women in management positions	n/a	49 %
Share of women in the workforce	65 %	65 %
Number of nationalities in the workforce	n/a	42
Number of countries with a diversity and inclusion policy in place	n/a	5



% of women in management positions

Note:
C-0: Local entity CEOs only
C-1: Local entity management (excluding entity CEOs)
C-2: Local managers reporting to the entity management or the entity CEO

The Board has 43 % women. Further, 27 % of local entity CEOs are women. When combining both management positions and middle management, the ratio increases to 49 %. Overall, the gender distribution in the B2Holding Group is 65 % women and 35 % men, which remains similar to 2019 data.

Other data relevant for diversity include the composition of governing bodies in terms of age group, shown below.

Although B2Holding has operations in 22 different countries, the Group has employees representing 42 different nationalities in various teams, whereof 24 (almost 60 %) are European. Furthermore, employees come from five different continents. Four nationalities are represented in the Group Management.

One of the Company's projects for 2021 is to perform an analysis of the gender pay gap and dedicate efforts to reducing any differences.

Since 2018, B2Holding has participated in the SHE Index, a survey intended to gather more facts and motivate companies to work on narrowing the leadership gender gap. Although the Group has improved its score compared to 2019 and is in the average range at 44, its goal is not only to improve at promoting female leadership but also to disclose information and statistics in a clearer way.

SAFE AND SUSTAINABLE WORK ENVIRONMENT

Approach

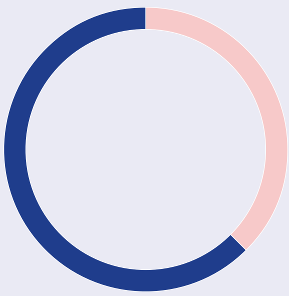
Safety at work is critical for the well-being of employees and the ultimate productivity of the business. For this reason, B2Holding monitors major health and safety indicators, develops strategies to reduce the rates of accidents and absenteeism, provides training to employees and performs health and safety audits.

The Group regularly run an engagement survey for all entities monitoring engagement levels and giving the employees an opportunity to make their voices heard.

For B2Holding, providing a safe and sustainable work environment from an ESG perspective does not just relate to employee safety but also to how the Company promotes sustainability within the Group and at its premises. Therefore, even though a company like B2Holding does not have a great environmental impact, it is important to consider initiatives and targets for reducing its carbon footprint, energy, water, and paper consumption, and improving its waste management, among other goals.

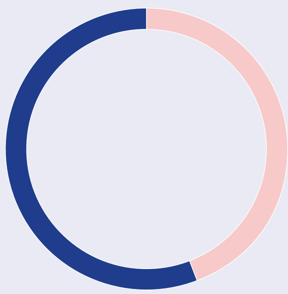
Although environmental matters are assessed of limited relevance to B2Holding, it is important to acknowledge that stakeholders are demanding the evaluation of these aspects.

Board members by age group



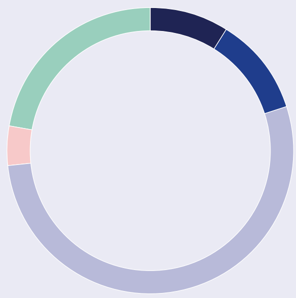
<30 yrs	0 %
30 – 50 yrs	43 %
>50 yrs	57 %

Group Management by age group



<30 yrs	0 %
30 – 50 yrs	44 %
>50 yrs	56 %

Origin of employees



Number of countries per continent

Africa	4
Asia	5
Europe	24
North America	2
South America	10

Main achievements and performance

KPI	2019	2020
Number of countries with a work-life balance plan in place	n/a	6
Sick leave[1] (excluding parental leave)	n/a	5.3
Accident frequency rate[2]	n/a	0.3
Fatalities of active employees	n/a	0
Share of countries with a reduction energy consumption plan or policy developed and implemented	n/a	14 %
Share of countries with a reduction paper consumption plan or policy developed and implemented	n/a	27 %
Number of countries with a diversity and inclusion policy in place	n/a	5

[1] **Sick leave ratio** calculated as Total number of days lost of employees due to an in-work accident with sick leave and professional illness over the time period / Total number of annual working hours) x 1,000.
[2] **Accident frequency rate** calculated as total number of accidents at work with sick leave over the time period/ Total number of annual working hours x 200,000

Although only 27 % of the countries have work-life balance measures in place, all entities have different measures accessible to employees that help work-life balance to some extent, such as flexible working hours.

Although sick leave is usually high in the industry, during 2020 the Group experienced a slight decrease, albeit with a peak in March (8 %) due to Covid-19.

There were reported seven labour incidents for the entire year in 2020. This is a low figure, although the debt collection industry does not have many risk factors for labour incidents.

ENVIRONMENTAL MANAGEMENT

Environmental issues are assessed of limited relevance to B2Holding due to its activity; however, as part of the Group's commitment to reducing environmental impact, 17 % of countries have energy reduction plans and 24 % have plans for reducing paper consumption. Despite its focus on reducing paper consumption, the Group must still respect official requirements to send paper letters.

During 2020, B2Holding started measuring CO_2 emissions in Norway, Poland, Finland and Spain, representing over 60 % of all employees, and the goal is to extend these measures to all Group entities during 2021 in scopes 1 and 2 (see table below). Calculations below are based on conversion factors from DEFRA, AIB, the Norwegian Environment Agency and the Norwegian District Heating Association.

Scope	Definition	Tonnes of CO_2 equivalents
1	All direct Greenhouse Gas (GHG) emissions from sources that are owned or controlled by the reporting entity.	156.63
2	Indirect GHG emissions from consumption of purchased electricity (location-based), district heating and cooling.	272.51*
3	Other indirect emissions, including business travel and car allowance.	100.78

* Market-based electricity, in tonnes of CO_2 equivalents, was 380.57 in 2020.

COMMON CULTURE AND TEAM SPIRIT

Approach

B2Holding sees culture as the set of values and ways of acting and thinking shared by the members of an organization, in short, its essence. The culture includes elements such as shared values, communication, symbols, experiences, or work philosophy and is fundamental to strengthening the commitment to the organization of key stakeholders such as customers or employees.

As far as employees are concerned, there are many other elements besides the culture to reinforce the feeling of belonging to the Company, such as alignment with its mission and their role within the organization, working conditions and social benefits, transparency, or the creation of a healthy working environment.

This aspect becomes even more important in a multinational organization that has grown through the acquisition of local entities.

Main achievements and performance

KPI	2019	2020
Overall employee satisfaction	72 %	72 %

The first Group-wide employee engagement survey was conducted in March 2019 with a response rate of 88 % at Group level which is higher than the average response rate for similar types of surveys (85 %). Following the survey, each country received feedback for its entities and action plans to be initiated in cooperation with employee representatives, with the overall goal of improving employee satisfaction in the Group over time. B2Holding has performed another engagement survey in March 2021, in line with its intention to regularly run an engagement survey to monitor engagement levels and giving the employees an opportunity to make their voices heard.

Additionally, in 2020 the Group revised its vision, mission and values. The new statements were shared with all employees, and the Group also held an online launch event. The vision, mission and values were translated into local languages, and a programme of different activities is planned for all entities to participate in digital workshops and activities involving everyone in the Group.

CONTRIBUTION TO A STABLE ECONOMY

Approach

B2Holding recognizes that an unpaid loan indicates not only an unfortunate situation for a debtor but also a dysfunctional relationship between a borrower and the lenders who ultimately own the money. This chain of defaults creates a gap in the financial chain that materializes in a direct negative impact on the economy. B2Holding sees its mission as "bridging the gap", as a financial agent that helps its customers get out of debt and back in the financial system.

B2Holding is committed to raising awareness of its role in and impact on stabilizing economies.

Main achievements and target

At the end of 2020, B2Holding began measuring how many debtors return to the financial system as a result of resolving their debts under the Group's management using the ways of payment B2Holding can offer.

Although B2Holding has an estimate of the number of customers that returned to the standard financial system after fully resolving their debt balances in 2020, the Company will be ready to report this information in its sustainability report for 2021.

LOCAL COMMUNITY IMPACT

Approach

For B2Holding, local impact is the added value that the Group can bring to the communities in the countries where B2Holding operates. In this regard, this ESG aspect englobes the direct and indirect economic benefits that the Group's activities might bring to the community, such as donations or local purchases and other benefits associated with the externalities brought by the Company's activities, including the direct and indirect employment generated or even the positive impact that B2Holding might have on its surroundings in social terms (creation of opportunities, improvement of citizens' wellbeing, etc.).

In addition to the local impact generated by B2Holding itself, contributions made by employees that have a positive impact on the community (both individually and through volunteer activities or corporate fund donations) are encouraged in all Group entities.

Main achievements and performance

KPI	2019	2020
Number of social initiatives in which B2Holding has collaborated (financially or not financially)	57	50
Contributions made by B2Holding to social programs (EUR)	96,313	83,871

B2Holding is proud of the activities performed by associated people and entities in different countries. Initiatives carried out include charity activities aimed at local communities, environmental goals, donations, sponsorship of those in need, educational courses, etc.

In 2020, a difficult and challenging year, B2Holding managed to maintain social initiatives and to dedicate some resources to both the Covid-19 pandemic and natural disasters such as earthquakes in Croatia.

GRI index

Indicator	Description	Reference
Organizational profile		
102-1	Name of the organization	Front page, Director's report (page 60)
102-2	Activities, brands, products, and services	This is B2Holding (page 4)
102-3	Location of headquarters	Corporate governance (page 50)
102-4	Location of operations	This is B2Holding (page 5), Financial statements (page 122)
102-5	Ownership and legal form	The share (page 9), Directors report page (page 60)
102-6	Markets served	This is B2Holding (page 5)
102-7	Scale of organization	This is B2Holding (page 3)
102-8	Information on employees and other workers	See tables below
102-9	Supply chain	This is B2Holding (page 4)
102-10	Significant changes to the organization and its supply chain	Director's report (page 69)
102-11	Precautionary principle or approach	Sustainability report (page 24)

102-8 reference:

102-8 a)	Women	Men
Permanent	63 %	31 %
Temporary	4 %	2 %

102-8 b)	Poland	Spain	Bulgaria	Other
Permanent	22 %	14 %	11 %	47 %
Temporary	4 %	0 %	0 %	2 %

102-8 c)	Women	Men
Full-time	56 %	30 %
Part-time	11 %	3 %

B2Holding uses some casual workers when needed to render services for short periods of time, but this is not a significant share who are not employees.

Indicator	Description	Reference
102-12	External initiatives	Sustainability report (page 25)
102-13	Membership of associations	**Bulgaria**: Association of Collection Agencies in Bulgaria; BCCI; **Croatia**: HUAN, FENCA; **Denmark**: Debt Collection Association; **Estonia**: TCM Group International Ltd; **Finland**: Association for Debt Collection Agencies; **France**: FENCA; **Greece**: HLSA Hellenic Loan Services Association; **Hungary & Czech Republic**: Collection Management Services Companies and Business Information Providers; **Latvia**: LAPPA (Latvian Debt Collection Association); ACA International; **Lithuania**: Association of Credit Management Companies; Association of Data Protection Officers; **Norway**: Virke Inkasso; **Poland**: Association of Financial Enterprises; Eurofinas; **Spain**: ANGECO Association of Debt Collection Agencies; Compliance Association ASCOM; Spanish Association of Financial Entities; **Sweden**: Svensk Inkasso;
Strategy		
102-14	Statement from senior decision maker	Message from the CEO (page 6)
Ethics and integrity		
102-16	Values, standards, principles and norms	Risk management (page 13), Sustainability report (page 23)
102-17	Mechanisms for advice and concerns about ethics	Risk management (page 13), Sustainability report (page 13)
Governance		
102-18	Governance structure	Corporate governance (page 50)
Stakeholder engagement		
102-40	List of stakeholder groups	Sustainability report (page 26)
102-41	Collective bargaining agreements	68% of employees are fully covered by CBAs. Those that are not in countries with no CBA legislation in place or in companies whose characteristics do not require it.
102-42	Identifying and selecting stakeholders	Sustainability report (page 26)
102-43	Approach to stakeholder engagement	Sustainability report (page 26)
102-44	Key topics and concerns raised	Sustainability report (page 26)

Indicator	Description	Reference
Reporting practice		
102-45	Entities included in the consolidated financial statements	Note 20 (page 121)
102-46	Defining report content and topic boundaries	Sustainability report (page 29)
102-47	List of material topics	Sustainability report (page 27)
102-48	Restatements of information	None
102-49	Changes in reporting	None
102-50	Reporting period	2020
102-51	Date of previous report	This is the first GRI-based report by B2Holding.
102-52	Reporting cycle	Annual
102-53	Contact point	Head of Corporate Development, María Haddad: mah@b2holding.no
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability report (page 29)
102-55	GRI content index	Sustainability report (page 44)
102-56	External assurance	The GRI content of this report has not been externally assured.

Topic-specific standards

Indicator	Description	Reference
Governance structure (Material topic: Corporate Governance)		
103: 1-3	Disclosure on management approach	Corporate governance (page 50)
102-18	Governance structure	Corporate governance (page 50)
Anti-corruption (Material topic: Ethical behaviour and anti-corruption)		
103: 1-3	Disclosure on management approach	Sustainability report (page 31)
205-2	Communication and training about anti-corruption policies and procedures	Sustainability report (page 31)
205-3	Confirmed incidents of corruption and actions taken	Sustainability report (page 31)
Employment		
401-1	New employee hires and employee turnover	Sustainability report (page 37)
Diversity and equal opportunity		
405-1	Diversity of governance bodies and employees	Sustainability report (page 39)
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Sustainability report (page 31)
Customer Privacy (Material topic: Cybersecurity and data privacy)		
103: 1-3	Disclosure on management approach	Sustainability report (page 34)
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability report (page 34)

Indicator	Description	Reference
Socioeconomic Compliance (Material topic: Compliance and contribution to public policies)		
103: 1-3	Disclosure on management approach	Corporate governance (page 50)
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability report (page 32)
Custom topic (Material topic: Fair treatment & satisfaction of customers)		
103: 1-3	Disclosure on management approach	Sustainability report (page 30)

04

Corporate governance

B2Holding considers solid corporate governance a prerequisite for gaining the trustworthiness needed to access the capital market, the non-performing loan market, and last but not least, to the market of human capital that ultimately creates value for B2Holding's stakeholders.

Photo: Zane Lee, Unsplash

Corporate governance

Solid corporate governance is a prerequisite for any transparent, efficient, and reliable organisation. Not only in the interest of its shareholders, but also to the benefit of stakeholders within the organisation and outside the organisation, and to the very organisation itself.

A well-functioning corporate governance framework is the cornerstone to ensuring that the organisation has an effective and balanced internal management control system, which encompasses clear delineated responsibilities, and administers subsequent accountability.

It is furthermore the foundation to guaranteeing that any information presented to its stakeholders and to the broader market is accurate and reliable.

INTRODUCTION

B2Holding ASA, ("the Company") is a Norwegian public limited liability company, registered under organisation number 992 249 986, having its head office at Stortingsgaten 22, 0121 Oslo, Norway. The Company is furthermore the parent company of a consolidated group of entities, together described as "the Group" or "B2Holding".

As a Norwegian public limited liability company, the Company is subject to the corporate governance reporting requirements set out in Section 3-3b of the Norwegian Accounting Act and to the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES), as updated per 17 October 2018 ("the Code"). The Code is freely available at nues.no.

The Company's shares, and its four bond loans, are listed on the Oslo Stock Exchange ("Oslo Børs"). The Company is thus obliged to comply with all the regulatory requirements applicable to stock listed companies, and, in particular, with the rules set out by Oslo Børs.

To this effect, the Company is held to the rules laid down in Section 4.5 (the Corporate Governance Report) and Section 6.3.6 (the Report on Corporate Governance) of the Oslo Børs Rulebook II for Issuers ("the Rulebook") as updated per November 2020.

Both Section 4.5 and Section 6.3.6 of the Rulebook articulate that the Company must provide, as part of or in addition to its Directors' Report, a report on the Company's corporate governance practices, which must detail in a "comply or explain" method whether all the provisions of the Code have been complied with.

The present Corporate governance report is an integral part of the Directors' report.

CORPORATE GOVERNANCE WITHIN THE COMPANY

B2Holding considers solid corporate governance a prerequisite for gaining the trustworthiness needed to access the capital market, the non-performing loan market, and last but not least, to the market of human capital that ultimately creates value for B2Holding's stakeholders.

B2Holding is subject to the extensive external regulatory framework described above which is reflected in its internal controlling mechanisms. The setup of its internal governance structure reflects both the resolutions and proxy given by the Company's shareholders, in their Annual General Meeting, as well as the policies and instructions that are adopted by the Company's Board of Directors ("the Board").

Articles of Association – Annual General Meeting

Part of this governance structure of the Company is incorporated in the Company's Articles of Association, which contain the basic compulsory information of the Company, but also the different authorisations given to the Board.

These authorisations, comprise for instance any allowed capital increases (always valid from the date of the registration of the decision in the Brønnøysundregistrene – the Norwegian Company Register - for a period up till the next Annual General Meeting), or the remuneration of the Company's senior executives.

The Annual General Meeting furthermore adopts the instructions for the Nomination Committee which submits the proposals for the election of members to the Board, the appointment of the Chair of the Board, fees of the Board members and of the members in the various sub-committees of the Board.

The Board

The Board has both managerial and supervisory duties and approves the Corporate Governance Principles of "the Code" and is responsible for compliance with the principles.

B2Holding commits to ethical and sustainable business practices, reliable and transparent financial reporting, and compliance with all regulations, requirements, and industry standards in each of the countries where the Group operates. Corporate governance within the Group is therefore about more than how the Board and Company Management ("the Management") conducts its affairs, it is also about consolidating and further developing the Group's values and its ethical footprint.

The Board has therefore adopted a set of policies and instructions which further define the governance structure of the Company and the wider Group.

These policies, instructions and procedures outline and clarify the different levels of responsibilities within the Group, and which limitations or control mechanisms coincide with these responsibilities.

These policies, instructions, and procedures include:

- Board of Directors' Rules of Procedure
- Instruction for the Chief Executive Officer
- Corporate Governance Policy
- Instructions for the Audit Committee
- Instructions for the Remuneration Committee
- Internal control and Risk Management Policy
- Instruction for Handling Inside Information and Rules for Primary Insiders
- Investment Approval Policy
- Information Security Policy
- Investor Relations and Communications Policy
- Group Internal Audit Charter

The Group is currently organised into two main business lines: Unsecured Asset Management and Secured Asset Management.

Both the Head of Unsecured Asset Management as well as the Head of Secured Asset Management are, together with the Group CEO and the support from the Group functions, responsible for and shall ensure that all business units in the Group operate and develop in accordance with the governance policies, instructions, and procedures outlined by the Board, and more generally with B2Holding's ethical standards for conducting business and its Code of Conduct.

Principles

B2Holding has instated fundamental general principles which should be reflected in all policies and internal decision processes within the Group:

- **Relevance** – decisions must be taken by the relevant authorized executives or bodies.
- **Escalation** – for key decisions there should be clear escalation rules and an escalation path to higher authority.
- **Competence** – decision makers shall have relevant competence and will engage the appropriate support.
- **Rule of law** – decisions must be taken in compliance with the relevant legal constraints and internal policies.
- **Ethical conduct** – decisions must uphold high ethical standards.
- **Accountability** – responsibility for decisions must be clearly defined and communicated.
- **Participation** – decisions must be consulted with the relevant functions and appropriate participants.
- **Transparency** – key decisions must be properly communicated and documented.
- **Efficiency** – decisions must be taken in an efficient and timely manner.
- **Four eyes principle** – key decisions must always be taken by at least two independent executives or an appropriate larger body.
- **Grandfather principle** – key decisions must be taken with involvement of (or at least with information to) relevant higher authority.

Following write down in 2019 related to Central and South Eastern Europe, the Group decided to review whether its internal processes and routines were at a satisfactory level. During this review, the Group decided that there was margin for improvement and opted to initiate organizational changes that also reflect on the governance functions of the Group. Over the course of 2020, B2Holding focused on strengthening the resilience of its governance safeguards and will continue to monitor and further develop its governance functions in the near future.

In the sections below are a detailed account of B2Holding's corporate governance principles and practice. These sections are compiled pursuant to the NUES Code and are further detailed on a comply or explain basis. Where there are deviations – if any – these will be mentioned under the relevant section.

NUES CODE

1. IMPLEMENTING AND REPORTING ON CORPORATE GOVERNANCE.

In pursuing the Code, the Board and the Management shall contribute to achieving the following objectives:

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

B2Holding's mission is "bridging the gap". Through its business solutions the Group shall contribute to handling society's debt problems and bridge the gap that defaulted debt creates in the credit chain. B2Holding's business is about people and creating shared value for business and society. The Group is a socially responsible creditor and a trusted solutions provider to vendors and co-investors.

B2Holding has defined five core values: Agility, Integrity, Diversity, Excellence and Responsibility. The core values demonstrate the Group's culture by being a common language of all employees, guiding behaviour and actions.

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 through ensuring and clarifying who is accountable for what, and through integrating corporate governance as an integral part of the decision-making process in all matters dealt with by the Board. B2Holding's corporate governance principles are subject to annual review and discussion by the Board. This Corporate governance report is an integral part of the Directors' report and was considered in a Board meeting.

The following sections and governance principles are structured in the same way as the Code and cover each respective point of the Code describing B2Holding's corresponding compliance efforts.

B2Holding is furthermore committed to promote sustainable social development by operating in line with responsible business principles, systematically improving its operational standards with focus on external environment, climate, and energy resources. Further, a sustainable social development includes, investing in non-performing loan portfolios that can generate positive effects for the local banking sector and the local non-banking industries in general. B2H believe that such commitment will generate financial results for the stakeholders and positive social effects for the society.

No deviations from the Code.

2. BUSINESS

B2Holding's vision is to be a trusted and innovative partner that actively re-shapes the credit management industry in all the Group's markets and achieve or maintain a top five market position in the respective NPL markets, whereby efficiency is more important than geographic footprints.

Efficiency is a prerequisite for sustainable platforms and is strived for through adopting digital transformation processes and leverage scale on Group projects. Group strategy and goals are assessed and evaluated annually.

The sustainability report outlines the Group's 2020 sustainability performance and constitutes the first Communication on Progress as a participant under the UN Global Compact.

In order to improve transparency and risk management, the first step is to start measuring and identifying. A separate risk management function was established in 2019, and reports and follows up on risk exposures in all business areas in a controlled and consistent manner.

Added to that, the Legal and Compliance functions also became more closely linked, and work in tandem under the Chief Legal and Compliance Officer.

To further support the risk management principles, B2Holding has towards the year-end recruited a senior internal auditor, thus fulfilling the Group's senior positions in the risk, compliance and internal control area.

B2Holding keeps the market updated through investor presentations in connection with quarterly financial reporting, industry market days and frequent business updates in compliance with the Continuing Obligations of Oslo Børs. This information to the market has continued during the extraordinary working situation of the Covid-19 pandemic.

No deviations from the Code.

3. EQUITY AND DIVIDENDS

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

The Board monitors the Group's capital structure on an ongoing basis and will immediately take adequate steps should it seem apparent that at a given time the Company's equity or funding structure is or becomes less than adequate.

The Company is financed through a long-term bank loan facility, Revolving Credit Facility (RCF), and four long-term bond loans that work in a waterfall system where the bond loans are subordinated to the RCF in a structure with harmonized covenants.

The Board is also monitoring the Group's capital structure in order to provide funding to meet market opportunities and achieve operational flexibility.

Dividend policy

The Company will, at all times, have a clear and predictable dividend policy established and revised annually by the Board. The dividend policy forms the basis for the Board's proposals on dividend payments to the Annual General Meeting and shall be publicly disclosed.

In deciding whether to propose a dividend and in determining the dividend amount, the Board considers both the applicable legal restrictions as set out in the Norwegian Public Limited Companies Act as well as B2Holding's solidity and future capital requirements.

This assessment includes liquidity and solidity risk, market opportunities, timing effect from portfolio recoveries, financial covenants, general business conditions and any capital restrictions at the time of the dividend to be assessed and paid.

The Company aims to distribute 20-30 % of the Group's net profits as a dividend to its shareholders. There can however be no assurance that a dividend will be proposed or declared in any given year. If a dividend is proposed or declared, there is also no assurance that the dividend amount or yield will automatically be in the range mentioned above.

Due to the continuing uncertainty under and following the ongoing Covid-19 pandemic, and the largely unknown consequences of the governmental measures that are implemented as a response to the pandemic, the Board maintains its assessment and propose for the Annual General Meeting 2021 not to pay dividend for the year 2020.

The Board will assess the situation on an ongoing basis and will ask the Annual General Meeting 2021 for authorization to reconsider dividends for 2020 if the situation should return to a more predictable situation during the year.

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

Authorisations to the Board

Any authorisations granted to the Board by the General Meeting to increase the share capital will be restricted to the defined purposes. When the General Meeting should 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 instance last beyond the next Annual General Meeting.

No deviations from the Code.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

B2Holding maintains only one class of shares. Each share carries one vote, and all shares carry equal rights, including the right to participate and vote in the Annual General Meetings. All shareholders are treated on an equal basis unless there are just grounds for different treatment.

Share issues without pre-emption rights for existing shareholders

In the event of an increase in share capital through the issuance 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 at the prevailing stock exchange rates. In the event there is limited liquidity in the shares, B2Holding will consider other ways to cater for equal treatment of shareholders. There have been no such transactions in 2020.

Approval of agreements with shareholders and other close associates

In the event of transactions that are not considered immaterial between B2Holding and its shareholders, a shareholder's parent company, members of the Board, executive personnel of the Group or close associates to any such party, the Board will arrange for an independent third-party valuation.

This will, however, not apply for transactions that are subject to the approval of the General Meeting pursuant to the provisions in the Norwegian Public Limited Companies Act. Independent valuations will also be procured for transactions between companies within the Group if any of the companies involved have minority shareholders.

No deviations from the Code.

5. SHARES AND NEGOTIABILITY

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

No deviations from the Code.

6. GENERAL MEETINGS

The Board ensures that as many of the shareholders as possible can exercise their voting rights in the General Meetings, and that the General Meetings are an effective forum for our shareholders and the Board. As a result of the Covid-19 pandemic, the Norwegian Ministry of Trade, Industry and Fisheries has adopted a new regulation that allows companies' boards to decide that general meetings shall be held in whole or in part without a physical meeting. Digital general meetings and digital meeting attendance should therefore not be considered a deviation from the Code's recommendation.

As of 31 December 2020, the Company's total outstanding number of shares numbered 409,932,598 distributed among 5,632 shareholders. Each share carries one vote. All shareholders listed in the shareholders' register on the day prior to the Annual General Meeting are entitled to participate at the Annual General Meetings either in person or by proxy and are entitled to vote relative to their respective shareholdings.

B2Holding's corporate governance principles state that the General Meetings shall be facilitated through the steps described in the Code and regulated by the Norwegian Accounting Act. This includes among others, the distribution of sufficiently detailed and comprehensive information allowing the shareholder to form a view on all matters. Notice to the shareholders is given no less than three weeks prior to the General Meeting, and the registration deadline is set as closely as possible to the date of the General Meeting.

The Board will ensure that the General Meeting is chaired by an independent person.

Participation without being present

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

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

Due to the Covid-19 pandemic and the governmental measures implemented to prevent possible further spread of the virus, the Board will request shareholders to use the possibility of casting advance votes or voting by proxy.

No deviations from the Code.

7. NOMINATION COMMITTEE

In accordance with its Articles of Association, Section 7, B2Holding has established a Nomination Committee. The Annual General Meeting elects the members as well as the Chair of the Nomination Committee for a period of two years and determines their remuneration.

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

The objectives, responsibilities and functions of the Nomination Committee follow the rules and standards applicable to the Group and are described in "Instructions for the Nomination Committee" as disclosed on the Company's webpage. The Annual 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 Chair of the Board, candidates for the election of members and chair of the Nomination Committee, and remuneration for the Board and the Nomination Committee.

The Nomination Committee's recommendation of candidates to the Nomination Committee shall ensure that they represent a broad cross-section of the shareholders as well as being balanced with regards to independence. The Nomination Committee's recommendation of candidates to the Board shall ensure that the Board composition complies with the applicable legal requirements, the Code and B2Holding's corporate governance principles.

The proposals from the Nomination Committee shall include motivated grounds.

No deviations from the Code.

8. CORPORATE ASSEMBLY AND BOARD: COMPOSITION AND INDEPENDENCE

The composition of the Board considers and is grounded on expertise, capacity and diversity deemed appropriate and necessary to attain B2Holding's goals, main challenges, and the common interests of all stakeholders. Furthermore, members 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 independently from any special interests. A majority of the members of the Board shall be independent of the Management and material business connections of the Group.

Furthermore, at least two of the members of the Board shall be independent of B2Holding's majority shareholder(s). According to B2Holding's corporate governance principles, "a majority shareholder" means a shareholder who owns or controls 10 % or more of the Company's shares or votes, and "independence" entails that there are no circumstances or relations that could be expected to influence the independent assessments of the person in question.

No member of the Company's Management should be a member of the Board. The Chair of the Board is elected by the Annual General Meeting. The term of office for members of the Board shall not be longer than two years at a time. Members of the Board may be re-elected, and phases of terms should be taken into account.

B2Holding's annual report provides information regarding the expertise of the members of the Board, as well as information on their history of attendance at board meetings. The annual report will furthermore identify the members of the Board who are independent. Members of the Board are encouraged to own shares in B2Holding.

No deviations from the Code.

9. THE WORK OF THE BOARD

The Board has issued "Board of Directors' rule of procedure" which regulate its own activities and a separate instruction for the CEO which particularly focuses on clear internal allocation of responsibilities and duties as well as providing the Board with accurate, relevant, and timely information sufficient for the Board to carry out its duties.

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

The corporate governance principles state that members of the Board and executive personnel, must notify the Board when such members have any direct or indirect interest in a transaction carried out by B2Holding. In matters where the Chair of the Board is personally involved, the Board's consideration of such matter is chaired by another member of the Board.

Audit Committee

The Board has established an Audit Committee with a separate instruction. The duties and composition of the Audit Committee are in compliance with the Norwegian Public Limited Companies Act. The committee is a working and preparatory committee for the Board, preparing matters and acting in an advisory capacity.

The members of the Audit Committee are elected by and from the members of the Board for a term of up to two years. The Audit 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 from the Group. The majority of the members shall be independent of the Management.

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

Remuneration Committee

The Board has established a Remuneration Committee with a separate instruction 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 the remuneration provided 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 from the members of the Board for a term of up to two years and shall be independent of the Management.

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

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

Annual evaluations

The Board annually evaluates its performance and expertise relating to the previous year. The Board has a separate item on the agenda without the management present when deemed appropriate.

No deviations from the Code.

10. RISK MANAGEMENT AND INTERNAL CONTROL

As a part of B2Holding's risk management, the Board has adopted a risk profile and appetite as further set out in the internal policies. B2Holding shall comply with all laws and regulations that apply to the Group's business activities. B2Holding'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
- Environmental, Social and Governance (Corporate Social Responsibility)
- Risk management
- Compliance (including Group policies covering anti-corruption, anti-money laundering, sanctions, and whistle-blowing)
- Communication
- Financial management, including guidelines for quality assurance of financial reporting
- People and organisation, including guidelines for variable remuneration
- Shareholder relations
- Internal Audit

The Board conducts an annual review of the most important areas of exposure to risk and such areas' internal control arrangements. B2Holding has a separate risk function on Group level led by the Chief Risk Officer reporting to the CEO with a dotted line to the Audit Committee, and have established an Internal Audit function reporting to the Audit Committee.

The Director's report describes the main features of the internal control and risk management systems. The Board is obligated to ensure that it is updated on the Company's financial situation, and continuously evaluate whether the Company's equity and capital structure are adequate in terms of the risk from, and scope of, the Company's activities, and shall immediately take the necessary action if it is demonstrated at any time that the Company's capital or funding structure 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 and relevant information for decision-making and is able to respond quickly to changing conditions.

As of writing this report, the Covid-19 pandemic is still affecting the countries were B2Holding has presence and the full extent, consequences and duration of the pandemic are not possible to predict. However, the continued restrictions to prevent the spread of various mutations of the Covid-19 pandemic will undoubtedly have a severe negative impact on European economies. The liquidity situation and balance sheet position of B2Holding is assessed to be satisfactory and controllable and meets the requirements under the loan agreements.

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 is not linked to B2Holding's performance and share options are not granted to members of the Board.

Board members, or companies associated with Board members, do 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. In cases where there are special grounds, consideration may be presented to the Nomination Committee on the recommendation from the Board and the Nomination Committee may, in its opinion, submit proposals to the Annual General Meeting.

Any consideration paid to members of the Board in addition to their board remuneration will be specifically identified in the annual report. There is no such remuneration paid to members of the Board except for the remuneration approved by the Annual General Meeting on 27 May 2020.

No deviations from the Code.

12. REMUNERATION OF EXECUTIVE PERSONNEL

B2Holding's policy for determining remuneration to the CEO and members of the Management should always support the Group values and strategy. The total remuneration to the CEO and other senior executives consists of a base salary, benefits, annual bonus, share options, and 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 which the employee may influence.

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

The Annual General Meeting's decision regarding the guidelines in the statements are to be taken as advisory by the Board and where there are share instruments involved as long-term incentive, the vote will be binding on the Company.

Reference is made to note 30, Remuneration, in the Consolidated financial statements 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 out in the form of annual reports, semi-annual reports, quarterly reports, capital market days, stock exchange releases, and investor presentations in accordance with what is deemed appropriate from time to time. B2Holding aims to clarify its long-term potential, including strategies, value drivers and risk factors.

Unless exceptions apply and are invoked, B2Holding will promptly disclose all inside information (as defined by the Norwegian Securities Trading Act). In all circumstances, B2Holding will provide information about certain events, e.g. particular decisions by the Board and the Annual 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 the Company and related parties.

Separate guidelines have been drawn up for the proper handling of inside information, see “Instructions for handling of inside and confidential information” and “Rules for primary insiders” available on the Company’s website.

In addition to the Board’s dialogue with the shareholders in the Annual General Meetings, the Board makes suitable arrangements for shareholders to communicate with B2Holding at other given times. Communications with the shareholders should always follow the provisions of applicable laws and regulations and consider the principle of equal treatment of shareholders.

As part of the investor relations activities, dedicated representatives from the Management meet with investors and financial analysts through regular roadshows, investor conferences, group and individual meetings, and ad hoc calls and e-mails. B2Holding aims to host capital markets days and similar events as needed in order to further increase transparency and dialogue with investment communities.

B2Holding endeavours to reply promptly and precisely with relevant information in communications with its stakeholders, if they clearly do not require the disclosure of inside information or are otherwise deemed to be potentially damaging to the Group.

No deviations from the Code.

14. TAKE-OVERS

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

In the event of a take-over process, the Board shall abide by the principles of the Code, and ensure that the following takes 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; and
- the Board must be aware of the duty it has for ensuring that the values and interests of the shareholders are protected.

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

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

No deviations from the Code except what is reported above.

15. AUDITOR

The Board works to ensure that the auditor presents the main features of the plan for its work regarding audits to the Audit Committee and the Board.

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

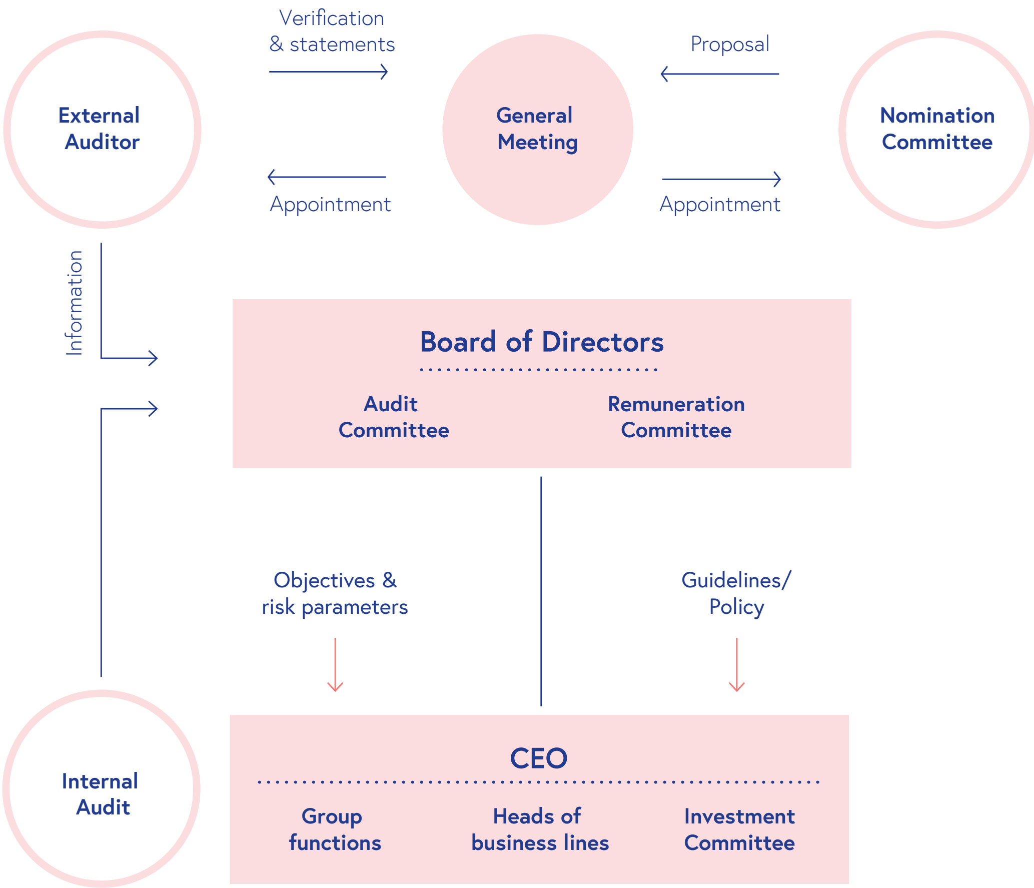
The Audit Committee and the Board hold a meeting with the auditor at least once a year at which no representative of the Management is present.

The Board has specified the Management’s right to use the auditor for other purposes than auditing also reflecting the amendments to the Norwegian Auditor Act as of 20 November 2020 harmonising the Norwegian Auditor Act with EU regulations.

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

No deviations from the Code.

GOVERNING BODIES IN THE B2HOLDING GROUP



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

The Board has appointed and authorised the Investment Committee to make portfolio investment decisions subject to a specific threshold hierarchy.

The Investment Committee consists of five members of the Management (including the CEO) as specified in the threshold hierarchy. Portfolio investment in new geographical markets or portfolio investments with purchase price above EUR 20 million will require approval from the Board.

05

Director's report

Photo: Foad Roshan Unsplash

Director's report

THE NATURE OF THE BUSINESS AND ITS OPERATIONS

B2Holding's vision is to be a trusted and innovative partner that actively re-shapes the credit management industry in all of the Group's markets and to achieve or maintain a top five market position in the respective non-performing loan (NPL) markets, whereby efficiency is more important than footprint.

Efficiency is a prerequisite for sustainable platforms and is strived by adopting digital transformation processes and by leveraging Group projects on scale. The Group strategy and goals are assessed and evaluated annually.

The Group's mission is to contribute to handling society's debt problems and bridge the gap that defaulted debt represents in the credit chain, in short "bridging the gap". Agility, Integrity, Diversity, Excellence and Responsibility are the core values of the Group and demonstrate the Group's culture by being a common language of all employees, guiding behaviour and actions.

B2Holding ASA is a Norwegian public limited company with organization number 992 249 986 with its registered business address and headquarter in Stortingsgaten 22, 0161 Oslo, Norway. B2Holding ASA has since 8 June 2016 been listed on Oslo Stock Exchange and included in the Oslo Stock Exchange Benchmark Index ("OSEBX") since 1 December 2016.

B2Holding ASA ("the Company") is the parent company of the B2Holding consolidated group of companies (together "the Group" or "B2Holding") and since the incorporation of the company in 2011, the Group has grown into a pan-European debt service provider.

The Group is a debt solution provider for both customers (referred to as debtors) within unsecured and secured loans consisting of consumer credits, residential credits, and credits to small and medium-sized enterprise ("SMEs") as well as corporate customers. In addition, the Group provides services for third-party debt collection, credit information and project management as a full-service provider of debt management and servicing for co-investors, financial partners, and customers.

The strategy announced during 2019 remains unchanged where the main pillars are profitable growth through focused investments in core markets and strengthening the Group's servicing capabilities with the reservation that efficiency is more important than footprint. The growth will be maintained and supported through co-investments, full collection and recovery servicing, forward flow deals and a preference for core countries.

This strategy is transforming the Group towards a more cost-efficient business model and leverages the Group's servicing capabilities by increasing assets under management. In order to facilitate for the strategy, the Group is organized with a clear distinction between asset classes and increased operational focus. In addition, the company has in 2020 established functions with senior positions within risk management, compliance, and internal control.

B2Holding has a strong position in a European NPL market with significant opportunities through its operations in 22 European countries. As part of the strategy, the Group will continue to reduce its risk or footprint in certain non-core markets, allowing for strengthened focus on core markets.

Going into 2020, the Group described it as a year of transformation. That statement got several new dimensions with the outbreak of the Covid-19 pandemic (hereafter referred to as "Covid-19" or "the pandemic" with various mutations and steps), and the macroeconomic environment significantly changed. Ethical and responsible collections have always driven the Group's business, but especially in such challenging times. B2Holding acknowledges its social responsibility and closely monitors its operations to ensure that the Group demonstrates required sensitivity towards those customers that are most vulnerable.

With access to the largest NPL markets in Europe, the Group wants to focus on investments in markets with growth potential that are of strategic importance. Further, during 2020 the Group has maintained its price disciplined and opportunistic investment approach consistent with the Group's response to the uncertainty caused by the pandemic.

The majority of existing forward flow contracts have been renegotiated, and this has positively affected returns and performance during the year. Most of the investments were in Northern Europe and Poland and portfolio investments were driven by one-off deals at favourable return levels compared to levels pre-Covid-19. Together with Poland, Northern Europe was moderately impacted by the pandemic. The remaining purchases cover smaller portfolio acquisitions in Western and South Eastern Europe.

Gross collections including the Group's share of portfolios purchased and held in joint ventures for the year ended at NOK 5,659 million, up NOK 234 million (4 %) versus 2019, primarily due to low portfolio investments throughout 2020 combined with some delays in collections due to Covid-19.

Gross collections on unsecured portfolios reached NOK 3,698 million in 2020. The Collection performance in 2020 reached same level as the pre-Covid-19 forecast, in line with trends during the year. Impact of the pandemic was most visible in the economies where the governments took measures with respect to legal framework of the financial system, and debt collection.

Some of the restrictions implemented in the early stage of the pandemic were eased during the year, for example, in Croatia the operations of the Fina agency (performing activities covered by bailiffs in most countries) were resumed in October after six months of suspension, which resulted in a visibly positive effect on the collections thereafter.

In parallel, collection strategies and operational set-up within the Group, have been adjusted continuously as a reaction to the development of the pandemic and the impact it has on the business environment. Altogether, both access to the customers and the payment discipline remained above the expectations pre-Covid-19, and notably higher than the Group's stress test scenarios.

Collection results in the Group's main unsecured markets in Northern Europe and Poland continued to perform in line with or above pre-Covid-19 levels. The performance in Western Europe varied and the impact of the pandemic on South Eastern Europe was more visible than in other regions.

A combination of external factors and actions taken by B2Holding, have facilitated the improvement. The second wave of the pandemic created a necessity to continue with the work-from-home routines in all the Group's markets. IT systems fully support this distributed organization of work, and the quality of management routines of the dispersed organizations is functioning well.

Gross recoveries on secured portfolios were NOK 1,580 million for the year which is 7 % lower compared to NOK 1,696 million last year. The ERC for secured portfolios at year end is NOK 5,423 million or 24 % of the Group's total ERC. The momentum of resolutions in secured portfolios continued during 2020 with actual performance at same level as the latest forecast.

Overall, the secured recoveries continued to improve in 2020, despite significant delays and interruptions in key public services necessary for progressing such resolutions, specifically the courts and bailiff systems and operations related to real estate transactions such as land books.

The Group is continuously monitoring changes in the legal systems and governments' measures in response to the pandemic to protect the value of its assets and preserve recovery levels. The centralised asset management team continues to evaluate the Group's secured portfolios, identifying opportunities for upside strategies that improve and secure the quality of the back-book.

Part of the strategies designed and implemented in the corporate and secured portfolios, relates to repossession of the underlying assets, and aims to shorten the legal processes; time-to-asset and time-to-money.

The value of collateral assets (real estate owned) increased during 2020 and was NOK 873 million at the end of the year.

Due to Covid-19 related restrictions and particularly the lockdown measures in the legal systems across Europe, the activity levels, both with regards to sale of collateral assets and non-amicable repossessions, remained at a low level.

In accordance with the strategy, the Group is actively pursuing further co-investments to gain access to a larger pipeline and utilize the Group's servicing platforms. At the end of 2020, the Group has established co-investment arrangements for portfolios in Romania, Greece, Croatia, Sweden and Cyprus and further co-investments are under consideration.

The ability to transact with reputable investors creates unique advantages for B2Holding with regards to a more flexible purchasing capacity (ability to participate in large deals across many geographies), the opportunity to leverage the servicing platforms by acting as servicer of portfolios for investment partners, and the ability to manage the risk versus return by adjusting the Group's exposure regardless of transaction sizes.

The total portfolio purchases in 2020, excluding portfolios purchased in JVs, was NOK 1,664 million which is a 51 % reduction from 3,409 million in 2019.

The allocation of portfolio investments in 2020 ended at 54 % (NOK 898 million) to Northern Europe, which is a decrease of 57 % from 2019. Northern Europe is the largest region with 40 % of the ERC (36 % in 2019). The exposure in Central Europe has been reduced to 19 % (23 % in 2019) and the exposure in South Eastern Europe is stable at 14 % (13 % in 2019) in terms of ERC, while Poland and Western Europe are unchanged with 16 % and 12 % respectively.

Northern Europe collections continued to perform well in 2020 and increased from NOK 1,579 million in 2019 to NOK 1,786 million in 2020 (13 %) mainly due to increased collections in Sweden, Denmark, and Latvia. The gross collection in 2020 are mainly from unsecured portfolios (99%).

Total revenue from purchased portfolios including profit from shares in joint ventures were up NOK 40 million (5 %) to NOK 848 million mainly due to profit from shares in associated parties/joint ventures. Other revenues were NOK 33 million higher (NOK 138 million) than in 2019.

The Net credit loss from purchased portfolios was NOK 36 million compared to a Net credit gain of NOK 44 million for 2019 mainly due to a reduction in future collection estimates of NOK 72 million in 2020. Cost to collect slightly increased due to external cost related to increased collections, but the cost to collect percentage improved to 14 % (15 %). EBITDA for 2020 ended at NOK 601 million, up NOK 24 million (4 %) from 2019.

The number of full-time equivalents (FTEs) in the region by year end was 373.

Central Europe reduced collections by NOK 76 million (6 %) and has a stable cost level, while revenues from purchased portfolios were up NOK 262 million to NOK 518 million, whereof the significant change was caused by the one-off write down in second quarter 2019.

The cost to collect percentage decreased to 15 % during the year from 18 % in 2019. EBITDA for 2020 ended at NOK 304 million, up NOK 289 million from 2019, and operating profit was NOK 295 million.

The number of FTEs in the region by year end was 256.

Western Europe was the region most affected by the Covid-19 pandemic and subsequent governmental measures. Collections decreased by NOK 73 million to NOK 549 million (-12 %) and revenues from purchased portfolio were down NOK 152 million (-34 %) due to the governmental measures caused by closed courts and bailiffs. Net credit loss was NOK 65 million in 2020 mainly due to negative revaluation of secured portfolios. Cost to collect ratio slightly increased by 1 percentage points to 28 % in 2020.

The number of FTEs by year end was 455, which is a significant decrease from last year by 28 % due to cost efficiency program under the Covid-19 pandemic. EBITDA decreased by NOK 155 million to NOK 125 million and operating profit decreased by NOK 159 million (62 %).

South Eastern Europe decreased collections by NOK 44 million (7 %) with a stable cost level, however total revenues from purchased portfolio were NOK 296 million, up NOK 72 million from 2019. The increase is mainly due to the one-off write down of secured portfolios in Bulgaria and Romania in 2019. Profit from joint ventures decreased by NOK 29 million (49 %) to NOK 29 million. EBITDA increased by NOK 30 million to NOK 78 million.

The number of FTEs decreased from 592 last year to 567 in 2020 due to cost efficiency programmes under the pandemic.

Poland shows steadily increasing collections and lower cost to collect ratio versus 2019. Total collection in 2020 was NOK 1,033 million which is 7 % higher than same period last year. Revenue from purchased portfolios were up by NOK 10 million (2 %) to NOK 597 million despite that portfolio purchases year-on-year was reduced by 10 % to NOK 362 million in 2020.

The Net credit gain from purchased portfolio was NOK 20 million mainly due to higher collection above estimates of NOK 45 million in 2020. Cost to collect improved from 33 % to 30 % due to higher gross collection combined with reduction in FTEs of 89 (-15 %) to 484 at the end of 2020.

FUNDING STRUCTURE AND FINANCING

During 2020, the Group has strengthened the liquidity reserve, increased the headroom to financial covenants and refinanced some of its debt. Combined, this has resulted in a healthier debt maturity profile and more flexible capital structure. The headroom to covenants is expected to be further improved going forward.

On 3 November 2020, the EUR 510 million senior secured Revolving Credit Facility (RCF) was extended by one year, from 31 May 2022 to 31 May 2023. The margin structure and the financial covenants remained unchanged. This has strengthened the balance sheet and the Group is in line with original RCF covenants.

In addition to the RCF, the Group completed an agreement for a EUR 100 million Senior Secured bridge facility with DNB and Nordea at market rates. The purpose is to have flexibility under the bank financing to repurchase, and in the end, repay the Bond 2 of EUR 175 million at maturity date in October 2021.

The extended RCF in combination with the new bridge facility confirms the support of the syndicate banks and gives the Group increased optionality and flexibility.

On top of the mentioned RCF and bridge facility, the Group holds four listed senior unsecured bond loans for a total of EUR 775 million. The first bond of NOK 150 million was repaid in full on maturity date 8 December 2020. In addition to this repayment, the Group has during 2020 repurchased a nominal value of EUR 47 million in Bond 2 at an average price of 102.3. In total the Group holds a nominal value of EUR 91 million in treasury bonds at year end, of which EUR 64 million is held in Bond 2 maturing on 4 October 2021. The outstanding amount of EUR 111 million in Bond 2 will primarily be refinanced via a combination of operating cash flow, the RCF and the bridge facility.

The rating agency Moody's affirmed their Ba3 (negative outlook) rating in their latest credit opinion on 18 December 2020 with a negative outlook reflecting Moody's view on further delays in collection could increase the liquidity risk and reduce the acquisition capacity going forward.

Similar rating from S&P is B+ (stable outlook). The outlook was revised in their latest research updated on 12 February 2021. The outlook was changed from "negative" to "stable" due to resilient financial performance in 2020, improved covenants headroom and their expectations that B2Holding will maintain stable leverage metrics over 2021.

FINANCIAL STATEMENTS

The Board of Directors (the Board) 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

The Group recorded a full-year operating profit of NOK 1,224 million for the year 2020, compared to NOK 959 million in 2019. The cost to collect was 21 % which is a reduction from 23 % last year mainly due to focus on operational efficiency and cost reductions.

Revenues from purchased loan portfolios amounted to NOK 2,535 million compared to NOK 2,313 million in 2019. Operating revenues for the year amounted to NOK 3,174 million compared to NOK 2,874 million in 2019, an increase of NOK 300 million mainly due to the one-off write down of NOK 388 million in 2019.

Operating expenses, excluding depreciation and amortisation and impairment losses and cost of collateral assets sold, decreased by NOK 23 million (1 %) in 2020 compared to 2019.

The number of FTEs in the Group was 2,191 at the end of 2020, a net decrease of 326 during the year. The FTE numbers have decreased in all regions, with most significant decrease in Western Europe (-28 %) and Poland (-15 %) due to efficiency programs related to the Covid-19 pandemic. Going forward the number of FTEs is expected to be reduced as a result of the ongoing efficiency programs and the planned reduction of regional footprint.

Net financial items ended at NOK 814 million, of which interest expenses on interest bearing debt amounted to NOK 795 million and a net foreign exchange loss of NOK 65 million. The Net foreign exchange loss is mainly related to unrealised exchange losses on internal financing of the Group.

CASH FLOWS AND CASH COLLECTION

As described above, Gross collections increased in 2020 with NOK 234 million (4 %) to NOK 5,659 million due to significant increase in activity. The increase in gross collections was driven by Northern Europe and Poland.

Cash flow from operating activities for the year ended at NOK 3,248 million, NOK 361 million (10 %) lower than the same period in 2019. The difference between operating cash flows and the operating profit of NOK 1,224 million is mainly related to amortisation/revaluation of purchased loan portfolios offset by unrealised foreign exchange balances, paid taxes, and timing differences. Cash flow from investing activities ended at minus NOK 1,760 million, while the Net cash flow from financing activities in the period ended at minus NOK 1,544 million.

Balance sheet and liquidity

Total assets at 31 December 2020 amounted to NOK 17,169 million compared to NOK 16,942 million in 2019. The equity amounted to NOK 4,719 million and the book equity ratio was 27.5 % compared to 25.0 % at 31 December 2019.

Total book value of purchased loan portfolios ended at NOK 13,033 million end of December 2020 which is NOK 387 million lower than year-end 2019. Net interest bearing debt as of 31 December 2020 was NOK 11,068 million compared to NOK 11,379 last year.

Cash and short-term deposits amounted to NOK 423 million at the balance sheet date compared to NOK 356 million at the end of 2019. The Group's liquidity situation and the ability to finance future investments are adequate.

PARENT COMPANY

B2Holding ASA, the parent company, recorded a full year loss of NOK 110 million after negative changes in deferred tax of NOK 10 million compared to a loss of NOK 157 million in 2019. Interest income from Group companies accounted for NOK 516 million in 2020 compared to NOK 496 million in 2019. Net cash flow for the year ended negative at NOK 1 million compared to a deficit of NOK 5 million for 2019.

Total assets at 31 December 2020 amounted to NOK 10,946 million compared to NOK 13,137 million in 2019. The equity amounted to NOK 3,717 million and the book equity ratio was 34.0 %.

Cash and cash equivalents amounted to NOK 5 million at the balance sheet date compared to NOK 6 million at the end of 2019. Of this amount, NOK 5 million were restricted balances. The Company's liquidity situation, ability to finance future investments, meeting its obligation and the solidity of the parent company are adequate and satisfactory.

FINANCIAL AND OTHER RISKS

B2Holding's approach to risk management is to proactively manage risks so that it generates profitability and value for all the Company's stakeholders and ensure sustainability.

B2Holding has placed significant focus on risk management during 2020 by embedding a new Group-wide enterprise risk management framework. The framework facilitates effective analysis and monitoring of significant risks, both internal and external. The purpose is to enable the Group's management at all levels to easier identify and quantify the risk factors that may negatively affect the Company's profitability and sustainability, while at the same time strengthening internal controls and governance.

B2Holding is implementing risk management principles across the Group based on the framework of Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management (COSO ERM) with the overriding objective to achieve improved governance, drive operational excellence and achieve enhanced value for all stakeholders. The components and principles of the COSO

ERM framework will when rolled out transform the business into a risk aware organization.

At the end of 2020, the risk framework and risk mapping process, has been rolled out in six major entities with clear actions and improvement plans agreed that will pro-actively be followed up by the Group risk function. The risk framework will be rolled out to the remaining Group entities in 2021.

The risk governance structure is overseen by the Board and its Audit Committee, under the responsibility of the Group CEO and headed by the Group Chief Risk Officer with appointed risk managers from local entities. The Group Risk function works with local risk managers to correctly identify and assess risks, challenge risk assessments and act as a consultant to support clear and transparent risk mapping processes.

To further support the risk management principles, the Company, in consultation with the Audit Committee, has established an Internal Audit function reporting to the Audit Committee.

The Group's core business is to generate profitable returns through controlled exposure to credit risks in the form of acquiring and managing non-performing loans. Therefore, the Group actively pursues this type of risk which inherently carries the highest potential impact on the income statement and balance sheet. As such, there is an increased central focus on this risk area, with particular emphasis and oversight on the portfolios acquisition process, performance management and reporting.

Risks such as liquidity, operational, and market risk should be minimized but balanced, as far as it is economically justifiable, following internal policies and guidelines. Other types of risk such as management, regulatory and reputational risk are addressed through the Group's governance and compliance policies.

The CEO and the Heads of Unsecured and Secured Asset Management are responsible for and shall ensure that all business units operate and develop in accordance with B2Holding's risk management and internal control policy and routines.

The Board reviews the Group's most important risk areas and its approach to address the identified risk on an annual basis. Principal risks are identified through the Group-wide risk framework or through incidents raised. The risks are grouped into three broad categories: strategic, financial, and operational.

Reference is made to the Risk management report describing the risk management structure in more detail and constitutes an integral part of the Directors' Report.

REPUTATIONAL RISK

A good reputation is crucial to the Groups long-term sustainability to operate as a viable company. A good reputation is crucial as the Group deals with debt collection activities and the Group's customers need to trust B2Holding in order to positively engage with the Group. It is therefore crucial to B2Holding that the customers are always fairly treated. The Group places great emphasis on reputation and relationships with all stakeholders including, but not limited to, customers, vendors, investors, authorities, and employees.

Group's compliance policies, the Code of Conduct and adopted values are embedded in the operations and how the employees conduct themselves in day-to-day work and in relationships with stakeholders.

In 2020, the above policies were updated, communicated, and implemented across the Group. The Group also expects its vendors, partners, and suppliers to comply with the principles in the Code of Conduct, in particular those that provide collection services on behalf of the Company.

All Group entities have a Compliance function which follows up on the collection practices and internal standards regularly to ensure that good ethical practices are applied across the Group. All data and compliance breaches are now monitored through central Group databases.

MANAGEMENT RISK

The Group is organized into two business lines: Unsecured and Secured Asset Management supervised by the Head of Unsecured and the Head of Secured Asset Management, who report directly to the Group CEO being responsible for all business units.

Business lines are operating and developed in accordance with B2Holding's risk management framework and are subject to internal controls. The Group's investment management, legal, tax, risk, compliance, project management and controlling teams support the business lines and local operations in conducting their business and with assessing and managing their risk.

B2Holding operates in multiple countries with different competitive and regulatory landscapes and historically operating in a decentralised model. This may give rise to different types of risks as local entities have different operating models and different levels of maturity. A more centralised model through Group level functions and oversight is being implemented, enabling synergies, optimisation and greater governance control and procedures taking into consideration oversight requirements.

The risk of increased competition in purchasing NPL portfolios, pricing pressure and lower returns accepted by competitors, may adversely affect operations and profitability. The Group Management monitors the competitive environment by regularly monitoring the countries opportunity pipeline and horizon scanning for suitable transactions to pursue. These are taken into consideration during the decision-making process.

The Group uses local collection platforms with established position and experience, providing in-depth local knowledge of the markets. These local collection platforms are supported by dedicated Group resources in key business areas, such as investment pricing, portfolio management, operations, IT, and others.

The Group is actively pursuing investment partnerships which allow opportunistic participation in multiple portfolio investments with reduced capital requirements, whilst benefitting from additional servicing earnings.

REGULATORY RISK

The Group depends on authorisations and licenses from different authorities in order to operate. Risk arises from non-compliance or breaches to existing processes and procedures implemented. Regulatory changes can also influence the markets and local operations, either in a positive or in a negative way. License requirements, adherence to these and potential regulatory changes are managed and monitored by the relevant local legal and compliance teams supporting the operations and reported to Group on a regular basis.

In 2020, the Group updated and implemented the Group Compliance Policy across the Group and all its local subsidiaries. The Group also monitors regulatory changes and developments through open dialogue with the local management teams.

Furthermore, B2Holding also participates and co-operates with policymakers and in industry associations that develop standards and best practices and promote the role of the industry in supporting the health and viability of the financial system. All data and compliance breaches are monitored through the Group's central databases.

CREDIT RISK

Credit risk is risk arising from customers not repaying principal or interest accrued or counterparties not meeting their contractual obligations. For B2Holding, this refers mainly to NPL portfolio acquisitions, accounts receivable, cash and cash equivalents, and outlays on behalf of clients.

NPL portfolio risks are addressed under investment risks. For cash and cash equivalents, these are deposited with established banks where the risk of loss is remote. For counterparty risks, the Group primarily deals with known customers with good creditworthiness. Credit risk is analysed, monitored, and controlled by the local entity's management.

MARKET RISK

The market risk is the risk arising from unexpected movements in exchange rates and interest rates. Foreign exchange risk that has an impact on B2Holding's financial statements arises mainly as a result of:

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

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

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

To mitigate the currency risk the Group uses a multi-currency bank facility and bond loans denominated in Euros, effectively establishing an operational hedge by financing acquired portfolios in the same currency as the repayments expected from portfolios. However, portfolios acquired in Czech Republic, Croatia, Serbia, Bosnia and Herzegovina, Hungary, Romania and Bulgaria are financed by Euros due to limited possibilities for medium and long-term hedging arrangements when borrowing in those currencies. Croatia and Bulgaria have pegged their currency to the Euro within a limited band.

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

Operational currency exposure is constantly monitored, and relevant hedging arrangements are assessed and applied in accordance with Group's risk policies.

INVESTMENT RISK

B2Holding invests in NPL portfolios and then tries to make a profit from these investments by assuming all rights and risks arising from these transactions. The risk on this type of business, may arise by overestimating collections or underestimating costs to collect and thereby incurring losses.

Therefore, it is crucial for the Group's business to achieve an overall rate of collection above that reflected in the prices paid. While B2Holding believes that the recoveries on the Group's loan portfolios will be in excess of the amount paid, amounts recovered may be less than targeted.

B2Holding buys NPL portfolios at discounted prices and therefore the risk is partially mitigated through pricing and expected returns. Furthermore, the Group assets are diversified both in terms of asset classes (secured, unsecured) and geographical location across more than 20 countries.

All acquisitions are based on careful valuations to predict future net collections and are strictly governed via the controlling functions for this purpose.

B2Holding constantly aims to reduce the risk through applying its extensive experience and using the Company's proprietary database consisting of detailed analytical data based on a history of NPL purchases and performance. In 2020, the Group strengthened this process further by introducing new standardized forecasting models owned by the Group.

LIQUIDITY RISK

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

The capital threshold for equity is set at a minimum consolidated book equity ratio of 25 %, and a minimum liquidity capacity is set out in a Liquidity policy reflecting the main covenants and short-term free liquidity requirements. Based on the Group's capacity to assume risk, the thresholds are determined by the Board. B2Holding's risk control function monitors and ensures that the Group does not assume risk that exceeds the risk capacity and limits.

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

ENVIRONMENT AND EMPLOYEES

Administration and personnel

On 5 February 2020, the Board announced that the Group's CFO Erik J. Johnsen was appointed as permanent CEO, succeeding Olav Dalen Zahl who stepped down from his position on 15 August 2019. Erik Johnsen has been with B2Holding ASA since 2013 as Chief Group Controller and later as Chief Financial Officer, a position that was taken over by André Adolfsen from 1 November 2020.

There were 107 (2 %) days of sick leave in the parent company B2Holding ASA in 2020 compared to 179 (3 %) last year.

Throughout 2020, no incidents resulting in serious injury or material damage have been reported except for some property damage in the Zagreb office due to the earthquakes in Croatia. The workplace environment is considered to be positive and improvements are made on a continuous basis.

B2Holding ASA, the Group's head office located in Oslo, had 28 employees at the end of the year, of which 12 were women and 16 were men.

At 31 December 2020, the Board consisted of seven members of which three were women and four were men.

Equality and discrimination

The B2Holding Group has 2,398 employees at year-end comprised of 1,602 women and 796 men. The total number of full-time employee equivalents (FTEs) was 2,191 of which 1,421 women and 770 men, compared to 2,517 FTEs in 2019 of which 1,646 women and 871 men. The Group aims to be a workplace where there is gender equality. The Group employs a policy where no discrimination is allowed.

The Norwegian Anti-discrimination Act aims to promote equal opportunities and rights and to prevent discrimination of any form. 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. For further information on the Board's work to prevent discrimination and promote equality, see the Sustainability report on page 39.

In the beginning of 2021, B2Holding became a participant of the UN Global Compact committing the Group to report on the UN's Ten Principals of which Human Rights and Labour are two major Principals.

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

Corporate responsibility (ESG)

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 Sustainability report is based on principles described in the Euronext ESG Guidelines for listed companies and principles under the Global Reporting Initiative's (GRI). The report is an integrated part of the Directors' report.

The general development during 2020 with increased focus on ESG, has led to a thorough review of internal and external analysis of preferences from B2Holding's stakeholders, which in turn has provided the basis for this year's updated Sustainability report.

As a participant of the UN Global Compact, B2Holding is committed to report on the UN's Ten Principals of which Human Rights, Labour, Environment and Anti-corruption are assessed to be the most relevant to the Group's business.

Through B2Holding's operations, the Group helps manage society's debt problems and aims to contribute to a stable financial ecosystem. A well-functioning debt servicing industry is important and significant for bridging the gap in the financial value chain.

Of the Group's stakeholders, four groups are assessed to be of special importance. These are the customers struggling with indebtedness, the vendors trusting the Group to continue to treat their customers fairly, the investors providing various groups of risk capital and the employees being the Group's most valuable resource.

Towards customers, the main approach for debt collection is to establish a satisfactory and respectful relationship resulting in a positive outcome for both parties. B2Holding is required to have mechanisms to allow customers to express their opinion and assess their level of satisfaction. This is not limited to treating the customer adequately but extends to identifying how to improve the relationship with the customer base and develop associated plans. Customer complaints (as opposed to customer disputes) for 2020 represented 0.01% of cases serviced during this period which is assessed to be at a manageable low level.

For the employees, 2020 has been a challenging year. In March, more than 90 % of the employees were shifted to work-from-home to secure health and safety during the Covid-19 pandemic, which has lasted throughout 2020. Despite major challenges with local lockdowns and earthquakes in Croatia, the employees' willingness to adapt and operational skills proved substantial and secured stable operations from remote locations.

Although 2020 was a challenging year, B2Holding piloted an e-learning platform in nearly 30 % of the countries during the year. The piloting proved successful and will be implemented in all countries during 2021. 32 % of all employees participated in various training courses on digital platforms, both internal and external. The internal communication platform, Workplace by Facebook, proved valuable and was used by all employees as a communication and collaboration platform and proved particularly valuable when the pandemic escalated.

To ensure a safe work environment for all employees, as part of the anti-corruption work and the work against unwanted behaviour, B2Holding is in the process of setting up an external whistleblowing channel.

B2Holding's approach to and work with ESG related issues, was strengthened through establishing a new Corporate Development function under the Group Head of Corporate Development. This function is coordinating the Group's sustainability initiatives and is responsible for planning, implementing, following up on and further developing of the Group's sustainability programme.

The Board wishes to thank all employees for all support and efforts made for the achieved results and progress in 2020.

CORPORATE GOVERNANCE

Risk management and internal control

The Corporate Governance report constitutes an integral part of the Directors' report. B2Holding ASA is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act. Further the Company is subject to the Norwegian Code of Practice for Corporate Governance ("the Code") as well as the Euronext Rule Book 2 Issuer Rules section 3 applicable for all companies listed on Oslo Stock Exchange. B2Holding reports no deviations from the Code.

B2Holding considers solid corporate governance a prerequisite for gaining the trustworthiness needed to access the capital market, the non-performing loan market, and last, but not least, to the market of human capital that ultimately creates value for B2Holding's stakeholders.

A well-functioning corporate governance framework is the cornerstone to ensuring that the organization has an effective and balanced internal management control system, which encompasses clear delineated responsibilities, and administers subsequent accountability.

B2Holding is subject to the extensive external regulatory framework described above which is reflected in its internal controlling mechanisms. The setup of its internal governance structure reflects both the resolutions and proxy given by the Company's shareholders, in their Annual General Meeting, as well as the policies and instructions that are adopted by the Board.

The Annual General Meeting adopts the Instruction for its Nomination Committee submitting proposals for the election of the members of the Board and the Chair of the Board, fees to the members and the Chair and for the members of the Board committees.

At B2Holding ASA's Annual General Meeting on 27 May 2020, Harald L. Thorstein, Trygve Lauvdal, Grethe Wittenberg Meier and Trond Kristian Andreassen were elected for the period until the Annual General Meeting in 2022 and on the Annual General Meeting on 24 May 2019 Kari Skeidsvoll Moe and Adele Bugge Norman Pran were elected for the period until the Annual General Meeting in 2021.

The Board established the Audit Committee after the Annual General Meeting on 27 May 2020 with Adele Bugge Norman Pran as the leader and Trond Kristian Andreassen as a 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.

The Board established the Remuneration Committee after the Annual General Meeting on 27 May 2020 with Harald L. Thorstein as the leader and Trygve Lauvdal as a Committee member.

The Board has both managerial and supervisory duties and approves the Corporate Governance Principles of "the Code" and is responsible for compliance with the principles.

B2Holding commits to ethical and sustainable business practices, reliable and transparent financial reporting, and compliance with all regulations, requirements, and industry standards in each of the countries where the Group operates. Corporate governance within the Group is therefore about more than how the Board and Group Management conducts its affairs, it is also about consolidating and further developing the Group's values and its ethical footprint.

The Board has adopted a set of policies and instructions which further define the governance structure of the Company and the wider Group. These policies, instructions and procedures outline and clarify the different levels of responsibilities within the Group, and which limitations or control mechanisms coincide with these responsibilities.

The Board 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. The progress of the project to improve governance in the Group is reported to the Board on a regular basis.

The Group is currently organized into two main business lines: Unsecured and Secured Asset Management. Both the Head of Unsecured and Head of Secured Asset Management are, together with the Group CEO and with the support of Group functions, responsible for and shall ensure that all business units operate and develop in accordance with the governance policies outlined by the Board. All policies, instructions and procedures are based on B2Holding's ethical standards for conducting business and its Code of Conduct.

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

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

The Board annually reviews the strategic plan and as part of the preparation for the strategic discussion, the Board also reviews the Group risks.

NOMINATION COMMITTEE

B2Holding's Nomination Committee is stated in the Articles of Association. The Nomination Committee shall have three members, including the head of the Committee. As to the composition of the Nomination Committee, the interests of the shareholders will be considered, and the majority of the members shall be independent of the Board and of the Group Management. The Chair of the Board and CEO shall be invited to 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 candidates for election to the Board at the Annual General Meeting. The instruction for the Nomination Committee was approved by the Extraordinary General Meeting on 19 May 2016 after which each member of the Nomination Committee shall act for two years. At B2Holding ASA's Annual General Meeting on 27 May 2020, Kjetil Garstad (leader), Albert Collet and Hans Thrane Nielsen were elected for a period until the Annual General Meeting in 2021.

Due to the Covid-19 virus outbreak and measures implemented locally to prevent further spread of the virus, the Annual General Meeting on 20 May 2021 will be conducted as a virtual meeting and the Board will request shareholders to use the possibility of casting advance votes or voting by proxy.

EQUITY

The parent company's book value of equity at 31 December 2020 amounted to NOK 3,717 million. Total book value of equity for the Group at 31 December 2020 was NOK 4,719 million corresponding to a book equity ratio of 27.5 %. Considering the nature and scope of B2Holding's business, the Board of Directors 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 representation of the Company's business and financial results. The Board confirms that the going concern assumption has been satisfied.

OUTLOOK

As a result of the pandemic and the prolonged uncertainty, the Group will continue to carefully monitor the market and remain price disciplined while maintaining an opportunistic approach. At the same time, the Group will focus on strengthening its balance sheet, and improve headroom to loan covenants.

The Group expects that increasing volumes of non-performing loans will be coming to the market in the second half of 2021 and continuing into 2022, and that the yields will continue to be attractive. The Group will continue to actively seek co-investment solutions and servicing opportunities.

On the operational side, the main focus going forward, will be to utilize economies of scale in key markets in order to improve margins for future investments. Furthermore, there will be continued focus on business transformation towards a higher degree of automation in collection and use of advanced technology for big data analytics.

In parallel with this, the Group will strengthen the risk function with a higher degree of centralization in investments and improved data quality and insight that will result in a more efficient capital allocation going forward.

Covid-19 pandemic

2020 was marked by the outbreak of the Covid-19 pandemic which affected the environment in all the markets in which B2Holding is present, and changed the way the vendors, clients and employees operated.

The European governments have introduced significant economic relief packages and are in the process of vaccinating the population. The ultimate timing and effectiveness of these efforts remain uncertain and, at the time of writing this report, the spread of the virus in Europe is not yet under control.

B2Holding's primary concern is the well-being of its employees, followed by ensuring business continuity, and it has actively addressed both as the pandemic progressed.

Governmental measures such as lockdown and forced closedown of businesses, have amongst other things had an effect on local bailiffs and court systems as well as impacting many customers who may find themselves in a more challenging and uncertain financial situation. In this respect, the Group's values emphasizing both ethical and responsible collections, are fundamental and more important than ever. B2Holding has implemented a detailed protocol when contacting the customers, as well as a script for identifying and following up those that have been affected by the pandemic so that B2Holding can offer ad-hoc solutions for them.

B2Holding and its entities moved their workforce to work-from-home within weeks from the inception of the pandemic and complied with all regulations imposed by the local health authorities and governments. This allowed the Group to mitigate the risks caused by the lockdowns imposed in first quarter 2020. Furthermore, the Group has successfully operated under flexible work-from-home schemes throughout 2020, being able to adjust its operations to the health and safety requirements during the subsequent waves of the pandemic.

In second quarter 2020, B2Holding undertook stress testing of its acquired portfolio to estimate the financial impact of the outbreak on its portfolios. So far, the Group has been outperforming the projected stressed scenarios.

B2Holding continues to actively monitor the pandemic developments as they unfold and maintains a cautious stance towards new investments.

ANNUAL PROFITS AND DISTRIBUTIONS

The Board has proposed to allocate the 2020 loss of NOK 109.9 million of the parent company B2Holding ASA as follows:

Transfer from retained earnings	NOK 109,856,820
Total distributions	NOK 109,856,820

Oslo, 21 April 2021

/sign/
Harald L. Thorstein
Chair of the Board

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Grethe Wittenberg Meier
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Trond Kristian Andreassen
Board Member

/sign/
Erik Just Johnsen
Chief Executive Officer

/sign/
Adele Bugge Norman Pran
Board Member

/sign/
Trygve Lauvdal
Board Member

Board of Directors

HARALD L. THORSTEIN

- Chair of the Board of Directors since May 2020
- Leader of the Remuneration Committee

- Founder and owner of the London based advisory company Arkwright London Ltd. He has previously held positions in Seatankers Management and DnB Markets.
- Chair of the Board in Altus Intervention Holding AS and board member of DOF Subsea AS. Extensive board experience including Aktiv Kapital, Axactor, SFL Corp and Seadrill.
- MSc in Industrial Economics and Technology Management with specialization within Finance and Optimization.

Number of board meetings in 2020: ***9 of 9***
Number of shares: ***125,000***
Born: ***1979***

KARI SKEIDSVOLL MOE

- Independent
- Board member since May 2016

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

Number of board meetings in 2020: ***21 of 22***
Number of shares: ***6,200***
Born: ***1975***

TRYGVE LAUVDAL

- Represents second largest shareholder Rasmussen-gruppen AS
- Board member since May 2020 and previously from 2013 to 2018

- Investment director at Rasmussengruppen AS. Prior to this, he worked nine years as an equity analyst in DNB, specializing in the technology, industrial and renewable energy sectors.
- Several board positions in Norwegian companies.
- PhD in Engineering Cybernetics from Norwegian University of Science and Technology (NTNU)

Number of board meetings in 2020: ***9 of 9***
Number of shares: ***0***
Born: ***1969***

NIKLAS WIBERG

- Represents largest shareholder Prioritet Group AB
- Board member since May 2018. Deputy board member 2016-2018, board member 2013-2016

- Executive Vice President and Deputy CEO at Prioritet Finans AB, Sweden's largest buyer of invoices. Prioritet Finans is owned by the Wiberg family.
- Magister level degree in Business with Specialisation in accounting, finance and entrepreneurship.

Number of board meetings in 2020: ***22 of 22***
Number of shares: ***0***
Born: ***1978***

ADELE BUGGE NORMAN PRAN

- Independent
- Board member since May 2018
- Leader of the Audit Committee

- Management consultant, Board Professional and Investor. Professional experience from private equity and M&A consulting. Partner and CFO in Herkules Capital for 12 years.
- Chair of the board in Zalaris ASA. Board member of Yara International ASA, ABG Sundal Collier ASA, Hitecvision AS, Motor Gruppen AS and Løvenskiold-Fossum ANS.
- Cand. jur degree from University of Oslo, Master of Accounting from NHH Norwegian School of Economics.

Number of board meetings in 2020: ***22 of 22***
Number of shares: ***90,000***
Born: ***1970***

TROND KRISTIAN ANDREASSEN

- Independent
- Board member since May 2020.

- Managing owner of Vimar AS. Previous positions include CEO and Member of the Board of Avida Finans, CEO at Gothia Financial Group and CEO (Nordic, Spain and Holland and CEO Group Factoring Europe) at Arvato Financial Solutions.
- Member of the Board in Aprila Bank ASA.
- Bachelor of Business Administration from BI Norwegian Business School.

Number of board meetings in 2020: ***8 of 9***
Number of shares: ***165,000***
Born: ***1963***

GRETHE WITTENBERG MEIER

- Independent
- Board member since May 2018

- CEO at Privatmegleren AS. Previous positions include CEO at Terra Aktiv Eiendomsmegling AS, CEO at SATS AS, CEO at Vita AS and marketing director at Bank2 AS.
- Chair of the Board in Eiendom Norge Holding AS. Board member of Fitness Group Nordic AS, Privatmegleren Nyeboliger AS and Vita Group AS.
- Bachelor of Commerce/Business Studies from The Norwegian Business School (BI).

Number of board meetings in 2020: ***22 of 22***
Number of shares: ***25,000***
Born: ***1965***

06

Financial statement

Photo: Dessy Dimcheva, Unsplash

All figures in NOK million unless otherwise stated

Consolidated income statement

Year ended 31 December	Notes	2020	2019
Interest income from purchased loan portfolios	4	2 765	2 713
Net credit gain/(loss) purchased loan portfolios	4	-230	-400
Profit from shares in associated parties/joint ventures and participation loans/notes	17	45	64
Interest income from loan receivables	7	217	294
Net credit gain/(loss) from loan receivables	7	-79	-178
Income from sale of collateral assets	20	72	
Other revenues	7	385	381
Total revenues	6	**3 174**	**2 874**
External expenses of services provided	8	-454	-447
Personnel expenses	9	-893	-888
Other operating expenses	10	-411	-446
Cost of collateral assets sold, including impairment	20	-78	
Depreciation and amortisation	15	-108	-107
Impairment losses	14,15	-6	-27
Operating profit/(loss)		**1 224**	**959**
Financial income		56	13
Financial expenses		-805	-794
Net exchange gain/(loss)		-64	-12
Net financial items	11	**-814**	**-794**
Profit/(loss) before tax		**411**	**165**
Income tax expense	12	-102	-58
Profit/(loss) after tax		**309**	**107**
Profit/(loss) attributable to:			
Parent company shareholders		309	107
Non-controlling interests		0	0
Earnings per share (in NOK):			
Basic	13	0.75	0.26
Diluted	13	0.75	0.26

All figures in NOK million unless otherwise stated

Consolidated statement of comprehensive income

Year ended 31 December	Notes	2020	2019
Profit/(loss) after tax		**309**	**107**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		129	-23
Hedging of currency risk in foreign operations	4	52	-37
Tax attributable to items that may be reclassified to profit or loss		-11	9
Other comprehensive income		**170**	**-51**
Total comprehensive income		**479**	**56**
Total comprehensive income attributable to:			
Parent company shareholders		479	56
Non-controlling interests		0	0

All figures in NOK million unless otherwise stated

Consolidated statement of financial position

As at 31 December	Notes	2020	2019
Deferred tax asset	12	323	189
Goodwill	14	824	778
Tangible and intangible assets	15,16	330	363
Investments in associated companies and joint ventures	17	349	387
Purchased loan portfolios	4	13 033	13 420
Loan receivables	18	235	345
Participation loans/notes	17	522	542
Other non-current financial assets	18	3	5
Total non-current assets		**15 620**	**16 027**
Other short-term assets	19	253	240
Collateral assets	20	873	319
Cash and short-term deposits	21	423	356
Total current assets		**1 549**	**914**
Total assets		**17 169**	**16 942**
Share capital	22	41	41
Other paid in capital	22	2 843	2 843
Other capital reserves	23	39	24
Foreign currency translation reserve		433	263
Other equity, including net profit for the year		1 362	1 065
Equity attributable to parent company's shareholders		**4 718**	**4 236**
Equity attributable to non-controlling interests		1	1
Total equity		**4 719**	**4 237**
Deferred tax liabilities	12	295	171
Long-term interest bearing loans and borrowings	24	10 116	10 141
Other non-current liabilities	16,25	131	160
Total non-current liabilities		**10 542**	**10 472**
Short-term interest bearing loans and borrowings	24	1 153	1 498
Bank overdraft	24	222	97
Accounts and other payables	26	154	265
Income taxes payable	12	39	29
Other current liabilities	16,27	339	345
Total current liabilities		**1 908**	**2 233**
Total equity & liabilities		**17 169**	**16 942**

Oslo, 21 April 2021

/sign/
Harald L. Thorstein
Chair of the Board

/sign/
Adele Bugge Norman Pran
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Trygve Lauvdal
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Grethe Wittenberg Meier
Board Member

/sign/
Trond Kristian Andreassen
Board Member

/sign/
Erik J. Johnsen
Chief Executive Officer

All figures in NOK million unless otherwise stated

Consolidated statement of changes in equity

		Attributable to parent company's shareholders							
	Notes	**Share capital**	**Other paid-in capital**	**Other capital reserves**	**Foreign currency translation reserve**	**Other equity**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2019		**41**	**2 836**	**20**	**314**	**1 143**	**4 355**	**1**	**4 355**
Profit for the year after tax						107	107	0	107
Other comprehensive income					-51		-51	0	-51
Total comprehensive income					**-51**	**107**	**56**	**0**	**56**
Issue of share capital	22	0	7				8		8
Share based payments	23			3			3		3
Dividend paid to parent company's shareholders	22					-184	-184		-184
Dividends to non-controlling interests							0	0	0
Acquisition of non-controlling interests	5				0	-1	-1	0	-1
Capital contribution from non-controlling interests							0	0	0
At 31 December 2019		**41**	**2 843**	**24**	**263**	**1 065**	**4 236**	**1**	**4 237**
Profit for the year after tax						309	309	0	309
Other comprehensive income					170		170		170
Total comprehensive income					**170**	**309**	**479**	**0**	**479**
Issue of share capital	22						0		0
Share based payments	23			4			4		4
Other restricted capital				11		-11	0		0
Dividend paid to parent company's shareholders	22						0		0
Dividends to non-controlling interests							0	0	0
Sale of non-controlling interests					0		0		0
At 31 December 2020		**41**	**2 843**	**39**	**433**	**1 362**	**4 718**	**1**	**4 719**

All figures in NOK million unless otherwise stated

Consolidated statement of cash flows

Year ended 31 December	Notes	2020	2019
Cash flow from operating activities			
Profit before tax		411	165
Adjustment for non-cash items:			
Interest income from purchased loan portfolios		-2 765	-2 713
Net credit (gain)/loss purchased loan portfolios	4	230	400
Depreciation, amortisation and impairment losses	15	117	134
Interest expenses	11	796	802
Unrealised foreign exchange differences		-209	-15
Share based payment expense	23	4	3
(Profit)/loss on sale of tangible and intangible assets		0	0
Operating cashflows:			
Gross collection from purchased loan portfolios	4	5 278	5 202
Income tax paid during the year		-112	-194
Operating capital adjustments:			
Decrease/(increase) in current assets		-568	-239
Decrease/(increase) in other non-current financial assets		173	85
Increase/(decrease) in current liabilities		-79	-101
Increase/(decrease) in non-current liabilities		2	94
Other items		-30	-13
Net cash flow from operating activities		**3 248**	**3 609**
Cash flow from investing activities			
Net payment for purchased loan portfolios	4	-1 756	-3 117
Investment in subsidiary companies and joint ventures	5	64	-371
Payment of contingent consideration	5	-22	-88
Purchase of tangible and intangible assets	15	-45	-52
Proceeds from the sale of tangible and intangible assets			4
Net cash flow from investing activities		**-1 760**	**-3 624**
Cash flow from financing activities			
Proceeds from the issue of new shares	22		8
Proceeds from new external loans during the year	24	15 577	16 858
Repayment of external loans during the year	24	-16 346	-15 972
Repayment of principal amount on lease liabilities	16	-39	-34
Interest paid		-736	-737
Dividend paid to parent company's shareholders	22		-184
Dividends paid to non-controlling interest		0	0
Net cash flow from financing activities		**-1 544**	**-63**
Net cash flow during the year		**-56**	**-77**
Cash and cash equivalents at 1 January		259	339
Exchange rate difference on cash and cash equivalents		-2	-2
Cash and cash equivalents at 31 December		**201**	**259**
Cash and cash equivalents comprised of:			
Cash and short-term deposits	21	423	356
Bank overdraft	24	-222	-97
		201	**259**

Notes to the consolidated financial statements

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

1.1 General information

B2Holding ASA (the Company or Parent) and its subsidiaries (together the Group) operates in the Portfolio business. The portfolio business consists of purchase, management and collection of unsecured and secured non-performing loans.

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

The consolidated financial statements of the Group for the year ending 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 21 April 2021.

1.2 Basis of preparation

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

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

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

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

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

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

1.3 Consolidation principles

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that 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, and
- the ability to use its power over the investee to affect its returns.

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

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

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

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

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

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

1.4 New and amended standards adopted by the Group

The adoption of the following standards and interpretations has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

1.5 New and amended standards issued but not yet effective

At the date of the authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective on or after 1 January 2021)
- Amendments to IFRS 3 – Reference to the Conceptual Framework (effective on or after 1 January 2022)
- Amendments to IAS 37 – Cost of Fulfilling a Contract (effective on or after 1 January 2022)
- Amendments to IAS 16 – Proceeds before Intended use (effective on or after 1 January 2022)
- Amendments to IFRS 17 Insurance Contracts (effective on or after 1 January 2023)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective on or after 1 January 2023)

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Business combinations and goodwill

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

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

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

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

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

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

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount of the CGU. The Group calculates the recoverable amount of the CGU by determining the higher of the fair value less cost to sell and its value in use. The key assumption for the value in use calculation is the forecasted cash flows during the forecast period. If the recoverable amount of the CGU is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in the consolidated income statement and is not reversed in a subsequent period.

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

2.2 Investments in associated companies and joint arrangements

An associated company is an entity over which the Group has significant influence and that is not a subsidiary or a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without the ability to have control over those policies. Significant influence normally exists when the Group has 20 % to 50 % voting power through ownership or agreements. Investments in associated companies are accounted for using the equity method.

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. That is when the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. If the parties to the joint arrangement have rights to the net assets of the arrangement, the arrangement is classified as a joint venture and accounted for using the equity method. If the parties have rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is classified as a joint operation. The Group's participation in joint arrangements are all classified as joint ventures. See further details about investments in associated companies and joint ventures in note 17.

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

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

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

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

2.3 Foreign currencies

The consolidated financial statements are presented in NOK, which is B2Holding ASA's functional currency. Transactions in foreign currencies are initially recognised in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. All exchange differences are recognised in the income statement with the exception of exchange differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity, or monetary items that are regarded as a part of the net investments. These exchange differences are recognised as a separate component of other comprehensive income until the disposal of the net investment or settlement of the monetary item, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in other comprehensive income. Non-monetary items measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial recognition. The date of initial recognition for non-monetary assets on which the Group has paid an advance consideration is the date of the payment of the advanced consideration.

The Group has foreign entities with functional currency other than NOK. At the reporting date, the assets and liabilities of foreign entities with functional currencies other than NOK are translated into NOK at the rate of exchange at the reporting date and their income statements are translated at the average exchange rates for the year. The translation differences arising from the translation are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement.

2.4 Purchased loan portfolios

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

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

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

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

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

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

Unidentified receipts and excess payments

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

Collateral assets

In connection with acquisitions of portfolio investments and in connection with the recovery of collateral for purchased loan portfolios, the Group may become owners of property holdings or other physical goods. They have been acquired for the purpose of being divested within the Group's ongoing operations, and are therefore classified as inventories in accordance with IAS 2. These are reported in the balance sheet at the lower of cost and net realisable value.

2.5 Segments

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

The Group's operating segments are the geographical regions:

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

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

Revenue and operating profits are reported by geographical region. Financial income and expenses are not as the allocation of financial items is dependent on the Group structure and financing and is not affected by the actual performance of the regions.

2.6 Revenue from contracts with customer

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

2.7 Taxes

Current income tax:

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. When there is uncertainty regarding if particular tax treatments made in tax filings will be accepted by the tax authorities, but acceptability is probable, accounting tax positions are determined consistently with the treatment in the tax filings. If acceptability is not probable, the uncertainty is reflected when determining the accounting tax positions.

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 assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or in respect of temporary differences associated with investments in subsidiaries, associates or joint ventures where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised in the statement of financial position to the extent it is more likely than not that the tax assets will be utilised. The enacted tax rates at the end of the reporting period and undiscounted amounts are used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Sales tax:

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

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

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

2.8 Tangible assets

Tangible assets, such as improvements to rented offices, equipment, fixtures and fittings are recognised at cost less accumulated depreciation and accumulated impairment, if any. 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. 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 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. The gain or loss arising on the disposal or retirement of an item of tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is reported as other revenues or other operating expenses in the income statement as part of operating profit or loss.

2.9 Leases

The Group leases various office buildings, vehicles and smaller equipment. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension or termination options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments should be discounted using:
- the interest rate implicit in the lease; or
- if the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. For the classification in the statement of cash flow the interest payments on the lease liabilities follow the same principles as other interests.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.10 Intangible assets

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

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

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

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

The gain or loss arising from derecognition of an intangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is reported as other revenues or other operating expenses in the income statement as part of operating profit or loss.

2.11 Impairment of tangible assets and other non-current assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's (or cash-generating unit's) recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment is recognised in the income statement. If the impairment is subsequently reversed, for assets other than goodwill, the carrying amount of the asset (cash-generating unit) is increased to the updated estimate of its recoverable amount to the extent the increased carrying amount does not exceed the carrying amount that would have been recognised had no impairment losses been recognised for the asset (or cash-generating unit) in prior years. Reversals of impairments are recognised in the income statement.

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

2.12 Financial assets and liabilities: classification, measurement and impairment

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

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

Financial assets and liabilities are recognised by the Group when it becomes party to the contractual provisions of the instrument and are initially measured at fair value, which normally equals the transaction price. The Group determines the classification of its financial assets and financial liabilities at the point in time of initial recognition.

Purchased loan portfolios:

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

Participation loan/notes:

Participation loans/notes are measured at FVTPL. See note 17 Investments in associated companies and joint ventures and participation loan/notes for additional information about participation loan/notes.

Other long-term financial assets:

Long-term receivables have an anticipated maturity of more than one year. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method, less impairment which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. See note 18 Loan receivables and Other non-current financial assets for additional information about fair value financial assets.

Other short-term assets:

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

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

Cash and cash equivalents:

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

Interest bearing loans and borrowings:

Bonds are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowing, 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. Due to their nature, other loans and borrowings are recognised at nominal value with accrued interest in the balance sheet. Directly attributable transaction costs for these loans are recognised as an asset with linear down-writing following the lifetime of loans.

Accounts and other payables:

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

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

Impairment of financial assets

IFRS 9 requires recognition of expected credit losses (ECL) for the Group's investments in debt instruments measured at amortised cost. The Group applies the practical expedient of the lifetime ECL model for accounts receivable. For loan receivables at amortised cost, the ECL 3-stage model is applied. In stage 1, ECL from default events that are possible within the next 12 months is recognised. In stage 2 and 3 (credit risk has increased significantly since initial recognition), lifetime ECL is recognised. Loan receivables are transferred from stage 1 to stage 2 when days past due before default are 11 days. The purchased loan portfolios are considered to be credit-impaired at acquisition and are out of scope for the general ECL impairment model. Full lifetime ECL is included in the estimated cash flows when calculating the effective interest rate on initial recognition, and no additional loss allowance recognition is required.

2.13 Derivatives

The Group uses the following derivative financial instruments to hedge its risks associated with interest rates and foreign exchange rates: interest rate swaps (with or without cap), interest rate caps, foreign exchange swaps and cross currency rate swaps (with or without cap).

The derivative financial instruments are measured at fair value. Any gains or losses arising from changes in fair value on derivatives that are not cash flow hedges or hedges of net investments are recognised in the income statement as financial income or expense.

Derivatives are recognised without any offsetting; as assets when the value is positive and as liabilities when the value is negative, unless the Group has the intention or legally enforceable right to settle the contracts net.

2.14 Derecognition of financial assets and liabilities

The Group derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

2.15 Offsetting of financial instruments

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

2.16 Fair value of financial instruments

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

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

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

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

2.17 Provisions

Provisions such as workforce reductions, onerous contracts and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value. Where the Group expects full or partial reimbursement of the expense related to the provision, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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 plans 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 and some key employees may receive remuneration in the form of share-based payments that are considered as equity-settled share-based payments.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, see further details in note 23 Share based payments. The fair value reflects market performance conditions, while service and non-market performance conditions are not considered. The cost is recognised as personnel costs, with a corresponding increase in other capital reserves, over 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 Group is obliged to withhold and pay an amount, and report the full amount, to local tax authorities for the employee's tax obligations associated with redemption of vested share options. In addition, the Group may be obliged to report and pay social security tax.

No expense is recognised for awards that do not ultimately vest because of non-market performance and/or service conditions not being met. Where an award is cancelled by the entity, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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

2.20 Equity and net investment hedge

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

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

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

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

The Group hedges net investments in foreign operations when feasible. The hedged risk is the foreign currency translation risk caused by the consolidation of an investment in a foreign subsidiary with a different functional currency than the parent. Under the hedge accounting, a larger share of exchange rate fluctuations will be reported as "Hedging of currency risk in foreign operations" in Other comprehensive income. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as Other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss. For further details, see note 4 Financial risk management.

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

2.21 Dividends

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

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

2.22 Classification in the statement of financial position

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

2.23 Related parties

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

2.24 Consolidated statement of cash flows

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

Foreign subsidiary transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are recognised as cash flow from investing activities on a net basis after deducting cash and cash equivalents in the acquired or divested company.

NOTE 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires management to make judgements and assumptions that can significantly affect the amounts recognised in the financial statements. Additionally, major sources of estimation uncertainty at the end of the reporting period can have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities in future periods.

Key sources of estimation uncertainty and critical judgements are continually evaluated and updated based on expectations about future events that are believed by Management to be reasonable under the circumstances.

When applying the Group's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Purchased loan portfolios – classification

Purchased loan portfolios are the primary business activity of the Group, and consist of portfolios of non-performing loans and debt, purchased at prices significantly below the nominal value of the receivable. After adoption of IFRS 9 on 1 January 2018, these portfolios are defined as credit-impaired at acquisition, and classification under IFRS 9 is dependent on an evaluation of the B2Holding business model and whether these portfolios meet the SPPI criteria (cash flows are solely payments of principal and interest). If these portfolios are determined to meet the criteria for a business model of Hold to collect and the cash flows consist of only principal and interest, then the classification is amortised cost. If not amortised cost, then the classification would be measurement at fair value over other comprehensive income (FVOCI), as the SPPI criteria are met and the business model would be Hold to collect and sell. Management has performed a detailed analysis and exercised significant judgement related to the classification of the purchased loan portfolios upon implementation of IFRS 9. Management reviewed the portfolio cash flows, collection methods, and strategies as well as the infrequency of sales of individual receivables claims in the process of coming to a classification decision. It is management's conclusion that the IFRS 9 criteria for a business model of Hold to collect and the SPPI criteria are satisfied for these portfolios. Purchased loan portfolios will continue to be measured at amortised cost using the effective interest method in accordance with the rules for credit-impaired at acquisition financial assets as set out in IFRS 9.

Purchased loan portfolios – recognition in the income statement

The Group uses a credit-adjusted effective interest rate method to account for the loan receivables in the purchased loan portfolios. The use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows at each balance sheet reporting date. The underlying estimates that form the basis for interest income recognition and impairment losses on the portfolios depends on variables such as the ability to contact the customer and reach an agreement, estimated timing of cash flows, the general economic environment and statutory regulations. Interest income from purchased loan portfolios is the calculated amortised cost interest revenue from the purchased loan portfolios using the credit-adjusted effective interest rates set at initial acquisition in the consolidated income statement. If the estimations for future periods are revised, the Group adjusts the carrying amount of the portfolios and loans to reflect actual and revised estimated cash flows in accordance with IFRS 9.B5.4.6. This adjustment, due to changes in the actual and estimated cash flows, is recognised in the consolidated income statement as "Net credit gain/loss purchased loan portfolios". Events or changes in assumptions and Management's assessments and judgement will affect the amount and timing of the recognition of interest income and impairment losses. For further details, see note 4 Financial risk management.

Purchased loan portfolios – measurement

Purchased loan portfolios consist mainly of acquired credit-impaired (non-performing) loans and receivables (non-derivative financial assets). When these portfolios meet the definition of having cash flows that are payments of solely principal and interest and are managed in a business model of Hold to collect they are measured at amortised cost. The initial book value of the purchased loan portfolios is at fair value, defined as the acquisition cost plus transaction expenses at the time of purchase. Subsequent measurement is at amortised cost using the credit-adjusted effective interest rate established as of the date of initial acquisition of the portfolio. Events or changes in actual versus estimated collections and Management's assessment of future cash flows will impact the net present value of future cash flows and therefore the amortised cost book value of the purchased loan portfolios. Significant estimates have been made by management with respect to the collectability of future cash flows from portfolios. The cash flow estimates are prepared by management over a forecast period of time. If the cash flow estimates are revised, the carrying amount is recalculated by computing the present value of estimated future cash flows using the original credit-adjusted effective interest rate.

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

For further details, see notes 2.4 Purchased loan portfolios and 4 Financial risk management.

Goodwill impairment testing

In accordance with IAS 36, goodwill is tested at least on an annual basis for impairment. If a loss in value is indicated, the recoverable amount is the cash-generating unit's (CGU's) fair value less the cost of disposal or its value in use. When testing goodwill for impairment, Management defines the recoverable amount as the estimated value in use. The value in use is the net present value of the estimated cash flows before tax. The discount rate used is the weighted average cost of capital (WACC) before tax calculated for each CGU. Estimating the financial assets' recoverable amount is based on Management's judgements related to estimates of future performance and cash flows, the interest income generating capacity of the assets and assumptions related to future market conditions. A possible impairment of goodwill is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. For specific details related to the testing of goodwill, see note 14 Goodwill.

Contingent consideration

Contingent consideration, resulting from business combinations, is initially recognised at fair value as of the acquisition date as part of the business combination and is classified either as "Other long-term liabilities" or "Other current liabilities", depending on the contractually agreed payment dates. As the contingent consideration payable meets the definition of a financial liability, it is subsequently measured at fair value through profit or loss (FVTPL) at each reporting date. The determination of the fair value is based on a discounted cash flow model that includes a probability weighting of the assessed outcomes of the contractually agreed performance targets over the contractually agreed payment dates. Post-acquisition performance or other events can change the assumptions used by Management to assess the inputs used in the fair value estimate of the contingent consideration liability. For further details, see note 5 Business combinations and acquisition of non-controlling interests.

Share-based payments

Estimating the fair value for share-based payment transactions requires judgement as to the use of the most appropriate valuation model, which depends on the terms and conditions of the option program agreements. Management has decided to use the Black-Scholes option-pricing model. The estimate of the option's fair value requires Management judgement related to the definition and estimation of the inputs to the option-pricing model, which include the expected life of the share option, as well as the estimated volatility of the underlying share price and determination of the risk-free rate of return. The assumptions and model used for estimating the fair value for share based payments are discussed in more detail in note 23 Share based payments.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that will be recognised, based upon the reliable evidence as to the estimated timing and amount of the future taxable profits. Further details are included in note 2.7 and note 12 Income tax.

NOTE 4: FINANCIAL RISK MANAGEMENT

4.1 Financial risk

The Group's activities are exposed to financial risks: market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market and regulatory environment:

The primary 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 debt adjusted for derivatives are made in relevant currencies reflecting the underlying expected future cash flows from loans and receivables. The exceptions are Croatian Kuna (HRK), Romanian Leu (RON), Bulgarian Lev (BGN), Hungarian Forint (HUF), Bosnian Convertible Mark (BAM), Czech Koruna (CZK) and Serbian Dinar (RSD) where all borrowing is done in EUR.

The Group's bond loans is denominated in EUR and borrowings under the multi-currency revolving credit facility and the bridge facility are drawn in PLN, SEK and NOK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2020: (i) FX Forward of NOK 660 million bought against DKK, (ii) FX Forward of NOK 380 million bought against EUR, (iii) FX Forward of NOK 700 million bought against SEK, (iv) FX Forward of EUR 4 million sold against PLN and (v) FX Forward of RON 4.6 milion bought against EUR. At 31 December 2020, Net debt amounted to NOK 11,207 million. Adjusted for the currency derivatives mentioned above, the net debt represented a currency basket comprising EUR: 67 %, PLN: 15 %, SEK: 12 % and DKK: 6 %.

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 debt up to a maximum period of 5 years. The hedging ratio at 31 December 2020 was 77 % with a duration of 2.4 years.

Under the arrangements in effect at 31 December 2020, a 1 %-point decrease in market interest rates is estimated to have a negative effect on net financial items of NOK 37 million, including a decrease in the fair value of the derivatives of NOK 37 million. A 1 %-point increase in market interest rates is estimated to have a negative effect on net financial items of NOK 22 million, including an increase in the fair value of the derivatives of NOK 41 million. The reason for the negative effect if interest rates fall is that the interest bearing loan agreements (both the multi-currency revolving credit facility, the bridge facility and the bond loans) 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 2020, net of Net debt and the effect of currency derivatives.

All figures in NOK million unless otherwise stated

Currency	Closing rate at 31 December 2020 against NOK	NOK strengthens by 20 %	NOK strengthens by 10 %	NOK weakens by 10 %	NOK weakens by 20 %
DKK	1.4071	-29	-15	15	29
EUR	10.4703	421	210	-210	-421
HRK	1.3864	-598	-299	299	598
SEK	1.0435	-60	-30	30	60
HUF	0.0288	-12	-6	6	12
BAM	5.3535	-7	-3	3	7
RSD	0.0891	-28	-14	14	28
PLN	2.2963	-116	-58	58	116
RON	2.1507	-133	-66	66	133
BGN	5.3535	-135	-67	67	135
CZK	0.3990	-70	-35	35	70
Total impact on book values		**-766**	**-383**	**383**	**766**

The EUR has an opposite effect to the other currencies in the table above because EUR net borrowings, including derivatives, exceeds the book value of EUR loans and receivables. The reason for this is that all borrowings relating to the acquisition of loan portfolios in Czech Republic, Croatia, Serbia, Bosnia and Herzegovina, Hungary, Romania and Bulgaria are done in EUR and not in their local currency, as mentioned in the currency risk paragraph above.

Credit risk:
Most of the loans and receivables are unsecured. As long as there is uncertainty about the ability of debtors to fulfil their obligations, there will also be considerable risk linked to cash collected from the Group's loans and receivables. Management's view is that the real credit risk exposure is reduced through the price discount paid on acquisition of the portfolios.

In order to minimise the credit risk exposure, the Group continues to invest in staff with broad experience in credit management, and focus on increased analytical approaches to portfolio assessments. In addition, the Group's investment in effective IT systems and a more uniform cross-border business model will result in better control of the Group's business, which in turn will also help reduce the risk of credit losses.

Refer to note 32 for subsequent events impact on credit risk.

Maximum exposure to credit risk	2020	2019
Purchased loan portfolios	13 033	13 420
Loan receivables	235	345
Participation loans/notes	522	542
Other non-current financial assets	3	5
Accounts receivable	33	49
Other short-term assets	220	191
Cash and short-term deposits	423	356
Total at 31 December	**14 470**	**14 907**

Liquidity risk:
The Group's multi-currency revolving credit facility of EUR 510 million, the EUR 100 million bridge facility and the four senior unsecured bond loans of in total EUR 775 million, and cash and cash equivalents, totalling NOK 14,925 million at 31 December 2020, ensures necessary funding to meet future payment obligations. At 31 December 2020, the Group had an unused part of the revolving credit facility totalling EUR 88 million or NOK 922 million, an unused part of the bridge facility totalling EUR 76 million or NOK 797 million, an unused part of the multi-currency overdraft totalling EUR 19 million or NOK 197 million and cash and cash equivalents of NOK 423 million.

All figures in NOK million unless otherwise stated

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

	12 months or less	1-2 years	2-5 years	More than 5 years
Interest bearing loans & borrowings (short term and long term)	1 840	2 769	8 312	
Other non-current liabilities		56	58	15
Bank overdraft	222			
Accounts and other payables	154			
Other current liabilities	313			
Total at 31 December 2020	**2 529**	**2 825**	**8 371**	**15**
Interest bearing loans & borrowings (short term and long term)	2 299	2 267	9 217	
Other non-current liabilities		22	17	
Bank overdraft	97			
Accounts and other payables	265			
Other current liabilities	198			
Total at 31 December 2019	**2 859**	**2 290**	**9 234**	**0**

Refer to note 32 for subsequent events impact on liquidity risk.

Capital structure:
The Group's Net interest bearing debt was NOK 11,068 million at 31 December 2020. Total equity, net of intangible assets (incl. goodwill), was NOK 3,746 million and total assets, net of intangible assets (incl. goodwill), was NOK 16,196 million.

The Group monitors its capital structure by calculating a total loan to value ratio, defined as Net debt, adjusted for vendor financing, earn out, financial lease, fair value of hedging instrument, less cash and deposits divided by the carrying value of purchased loan portfolios, loan receivables, joint venture investments, REO and goodwill. The total loan to value ratio at 31 December 2020 was 71.1 % which is lower than the maximum allowed loan to value covenant requirement under the multi-currency revolving credit facility of 75 %.

Refer to note 24 for more information about the Group's financial covenants.

4.2 Derivative financial instruments and net investment hedge

At 31 December 2020, the Group had the following derivative financial instruments:

Instrument	Currency	Notional amount in currency	Notional amount in NOK	Fixed rate	Strike	Floating 3M IBOR	Fair value NOK	Start	Due
Interest rate derivatives:									
Interest rate swap with cap	EUR	60	628		1.1695 %	-0.55 %	-1	10.04.2017	11.04.2022
Interest rate swap with cap	PLN	100	230		3.8880 %	0.21 %	-1	10.04.2017	11.04.2022
Interest rate swap with cap	SEK	100	104		1.3180 %	-0.05 %	0	10.04.2017	11.04.2022
Interest rate swap	DKK	350	492	0.2540 %		-0.23 %	-8	21.12.2018	14.12.2023
Interest rate swap	PLN	75	172	0.6850 %		0.21 %	-1	14.07.2020	14.07.2025
Interest rate swap	PLN	75	172	0.6670 %		0.21 %	-1	15.06.2020	16.06.2025
Interest rate swap	PLN	75	172	0.6650 %		0.21 %	-1	14.05.2020	15.05.2025
Interest rate cap	EUR	65	681		1.0000 %	-0.55 %	0	22.12.2017	22.12.2022
Interest rate cap	EUR	65	681		1.0000 %	-0.55 %	0	22.12.2017	22.12.2022
Interest rate cap	EUR	100	1 047		1.0000 %	-0.55 %	0	28.08.2017	29.08.2022
Interest rate cap	EUR	100	1 047		1.0000 %	-0.55 %	0	10.07.2018	10.07.2023
Interest rate cap	EUR	100	1 047		1.0000 %	-0.55 %	0	10.07.2018	10.07.2023
Interest rate cap	EUR	75	785		1.0000 %	-0.55 %	0	21.12.2018	14.02.2024
Interest rate cap	EUR	75	785		1.0000 %	-0.55 %	0	21.12.2018	14.02.2024
Interest rate cap	SEK	300	313		1.0000 %	-0.05 %	0	28.08.2017	28.08.2022
Interest rate cap	SEK	300	313		1.0000 %	-0.05 %	0	21.12.2018	14.03.2024
							-14		

All figures in NOK million unless otherwise stated

	Currency pair	Buy amount in currency	Buy amount in NOK	Forward rate	Sell amount currency	Spot rate	Fair value NOK	Start date	Due date
Currency derivatives:									
FX forward	DKK/NOK	160	160	1.4294	112	1.4263	13	07.12.2020	15.03.2021
FX forward	DKK/NOK	500	500	1.4457	347	1.4425	2	12.11.2020	16.02.2021
FX forward	EUR/NOK	250	250	10.7143	23	10.6982	4	10.12.2020	16.02.2021
FX forward	EUR/NOK	130	130	10.6270	12	10.6045	2	07.12.2020	15.03.2021
FX forward	SEK/NOK	100	100	1.0561	95	1.0548	1	12.11.2020	16.02.2021
FX forward	SEK/NOK	600	600	1.0433	576	1.0419	-1	07.12.2020	15.03.2021
FX forward	EUR/PLN	18	41	4.4328	4 000	4.4299	-1	11.12.2020	20.01.2021
FX forward	EUR/RON	5	10	4.8837	1	4.8701	0	10.12.2020	20.01.2021
							20		

The Group uses interest rate swaps and caps to hedge (from floating to fixed) its interest rate risk exposure, and foreign exchange forward contracts to hedge its currency exposure. The fair value of the interest swaps and caps at 31 December 2020 was negative with NOK 14 million and the fair value of the foreign exchange forward contracts at 31 December 2020 was positive with NOK 20 million. In total the fair value of all derivatives at 31 December 2020 was positive with NOK 7 million.

In addition to changes in fair value, net financial items is also affected by the interest paid and received under the interest rate swaps and foreign exchange forwards. The net interest cost from the interest rate swaps was NOK 7 million in 2020 and the net interest income from foreign exchange forwards was NOK 4 million.

Financial instruments designated as hedging instruments of net investment in foreign operations

The Group applies hedge accounting to hedges of net investments in foreign subsidiaries. The hedged risk is the foreign currency translation risk caused by the consolidation of an investment in a foreign subsidiary with a different functional currency than the parent. Foreign currency borrowings are used as hedging instruments. These instruments are presented as long-term interest bearing debt in the balance sheet. Instruments in EUR, PLN and SEK are used to hedge the investments in the Group's subsidiaries with functional currencies EUR, PLN and SEK. Hedge ineffectiveness may arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the debt and derivatives designated as hedging instruments.

The total hedged exposure in the net investment hedges amounted to NOK 1,574 million at 31 December 2020. There was no hedge ineffectiveness recorded in the years ending 31 December 2020 and 2019, since the foreign currency gains and losses on the hedged items are offset by the foreign currency gains and losses on the hedging instruments. The hedge ratio is 1:1. The effects of the net investment hedge can be seen in the Consolidated statement of changes in equity. Any reclassifications from net investment hedge reserve to the income statement, due to for instance sales of subsidiaries, can be seen in the Consolidated statement of comprehensive income and the Consolidated statement of changes in equity.

Net investment hedging relationships	2020	2019
Change in carrying amount of net investment hedge instruments as a result of foreign currency movements since 1 January, recognised in OCI	52	-37
Change in value of hedged item used to determine hedge effectiveness	-52	37

Interest bearing debt designated as hedging instruments in net investment hedges (only effective part of instruments are included):

As of 31 December	2020	2019
Nominal amounts net investment hedge instruments	1 574	1 300

Debt designated as hedging instruments in net investment hedges are recognised on the line item Long-term interest bearing loans and borrowings in the Consoldiated statement of financial position.

The following table shows the maturity profile (in nominal values) of the Group's net investment hedge instruments (only effective part of instruments are included):

	<1 year	2 years	3 years	4 years	Total
As of 31 December 2020			1 522	52	**1 574**
As of 31 December 2019			1 221	79	**1 300**

All figures in NOK million unless otherwise stated

4.3 Purchased loan portfolios

Purchased loan portfolios at 31 December

	2020	2019
At 1 January	**13 420**	**13 346**
Purchase of loan portfolios [1]	1 664	3 409
Gross collection from purchased loan portfolios	-5 278	-5 202
Interest income from purchased loan portfolios	2 765	2 713
Net credit gain/loss purchased loan portfolios	-230	-400
Book value of sold loan portfolios		-311
Exchange rate differences	692	-135
At 31 December	**13 033**	**13 420**

1) Not included purchased loan portfolios held in SPV and joint ventures

<u>Gross collection from purchased loan portfolios:</u>
Gross collection is the actual cash collected and assets recovered from purchased portfolios before costs related to collect the cash received.

<u>Net credit gain/loss from purchased portfolios:</u>
The Group purchases materially impaired loan portfolios at significant discounts and impairments are already included at purchase. The expected credit loss for the purchased loan portfolios is not explicitly recognized as a loss provision, as these financial assets are credit impaired by definition and the estimated loss is already part of the amortized cost. The Group's exposure to credit risk from the purchased loan portfolios is related to actual gross collection deviating from collection estimates and from changes in future cash collection estimates. The Group regularly evaluates the current collection estimates on single portfolios and the estimate is adjusted if collection is determined to deviate from current estimate over time. The adjusted collection estimate is discounted by the initial rate of return at acquisition of the portfolio. Changes from current estimate adjusts the book value of the portfolio and is included in the profit and loss statement in the line item "Net credit gain/loss from purchased loan portfolios". Due to volatility towards the timing of collection, secured portfolios are evaluated monthly. Unsecured portfolios are evaluated quarterly. Cash collection above collection estimates and upwards adjustment of future collection estimates increase revenue. Cash collection below collection estimates and downwards adjustment of future collection estimates decreases revenue.

Net credit gain/loss from purchased portfolios is specified in the table below. Covid-19 impacted the Group by delaying collections and recoveries and was the main factor leading to the total net credit loss of NOK 230 million for full year 2020. Net credit loss on secured portfolios of NOK 69 million mainly reflected Covid-19 related delays in recovery processes during the first three quarters of 2020. The net credit loss on unsecured portfolios of NOK 161 million mainly reflecting delays in recoveries due to closure of legal systems from late Q1, through most of Q2 and also on into Q3 in some of the Group's markets.

Year ended 31 December 2020	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Total
<u>Secured portfolios:</u>						
Gross collection from purchased loan portfolios	8	46	955	348	223	1 580
Collection above/(below) estimates	1	23	683	44	90	842
Changes in future collection estimates	0	-36	-712	-80	-83	-911
Net credit gain/(loss) from secured portfolios	1	-12	-29	-36	7	-69
<u>Unsecured portfolios:</u>						
Gross collection from purchased loan portfolios	1 778	987	324	201	409	3 698
Collection above/(below) estimates	34	22	-28	-30	-54	-55
Changes in future collection estimates	-72	10	-14	1	-31	-105
Net credit gain/loss from unsecured portfolios	-37	33	-43	-28	-85	-161
Net credit gain/(loss) from purchased loan portfolios	**-36**	**20**	**-72**	**-65**	**-78**	**-230**

All figures in NOK million unless otherwise stated

Year ended 31 December 2019	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Total
Secured portfolios:						
Gross collection from purchased loan portfolios	11	36	968	435	246	1 696
Collection above/(below) estimates	2	2	-514	73	-136	-573
Changes in future collection estimates	-8	-12	30	26	-17	19
Net credit gain/(loss) from secured portfolios	-6	-10	-485	99	-152	-554
Unsecured portfolios:						
Gross collection from purchased loan portfolios	1 569	934	386	187	430	3 506
Collection above/(below) estimates	81	50	-3	28	9	165
Changes in future collection estimates	-31	5	13	-2	4	-11
Net credit gain/loss from unsecured portfolios	50	55	10	26	13	154
Net credit gain/(loss) from purchased loan portfolios	**44**	**44**	**-475**	**125**	**-139**	**-400**

Net purchase of purchased loan portfolios, cash flow statement:

	2020	2019
Purchase of loan portfolios [1]	-1 664	-3 409
Sale price sold purchased loan portfolios		311
Change in prepaid/amounts due on purchase of purchased loan portfolios	-92	-19
Net purchase of purchased loan portfolios, cash flow statement	**-1 756**	**-3 117**

1) Not included purchased loan portfolios held in SPV and joint ventures

4.4 Fair value estimation purchased loan portfolios

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as net present value of estimated cash flows. For purchased loan portfolios, the discount rate used is the weighted average cost of capital, which is the weighted value of the cost of debt and the cost of equity in each particular country. The cost of equity is estimated by applying the capital asset pricing model.

As described in note 3, the preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from purchased loan portfolios. The fair value of the purchased loan portfolios is estimated to be approximately NOK 13,255 million and is based on net future estimated cash flows after tax, discounted with the estimated WACC for the countries in question. The corresponding carrying amount is NOK 13,033 million which is based on IFRS 9 using the estimated gross future cash flows, where the discount factor is the individual IRR for 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 2020.

The fair value estimation is based on estimated monthly net cash flows from the purchased loan portfolios per subsidiary and type of portfolio (unsecured/secured). The estimated monthly net cash flows from purchased loan portfolios is the assumed monthly future gross collection less assumed monthly cost to collect. Cost to collect is a percentage of the gross collection and differ from 5 % to 45 % depending on the stage of development of the subsidiary in its local market. In addition, the country specific marginal tax rate is applied. This individual cost to collect and tax rate is applied to each estimated future cash flow, adding up to an estimated total net cash flow (CF3) for the Group, presented in the table below.

Table showing CF1, CF2 & CF3 for the years from 2020 to 2040 for purchased loan portfolios owned at 31 December 2019	2021	2022	----------->	2041	Total
Gross collection (CF1)	5 556	4 799	10 945		21 301
Cost to collect	-1 026	-846	-2 243		-4 115
Gross collection less cost to collect (CF2)	4 530	3 953	8 703	0	17 186
Tax	-173	-111	-294		-578
Net cash flow from purchased loan portfolios (CF3)	**4 356**	**3 842**	**8 409**	**0**	**16 607**

All figures in NOK million unless otherwise stated

The weighted average cost of capital after tax is estimated for each country where the cash flow is generated. Based on this rate, the discounted value of the estimated net cash flows for the forecast period indicates that the fair value of the purchased loan portfolios is NOK 13,255 million.

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

Fair value of purchased loan portfolios at 31 December 2020 assuming different % forecast collection levels and discount rates		% forecast collection		
		90 %	100 %	110 %
Discount rate	WACC -1.5 %	12 039	13 812	15 584
	WACC -1.0 %	11 873	13 621	15 369
	WACC -0.5 %	11 711	13 435	15 159
	WACC used	11 554	**13 255**	14 956
	WACC +0.5 %	11 402	13 080	14 758
	WACC +1.0 %	11 253	12 910	14 566
	WACC +1.5 %	11 109	12 744	14 379

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 β-risk. Empirical studies indicate that investors demand a higher rate of return from small companies. The cost of equity was modified to reflect this. An additional common adjustment to the traditional CAPM equation is a country risk premium, CRP. This expands our specification of the CAPM to:

$$R_S = R_F + MRP * \beta + SSP + CRP$$

The weighted average cost of capital is estimated as:

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

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.

Market risk premium:

The market risk premium is defined as:

$MRP = (R_M - R_F)$
where R_M = Market return and R_F = Risk free rate

A market risk premium of 5 % was applied.

Equity beta:

The beta coefficient is a measure of systematic risk. The value expresses the combination of the stock's risk and to what extent the stock correlates with the market. Beta was determined based on stock price statistics for quoted, comparable companies. Weekly observations over a two-year period was used to estimate beta. The Morgan Stanley World ACWI index was used as reference index. Bayesian adjusted betas were applied. The effect of debt on β was eliminated through the Harris and Pringle formula.

Small Stock Premium (SSP):

Several institutions perform regular studies as to the effect of company size on stock returns, i.e., small stock premium. The SSP for the Group was estimated using a methodology developed by IbbotsonAssociates.

All figures in NOK million unless otherwise stated

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 2020.

Weighted average cost of capital calculation:

	2020
Risk free rate (long term government bond yields)	-1.0 % to 2.2 %
Equity Beta	1.45
Country risk premium	0 % - 11.9 %
Market risk premium	5.0 %
Additional liquidity risk premium/small stock premium	2.0 %
Total risk premium	7.0 %
Tax rate Group	25 %
Cost of equity	9.1 % to 27.4 %
Cost of debt	5.5 %
Equity weight	44 %
Debt weight	56 %
WACC (after tax)	**6.4 % - 14.4 %**

All figures in NOK million unless otherwise stated

4.5 Fair value of financial instruments

	Carrying amount			Fair value			
As at 31 December 2020	**Fair value through profit or loss**	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Purchased loan portfolios		13 033	13 033			13 255	13 255
Loans receivable		235	235			235	235
Derivatives	23		23		23		23
Participation loans/notes (note 17.2)	522		522			522	522
Other financial assets	0		0			0	0
Total	**544**	**13 269**	**13 813**	**0**	**23**	**14 012**	**14 035**
Financial liabilities							
Interest bearing loans and borrowings		11 491	11 491	6 953	4 162		11 115
Derivatives	16		16		16		16
Contingent consideration (note 5.2)	31		31			31	31
Total	**47**	**11 491**	**11 538**	**6 953**	**4 178**	**31**	**11 162**

	Carrying amount			Fair value			
As at 31 December 2019	**Fair value through profit or loss**	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Purchased loan portfolios		13 420	13 420			14 005	14 005
Loans receivable		345	345			345	345
Derivatives	8		8		8		8
Participation loans/notes (note 17.2)	542		542			542	542
Other financial assets	0	1	1			1	1
Total	**549**	**13 766**	**14 315**	**0**	**8**	**14 893**	**14 901**
Financial liabilities							
Interest bearing loans and borrowings		11 735	11 735	8 777	2 901		11 678
Derivatives	24		24		24		24
Contingent consideration (note 5.2)	59		59			59	59
Total	**83**	**11 735**	**11 818**	**8 777**	**2 926**	**59**	**11 761**

The fair value of unquoted financial assets has been estimated using valuation techniques based on assumptions that are not supported by observable market prices. The fair value of purchased loan portfolios (level 3) has been calculated by discounting the expected net future cash flows from gross collection less cost to collect and tax with the estimated weighted average cost of capital for the countries where the purchased loan portfolio is originated.

The fair value of interest bearing loans and borrowings is equal to book value for the Multi-currency revolving credit facility (level 2) as the loans are based on one to six month floating interest, and the fair value for the bond loans (level 1) were determined by obtaining quoted market prices for the bond loans from the Norwegian Stock Exchange. The fair value of derivatives is set by calculating the present value of future cash flow using market rates for interest and currencies. In the case of the derivatives the fair value is confirmed by the financial institution that is the counterparty.

The Group classifies fair value measurements by using a fair value hierarchy that reflects the significance of the input that is used in preparing the measurements. The fair value hierarchy has the following levels:

Level 1: the input is quoted prices (unadjusted) in an active market for identical assets or liabilities.
Level 2: the input is prices, other than quoted prices included in level 1, that are observable for the asset or liability either directly (as prices) or indirectly (calculated from prices).
Level 3: the input to the asset or liability is not based on observable market data (non-observable input).

All figures in NOK million unless otherwise stated

NOTE 5: BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

5.1 Acquisitions in 2020

The Group made no business acquisitions in 2020 and there were no new business combinations completed during the year.

5.2 Contingent consideration

As part of the purchase agreements with the previous owners of the NACC, contingent consideration is due based on the achievement of certain post-acquisition performance targets for a limited period of time.

NACC, France, which was acquired in March 2018. As at the acquisition date, the fair value of the contingent consideration was estimated and accounted for as a non-current or current liability depending on the payment date of the various installments.

A reconciliation of the fair value measurement of the contingent consideration liability is set out below:

	NACC
At 1 January 2019	**91**
Payments during the year	-29
Fair value adjustments during the year	-2
Exchange differences	-1
At 31 December 2019	**59**
Payments during the year	-22
Fair value adjustments during the year	-11
Exchange differences	5
At 31 December 2020	**31**

The contingent consideration to former NACC owners is based on gross collection from portfolios NACC held at 31 December 2017 for the period 30 September 2017 to 31 December 2021. In addition, if cost to collect in relation to the gross collection from portfolios held at 31 December 2017 exceed the target threshold, cost to collect will reduce the gross collection constituting the calculation basis for the contingent consideration. Per 31 December 2020, the nominal value to be expensed through the income statement will be approximately NOK 14 million if maximum contingent consideration is to be paid for the full period.

All figures in NOK million unless otherwise stated

NOTE 6: OPERATING SEGMENTS

For management purposes, the Group is organised into different geographical regions corresponding to the countries where the Group operates. The Executive Management monitors the operating results of these geographical regions separately for the purposes of making decisions about resource allocation and performance assessment. The segment reporting is presented in the same manner as presented to the Executive Management. The Executive Management reporting differs from the reported numbers in the consolidated financial statements. The differences are related to the line item presentation of revenue from purchased loan portfolios and the presentation of operating cost. Total revenues and operating profit are equal in segment reporting and in the consolidated income statement. Amortisation/revaluation of purchased loan portfolios shows the difference between gross collection and revenue from purchased loan portfolios recognised in the condensed interim consolidated income statement.

Finance and taxes are managed on a Group basis and are not included at the regional level. The results of the parent company, the holding companies and the investment office in Luxembourg are reported as "Central functions". Results from purchased loan portfolios are included in the region where the portfolio is originated.

Year ended 31 December 2020	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Interest income from purchased loan portfolios	873	576	585	357	374		2 765
Net credit gain/(loss) from purchased loan portfolios	-36	20	-72	-65	-78		-230
Revenue from purchased loan portfolios	**837**	**597**	**513**	**292**	**296**		**2 535**
Profit from shares in associated parties/joint ventures and participation loans/notes	11		5		29		45
Total revenue from purchased loan portfolios	**848**	**597**	**518**	**292**	**325**		**2 579**
Revenue from external collection	152	0	8	120	35		315
Revenue from loan receivables		136			1		137
Income from sale of collateral assets	0	6	44	10	10		72
Other operating revenues	19	1	6	37	7		70
Total other revenues	**171**	**144**	**58**	**167**	**54**		**594**
Total revenues	**1 019**	**740**	**577**	**460**	**379**		**3 174**
Cost to collect	-252	-309	-192	-152	-198		-1 103
Cost of collateral assets sold, including impairment		-6	-49	-11	-12		-78
Cost other revenues	-146	-57	-21	-167	-79		-471
Administration and management costs	-20	-8	-10	-4	-12	-130	-184
EBITDA	**601**	**360**	**304**	**125**	**78**	**-130**	**1 338**
Depreciation, amortisation and impairment losses	-18	-35	-9	-27	-17	-7	-113
Operating profit (EBIT)	**583**	**325**	**295**	**98**	**61**	**-137**	**1 224**

All figures in NOK million unless otherwise stated

Year ended 31 December 2019	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Interest income from purchased loan portfolios	764	542	724	319	364		2 713
Net credit gain/(loss) from purchased loan portfolios	44	44	-475	125	-139		-400
Revenue from purchased loan portfolios	**808**	**587**	**250**	**444**	**224**		**2 313**
Profit from shares in associated parties/joint ventures and participation loans/notes	0		7		57		64
Total revenue from purchased loan portfolios	**808**	**587**	**256**	**444**	**282**		**2 377**
Revenue from external collection	124	0	1	139	35		299
Revenue from loan receivables	-2	115	0		2		116
Other operating revenues	16	1	9	56	0		82
Total other revenues	**138**	**116**	**10**	**196**	**36**		**497**
Total revenues	**946**	**703**	**266**	**640**	**318**		**2 874**
Cost to collect	-233	-321	-240	-169	-208		-1 170
Cost other revenues	-126	-72	-8	-187	-55		-448
Administration and management costs	-11	-5	-4	-5	-6	-133	-163
EBITDA	**577**	**306**	**15**	**280**	**48**	**-133**	**1 093**
Depreciation, amortisation and impairment losses	-13	-40	-35	-23	-16	-9	-134
Operating profit (EBIT)	**564**	**266**	**-20**	**258**	**33**	**-142**	**959**

Year ended 31 December 2020	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Portfolio purchases in the period	898	362		93	311		1 664
Purchased loan portfolios, book value							
Purchased loan portfolios	5 046	1 967	2 763	1 948	1 309		13 033
Participation loan/notes to SPV's for purchase of loan portfolios					522		522
Purchased loan portfolios held through joint venture	102		240		6		348
Purchased loan portfolios at 31 December	**5 148**	**1 967**	**3 004**	**1 948**	**1 837**		**13 903**

Year ended 31 December 2019	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Portfolio purchases in the period	2 108	401	283	372	245		3 409
Purchased loan portfolios, book value							
Purchased loan portfolios	4 745	2 057	3 365	1 991	1 262		13 420
Participation loan/notes to SPV's for purchase of loan portfolios					542		542
Purchased loan portfolios at 31 December	**4 745**	**2 057**	**3 365**	**1 991**	**1 804**		**13 961**

All figures in NOK million unless otherwise stated

NOTE 7: OTHER REVENUES

	2020	2019
Revenue from external collection	315	299
Other revenues from contracts with customers	60	77
Revenues from contracts with customers	**375**	**376**
Interest income from loan receivables [1)]		294
Net credit gain/(loss) from loan receivables [1)]		-178
Revenues from loan receivables		**116**
Income from sale of collateral assets [1)]		-2
Other revenues	10	7
Other revenues	**385**	**497**

1) *Reported in seperate lines in Consolidated Financial Statement 2020.*

Revenue from external collection consists of commissions and collection fees. These contracts contain one performance obligation, i.e. debt collection on behalf of the creditor, and the collection of a seperate claim is considered to be a seperate transaction. The consideration is variable and based on actual debt collection. Revenue from external collection is recognised over time, due the character of the consideration it will be recognised on collection of the debt. Other revenues from contracts with customers consists mainly of telemarketing, fraud prevention and credit information services.

Interest income from loan receivables are accrued monthly in the income statement and are calculated using the effective interest rate method. Net credit gain/(loss) from loan receivables include changes in future cash flow estimates and expected credit losses. Other revenues also include net result collateral assets and other operating revenues.

NOTE 8: EXPENSES FROM EXTERNAL SERVICES PROVIDED

	2020	2019
Fees to court and bailiffs for collection services	-335	-326
External cost portfolio acquisition & search	-4	-15
Other fees for external services, including fees to lawyers for collection services	-115	-106
	-454	**-447**

NOTE 9: PERSONNEL EXPENSES

	2020	2019
Wages, salaries and other benefits paid	-669	-651
Social security costs & payroll taxes	-129	-129
Defined contribution pension costs	-29	-10
Cost of external temporary staff	-37	-64
Other personnel costs, including training and recruitment costs	-28	-33
	-893	**-888**
Number of full time equivalents (FTEs) at 31 December	2 191	2 517

The pension schemes of the Norwegian companies in the Group follow the requirements in the Act on Mandatory company pension.

All figures in NOK million unless otherwise stated

NOTE 10: OTHER OPERATING EXPENSES

	2020	2019
Printing, postage	-55	-54
IT, telecommunications	-102	-96
Cost of office premises	-32	-35
Travel, vehicles, accomodation	-17	-40
Marketing, business entertaining, meetings, arrangements	-11	-27
Consultancy fees - non collection services	-80	-77
Statutory and other corporate costs, including business insurance and trade licences	-36	-41
Office equipment and supplies	-13	-16
Impairment of receivables	-5	1
Bank charges	-7	-6
Other expenses	-52	-55
	-411	**-446**

NOTE 11: NET FINANCIAL ITEMS

	2020	2019
Interest income	1	3
Gain on purchase of bonds in own bond loans (note 24)	54	8
Gain on other financial instruments (excluding derivatives)	1	1
Other financial income	0	0
Financial income	**56**	**13**
Interest expenses	-795	-771
Change in fair value of interest rate derivatives	-1	-31
Loss on purchase of bonds in own bond loans (note 24)	-12	0
Loss on other financial instruments (excluding derivatives)	-3	-1
Adjustment of contingent consideration (note 5.2)	11	9
Other financial expenses	-5	-1
Financial expenses	**-805**	**-794**
Realised exchange gain/(loss)	71	16
Unrealised exchange gain/(loss)	-162	-76
Change in fair value of currency derivatives	26	47
Net exchange gain/(loss)	**-65**	**-12**
Net financial items	**-814**	**-794**

All figures in NOK million unless otherwise stated

NOTE 12: INCOME TAX

The major components of income tax reported in the income statement for the years ended 31 December 2020 and 2019 are set out below.

Income tax expense:	**2020**	**2019**
Current year income tax payable	124	132
Change in deferred tax	-22	-74
Total tax expense reported in the income statement	**102**	**58**

Reconciliation between the expected tax expense and the actual tax expense

	2020	**2019**
Profit before tax	411	165
Expected tax expense at Norwegian nominal tax rate of 22 %	**90**	**36**
Difference between local tax rates and the Norwegian nominal tax rate	-29	-34
Tax effect of permanent differences	-23	9
Tax effect of change in unrecognised deferred taxes	47	68
Tax effect of merger		-29
Other differences	17	9
Actual tax expense	**102**	**58**
Effective rate of tax	**25 %**	**35 %**

The nominal tax rate in Norway was 22 % in 2020. Subsidiaries outside Norway are subject to local tax rates in their country of operation. The effective taxation of operations outside Norway depends on both local tax rules and on whether it is possible to avoid double taxation. The tax expense is also dependent on whether or not to recognise a deferred tax asset from carry forward losses in the individual entity.

All figures in NOK million unless otherwise stated

Analysis of deferred tax assets and liabilities

Tax effect of temporary differences	2020	2019
Taxable temporary differences - non-current items		
Tangible and intangible assets	43	46
Purchased loan portfolios	236	194
Loans to group companies and other long-term assets	156	73
Long-term interest bearing loans and borrowings	8	0
Loans from group companies and other non-current liabilities	11	4
	454	**318**
Taxable temporary differences - current items		
Other short-term assets	6	1
Other current liabilities	0	0
	7	**2**
Deductible temporary differences - non-current items		
Tangible and intangible assets	0	0
Purchased loan portfolios	-176	-158
Loans to group companies and other long-term assets	-2	-1
Long-term interest bearing loans and borrowings	-113	-46
Loans from group companies and other non-current liabilities	-1	-18
	-292	**-223**
Deductible temporary differences - current items		
Other short-term assets	-6	-3
Other current liabilities	-12	-27
	-17	**-30**
Tax losses carried forward	-530	-383
Gross deferred tax liabilities/(assets)	**-379**	**-316**
Deferred taxes not recognised	351	299
Net deferred tax liabilities/(assets)	**-28**	**-17**

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

	2020	2019
Deferred tax assets	-323	-189
Deferred tax liabilities	295	171
	-28	**-17**
Deferred tax liabilities/(assets) at 1 January	-17	66
Deferred tax expense recognised in the income statement	-22	-74
Deferred tax expense recognised in other comprehensive income	11	-9
Exchange differences	0	0
Deferred tax liabilities at 31 December	**-28**	**-17**

All figures in NOK million unless otherwise stated

Analysis of tax losses available for offset against future taxable income, by year of expiration:

	2020	2019
Within 5 years	268	168
After 5 years	746	408
No time limit	1 245	1 048
Total tax losses available for offset	**2 259**	**1 624**
Tax effect of tax losses, before consideration of whether the losses are recognisable or not	**530**	**383**

Tax losses carried forward at 31 December 2020 relate mainly to the Group's subsidiary companies in Luxembourg (NOK 1,372 million) and the Parent company in Norway (NOK 498 million). The tax losses in the Group's subsidiary companies in Luxembourg are partly recognised as deferred tax asset, based on the Group's expectation of taxable profit in the coming five years. The tax losses in the Group's parent company in Norway and NOK 486 million in Luxembourg are not recognised as deferred tax assets.

NOTE 13: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit after tax for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit after tax for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2020	2019
Profit after tax attributable to parent company shareholders	**309**	**107**
Number of shares outstanding at 1 January	409 932 598	409 032 598
New shares issued during the year (note 22)		900 000
Number of shares outstanding at 31 December	**409 932 598**	**409 932 598**
Weighted average number of shares during the year	**409 932 598**	**409 870 098**
Effect of dilution: Option programmes (note 23)	337 732	1 312 702
Weighted average number of shares during the year adjusted for the effect of dilution	**410 270 330**	**411 182 801**
Earnings per share (in NOK): - Basic	0.75	0.26
- Diluted	0.75	0.26

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. 11,360,000 options granted in the period 2015 - 2020 are not included in the calculation of diluted earnings per share because exercise price is higher than average stock price 2020 and therefor they are not considered dilutive for the year ended 31 December 2020. These options could potentially dilute basic earnings per share in the future.

All figures in NOK million unless otherwise stated

NOTE 14: GOODWILL

	Goodwill
Acquisition/purchase cost	
At 1 January 2019	787
Exchange differences	-4
At 31 December 2019	**783**
Exchange differences	50
At 31 December 2020	**833**
Impairment	
At 1 January 2019	2
Impairment	4
Exchange differences	0
At 31 December 2019	**6**
Impairment	3
Exchange differences	0
At 31 December 2020	**9**
Net book value	
At 31 December 2019	**778**
At 31 December 2020	**824**

Goodwill acquired through business combinations has been tested for impairment at the end of 2020. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax. The discount rate used is the weighted cost of capital before tax calculated for each Cash Generating Unit (CGU). Reference to note 4.4 for further details on cost of capital and WACC calculation.

The CGUs have been tested using a 5 or 10 year cash flow model discounted at a country spesific pre-tax WACC ranging from 9.1 % to 11.5 % by the end of December 2020. A 5 or 10 year cash flow model has been used based on expected life time for the individual CGUs portfolios, as well as the expected recoverable cash flows arising from the invidual CGUs loan portfolio investment program. The terminal value for loan portfolios has been set to estimated portfolio book value at the end of the 5 or 10 year cash flow model. For portfolios with an expected stable life also after 10 years, the terminal value is calculated by using estimated portfolio book value after 10 year less estimated costs to collect multiplied by a total gross cash-on cash multiple ranging from 1.71 - 2.2, and then discounted at the local pre-tax WACC. The cash-on cash multiple represents a best estimate of the average multiple of expected future cash flow over portfolio book value for loan portfolios in the country-specific market.

The basis for the expected future cash flow is management approved investment allocation plan for the Group, forecast 2021 for the individual CGU and in general a 0 % growth rate in other revenue. The sum of the future expected gross cash flows, less estimated costs to collect and costs related to other revenue, forms the basis for the net cash flow estimates used in the 5 or 10 year cashflow model and estimated terminal value. The impact of changes to key assumptions have been considered and assessed for each individual CGU, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

The following cash generating units epresents 69 % of the carrying value of goodwill at the end of December 2020:

Poland Group
At 31 December 2020, the carrying value of goodwill allocated to Poland Group amounts amounts to NOK 300 million (NOK 280 million in 2019). The CGUs have been tested using a 10 year cash flow model based on a stable loan portfolio investment program and with a terminal value after 10 years. The terminal value of loan receivables are estimated to be equal to book value as of beginning of cash flow period.

Négociation et Achat de Créances Contentieuses (NACC), France, and its subsidiary Tahiti Encaissements Services, Tahiti
At 31 December 2020, the carrying value of goodwill allocated to NACC, France, and its subsidiary amounts to NOK 267 million (NOK 251 million in 2019). The CGUs have been tested using a 10 year cash flow model with a terminal value after 10 years based on a stable loan portfolio investment program.

All figures in NOK million unless otherwise stated

In addition, the following cash generating units have been tested for impairment:

Company name	Region	Allocated goodwill	
		At December 2020	At December 2019
Debt Collection Agency AD, Bulgaria	South Eastern Europe	115	109
Confirmaciónde Solicitudes de Crédito Verifica S.A. (Verifica), Spain	Western Europe	86	81
Creditreform Latvia SIA, Latvia, and its subsidiaries	Northern Europe	31	29
Interkreditt AS, Norway	Northern Europe	11	11
OK Perinta OY, Finland, and its subsidiaries	Northern Europe	5	5
Nordic Debt Collection A/S, Denmark	Northern Europe	2	2
B2Kapital UAB, Lithuania	Northern Europe	6	6
Verifica Portugal S.A., Portugal	Western Europe	0	3
Total		**256**	**246**

The result of the impairment tests showed that in 2020 there was a requirement to fully impair the goodwill created on the acquisition of Verifica Portugal S.A. Consequence Europe and Credit-cash Faktoring was fully impaired in 2019. There was no requirement to impair the goodwill in any of the other cash generating units.

All figures in NOK million unless otherwise stated

NOTE 15: TANGIBLE AND INTANGIBLE ASSETS

	Improvements to rented offices	Equipment, fixtures & fittings	RoU asset office premises	RoU asset vehicles & equipment	Intangible assets	Total
Acquisition/purchase cost						
At 1 January 2019	**29**	**138**	**123**	**4**	**324**	**617**
Additions	4	21	46	3	30	103
Disposals	0	-17	-2	0		-19
Exchange differences	0	-1	-1	0	-2	-4
At 31 December 2019	**32**	**142**	**165**	**6**	**352**	**698**
Additions	3	18	24	2	22	70
Disposals	-1	-15	-13	0	-4	-33
Exchange differences	1	3	7	0	16	28
At 31 December 2020	**34**	**149**	**184**	**8**	**387**	**763**
Depreciation and impairment						
At 1 January 2019	**18**	**66**		**1**	**135**	**219**
Depreciation / amortisation charge for the year	3	27	36	1	43	111
Impairment losses for the year					23	23
Disposals	0	-13	-1	0		-14
Exchange differences	0	0	0	0	-4	-4
At 31 December 2019	**21**	**79**	**36**	**2**	**198**	**335**
Depreciation / amortisation charge for the year	3	29	41	2	33	108
Impairment losses for the year		0			2	2
Disposals	-3	-11	-6	0	-3	-23
Exchange differences	1	1	1	0	9	11
At 31 December 2020	**22**	**97**	**72**	**3**	**238**	**433**
Net book value						
At 31 December 2019	**11**	**63**	**130**	**4**	**154**	**363**
At 31 December 2020	**12**	**51**	**112**	**5**	**149**	**330**
Depreciation method	Straight line	Straight line	Straight line	Straight line	Straight line	
Economic useful lives	2-10 years	2-10 years	2-10 years	2-10 years	2-12 years	

Intangible assets are the capitalised costs related to the software systems used throughout the Group, client relationships and licenses. The Group has also invested in development of a group data warehouse.

All figures in NOK million unless otherwise stated

NOTE 16: LEASES

The Group's lease agreements mainly relates to the lease of office premises and vehicles.

Lease liabilities	2020	2019
Current lease liabilities	41	39
Non-current lease liabilities	87	103
	128	**141**

Maturity analysis contractual undiscounted cash flows	2020	2019
Amounts due within one year	49	46
Amounts due between one and five years	85	98
Amounts due later than five years	15	18
	149	**162**

Effects on income statement	2020	2019
Depreciation of right-of-use assets	-43	-38
Interest expense on lease liabilities	-9	-9
Expense relating to short-term leases	-9	-12
Expense relationg to leases of low value assets	-11	-12
	-73	**-70**

Cash outflows for leases	2020	2019
Interest paid on lease liabilities	-9	-9
Principle paid on lease liabilities	-39	-34
Expense relating to short-term leases	-9	-12
Expense relationg to leases of low value assets	-11	-12
	-69	**-67**

All figures in NOK million unless otherwise stated

NOTE 17: INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES AND PARTICIPATION LOAN/NOTES

17.1 Investments in associated companies and joint ventures and participation loan/notes

Profit from shares in associated companies/joint ventures and participation loans/notes	2020	2019
Share of profit from participation loan/notes (note 17.2)	19	56
Share of result from joint ventures	26	11
Share of result from associated companies	0	0
Impairment of shares in associated companies	0	-2
	45	**64**

Investments in associated companies and joint ventures	2020	2019
Joint ventures (note 17.3)	348	386
Associated companies (note 17.4)	1	1
At 31 December	**349**	**387**

Participation loan/notes	2020	2019
Participation loan/notes (note 17.2)	522	542
At 31 December	**522**	**542**

All figures in NOK million unless otherwise stated

17.2 Participation loan/notes

	2020	2019
Participation loan in EOS Credit Funding BL DAC	31	47
Participation notes in Hellas 3P Investment DAC (H3P)	303	305
Participation notes in Hellas 2P Investment DAC (H2P)	188	190
At 31 December	**521**	**542**

	2020	2019
At 1 January	542	589
Repayments	-38	-59
Change in fair value of participation loan/notes	9	17
Exchange rate differences	9	-5
At 31 December	**521**	**542**

The Group has three investment agreements with co-investors for purchase of loan portfolios through SPVs, fully financed through participation loan/notes from the investors. The contractual arrangement of the participation loan/notes is directly linked to the performance of the portfolios purchased in the SPVs. All collections in the SPVs from the portfolios are paid monthly to the investors pro rata after deduction of cost to collect and overhead costs in the SPVs. The payments are split between interest income and repayments according to the amortisation of the portfolio, so the repayments of the loan are equal to the amortisation of the portfolio. If the SPVs need additional funding, the investors are obliged to contribute pro rata, but since the SPVs are self-funding through their operations this is not expected to occur. The particiapition loan/notes are measured at fair value through profit or loss. The Group considers the best estimate of fair value to be equal to the book value of the portfolios after amortised cost, since the remunerations is directly based on the portfolios. The profit from participation loan/notes is presented as a part of "Profit from shares in associated companies/joint ventures and participation loans/notes" in the Group's consolidated income statement.

For EOS Credit Funding BL DAC, the Group has both investment in joint venture and a share of participation loans. See note 17.3 for further information regarding the joint venture. The Group's share of the participation loan is 50 %.

In 2018, the Group entered into two agreements for co-investments through SPV's. The Group's share of the participation notes in the SPV's was 35 % for the H3P portfolio purchase and 30 % for the H2P porfolio purchase. The Group has the daily servicing of the H3P portfolio, together with local licensed partners and is the master servicer for the H2P porfolio.

17.3 Investments in joint ventures

In 2018 the Group became owner of 50 % 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.

During 2019 the Group entered a joint venture with DDM Group, holding portfolios in Croatia, an investment of NOK 276 million. The Group holds 50 % of the share capital and voting rights in CE Partner S.à.r.l. and CE Holding Invest S.C.S. with offices in Luxembourg. The Group is master servicer for the joint venture.

In December 2019 a joint venture agreement with Waterfall Asset Management for portfolios in Sweden, was completed. The Group has subscribed to 30 % of the shares, an investment of NOK 96 million, in Glencar 3, a sub-fund of Glencar ICAV. Glencar ICAV with offices in Dublin, Ireland. Operations in the joint venture started in 2020, with the daily servicing of the portfolio being performed by the Group.

The Group does not have goodwill or other adjustments related to the joint ventures.

All figures in NOK million unless otherwise stated

Investments in joint ventures	2020	2019
At 1 January	386	9
Additions		372
Repayments	-56	
The Group's share of the joint venture's result after tax	16	11
Dividends received	-5	-5
Exchange differences	7	0
At 31 December	**348**	**386**

17.4 Investments in associates companies

In December 2020 the Group sold the 34.72 % interest in Creditreform UAB, Lithuania, one of the two associated companies owened by Creditreform Latvija SIA, Latvia, which was acquired by the Group in 2014. The interest was sold with a loss of NOK 0.8 million after receiving a total profit of NOK 0.6 during the ownership period. Thus by the end of 2020 the Group only holds 26 % interest in Creditreform OU, Estonia, owned by Creditreform Latvija SIA. The company specialises in the collection of third party debt within their respective countries.

In 2018 the Group acquired a 28.02 % interest in Linjiska Nacionalna Plovidba d.d., Croatia. The investment was impaired from NOK 2 million to 0 during 2019.

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

Investments in associated companies	2020	2019
At 1 January	1	4
Disposals	-1	
The Group's share of the associate's result after tax	0	0
Impairment of shares in associated companies	0	-2
Dividend received	0	0
Exchange differences	0	0
At 31 December	**1**	**1**

All figures in NOK million unless otherwise stated

NOTE 18: LOAN RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS

Note 18.1: Loan receivables

	2020	2019
Loan receivables - gross	967	1 041
Loss allowance	-731	-696
At 31 December	**235**	**345**

Loan receivables are interest bearing loans that normally are granted for a period of few years, with monthly installments and no up-front payment. The Group collects contractual cash flow according to loan schedules. The Group currently only has such business in Poland. The average loan ticket amounts to PLN 4,800 and the average installment number is 40 months at the end of 2020. Products are sold via several distribution channels including internet, call center, and external brokers. The Group sold approximately 11,000 loans to individual clients in 2020. There is no single debtor who represents a large share of the loan receivables and therefore pose a material credit risk.

The Group measures the impairment loss on loan receivables using a 3-stage model for expected credit loss (ECL) according to IFRS 9. For loan receivables in stage 1 (performing, i.e. days past due between 0-10 days), ECL for default events that are possible within the next 12 months are recognised. The Group consider that credit risk has increased significantly since initial recognition for loan receivables in stage 2 and 3 (underperforming and non-performing, i.e. days past due over 10 days), and lifetime ECL is recognised.

At 31 December, the analysis of loan receivables was as follows:

	Total	Stage 1	Stage 2 and 3
Loan receivables - gross	967	143	823
Loss allowance	-731	-23	-708
Loan receivables - net, 31 December 2020	**235**	**120**	**115**
Loan receivables - gross	1 041	238	803
Loss allowance	-696	-39	-656
Loan receivables - net, 31 December 2019	**345**	**198**	**147**

Note 18.2: Other non-current financial assets

	2020	2019
Financial assets at fair value through profit or loss:		
Derivatives (note 4)	1	2
	1	**2**
Financial assets at amortised cost: Other	2	3
	2	**3**
At 31 December	**3**	**5**

All figures in NOK million unless otherwise stated

NOTE 19: OTHER SHORT-TERM ASSETS

19.1: Accounts receivable

	2020	2019
Accounts receivable from contract revenues - gross	32	48
Accounts receivable from single transactions - gross	5	3
Loss allowance	-4	-3
	33	**49**

There is no single customer who represents a large share of the accounts receivable and therefore pose a material credit risk.

Accounts receivable are non-interest bearing and are generally on terms of 30-90 days. At 31 December, the ageing analysis of accounts receivables was as follows:

	Total	Not due	0-30 days	31-60 days	61-90 days	>90 days
Accounts receivable - gross, 31 December 2020	37	25	4	1	1	5
Loss allowance	-4	-0	-0	-0	-0	-3
Accounts receivable - net, 31 December 2020	**33**	**25**	**4**	**1**	**1**	**1**
Accounts receivable - gross, 31 December 2019	52	40	5	3	0	4
Loss allowance	-3	-0	-0	-0	-0	-3
Accounts receivable - net, 31 December 2019	**49**	**40**	**5**	**3**	**0**	**1**

19.2: Other short-term assets

	2020	2019
Value added, sales or other taxes receivable	67	65
Amounts due from previous owners of purchased loan portfolios	2	6
Advances & security deposits paid to suppliers	41	36
Prepayments	24	20
Amounts due from employees	1	2
Derivatives (note 4)	22	5
Amounts due from joint venture (note 17)	8	17
Accrued income not yet invoiced	18	15
Other	35	25
	220	**191**

All figures in NOK million unless otherwise stated

NOTE 20: COLLATERAL ASSETS

Collateral assets are assets, mainly real estate, repossessed as part of the management of secured non-performing loan portfolios. Collateral assets are acquired with the purpose of subsequent resale in the near future.

	2020	2019
At 1 January	319	120
Additions	631	231
Disposals	-69	-25
Write-down	-9	-6
Exchange differences	2	-1
At 31 December	**873**	**319**

Which consists of:

	2020	2019
Retail Properties	206	152
Non-retail properties	648	158
Other	19	9
	873	**319**

Of the collateral assets NOK 696 million is located in Central Europe (2019: 228 million), NOK 120 million is located in South Eastern Europe (2019: 43 million), NOK 45 million is located in Western Europe (2019: 31 million) and NOK 9 million is located in Poland (2019: 15 million). Retail properties is related to private housing and non-retail properties to commercial buildings.

The Group has specific pre-emption rights on the realisability of some of its collateral assets if the offered sales prices are below what has been agreed with interested stakeholders. These rights are only applicable for a period of 18-36 months from the granting of such rights which was in Q3 2020.

The Group has no contractual obligations for construction, development, repairs or maintainance.

	2020	2019
Rental income	2	2
Income Revenue from sale of collateral assets	72	
Cost of collateral assets sold, including impairment	-78	
Gain/(loss) from disposal and write-down	0	-3
Direct operating expenses	-11	-8
Operating profit/(loss) from collateral assets	**-15**	**-9**

From 2020 the presentation of consolidated income statement for the Group has been updated. The presentation was changed to better reflect revenues and cost from sale of collateral assets, separating this from “Other revenues”. Comparable numbers are not updated, and gain/(loss) from disposal and write-down of collateral assets is for 2019 included in the line “Other revenues” in the consolidated income statement.

Rental income is presented in the line “Other revenues” in the consolidated income statement. Direct operating expenses are directly related to the collateral assets and include repairs and maintenance costs, insurance, valuation costs and other similar types of running costs. Direct operating expenses are included in either “Expenses of external services provided” or “Other operating expenses” depending upon the nature of the expense.

All figures in NOK million unless otherwise stated

NOTE 21: CASH AND SHORT-TERM DEPOSITS

	2020	2019
Cash at banks		
- unrestricted balances	407	339
- tax deductions from employee payroll	3	3
- other restricted balances	7	8
	417	351
Short term deposits	6	5
	423	**356**

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 22: 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 mill	Other paid-in capital [1) NOK mill
At 1 January 2019	**409 032 598**	**41**	**2 836**
Exercise of employee share options on 25 January 2019 at an average subscription of 8.356	900 000	0	7
At 31 December 2019	**409 932 598**	**41**	**2 843**
At 31 December 2020	**409 932 598**	**41**	**2 843**
At 21 April 2021 (the date of completion of these financial statements)	**409 932 598**	**41**	**2 843**

1) Net proceeds after transaction costs

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

Dividend paid to parent company's shareholders in 2020, for 2019, amounted to NOK 0.00 per share. Proposed dividend for 2020 is NOK 0.00 per share.

All figures in NOK million unless otherwise stated

Mandates granted to the Board of Directors:
On 27 May 2020 the General Meeting of the shareholders of B2Holding ASA granted the Board a right to increase the share capital (i) in connection with acquisitions and raising of equity, by a maximum of NOK 4,099,325 which is equal to 10 % of the Company's share capital, and (ii) in connection with the Company's share option programme, by a maximum of NOK 2,233,449.40.

The General Meeting on 27 May 2020 also granted the Board a right to acquire own shares in B2Holding ASA from the shareholders in the company up to a total nominal value of NOK 4,099,325. The maximum amount that can be paid for each share is the volume weighted average price as quoted on the stock exchange for the five business days prior to the time of the acquisition plus 5 %, and the minimum amount to be paid is NOK 0.10 per share.

Each of the said authorisations provided to the Board are all effective until the earliest of the Company's 2021 Annual General Meeting and 30 June 2021 and replaces the authorisations issued by the General Meeting on 24 May 2019.

NOTE 23: SHARE BASED PAYMENTS

23.1 Option program

The Group has granted share options to management and selected key employees according to the Remuneration Policy in note 30.1. As of the date of completion of these financial statements, there were 14,410,000 options outstanding.

All of the Company's option agreements include a clause regarding accelerated vesting meaning that if 50.1 % (75 % for options issued before 2019, expiring Dec 2021) 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.

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding 1 January	19 125 000	10.077	18 175 000	9.530
Granted during the year	5 150 000	6.264	3 050 000	10.140
Exercised during the year			-900 000	8.356
Forfeited during the year	-1 240 000	13.777	-600 000	10.140
Expired during the year	-8 625 000	9.467	-600 000	12.100
Outstanding at 31 December	**14 410 000**	**90.510**	**19 125 000**	**10.077**
Exercisable at 31 December	**7 536 666**	**10.112**	**15 400 000**	**9.370**

In August 2019 the BoD decided to further extend the expiry date from 30 June 2020 until 30 June 2022 at the latest, for 6,000,000 share options originally expired 1 July 2018. As compensation for the extended expiration date the exercise price shall increase with 7.5 % annually interest rate calculated from the original expiry date up until the actual exercise date.

Due to changes in the Group Management in 2019, 1,240,000 share options was cancelled during 1st quarter of 2020. Further, 8,625,000 options granted in 2015 and 2017 expired during 2020, including 8,300,000 share options granted in June 2015 with extended expiry date until 30 June 2020.

The weighted average fair value of options granted in 2020 was NOK 6.26 (2019: 1.82) per option and the cost of the options recognised in personnel costs together with a corresponding increase in other capital reserves was NOK 4 million in 2020 (2019: NOK 3 million).

The fair value of options awarded is calculated using the Black-Scholes option pricing model. The risk-free interest rate on the award date has been obtained from Norges Bank and weighted average for options awarded in 2020 was 0.63 % (2019: 1.21 %). The weighted average expected volatility for the options granted in 2020 was 45.07 % (2019: 30.68 %), and the expected lifetime has been set as the vesting date.

All figures in NOK million unless otherwise stated

At 31 December 2020, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

	Outstanding options			Vested options		
Exercise price	**Outstanding options as of 31.12.2020**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Outstanding options as of 31.12.2020**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 - 8.00	3 050 000	4.5	4.57	-	-	-
8.01 - 8.50	2 000 000	1.5	8.34	2 000 000	1.5	8.34
8.51 - 9.99	6 100 000	2.2	9.06	4 000 000	1.5	9.23
10.00 - 12.99	1 910 000	3.5	10.14	636 666	3.5	10.14
13.00 - 17.99	600 000	1.0	16.21	450 000	1.0	15.90
18.00 - 23.99	750 000	1.0	20.63	450 000	1.0	19.99
Total	**14 410 000**	**2.6**	**9.05**	**7 536 666**	**1.6**	**10.11**

At 31 December 2019, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

	Outstanding options			Vested options		
Exercise price	**Outstanding options as of 31.12.2019**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Outstanding options as of 31.12.2019**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 - 8.00	4 000 000	1.5	7.90	4 000 000	1.5	7.90
8.01 - 8.50	4 000 000	1.5	8.46	4 000 000	1.5	8.46
8.51 - 9.99	4 766 666	1.3	9.14	4 766 666	1.3	9.14
10.00 - 12.99	3 983 334	3.0	10.62	1 533 334	0.5	11.40
13.00 - 17.99	1 375 000	1.4	15.55	825 000	1.4	15.18
18.00 - 23.99	1 000 000	1.8	20.05	275 000	1.5	19.08
Total	**19 125 000**	**1.8**	**10.08**	**15 400 000**	**1.3**	**9.37**

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

NOTE 24: INTEREST BEARING LOANS AND BORROWINGS

	2020	**2019**
Non-current		
Multi-currency revolving credit facility	3 912	2 805
Bridge Facility	250	0
Bond loan	5 954	7 336
	10 116	**10 141**

	2020	**2019**
Current		
Bond loan	1 153	1 498
Bank overdraft	222	97
	1 375	**1 594**

All figures in NOK million unless otherwise stated

Interest bearing loans
The Group is financed by the following loans; (i) a EUR 510 million senior secured multi-currency revolving credit facility agreement, including a multi-currency cash pool with a EUR 40 million overdraft, which matures in May 2023, (ii) a EUR 100 million bridge facility with maturity in May 2022, (iii) a EUR 175 million senior unsecured bond with maturity in October 2021, (iv) a EUR 200 million senior unsecured bond with maturity in November 2022, (v) a EUR 200 million senior unsecured bond with maturity in May 2023 and (vi) a EUR 200 million senior unsecured bond with maturity in May 2024. The Group holds EUR 91 million in treasury bonds, which is not included in tables below.

The multi-currency revolving credit facility, the bridge facility and the bond loans carry a variable interest rate based on the interbank rate in each currency plus a margin supplement. In addition, there is a commitment fee, which is calculated as a percentage of the loan margin on the undrawn part of the credit facilities. The overdraft carries a facility line fee. The loan agreements have a number of operational and financial covenants, including limits on certain key indicators, which have all been complied with as of 31 December 2020. There are no instalments to be paid before maturity.

At 31 December 2020, PLN 780 million, SEK 650 million and NOK 1,530 million, in total EUR 382 million, was utilised from the EUR 470 million multi-currency revolving credit facility, leaving an available, undrawn amount of EUR 88 million. The multi-currency overdraft facility of EUR 40 million was utilised with EUR 21 million, leaving an available, undrawn amount of EUR 19 million. The bridge facility was utilised with EUR 24 million, leaving an available, undrawn amount of EUR 76 million.

The EUR 470 million multi-currency revolving credit facility and the EUR 100 million bridge facility are 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 2020 and 31 December 2019 are summarised below:

At 31 December 2020	Currency	Interest rate %	Maturity	Outstanding nominal value
Multi-currency revolving credit facility	PLN	Floating	May 2023	1 791
	SEK	Floating	May 2023	678
	NOK	Floating	May 2023	1 530
Bridge Facility	NOK	Floating	May 2022	250
Bond loans	EUR	7.00 %	October 2021	1 832
	EUR	4.25 %	November 2022	2 094
	EUR	4.75 %	May 2023	2 094
	EUR	6.35 %	May 2024	2 094
				12 364

At 31 December 2019	Currency	Interest rate %	Maturity	Outstanding nominal value
Multi-currency revolving credit facility	PLN	Floating	May 2022	1 807
	SEK	Floating	May 2022	755
	NOK	Floating	May 2022	300
Bond loans	EUR	7.50 %	December 2020	1 480
	EUR	7.00 %	October 2021	1 726
	EUR	4.25 %	November 2022	1 973
	EUR	4.75 %	May 2023	1 973
	EUR	6.35 %	May 2024	1 973
				11 987

All figures in NOK million unless otherwise stated

The repayment schedule by currency at 31 December 2020 and 31 December 2019 is shown in the table below:

At 31 December 2020		Multi-currency revolving credit facility		Bridge Facility	Bond loan	Total
	SEK	NOK	PLN	NOK	EUR	
2021					1 832	1 832
2022				250	2 094	2 344
2023	678	1 530	1 791		2 094	6 093
2024					2 094	2 094
	678	**1 530**	**1 791**	**250**	**8 114**	**12 364**

At 31 December 2019	Multi-currency revolving credit facility			Bond loan	Total
	SEK	NOK	PLN	EUR	
2020				1 480	1 480
2021				1 726	1 726
2022	755	300	1 807	1 973	4 836
2023				1 973	1 973
After 2023				1 973	1 973
	755	**300**	**1 807**	**9 124**	**11 987**

Financial covenants

The financial covenants at 31 December 2020 for the bond loans are summarised below. All covenants have been met at 31 December 2020 and 31 December 2019.

The financial covenants for the bond loan are as follows:

	Requirement	2020	2019
Secured loan to value	Maximum 65 %	25 %	17 %
Leverage ratio	Maximum 4.0	2.7	2.9
Net interest cover ratio	Minimum 4.0	5.4	5.1

The financial covenants for the multi-currency revolving credit facility include covenants for the borrowing base ratio, the equity ratio and the ratio of actual NPL portfolio cash collection compared to cash collection forecasts. In addition to this, the covenants for the borrowing base ratio and the ratio of actual NPL portfolio cash collection compared to cash collection forecasts are measured at the “Restricted Group” level, which comprises B2Kapital Holding S.à r.l. and its directly and indirectly owned subsidiaries. If the group fails to comply with the financial covenants, both the multi-currency revolving credit facility agreement and the bond loan agreements have a grace period after notice thereof is given to the counterparties before default is declared.

Bank borrowings secured by pledged assets	2020	2019
Multi-currency revolving credit facility	4 162	2 805
	4 162	**2 805**

Balance sheet value of pledged assets	2020	2019
Share Pledge	3 622	3 433
Account charge over bank accounts	13	-224
Intra Group Loan receivable	6 930	9 188
	10 565	**12 397**

All figures in NOK million unless otherwise stated

At 31 December 2020, the multi-currency revolving credit facility and the bridge facility is secured by a share pledge over B2Holding ASA's shares in B2Kapital Holding S.à r.l., 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 B2Kapital Holding S.à r.l.. The Bond Loans are unsecured.

Changes in liabilities arising from financing activities

The table below shows a reconciliation of the opening and closing balance for liabilities arising from financing activities.

	2020	2019
As of 1 January	**11 780**	**10 771**
Implementation effect IFRS 16		128
Principal repayments (lease liabilities)	-39	-34
Additions (lease liabilities)	26	49
Proceeds from new external loans during the year	15 577	16 858
Repayment of external loans during the year	-16 346	-15 972
Changes in foreign exchange rates	393	-52
Other changes	6	33
As of 31 December	**11 398**	**11 780**

«Other changes» consist of non-cash effects from utilizing amortised cost principal.

Interest bearing liabilities	2020	2019
Interest bearing loans and borrowings	11 270	11 639
Lease liabilities	128	141
	11 398	**11 780**

Lease liabilities are included in Other current and non-current liabilities in the Consolidated statement of financial position. Refer to note 16 for more information about lease liabilities.

NOTE 25: OTHER LONG TERM LIABILITIES

	2020	2019
Financial liabilities at fair value through profit or loss		
Contingent consideration (note 5.2)	17	39
Derivatives (note 4)	14	13
Other	6	0
	37	**53**
Financial liabilities at amortised cost		
Lease liabilities (note 16)	87	103
	87	**103**
Other non-financial liabilities		
Post-employment liabilities	6	4
	6	**4**
	131	**160**

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

All figures in NOK million unless otherwise stated

NOTE 26: ACCOUNTS AND OTHER PAYABLES

	2020	2019
Accounts payable	59	64
Vendor financing	23	121
Amounts owed to third party collection customers	14	30
Amounts prepaid by loan debtors	55	51
Other payables	4	0
	154	**265**

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 27: OTHER CURRENT LIABILITIES

	2020	2019
Financial liabilities at fair value through profit or loss		
Contingent consideration (note 5.2)	14	19
Derivatives (note 4)	2	11
	16	**30**
Other liabilities at amortised cost		
Amounts due to employees	110	99
Accrued interest on external loans	71	85
Accrued costs of external collection services and other expenses	42	31
Lease liabilities (note 16)	41	39
Other	14	10
	279	**264**
Indirect taxes payable		
Value added taxes / sales taxes payable	6	13
Payroll taxes payable	15	12
Social security payable	21	21
Other indirect taxes payable	3	4
	45	**51**
	339	**345**

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

Amounts due to employees are accruals for fixed and variable salaries and includes accruals for holiday entitlements according to local regulations and practices.

Interest payable on loans and borrowings is normally paid quarterly throughout the financial year.

Indirect taxes are non-interest bearing and are payable on a regular basis to the relevant national tax authority.

Social security payable at 31 December 2020 and 31 December 2019 includes the accrued social security costs of the share option programmes and described in more detail in note 23.

All figures in NOK million unless otherwise stated

NOTE 28: COMMITMENTS

28.1 Lease commitments - Group as lessee

The Group has entered into leases for office premises, motor vehicles and office equipment. The lease payments for the majority of the office premises lease contracts are adjusted according to the consumer price index, have an extension option and have an average life of between 12 months and 9 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 commitments related to future payments on lease agreements are presented in note 16.

28.2 Forward flow commitments

The Group has committed to buy non-performing debt portfolios for delivery in future years ("forward flow" contracts) in the following segments. The estimated face value and purchase price of contracts is based on the maximum face value in the purchase agreement or best estimate if there are not any maximum amounts in the purchase agreements. At 31 December, the non-cancellable part of these commitments were as follows:

	2020		2019	
	Face value	Purchase price	Face value	Purchase price
Northern Europe	230	121	1 040	636
Poland	202	34	421	100
Western Europe	0	0	223	33
Southeastern Europe	115	27	92	23
	547	**182**	**1 776**	**791**

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 17).

Related party transactions with Group management team and Board of Directors are set out in note 30.

Transactions with associated companies and joint ventures

See note 17 and 18 for transactions with associated companies and joint ventures.

Group companies

Companies in the Group are also related parties. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured and interest free, other than for interest bearing loans. At 31 December 2020 the Group has impaired approximately NOK 80 million for loss relating to intra-group related party balances. At 31 December 2019, the Group didn't do any provision of doubtful debts relating to intra-group related party balances. This assessment has been undertaken for each period end based on an examination of the financial position of the related party and the market in which the related party operates.

B2Holding ASA, with its registered office in Oslo is the Parent Company of the Group. The list of Group subsidiaries is provided below. All subsidiaries are included in the B2Holding Group consolidated financial statements

All figures in NOK million unless otherwise stated

Company name	Country of incorporation	Segment	Directly owned by B2Holding ASA	% equity interest 2020	2019
B2Holding ASA					
Interkreditt AS	Norway	Northern Europe		100 %	100 %
Interkreditt Kapital AS	Norway	Northern Europe		100 %	100 %
B2Kapital Holding S.a.r.l	Luxembourg	Central functions	√	100 %	100 %
ULTIMO Portfolio Investment SA	Luxembourg	Central functions		100 %	100 %
ULTIMO SA	Poland	Poland		100 %	100 %
ULTIMO Securitisation Fund	Poland	Poland		100 %	100 %
ULTIMO Legal Office	Poland	Poland		99 %	99 %
ULTIMO TFI SA	Poland	Poland		100 %	100 %
TAKTO Group comprising TAKTO Sp z.o.o,					
TAKTO Securitisation Fund & Invest TAKTO SKA	Poland	Poland		100 %	100 %
Sileo Holding AB	Sweden	Northern Europe		100 %	100 %
Sileo Kapital AB	Sweden	Northern Europe		100 %	100 %
Interkredit Sverige AB (earlier Sileo Finans AB)	Sweden	Northern Europe		100 %	100 %
Sileo Förvaltning AB (earlier Kontant Finans Sverige AB)	Sweden	Northern Europe	√	100 %	100 %
OK Perintä OY	Finland	Northern Europe		100 %	100 %
Nordic Debt Collection A/S	Denmark	Northern Europe		100 %	100 %
OK Incure OÜ	Estonia	Northern Europe		100 %	100 %
TCM Estonia OÜ	Estonia	Northern Europe		100 %	100 %
B2Kapital SIA	Latvia	Northern Europe		100 %	100 %
Creditreform Latvija SIA	Latvia	Northern Europe		99.5 %	99.5 %
Crefo Rating SIA	Latvia	Northern Europe		100 %	100 %
AS Crefo Birojs	Latvia	Northern Europe		100 %	100 %
UAB B2Kapital (earlier UAB Skolu valdymo centras)	Lithuania	Northern Europe		100 %	100 %
B2 Kapital d.o.o	Croatia	Central Europe		100 %	100 %
B2 Real Estate d.o.o	Croatia	Central Europe		100 %	100 %
B2 Portfolio d.o.o.	Croatia	Central Europe		100 %	100 %
B2Kapital d.o.o	Bosnia and Herzegovina	Central Europe		100 %	100 %
B2Kapital d.o.o	Slovenia	Central Europe		100 %	100 %
B2 Holding Kapital d.o.o	Serbia	Central Europe		100 %	100 %
B2Kapital d.o.o	Montenegro	Central Europe		100 %	100 %
B2Kapital GmbH [1)]	Austria	Central Europe		100 %	100 %
B2Kapital Czech Republic s.r.o	Czech Republic	Central Europe		100 %	100 %
Consequence Europe MKFT	Hungary	Central Europe		100 %	100 %
B2Kapital Hungary Zrt	Hungary	Central Europe		100 %	100 %
B2Kapital Porfolio Management S.R.L	Romania	South Eastern Europe		100 %	100 %
B2 Real Estate Management S.R.L.	Romania	South Eastern Europe		100 %	100 %
B2 Kapital Finance I.F.N. S.A.	Romania	South Eastern Europe		100 %	100 %
Freyja Development S.R.L	Romania	South Eastern Europe		100 %	
Acatoen Development S.R.L	Romania	South Eastern Europe		100 %	
Joro Assets S.R.L.	Romania	South Eastern Europe		100 %	
Advanced Holding Three S.R.L	Romania	South Eastern Europe		100 %	
Debt Collection Agency S.R.L [2)]	Romania	South Eastern Europe			100 %
Debt Collection Agency EAD	Bulgaria	South Eastern Europe		100 %	100 %
Smart Collect EOOD	Bulgaria	South Eastern Europe		100 %	100 %
B2Kapital AE	Greece	South Eastern Europe		100 %	100 %
B2Kapital Cyprus LTD	Cyprus	South Eastern Europe		100 %	100 %
Gabuyd Ltd	Cyprus	South Eastern Europe		100 %	
B2 Kapital S.r.l	Italy	Western Europe		100 %	100 %
B2 Kapital Investment S.r.l.	Italy	Western Europe		100 %	100 %
B2 Kapital RE S.r.l.	Italy	Western Europe		100 %	100 %
B2Kapital 7.1 S.r.l	Italy	Western Europe		100 %	
Confirmación de Solicitudes de Crédito Verifica S.A.	Spain	Western Europe		100 %	100 %
Verifica Portugal S.A. [3)]	Portugal	Western Europe			100 %
Négociation et Achat de Créances Contentieuses	France	Western Europe		100 %	100 %
Tahiti Encaissements Services	French Polynesia	Western Europe		100 %	100 %

1) In process of liquidation
2) Merged into B2Kapital Portfolio Management S.R.L during 2020
3) In process of liquidation

NOTE 30: REMUNERATION

30.1 Remuneration policy

1. Purpose

B2Holding ASA's reward policy is a management tool that shall contribute to Group profit and increased shareholder value and to attract, retain and develop qualified people with the right managerial and professional competencies. This reward policy applies to the Chief Executive Officer of B2Holding ASA (the "CEO"), the Managers in B2Holding ASA and the Directly Reporting Business Units Managers.

"Managers in B2Holding ASA" means managers employed by B2Holding ASA who report directly to the CEO, and the "Directly Reporting Business Units Managers" means managers employed by other group companies and who report directly to the CEO.

"Management" means the CEO, Managers in B2Holding ASA and the Directly Reporting Business Units Managers, and a "Manager" shall mean a member of the Management.

2. Reward Strategy

The fundamental principle in B2Holding's determination of salary and other remuneration for the Management is that the terms are to be competitive with terms in positions with similar responsibility, workload and complexity in the local markets. B2Holding ASA and its subsidiaries (the "Group") will adapt to the local market practices to the extent the Group find expedient.

3. Reward System

All positions relevant for this policy shall be objectively evaluated and given a job grade. The rating of each unique position is determined from the level of accountability, the level of problem solving, and the know-how requirements in the role.

For each job grade, there is a salary band. The midpoint for each salary band is determined regularly, per country, with reference to the external marked and the Group's remuneration strategy. Each salary band will have a maximum and a minimum pay level, which is +/- 30 % from the midpoint.

4. Reward

Reward includes all the instruments the organization and its managers have at hand, and utilize to encourage and reward performance. Monetary reward includes:

Base Salary
Benefits – e.g. Pension Scheme, Personnel Insurances, Car Scheme, etc.
Annual Bonus – Short Term Incentive
Share Options – Long Term Incentive

5. Determining Base Salary

The base salary will be determined based on the following criteria's: Job level, Local competition, Salary band for the job, Performance level, Budget and guidelines for annual salary review.

Determining annual base salary movements - the following criteria will apply: Performance level, Present position in salary band, Budget and guidelines for annual salary review.

Expatriates are subject to tailor-made arrangements.

6. Determining Benefits

Benefits will be related to local market standards and job level.

7. Determining Annual Bonus

a. All Managers subject to this reward policy are eligible for an annual bonus subject to achievement of an agreed set of targets. Performance level related to the set of targets will be the criterion determining the size of the annual bonus. The target structure will comprise Group targets, Business Unit targets and individual targets when appropriate.

A target level expressed in % of base salary will be defined for each Manager. Determination of the target will be based on local market standard for each individual managerial position.

The Board of Directors of B2Holding ASA (the "BoD") will set the target bonus level for the CEO. The BoD will furthermore decide the target bonus level for the other Managers following a recommendation of the CEO.

b. The target structure will include 2-3 independent weighted components:

i) Group targets (when appropriate with a weight up to 60 %) - The Group targets will be determined by the BoD

ii) Business unit targets (when appropriate with a weight up to 60 %) - The business unit targets are to be decided by the BoD following the recommendation of the CEO.

iii) Individual targets (when appropriate with a weight up to 40 %) - The individual targets will be decided by the CEO.

The CEO's performance will be measured against targets i) and iii). The Business Unit Managers performance will be measured against i), ii), and iii) when an individual target has been decided. The Managers in B2Holding ASA will be measured against i), and iii) when an individual target has been decided.

c. The bonus level matrix will be reviewed year over year to be in line with the local market and the Group's reward strategy.

d. The BoD shall approve any annual bonus in excess of target bonus for the individual.

e. Managers subject to an earn-out model as a result of an acquisition or merger are not eligible for Annual bonus before the earn-out period is over.

f. Manager having submitted notice of resignation is not eligible for Annual Bonus.

8. Determining Share options

a. B2Holding has implemented a Share Option Program, based on the approval from the Annual General Meeting on 24 May 2019, under which options for B2Holding shares may be granted by the BoD to the CEO, Managers in B2Holding ASA and Business Unit Managers responsible for an operating profit above NOK 50 mill. (each an "option candidate").

b. The Share Option Program does not have any effect on the remaining outstanding share options granted under earlier share-based incentive programs. No new options shall be granted under these earlier programs, and the BoD shall otherwise manage such programs and the terms and conditions thereof as it deems appropriate (including inter alia by amending exercise periods or extending the term of options granted, but not by agreeing reduction of strike prices).

c. The intention is to grant new options on an annual basis, awarded on the same date unless in the opinion of the BoD there are circumstances that should indicate otherwise. The BoD shall on an individual basis consider and determine the number of share options, if any, to be granted to each option candidate that year. When making its decision, the BoD shall inter alia take into consideration the potential impact the option candidate may have on the value creation for the shareholders and the Group's earnings performance over time.

d. The BoD will not in any single calendar year grant share options representing in total more than 0.75 % of the share capital of B2Holding ASA as at the date of the Annual General Meeting in that year.

e. Granted share options shall vest with one-third on each of the first, second and third anniversary of the grant unless otherwise resolved by the BoD. The share options shall expire no later than on the fifth anniversary of the grant.

f. The strike price of the options shall be equal to volume weighted average price quoted on the Oslo Stock Exchange for the B2Holding shares in the last twenty trading days prior to the date on which the BoD grants the options ("VWAP"). The strike price shall be adjusted for dividend distribution and mathematical effects from rights issues and other dilutive corporate actions.

g. Unless otherwise follows from applicable securities law or B2Holding's insider trading rules or policies, the participants in the Share Option Program may sell his/her shares at any time after exercising the option.

h. Managers who may become entitled to earn-out payments as a result of an acquisition or merger are not eligible for participation in the Stock Option Program before the earn-out period is over.

i. If a participant dies while being part of the Stock Option Program, the participants' heirs shall inherit the vested options. B2Holding ASA will not withdraw any grants under the Stock Option Program in case of a participants' disability.

9. Rights and obligations

The Reward Policy is a policy that the company intend to comply with. The policy does however not create any rights for the Managers or obligations for B2Holding ASA or its affiliates and may be deviated from, amended, replaced or terminated by B2Holding ASA at its sole discretion at any point in time and without notice.

10. Governance

Any amendments to this policy shall be approved by the BoD.

The Group has been compliant to the above the last year.

30.2 Group management and Board of Directors

Remuneration 2020 (All figures in NOK'000s)	Salary [9]	Bonus earned in 2020 [10]	Pension expense	Other benefits [11]	Total	Share option cost [12]	Directors fee [17]
Group Management							
Erik Just Johnsen, Chief Executive Officer [1]	4 015	1 092	175	25	5 307	1 962	
Andrè Adolfsen, Chief Financial Officer [2]	449	649	29	4	1 132	154	
Cecilie Kjelland, Chief Legal and Compliance Officer	2 326	772	175	26	3 300	124	
Rasmus Hansson, Head of M&A and Investor Relations	2 208	602	175	20	3 005	225	
Jeremi Bobowski, Chief Risk Officer	2 489	649	169	467	3 774	287	
Tore Krogstad, Head of Personnel, Improvement & Restructuring [3]	1 778	560	175	33	2 546	454	
Adam Parfiniewicz, Head of Unsecured Asset Management [4]	2 607	1 058			3 665	334	
Georgios Christoforou, Head of Secured Asset Management [5]	1 823	1 089	858	97	3 867	676	
Maria Haddad, Head of Corporate Development [6]	2 467	691			3 158	472	
Former members of Group Management							
Johannes Raschke, Chief Investment Officer [7]	2 020		148	103	2 271	58	
J. Harald Henriksen, Chief Governance Officer [8]	398	98	29	3	528	17	
Board of Directors							
Harald L. Thorstein, Chair of the Board					0		467
Kari Skeidsvoll Moe					0		315
Niklas Wiberg [13]					0		315
Adele Bugge Norman Pran					0		340
Grethe Wittenberg Meier					0		300
Trond Kristian Andreassen					0		175
Trygve Lauvdal [14]					0		175
Former Board of Directors [15]							
Jon Harald Nordbrekken, Chair of the Board [16]				2	2		333
Kjetil A. Garstad, Deputy member					0		125
Per Kristian Spone					0		165
Total	**22 580**	**7 260**	**1 934**	**780**	**32 554**	**4 764**	**2 710**

1) *Erik J. Johnsen, took up the position as Chief Executive Officer with permanent effect from 5 February 2020, after having the position as interim Chief Executive Officer from 15 August 2019. Until 1 November 2020 he also held the position as Chief Financial Officer*
2) *Andrè Adolfsen took up the position as Chief Financial Officer with effect from 1 November 2020*
3) *Tore Krogstad, formerly Regional Director Scandinaiva, took up the new position as Head of Personnel, Improvement & Restructuring with effect from 2 January 2020*
4) *Adam Parfiniewicz, formerly Regional Director Poland and later Head of Unsecured and Regional Director Poland, Finland & Baltics, took up the new position as Head of Unsecured Asset Management with effect from 2 January 2020*
5) *Georgios Christoforou, formerly Regional Director South East Europe and later Head of Secured and Regional Director Central and South East Europe, took up the new posisition as Head of Secured Asset Management with effect from 2 January 2020*
6) *Maria Haddad, formerly Regional Director Western Europe, took up the new position as Head of Corporate Developement with effect from 2 January 2020*
7) *Johannes Raschke, held the position as Chief Investment Officer until 11 November 2020*
8) *J. Harald Henriksen, holds the position as Chief Governance Officer and was a member of the Executive Managment Group until 19 February 2020.*
9) *Salary is basic salary and if applicable earned, not paid, holiday allowance for 2020*
10) *Provision for holiday allowance, if any, is not included*
11) *Other benefits including amongst others company car, telecom and insurances*
12) *Accrued social security costs are not included in the share option cost. Total cost deviate from cost recognised as personnel cost due to forfeited share options (see note 23).*
13) *Niklas Wiberg, representing shareholder Prioritet Group AB*
14) *Trygve Lauvdal, representing shareholder Rasmussengruppen AS*
15) *Until Annual General Meeting 27 May 2020*
16) *Jon Harald Nordbrekken, recieved in addition to the amounts stated in the table above, a total amount of NOK 2.0 million from B2Holding ASA in accordance with a consultancy agreement for services in 2019 and 2020*
17) *Directors fee includes any additional fees for members of Audit Committee and Remuneration Committee*

Current CEO and Group Management have received bonus according to the bonus program described in the Remuneraton Policy, see note 30.1.

Group Managment has not received remuneration or financial benefits from other B2H Group companies than the one listed above, and no additional remuneration are paid for special services outside the normal functions within the given mangager positions.

No loans or guarantees have been given to members of the Managment, the Board of Directors or other elected corporate bodies.

The employment agreements of the CEO and Managment have a mutual 6-month period of notice from the last day of the month/the day in which the written notice is received by the other party. If the Company terminates the employment agreement, the CEO/Manager is entitled to ordinary salary and agreed benefits throughout the period of notice and the right to severance pay from the date of termination corresponding to 12 months' base salary without the addition of holiday pay and other benefits (such as pension costs, car schemes, telephone etc.). For the CEO the severance is paid in 12 monthly rates starting from the time of ended 6-month notice period. Same for Managment, but there is an option that it could instead be paid in one total amount at the time of ended 6-months notice period. The right to severance pay is conditional upon the CEO/Manager not committing a serious breach of duty or other material breach of his duties.

Remuneration 2019 (All figures in NOK'000s)	Salary	Bonus earned in 2019	Pension expense	Other benefits	Total	Share option cost	Directors fee
Group Management							
Erik Just Johnsen, Chief Executive Officer	3 247	450	172	25	3 894	144	
Cecilie Kjelland, Chief Legal and Compliance Officer	746	84	57	8	895		
Rasmus Hansson, Head of M&A and Investor Relations	2 287	271	172	19	2 748	101	
Jeremi Bobowski, Chief Risk Officer	2 283	268	152	390	3 093	144	
Johannes Raschke, Chief Investment Officer	690	261	51		1 001		
Tore Krogstad, Head of Personnel, Improvement & Restructuring	2 069	252	172	29	2 522	429	
Adam Parfiniewicz, Head of Unsecured Asset Management	2 269	312		23	2 604	144	
Georgios Christoforou, Head of Secured Asset Management	1 675	310	788	107	2 880	871	
Maria Haddad, Head of Corporate Development	2 266	245			2 510	498	
J. Harald Henriksen, Chief Governance Officer	2 215	265	174	19	2 673	53	
Former members of Group Management							
Olav Dalen Zahl, Chief Executive Officer	2 518		132	139	2 789		
Thor Christian Moen, General Counsel	1 899		146	20	2 065	74	
Danckert P. Mellbye, Chief Operations Officer	1 805		144	21	1 969	304	
Ilija Plavcic, Regional Director Central Europe	1 986				1 986		
Kari Ahlström, Regional Director Finland & Baltics	2 651		663	106	3 420	117	
Board of Directors							
Jon Harald Nordbrekken, Chair of the Board				5	5		800
Per Kristian Spone							340
Kari Skeidsvoll Moe							315
Niklas Wiberg							315
Adele Bugge Norman Pran							340
Kjetil A. Garstad, Deputy member							300
Grethe Wittenberg Meier, Deputy member							300
Total	**30 605**	**2 718**	**2 823**	**911**	**37 056**	**2 879**	**2 710**

All figures in NOK million 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 2020 were as set out below. For details of options granted to the Board of Directors and Group Management, see note 21.

Name	Position	Number of shares
Erik Just Johnsen [1)]	Chief Excecutive Officer	2 225 680
Rasmus Hansson [2)]	Head of M&A and Investor Relations	100 057
Tore Krogstad [3)]	Head of Personnel, Improvement & Restructuring	120 000
Adam Parfiniewicz [4)]	Head of Unsecured Asset Management	6 000
Maria Haddad	Head of Corporate Development	100 000
Harald L. Thorstein	Chair of Board of Directors	125 000
Kari Skeidsvoll Moe	Board member	6 200
Adele Bugge Norman Pran	Board member	90 000
Grethe Wittenberg Meier	Board member	25 000
Trond Kristian Andreassen [5)]	Board member	165 000

1) Erling Johnsen AS, an entitiy controlled by Erik J. Johnsen holds 2,080,000 shares. In addition, persons related to Johnsen holds 145,680 shares.
2) RMH Invest AS, an entitiy controlled by Rasmus Hansson, holds 100,057 shares
3) Engelia Invest AS, an entity controlled by Tore Krogstad, holds 120,000 shares
4) Adam Parfiniewicz holds 6,000 shares through a nominee account
5) Vimar AS, an entity controlled by Trond Kristian Andreassen, holds 165,000 shares

Prioritet Group AB holds 52,913,000 shares represented by board member Niklas Wiberg.
Rasmussengruppen AS with subsidiaries holds 51,573,266 shares represented by board member Trygve Lauvdal.

All figures in NOK million unless otherwise stated

Share options owned by Group management and Board of Directors

The following members of the Board and Management participate in the option programs:

	Grant date	Number of options granted	Number of options vested at 31.12.20	Number of options vested at 31.12.19	Expiry date	Exercise price range NOK
Erik Just Johnson (Chief Excecutive Officer)	25.06.19	270 000	90 000		25.06.24	10.14
	04.02.20	2 100 000			25.06.24	8.726
Andrè Adolfsen (Chief Financial Officer)	01.07.20	500 000			30.06.25	4.568
Cecilie Kjelland (Chief Legal and Compliance Officer)	01.07.20	400 000			30.06.25	4.568
Rasmus Hansson (Head of M&A and Investor Relations)	25.06.19	190 000	63 333		25.06.24	10.14
	01.07.20	250 000			30.06.25	4.568
Jeremi Bobowski (Chief Risk Officer)	25.06.19	270 000	90 000		25.06.24	10.14
	01.07.20	250 000			30.06.25	4.568
Tore Krogstad, (Head of Personnel, Improvement & Restructuring)	01.04.18	450 000	300 000	150 000	31.12.21	20.60-23.75
	25.06.19	270 000	90 000		25.06.24	10.14
	01.07.20	300 000			30.06.25	4.568
Adam Parfiniewicz (Head of Unsecured Asset Management)	25.06.19	270 000	90 000		25.06.24	10.14
	01.07.20	400 000			30.06.25	4.568
Georgios Christoforou, (Head of Secured Asset Management)	01.09.18	450 000	300 000	150 000	31.12.21	17.81-20.58
	25.06.19	270 000	90 000		25.06.24	10.14
	01.07.20	400 000			30.06.25	4.568
Maria Haddad, (Head of Corporate Development)	01.10.18	450 000	300 000	150 000	31.12.21	15.22-17.59
	25.06.19	270 000	90 000		25.06.24	10.14
	01.07.20	250 000			30.06.25	4.568
Total		**8 010 000**	**1 503 333**	**450 000**		

See note 23 for further information of the Group share option program.

30.3 Fees to auditors

The table below summarises audit fees, fees for further assurance services and tax services incurred by the Group during 2020 and 2019 from Ernst & Young, who were appointed the Group auditors in December 2014. Fees include all companies in the Group.

	2020	2019
Audit fees	9	9
Fees for further assurance services	1	1
Fees for tax services	0	0
	11	**10**

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

NOTE 31: GUARANTEES

B2Holding ASA has issued a guarantee limited to EUR 900 million with the addition of any and all interests, default interests, costs and expenses to DNB Bank ASA as Agent on behalf of itself, Nordea Bank ABP, branch of Norway and Swedbank AB in connection with the provision of the Group's senior secured multi-currency revolving credit facility of EUR 510 million and the Group's EUR 100 million bridge facility. The guarantee was issued on behalf of the borrower under the multi-currency revolving credit facility and the bridge facility, B2Holding ASA's 100 % directly owned subsidiary, B2Kapital Holding S.à r.l. The total utilised amount under the facilities at 31 December 2020 was EUR 427 million.

B2Holding ASA has issued an office rental guarantee with effect from 10 October 2017 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement matures in September 2021 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 remaining rental period is limited to the monthly rental cost for the period, which amounts to SEK 2 million.

B2Holding ASA has issued an office rental guarantee with effect from 19 December 2017 in favour of the lessor of the Group's offices in Wroclaw, Poland. The guarantee agreement is limited to the aggregated amount of EUR 402 thousand, which are ment to cover 3 months office rental cost, and are valid until 90 days following the rental agreement maturing in June 2023.

NOTE 32: SUBSEQUENT EVENTS

Under the current uncertainty and market conditions the Board of Directors' propose for the Annual General Meeting not to pay dividend for the year 2020.

The Board will assess the situation on an ongoing basis and will ask the Annual General Meeting for authorization to reconsider dividends for 2020 if the situation should return to a more predictable situation during the year.

NOTE 33: CONTINGENCIES

One of the Groups subsidiaries is involved in a court case related to the reimbursement model and commission paid.

As the Group believes the probability for winning the case is more than 50 %, no material provisions are made as of year-end 2020.

All figures in NOK million unless otherwise stated

Parent company income statement

Year ended 31 December	Notes	2020	2019
Operating revenue from group companies		45	33
Total revenues		**45**	**33**
Personnel expenses	3	-58	-53
Depreciation and amortisation	7	-1	-1
Operating expenses from group companies		-31	-16
Other operating expenses	4	-46	-43
Operating expenses		**-135**	**-113**
Operating profit		**-90**	**-80**
Profit from shares in associated parties/joint ventures		5	1
Net gain/(loss) on other investments	5		-62
Interest income from group companies		516	496
Interest expense to group companies		-1	-4
Net exchange gain/(loss)	5	-14	-11
Other interest expenses	5	-522	-497
Other financial items	5	6	-19
Net financial items		**-10**	**-96**
Profit before tax		**-100**	**-175**
Change in deferred taxes	6	-10	19
Profit after tax		**-110**	**-157**
Attributable to:			
Other equity		**-110**	**-157**

All figures in NOK million unless otherwise stated

Parent company balance sheet

As at 31 December	Notes	2020	2019
Tangible and intangible assets	7	14	5
Investment in subsidiary companies	8	3 624	3 427
Investments in associated companies and joint ventures	8	232	276
Long-term loans to group companies	8.1	6 930	9 188
Other long-term financial assets		25	50
Total non-current assets		**10 824**	**12 946**
Short-term receivables from group companies	9	93	152
Other short-term assets		23	34
Cash and short-term deposits	9	5	6
Total current assets		**122**	**192**
Total assets		**10 946**	**13 137**
Share capital	10, 11	41	41
Other paid in capital	10, 11	2 843	2 843
Other capital reserves	10, 15.1	17	15
Other equity	10	815	925
Total equity		**3 717**	**3 824**
Deferred tax liabilities	6	10	
Long-term interest bearing loans and borrowings	12	6 001	7 437
Total non-current liabilities		**6 010**	**7 437**
Short-term interest bearing loans and borrowings	12	1 159	1 480
Short-term payables to group companies	9	-11	302
Accounts and other payables		3	2
VAT, payroll and other public duties payables		2	5
Other current liabilities	13	67	87
Total current liabilities		**1 219**	**1 875**
Total liabilities		**7 229**	**9 313**
Total equity & liabilities		**10 946**	**13 137**

Oslo, 21 April 2021

/sign/
Harald L. Thorstein
Chair of the Board

/sign/
Adele Bugge Norman Pran
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Trygve Lauvdal
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Grethe Wittenberg Meier
Board Member

/sign/
Trond Kristian Andreassen
Board Member

/sign/
Erik J. Johnsen
Chief Executive Officer

All figures in NOK million unless otherwise stated

Parent company cash flow statement

Year ended 31 December	2020	2019
Cash flow from operating activities		
Profit for the year before tax	-100	-175
Adjustment for non-cash items:		
Depreciation and amortisation of assets	1	1
Interest expense on interest bearing loans	522	497
Amortisation of loan financing costs	31	26
Share based payment expense	2	1
Unrealised foreign exchange differences	69	24
Operating cashflows:		
(Grant)/repayment of long-term receivables	4	1
Interest paid on interest bearing loans & borrowings	-537	-476
Operating capital adjustments:		
Decrease/(increase) in short-term balances with group companies	-254	-100
Decrease/(increase) in accounts receivable and other current assets	11	-13
Decrease/(increase) in other non-current financial assets	-10	-29
Increase/(decrease) in accounts payable and other current liabilities	-8	-20
Net cash flow from operating activities	**-270**	**-264**
Cash flow from investing activities		
Purchase of tangible and intangible fixed assets	-10	-3
Purchase of shares in subsidiary companies		-447
Purchase/redemption of shares in joint ventures	44	-276
Sale of shares in subsidiary companies		59
Decrease/(Increase) in long-term loans to group companies	2 304	-689
Net cash flow from investing activities	**2 338**	**-1 355**
Cash flow from financing activities		
Proceeds from the issue of new shares, net of transaction costs		8
Establishment of interest bearing loans and borrowings, less loan financing costs		1 943
Repayment of interest bearing loans and borrowings during the year	-2 068	-152
Dividend paid to shareholders		-184
Net cash flow from financing activities	**-2 068**	**1 614**
Net cash flow during the year	**-1**	**-5**
Cash and cash equivalents at 1 January	6	11
Cash and cash equivalents at 31 December	**5**	**6**

Notes to the parent company financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2020, 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 million (NOK' 000 000) except where otherwise indicated.

Investments
Investment in subsidiaries, associated companies and joint venture companies are accounted for using the cost method. The investments are recorded at the acquisition price of the shares and will be written down or impaired to fair value when a fall in value is due to reasons that cannot be assumed to be temporary and are necessary according to generally accepted accounting principles. Write-downs are reversed when there is no longer a basis for impairment. Dividends and group tax contributions from subsidiaries are recognised in the income statement when the subsidiary has proposed these.

Interest bearing loans and borrowings
Borrowings are recognised at nominal value. Directly associated costs are amortised straightline over the term of the loan.

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

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

Tangible fixed assets
Tangible fixed assets are recorded in the balance sheet at historical cost less depreciation based on an assessment of useful economic life. If the recoverable amount is less than the balance sheet value, then the amount is impaired to the recoverable amount which is the highest of net sales value or value in use. Value in use is the current value of the future cash flows that the asset will generate.

Intangible assets
Intangible assets include purchase of software. Expenditures for IT development and maintenance are expensed as incurred.

Intangible assets acquired separately are measured on initial recognition at cost.

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

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

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

Lease agreements
A lease is classified as either a finance or operating lease. Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

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

Receivables and other current assets
Receivables and other current assets are accounted for at face value less any provision for expected losses.

Tax
Current income tax:
Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax:
Deferred income tax is computed using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date as well as tax losses carried forward. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each

reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities.

Defined contribution pension plans

The Company operates a defined contribution pension plan under which the company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods, and therefore does not record a pension liability in the balance sheet.

Share based payments

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in B2Holding Group financial statement note 23. That cost is recognised in personnel costs, together with a corresponding increase in other capital reserves within equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of that period.

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. For further details, see note 13 in B2Holding Group financial statement.

Cash flow statement

The cash flow statement is prepared according to the indirect method which reconciles the change in cash and cash equivalents to the profit for the year before tax. Cash flows are divided into cash flows from operating activities, investing activities and financing activities. Cash and cash equivalents consist of cash and short-term deposits as well as immediately available balances with banks and similar institutions. Short-term deposits are easily and readily convertible to a known amount of cash and have a maturity of not more than three months.

NOTE 2: FINANCIAL RISK MANAGEMENT

The B2H Group's activites are exposed to financial risks: market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. The Company focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects of the market fluctuations on the Group's financial performance.

Market risk

Market and regulatory environment:
The primary market risk for the Company is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the Group debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables.

The services and products offered in the respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licenses, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

Currency and interest rate risk

The strategy of the Company is to manage and limit both currency and interest rate risk for the Group. The Group holds various derivative financial instruments with the purpose of reducing its interest rate exposure and achieving a suitable currency ratio between the Group's assets and liabilities.

Currency risk:
Net debt adjusted for derivatives are made in relevant currencies reflecting the underlying expected future cash flows from loans and receivables in the Group. The exceptions are Croatian Kuna (HRK), Romanian Leu (RON), Bulgarian Lev (BGN), Hungarian Forint (HUF), Bosnian Convertible Mark (BAM), Czech Koruna (CZK) and Serbian Dinar (RSD) where all borrowing is done in EUR.

The Company's bond loans is denominated in EUR and the Group's borrowings under the multi-currency revolving credit facility and the bridge facility are drawn in PLN, SEK and NOK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2020: (i) FX Forward of NOK 660 million bought against DKK, (ii) FX Forward of NOK 380 million bought against EUR, (iii) FX Forward of NOK 700 million bought against SEK, (iv) FX Forward of EUR 4 million sold against PLN and (v) FX Forward of RON 4.6 milion bought against EUR. At 31 December 2020, Net debt amounted to NOK 11,207 million. Adjusted for the currency derivatives mentioned above, the net debt represented a currency basket comprising of EUR: 67 %, PLN: 15 %, SEK: 12 % and DKK: 6 %.

For currency sensitivity analysis for the Group see note 4.1 in B2Holding Group financial statement.

Interest rate risk:
The Group uses interest rate swaps and interest rate caps to reduce its interest rate exposure. The Group's strategy is to hedge between 60 % and 120 % of Net debt up to a maximum period of 5 years. The hedging ratio at 31 December 2020 was 77 % with a duration of 2.4 years. For details of the Group's hedging effective at 31 December 2020, see note 4.1 in B2Holding group financial statement.

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

Credit risk

Most of the loans and receivables are unsecured. As long as there is uncertainty about the ability of debtors to fulfil their obligations, there will also be considerable risk linked to cash collected from the Group's loans and receivables. It is the Management's view that the real credit risk is reduced through the price discount on acquisition of the portfolios funded by intercompany loans.

In order to minimise the credit risk exposure, the Group continues to invest in staff with broad experience in credit management, and focus on increased analytical approaches to portfolio assessments. In addition, the Group's investment in effective IT systems and a more uniform cross-border business model will result in better control of the Group's business, which in turn will also help reduce the risk of credit losses.

Liquidity risk

The Company's four bond loans of EUR 775 million in total and the Group's multi-currency revolving credit facility of EUR 510 million, bridge facility of EUR 100 and cash and cash equivalents, totalling NOK 14,925 million at 31 December 2020, ensures necessary funding to meet future payment obligations.

At 31 December 2020, the Group had an unused part of the revolving credit facility totalling EUR 88 million or NOK 922 million, an unused part of the bridge facility totalling EUR 76 million or NOK 797 million, an unused part of the multi-currency overdraft totalling EUR 19 million or NOK 197 million and cash and cash equivalents of NOK 423 million. For maturity profile of the Group's financial liabilities, see note 4.1 in B2Holding Group financial statement.

All figures in NOK million unless otherwise stated

NOTE 3: PERSONNEL EXPENSES

	2020	2019
Wages, salaries and other benefits paid	37	42
Social security costs	7	8
Defined contribution pension costs	3	4
Other personnel costs	11	5
Cost share option program	2	1
Social security cost share option program	-1	-6
	58	**53**
Number of full time equivalents (FTEs) at 31 December	28.0	26.9

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

NOTE 4: OTHER OPERATING EXPENSES

	2020	2019
Audit and tax services	3	3
External accounting services & temporary consultants	0	0
Tax and legal services	17	12
Other professional services	8	10
Cost of office premises	5	5
IT, telecommunications	5	2
Marketing, business entertaining	1	3
Travel, accommodation, meetings, arrangements	1	4
Printing, postage [1]		1
Statutory and other corporate costs	7	3
	46	**43**

1) Printing, postage NOK 0.8 mill reported as Statutory and other corporate costs in 2020

All figures in NOK million unless otherwise stated

NOTE 5: FINANCIAL ITEMS

	2020	2019
Group contribution from Interkreditt AS		1
Loss on sale of Investments to group companies		-51
Write-down on investments		-11
Net gain/(loss) on other investments	**0**	**-62**
Realised exchange gain/(loss)	55	12
Unrealised exchange gain/(loss)	-69	-24
Net realised and unrealised exchange gain/(loss)	**-14**	**-11**
Interest expense on interest bearing loans	-522	-497
Other interest expense	0	0
Other interest expenses	**-522**	**-497**
Interest income on cash & short-term deposits	0	0
Net gain/(loss) on financial instruments	42	8
Costs of financing	-35	-28
Other financial items	**6**	**-19**

NOTE 6: TAXES

The major components of income tax reported in the income statement were:

	2020	2019
Current income tax Current year income tax payable	0	0
Origination and reversal of temporary differences	10	-19
Deferred tax expense/(income)	**10**	**-19**
Total tax expense reported in the income statement	**10**	**-19**

Calculation of the income tax base	2020	2019
Profit before tax	-100	-175
Permanent differences	36	60
Group contribution		1
Change in temporary differences	-64	-27
Transfer to/(from) tax losses carried forward	129	142
Current year income tax base	**0**	**0**
Current year income tax payable at 22 %	**0**	**0**

All figures in NOK million unless otherwise stated

Calculation of the deferred tax base	Deferred taxes 2020	Deferred taxes 2019	Change in deferred taxes 2020
Long-term loans to group companies	536	294	
Fixed assets	4	0	
Taxable temporary differences	**540**	**294**	
Other receivables & liabilities	-1	-3	
Long-term interest bearing loans	-494	-311	
Tax losses carried forward - no time limit on expiry	-498	-376	
Reversal of basis for deferred tax asset not recognised	498	395	
Deductible temporary differences	**-495**	**-294**	
Net basis for deferred tax / tax asset	**45**	**0**	
Basis for deferred tax at 22 %	-100	-87	-13
Deferred tax asset not recognised	109	87	22
Net deferred tax / change in deferred taxes	**10**	**0**	**10**
Comprising:			
22 % deferred tax liability	119	65	
22 % deferred tax asset	-109	-65	
	10	**0**	

Significant judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Reconciliation of the Norwegian nominal tax rate to the effective tax rate	2020	2019
Profit before tax	-100	-175
Expected tax expense at the Norwegian nominal tax rate of 22 %	**-22**	**-39**
Tax effect of permanent differences	8	13
Tax effect of Merger [1]		-32
Tax effect of the change in unrecognised deferred taxes	22	42
Tax effect on estimate change	2	-4
Total income and deferred tax expense	**10**	**-19**

1) Merger of Ultimo Netherlands B.V. into the Company with effective date as of 1 January 2019

All figures in NOK million unless otherwise stated

NOTE 7: TANGIBLE FIXED ASSETS

	Equipment, fixtures & fittings	Intangibles	Total
Acquisition/purchase cost			
At 1 January 2020	4	3	6
Additions	0	10	10
Disposals	-1		-1
At 31 December 2020	**3**	**13**	**15**
Depreciation and impairment			
At 1 January 2020	1	0	2
Depreciation charge for the year	1	0	1
Accumulated depreciation on disposals	-1		-1
At 31 December 2020	**1**	**0**	**1**
Net book value			
At 31 December 2020	**2**	**12**	**14**
At 1 January 2020	2	2	5
Depreciation method	Straight line	Straight line	
Economic useful lives	0-5 years	3 years	

NOTE 8: INVESTMENT IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Name of subsidiary	Country of incorporation	Established/ acquired	% equity interest [1] 2020	% equity interest [1] 2019	Equity 2020	Profit 2020	Book value 2020
B2Kapital Holding S.a.r.l.	Luxembourg	2014	100.00 %	100.00 %	5 600	-39	3 622
Sileo Förvaltning AB	Sweden	2013	100.00 %	100.00 %	1	0	1
B2 Kapital Portfolio Management S.R.L [2]	Romania	2016	0.00 %	0.20 %	108	-3	0
Joint venture companies							
CE Partner S.à.r.l	Luxembourg	2018	50.00 %	50.00 %	0	0	0
CE Holding Invest S.C.S.	Luxembourg	2018	49.99 %	49.99 %	563	57	232
							3 856

1) Voting rights in the subsidiary is equivalent to % equity interest.
2) The majority of the shares are owned by B2Kapital Holding Sárl (Luxembourg), a 100 % owned B2H Group company

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.

8.1 Long-term loans to group companies

	2020	2019
B2Kapital Holding S.a.r.l.	6 930	9 188
Long-term loans to group companies	**6 930**	**9 188**

All figures in NOK million unless otherwise stated

NOTE 9: CASH AND SHORT-TERM DEPOSITS

	2020
Cash at banks:	
Unrestricted balances	0
Tax deductions from employee payroll	3
Other restricted balances	2
	5

Cash at banks earns interest at floating rates which is based on bank deposit rates. Other restricted balances represent deposits paid into an escrow account in connection with lease of office premises.

For the purpose of the statement of cash flow, cash and cash equivalents comprised the cash balances in the table above.

In addition the Company holds bank accounts in the Group's multi-currency cashpool, with a net amount of NOK 14.5 million. Reported gross as “Short-term receivables from group companies” and “Short-term payables to group companies” in the balance sheet.

NOTE 10: CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Other paid-in capital	Other capital reserves	Other equity	Total equity
At 1 January 2020	**41**	**2 843**	**15**	**925**	**3 824**
Profit for the year after tax				-110	-110
Share based payment (note 15.1)			2		2
Dividends					
At 31 December 2020	**41**	**2 843**	**17**	**815**	**3 717**

The Bord of Directors has decided to propose for the Annual General Meeting in 2021 an ordinary cash dividend for 2020 of NOK 0.00 per share. See note 18 for subsequent events.

NOTE 11: 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:

	Number of shares	Share capital	Other paid-in capital [1)]
At 1 January 2020	**409 932 598**	**41**	**2 843**
At 31 December 2020	**409 932 598**	**41**	**2 843**
At 21 april 2021 (the date of completion of these financial statements)	**409 932 598**	**41**	**2 843**

1) Net proceeds after transaction costs

For further information about mandates granted to the Board of Directors to incrase the share capital, see note 22 in B2Holding Group financial statement.

All figures in NOK million unless otherwise stated

The largest shareholders at 31 December 2020 were are as follows:

	Number of shares	% total
Prioritet Group AB 1)	52 913 000	12.91 %
Rasmussengruppen AS 1)	43 073 236	10.51 %
Valset Invest AS	26 000 000	6.34 %
Stenshagen Invest AS	18 893 376	4.61 %
DNB Markets Aksjehandel/-analyse	11 543 213	2.82 %
Verdipapirfondet Alfred Berg Gamba	10 629 295	2.59 %
Bryn Invest AS	8 676 690	2.12 %
K11 Investor AS	8 266 680	2.02 %
Rune Bentsen AS	8 191 680	2.00 %
Verdipapirfondet Alfred Berg Norge	7 155 224	1.75 %
Storebrand Norge i Verdipapirfondet	7 003 636	1.71 %
VPF DNB AM Norske Aksjer	6 840 967	1.67 %
Verdipapirfondet DNB Norge	6 439 892	1.57 %
Greenway AS	5 802 368	1.42 %
Skandinaviska Enskilda Banken AB	4 724 124	1.15 %
Remaining shareholders (less than 1 %)	183 779 217	44.83 %
	409 932 598	**100.00 %**

1) *Shareholder represented in the Board of Directors*

Shares owned by Board of Directors and Group Management

The number of shares owned directly or indirectly by the Board of Directors and Group Managment at 31 December 2020 were as set out below. For details about share option programs and share based payments granted to the Board of Directors and Management, see note 23 in B2Holding Group financial statement.

Name	Position	Number of shares
Erik Just Johnsen 1)	Chief Excecutive Officer	2 225 680
Rasmus Hansson 2)	Head of M&A and Investor Relations	100 057
Tore Krogstad 3)	Head of Personnel, Improvement & Restructuring	120 000
Adam Parfiniewicz 4)	Head of Unsecured Asset Management	6 000
Maria Haddad	Head of Corporate Development	100 000
Harald L. Thorstein	Chair of the Board of Directors	125 000
Kari Skeidsvoll Moe	Board member	6 200
Adele Bugge Norman Pran	Board member	90 000
Grethe Wittenberg Meier	Board member	25 000
Trond Kristian Andreassen 5)	Board member	165 000

1) *Erling Johnsen AS, an entitiy controlled by Erik J. Johnsen holds 2,080,000 shares. In addition, persons related to Johnsen holds 145,680 shares*
2) *RMH Invest AS, an entitiy controlled by Rasmus Hansson, holds 100,057 shares*
3) *Engelia Invest AS, an entity controlled by Tore Krogstad, holds 120,000 shares*
4) *Adam Parfiniewicz holds 6,000 shares throug a nominee account*
5) *Vimar AS, an entity controlled by Trond Kristian Andreassen, holds 165,000 shares*

Prioritet Group AB holds 52,913,000 shares represented by board member Niklas Wiberg.
Rasmussengruppen AS with subsidiaries holds 51,573,266 shares represented by board member Trygve Lauvdal.

All figures in NOK million unless otherwise stated

NOTE 12: INTEREST BEARING LOANS AND BORROWINGS

Long-term
The Company holds four long term unsecured bond loans as of 31 December 2020.

	Currency	Nominal interest	Debt in local currency	Debt in NOK	Maturity
Senior Unsecured Bond Issue 2017	EUR	4.25 %	200	2 094	November 2022
Senior Unsecured Bond Issue 2018	EUR	4.75 %	200	2 094	May 2023
Senior Unsecured Bond Issue 2019	EUR	6.35 %	200	2 094	May 2024

Short-term
The Company's second issued senior unsecured bond of EUR 175 million matures in full in October 2021.

	Currency	Nominal interest	Debt in local currency	Debt in NOK	Maturity
Senior Unsecured Bond Issue 2016	EUR	7.00 %	175	1 832	October 2021

Repayment schedule at 31 December 2020	EUR	NOK
In 2021	111	1 159
In 2022	191	2 000
In 2023	182	1 907
In 2024	200	2 094
	684	**7 159**

The Company holds EUR 91.25 million in treasury bonds reflected in the table above.

Financial covenants
The financial covenants are presented in the table below. All covenants have been met at 31 December 2020 and 31 December 2019.

	Requirements	2020	2019
Secured loan to value	Maximum 65 %	25 %	17 %
Leverage ratio	Maximum 4.0	2.7	2.9
Net interest cover ratio	Minimum 4.0	5.4	5.1

If the group fails to comply with the financial covenants the bond loan agreements have a grace period after notice thereof is given to the counterparties before default is declared.

All figures in NOK million unless otherwise stated

NOTE 13: OTHER CURRENT LIABILITIES

	2020	2019
Provision for soscial security on share options	0	2
Accrued interest bond loans	51	66
Other	15	18
	67	**87**

NOTE 14: COMMITMENTS

The company has entered into commercial leases for office premises. Previous commercial lease of one motor vehicle was terminated in 2020.

The lease contract for the office premises mature in June 2024. The lease is annualy adjusted according to the consumer price index. There are no restrictions placed upon the lessee under the lease contract to use the office premises in the normal course of business. The operating lease costs for the following types of lease were as follows:

	2020	2019
Office premises	3	4
Motor vehicles	0	0
	3	**4**

As of 2021 the company entered into a commercial lease for accomodations of visiting employees. Including this, future minimum rentals payable under the non-cancellable operating lease at 31 December 2020 were as follows:

	2020	2019
Rentals payable within one year	4	4
Rentals payable from one to five years	9	12
	13	**16**

NOTE 15: REMUNERATION

For statement on the Group's remuneration policy, see note 30.1 in B2Holding Group financial statement.

15.1 Group Management and Board of Directors

Remuneration 2020 (All figures in NOK'000s)	Salary [5]	Bonus earned in 2020 [6]	Pension expense	Other benefits [7]	Total	Share option cost [8]	Directors fee [13]
Group Management							
Erik Just Johnsen, Chief Executive Officer [1]	4 015	1 092	175	25	5 307	1 962	
Andrè Adolfsen, Chief Financial Officer [2]	449	649	29	4	1 132	154	
Cecilie Kjelland, Chief Legal and Compliance Officer	2 326	772	175	26	3 300	124	
Rasmus Hansson, Head of M&A and Investor Relations	2 208	602	175	20	3 005	225	
Tore Krogstad, Head of Personnel, Improvement & Restructuring [3]	1 778	560	175	33	2 546	454	
Former members of Group Management							
J. Harald Henriksen, Chief Governance Officer [4]	398	98	29	3	528	17	
Board of Directors							
Harald L. Thorstein, Chair of the Board					0		467
Kari Skeidsvoll Moe					0		315
Niklas Wiberg [9]					0		315
Adele Bugge Norman Pran					0		340
Grethe Wittenberg Meier					0		300
Trond Kristian Andreassen					0		175
Trygve Lauvdal [10]					0		175
Former Board of Directors [11]							
Jon Harald Nordbrekken, Chair of the Board [12]				2	2		333
Kjetil A. Garstad, Deputy member					0		125
Per Kristian Spone					0		165
Total	**11 174**	**3 773**	**758**	**114**	**15 819**	**2 936**	**2 710**

1) *Erik J. Johnsen, took up the position as Chief Executive Officer with permanent effect from 5 February 2020, after having the position as interim Chief Executive Officer from 15 August 2019. Until 1 November 2020 he also held the position as Chief Financial Officer*
2) *Andrè Adolfsen took up the position as Chief Financial Officer with effect from 1 November 2020*
3) *Tore Krogstad, formerly Regional Director Scandinaiva, took up the new position as Head of Personnel, Improvement & Restructuring with effect from 2 January 2020*
4) *J. Harald Henriksen, holds the position as Chief Governance Officer and was a member of the Executive Managment Group until 19 February 2020.*
5) *Salary is basic salary and, if applicable earned, not paid, holiday allowance for 2020*
6) *Provision for any holiday allowance, if any, is not included*
7) *Other benefits including amongts others company car, telecom and insurances*
8) *Accrued social security costs are not included in the share option cost. Total cost deviate from cost recognised as personnel cost due to forfeited share options (see note 23).*
9) *Niklas Wiberg, representing shareholder Prioritet Group AB*
10) *Trygve Lauvdal, representing shareholder Rasmussengruppen AS*
11) *Until Annual General Meeting 27 May 2020*
12) *Jon Harald Nordbrekken, recieved in addition to amounts stated in table above, a total amount of NOK 2.0 million from B2Holding ASA in accordance with a consultancy agreement for services in 2019 and 2020*
13) *Directors fee includes any additional fees for members of Audit Committee and Remuneration Committee*

All members of the Group managment are covered by a defined contribution pension plan which fulfill the company's obligations under the Norwegian occupational pension legislation.

For further details of remuneration to Group management, including those employed in other group companies, please see to note 30.2 in B2Holding Group financial statement.

For further details of the share option program, please see to note 23 in B2Holding Group financial statement.

Remuneration 2019 (All figures in NOK'000s)	Salary	Bonus earned in 2019	Pension expense	Other benefits	Total	Share option cost	Directors fee
Group Management							
Erik Just Johnsen, Chief Executive Officer	3 247	450	172	25	3 894	144	
Cecilie Kjelland, Chief Legal and Compliance Officer	746	84	57	8	895		
Rasmus Hansson, Head of M&A and Investor Relations	2 287	271	172	19	2 748	101	
Tore Krogstad, Head of Personnel, Improvement & Restructuring	2 069	252	172	29	2 522	429	
J. Harald Henriksen, Chief Governance Officer	2 215	265	174	19	2 673	53	
Former members of Group Management							
Olav Dalen Zahl, Chief Executive Officer	2 518		132	139	2 789		
Thor Christian Moen, General Counsel	1 899		146	20	2 065	76	
Danckert P. Mellbye, Chief Operations Officer	1 805		144	21	1 969	274	
Board of Directors							
Jon Harald Nordbrekken, Chair of the Board				5	5		800
Per Kristian Spone							340
Kari Skeidsvoll Moe							315
Niklas Wiberg							315
Adele Bugge Norman Pran							340
Kjetil A. Garstad, Deputy member							300
Grethe Wittenberg Meier, Deputy member							300
Total	**16 785**	**1 322**	**1 169**	**284**	**19 561**	**1 077**	**2 710**

15.2 Fees to auditors

All figures including VAT.

	2020	2019
Audit fees	3	2
Fees for further assurance services		0
Fees for tax services		0
	3	**2**

NOTE 16: RELATED PARTY DISCLOSURE

The Company's related parties include the Group management team, Board of Directors, associated companies and joint ventures. Related party transactions with Group management team and Board of Directors are set out in note 15.

Transactions with associated companies and joint ventures
See note 8 for transactions with associated companies and joint ventures.

Group companies
Companies in the B2Holding Group are also related parties. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured, and other than for interest bearing loans, and interest free. At 31 December 2020 and at 31 December 2019, the Company has not made any provision of doubtful debts relating to intra-group related party balances. This assessment has been undertaken fore each period end based on an examination of the financial position of the related party and the market in which the related party operates.

For details of the Group's transactions with related parties, see note 29 in B2Holding Group financial statement.

NOTE 17: GUARANTEES

B2Holding ASA has issued a guarantee limited to EUR 900 million with the addition of any and all interests, default interests, costs and expenses to DNB Bank ASA as Agent on behalf of itself, Nordea Bank ABP, branch of Norway and Swedbank AB in connection with the provision of the Group's senior secured multi-currency revolving credit facility of EUR 510 million and the Group's EUR 100 million bridge facility. The guarantee was issued on behalf of the borrower under the multi-currency revolving credit facility and the bridge facility, B2Holding ASA's 100 % directly owned subsidiary, B2Kapital Holding S.à r.l. The total utilised amount under the facilities at 31 December 2020 was EUR 427 million.

B2Holding ASA has issued a office rental guarantee with effect from 10 October 2017 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement matures in September 2021 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 remaining rental period is limited to the monthly rental cost for the period, which amounts to SEK 2 million.

B2Holding ASA has issued a office rental guarantee with effect from 19 December 2017 in favour of the lessor of the Group's offices in Wroclaw, Poland. The guarantee agreement is limited to the aggregated amount of EUR 402 thousand, which are ment to cover 3 months office rental cost, and are valid until 90 days following the rental agreement maturing in June 2023.

NOTE 18: SUBSEQUENT EVENTS

Under the current uncertainty and market conditions the Board of Directors' propose for the Annual General Meeting not to pay dividend for the year 2020.

The Board will assess the situation on an ongoing basis and will ask the Annual General Meeting for authorization to reconsider dividends for 2020 if the situation should return to a more predictable situation during the year.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2020 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, 21 April 2021

/sign/
Harald L. Thorstein
Chair of the Board

/sign/
Adele Bugge
Norman Pran
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Trygve Lauvdal
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Grethe Wittenberg Meier
Board Member

/sign/
Trond Kristian Andreassen
Board Member

/sign/
Erik J. Johnsen
Chief Executive Officer

Auditor's report

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of B2Holding ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of B2Holding ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2020, the income statement, statements of comprehensive income, changes in equity and cash flows 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. 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 account for 76 % of total assets of the Group. Estimated future cash collections from purchased loan portfolios is the basis for the book value of purchased loan portfolios and is also input into the disclosure of fair value of purchased loan portfolios in the notes to the consolidated financial statements.

Estimation of future cash collections from purchased loan portfolios is complex and require significant judgement from management about the value, probability and timing of expected future cash flows. Furthermore, the estimates of future cash flows depend on management's approach to managing the portfolios (e.g. changes in collection policies and strategies) and local regulations. The estimation of future cash collections from purchased loan portfolios was considered a key audit matter based on the significant judgments involved.

We tested the consideration price upon acquisition of loan portfolios to the purchase agreement. We tested the approval by Group management of the initial cash collection forecast of the purchased portfolio prepared by local management and compared the initial cash collection forecast to historical cash collection on similar loan portfolios. We also compared the calculated effective interest rate on the purchased loan portfolio to the effective interest rate on loan portfolios purchased in previous years. Furthermore, we tested changes in future cash collection estimates by comparing actual cash collection to forecasted cash collection and by testing the historical accuracy of prior year forecasts. As part of our procedures, we discussed the assumptions used including amounts, probability and timing of expected future cash flows, changes in policies and strategies, seasonality and local regulations with management and controllers.

We also assessed the Company's disclosure in note 3 *Critical accounting judgments and key sources of estimation uncertainty* and notes 2.4 and 4.3 *Purchased loan portfolios*.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 23 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Asbjørn Rødal
State Authorized Public Accountant (Norway)

Alternative performance measures

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and approved by the EU. In addition, the Group presents alternative performance measures (APMs). These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies.

The APMs are regularly reviewed by Management and their aim is to enhance stakeholders' understanding of the Group's performance and to enhance comparability between financial periods. The APMs are reported in addition to, but are not substitutes for the financial statements prepared in accordance with IFRS.

The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations. The APMs also provide measures commonly reported and widely used by investors as an indicator of the Group's operating performance and as a valuation metric of debt purchasing companies. Furthermore, APMs are also relevant when assessing our ability to incur and service debt.

APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

Alternative performance measures - reconciliation

	2020	2019
Operating profit (EBIT)	1 224	959
Add back depreciation, amortisation and impairment losses	113	134
EBITDA	**1 338**	**1 093**
Gross collection from purchased loan portfolios	5 278	5 202
Less interest income from purchased loan portfolios	-2 765	-2 713
Less net credit gain/loss purchased loan portfolios	230	400
Amortisation/revaluation of purchased loan portfolios	**2 743**	**2 889**
Total revenues	3 174	2 874
Add back amortisation/revaluation of purchased loan portfolios	2 743	2 889
Adjusted for cost of sales collateral assets	-78	
Adjusted for repossession of collateral assets	-619	-183
Add back profit from shares in associated parties/joint ventures and participation loan/notes	-45	-64
Adjusted for cash received from shares in associated parties/joint ventures and participation loan/notes	150	127
Add back cost of sales collateral assets	78	
Cash Revenue	**5 403**	**5 642**
Operating profit (EBIT)	1 224	959
Add back amortisation/revaluation of purchased loan portfolios	2 743	2 889
Add back depreciation, amortisation and impairment losses	113	134
Adjusted for repossession of collateral assets	-619	-183
Add back for cost of collateral assets sold, including impairment	78	44
Add back profit from shares in associated parties/joint ventures and participation loan/notes	-45	-64
Adjusted for cash received from shares in associated parties/joint ventures and participation loan/notes	150	127
Cash EBITDA	**3 646**	**3 905**

Alternative Performance Measures (APMs) - definitions:

Amortisation and revaluation - Amortisation/revaluation of purchased loan portfolios shows the difference between gross collection and revenue from purchased loan portfolios recognised in the income statement. Amortisation is the amount of the cash collections that are used to reduce the book value of the purchased portfolios. Revaluation is the change in portfolio value that comes from revised estimates on future remaining collection from the portfolio.

Available investment capacity - Cash and short-term deposit (less NOK 200 million to cover working capital) plus unutilised bank overdraft, plus unutilised multi-currency revolving credit facility, plus fair value of treasury bonds and less short-term vendor loans. Cash flow from future operations is not included in the number.

Cash EBITDA - Cash EBITDA consists of EBIT added back depreciation and amortisation of tangible and intangible assets, amortisation and revaluation of purchased loan portfolios, profit from shares in shares in associated parties/joint ventures and participation loan/notes and cost of collateral assets sold. Adjusted for repossession of collateral assets and cash received from shares in associated parties/joint ventures and participation loan/notes. Cash EBITDA is a measure of actual performance from the collection business (cash business) and other business areas.

Cash margin - Cash margin consists of cash EBITDA expressed as a percentage of cash revenue.

Cash revenue - Cash revenue consists of total revenue added back amortisation and revaluation of purchased loan portfolios. Cash revenue is a measure on actual revenues (cash business) from the collection business included other business areas.

EBITDA - Operating earnings before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) added back depreciation, amortisation and impairment losses of tangible and intangible assets.

ERC - Estimated remaining collection (ERC) expresses the gross collection in nominal values expected to be collected in the future from the purchased loan portfolios owned at the reporting date and the Group's share of gross collection on portfolio purchased and held in SPVs.

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

Net borrowing - Consist of nominal value of interest bearing loans and borrowings plus utilised bank overdraft less cash and short-term deposits.

Operating cash flow per share - Operating cash flow per share is operating cash flow from consolidated statement of cash flows divided on the weighted average number of shares outstanding in the reporting period. Operating cash flow per share is a measure on actual cash earned from operating business per share.

Profit margin - Profit margin consists of operating profit (EBIT) expressed as a percentage of total operating revenues.

B2HOLDING ASA

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