

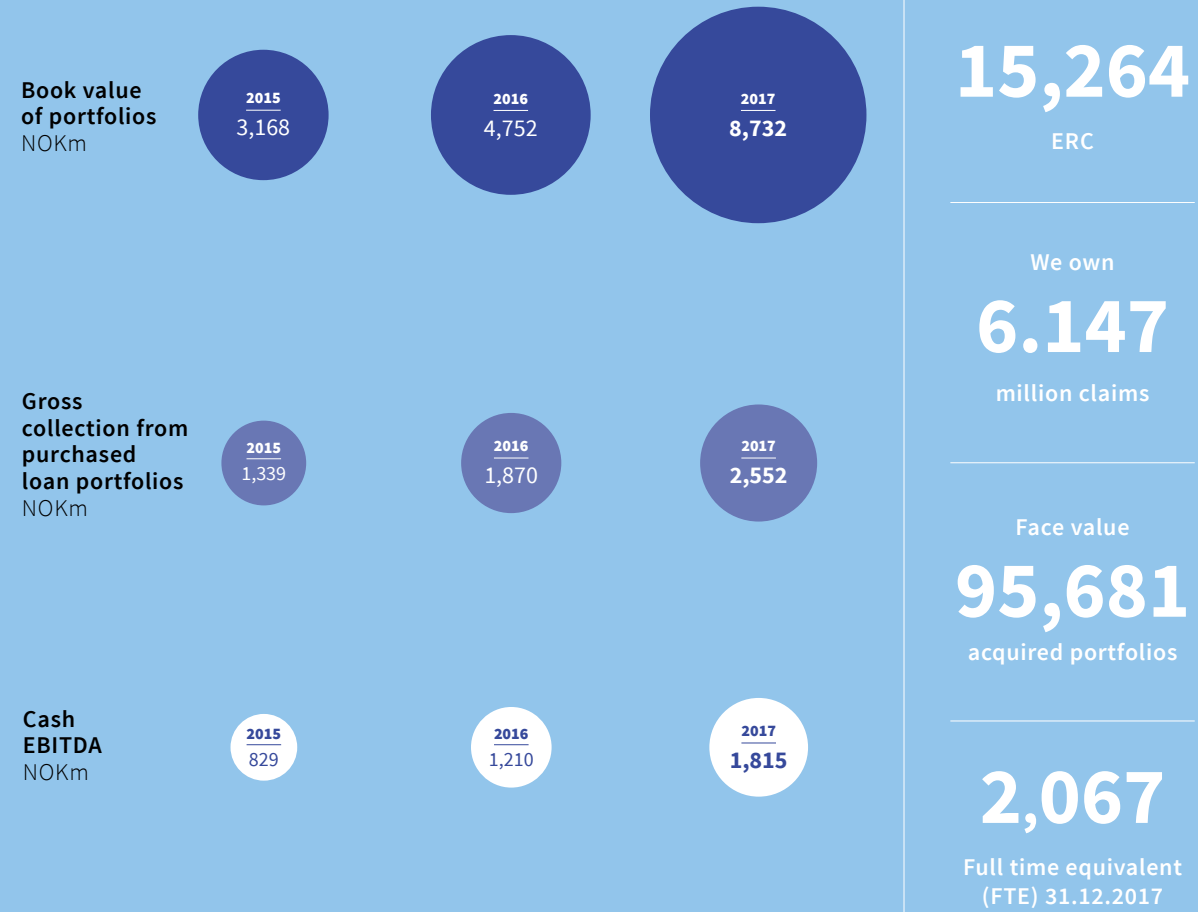
# ANNUAL REPORT 2017



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## KEY FIGURES



### KEY FINANCIAL FIGURES

	2016	2017
Total operating revenues	1,396,141	2,012,678
<b>Operating profit</b>	<b>515,579</b>	<b>984,205</b>
Profit before tax	227,364	647,622
Net interest bearing debt	3,000,107	6,401,787
Total assets	6,148,886	10,797,431
Equity ratio	39 %	29 %
Basic EPS	0.53	1.30

## THIS IS B2HOLDING

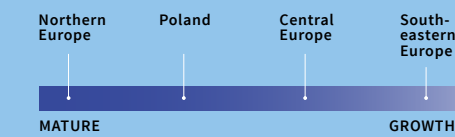
### A LEADING PAN-EUROPEAN DEBT PURCHASER

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

### PLATFORMS IN 22 COUNTRIES

- Nordic based debt purchaser
- Geographically diversified
- Stated strategy for further growth

### MARKET MATURITY



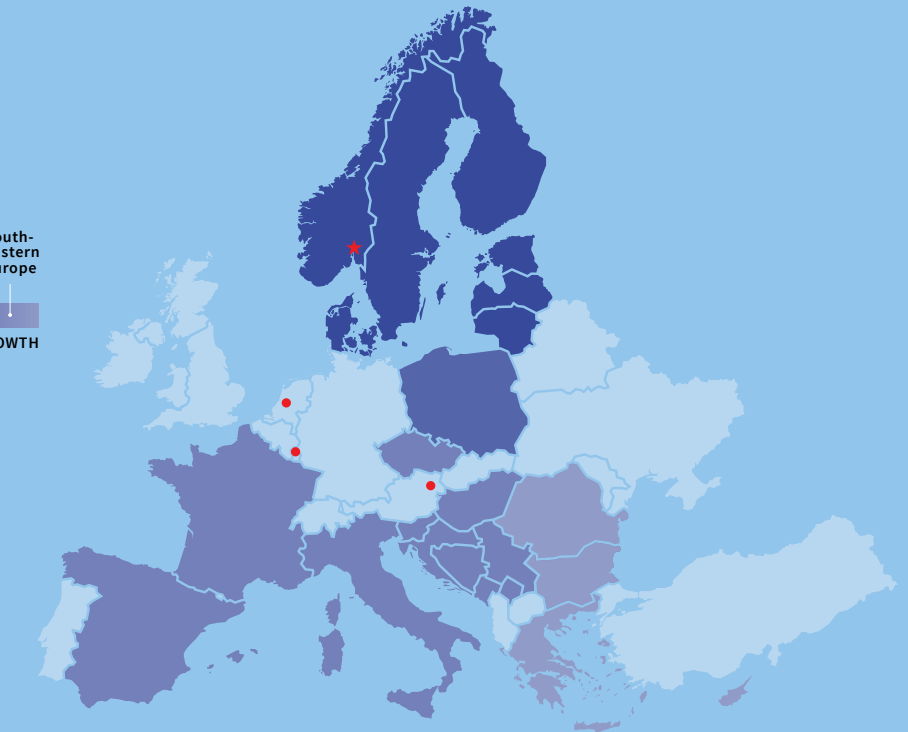
### REGIONS

- **Northern Europe - 336 employees**  
Norway, Sweden, Denmark, Finland, Estonia, Latvia, Lithuania
- **Poland - 881 employees**
- **Central Europe - 776 employees**  
Czech Republic, Italy, Slovenia, Croatia, Hungary, Serbia, Bosnia and Herzegovina, Montenegro, Spain, France\*
- **Southeastern Europe - 434 employees**  
Romania, Bulgaria, Greece, Cyprus\*

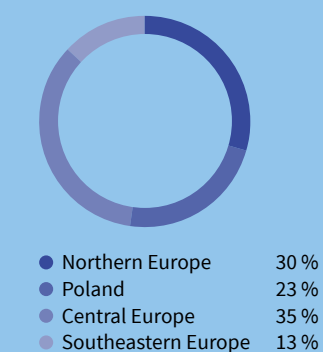
### Offices

- Norway, Head office in Oslo - 17 employees
- ★ Luxembourg, Investment office and portfolio owner - 10 employees
- Netherlands, Financial holding company
- Austria, Regional office for Central Europe

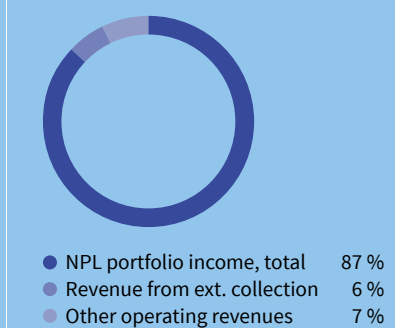
\* Acquired/established 2018



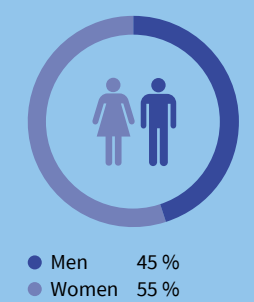
### ESTIMATED REMAINING COLLECTIONS (ERC) PER 31.12.17



### B2HOLDING'S REVENUE



### GENDER DISTRIBUTION



## BUILDING A STRONG B2HOLDING-TEAM

In 2017, six new companies and 674 new employees became part of the B2Holding Group. We have continued our model of strong local presence, and simultaneously strengthened the Group by making each other better through creating an efficient organisation and building a stronger common culture.



Throughout 2017 we continued the systematic building of the B2Holding Group to become a leading pan-European player in the debt purchase industry. The year was eventful in all our markets, with several portfolio purchases. Although the purchases were not among the largest transactions in the market, put together they make up a large volume. In the fourth quarter, our overall portfolio purchase ended on a record high level.

In Greece the local company obtained the needed licence to collect in 2017. In the first quarter of 2018 we acquired our first unsecured retail NPL portfolio as one of the first NPL transactions to take place in the Greek market.

At the same time we have established the Group in new important markets, and we currently have access to the three largest markets in Europe for non-performing loans;

Italy, Spain and Greece. B2 Kapital Italy was established with an office in Rome in the first quarter, and the company has been an active portfolio purchaser in the Italian market throughout the year. Through the acquisition of the Spanish company Verifica in the fourth quarter, we have secured a strong platform for further growth in Spain, and our application for a license for portfolio purchases in Cyprus is currently under consideration. In 2017 we also acquired companies in Lithuania and Denmark, and obtained the required license for our Hungarian operations.

During the first quarter of 2018 the B2Holding Group is established with full operations in 22 countries, and we can conclude that we are well positioned for future growth, that our geographical spread is good and that we have become less dependent on the development in one particular market. Going forward the Group will focus on continued growth within the established markets as well as geographical expansion.

In some of our markets we experience strong competition. B2Holding's advantage is that we established ourselves early in several of these markets. Subsequently we have extensive knowledge of the markets and can operate effectively.

In our business, the local presence is crucial. At B2Holding we have always put emphasis on this local presence, and in all markets we have based our business on well established companies with a strong organisation or new companies built by key people who hold the required expertise and local knowledge. This will continue to be one of B2Holding's competitive advantages.

We continue to get better at organising our business, which means that we increasingly reap the benefits of

being a large Group. In 2017 we have established regions with own management teams and secured management capacity in the Group. Within each region, one country is designated as a centre. These countries have been strengthened by adding necessary expertise and capacity to enable them to assist the other countries in the region, for example in large portfolio purchases. B2Holding still has a relatively small staff in the Head office, but the central functions will also be strengthened in order to provide improved support to the Group companies.

Every single day B2Holding employees attend important and often demanding meetings with customers. Our employees meet both individuals and company representatives who for different reasons find themselves in difficult situations. In order for B2Holding to be an attractive and serious business partner for banks and other vendors of non performing loans, they need to be sure that we will meet their former or existing customers with respect and professionalism. It is as crucial for their reputation, as it is for ours.

A good solution to a debt problem can help the individual customer back on track to a more normalised life. Our approach is flexible. At B2Holding we will always, and as far as possible, do our best to enter into voluntary agreements with our customers.

In 2017, we have actively made an effort to improve the common culture in the B2Holding Group. Our motto has always been "Making each other better". For us it is about making each other better in all parts of the business – internally in the Group, when meeting customers and business partners and in our contribution to solving society's debt problems. In line with this motto we have developed a common Code of Conduct that applies to our

employees in all Group companies in all markets. In everything we do, we shall show respect and openness and stay committed to exercising fairness to all our partners.

At B2Holding our main business is portfolio purchase and collection on unsecured and secured loan portfolios. The handling of secured loan portfolios demands a different type of expertise from the handling of unsecured loan portfolios, and over time we have built our own teams for secured portfolios. Our existing work out teams have been strengthened, and in 2017 we have established new teams in Belgrade, Budapest and Rome, while teams will be set up in Athens, Limassol and Madrid during 2018. Through the acquisition of the French company NACC in the first quarter of 2018, the Group has got access to a well functioning workout platform in the French NPL market. Today, other types of services related to debt management make out a small part of our total business, but through the acquisition of the Spanish company Verifica, we have gained further expertise when it comes to third party services. Going forward we will continuously consider further expansion of B2Holding's administrative and financial services.

As we enter 2018 we have solid financial capacity for new portfolio purchases.

At B2Holding we have pursued our long term strategy. The Group has been built step by step, in the way we have always said we would, and we have secured a solid platform for future growth. ☺

Oslo, 9 April 2017

**Olav Dalen Zahl**  
Chief Executive Officer

# HIGHLIGHTS AND HISTORY

## 2017



### FEBRUARY Italy

Established B2 Kapital s.r.l in Italy with an office in Rome.



### Lithuania

Acquisition of UAB Skolų valdymo centras ("SVC").



### MARCH Czech Republic

Started collection activities in Czech Republic. First portfolio acquired through B2Kapital Czech Republic.



### JUNE Denmark

B2Holding expanded into Denmark by acquiring Nordic Debt Collection A/S (Nodeco). This included a retail unsecured portfolio acquired from Basisbank with face value of NOK 480 million.



### AUGUST Greece

B2Holding's subsidiary in Greece, B2Kapital, obtained the license for managing non-performing loans.



### Hungary

Credit cash Faktoring Plc, rebranded to B2Kapital Hungary, was acquired. As a result, B2Holding has a fully licensed operational platform for acquiring and managing non-performing loans in the country.



### SEPTEMBER Lithuania

Acquisition of UAB Skolų rizikos sprendimai ("SRS") (74%).



### NOVEMBER

A EUR 200 million senior unsecured bond issue with maturity in 2022 was successfully completed.

A EUR 100 million Term Loan was successfully completed.



### Spain

80% of the shares of Confirmación de Solicitudes de Crédito Verifica S.A. "Verifica" was acquired, with an option to acquire the remaining 20%. Verifica currently has around 350 employees, with offices in Madrid.

## 2016



Debt Collection Agency AD, Bulgaria and Romania, acquired.



B2Holding ASA listed on Oslo Stock Exchange (June).



Consequence Europe, Hungary, acquired.



EUR 175 million senior unsecured bond.



Established in Bosnia and Herzegovina.



Established in Greece.

Included in the Oslo Stock Exchange Benchmark Index (OSEBX) (December).

## 2015

Investment Office in Luxembourg established.

EUR 260 million syndicated loan.



EUR 150 million senior unsecured bond.

## 2014



SIA Creditreform Latvija, Latvia, acquired.



ULTIMO S.A., Poland, acquired.

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

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

## 2013



Interkreditt AS, Norway, acquired.



B2Holding Kapital d.o.o, Croatia, established.



SIA B2Kapital, Latvia, established.

## 2012



Investment in Sileo Kapital AB, Sweden.



OK Perintä Oy, Finland, acquired.



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

## 2011



Activities in B2Holding AS started.

## FAIRNESS WITH ALL OUR PARTNERS

B2Holding is a multi-national and multi-cultural organisation with activities spread across Europe. We strive to act with respect and openness at all times, and stay committed to exercising fairness to all our partners.

### OUR STAKEHOLDERS

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



## CODE OF CONDUCT

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

The B2Holding Group's Code of Conduct states common rules for our activities in all countries. The Code describes the minimum level of approved behaviour, even if it stipulates higher standards than required by local law. In case local law is stricter than the Code, however, local law shall prevail.

<p><b>ZERO TOLERANCE WITH BRIBERY OR CORRUPTION</b></p> <p>We act honestly and without corrupt influences, and we expect the same from third parties serving B2Holding. We do not tolerate any form of bribery or corruption.</p>	<p><b>NO ABUSE OF POWER IN BUSINESS</b></p> <p>The requirement of integrity and ethical and fair practices also applies in the battle for market share. We comply with the rules governing market behaviour that are expected at an international level.</p>	<p><b>STRICT NEUTRALITY</b></p> <p>In B2Holding we observe strict neutrality with regard to political and religious interests. Neither names nor resources of B2Holding shall be used to promote such interests.</p>
<p><b>NO ILLEGAL BENEFITS OR REWARDS</b></p> <p>B2Holding shall not offer rewards or benefits, whether directly or through intermediaries, to any business party or stakeholder, which is in violation with applicable laws.</p>	<p><b>TRANSPARENT RELATIONSHIP WITH AUTHORITIES</b></p> <p>B2Holding is committed to being fair, accurate and timely in all communication. We pledge to ensure that our relationships with all relevant supervisory authorities are open, trustful, transparent and cooperative.</p>	<p><b>PROTECT CUSTOMER AND BUSINESS DATA</b></p> <p>We are obliged to treat customer/debtor information strictly confidential. We do not pass on any customer data to third parties and we comply with applicable regulations protecting customer data.</p>
<p><b>MAINTAIN OBJECTIVITY</b></p> <p>At B2Holding, employees must not accept gifts, benefits, reimbursements or entertainment, whether directly or through intermediaries, that could affect the objectivity and professional judgement.</p>	<p><b>OPENNESS IN ALL REPORTING</b></p> <p>Accounting records must show the nature of all transactions in a correct, timely and non-misleading manner. We practice openness in all reporting to comply with no-surprise policy.</p>	<p><b>NO DISCRIMINATION OR HARASSMENT</b></p> <p>All employees, regardless of position, shall treat each other with respect as colleagues and avoid any kind of discriminatory behaviour or harassment.</p>

## WE CREATE VALUE BY MAKING EACH OTHER BETTER

At B2Holding, we believe in *making each other better*. For us this is a simple way of summarizing what we strive to achieve every single day.



### Our customers We find amicable solutions

■ Every day we meet and cooperate with people and company representatives who, for one reason or other, have failed to fulfil their loan obligations. For these people it is of great importance to get the problems handled, and our strategy is to find the solutions applicable to each one of them.

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



### Debt management We help manage society's debt problems

■ Our core business is debt purchase and debt collection. The debt acquired by the B2Holding Group is typically offered by banks and other institutional vendors in the markets where we operate.

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

As a debt purchaser, B2Holding takes over portfolios of non-performing loans from banks and other financial institutions and helps resolve the problems in the banking and non-banking financial sector. By doing our business, we contribute to a more efficient use of the capital available in society.

\*) A Strategy for Resolving Europe's Problem Loans, IMF Staff Discussion



### Our partnerships We are a reliable business partner

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

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



### Our expertise We share expertise, data and best practice

■ Our business model is based on local presence. When building the B2Holding Group, our focus is highly skilled local and regional organisations and key personnel. The motivation and mobilisation of our people is our strength, and we aim to recognize all of our employees' skills and performance and respect their diversity. At B2Holding we commit ourselves to offer our people professional development and equal opportunities in a healthy and safe workplace free of any discriminatory actions.

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

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

## OUR CUSTOMERS

Our aim is to bridge troubled waters. We approach individuals with the offer of amicable solutions, and give them a new start.



**Filip Weber**, Senior Collection Advisor, B2 Kapital d.o.o., Croatia – Every day we are dealing with the difficult life conditions our customers find themselves in, and we make every effort to show them respect, understanding and flexibility.

## WE HELP DEBTORS BACK ON TRACK

B2Holding operates in an industry where we every day meet individuals with payment challenges. These are our customers, and we are dedicated to being a preferred creditor helping them back on track.

As a debt purchaser we will take over portfolios of non-performing loans from banks and other vendors, such as telecom companies. What defines a non-performing loan is that a certain time (usually set to 90 days) has passed without the borrower paying the agreed instalments or interest.

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

### FLEXIBLE APPROACH

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

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

Our room for negotiation is created by the discount we obtain when purchasing a portfolio of loans. The amount of the loan as detailed in the original loan contract (face

value), will be higher than the price we pay for the loan. Consequently, we may reduce the amount collected and still make a reasonable return. This represents a win-win situation, for the debtor and for the debt purchaser.

If the customer is willing to cooperate and is ready for negotiations and settlement, we will meet the customer with a flexible approach and be able to find amicable solutions.

### LEGAL COLLECTION

However, if a customer is unreachable and repayment of the debt through an amicable negotiation and settlement process is not possible, we will pursue a different collection strategy. For those cases, we have established legal procedures to recover debt.

### HONESTY AND FAIRNESS

As a debt purchaser we have to earn the respect from both banks and their former customers. In the long run, conducting your business in an honest and fair manner is a prerequisite in our industry. By following the B2Holding Group's Code of Conduct and local industry standards in our daily work, we will secure that our business is conducted in a responsible and sustainable way.

### Filip Weber, Senior Collection Advisor, B2 Kapital d.o.o., Croatia



■ – Every day we are dealing with the difficult life conditions our customers find themselves in, and we make every effort to show them respect, understanding and flexibility. We use contact by phone as an efficient tool in reaching a solution based on our ethical standards in our approach to each individual customer. During every conversation, we try to reach a voluntary repayment plan, suitable to

the client's circumstances. For example, one of our clients, a retired citizen with enforcement on his account, complained about telephone calls as he did not understand why he should pay despite enforcement. We were receiving monthly enforced payments from his pension. In order to settle his debts earlier, I offered to write off all his penalty interest, which is common for debtors who make

regular voluntary payments. He agreed. From that point, I contacted him during a period of six months until his debts were settled. He saved a substantial amount through the write-off which was part of the voluntary agreement. When his debts were finally settled he was so thankful he could not hold back his tears.

### CASE – BULGARIA SUCCESS REQUIRES TRUST

At Debt Collection Agency (DCA) in Bulgaria, three departments are in charge of the amicable process, and experienced Quality Assurance and Training specialists are responsible for all internal training.

The B2Holding company in Bulgaria, DCA, has since 2014 been among the top 3 most successful debt purchasers in the Bulgarian market, based on information from the Bulgarian Commercial Register. DCA was established in the autumn of 2010, and as the company has moved forward, the founding motto remains, "Success requires trust". Every employee in DCA has signed and is obliged to respect the DCA Code of Conduct and Ethics which was fully implemented and became a part of the best practice standard in use for the B2Holding Group.

The company points out specific know-how as one of its competitive advantages. This includes an innovative approach for collection of receivables amicably and a very strong structure for judicial recovery. DCA uses two main collection channels – amicable and legal:

#### AMICABLE PROCESS

The amicable process is supported by three departments: Call Center, Field Collection and Portfolio Management.

- In the **Call Center**, we use negotiations via phone as our main tool for long-term payment plans or full payments.
- In the **Field Department**, we have coverage in the major cities throughout the whole country. Field Agents (our employees) do not collect money. Field agents invite the customer to enter into a dialogue with the DCA office with the purpose of finding an amicable solution and a payment plan.

- In the **Portfolio Management Department**, we manage all pre-collection activities, such as data validation, documentation flow, skip tracing activities in public registers, complaints management and meetings with customers in our premises. All SMS and letter campaigns, which support amicable collection, are managed here as well.

We conduct regular training, monitoring and attestation in which we give feedback to our agents in terms of the call quality and their performance. Experienced Quality Assurance and Training specialists are responsible for all internal training for both new and current employees; call quality monitoring, filling in evaluation cards, feedback, and identification of the most successful practices and improvement of quality in the call center.

#### LEGAL PROCESS

The legal process consists of regular enforcement actions and checks, negotiations with customers for voluntary payments, sending various targeted letter campaigns and phone calls. Part of the legal process team is located in the central office in Sofia, but we also have a well established network of local offices.

At DCA, an internal quality control system is established for each of the processes in the company. This is based on levels of escalations, assessment score cards and communication with our partners and vendors. ●

We conduct regular training, monitoring and attestation in which we give feedback to our agents in terms of the call quality and their performance.

## DEBT MANAGEMENT

In an ideal world, all debtors would meet their obligations and all loan agreements would run smoothly. In the real world, the debt purchase industry provides a bridge needed on a stormy day.



**Aneta Borycka**, Chief Operating Officer, ULTIMO S.A., Poland – In Europe, the financial crisis and the ensuing recessions have left many countries with high levels of non-performing loans.

## A YEAR OF CONSOLIDATION

2017 was a year of consolidation in the European debt purchase industry. This development indicates that large players have an advantage over smaller players, in terms of economies of scale, larger degree of diversification and more efficient capital structures that can reduce the cost of capital.

2017 was an eventful year in the debt purchase industry. The major transaction in the industry was the Intrum acquisition of Lindorff. A requirement for the approval of this transaction by the European Commission was a carve-out of part of the businesses in the Nordics and Estonia in order to comply with EU antitrust legislation. The carved-out businesses were acquired by Lowell Group in November 2017.

Several other transactions took place in 2017, such as Intrum's acquisition of CAF in Italy and BC Partners' acquisition of MCS, the largest debt purchaser in France.

### CONTINUED GROWTH IS EXPECTED IN 2018

One of the main factors of an expected continued growth in NPL transactions, is the implementation of IFRS 9 from 1 January 2018. IFRS 9 will among others implement changes to recognition of impairment losses on receivables and loans.

For banks this can significantly impact the provisioning levels of non-performing loans, as loans will be provisioned based on expected losses as opposed to incurred losses. This in turn will most likely lead to a significant increase in provisioning for non-performing loans and non-performing exposures. As such, the introduction of IFRS 9 may have a huge impact on the balance sheets of banks, and in turn lead to a strong motivation for banks to offload their non performing loans.

During 2017, we saw several large bond issues in the debt purchase industry, with the Intrum Lindorff refinancing as the largest one. Investor demand for

bonds in the debt purchase industry was strong during 2017, leading to lower cost of capital for the industry in general. With inflow of new capital to the debt purchase industry, several of the industry players have increased their investment capacity entering 2018.

### LEGAL CHANGES

The most comprehensive update of legal regulations in the debt purchase industry is the introduction of the new privacy protection scheme in the EU General Data Protection Regulation (GDPR) which comes into effect in May 2018. The NPL industry will need to implement several procedures in order to comply with the new rules. In short, GDPR is designed to harmonize data privacy laws across Europe, in order to protect and empower all EU citizens' personal data. The B2Holding Group has engaged a reputable, international law firm and one of the large international auditing companies to assist in preparing the legal- and IT/software frameworks for meeting the GDPR requirements. The GDPR project will be followed by a GDPR program after May 2018 in order to meet the requirements going forward. ●

Investor demand for bonds in the debt purchase industry was strong during 2017, leading to lower cost of capital for the industry in general.

### ABBREVIATIONS AND DEFINITIONS

**ARM**  
Accounts receivables management

**CF**  
Cash flow

**DP**  
Debt purchase

**EBITDA**  
Earnings before interest, taxes, depreciation and amortisation

**EPS**  
Earnings per share

**ERC**  
Estimated remaining collections

**FTE**  
Full-time equivalent

**FV**  
Face value (= unpaid principal balance plus interest and fees)

**IVA**  
Individual voluntary arrangement

**IRR**  
Internal rate of return (the interest rate that gives a net present value of zero)

**Net CF**  
Net cash flow (= cash flow less collection cost)

**NPL**  
Non-performing loan

**UPB**  
Unpaid principal balance

**Profit margin**  
Operating profit expressed as a percentage of total operating revenues

**Gross cash collection**  
Actual cash collected from purchased portfolio before related cost

**Cash EBITDA**  
Gross cash collection minus all collection and administration cost

**Forward flow agreement**  
Agreement where the Group agrees with a vendor over a fixed period to acquire all non-performing loans within preagreed characteristics and limitations

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

### Aneta Borycka, Chief Operating Officer, ULTIMO S.A., Poland



■ – In Europe, the financial crisis and the ensuing recessions have left many countries with high levels of non-performing loans. Poland now faces a problem with the growing number of non-performing loans, thus increasing the amount of unpaid receivables. Thus, the role of businesses like ULTIMO is critical in terms of debt resolution

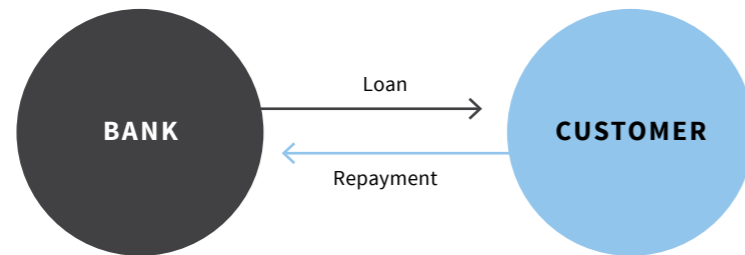
within the economy. Moreover, we cannot forget about social consequences of this reality. For people owing an unpaid debt or many debts for years, it's impossible to be fully engaged with society. Chronic debtors are "black listed" as citizens. Asset seizure through court procedures could be the ultimate solution here, although it's

time consuming and comes with additional costs of collection. It's more convenient and cost effective for both the creditor and the debtor to reach agreeable repayment terms and form the basis of a settlement. ULTIMO's slogan - "Let's talk it over" - is the perfect illustration of how we perceive our business.

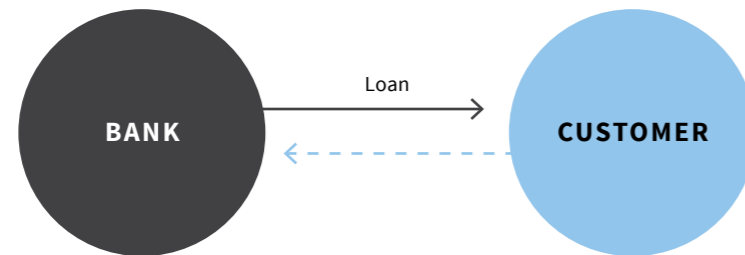
# HOW THE DEBT PURCHASE INDUSTRY WORKS

## WHAT IS A NON-PERFORMING LOAN (NPL)?

As long as a customer fulfil his or her obligations by paying interest and instalments, the loan is performing and no action needed.



When the customer for one reason or another does not fulfil his or her loan obligations, the loan is non-performing and has to be handled as such.

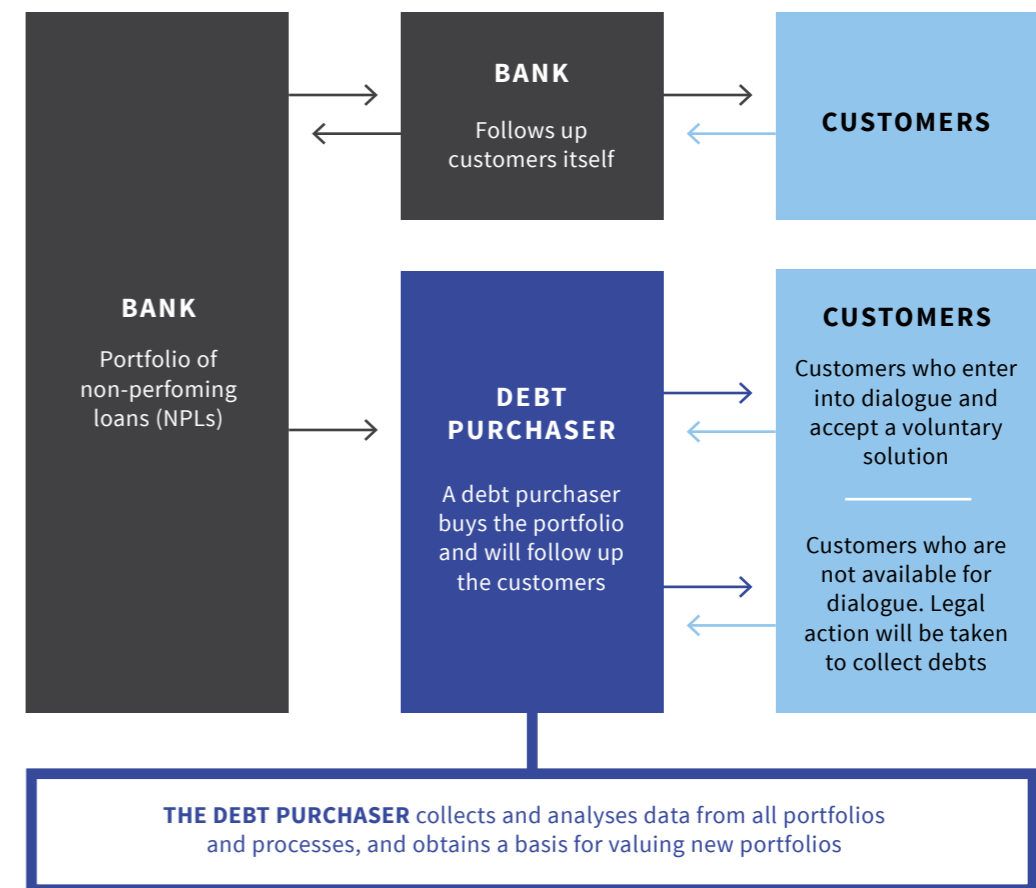


*When a debtor has not made his or her scheduled payments for at least 90 days, the loan is defined as a non-performing loan (NPL).*

## A SPECIALISED PART OF THE FINANCIAL SECTOR

Handling non-performing loans is a highly specialised part of the finance sector:

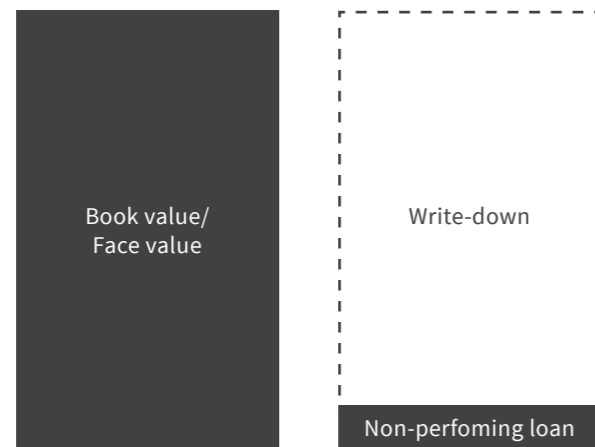
- When portfolios of non-performing loans are offered for purchase, a proper financial assessment is needed to define the characteristics and to set a price. The debt purchaser, thus, needs data and experience, as well as capital to fulfil a purchase.
- Collection of non-performing loans requires skills and systems for efficient and fair treatment of each customer.



**HIGHLY ATTRACTIVE FOR BOTH BUYERS AND SELLERS**

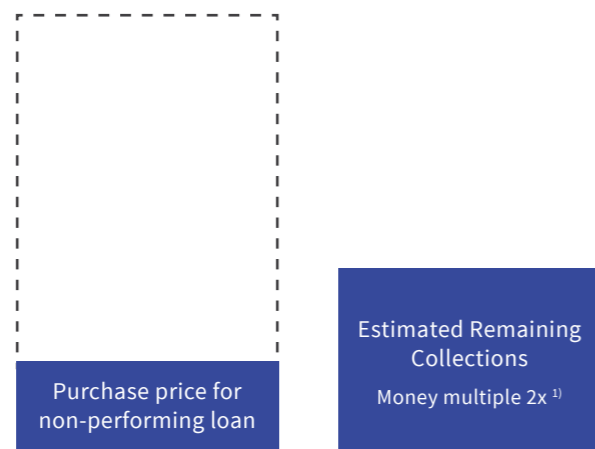
Due to regulations, the bank will have to write down its portfolios of non-performing loans below face value.

**BANK**



The debt purchaser has the systems and skills needed to achieve amicable solutions, high efficiency and low costs and thus higher value from the debt collection.

**DEBT PURCHASER**



<sup>1)</sup> Industry average gross money multiple

**DEBT PURCHASING CREATES WIN-WIN SITUATIONS**



**BANK**

By selling portfolios of NPLs, the bank achieves:

- Better liquidity
- Better risk management
- Reduced costs
- Increased lending

**CUSTOMER**

Most debtors want to have their problems handled and get back on track. For the customer available for dialogue, the debt purchaser will provide:

- Analysis of the situation
- Negotiation
- Amicable solution

**DEBT PURCHASER**

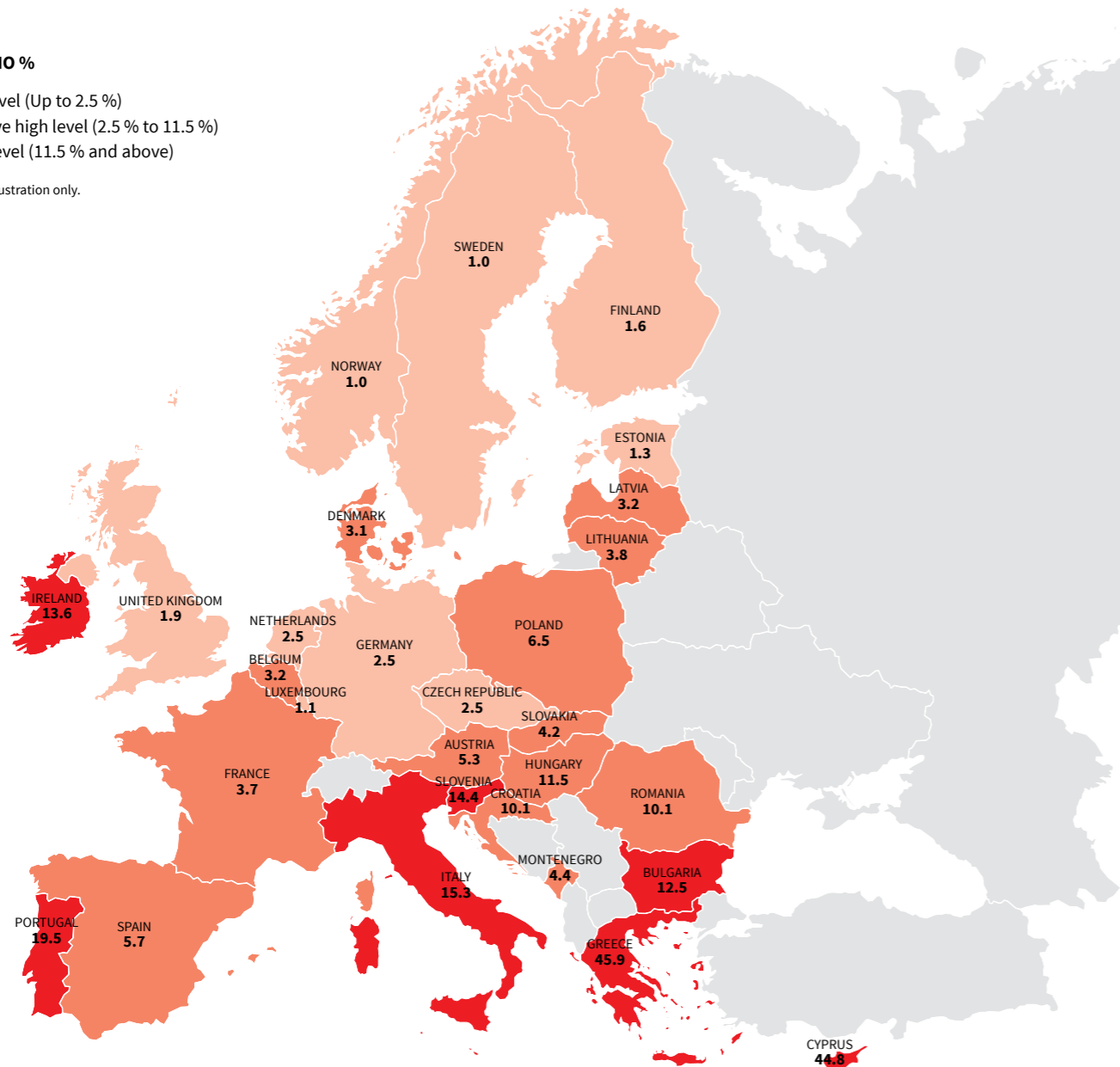
By securing attractive purchases and ensuring successful collection processes, the debt purchaser will create value for all stakeholders

### NON-PERFORMING LOANS – A EUROPEAN CHALLENGE

**NPL RATIO %**

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

This is for illustration only.

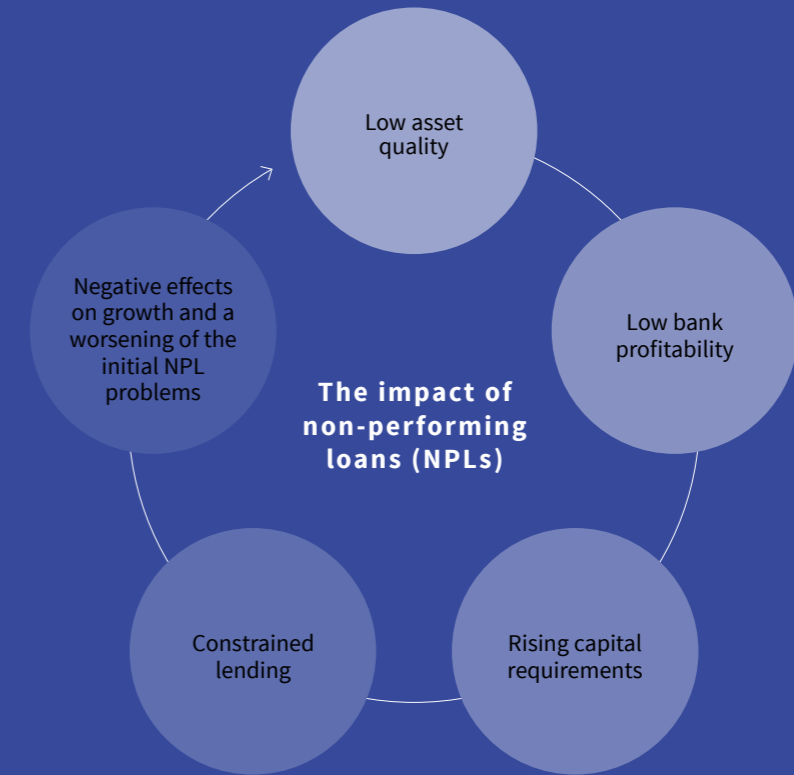


**GROSS NPL (EUR BILLIONS)**

ITALY	295.63	IRELAND	38.98	HUNGARY	6.97	SLOVAKIA	1.95
FRANCE	150.84	AUSTRIA	26.96	ROMANIA	6.55	LATVIA	1.45
SPAIN	138.68	CYPRUS	24.34	BULGARIA	5.22	MALTA	1.01
GREECE	115.83	BELGIUM	22.72	NORWAY	5.00	LITHUANIA	0.91
UNITED KINGDOM	82.38	DENMARK	20.30	CROATIA	4.39	ESTONIA	0.28
GERMANY	64.33	POLAND	14.06	FINLAND	4.33		
PORTUGAL	46.36	SWEDEN	12.39	LUXEMBOURG	4.23		
NETHERLANDS	45.26	CZECH REPUBLIC	7.38	SLOVENIA	3.62		

Sources: «Resolving non-performing loans in Europe, July 2017», European Systemic Risk Board (ESRB)/  
 "Non-performing loans in the Banking Union: state of play, July 2017", European Parliament./Norges Bank, 2017

### OUR INDUSTRY IS PART OF THE SOLUTION



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

For the banking sector, there are several strategies on how to handle non-performing loans, internal workout being one of them. The originating bank will then keep the non-performing loans on its balance sheet. The bank will have to spend management resources and internal expertise to handle the portfolio and this will often require hiring of specialist support as well.

**OUR INDUSTRY**

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

By selling a portfolio to a debt purchaser, the bank will remove the non-performing loans from its balance sheet and benefit from the immediate monetisation from sale. At the same time, the bank will reduce its costs and obtain better risk management.

For society, this means that the bank will be better equipped to meet capital requirements and, in turn, increase its lending to viable companies. Another advantage could be a higher recovery rate on bad loans, as a specialised debt purchaser usually provide more efficient collections.

## MARKET ENTRIES 2017

2017 was an active year for B2Holding in terms of new market entries. The Group established presence in Italy, Spain, Lithuania and Denmark and obtained new licenses in Greece and Hungary. At the end of 2017, B2Holding had platforms in 21 countries.

In the first quarter B2Holding established B2 Kapital Italy with offices in Rome, and the Italian operation has grown steadily throughout 2017 with several portfolios acquired. B2Holding also established presence in Lithuania in the first quarter through acquisition of Skolų valdymo centras ("SVC") and later in 2017 through the acquisition of 74 % of the shares in Skolų rizikos sprendimai ("SRS").

In the second quarter, B2Holding acquired 100 % of the shares of Nodeco A/S in Denmark. The acquisition of Nodeco was carried out in connection with a portfolio purchase from Basisbank, where Nodeco was servicing the portfolio at the time of purchase.

In the third quarter, B2Kapital Greece received the debt collection license from Bank of Greece. In Hungary B2Holding obtained approval from the Hungarian National Bank to acquire Credit cash Faktoring Plc, and as a result, B2Holding has a fully licensed operational platform for acquiring and managing non-performing loans in Hungary.

In the fourth quarter, B2Holding acquired 80 % of the

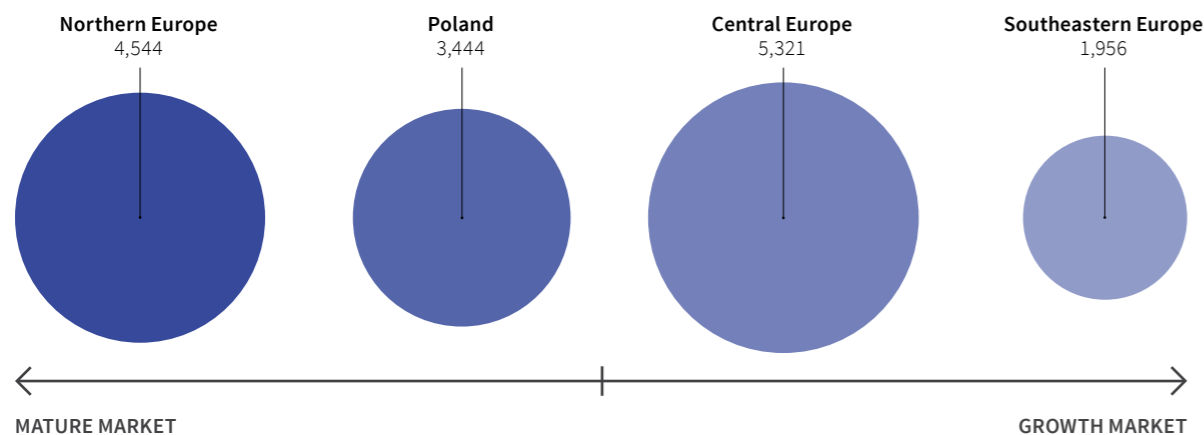
shares of Confirmación de Solicitudes de Crédito Verifica S.A. ("Verifica"), with an option to acquire the remaining 20 % of the shares. With the acquisition of Verifica, B2Holding has established a strong platform for further growth in Spain, which is one of the largest European markets in terms of NPL volumes.

### OUR FOCUS GOING FORWARD

Focus will still be on growth in the markets where we are currently established. We will also have strong focus on operational improvements across the organisation, aiming to utilize cross border synergies throughout the organisation. Acquisition opportunities will still be considered, but with operations in more than 20 countries, further geographic expansion will not be the main focus going forward.

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

### B2HOLDING'S ERC PER REGION PER 31.12.2017

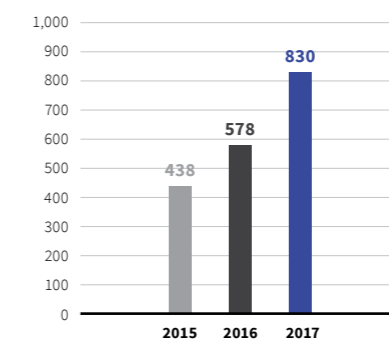


## NORTHERN EUROPE

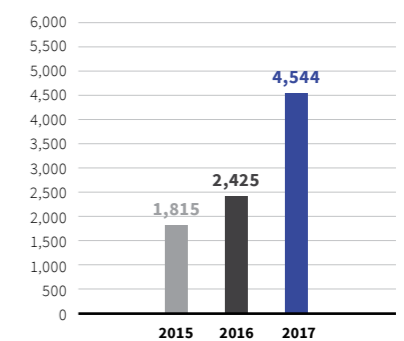
Norway, Sweden, Denmark, Finland, Estonia, Latvia and Lithuania



### CASH COLLECTIONS



### GROSS ERC



All figures in NOK millions

### The debt purchase market in Northern Europe

The Northern European NPL markets are typically well matured markets compared to the other European markets where B2Holding operates. The banking sector is concentrated where the lion's share of the markets is dominated by the six larger leading banks. As opposed to the Southern and Eastern European countries where deleveraging is the theme, the Northern European market is in a much later stage and the markets are more consolidated.

The NPL ratio is low and in addition to the six larger banks typical vendors are other banks and non-banking financial institutions. All countries show healthy GDP growth with the Baltic States showing higher growth rates than its Nordic colleagues. Market volumes, prices and competition have increased in the Northern European markets during the recent years, fuelled by

the low-interest rate environment and increased regulatory tightening. As a result of the higher prices we have seen an increased willingness from the market to dispose of their NPL inventory and new NPLs.

The asset classes brought to the market from the credit sector is mainly unsecured consumer loans. The Baltic States differs slightly from the other Northern European countries where we still see secured asset classes coming to the market although with lower volumes as the restructuring from the 2008 financial

crisis is coming to an end.

The collections are highly automated, accompanied by an efficient legal- and bailiff system where Finland, Sweden and Norway have rather similar and the most effective systems. With regards to Denmark and the Baltic states the legal collection is less matured and less effective compared to the other Northern European markets.

### B2Holding in Northern Europe

B2Holding has operations in Northern Europe since 2012 when Sileo Kapital AB was founded in Sweden and OK Perintä Oy was acquired in Finland and Estonia. Acquisitions and green field establishments have followed in the Baltic States and during 2017 B2Holding finalised two acquisitions in Lithuania: SVC and SRS (74 %), both companies focus on third party debt collection. Together with the new acquisitions in the Baltic

Market volumes, prices and competition have increased in the Northern European markets during the recent years



Vaasa, Finland

States B2Holding can now serve its customers through all asset classes in all three countries. During 2017 B2Holding added Denmark to the Northern European region through the successful acquisition of Nodeco A/S.

B2Holding's main focus is to acquire, restructure and rehabilitate NPLs while also offering third party debt collection services and supporting activities. The products offered in the various countries in the region varies slightly, however third party debt collection and acquisitions of NPLs is offered in all countries.

During the year, B2Holding successfully invested NOK 1.5 billion in the region. As the region conducts many forward flow transactions the investment volume is spread over several hundred portfolios. The largest portfolios acquired were banking portfolios in Sweden and Denmark. In addition, a single

important, secured transaction was finalised in the Baltic States. The region applies a prudent investment strategy and focus more on recurring client interaction where B2Holding has been successful in growing its number of forward flow transactions.

On the legal side we have seen measures to reduce the risk of consumers getting over-indebted. The Swedish government is aiming to introduce new legislation during 2018 which will maximize the interest and fees that can be charged to a debtor. These measures have already been implemented in Finland among others.

With the recent acquisitions of SVC and SRS in Lithuania and Nodeco in Denmark, B2Holding now covers the whole region via wholly owned fully integrated effective platforms and is ready to strengthen its position in all markets. There will be more focus on sales and market-

ing throughout 2018 along with focus on adapting the companies to comply with GDPR. The continued low interest rate environment and the implementation of IFRS 9 will further drive the credit community to dispose of their NPLs. With our increased focus on forward flow co-operation and presence in all Nordic markets we are well prepared to continue our profitable growth. ●

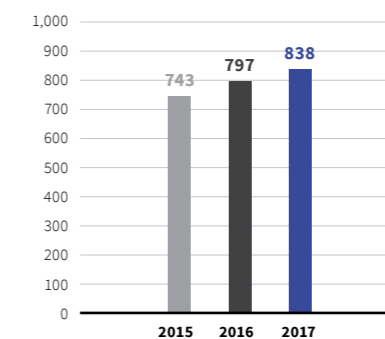
With the recent acquisitions of SVC and SRS in Lithuania and Nodeco in Denmark, B2Holding now covers the whole region via wholly owned fully integrated effective platforms

## POLAND

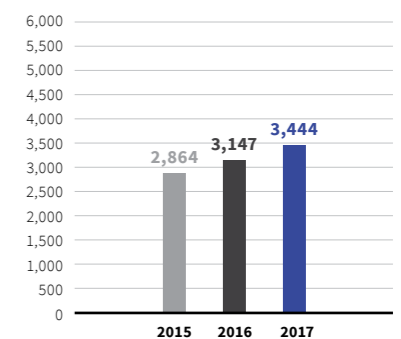
Poland



CASH COLLECTIONS



GROSS ERC



All figures in NOK millions

### The debt purchase market in Poland

2017 was a record year in debt supply, estimated at approximately EUR 4,2 bn, 11 % higher than 2016. Large volumes of NPLs resulted primarily from the growth of non-banking lenders and mortgage loans, in both cases we observed a threefold increase from 2016. A 30 % decline in the largest market segment (retail unsecured) was offset by an increase in corporate and mortgage claims, resulting in unchanged position of the banking debt sector versus last year. The market of tele-coms and secondary transactions remained stable.

Increased buyer activity resulted in an increase in prices offered for debt portfolios. At the same time, we observed an increased interest of sellers in forward flow transactions, representing a potential to increase price stability and predictability of debt supply.

It was also another year of consolidation of debt collection companies operating in Poland, as well as expansion of Polish companies to other geographies, mainly within the EU.

### B2Holding in Poland

In 2017 ULTIMO continued the strategy of rational purchase of receivables from all major market sectors, with particular focus on partnering with quickly growing consumer finance lenders. In 2017 we substantially increased volume of forward flow transactions, allowing closer, long-term cooperation with sellers. In 2018, we anticipate further increase in the supply of NPLs while competitiveness of the market will maintain. Favourable changes in the tax treatment of NPLs in banks, coupled with IFRS 9 regulation, should encourage consumer finance banks and non-banking lenders to sell NPLs at an earlier stage. On the other hand, planned changes in the law

concerning the functioning of bailiffs, costs of bailiff operations, impact of GDPR and the rules relating to the time-barred cases will be key for the cost to collect and overall efficiency of the debt collection processes.

Self-regulation of the debt management market, diligent application of good practices and enforcement of the ethical principles of responsible cooperation between buyers and debt sellers become increasingly important aspects of the operation of the industry in Poland.

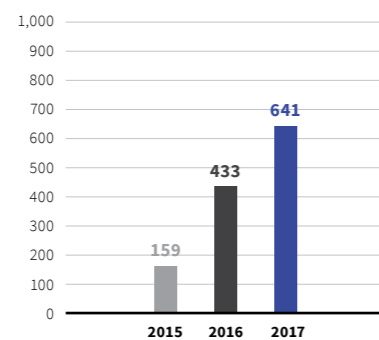
In order to take advantage of the changing debt collection landscape, ULTIMO has since 2017 been increasing the efficiency of collection through automation and digitalization of debt collection processes. At the same time, we have maintained an individual approach to the debtors, their repayment options and the matching individual cooperation models and contact channels (telephone, letter and internet). ●

## CENTRAL EUROPE

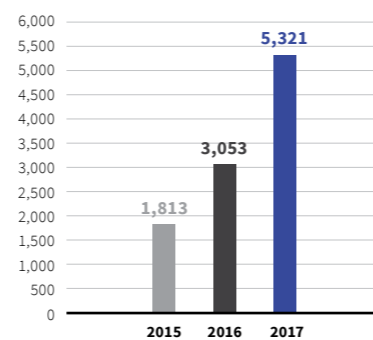
Czech Republic, Italy, Slovenia, Croatia, Hungary, Serbia, Bosnia and Herzegovina, Montenegro, Spain and France (from March 2018).



### CASH COLLECTIONS



### GROSS ERC



All figures in NOK millions

### The debt purchase market in Central Europe

Within the region Central Europe, we see distinct differences in the debt purchase markets regarding maturity, competition and regulatory environment. Levels of internal rates of return (IRR) vary from continued high margins in Bosnia and Herzegovina, Montenegro and Serbia, through decreasing margins in Croatia due to increased competition, to more stable margins in other countries, such as Czech Republic and Italy.

### B2Holding in Central Europe

As for B2Holding, the operations in the Central Europe region have seen steady growth for the fourth consecutive year, with significant contributions to the Group. During the year, B2Holding successfully invested NOK 1.5 billion in the region and continues to strengthen

its position in the region. B2Holding is a market leader in several of the markets, with a strong market presence, and is seen as a preferred partner for the financial industry.

In Croatia, the Group has established itself as a major player on the market, continuing to increase its portfolio base despite the increased competition. We expect continuation of growth within corporate secured portfolios, with expected gradual

Within the region Central Europe, we see distinct differences in the debt purchase markets regarding maturity, competition and regulatory environment

decrease of retail portfolios available. The Serbian market is limited due to the regulatory framework preventing the banks from disposing retail unsecured portfolios. Regardless, we expect an increase in the activities in Serbia, including an increase in portfolio purchases. The Slovenian market has developed positively in 2017, which we expect to continue into 2018. We expect further growth of the market and further development of the business in Slovenia, especially within corporate secured exposures.

In Bosnia and Herzegovina, Czech Republic and Italy the Group is still in an early phase, with a clear aim to significantly grow activities in these countries. Czech Republic is a mature and competitive market, where we started our portfolio purchasing activities during 2017. In Italy the volumes of non-performing loans has been ever increasing since



2008, and the Italian market is the largest in Europe with several established players. Italian banks have been unwilling to sell portfolios, much due to the gap between provisioning levels of NPL portfolios and investors' valuation levels. However, this is gradually changing, and there has been a significant increase in NPL sales the last couple of years. We have expanded our operation in Italy throughout 2017, and expect gradual increase of our market share in Italy.

In Hungary, B2Kapital will continue the third-party collection business, with increased focus on development of the debt purchase business.

In March 2018, B2Holding entered the French market through the acquisition of Négociation et Achat de Créances Contentieuses ("NACC"). NACC is one of the leading players in France within debt

purchase and servicing. NACC was established in 1993 and has strong client relationships with most of the large French banks. NACC currently has around 80 full time employees, with its headquarter in Paris and additional offices in Brest and Bordeaux.

With the acquisition of NACC, B2Holding has secured a strong platform for further growth in one of the larger markets for NPLs in Europe.

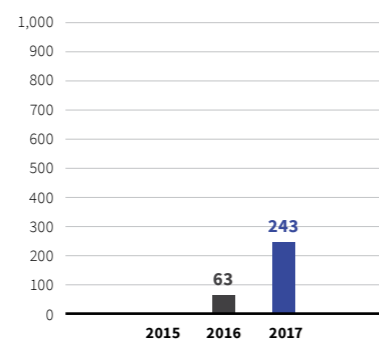
The Central Europe region continues to be an important part of the Group's growth, targeting new markets, opportunities and business models (like third-party collection and cross border collection). ●

## SOUTHEASTERN EUROPE (SEE)

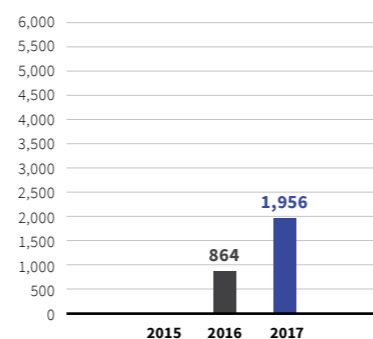
Bulgaria, Cyprus (from January 2018), Greece and Romania



### CASH COLLECTIONS



### GROSS ERC



All figures in NOK millions

### The debt purchase market in Southeastern Europe

In the SEE region there are large differences between the countries in terms of maturity and NPL levels. We also see differences in competition and regulatory environment. The Romanian market is quite mature, with several large players like Kruk and Intrium present. The National Bank of Romania has been quite active in dealing with the NPL problem since the financial crisis, and NPL levels have been significantly reduced. However, the Romanian market for NPLs is still quite active, and both secured and unsecured portfolios are offered on a regular basis. In Bulgaria, the NPL market is not as developed as in Romania, but it is still a quite active market and the NPL levels in percentage are significantly higher than in Romania. Competition is increasing in Bulgaria, but is still not

at the same level as in Romania, so returns are still higher. In Bulgaria, you need a license from the Bulgarian National Bank in order to acquire NPL portfolios.

In Greece, there are NPL volumes well above 100 billion EUR, and the relative levels are the highest in Europe. A new licensing regime was introduced by Bank of Greece in 2016, and collection companies need a license to operate issued by the Bank of Greece. The market is still in the early stages, and portfolio

**In Greece, there are NPL volumes well above 100 billion EUR, and the relative levels are the highest in Europe**

sales have just started. Cyprus is also a market in its early stages, with relative NPL levels almost as high as Greece, and with NPL volumes in excess of 20 billion EUR. Sales of portfolios has just started, and is expected to pick up going forward as the Cyprus economy is recovering well.

### B2Holding in Southeastern Europe

It was an eventful year for B2Holding in the SEE region in 2017. In Romania, debt purchasing activity has been high within both secured and unsecured portfolios. The secured portfolios are serviced by B2Kapital Portfolio Management, whilst unsecured are serviced through the Romanian subsidiary of Debt Collection Agency EAD ("DCA"). Both companies are fully owned by B2Holding, and the operations have expanded throughout 2017 in line with the growth in portfolios



acquired. The regulatory environment is quite stable, however some consumer protection measures have been introduced during 2017.

In Bulgaria, B2Holding has seen a very active year in 2017 through its fully owned subsidiary DCA. Debt purchasing activity of unsecured portfolios has been high, and secured portfolios have also been acquired. As such, operations have grown in terms of number of people, both with unsecured and secured collection and workout. DCA has a license to acquire portfolios from the Bulgarian National Bank. The regulatory environment has seen some changes with increased consumer protection, however suggested changes in Statute of limitations were not approved by parliament.

In Greece, 2017 was a year of build-up of the Greek organisation. B2Holding applied to Bank of

Greece for the newly introduced license through its fully owned subsidiary B2Kapital Greece in the first quarter of 2017. The application was approved and the license awarded in August. With the license, B2Holding is in a position to acquire and collect on portfolios in the Greek market. The Greek market is in its early stages, with only a limited number of portfolios sold so far. However, with very high volumes of NPLs and with Greek banks being closely monitored by the European Central Bank (ECB), NPL sales are expected to grow significantly going forward. Because of the high NPL volumes, several large international funds are looking at Greece. This creates a competitive environment, but also represents an opportunity to enter into servicing agreements with international investors looking for portfolio acquisitions in Greece. In Cyprus, B2Holding acquired its

first portfolio in January 2018. The market for NPL sales is in a very early stage, with limited competition so far. However, NPL volumes are high with over 20 billion EUR of NPLs held by Cypriot banks, representing interesting opportunities for future portfolio acquisitions. The CEO of B2Kapital Cyprus was hired in early 2018, and focus going forward will be to build a strong organisation locally. ●

## OUR PARTNERSHIPS

When developing our services we strive to bridge the gap between challenges and opportunities.



**Jennie Flink**, Director, Operations, OK Perintä OY, Finland – When selling a portfolio of non-performing loans, it is very important for banks and other vendors to be able to trust the purchaser.

## HIGH QUALITY SERVICES

At B2Holding, we have built strong relationships with financial institutions and other large corporate companies. In all our activities, we focus on high quality services to our business partners.

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

### OUR CORE BUSINESS: DEBT PURCHASE AND DEBT COLLECTION

Purchase and collection of non-performing loans constitute the core business for B2Holding. The debt purchased will be both unsecured and secured non-performing retail (consumer) debt, and non-retail debt.

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

We take over credit from banks and other institutions with broad customer contact, and it is crucial for our business partners that we treat their former customers with fairness and respect. To safeguard their own reputation, they depend on B2Holding performing by high ethical standards.

B2Holding has two main collection strategies:

- Amicable collection – for debtors who are willing to co-operate
- Legal collection – for debtors with fixed income (salary or pension) who are unreachable for us and thus prevent amicable solutions

### OTHER SERVICES

#### Credit information

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

#### Third party debt collection

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

#### Consumer lending

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

#### Telemarketing and fraud prevention

With the acquisition of Verifica, B2Holding now offers telemarketing in Spain. Verifica has a call centre specialized in marketing of consumer lending products and credit cards on behalf of some of the leading banks in Spain. With the telemarketing service, Verifica is an important partner for the banks in a different part of the value chain, and there are synergies that can be utilized between telemarketing and collection, especially on the client relationship side. Verifica also offers fraud prevention by carrying out background checks on new subscribers. This service mainly targets the telecom sector. ●

The number of completed transactions of non-performing loans, as well as the scale of the Group's operations, guarantee an efficient and professional handling.

Jennie Flink, Director, Operations, OK Perintä OY, Finland



■ – When selling a portfolio of non-performing loans, it is very important for banks and other vendors to be able to trust the purchaser. First of all, the vendors, especially banks, should be able to have confidence in how the purchaser handles their previous customers' personal information. This is becoming

more and more important, especially in regards to the General Data Protection Regulation (GDPR). Equally important for the vendors is to know that their customers will be taken good care of and offered an excellent customer service focusing on finding solutions. Even though the vendor is selling a non-per-

forming debt, the customer may still be or may later become their customer again. Therefore, it is very important for the vendor to know that their customers will always be treated with respect. Our mission is to offer excellent customer service aiming to find amicable solutions for the customers.

### B2HOLDING'S BUSINESSES, RANKED BY IMPORTANCE

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

### HOW WE HANDLE UNSECURED AND SECURED LOANS

#### UNSECURED LOAN

Such loan portfolios will typically have a mass number of debtors.

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

#### SECURED LOAN

Such loan portfolios have fewer cases per portfolio.

- Tailored recoveries
- Line by line pricing

### TYPE OF PORTFOLIOS SOLD IN OUR MARKETS

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

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

## OUR EXPERTISE

Our strategy is to build a strong pan-European organisation, bridging the local units across our markets.



**Franz Seunig**, Regional Director Operations, Central Europe – As debt purchasers, we operate in a very demanding, new, volatile and challenging industry.

# B2GETHER – NETWORK ORGANISATION WITH STRONG FOCUS ON SHARING

The B2Holding Group expanded its workforce by 674 persons to 2,374 in 2017. The growth in number of people comes from both acquisitions of new collection platforms and hiring new people in existing operations.

The Group experienced substantial growth in 2017. Integration of the new collection platforms and establishing start-ups unit, are based on a fundamental philosophy that our business model is based on local presence. We have developed a decentralised organisation with strong network organisation skills with focus on data and knowledge sharing. The organisation is result-oriented with short and effective decision making processes.

Sharing expertise and experience within the Group has led us to further develop a common B2Holding culture based on strong corporate values. We aim to create an open organisation with direct communication between people to increase effect and efficiency in decision-making and implementation.

In 2017, we continued to develop best practice in various professional disciplines and encourage sharing knowledge across the Group to enhance learning and alignment with the purpose of improved efficiency and processes. We always aim for an entrepreneurial, flexible and cost conscious organisation working within our business model. We also believe that this approach will support the B2Holding Group to be a preferred solution provider for both our vendors and our customers.

Our people from different nations bring considerable diversity and valuable competence to the organisation. Courage, flexibility, trust, integrity, respect and excellence are essential values for the Group and contribute to our success. At B2Holding we set ambitious targets. This requires that we build a robust and international organisation that can grow in step with the size and complexity of the Group.

## REWARD POLICY

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

B2Holding ASA's reward policy is a management tool that contributes to the Group's return and increased shareholder value. It is designed to attract, retain and develop qualified people with the right managerial and professional competencies. Reward includes all the instruments the organisation and its managers have at hand to increase performance. Reward includes base salary and benefits, annual bonus (short term incentives) and long term incentives. Both short and long term incentives are designed to enhance value creation for the shareholders through quantified result based targets. Reward also comprises competency development, job contents, career and recognition.

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

Our people from different nations bring considerable diversity and valuable competence to the organisation. Courage, flexibility, trust, integrity, respect and excellence are essential values for the Group and contribute to our success.

## Franz Seunig, Regional Director Operations, Central Europe



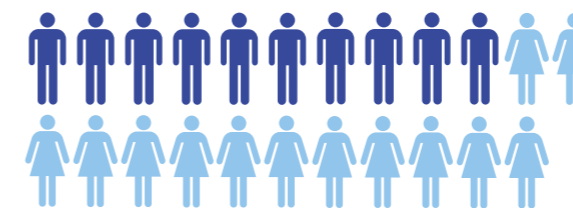
■ – As debt purchasers, we operate in a very demanding, new, volatile and challenging industry. Shortly after establishing companies in Bosnia and Herzegovina, Croatia, Montenegro, Serbia and Slovenia, we found ourselves as a point of reference for business partners in our region as well as a preferred

employer. When analyzing our results we have come to the conclusion that we operate with staff numbers more than 70 % lower than the rest of the financial industry, and still we achieve better results. By no doubt, this is highly due to B2Holding, which is an open, transparent and horizontal organisation

instead of a centralized vertical organisation. Being part of the Group enables us to be faster and more efficient, and the expertise within the Group is only a call away at any time. Behaving as one team and working directly with our colleagues in the B2Holding Group gives us the edge needed.

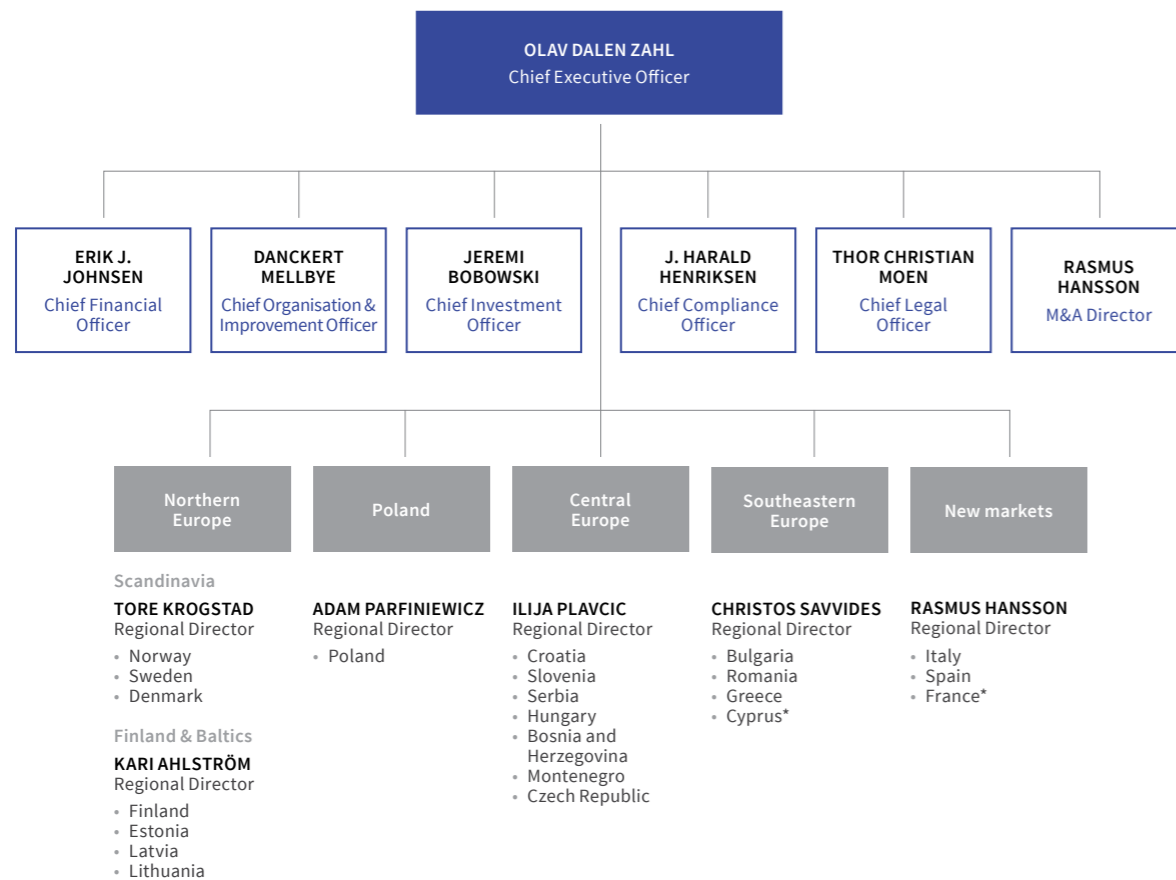
## THE B2HOLDING GROUP PER 31.12.17

	Employees	Full time equivalent (FTE)	Employees	
			Men	Women
Men	1,067	935		
Women	1,307	1,132		
<b>Total</b>	<b>2,374</b>	<b>2,067</b>		
Region			Men	Women
Northern Europe			102	235
Southeastern Europe			126	308
Central Europe			448	248
Poland			373	507
Central Functions			18	9
<b>Total</b>			<b>1,067</b>	<b>1,307</b>



Region	Full time equivalent (FTE)	
	Men	Women
Northern Europe	88	207
Southeastern Europe	106	257
Central Europe	394	216
Poland	329	444
Central Functions	17	9
<b>Total</b>	<b>935</b>	<b>1,132</b>

**GROUP EXECUTIVE MANAGEMENT**



\*Established/acquired 2018

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

**The Head office** carries out all funding and financing activities, including bank financing and issuing of other financial instruments.

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

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

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

**Compliance and Legal** develops, implements and monitors Group

policies and supports Group companies in all legal and compliance matters.

**Organisation and Improvement** supports improvements in operation and human resource development.



**Olav Dalen Zahl**  
Chief Executive Officer



**Erik Just Johnsen**  
Chief Financial Officer



**Danckert Mellbye**  
Chief Organisation & Improvement Officer



**Jeremi Bobowski**  
Chief Investment Officer



**J. Harald Henriksen**  
Chief Compliance Officer



**Thor Christian Moen**  
Chief Legal Officer



**Rasmus Hansson**  
M&A Director  
Regional Director  
New markets



**Tore Krogstad**  
Regional Director  
Scandinavia



**Kari Ahlström**  
Regional Director  
Finland & Baltics



**Adam Parfiniewicz**  
Regional Director  
Poland



**Ilija Plavcic**  
Regional Director  
Central Europe



**Christos Savvides**  
Regional Director  
Southeastern Europe

## THE GROUP BY REGION PER 31.12.2017

## NORTHERN EUROPE

## NORWAY

- Third party collection
- 5 employees

## SWEDEN

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

## DENMARK

- Portfolio purchase, collection (unsecured), third party collection
- 13 employees

## FINLAND

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

## ESTONIA

- Portfolio purchase, and collection
- 18 employees

## LATVIA

- Portfolio purchase, collection (secured)
- 9 employees
- 
- Collection (unsecured), credit information
- 84 employees

## LITHUANIA

- Portfolio purchase, collection (unsecured), third party collection
- 43 employees

## POLAND

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

## OFFICES

## NORWAY

- Head office in Oslo
- 17 employees

## THE NETHERLANDS

- Financial Holding Company

## LUXEMBOURG

- Investment office
- Portfolio owner
- 10 employees

## AUSTRIA

- Regional office South-eastern Europe
- 3 employees

NEW MARKETS <sup>1)</sup>

## ITALY

- Portfolio purchase, collection (secured and unsecured)
- 13 employees

## SPAIN

- Third party collection, telemarketing
- 407 employees

FRANCE <sup>2)</sup>

<sup>1)</sup> Part of Central Europe in the accounts

<sup>2)</sup> Acquired 2018

## CENTRAL EUROPE

## CZECH REPUBLIC

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

## SLOVENIA

- Portfolio purchase and collection (secured)
- 22 employees

## CROATIA

- Portfolio purchase, collection (secured and unsecured)
- 188 employees

## HUNGARY

- Portfolio purchase, collection (secured and unsecured)
- 41 employees

## SERBIA &amp; MONTENEGRO

- Portfolio purchase and collection (secured)
- 14 employees

## BOSNIA AND HERZEGOVINA

- Portfolio purchase, collection (secured and unsecured)
- 3 employees

## SOUTH-EASTERN EUROPE

## ROMANIA

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

## BULGARIA

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

## GREECE

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

CYPRUS <sup>3)</sup>

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

<sup>3)</sup> Established 2018

## THE GROUP - BUSINESS UNIT MANAGERS

## NORWAY

Interkreditt AS  
Jens Ivar Grytten Skarbø

## SWEDEN

Sileo Kapital AB  
Jan Pettersson

## DENMARK

Nordic Debt Collection A/S  
Henning Gericke

## FINLAND

OK Perintä OY  
Kari Ahlström

## ESTONIA

OK Incüre OÜ  
Marko Ilves

## LATVIA

SIA B2Kapital  
Gints Vins

SIA Creditreform  
Maris Baidekalns

## LITHUANIA

UAB Skolų valdymo centras (SVC)  
Sigutė Aleknavičiūtė

UAB Skolų rizikos sprendimai (SRS)  
Ramunė Vaičeliūnienė

## POLAND

Ultimo S.A.  
Adam Parfiniewicz

## CZECH REPUBLIC

B2 Kapital Czech Republic s.r.o.  
Brian Wilson

## SLOVENIA

B2 Kapital d.o.o.  
Nebosja Popovic

## CROATIA

B2 Kapital d.o.o.  
Tanja Miljanić Presečki

## HUNGARY

Consequence Europe Magyarország Kft.  
Kristina Marković

B2Kapital Zrt.  
Kristina Marković

## SERBIA &amp; MONTENEGRO

B2 Holding Kapital d.o.o. /  
B2 Kapital d.o.o.  
Kristina Marković

## BOSNIA AND HERZEGOVINA

B2 Kapital d.o.o.  
Lamija Selimović

## FRANCE

Négociation et Achat de Créances  
Contentieuses (NACC)  
Christian Roche

## ITALY

B2 Kapital s.r.l.  
Francesco Fedele

## SPAIN

Verifica S.A.  
José Ignacio Arribas

## ROMANIA

Debt Collection Agency SRL  
Dimana Vlaeva

B2Kapital Portfolio Management SRL  
Catalina Bucur

## BULGARIA

Debt Collection Agency AD  
Martin Despov

Debt Collection Agency AD  
Nina Stancheva

## GREECE

B2Kapital SA  
Yiannis Vougioukas (interim)

## CYPRUS

B2Kapital Cyprus Ltd  
Rakis Christoforou

## LUXEMBOURG

Ultimo Portfolio Investment Sarl  
Malgorzata Popienia

## RISK MANAGEMENT

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

B2Holding ASA has since 2011 built a pan-European platform with non-performing loans (NPLs), debt restructuring and debt refinancing with the purpose of providing flexible and amicable solutions to both retail and corporate customers. In addition, the Group offers third party debt collection and credit information services. All business units experience different types of risk, which is an inherent part of the business model and fundamental for long-term profitability.

### RISK MANAGEMENT STRUCTURE

The fundament for the Group's risk management is the internal control and risk management policy that was approved by the Board of Directors on 15 February 2016. The objective for the adopted risk management policy is to manage, rather than eliminate, exposure to risks related to the successful conduct of B2Holding's businesses. Effective risk management and appropriate internal control routines contribute to secure all stakeholders' interest in B2Holding ASA.

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

Other type of risk such as management, regulatory and reputational risk are addressed with the purpose of being managed through various measures.

A part of the management risk, like losing key personnel, has been reduced through implementing guidelines for salaries and other remunerations for senior executives. The potential risk of having a decentralised organisation has partly been reduced through establishing new Group functions in addition to hiring new positions covering legal, Group tax, compliance, project management and financial control on Group level to ensure control mechanisms and service to the local operations.

The Group is re-organised into regions where the CEO and the regional directors are responsible for and shall

ensure that all business units operate and develop in accordance with B2Holding's risk management and internal control routines. The established legal-, compliance-, organisation and improvement- and controlling teams on Group level are supporting the regions and business units in conducting their business and managing the inherent risk.

The Group Executive Management consisting of the CEO, the regional Directors and the head of Group functions (Financial, Legal, Compliance, Investments, Organizational and improvements) are an advisory body to the CEO and a management forum for monitoring joint risk elements across functions.

The regulatory risk is monitored locally as well as on the Group level through the regular business report system. Some business units are licenced for either being a portfolio owner, a collecting company, a credit information provider or a lender and the license requirements are under supervision by the relevant local operational/legal department. In addition, local collection and industry associations are working for the interest of the local industry and hence participating in managing the regulatory risk.

The European Commission has proposed an ambitious and comprehensive set of measures to reduce the risks in the European banking sector.

Measures include encouraging the banks to sell their non performing loans by removing undue barriers for credit services and loan purchasers and enabling accelerated out-of-court enforcement on secured loans.

There is always a political risk that some governments may take action in favour of the debtor. Such actions may be contradictory to what the EU commission is trying to achieve in the banking sector.

Negative attention regarding the Group or the industry in general, may have a negative effect on the Group's customer, the employees loyalty to the Group, the vendors willingness to sell and the investors willingness to invest. Such reputational risks are continuously addressed. The implementation of a common Code of

The Group is organised in regions but still decentralised where the business unit management is accountable for its own profitability.

Conduct throughout the Group is one of many steps to manage the reputation risk.

The Group's risk capacity is determined by assessing the size and quality of B2Holding's capital and the liquidity situation from time to time. The risk capacity is the ability to absorb losses before minimum critical levels are reached. The liquidity risk capacity is the size of the liquidity outflow the Group can manage without new funding capacity and without breaching a minimum liquidity level on consolidated group level.

The capital threshold for equity is set at a minimum consolidated book equity ratio of 30 %, and the liquidity capacity is set to an equivalent of NOK 200 million on a consolidated basis. Based on the Group's capacity to assume risk, the appetite is determined by the Board of Directors. B2Holding's risk control function monitors and ensure that the Group does not assume risk that exceed the risk capacity and limits.

The Group is organised in regions but still decentralised where the business unit management is accountable for its own profitability. The structure facilitates closeness between management and the operation, which in turn provides good oversight and adequate internal business control. For investment in and evaluation of loan portfolios, B2Holding has established a separate internal control framework including an Investment Committee rooted in the Board of Directors and an investment office in Luxembourg. This framework is established to control the specific operational risks and risks related to financial reporting of purchased loan portfolios. The investment process is illustrated below.

The Management prepares monthly consolidated operational and financial reports that are sent to the Board of Directors. When the Group's quarterly financial reports are to be presented, the Audit Committee (established on 15 February 2016), reviews the reports prior to the Board meeting. The external auditor, Ernst and Young (EY), participates in meetings with the Audit Committee when matters falling within the scope of the external auditors responsibilities are considered.

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

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

### CREDIT RISK

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

A large part of the Group's assets consists of portfolios made up of purchased consumer and corporate receivables, both unsecured and secured which were non-performing at the time when being acquired by the Group, i.e. previous creditors have already attempted and failed to collect amounts due following an initial or numerous non-payments. B2Holding generally purchases portfolios at prices that vary from less than 10 % to above 70 % of the face value (principal amount). It is crucial for the Group's business to achieve an overall rate of collection above the prices paid. While B2Holding believes that the recoveries on the Group's credit portfolios will be in excess of the amount paid, amounts recovered may be less than expected.

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

### MARKET RISK

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

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

- The currency used in the consolidated financial statements is different from the reporting currency of the subsidiaries (translation risk).

B2Holding's liquidity requirements consist mainly of funding of purchased portfolios in addition to debt servicing and funding as well as tax servicing, capital expenditure and working capital requirements.

- Assets and liabilities of the Group are denominated in different currencies and certain revenue and costs arise in different currencies (transaction risk).

B2Holding's accounts are denominated in NOK, while a large part of the Group's business is carried out in EUR, SEK, PLN, HRK, RON and other currencies. The Group's NPLs are mainly denominated in foreign currencies. Secured loans are made in relevant currencies reflecting the underlying expected cash flow from the loans and receivables. Thus the Group is exposed to both translation and transaction risk.

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

The multicurrency bank facility and the bond loans nominated in EUR, are tools for establishing an operational hedge when financing acquired portfolio in the same currency as the portfolios. However, portfolios acquired for example in Croatia, Bulgaria and Romania are financed by EUR due to limited possibilities of medium term hedging arrangements and borrowing in the same currencies.

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

**OPERATIONAL RISK**

**The risk of loss from failed internal processes, people, IT system or external events**

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

B2Holding manages these risks through involvement and participations in local management bodies, local guidelines, reporting, risk identification and measures for reducing risks if assessed to be unacceptable. The "four-eyes-principle" is applied in all critical decisions and supporting systems. The plan for further geographical expansion will increase the exposure of operational risks which will be met by incident reporting, tracking of key risk indicators and training in the year to come.

An operational and financial risk assessment model has been tested in the Finnish subsidiary for two years and the same model will be implemented in the Groups' larger business units in 2018 and in all business units within first half of 2019.

**LIQUIDITY RISK**

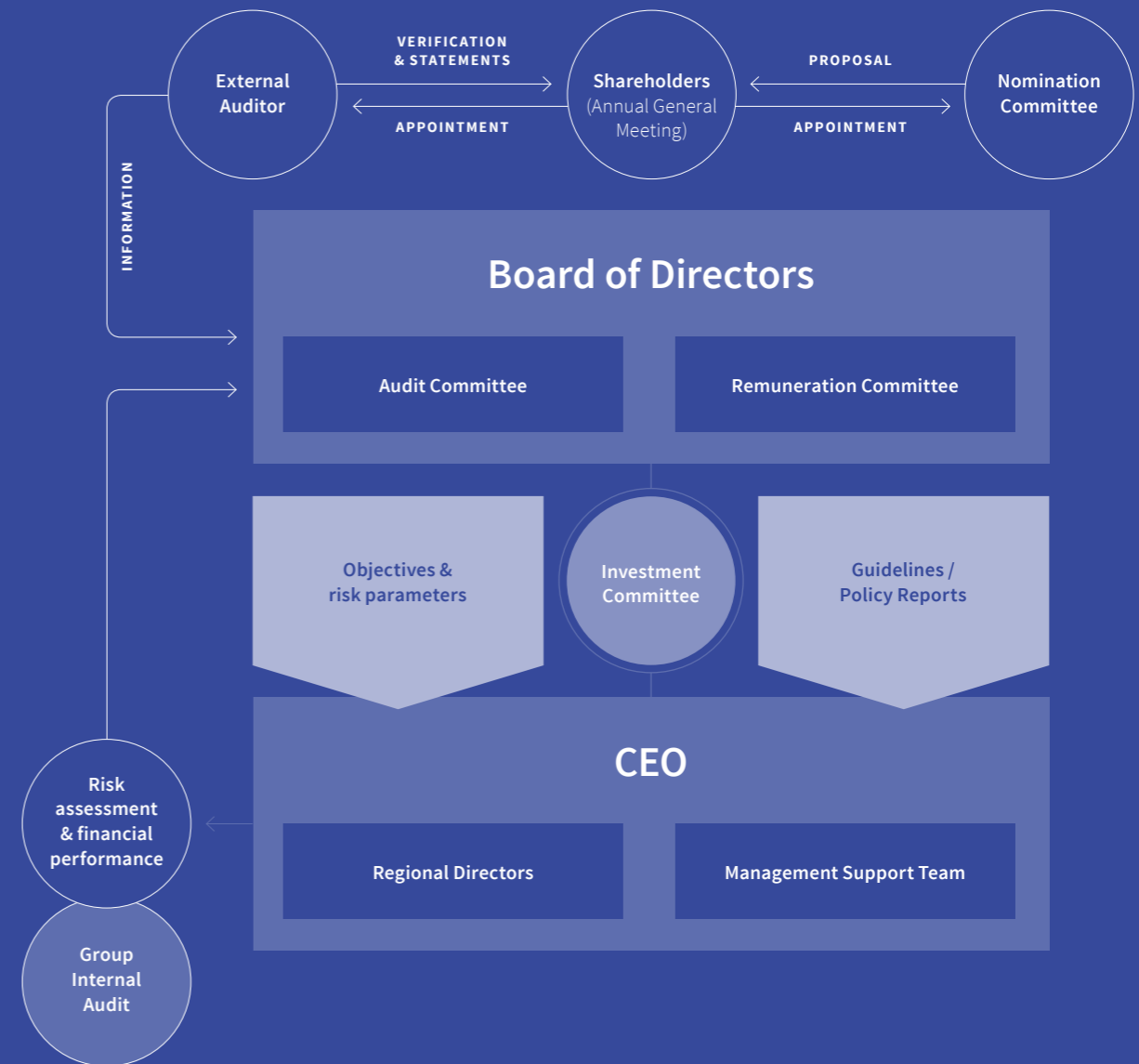
**The risk of not obtaining funding and inability to meet payment obligations when they fall due**

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

The refinancing risk is the risk that the Group, at the maturity of an existing financing facility, is unable to successfully refinance the indebtedness. B2Holding's revolving credit facility and the bonds contain certain covenants, which are customary in financings of this type, which impose restrictions on the Group's operations and financial flexibility.

The liquidity risk has decreased during last year, mainly due to new funding structure with longer duration for funding together with a conservative policy for managing the liquidity reserve and a substantial cash-flow generated by acquired portfolios previous years. The risk is monitored by the Treasury function in combination with the Investment Committee monitoring the investment strategy and the allocation of available financial resources. ●

**GOVERNING BODIES IN THE B2HOLDING GROUP**

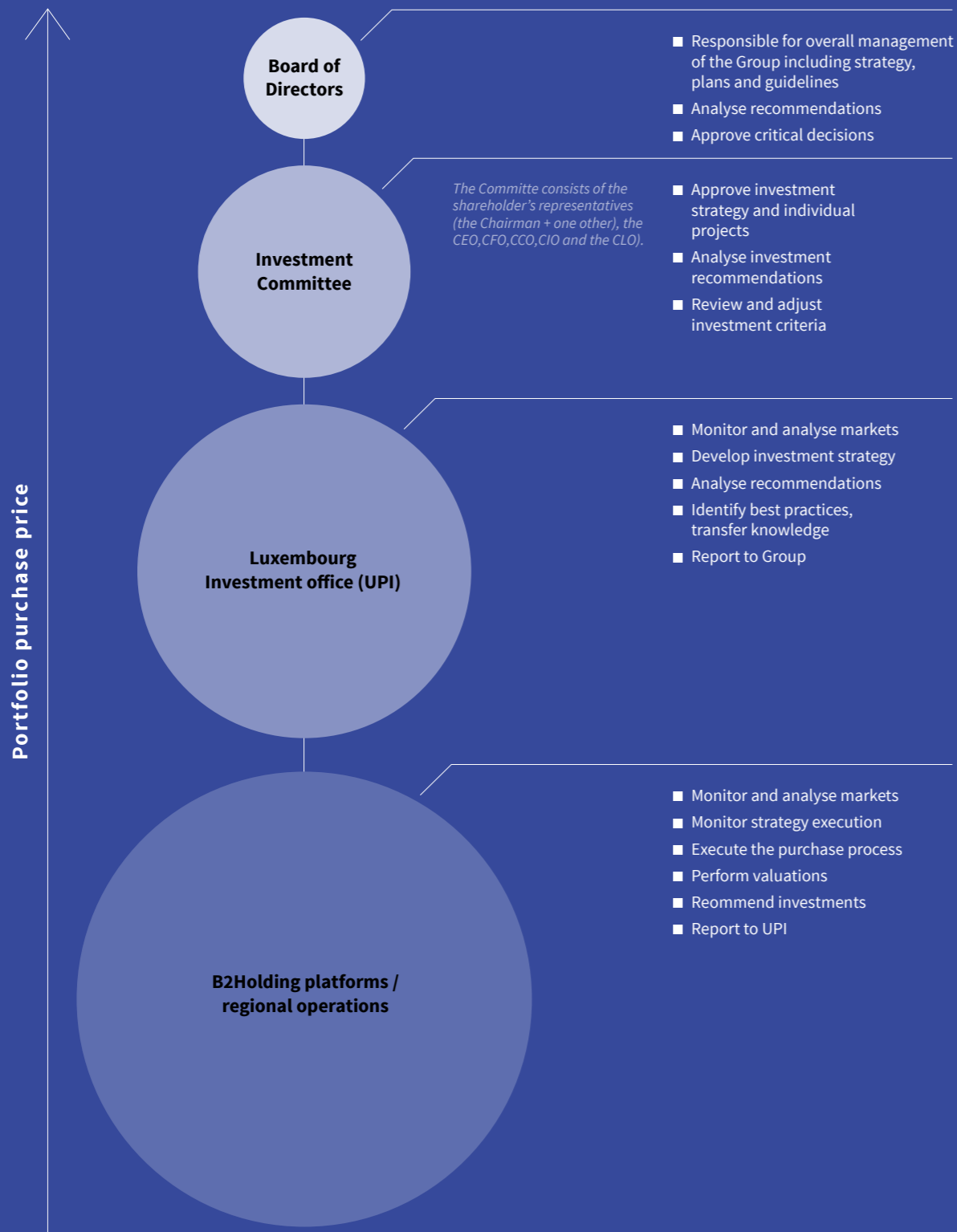


The Board of Directors has principal responsibility for the Group's business operations, which includes ensuring that operations, financial reporting and asset management are subject to adequate control. Separate instructions have been established for the Board of Directors, the Board committees and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

The Board of Directors has appointed and authorised the Investment Committee to make portfolio investment decisions in current geographical markets subject to a specific threshold hierarchy. The Investment Committee consists of 5 members of the Executive Management team (including the CEO) supplemented with two members of the

Board when required according to the threshold hierarchy. Portfolio investment in new geographical markets or portfolio investments with purchase price above MEUR 35 will include and require approval from the Board of Directors.

OUR INVESTMENT PROCESS



# CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our commitment to Corporate Social Responsibility (CSR) is integrated in our business and reflects what we believe in and what we want to be recognised for.

We strongly believe that our business model will contribute to positive progress for our customers, our employees, our partners and our investors and to the society in general. We believe that the concept of CSR will have consequences for B2Holdings financial performance and long-term value creation.

To ensure the appropriate focus and relevance of our long-term value creation and reporting, B2Holding has conducted a materiality assessment to identify and prioritise the most material issues both to our business performance and to our stakeholders.

During 2017, B2Holding through the support of the auditor EY's additional professional services, undertook a comprehensive materiality assessment to identify topics of highest importance based on two main perspectives; 1) current and emerging stakeholder concerns, and 2) the company's key sustainability risks and opportunities. The assessment was conducted in accordance with the Global Reporting Initiative Standards principles for defining report content through the following key steps; market review, value chain, stakeholder analysis, prioritisation and validation. The materiality process has been validated through internal workshops and meetings in B2Holding to adapt for changes in context, risk and stakeholder views.

### KEY STAKEHOLDERS EXPECT US TO CONDUCT OUR BUSINESS RESPONSIBLY

The most important stakeholders are our customers, business partners, employees and the society in general. Our customers care about being treated with respect and dignity, our employees care about their working conditions and development, while business partners focus on collection practises. They all have expectations regarding how we exercise our role in the local communities where we operate; additionally they expect that our business is based on honesty, fairness and sustainable principles. We work with our stakeholders in the community to ensure a responsible and sustainable business, and to increase our positive contributions.

We aim for transparency and intend to engage our stakeholders in close dialogues. Stakeholder opinions play an important role when we develop our approach to corporate sustainability. By listening to them, we can better understand emerging trends and material issues, and how to prioritise among them.

### TAKING A MORE LONG TERM AND HOLISTIC VIEW OF VALUE CREATION IS KEY TO SUCCESS

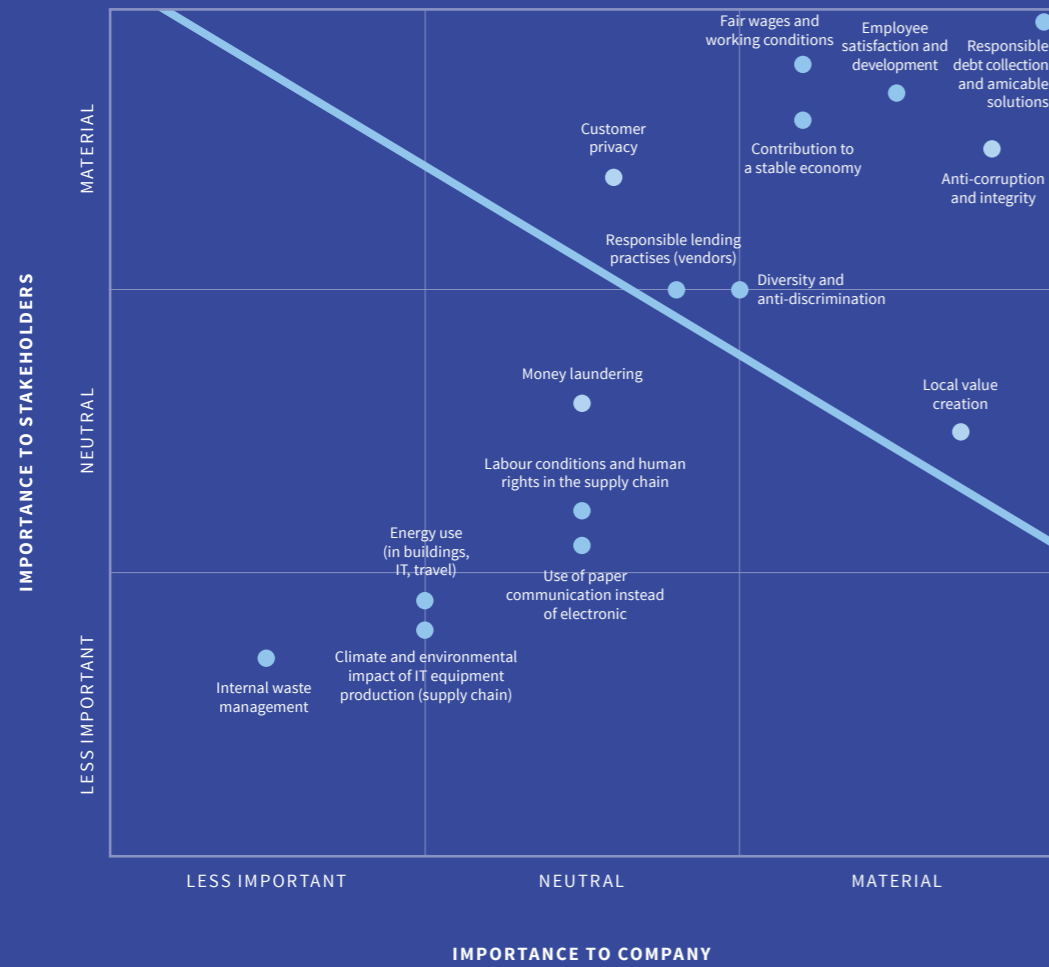
There are several factors that influence what areas our company wants to prioritise when it comes to maintaining a long-term business practice. Important elements include the company's strategy, regulatory requirements, input from stakeholders, global frameworks and initiatives. During 2018 we will clarify goals, policies and action plans for prioritised topics.

The materiality analysis shown on page 52 includes all topics identified, while the topics above the marked line are regarded as most material to both B2Holding and our stakeholders.

The most material topics have been connected to our mission – "We create value by making each other better". We approach our customers with the offer of amicable solutions and give them a new start, we contribute to the society by helping others to a sound financial situation, we aim to be a trusted business partner and safeguard our partners' reputation and with a Nordic anchorage we focus on an open, transparent and horizontal organisation where our employees are motivated and recognised.

We aim for transparency and intend to engage our stakeholders in close dialogues. Stakeholder opinions play an important role when we develop our approach to corporate sustainability.

**B2HOLDING'S MATERIALITY ANALYSIS**



**MATERIAL SUSTAINABILITY TOPICS**

**OUR FOCUS FOR LONG TERM VALUE CREATION**



**Our customers  
WE FIND AMICABLE  
SOLUTIONS**

- Responsible debt collection and amicable solutions
- Customer privacy



**Debt management  
WE HELP MANAGE  
SOCIETY'S DEBT PROBLEMS**

- Contribution to a stable economy
- Tax policies and payments



**Our partnerships  
WE ARE A RELIABLE  
BUSINESS PARTNER**

- Responsible collection practice
- Anti-corruption and integrity



**Our expertise  
WE SHARE EXPERTISE,  
DATA AND BEST PRACTICE**

- Fair wages and working conditions
- Employee satisfaction and development
- Diversity and anti-discrimination

## Our customers: WE FIND AMICABLE SOLUTIONS

### RESPONSIBLE DEBT COLLECTION AND AMICABLE SOLUTIONS

#### Materiality Rationale

Among our most important strategic stakeholders are the debtors struggling with indebtedness. Our aim is to build positive relations and safeguard the debtor's integrity and dignity through constructive and transparent dialogue. We will help the debtors with finding amicable solutions, and help them regain their financial creditability.

In B2Holding, we realise that every point of contact is an opportunity to either win or lose trust. Our local presence is an advantage and each subsidiary has the responsibility to ensure a great customer experience and to gain trust among their own customers. Trust means that the customer will have confidence in our ability to do our part and follow through on expectations set for us. We think that building a customer relationship on trust is good for business and will affect the customers' willingness to pay his or her debt. For that reason, we consider trust as a "win-win situation".

#### Our Basic approach

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

To deliver an even better service, it is also important to us that our customers have the opportunity to file complaints and that we have sufficient resources to process them.

#### Main Achievements and Targets

Court orders or litigation processes may seem stigmatising and will lead to increased costs for the debtor. B2Holding does not want this for its customers. Throughout the year, our employees negotiated a significant number of payment plans, which is an important indicator for our ability to help the debtor back on track. Key non-financial indicators such as complaints, outsourced collection, payment plans and other amicable solutions are reported quarterly and monitored carefully.

In 2017, the Group received approximately 60 complaints. This is 0,001 percent of all outstanding loans in

our system as per the end of 2017. Most of them were solved in cooperation with the customer. In 2018, we will continue to keep the number of complaints at a minimum level.

In order to maintain these good numbers, we believe it is important to control all parts of the value chain by using own debt collecting agencies and own call centers, and to use our own experienced people rather than outsourcing to an external party.

### CUSTOMER PRIVACY

#### Materiality Rationale

The right to privacy means every individual's right to keep a private sphere which includes being in control of information about his or her identity, contact information and all kinds of sensitive personal data.

High priority, awareness and compliance with regards to customer privacy is essential to B2Holding when keeping approximately 6.1 million records. This shall ensure a high level of trust among our customers and be part of our corporate social responsibility. Our customers and other stakeholders shall feel confident that the Group's retention and processing of personal data is in line with applicable regulation.

#### Our Basic approach

B2Holding shall process personal data fairly and lawfully. This involves ensuring that any processing meets international and local requirements. In 2017, B2Holding prepared a gap-analysis and will based on this implement the legal and IT requirements reflected in the General Data Protection Regulation (GDPR).

In order to comply with our promises, the Group has invested in efficient and accurate data systems that will help us in our everyday work. Our systems help us to ensure that we follow up our customers at the right time and in the right way, and to secure our data archiving.

We expect the same from third party servicers that we expect from our own people. Consequently, we regularly share our collection values and our care for security of personal data with our regulated and non-regulated vendors and collection providers.

#### Main Achievements and Targets

In 2018, we will continue our work related to GDPR. Measures such as recruitment of locally situated Data Protection Officers (DPOs) will increase our internal competence and is in progress in all of our significant subsidiaries. The DPO shall have an independent role providing

the management and the business with advice and guidance on privacy. Further training will be given to all of our employees handling personal data during 2018.

Following completion of the current GDPR project, the work will continue as an ongoing program with regular – at least annual – updates of legal issues, IT/software adaptations and annual training of employees. Our goal is to be fully compliant to GDPR when the regulation enters into force in May 2018 and from there to comply every day going forward.

## Debt management: WE HELP MANAGE SOCIETY'S DEBT PROBLEMS

### CONTRIBUTION TO A STABLE ECONOMY

#### Materiality Rationale

We help manage society's debt problems, and through our operations contribute towards a greater capital efficiency in the economy in addition to a stable economy. With more than 6.1 million debtors in our systems, B2Holding is in a position to help manage society's debt problems.

*"As Europe and its economy regain strength, Europe must seize the momentum and accelerate the reduction of NPLs. This is essential to further reduce risks in the European banking sector and strengthen its resilience. With fewer NPLs on their balance sheets, banks will be able to lend more to households and businesses",* says Valdis Dombrovskis, Vice-President for the EU's Financial Stability, Financial Services and Capital Markets Union.

The European Commission has proposed an ambitious and comprehensive set of measures, which include encouraging the banks to sell their NPLs by removing undue barriers for credit services and loan purchasers.

#### Our Basic approach

B2Holding is with its strategy and buyer of NPLs in 22 countries, an active contributor to put the EU-banking sector on an even sounder footing for future generations and to support future growth in the markets we serve.

#### Main Achievements and Targets

Through purchase of portfolios the Group has fuelled the banking sector in our markets with in total EUR 1.6

billion since the start in 2011 which combined with the vendors' own leveraging capacity, has contributed to significant new lending to households and businesses in the markets where we operate. B2Holding will continue to support both consumers and businesses in addressing their debt problems and by doing so contribute to a healthy and stable economy.

### TAX POLICIES AND PAYMENTS

#### Materiality Rationale

By performing our daily work as a responsible employer, we try to substantiate the Group's reputation as a responsible citizen. B2Holding contributes to the society in several ways in the countries in which we are represented. Salaries to employees and company income tax are areas where B2Holding's companies contribute in monetary terms which in turn will give rise to new activity and value creation in the society.

#### Our Basic approach

The Group pursues a tax strategy that is principled, transparent and sustainable and managed in a way that is aligned with our business strategy. The Group proactively manages tax issues while operating in accordance with the law.

#### Main Achievements and Targets

B2Holding contributed to the local societies by paying salaries, social security and pensions etc. of in total EUR 52.5 million in 2017 and B2Holding Group paid EUR 15.0 million in local income tax for 2017. The Group applies all relevant tax regulations in a reasonable manner.

## Our partnerships: WE ARE A RELIABLE BUSINESS PARTNER

### RESPONSIBLE COLLECTION PRACTICE

#### Materiality Rationale

We believe that good reputation is a key factor influencing the vendors' choice of partner. Having a strong reputation is therefore essential to us. Honesty, reliability and trustworthiness are words that we want to be associated with when we approach the market and new portfolios.

### Our Basic approach

As a Nordic company, we want to implement our Nordic standards on top of the local expertise. We experience that vendors, customers and employees find comfort in B2Holding being based in a Nordic country. We believe the reason for this is trust. The Nordic societies and populations are a trusting lot, showing a high degree of confidence in other people. We also see that the Nordic countries have small, open and flexible economies and a holistic approach to problem solving. This might be the reason why the Nordic countries have such good scores when assessing anti-corruption in the world. Such mindset should be equally important for our investors and other stakeholders when assessing B2Holding as a player in the debt purchase and collection industry.

Once an acquisition is approved, the local team is responsible for the dialogue with the vendor and the closing of a transaction is performed in a structured process with the vendor in compliance with all regulations and internal procedures.

### Main Achievements and Targets

During 2017, the Group was not subject to any financial or non-financial sanction for non-compliance with local regulations by regulatory authority in any of the 21 countries where we operate. This indicates that the Group's business model is well aligned with the expectations from our stakeholders and the society.

At the same time, we are proud of our Polish business, being awarded "Best Debt Collection Partner" in Loan Magazine Awards 2017, voted by financial institutions in Poland.

In 2018, we will strengthen our reporting on legal and non-financial issues and aim to implement a common policy for the compliance function in all of our subsidiaries.

### ANTI CORRUPTION AND INTEGRITY

#### Materiality Rationale

We want to be associated with trust in the industry we operate in by demonstrating a sound business operation. We shall avoid that the Group or our employees are involved in improper, unethical or inappropriate behavior such as corruption, fraud and financial adultery.

### Our Basic approach

As important as high professional skills is the way we act towards our stakeholders and our colleagues. In 2017, we implemented our updated Code of Conduct, applica-

ble to all of our subsidiaries. The Code of Conduct is our guide to ethical business practice and reflects our values and beliefs. Together with our employees' good judgment, this shall lead us to make the right decisions.

We want to encourage an open culture and protect all employees who speak up against undesirable behavior. To ensure that undesirable behavior is identified, B2Holding ASA has established routines for whistleblowing through which employees are encouraged to report improper, unethical or inappropriate behavior at all levels of the organisation.

### Main Achievements and Targets

We regularly update each other on Group compliance issues and all country managers have participated in developing the Code of Conduct. Training has been provided across the Group on the Code of Conduct, our Anti-Corruption Policy and other underlying policies. Our Code of Conduct is also relevant as a tool for inspiration and source for discussions, reflections and decisions.

Employees working with purchase of portfolios and collection of larger claims, have further training throughout the year on preventing corruption and money laundering among others.

No breaches have been notified in 2017. However, we recognise that ethics is not a skill that can be learned. Moral attitudes must be integrated into the corporate culture. Therefore, we will continue the work for an ethical awareness in which shall influence all our tasks and agreements.

## Our expertise: WE SHARE EXPERTISE, DATA AND BEST PRACTICE

### FAIR WAGES AND WORKING CONDITIONS

#### Materiality Rationale

B2Holding believes that all individuals have the right to earn fair wages and to have safe working conditions. A strong environmental, health and safety (EHS) management provides good working conditions for our employees and contributes to less sickness absence, as well as increased well-being and satisfaction at work. Additionally, B2Holding becomes a more attractive employer. All these factors contribute to increase our profitability.

### Our Basic approach

Communication, cooperation and equality are keywords describing the Nordic working life model. These keywords are always with us and emphasized towards the management in all of our subsidiaries. Our employees shall notice that they are part of a Nordic model and feel confident they are fairly treated.

### Main Achievements and Targets

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

The Company will always make the effort to facilitate for individuals who need adjustable workstations, different tasks or flexible working hours.

No accidents have been reported at work in our Group in 2017. The Group will continue its efforts to contribute to a healthy and safe environment for our employees.

### EMPLOYEE SATISFACTION AND DEVELOPMENT

#### Materiality Rationale

Our people are our most valuable resource and we strive to be a great place to work where everyone is proud to work and feel that they are seen as valuable contributors. To build a competitive employer brand, we commit ourselves to offer our people professional growth and equal opportunities. Only then will we attract and retain talent and be able to further develop the competencies we already possess.

### Our Basic approach

B2Holding has conducted a number of activities aimed at strengthening different professionals' affiliation across the Group, including sharing best practice and motivating employees to contribute to the progress of the Company. Regular meetings with all local managers have resulted in better intercultural understanding and sharing of corporate values. The opportunity for competence development is crucial both for the employees' involvement and for the long-term value creation. Nevertheless, the most important venue for learning is in the daily work of the individual employee. To ensure that every employee performs its best, our local managers have annual employee surveys and development interviews.

### Main Achievements and Targets

During 2018, B2Holding will introduce the new intranet B2Gether. Here we hope to experience extended collaboration, innovation and knowledge sharing among employees across the Group. The intranet may help us to spend less time on arranging meetings and sending e-mails, by having groups to share and discuss ideas, documents and experiences.

Our goal is to develop a knowledge-based organisation and to be a Group who succeeds in engaging all employees to share our beliefs about trust and 'customer's best'.

### DIVERSITY AND ANTI-DISCRIMINATION

#### Materiality Rationale

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

Diversity is necessary to ensure innovation, to create value and to increase our opportunity to attract the greatest talents. In several countries we are considered a major employer and we want to stand out as a good example of gender equality and diversity.

### Our Basic approach

To us, it is obvious to act in compliance with our ethical standards towards anti-discrimination in all decisions made daily. Regular communication with our management people is a useful tool for a common understanding and business performance.

### Main Achievements and Targets

B2Holding will ensure a gender balance among managers and profiled key persons who speak on behalf of the Group both internally and externally. Here we have succeeded; as per end of December 2017 B2Holding had 2.067 full time employee equivalents of which 55 percent were female employees. Approximately 40 percent of the CEOs in the Group are women.

Today, our Group Executive Management (GEM) consists of 12 men. We want to attract the best members for the Group Executive Management and wish to see women represented in the GEM in the future. ●

## THE SHARE

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

As part of the listing in June 2016, B2Holding raised NOK 662 million in net proceeds to finance further expansion. On 13 March 2018, B2Holding completed a NOK 747 million private placement to continue the strong growth.

Based on the last trade on 29 December 2017 which was NOK 20.90, B2Holding's market capitalization was NOK 7,723 million as of the same date.

As of year-end, B2Holding's share price had increased 74.2 % from the offering price of NOK 12.00 per share. During the same period OSEBX increased 31 %. The highest closing price quoted during the year was NOK 21.30 on 18 December 2017, and the lowest closing price was NOK 13.90 on 4 April 2017.

Since the listing in June 2016 and through 2017, a total of 183,064,318 B2Holding shares were traded, corresponding to an average daily trading volume of 321,165 shares.

### OWNERSHIP STRUCTURE

The number of shareholders was 3,133 per year-end 2017. In total 94.2 % of the shares are owned by Norwegian, Swedish, UK and Belgian investors.

Approximately 52 % of the share capital is owned directly or indirectly by private individuals or family offices and the remaining share capital holdings are by institutional investors (Financial investors or under management by financial institutions.)

### SHARE CAPITAL

As of 13 March 2018, B2Holding's share capital amounted to NOK 40.64 million, divided among 406,432,598 shares. There is one class of shares, and all shares are treated equally. The shares are freely negotiable and with equal

rights to vote and equal entitlement to B2Holding's profit and dividend.

### DIVIDEND

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

As B2Holding foresees significant opportunities in the near to medium-term, it aims to distribute 20-30 % of the Group's net profits after tax as dividend to its shareholders, starting at the lower end of this range for the financial years 2016 and 2017. The Board of Directors believes that the Group's strong cash generation capacity supports a higher long-term pay-out target, and potential distribution through both dividends and share buybacks.

The Board of Directors has proposed a dividend of NOK 0.30 per share, corresponding to 23 % of the net profit adjusted for currency translation items due to reporting the accounts in NOK. Based on the last price paid on 29 December 2017 (NOK 20.90), the proposed dividend represents a dividend yield of 1.4 %.

As of year-end, B2Holding's share price had increased 74.2 % from the offering price of NOK 12.00 per share.

### B2HOLDING SHARE PRICE 2017



### B2HOLDING SHARE VOLUME 2017



## CORPORATE GOVERNANCE

B2Holding considers good corporate governance to be a prerequisite for the trustworthiness needed for access to capital and for creating values for B2Holding's stakeholders.

In the pursuit for securing robust and sustainable corporate governance, it is important to perform ethical and efficient business practices, reliable and transparent financial reporting and to comply with all regulations and requirements in all countries where B2Holding operates.

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

B2Holding ASA is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as well as section 7 on the Continuing Obligations of stock exchange listed companies. The Norwegian Code of Practice for Corporate Governance ("the Code") most recently revised on 30 October 2014 may be found at [www.nues.no/en/](http://www.nues.no/en/)

B2Holding is incorporated and registered in Norway and is subject to Norwegian law. As an issuer of bonds and shares listed on Oslo Børs, B2Holding must comply with Oslo Børs' rules for limited companies and tradeable bonds.

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

### 1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

The board of directors in B2Holding (the Board) ap-

proves the B2Holding Corporate Governance Principles that are based on the Code, and as such designed to establish a basis for good corporate governance.

By pursuing the Corporate Governance Principles, the Board and Management shall contribute to achieving the following objectives: Openness in communication with the stakeholders and other interest groups. Independence in the relationship between the Board, the Management and the owners to ensure that decisions are made on an unbiased and neutral basis. Equal treatment and equal rights for all shareholders. Good control and corporate governance mechanisms to secure predictability and reduce the level of risks for owners and other interest groups.

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

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

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

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

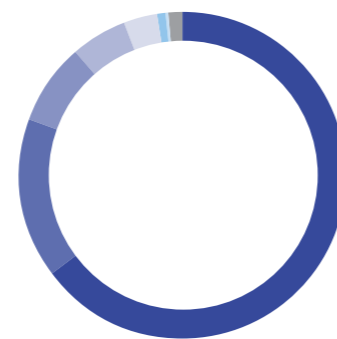
Within B2Holding, we are aware of our responsibility to follow-up on customer. We have to take care of our own and our vendors' reputation and every single day we have to ensure that we build, maintain and win the privilege of mutual trust from our stakeholders while performing our business.

### SHAREHOLDERS PER 31.12.2017

% of total share	Investor
13.83	Prioritet Group AB
12.56	Rasmussengruppen AS
6.49	Valset Invest AS
4.57	Stenshagen Invest AS
4.23	Indigo Invest AS
2.70	Verdipapirfondet DNB Norge (IV)
2.35	Bryn Invest AS
2.25	JP Morgan Chase Bank, N.A., London
1.98	Arctic Funds PLC
1.78	Verdipapirfondet Alfred Berg Gambak
1.57	Greenway AS
1.51	Foreign and Colonial Investment Trust
1.39	Verdipapirfondet DNB Norge Selektiv
1.38	Evermore Global Value Fund
1.31	Swedbank Robur Nordenfond
1.17	Vevlen Gård AS
0.93	Storebrand Norge i verdipapirfond Alfred Berg Norge
0.93	Verdipapirfondet Pareto Investment
0.91	Verdipapirfondet Alfred Berg Norge
9.90	DNB bank ASA
35.25	Others
<b>100.00</b>	

### GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS PER 31.12.2017

	%
■ Norway	64.83
■ Sweden	15.90
■ United Kingdom	7.98
■ Belgium	5.45
■ United States	3.43
■ Luxembourg	0.76
■ Finland	0.50
■ Other European	1.14
<b>Total</b>	<b>100.00</b>



### OWNERSHIP STRUCTURE PER 1.3.2017

Size class	No of shares	Capital/votes %	No of owners	Owners %
1 - 1,000	459,358	0.1	1,232	39.3
1,001 - 10,000	4,797,773	1.3	1,268	40.5
10,001 - 100,000	14,784,589	4.0	434	13.9
100,001 - 1,000,000	43,414,963	11.7	140	4.5
1,000,001 - 5,000,000	92,824,936	25.1	45	1.4
5,000,001 - 10,000,000	62,505,056	16.9	9	0.3
10,000,001 - 52,000,000	150,733,923	40.8	5	0.2
<b>Total</b>	<b>369,520,598</b>	<b>100.0</b>	<b>3,133</b>	<b>100.0</b>

The Board actively adheres to good corporate governance standards and will at all times ensure that B2Holding complies with the requirements of section 3-3b of the Accounting Act and the Code. This is done by ensuring that the topic of good governance is an integral part of the decision-making process in matters dealt with by the Board. B2Holding's corporate governance principles are subject to annual review and discussion by the Board, which has also considered this statement in a Board meeting.

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

*No deviations from the Code.*

## 2. BUSINESS

B2Holding's business objective reads as follows: "B2Holding is a pan-European financial services provider specialised in investment and managing non-performing loans as well as providing third party debt collection solutions. Its strategy involves identifying the right investments in non-performing debt portfolios and acquiring and developing operational companies with strong segment positions in Europe.

The Group's targets and strategies are described in the Director's report. B2Holding keeps the market updated through investor presentations in connection with quarterly financial reporting, and business updates in compliance with the Continuing Obligations of Oslo Stock Exchange.

*No deviations from the Code.*

## 3. EQUITY AND DIVIDENDS

The Board is responsible for ensuring that the Group is adequately capitalised relative to the risk and scope of operations in the various jurisdictions and that the capital requirements set forth in laws and regulations and licenses are met. The Board continuously monitors the Group's capital situation and will immediately take adequate steps should it be apparent at any time that the Company's equity or liquidity is less than adequate.

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

### Dividend policy

The Company will, at all times, have a clear and predictable dividend policy established by the Board. The dividend policy forms the basis for the Board's proposals on dividend payments to the general meeting and shall be disclosed.

In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account applicable legal restrictions, as set out in the Norwegian Public Limited Companies Act, B2Holding's capital requirements, including capital expenditure requirements, its financial condition, general business conditions, and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility.

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

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

### AUTHORISATIONS TO THE BOARD

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

*No deviations from the Code.*

## 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

### Share issues without pre-emption rights for existing shareholders

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

### Transactions in treasury shares

Any transactions carried out by B2Holding in its treasury

shares, will be carried out through Oslo Børs, and in any case to prevailing stock exchange prices. In the event that there is limited liquidity in the shares, B2Holding will consider other ways to cater for equal treatment of shareholders.

### Approval of agreements with shareholders and other close associates

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

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

*No deviations from the Code.*

## 5. FREELY NEGOTIABLE SHARES

The shares of B2Holding are freely negotiable.

*No deviations from the Code.*

## 6. GENERAL MEETINGS

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

B2Holding's corporate governance principles state that the general meetings shall be facilitated through the steps described in the Code. This includes among

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

There will be an independent chairman for the General Meeting.

#### Participation without being present

Shareholders who are unable to be present at the General Meeting will be given the opportunity to vote by proxy. B2Holding will in this respect provide information on the procedure for attending by proxy, nominate a person who will be available to vote on behalf of shareholders as their proxy, and prepare a proxy form, which shall, insofar as this is possible, be set up so that it is possible to vote on each of the items on the agenda and candidates that are nominated for election.

*No deviations from the Code.*

#### 7. NOMINATIONS COMMITTEE

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

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

The objectives, responsibilities and functions of the committee shall be in compliance with rules and standards applicable to the Group and are described in "Instructions for the Nomination Committee" as disclosed on the Company's webpage. The General Meeting shall adopt the instructions for the Nomination

Committee. The Company shall provide information regarding the members of the Nomination Committee and deadlines for submitting proposals to the Nomination Committee.

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

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

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

*No deviations from the Code.*

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

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

In accordance with the Code and B2Holding's corporate governance principles, the Board is composed so that it can act independently of any special interests. A majority of the shareholder-elected members of the Board shall be independent of the Management and material business connections of the Group. Further, at least two of the members of the Board shall be independent of B2Holding's major shareholder(s). For the purposes of B2Holding's corporate governance princi-

ples, a major shareholder shall mean a shareholder that owns or controls 10 % or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

No member of B2Holding's Management should be members of the Board. The chairman of the Board is elected by the General Meeting.

The term of office for members of the Board shall not be longer than two years at a time. Members of the Board may be re-elected.

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

*No deviations from the Code.*

#### 9. THE WORK OF THE BOARD

The Board produces an annual schedule for its work, with particular focus on objectives, strategy and implementation. Instructions for the Board and the CEO, focusing on determining allocation of internal responsibilities and duties, is implemented and disclosed on the Company's webpage. The objectives, responsibilities and functions of the Board and the CEO shall be in compliance with rules and standards applicable to the Group and are described in "Board of Directors' rule of procedure" and "Instructions for the CEO".

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

#### Audit Committee

The Board has established an audit committee. The duties and composition of the Audit Committee are in compliance

with the Norwegian Public Limited Companies Act. The committee is a working committee for the Board, preparing matters and acting in an advisory capacity. The members of the Audit Committee are elected by and amongst the members of the Board for a term of up to two years. The committee members must have the overall competence required to fulfil their duties based on the organisation and operations of the Group. At least one member of the Audit Committee should be competent in respect of finance and audit and be independent of the Group. The objectives, responsibilities and functions of the committee shall be in compliance with rules and standards applicable to the Group and are described in "Instructions for the Audit Committee" (disclosed on the Company's website).

#### Remuneration Committee

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

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

See "Instructions for the Remuneration Committee" which are available on the Company's website.

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

*No deviations from the Code.*

## 10. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- Ethics, code of conduct
- Corporate social responsibility
- Risk management
- Compliance
- Communication
- Financial management, including guidelines for quality assurance of financial reporting
- People and organisation, including guidelines for variable remuneration
- Shareholder relations

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

In Director's report the Board describes the main features of the internal control and risk management systems. The Board is obligated to ensure that it is updated on the Company's financial situation, and continuously evaluate whether the Company's equity and liquidity are adequate in terms of the risk from, and scope of, the Company's activities, and shall immediately take the necessary action if it is demonstrated at any time that the Company's capital or liquidity is inadequate. The Company shall focus on frequent and relevant management reporting to the Board of both operational and financial matters with the purpose of ensuring that the Board has sufficient information for decision-making

and is able to respond quickly to changing conditions. The board of directors will carry out the annual review of the company's most important areas of exposure to risk and its internal control arrangements in a separate, annual board meeting to be held by the end of 3rd quarter every year.

*No deviations from the Code.*

## 11. REMUNERATION OF THE BOARD

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

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

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

Any consideration paid to members of the Board in addition to their board remuneration, will be specifically identified in the annual report. There are no such remuneration paid to members of the Board except for the remuneration approved by the Annual General Meeting on 24th May 2017.

*No deviations from the Code.*

## 12. REMUNERATION OF EXECUTIVE PERSONNEL

B2Holding's policy for determining remunerations to the CEO and members of the Management team should, at all

times, support the group values and strategy. The total remuneration to the CEO and other senior executives consists of base salary, benefits, annual bonus, share options, pension and insurance schemes.

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

A cap is set on performance-related remuneration. The Board prepares a policy for the remuneration of the Management. The policy will contribute to align the interests of shareholders and Management. The policy will be presented for the Annual General Meeting for its consideration. Reference is made to a special section «Remuneration of executive personnel» on page 131, note 30 in the annual accounts as well as the declaration from the Board to the Annual General Meeting.

*No deviations from the Code.*

## 13. INFORMATION AND COMMUNICATIONS

Guidelines have been established to secure timely and precise information to shareholders, Oslo Børs and the financial markets in general. Relevant information is given in the form of annual reports, semi-annual reports, quarterly reports, Stock Exchange releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. B2Holding aim to clarify its long-term potential, including strategies, value drivers and risk factors. An annual, electronic financial calendar with an overview of dates for important events is published on the Company's website. Information to B2Holding's shareholders will be published on the Company's website simultaneously as being released to the Oslo Stock Exchange (Newsweb).

Unless exceptions apply and are invoked, B2Holding will promptly disclose all inside information (as defined by the Norwegian Securities Trading Act). In all

circumstances, B2Holding will provide information about certain events, e.g. by the Board and General Meeting concerning dividends, amalgamations, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by B2Holding and related parties.

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

In addition to the Board's dialogue with the shareholders in the general meetings, the Board makes suitable arrangements for shareholders to communicate with B2Holding at other times. Communications with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in consideration of the principle of equal treatment of the shareholders. As part of the Investor Relations activities, dedicated representatives for the Executive Management meet with investors and financial analysts through regular roadshows, investor conferences, group and individual meetings, ad hoc calls and e-mail messages. B2Holding aims to host capital markets days and similar events as needed in order to further increase transparency and dialogue with investment communities.

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

*No deviations from the Code.*

## 14. TAKE-OVERS

In a take-over process, the Board and Management each have an individual responsibility to ensure that B2Holding's shareholders are treated equally and that there are no un-

necessary interruptions to the Group's business activities. The Board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

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

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

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the bid. Deviations from the Code: There are no other written guidelines for procedures to be followed in the event of a takeover bid. The Group has not found it appropriate to draw up any explicit basic principles for B2Holding's conduct in the event of a takeover bid, other than the actions described above. The Board otherwise concurs with what is stated in the Code regarding this issue.

#### 15. AUDITOR

The auditor shall annually presents the main features of the plan for work with the audit to the Audit Committee and the Board.

The auditor participates in meeting(s) of the Board

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

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

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

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

The Board reports the remuneration paid to the auditor to the shareholders at the annual General Meeting, including a break-down of the fee paid for audit work and fees paid for other specific assignments, if any.

*No deviations from the Code.* ●

## DIRECTORS' REPORT



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

B2Holding ASA is the parent company of a group of companies within the debt management/service industry. Since the incorporation of the company in 2011, the B2Holding Group has grown into a multi-jurisdictional platform with focus on partly performing and non-performing loans (NPLs), debt restructuring and debt refinancing, with ability to serve as a debt solution provider to both retail and corporate clients. In addition, the Group also provides third party debt collection and offers credit information in some of the companies in the Group. B2Holding is headquartered in Oslo and the Group has operations in the Northern Europe, Poland, Central Europe and Southeastern Europe and is targeting continued growth in existing and new markets. In addition the B2Holding Group have their Investment office in Luxembourg.

An essential component of the Group's strategy is to have market presence, established operations, through ownership of companies that can administer and collect both their own and others' loan portfolios. In 2017, the Group continued to extend its geographical footprint by entering into four new countries (Italy, Denmark, Lithuania and Spain), and the Group has at year-end 2017 established operations in 21 countries. Furthermore, the Group has expanded its activities to Cyprus and France in early 2018. Operations in Central Europe, which includes the Western Balkan countries, Hungary, Czech Republic, Italy and Spain, showed continued high activity in most markets, with Croatia still the country with highest activity. On the back of a period with significant growth in this region the operations in the area continue to focus on operational improvements and several initiatives have been implemented during 2017.

In the Southeastern Europe segment which includes Romania, Bulgaria, Greece and Cyprus (from early 2018), the Group is now established as one of the large players. Portfolio purchase activity in Romania and Bulgaria has been high throughout the year with both secured and unsecured portfolios being acquired. Furthermore we

received the license needed for debt collection from the Bank of Greece in August 2017, and we expect to see an increase in our activities in Greece going forward. Poland is like last year still a competitive market. However, price pressure on portfolios has eased somewhat, and we expect this trend to continue going forward, where prices will stabilize or even slightly decline. In the competitive environment we have seen in Poland, the Group has emphasized a cautious approach through price discipline and continued focus on operational efficiency through streamlining the operations.

The Northern Europe segment showed another year of record high activity through portfolio purchases in a combination of increased forward flow arrangements and larger one-off transactions. The operations showed strong operational efficiency, and good earnings development, with Finland leading the way both in terms of portfolio volumes and operational efficiency.

The Group listed its shares on the Oslo Stock Exchange on 8 June 2016, and the share showed a positive development in 2017 with a share price increase of 36.5%. In order to facilitate further growth, the Group issued a EUR 200 million (2017/2022) senior unsecured bond loan on 14 November 2017. As of 31 December 2017, the Group had NOK 1,943 million in available investment capacity in addition to the strong operating cash flow from collection of the current portfolio investment.

On 14 March 2018, B2Holding ASA announced the successful subscription of a private placement raising gross proceeds of NOK 747.5 million at a subscription price of NOK 20.25 per share. The private placement was significantly oversubscribed. Following the private placement, B2Holding also announced the purchase of a larger portfolio in Greece, agreement of commercial terms for the purchase of two significant portfolios in Central- and Southeastern Europe as well as entering the French market through the acquisition of 100% of the shares in Negociation et Achat de Creances Contentieuses (NACC).

## FINANCIAL STATEMENTS

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

### Profit and loss

B2Holding (the Group) recorded a full year operating profit of NOK 984.2 million for the year 2017, an increase of NOK 468.5 million (90.8%) from NOK 515.7 million in 2016. The main reasons for the increase is the continuing growth of the Group, with growth in operating profit in all the Groups geographic segments. The profit margin increased from 36.9% in 2016 to 48.9% in 2017 mainly due to focus on operational efficiency, growth in key markets and low amortisation/revaluation of purchased portfolios.

Operating revenues for the year amounted to NOK 2,012.7 million compared to NOK 1,396.1 million in 2016, an increase of NOK 616.5 million (44.2%). Revenues from purchased loan portfolios amounted to NOK 1,757.1 million and increased with NOK 551.2 million (45.7%) compared to NOK 1,205.9 million in 2016. The increase in revenues is driven by high activity in portfolio acquisitions in existing markets and entering into new markets in 2017.

Operating expenses, excluding depreciation and amortisation, increased with NOK 212.0 million (24.9%) in 2017 compared to 2016 mainly due to increased activity in the Group. Number of FTEs in the Group was 2,067 at end of December 2017, up 39% from the beginning of the year. The increase in FTE's is due to the acquisition of Verifica S.A., Spain in late 2017 and growth in operations in key markets. The B2Holding Group does not conduct any research and development activities. Internal expenses related to development of IT-systems and the Group's services are expensed when incurred.

Net financial expenses ended at NOK 336.6 million, of which interest expenses on interest bearing debt amounted to NOK 357.2 million and a net foreign exchange gain of NOK 18.3 million. The net foreign exchange gain is mainly related to unrealised exchange losses on internal financing of the Group.

### Cash flows and cash collection

Gross cash collections increased in 2017 with NOK 681.9 million (36.5%) to NOK 2,552.3 million due to significant increase in purchased loan portfolios and activity. The cash collections increased in all the Group's geographical segments.

Cash flow from operating activities for the year ended at NOK 1,289.3 million, NOK 381.3 million (42.0%) higher than the same period in 2016. The difference between operating cash flows and the operating profit of NOK 305.1 million is mainly related to high cash collection from purchased loan portfolios offset by unrealised foreign exchange balances, paid taxes and timing differences. Cash flow from investment activities ended at NOK 4,270.1 million mainly due to purchased loan portfolios of NOK 4,111.8 million and the acquisition of Verifica S.A. Net cash flow from financing activities in the period ended at NOK 3,063.6 million after the Group issued a EUR 200 million senior unsecured bond loan in November and in October 2017 increased the current RCF with a EUR 100 million Term Loan.

### Balance sheet and liquidity

Total assets at 31 December 2017 amounted to NOK 10,797.4 million compared to NOK 6,148.9 million in 2016. The equity amounted to NOK 3,148.4 million and the equity ratio was 29.2% compared to 39.4% at 31 December 2016.

Portfolio purchases in 2017 totalled NOK 4,111.8 million of which 35.3% in the Northern Europe, 8.5% in Poland, 37.3% in Central Europe and 18.9% in Southeastern Europe. Total book value of purchased

loan portfolios ended at NOK 8,731.6 million end of December 2017, an increase of NOK 3,979.8 million (83.8 %) from year-end 2016.

After the Group issued a EUR 200 million senior unsecured bond loan and increased the current RCF with a EUR 100 million Term Loan in 2017, interest bearing loans and borrowings amounted at the end of 2017 to NOK 6,853.8 million compared to NOK 3,217.7 million at the end of 2016.

Cash and cash equivalents amounted to NOK 452.0 million at the balance sheet date compared to NOK 217.6 million at the end of 2016. Of this amount NOK 2.9 million were restricted balances. The Group's liquidity situation is satisfactory and the ability to finance future investments remains good.

#### Parent company

B2Holding ASA, the parent company, recorded a full year loss after tax of NOK 51.7 million compared to a full year loss of NOK 78.9 million in 2016. The difference from 2016 is mainly due to non-recurring Initial Public Offering cost of NOK 12 million in 2016 and net gain on financial items of NOK 27.1 million in 2017, offset by increased cost related to social security taxes on management share option program in 2017.

After the EUR 200 million bond issue, issue of new shares and increase in long term loans to group companies, net cash flow for the year ended at NOK 6.1 million compared to NOK -184.1 million for 2016.

Total assets at 31 December 2017 amounted to NOK 7,684.5 million compared to NOK 5,416.9 million in 2016. The equity amounted to NOK 2,215.4 million and the equity ratio was 28.9 %.

Cash and cash equivalents amounted to NOK 8.7 million at the balance sheet date compared to NOK 2.6 million at the end of 2016. Of this amount, NOK 2.5 million were restricted balances. The Company's liquidity situation is satisfactory and the ability to finance future investments remains good.

#### FINANCIAL AND OTHER RISKS

The objective for the adopted risk management policy is to manage, rather than eliminate, exposure to risks related to the successful conduct of B2Holding's businesses. Effective risk management and good internal control routines contribute to secure shareholder's investment in B2Holding ASA and the underlying assets. The CEO and the regional directors are responsible for and shall ensure that all business units operate and develop in accordance with B2H's risk management and internal control routines.

The Board of Directors has reviewed the companies most important risk areas and addressed the identified risk. Those are in addition to the financial risks described below, the management/organisational risk, the regulatory risk and the reputation risk. The potential risk of having a decentralised organisation has been partly reduced through establishing new group functions (legal-, compliance- and organizational development), establishing guidelines for management remunerations and reorganisation of the management structure into regions.

The regulatory risk is monitored locally as well as on the Group level through the regular business reporting system. Local industry associations where B2Holding is a member, are working for the interest of the local industry and hence participating in managing the regulatory risk. There is always a political risk that some governments may take action in favour of the debtor that may be contradictory to what the EU commission is trying to achieve in the banking sector by removing undue barriers for credit services and loan purchasers.

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

Reference is made to page 46 and the chapter Risk Management describing the risk management structure more in detail and this chapter constitutes an integrated part of the Directors' Report.

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

#### Credit Risk

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

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

As long as there is uncertainty about the ability of debtors to fulfil their obligations, there will also be considerable credit risk linked to cash collected from the Group's loans and receivables. The Management's view is that the real credit risk exposure is reduced through the price discount paid on the acquisition of the portfolios. In order to minimise the credit risk exposure, the Group continues to invest in staff with broad experience in credit management and focus on increased analytical approaches to portfolio assessments.

#### Market Risk

The Group is exposed to changes in foreign exchange rates, especially changes in the Euro, Croatian Kuna, Polish Zloty, Swedish Krona, Danish Krone, Romanian

Leu, Bulgarian Lev, Hungarian Forint, Bosnian Mark, Czech Koruna and Serbian Dinar, as a substantial share of the Group's revenues and costs are in these local currencies. The net borrowing, adjusted with derivative financial instruments, are made in relevant currencies reflecting the underlying expected future cash flow from the portfolios, contributing to a natural hedge of the currency risk.

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

#### Operational Risk

The prime market risk for the Group is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

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

#### Liquidity Risk

The Group's multi-currency revolving credit facility (RCF), multi-currency term loan and bond loan ensures necessary funding to meet future payment obligations. The total committed loans have a remaining maturity of 2.9 years. At 31 December 2017, the Group had an unused part of the multi-currency agreements (including a EUR 20 million overdraft) totalling EUR 172 million or NOK 1,691 million, in addition to cash and cash equivalents of NOK 452 million.

The Board considers the Group's liquidity reserves,

drawing capacity and cash generated from operations to be sufficient and flexible enough for covering financial obligations when they fall due as well as meeting its business priorities.

## ENVIRONMENT AND EMPLOYEES

### Administration and personnel

There were 8 days of sick leave in the parent company B2Holding ASA in 2017. Throughout 2017, no accidents resulting in serious injury or material damage have been reported. The workplace environment is considered to be positive, and improvements are made on a continuous basis. B2Holding ASA had 17 employees at the end of the year, of which four were women and thirteen were men. At 31 December 2017, the Board of Directors consisted of five members of which two were women and three were men. The deputy board member is a man.

### Equality and discrimination

In the B2Holding Group the total number of employees at year end was 2,374, comprising of 1,307 women and 1,067 men. The total number of full time employee equivalents (FTEs) was 2,067 of which 1,126 were women and 941 were men. The Group aims to be a workplace where there is gender equality. The Group employs a policy where no discrimination is allowed in issues relating to wages, promotion, or recruitment. Reference is made to page 51 and the report on Corporate social responsibility which constitutes an integrated part of the Directors' Report.

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

development, and protection against harassment.

The Group strives to be a workplace where no discrimination is made 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 utilised by as many as possible. Employees and applicants with physical disabilities will receive individual solutions in order to facilitate their workplace environment and responsibilities.

### Environment and corporate social responsibility (CSR)

Under section 3-3a and 3-3c of the Norwegian Accounting Act, B2Holding is required to report on its corporate responsibility and selected related issues. The section Corporate Social Responsibility on page 51 is based on the principles described in "Oslo Børs guidance on the reporting of corporate responsibility" from September 2016 and the CSR report constitutes an integrated part of the Directors' Report.

Our commitment to Corporate Social Responsibility (CSR) is integrated in our business and reflects what we believe in and what we want to be recognized for. We strongly believe that our business model will contribute to positive progress for our customers, our employees, our partners and our investors and to the society in general. We believe that the concept of CSR will have consequences for B2Holdings financial performance and long-term value creation.

To ensure the appropriate focus and relevance of our long-term value creation and reporting, B2Holding has during 2017 conducted a materiality assessment to identify and prioritise the most material issues, both to our business performance and to our stakeholders. The topics assessed were based on two main perspectives; 1) current and emerging stakeholder concerns, and 2) the company's key sustainability risks and opportunities. The materiality process has been validated through internal workshops and meetings within the B2Holding Group to adapt for changes in context,

risk and stakeholder views.

The most important stakeholders are our customers, employees and the society in general. Our customers care about being treated with respect and dignity, our employees care about their working conditions and development, while authorities are focusing on local laws and regulations. We work with our stakeholders in the community to ensure a responsible and sustainable business, and to increase our positive contributions and support our reputation. There are several factors that influence what areas our company wants to prioritise when it comes to maintaining a long-term business practice. Important elements include the company's strategy, regulatory requirements, input from stakeholders, global frameworks and initiatives. During 2018 we will clarify goals, policies and actions plans for prioritised topics.

For further information see page 51 regarding Corporate Social Responsibility and the materiality assessment which constitute an integrated part of the Directors' Report.

The Board of Directors wishes to thank all employees for all support and efforts made for the achieved results and progress in 2017.

## CORPORATE GOVERNANCE

### Risk Management and internal control

The Risk Management report on page 46 and the Corporate Governance report on page 61 constitute an integrated part of the Directors' Report.

At B2Holding ASA's General Meeting on 19 May 2016, Jon Harald Nordbrekken, Trygve Lauvdal, Kari Skeidvoll Moe, Tove Raanes and Per Kristian Spone were elected as members of the Board of Directors and Niklas Wiberg was elected as a deputy board member entitled to participate in the board meetings. At B2Holding ASA's General Meeting on 24 May 2017, Kari Skeidvoll Moe and Tove Raanes who were elected for a period until the annual general meeting in 2019. The other mem-

bers were elected in 2016 for the period until the annual general meeting in 2018. All members were elected in accordance with the proposal and recommendation from the Nomination Committee.

The internal control and risk management policy adopted by the Board of Directors on 15 February 2016 establishes the processes and policies for managing and controlling the risks faced by the Company. On the same date the Board of Directors established the Audit Committee, which was re-established after the General Meeting on 24 May 2017 with Per Kristian Spone as leader and Tove Raanes as Committee member. The external auditor, EY, will participate in meetings with the Audit Committee when matters falling within the scope of the external auditors' responsibilities are considered.

On 19 May 2016 the Board of Directors resolved to appoint the Remuneration Committee with Kari Skeidvoll Moe as leader and Trygve Lauvdal as Committee member.

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

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

The Group Executive Management consisting of the CEO, the regional Directors and the head of Group functions (Financial, Legal, Compliance, Investments, Organizational and improvements) are an advisory body to the CEO and a management forum for monitoring joint risk elements across functions.

The established legal-, compliance, organization and

improvement- and controlling teams on Group level are supporting the regions and business units in conducting their business and managing the inherent risk.

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

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

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

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

#### Nomination Committee

B2Holding's Nomination Committee is stated in the articles of association. The committee shall have three members, including the head of the committee. As to the composition of the Nomination Committee, the interests of the shareholders will be taken into account, as well as the majority of the members shall be independent of the Board and of the executive management. The Chairman of the Board and CEO shall be invited to a minimum of one meeting of the Nomination Committee before it gives its final recommendation. They will have the right to address the committee, but have no voting rights.

The Nomination Committee shall propose and present to the general meeting candidates for election to the Board.

The Instruction for the Nomination Committee was approved by the Extraordinary Meeting on 19 May 2016 after which each member of the Nomination Committee shall act for two years. At B2Holding ASA's General Meeting on 24 May 2017, Ole Grøterud, Albert Collet and Egil Dahl were elected for a period until the annual general meeting in 2019. The Nomination Committee members are: Ole Grøterud, Head of committee; Albert Collett and Egil Dahl.

#### Equity

The parent company's share capital at 31 December 2017 amounted to NOK 37.0 million. Total equity for the Group at 31 December 2017 was NOK 3,148.4 million corresponding to an equity ratio of 29.2 %. Considering the nature and scope of B2Holding's business, the Board considers that the Company has adequate equity.

#### GOING CONCERN

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

#### OUTLOOK

The last quarter of 2017 was a record quarter with respect to portfolio purchases, and B2Holding also announced the acquisition of Verifica in Spain in November. The portfolio pipeline was very high at the beginning of 2018 compared to the same period in 2017. B2Holding announced portfolio acquisition in Cyprus and Greece in the beginning of 2018 that are new portfolio markets for B2Holding. In connection with the equity issue in March, the Group also announced agreement on commercial terms for two significant portfolios in Central- and Southeastern Europe reflecting the strong

pipeline in the first quarter 2018. B2Kapital Cyprus has applied for the necessary licence to collect, and the portfolio transaction announced in January will be closed upon receiving the licence. Furthermore, in March the Group acquired NACC in France. B2Holding has delivered strong growth in 2017 and is well positioned for further growth in the years to come with operating platforms in 22 countries, including the access to the largest NPL markets in Europe through the platforms in France, Italy, Greece, Cyprus and Spain. As communicated in the fourth quarter, B2Holding will continue to have a strong focus on operational efficiency, in order to improve output and operating margin.

#### ANNUAL PROFITS AND DISTRIBUTIONS

The Board has proposed to allocate the 2017 loss of NOK 51.7 million of the parent company B2Holding ASA as follows;

Proposed dividend of NOK 0.30 per share for 2017

Share dividend	NOK	121,929,779
Transfer from retained earnings:	NOK	-173,609,779
<b>Total distributions:</b>	<b>NOK</b>	<b>- 51,680,000</b>

Oslo, 9 April 2018

/sign/

Jon Harald Nordbrekken  
Chairman of the Board

/sign/

Trygve Lauvdal  
Board Member

/sign/

Kari Skeidsvoll Moe  
Board Member

/sign/

Tove Raanes  
Board Member

/sign/

Per Kristian Spone  
Board Member

/sign/

Olav Dalen Zahl  
Chief Executive Officer

# THE BOARD OF DIRECTORS



**JON HARALD NORDBREKKEN**  
Chairman

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

Number of board meetings in 2017:

**27 of 27**

Number of shares: **26,588,496\***

Born: **1952**

\* Number of shares after Private Placement in March 2018.



**TRYGVE LAUVDAL**

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

Number of board meetings in 2017:

**21 of 27**

Number of shares: **0**

Born: **1969**



**KARI SKEIDSVOLL MOE**

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

Number of board meetings in 2017:

**24 of 27**

Number of shares: **6,200**

Born: **1975**



**TOVE RAANES**

- Independent
- Member of the Auditing Committee
- Board member since 19 May 2016
- Tove Raanes works as an investment advisor to family owned investment companies (Varner Kapital AS, Dyvi Invest AS and Nore Invest AS).
- Extensive board experience, currently serves on the board of Bouvet ASA and Medistim ASA, both listed on the Oslo Stock Exchange.
- MSc in Economics and Business Administration.

Number of board meetings in 2017:

**27 of 27**

Number of shares: **7,500**

Born: **1977**



**PER KRISTIAN SPONE**

- Represents fifth largest shareholder Indigo Invest AS
- Leader of the Auditing Committee
- Board member since start-up
- CEO of Indigo Invest AS, an investment company owned by the Bentsen family. Development of car parks, real estate and financial investments.
- Extensive board experience.
- HRS degree (“Høyere revisorstudium”) and an MSc Economics and business administration.

Number of board meetings in 2017:

**26 of 27**

Number of shares: **6,000**

Born: **1973**



**NIKLAS WIBERG**

- Represents largest shareholder Prioritet Group AB
- Deputy board member since 2016, 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, and has app SEK 2.5 billion equity.
- Magister level degree in Business with Specialisation in accounting, finance and entrepreneurship.

Number of Board meetings in 2017:

**25 of 27**

Number of shares: **0**

Born: **1978**

# FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2017	2016
<b>Operating revenue</b>			
Revenue from purchased loan portfolios	5	1,757,140	1,205,942
Revenue from external collection		124,075	104,401
Other operating revenues		131,464	85,799
<b>Total operating revenues</b>	<b>7</b>	<b>2,012,678</b>	<b>1,396,141</b>
<b>Operating expenses</b>			
External cost of services provided	8	-285,539	-243,665
Personnel costs	9	-490,287	-358,824
Depreciation of tangible fixed assets	14	-12,808	-9,693
Amortisation of intangible assets	15	-23,085	-20,182
Other operating expenses	10	-286,837	-248,198
Profit from shares and participation in associated companies and joint ventures	16	70,083	152
<b>Operating profit (EBIT)</b>		<b>984,205</b>	<b>515,731</b>
<b>Other income and expenses</b>			
Net realised and unrealised exchange gains/(losses)	11	18,283	-66,138
Other interest income	11	2,907	1,604
Other interest expenses	11	-357,153	-224,577
Other financial items	11	-621	743
<b>Net financial items</b>		<b>-336,583</b>	<b>-288,367</b>
<b>Profit for the year before tax</b>		<b>647,622</b>	<b>227,364</b>
Income tax expense	12	-166,391	-46,288
<b>Profit for the year after tax</b>		<b>481,231</b>	<b>181,077</b>
<b>Profit attributable to:</b>			
Parent company shareholders		481,651	181,575
Non-controlling interests		-420	-498
		<b>481,231</b>	<b>181,077</b>
<b>Earnings per share attributable to parent company shareholders (in NOK):</b>			
Basic	13	1.30	0.53
Diluted	13	1.27	0.52

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2017	2016
<b>Profit for the year before tax</b>		<b>481,231</b>	<b>181,077</b>
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		304,408	-96,755
Hedging of currency risk in foreign operations	5	-19,828	
Tax attributable to items that may be reclassified to profit or loss		4,957	
<b>Other comprehensive income for the period, net of tax</b>		<b>289,537</b>	<b>-96,755</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>770,769</b>	<b>84,322</b>
Profit attributable to:			
Parent company shareholders		771,234	84,741
Non-controlling interests		-465	-419
		<b>770,769</b>	<b>84,322</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures in NOK'000s unless otherwise stated

At 31 December	Notes	2017	2016
<b>Non-current assets</b>			
Tangible fixed assets	14	66,439	27,368
Intangible assets	15	134,576	63,161
Goodwill	15	522,366	394,800
Shares in associated companies and joint ventures	16	5,564	3,935
Purchased loan portfolios	5	8,731,632	4,751,878
Loan receivables	5	414,580	311,296
Other long term financial assets	17	197,622	192,030
Deferred tax asset	12	65,778	64,004
<b>Total non-current assets</b>		<b>10,138,557</b>	<b>5,808,473</b>
<b>Current assets</b>			
Accounts receivable	18	74,989	50,734
Other short term assets	18	131,884	72,071
Cash and cash equivalents	19	452,000	217,608
<b>Total current assets</b>		<b>658,874</b>	<b>340,413</b>
<b>Total assets</b>		<b>10,797,431</b>	<b>6,148,886</b>
<b>Equity</b>			
Share capital	20	36,952	36,912
Other paid in capital	20	2,087,317	2,083,216
Other capital reserves	21	17,852	13,867
Foreign currency translation reserve		319,011	29,533
Other equity		687,438	262,890
<b>Total equity attributable to parent company shareholders</b>		<b>3,148,569</b>	<b>2,426,417</b>
Equity attributable to non-controlling interests		-189	-1,528
<b>Total equity</b>		<b>3,148,380</b>	<b>2,424,889</b>
<b>Non-current liabilities</b>			
Long term interest bearing loans and borrowings	22	5,738,696	3,217,715
Deferred tax liabilities	12	95,709	51,027
Post-employment liabilities	23	1,190	474
Other long term liabilities	24	69,017	64,054
<b>Total non-current liabilities</b>		<b>5,904,612</b>	<b>3,333,270</b>
<b>Current liabilities</b>			
Short term interest bearing loans and borrowings	22	989,436	
Bank overdraft	22	125,655	
Accounts and other payables	25	266,603	156,486
Income taxes payable	12	56,531	62,097
VAT, payroll and other indirect taxes	26	65,550	29,483
Other current liabilities	27	240,663	142,660
<b>Total current liabilities</b>		<b>1,744,439</b>	<b>390,726</b>
<b>Total liabilities</b>		<b>7,649,051</b>	<b>3,723,996</b>
<b>Total equity &amp; liabilities</b>		<b>10,797,431</b>	<b>6,148,886</b>

Oslo, 9 April 2018

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

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All figures in NOK'000s unless otherwise stated

	Attributable to parent company shareholders					Total	Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Other capital reserves	Foreign currency translation reserve	Other equity			
<b>At 1 January 2016</b>	31,187	1,426,790	7,162	126,368	81,313	1,672,820	-909	1,671,911
Profit for the year after tax					181,575	181,575	-498	181,077
Other comprehensive income, net of tax				-96,834		-96,834	79	-96,755
Total comprehensive income				-96,834	181,575	84,741	-419	84,322
Issue of share capital (note 20)	5,725	682,082				687,807		687,807
Transaction costs (note 20)		-25,656				-25,656		-25,656
Share based payments (note 21)			6,705			6,705		6,705
Dividends to non-controlling interests							-199	-199
<b>At 31 December 2016</b>	<b>36,912</b>	<b>2,083,216</b>	<b>13,867</b>	<b>29,533</b>	<b>262,890</b>	<b>2,426,417</b>	<b>-1,528</b>	<b>2,424,889</b>
Profit for the year after tax					481,651	481,651	-420	481,231
Other comprehensive income, net of tax				289,582		289,582	-45	289,537
Total comprehensive income				289,582	481,651	771,234	-465	770,769
Dividend paid to parent company's shareholders					-55,368	-55,368		-55,368
Issue of share capital (note 20)	40	4,100				4,140		4,140
Share based payments (note 21)			3,985			3,985		3,985
Acquisition of non-controlling interests (note 6)				-104	-1,736	-1,840	1,821	-19
Dividends to non-controlling interests							-176	-176
Non-controlling interest arising on business combinations (note 6)							160	160
<b>At 31 December 2017</b>	<b>36,952</b>	<b>2,087,317</b>	<b>17,852</b>	<b>319,011</b>	<b>687,438</b>	<b>3,148,569</b>	<b>-189</b>	<b>3,148,380</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2017	2016
<b>Cash flow from operating activities</b>			
Profit for the year before tax		647,622	227,364
Adjustment for non-cash items:			
Revenue from purchased loan portfolios	5	-1,757,140	-1,205,942
Depreciation and amortisation of assets	14,15	35,893	29,875
Interest expenses	11	357,153	227,315
Unrealised foreign exchange differences		-97,515	180,046
Share based payment expense	21	3,985	6,705
(Profit)/loss on sale of tangible and intangible fixed assets		-131	41
<b>Operating cashflows:</b>			
Gross cash collection from purchased loan portfolios	5	2,552,281	1,870,388
Interest paid		-317,953	-183,761
Income tax paid during the year		-138,139	-60,393
<b>Operating capital adjustments:</b>			
Decrease/(increase) in current assets		-48,710	-46,979
Decrease/(increase) in other non-current financial assets		-43,967	-107,239
Increase/(decrease) in current liabilities		117,375	-21,955
Increase/(decrease) in non-current liabilities		-18,155	-8,258
Other items		-3,261	793
<b>Net cash flow from operating activities</b>		<b>1,289,337</b>	<b>908,002</b>
<b>Cash flow from investing activities</b>			
Purchase of loan portfolios	5	-4,072,940	-2,529,795
Investment in subsidiary companies and joint ventures	6	-115,201	-99,482
Payment of contingent consideration	6	-29,154	-162,678
Purchase of tangible and intangible fixed assets	14,15	-55,814	-29,232
Proceeds from the sale of tangible and intangible fixed assets		3,000	2,383
<b>Net cash flow from investing activities</b>		<b>-4,270,109</b>	<b>-2,818,803</b>
<b>Cash flow from financing activities</b>			
Proceeds from the issue of new shares, net of transaction costs		4,140	662,151
Proceeds from new external loans during the year	22	5,981,701	2,492,574
Repayment of external loans during the year	22	-2,866,710	-1,754,439
Dividend paid to parent company's shareholders		-55,368	
Dividends paid to non-controlling interest		-176	-199
<b>Net cash flow from financing activities</b>		<b>3,063,587</b>	<b>1,400,087</b>
<b>Net cash flow during the year</b>		<b>82,816</b>	<b>-510,715</b>
Cash and cash equivalents at 1 January		217,608	764,678
Exchange rate difference on cash and cash equivalents		25,921	-36,355
<b>Cash and cash equivalents at 31 December</b>	19	<b>326,345</b>	<b>217,608</b>
Cash and cash equivalents comprised of:			
Cash and cash equivalents		452,000	217,608
Bank overdraft		-125,655	
		<b>326,345</b>	<b>217,608</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

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

#### 1.1 General information

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

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

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 9 April 2018.

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

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

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

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

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

#### 1.3 Consolidation principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

#### 1.4 Change in presentation of financial information

In order to improve the quality of financial statement presentation and to give the user of the annual report a better view of the performance of the Group's operations, the financial statements and note disclosures have been updated with the following changes;

##### Consolidated statement of comprehensive income:

The "consolidated statement of comprehensive income" has previously been part of the statement "consolidated statement of profit or loss and other comprehensive income". From 2017 the statement of "consolidated comprehensive income" have been separated and is now presented as a separate statement. The statement over profit or loss is now named "consolidated income statement". There are no impact on reported financial numbers related to these changes.

##### Consolidated income statement:

In 2017 the line item "changes in portfolio cash flow estimates" and the line item "interest income on purchased loan portfolios" from the 2016 annual report, have been merged and is now presented as one line item "revenue from purchased loan portfolios". The line item "net operating revenues" is now presented as "total operating revenues". There are no changes in financial numbers other than the merge of line items. The previous line items "interest revenue" and "changes in portfolio cash flow estimates" are disclosed in note 5.3.

##### Consolidated statement of cash flows:

From 2017 the presentation of cash flows have been corrected to reflect the actual cash flows from operations and investments and the 2016 statement have been adjusted accordingly. The correction in presentation increase "Net cash flow from operating activities" in 2016 with NOK 105.6 million and have an equivalent decrease in "Net cash flow from investing activities". See note 34 for further information about the corrections.

##### Segment information:

As part of the growth in the Group, the Group have in 2017 implemented

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

a regional management structure. As part of this regionalisation the regional segments have been updated. New segments is; Northern Europe (has previously been reported as Norway, Finland & Estonia, Sweden and Latvia), Central Europe (has previously been reported as West SEE), and Southeastern Europe (previously reported as East SEE). See note 7 for further information about operating segments.

### NOTE 2 Summary of significant accounting policies

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

#### 2.1 Business combinations and goodwill

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

The Group's cost of the subsidiary's shares or operations consists of the fair value of the consideration given on the transfer date, including any conditional purchase consideration which is recognised as a liability at fair value at the acquisition date, as well as the amount of any non-controlling interest in the subsidiary. Contingent consideration is a financial instrument and falls within the scope of IAS 39, Financial Instruments: recognition and measurement. Any changes in the fair value of contingent consideration is recognised in the income statement. A contingent payment that is considered to be remuneration for future services of employees or former owners of the acquiree is recognised as personnel costs.

Non-controlling interests arise in cases where the acquisition does not relate to the entire subsidiary. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

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

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

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

of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in the income statement and is not reversed in a subsequent period.

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

#### 2.2 Investments in associated companies and joint arrangements

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

Joint arrangements are classified as either joint ventures or joint operations. When accounting for joint ventures, the equity method is applied. For joint operations, the parties recognise their rights to assets and liabilities in their balance sheets and recognise their share of income and costs incurred jointly in their income statements. The Group's joint arrangements are determined to be joint ventures.

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

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

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Group, except for the Joint Venture EOS Credit Funding BL DAC which prepare financial statements for the period 1 March to 28 February.

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

Upon loss of significant influence over the investment, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the income statement.

#### 2.3 Foreign currencies

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

Transactions in a currency other than the local functional currency are recognised at the exchange rate in effect on the transaction date. When such transactions are settled, any difference in the exchange rate will give rise

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

to a realised exchange rate gain or loss. Monetary assets or liabilities in a currency other than the local functional currency are translated at the exchange rates on each balance sheet date and will give rise to an unrealised exchange rate gain or loss. Both realised and unrealised exchange rate differences are recognised in net financial items in the income statement.

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

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

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

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

### 2.4 Purchased loan portfolios

Purchased loan portfolios consist of portfolios of non-performing loans and debt, purchased at prices significantly below the nominal receivable. They are recognised at amortised cost according to the effective interest method in accordance with the rules for loans and receivables set out in IAS 39. All portfolios are classified as non-current assets in the statement of financial position.

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

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

Each portfolio is initially recorded in the statement of financial position at cost, including all transaction costs. Subsequent price adjustments for portfolios acquired are recorded as an adjustment to the statement of financial position. Interest income on purchased loan portfolios is accrued

monthly in the income statement based on each portfolios effective interest rate. Monthly cash flows greater than the cash flow forecast for the same period are recorded as income in the period. Likewise, monthly cash flows that are less than the monthly cash flow forecast for the same period are recorded as a reduction of income in the period.

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

Significant estimates have been made by Management with respect to the collectability of future cash flows from portfolios. The cash flow estimates are prepared by Management over a forecast period of time. If the cash flow estimates are revised, the carrying amount is recalculated by computing the present value of estimated future cash flows using the original effective interest rate. A reduction in the carrying amount is recorded as a reduction in income while an increase in the carrying amount is recognised as an increase in income.

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

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

### Repossession of assets

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

Repossessed assets classified as investment property are in subsequent periods measured at fair value. Internal and external expertise is used for valuations. Changes in fair value and gains/(loss) from sale or disposals are recognised in the line item "Other operating revenue".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### 2.5 Segments

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

The Group's operating segments are the geographical regions, Northern Europe (Norway, Sweden, Denmark, Finland, Estonia, Latvia, Lithuania), Poland, Central Europe (Croatia, Slovenia, Serbia, Montenegro, Bosnia-Herzegovina, Austria, Czech Republic, Hungary, Italy, Spain), Southeastern Europe (Bulgaria, Romania, Greece) and Central functions (including the parent company, the Netherlands, and Group functions in Luxembourg). Balance sheet, revenues and operating profit are allocated to the segments according to the origination country of purchased portfolios. 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 recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties. The following specific recognition criteria must also be met before revenue is recognised.

#### Income on purchased loan portfolios:

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

#### Revenue from external collection:

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

#### Unidentified receipts and excess payments:

The Group receives large volumes of payments from debtors for itself and its clients. There are instances where the sender's reference information is missing or incorrect making it difficult to allocate the payment to the right case. There are also situations where payments are received on closed cases. In such instances, a liability is recognised in the statement of 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.

#### Other revenue:

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

#### Dividends:

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

### 2.7 Taxes

#### Current income tax:

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

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

#### Deferred tax:

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### Sales tax:

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

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

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

### 2.8 Tangible fixed assets

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

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

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

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

### 2.9 Leases

A lease is classified as either a finance or operating lease. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The leased asset is recognised in the statement of financial position as a fixed asset and the future lease payments are recognised as a liability, with the portion falling due for payment within one year recognised as a current liability and the remaining portion recognised as a long term liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

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

### 2.10 Intangible assets

Intangible assets include purchase of software and intangible assets acquired separately or in a business combination.

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 classified in the income statement as 'Amortisation of intangible assets'.

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

### 2.11 Impairment of fixed assets and other non-current assets

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

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

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

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### 2.12 Financial assets and liabilities

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

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

Financial assets and liabilities are recognised by the Group when it becomes party to the contractual provisions of the instrument and are initially measured at fair value or amortised cost. Subsequent measurement of the Group's financial assets and liabilities depends on their classification, as described below.

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

#### Accounts and other receivables:

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

Accounts and other receivables are recognised initially at fair value and subsequently measured at the amount expected to be received after deducting impaired receivables. The anticipated maturity of these receivables is short, so their carrying values are not discounted.

#### Purchased loan portfolios:

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

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

Long term receivables have an anticipated maturity of more than one year. After initial measurement, they are subsequently measured at amortised cost using the effective interest rate method, less impairment which is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The Group acquired in 2016 a portfolio in Romania through a SPV in a joint venture with EOS. The financing of the purchase was through participation loans from the investors. This loan is valued at fair value. In 2017, through the acquisition of Verifica, the Group also acquired structured bonds. These bonds are at initial recognition designated as fair value through profit and loss using the fair value option in IAS 39. See note 17 for further information about fair value financial assets.

#### 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.

#### Client funds:

Client funds represent cash received on collection of a specific debt on behalf of a client and payable to the client within a specific period of time. Client funds are liquid funds with a restricted disposition right. The same amount is reported within other payables.

#### Accounts and other payable:

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

Accounts and other payables are recognised initially at fair value and subsequently measured at the amount expected to be paid. The anticipated maturity of these payables is short, so their carrying values are not discounted.

#### Interest-bearing debt:

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

The upfront fees are a part of the borrowing cost and are recognised as part of the interest expense in accordance with the effective interest method.

### 2.13 Derivative financial instruments

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the financial income or expenses in the income statement. Currency contracts are presented as part of "Net realised and unrealised exchange gains/(losses)" and "Other interest expense" for interest contracts.

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

### 2.14 Derecognition of financial assets and liabilities

#### Financial assets:

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

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

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

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

### Financial liabilities:

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

### 2.15 Offsetting of financial instruments

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

### 2.16 Fair value of financial instruments

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

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

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

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 5.

### 2.17 Provisions and contingencies

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

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

Contingent liabilities and contingent assets are a possible obligation or possible income depending on whether some uncertain future event occurs, or a present obligation, whose payment is not probable or amount

cannot be measured reliably, or a possible inflow of economic benefit that is not certain. Contingent liabilities and assets are not recognised in the balance sheet but are disclosed in the notes to the accounts.

### 2.18 Pensions and other post-employment liabilities

#### Defined contribution pension plans:

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

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

#### Other post-employment liabilities:

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

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

### 2.19 Share based payments

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

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

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

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

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

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the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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

### 2.20 Equity

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

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

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

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

From 1 January 2017 the Group has established a net investment hedge in a foreign operation. The hedged risk is the foreign currency translation risk caused by the consolidation of an investment in a foreign subsidiary with a different functional currency than the parent. Under the hedge accounting, a larger share of exchange rate fluctuations previously reported as "Net financial items" 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 statement of profit or loss. 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 5.5.

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

### 2.21 Dividends

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

### 2.22 Balance sheet classification

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

### 2.23 Related parties

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

### 2.24 Consolidated statement of cash flows

The indirect method is used for the consolidated statement of cash flows which reconciles the change in cash and 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.

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

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

### NOTE 3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

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

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

#### Revenue recognition:

The Group uses the effective interest rate method to account for loans and receivables. The initial book value of purchased loan portfolios are recognised at cost plus transaction expenses at the time of purchase. The use of the effective interest rate method requires the Group to estimate future cash flows from loans and receivables at each balance sheet date. The underlying estimates that form the basis for revenue recognition depends on variables such as the ability to contact the customer and reach an agreement, timing of cash flows, general economic environment and statutory regulations. Differences between the estimated future cash flows and actual cash flows for a period are recognised as "Interest income on purchased loan portfolios" in the income statement. If the estimations for future periods are revised, the Group adjusts the carrying amount of the portfolios and loans to reflect actual and revised estimated cash flows in accordance with IAS 39 paragraph AG8. The book value of purchased loan portfolios at any given balance sheet day will be equal to the discounted value of each portfolio discounted at the initial internal rate of return calculated from the initial cash flow forecast. Events or changes in assumptions and Management's judgement will affect the recognition of revenue in the period. Further details are included in note 5.

#### Book value of purchased loan portfolios:

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

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

### Impairment of goodwill:

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

### Contingent consideration:

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

### Share-based payments

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

### Deferred tax assets

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

### NOTE 4 New and amended standards issued, but not yet effective

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

#### IFRS 9 Financial Instruments

In July 2014, the IASB issued the completed version of IFRS 9 Financial

Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings together all aspects of the accounting for the financial instruments, and changes substantially the IAS 39 accounting rules for the following three specific areas: classification and measurement of financial assets; impairment of financial assets; and hedge accounting. IFRS 9 was approved by the EU in November 2016. The standard shall be applied for all annual periods beginning on or after 1 January 2018. Retrospective application is required in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, except for the specific exceptions given in IFRS 9. One exception is that the providing of restated comparative information for prior years is optional if it can be done without using hindsight. Entities with hedge accounting under IAS 39 are given the choice to continue with their IAS 39 accounting policies. IFRS 9 hedge accounting requirements shall be applied prospectively only (no retrospective hedge accounting is allowed). The Group will adopt IFRS 9 in its entirety as of 1 January 2018, including the IFRS 9 hedge accounting requirements. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated. During 2017 the Group performed a detailed assessment of the IFRS 9 implementation effect on the opening 2018 statement of financial position and has updated the relevant accounting policies for 2018.

#### (a) Classification and measurement

The Group has conducted an analysis of all financial assets in the 31 December 2017 statement of financial position. There is no significant implementation impact on the financial statements related to a reclassification of the Group's financial assets. All financial assets currently at amortized cost will continue at amortized cost in 2018. Financial assets currently at FVOPL will continue to be measured at FVOPL. There are no categories of financial assets changing classification upon implementation of IFRS 9.

#### (b) Impairment

IFRS 9 requires recognition of expected credit losses (ECL) for the Group's investments in debt instruments measured at amortized cost and FVOCI. Currently the Group only has investments in debt instruments at amortized cost. The Group has applied the practical expedient of the lifetime ECL model for accounts receivable. For loan receivables the ECL model will be applied. The Group will recognize an impairment loss adjustment to opening equity balances at implementation of IFRS 9. 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. There is therefore no ECL implementation effect for the purchased loan portfolios.

#### (c) Hedge accounting

IFRS 9 does not change the general principles of hedge accounting for net investment hedges. The Group only uses hedge accounting for a net investment hedge. 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. This hedge has been highly effective since inception. The Group has confirmed that its current hedge relationship will qualify as a continuing hedge upon the adoption of IFRS 9, and the expected implementation effect is null.

#### (d) Overall implementation effect

Upon implementation 1 January 2018 the Group will adopt the new impairment requirements for financial assets, with the "three-stage" ECL model (general model) for the loan receivables and the lifetime expected

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credit loss (ECL) for accounts receivable and other receivables. The effect on the 1<sup>st</sup> January 2018 opening balance equity of the Group is estimated to be a decrease in the range between NOK 65 million to NOK 75 million related to increased impairment loss allowance for loan receivables. The majority of the increase in loss allowance is related to the requirement in IFRS 9 to include 12-month expected credit losses at initial recognition. The effect on accounts receivables and other receivables are not material.

As described above, the purchased loan portfolios are credit impaired at acquisition and will according to IFRS 9 be recognised at amortised cost, using the credit-adjusted effective interest rate that are calculated at acquisition. The Group has analysed its current practice in accordance with IAS 39, and for the purchased loan portfolios no differences have been identified. IFRS 9 emphasises that the book value can be reported at a higher amount than the acquisition cost as part of the credit-adjusted effective interest rate method. The Group believes this is also the case in IAS 39 and have recognised the purchased portfolios accordingly. The Group calculates the effective interest rate on gross cash flow expectations according to IAS 39 and will continue to do so under IFRS 9. The ECL 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.

There are no implementation effects related to IFRS 9 classification changes or hedge accounting rule changes that will be affecting the 1 January 2018 opening equity balance.

IFRS 9 will have effect on the presentation of the consolidated income statement. Changes from credit risk related to purchased portfolios will be presented in a separate line item in the income statement.

#### IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers on May 2014, and in September 2015 deferred the mandatory effective date to 1 January 2018. IFRS 15 replaces IAS 18 Revenue which covers contracts for goods and services and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's financial statements. Revenue from contracts with customers are mainly revenue from third party debt collections and credit information services. These contracts are assessed against the IFRS 15 five-step model. The result of the 5-step analysis for the Group is that there will be no changes in the amount and timing of revenue recognition. The accounting principles for revenue recognition and the IFRS 15 required disclosures are changed as of 1 January 2018 upon adoption of IFRS 15.

The Group will adopt IFRS 15 using the modified retrospective approach. The effect of adoption is no effect on opening 1 January 2018 equity and no effect on the timing or amount of revenue recognised in the profit or loss statement. For presentation and classification purposes, management has decided to combine the two profit or loss lines "revenue from external collection" and "other operating revenues" into one line item called "other revenues".

#### IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions

Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

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

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

The Group is in process to assess the effect of IFRS 16 on its consolidated financial statements. Note 28 operating lease commitments in this Annual report is an indication of potential agreements to be included, but as the Group is growing the final impact is expected to be somewhat higher.

### NOTE 5 Financial risk management

#### 5.1 Financial risk

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

#### Market and regulatory environment:

The prime market risk for the Group is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables. The services and products offered in the respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licenses, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

#### Currency and interest rate risk:

The strategy of the Group is to manage and limit both currency and inter-

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est rate risk. The Group holds various derivative financial instruments with the purpose of reducing its interest rate exposure and achieving a suitable currency ratio between its assets and liabilities.

### Currency risk

Net borrowings (nominal value of interest bearing loans less cash) adjusted for derivative financial instruments are made in relevant currencies reflecting the underlying expected future cash flows from loans and receivables. The exceptions are Croatian Kuna (HRK), Romanian Leu (RON), Bulgarian Lev (BGN), Hungarian Forint (HUF), Bosnian Convertible Mark (BAM), Czech Koruna (CZK) and Serbian Dinar (RSD) where all borrowing is done in EUR.

The Group's bond loan is denominated in EUR and borrowings under the multi-currency revolving credit facility are drawn in PLN and NOK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2017: (i) Cross currency swap of SEK 225 million against EUR, (ii) Cross currency swap of NOK 425 million against SEK, (iii) Cross currency swap of NOK 125 million against DKK and (iv) FX forward of PLN 250 million against EUR. At 31 December 2017, net borrowings amounted to NOK 6,516 million. Adjusted for the currency derivatives mentioned above, the net borrowings represented a currency basket comprising EUR: 65%, PLN: 24%, SEK: 10% and DKK: 2%.

### Interest rate risk

The Group uses interest rate swaps and interest rate caps to reduce its

interest rate exposure. The Group's strategy is to hedge between 60% and 120% of net borrowings up to a maximum period of 5 years. The hedging ratio at 31 December 2017 was 87% with a duration of 3.53 years.

Under the arrangements in effect at 31 December 2017, a 1%-point decrease in market interest rates is estimated to have a negative effect on net financial items of NOK 69 million, including a decrease in the fair value of the derivatives of NOK 27 million. A 1%-point increase in market interest rates is estimated to have a positive effect on net financial items of NOK 28 million, however this including an increase in the fair value of the derivatives of NOK 52 million since the cap derivatives is about to start being effective. The reason for the negative effect if interest rates fall is that the interest bearing loan agreements (both the multi-currency revolving credit facility and the bond loan) have capped the floating rate to zero, which means that the benefit of any current negative interest rates is not fully matched by the derivatives whose main purpose is to avoid increased financing costs if interest rates rise.

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

The currency sensitivity analysis shown below is based on book value of loans and receivables at 31 December 2017, net of net borrowings and the effect of currency derivatives.

Currency	Closing rate at 31 December 2017 against NOK	NOK strengthens by 20%	NOK strengthens by 10%	NOK weakens by 10%	NOK weakens by 20%
DKK	1.3218	-3,488	-1,744	1,744	3,488
EUR	9.8403	404,349	202,174	-202,174	-404,349
HRK	1.3226	-556,597	-278,299	278,299	556,597
SEK	0.9996	-59,631	-29,815	29,815	59,631
HUF	3.1709	-786	-393	393	786
BAM	5.0366	-160	-80	80	160
RSD	0.0833	-20,893	-10,446	10,446	20,893
PLN	2.3558	-123,437	-61,719	61,719	123,437
RON	2.1123	-145,028	-72,514	72,514	145,028
BGN	5.0313	-60,088	-30,044	30,044	60,088
CZK	0.3854	-1,346	-673	673	1,346
<b>Total impact on book values</b>		<b>-567,105</b>	<b>-283,553</b>	<b>283,553</b>	<b>567,105</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### Credit risk:

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

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

Maximum exposure to credit risk	2017	2016
Purchased loan portfolios	8,731,632	4,751,878
Other long term financial assets	171,558	176,333
Loan receivables	404,924	305,703
Investment in associated companies	5,564	3,935
Accounts receivable	74,989	50,734
Other short term assets	131,884	72,071
Cash and cash equivalents	452,000	217,608
<b>Total at 31 December</b>	<b>9,972,551</b>	<b>5,578,262</b>

### Liquidity risk:

The Group's multi-currency revolving credit facility of EUR 260 million, multi-currency revolving term loan of EUR 100 million, the Bond Loan of EUR 150 million, the Bond Loan of EUR 175 million, the Bond Loan of EUR 200 million and cash and cash equivalents, totalling NOK 9,161 million at 31 December 2017, ensures necessary funding to meet future payment obligations. At 31 December 2017, the Group had an unused part of the revolving credit facility totalling EUR 165 million or NOK 1,621 million, an unused part of the multi-currency overdraft totalling EUR 7 million or NOK 71 million in addition to cash and cash equivalents of NOK 452 million.

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

	12 months or less	1-2 years	2-5 years	More than 5 years
<b>At 31 December 2017</b>				
Interest bearing loans & borrowings (short term and long term)	1,662,425	1,085,952	5,667,661	76
Other long term liabilities		46,933	58,425	
Bank overdraft	130,367			
Accounts and other payables	266,603			
Income taxes payable	56,531			
Payroll, social and other indirect taxes	65,550			
Other current liabilities	173,450			
<b>Total</b>	<b>2,354,926</b>	<b>1,132,885</b>	<b>5,726,086</b>	<b>76</b>
<b>At 31 December 2016</b>				
Interest bearing loans & borrowings (short term and long term)	263,312	263,312	3,895,674	515
Other long term liabilities		42,576	21,478	
Accounts and other payables	156,486			
Income taxes payable	62,097			
Payroll, social and other indirect taxes	29,483			
Other current liabilities	98,686			
<b>Total</b>	<b>610,065</b>	<b>305,888</b>	<b>3,917,152</b>	<b>515</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### Capital structure:

The Group's interest-bearing debt net of cash and cash equivalents was NOK 6,402 million at 31 December 2017. Total equity, net of intangible assets (incl. goodwill), was NOK 2,491 million and total assets, net of intangible assets (incl. goodwill), was NOK 10,140 million.

The Group monitors its capital structure by calculating a total loan to value ratio, defined as the total nominal amount of net interest bearing debt, adjusted for vendor financing, earn out, financial lease, fair value of hedging instrument, less cash and deposits divided by the carrying value of purchased loan portfolios, loan receivables and goodwill. The total loan to value ratio at 31 December 2017 was 70% which is lower than the maximum allowed loan to value covenant requirement under the multi-currency revolving credit facility and the bond loan of 75%.

### 5.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as net present value of estimated cash flows. For purchased loan portfolios, the discount rate used is the weighted average cost of capital, which is the weighted value of the cost of debt and the cost of equity in each particular country. The cost of equity is estimated by applying the capital asset pricing model. Market values of interest and currency derivatives are calculated using mid-rates (excluding margins) based on available market rates where each cash flow is discounted by the zero-coupon rate for the date of the payment.

As described in note 3, the preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from purchased loan portfolios. The fair value of the purchased loan portfolios is estimated to be approximately NOK 9,238 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 8,732 million which is based on IAS 39 using the estimated gross future cash flows, where the discount factor is the individual IRR for the each portfolio. The future gross cash flow forecasts used to estimate the fair value are the same as the cash flow forecasts used in the accounting for purchased loan portfolios at 31 December 2017.

The fair value estimation is based on estimated annual net cash flows from the purchased loan portfolios. The estimated annual net cash flows from portfolios is the assumed annual future collection per country, less assumed annual collection costs per country before tax. The collection costs as a percentage of the portfolio collection differ from country to country, ranging from 10% to 48% depending on the stage of development of the subsidiary in its local market. In addition, the country specific marginal tax rate is applied. This individual collection cost and tax rate is applied to each country's estimated future cash flow, adding up to an estimated total net cash flow (CF3) for the Group, presented in the table below.

**Table showing CF1, CF2 & CF3 for the years from 2018 to 2037 for purchased loan portfolios owned at 31 December 2017**

	2018	2019	----->	2037	Total
Collection (CF1)	3,876,439	3,635,526	7,487,157	129	14,999,251
Operating expenses	801,136	737,383	1,681,319	28	3,219,866
Collection less operating expenses (CF2)	3,075,303	2,898,143	5,805,838	101	11,779,385
Tax	150,795	81,897	170,999		403,691
<b>Collection less operating expenses and tax (CF3)</b>	<b>2,924,508</b>	<b>2,816,246</b>	<b>5,634,839</b>	<b>101</b>	<b>11,375,694</b>

The weighted average cost of capital after tax is estimated for each country where the cash flow is generated. Based on this rate, the discounted value of the estimated net cash flows for the forecast period indicates that the fair value of the purchased loan portfolios is NOK 9,238 million. The fair value for expected net cash flows for a 10 year forecast period is NOK 9,049 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 2017 assuming different % forecast collection levels and discount rates**

		% forecast collection		
		90 %	100 %	110 %
Discount rate	WACC -1.5%	8,331,790	9,597,327	10,862,864
	WACC -1.0%	8,225,173	9,474,449	10,723,725
	WACC -0.5%	8,121,276	9,354,707	10,588,137
	WACC used	8,019,992	9,237,976	10,455,960
	WACC +0,5%	7,921,220	9,124,141	10,327,062
	WACC +1.0%	7,824,861	9,013,088	10,201,315
	WACC +1.5%	7,730,826	8,904,713	10,078,600

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### Cost of Capital:

The cost of equity ( $R_E$ ) was assessed by applying the Capital Asset Pricing Model, which assumes that the shareholders demand a risk premium in addition to the return on a risk-free ( $R_f$ ) investment. The risk premium was estimated based on a general market risk (MRP), which was adjusted up or down depending on the industry's risk profile through multiplying by the  $\beta$ -risk. Empirical studies indicate that investors demand a higher rate of return from small companies. The cost of equity was modified to reflect this. An additional common adjustment to the traditional CAPM equation is a country risk premium, CRP. This expands our specification of the CAPM to:

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

The weighted average cost of capital is estimated as:

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

Where  $R_D$  is the cost of debt. The cost of debt was estimated on the basis of long term swap yields, adding a debt premium to compensate the financial creditor for the risk of the Company's assets and future cash flows.

### Risk free rate

The risk free rate was estimated as the effective rate of return on long-term government bonds in the countries where the collection is generated.

### Market risk premium:

The market risk premium is defined as:

$$\text{MRP} = (R_M - R_f)$$

where  $R_M$  = Market return and  $R_f$  = Risk free rate

A market risk premium of 5 % was applied.

### Equity beta:

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

### Small Stock Premium (SSP)

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

### Country Risk Premium (CRP)

A country risk premium is often added when the target company is located in or operating in a geographical area that is subject to additional political and economic risks compared to a similar company based in, for instance, Western Europe. There are several sources and methodologies available for estimating CRP. CRP for the Group was estimated using the Damodaran model, which is an extension of the sovereign spread model (Goldman model) where credit default risk for sovereign bonds is estimated based on sovereign bond credit ratings. The Damodaran model adjusts the bond default risk with a factor for assumed equity markets standard deviation divided by bond markets standard deviation (usually assumed to be 1.5).

### Future cash flow estimates

The future cash flow estimates are based on the forecast for the portfolio base as of 31 December 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### Weighted average cost of capital calculation

2017

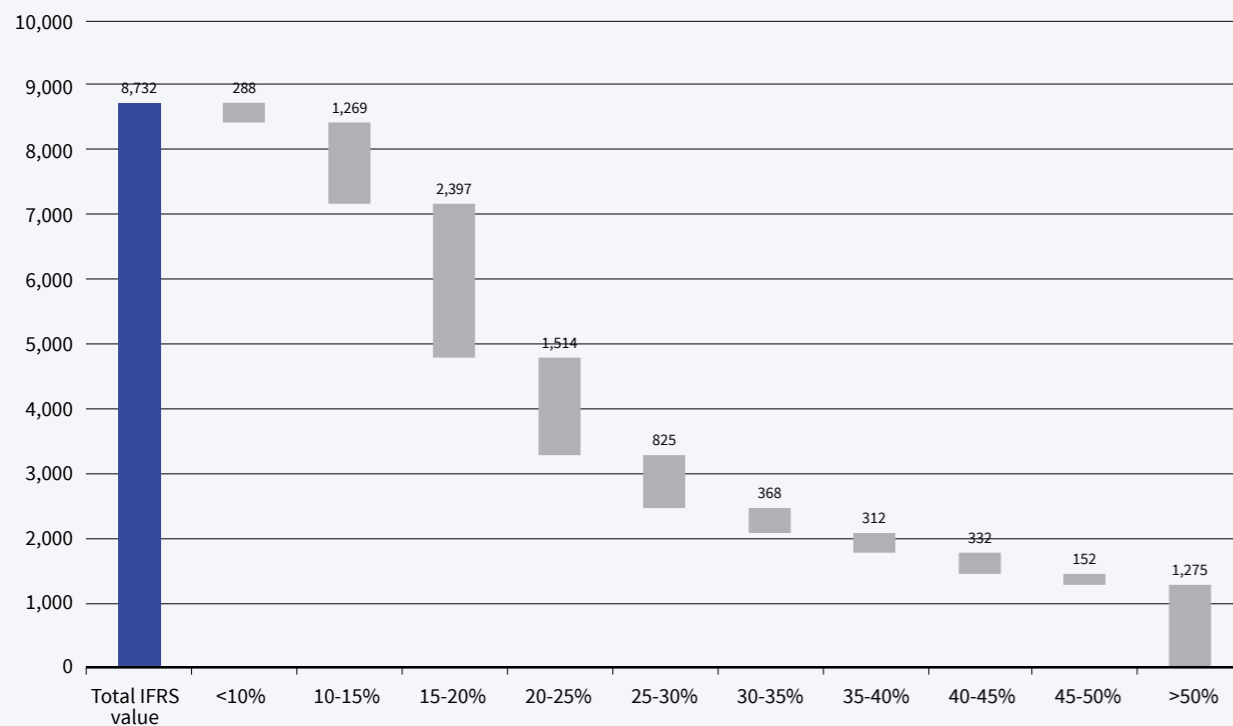
Risk free rate (long term government bond yields)	1.6%-3.1%
Equity Beta	1.02
Country risk premium	0%-11.7%
Market risk premium	5.0%
Additional liquidity risk premium/small cap premium	2.0%
Total risk premium	7.0%
Tax rate Group	20 %
<b>Cost of equity</b>	<b>8.2%-20.0%</b>
Cost of debt	4.1%
Equity weight	60 %
Debt weight	40 %
<b>WACC (after tax)</b>	<b>6.2%-13.3%</b>

#### Internal rate of return

Due to the fact that portfolios have an initial computed effective interest rate that differ from WACC, the fair value estimation shown in the sensitivity analysis above will differ from the corresponding IFRS value of the portfolios, which is NOK 8,732 million due to higher discount factors. In addition, the fair value of the portfolios is calculated on the basis of net cash flow after tax, whereas the IFRS value is calculated on the basis of gross cash flows.

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

NOK'millions



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

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

#### Purchased loan portfolios at 31 December

2017

2016

<b>At 1 January</b>	<b>4,751,878</b>	<b>3,167,628</b>
Acquired in business combinations (note 6)		96,472
Acquisition of portfolios, net of put-backs	4,111,752	2,431,717
Gross cash collection from purchased loan portfolios	-2,552,281	-1,870,388
Interest recognised on portfolios	1,680,221	1,220,562
Net change in portfolio collection estimates	76,919	-14,621
Exchange rate differences	663,143	-279,492
<b>At 31 December</b>	<b>8,731,632</b>	<b>4,751,878</b>

The face value of purchased loan portfolios amounts to NOK 95,681 million including accrued interest at 31 December 2017 (2015: NOK 59,981 million).

#### Gross cash collection from purchased loan portfolios:

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

#### Net change in portfolio collection estimates:

Net change in portfolio collection estimates is the net amount of i) actual cash collection above/below the expected in the collection curves for the reporting period ii) less/added changes in future cash collection estimates. Cash collection above or below the expected in the collection curves has previously been included in "interest recognised on portfolios".

The net change in portfolio collection estimates in 2017 is specified in the table below.

	Collection above/below estimates	Changes in collection estimates	Net change in collection estimates
Northern Europe	1,623	-3,632	-2,009
Poland	2,115	-19,466	-17,351
Central Europe	178,823	-114,077	64,746
Southeastern Europe	15,302	16,231	31,533
<b>Total</b>	<b>197,863</b>	<b>-120,944</b>	<b>76,919</b>

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

#### Purchase of loan portfolios, cash flow:

2017

2016

Acquisition of portfolios, net of put-backs	4,111,752	2,431,717
Share of acquisition of portfolio in joint ventures		151,851
Change in amounts due on purchase of loan portfolios	-42,747	-55,075
Change in prepaid amounts on purchase of loan portfolios	3,934	1,302
	<b>4,072,940</b>	<b>2,529,795</b>

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### 5.4 Fair value of financial instruments

At 31 December 2017	Carrying amount			Total	Fair value			
	Held for trading	Loans & receivables	Other financial liabilities		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Purchased loan portfolios		8,731,632		8,731,632			9,237,976	9,237,976
Loans receivable			414,580	414,580			414,580	414,580
Derivative financial instruments	34,443			34,443		34,443		34,443
Other financial assets			175,068	175,068			175,068	175,068
<b>Total</b>	<b>34,443</b>	<b>9,321,281</b>	<b>0</b>	<b>9,355,724</b>	<b>0</b>	<b>34,443</b>	<b>9,827,625</b>	<b>9,862,068</b>
<b>Financial liabilities</b>								
Interest-bearing loans and borrowings			6,853,787	6,853,787	5,467,590	1,808,788		7,276,379
Derivative financial instruments	40,238			40,238		40,238		40,238
Contingent consideration (note 6.3)			75,592	75,592			75,592	75,592
<b>Total</b>	<b>40,238</b>	<b>0</b>	<b>6,929,379</b>	<b>6,969,617</b>	<b>5,467,590</b>	<b>1,849,027</b>	<b>75,592</b>	<b>7,392,209</b>
<b>At 31 December 2016</b>								
<b>Financial assets</b>								
Purchased loan portfolios		4,751,878		4,751,878			5,089,454	5,089,454
Loans receivable			311,296	311,296			311,296	311,296
Derivative financial instruments	15,467			15,467		15,467		15,467
Other financial assets			192,030	192,030			192,030	192,030
<b>Total</b>	<b>15,467</b>	<b>5,255,205</b>	<b>0</b>	<b>5,270,672</b>	<b>0</b>	<b>15,467</b>	<b>5,592,780</b>	<b>5,608,247</b>
<b>Financial liabilities</b>								
Interest-bearing loans and borrowings			3,217,715	3,217,715	3,036,528	352,010		3,388,537
Contingent consideration (note 6.3)			68,001	68,001			68,001	68,001
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3,285,716</b>	<b>3,285,716</b>	<b>3,036,528</b>	<b>352,010</b>	<b>68,001</b>	<b>3,456,539</b>

The fair value of unquoted financial assets has been estimated using valuation techniques based on assumptions that are not supported by observable market prices. The fair value of purchased loan portfolios has been calculated by discounting the expected net future cash flows at the prevailing rate of return.

The fair value of bond loans (level 1) were determined by obtaining quoted market prices for the bond loans from the Norwegian Stock Exchange. The fair value of other interest bearing loans (level 2) is equal to book value as all interest-bearing loans are based on a 3 month floating interest rate. 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).

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All figures in NOK'000s unless otherwise stated

### 5.5 Derivative financial instruments and net investment hedge

At 31 December 2017, the Group had the following derivative financial instruments:

Instrument	Currency	Notional amount in Currency	Notional amount in NOK	Fixed rate/cap	Strike	Floating 3M IBOR	Fair value NOK	Due
<b>Interest derivatives</b>								
Interest rate swap	EUR	50,000	492,015	0.1950 %		-0.3290 %	-2,871	08.12.2020
Interest rate cap	EUR	50,000	492,015		1.0000 %	-0.3290 %	304	08.12.2020
Interest rate swap	PLN	400,000	942,320	1.9825 %		1.7200 %	-2,295	29.11.2018
Cross currency rate swap with cap	SEK	225,000	224,910	0.5200 %	0.5000 %	-0.4690 %	0	10.12.2018
Interest rate swap	EUR	5,000	49,202	0.5300 %		-0.3290 %	-662	10.09.2019
Interest rate cap	EUR	50,000	492,015	0.0900 %	1.0000 %	-0.3290 %	-452	08.12.2018
Interest rate cap	EUR	60,000	590,418		1.0000 %	-0.3290 %	2,169	11.04.2022
Interest rate swap	EUR	60,000	590,418	0.1695 %		-0.3290 %	-4,351	11.04.2022
Interest rate cap	SEK	100,000	99,960		1.0000 %	-0.4690 %	724	11.04.2022
Interest rate swap	SEK	100,000	99,960	0.3180 %		-0.4690 %	-1,378	11.04.2022
Interest rate cap	PLN	100,000	235,580		1.0000 %	1.7200 %	1,284	11.04.2022
Interest rate swap	PLN	100,000	235,580	0.3880 %		1.7200 %	-3,728	11.04.2022
Interest rate cap	EUR	100,000	984,030		1.0000 %	-0.3290 %	6,141	29.08.2022
Interest rate cap	SEK	300,000	299,880		1.0000 %	-0.4690 %	2,672	28.08.2022
Interest rate cap	EUR	65,000	639,620		1.0000 %	-0.3290 %	4,966	22.12.2022
Interest rate cap	EUR	65,000	639,620		1.0000 %	-0.3290 %	3,496	22.12.2022
							6,020	
	<b>Currency hedge</b>	<b>Forward amount in Currency</b>	<b>Forward amount in NOK</b>	<b>Forward rate</b>	<b>Forward amount hedge</b>	<b>Spot rate</b>	<b>Fair value NOK</b>	<b>Due</b>
Cross currency rate swap with cap	SEK/NOK	225,000	214,020	9.28	23,063	9,8442	12,686	10.12.2018
Cross currency rate swap	NOK/SEK	425,000	425,000	0.968800078	438,687	0,9996	-13,737	14.08.2018
Cross currency rate swap	DKK/SEK	100,000	132,180	1.25	125,000	1,3218	-7,353	14.08.2018
Foreign exchange forward	PLN/EUR	250,000	588,950	4.2059258	59,440	4,1771	-3,413	22.01.2018
							-11,816	

The Group uses interest rate swaps and caps to hedge (from floating to fixed) its interest rate risk exposure, and cross currency swaps and foreign exchange forward contract to hedge its currency exposure. The fair value of the interest swaps and caps at 31 December 2017 was positive with NOK 6.0 million and the fair value of the cross currency swaps and FX forwards at 31 December 2017 was negative with NOK 11.8 million. In total the fair value of all derivative financial instruments at 31 December 2017 was negative with NOK 5.8 million.

In addition to changes in fair value the interest payable and premium for the Interest rate caps effect net financial items. The net interest cost from the interest rate swaps was NOK 4.9 million in 2017 and the premium for the interest rate caps was NOK 24.7 million.

From 1 January 2017 the Group uses hedge accounting for a net investment hedge. The hedged risk is the foreign currency translation risk caused by the consolidation of an investment in a foreign subsidiary with a different functional currency than the parent. The hedging instrument is the lower amount of the designated amount of borrowing in PLN under the multi revolving currency facility (see note 22) and the consolidated equity book value in the subsidiary. The designated amount is at 31 December 2017 PLN 200 million. The hedge has been highly effective since inception and no part has been recognised as ineffective in the consolidated income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 6 Business combinations and acquisition of non-controlling interests

#### 6.1 Acquisitions in 2016

*Acquisition of Debt Collection Agency AD, Bulgaria and its subsidiaries*

On 10 June 2016, the Group purchased 100% of the shares in Debt Collection Agency AD (DCA), Bulgaria, the parent company in the DCA group of companies with operations in Bulgaria and Romania. The Group perceives the acquisition of DCA as an opportunity to fulfill its strategic plans to expand its business and debt purchase platforms in the East SEE region by strategic acquisitions of key players in these markets. DCA is one of the largest debt purchasing and debt collecting companies in Bulgaria and has also operations in Romania. At acquisition the DCA Group managed a non-performing debt portfolio with a face value of over NOK 1.4 billion and ERC of over NOK 344 million. The transaction provides DCA with the access to the Group's capital and network of subsidiaries and partners in the Central and Eastern European markets. For accounting purposes, the effective date of the acquisition was 10 June 2016.

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

#### Cash flow on acquisition

Net cash acquired with the subsidiary	6,186
Cash paid	93,200
<b>Net cash outflow</b>	<b>87,014</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

*Acquisition of Consequence Europe MKFT*

On 26 October 2016, the Group acquired 100% of the shares in Consequence Europe MKFT (Consequence), with operations in Hungary. The Group perceives the acquisition of Consequence as an opportunity to fulfil its strategic plans to expand its business and debt purchase platforms in the West SEE region by strategic acquisitions in these markets. Consequence Europe MKFT is a 3<sup>rd</sup> party collection company in Hungary. Purchase considerations in the acquisition is NOK 4.1 million for net assets of NOK 0,7 million and goodwill of NOK 3,4 million.

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

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

#### 6.2 Acquisitions in 2017

*Acquisitions small entities*

During 2017 the Group acquired several smaller entities in the Northern Europe region (3) and in the Central Europe region (1). The Group perceives the acquisitions of the entities as an opportunity to strengthen its business and debt purchase platforms in the Northern Europe and Central Europe regions.

The goodwill of NOK 8.0 million that was created on the acquisitions is mainly related to the positions in the debt collecting business, and its platforms for further growth in the local markets. None of the goodwill recognised is deductible for income tax purposes.

Transaction costs attributable to the acquisitions amounted to NOK 1.5 million. These have been expensed as due diligence within other operating expenses.

Company name	UAB Skolu valdymo centras	Nordic Debt Collection A/S	Credit-cash Factoring Zrt.	UAB Skolu rizikos sprendimai	OK Laskutus OY*
Acquisition date	8 June	20 June	15 August	29 September	10 October
Country	Lithuania	Denmark	Hungary	Lithuania	Finland
Region	Northern Europe	Northern Europe	Central Europe	Northern Europe	Northern Europe
Percentage of shares acquired	100 %	100 %	100 %	74 %	49 %
Purchase consideration	NOK 1.0 million	NOK 2.6 million	NOK 3.1 million	NOK 4.4 million	NOK 0.02 million
Net assets acquired	NOK -1.0 million	NOK 0.6 million	NOK 3.0 million	NOK 0.5 million	
Goodwill on acquisition	NOK 2.0 million	NOK 2.0 million	NOK 0.1 million	NOK 3.9 million	

\*) The Group acquired the remaining 49% of the shares in OK Laskutus OY and holds 100% of the shares after acquisition. The transaction is treated as an equity transaction in accordance with IFRS 10.23 and IFRS 10 B.96.

*Acquisition of Verifica, Spain*

On 30 November 2017, the Group acquired 80% of Confirmación de Solicitudes de Crédito Verifica S.A. ("Verifica"), with an option (call) to acquire the remaining 20% of the shares, and with an option for the seller to sell (put). The Group perceives the acquisition of Verifica as an opportunity to fulfil its strategic plan to expand its business in to one of the largest markets for NPLs in Europe. Verifica has three main business areas which include debt collection management services, telemarketing services for loans and credit cards and surveillance and non-payment prevention services. Verifica has client relationships with several of the large Spanish banks. The transaction provides Verifica with the access to the Group's capital and network of subsidiaries and partners in the European markets.

For accounting purposes, the effective date of the acquisition was 30 November 2017. Due to the structure regarding the remaining 20% of the shares, the purchase is accounted for as a 100% acquisition with a liability for the remaining expected payment, and no minority interest will be disclosed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### Purchase price allocation

	Fair value recognised on acquisition
<b>Assets</b>	
Tangible fixed assets	4,576
Intangible assets	74,566
Other long term financial assets	4,241
Accounts receivable and other short term assets	32,452
Cash and cash equivalents	17,662
	<b>133,497</b>
<b>Liabilities</b>	
Deferred tax liability	16,728
Other long term liabilities	1,643
Accounts and other payables	13,323
Other current liabilities	16,698
	<b>48,392</b>
<b>Total identifiable net assets at fair value</b>	<b>85,105</b>
Goodwill arising on acquisition (note 15)	72,333
<b>Purchase consideration</b>	<b>157,438</b>
Contingent consideration	-31,487
<b>Purchase consideration paid in cash</b>	<b>125,951</b>
<b>Cash flow on acquisition</b>	
Net cash acquired with the subsidiary	17,662
Cash paid	125,951
<b>Net cash outflow</b>	<b>108,289</b>

Transaction costs attributable to the acquisition amounted to NOK 3.7 million. These have been expensed as due diligence, transaction services and legal services within other operating expenses.

The goodwill of NOK 72 million that was created on the acquisition is mainly related to Verifica as a platform for further growth in the Spanish market, both for current business and for the Groups's NPL business. Verifica has an experienced management team with good market knowledge and well developed analysis and collection systems. The Group is well positioned for further growth in the Spanish market. The goodwill recognised is not deductible for income tax purposes. The total fair value adjustment related to other intangible assets amounts to NOK 72.8 million, and is related to customer relationships.

The net operating revenue and profit after tax contribution to the consolidated income statement of the Group from the date of acquisition to 31 December 2017 was NOK 12.2 million and NOK 1.2 million. If the combination had taken place at the beginning of the year, the net operating revenue and profit after tax contribution to the consolidated income statement of the Group would have been NOK 130.6 million and NOK 5.9 million.

Contingent consideration; the transaction includes put and call option agreements with two remaining shareholders of Verifica, regarding the last 20% of the company. The fair value of the "minority shares" at initial recognition is set to the market value at closing NOK 31.5 million, and is considered as debt in the Group's financial statements. The net present value of the put option is at closing estimated to NOK 51.1 million. The difference, the excess value, will be recognised through the income statement throughout the option period, in addition to changes in the fair value of the option. See further information in section 6.3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 6.3 Contingent consideration

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

- OK Perinta OY, Finland and its subsidiaries, which was acquired in 2012
- Creditreform Latvija SIA, Latvia and its subsidiaries, which was acquired in January 2014
- Ultimo Holding Sarl, Luxembourg and its subsidiaries, which was acquired in August 2014
- Debt Collection Agency AD (DCA), Bulgaria and its subsidiaries, which was acquired in June 2016
- Consequence Europe MKFT, Hungary, which was acquired in October 2016; and
- Verifica S.A, Spain, which was acquired in November 2017

As at the acquisition date, the fair value of the contingent consideration was estimated and accounted for as a long-term or current liability depending on the payment date of the various installments.

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

	OK Perinta	Credit- reform	Ultimo	DCA	Conse- quence	Verifica	Total
<b>At 1 January 2016</b>	<b>73,826</b>	<b>9,179</b>	<b>86,907</b>				<b>169,912</b>
Acquisitions of a subsidiary (note 6.1)				60,925	1,132		62,057
Payments during the year	-73,826	-1,945	-86,907				-162,678
Fair value adjustments during the year				692			692
Exchange differences		-440		-1,547	6		-1,981
<b>At 31 December 2016</b>	<b>0</b>	<b>6,794</b>	<b>0</b>	<b>60,070</b>	<b>1,138</b>		<b>68,001</b>
Acquisitions of a subsidiary (note 6.2)						31,487	31,487
Payments during the year		-7,058		-20,765	-1,331		-29,154
Fair value adjustments during the year				-178	90	746	658
Exchange differences		264		4,090	103	142	4,599
<b>At 31 December 2017</b>		<b>0</b>		<b>43,217</b>	<b>0</b>	<b>32,375</b>	<b>75,592</b>

The contingent consideration due to the previous owners of Creditreform and Consequence was paid and finalised in 2017.

The contingent consideration to former DCA owners is based on expected performance against the performance measures in the agreement. The main performance measure is related to performance of the non-performing loan portfolios DCA held at the acquisition date. If 100% of the forecasted gross collection from portfolios at acquisition date is reached for the years 2016 to 2018 the contingent consideration is paid in full for each of the years. If gross collected amount is lower than forecast the contingent consideration to be paid is reduced with EUR 50 000 per each percentage point per year. Eg. if collected amount is 90% of forecast for a year the payment will be reduced with EUR 500 000. At the end of the third year, to avoid short time fluctuations, the collections is adjusted according to the performance for the whole period. At the end of the third year the contingent consideration may increase if collection is above forecast for the period. A actual collection 10% above forecast would increase the payment with approximately EUR 800 000 for the three year period. In addition the contingent consideration is based on earnings before tax (EBT) for the target years. If EBT is more than 10% below target, the contingent consideration is reduced with EUR 500 000 each year. At the end of the third year, to avoid short time fluctuations, EBT is adjusted according to the performance for the whole period. As at 31 December 2017 its is expected that collection will be according to forecast and EBT will be within the range of target (above 90%) for the period.

The contingent consideration related to Verifica is described above in section 6.2. Further to the description in section 6.2, the put and call option provides the right to sell/buy the minority shares provided that certain minimum EBITDA target levels are met on an aggregate basis during the fiscal years ending in 2018, 2019 and 2020 (the minimum target being at least 75% of the EBITDA levels included in the applicable business plan of Verifica). The strike price for the put and call option will be adjusted based on the actual achieved EBITDA levels for the relevant years. The put option will cease to exist and no longer be exercisable in case the performance by Verifica is below the minimum target for the years ending 2018, 2019 and 2020, whereas the Group's call option will in such case remain to exist until 1 August 2023 at fixed strike price equal to the applicable price at the minimum target achievement level. Nonetheless, the Group's call option may be exercised at any time in full at a fixed strike price equal to the applicable price at the maximum target achievement level. Per 31 December 2017, the nominal values to be expensed through the income statement throughout the option period would increase in total with approximately NOK 10 million if 100% of target is achieved.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 7 Operating segments

For management purposes, the Group is organised into a single business divided into different geographical regions corresponding to the countries where the Group has its operations. The Executive Management monitors the operating results of these geographical regions separately for the purposes of making decisions about resource allocation and performance assessment. Regional performance is evaluated based on the operating results and cash collections from purchased loan portfolios and is consistent with the equivalent figures that are reported in the consolidated financial statements. Internal transactions between the geographical regions are eliminated on consolidation and are reflected in the "Central functions/eliminations" column. They are transacted on an arm's length basis in a manner similar to transactions with third parties. Financing and taxes are managed on a Group basis and are disregarded by Executive Management for decision making purposes at the regional level.

The results, assets and liabilities of the parent company, the holding company in the Netherlands, and the holding company and investment office in Luxembourg are reported as 'Central functions'.

Southeastern Europe was included as a segment after acquiring the DCA group of companies in second quarter 2016. Northern Europe has previously been reported as Norway, Finland & Estonia, Sweden and Latvia. Central Europe has previously been reported as West SEE, and Southeastern Europe as East SEE.

Year ended 31 December 2017	Northern Europe	Poland <sup>1)</sup>	Central Europe	South-eastern Europe <sup>1)</sup>	Central functions / eliminations <sup>1)</sup>	Total
Gross cash collection from purchased loan portfolios	829,860	838,186	641,189	243,045		2,552,281
Amortisation/revaluation of purchased loan portfolios	-419,492	-334,085	-18,312	-23,251		-795,141
<b>Revenue from purchased loan portfolios</b>	<b>410,368</b>	<b>504,101</b>	<b>622,877</b>	<b>219,794</b>		<b>1,757,140</b>
Revenue from external collection	101,443		12,205	10,427		124,075
Other operating revenues	15,658	111,118	8,519	88	-3,919	131,464
<b>Total operating revenues</b>	<b>527,469</b>	<b>615,219</b>	<b>643,600</b>	<b>230,309</b>	<b>-3,919</b>	<b>2,012,678</b>
Depreciation and amortisation of tangible and intangible fixed assets	-5,557	-24,382	-4,224	-1,431	-299	-35,893
Profit from shares and participation in associated companies and joint ventures	-77			70,160		70,083
<b>Operating profit (EBIT)</b>	<b>251,659</b>	<b>219,390</b>	<b>459,306</b>	<b>172,955</b>	<b>-119,104</b>	<b>984,205</b>

1) If operating segment had been presented in the same manner as in 2016, the operating profit in these segments would be as follows:  
Poland NOK 258 681, Southeastern Europe NOK 108 768 and Central functions/eliminations NOK -94 208.

Year ended 31 December 2016	Northern Europe	Poland <sup>1)</sup>	Central Europe	South-eastern Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	577,377	796,845	432,686	63,480		1,870,388
Amortisation/revaluation of purchased loan portfolios	-263,951	-297,681	-92,365	-10,449		-664,446
<b>Revenue from purchased loan portfolios</b>	<b>313,426</b>	<b>499,164</b>	<b>340,321</b>	<b>53,031</b>		<b>1,205,942</b>
Revenue from external collection	103,450		908	43		104,401
Other operating revenues	16,733	63,706	7,251	755	-2,646	85,799
<b>Total operating revenues</b>	<b>433,609</b>	<b>562,870</b>	<b>348,480</b>	<b>53,829</b>	<b>-2,646</b>	<b>1,396,141</b>
Depreciation and amortisation of tangible and intangible fixed assets	-5,288	-22,259	-1,731	-321	-276	-29,875
Profit from shares and participation in associated companies and joint ventures	397			-245		152
<b>Operating profit (EBIT)</b>	<b>202,549</b>	<b>149,324</b>	<b>244,127</b>	<b>19,033</b>	<b>-99,302</b>	<b>515,731</b>

1) Included expenses from the holding company and investment office in Luxembourg. In 2017, these expenses are included in the segment Central functions. In addition; cash flow, revenue and expenses from purchased loan portfolio in Romania owned by Luxembourg are included in figures for 2016. In 2017, these figures are included in the operating segment Southeastern Europe. Cash collection from these portfolios amounted to NOK 37 million in 2016.

Year ended 31 December 2017	Northern Europe	Poland	Central Europe	South-eastern Europe	Central functions / eliminations	Total
Purchase of loan portfolios in the year	1,452,986	348,760	1,533,987	776,020		4,111,752
<b>Purchased portfolios, book value</b>						
Purchased loan portfolios	2,438,754	1,777,929	3,540,959	973,990		8,731,632
Share of participation in joint ventures <sup>1)</sup>				161,167		161,167
<b>Purchased portfolios at 31 December</b>	<b>2,438,754</b>	<b>1,777,929</b>	<b>3,540,959</b>	<b>1,135,157</b>		<b>8,892,799</b>

1) Refers to the value of share of participation in joint ventures with purchased loan portfolios and is therefore not equivalent to corresponding item in the balance sheet.

Year ended 31 December 2016	Northern Europe	Poland	Central Europe	South-eastern Europe	Central functions / eliminations	Total
Purchase of loan portfolios in the year <sup>1)</sup>	722,975	624,766	1,052,398	183,429		2,583,568
<b>Purchased portfolios, book value</b>						
Purchased loan portfolios	1,269,289	1,605,263	1,762,814	114,513		4,751,878
Share of participation in joint ventures <sup>2)</sup>				154,508		154,508
<b>Purchased portfolios at 31 December</b>	<b>1,269,289</b>	<b>1,605,263</b>	<b>1,762,814</b>	<b>269,020</b>		<b>4,906,386</b>

1) Included the Groups share of portfolio purchased in joint venture

2) Refers to the value of share of participation in joint ventures with purchased loan portfolios and is therefore not equivalent to corresponding item in the balance sheet.

### NOTE 8 External cost of services provided

	2017	2016
Fees to court and bailiffs for collection services	-198,218	-177,906
External cost portfolio acquisition & search	-17,817	-15,408
Other fees for external services, including fees to lawyers for collection services	-69,505	-50,350
	<b>-285,539</b>	<b>-243,665</b>

### NOTE 9 Personnel cost

	2017	2016
Wages, salaries and other benefits paid	-361,779	-279,582
Social security costs & payroll taxes	-93,427	-58,025
Defined contribution pension costs	-3,572	-1,533
Other personnel costs, including external temporary staff, training and recruitment costs	-31,508	-19,685
	<b>-490,287</b>	<b>-358,824</b>

Number of full time equivalents (FTE's) at 31 December

	2017	2016
	2,067	1,489

The Group has defined contribution plans in Norway and Sweden covering 47 FTEs at 31 December 2016 (43 FTEs at 31 December 2016) which are additional to the pension benefits provided under the relevant government-backed pension schemes in each of the countries where the Group operates.

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### NOTE 10 Other operating expenses

	2017	2016
Printing, postage	-47,145	-38,642
IT, telecommunications	-41,216	-35,086
Cost of office premises	-31,286	-26,003
Travel, vehicles, accomodation	-21,398	-15,285
Marketing, business entertaining, meetings, arrangements	-39,131	-27,249
Consultancy fees - non collection services	-41,386	-59,435
Statutory and other corporate costs, including business insurance and trade licences	-22,330	-14,878
Office equipment and supplies	-5,818	-5,349
Impairment of receivables	-4,012	-1,979
Bank charges	-2,922	-4,001
Other expenses	-30,194	-20,291
	<b>-286,837</b>	<b>-248,198</b>

### NOTE 11 Net financial items

	2017	2016
<b>Net realised and unrealised exchange gains/(losses)</b>		
Realised exchange gains/(losses)	-39,039	-13,790
Unrealised exchange gains/(losses)	90,787	-83,671
Change in fair value of derivative financial instruments (note 5)	-33,465	31,323
	<b>18,283</b>	<b>-66,138</b>

#### Other interest income

Interest income on cash & short term deposits	2,389	1,360
Other interest income	518	245
	<b>2,907</b>	<b>1,604</b>

#### Other interest expenses

Interest expenses on interest bearing loans	-312,625	-197,581
Other interest expenses	-36,128	-29,734
Change in fair value of derivative financial instruments (note 5)	-8,400	2,738
	<b>-357,153</b>	<b>-224,577</b>

#### Other financial income/(expenses)

Losses on financial instruments	-128	-3,458
Other financial income/(expenses)	-492	4,201
	<b>-621</b>	<b>743</b>

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All figures in NOK'000s unless otherwise stated

### NOTE 12 Income tax

The major components of income tax reported in the income statement for the years ended 31 December 2017 and 2016 are set out below.

	2017	2016
<b>Income tax expense</b>		
Current year income tax payable	128,966	95,790
Origination and reversal of temporary differences	33,525	-49,502
Withholding tax	3,900	
<b>Total tax expense reported the income statement</b>	<b>166,391</b>	<b>46,288</b>

	2017	2016
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#### Reconciliation between the expected tax expense and the actual tax expense

Profit before tax	647,622	227,364
<b>Expected tax expense at Norwegian nominal tax rate of 24% (2016: 25%)</b>	<b>155,429</b>	<b>56,841</b>
Difference between local tax rates and the Norwegian nominal tax rate	-62,617	-52,730
Effect of change in Norwegian Tax rate (from 24% to 23%)	492	27
Tax effect of permanent differences	35,046	1,977
Tax effect of the change in unrecognised deferred taxes	31,732	43,933
Other differences	6,309	-3,759
<b>Actual tax expense</b>	<b>166,391</b>	<b>46,288</b>
<b>Effective rate of tax</b>	<b>26%</b>	<b>20%</b>

The nominal tax rate in Norway was 24% in 2017. Subsidiaries outside Norway are subject to local tax rates in their country of operation. The effective taxation of operations outside Norway dependent on both local tax rules and on whether it is possible to avoid double taxation. The tax expense is also dependant on wether or not to recognise a deferred tax asset from tax losses carried forward in the individual entity. Even though the Group have most of the operations outside Norway and tax-exempt income from share investments, the effective tax rate is higher than expected tax rate of 24% in Norway. The main reasons is increased negative effect of interest deduction limitation rules on intercompany interests within Europe and tax losses in holding companies not recognised as deferred tax assets. The tax cost includes a provision for withholding tax in Romania of NOK 4 million. This provision refers to discussion with local authorities about the treatment of withholding tax in the period from 2015 to 2017.

In October 2017 it was decided that the general tax rate for companies in Norway will be lowered by 1% in 2018, to 23%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Analysis of deferred tax assets and liabilities	2017	2016
<b>Tax effect of temporary differences:</b>		
Taxable temporary differences - non current items		
Tangible and intangible fixed assets	22,584	6,156
Purchased loan portfolios	68,593	44,238
Loans to group companies and other long term assets	89,092	3,745
Long term interest bearing loans and borrowings	5,069	25,086
Other long term liabilities	243	3,930
	<b>185,581</b>	<b>83,155</b>
Deductible temporary differences - non current items		
Tangible and intangible fixed assets	-952	-372
Purchased loan portfolios	-40,473	-27,082
Other long term assets	-252	-18,888
Long term interest bearing loans and borrowings	-52,278	-4,529
Other long term liabilities	-9,457	-3,546
	<b>-103,412</b>	<b>-54,417</b>
Deductible temporary differences - current items		
Accounts receivable	-1,049	-411
Other current assets	-915	-231
Other current liabilities	-9,017	-3,814
	<b>-10,981</b>	<b>-4,456</b>
Tax losses carried forward	-247,686	-245,621
<b>Gross deferred tax liabilities/(assets)</b>	<b>-176,499</b>	<b>-221,339</b>
Deferred taxes not recognised	206,430	208,362
<b>Net deferred tax liabilities/(assets)</b>	<b>29,931</b>	<b>-12,977</b>
Due to right of offsetting deferred tax assets and liabilities in the same tax jurisdiction, the presentation of net deferred tax in the consolidated statement of financial position for each year end was as follow:		
Deferred tax assets	-65,778	-64,004
Deferred tax liabilities	95,709	51,027
	<b>29,931</b>	<b>-12,977</b>
	<b>2017</b>	<b>2016</b>
Deferred tax liabilities/(assets) at 1 January	-12,977	32,958
Deferred tax expense recognised in the income statement	33,525	-49,502
Deferred tax expense recognised in other comprehensive income	-4,957	
Deferred taxes acquired in business combinations	16,799	3,157
Exchange differences	-2,459	410
<b>Deferred tax liabilities at 31 December</b>	<b>29,931</b>	<b>-12,977</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

	2017	2016
<b>Analysis of tax losses available for offset against future taxable income, by year of expiration:</b>		
Within 5 years	33,138	1,102
After 5 years	158,026	120,478
No time limit	768,420	760,337
Total tax losses available for offset	959,584	881,917
<b>Tax effect of tax losses, before consideration of whether the losses are recognisable or not</b>	<b>247,686</b>	<b>245,621</b>

Tax losses carried forward at 31 December 2017 relates mainly to the Group's subsidiary companies in Luxembourg (NOK 712 million) and the parent company in Norway (NOK 152 million). Tax losses from 2016 have been reduced with NOK 11 million in Sweden and NOK 75 million in Luxembourg due to new information. These tax losses are previously not recognised as deferred tax asset. The tax losses in Luxembourg and the Group's parent company in Norway are not recognised as deferred tax assets, as the Group at the moment can not prove reliably that it is probable that it can be utilised in the future.

### NOTE 13 Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year after tax attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit for the year after tax attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2017	2016
<b>Profit for the year after tax attributable to parent company shareholders</b>	<b>481,231</b>	<b>181,575</b>
Number of shares outstanding at 1 January	369,120,598	311,872,095
New shares issued during the year (note 20)	400,000	57,248,503
Number of shares outstanding at 31 December	369,520,598	369,120,598
<b>Weighted average number of shares during the year</b>	<b>369,168,376</b>	<b>342,718,770</b>
<b>Effect of dilution:</b>		
Option programmes (note 21)	8,473,219	5,683,926
<b>Weighted average number of shares during the year adjusted for the effect of dilution</b>	<b>377,641,594</b>	<b>348,302,696</b>

### Earnings per share (in NOK)

- Basic	1.30	0.53
- Diluted	1.27	0.52

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. 625,000 options granted in 2017 are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 31 December 2017. These options could potentially dilute basic earnings per share in the future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 14 Tangible fixed assets

	Improvements to rented offices	Equipment fixtures & fittings	Total
<b>Acquisition/purchase cost</b>			
<b>At 1 January 2016</b>	<b>17,492</b>	<b>55,530</b>	<b>73,022</b>
Additions	1,287	10,438	11,726
Acquisitions of a subsidiary (note 6)		2,585	2,585
Disposals		-5,868	-5,868
Exchange differences	-1,319	-4,419	-5,738
<b>At 31 December 2016</b>	<b>17,461</b>	<b>58,266</b>	<b>75,727</b>
Additions	811	44,023	44,834
Acquisitions of a subsidiary (note 6)	6,869	8,637	15,506
Disposals	-118	-8,671	-8,788
Exchange differences	2,012	9,261	11,273
<b>At 31 December 2017</b>	<b>27,035</b>	<b>111,516</b>	<b>138,551</b>
<b>Depreciation and impairment</b>			
<b>At 1 January 2016</b>	<b>11,897</b>	<b>32,304</b>	<b>44,201</b>
Depreciation charge for the year	824	8,869	9,693
Acquisitions of a subsidiary (note 6)		1,377	1,377
Disposals		-3,443	-3,443
Exchange differences	-836	-2,634	-3,470
<b>At 31 December 2016</b>	<b>11,885</b>	<b>36,473</b>	<b>48,359</b>
Depreciation charge for the year	1,749	11,059	12,808
Acquisitions of a subsidiary (note 6)	4,399	6,313	10,713
Disposals		-5,872	-5,872
Exchange differences	1,410	4,695	6,106
<b>At 31 December 2017</b>	<b>19,444</b>	<b>52,669</b>	<b>72,113</b>
<b>Net book value</b>			
<b>At 31 December 2016</b>	<b>5,576</b>	<b>21,793</b>	<b>27,368</b>
<b>At 31 December 2017</b>	<b>7,592</b>	<b>58,847</b>	<b>66,439</b>
Depreciation method	Straight line	Straight line	
Economic useful lives	2-10 years	2-10 years	

The carrying value of equipment held under finance leases at 31 December 2017 was NOK 998 thousand (2016: NOK 495 thousand). Additions during the year include NOK 503 thousand of equipment under finance lease contracts (2016: NOK 364 thousand). Disposals during the year include carrying value of NOK 43 thousand of equipment under finance lease contract (2016: NOK 886).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 15 Intangible assets and goodwill

	Intangible assets	Goodwill	Total
<b>Acquisition/purchase cost</b>			
<b>At 1 January 2016</b>	<b>106,251</b>	<b>319,646</b>	<b>425,897</b>
Additions	17,506		17,506
Acquisitions of a subsidiary (note 6)	432	106,008	106,440
Exchange differences	-9,092	-29,029	-38,121
<b>At 31 December 2016</b>	<b>115,098</b>	<b>396,625</b>	<b>511,724</b>
Additions	10,980		10,980
Acquisitions of a subsidiary (note 6)	86,036	80,307	166,343
Disposals	-1,931		-1,931
Exchange differences	15,350	47,381	62,731
<b>At 31 December 2017</b>	<b>225,533</b>	<b>524,312</b>	<b>749,846</b>
<b>Amortisation and impairment</b>			
<b>At 1 January 2016</b>	<b>34,790</b>	<b>1,971</b>	<b>36,761</b>
Amortisation	20,182		20,182
Acquisitions of a subsidiary (note 6)	268		268
Exchange differences	-3,302	-146	-3,448
<b>At 31 December 2016</b>	<b>51,938</b>	<b>1,825</b>	<b>53,763</b>
Amortisation	23,085		23,085
Acquisitions of a subsidiary (note 6)	9,841		9,841
Disposals	-1,931		-1,931
Exchange differences	8,025	121	8,146
<b>At 31 December 2017</b>	<b>90,958</b>	<b>1,946</b>	<b>92,904</b>
<b>Net book value</b>			
<b>At 31 December 2016</b>	<b>63,160</b>	<b>394,800</b>	<b>457,961</b>
<b>At 31 December 2017</b>	<b>134,576</b>	<b>522,366</b>	<b>656,942</b>
Amortisation method	Straight line	Yearly impairment testing	
Economic useful lives	2-12 years or indefinite		

Intangible assets are the capitalised costs related to the software systems used throughout the Group, client relationships and licenses. The client relationships and licenses were acquired as part of business combinations in 2017 (note 6). In 2017 the Group has also invested in development of a group data warehouse.

The carrying value of intangible assets with indefinite useful lives at 31 December 2017 was NOK 1.6 million (2016: NOK 0 million) and are related to licenses acquired as part of a business combination in 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Goodwill acquired through business combinations has been tested for impairment at the end of 2017. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax. The discount rate used is the weighted cost of capital before tax calculated for each cash generating unit. The following cash generating units have been tested for impairment:

### Creditreform Latvia SIA, Latvia, and its subsidiaries Crefo Rating SIA and AS Crefo Birojs

As of 31 December 2017, the carrying value of goodwill allocated to Creditreform Latvia SIA, Latvia, and its subsidiaries amounts to NOK 28.9 million. The companies has been tested using a 10 year cash flow model with a terminal value after 10 years discounted at a local pre tax WACC of 10.1%. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The basis for the expected future cashflow is management approved forecast for 2018, a stable investment program for purchased loan portfolios and a 0% growth rate in other operating revenue. The reasonably changes in key assumptions has been considered and assessed, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

### Poland Group

As of 31 December 2017, the carrying value of goodwill allocated to Poland Group amounts amounts to NOK 285.1 million. Poland group has been tested using a 10 year cash flow model discounted at a local pre tax WACC of 8.8%. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The terminal value for loan portfolio has been calculated by using estimated portfolio book value after 10 year less estimated costs to collect multiplied by 1.5, discounted at the local pre tax WACC. A factor of 1.5 represents a best estimate of the average multiple of expected future cash flow over portfolio book value for loan portfolio in the country specific market. The terminal value of loan receivables are estimated to be equal book value as of beginning of cash flow period.

The basis for the expected future cash flow is management approved forecast for 2018, a stable investment program for purchased loan portfolios and a 2% growth rate in other operating revenue. The sum of the future expected gross cash flows, less estimated costs to collect and costs related to other operating revenue, forms the basis for the net cash flow estimates used in the 10 year cashflow model. The reasonably changes in key assumptions has been considered and assessed, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

### Debt Collection Agency AD, Bulgaria, and its subsidiaries Debt Collection Agency S.R.L and Smart Collect EOOD

As of 31 December 2017, the carrying value of goodwill allocated to Debt Collection Agency AD, Bulgaria, and its subsidiaries amounts amounts to NOK 108.3 million. The companies has been tested using a 10 year cash flow model discounted at a local pre tax WACC of 11.1%. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The terminal value has been calculated by using estimated portfolio book value after 10 year less estimated costs to collect multiplied by 2.8, discounted at the local pre tax WACC. A factor of 2.8 represents a best estimate of the average multiple of expected future cash flow over portfolio book value for loan portfolio in the country specific market.

The basis for the expected future cash flow is management approved budget for 2018 and a stable investment program for purchased loan portfolios. The sum of the future expected gross cash flows, less estimated costs to collect, forms the basis for the net cash flow estimates used in the 10 year cash flow model. The reasonably changes in key assumptions has been considered and assessed, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

### Confirmación de Solicitudes de Crédito Verifica S.A. (Verifica), Spain

Verifica was purchased in 30th November 2017 and the goodwill created at time of acquisition, NOK 72.3 million, included estimated contingent consideration in the form of an put and call option agreement with the sellers. As of 31 December 2017, the carrying value of goodwill allocated to Verifica amounts to NOK 72.4 million. The company has delivered in line with expectations after the acquisition and there is not considered to be any risk of material impairments.

In addition, the following cash generating units, which are considered not significant in comparison with the Group's total carrying amount of goodwill, have been tested for impairment:

Company name	Interkreditt AS, Norway	OK Perinta OY, Finland, and its subsidiaries	Consequence Europe MKFT, Hungary	UAB Skolu valdymo centras	Nordic Debt Collection A/S	Credit-cash Faktoring Zrt.	UAB Skolu rizikos sprendimai
Region	Northern Europe	Northern Europe	Central Europe	Northern Europe	Northern Europe	Central Europe	Northern Europe
Allocated goodwill as of 31 December 2017	10.9	4.8	3.7	2.1	2	0.1	4.1

The result of the impairment tests showed that there was no requirement to further impair the goodwill in any of the cash generating units.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 16 Investments in associated companies and joint ventures

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

Profit from shares and participation in associated companies and joint ventures	2017	2016
Share of result from joint ventures	3,702	-2,511
Share of result from participation loan to joint venture	66,458	2,263
Share of result from associated companies	-77	400
	<b>70,083</b>	<b>152</b>

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

Investments in associated companies and joint ventures	2017	2016
Joint ventures	4,335	2,285
Associated companies	1,229	1,650
<b>At 31 December</b>	<b>5,564</b>	<b>3,935</b>

#### 16.2 Interest in joint ventures

As part of the portfolio purchase (reference 15.1), the Group became 50% owner of the share capital and voting rights in the SPV, EOS Credit Funding BL DAC with offices in Dublin, Ireland (portfolio owner), and ENB Properties Solutions srl with offices in Bucharest, Romania, and has joint control in these two companies. The two companies is accounted for using the equity method in the consolidated financial statements.

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

Investments in joint ventures	2017	2016
At 1 January	2,285	0
Additions/disposals		2,872
The Group's share of the joint venture's result after tax	3,702	-2,511
Reclassified to other short term liabilities	-1,868	1,868
Exchange differences	216	56
<b>At 31 December</b>	<b>4,335</b>	<b>2,285</b>

The Group's share of negative equity in EOS Credit Funding BL DAC was in 2016 reclassified to other short term liabilities.

	EOS Credit Funding BL DAC	ENB Properties Solution srl
Total assets	336,745	28,812
Liabilities	335,338	21,706
Equity	1,407	7,106
<b>Total liabilities &amp; equity</b>	<b>336,745</b>	<b>28,812</b>
<b>Profit for the year</b>	<b>5,168</b>	<b>2,238</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 16.3 Investments in associated companies

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

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

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

Investments in associated companies	2017	2016
At 1 January	1,650	1,598
The Group's share of the associate's result after tax	-77	400
Dividend received	-448	-260
Exchange differences	104	-87
<b>At 31 December</b>	<b>1,229</b>	<b>1,650</b>

### NOTE 17 Other long term financial assets

	2017	2016
<b>Financial assets at fair value through profit or loss</b>		
Participation loan, EOS Credit Funding BL DAC	161,159	159,060
Structured bonds	3,356	
Derivative financial instruments (note 5.5)	21,756	15,468
	<b>186,271</b>	<b>174,528</b>
<b>Financial assets at amortised cost</b>		
Loan to ENB Properties Solution srl	10,554	7,532
Brigde loan SPV Project 1609 S.r.l		9,741
Other	797	229
	<b>11,351</b>	<b>17,502</b>
	<b>197,622</b>	<b>192,030</b>

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

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

#### Structured bonds

The structured bonds are long term investments in Spanish bonds. At the date of initial recognition the Group designated these bonds to be recognised at fair value through profit and loss, using the fair value option in IAS 39.11A.

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

In fourth quarter of 2016 the Group was in process of establishing operations in Italy. As part of the process the Group had at 31 December 2016 granted a loan of NOK 9.7 million to the Italian SPV, SPV Project 1609 S.r.l. The process was finalised in the first quarter of 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 18.1 Accounts receivable

	2017	2016
Accounts receivable – gross	82,292	53,324
Provision for impaired balances	-7,303	-2,589
	<b>74,989</b>	<b>50,734</b>

Accounts receivable are non-interest bearing and are generally on terms of 30-90 days. At 31 December, the ageing analysis of accounts receivables was as follows:

	Total	Not past due or impaired	Past due but not impaired			Past due and impaired
			0-60 days	61-120 days	>120 days	
2017	82,292	63,819	10,038	443	689	7,303
2016	53,324	42,811	6,336	141	1,447	2,589

#### 18.2 Other short-term assets

	2017	2016
Collateral collected from debtors (note 18.3)	47,084	36,754
Value added, sales or other taxes receivable	8,267	6,450
Amounts due from previous owners of purchased loan portfolios	32,709	7,753
Advances & security deposits paid to suppliers	5,097	4,047
Prepayments	11,648	7,594
Amounts due from employees	1,356	4,010
Derivative financial instruments (note 5.5)	12,686	
Amounts due from joint venture (note 29)	6,449	
Accrued income not yet invoiced	1,462	1,143
Other	5,126	4,320
	<b>131,884</b>	<b>72,071</b>

#### 18.3 Collateral assets

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

	2017	2016
At 1 January	36,754	18,253
Additions	21,434	38,047
Disposals	-12,808	-14,050
Fair value adjustments	-3,169	-3,301
Exchange differences	4,874	-2,195
<b>At 31 December</b>	<b>47,084</b>	<b>36,754</b>

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Which consists of:

	2017	2016
Retail Properties	30,844	27,531
Non-retail properties	9,021	9,027
Other	7,219	195
	<b>47,084</b>	<b>36,754</b>

Of the collateral assets NOK 22.5 million is located in Poland (2016: 21.3 million) and NOK 20.4 million is located in Croatia (2016: 15.5 million). Retail properties is related to private housing and non-retail properties to commercial type of buildings.

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

The fair value of the assets is based on internal and external valuations taking into account the market and business the Group is operating in, and reflects the expected value for the Group.

	2017	2016
Rental income	235	103
Gain/(loss) from disposal and fair value adjustments	-2,510	-1,217
Direct operating expenses	-3,726	-2,760
<b>Operating profit/(loss) from collateral assets</b>	<b>-6,001</b>	<b>-3,874</b>

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

### NOTE 19 Cash and cash equivalents

	2017	2016
Cash at banks		
- unrestricted balances	435,459	214,195
- tax deductions from employee payroll	1,482	1,059
- other restricted balances	1,428	2,318
	<b>438,369</b>	<b>217,572</b>
Short term deposits	13,632	35
	<b>452,000</b>	<b>217,608</b>

Cash at banks earns interest at floating rates which are based on bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Other restricted balances represent deposits paid into a short term escrow account in connection with, for example, the acquisition of loan portfolios or guarantees provided by third parties.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash and short term deposit balances in the table above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 20 Share capital and other paid-in capital

Ordinary shares have a nominal value of NOK 0.10 each. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital NOK'000s <sup>1</sup>
<b>At 1 January 2016</b>	<b>311,872,095</b>	<b>31,187</b>	<b>1,426,790</b>
Share issue on 11 February at NOK 14.00 per share in connection with the bonus payment to the Chief Executive Officer and Chairman of the Board	57,144	6	794
Share issue on 7 June at NOK 12.00 per share in connection with the initial public offering	54,166,666	5,416	620,310
Share issue on 11 July at NOK 12.00 per share in connection with the Over-allotment Option in connection with the initial public offering 7 June	3,024,693	303	35,322
<b>At 31 December 2016</b>	<b>369,120,598</b>	<b>36,912</b>	<b>2,083,216</b>
Exercise of employee share options on 8 November at an average subscription price of 10.35	400,000	40	4,100
<b>At 31 December 2017</b>	<b>369,520,598</b>	<b>36,952</b>	<b>2,087,317</b>
Share issue on 13 March at NOK 20.25 per share in connection with the private placement	36,912,000	3,691	725,193
<b>At 9 April 2018 (the date of completion of these financial statements)</b>	<b>406,432,598</b>	<b>40,643</b>	<b>2,812,510</b>

1) Net proceeds after transaction costs

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

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

On 24 May 2017 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, up to NOK 3,691,206 which is equal to 10% of the Company's share capital, and (ii) in connection with the Company's share option programme, up to NOK 2,074,560.

The General Meeting on 24 May 2017 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 3,691,206. The maximum amount which can be paid per share in connection with such acquisition is NOK 25.00 while the minimum amount to be paid is NOK 1.00 per share.

Each of the said authorisations provided to the Board are all effective until the earlier of the Company's 2018 Annual General Meeting and 30 June 2018 and replaces the authorisations issued by the General Meeting on 26 June 2015 and the Extraordinary General Meeting on 19 May 2016.

### NOTE 21 Share based payments

#### 21.1 Option program

The Group has granted share options to management and selected key employees under two different option programs established in 2015. The first option program was established in June 2015 (the "First Option Program") and the second option program was established in September 2015 (the "Second Option Program"). As of the date of completion of these financial statements, there were 19,425,000 options outstanding under the First and Second Option Program.

Each option gives the holder the right to acquire one share from the Company at a strike price defined in the individual share option agreement.

In general, one-third of the options granted under the First Option Program vest on 1 January 2016, one-third vest on 1 January 2017 and the remaining one-third vest on 1 January 2018. Under the Second Option Program, one-third of the options granted vest after one, two and three years respectively after the date of grant. All options are conditional that the grantee remains employed on such date. All vested options may be exercised in any period prior to the expiry date.

All of the Company's option agreements include a clause regarding accelerated vesting meaning that if 75% of the shares in the Company are sold to an acquirer, all outstanding options are vested. In case of a merger, the grantee shall if possible be granted an equal share option in the merged company. If this is not possible, the grantee will have the right to exercise all the options prior to the merger.

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### 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.

	2017 Number	2017 WAEP	2016 Number	2016 WAEP
Outstanding 1 January	18,900,000	9.16	18,300,000	9.03
Granted during the year	1,125,000	16.50	600,000	13.00
Exercised during the year	-400,000	10.50		
Forfeited during the year	-200,000	12.00		
<b>Outstanding at 31 December</b>	<b>19,425,000</b>	<b>9.53</b>	<b>18,900,000</b>	<b>9.16</b>
Exercisable at 31 December	12,000,000	8.73	6,100,000	8.43

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

The weighted average fair value of options granted in 2017 was NOK 2.72 (2016: 1.64) per option and the cost of the options recognised in personnel costs together with a corresponding increase in other capital reserves was NOK 3,985 thousands in 2017 (2016: 6,705).

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 2017 was 0.61% (2016: 0.54%). The weighted average expected volatility for the options granted in 2017 was 32.6% (2016: 30.4%), and the expected lifetime has been set as the vesting date.

At 31 December 2017, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

Exercise price	Outstanding options			Vested options		
	Out-standing options as of 31.12.2017	Weighted average remaining contractual life	Weighted average exercise price	Out-standing options as of 31.12.2017	Weighted average remaining contractual life	Weighted average exercise price
0.00 - 8.00	4,800,000	0.5	8.00	4,800,000	0.5	8.00
8.01 - 8.50	4,800,000	0.5	8.50	4,800,000	0.5	8.50
8.51 - 9.99	4,800,000	0.5	9.00			
10.00 - 11.99	2,200,000	1.0	10.50	2,200,000	1.0	10.50
12.00 - 13.99	1,500,000	1.3	12.13	200,000	2.0	12.00
14.00 - 15.99	700,000	2.7	14.54			
16.00 - 20.30	625,000	3.0	17.89			
<b>Total</b>	<b>19,425,000</b>	<b>0.8</b>	<b>9.53</b>	<b>12,000,000</b>	<b>0.6</b>	<b>8.73</b>

At 31 December 2016, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

Exercise price	Outstanding options			Vested options		
	Out-standing options as of 31.12.2016	Weighted average remaining contractual life	Weighted average exercise price	Out-standing options as of 31.12.2016	Weighted average remaining contractual life	Weighted average exercise price
0.00 - 8.00	4,800,000	1.5	8.00	4,800,000	1.5	8.00
8.01 - 8.50	4,800,000	1.5	8.50			
8.51 - 9.99	4,800,000	1.5	9.00			
10.00 - 11.99	2,600,000	2.0	10.50	1,300,000	2.0	10.00
12.00 - 13.99	1,700,000	2.0	12.12			
14.00 - 15.99	200,000	3.0	14.00			
16.00 - 20.30						
<b>Total</b>	<b>18,900,000</b>	<b>1.6</b>	<b>9.16</b>	<b>6,100,000</b>	<b>1.6</b>	<b>8.43</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 22 Interest bearing loans and borrowings

	2017	2016
<b>Long term</b>		
Multi-currency revolving credit facility	693,622	351,495
Bond loan	5,044,999	2,865,705
Loans from non-controlling interests	76	515
	<b>5,738,696</b>	<b>3,217,715</b>
<b>Short term</b>		
Multi-currency term loan	989,436	
Bank overdraft	125,655	
	<b>1,115,091</b>	<b>0</b>

#### Interest bearing loans

The Group is financed by the following loans; (i) A EUR 260 million senior secured multi-currency revolving credit facility agreement, including a multi-currency cash pool with a EUR 20 million overdraft, which matures in August 2019, (ii) a EUR 100 million senior secured multi-currency term loan agreement which matures in December 2018, (iii) a EUR 150 million senior unsecured bond with maturity in December 2020, (iv) a EUR 175 million senior unsecured bond with maturity in October 2021 and (v) a EUR 200 million senior unsecured bond with maturity in November 2022.

The multi-currency revolving credit facility, multi-currency term loan and the bond loan carry a variable interest rate based on the interbank rate in each currency plus a margin supplement. In addition, there is a commitment fee, which is calculated as a percentage of the loan margin on the undrawn part of the credit facility and term loan. 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 2017. There are no instalments to be paid before maturity.

At 31 December 2017, PLN 420 million and NOK 500 million, in total EUR 175 million, was utilised from the combined EUR 240 million multi-currency revolving credit facility and EUR 100 million multi-currency term loan, leaving an available, undrawn amount of EUR 165 million. The multi-currency overdraft facility of EUR 20 million was utilised with EUR 13 million, leaving an available, undrawn amount of EUR 7 million at 31 December 2017.

The EUR 260 million multi-currency revolving credit facility and EUR 100 million multi-currency term loan are both 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 2017 and 31 December 2016 are summarised below:

At 31 December 2017	Currency	Interest rate %	Maturity	Outstanding nominal value
Multi-currency revolving credit facility	PLN	Floating	August 2019	235,580
	NOK	Floating	August 2019	500,000
Multi-currency term loan	PLN	Floating	December 2018	989,436
			December 2020	1,476,045
Bond loans	EUR	7.50 %	October 2021	1,722,053
			November 2022	1,968,060
				<b>6,891,174</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The repayment schedule by currency at 31 December 2017 and 31 December 2016 is shown in the table below:

At 31 December 2017	Multi-currency revolving credit facility and term loan		Bond loan	Loans from non-controlling interest		Total
	NOK	PLN		SEK	EUR	
2018		989,436				989,436
2019	500,000	235,580				735,580
2020			1,476,045			1,476,045
2021			1,722,053			1,722,053
2022			1,968,060			1,968,060
After 2021				76		76
	<b>500,000</b>	<b>1,225,016</b>	<b>5,166,158</b>	<b>76</b>	<b>0</b>	<b>6,891,250</b>

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

### Financial covenants

The financial covenants at 31 December 2017 for the bond loan and the multi-currency revolving credit facility are summarised below. All covenants have been met at 31 December 2017 and 31 December 2016.

The financial covenants for the bond loan are as follows:

	Requirement	2017	2016
Total loan to value	Maximum 75 %	66 %	60 %
Leverage ratio	Maximum 4.0	3.5	2.7
Net interest cover ratio	Minimum 4.0	5.6	6.5

The financial covenants for the multi-currency revolving credit facility are similar to the bond loan covenants but also include covenants for the borrowing base ratio, the equity ratio and the ratio of actual NPL portfolio cash collection compared to cash collection forecasts. In addition to this, the covenants for the borrowing base ratio and the ratio of actual NPL portfolio cash collection compared to cash collection forecasts are measured at the "Restricted Group" level, which comprises Ultimo Netherlands BV and its directly and indirectly owned subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Bank borrowings secured by pledged assets	2017	2016
Multi-currency revolving credit facility	1,683,058	351,495
	<b>1,683,058</b>	<b>351,495</b>

Balance sheet value of pledged assets	2017	2016
Share Pledge	2,527,683	2,087,194
Account charge over bank accounts	-132,486	191,044
Intra Group Loan receivable	5,483,631	3,046,847
	<b>7,878,828</b>	<b>5,325,085</b>

At 31 December 2017, the multi-currency revolving credit facility is secured by a share pledge over B2Holding ASA's 100% directly owned subsidiaries, an account charge over a number of pre-defined B2Holding ASA bank accounts (the specified bank accounts is participating in the Group Cash Pool and have a negative balance at year end), and a pledge over the intra-group loan receivables from B2Holding ASA to its subsidiaries.

### 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.

	2016	Changes from financing cash flows	Changes from acquisitions	Changes in foreign exchange rates	Changes in fair value	Other changes	2017
Interest bearing loans and borrowings	3,217,715	3,114,991		382,720		12,705	6,728,132
<b>Total</b>	<b>3,217,715</b>	<b>3,114,991</b>	<b>0</b>	<b>382,720</b>	<b>0</b>	<b>12,705</b>	<b>6,728,132</b>

The column «other changes» consist of non-cash effects from utilizing amortised cost principal.

### NOTE 23 Post employment liabilities

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

There were 906 employees (2016: 892 employees) covered under this scheme at 31 December 2017 and the liability at that date was NOK 791 thousand (2016: NOK 474 thousand).

Other post employment liabilities amounted to NOK 399 thousand at 31 December 2017 (2016: NOK 0 thousand), of which NOK 189 thousand are related to pension liabilities in Bulgaria and Slovenia and NOK 210 thousand is related to personnel leaving indemnities in Greece.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 24 Other long term liabilities

	2017	2016
<b>Financial liabilities at fair value through profit or loss</b>		
Contingent consideration (note 6.3)	53,943	41,218
Portfolio purchase option		22,509
Derivative financial instruments (note 5)	12,990	
Other	1,476	
	68,409	63,727
<b>Other liabilities at amortised cost</b>		
Financial lease liability – due after more than 12 months (note 28)	608	327
	608	327
	69,017	64,054

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

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

#### Portfolio purchase option

In end of May 2016 the Swedish part of the Group sold a Norwegian portfolio to Bank2 ASA (see also note 29). The agreement included an option for the seller to re-purchase the portfolio after two years, and with an option for the buyer to sell the portfolio back to the Group after two years. At the date of sale it was expected that due to the contractual arrangements it was likely that the Group will purchase the portfolio back after two years. As a consequence the portfolio has not been derecognised in the Group accounts as a sale, and the expected future cash outflow repurchasing the portfolio is presented as a financial liability. At 31 December 2017 the Group still expect the buy back situation. If the Group would expect that the options would not be exercised it would recognise a gain of NOK 13.1 million in the statement of profit or loss from derecognition of the portfolio and liability. At 31 December 2017, portfolio purchase option is classified as other current liability (note 27).

### NOTE 25 Accounts and other payables

	2017	2016
Accounts payable	75,488	28,155
Vendor financing	149,741	106,994
Amounts owed to third party collection customers	7,799	1,258
Amounts prepaid by loan debtors	32,945	19,524
Financial lease liability - due within 12 months (note 28)	256	288
Other payables	375	267
	266,603	156,486

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 26 Indirect taxes payable

	2017	2016
Value added taxes / sales taxes payable	6,661	3,869
Payroll taxes payable	13,418	5,215
Social security payable	44,070	19,779
Other indirect taxes payable	1,401	620
	65,550	29,483

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 2017 and 31 December 2016 includes the accrued social security costs of the share option programmes established in 2015 and described in more detail in note 21.

### NOTE 27 Other current liabilities

	2017	2016
<b>Financial liabilities at fair value through profit or loss</b>		
Contingent consideration (note 6.3)	21,649	26,783
Portfolio purchase option	21,678	
Derivative financial instruments (note 5)	27,249	
	70,575	26,783
<b>Other liabilities at amortised cost</b>		
Amounts due to employees	71,549	46,237
Accrued interest on external loans	67,213	43,975
Accrued costs of external collection services and other expenses	22,501	19,841
Other	8,825	5,825
	170,088	115,877
	240,663	142,661

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

See note 24 for information about portfolio purchase option.

Amounts due to employees are accruals for fixed and variable salaries and includes accruals for holiday entitlements according to local regulations and practices.

Interest payable on loans and borrowings is normally paid quarterly throughout the financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 28 Commitments

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

The Group has entered into operational leases for office premises, motor vehicles and office equipment. The lease payments for the majority of the office premises lease contracts are adjusted according to the consumer price index, have an extension option and have an average life of between 12 months and 5 years. There are no restrictions placed upon the lessee under the lease contracts to use the office premises in the normal course of business. The operating lease costs for the following types of lease were as follows:

	2017	2016
Office premises	23,788	16,098
Motor vehicles	2,096	2,089
Office equipment	6,925	5,090
	<b>32,809</b>	<b>23,277</b>

Future minimum rentals payable under non-cancellable operating leases at 31 December 2017 and 31 December 2016 were as follows:

	2017	2016
Rentals payable within one year	28,625	21,015
Rentals payable from one to five years	38,921	31,816
Rentals payable after more than five years	83	
	<b>67,629</b>	<b>52,831</b>

#### 28.2 Finance lease commitments – Group as lessee

The Group has entered into finance leases for various items of equipment. These leases have terms of renewal at the option of the specific Group entity that holds the lease. Future minimum lease payments under finance leases and the net present value of the minimum lease payments at 31 December 2017 and 31 December 2016 were as follows:

	2017		2016	
	Future minimum payments	Present value of payments	Future minimum payments	Present value of payments
Rentals payable within one year	402	365	312	288
Rentals payable from one to five years	475	394	330	327
Total minimum lease payments	877	759	642	615
Less amounts representing finance charges	-118		-26	
<b>Present value of minimum lease payments</b>	<b>759</b>	<b>759</b>	<b>615</b>	<b>615</b>

#### 28.3 Forward flow commitments

The Group has committed to buy non-performing debt portfolios for delivery in future years ('forward flow' contracts) in the following countries. The estimated face value and purchase price of contracts is based on the maximum face value in the purchase agreement or best estimate if there aren't any maximum amounts in the purchase agreements. At 31 December 2017 and 31 December 2016, these commitments were as follows:

	2017		2016	
	Face value	Purchase price	Face value	Purchase price
Northern Europe	571,601	329,636	335,003	187,397
Poland	307,876	133,352		
Central Europe	654,280	92,132		
Southeastern Europe	806,308	193,315	266,646	54,778
	<b>2,340,065</b>	<b>748,434</b>	<b>601,649</b>	<b>242,176</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 29 Related party disclosure

The Group's related parties include the Group management team, Board of Directors of the parent company, associated companies and joint ventures (note 16).

Related party transactions with Group management team and Board of Directors are set out in note 30.

Transactions with associated companies and joint ventures:

	Associated companies		Joint ventures	
	2017	2016	2017	2016
Loans as at 1 January			166,592	
New loans/repayments during the year			2,272	166,592
Exchange differences			2,849	
<b>Loans as at December 31</b>			<b>171,713</b>	<b>166,592</b>
Profit from participation in joint ventures (Participation loan, note 17)			66,458	2,263
Dividends received	448	260		
Interest income			476	29

#### Transaction with Bank2 ASA

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

#### 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 other than for interest-bearing loans, are interest free. At 31 December 2017 and 31 December 2016, the Group has not made any provision of doubtful debts relating to intra-group related party balances, nor have guarantees been provided or received. This assessment has been undertaken for each period end based on an examination of the financial position of the related party and the market in which the related party operates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

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.

Company name	Country of incorporation	Directly owned by B2Holding AS	% equity interest	
			2017	2016
B2Holding ASA				
Interkreditt AS	Norway		100 %	100 %
Ultimo Netherlands BV	Netherlands	X	100 %	100 %
B2Kapital Holding Sarl	Luxembourg		100 %	100 %
ULTIMO Portfolio Investment SA	Luxembourg		100 %	100 %
ULTIMO SA	Poland		100 %	100 %
ULTIMO Securitisation Fund	Poland		100 %	100 %
ULTIMO Legal Office	Poland		99 %	99 %
TAKTO Group comprising TAKTO Sp z.o.o, TAKTO Securitisation Fund & Invest TAKTO SKA	Poland		100 %	100 %
Sileo Holding AB	Sweden		100 %	100 %
Sileo Kapital AB	Sweden		100 %	100 %
Sileo Finans AB	Sweden	X	100 %	100 %
Kontant Finans Sverige AB	Sweden		90.1 %	90.1 %
OK Kapital OY	Finland		<sup>(1)</sup>	100 %
OK Perintä OY	Finland		100 %	100 %
OK Laskutus OY	Finland		100 %	51 %
OK Sileo OY	Finland		<sup>(1)</sup>	100 %
Nordic Debt Collection A/S <sup>2)</sup>	Denmark		100 %	<sup>(2)</sup>
OK Incure OÜ	Estonia		100 %	100 %
TCM Estonia OÜ	Estonia		100 %	100 %
B2Kapital SIA	Latvia		100 %	100 %
Creditreform Latvija SIA	Latvia		99.5 %	99.5 %
Crefo Rating SIA	Latvia		100 %	100 %
AS Crefo Birojs	Latvia		100 %	100 %
UAB Skolu valdymo centras <sup>2)</sup>	Lithuania		100 %	<sup>(2)</sup>
UAB Skolu rizikos sprendimai <sup>2)</sup>	Lithuania		74 %	<sup>(2)</sup>
B2 Kapital d.o.o	Croatia		100 %	100 %
B2 Real Estate d.o.o	Croatia		100 %	100 %
B2 Portfolio d.o.o.	Croatia		100 %	100 %
B2Kapital d.o.o	Bosnia-Herzegovina		100 %	100 %
B2Kapital d.o.o	Slovenia		100 %	100 %
B2 Holding Kapital d.o.o	Serbia		100 %	100 %
B2Kapital d.o.o	Montenegro		100 %	100 %
B2Kapital GmbH	Austria		100 %	100 %
B2Kapital Czech Republic s.r.o	Czech Republic		100 %	100 %
Consequence Europe MKFT	Hungary		100 %	100 %
B2Kapital Hungary Zrt <sup>2)</sup>	Hungary		100 %	<sup>(2)</sup>
B2Kapital Porfolio Management S.R.L	Romania		100 %	100 %
Debt Collection Agency S.R.L	Romania		100 %	100 %
Debt Collection Agency EAD	Bulgaria		100 %	100 %
Smart Collect EOOD	Bulgaria		100 %	100 %
B2Kapital AE	Greece		100 %	100 %
B2 Kapital S.r.l <sup>3)</sup>	Italy		100 %	<sup>(3)</sup>
B2 Kapital Investment S.r.l. <sup>3)</sup>	Italy		100 %	<sup>(3)</sup>
Confirmación de Solicitudes de Crédito Verifica S.A. <sup>2)4)</sup>	Spain		80 % <sup>(4)</sup>	<sup>(2)</sup>

1) Merged into OK Perinta OY during 2017 2) Acquired in business combinations in 2017, see note 6 for further information 3) Companies established in 2017 4) Option to acquire the remaining 20% of the shares

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 30 Remuneration

#### 30.1 Statement on remunerations

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

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

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

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

Remuneration includes:

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

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

**Annual bonus** - All Managers are eligible for an annual bonus. Performance level related to an agreed set of targets will be the criterion determining the size of the annual bonus. The target structure will comprise Group targets, Business Unit targets and individual targets when appropriate. The annual bonus may not exceed 50% of the base salary without prior consent of the board of directors of B2Holding ASA (the "BoD").

**Share options** - The BoD will establish a Share Option Program for the CEO, Managers in B2Holding ASA and Business Unit Managers responsible for an operating profit above a determined level under which share options with a 3-year-term may be granted. Each candidate is however subject to individual approval both with regard to being included in the Share Option Program and as to the number of options to be granted to that candidate.

The BoD will in its approval process emphasize the potential impact the candidate may have on the shareholder value development. The BoD will not in any single calendar year grant share options representing in total more than 0.5% of the share capital of B2Holding ASA as at the date of the Annual General Meeting in that year.

The strike price for options will be equal to volume weighted average price quoted on the Oslo Stock Exchange for the B2Holding shares in the last 30 trading days prior to the date on which the BoD's grant the options ("VWAP") plus 7.5% of VWAP in the period from grant until exercise of the options. The strike price shall be adjusted for the dilutive effect of dividend distributions, rights issues and other dilutive corporate actions.

The employment agreements of the CEO and the Management have a 6-month period of notice from last day of the month in which the written notice is given. The CEO is entitled to a termination payment equal to 12 months base salary after the notice period if the Company terminates his employment agreement. The members of Management are entitled to termination payment equal to 12 months base salary after the notice period in case of changes in ownership structure, area of operation or organisation that directly affect the premises for their employment.

The Group has been compliant to the above the last year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 30.2 Group Management and Board of Directors

Remuneration 2017	Salary	Bonuses earned in 2017	Pension expence	Other benefits	Total	Share option cost <sup>8)</sup>	Director's fee
Olav Dalen Zahl, Chief Executive Officer	3,218	1,181	204	172	4,775	665	
Erik Just Johnsen, Chief Financial Officer <sup>1)</sup>	2,314	980	206	18	3,518	166	
J. Harald Henriksen, Chief Compliance Officer <sup>2)</sup>	2,019	706	194	23	2,941	100	
Rasmus Hansson, Director Strategy and M&A	1,662	706	193	23	2,584	166	
Jeremi Bobowski, Chief Investment Officer	1,381	521		849	2,751	166	
Thor Christian Moen, Head of Legal	2,061	902	201	23	3,186	166	
Danckert P. Mellbye, Chief Organisation & Improvement Officer <sup>3)</sup>	875	725	132	11	1,744	164	
Henrik Wennerholm, Regional Director Scandinavia <sup>4)</sup>	1,243	570	361	3,167	5,340	384	
Ilija Plavcic, Regional Director Central Europe <sup>5)</sup>	1,054	1,194		0	2,248	277	
Adam Parfiniewicz, Regional Director Poland <sup>5)</sup>	658	645		13	1,316	486	
Kari Ahlström, Finland & Baltics Regional Director <sup>5)</sup>	578	627	203	37	1,445	395	
Christos Savvides, Regional Director South Eastern Europe <sup>6)</sup>							
<b>Board of Directors</b>							
Jon Harald Nordbrekken, Chairman				15	15	665	500
Per Kristian Spone <sup>7)</sup>							302
Trygve Lauvdal <sup>7) 8)</sup>							290
Kari Skeidsvoll Moe <sup>7)</sup>							290
Tove Raanes <sup>7)</sup>							302
Niklas Wiberg, Deputy member							125
<b>Total</b>	<b>17,063</b>	<b>8,756</b>	<b>1,694</b>	<b>4,353</b>	<b>31,866</b>	<b>3,801</b>	<b>1,808</b>

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

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

3) Danckert P. Mellbye took up the new position as Chief Organization & Improvement Officer with effect from 1 July 2017. For the period January - June 2017 Mellbye was engaged as a consultant and remunerated with a total consulting fee of NOK 840,000 excluding VAT.

4) Henrik Wennerholm took up the new position as Scandinavian Regional Director with effect from 1 September 2017. Wennerholm has decided to leave his position and will be succeeded by Tore Krogstad, taking up the position with effect from 1 March 2018. Other benefits includes exercising of 400,000 share options, please refer to note 21.

6) Christos Savvides took up the position as Regional Director South Eastern Europe with effect from 1 September 2017 and has been remunerated (via the company Sabel Investment Ltd) with a total consulting fee of EUR 62,785 excluding VAT for the period September - December 2017.

5) Kari Ahlström, Adam Parfiniewicz and Ilija Plavcic, all previously local managers in the B2Holding Group, took up their new positions as Regional Directors with effect from 1 September 2017. The given numbers for remuneration are for the period September - December 2017.

7) Directors fee to Per Kristian Spone, Trygve Lauvdal, Kari Skedsvoll Moe and Tove Raanes includes remuneration for 2016 with NOK 175,000 per person. With effect from June 2017 directors fees are paid monthly.

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

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Remuneration 2016	Salary	Bonuses earned in 2016	Pension expence	Other benefits	Total	Share option cost	Director's fee
Olav Dalen Zahl, Chief Executive Officer	2,668	1,000	48	167	3,882	1,669	
Erik Just Johnsen, Chief Group Controller	1,840		48	20	1,908	417	
J. Harald Henriksen, Chief Financial Officer	1,758		43	25	1,826	250	
Rasmus Hansson, Director Strategy and M&A	1,306	1,000	44	27	2,376	385	
Jeremi Bobowski, Chief Investment Officer	1,347	3,949	0	884	6,181	385	
Thor Christian Moen, Head of Legal	1,904		59	13	1,976	385	
Henrik Wennerholm, Director Business Development <sup>3)</sup>	1,457		284	107	1,848	385	
<b>Board of Directors</b>							
Jon Harald Nordbrekken, Chairman	5,802		41	12	5,855	1,669	316
Per Kristian Spone							150
Trygve Lauvdal							
Kari Skeidsvoll Moe							
Tove Raanes							
Niklas Wiberg							150
Kjetil Andreas Garstad							150
<b>Total</b>	<b>18,081</b>	<b>5,949</b>	<b>567</b>	<b>1,256</b>	<b>25,854</b>	<b>5,545</b>	<b>766</b>

### 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 2017 were as set out below. For details of options granted to the Board of Directors and Group Management, please refer to note 21.

Name	Position	Number of shares
Jon Harald Nordbrekken <sup>1)</sup>	Chairman of the Board	26,193,496
Per Kristian Spone <sup>2)</sup>	Board member	6,000
Kari Skeidsvoll Moe	Board member	6,200
Tove Raanes <sup>3)</sup>	Board member	7,500
Olav Dalen Zahl <sup>4)</sup>	Chief Executive Officer	2,329,786
Erik Just Johnsen <sup>5)</sup>	Chief Financial Officer	310,000
J. Harald Henriksen	Chief Compliance Officer	20,057
Rasmus Hansson <sup>6)</sup>	Director Strategy and M&A	40,057
Thor Christian Moen	Head of Legal	75,000
Henrik Wennerholm <sup>7)</sup>	Regional Director Scandinavia (until 1 March 2018)	2,381,342
Ilija Plavcic	Regional Director Central Europe	1,410,500

1) Jon Harald Nordbrekken holds 2,088,496 personally. In addition Valset Invest AS, an entity controlled by Nordbrekken and his related parties, holds 24,000,000 shares, and Cryptic AS, an entity controlled by a related party of Jon Harald Nordbrekken, holds 105,000 shares.

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

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

4) Fjordsyn AS, an entity controlled by Olav Dalen Zahl, holds 2,326,386 shares. In addition, persons related to Olav Dalen Zahl hold 3,400 shares.

5) Pine AS, an entity controlled by Erik Just Johnsen holds 310,000 shares.

6) Rmh Invest AS, an entity controlled by Rasmus Hansson, holds 40,057 shares.

7) Femwen AB, an entity controlled by Henrik Wennerholm, holds 1,981,342 shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s 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:

See note 21 for further information of the Group share option program.

	Grant date	Number of options granted	Number of options vested at 31 December 2017	Number of options vested at 31 December 2016	Expiry date	Exercise price range NOK
Jon Harald Norbrekken (Chairman of the Board)	1 July 2015	6,000,000	4,000,000	2,000,000	1 July 2018	8-9
Olav Dalen Zahl (Chief Executive Officer)	1 July 2015	6,000,000	4,000,000	2,000,000	1 July 2018	8-9
Erik Just Johnson (Chief Financial Officer)	1 July 2015	1,500,000	1,000,000	500,000	1 July 2018	8-9
J. Harald Henriksen (Chief Compliance Officer)	1 July 2015	900,000	600,000	300,000	1 July 2018	8-9
Rasmus Hansson (Director Strategy and M&A)	9 September 2015	600,000	400,000	200,000	31 December 2018	10-12
Jeremi Bobowski (Chief Investment Officer)	9 September 2015	600,000	400,000	200,000	31 December 2018	10-12
Thor Christian Moen (Head of Legal)	9 September 2015	600,000	400,000	200,000	31 December 2018	10-12
Henrik Wennerholm (Regional Director Scandinavia) <sup>1)</sup>	9 September 2015	600,000		200,000	31 December 2018	10-12
Ilija Plavcic (Regional Director Central Europe)	9 September 2015	1,000,000	666,667	333,333	31 December 2018	10-12
Adam Parfiniewicz (Regional Director Poland)	15 Juni 2016	600,000	200,000		31 December 2019	12-14
Kari Ahlström (Regional Director Finland & Baltics)	27 April 2017	450,000			31 December 2020	14.26-16.32
Danckert P. Mellbye (Chief Organisation & Improvement Officer)	20 September 2017	375,000			31 December 2020	17.60-20.30
<b>Total</b>		<b>19,225,000</b>	<b>11,666,667</b>	<b>5,933,333</b>		

1) Henrik Wennerholm exercised 400.000 options 8 November 2017 and the remaining 200.000 options have been forfeited at 31.12.2017

### 30.3 Fees to auditors

The table below summarises audit fees, fees for further assurance services and tax services incurred by the Group during 2017 and 2016 from Ernst & Young, who were appointed the Group auditors in December 2014. Fees include all companies in the Group.

	2017	2016
Audit fees	5,465	4,257
Fees for further assurance services	865	1,728
Fees for tax services	762	1,412
	<b>7,092</b>	<b>7,397</b>

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

### NOTE 31 Contingent liabilities

In 2017 the Group made a provision of NOK 3.9 million related to the treatment of withholding tax on cash collection from purchased portfolios owned from outside of the country of origination. The provision concerns the years 2015 to 2017 and includes potential interests and penalties. The Group is currently in discussions with local Financial authorities to clarify if there are a legal obligation related to the situation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 32 Guarantees

On 16 November 2015, B2Holding ASA, the Group's parent company, issued a EUR 300 million guarantee to DNB Bank ASA as Agent on behalf of itself and Nordea Bank Norge ASA in connection with the provision of a syndicated multicurrency loan of EUR 260 million (increased with EUR 100 million multicurrency term loan in the last amendment and restatement dated 20 October 2017) established in order to refinance existing borrowing facilities and provide additional facilities to fund future portfolio acquisitions for the Group. The guarantee was issued on behalf of the borrower under the syndicated multicurrency loan, B2Holding ASA's 100% directly owned subsidiary, Ultimo Netherlands BV. The drawdown amount of the syndicated multicurrency loan at 31 December 2017 was PLN 420 million and NOK 500 million (total NOK 1,725 million).

B2Holding ASA, the Group's parent company, issued a office rental guarantee with effect from 10 October 2017 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement is for a period of up to 40 months with the option of extending for an additional 3 years if not cancelled within a specified date. Although the guarantee is unlimited, the Group estimates that its exposure for the initial 40 months rental period is limited to the monthly office rentals for this period. The guarantee for the remaining rental period amounting to a total SEK 7.6 million.

B2Holding has issued an office rental guarantee with effect from 1 November 2015 in favour of the lessor of the Group's current offices in Gothenburg, Sweden. This rental agreement has been terminated and will end on 30<sup>th</sup> September 2018. The guarantee for the remaining rental period amounts to a total of approx. SEK 725 thousand.

B2Holding ASA, the Group's parent company, 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 valied until 90 days following the rental agreement maturing in June 2023.

### NOTE 33 Subsequent events

The Board of Directors of B2Holding ASA has proposed that the general meeting to be held in May 2018 approve a dividend of NOK 0.30 per share for 2017.

On 13 March B2Holding ASA successfully completed a private placement and raised a gross proceed of NOK 747.5 million at a subscription price of NOK 20.25 per share. The private placement was significantly oversubscribed. The share capital increase pertaining to the issuance of the new shares is resolved by the Board of Directors pursuant to an authorization granted by the Company's general meeting on 24 May 2017.

In March 2018 the Group signed and closed an agreement for the acquisition of 100% of the shares of Negociation et Achat de Creances Contentieuses (NACC). NACC is one of the leading players in France within debt purchase and servicing. NACC was established in 1993 and has strong client relationships with most of the large French banks. NACC currently has around 80 full time employees, with its headquarter in Paris and additional offices in Landernau (Brest), Bordeaux and Papeete (Tahiti). About 90% of revenues come from collection on owned portfolios, while the remaining revenues come from third party debt collection. NACC has a strong position and expertise within larger secured claims ("PVR" claims). At closing, NACC had an Estimated Remaining Collection ("ERC") of approximately EUR 115 million of which a majority consists of PVR portfolios. With the acquisition of NACC, B2Holding has secured a strong platform for further growth in one of the larger markets for NPLs in Europe. The acquisition of NACC represents an Enterprise Value of approximately EUR 90 million at closing, and the acquisition will be financed by available financial resources. Part of the transaction is based on an earn-out agreement with senior management over 4 years. At the day of finalizing the annual report 2017, there is not reliable information to present IFRS 3 information about purchase price allocation and other related numbers. This is due to conversion of purchased portfolios from local GAAP into IFRS.

In March 2018, the B2Holding Group acquired a retail unsecured loan portfolio in Greece with a face value of EUR 3.7 billion, approx. 315,000 individual claims and a purchase price of EUR 90 million. The transaction marks B2Holding Group's first portfolio acquisition in Greece and positions the Company as an early mover. The agreement is one of the largest ever to be penned in Greece and confirms B2Holding's intention to become one of the leading players in the Greek NPL-market.

In the first quarter of 2018, B2Holding entered the Cypriot market through acquisition of a NPL portfolio from Hellenic Bank by a new established entity B2Kapital Cyprus Ltd. The portfolio has a face value of EUR 145 million and the closing of the the transaction is waiting for approval.

### NOTE 34 Change in presentation of statement of cash flows

In 2017 the presentation of net cash flow from operating activities and investing activities have been corrected and the 2016 statement of cash flows have been restated accordingly.

In 2017 "operating cash flow adjustments" and "purchase of loan portfolios" have been corrected so actual cash payments for loan portfolios are presented as "purchase of loan portfolios" and timing effects of payments for purchased loan portfolios are excluded from "operating cash flow adjustments". See note 5.3 for reconciliation of cash used for purchase of loan portfolios.

Issued participation loan to the JV with EOS Credit Funding BL DAC for purchase of a loan portfolio and loan to ENB Property Solution srl in fourth quarter 2016 have previously been presented as part of "operating capital adjustments". In 2017, the presentation of these transactions have been corrected and participation loan to EOS are presented in "purchase of loan portfolios" and loan to ENB are presented as "investment in business acquisitions" in adjusted cash flow statement. The reason for this classification is that the Joint Venture arrangement is a SPV only holding a portfolio, and the contractual arrangement of the participation loan is directly linked to the performance of the portfolio purchased in the SPV. See note 17 for further information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Below is presented adjustments on consolidated statement of cash flows for 2016 in the Annual report 2017.

	Annual report 2016	Change	Annual report 2017
<b>Cash flow from operating activities</b>			
Profit for the year before tax	227,364		227,364
<b>Adjustment for non-cash items:</b>			
Revenue from purchased loan portfolios	-1,205,942		-1,205,942
Depreciation and amortisation of assets	29,875		29,875
Interest expenses	227,315		227,315
Unrealised foreign exchange differences	180,046		180,046
Fair value adjustment of contingent consideration	692	-692	
Share based payment expense	6,705		6,705
(Profit)/loss on sale of tangible and intangible fixed assets	41		41
<b>Operating cashflows:</b>			
Gross cash collection from purchased loan portfolios	1,870,388		1,870,388
Interest paid	-183,761		-183,761
Income tax paid during the year	-60,393		-60,393
<b>Operating capital adjustments:</b>			
Decrease/(increase) in current assets	-48,281	1,302	-46,979
Decrease/(increase) in other non-current financial assets	-266,608	159,369	-107,239
Increase/(decrease) in current liabilities	33,120	-55,075	-21,955
Increase/(decrease) in non-current liabilities	-8,258		-8,258
Other items	101	692	793
<b>Net cash flow from operating activities</b>	<b>802,406</b>	<b>105,596</b>	<b>908,002</b>
<b>Cash flow from investing activities</b>			
Purchase of loan portfolios	-2,431,717	-98,078	-2,529,795
Investment in subsidiary companies and joint ventures	-91,964	-7,518	-99,482
Payment of contingent consideration	-162,678		-162,678
Purchase of tangible and intangible fixed assets	-29,232		-29,232
Proceeds from the sale of tangible and intangible fixed assets	2,383		2,383
<b>Net cash flow from investing activities</b>	<b>-2,713,208</b>	<b>-105,595</b>	<b>-2,818,803</b>
<b>Cash flow from financing activities</b>			
Proceeds from the issue of new shares, net of transaction costs	662,151		662,151
Proceeds from new external loans during the year	2,492,574		2,492,574
Repayment of external loans during the year	-1,754,439		-1,754,439
Dividends paid to non-controlling interest	-199		-199
<b>Net cash flow from financing activities</b>	<b>1,400,087</b>		<b>1,400,087</b>
<b>Net cash flow during the year</b>	<b>-510,715</b>		<b>-510,715</b>
Cash and cash equivalents at 1 January	764,678		764,678
Exchange rate difference on cash and cash equivalents	-36,355		-36,355
<b>Cash and cash equivalents at 31 December</b>	<b>217,608</b>		<b>217,608</b>

## PARENT COMPANY INCOME STATEMENT

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2017	2016
Other operating revenues		1,205	1084
<b>Operating revenue</b>		<b>1,205</b>	<b>1,084</b>
Personnel costs	3	-53,183	-41,529
Depreciation of tangible fixed assets	7	-220	-232
Amortisation of intangible assets	8	-40	-44
Other operating expenses	4	-25,675	-45,134
<b>Total operating expenses</b>		<b>-79,118</b>	<b>-86,939</b>
<b>Operating profit</b>		<b>-77,913</b>	<b>-85,855</b>
Net gain / (loss) on investments			-8,500
Group contribution		2,942	2,209
Net realised and unrealised exchange gains / (losses)	5	16,135	-86,411
Interest income from group companies		247,995	214,873
Impairment financial receivables			7,984
Interest expense to group companies		-649	
Other interest expenses	5	-229,918	-134,159
Other financial items	5	-9,390	-5,319
<b>Net financial items</b>		<b>27,115</b>	<b>-9,323</b>
<b>Profit for the year before tax</b>		<b>-50,798</b>	<b>-95,178</b>
Change in deferred taxes	6	-882	16,248
<b>Profit for the year after tax</b>		<b>-51,680</b>	<b>-78,930</b>
<b>Allocations:</b>			
Dividends		-121,930	-55,368
Transfer from other equity		-173,610	-134,298

## PARENT COMPANY BALANCE SHEET

All figures in NOK'000s unless otherwise stated

At 31 December	Notes	2017	2016
<b>Non-current assets</b>			
Intangible assets	8	41	80
Deferred tax asset	6		
Tangible fixed assets	7	1,322	1,230
Investment in subsidiary companies	9	2,087,194	2,087,194
Long term loans to group companies	9	5,483,631	3,046,847
Other long term financial assets		45,275	33,937
<b>Total non-current assets</b>		<b>7,617,463</b>	<b>5,169,289</b>
<b>Current assets</b>			
Short term receivables from group companies		42,406	234,830
Other short term assets		15,858	10,163
Cash and cash equivalents	10	8,727	2,612
<b>Total current assets</b>		<b>66,991</b>	<b>247,606</b>
<b>Total assets</b>		<b>7,684,454</b>	<b>5,416,895</b>
<b>Equity</b>			
<b>Paid in capital</b>			
Share capital	11, 12	36,952	36,912
Other paid in capital	11, 12	2,087,317	2,083,217
Other capital reserves	11, 16.1	12,615	10,139
		2,136,884	2,130,268
<b>Retained earnings</b>			
Other equity	11	78,476	252,086
<b>Total equity</b>		<b>2,215,360</b>	<b>2,382,354</b>
<b>Non-current liabilities</b>			
Long term interest bearing loans and borrowings	13	5,116,957	2,907,616
Deferred tax liabilities	6	11,116	10,234
<b>Total non-current liabilities</b>		<b>5,128,073</b>	<b>2,917,850</b>
<b>Current liabilities</b>			
Short term payables to group companies	10	130,528	
Accounts and other payables		1,822	987
VAT, payroll and other indirect taxes		3,315	1,999
Other current liabilities	14	205,356	113,705
<b>Total current liabilities</b>		<b>321,021</b>	<b>116,691</b>
<b>Total liabilities</b>		<b>5,458,020</b>	<b>3,034,541</b>
<b>Total equity &amp; liabilities</b>		<b>7,684,454</b>	<b>5,416,895</b>

Oslo, 9 April 2018

/sign/

Jon Harald Nordbrekken, *Chairman of the Board*

/sign/

Per Kristian Spone, *Board Member*

/sign/

Tove Raanes, *Board Member*

/sign/

Kari Skeidsvoll Moe, *Board Member*

/sign/

Trygve Lauvdal, *Board Member*

/sign/

Olav Dalen Zahl, *Chief Executive Officer*

## PARENT COMPANY CASH FLOW STATEMENT

All figures in NOK'000s unless otherwise stated

Year ended 31 December	2017	2016
<b>Cash flow from operating activities</b>		
Profit for the year before tax	-50,798	-95,178
<b>Adjustment for non-cash items:</b>		
Depreciation and amortisation of assets	260	276
Impairment financial assets		516
Interest expense on interest bearing loans	229,880	132,564
Amortisation of loan financing costs	9,186	5,336
Share based payment expense	2,476	5,006
Unrealised foreign exchange differences	-19,675	71,948
<b>Operating cashflows:</b>		
(Grant)/repayment of long term receivables	611	938
Interest paid on interest bearing loans & borrowings	-219,118	-105,349
<b>Operating capital adjustments:</b>		
Decrease/(increase) in short term balances with group companies	322,952	-191,453
Decrease/(increase) in accounts receivable and other current assets	-5,695	-5,729
Decrease/(increase) in other non-current financial assets	-20,759	-16,711
Increase/(decrease) in accounts payable and other current liabilities	16,478	11,054
Increase/(decrease) in non-current liabilities		-6,354
<b>Net cash flow from operating activities</b>	<b>265,799</b>	<b>-193,136</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible and intangible fixed assets	-312	-376
Purchase of shares in subsidiary companies		-1,138,828
Decrease / (Increase) in long term loans to group companies	-2,126,605	-1,029,925
<b>Net cash flow from investing activities</b>	<b>-2,126,917</b>	<b>-2,169,129</b>
<b>Cash flow from financing activities</b>		
Proceeds from the issue of new shares, net of transaction costs	4,140	662,152
Establishment of interest bearing loans and borrowings, less loan financing costs	1,918,461	1,560,563
Repayment of interest bearing loans and borrowings during the year		-44,588
Dividend paid to shareholders	-55,368	
<b>Net cash flow from financing activities</b>	<b>1,867,233</b>	<b>2,178,127</b>
<b>Net cash flow during the year</b>	<b>6,115</b>	<b>-184,138</b>
<b>Cash and cash equivalents at 1 January</b>	<b>2,612</b>	<b>186,750</b>
<b>Cash and cash equivalents at 31 December</b>	<b>8,727</b>	<b>2,612</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 1 Summary of significant accounting policies

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2017, consist of the income statement, balance sheet, cash flow statement and notes to the accounts. The financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK' 000) except where otherwise indicated.

#### Investments

Investment in subsidiaries and associated companies is accounted for using the cost method. The investments are recorded at the acquisition price of the shares and will be written down or impaired to fair value when a fall in value is due to reasons that cannot be assumed to be temporary and are necessary according to generally accepted accounting principles. Write-downs are reversed when there is no longer a basis for impairment. Dividends and group tax contributions from subsidiaries are recognised in the income statement when the subsidiary has proposed these.

#### Interest bearing loans and borrowings

Borrowings are recognised at nominal value. Directly associated costs are amortised straightline over the term of the loan.

#### Foreign currency

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

#### Classification

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

#### Tangible fixed assets

Tangible fixed assets are recorded in the balance sheet at historical cost less depreciation based on an assessment of useful economic life. If the recoverable amount is less than the balance sheet value, then the amount is impaired to the recoverable amount which is the highest of net sales value or value in use. Value in use is the current value of the future cash flows that the asset will generate.

#### Intangible assets

Intangible assets include purchase of software. Expenditures for IT development and maintenance are expensed as incurred. Intangible assets acquired separately are measured on initial recognition at cost.

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

The intangible assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The amortisation expense on intangible assets with infinite lives is classified in the income statement as 'Amortisation of intangible assets'.

Any gain or loss arising on derecognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying

amount of the intangible asset) is included in the income statement in the year the intangible asset is derecognised.

#### Lease agreements

A lease is classified as either a finance or operating lease. Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

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

#### Receivables and other current assets

Receivables and other current assets are accounted for at face value less any provision for expected losses.

#### Tax

##### Current income tax:

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

##### Deferred tax:

Deferred income tax is computed using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date as well as tax losses carried forward. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities.

#### Defined contribution pension plans

The Company operates a defined contribution pension plan under which the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods, and therefore does not record a pension liability in the balance sheet.

#### Share based payments

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in B2Holding Group financial statement note 21. That cost is recognised in personnel costs, together with a corresponding increase in other capital reserves within equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised at

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of that period.

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. For further details, see note 13 in B2Holding Group financial statement.

#### Cash flow statement

The cash flow statement is prepared according to the indirect method which reconciles the change in cash and cash equivalents to the profit for the year before tax. Cash flows are divided into cash flows from operating activities, investing activities and financing activities. Cash and cash equivalents consist of cash and short term deposits as well as immediately available balances with banks and similar institutions. Short term deposits are easily and readily convertible to a known amount of cash and have a maturity of not more than three months.

### NOTE 2 Financial risk management

The B2Holding activities are exposed to financial risks: market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. The Company focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects of the market fluctuations on the Group's financial performance.

#### Market risk

##### Market and regulatory environment:

The prime market risk for the Company is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the Group debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables.

The services and products offered in the respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licenses, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

#### Currency and interest rate risk

The strategy of the Company is to manage and limit both currency and interest rate risk for the Group. The Group holds various derivative financial instruments with the purpose of reducing its interest rate exposure and achieving a suitable currency ratio between the Group's assets and liabilities.

##### Currency risk:

Net borrowings (nominal value of interest bearing loans less cash) in the Group adjusted for derivative financial instruments are made in relevant currencies reflecting the underlying expected future cashflows from the Group's loans and receivables. The exceptions are Croatian Kuna (HRK), Romanian Leu (RON), Bulgarian Lev (BGN), Bosnian Convertible Mark (BAM), Czech Koruna (CZK) and Serbian Dinar (RSD) where all borrowing are done in EUR.

The Company's bond loans are denominated in EUR and the Group's borrowings under the multi-currency revolving credit facility are drawn in PLN and NOK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2017: (i) cross currency swap of SEK 225 million against EUR, (ii) Cross currency swap of NOK 425 million against SEK, (iii) Cross currency swap of NOK 125 million against DKK and (iv) FX forward of PLN 250 million against EUR. At 31 December 2017, net borrowings amounted to NOK 6,516 million. Adjusted for the currency derivatives mentioned above, the net borrowings represented a currency basket comprising of EUR: 65%, PLN: 24%, SEK:10% and DKK: 2%.

For currency sensitivity analysis for the Group, please refer to note 5.1 in B2Holding Group financial statement.

##### Interest rate risk:

The Group uses interest rate swaps and interest rate caps to reduce its interest rate exposure. The Group's strategy is to hedge between 60% and 120% of net borrowings up to a maximum period of 5 years. The hedging ratio at 31 December 2017 was 87% with a duration of 3.53years. For details of the Group's hedging effective at 31 December 2017, please refer to note 5.1 in B2Holding Group financial statement.

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

#### Credit risk

The Company's credit exposure mainly consists of unsecured intercompany receivables that are related to the above mentioned funding of portfolio investments in subsidiaries. The credit risk is reflected through the subsidiaries profits on their portfolio investments. 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 three bond loans of EUR 525 million in total and the Group's multi-currency revolving credit facility of EUR 260 million, multi-currency revolving term loan of EUR 100 million and cash and cash equivalents, totalling NOK 9,161 million at 31 December 2017, ensures necessary funding to meet future payment obligations.

At 31 December 2017 the Group had an unused part of the revolving credit facility totalling EUR 165 million or NOK 1,621 million, an unused part of the multi-currency overdraft totalling EUR 7 million or NOK 71 million in addition to cash and cash equivalents of NOK 452 million.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 3 Personnel costs

	2017	2016
Wages, salaries and other benefits paid	26,101	24,453
Social security costs & payroll taxes	3,907	3,852
Defined contribution pension costs	2,158	338
Other personnel costs	4,590	1,717
Cost share option program	2,476	5,006
Social security cost share option program	13,952	6,163
	<b>53,183</b>	<b>41,529</b>
Number of full time equivalents (FTEs) at 31 December	16.0	10.8

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

	2017	2016
Audit and tax services	2,064	2,221
External accounting services & temporary consultants	91	1,815
Legal services	438	845
Other professional services, including due diligence and transaction services (2016)	10,250	21,195
Cost of office premises	2,228	2,428
IT, telecommunications	1,474	1,152
Marketing, business entertaining	3,166	926
Travel, accommodation, meetings, arrangements	3,491	3,199
Printing, postage	1,146	697
Statutory and other corporate costs	1,326	10,656
	<b>25,675</b>	<b>45,134</b>

### NOTE 5 Net financial items

	2017	2016
<b>Net realised and unrealised exchange gains/(losses)</b>		
Realised exchange gains/(losses)	-3,540	-14,463
Unrealised exchange gains/(losses)	19,675	-71,948
	<b>16,135</b>	<b>-86,411</b>

#### Other interest expenses

Interest expense on interest bearing loans	-229,880	-132,564
Other interest expense	-38	-1,595
	<b>-229,918</b>	<b>-134,159</b>

#### Other financial items

Interest income on cash & short term deposits	67	63
Other interest income	9	
Costs of financing	-9,466	-5,382
	<b>-9,390</b>	<b>-5,319</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 6 Taxes

The major components of income tax reported in the income statement were:	2017	2016
Current income tax:		
Current year income tax payable	0	0
Deferred tax expense/(income):		
Origination and reversal of temporary differences	882	-16,248
	<b>882</b>	<b>-16,248</b>
<b>Total tax expense reported in the income statement</b>	<b>882</b>	<b>-16,248</b>

Calculation of the income tax base	2017	2016
Profit before tax	-50,798	-95,178
Permanent differences	-16,512	-25,676
Group contribution	2,942	2,209
Change in temporary differences	-5,688	93,285
Transfer to/(from) tax losses carried forward	70,056	25,360
<b>Current year income tax base</b>	<b>0</b>	<b>0</b>
<b>Current year income tax payable at 24%</b>	<b>0</b>	<b>0</b>

Calculation of the deferred tax base	Deferred taxes	Change in deferred taxes	
	2017	2016	2017
<b>Taxable temporary differences:</b>			
Long term loans to Group companies	323,525	85,166	
<b>Deductible temporary differences:</b>			
Fixed assets	-77	-57	
Other receivables & liabilities	-27,723	-13,773	
Long term interest bearing loans	-247,396	-28,696	
Tax losses carried forward - no time limit on expiry	-151,460	-81,385	
Reversal of basis for deferred tax asset not recognised	151,460	81,385	
	<b>-275,196</b>	<b>-42,526</b>	
Basis for deferred tax asset at 23% (24% in 2016)	-23,720	-9,299	-14,421
Deferred tax asset not recognised	34,836	19,532	15,303
<b>Net deferred tax/change in deferred taxes</b>	<b>11,116</b>	<b>10,234</b>	<b>882</b>
<b>Comprising:</b>			
23% deferred tax liability (24% in 2016)	74,411	20,440	
23% deferred tax asset (24% in 2016)	-63,295	-10,206	
	<b>11,116</b>	<b>10,234</b>	

Deferred tax on losses is not recognised as deferred tax asset, as the Company can not prove reliable that it is probable that it can be utilised in the future. Significant judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Reconciliation of the Norwegian nominal tax rate to the effective tax rate	2017	2016
Profit before tax	-50,798	-95,178
Expected tax expense at the Norwegian nominal tax rate of 24%	-12,192	-23,794
Tax effect of permanent differences	-3,257	-5,867
Tax effect on change in Norwegian tax rates from 24% to 23%	-483	-426
Tax effect of the change in unrecognised deferred taxes	16,814	
Tax effect on estimate change		13,839
<b>Total income and deferred tax expense</b>	<b>882</b>	<b>-16,248</b>

### NOTE 7 Tangible fixed assets

	Equipment, fixtures & fittings
<b>Acquisition/purchase cost</b>	
At 1 January 2017	1,682
Additions	312
Disposals	
<b>At 31 December 2017</b>	<b>1,994</b>
<b>Depreciation and impairment</b>	
At 1 January 2017	452
Depreciation charge for the year	220
<b>At 31 December 2017</b>	<b>672</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>1,322</b>
<b>At 1 January 2017</b>	<b>1,230</b>
Depreciation method	Straight line
Economic useful lives	0-5 years

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 8 Intangible fixed assets

	Software
<b>Acquisition/purchase cost</b>	
At 1 January 2017	151
Additions	
Disposals	-31
<b>At 31 December 2017</b>	<b>120</b>
<b>Amortisation and impairment</b>	
At 1 January 2017	71
Amortisation charge for the year	8
<b>At 31 December 2017</b>	<b>79</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>41</b>
<b>At 1 January 2017</b>	<b>80</b>
Depreciation method	Straight line
Economic useful lives	3 years

### NOTE 9 Investment in subsidiaries

Name of subsidiary	Country of incorporation	Established/ acquired	% equity interest <sup>1</sup>		Equity 2017	Profit 2017	Book value 2017
			2017	2016			
Ultimo Netherlands B.V.	the Netherlands	2014	100 %	100 %	2,597,002	-25,552	2,086,047
Sileo Finans AB	Sweden	2013	100 %	100 %	1,193	-11	1,147
B2Kapital Portfolio Managment S.r.l	Romania	2016	5 %	5 %	5,950	-299	0
							<b>2,087,194</b>

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

B2Holding ASA is the ultimate parent company in the B2Holding Group and consolidates the accounts for the Group. A copy of the B2Holding Group financial statements is available at B2Holding ASA' office in Oslo and on its website at [www.b2holding.no](http://www.b2holding.no).

### 9.1 Long term loans to Group companies

	2017	2016
Ultimo Netherlands BV	5,483,631	3,030,706
Kontant Finans AB		16,141
<b>Long term loans to group companies</b>	<b>5,483,631</b>	<b>3,046,847</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 10 Cash and cash equivalents

	2017
Cash at banks	
- unrestricted balances	6,244
- tax deductions from employee payroll	1,360
- other restricted balances	1,123
	<b>8,727</b>

Cash at banks earns interest at floating rates which is based on bank deposit rates.

Other restricted balances represent deposits paid into an escrow account in connection with lease of office premises.

For the purpose of the statement of cash flow, cash and cash equivalents comprised the cash balances in the table above.

In addition the Company holds bank accounts in the Group's multicurrency cashpool, with a total amount of NOK -132.2 million, classified as "Short term payables to group companies" in the balance sheet.

### NOTE 11 Changes in shareholders' equity

	Share capital	Other paid-in capital	Other capital reserves	Other equity	Total equity
<b>At 1 January 2017</b>	<b>36,912</b>	<b>2,083,217</b>	<b>10,139</b>	<b>252,086</b>	<b>2,382,354</b>
Profit for the year after tax				-51,680	-51,680
Issue of share capital (note 12)	40	4,100			4,140
Share based payment (note 16.1)			2,476		2,476
Dividends				-121,930	-121,930
<b>At 31 December 2017</b>	<b>36,952</b>	<b>2,087,317</b>	<b>12,615</b>	<b>78,476</b>	<b>2,215,360</b>

The Board of directors have decided to propose for the Annual General Meeting in 2018 an ordinary cash dividend for 2017 of NOK 0.30 per share for payment to the owners in June 2018.

Further the Company did a private placement 13 March 2018 raising gross proceeds of NOK 747,468,000, please refer to note 20.

### NOTE 12 Share capital and other paid-in capital

Ordinary shares have a nominal value of NOK 0.10 each and all provide the same rights in the Company. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital NOK'000s <sup>1</sup>
<b>At 1 January 2017</b>	<b>369,120,598</b>	<b>36,912</b>	<b>2,083,217</b>
Exercise of employee share options on 8 November at an average subscription price of 10.35	400,000	40	4,100
<b>At 31 December 2017</b>	<b>369,520,598</b>	<b>36,952</b>	<b>2,087,317</b>
Share issue on 13 March at NOK 20.25 per share in connection with the private placement	36,912,000	3,691	725,193
<b>At 9 April 2018 (the date of completion of these financial statements)</b>	<b>406,432,598</b>	<b>40,643</b>	<b>2,812,510</b>

1) Net proceeds after transaction costs

For further information about mandates granted to the Board of Directors to increase the share capital, please refer to note 20 in B2Holding Group financial statement.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### The largest shareholders at 31 December 2017 were as follows:

	Number of shares	% total
Prioritet Group AB	51,118,519	13.83 %
Rasmussengruppen AS	43,073,236	11.66 %
Valset Invest AS	24,000,000	6.49 %
Stenshagen Invest AS	16,899,549	4.57 %
Indigo Invest	15,642,619	4.23 %
Verdipapirfondet DNB Norge (IV)	9,982,640	2.70 %
Bryn Invest AS	8,676,690	2.35 %
JPMorgan Chase Bank, N.A., London	8,330,233	2.25 %
Arctic Funds Plc	7,334,734	1.98 %
Verdipapirfondet Alfred Berg Gambak	6,574,492	1.78 %
Greenway AS	5,802,368	1.57 %
Foreign and colonial investment	5,584,759	1.51 %
Verdipapirfondet DNB Norge Selektiv	5,123,126	1.39 %
Evermore Globale Value Fund	5,096,014	1.38 %
Swedbank Robur Nordenfond	4,845,334	1.31 %
Vevlen Gård AS	4,307,291	1.17 %
Remaining shareholders (less than 1 %)	147,128,994	39.82 %
	<b>369,520,598</b>	<b>100.00 %</b>

The number of shares owned directly or indirectly by the Board of Directors and Management at 31 December 2017 were as set out below.

For details of options granted to the Board of Directors and Management, please refer to note 21 in B2Holding Group financial statement.

Name	Position	Number of shares
Jon Harald Nordbrekken <sup>1)</sup>	Chairman of the Board	26,193,496
Per Kristian Spone <sup>2)</sup>	Board member	6,000
Kari Skeidsvoll Moe	Board member	6,200
Tove Raanes <sup>3)</sup>	Board member	7,500
Olav Dalen Zahl <sup>4)</sup>	Chief Executive Officer	2,329,786
Erik Just Johnsen <sup>5)</sup>	Chief Financial Officer	310,000
J. Harald Henriksen	Chief Compliance Officer	20,057
Rasmus Hansson <sup>6)</sup>	Director Strategy and M&A	40,057
Thor Christian Moen	Head of Legal	75,000
Henrik Wennerholm <sup>7)</sup>	Regional Director Scandinavia (until 1 March 2018)	2,381,342
Ilija Plavcic	Regional Director Central Europe	1,410,500

1) Jon Harald Nordbrekken holds 2,088,496 personally. In addition Valset Invest AS, an entity controlled by Nordbrekken and his related parties, holds 24,000,000 shares, and Cryptic AS, an entity controlled by a related party of Jon Harald Nordbrekken, holds 105,000 shares.

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

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

4) Fjordsyn AS, an entity controlled by Olav Dalen Zahl, holds 2,326,386 shares. In addition, persons related to Olav Dalen Zahl hold 3,400 shares.

5) Pine AS, an entity controlled by Erik Just Johnsen holds 310,000 shares.

6) Rmh Invest AS, an entity controlled by Rasmus Hansson, holds 40,057 shares.

7) Femwen AB, an entity controlled by Henrik Wennerholm, holds 1,981,342 shares

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

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

The Company holds three unsecured bond loans as set out in table below.

	Currency	Nominal interest	Debt in local currency	Debt in NOK	Maturity
Senior Unsecured Bond Issue 2015	EUR	7.50 %	150,000	1,476,045	December 2020
Senior Unsecured Bond Issue 2016	EUR	7.00 %	170,000	1,672,851	October 2021
Senior Unsecured Bond Issue 2017	EUR	4.25 %	200,000	1,968,061	November 2022

### Repayment schedule

At 31 December 2017	EUR	NOK
In 2020	150,000	1,476,045
In 2021	170,000	1,672,851
In 2022	200,000	1,968,061
	<b>520,000</b>	<b>5,116,957</b>

### Financial covenants

The financial covenants are presented in the tables below. All covenants have been met at 31 December 2017 and 31 December 2016.

	Requirements	2017	2016
Total loan to value	Maximum 75 %	66 %	60 %
Leverage ratio	Maximum 4.0	3.5	2.7
Net interest cover ratio	Minimum 4.0	5.6	6.5

### NOTE 14 Other current liabilities

	2017	2016
Provision for social security on share options	26,761	12,811
Accrued bond loan interest	46,617	32,962
Proposed dividend	121,930	55,428
Contingent consideration (acquisition of Creditreform Latvija SIA)		6,793
Other	10,048	5,711
	<b>205,356</b>	<b>113,705</b>

### NOTE 15 Commitments

The company has entered into commercial leases for office premises, motor vehicles and items of office equipment. The lease contract for the office premises mature in June 2019 and the lease are adjusted according to the consumer price index. There are no restrictions placed upon the lessee under the lease contracts to use the office premises in the normal course of business. The operating lease costs for the following types of lease were as follows:

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

	2017	2016
Office premises	1,704	1,402
Motor vehicles	138	126
Office equipment	38	45
	<b>1,880</b>	<b>1,574</b>

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

	2017	2016
Rentals payable within one year	2,355	2,086
Rentals payable from one to five years	955	2,997
	<b>3,310</b>	<b>5,083</b>

### NOTE 16 Remuneration

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

#### 16.1 Management and Board of Directors

Remuneration 2017	Salary	Bonuses earned in 2017	Pension expense	Other benefits	Total	Share option cost <sup>9)</sup>	Director's fee
Olav Dalen Zahl, Chief Executive Officer	3,218	1,181	204	172	4,475	665	
Erik Just Johnsen, Chief Financial Officer <sup>1)</sup>	2,314	980	206	18	3,518	166	
J. Harald Henriksen, Chief Compliance Officer <sup>2)</sup>	2,019	706	194	23	2,941	100	
Rasmus Hansson, Director Strategy and M&A	1,662	706	193	23	2,584	166	
Thor Christian Moen, Head of Legal	2,061	902	201	23	3,186	166	
Danckert P. Mellbye, Chief Organisation & Improvement Officer <sup>3)</sup>	875	725	132	11	1,744	164	
Henrik Wennerholm, Regional Director Scandinavia <sup>4)</sup>	1,243	570	361	3,167	5,340	384	
Christos Savvides, Regional Director South Eastern Europe <sup>5)</sup>							
<b>Board of Directors</b>							
Jon Harald Nordbrekken, Chairman				15	15	665	500
Per Kristian Spone <sup>6)</sup>							302
Trygve Lauvdal <sup>6)</sup>							290
Kari Skeidsvoll Moe <sup>6)</sup>							290
Tove Raanes <sup>6)</sup>							302
Niklas Wiberg, Deputy member							125
<b>Total</b>	<b>13,391</b>	<b>5,770</b>	<b>1,491</b>	<b>3,454</b>	<b>24,105</b>	<b>2,476</b>	<b>1,808</b>

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

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

3) Danckert P. Mellbye took up the new position as Chief Organization & Improvement Officer with effect from 1 July 2017. For the period January - June 2017 Mellbye was engaged as a consultant and remunerated with a total consulting fee of NOK 840,000 excluding VAT.

4) Henrik Wennerholm took up the new position as Scandinavian Regional Director with effect from 1 September 2017. Wennerholm has decided to leave his position and will be succeeded by Tore Krogstad, taking up the position with effect from 1 March 2018. Other benefits includes exercising of 400,000 share options, please refer to note 21 in B2Holding Group financial statement.

5) Christos Savvides took up the position as Regional Director South Eastern Europe with effect from 1 September 2017 and have been remunerated (via the company Sabel Investment Ltd) with a total consulting fee of EUR 62,786 excluding VAT for the period September - December 2017.

6) Directors fee to Per Kristian Spone, Trygve Lauvdal, Kari Skeidsvoll Moe and Tove Raanes includes remuneration for 2016 with NOK 175,000 per person.. With effect from June 2017 directors fees are paid monthly.

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

For further details of the share option program, please refer to note 21 in B2Holding Group financial statement.

For further details of remuneration to Group management not employed in B2Holding ASA, please refer to note 30.2 in B2Holding Group financial statement.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

Remuneration 2016	Salary	Bonuses earned in 2015	Pension expense	Other benefits	Total	Share option cost	Director's fee
Olav Dalen Zahl, Chief Executive Officer	2,668	1,000	48	167	3,882	1,669	
Erik Just Johnsen, Chief Group Controller	1,840		48	20	1,908	417	
J. Harald Henriksen, Chief Financial Officer	1,758		43	25	1,826	250	
Rasmus Hansson, Director Strategy and M&A	1,306	1,000	44	27	2,376	385	
Jeremi Bobowski, Chief Investment Officer	1,347	3,949	0	884	6,181	385	
Thor Christian Moen, Head of Legal	1,904		59	13	1,976	385	
Henrik Wennerholm, Director Business Development	1,457		284	107	1,848	385	
<b>Board of Directors</b>							
Jon Harald Nordbrekken, Chairman	5,802		41	12	5,855	1,669	316
Per Kristian Spone							150
Trygve Lauvdal							
Kari Skeidsvoll Moe							
Tove Raanes							
Niklas Wiberg							150
Kjetil Andreas Garstad							150
<b>Total</b>	<b>18,081</b>	<b>5,949</b>	<b>567</b>	<b>1,256</b>	<b>25,854</b>	<b>5,545</b>	<b>766</b>

### 16.2 Fees to auditors

All figures including VAT.

	2017	2016
Audit fees	1,429	893
Fees for further assurance services	265	1,481
Fees for tax services	370	431
	<b>2,064</b>	<b>2,805</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures in NOK'000s unless otherwise stated

### NOTE 17 Related party disclosure

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

Companies in the B2Holding Group are also related parties. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured, and other than for interest-bearing loans, and interest free. No guarantees have been provided or received. This assessment has been undertaken for each period end based on an examination of the financial position of the related party and the market in which the related party operates.

### NOTE 18 Contingent liabilities

B2Holding ASA was subject to a tax audit of the treatment of reverse VAT charges on the delivery of services "capable of delivery from a remote location" at the end of 2014. In 2016 the Company received and paid a claim of NOK 12 million to Norwegian Tax Authorities after their findings. B2Holding ASA does not agree with their findings and has appealed the decision. Per 31 December 2017 the Company was still waiting for the tax authorities to process the appeal. In March 2017 the tax authorities waived most of the additional tax claimed in 2016 and repaid NOK 1.6 million to B2Holding ASA.

### NOTE 19 Guarantees

On 16 November 2015, B2Holding ASA, the Group's parent company, issued a EUR 300 million guarantee to DNB Bank ASA as Agent on behalf of itself and Nordea Bank Norge ASA in connection with the provision of a syndicated multicurrency loan of EUR 260 million (increased with EUR 100 million multicurrency term loan in the last amendment and restatement dated 20 October 2017) established in order to refinance existing borrowing facilities and provide additional facilities to fund future portfolio acquisitions for the Group. The guarantee was issued on behalf of the borrower under the syndicated multicurrency loan, B2Holding ASA's 100% directly owned subsidiary, Ultimo Netherlands BV. The drawdown amount of the syndicated multicurrency loan at 31 December 2017 was PLN 420 million and NOK 500 million (total NOK 1 725 million).

B2Holding ASA, the Group's parent company, issued an office rental guarantee with effect from 10 October 2017 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement is for a period of up to 40 months with the option of extending for an additional 3 years if not cancelled within a specified date. Although the guarantee is unlimited, the Group estimates that its exposure for the initial 40 months rental period is limited to the monthly office rentals for this period. The guarantee for the remaining rental period amounting to a total SEK 7.6 million.

B2Holding ASA has issued an office rental guarantee with effect from 1 November 2015 in favour of the lessor of the Group's current offices in Gothenburg, Sweden. This rental agreement has been terminated and will end 30 September 2018. The guarantee for the remaining rental period amounts to a total of approx. SEK 725 thousand.

B2Holding ASA, the Group's parent company, 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 is meant to cover 3 months office rental cost, and is valid until 90 days following the rental agreement maturing in June 2023.

### NOTE 20 Subsequent events

The Board of Directors of B2Holding ASA has proposed that the general meeting to be held in May 2018 approves a dividend of NOK 0.30 per share for 2017.

On 13 March B2Holding ASA successfully completed a private placement and raised a gross proceed of NOK 747.5 million at a subscription price of NOK 20.25 per share. The private placement was significantly oversubscribed. The share capital increase pertaining to the issuance of the new shares is resolved by the Board of Directors pursuant to an authorization granted by the Company's general meeting on 24 May 2017.

## RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2017 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, 9 April 2018

/sign/

Jon Harald Nordbrekken  
Chairman of the Board

/sign/

Tove Raanes  
Board Member

/sign/

Trygve Lauvdal  
Board Member

/sign/

Per Kristian Spone  
Board Member

/sign/

Kari Skeidsvoll Moe  
Board Member

/sign/

Olav Dalen Zahl  
Chief Executive Officer

## AUDITOR'S REPORT



Statsautoriserede revisorer  
Ernst & Young AS

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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 2017, 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 2017, the income statement, the statement of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, 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 2017 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 2017. 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 81 % of total assets of the Group. Estimated future cash collections from purchased loan portfolios is the basis for the book value of purchased loan portfolios and is also input into the fair value calculation of purchased loan portfolios in the notes to the consolidated financial 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, estimates of future cash flows depend on management's approach to managing the portfolios (e.g. changes in collection policies and strategies) and local regulations. The estimation of future cash collections from purchased loan portfolios was considered a key audit matter based on the significant judgment involved.

We tested the consideration price upon acquisition of loan portfolios to the purchase agreement. We tested the approval by Group management of the initial cash collection forecast of the purchased portfolio prepared by local management, compared the initial cash collection forecast to historical cash collection on similar loan portfolios and compared the calculated effective interest rate on the purchased loan portfolio to the effective interest rate on loan portfolios purchased in previous years. Furthermore, we tested changes in future cash collection estimates by comparing actual cash collection to forecasted cash collection and by test of the historical accuracy of prior year forecasts. As part of our procedures, we discussed the assumptions used including value, probability and timing of expected future cash flows, changes in policies and strategies, seasonality and local regulations with management and controllers.

We also assessed the Company's disclosure in note 3 Critical accounting judgments and key sources of estimation uncertainty, note 5.3 Purchased loan portfolios and changes in portfolio collection estimates and note 5.4 Fair value estimation.

### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive 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, 10 April 2018  
ERNST & YOUNG AS

Asbjørn Rødal  
State Authorised Public Accountant (Norway)

## ALTERNATIVE PERFORMANCE MEASURES

All figures in NOK'000s unless otherwise stated

The Group's financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and interpretations set by the International Accounting Standards Board (IASB). In addition, the Group presents alternative performance measures (APM). 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.

The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which distort 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. Furthermore those measures are also used to assess our ability to incur and service debt.

APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described below.

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

	2017	2016
<b>EBITDA</b>		
Operating profit (EBIT)	984,205	515,731
Add back depreciation of tangible fixed assets	12,808	9,693
Add back amortisation of intangible assets	23,085	20,182
	<b>1,020,098</b>	<b>545,606</b>
<b>Cash Revenue</b>		
Total operating revenues	2,012,678	1,396,141
Less revenue from purchased loan portfolios	-1,757,140	-1,205,942
Add back gross cash collection from purchased loan portfolios	2,552,281	1,870,388
	<b>2,807,820</b>	<b>2,060,587</b>
<b>Cash EBITDA</b>		
Operating profit (EBIT)	984,205	515,731
Less revenue from purchased loan portfolios	-1,757,140	-1,205,942
Add back gross cash collection from purchased loan portfolios	2,552,281	1,870,388
Add back depreciation of tangible fixed assets	12,808	9,693
Add back amortisation of intangible assets	23,085	20,182
	<b>1,815,239</b>	<b>1,210,052</b>

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

**Profit margin** - Profit margin consists of operating profit (EBIT) expressed as a percentage of total operating revenues.

**EBITDA** - Operating profit (EBIT) before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) added back depreciation and amortisation of tangible and intangible assets.

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

**Amortisation and revaluation** - 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.

**Cash revenue** - Cash revenue consists of total operating revenue less revenue from purchased loan portfolios and added back gross cash collection from purchased loan portfolios. Cash revenue is a measure on actual revenues (cash business) from the collection business included other business areas.

**Cash EBITDA** - Cash EBITDA consists of EBIT less revenue from purchased loan portfolios, added back gross cash collection from purchased loan portfolios, and added back depreciation and amortisation of tangible and intangible assets. Cash EBITDA is a measure on actual performance from the collection business (cash business) included other business areas.

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

**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.

**Available investment capacity** - Available investment capacity includes cash and cash equivalents (less NOK 200 million to cover working capital) plus unutilised bank overdraft plus unutilised multi-currency revolving credit facility. Cash flow from future operations is not included in the number.

**Net borrowing** - Consist of nominal value of interest bearing loans and borrowings plus utilised bank overdraft less cash and cash equivalents.

**B2Holding ASA**

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