

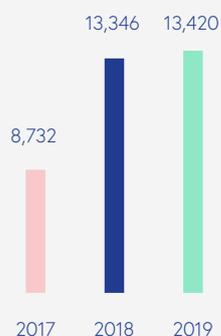
Annual report 2019



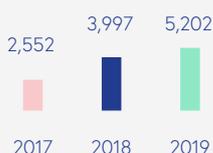
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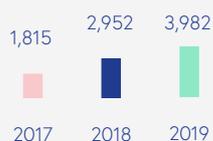
Key Figures



Book value of portfolios (NOKm)
Total carrying value on the balance sheet



Gross collection from purchased loan portfolios (NOKm)
Cash received from debt portfolios



Cash EBITDA (NOKm)
Gross cash collection minus all collection and administration costs

23,809

 NOKm

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

7.80

Million claims*

160,500

 NOKm

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

2,517

FTEs
Number of employees converted to full-time posts

Key Financial Figures

(NOK thousand)

	2019	2018
Total operating revenues	2,873,823	2,905,622
Operating profit (EBIT)	958,570	1,377,856
Profit after tax	107,151	648,732
Net interest bearing debt	11,379,291	10,430,221
Total assets	16,941,646	16,173,734
Equity ratio	25 %	27 %
Basic earnings per share (EPS)	0.26	1.63

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

This is B2Holding

A LEADING PAN-EUROPEAN DEBT SPECIALIST

B2Holding is a professional and reliable partner within the debt purchasing and servicing industry. We aim to bridge the gap that non-performing loans creates in the credit market by finding solutions to debt problems. Honesty and fairness are fundamentals in our way of doing business.

- Nordic based
- Platforms in more than 20 European countries
- Diversified by geography and asset classes
- Solid capital structure with prudent leveraging

BUSINESS LINES

The Group is organized within two business lines: Unsecured and Secured Asset Management. The countries are allocated according to their dominant ERC asset class and expected market potential.

Unsecured markets:

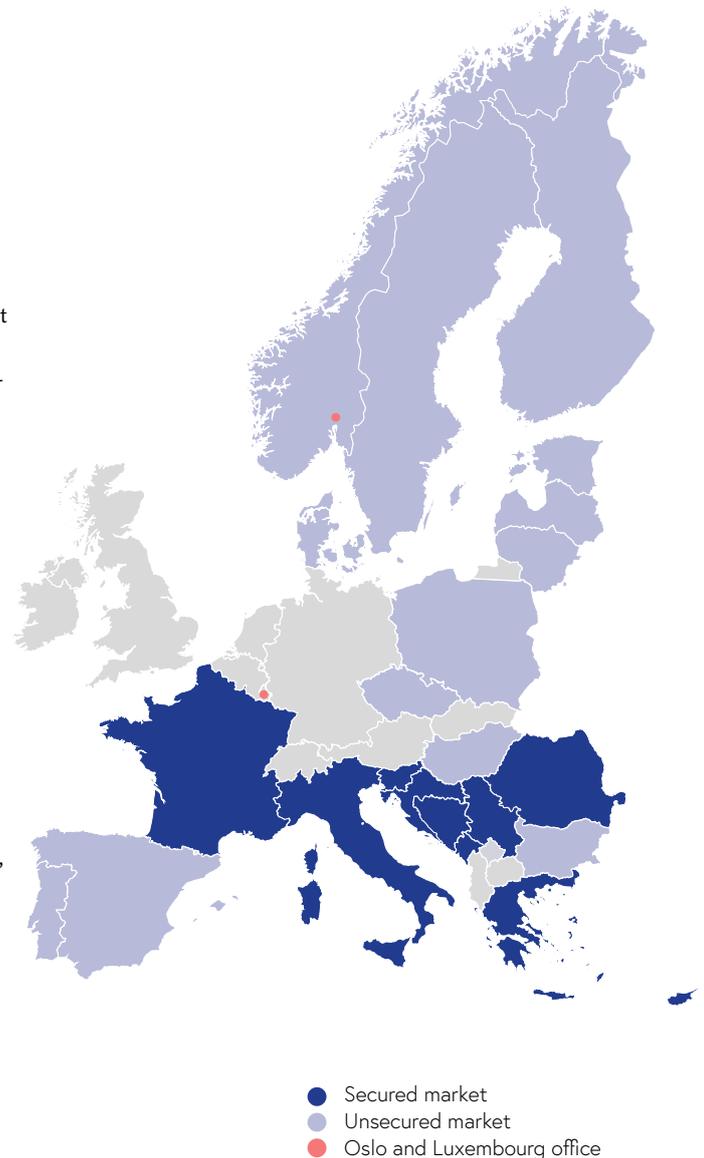
Norway, Sweden, Denmark, Finland, Estonia, Latvia, Lithuania, Poland, Spain, Portugal, Bulgaria, Czech Republic, Hungary

Secured markets:

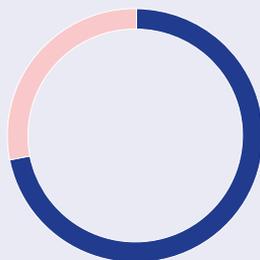
Italy, France, Romania, Greece, Cyprus, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro

OFFICES

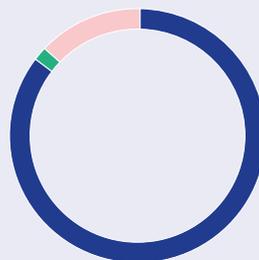
- Norway, Head office in Oslo
- Luxembourg, Investment office and portfolio owner



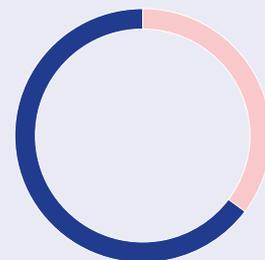
Estimated Remaining Collections (ERC)



Revenue split



Gender distribution



A Year in Transition

In 2019, we outlined a new strategy for the Group with a stronger focus on our core markets and increased servicing revenues through assets under management, while continuing to improve the effectiveness and efficiency in our operations.

BRIDGING THE GAP

In B2Holding we acknowledge that a period of financial difficulty can occur to many of us for various reasons, which eventually can end up in a default situation. The defaulted debt represents a gap in the credit chain, causing a strain on the balance sheet of lenders and a difficult financial situation for the debtor. We work to bridge this gap. That is our purpose and our responsibility as a debt solutions provider. Through our business, we contribute to handling society's debt problems, and we shall always be a partner that banks and other vendors of non-performing debt portfolios can trust. Last, but most importantly, we aim to give our customers – the debtors – a new chance by finding solutions to repay their debts and help them get back on track.

FOCUS AREAS IN 2019

The year of 2019 represented a change of leadership in B2Holding. Since August 2019 and permanently from February 2020, I have had the honour of being CEO of the Group. Since joining the Company in 2013, I have witnessed the Company's development from being a small industry challenger to becoming one of the leading players in Europe. Now, I have taken on the mission to lead the Company into the next phase.

Our primary focus has shifted from mainly being a debt investor to also continue our focus on increased debt servicing. We will leverage our servicing capabilities by

increasing assets under management. This is a less capital-intensive model that will reduce the risk of the Company and increase our profitability going forward. Furthermore, we will become more focused as a Group and take advantage of the opportunities we identify in our core markets through a more cost-efficient model.

The first step towards realizing the strategy was the implementation of a new organizational structure in October 2019. Our new structure represents a clear distinction between our primary business lines, Unsecured asset management and Secured asset management. This gives us increased operational focus and control. Moreover, the new organizational structure improves transparency, risk management and compliance throughout the organization.

I believe that to maintain our position as a competitive player in the debt collection industry we need to continuously improve our effectiveness – do the right things – and efficiency – do things right. Throughout 2019 we have focused on improved use of data and digitalisation of services and processes. We have further developed our Group Data Warehouse to extract more value from our data. This has enabled us to increase the precision of our analytics and the efficiency in reporting and modelling, which in turn leads to more accurate pricing of portfolios.

Technology and digitalisation have also been on top of our agenda in 2019 and will continue to be a priority in 2020. Next-generation robotics was successfully launched

At B2Holding we work to bridge the gap in the credit chain caused by non-performing loans



as pilot projects in some of our markets and is used in simple and repeatable processes to increase efficiency in operations. We also see that online customer portals with easy payment modules enables more simplified communication and improve our ability to find amicable solutions. With digital and technological improvements, I believe we will see a positive effect on our cost to collect going forward.

Despite seeing many positive developments in the Group in 2019, the full-year results did not match our ambitions. While our core business of unsecured collections performed well, challenges within secured recoveries that surfaced during the first half of 2019 largely affected our overall performance. To reduce the risk of similar challenges in the future, the Secured asset management team was reorganized with additional specialized resources and stronger head office involvement and oversight.

OUTLOOK FOR 2020

In our fourth quarter report I stated that “2020 will be a year of transition for the Group”. Since then, the Covid-19 outbreak has accelerated all over the world. The pandemic and the measures taken to control the spread have had a major impact on societies and the world economy. Thus, at the time of writing this message, my statement has several new dimensions.

In the time of crisis, I am proud to see that our organization has proved its strength and agility. In a few days,

we managed to shift more than 90 % of the operations to work from home to secure the health and safety of our employees. Our employees have ensured business continuity and limited operational impact in a challenging situation. Still, the full extent, consequences and duration of the Covid-19 pandemic are not visible yet.

Ethical and responsible collections always drive our business, but especially in these challenging times. We acknowledge our social responsibility and safeguard a respectful treatment of those customers that are most vulnerable.

Although we must expect some challenging quarters ahead, I am confident that B2Holding will benefit from our strong foundation and overcome this pandemic.

We are planning for the future and shall continue to be an important player in the European credit market with the goal of delivering shareholder value for years to come.

Oslo, April 2020

Erik J. Johnsen
Chief Executive Officer

01

The share

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



The share

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

2019 SHARE DATA

Based on the last trade on 30 December 2019, which was at NOK 9.55, B2Holding's market capitalization was NOK 3,917 million as of the same date. The highest closing price quoted during the year was NOK 14.84 on 15 February 2019 and the lowest closing price was NOK 5.88 on 15 October 2019. During 2019, a total of 260,901,603 B2Holding ASA shares were traded. The average daily trading volume in 2019 was 1,047,798 shares for 249 trading days.

SHARE CAPITAL

At year-end 2019, B2Holding's share capital amounted to NOK 40.99 million, divided among 409,932,598 shares. There is one class of shares, and all shares are treated equally. The shares are freely negotiable with equal rights to vote and equal entitlement to B2Holding's profit and dividend.

OWNERSHIP STRUCTURE

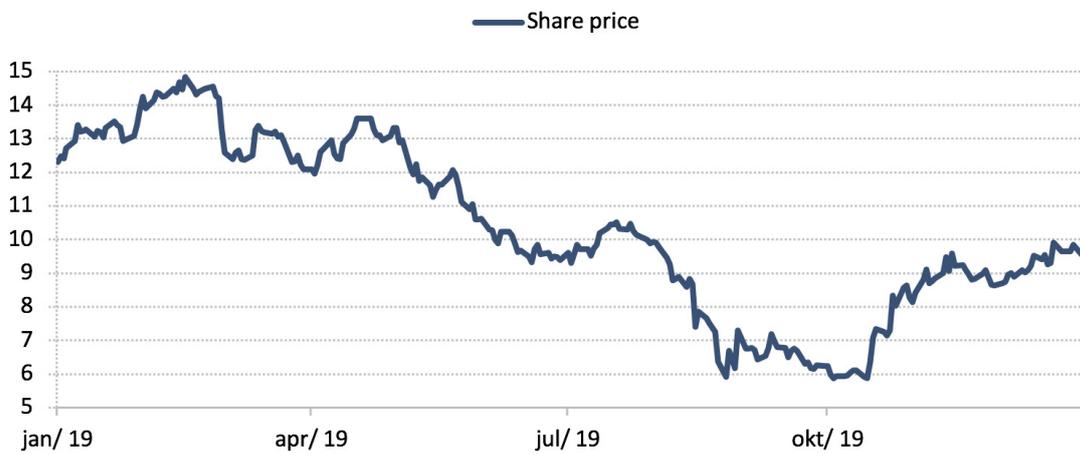
The number of shareholders was 4,492 per year-end 2019, a minor increase from 4,271 at year-end 2018. According to the shareholder register maintained by the Norwegian Central Securities Depository (VPS), 91.87 % of B2Holding's shares were owned by Nordic investors. The average daily trading volume of the B2Holding shares on the Oslo Stock Exchange in 2019 was 1.05 million, equivalent to 0.26 % of the total number of shares.

Approximately 73 % of the share capital was owned directly or indirectly by private individuals or families and the remaining 27 % was owned by institutional investors (financial investors or funds under management).

DIVIDEND

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

The dividend was NOK 0.15/share for the financial year 2016, NOK 0.30/share for the financial year 2017 and NOK 0.45/share for the financial year 2018. Due to the uncertainty associated with the Covid-19 pandemic and unknown macroeconomic consequences of the measures implemented, the Board of Directors recommend that no dividend is paid for 2019.



Shareholders per 31.12.2019

% of total share	Investor
12.91	PRIORITET GROUP AB
10.51	RASMUSSENGRUPPEN AS
6.10	VALSET INVEST AS
4.61	STENSHAGEN INVEST AS
3.35	VERDIPAPIRFONDET DNB NORGE
2.38	K11 INVESTOR AS
2.12	BRYN INVEST AS
2.00	RUNE BENTSEN AS
1.91	VERDIPAPIRFONDET ALFRED BERG GAMBA
1.88	VERDIPAPIRFONDET ALFRED BERG NORGE
1.73	SKANDINAVISKA ENSKILDA BANKEN AB
1.58	ARCTIC FUNDS PLC
1.56	VERDIPAPIRFONDET PARETO INVESTMENT
1.42	GREENWAY AS
1.32	VERDIPAPIRFONDET ALFRED BERG AKTIV
1.32	SWEDBANK ROBUR NORDENFON
1.17	ARCTIC FUNDS PLC
1.12	TYCOON INDUSTRIER AS
1.00	FJELLTUNVEIEN INVEST AS
0.85	LIN AS
39.18	OTHERS
100.00	

Ownership structure per 31.12.2019

Size class	No of shares	Capital/votes %	No of owners	Owners %
1 - 1,000	732,671	0.2	1,656	36.9
1,001 – 10,000	7,400,277	1.8	1,842	41.0
10,001 – 100,000	26,171,522	6.4	756	16.8
100,001 – 1,000,000	60,405,041	14.7	186	4.1
1,000,001 – 5,000,000	82,899,981	20.2	36	0.8
5,000,001 – 10,000,000	78,731,147	19.2	11	0.2
10,000,001 – 53,000,000	153,591,959	37.5	5	0.1
Total	409,932,598	100.0	4,492	100.0

Geographical distribution of shareholders per 31.12.2019

	%
Norway	73.65
Sweden	16.56
Belgium	3.49
UK	2.45
US	1.07
France	0.66
Ireland	0.51
Finland	0.44
Others	1.17
Total	100.00

An aerial photograph of a winter landscape. The top half shows a dense forest of evergreen trees covered in snow, with a narrow path or stream cutting through them. The bottom half shows a wide, flat, snow-covered area that appears to be a frozen lake or a large field, with some trees visible in the distance. The entire image has a blue color cast.

02

Risk management

B2Holding's approach to risk management is to generate sustainable value for its shareholders through managing exposures to, among others, credit, market, operational and liquidity risks. Effective risk management and internal controls ensure shareholders' value.

Risk management —

B2Holding ASA (“the Company”) is the parent company of the B2Holding consolidated group of companies described as “the Group” or “B2Holding”. The Risk management report is an integral part of the Directors’ Report. The foundation of the Group’s risk management is its risk appetite and Internal control and risk management Policy, which provides the framework for the Group’s operations to assess and manage risks related to successful conduct of B2Holding’s business. Effective risk management and good internal control routines contribute to secure our shareholders’ investment in B2Holding ASA and the underlying assets.

In 2019, the Group’s risk management work was strengthened through a new central risk management function on Group level, headed by the Chief Risk Officer who has the operational responsibility for risk management in the Group. In addition, the compliance and legal work were combined into a separate Legal and Compliance function under the Chief Legal and Compliance Officer.

The risk management function follows recognized risk management principles and manages the development of the Group-wide enterprise risk management framework including periodic risk mapping and reporting, thus ensuring common understanding of risks, transparency, follow-up and coordination. As a result of the write downs in the second quarter 2019 related to secured assets in Central Europe and South East Europe, the Company saw the need to review if processes and routines were at a satisfactory level. During this process the Company discovered that there is room for improvement related to certain aspects of the business, and changes were initiated. Improvement projects include organizational changes hereunder new reporting lines which also include the strengthening of the risk management function. The projects initiated in 2019 will continue going forward, and the Group will have continued focus on developing this function further in 2020.

To further support the risk management principles, the Company, in consultation with the Audit Committee, will establish an Internal Audit function that shall report to the Audit Committee. The recruitment of an Internal Audit is in process.

When the Internal Audit position is in place and fully operative, the Company’s risk management system will follow the risk management principles in line with the three lines of defence model. In the model, the business is conducted and calculated risks are taken by the first line (business operations), while independent risk monitoring, management support and control is provided by the second

line (risk and compliance). The third line of defence will be the Internal Audit function, which shall ensure proper functioning of the first and second lines. The three line of defence model is already incorporated and implemented in subsidiaries that are licensed and under supervision by local authorities.

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

MANAGEMENT RISK

The foundation for how to run our business

Part of the Management Risk, such as losing key personnel, has been reduced through the implementation of guidelines for salaries and other remunerations for senior executives. Potential governance risks related to managing an international organization in multiple countries has partly been reduced through Group level functions, policies and processes covering: direct oversight of business lines, investment management, legal, tax, risk, compliance, project management and financial control in order to ensure appropriate control mechanisms as well as to provide services to the local operations.

The Group is organized into two business lines, Unsecured and Secured Asset Management. These are supervised by the Head of Unsecured Asset Management and the Head of Secured Asset Management, who report directly to the Group CEO and are responsible for all business units. Business lines are operating and developing in accordance with B2Holding’s risk management framework and are subject to internal controls. The Group’s investment management, legal, tax, risk, compliance, project management and controlling teams support the business lines and local operations in conducting their business and with assessing and managing their risk.

The Group Executive Management (GEM) consists of the CEO, the heads of the business lines and the heads of Group functions (Finance, Legal & Compliance, Investments, Risk, M&A and Investor Relations, Corporate Development, Personnel, Improvement & Restructuring) is an advisory body to the CEO and a management forum for monitoring risk elements across functions.

REGULATORY RISK

B2Holding comply with external regulations, laws and policies and ensure their observance

The Group depends on authorisations and licenses from various authorities. B2Holding face regulatory risk with respect to changes in laws and regulations that may affect the markets where we operate and thereby our business prospects.

From a regulatory perspective, the different jurisdictions that B2Holding operates in approach the issue of NPLs in different ways. The business units are licensed to operate as one or more of the following: portfolio purchaser, portfolio owner, collection company, credit information provider or, as a lender. The license requirements remain under supervision of the relevant local operation.

In addition, B2Holding participates in managing its regulatory risk by actively participating in various industry associations that develop standards and best practices and promote the role of the industry in supporting the health and viability of the financial system.

REPUTATIONAL RISK

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

Negative attention regarding the Group or the industry in general may have an adverse effect on the Group's customers, employee loyalty, clients willingness to sell and the investors willingness to invest. Such reputational risks are continuously addressed. Internal controls, together with the Group's common Code of Conduct and compliance and governance policies contribute to improving B2Holding's reputation as a recognised industry player, a good employer, and a reliable business partner.

CREDIT RISK

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

A large part of the Group's assets consists of portfolios of purchased consumer and corporate receivables, both unsecured and secured, which were already non-performing when acquired by the Group. In other words, previous creditors have already attempted and failed to collect amounts due following initial or numerous non-payments. All acquisitions are based on careful valuations to predict future net collections and are approved via the Investment process as illustrated on page 16. B2Holding constantly aims to reduce the risk through applying extensive experience and using the Company's proprietary database consisting of detailed analytical data based on a constantly growing history of NPL portfolios. It is crucial for the Group's business to achieve an overall rate of collection above that reflected in the prices

paid. While B2Holding believes that the recoveries on the Group's loan portfolios will be in excess of the amount paid, amounts recovered may be less than targeted.

Credit risk is monitored, analysed and controlled by Group's local business operations and by the central business control units.

MARKET RISK

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

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

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

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

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

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

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

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

External event: Covid-19 pandemic

The Covid-19 disease, which was declared a global pandemic by the World Health Organization (WHO) in mid-March 2020, is expected to affect the market for purchasing and collecting non-performing loans. The pandemic continues to progress and evolve, and it is not possible to predict the full extent and duration of resulting operational and economic impact for B2Holding. The Group has followed all precautionary measures imposed by local health authorities in the countries where the Group has presence, in order to protect employees, their families and the local communities in general. The Group's entities have moved most functions to home offices and are able to ensure business continuity.

OPERATIONAL RISK

Operational risk is a broad area, including but not limited to the risk of loss from failed internal processes, people, IT systems or external events

Operational risk has increased in scope over the years due to the growth in the number of portfolios owned as well as to the acquisition of collection platforms and the building of new platforms. Operational risks arise as a result of system implementations and integrations, various legal and tax frameworks and differences between B2Holding's subsidiary companies and country cultures.

B2Holding manages these risks through the implementation of a Group-wide risk management framework. The risk management framework was previously tested in one of the Group's subsidiaries, with a full roll-out started in 2019 and scheduled for completion during 2020. Additional mitigation of operational risks will be achieved by the on-going implementation of the Group-wide governance system.

Involvement and participation in local management bodies, integration of business lines under dedicated central functions, Group policies and guidelines for key business areas, implementation of operational reporting, and comprehensive risk identification and monitoring are further measures aimed to mitigate operational risks.

The exposure to operational risks will continue to be met by further development of the risk management framework, including the tracking of key risk indicators and internal training in the year to come.

LIQUIDITY RISK

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

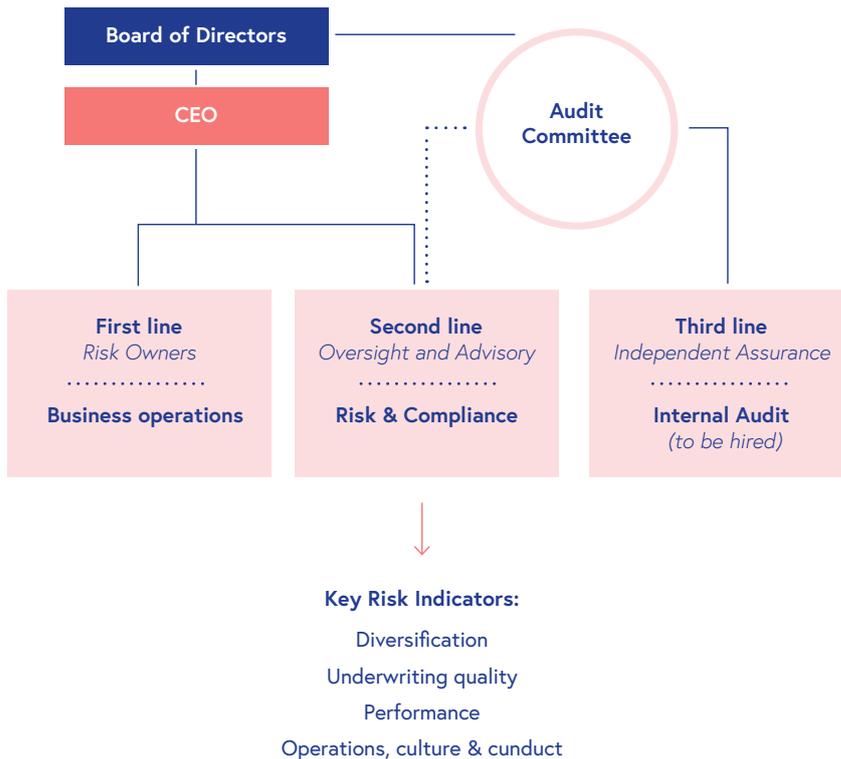
B2Holding's liquidity requirements consist mainly for the funding of purchased portfolios, operating expenses, taxation and interest payments. The Group's principal sources of liquidity are net cash generated from its operating activities, borrowings under the five bond loans and the revolving credit facility and share capital. Liquidity is monitored frequently and reported regularly to the Group management and monthly to the Board of Directors.

The capital threshold for equity in the loan agreements are set at a minimum consolidated book equity ratio of 25 %. The Group's capacity to assume risk is determined by the Board of Directors. B2Holding's risk function monitors risk levels against the risk appetite and ensures that the Group does not assume risk that exceeds the risk capacity and limits.

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

Liquidity risk is monitored by the Group's treasury function, the risk function, the Group Management and the Board of Directors.

Three lines of defence model

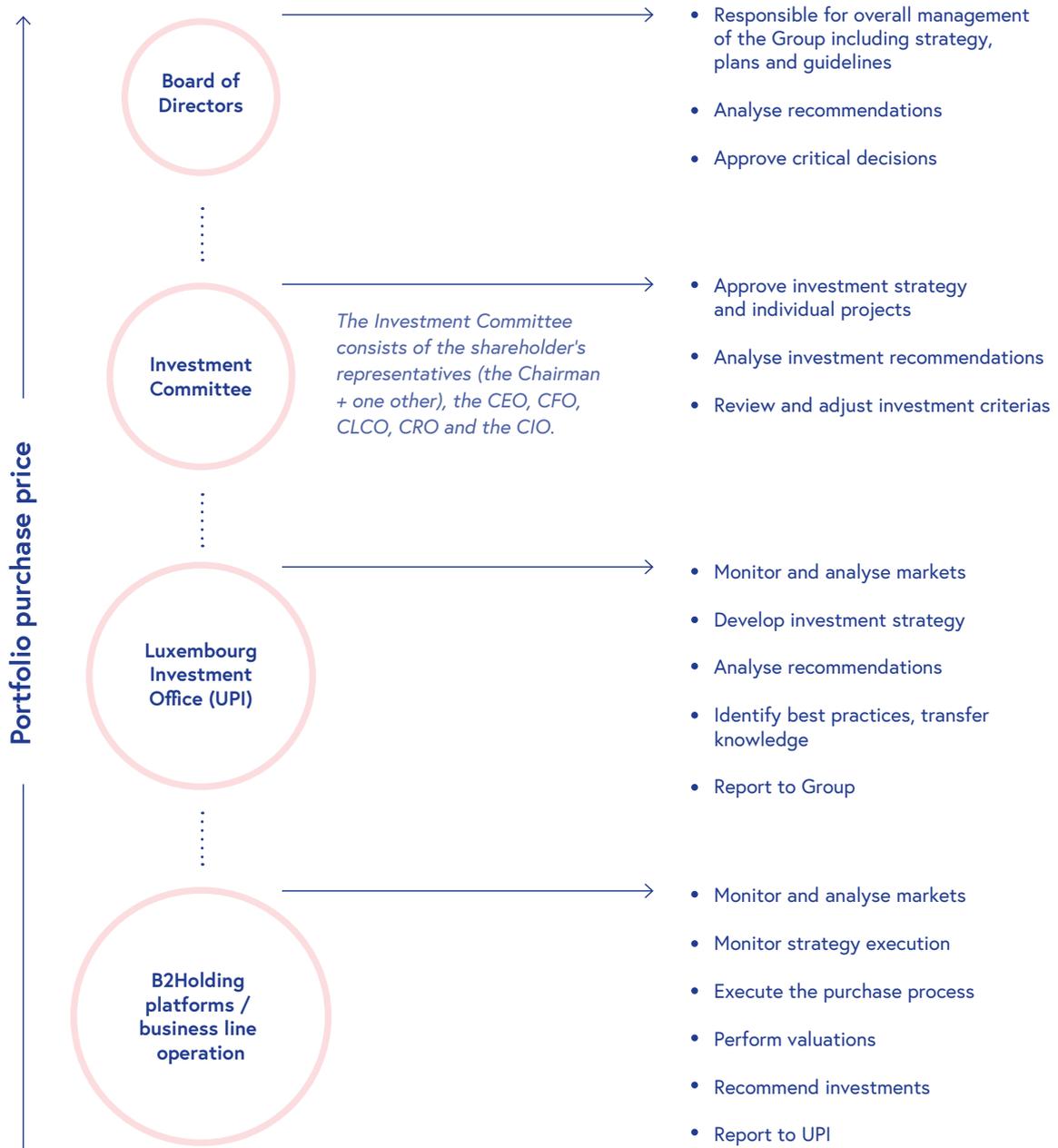


- The three lines of defence model will provide a clear separation of internal functions:
 - Business operations
 - Independent support (Risk, Compliance, Corporate Governance) and
 - Independent assurance (Internal Audit)
- The Risk function has a dual reporting line to the CEO and the Board (Audit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

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

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

Our investment process



03

Corporate responsibility

B2Holding is a vital part of the credit ecosystem, bridging the gap between the lending industry and individuals and company borrowers unable to meet their obligations. This is a challenge for all parties in the ecosystem: for the lending industry which does not get paid; social aspects for individuals in financial difficulties; the survival basis for companies employing individuals, and thus; ripple effects for the society as a whole.



Bridging the gap in the financial ecosystem

B2Holding ASA (“the Company”) is the parent company of the B2Holding consolidated group of companies described below as “the Group” or “B2Holding”. The Corporate responsibility report is an integral part of the Directors’ Report.

Since its inception in 2011, B2Holding has purchased non-performing debt for EUR 2.2 billion, thereby transforming non-performing assets in exchange for cash and enabling vendors in the countries where the Group operates to lend out new funds to individuals and companies, in turn safeguarding the economy and social welfare of the local society.

B2Holding has since 2017 undertaken a materiality assessment to identify the topics of highest importance for stakeholders’ concerns and the company’s risk and opportunities. The materiality assessment is based on Global Reporting Initiative Standards principle with the aim to conduct the business in line with the UN Global Compact initiative.

OUR APPROACH TO SUSTAINABILITY

B2Holding believes that corporate responsibility will have consequences for the Group’s financial performance and long-term value creation, and is committed to acting sustainably. This means safeguarding a respectful treatment of customers and partners through transparent dialogue, compliance with all regulations, following the ethical guidelines, raising the awareness of any negative impact on environmental footprint and safeguarding The Group’s commitment to offer the employees equal opportunities and professional growth in a healthy and safe working environment. B2Holding also wants to maintain and build long term relations and be regarded as a trustworthy and qualified partner in dialogue with local authorities. This is an important part of the corporate social responsibility and this report

shall reflect what kind of company B2Holding strives to be.

As of October 2019, the Group’s approach to and work with corporate social responsibility and environmental issues was attributed to the Head of Corporate Development in the Group Executive Management. This function will coordinate the Group’s sustainability initiatives and be responsible for planning, implementing, following-up and the further development of the Group’s sustainability programme.

The Group’s stakeholder groups are varied. The four stakeholder groups considered to be of special importance are:

- customers; the debtors struggling with indebtedness
- business partners and financial vendors; trusting B2Holding to treat their customers fairly
- investors (lenders and shareholders); who support B2Holding and enable further development
- employees; the Group’s most valuable resource

The Group meets its stakeholders in different arenas with the purpose of identifying which issues individual stakeholders consider to be the most significant for the Group. The assessment of relevant matters is based on what the stakeholders are concerned about and the consequences for the Group if it fails to meet the stakeholders’ expectations.

The materiality analysis shown as part of this report and includes all topics identified, while the topics above the marked line are regarded as most material to both B2Holding and the stakeholders. This report covers global activities in the B2Holding Group as well as in majority-owned subsidiaries and in the parent company, B2Holding ASA.

B2Holding's materiality analysis

Our focus areas are ranged in the following three categories:

- Environmental aspects
- Social aspects
- Governance aspects



FAIR TREATMENT OF DEBTORS

Materiality Rationale

B2Holding is committed to treat all debtors with dignity and respect in the same way as one would meet a customer. Therefore, B2Holding refer to the debtors as customers.

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

The basic approach

The Group acquire non-performing loans from banks and financial institutions and work with the individual debtors through local in-house collection platforms, or in the case of secured loans with recovery resources. This gives the Group an opportunity to be more flexible towards the debtors, meaning to find an amicable solution and help them to regain financial creditability which is in the best interest of the customer. The local presence is an advantage and each employee has the responsibility to ensure an ethical, respectful and solution-oriented approach is taken to support a positive customer experience.

Being flexible also means empowering the employees, giving them an appropriate mandate, trusting them to act with integrity and perform good judgement and handle difficult situations that may arise. Along with applicable laws, policies and procedures, The Group's Code of Conduct sets the overall standard on what is and what is not acceptable behaviour.

Employees who are in contact with customers need skills and training on how to manage the process from an ethical and human perspective. To be able to deliver on this expectation, it is not enough only to recruit the right people. Setting the standard at the top by involving the senior management at all levels in the Group is also essential.

Main achievements and target

In the collection and recovery practice as well as in the development of services, training and handling of complaints, B2Holding is focused on respecting the customer and finding amicable solutions.

With the digitalisation of the financial industry, new online customer portals are implemented with easy payments modules as well as access to more effective tools for simplified communication. This enables the Group to improve its ability to find amicable solutions. By logging in to an online personal account, the debtor can quickly find the details of his or her debt. This is available in Poland, Finland and Spain and will be available in other countries in the near future. In Poland, we have also started customer-dialogue with chatbots both online and by telephone. The purpose is to increase the Group's availability towards the customers, giving them the possibility to be more self-administered so

that they can get in contact whenever they want via the channel that they prefer. B2Holding work continuously with the target to improve the proportion of amicable solutions.

ENGAGING ON ANTI-CORRUPTION AND OTHER FINANCIAL CRIME

Materiality Rationale

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

The Group has operations in countries that are perceived to be in the upper and lower part of the Transparency International's Corruption Perception Index for 2019, with Finland ranking 3 of 180 and Bulgaria ranking 74 of 180 (but improving).

For the Group, the corruption risk is assessed to a large extent to be related to the acquisition of portfolios or dis-investments of mortgages or loan receivables, when these are not sold through regulated channels. Such sales are remedied by guidelines of the authorisation hierarchy and the application of the "four-eyes principle".

The basic approach

In order to ensure a common set of rules and understanding throughout the Group, the Board of Directors has provided guidelines in the Code of Conduct applicable for all business. The Heads of Unsecured and Secured Asset Management in combination with the local country managers, are responsible for establishing adequate and effective procedures in their business units to prevent and uncover irregularities or fraudulent behaviour such as corruption and money laundering.

Main achievements and targets

In most of the countries where the Group operates, B2Holding is obligated to set up a reporting channel for whistleblowing. Group policies on whistleblowing, third-party checks, anti-corruption and anti-money laundering have been approved by the Board of Directors in 2019. The implementation programme involves dilemma training to raise awareness and to encourage employees to notify about any and all censurable matters that they are or become aware of. The Board of Directors in B2Holding ASA has provided a policy saying that all companies within the Group shall give the whistleblower the same rights and protection, irrespective of whether this is regulated by local law or not.

B2Holding expects and encourage its business units to focus on conducting effective compliance risk assessments to ensure a risk-based approach to combat financial crime.

The goal for 2020 is to establish an external whistleblowing channel with the possibility of anonymous

notification applicable to the entire Group as a tool in combating corruption, money laundering and other types of financial crime, harassment, or other inappropriate behaviour.

DEBTOR SATISFACTION

Materiality Rationale

B2Holding acknowledges that due to various reasons, the debt collection industry may have a reputation hurdle to overcome in many countries. B2Holding aims to change that by building positive relations and demonstrating respect for its customers, meeting and treating them with dignity and through constructive and transparent dialogue. The overall goal is to be regarded as a preferred creditor for the customer despite that the customer is not able to choose their creditor. Treating them as customers sets the priorities for how the Group communicate at all levels of the organization.

Being a debt servicing company with few complaints is a key measure of success and highly relevant for the business partners when considering entering into long-term agreements with B2Holding. This also apply for forward flow agreements and joint venture arrangements. An increased number of new and the extension of existing forward flow contracts confirm a trustful and a balanced business relationship with a financial vendor.

The basic approach

The debtors' dissatisfaction with B2Holding's collection methods and principles can be expressed through complaints to our local companies, local authorities, local collection associations, consumer protection organizations, e-mails to Group Management as well as directly to employees. B2Holding differentiates between disputes and complaints where complaints are defined as non-compliant collection methods and violations of industry good practice. The Group is measuring the feedback received both orally and in writing through all kind of channels. The number of complaints provides an indication of how well the Group's companies have performed on B2Holding's goal of being a preferred creditor and a preferred business partner.

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

Main achievements and targets

The goal for 2019 was to keep the number of complaints on the same low level as in 2018. In 2019, the number of complaints represented 0.001 % of total number of claims, which is in line with the previous year.

B2Holding believes that the of controlling all parts of the value chain by primarily using in-house collection and

recovery agencies and own call centres, is a key element for this success and will continue to keep the number of complaints on a low level.

For further improvement of the collection practice, the Group also aims to assess the voices from those not filing a complaint which can be measured by the degree of adaptation to new electronic payments portals described above.

In 2020, B2Holding will discuss with selected major platforms, what methods could be employed to receive such feedback on a wider level.

PRIVACY

Materiality Rationale

With more than seven million individual customers in the loan portfolios, privacy is of highest importance to the customers. It is also highly prioritised within the Group to be compliant with the privacy regulations and in a professional manner to facilitate for the customer's possibility to exercise their rights according to the General Data Protection Regulation (GDPR).

The basic approach

Group policies approved by the Board of Directors and the resulting Group routines provide detailed guidelines on how employees shall process personal data. All employees are bound by confidentiality statements about all matters related to the customers.

B2Holding do not obtain personal data not necessary to conduct the services, and any access to debtors' personal database shall only be granted to employees who need it in the course of their work tasks. These rules are among the general privacy principles.

All business units and the parent company have privacy statements available on their dedicated websites. During 2019 the Group was not subject to any financial sanctions related to privacy regulations in any country.

Main achievements and targets

All business units have an employee responsible for privacy compliance in their local unit. Where dedicated Data Protection Officers are required, the requirement is fulfilled. When necessary, they are in contact with the local data protection authorities and with data subjects who have inquiries related to processing of their personal data.

All business units have installed IT-solutions which ensure compliance with the requirements for e.g. data subject's right to access, storage, backup solution and deletion. Data protection training has been given to all relevant employees as a part of the regular training program.

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

FAIR WAGES AND WORKING CONDITIONS

Materiality Rationale

B2Holding aims to take care of the most valuable assets and stakeholders - the employees - and to ensure that they are paid fairly and have safe and good working conditions. The industry is known to have a high employee turnover rate, and B2Holding believes that to continuously invest in employees through training, ensuring a good working environment and fair conditions can give the Group an advantage as an employer. Fair wages, equal opportunities and professional growth in a safe and healthy working environment should lead to lower sick leave and increased satisfaction among employees.

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

The basic approach

With a large workforce, comprising people working both full and part-time, B2Holding finds the focus on decent labour practices, safe working conditions, freedom of organization and anti-discrimination to be vital for the Group. In order to secure similar conditions throughout the Group, procedures and best practice for recruitment, onboarding, appraisals, training, career development and also the exit process are implemented.

The first Group-wide employee satisfaction survey was conducted in March 2019 with a response rate of 88 % on Group level which is higher than the average response rate for similar type of surveys (85 %). The survey was conducted by an external company on an anonymous and confidential basis giving balanced feedback and tool for improvements plans locally. The survey reflected employee engagement, enablement and effectiveness compared with external benchmark and with the possibility to address non-compliant behaviour. The survey's highest response rate was in the Baltics and the response rate in the larger countries including Spain, Poland and Romania was also fully satisfactory. The survey will be repeated on a regular basis.

Main achievements and targets

The employee satisfaction survey gave valuable information about the employees and their satisfaction with B2Holding as an employer. The Group achieved an aggregated positive satisfaction score of 72 %. Following the survey, each country received feedback for their unit and actions plans to have been initiated in cooperation with employee representatives, with an overall goal to improve the employee satisfaction in the Group over time.

B2Holding aims to pay equal salaries for equal work and performance regardless of gender. The Group will continue to pay salaries based on achievements and will work continuously to eliminate gaps due to gender or other dimensions of diversity.

As the Group is shifting its focus from strong growth to professionalisation, it is adjusting the people strategy accordingly. The entities range from newly established to mature organizations, and by centralising the people strategy we achieve more transparency and learning across units. The people strategy has four main pillars aimed at building a common culture through consistent behaviour, programs and processes: talent, engagement, performance development and leadership skills. All subsidiaries shall always make the effort to facilitate for individuals who need adjustable workstations, different tasks or flexible working hours.

DEVELOPING OUR EMPLOYEES

Materiality Rationale

B2Holding aims to be a workplace where all employees thrive and are given opportunities for professional development.

To give employees the opportunity to use their abilities, develop their skills and be part of a larger group are, in B2Holding's view, components for success. To invest in the employees is also expected to result in a lower turnover rate, which eventually should impact our performance. At year-end 2019, the Group had a total of 2,781 employees of which 1,857 (67 %) women and 924 (33 %) men.

The basic approach

B2Holding has conducted several activities aimed at developing employees. The Group has experienced that sharing creative and innovative ideas also provide employees with an increased knowledge base in their daily work.

In Central Europe, the Group has experience with an internal talent and management program where the main goal is to motivate, develop and invest in young talents in the Group. In the coming years, the Group will use this experience and develop similar programs to involve and motivate talented employees in all countries. The goal is to build strong leaders and a Group culture with skilled managers who will transfer their knowledge to others.

Main achievements and targets

Through Group projects, the Group has developed policies, procedures and recommendations within IT, valuations and transactions, compliance and GDPR, and HR.

After introducing the internal communication platform Workplace (internally named B2Gether) in 2018, the Group has experienced extended collaboration, innovation and knowledge sharing among employees across the Group.

The organization spend less time arranging meetings and sending e-mails, instead online groups are used to share and discuss ideas, documents and experiences. By the end of 2019, 73 % of all people employed had logged into their account on Workplace (60 % last year). The Workplace platform has become an important tool for all type of cross-border and cross functional communication – including communication from the Group management and with the CEO meeting all employees with the same message at the same time.

As part of the strategic activities, B2Holding will invest in and implement an eLearning platform in 2020. Our future goal is to continue developing B2Holding as a knowledge-based organization. By sharing knowledge across countries, companies and cultures, we aim to improve the total performance of the Group.

DIVERSITY AND ANTI-DISCRIMINATION

Materiality Rationale

As described in the Code of Conduct, there is a zero-tolerance towards discriminatory behaviour in the Group. B2Holding does not tolerate discrimination based on age, gender, race, political opinion religion or any other characteristics that are not related to people's merit or the inherent requirements of the position.

Diversity is a strength and is necessary to ensure innovation, to create value and to increase our opportunity to attract the greatest talents. B2Holding is a major employer in several cities in Europe and the Group wants to stand out as a good example when it comes to workplace equality and diversity.

The basic approach

B2Holding seeks to recruit people from different backgrounds, skills, knowledge and perspective to enrich the organization's diversity. Foremost, B2Holding has worked to increase awareness among managers and for them to develop an understanding of the advantages of diversity.

Main achievements and targets

In the recent years, the Group has raised awareness of gender diversity among all managers. The Group wants to increase the proportion of women within the top management.

The Group Executive Management (GEM) consists of seven men and two women. Among the country managers, approximately 35 % were women by year-end 2019. The goal is to continue to increase the proportion of women on management level in the Group.

In 2018 and 2019, the Group participated in the "SHE Index", a survey intended to gather more facts and motivate companies to work on closing the leadership gender gap. Such surveys increase the Group's awareness on gender equality within our top management, and the Group was

ranked below average in the survey. Gender balance is an issue that is being addressed in the Group business units with most employees - with a clear plan to promote female leaders.

ENVIRONMENTAL STATEMENT

The Group's contribution to society is manifold; from playing a vital part of the credit ecosystem, to local initiatives by employees contributing to a large extent in local care-taking projects, and financial support to organizations for children and underprivileged groups in the communities where the Group operates. The local initiatives are organized by voluntary groups mostly carried out after working hours with various kind of support from the Group.

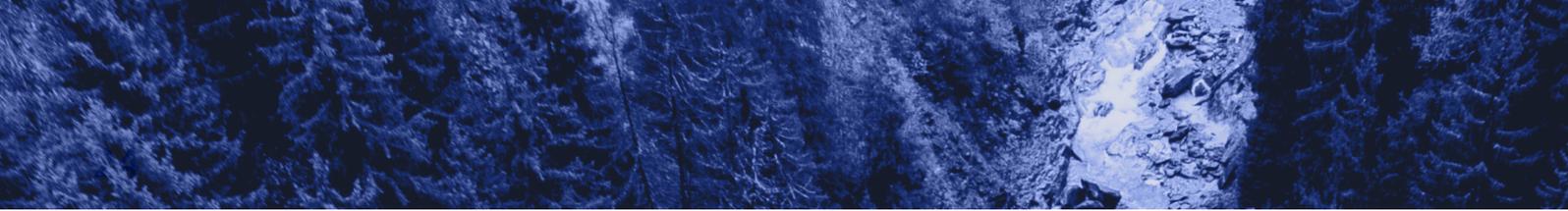
B2Holding lives by a corporate and collection philosophy which is based on the overriding principles of mutual respect and moral behaviour as embodied in the B2Holding's Code of Conduct. B2Holding strongly believes that in all aspects of the business, the Group shall treat all people in a fair and reasonable manner regardless of position, including customers, employees, clients and the local public authorities.

B2Holding also considers the impact on the future of our world. The Group strives to minimize the overall environmental impact and carbon footprint with the same level of respect and fairness that the Group's treat its stakeholders. To that end, B2Holding endeavours to transfer the approach to the stakeholders to the environment and to the world around.

Specific initiatives include:

- Aiming to achieve a fully paperless operation wherever possible both internally and within the realm of external communications with various stakeholders.
- The use of renewable energies and resources wherever possible including office power, materials as well as implementing a plastics-free office environment.
- Require all business locations to maintain waste sorting principles in handling refuse and waste in the operations.
- Incentivise employees to use public transportation and locate offices close to public transport and in environmentally friendly buildings.
- Reduce business travels through increased use of digital solutions.

Pursuing a program of continuous improvement by reviewing periodically the environmental management systems and related objectives and targets, policies and practices to ensure a goal of ongoing sustainability and reduction in the overall environmental impact as an organization. The Board of Directors believes that these activities are good investment for the future for being a preferred employer for employees as well as an investment in the world that shall be passed on to new generations.



04

Corporate governance

B2Holding considers good corporate governance to be a prerequisite for a transparent, efficient and effective company both in the interest of its shareholders, as well as for running a balanced management control system internally with clear responsibilities and active procedures. The objective is to ensure that accurate information is presented to its stakeholders and to the market.

Corporate Governance

B2Holding ASA is a Norwegian public limited liability company with corporate identification number 992 249 986 and registered head office in Stortingsgaten 22, 0121 Oslo, Norway. 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 (“the Code”) last updated 17 October 2018.

B2Holding ASA (“the Company”) is the parent company of the B2Holding consolidated group of companies described below as “the Group” or “B2Holding”. The Corporate Governance report is an integral part of the Directors’ Report.

The Company’s shares and five bond loans are listed on the Oslo Stock Exchange. B2Holding is obliged to comply with all regulatory requirements applicable for a stock listed company and among others, the rules under section 7 of the Continuing Obligations of stock listed instruments.

Based on section 7 as referred to above, the Company must provide a report on the company’s corporate governance and include a report on the Norwegian Code of Practice for Corporate Governance based on the “comply or explain” principle. The report under the Code will start after the Introductory comments and reflect the requirements under the Code. The Norwegian Code of Practice for Corporate Governance may be found at www.nues.no/en/.

CORPORATE GOVERNANCE WITHIN B2HOLDING

B2Holding considers good corporate governance as a prerequisite for the trustworthiness needed to gain access to capital, access to the NPL market and access to human capital ultimately needed to create value for B2Holding’s stakeholders.

B2Holding ASA is subject to the external regulatory framework as described above and internal controlling systems reflect the resolutions and proxy given by the shareholders in the Annual General Meetings as well as the policies and instructions adopted by the Board of Directors.

The internal control system include B2Holding ASA’s Article of Association adopted by the Annual General Meeting containing basic compulsory information of B2Holding ASA as well as authorisations given to the Board of Directors for various reasons regarding, for instance, capital increases valid until next Annual General Meeting, and remuneration for senior executives. The authorisation given to the Board of Directors for capital increases are valid from the date it is registered in The Brønnøysund Register Centre (the Norwegian Company Register). The Annual General Meeting also adopts the instruction for the Nomination

Committee submitting proposals for the election of Board members, the Chair of the Board, fees to the Board members, and to the members in various sub-committees of the Board of Directors.

The Board of Directors has also adopted policies that describe and clarify the various levels of responsibilities within the Group. Such policies of importance are:

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

It is important to perform ethical and sustainable business practices, reliable and transparent financial reporting and to comply with all regulations, requirements and industry standards in all countries where B2Holding operates.

Corporate Governance in B2Holding is about how the Board of Directors and Management conduct the affairs, actions and policies to preserve and develop the Company’s values and ethical footprint.

The Group is organised within two business lines: Unsecured and Secured Asset Management. The Head of Unsecured Asset Management and Head of Secured Asset Management together with the Group’s CEO and with support from Group functions, are responsible for and shall ensure that all business units operate and develop in accordance with B2Holding’s standards for conducting the business, the governance policies and the Code of Conduct to the benefit of our stakeholders.

The basic principles in all decision processes in the B2Holding Group are based on:

- **Relevance** – decisions must be taken by relevant authorized executives or bodies
- **Escalation** – for key decisions clear escalation rules and escalation path to higher authority
- **Competence** – decision makers shall have relevant competence and engage appropriate support
- **Rule of law** – decisions must be taken in compliance with relevant legal constraints and internal policies

- **Ethical conduct** – decisions shall uphold high ethical standards
- **Accountability** – responsibility for decisions must be clearly defined and communicated
- **Participation** – decisions must be consulted with relevant functions and appropriate participants
- **Transparency** – key decisions must be properly communicated and documented
- **Efficiency** – decisions must be taken in an efficient and timely manner
- **Four eyes principle** – key decisions must always be taken by at least two independent executives or appropriate larger body
- **Grandfather principle** – key decisions must be taken with involvement of (or information to) relevant higher authority

As a result of the write downs in the second quarter 2019 mainly related to secured assets in Central Europe and South East Europe, the Company saw the need to review if processes and routines were at a satisfactory level. During this process the Company discovered that there is room for improvement related to certain aspects of the business, and changes were initiated. These changes include organizational changes which also comprises the governance function. The Group will have continued focus on developing the governance function further in 2020.

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 Group business units. References to certain specific policies will be included where relevant.

The Board of Directors in B2Holding ("the Board") approves the B2Holding Corporate Governance Principles that are based on the Norwegian Code of Practice for Corporate Governance ("the Code") updated 17 October 2018, and as such designed for supporting good corporate governance.

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

- Openness and transparency in communication with our stakeholders.
- Independence in the relationship between the Board, the Management and the owners to ensure that decisions are made on an unbiased and neutral basis.

- Equal treatment and equal rights for all shareholders.
- Good control and corporate governance mechanisms to secure predictability and reduce the level of risks for owners and other stakeholders.

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

B2Holding shares knowledge and expertise within the Group, is a reliable business partner, has the ability to find amicable solutions for individual debtors and help manage society's debt problems. B2Holding believes in trusting each other, acting professional and with strong integrity and always aiming for excellence.

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

B2Holding believes that the highest degree of ethical and integrity standards in the approach to dealing with customers and investors combined with following regulatory frameworks, are key competitive advantages.

B2Holding is aware of the responsibility to follow up customers. The Company must take care of its own and its vendors' reputations and ensure that the Group builds, maintain and earn the privilege of mutual trust from the stakeholders while performing its business.

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

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

No deviations from the Code.

2. BUSINESS

B2Holding's strategy is to continue to be a leading player in the European NPL industry and deliver continuing shareholder value through focus on scalable platforms in core markets, transforming the Group towards a more cost-efficient model, and leveraging our servicing capabilities by increasing assets under management

The fundamental business drivers are to create solutions and value for our stakeholders and to help manage society's debt problems. To achieve this, B2Holding needs to be a trusted partner and continuously search for ways to improve.

The strategy and goals are evaluated annually, and a set of policies are established to support the Code of Conduct implemented in 2017. Guidelines for corporate responsibility to integrate the activities are developed further as described in the section "Corporate Responsibility".

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

No deviations from the Code.

3. EQUITY AND DIVIDENDS

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

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

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

Dividend policy

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

In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account applicable legal restrictions as set out in the Norwegian Public Limited Companies Act and B2Holding's solidity

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

The Company aims to distribute 20-30 % of the Group's net profits as dividend to its shareholders. There can be no assurance that a dividend will be proposed or declared in any given year. If a dividend is proposed or declared, there can be no assurance that the dividend amount or yield will be as advised above. Due to the uncertainty associated with the Covid-19 pandemic and unknown consequences of the governmental measures implemented, the Board of Directors recommend that no dividend is paid for 2019.

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

Authorisations to the Board of Directors

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

No deviations from the Code.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

Share issues without pre-emption rights for existing shareholders

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

Transactions in treasury shares

Any transactions carried out by B2Holding in its treasury shares, will be carried out through Oslo Stock Exchange,

and in any case to prevailing stock exchange prices. In the event that there is limited liquidity in the shares, B2Holding will consider other ways to cater for equal treatment of shareholders. There have been no such transactions in 2019.

Approval of agreements with shareholders and other close associates

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

No deviations from the Code.

5. SHARES AND NEGOTIABILITY

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

No deviations from the Code.

6. GENERAL MEETINGS

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

As at 31 December 2019, the total outstanding number of shares was 409,932,598, distributed among 4,492 shareholders. Each share carries one vote. All shareholders listed in the shareholders' register on the day prior to the Annual General Meeting are entitled to participate at the General Meetings either in person or by proxy, and to vote for their holdings.

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

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

Participation without being present

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

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

Due to the Covid-19 virus outbreak and measures implemented to prevent further spread of the virus, the Board of Directors will for the Annual General Meeting in May 2020 request shareholders to refrain from attending in person and use the possibility of casting advance votes or voting by proxy instead.

No deviations from the Code.

7. NOMINATION COMMITTEE

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

The majority of the Nomination Committee shall be independent of the Board of Directors and the Management. No more than one member of the Nomination Committee may also be a member of the Board, in which case such member 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 Annual General Meeting shall adopt the Instructions for the Nomination Committee. The Company shall provide information regarding the members of the Nomination Committee and deadlines for submitting proposals to the Nomination Committee.

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

The Nomination Committee's recommendation of candidates to the Nomination Committee shall ensure that they represent a broad cross-section of the shareholders as well as being balanced with regards to independence. 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 of Directors should consider expertise, capacity and diversity appropriate to attend to B2Holding's goals, main challenges and the common interests of all shareholders. Further, individuals of the Board should be willing and able to work as a team, resulting in the Board working effectively as a collegiate body.

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

No member of B2Holding's Management should be a member of the Board. The Chair of the Board is elected by the Annual General Meeting.

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

B2Holding's annual report provides information regarding the expertise of the members of the Board, as well as information on their history of attendance at board meetings. 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 of Directors has issued an instruction for its own work and for the CEO which particularly focuses on clear internal allocation of responsibilities and duties.

The objectives, responsibilities and functions of the Board

and the CEO shall be revised annually and be in compliance with rules and standards applicable to the Group.

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

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

Audit Committee

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

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

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

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

Remuneration Committee

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

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

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

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

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

Annual evaluations

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

No deviations from the Code.

10. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- Ethics, Code of Conduct
- Corporate Social Responsibility
- Risk management
- Compliance (including Group policies covering anti-corruption, anti-money laundering, sanctions and whistleblowing)
- Communication
- Financial management, including guidelines for quality assurance of financial reporting
- People and organization, 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. B2Holding has a separate risk function on Group level led by the Chief Risk Officer reporting to the CEO and is in process of hiring an Internal audit function which will be reporting to the Audit Committee.

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

As of writing this report, the Coronavirus disease

(Covid-19) outbreak has been declared a global pandemic by the World Health Organisation (WHO). The full extent, consequences and duration of the Covid-19 pandemic is not possible to predict. However, the implemented restrictions to prevent the spread of the Covid-19 pandemic will undoubtedly have a severe negative impact on European economies. As of publication of this report, the liquidity situation and balance sheet position of B2Holding is assessed to be satisfactory and controllable and meets the requirements under the loan agreements. The Group has temporary reduced portfolio purchases to a minimum in order to preserve liquidity going forward.

No deviations from the Code.

11. REMUNERATION OF THE BOARD

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

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

Board members, or companies associated with Board members, do not engage in specific assignments for B2Holding in addition to their appointments as members of the Board. If they, nonetheless, do take on such assignments, the entire Board must be informed and the consideration for such additional duties is subject to approval by the Board. In cases where there are special grounds, consideration may be presented to the Nomination Committee on the recommendation from the Board and the Nomination Committee may, in its opinion, submit proposals to the General Assembly.

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 24 May 2019.

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

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

A cap is set on performance-related remuneration. The Board annually prepares a policy for the remuneration of the Management. The policy will contribute to align the interests of shareholders and Management and is presented for the Annual General Meeting for its consideration in a separate document sent out together with the notice to the Annual General Meeting. The documents shall include an annual executive compensation plan and a long-term incentive plan. The Annual General Meeting will vote for both elements separately. The Annual General Meeting's decision regarding the guidelines in the statements are to be taken as advisory by the Board of Directors and if share instruments are involved as long-term incentive, the vote will be binding for the Company. Reference is made to a special section "Remuneration of executive personnel" on page 102 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 Stock Exchange and the financial markets in general. Relevant information is given in the form of annual reports, semi-annual reports, quarterly reports, capital market days, stock exchange releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. B2Holding aims to clarify its long-term potential, including strategies, value drivers and risk factors.

Unless exceptions apply and are invoked, B2Holding will promptly disclose all inside information (as defined by the Norwegian Securities Trading Act). In all circumstances, B2Holding will provide information about certain events, e.g. by the Board of Directors and Annual General Meeting concerning dividends, amalgamations, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by B2Holding ASA 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 follow 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-mails. B2Holding aims to host capital markets days and similar events as needed in order to further increase transparency and dialogue with investment communities.

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

No deviations from the Code.

14. TAKE-OVERS

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

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

- the Board will not seek to hinder or obstruct any 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 the shareholders should accept the bid.

Deviations from the Code: There are no other written

guidelines for procedures to be followed in the event of a takeover bid. The Group has not found it appropriate to draw up any explicit basic principles for B2Holding's conduct in the event of a takeover bid, other than the actions described above. The Board otherwise concurs with what is stated in the Code regarding this issue.

No deviations from the Code.

15. AUDITOR

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

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

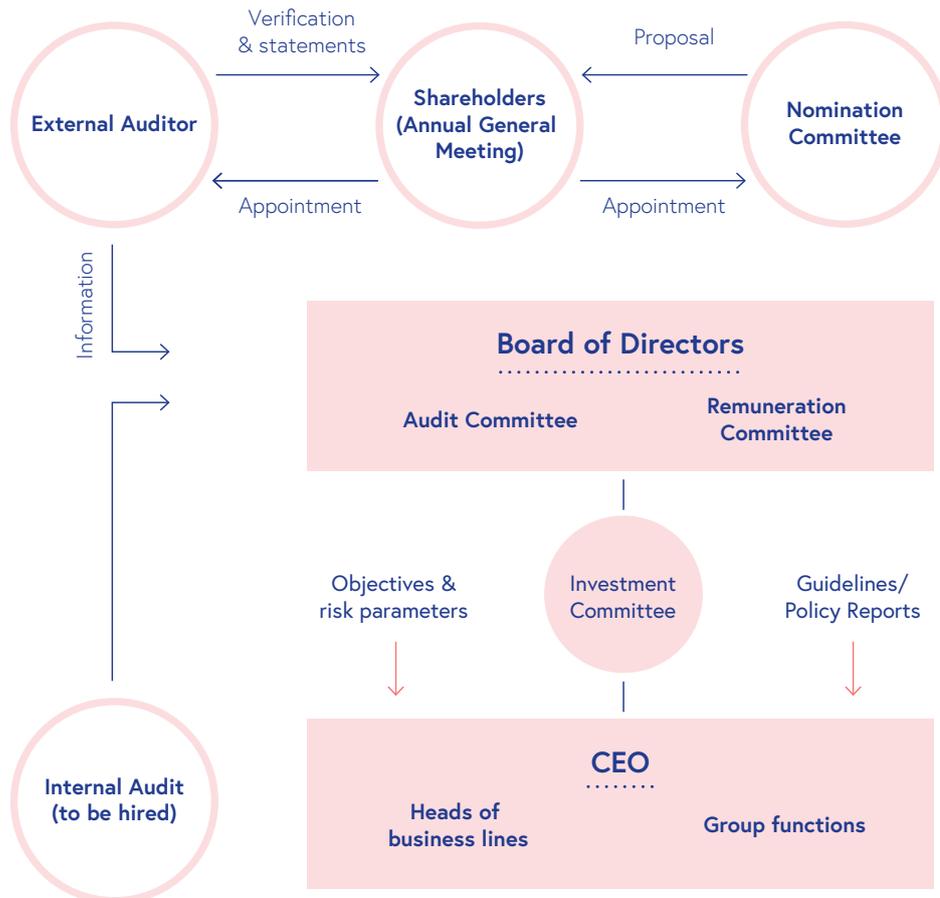
The Audit Committee and the Board hold a meeting with the auditor at least once a year at which no representative of the Management is present.

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

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

No deviations from the Code.

Governing bodies in the B2Holding Group



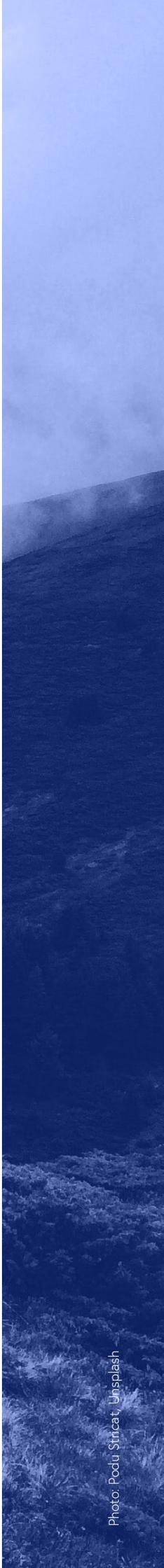
The Board of Directors has the principal responsibility for the Group's business operations, which includes ensuring that operations, financial reporting and asset management are subject to adequate control. Separate instructions have been established for the Board of Directors, the Board committees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

The Board of Directors has appointed and authorised the Investment Committee to make portfolio investment decisions in current geographical markets subject to a specific threshold

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

05

Director's
report



Director's report

THE NATURE OF THE BUSINESS AND ITS OPERATIONS

B2Holding's vision is to find solutions to help manage debt problems for private and corporate customers and serve an important role in the value chain for the banking and financial ecosystem, and thereby benefit of the society as a whole.

The vision is driven by various countries' initiatives to encourage financial institutions to divest their non-performing loans and facilitate for a well-functioning debt servicing industry to bridge the gap that non-performing loans create in the financial value chain.

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

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

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

During 2019, the Board of Directors announced a new strategic direction, where the main pillars are profitable growth through focused investments in core markets and strengthening the Group's servicing capabilities. The growth will be maintained and supported through co-investments, full collection/recovery servicing, forward flow deals and a preference for core countries. The new strategy will transform the Group towards a more cost-efficient model and leverage the Group's servicing capabilities by increasing assets under management. In order to facilitate for the new strategy, the organization was reorganized to create a clearer distinction between asset classes and increase operational focus. In addition, a separate risk management function with improved control was implemented.

B2Holding has a strong position in a European NPL market with significant opportunities. At the end of 2019,

the Group had offices in 23 European countries. With access to the largest NPL markets in Europe, the Group wants to focus on investments in markets with growth potential that are of strategic importance.

The strategy aims to enable balanced growth, develop our core platforms and services and allow for a more cost-efficient operating model while attaining better return on invested capital.

There are significant NPL volumes in existing geographical markets which we predict will grow in the coming year due to among other the effects of current COVID-19 pandemic and subsequent measures. The Group is focusing on increased market penetration in core markets through a combination of own portfolio investments and co-investments where suitable.

The Group's core business of unsecured loans (67 % of the gross cash collection and 71.8 % of the ERC) performed better than our expectations with gross collection 6,5 % above the initial forecasted collection curve. The market for unsecured portfolio acquisitions is stable with good pipeline visibility.

However, we predict that effect of the COVID-19 pandemic will be higher growth in volumes than the investors' appetite. Thus resulting in more favorable terms for the investors than we have seen recent years. There is a continued focus on improving collection strategies in order to achieve higher effectiveness and economies of scale with focus going forward on technology acceleration. As seen already in the matured markets, there is an increased share of forward flow transactions across geographies driven by stronger vendor relationships. Forward flow contracts support stable cash-flow with low-risk and high efficiency. In order to increase operational focus and control, Adam Parfiniewicz (former Regional Director of Poland, Finland and the Baltics) was appointed Head of Unsecured Asset Management in October 2019.

During 2019, the Group experienced challenges with the timing and value of the expected remaining recovery (ERR) on its secured portfolios in Croatia, Bulgaria and Romania. This resulted in one-off net write downs of NOK 388 million in second quarter 2019. As a result of the write downs, the Company has initiated projects to improve and strengthen the governance and compliance functions during the second half of 2019. These projects include organizational changes hereunder new reporting lines, strengthening of the risk management, legal and compliance functions. The projects initiated in 2019 will continue going forward, and the goal

is to finalize this work in 2020.

Furthermore, to prevent such challenges in the future, the Group has introduced new underwriting procedures and is taking a more conservative approach to the booking of collection curves. Recovery teams across the Group have been strengthened with additional specialized resources as well as establishing a Recovery Support Team; a team of recovery experts who support local teams in finding the right strategies for maximizing the value in secured portfolios. The organizational changes and new recovery strategies within secured asset management have started to show positive effects but will lead to some volatility in gross cash collection going forward. By year-end 2019 approximately 75 % of total amount of NOK 3,999.8 million invested in secured portfolios in Central and South East Europe has been recovered. George Christoforou (former Regional Director Central Europe and South East Europe) was appointed Head of Secured Asset Management in October 2019.

Gross cash collection of secured portfolios in 2019 was NOK 1,696.3 million which is 40.0 % higher compared to NOK 1,211.3 million last year. The ERC for secured portfolios by year end is NOK 6,712 million or 28.2 % of the Group's total ERC.

As part of the new strategy, the Group is actively pursuing further co-investments to gain access to a larger pipeline and utilize the Group's servicing platform. At the end of 2019, the Group has established co-investments for portfolios in Romania, Greece, Croatia and Sweden and further co-investments are under consideration. Two new partnerships have been concluded in 2020 with Banca Sella for Italy and Waterfall for Cyprus.

The ability to transact with reputable investors creates unique advantages for B2Holding with regards to

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

The total portfolio purchases in 2019, excluding portfolios purchased in co-investments and JVs, was NOK 3,409.4 million which is a 45.1 % reduction from 6,212.6 million in 2018. The allocation of portfolio investments in 2019 ended with 61.8 % to Northern Europe (NOK 2,108.3 million – an increase of 12 % from 2018). Northern Europe is the largest region with 36 % of the ERC (30 % in 2018). There is a reduced exposure in Central Europe to 20 % (26 % in 2018) and in South East Europe to 9 % (10 % in 2018) in terms of ERC, while Poland and Western Europe are unchanged with 16 % and 12 % respectively.

Northern Europe collections continued to perform well in 2019 and increased from NOK 1,147.4 million in 2018 to NOK 1,579.5 million in 2019 (37.7 %) mainly due to increased collections in Sweden, Denmark and Latvia. The gross cash collection in 2019 is mainly from unsecured portfolios (99.3 %).

Revenue from purchased portfolios were up NOK 243.5 million (43.1 %) to NOK 808 million mainly due to increased portfolio purchases year on year (increase of NOK 224 million). Other revenues were NOK 3 million higher (NOK 138.3 million) than in 2018.

On 11 December 2019 a portfolio was sold to a new joint venture company with Waterfall Asset Management in Sweden. The Group has a 30 % share in the co-investment structure which will increase servicing revenues going forward.

The Net credit gain from purchased portfolios was NOK 44.1 mill compared to a loss of NOK 8.7 million for 2018 mainly due to higher collection above estimates of NOK 83.3 million in 2019. Cost to collect increased due to 42 additional FTEs (377 FTEs by year end) and external cost related to increased collections, but the cost to collect percentage improved to 14.7 % (18.0 %).

Cash EBITDA 2019 ended at NOK 1,348.2 million, up NOK 391.1 million (40.9 %) from 2018.

Central Europe increased collections by NOK 209.4 million (18.3 %) and has a stable cost level, while revenues from purchased portfolios were down NOK 461 million following the one-off write down in second quarter 2019.

In January 2019 the Group entered into a co-investment structure with DDM Group for a 50/50 joint venture with secured corporate loans in Croatia with a face value of EUR 800 million acquired from HETA Asset Resolution.

Cash EBITDA increased by NOK 166.7 million (17.5 %) due to increased collections and a stable cost to collect percentage of 17.7 % (16.1 % in 2018). The number of FTEs in the region by year end was 307.

Western Europe increased collections by NOK 319.3 million to NOK 621.7 (105.6 %) and revenues from purchased portfolio were up NOK 219.0 million (97.2 %). Net actualisation/revaluation was positive NOK 125.4 million in 2019 mainly due to positive revaluation of secured portfolios in Italy. Cost to collect ratio was reduced by 4 percentage point to 27.1 % in 2019. The increase in other cost is mainly related to the acquisition of Acreditia in Spain. The number of FTEs by year end is 625, which is a small increase from last year due to new business in Spain.

Cash EBITDA increased with NOK 230.2 million to NOK 457.6 and operating profit increased by NOK 119

million (86.2 %) mainly due to portfolio purchases and increased efficiency with in-house recoveries in Italy.

South East Europe increased collections by NOK 151.7 million (28.9 %) with a steady cost level, however total revenues from purchased portfolio were NOK 224.3 million (down NOK 235.6 million from 2018) following negative net actualisation/revaluation charges mainly relating to the one-off write downs of secured portfolios in Bulgaria and Romania. The number of FTEs increased from 480 last year to 592 in 2019 due to moving the Greek portfolios in-house and strengthened teams in Romania.

Cash EBITDA increased by NOK 190.0 million (61.3 %) due to portfolio purchases. Profit from joint ventures increased by NOK 9.8 million (20.6 %) to NOK 57.5 million due to the establishment of two joint ventures during 2018.

Poland shows steadily increasing collections and lower cost to collect ratio versus 2018. Total collection in 2019 was NOK 970.0 million which is 10.5 % higher than same period last year. Revenue from purchased portfolios were up by NOK 84.3 million (16.8 %) to NOK 586.9 million despite that portfolio purchases year on year was reduced by 39.0 % to NOK 400.7 million in 2019.

The Net credit gain from purchased portfolio was positive NOK 44.5 million compared to a loss of NOK 15,8 million for 2018 mainly due to higher collection above estimates of NOK 51.9 million in 2019. Cost to collect improved from 34.3 % to 33.1 % due to higher gross cash collection combined with reduction in FTEs. The reduction of 114 FTEs was related to restructuring and efficiency initiatives implemented during 2019.

On 15 August 2019, the Board of Directors announced that Olav Dalen Zahl stepped down from his position as CEO of the Company. The Group's CFO Erik J. Johnsen was appointed interim CEO from the same date and was on 5 February 2020 appointed permanent CEO of B2Holding ASA. The new Group Executive Management announced on 9 October 2019 will ensure improved transparency, risk management and compliance throughout the organization and contribute to long-term cost efficiency on a Group level.

FUNDING STRUCTURE AND FINANCING

The Group's funding structure has significant financial flexibility and satisfactorily liquidity reserves. B2Holding is working to reduce the leverage level during 2020 in order further improve the financial flexibility.

On 28 May 2019 the Group issued a new EUR 200 million unsecured bond loan with maturity 28 May 2024 at an interest rate of 6.35 %. The new bond was assigned with a B1 and BB- rating from Moody's and S&P respectively

and was listed on the Oslo Stock Exchange on 22 October 2019. In addition, the Group has four listed senior unsecured bond loans for a total of EUR 725 million. The financial covenants in relation to all five bond loans were aligned after approval from a joint Bondholders' meeting on 21 May 2019. The Group holds EUR 21 million in treasury bonds.

The Group holds an EUR 510 million senior secured revolving credit facility (RCF) with DNB Bank ASA, Nordea Bank AB and Swedbank AB with an ultimate maturity date as of 31 May 2022. The Group complied with the original financial covenants under the RCF as of 31.12.2019 with a reported equity ratio of 25.2 % (minimum 25.0 %), Total Loan to Value ratio (excluding book value of IFRS 16 right-of-use asset) of 74.2 % (maximum 75.0 %) and Leverage ratio of 2.86x (max 4.0x). From 28 February 2020 the RCF will have more flexible covenants implying that the ratios can be set aside in one financial quarter until 31 May 2022.

The Group has NOK 2.1 billion in available investment capacity at the end of the year adjusted for deferred payment for portfolio purchases of NOK 121 million, in addition to a strong operating cash flow from gross cash collections of purchased loan portfolios.

The first bond loan of EUR 150 million (issued in Dec 2015) matures December 2020 and is classified as short-term borrowing. The bond carries a "make whole" clause and there is headroom under the RCF to refinance the bond on maturity. EUR 210 million of the RCF was unutilised at 31.12.2019.

On 21 March 2019, the Board of Directors of B2Holding ASA signed an upstream, cross-border merger plan with its 100 % owned Dutch subsidiary Ultimo Netherland BV with the purpose to simplify the corporate structure by transferring the operations and ownership of Ultimo Netherland BV to the Company. The merger transaction was completed on 21 August 2019 with a positive book equity effect of NOK 276 million for the Company.

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

The Group recorded a full year operating profit of NOK 107.2 million for the year 2019, after the net write down of NOK 388 million in second quarter and one-off cost of NOK 39 million in fourth quarter compared to NOK 648.7 million in 2018. The cost to collect was 22.5 % which is a reduction

from 24.6 % last year mainly due to focus on operational efficiency.

Operating revenues for the year amounted to NOK 2,873.8 million compared to NOK 2,905.6 million in 2018, a decrease of NOK 31.8 mill due to the portfolio one-off net write downs of NOK 388 million) Revenues from purchased loan portfolios amounted to NOK 2,313.0 million (NOK 2,701.0 million adjusted for the one-off net write downs) compared to NOK 2,479.5 million in 2018. The increase in adjusted revenues was driven by high activity in portfolio acquisitions in existing markets in 2019.

Operating expenses, excluding depreciation and amortisation and impairment losses, increased with NOK 309.3 million (21.0 %) in 2019 compared to 2018 mainly due to increased activity in the Group.

The number of FTEs in the Group was 2,517 at the end of 2019, a net increase of 97 during the year. The FTE numbers have increased in all regions except for Poland where FTEs have decreased due to continuous efficiency programs. The main increase is due to expansion in South East Europe with additional employees in Bulgaria, Greece and Romania. Going forward the number of FTEs is expected to be reduced as a result of the ongoing efficiency programs and the planned reduction of regional footprint

Net financial items ended at NOK 793.7 million, of which interest expenses on interest bearing debt amounted to NOK 770.5 million and a net foreign exchange loss of NOK 11.9 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 2019 with NOK 1,204.7 million (30.1 %) to NOK 5,202.0 million due to significant increase in purchased loan portfolios and activity. The gross cash collections increased in all the Group's geographical segments.

Cash flow from operating activities for the year ended at NOK 2,872.3 million, NOK 581.7 million (25.4 %) higher than the same period in 2018. The difference between operating cash flows and the operating profit of NOK 958.6 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 3,624.0 million mainly due to net cash flow for purchased loan portfolios of NOK 3,116.9 million. Net cash flow from financing activities in the period ended at NOK 674,3 million after issuing a EUR 200 million senior unsecured bond loan in May.

Balance sheet and liquidity

Total assets at 31 December 2019 amounted to NOK 16,941.6 million compared to NOK 16,173.7 million in 2018. The equity amounted to NOK 4,236.8 million (after dividend of NOK 184.5 million) and the equity ratio was 25.0 % compared to 26.9 % at 31 December 2018 (dividend paid in 2018 was NOK 122.0 million).

Total book value of purchased loan portfolios ended at NOK 13,419.7 million end of December 2019 (after one-off net write downs), which is at the same level as year-end 2018 (NOK 13,346.1 million).

Net interest-bearing debt as of 31 December 2019 was NOK 11,379.3 million compared to NOK 10,430.6 last year.

Cash and cash equivalents amounted to NOK 355.9 million at the balance sheet date compared to NOK 397.7 million at the end of 2018. The Group's liquidity situation and the ability to finance future investments are adequate.

PARENT COMPANY

B2Holding ASA, the parent company, recorded a full year loss of NOK 156.5 million after positive changes in deferred tax of NOK 18.8 million compared to a profit of NOK 911.1 million in 2018. The difference from 2018 is mainly due to net gain on other investments in 2018 compared to a net loss of NOK 61.7 million in 2019. Interest income from group companies accounted for 496.3 mill in 2019 compared to NOK 404.7 million in 2018. After an EUR 200 million bond issue in May 2019 and increase in long term loans to group companies of NOK 688.9 million, net cash flow for the year ended negative at NOK 5.4 million compared to a surplus of NOK 2.5 million for 2018.

Total assets at 31 December 2019 amounted to NOK 13,137.3 million compared to NOK 11,452.6 million in 2018. The equity amounted to NOK 3,791,7 million and the book equity ratio was 28.9 %.

Cash and cash equivalents amounted to NOK 5.9 million at the balance sheet date compared to NOK 11.2 million at the end of 2018. Of this amount, NOK 4.9 million were restricted balances. The Company's liquidity situation, ability to finance future investments, meeting its obligation and the solidity of the parent company are adequate and satisfactory.

FINANCIAL AND OTHER RISKS

The foundation for the Board of Directors' work with risk management is the Internal Control and Risk Management Policy. B2Holding's approach to risk management is to generate sustainable value for the shareholders through managing exposures to credit, market, operational and liquidity risks. Effective risk management and internal control ensure shareholders' value.

In 2019, the Group's risk management work was strengthened through a new central risk management function on Group level under a Chief Risk Officers who has the operational responsibility for the risk management in the Group. In addition, the compliance and legal work were combined into a separate Legal and Compliance function under the Chief Legal and Compliance Officer.

The risk management function will follow recognized risk management principles and manages the development of the Group-wide enterprise risk management framework including periodic risk mapping and reporting, thus ensuring common understanding of risks, transparency, follow-up and coordination.

To further support the risk management principles, the Company, in consultation with the Audit Committee, will establish an Internal Audit function that shall report to the Audit Committee. The recruitment of an Internal Audit is in process.

When the Internal Audit position is in place and fully operative, the Company's risk management system will follow the risk management principles in line with the three lines of defence model. Full three-line of defence models are already incorporated and implemented in subsidiaries that are licensed and under supervision by local authorities.

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

The CEO and the Heads of Unsecured and Secured Asset Management are responsible for and shall ensure that all business units operate and develop in accordance with B2H's risk management and internal control policy and routines.

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

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

From a regulatory perspective, the different jurisdictions that B2Holding operates in approach the issue of NPLs in different ways. The business units are licensed to operate as one or more of the following: portfolio purchaser, portfolio owner, collection company, credit information provider or, as a lender. The license requirements remain under supervision of the relevant local operation.

In addition, B2Holding participates in managing its regulatory risk by actively participating in various industry associa-

tions that develop standards and best practices and promote the role of the industry in supporting the health and viability of the financial system.

Reputational risk is of great importance in the Group's relationship with banks, clients, customers, employees, investors, regulators and other stakeholders. Negative reputation regarding the Group or the industry in general may have an adverse effect on the Group's customers, employee loyalty, clients willingness to sell and the investors willingness to invest. Such reputational risks are continuously addressed. Internal controls, together with the Group's common Code of Conduct and compliance and governance policies contribute to improving B2Holding's reputation as a recognised industry player, a good employer, and a reliable business partner. The implementation of common Code of Conduct throughout the Group is one of many steps to manage the reputation risk.

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

MANAGEMENT RISK

The Group is organized into two business lines, Unsecured and Secured Asset Management. These are supervised by the Head of Unsecured Asset Management and the Head of Secured Asset Management, who report directly to the Group CEO and are responsible for all business units. Business lines are operating and developing in accordance with B2Holding's risk management framework and are subject to internal controls. The Group's investment management, legal, tax, risk, compliance, project management and controlling teams support the business lines and local operations in conducting their business and with assessing and managing their risk.

Potential governance risks related to managing an international, decentralised organization in multiple countries, has partly been reduced through Group level functions, policies and processes covering direct oversight of business lines, investment management, legal, tax, risk, compliance, project management and financial control to ensure appropriate control mechanisms and service to the local operations.

The Group Executive Management (GEM) team consisting of the CEO, the heads of the business lines and the heads of Group functions (Finance, Legal & Compliance, Investments, Risk, M&A and Investor Relations, Corporate Development, Personnel, Improvement & Restructuring) is an advisory body to the CEO and a management forum for monitoring risk elements across functions.

REGULATORY RISK

The Group depends on authorisations and licenses from various authorities. We face regulatory risk with respect to

changes in laws and regulations that may affect the markets where we operate and thereby our business prospects.

From a regulatory perspective, the different jurisdictions that B2Holding operates in approach the issue of NPLs in different ways. The business units are licensed to operate as one or more of the following: portfolio purchaser, portfolio owner, collection company, credit information provider or, as a lender. The license requirements remain under supervision of the relevant local operation.

In addition, B2Holding participates in managing its regulatory risk by actively participating in various industry associations that develop standards and best practices and promote the role of the industry in supporting the health and viability of the financial system.

CREDIT RISK

A large part of the Group's assets consists of portfolios of purchased consumer and corporate receivables, both unsecured and secured, which were non-performing when acquired by the Group. In other words, previous creditors have already attempted and failed to collect amounts due following initial or numerous non-payments. All acquisitions are based on careful valuations to predict future net collections and are approved via the Investment process as illustrated on page 16. B2Holding constantly aims to reduce the risk through applying extensive experience and using the Company's proprietary database consisting of detailed analytical data based on a constantly growing history of NPL portfolios. It is crucial for the Group's business to achieve an overall rate of collection above that reflected in the prices paid. While B2Holding believes that the recoveries on the Group's loan portfolios will be in excess of the amount paid, amounts recovered may be less than targeted.

Credit risk is monitored, analysed and controlled by Group's local business operations and by the central business control units.

MARKET RISK

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

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

B2Holding's accounts are denominated in NOK, while a large part of the Group's business is carried out in EUR,

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

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

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

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

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

OPERATIONAL RISK

Operational risk is a broad area, including the risk of loss from failed internal processes, people, IT systems or external events. Operational risk has increased in scope over the years due to the growth in the number of portfolios owned as well as to the acquisition of collection platforms and the building of new platforms. Operational risks arise as a result of system implementations and integrations, various legal and tax frameworks and differences between B2Holding's subsidiary companies and country cultures.

B2Holding manages these risks through the implementation of a Group-wide risk management framework. The risk management framework was previously tested in one of the Group's subsidiaries, with a full roll-out started in 2019 and scheduled for completion during 2020. Additional mitigation of operational risks will be achieved by the on-going implementation of the Group-wide governance system.

Involvement and participation in local management bodies, integration of business lines under dedicated central functions, Group policies and guidelines for key business

areas, implementation of operational reporting, and comprehensive risk identification and monitoring are further measures aimed to mitigate operational risks.

The exposure to operational risks will continue to be met by further development of the risk management framework, including the tracking of key risk indicators and internal training in the year to come.

LIQUIDITY RISK

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

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

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

ENVIRONMENT AND EMPLOYEES

Administration and personnel

There were 179 (3 %) days of sick leave in the parent company B2Holding ASA in 2019 compared to 115 (3 %) last year.

Throughout 2019, no accidents resulting in serious injury or material damage have been reported. The workplace environment is considered to be positive, and improvements are made on a continuous basis. B2Holding ASA, the Group's head office located in Oslo, had 27 employees at the end of the year, of which 13 were women and 14 were men. At 31 December 2019, the Board of Directors consisted of five members of which two were women and three were men. Of two deputy board members there are one woman and one man.

Equality and discrimination

The B2Holding Group has 2,781 employees at year end comprised of 1,857 women and 924 men. The total number of full-time employee equivalents was 2,517 of which 1,646 women and 871 men, compared to 2,420 FTEs in 2018 of which 1,574 women and 846 men. The Group aims to be

a workplace where there is gender equality. The Group employs a policy where no discrimination is allowed.

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

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

Corporate 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 Corporate Responsibility report on page 17 is based on the principles described in "Oslo Stock Exchange guidance on the reporting of corporate responsibility" from July 2018 and this report is an integrated part of the Directors' report.

B2Holding is a vital part of the credit ecosystem, bridging the gap between the lending industry and individuals and company borrowers unable to meet their obligations. This is a challenge for all parties in the ecosystem: for the lending industry which does not get paid; social aspects for individuals in financial difficulties; the survival basis for companies employing individuals, and thus; ripple effects for the society as a whole.

B2Holding's approach to and work with corporate responsibility and environmental issues was strengthened through establishing a new central Corporate Development function under Head of Corporate Development lead by the previously Regional Director Western Europe. In the new role in the Group Management, this function will coordinate the Group's sustainability initiatives and be responsible for planning, implementing, following-up and the further development of the Group's sustainability programme.

The Group aims to find solutions to help manage debt problems for private and corporate customers and to serve an important role in the value chain for the banking and financial ecosystem for the benefit of the society as a whole. We believe that corporate responsibility will have consequences for B2Holding's financial performance and long-term value creation, and the Board is committed to act sustainably when conducting the Group's business.

The Group focuses on its financial partners and the various regulatory bodies as key stakeholder groups given the fundamental impact they have on our business.

Through our operations we help manage society's debt problems and aim to contribute to a stable financial ecosystem. A well functioning debt servicing industry is important and relevant for bridging the gap in the financial value chain.

B2Holding aims to maintain and build long-term relationships and be regarded as a trustworthy and qualified partner in dialogue with local authorities and preferred employer. The number of reported complaints for the Group in 2019 was at a very low level, like last year, and all complaints were addressed during the year.

The Board of Directors wishes to thank all employees for all support and efforts made for the achieved results and progress in 2019.

CORPORATE GOVERNANCE

Risk Management and internal control

The Corporate Governance report on page 24 constitutes an integral part of the Directors' report. B2Holding ASA is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance ("the Code") most recently revised on 17 October 2018, as well as section 7 on the Continuing Obligations applicable for all of the Group's financial instruments listed on Oslo Stock Exchange. B2Holding reports no deviations from the Code.

The Board of Directors considers good corporate governance as a prerequisite for a transparent, efficient and effective company in the interest of its shareholders as well as for running a balanced management control system internally with clear responsibilities and active procedures in a decentralised organization. As a result of the write downs in 2019, the Company has initiated projects to improve the structure and the quality of the Company's risk and compliance programmes on Group level. During this process the Company discovered that there is room for improvement related to certain aspects of our business, and changes have been initiated. In autumn 2019, the new positions Chief Risk Officer and Chief Legal & Compliance Officer were established. Projects for further development and improvement of these areas are initiated and results achieved within 2019. The projects will be continued in 2020. For further details, please see the Risk management chapter.

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

At B2Holding ASA's Annual General Meeting on 25 May 2018, Jon Harald Nordbrekken, Per Kristian Spone, Niklas Wiberg in addition to deputy board members Grethe Wittenberg Meier and Kjetil Garstad were elected for the period until the Annual General Meeting in 2020. At B2Holding ASA's Annual General Meeting on 24 May 2019, Kari Skeidsvoll Moe and Adele Bugge Norman Pran were elected for the period until the Annual General Meeting in 2021.

The Board of Directors established the Audit Committee after the General Meeting on 24 May 2019 with Per Kristian Spone as leader and Adele Bugge Norman Pran as committee member. The external auditor, EY, will participate in meetings with the Audit Committee when matters falling within the scope of the external auditors' responsibilities are considered.

The Board of Directors established the Remuneration Committee after the Annual General Meeting on 24 May 2019 with Kari Skeidsvoll Moe as leader and Niklas Wiberg as a Committee member.

The objective for the adopted Internal Control and Risk Management Policy 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 unsecured and secured loans and hence manage or cover unacceptable risks involved with performing its business.

It is important to perform ethical and sustainable business practices, reliable and transparent financial reporting and to comply with all regulations, requirements and industry standards in all countries where B2Holding operates. Corporate Governance in B2Holding is about how the Board of Directors and Management conduct the affairs, actions and policies to preserve and develop the Company's values and ethical footprint. As described above, projects were initiated in 2019 in order to further improve the governance and compliance programmes.

The Company is divided into two main business lines: Unsecured Asset Management and Secured Asset Management. The Head of Unsecured Asset Management and Head of Secured Asset Management together with the Group's CEO with support from professional Group functions, are responsible for and shall ensure that all business units operate and develop in accordance with B2Holding's standards of conducting the business, the governance policies and the Code of Conduct to the benefit of our stakeholders.

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

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

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

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

NOMINATION COMMITTEE

B2Holding's Nomination Committee is stated in the Articles of association. The Nomination Committee shall have three members, including the head of the committee. As to the composition of the Nomination Committee, the interests of the shareholders will be considered, and the majority of the members shall be independent of the Board of Directors and of the executive management. The Chair 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 candidates for election to the Board at the Annual General Meeting. The instruction for the Nomination Committee was approved by the Extraordinary General Meeting on 19 May 2016 after which each member of the Nomination Committee shall act for two years. At B2Holding ASA's Annual General Meeting on 24 May 2019, Ole Grøtterud (leader), Albert Collet and Egil Dahl were elected for a period until the Annual General Meeting in 2021.

Due to the Covid-19 virus outbreak and measures implemented to prevent further spread of the virus, the Board of Directors will for the Annual General Meeting in May 2020 request shareholders to refrain from attending in person and use the possibility of casting advance votes or voting by proxy instead.

EQUITY

The parent company's share capital at 31 December 2019 amounted to NOK 41.0 million. Total equity for the Group at 31 December 2019 was NOK 4,236.8 million corresponding to an equity ratio of 25.0 %. Considering the nature and scope of B2Holding's business, the Board of Directors considers that the Company has adequate equity.

GOING CONCERN

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

OUTLOOK

During 2019 market conditions improved with less price pressure and an increasing supply of portfolios. Looking ahead, there are significant NPL volumes in existing geographical markets which we predict will grow in the coming year due to among other the effects of current COVID-19 pandemic and subsequent measures.

The Group expects that regulatory changes in 2019 initiated by the European Central Bank, such as the prudential backstop effective from April, will result in banks making portfolios available for purchase earlier and in higher volumes than historically.

As part of the renewed strategy the Group is in a process to reduce its footprint in certain non-core markets, allowing for strengthened focus on core markets. The Group has and will continue to have presence in most of the largest markets for non-performing loans in Europe.

B2Holding will continue to focus on co-investments in existing markets which is expected to increase servicing revenues.

After a period with strong growth the Group is in a phase with strong focus on increased efficiency, operational improvements and delivering the financial targets. By leveraging on the existing collection platforms, streamlining and automating processes, in addition to centralization of some functions, profitability and cash flow is expected to increase further going forward.

Outbreak of Covid-19 pandemic

As of writing this report, the Coronavirus disease (Covid-19) outbreak has been declared a global pandemic by the World Health Organisation (WHO), causing countries and organizations, including B2Holding, to implement extraordinary measures to mitigate risk of infection and further spread of the virus.

The Group has followed all precautionary measures imposed by local health authorities in the countries where the Group has presence, in order to protect employees, their families and the local communities in general. The Group's entities have moved most functions to home offices and is able to ensure business continuity.

B2Holding closely monitors the impact of the COVID-19 pandemic, including local government measures in all countries with operations and the effects on the global financial market. As of publication of this report, the liquidity situation and balance sheet position of the Group are assessed to be satisfactory and controllable and meets the requirements under the loan agreements. The Group has temporarily reduced portfolio purchases to a minimum in order to preserve liquidity going forward.

Governmental measures like lockdown and forced close-down of businesses, have among others an effect on local bailiffs and court systems as well as for many customers who will find themselves in a more challenging and uncertain financial situation. In this respect, the Group's values emphasizing both ethical and responsible collections, are fundamental and more important than ever. B2Holding

has implemented a detailed protocol when contacting the customers, as well as a script for identifying and following up those that have been affected with the pandemic so that B2Holding can offer ad-hoc solutions for them.

The Group is committed to find amicable solutions and conduct the business in an ethical and responsible manner in all situations and is placing the safety and wellbeing of its employees as a priority.

The full extent, consequences and duration of the Covid-19 pandemic is not possible to predict. However, the implemented restrictions to prevent the spread of the Covid-19 pandemic will undoubtedly have a severe negative impact on our economies.

ANNUAL PROFITS AND DISTRIBUTIONS

The Board has proposed to allocate the 2019 loss of NOK 156.5 million of the parent company B2Holding ASA as follows:

Transfer from retained earnings	NOK 156,549,000
Total distributions	NOK 156,549,000

Oslo, 29 April 2020

/sign/
Jon H. Nordbrekken
Chairman of the Board

/sign/
Per Kristian Spone
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Adele Bugge Norman Pran
Board Member

/sign/
Erik Just Johnsen
Chief Executive Officer

Board of Directors



**JON HARALD
NORDBREKKEN**

Chairman

- After four years as CEO of Intrum Justitia Norway, Nordbrekken founded Aktiv Kapital in 1991, where he stayed on as CEO until 1999 and as Chairman from 1999 to 2004. In 2005, he founded B2Holding AS, parent to both Gothia Financial Group and Bank2. Gothia was sold to Herkules in 2008 and Nordbrekken stepped down as Chairman of the Board of Bank2 in 2010, before establishing the “new” B2Holding the following year.
- Chairman of the Board in Bank2 since 2017.

*Number of board meetings in 2019: **20 of 20***
*Number of shares: **27,200,000***
*Born: **1952***



KARI SKEIDSVOLL MOE

- Independent
- Leader of the Remuneration Committee
- Board member since May 2016
- General 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.
- Board member in Sintef Venture IV, Sintef Venture V, Fosen Vind DA and Tensio AS, member of the corporate assembly of Equinor ASA.
- Cand. jur degree from University of Oslo, LL.M from Humboldt Universität in Berlin and post graduate diploma from King's College London.

*Number of board meetings in 2019: **18 of 20***
*Number of shares: **6,200***
*Born: **1975***



PER KRISTIAN SPONE

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

*Number of board meetings in 2019: **19 of 20***
*Number of shares: **72,708***
*Born: **1973***



NIKLAS WIBERG

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

*Number of board meetings in 2019: **20 of 20***
*Number of shares: **0***
*Born: **1978***



ADELE BUGGE NORMAN PRAN

- Independent
- Board member since May 2018
- Management consultant, Board Professional and Investor. Professional experience from private equity and M&A consulting. Partner and CFO in Herkules Capital for 12 years.
- Chair of the board in Betnik AS. Board member of Yara International ASA, ABG Sundal Collier ASA, Zalaris ASA, Protector Forsikring ASA, Hitecvision AS and Motor Gruppen AS.
- Cand. jur degree from University of Oslo, Master of Accounting from NHH Norwegian School of Economics.

Number of board meetings in 2019: **20 of 20**

Number of shares: **0**

Born: **1970**



KJETIL GARSTAD

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

Number of board meetings in 2019: **17 of 20**

Number of shares: **451,425**

Born: **1976**



GRETHE WITTENBERG MEIER

- Independent
- Deputy board member since May 2018
- CEO at Privatmegleren AS. Previous positions include CEO at Terra Aktiv Eieendomsmegling AS, CEO at SATS AS, CEO at Vita AS and marketing director at Bank2 AS.
- Chair of the Board in Eiendom Norge Holding AS. Board member of Fitness Group Nordic AS, Privatmegleren Nyeboliger AS and Vita Group AS.
- Bachelor of Commerce/ Business Studies from The Norwegian Business School (BI).

Number of board meetings in 2019: **16 of 20**

Number of shares: **25,000**

Born: **1965**

06

Financial statements

Photo: Adrian, Unsplash



Consolidated income statement

Year ended 31 December	Notes	2019	2018
Interest income from purchased loan portfolios	4	2 713 165	2 537 113
Net credit gain/(loss) purchased loan portfolios	4	-400 127	-57 625
Profit from shares in associated parties/joint ventures and participation loans/notes	17	64 113	47 757
Other revenues	7	496 671	378 376
Total revenues	6	2 873 823	2 905 622
Expenses from external services provided	8	-447 245	-363 312
Personnel expenses	9	-887 889	-691 678
Other operating expenses	10	-445 852	-416 651
Depreciation and amortisation	15	-107 352	-56 126
Impairment losses	14,15	-26 915	
Operating profit (EBIT)		958 570	1 377 855
Financial income		12 651	4 652
Financial expenses		-794 463	-618 378
Net exchange gain/(loss)		-11 858	43 973
Net financial items	11	-793 670	-569 753
Profit before tax		164 900	808 103
Income tax expense	12	-57 750	-159 370
Profit after tax		107 151	648 732
Profit attributable to:			
Parent company shareholders		106 759	648 582
Non-controlling interests		392	151
Earnings per share (in NOK):			
Basic	13	0.26	1.63
Diluted	13	0.26	1.60

Consolidated statement of comprehensive income

Year ended 31 December	Notes	2019	2018
Profit after tax		107 151	648 732
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		-23 049	-13 860
Hedging of currency risk in foreign operations	4	-36 970	12 237
Tax attributable to items that may be reclassified to profit or loss		8 920	-2 983
Other comprehensive income		-51 099	-4 606
Total comprehensive income		56 052	644 126
Total comprehensive income attributable to:			
Parent company shareholders		55 669	643 906
Non-controlling interests		383	221

Consolidated statement of financial position

As at 31 December	Notes	2019	2018
Deferred tax asset	12	188 765	97 219
Goodwill	14	777 764	785 230
Tangible and intangible assets	15	362 529	273 812
Investments in associated companies and joint ventures	17	387 041	12 144
Purchased loan portfolios	4	13 419 720	13 346 098
Loan receivables	18	345 160	357 801
Participation loans/notes	17	541 683	588 846
Other non-current financial assets	18	4 531	34 582
Total non-current assets		16 027 194	15 495 732
Other short-term assets	19	239 973	160 762
Collateral assets	20	318 595	119 538
Cash and short-term deposits	21	355 884	397 702
Total current assets		914 452	678 002
Total assets		16 941 646	16 173 734
Share capital	22	40 993	40 903
Other paid in capital	22	2 843 325	2 835 895
Other capital reserves	23	23 540	20 436
Foreign currency translation reserve		263 301	314 381
Other equity		1 065 021	1 143 274
Total equity attributable to parent company's shareholders		4 236 179	4 354 889
Equity attributable to non-controlling interests		625	601
Total equity		4 236 804	4 355 489
Deferred tax liabilities	12	171 475	162 925
Long-term interest bearing loans and borrowings	24	10 140 978	10 768 808
Other non-current liabilities	25	159 528	97 757
Total non-current liabilities		10 471 981	11 029 489
Short-term interest bearing loans and borrowings	24	1 497 563	363
Bank overdraft	24	96 634	59 115
Accounts and other payables	26	265 081	300 536
Income taxes payable	12	28 684	47 121
Other current liabilities	27	344 900	381 621
Total current liabilities		2 232 861	788 756
Total equity & liabilities		16 941 646	16 173 734

Oslo, 29 April 2020

/sign/
Jon H. Nordbrekken
Chairman of the
Board

/sign/
Adele Bugge
Norman Pran
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Per Kristian Spone
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Erik J. Johnsen
Chief Executive
Officer

Consolidated statement of changes in equity

	Notes	Attributable to parent company's shareholders					Total	Non-controlling interests	Total equity
		Share capital	Other paid-in capital	Other capital reserves	Foreign currency translation reserve	Other equity			
At 1 January 2018									
after implementation effect IFRS 9		36 952	2 087 317	17 852	319 011	617 962	3 079 093	-213 3 078 880	
Profit for the year after tax						648 582	648 582	151 648 732	
Other comprehensive income					-4 676		-4 676	70 -4 606	
Total comprehensive income					-4 676	648 582	643 906	221 644 126	
Issue of share capital	22	3 951	767 593				771 544	771 544	
Transaction costs	22		-19 015				-19 015	-19 015	
Share based payments	23			2 584			2 584	2 584	
Dividend paid to parent company's shareholders	22					-121 960	-121 960	-121 960	
Dividends to non-controlling interests								-273 -273	
Acquisition of non-controlling interests					46	-1 309	-1 263	866 -397	
At 31 December 2018		40 903	2 835 895	20 436	314 381	1 143 274	4 354 889	601 4 355 489	
Profit for the year after tax						106 759	106 759	392 107 151	
Other comprehensive income					-51 090		-51 090	-9 -51 099	
Total comprehensive income					-51 090	106 759	55 669	383 56 052	
Issue of share capital	22	90	7 430				7 520	7 520	
Share based payments	23			3 104			3 104	3 104	
Dividend paid to parent company's shareholders	22					-184 470	-184 470	-184 470	
Dividends to non-controlling interests							0	-269 -269	
Acquisition of non-controlling interests	5				10	-542	-532	-214 -746	
Capital contribution from non-controlling interests							0	123 123	
At 31 December 2019		40 993	2 843 325	23 540	263 301	1 065 021	4 236 179	625 4 236 804	

Consolidated statement of cash flows

Year ended 31 December	Notes	2019	2018
Cash flow from operating activities			
Profit before tax		164 900	808 103
<i>Adjustment for non-cash items:</i>			
Interest income from purchased loan portfolios		-2 713 165	-2 537 113
Net credit (gain)/loss purchased loan portfolios	4	400 127	57 625
(Profit)/loss on sale of purchased loan portfolios	7		61 037
Depreciation, amortisation and impairment losses	15	134 267	56 126
Interest expenses	11	801 842	610 560
Unrealised foreign exchange differences		-15 495	18 064
Share based payment expense	23	3 104	2 584
(Profit)/loss on sale of tangible and intangible assets		-25	-752
<i>Operating cashflows:</i>			
Gross cash collection from purchased loan portfolios	4	5 202 047	3 997 380
Interest paid		-737 132	-525 265
Income tax paid during the year		-193 882	-175 719
<i>Operating capital adjustments:</i>			
Decrease/(increase) in current assets		-238 842	-47 913
Decrease/(increase) in other non-current financial assets		84 849	19 139
Increase/(decrease) in current liabilities		-101 320	58 520
Increase/(decrease) in non-current liabilities		94 098	-119 901
Other items		-13 122	8 093
Net cash flow from operating activities		2 872 251	2 290 567
Cash flow from investing activities			
Net payment for purchased loan portfolios	4	-3 116 974	-5 878 642
Investment in subsidiary companies and joint ventures	5	-370 593	-288 245
Payment of contingent consideration	5	-87 698	-20 838
Purchase of tangible and intangible assets	15	-52 322	-92 552
Proceeds from the sale of tangible and intangible assets		3 557	6 189
Net cash flow from investing activities		-3 624 029	-6 274 088
Cash flow from financing activities			
Proceeds from the issue of new shares	22	7 520	771 544
Transaction costs from issue of new shares	22		-19 015
Capital contribution from non-controlling interests		123	
Proceeds from new external loans during the year	24	16 857 761	18 486 538
Repayment of external loans during the year	24	-15 972 038	-15 130 782
Repayment of principal amount on lease liabilities	16	-34 288	
Dividend paid to parent company's shareholders	22	-184 470	-121 960
Dividends paid to non-controlling interest		-269	-273
Net cash flow from financing activities		674 339	3 986 052
Net cash flow during the year		-77 440	2 531
Cash and cash equivalents at 1 January		338 587	326 345
Exchange rate difference on cash and cash equivalents		-1 895	9 711
Cash and cash equivalents at 31 December		259 251	338 587
<i>Cash and cash equivalents comprised of:</i>			
Cash and short-term deposits	21	355 884	397 702
Bank overdraft	24	-96 634	-59 115
		259 251	338 587

Notes to the consolidated financial statements

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

1.1 General information

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

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

The consolidated financial statements of the Group for the year ending 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 29 April 2020.

1.2 Basis of preparation

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

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

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

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

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

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

1.3 Consolidation principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

1.4 New and amended standards adopted by the Group

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

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments – The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Group has assessed that its accounting tax position is consistent with the tax treatment used.

In addition, IFRS 16 Leases has been adopted, see further information below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessees are required to account for most leases under a single on-balance sheet model, and the distinction between operating and finance leases for lessees as was required by IAS 17 has been eliminated. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. However, sub-leases will in some cases be classified differently by the Group as lessor under IFRS 16. A sub-lease agreement is assessed based on the terms in the head lease and not on the characteristics of the underlying asset under IFRS 16

In accordance with IFRS 16, the Group's leases are recognized as a liability and a corresponding right-of-use asset at the date at which the leased asset is available for use by the Group. Each lease cash payment is allocated between the lease liability and finance cost element. The right-of-use asset is depreciated over the shorter of the leased asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis where the discount rate is the interest rate implicit in the lease or alternatively the Group's incremental borrowing rate.

The lease liability consists of the following elements: fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. Payments associated with short-term leases (a lease term of 12 months or shorter) and low-value leases are recognized on a straight-line basis as an expense in profit or loss.

The Group has adopted IFRS 16 from 1 January 2019 using the modified retrospective approach, which requires no restatement of comparative periods. The overall implementation effect from IFRS 16 was not material for the Group. The Group applied the practical expedients listed below and the exemptions as permitted under the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as of 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Also, the Group has utilized the exemption not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group is relying on its contract assessments made when applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

The effects of adoption of IFRS 16

Under IAS 17 the Group classified lease contracts as operating leases, except for NOK 1 million, which were classified as finance leases. Payments for operating leases were recognized within the line item "Other operating expenses" in the consolidated income statement.

Upon implementation of IFRS 16 on 1 January 2019, the Group recognized a lease liability in the amount of NOK 128 million, which is the present value of the remaining lease payments, discounted at the incremental borrowing rate. The Group's weighted average incremental borrowing rate applied to the lease liabilities is 6 %. The corresponding right-of-use asset was recognized in the amount of NOK 126 million, which is the amount of lease liability adjusted by the amount of previously recognized prepaid or accrued lease payments.

The following table reconciles the operating lease commitments as of 31 December 2018 with the lease liabilities recognized upon implementation of IFRS 16:

Reconciliation

Operating lease commitments as of 31 December 2018	161 152
Practical expedient related to short-term leases	-14 265
Practical expedient related to low-value leases	-14 686
Extension options reasonably certain to be exercised	14 808
Effect of discounting using the Group's weighted average incremental borrowing rate of 6 %	-18 856
Lease liability recognized upon implementation of IFRS 16 as of 1 January 2019	128 153

IAS 17 financial lease liabilities recognised as of 31 December 2018	1 395
Total lease liability as of 1 January 2019	129 548

Of which:	
Non-current lease liabilities ¹⁾	92 413
Current lease liabilities ²⁾	37 135
Total lease liability as of 1 January 2019	129 548

- 1) Non-current lease liabilities are presented within "Other non-current liabilities"
 2) Current lease liabilities are presented within "Other current liabilities"

The following tables shows the impact on the consolidated statement of financial position and the consolidated income statement

Consolidated statement of financial position	31.12.2018	Impact of IFRS 16	Reclassification	01.01.2019
Right of use asset		124 225	1802	126 027
Tangible assets	85 274		-1802	83 472
Other non-current liabilities	97 757	91 507		189 264
Other current liabilities	381 621	36 646		418 267

Consolidated statement of income	IFRS 16 2019	Impact of IFRS 16	IAS 17 2019
Other operating expenses	-445 852	-42 853	-488 705
Depreciation and amortisation	-107 352	37 557	-69 796
Financial expenses	-794 463	8 565	-785 898

Right-of-use assets are presented within "Tangible and intangible assets".
 Short-term and low-value leases are presented within "Other operating expenses"

Cashflow from operating activities has increased and cash flow from financing has decreased correspondingly by NOK 34 million year to date 2019 as repayment of the principal portion of the lease liabilities is classified as cash flow from financing activities compared with IAS 17.

1.5 New and amended standards issued but not yet effective

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

- IFRS 17 Insurance Contracts (effective on or after 1 January 2021)
- The Conceptual Framework for Financial Reporting (effective on or after 1 January 2020)
- Amendment to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 3 – Definition of a Business (effective on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective on or after 1 January 2020)

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Business combinations and goodwill

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

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

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

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

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

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

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

in the consolidated income statement and is not reversed in a subsequent period.

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

2.2 Investments in associated companies and joint arrangements

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

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

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

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

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

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

2.3 Foreign currencies

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

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

2.4 Purchased loan portfolios

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

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

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

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

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

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

Unidentified receipts and excess payments

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

Collateral assets

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

2.5 Segments

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

The Group's operating segments are the geographical regions:

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

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

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

2.6 Revenue from contracts with customer

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

2.7 Taxes

Current income tax:

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

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

Deferred tax:

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

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

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

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

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

Sales tax:

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

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

2.8 Tangible assets

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

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

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

A tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of tangible fixed asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is reported as other revenues or other operating expenses in the income statement as part of operating profit or loss.

2.9 Leases

The Group recorded its leases under IAS 17 until 31.12.2018. Most leases were considered operating leases and the payments were recognized as an expense on a straight-line basis over the lease term. Refer to 2018 consolidated financial statements for accounting policies under IAS 17. In the remainder of this note, accounting policies under IFRS 16 are described.

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

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

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

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

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

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

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

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

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

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

2.10 Intangible assets

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

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

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

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

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

2.11 Impairment of tangible assets and other non-current assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication

exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

2.12 Financial assets and liabilities: classification, measurement and impairment

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

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

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

Purchased loan portfolios:

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

Participation loan/notes:

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

Other non-current financial assets:

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

Other short-term assets:

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

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

Cash and cash equivalents:

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

Interest-bearing loans and borrowings:

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

Accounts and other payables:

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

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

Impairment of financial assets

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

2.13 Derivatives

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

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

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

2.14 Derecognition of financial assets and liabilities

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

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

2.15 Offsetting of financial instruments

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

2.16 Fair value of financial instruments

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

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

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

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

2.17 Provisions

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

2.18 Pensions and other post-employment liabilities

Defined contribution pension plans:

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

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

Other post-employment liabilities:

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

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

2.19 Share based payments

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

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

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

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

2.20 Equity and net investment hedge

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

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

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

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

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

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

2.21 Dividends

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

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

2.22 Classification in the statement of financial position

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

2.23 Related parties

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

2.24 Consolidated statement of cash flows

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

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

NOTE 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Purchased loan portfolios – classification

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

Purchased loan portfolios – recognition in the income statement

The Group uses a credit-adjusted effective interest rate method to account for the loan receivables in the purchased loan portfolios. The use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows at each balance sheet reporting date. The underlying estimates that form the basis for interest income recognition and impairment losses on the portfolios depends on variables such as the ability to contact the customer and reach an agreement, estimated timing of cash flows, the general economic environment and statutory regulations. Interest income

from purchased loan portfolios is the calculated amortised cost interest revenue from the purchased loan portfolios using the credit-adjusted effective interest rates set at initial acquisition in the consolidated income statement. If the estimations for future periods are revised, the Group adjusts the carrying amount of the portfolios and loans to reflect actual and revised estimated cash flows in accordance with IFRS 9.B5.4.6. This adjustment, due to changes in the actual and estimated cash flows, is recognised in the consolidated income statement as "Net credit gain/loss purchased loan portfolios". Events or changes in assumptions and Management's assessments and judgement will affect the amount and timing of the recognition of interest income and impairment losses. For further details, see note 4 Financial risk management.

Purchased loan portfolios – measurement

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

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

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

Goodwill impairment testing

In accordance with IAS 36, goodwill is tested at least on an annual basis for impairment. If a loss in value is indicated, the recoverable amount is the cash-generating unit's (CGU's) fair value less the cost of disposal or its value in use. When testing goodwill for impairment, Management defines the recoverable amount as the estimated value

in use. The value in use is the net present value of the estimated cash flows before tax. The discount rate used is the weighted average cost of capital (WACC) before tax calculated for each CGU. Estimating the financial assets' recoverable amount is based on Management's judgements related to estimates of future performance and cash flows, the interest income generating capacity of the assets and assumptions related to future market conditions. A possible impairment of goodwill is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. For specific details related to the testing of goodwill, see note 14 Goodwill.

Contingent consideration

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

Share-based payments

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

Deferred tax assets

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

NOTE 4: FINANCIAL RISK MANAGEMENT

4.1 Financial risk

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

Market and regulatory environment:

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

Currency and interest rate risk:

The strategy of the Group is to manage and limit both currency and interest rate risk. The Group holds various derivative financial instruments with the purpose of reducing its interest rate exposure and achieving a suitable currency ratio between its assets and liabilities.

Currency risk

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

The Group's bond loans is denominated in EUR and borrowings under the multi-currency revolving credit facility are drawn in PLN, SEK and NOK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2019: (i) FX Forward of NOK 250 million bought against DKK, (ii) FX Forward of EUR 35 million bought against DKK, (iii) FX Forward of EUR 45 million bought against SEK and (iv) FX Forward of EUR 10 million bought against PLN. At 31 December 2019, Net debt amounted to NOK 11,520 million. Adjusted for the currency derivatives mentioned above, the Net debt represented a currency basket comprising EUR: 68 %, PLN: 16 %, SEK: 10 % and DKK: 6 %.

Interest rate risk

The Group uses interest rate swaps and interest rate caps to reduce its interest rate exposure. The Group's strategy is to hedge between 60 % and 120 % of Net debt up to a maximum period of 5 years. The hedging ratio at 31 December 2019 was 71 % with a duration of 3.2 years.

Under the arrangements in effect at 31 December 2019, a 1 percentage point decrease in market interest rates is estimated to have a negative effect on net financial items of NOK 6 million, including a decrease in the fair value of the derivatives of NOK 19.5 million. A 1 percentage point increase in market interest rates is estimated to have a negative effect on net financial items of NOK 46 million, including an increase in the fair value of the derivatives of NOK 31 million. The reason for the negative effect if interest rates fall is that the interest bearing loan agreements (both the multi-currency revolving credit facility and the bond loans) have capped the floating rate to zero, which means that the benefit of any current negative interest rates is not fully matched by the derivatives whose main purpose is to avoid increased financing costs if interest rates rise.

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

The currency sensitivity analysis shown below is based on book value of loans and receivables at 31 December 2019, net of Net debt and the effect of currency derivatives.

Currency	Closing rate at 31 December 2019 against NOK	NOK strengthens by 20 %	NOK strengthens by 10 %	NOK weakens by 10 %	NOK weakens by 20 %
DKK	1.3322	-37 093	-18 547	18 547	37 093
EUR	9.9483	658 814	329 407	-329 407	-658 814
HRK	1.3421	-544 349	-272 174	272 174	544 349
SEK	0.9701	-38 604	-19 302	19 302	38 604
HUF	0.0310	-1 038	-519	519	1 038
BAM	5.0798	-5 782	-2 891	2 891	5 782
RSD	0.084	-19 752	-9 876	9 876	19 752
PLN	2.3128	-54 610	-27 305	27 305	54 610
RON	2.1332	-130 888	-65 444	65 444	130 888
BGN	5.0866	-124 020	-62 010	62 010	124 020
CZK	0.3867	-80 249	-40 125	40 125	80 249
Total impact on book values		-377 571	-188 785	188 785	377 571

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

Credit risk:

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

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

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

Maximum exposure to credit risk	2019	2018
Purchased loan portfolios	13 419 720	13 346 098
Loan receivables	345 160	357 801
Participation loans/notes	541 683	588 846
Other long term financial assets	4 531	34 582
Accounts receivable	48 526	34 908
Other short term assets	191 447	76 533
Cash and short-term deposits	355 884	397 702
Total at 31 December	14 906 950	14 836 470

Liquidity risk:

The Group's multi-currency revolving credit facility of EUR 510 million, the five senior unsecured bond loans of in total EUR 925 million, and cash and cash equivalents, totalling NOK 14,510 million at 31 December 2019, ensures necessary funding to meet future payment obligations. At 31 December 2019, the Group had an unused part of the revolving credit facility totalling EUR 180 million or NOK 1,775 million, an unused part of the multi-currency overdraft totalling EUR 30 million or NOK 296 million in addition to cash and cash equivalents of NOK 356 million.

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

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

	12 months or less	1-2 years	2-5 years	More than 5 years
Interest bearing loans & borrowings (short-term and long-term)	2 298 982	2 267 230	9 217 217	
Other non-current liabilities		22 447	17 098	
Bank overdraft	96 634			
Accounts and other payables	265 081			
Other current liabilities	197 886			
Total at 31 December 2019	2 858 583	2 289 677	9 234 314	0
Interest bearing loans & borrowings (short-term and long-term)	698 395	2 108 759	10 192 784	
Other non-current liabilities		50 475	77 135	
Bank overdraft	59 115			
Accounts and other payables	300 536			
Other current liabilities	204 648			
Total at 31 December 2018	1 262 695	2 159 234	10 269 919	0

Capital structure:

The Group's Net interest-bearing debt was NOK 11,379 million at 31 December 2019. Total equity, net of intangible assets (incl. goodwill), was NOK 3,305 million and total assets, net of intangible assets (incl. goodwill), was NOK 16,009 million.

The Group monitors its capital structure by calculating a total loan to value ratio, defined as Net debt, adjusted for vendor financing, earn out, financial lease, fair value of hedging instrument, less cash and deposits divided by the carrying value of purchased loan portfolios, loan receivables, joint venture investments, REO and goodwill. The total loan to value ratio at 31 December 2019 was 74.2 % which is lower than the maximum allowed loan to value covenant requirement under the multi-currency revolving credit facility of 75 %.

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

4.2 Derivative financial instruments and net investment hedge

At 31 December 2019, the Group had the following derivative financial instruments:

Instrument	Currency	Notional amount in currency	Notional amount in NOK	Fixed rate	Strike	Floating 3M IBOR	Fair value NOK	Start	Due
Interest rate derivatives:									
Interest rate swap with cap	EUR	50 000	493 190		1.1950 %	-0.38 %	-916	16.12.2015	08.12.2020
Interest rate swap with cap	EUR	60 000	591 828		1.1695 %	-0.38 %	-2 321	10.04.2017	11.04.2022
Interest rate swap with cap	PLN	100 000	231 720		3.8880 %	1.71 %	-1 922	10.04.2017	11.04.2022
Interest rate swap with cap	SEK	100 000	94 420		1.3180 %	0.15 %	-684	10.04.2017	11.04.2022
Interest rate swap	DKK	350 000	462 070	0.2540 %		-0.40 %	-8 345	21.12.2018	14.12.2023
Interest rate cap	EUR	65 000	641 147		1.0000 %	-0.38 %	40	22.12.2017	22.12.2022
Interest rate cap	EUR	65 000	641 147		1.0000 %	-0.38 %	43	22.12.2017	22.12.2022
Interest rate cap	EUR	100 000	986 380		1.0000 %	-0.38 %	22	28.08.2017	29.08.2022
Interest rate cap	EUR	100 000	986 380		1.0000 %	-0.38 %	199	10.07.2018	10.07.2023
Interest rate cap	EUR	100 000	986 380		1.0000 %	-0.38 %	259	10.07.2018	10.07.2023
Interest rate cap	EUR	75 000	739 785		1.0000 %	-0.38 %	498	21.12.2018	14.02.2024
Interest rate cap	EUR	75 000	739 785		1.0000 %	-0.38 %	471	21.12.2018	14.02.2024
Interest rate cap	SEK	300 000	283 260		1.0000 %	0.15 %	53	28.08.2017	28.08.2022
Interest rate cap	SEK	300 000	283 260		1.0000 %	0.15 %	626	21.12.2018	14.03.2024
							-11 976		

	Currency Hedge	Buy amount in currency	Buy amount in NOK	Forward rate	Sell amount currency	Spot rate	Fair value NOK	Start date	Due date
Currency derivatives:									
FX forward	DKK/NOK	250 000	250 000	1.3551	184 485	1.3466	5 383	10.10.2019	14.01.2020
FX forward	EUR/DKK	35 000	345 233	7.4667	261 334	7.4719	21	13.11.2019	14.02.2020
FX forward	EUR/SEK	45 000	443 871	10.6721	480 247	10.6606	-9 641	15.11.2019	14.02.2020
FX forward	EUR/PLN	10 000	23 172	4.3021	43 021	4.2847	-572	12.12.2019	14.02.2020
							-4 809		

The Group uses interest rate swaps and caps to hedge (from floating to fixed) its interest rate risk exposure, and foreign exchange forward contracts to hedge its currency exposure. The fair value of the interest swaps and caps at 31 December 2019 was negative with NOK 12 million and the fair value of the foreign exchange forward contracts at 31 December 2019 was negative with NOK 4.8 million. In total the fair value of all derivatives at 31 December 2019 was negative with NOK 16.8 million.

In addition to changes in fair value, net financial items is also affected by the interest paid and received under the interest rate swaps and foreign exchange forwards. The net interest cost from the interest rate swaps was NOK 6.6 million in 2019 and the net interest income from foreign exchange forwards was NOK 25.9 million.

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

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

The total hedged exposure in the net investment hedges amounted to NOK 1 300 million at 31 December 2019. There was no hedge ineffectiveness recorded in the years ending 31 December 2019 and 2018, since the foreign currency gains and losses on the hedged items are offset by the foreign currency gains and losses on the hedging instruments. The hedge ratio is 1:1. The effects of the net investment hedge can be seen in the Consolidated statement of changes in equity. Any reclassifications from net investment hedge reserve to the income statement, due to for instance sales of subsidiaries, can be seen in the Consolidated statement of comprehensive income and the Consolidated statement of changes in equity.

Net investment hedging relationships	2019	2018
Change in carrying amount of net investment hedge instruments as a result of foreign currency movements since 1 January, recognised in OCI	-36 970	12 237
Change in value of hedged item used to determine hedge effectiveness	36 970	-12 237

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

As of 31 December	2019	2018
Nominal amounts net investment hedge instruments	1 299 770	231 280

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

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

	<1 year	2 years	3 years	4 years	Total
As of 31 December 2019			1 220 860	78 910	1 299 770
As of 31 December 2018				231 280	231 280

4.3 Purchased loan portfolios

Purchased loan portfolios at 31 December

	2019	2018
At 1 January	13 346 098	8 731 632
Acquired in business combinations		618 111
Purchase of loan portfolios ¹⁾	3 409 441	6 212 604
Gross cash collection from purchased loan portfolios	-5 202 047	-3 997 380
Interest income from purchased loan portfolios	2 713 165	2 537 113
Net credit gain/loss purchased loan portfolios	-400 127	-57 625
Book value of sold loan portfolios	-311 497	-866 195
Exchange rate differences	-135 313	167 837
At 31 December	13 419 720	13 346 098

1) In addition the Group purchased loan portfolios held in SPVs and joint ventures for NOK 624 million

The face value of the closing balance of purchased loan portfolios amounts to NOK 160,500 million including accrued interest at 31 December 2019 (2018: NOK 131,935 million).

Gross cash collection from purchased loan portfolios:

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

Net credit gain/loss from purchased portfolios:

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

Net credit gain/loss from purchased portfolios is specified in the table below. Net credit gain/loss on secured portfolios in 2019 include a one-off net write down of NOK 388 million in connection with delays and lower expected recoveries in Croatia, Bulgaria and Romania, partly offset by positive revaluations in other countries with Italy being the most significant. The write down followed a detailed review of the timing and value of the expected remaining recovery (ERR) for the Group's secured portfolios.

Year ended 31 December 2019	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Total
<u>Secured portfolios:</u>						
Collection above/(below) estimates	2 066	1 607	-514 365	72 898	-135 543	-573 337
Changes in future collection estimates	-8 040	-11 999	29 775	26 146	-16 778	19 103
Net credit gain/(loss) from secured portfolios	-5 974	-10 392	-484 590	99 044	-152 321	-554 234
<u>Unsecured portfolios:</u>						
Collection above/(below) estimates	81 266	50 248	-3 220	28 269	8 556	165 119
Changes in future collection estimates	-31 206	4 601	13 175	-1 956	4 375	-11 012
Net credit gain/(loss) from unsecured portfolios	50 060	54 849	9 955	26 313	12 930	154 107
Net credit gain/(loss) from purchased loan portfolios	44 086	44 456	-474 635	125 357	-139 391	-400 127

Year ended 31 December 2018	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Total
Secured portfolios:						
Collection above/(below) estimates	5 599	5 161	-158 336	68 322	-92 138	-171 392
Changes in future collection estimates	-7 868	-1 807	86 252	-65 595	85 021	96 003
Net credit gain/(loss) from secured portfolios	-2 269	3 353	-72 084	2 727	-7 117	-75 390
Unsecured portfolios:						
Collection above/(below) estimates	7 770	-6 731	4 571	16 549	21 699	43 858
Changes in future collection estimates	-14 194	-12 451	-2 922	6 330	-2 856	-26 094
Net credit gain/(loss) from unsecured portfolios	-6 424	-19 182	1 648	22 880	18 843	17 765
Net credit gain/(loss) from purchased loan portfolios	-8 693	-15 828	-70 436	25 607	11 726	-57 625

Net purchase of purchased loan portfolios, cash flow statement:

	2019	2018
Purchase of loan portfolios ¹⁾ (note 6)	-3 409 441	-6 212 604
Participation notes to SPV for purchase of portfolios		-167 033
Net cash effect from purchased loan portfolios sold to SPV		509 912
Sale price sold purchased loan portfolios	311 496	-4 458
Change in prepaid/amounts due on purchase of purchased loan portfolios	-19 029	-4 459
Net purchase of purchased loan portfolios, cash flow statement	-3 116 974	-5 878 642

1) Not included purchased loan portfolios held in SPV and joint ventures of NOK 624 million.

4.4 Fair value estimation purchased loan portfolios

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

As described in note 3, the preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from purchased loan portfolios. The fair value of the purchased loan portfolios is estimated to be approximately NOK 14,005 million and is based on net future estimated cash flows after tax, discounted with the estimated WACC for the countries in question. The corresponding carrying amount is NOK 13,420 million which is based on IFRS 9 using the estimated gross future cash flows, where the discount factor is the individual IRR for each portfolio. The future gross cash flow forecasts used to estimate the fair value are the same as the cash flow forecasts used in the accounting for purchased loan portfolios at 31 December 2019.

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

Table showing CF1, CF2 & CF3 for the years from 2020 to 2040 for purchased loan portfolios owned at 31 December 2019

	2020	2021	----->	2040	Total
Gross cash collection (CF1)	4 957 429	4 983 636	12 117 148		22 058 213
Cost to collect	-964 090	-888 401	-2 373 328		-4 225 819
Gross cash collection less cost to collect (CF2)	3 993 339	4 095 235	9 743 820	0	17 832 394
Tax	-197 448	-125 060	-296 070		-618 578
Net cash flow from purchased loan portfolios (CF3)	3 795 891	3 970 175	9 447 750	0	17 213 816

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 14,005 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 2019 assuming different % forecast collection levels and discount rates		% forecast collection		
		90 %	100 %	110 %
Discount rate	WACC -1.5 %	12 740 226	14 612 116	16 484 006
	WACC -1.0 %	12 558 873	14 404 100	16 249 327
	WACC -0.5 %	12 382 633	14 201 946	16 021 260
	WACC used	12 211 291	14 005 408	15 799 525
	WACC +0.5 %	12 044 642	13 814 251	15 583 860
	WACC +1.0 %	11 882 492	13 628 253	15 374 015
	WACC +1.5 %	11 724 659	13 447 205	15 169 752

Cost of capital:

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

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

The weighted average cost of capital is estimated as:

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

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

Risk free rate:

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

Market risk premium:

The market risk premium is defined as:

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

where R_M = Market return and R_f = Risk free rate

A market risk premium of 5 % was applied.

Equity beta:

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

Small Stock Premium (SSP)

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

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 2019.

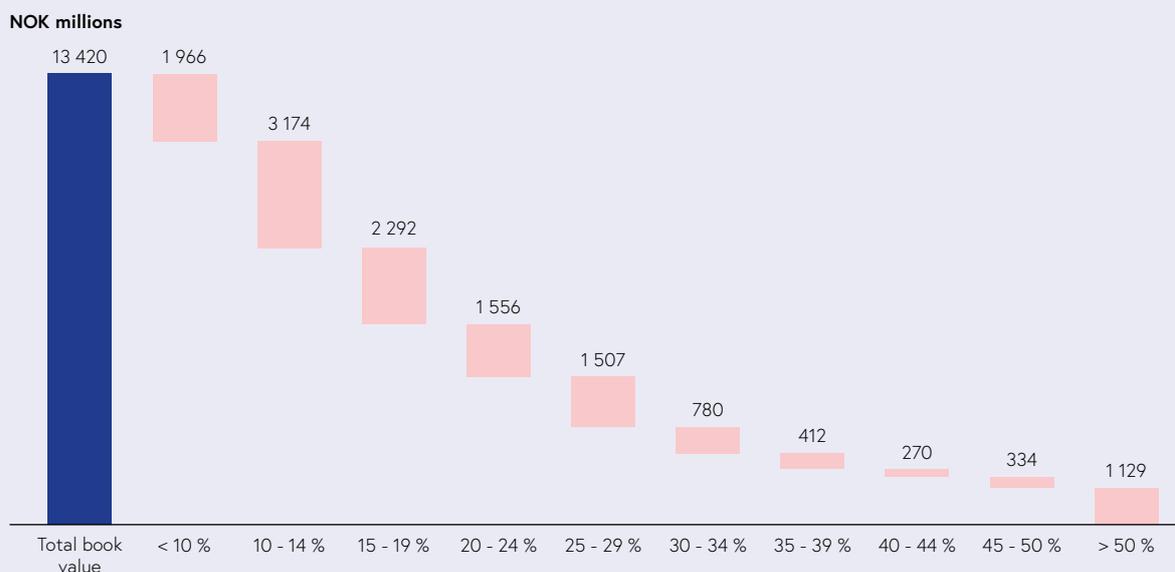
Weighted average cost of capital calculation

	2019
Risk free rate (long term government bond yields)	0.4 % to 2.7 %
Equity Beta	0.98
Country risk premium	0 % - 6.4 %
Market risk premium	5.0 %
Additional liquidity risk premium/small stock premium	2.0 %
Total risk premium	7.0 %
Tax rate Group	35 %
Cost of equity	7.7 % to 18.1 %
Cost of debt	6.7 %
Equity weight	35 %
Debt weight	65 %
WACC (after tax)	7.7 % - 12.2 %

Internal rate of return

Due to the fact that purchased loan portfolios have an initial computed effective interest rate that differ from WACC, the fair value estimation shown in the sensitivity analysis above will differ from the corresponding IFRS value of the purchased loan portfolios, which is NOK 13,420 million due to higher discount factors. In addition, the fair value of the purchased loan portfolios is calculated on the basis of net cash flow after tax, whereas the IFRS value is calculated on the basis of gross cash collection.

The distribution of the purchased loan portfolio's book value according to the individual rate of return is displayed graphically below.



4.5 Fair value of financial instruments

As at 31 December 2019	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Purchased loan portfolios		13 419 720	13 419 720			14 005 408	14 005 408
Loans receivable		345 160	345 160			345 160	345 160
Derivatives	7 708		7 708		7 708		7 708
Participation loans/notes (note 17.2)	541 683		541 683			541 683	541 683
Other financial assets		703	703			703	703
Total	549 391	13 765 583	14 314 974	0	7 708	14 892 954	14 900 662
Financial liabilities							
Interest bearing loans and borrowings		11 735 175	11 735 175	8 776 854	2 901 406		11 678 261
Derivatives	24 494		24 494		24 494		24 494
Contingent consideration (note 5.2)	58 553		58 553			58 553	58 553
Total	83 047	11 735 175	11 818 222	8 776 854	2 925 900	58 553	11 761 308

As at 31 December 2018	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Purchased loan portfolios		13 346 098	13 346 098			13 759 437	13 759 437
Loans receivable		357 801	357 801			357 801	357 801
Derivatives	30 128		30 128		30 128		30 128
Participation loans/notes (note 17.2)	541 683		541 683			588 846	588 846
Other financial assets	58 755	3 101	61 855		11 592	3 101	14 692
Total	630 565	13 707 000	14 337 565	0	41 719	14 709 185	14 750 905
Financial liabilities							
Interest bearing loans and borrowings		10 828 286	10 828 286	7 059 811	3 733 667		10 793 478
Derivatives	63 239		63 239		63 239		63 239
Contingent consideration (note 5.2)	157 342		157 342			157 342	157 342
Total	220 581	10 828 286	11 048 867	7 059 811	3 796 906	157 342	11 014 059

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

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

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

Level 1: the input is quoted prices (unadjusted) in an active market for identical assets or liabilities.

Level 2: the input is prices, other than quoted prices included in level 1, that are observable for the asset or liability either directly (as prices) or indirectly (calculated from prices).

Level 3: the input to the asset or liability is not based on observable market data (non-observable input).

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

5.1 Acquisitions in 2019

Acquisitions small entities:

Company name	UAB Skolu rizikos sprendimai ¹⁾
Acquisition date	4 February
Country	Lithuania
Region	Northern Europe
Percentage of shares acquired	26 %
Purchase consideration	NOK 0.7 million
Net assets acquired	
Goodwill on acquisition	

1) The Group acquired the remaining 26 % of the shares in UAB Skolu rizikos sprendimai and holds 100 % of the shares after acquisition.

5.2 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:

- Debt Collection Agency AD (DCA), Bulgaria and its subsidiaries, which was acquired in June 2016
- Verifica S.A, Spain, which was acquired in November 2017, and
- NACC, France, which was acquired in March 2018.

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

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

	DCA	Verifica Spain	NACC	Total
At 1 January 2018	43 217	32 375		75 592
Acquisitions of a subsidiary			87 480	87 480
Payments during the year	-20 838			-20 838
Fair value adjustments during the year	1 329	9 648	1 135	12 111
Exchange differences	-526	706	2 817	2 997
At 31 December 2018	23 183	42 728	91 432	157 343
Payments during the year	-22 387	-35 884	-29 426	-87 698
Fair value adjustments during the year		-5 843	-2 140	-7 984
Exchange differences	-795	-1 000	-1 313	-3 108
At 31 December 2019	0	0	58 553	58 553

The contingent consideration due to the previous owners of Debt Collection Agency AD was paid and finalised in 2019.

The contingent consideration related to Verifica was renegotiated during 2019 where the Group acquired the remaining 20 % of the shares in the company through the call option. At the same time an additional contingent consideration to the former owners of Verifica was negotiated. The contingent consideration is based on revenue targets for 2019 and 2020. Per 31 December 2019, the nominal values to be expensed through the income statement will be approximately NOK 16 million if 100 % of target for 2020 is achieved.

The contingent consideration to former NACC owners is based on gross cash collection from portfolios NACC held at 31 December 2017 for the period 30 September 2017 to 31 December 2021. In addition, if cost to collect in relation to the gross cash collection from portfolios held at 31 December 2017 exceed the target threshold, cost to collect will reduce the gross cash collection constituting the calculation basis for the contingent consideration. Per 31 December 2019, the nominal value to be expensed through the income statement will be approximately NOK 20 million if maximum contingent consideration is to be paid for the full period.

NOTE 6: OPERATING SEGMENTS

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

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

Year ended 31 December 2019	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	1 579 456	969 957	1 354 918	621 732	675 984		5 202 047
• Of which, secured portfolios	10 838	36 284	968 432	434 639	246 147		1 696 339
• Of which, unsecured portfolios	1 568 617	933 673	386 486	187 094	429 838		3 505 708
Amortisation/revaluation of purchased loan portfolios	-771 371	-383 101	-1 105 356	-177 509	-451 673		-2 889 009
Revenue from purchased loan portfolios	808 085	586 856	249 562	444 223	224 311		2 313 038
Profit from shares in associated parties/joint ventures and participation loans/notes	-85		6 711		57 487		64 113
Total revenue from purchased loan portfolios	808 000	586 856	256 273	444 223	281 799		2 377 152
Revenue from external collection	123 579	140	701	139 452	34 686		298 559
Other operating revenues	14 752	116 215	9 376	56 326	1 443		198 112
Other revenues	138 331	116 354	10 077	195 779	36 129		496 671
Total revenues	946 331	703 211	266 351	640 002	317 928		2 873 823
Cost to collect	-232 521	-320 995	-239 522	-168 611	-208 496		-1 170 145
Cost other revenues	-125 875	-71 540	-8 036	-186 604	-55 472		-447 526
Administration & management costs	-11 088	-5 176	-3 913	-4 707	-5 609	-132 822	-163 314
EBITDA	576 848	305 500	14 880	280 080	48 351	-132 822	1 092 837
Depreciation, amortisation and impairment losses of tangible and intangible fixed assets and goodwill	-12 905	-39 725	-34 816	-22 516	-15 606	-8 700	-134 267
Operating profit (EBIT)	563 943	265 775	-19 936	257 564	32 745	-141 522	958 570

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All figures in NOK'000s unless otherwise stated

Year ended 31 December 2018	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	1 147 391	877 852	1 145 515	302 387	524 235		3 997 380
• Of which, secured portfolios	16 842	28 627	797 773	217 488	150 520		1 211 250
• Of which, unsecured portfolios	1 130 549	849 225	347 742	84 899	373 715		2 786 129
Amortisation/revaluation of purchased loan portfolios	-582 796	-375 285	-428 158	-77 171	-54 482		-1 517 891
Revenue from purchased loan portfolios	564 596	502 567	717 357	225 216	469 753		2 479 489
Profit from shares in associated parties/joint ventures and participation loans/notes	80				47 677		47 757
Total revenue from purchased loan portfolios	564 675	502 567	717 357	225 216	517 431		2 527 246
Revenue from external collection	114 499		2 138	123 289	15 736		255 662
Other operating revenues ¹⁾	20 881	117 781	-4 684	54 595	-65 858		122 714
Other revenues	135 380	117 781	-2 545	177 884	-50 123		378 376
Total revenues	700 055	620 348	714 811	403 099	467 308		2 905 622
Cost to collect	-206 339	-301 323	-183 992	-94 898	-196 467		-983 019
Cost other revenues	-112 074	-60 969	-1 420	-155 704	-13 754		-343 920
Administration & management costs	-7 313	-3 606	-3 996	-2 349	-1 531	-125 907	-144 702
EBITDA	374 329	254 451	525 404	150 148	255 556	-125 907	1 433 981
Depreciation, amortisation and impairment losses of tangible and intangible fixed assets and goodwill	-6 808	-27 598	-5 273	-11 803	-4 156	-488	-56 126
Operating profit (EBIT)	367 521	226 853	520 131	138 346	251 401	-126 396	1 377 856

1) Included gain/(loss) on sale of two purchased loan portfolios in Q4 2018, net loss amounts to NOK -61 million

Year ended 31 December 2019	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Central functions / eliminations	Total
Purchase of purchased loan portfolios in the period	2 108 286	400 702	283 331	372 454	244 667		3 409 441
Purchased loan portfolios, book value							
Purchased loan portfolios	4 744 520	2 056 527	3 365 415	1 991 155	1 262 103		13 419 720
Participation loan/notes to SPV's for purchase of purchased loan portfolios (note 17)					541 683		541 683
Purchased loan portfolios at 31 December	4 744 520	2 056 527	3 365 415	1 991 155	1 803 786		13 961 403

Year ended 31 December 2018	Northern Europe	Poland	Central Europe	Western Europe	South East Europe	Central functions / eliminations	Total
Purchase of purchased loan portfolios in the period	1 884 537	657 269	1 454 467	804 830	1 411 502		6 212 604
Purchased loan portfolios, book value							
Purchased loan portfolios	3 764 203	2 034 868	4 231 599	1 811 326	1 504 101		13 346 098
Participation loan/notes to SPV's for purchase of purchased loan portfolios (note 17)					588 846		588 846
Purchased loan portfolios at 31 December 2018	3 764 203	2 034 868	4 231 599	1 811 326	2 092 948		13 934 944

NOTE 7: OTHER REVENUES

	2019	2018
Revenue from external collection	298 559	255 662
Other revenues from contracts with customers	77 259	68 140
Revenues from contracts with customers	375 818	323 801
Interest income from loan receivables	293 892	276 580
Net credit gain/(loss) from loan receivables	-178 149	-155 937
Revenues from loan receivables	115 743	120 642
Net result collateral assets and other operating revenues	5 110	-66 067
Other revenues	496 671	378 376

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

Interest income from loan receivables are accrued monthly in the income statement and are calculated using the effective interest rate method. Net credit gain/(loss) from loan receivables include changes in future cash flow estimates and expected credit losses. Other revenues also include net result collateral assets and other operating revenues. In 2018, the line "Net result from collateral assets and other operating revenues" also includes gain/(loss) on sale of two purchased loan portfolios in the fourth quarter of 2018, with a net loss amounted to NOK -61 million. The net loss of NOK -61 million includes an accounting loss on the sale of a purchased loan portfolio in Greece of NOK 67 million.

NOTE 8: EXPENSES FROM EXTERNAL SERVICES PROVIDED

	2019	2018
Fees to court and bailiffs for collection services	-325 956	-241 808
External cost portfolio acquisition & search	-15 324	-10 610
Other fees for external services, including fees to lawyers for collection services	-105 965	-110 894
	-447 245	-363 312

NOTE 9: PERSONNEL EXPENSES

	2019	2018
Wages, salaries and other benefits paid	-651 173	-521 661
Social security costs & payroll taxes	-129 488	-87 782
Defined contribution pension costs	-10 357	-8 242
Cost of external temporary staff	-63 895	-47 688
Other personnel costs, including training and recruitment costs	-32 976	-26 305
	-887 889	-691 678
Number of full time equivalents (FTEs) at 31 December	2 517	2 420

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

NOTE 10: OTHER OPERATING EXPENSES

	IFRS 16 2019	IAS 17 2018
Printing, postage	-54 328	-51 001
IT, telecommunications	-95 594	-64 623
Cost of office premises	-34 998	-58 208
Travel, vehicles, accomodation	-39 697	-32 823
Marketing, business entertaining, meetings, arrangements	-27 355	-30 573
Consultancy fees - non collection services	-76 571	-95 899
Statutory and other corporate costs, including business insurance and trade licences	-40 673	-30 284
Office equipment and supplies	-16 239	-12 391
Impairment of receivables	561	2 893
Bank charges	-6 437	-5 234
Other expenses	-54 520	-38 506
	-445 851	-416 651

In 2018 operating lease expense was included in items Cost of office premises, Travel, vehicles, accomodation and Office equipment and supplies. In 2019 after, implementation of IFRS 16, the expense for short-term leases and low value leases are included in the same line items.

NOTE 11: NET FINANCIAL ITEMS

	2019	2018
Interest income	3 043	4 183
Gain on purchase of bonds in own bond loans (note 24)	8 257	
Gain on other financial instruments (excluding derivatives)	1 256	
Other financial income	95	469
Financial income	12 651	4 652
Interest expenses	-770 502	-607 961
Change in fair value of interest rate derivatives	-31 340	-2 599
Adjustment of contingent consideration (note 5.2)	9 156	
Other financial expenses	-1 776	-7 817
Financial expenses	-794 463	-618 378
Realised exchange gain/(loss)	16 494	48 645
Unrealised exchange gain/(loss)	-75 714	34 639
Change in fair value of currency derivatives	47 362	-39 311
Net exchange gain/(loss)	-11 858	43 973
Net financial items	-793 670	-569 753

NOTE 12: INCOME TAX

The major components of income tax reported in the income statement for the years ended 31 December 2019 and 2018

Income tax expense:	2019	2018
Current year income tax payable	131 836	165 514
Change in deferred tax	-74 086	-2 243
Withholding tax		-3 900
Total tax expense reported in the income statement	57 750	159 370

In 2017 the Group made a provision of NOK 3.9 million related to the treatment of withholding tax on cash collection from purchased portfolios owned from outside of the country of origination. In 2018 it was concluded that the Group was not obligated to pay the withholding tax, thus the provision was reversed.

Reconciliation between the expected tax expense and the actual tax expense

	2019	2018
Profit before tax	164 900	808 103
Expected tax expense at Norwegian nominal tax rate of 22 % (2018: 23 %)	36 278	185 864
Difference between local tax rates and the Norwegian nominal tax rate	-34 443	-45 685
Effect of change in Norwegian tax rate (from 23 % to 22 % in 2018)		622
Tax effect of permanent differences	8 702	26 128
Tax effect of the change in unrecognised deferred taxes	67 601	-7 512
Tax effect of merger	-28 903	
Other differences	8 516	-47
Actual tax expense	57 750	159 370
Effective rate of tax	35 %	20 %

The nominal tax rate in Norway was 22 % in 2019. Subsidiaries outside Norway are subject to local tax rates in their country of operation. The effective taxation of operations outside Norway depends on both local tax rules and on whether it is possible to avoid double taxation. The tax expense is also dependent on whether or not to recognise a deferred tax asset from carry forward losses in the individual entity. As of 31 December 2019 the Group has not recognised deferred tax asset relating to the write down of its portfolios in Croatia. This mainly explains the increase in the effective tax rate from 20 % in 2018 to 35 % in 2019, partly offset by recognition of deferred tax assets in other entities.

As a result of the merger between B2Holding ASA and Ultimo Netherlands BV in 2019 a positive tax effect of NOK 29 million was recognised.

Analysis of deferred tax assets and liabilities

Tax effect of temporary differences	2019	2018
Taxable temporary differences - non-current items		
Tangible and intangible assets	45 941	28 115
Purchased loan portfolios	194 456	152 315
Loans to group companies and other long-term assets	73 159	201 425
Long-term interest bearing loans and borrowings	63	16 629
Loans from group companies and other non-current liabilities	3 970	
	317 589	398 484
Taxable temporary differences - current items		
Other short-term assets	1 494	442
Other current liabilities	287	107
	1 781	549
Deductible temporary differences - non-current items		
Tangible and intangible assets	-210	-11
Purchased loan portfolios	-157 564	-80 289
Loans to group companies and other long-term assets	-603	-938
Long-term interest bearing loans and borrowings	-46 115	-81 020
Loans from group companies and other non-current liabilities	-18 356	-79 078
	-222 848	-241 335
Deductible temporary differences - current items		
Other short-term assets	-3 048	-2 632
Other current liabilities	-27 346	-20 041
	-30 394	-22 673
Tax losses carried forward	-382 505	-317 486
Gross deferred tax liabilities/(assets)	-316 376	-182 461
Deferred taxes not recognised	299 086	248 166
Net deferred tax liabilities/(assets)	-17 290	65 706

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

Deferred tax assets	-188 765	-97 219
Deferred tax liabilities	171 475	162 925
	-17 290	65 706
Deferred tax liabilities/(assets) at 1 January	65 706	29 687
Deferred tax expense recognised in the income statement	-74 086	-2 243
Deferred tax expense recognised in other comprehensive income	-8 920	2 983
Deferred taxes acquired in business combinations		34 512
Exchange differences	10	767
Deferred tax liabilities at 31 December	-17 290	65 706

Analysis of tax losses available for offset against future taxable income, by year of expiration:

	2019	2018
Within 5 years	168 372	148 123
After 5 years	407 673	230 983
No time limit	1 048 015	911 606
Total tax losses available for offset	1 624 060	1 290 711
Tax effect of tax losses, before consideration of whether the losses are recognisable or not	382 505	317 486

Tax losses carried forward at 31 December 2019 relate mainly to the Group's subsidiary companies in Luxembourg (NOK 995 million) and the Parent company in Norway (NOK 376 million). The tax losses in the Group's subsidiary companies in Luxembourg are partly recognised as deferred tax asset, based on the Group's expectation of taxable profit in the coming five years. The tax losses in the Group's parent company in Norway and NOK 421 million in Luxembourg are not recognised as deferred tax assets.

NOTE 13: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit after tax for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit after tax for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2019	2018
Profit after tax attributable to parent company shareholders	106 759	648 582
Number of shares outstanding at 1 January	409 032 598	369 520 598
New shares issued during the year (note 22)	900 000	39 512 000
Number of shares outstanding at 31 December	409 932 598	409 032 598
Weighted average number of shares during the year	409 870 098	399 049 931
Effect of dilution: Option programmes (note 23)	1 312 702	7 551 451
Weighted average number of shares during the year adjusted for the effect of dilution	411 182 801	406 601 383
Earnings per share (in NOK):		
- Basic	0.26	1.63
- Diluted	0.26	1.60

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: 7,125,000 options granted in the period 2015 - 2019 are not included in the calculation of diluted earnings per share because exercise price is higher than average stock price 2019 and therefore they are not considered dilutive for the year ended 31 December 2019. These options could potentially dilute basic earnings per share in the future.

NOTE 14: GOODWILL

	Goodwill
Acquisition/purchase cost	
At 1 January 2018	524 312
Acquisitions of a subsidiary (note 5)	257 350
Exchange differences	5 496
At 31 December 2018	787 158
Acquisitions of a subsidiary (note 5)	
Exchange differences	-3 705
At 31 December 2019	783 453
Impairment	
At 1 January 2018	1 946
Impairment	
Exchange differences	-19
At 31 December 2018	1 928
Impairment	3 791
Exchange differences	-30
At 31 December 2019	5 689
Net book value	
At 31 December 2018	785 231
At 31 December 2019	777 764

Goodwill acquired through business combinations has been tested for impairment at the end of 2019. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax. The discount rate used is the weighted cost of capital before tax calculated for each cash generating unit. The following cash generating units have been tested for impairment:

Creditreform Latvia SIA, Latvia, and its subsidiaries Crefo Rating SIA and AS Crefo Birojs

At 31 December 2019, the carrying value of goodwill allocated to Creditreform Latvia SIA, Latvia, and its subsidiaries amounts to NOK 29 million. The companies have been tested using a 10 year cash flow model with a terminal value after 10 years discounted at a local pre tax WACC of 8.9 %. 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 2020, a stable investment program for purchased loan portfolios and a 0 % growth rate in other revenue. The impact of reasonably changes to key assumptions have been considered and assessed, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

Poland Group

At 31 December 2019, the carrying value of goodwill allocated to Poland Group amounts to NOK 280 million. Poland group has been tested using a 10 year cash flow model discounted at a local pre tax WACC of 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 of the purchased loan portfolio has been calculated by using estimated book value after 10 year less estimated costs to collect multiplied by a factor of 1.8 and then discounted at the local pre-tax WACC. A factor of 1.8 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 terminal value of loan receivables are estimated to be equal to book value as of beginning of cash flow period.

The basis for the expected future cash flow is management approved forecast for 2020, a stable investment program for purchased loan portfolios and a 0 % growth rate in other revenue. The sum of the future expected gross cash flows, less estimated costs to collect and costs related to other revenue, forms the basis for the net cash flow estimates used in the 10 year cashflow model. The impact of reasonably changes to key assumptions have been considered and assessed, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

Debt Collection Agency AD, Bulgaria, and its subsidiaries Debt Collection Agency S.R.L and Smart Collect EOOD

At 31 December 2019, the carrying value of goodwill allocated to Debt Collection Agency AD, Bulgaria, and its subsidiaries amounts to NOK 109 million. The companies have been tested using a 10 year cash flow model discounted at a local pre tax WACC of 9.2 %. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The terminal value has been calculated by using estimated portfolio book value after 10 year less estimated costs to collect multiplied by 2.2, discounted at the local pre tax WACC. A factor of 2.2 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 2020 and a stable investment program for purchased loan portfolios. The sum of the future expected gross cash flows, less estimated costs to collect, forms the basis for the net cash flow estimates used in the 10 year cash flow model. The impact of reasonably changes to key assumptions have been considered and assessed, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

Confirmación de Solicitudes de Crédito Verifica S.A. (Verifica), Spain

At 31 December 2019, the carrying value of goodwill allocated to Verifica, Spain, amounts to NOK 81 million. The company has been tested using a 5 year cash flow model with a terminal value after 5 years discounted at a local pre tax WACC of 8.8 %. The basis for the expected future cashflow is management approved forecast for 2020 and a 0 % growth rate in other revenue. The sum of the future expected gross cash flows, less costs related to other revenue, forms the basis for the net cash flow estimates used in the 5 year cashflow model. The impact of reasonably changes to key assumptions have been considered and assessed, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount.

Négociation et Achat de Créances Contentieuses (NACC), France, and its subsidiary Tahiti Encaissements Services, Tahiti

At 31 December 2019, the carrying value of goodwill allocated to NACC, France, and its subsidiary amounts to NOK 251 million. The companies have been tested using a 10 year cash flow model discounted at a local pre tax WACC of 8.5 %. A 10 year cash flow model has been used as this reflects the expected life time of purchased loan portfolios, as well as the expected recoverable cash flows arising from a stable loan portfolio investment program. The terminal value for loan portfolio has been calculated by using estimated portfolio book value after 10 year less estimated costs to collect multiplied by 1.7, discounted at the local pre tax WACC. A factor of 1.7 represents a best estimate of the average multiple of expected future cash flow over portfolio book value for loan portfolio in the country specific market.

The basis for the expected future cash flow is management approved forecast for 2020, a stable investment program for purchased loan portfolios and a 0 % growth rate in other revenue. The sum of the future expected gross cash flows, less estimated costs to collect and costs related to other revenue, forms the basis for the net cash flow estimates used in the 10 year cashflow model. The impact of reasonably changes to key assumptions have been considered and assessed, and there have not been identified any instances that should cause the carrying amount to exceed the recoverable amount. However, a decline of 0.05 in multiplier would trigger an impairment of NOK 3 million, an increase of 3 % in cost to collect would trigger an impairment of NOK 7 million and an increase of 0.5 percentage points in WACC would trigger an impairment of NOK 20 million.

In addition, the following cash generating units, which are considered not significant in comparison with the Group's total carrying amount of goodwill, have been tested for impairment:

Company name	Region	Allocated goodwill at 31 December 2019 (NOK million)
Interkreditt AS, Norway	Northern Europe	11
OK Perinta OY, Finland, and its subsidiaries	Northern Europe	5
Nordic Debt Collection A/S, Denmark	Northern Europe	2
B2Kapital UAB, Lithuania	Northern Europe	6
Consequence Europe MKFT, Hungary	Central Europe	0
Credit-cash Faktoring Zrt., Hungary	Central Europe	0
Verifica Portugal S.A., Portugal	Western Europe	3
Total		27

The result of the impairment tests showed that there was a requirement to fully impair the goodwill created on the acquisition of Consequence Europe and Credit-cash Faktoring. There was no requirement to impair the goodwill in any of the other cash generating units.

NOTE 15: TANGIBLE AND INTANGIBLE ASSETS

	Improvements to rented offices	Equipment, fixtures & fittings	RoU asset office premises	RoU asset vehicles & equipment	Intangible assets	Total
Acquisition/purchase cost						
At 1 January 2018	27 035	111 516			225 533	364 085
Additions	7 607	35 801			49 144	92 552
Acquisitions of a subsidiary (note 5)	1 172	3 080			47 289	51 542
Disposals	-7 356	-9 442			-908	-17 705
Exchange differences	45	-131			2 642	2 556
At 31 December 2018	28 504	140 824			323 701	493 029
IFRS 16 implementation recognised at transition			123 237	989		124 225
IFRS 16 implementation - reclassification of financial leases		-2 689		2 689		
At 1 January 2019	28 504	138 135	123 237	3 677	323 701	617 254
Additions	3 646	21 213	45 652	2 859	29 837	103 207
Disposals	-41	-16 646	-2 300	-279		-19 266
Exchange differences	-220	-668	-1 113	-43	-1 561	-3 605
At 31 December 2019	31 890	142 033	165 476	6 215	351 977	697 591
Depreciation and impairment						
At 1 January 2018	19 444	52 669			90 958	163 070
Depreciation charge for the year	3 363	17 425			35 338	56 126
Acquisitions of a subsidiary (note 5)	959	1 738			9 202	11 899
Disposals	-6 113	-5 248			-908	-12 269
Exchange differences	-25	-156			572	391
At 31 December 2018	17 626	66 427			135 163	219 217
IFRS 16 implementation - reclassification of financial leases		-887		887		
At 1 January 2019	17 626	65 540		887	135 163	219 217
Depreciation charge for the year	3 361	26 952	36 432	1 124	43 275	111 144
Impairment losses for the year					23 124	23 124
Disposals	-50	-13 101	-674	-280		-14 105
Exchange differences	-124	-269	102	-11	-4 016	-4 318
At 31 December 2019	20 813	79 122	35 861	1 720	197 546	335 062
Net book value						
At 31 December 2018	10 878	74 396			188 538	273 812
At 31 December 2019	11 077	62 911	129 615	4 495	154 432	362 529
Depreciation method	Straight line	Straight line	Straight line	Straight line	Straight line	
Economic useful lives	2-10 years	2-10 years	2-10 years	2-10 years	2-12 years	

Intangible assets are the capitalised costs related to the software systems used throughout the Group, client relationships and licenses. In 2019 the Group has also invested in development of a group data warehouse.

Impairment losses in 2019 is mainly related to findings discovered through internal control routines and the related full write down of IT asset software which is no longer in use in the Group. The Group subsequently initiated an external investigation which revealed irregularities related to a procurement process in one of the Groups subsidiaries outside Norway. The matter is concluded and all findings are fully reflected in the 2019 accounts. Measures are taken to terminate the irregularities and recover funds and the Group will report certain findings related to a former employee to applicable local authorities.

NOTE 16: LEASES

The Group has adopted IFRS 16 Leases as of 1 January 2019. Assets classified as financial leases under IAS 17 have been reclassified to right-of-use assets upon implementation. See note 15 for effects on right-of-use assets.

The Group's lease agreements mainly relates to the lease of office premises and vehicles.

For 2018, lease liabilities for financial leases under IAS 17 amounted to a total of NOK 1.4 million. As a result of implementing IFRS 16 additional NOK 128 million was recognised as lease liabilities at 1 January 2019.

For further information on the effects of implementation of IFRS 16, see note 1.4

	IFRS 16 2019	IAS 17 2018
Lease liabilities		
Current lease liabilities	38 579	489
Non-current lease liabilities	102 679	906
	141 259	1 395
Maturity analysis contractual undiscounted cash flows	2019	2018
Amounts due within one year	46 170	
Amounts due between one and five years	97 586	
Amounts due later than five years	18 164	
	161 921	
Effects on income statement	2019	2018
Depreciation of right-of-use assets	-37 557	
Interest expense on lease liabilities	-8 565	
Expense relating to short-term leases	-12 106	
Expense relating to leases of low value assets	-11 950	
	-70 178	
Cash outflows for leases	2019	2018
Interest paid on lease liabilities	-8 565	
Principle paid on lease liabilities	-34 288	
Expense relating to short-term leases	-12 106	
Expense relating to leases of low value assets	-11 950	
	-66 910	

NOTE 17: INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES AND PARTICIPATION LOAN/NOTES

17.1 Investments in associated companies and joint ventures and participation loan/notes

Profit from shares in associated companies/joint ventures and participation loans/notes	2019	2018
Share of profit from participation loan/notes (note 17.2)	55 993	43 613
Share of result from joint ventures	10 606	3 885
Share of result from associated companies	-270	259
Impairment of shares in associated companies	-2 215	
	64 113	47 757
Investments in associated companies and joint ventures	2019	2018
Joint ventures (note 17.3)	385 971	8 525
Associated companies (note 17.4)	1 071	3 619
At 31 December	387 041	12 144
Participation loan/notes	2019	2018
Participation loan/notes (note 17.2)	541 683	588 846
At 31 December	541 683	588 846

17.2 Participation loan/notes

	2019	2018
Participation loan in EOS Credit Funding BL DAC	47 398	116 899
Participation notes in Hellas 3P Investment DAC (H3P)	304 644	298 847
Participation notes in Hellas 2P Investment DAC (H2P)	189 641	173 100
At 31 December	541 683	588 846

	2019	2018
At 1 January	588 846	161 167
Issue of participation notes in H3P for purchase of loan portfolio		278 868
Issue of participation notes in H2P for purchase of loan portfolio		167 033
Repayments	-58 730	-55 225
Change in fair value of participation loan/notes	16 627	20 305
Exchange rate differences	-5 060	16 698
At 31 December	541 683	588 846

The Group has three investment agreements with co-investors for purchase of loan portfolios through SPVs, fully financed through participation loan/notes from the investors. The contractual arrangement of the participation loan/notes is directly linked to the performance of the portfolios purchased in the SPVs. All gross cash collections in the SPVs from the portfolios are paid monthly to the investors pro rata after deduction of cost to collect and overhead costs in the SPVs. The payments are split between interest income and repayments according to the amortisation of the portfolio, so the repayments of the loan are equal to the amortisation of the portfolio. If the SPVs need additional funding, the investors are obliged to contribute pro rata, but since the SPVs are self-funding through their operations this is not expected to occur. The participation loan/notes are measured at fair value through profit or loss. The Group considers the best estimate of fair value to be equal to the book value of the portfolios after amortised cost, since the remunerations is directly based on the portfolios. As of 31 December 2019, the Group's share of ERC is NOK 1,027 million. The profit from participation loan/notes is presented as a part of "Profit from shares in associated companies/joint ventures and participation loans/notes" in the Group's consolidated income statement.

For EOS Credit Funding BL DAC, the Group has both investment in joint venture and a share of participation loans. with EOS Investment Ro GmbH. See note 17.3 for further information regarding the joint venture. The Group's share of the participation loan is 50 %.

In the fourth quarter of 2018, the Group entered into an agreement with Waterfall Asset Management ("Waterfall") and the European Bank for Reconstruction and Development ("EBRD") for a co-investment structure of a Greek portfolio that the Group had purchased in March 2018. As a part of this agreement, the Group sold the Greek portfolio to a SPV (H3P) and financed 35 % of the participation notes in H3P used for the portfolio purchase. The daily servicing of the portfolio has remained in the Group, together with local licensed partners. The book value exceeded the sale price with EUR 7 million and resulted in an accounting loss of the same amount (NOK 67 million, see note 7). The sale of the portfolio generated a net positive cash gain when taking gross cash collection less cost to collect and purchase price into consideration.

An additional co-investment in a Greek portfolio was entered into with Waterfall in the same quarter, through a SPV (H2P). The participation notes issued to the SPV for purchase of the portfolio amounted to NOK 167 million. The Group's share of participation notes in the H2P is 30 %. The Group's share of voting rights in H2P is 50 %. The Group is master servicer for the SPV.

17.3 Investments in joint ventures

In 2018 the Group became owner of 50 % of the share capital and voting rights in the SPV, EOS Credit Funding BL DAC with offices in Dublin, Ireland (portfolio owner), and ENB Properties Solutions srl with offices in Bucharest, Romania, and has joint control in these two companies. The two companies are accounted for using the equity method in the consolidated financial statements.

During 2019 the Group entered a new joint venture with DDM Group, holding portfolios in Croatia, an investment of NOK 276 million. The Group holds 50 % of the share capital and voting rights in CE Partner S.à.r.l. and CE Holding Invest S.C.S. with offices in Luxembourg. The Group is master servicer for the joint venture.

In June 2019 the Group purchased portfolios from Santander in Sweden. An agreement was made with Waterfall Asset Management that they would invest with the Group in these portfolios. The deal was completed in mid-December 2019 through disposal of the portfolios to a joint venture. The Group has subscribed to 30 % of the shares, and investment of NOK 96 million, in Glencar 3, a sub-fund of Glencar ICAV. Glencar ICAV with offices in Dublin, Ireland. Operations in the joint venture is expected to begin in 2020, with the daily servicing of the portfolio being performed by the Group.

The Group does not have goodwill or other adjustments related to the joint ventures.

Investments in joint ventures	2019	2018
At 1 January	8 525	4 335
Additions	372 062	126
The Group's share of the joint venture's result after tax	10 606	3 885
Dividends received	-5 170	
Exchange differences	-52	179
At 31 December	385 971	8 525

17.4 Investments in associates companies

The Group holds interests in two associated companies, being a 26 % interest in Creditreform OU, Estonia, and a 34.72 % interest in Creditreform UAB, Lithuania. Both companies specialise in the collection of third party debt within their respective countries. The Group's shareholdings in these two companies are owned by Creditreform Latvija SIA, Latvia, which was acquired by the Group on 1 January 2014.

In 2018 the Group acquired a 28.02 % interest in Linjiska Nacionalna Plovidba d.d., Croatia. The investment was impaired from NOK 2 million to 0 during 2019.

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

Investments in associated companies	2019	2018
At 1 January	3 619	1 229
Additions		2 148
The Group's share of the associate's result after tax	-270	259
Impairment of shares in associated companies	-2 215	
Dividend received	-27	-127
Exchange differences	-36	109
At 31 December	1 071	3 619

NOTE 18: LOAN RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS

Note 18.1: Loan receivables

	2019	2018
Loan receivables - gross	1 040 938	961 501
Loss allowance	-695 779	-603 700
	345 160	357 801

Loan receivables are interest-bearing loans that normally are granted for a period of 6-36 months, with monthly installments and no up-front payment. The Group collects contractual cash flow according to loan schedules. The Group currently only has such business in Poland. The average loan ticket amounts to PLN 4,210 and the average installment number is 30 months at the end of 2019. Products are sold via a few distribution channels including internet, call center sale, external brokers point of sales. The Group sold approximately 30,000 loans to individual clients in 2019. There is no single debtor who represents a large share of the loan receivables and therefore pose a material credit risk.

The Group measures the impairment loss on loan receivables using a 3-stage model for expected credit loss (ECL) according to IFRS 9. For loan receivables in stage 1 (performing, i.e. days past due between 0-10 days), ECL for default events that are possible within the next 12 months are recognised. The Group consider that credit risk has increased significantly since initial recognition for loan receivables in stage 2 and 3 (underperforming and non-performing, i.e. days past due over 10 days), and lifetime ECL is recognised.

At 31 December, the analysis of loan receivables was as follows:

	Total	Stage 1	Stage 2 and 3
Loan receivables - gross	1 040 938	237 515	803 423
Loss allowance	-695 779	-39 474	-656 305
Loan receivables - net, 31 December 2019	345 160	198 042	147 118
Loan receivables - gross	961 501	267 111	694 390
Loss allowance	-603 700	-42 700	-561 000
Loan receivables - net, 31 December 2018	357 801	224 411	133 390

Note 18.2: Other non-current financial assets

	2019	2018
Financial assets at fair value through profit or loss:		
Structured bonds		
Derivatives (note 4)	2 305	30 128
	2 305	30 128
Financial assets at amortised cost:		
Loan to ENB Properties Solution srl	703	3 101
Other	1 523	1 354
	2 226	4 455
	4 531	34 582

NOTE 19: OTHER SHORT-TERM ASSETS

19.1: Accounts receivable

Profit from shares in associated companies/joint ventures and participation loans/notes	2019	2018
Accounts receivable from contract revenues - gross	48 421	35 808
Accounts receivable from single transactions - gross	3 355	4 069
Loss allowance	-3 250	-4 969
	48 526	34 908

There is no single customer who represents a large share of the accounts receivable and therefore pose a material credit risk.

Accounts receivable are non-interest bearing and are generally on terms of 30-90 days. At 31 December, the ageing analysis of accounts receivables was as follows:

	Total	Not due	0-30 days	31-60 days	61-90 days	>90 days
Accounts receivable - gross, 31 December 2019	51 775	40 128	4 730	2 663	457	3 798
Loss allowance	-3 250	-91	-115	-140	-48	-2 855
Accounts receivable - net, 31 December 2019	48 526	40 037	4 615	2 523	408	943
Accounts receivable - gross, 31 December 2018	39 877	30 579	1 500	736	213	6 849
Loss allowance	-4 969	-312	-52	-40	-21	-4 544
Accounts receivable - net, 31 December 2018	34 908	30 267	1 448	696	192	2 305

19.2: Other short-term assets

	2019	2018
Value added, sales or other taxes receivable	65 073	13 454
Amounts due from previous owners of purchased loan portfolios	5 971	17 470
Advances & security deposits paid to suppliers	35 965	18 580
Prepayments	19 854	24 090
Amounts due from employees	1 605	349
Derivatives (note 4)	5 403	
Amounts due from joint venture (note 17)	17 256	2 422
Accrued income not yet invoiced	14 997	16 092
Structured bonds and investment funds		11 592
Other	25 323	21 805
	191 447	125 854

NOTE 20: COLLATERAL ASSETS

Collateral assets are assets, mainly real estate, repossessed as part of the management of secured non-performing loan portfolios. Collateral assets are acquired with the purpose of subsequent resale in the near future.

	2019	2018
At 1 January	119 538	47 084
Acquired in business combinations (note 5)		5 995
Additions	231 293	95 518
Disposals	-25 224	-19 927
Write-down	-5 903	-11 654
Exchange differences	-1 109	2 522
At 31 December	318 595	119 538

Which consists of:

	2019	2018
Retail Properties	151 719	49 298
Non-retail properties	158 231	61 880
Other	8 645	8 360
	318 595	119 538

Of the collateral assets NOK 228 million is located in Central Europe (2018: 91 million), NOK 43 million is located in South Eastern Europe (2018: 4 million), NOK 31 million is located in Western Europe (2018: 5 million) and NOK 15 million is located in Poland (2018: 18 million). Retail properties is related to private housing and non-retail properties to commercial buildings.

The Group has no restrictions on the realisability of its collateral assets, nor any contractual obligations for construction, development, repairs or maintenance.

	2019	2018
Rental income	1 809	307
Gain/(loss) from disposal and write-down	-3 432	-9 045
Direct operating expenses	-7 793	-7 468
Operating profit/(loss) from collateral assets	-9 417	-16 207

Rental income and gain/(loss) from disposal and write-down are presented in the line "Other operating income" in the consolidated income statement. Direct operating expenses are directly related to the collateral assets and include repairs and maintenance costs, insurance, valuation costs and other similar types of running costs. Direct operating expenses are included in either "External expenses of services provided" or "Other operating expenses" depending upon the nature of the expense.

NOTE 21: CASH AND SHORT-TERM DEPOSITS

	2019	2018
Cash at banks		
- unrestricted balances	339 428	382 794
- tax deductions from employee payroll	2 786	2 268
- other restricted balances	8 454	5 781
	350 668	390 843
Short term deposits	5 217	6 859
	355 884	397 702

Cash at banks earns interest at floating rates which are based on bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Other restricted balances represent deposits paid into a short term escrow account in connection with, for example, the acquisition of loan portfolios or guarantees provided by third parties.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash and short-term deposit balances in the table above.

NOTE 22: SHARE CAPITAL AND OTHER PAID-IN CAPITAL

Ordinary shares have a nominal value of NOK 0.10 each. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital ¹⁾ NOK'000s
At 1 January 2018	369 520 598	36 952	2 087 317
Share issue on 13 March at NOK 20.25 per share in connection with the private placement	36 912 000	3 691	724 762
Exercise of employee share options on 28 May at an average subscription price of 14.11	100 000	10	1 401
Exercise of employee share options on 24 August at an average subscription of 8.08	1 500 000	150	11 965
Exercise of employee share options on 2 October at an average subscription of 10.55	1 000 000	100	10 450
At 31 December 2018	409 032 598	40 903	2 835 894
Exercise of employee share options on 25 January 2019 at an average subscription of 8.356	900 000	90	7 430
At 31 December 2019	409 932 598	40 993	2 843 325
At 29 April 2020 (the date of completion of these financial statements)	409 932 598	40 993	2 843 325

1) Net proceeds after transactions costs

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

Dividend paid to parent company's shareholders in 2019, for 2018, amounted to NOK 0.30 per share. Proposed dividend for 2019 is NOK 0.00 per share.

Mandates granted to the Board of Directors:

On 24 May 2019 the Annual General Meeting of the shareholders of B2Holding ASA granted the Board a right to increase the share capital (i) in connection with acquisitions and raising of equity, by a maximum of NOK 4,099,325 which is equal to 10 % of the Company's share capital, and (ii) in connection with the Company's share option programme, by a maximum of NOK 2,034,949.40.

The Annual General Meeting on 24 May 2019 also granted the Board a right to acquire own shares in B2Holding ASA from the shareholders in the company up to a total nominal value of NOK 4,099,325. The maximum amount that can be paid for each share is the volume weighted average price as quoted on the stock exchange for the five business days prior to the time of the acquisition plus 5 %, and the minimum amount to be paid is NOK 1.00 per share.

Each of the said authorisations provided to the Board are all effective until the earliest of the Company's 2020 Annual General Meeting and 30 June 2020 and replaces the authorisations issued by the Annual General Meeting on 25 May 2018.

NOTE 23: SHARE BASED PAYMENTS**23.1 Option program**

The Group has granted share options to management and selected key employees according to the Remuneration Policy in note 30.1. As of the date of completion of these financial statements, there were 21,225,000 options outstanding.

All of the Company's option agreements include a clause regarding accelerated vesting meaning that if 75 % of the shares in the Company are sold to an acquirer, all outstanding options are vested. In case of a merger, the grantee shall if possible be granted an equal share option in the merged company. If this is not possible, the grantee will have the right to exercise all the options prior to the merger.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2019 Number	2019 WAEP	2018 Number	2018 WAEP
Outstanding 1 January	18 175 000	9.530	19 425 000	9.530
Granted during the year	3 050 000	10.140	1 350 000	19.240
Exercised during the year	-900 000	8.356	-2 600 000	9.680
Forfeited during the year	-600 000	10.140	-	-
Expired during the year	-600 000	12.100	-	-
Outstanding at 31 December	19 125 000	10.077	18 175 000	9.530
Exercisable at 31 December	15 400 000	9.370	15 875 000	8.730

In addition 2,100,000 share options were granted in 2020 until the completion of this financial statements. See note 30 for further information.

21 March 2019 the BoD decided to further extend the expiry date from 30 June 2019 until 30 June 2020 at the latest, for 12,000,000 share options originally expired 1 July 2018 and 2,300,000 share options originally expired 31 December 2018. As compensation for the extended expiration date the exercise price shall increase with 7.5 % annually interest rate calculated from the original expiry date up until the actual exercise date.

Due to changes in the Group Management, 600,000 of the options granted in June 2019 was cancelled during 2nd half-year of 2019. Further, 600,000 options granted in September 2016 expired 31 December 2019.

The weighted average fair value of options granted in 2019 was NOK 1.82 (2018: 2.09) per option and the cost of the options recognised in personnel costs together with a corresponding increase in other capital reserves was NOK 3,104 thousands in 2019 (2018: 2,584).

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 2019 was 1.21 % (2018: 0.81 %). The weighted average expected volatility for the options granted in 2019 was 30.68 % (2018: 26.9 %), and the expected lifetime has been set as the vesting date.

At 31 December 2019, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

Exercise price	Outstanding options			Vested options		
	Outstanding options as of 31.12.2019	Weighted average remaining contractual life	Weighted average exercise price	Outstanding options as of 31.12.2019	Weighted average remaining contractual life	Weighted average exercise price
0.00 - 8.00	4 000 000	1.5	7.90	4 000 000	1.5	7.90
8.01 - 8.50	4 000 000	1.5	8.46	4 000 000	1.5	8.46
8.51 - 9.99	4 766 666	1.3	9.14	4 766 666	1.3	9.14
10.00 - 12.99	3 983 334	3.0	10.62	1 533 334	0.5	11.40
13.00 - 17.99	1 375 000	1.4	15.55	825 000	1.4	15.18
18.00 - 23.99	1 000 000	1.8	20.05	275 000	1.5	19.08
Total	19 125 000	1.8	10.08	15 400 000	1.3	9.37

At 31 December 2018, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

Exercise price	Outstanding options			Vested options		
	Outstanding options as of 31.12.2018	Weighted average remaining contractual life	Weighted average exercise price	Outstanding options as of 31.12.2018	Weighted average remaining contractual life	Weighted average exercise price
0.00 - 8.00	4 300 000	0.5	8.00	4 300 000	0.5	8.00
8.01 - 8.50	4 300 000	0.5	8.50	4 300 000	0.5	8.50
8.51 - 9.99	4 300 000	0.5	9.00	4 300 000	0.5	9.00
10.00 - 12.99	2 500 000	0.5	11.08	2 500 000	0.5	11.08
13.00 - 17.99	1 775 000	2.1	15.59	475 000	2.1	12.00
18.00 - 23.99	1 000 000	2.8	20.83			
Total	18 175 000	0.8	10.23	15 875 000	0.5	9.01

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

NOTE 24: INTEREST BEARING LOANS AND BORROWINGS

	2019	2018
Long-term		
Multi-currency revolving credit facility	2 804 773	3 674 190
Bond loan	7 336 205	7 094 618
Loans from non-controlling interests		
	10 140 978	10 768 808
Short-term		
Bond loan	1 497 563	
Bank overdraft	96 634	59 115
Other		363
	1 594 197	59 478

Interest bearing loans

The Group is financed by the following loans; (i) a EUR 510 million senior secured multi-currency revolving credit facility agreement, including a multi-currency cash pool with a EUR 40 million overdraft, which matures in May 2022, (ii) a EUR 150 million senior unsecured bond with maturity in December 2020, (iii) a EUR 175 million senior unsecured bond with maturity in October 2021, (iv) a EUR 200 million senior unsecured bond with maturity in November 2022, (v) a EUR 200 million senior unsecured bond with maturity in May 2023 and (vi) a EUR 200 million senior unsecured bond with maturity in May 2024. The Group holds EUR 21 million in treasury bonds, which is not included in tables below.

The multi-currency revolving credit facility and the bond loans carry a variable interest rate based on the interbank rate in each currency plus a margin supplement. In addition, there is a commitment fee, which is calculated as a percentage of the loan margin on the undrawn part of the credit facility. The overdraft carries a facility line fee. The loan agreements have a number of operational and financial covenants, including limits on certain key indicators, which have all been complied with as of 31 December 2019. There are no instalments to be paid before maturity.

At 31 December 2019, PLN 780 million, SEK 800 million and NOK 300 million, in total EUR 290 million, was utilised from the EUR 470 million multi-currency revolving credit facility, leaving an available, undrawn amount of EUR 180 million. The multi-currency overdraft facility of EUR 40 million was utilised with EUR 10 million, leaving an available, undrawn amount of EUR 30 million at 31 December 2019.

The EUR 470 million multi-currency revolving credit facility are secured by guarantees issued by B2Holding ASA, a share pledge over B2Holding ASA's 100 % directly owned subsidiaries, an account charge over a number of pre-defined B2Holding ASA bank accounts and a pledge over the intra-group loan receivables from B2Holding ASA to its subsidiaries. The Bond Loans are unsecured.

Details of the interest rates, maturity and outstanding nominal values by currency at 31 December 2019 and 31 December 2018 are summarised below:

At 31 December 2019	Currency	Interest rate %	Maturity	Outstanding nominal value
Multi-currency revolving credit facility	PLN	Floating	May 2022	1 807 416
	SEK	Floating	May 2022	755 360
	NOK	Floating	May 2022	300 000
Bond loans	EUR	7.50 %	December 2020	1 479 570
	EUR	7.00 %	October 2021	1 726 165
	EUR	4.25 %	November 2022	1 972 760
	EUR	4.75 %	May 2023	1 972 760
	EUR	6.35 %	May 2024	1 972 760
				11 986 791

At 31 December 2018	Currency	Interest rate %	Maturity	Outstanding nominal value
Multi-currency revolving credit facility	PLN	Floating	May 2022	1 803 984
	NOK	Floating	May 2022	1 950 000
Bond loans	EUR	7.50 %	December 2020	1 492 245
	EUR	7.00 %	October 2021	1 740 953
	EUR	4.25 %	November 2022	1 989 660
	EUR	4.75 %	May 2023	1 989 660
				10 966 502

The repayment schedule by currency at 31 December 2019 and 31 December 2018 is shown in the table below:

At 31 December 2019	Multi-currency revolving credit facility			Bond loan	Total
	SEK	NOK	PLN	EUR	
2020				1 479 570	1 479 570
2021				1 726 165	1 726 165
2022	755 360	300 000	1 807 416	1 972 760	4 835 536
2023				1 972 760	1 972 760
After 2023				1 972 760	1 972 760
	755 360	300 000	1 807 416	9 124 015	11 986 791

At 31 December 2018	Multi-currency revolving credit facility		Bond loan	Total
	NOK	PLN	EUR	
2020			1 492 245	1 492 245
2021			1 740 953	1 740 953
2022	1 950 000	1 803 984	1 989 660	5 743 644
After 2022			1 989 660	1 989 660
	1 950 000	1 803 984	7 212 518	10 966 502

Financial covenants

The financial covenants at 31 December 2019 for the bond loans are summarised below. All covenants have been met at 31 December 2019 and 31 December 2018.

The financial covenants for the bond loans are as follows:

	Requirement	2019	2018
Secured loan to value	Maximum 65 %	17 %	23 %
Leverage ratio	Maximum 4.0	2.9	3.5
Net interest cover ratio	Minimum 4.0	5.1	4.8

The financial covenants for the multi-currency revolving credit facility also include covenants for the borrowing base ratio, the equity ratio and the ratio of actual NPL portfolio cash collection compared to cash collection forecasts. In addition to this, the covenants for the borrowing base ratio and the ratio of actual NPL portfolio cash collection compared to cash collection forecasts are measured at the "Restricted Group" level, which comprises B2Kapital Holding S.à r.l. and its directly and indirectly owned subsidiaries. If the group fails to comply with the financial covenants, both the multi-currency revolving credit facility agreement and the bond loan agreements have a grace period after notice thereof is given to the counterparties before default is declared.

Bank borrowings secured by pledged assets	2019	2018
Multi-currency revolving credit facility	2 804 773	3 674 190
	2 804 773	3 674 190
Balance sheet value of pledged assets	2019	2018
Share Pledge	3 432 729	3 672 405
Account charge over bank accounts	-223 780	-321 664
Intra Group Loan receivable	9 188 374	7 979 034
	12 397 323	11 329 775

At 31 December 2019, the multi-currency revolving credit facility is secured by a share pledge over B2Holding ASA's shares in B2Kapital Holding S.à r.l., an account charge over a number of pre-defined B2Holding ASA bank accounts (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 B2Kapital Holding S.à r.l.. The Bond Loans are unsecured.

Changes in liabilities arising from financing activities

The table below shows a reconciliation of the opening and closing balance for liabilities arising from financing activities.

	2019	2018
As of 1 January	10 770 566	6 728 996
Implementation effect IFRS 16	128 153	0
Principal repayments (lease liabilities)	-34 288	0
Additions (lease liabilities)	48 511	1 292
Changes from acquisitions		500 040
Proceeds from new external loans during the year	16 857 761	18 486 538
Repayment of external loans during the year	-15 972 038	-15 130 782
Changes in foreign exchange rates	-52 362	192 400
Other changes	33 498	-7 918
As of 31 December	11 779 801	10 770 566

«Other changes» consist of non-cash effects from utilizing amortised cost principal.

	2019	2018
Interest bearing liabilities		
Interest bearing loans and borrowings	11 638 542	10 769 171
Lease liabilities	141 259	1 395
	11 779 801	10 770 566

Lease liabilities are included in Other current and non-current liabilities in the Consolidated statement of financial position. Refer to note 16 for more information about lease liabilities.

NOTE 25: OTHER LONG TERM LIABILITIES

	2019	2018
Financial liabilities at fair value through profit or loss		
Contingent consideration (note 5.2)	39 233	82 949
Derivatives (note 4)	13 365	10 263
Other	101	129
	52 699	93 342
Financial liabilities at amortised cost		
Lease liabilities (note 16)	102 679	906
	102 679	906
Other non-financial liabilities		
Post-employment liabilities	4 150	3 509
	4 150	3 509
	159 528	97 757

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

NOTE 26: ACCOUNTS AND OTHER PAYABLES

	2019	2018
Accounts payable	63 783	91 597
Vendor financing	121 017	144 839
Amounts owed to third party collection customers	29 549	14 051
Amounts prepaid by loan debtors	50 632	48 083
Financial lease liability - due within 12 months (note 16)		489
Other payables	101	1 477
	265 081	300 536

Accounts payable, amounts prepaid by loan debtors and amounts owed to third party collection customers are non-interest bearing and are normally settled within 30 days. Vendor financing is non-interest bearing and relates to portfolio purchases not yet fully paid but normally due within 6 months.

NOTE 27: OTHER CURRENT LIABILITIES

	2019	2018
Financial liabilities at fair value through profit or loss		
Contingent consideration (note 5.2)	19 320	74 393
Derivatives (note 4)	11 129	52 976
	30 449	127 369
Other liabilities at amortised cost		
Amounts due to employees	99 213	93 501
Accrued interest on external loans	85 134	76 435
Accrued costs of external collection services and other expenses	30 921	20 559
Lease liabilities (note 16)	38 579	
Other	9 853	13 196
	263 701	203 692
Indirect taxes payable		
Value added taxes / sales taxes payable	13 046	9 567
Payroll taxes payable	12 232	12 628
Social security payable	22 918	26 676
Other indirect taxes payable	2 554	1 691
	50 750	50 561
	344 900	381 621

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

Amounts due to employees are accruals for fixed and variable salaries and includes accruals for holiday entitlements according to local regulations and practices.

Interest payable on loans and borrowings is normally paid quarterly throughout the financial year.

Indirect taxes are non-interest bearing and are payable on a regular basis to the relevant national tax authority.

Social security payable at 31 December 2019 and 31 December 2018 includes the accrued social security costs of the share option programmes and described in more detail in note 23.

NOTE 28: COMMITMENTS

28.1 Lease commitments - Group as lessee

The Group has entered into leases for office premises, motor vehicles and office equipment. The lease payments for the majority of the office premises lease contracts are adjusted according to the consumer price index, have an extension option and have an average life of between 12 months and 10 years. There are no restrictions placed upon the lessee under the lease contracts to use the office premises in the normal course of business. The commitments related to future payments on lease agreements are presented in note 16.

28.2 Forward flow commitments

The Group has committed to buy non-performing debt portfolios for delivery in future years ("forward flow" contracts) in the following segments. The estimated face value and purchase price of contracts is based on the maximum face value in the purchase agreement or best estimate if there are not any maximum amounts in the purchase agreements. At 31 December, the non-cancellable part of these commitments were as follows:

	2019		2018	
	Face value	Purchase price	Face value	Purchase price
Northern Europe	1 039 902	635 532	1 339 692	759 616
Poland	421 015	99 749	125 386	46 508
Western Europe	223 247	33 483		
Southeastern Europe	92 255	22 723	361 664	112 433
	1 776 419	791 487	1 826 742	918 558

NOTE 29: RELATED PARTY DISCLOSURE

The Group's related parties include the Group management team, Board of Directors of the parent company, associated companies and joint ventures (note 17).

Related party transactions with Group management team and Board of Directors are set out in note 30.

Transactions with associated companies and joint ventures

See note 17 and 18 for transactions with associated companies and joint ventures.

Transaction with Bank2 ASA

In end of May 2016 the Swedish part of the Group sold a Norwegian portfolio to Bank2 ASA. The agreement included an option for the seller to re-purchase the portfolio after two years, and with an option for the buyer to sell the portfolio back to the Group after two years. At the date of sale and until November 2018 it was expected that due to the contractual arrangements it was likely that the Group would purchase the portfolio back after two years. As a consequence the portfolio was not derecognized in the Group accounts as a sale, and the expected future cash outflow for repurchasing the portfolio was presented as a financial liability. At 29 November 2018, the Group agreed with Bank2 ASA that the options would not be exercised and as a result of this Bank2 ASA kept the ownership of the portfolio. The Group paid a compensation of NOK 4 million to Bank2 ASA and recognized a gain of NOK 6 million in the statement of profit or loss from derecognition of the portfolio and liability. Jon Harald Nordbrekken, Chairman of the Board of Directors, and shareholder in B2Holding ASA is also Chairman of the Board of Directors and shareholder in Bank2 ASA. He was not involved in the transaction.

Group companies

Companies in the Group are also related parties. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured and interest free, other than for interest-bearing loans. At 31 December 2019 and 31 December 2018, the Group has not made any provision of doubtful debts relating to intra-group related party balances. This assessment has been undertaken for each period end based on an examination of the financial position of the related party and the market in which the related party operates.

B2Holding ASA, with its registered office in Oslo is the Parent Company of the Group. The list of Group subsidiaries is provided below. All subsidiaries are included in the B2Holding Group consolidated financial statements

Consolidated financial statements

All figures in NOK'000s unless otherwise stated

Company name	Country of incorporation	Segment	Directly owned by B2Holding ASA	% equity interest	
				2019	2018
B2Holding ASA					
Interkreditt AS	Norway	Northern Europe		100 %	100 %
Interkreditt Kapital AS	Norway	Northern Europe		100 %	100 %
Ultimo Netherlands BV	Netherlands	Central functions		1) ¹⁾	100 %
B2Kapital Holding Sarl	Luxembourg	Central functions	√	100 %	100 %
ULTIMO Portfolio Investment SA	Luxembourg	Central functions		100 %	100 %
ULTIMO SA	Poland	Poland		100 %	100 %
ULTIMO Securitisation Fund	Poland	Poland		100 %	100 %
ULTIMO Legal Office	Poland	Poland		99 %	99 %
ULTIMO TFI	Poland	Poland		100 %	100 %
TAKTO Group comprising TAKTO Sp z.o.o,					
TAKTO Securitisation Fund & Invest TAKTO SKA	Poland	Poland		100 %	100 %
Sileo Holding AB	Sweden	Northern Europe		100 %	100 %
Sileo Kapital AB	Sweden	Northern Europe		100 %	100 %
Interkredit Sverige AB (earlier Sileo Finans AB)	Sweden	Northern Europe		100 %	100 %
Sileo Förvaltning AB (earlier Kontant Finans Sverige AB)	Sweden	Northern Europe		100 %	100 %
OK Perintä OY	Finland	Northern Europe		100 %	100 %
Nordic Debt Collection A/S	Denmark	Northern Europe		100 %	100 %
OK Incure OÜ	Estonia	Northern Europe		100 %	100 %
TCM Estonia OÜ	Estonia	Northern Europe		100 %	100 %
B2Kapital SIA	Latvia	Northern Europe		100 %	100 %
Creditreform Latvija SIA	Latvia	Northern Europe		99,5 %	99,5 %
Crefo Rating SIA	Latvia	Northern Europe		100 %	100 %
AS Crefo Birojs	Latvia	Northern Europe		100 %	100 %
UAB B2Kapital (earlier UAB Skolu valdymo centras)	Lithuania	Northern Europe		100 %	100 %
UAB Skolu rizikos sprendimai	Lithuania	Northern Europe		2) ²⁾	74 %
B2 Kapital d.o.o	Croatia	Central Europe		100 %	100 %
B2 Real Estate d.o.o	Croatia	Central Europe		100 %	100 %
B2 Portfolio d.o.o.	Croatia	Central Europe		100 %	100 %
B2Kapital d.o.o	Bosnia and Herzegovina	Central Europe		100 %	100 %
B2Kapital d.o.o	Slovenia	Central Europe		100 %	100 %
B2 Holding Kapital d.o.o	Serbia	Central Europe		100 %	100 %
B2Kapital d.o.o	Montenegro	Central Europe		100 %	100 %
B2Kapital GmbH	Austria	Central Europe		100 %	100 %
B2Kapital Czech Republic s.r.o	Czech Republic	Central Europe		100 %	100 %
Consequence Europe MKFT	Hungary	Central Europe		100 %	100 %
B2Kapital Hungary Zrt	Hungary	Central Europe		100 %	100 %
B2Kapital Porfolio Management S.R.L	Romania	South Eastern Europe		100 %	100 %
B2 Real Estate Management S.R.L.	Romania	South Eastern Europe		100 %	100 %
B2 Kapital Finance I.F.N. S.A.	Romania	South Eastern Europe		100 %	100 %
Debt Collection Agency S.R.L	Romania	South Eastern Europe		100 %	100 %
Debt Collection Agency EAD	Bulgaria	South Eastern Europe		100 %	100 %
Smart Collect EOOD	Bulgaria	South Eastern Europe		100 %	100 %
B2Kapital AE	Greece	South Eastern Europe		100 %	100 %
B2Kapital Cyprus LTD	Cyprus	South Eastern Europe		100 %	100 %
B2 Kapital S.r.l	Italy	Western Europe		100 %	100 %
B2 Kapital Investment S.r.l.	Italy	Western Europe		100 %	100 %
B2 Kapital RE S.r.l.	Italy	Western Europe		100 %	100 %
Confirmación de Solicitudes de Crédito					
Verifica S.A. ³⁾	Spain	Western Europe		100 %	80 %
Acreditia Servicios Auxiliares S.L. ⁴⁾	Spain	Western Europe		4) ⁴⁾	100 %
Verifica Portugal S.A.	Portugal	Western Europe		100 %	100 %
Négociation et Achat					
de Créances Contentieuses	France	Western Europe		100 %	100 %
Tahiti Encaissements Services	French Polynesia	Western Europe		100 %	100 %

1) Merged into B2Holding ASA during 2019

2) Merged into UAB B2Kapital during 2019

3) Used option to acquire the remaining 20 % of the shares during 2019

4) Merged into Confirmación de Solicitudes de Crédito Verifica S.A.

NOTE 30: REMUNERATION

30.1 Remuneration policy

1. Purpose

B2Holding ASA's reward policy is a management tool that shall contribute to Group profit and increased shareholder value and to attract, retain and develop qualified people with the right managerial and professional competencies. This reward policy applies to the Chief Executive Officer of B2Holding ASA (the "CEO"), the Managers in B2Holding ASA and the Directly Reporting Business Units Managers.

"Managers in B2Holding ASA" means managers employed by B2Holding ASA who report directly to the CEO, and the "Directly Reporting Business Units Managers" means managers employed by other group companies and who report directly to the CEO.

"Management" means the CEO, Managers in B2Holding ASA and the Directly Reporting Business Units Managers, and a "Manager" shall mean a member of the Management.

2. Reward Strategy

The fundamental principle in B2Holding's determination of salary and other remuneration for the Management is that the terms are to be competitive with terms in positions with similar responsibility, workload and complexity in the local markets. B2Holding ASA and its subsidiaries ("the Group") will adapt to the local market practices to the extent the Group find expedient.

3. Reward System

All positions relevant for this policy shall be objectively evaluated and given a job grade. The rating of each unique position is determined from the level of accountability, the level of problem solving, and the know-how requirements in the role.

For each job grade, there is a salary band. The midpoint for each salary band is determined regularly, per country, with reference to the external market and the Group's remuneration strategy. Each salary band will have a maximum and a minimum pay level, which is +/- 30 % from the midpoint.

4. Reward

Reward includes all the instruments the organization and its managers have at hand, and utilize to encourage and reward performance. Monetary reward includes:

Base Salary

- Benefits** – e.g. Pension Scheme, Personnel Insurances, Car Scheme, etc.
- Annual Bonus** – Short Term Incentive
- Share Options** – Long Term Incentive

5. Determining Base Salary

The base salary will be determined based on the following criteria's: Job level, Local competition, Salary band for the job, Performance level, Budget and guidelines for annual salary review.

Determining annual base salary movements - the following criteria will apply: Performance level, Present position in salary band, Budget and guidelines for annual salary review.

Expatriates are subject to tailor-made arrangements.

6. Determining Benefits

Benefits will be related to local market standards and job level.

7. Determining Annual Bonus

- a. All Managers subject to this reward policy are eligible for an annual bonus subject to achievement of an agreed set of targets. Performance level related to the set of targets will be the criterion determining the size of the annual bonus. The target structure will comprise Group targets, Business Unit targets and individual targets when appropriate.

A target level expressed in % of base salary will be defined for each Manager. Determination of the target will be based on local market standard for each individual managerial position.

The Board of Directors of B2Holding ASA (the "BoD") will set the target bonus level for the CEO. The BoD will furthermore decide the target bonus level for the other Managers following a recommendation of the CEO.

- b. The target structure will include 2-3 independent weighted components:
 - I. Group targets
 - II. The Group target will be determined by the BoD
 - III. Business unit targets
 - IV. The business unit targets are to be decided by the BoD following the recommendation of the CEO.
 - V. Individual targets - when appropriate with a weight up to 40 %
 - VI. The individual targets will be decided by the CEO.

The CEO's performance will be measured against targets i) and iii). The Business Unit Managers performance will be measured against i), ii), and iii) when an individual target has been decided. The Managers in B2Holding ASA will be measured against i), and ii) when an individual target has been decided.

- c. The bonus level matrix will be reviewed year over year to be in line with the local market and the Group's reward strategy.
- d. The BoD shall approve any annual bonus in excess of target bonus for the individual.
- e. Managers subject to an earn-out model as a result of an acquisition or merger are not eligible for Annual bonus before the earn-out period is over.
- f. Manager having submitted notice of resignation is not eligible for Annual Bonus.

8. Determining Share options

- a. B2Holding has implemented a new Share Option Program, based on the approval from the Annual General Meeting on 24 May 2019, under which options for B2Holding shares may be granted by the BoD to the CEO, Managers in B2Holding ASA and Business Unit Managers responsible for an operating profit above NOK 50 mill. (each an "option candidate").
- b. The new Share Option Program does not have any effect on the remaining outstanding share options granted under earlier share-based incentive programs. No new options shall be granted under these earlier programs, and the BoD shall otherwise manage such programs and the terms and conditions thereof as it deems appropriate (including inter alia by amending exercise periods or extending the term of options granted, but not by agreeing reduction of strike prices).
- c. The intention is to grant new options on an annual basis, awarded on the same date unless in the opinion of the BoD there are circumstances that should indicate otherwise. The BoD shall on an individual basis consider and determine the number of share options, if any, to be granted to each option candidate that year. When making its decision, the BoD shall inter alia take into consideration the potential impact the option candidate may have on the value creation for the shareholders and the Group's earnings performance over time.
- d. The BoD will not in any single calendar year grant share options representing in total more than 0.75 % of the share capital of B2Holding ASA as at the date of the Annual General Meeting in that year.
- e. Granted share options shall vest with one-third on each of the first, second and third anniversary of the grant unless otherwise resolved by the BoD. The share options shall expire no later than on the fifth anniversary of the grant.
- f. The strike price of the options shall be equal to volume weighted average price quoted on the Oslo Stock Exchange for the B2Holding shares in the last twenty trading days prior to the date on which the BoD grants the options ("VWAP"). The strike price shall be adjusted for dividend distribution and mathematical effects from rights issues and other dilutive corporate actions.
- g. Unless otherwise follows from applicable securities law or B2Holding's insider trading rules or policies, the participants in the Share Option Program may sell his/her shares at any time after exercising the option.
- h. Managers who may become entitled to earn-out payments as a result of an acquisition or merger are not eligible for participation in the Stock Option Program before the earn-out period is over.
- i. If a participant dies while being part of the Stock Option Program, the participants' heirs shall inherit the vested options. B2Holding ASA will not withdraw any grants under the Stock Option Program in case of a participants' disability.

9. Rights and obligations

The Reward Policy is a policy that the company intend to comply with. The policy does however not create any rights for the Managers or obligations for B2Holding ASA or its affiliates and may be deviated from, amended, replaced or terminated by B2Holding ASA at its sole discretion at any point in time and without notice.

10. Governance

Any amendments to this policy shall be approved by the BoD.

The Group has been compliant to the above the last year.

30.2 Group management and Board of Directors

Remuneration 2019	Salary ¹⁶⁾	Bonus earned in 2019 ¹⁷⁾	Pension expense benefits ¹⁸⁾	Other benefits ¹⁸⁾	Total	Share option cost ¹⁹⁾	Directors fee
Group Management							
Erik Just Johnsen, Chief Executive Officer ¹⁾	3 247	450	172	25	3 894	144	
Cecilie Kjelland, Chief Legal and Compliance Officer ²⁾	746	84	57	8	895		
Rasmus Hansson, Head of M&A and Investor Relations ³⁾	2 287	271	172	19	2 748	101	
Jeremi Bobowski, Chief Risk Officer ⁴⁾	2 283	268	152	390	3 093	144	
Johannes Raschke, Chief Investment Officer ⁵⁾	690	261	51		1 001		
Tore Krogstad, Head of Personnel, Improvement & Restructuring ⁶⁾	2 069	252	172	29	2 522	429	
Adam Parfiniewicz, Head of Unsecured Asset Management ⁷⁾	2 269	312		23	2 604	144	
George Christoforou, Head of Secured Asset Management ⁸⁾	1 675	310	788	107	2 880	871	
Maria Haddad, Head of Corporate Development ⁹⁾	2 266	245			2 510	498	
J. Harald Henriksen, Chief Governance Officer ¹⁰⁾	2 215	265	174	19	2 673	53	
Former members of Group Management							
Olav Dalen Zahl, Chief Executive Officer ¹¹⁾	2 518		132	139	2 789		
Thor Christian Moen, General Counsel ¹²⁾	1 899		146	20	2 065	74	
Danckert P. Mellbye, Chief Operations Officer ¹³⁾	1 805		144	21	1 969	304	
Ilija Plavcic, Regional Director Central Europe ¹⁴⁾	1 986				1 986		
Kari Ahlström, Regional Director Finland & Baltics ¹⁵⁾	2 651		663	106	3 420	117	
Board of Directors							
Jon Harald Nordbrekken, Chairman				5	5		800
Per Kristian Spone							340
Kari Skeidsvoll Moe							315
Niklas Wiberg							315
Adele Bugge Norman Pran							340
Kjetil A. Garstad, Deputy member							300
Grethe Wittenberg Meier, Deputy member							300
Total	30 605	2 718	2 823	911	37 056	2 879	2 710

1) Erik J. Johnsen, still Chief Financial Officer, took up the position as interim Chief Executive Officer with effect from 15 August 2019, and with permanent effect from 5 February 2020.

2) Cecilie Kjelland took up the new position as Chief Legal and Compliance Officer with effect from 1 September 2019.

3) Rasmus Hansson, formerly Director of M&A, took up the new position as Head of M&A and Investor Relations with effect from 9 October 2019.

4) Jeremi Bobowski, formerly Chief Investment Officer, took up the new position as Chief Risk Officer with effect from 9 October 2019.

5) Johannes Raschke, formerly Group Head of Portfolio Management, took up the position as Chief Investment Officer with effect from 9 October 2019.

6) Tore Krogstad, formerly Regional Director Scandinavia, took up the new position as Head of Personnel, Improvement and Restructuring with effect from 2 January 2020.

7) Adam Parfiniewicz, formerly Regional Director Poland and later Head of Unsecured and Regional Director Poland, Finland & Baltics, took up the new position as Head of Unsecured Asset Management with effect from 2 January 2020.

8) George Christoforou, formerly Regional Director South East Europe and later Head of Secured and Regional Director Central and South East Europe, took up the new position as Head of Secured Asset Management with effect from 2 January 2020.

9) Maria Haddad, formerly Regional Director Western Europe, took up the new position as Head of Corporate Development with effect from 2 January 2020.

10) J. Harald Henriksen, previously Chief Compliance Officer, took up the new position as Chief Governance Officer with effect from 14 February 2019 and was a member of the Executive Management Group until 19 February 2020. Mr. Henriksen exercised 900,000 share options in January 2019, receiving a non-cash, taxable benefit with a value of NOK 3.7 million.

11) Olav Dalen Zahl held the position as Chief Executive Officer until 15 August 2019. Mr. Zahl received ordinary salary and agreed benefits during a 6-month period of notice ended 29 February 2020. Further, after the notice period, he is entitled to a severance payment of 12 month base salary of NOK 3.85 million that will be paid over a 12 months period and 6 month use of a company car with a total benefit value of NOK 95 thousand. The expiry date of 6,000,000 exercisable share options vested 31 December 2018 is extended to 30 June 2022.

12) Thor Christian Moen was part of Group Management in the period 14 February - 30 September 2019.

13) Danckert P. Mellbye was part of Group Management in the period 14 February - 30 September 2019.

14) Ilija Plavcic was part of Group Management until 13 September 2019.

15) Kari Ahlström held the position as Regional Director Finland and Baltics until 30 June 2019.

16) Salary is basic salary and if applicable earned, not paid, holiday allowance for 2019.

17) Provision for holiday allowance is not included.

18) Other benefits including amongst others company car, telecom and insurances.

19) Accrued social security costs are not included in the share option cost stated above.

Current CEO and Group Management have received bonus according to the bonus program described in the Remuneraton Policy, see note 30.1.

Group Management has not received remuneration or financial benefits from other B2H Group companies than the one listed above, and no additional remuneration are paid for special services outside the normal functions within the given mangager positions.

The Board of Directors of B2Holding ASA has entered into a consultancy agreement with the Chairman of the Board, Jon H. Nordbrekken with a total amount of NOK 2.0 million, where of NOK 1.0 million in 2019.

No loans or guarantees have been given to members of the Management, the Board of Directors or other elected corporate bodies.

The employment agreements of the CEO and Managment have a mutual 6-month period of notice from the last day of the month/the day in which the written notice is received by the other party. If the Company terminates the employment agreement, the CEO/Manager is entitled to ordinary salary and agreed benefits throughout the period of notice and the right to severance pay from the date of termination corresponding to 12 months' base salary without the addition of holiday pay and other benefits (such as pension costs, car schemes, telephone etc.). For the CEO the severance is paid in 12 monthly rates starting from the time of ended 6-month notice period. Same for Management, but there is an option that it could instead be paid in one total amount at the time of ended 6-months notice period. The right to severance pay is conditional upon the CEO/Manager not committing a serious breach of duty or other material breach of his duties.

Remuneration 2018	Salary	Bonus earned in 2018	Pension expense	Other benefits	Total	Share option cost	Directors fee
Group Management							
Olav Dalen Zahl, Chief Executive Officer	3 512	1 425	181	195	5 313		
Erik Just Johnsen, Chief Financial Officer	2 686	707	183	17	3 593		
J. Harald Henriksen, Chief Governance Officer	2 075	645	168	22	2 910		
Rasmus Hansson, Director M&A	1 908	600	170	21	2 699	54	
Jeremi Bobowski, Chief Investment Officer	2 496	629	144		3 269	54	
Thor Christian Moen, General Counsel	2 306	748	178	33	3 265	54	
Danckert P. Mellbye, Chief Operations Officer	1 980	735	177	37	2 929	565	
Executive Management Team							
Henrik Wennerholm, Regional Director Scandinavia	736		140	33	909	54	
Tore Krogstad, Regional Director Scandinavia	1 284	594	190	27	2 095	399	
Kari Ahlström, Reginal Director Finland & Baltics	2 054	627	557	163	3 401	390	
Ilija Plavcic, Regional Director Central Europe	2 880	871			3 751	91	
Adam Parfiniewicz, Regional Director Poland	2 028	706		29	2 764	223	
Christos Savvides, Regional Director South Eastern Europe							
George Christoforou, Regional Director South Eastern Europe	614	529		19	1 163	294	
Maria Haddad, Regional Director Western Europe	365	193			558	101	
Board of Directors							
Jon Harald Nordbrekken, Chairman				13	13		675
Per Kristian Spone							288
Kari Skeidsvoll Moe							263
Niklas Wiberg							115
Adele Bugge Norman Pran							175
Kjetil A. Garstad, Deputy member							175
Grethe Wittenberg Meier, Deputy member							175
Trygve Lauvdal							88
Tove Raanes							113
Total	26 924	9 009	2 088	611	38 632	2 279	2 067

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 2019 were as set out below. For details of options granted to the Board of Directors and Group Management, please refer to note 21.

Name	Position	Number of shares
Jon Harald Nordbrekken ¹⁾	Chairman of the Board	27 200 000
Per Kristian Spone ²⁾	Board member	72 708
Kari Skeidsvoll Moe	Board member	6 200
Kjetil A. Garstad ³⁾	Deputy Board member	451 425
Grethe Wittenberg Meier	Deputy Board member	25 000
Erik Just Johnsen ⁴⁾	Chief Executive Officer	1 910 000
Rasmus Hansson ⁵⁾	Head of M&A and Investor Relations	100 057
Tore Krogstad	Head of Personnel, Improvement & Restructuring	56 000
Maria Haddad	Head of Corporate Development	100 000
J. Harald Henriksen ⁶⁾	Chief Governance Officer	920 057

1) Jon H. Nordbrekken holds 2,200,000 personally. In addition Valset Invest AS, an entity controlled by Nordbrekken and his related parties, holds 25,000,000 shares

2) Per K. Spone holds 66,708 personally. In addition persons related to Spone holds 6,000 shares

3) Steel City AS, an entity controlled by Kjetil A. Garstad, holds 451,425 shares

4) Pine AS, an entity controlled by Erik Just Johnsen holds 1,910,000 shares

5) Rmh Invest AS, an entity controlled by Rasmus Hansson, holds 100,057 shares

6) Haralditt AS, an entity controlled by J. Harald Henriksen, holds 920,057 shares

Share options owned by Group management and Board of Directors

The following members of the Board and Management participate in the option programs:

See note 21 for further information of the Group share option program below. For details of options granted to the Board of Directors and Group Management, please refer to note 21.

	Grant date	Number of options granted	Number of options vested at 31.12.19	Number of options vested at 31.12.18	Expiry date ³⁾	Exercise price range NOK
Jon Harald Norbrekken (Chairman of the Board)	01.07.15	6 000 000	6 000 000	6 000 000	30.06.20	8-9
Erik Just Johnson (Chief Executive Officer) ¹⁾	25.06.19	270 000			25.06.24	10.14
Rasmus Hansson (Head of M&A and Investor Relations)	09.09.15	600 000	600 000	600 000	30.06.20	10-12
	25.06.19	190 000			25.06.24	10.14
Jeremi Bobowski (Chief Risk Officer)	09.09.15	600 000	600 000	600 000	30.06.20	10-12
	25.06.19	270 000			25.06.24	10.14
Tore Krogstad (Head of Personnel, Improvement & Restructuring)	01.04.18	450 000	150 000		31.12.21	20.60-23.75
	25.06.19	270 000			25.06.24	10.14
Adam Parfiniewicz (Head of Unsecured Asset Management)	15.06.16	600 000	600 000	400 000	31.12.19	12-14
	25.06.19	270 000			25.06.24	10.14
George Christoforou (Head of Secured Asset Management)	01.09.18	450 000	150 000		31.12.21	17.81-20.58
	25.06.19	270 000			25.06.24	10.14
Maria Haddad (Head of Corporate Development)	01.10.18	450 000	150 000		31.12.21	15.22-17.59
	25.06.19	270 000			25.06.24	10.14
J. Harald Henriksen (Chief Governance Officer) ²⁾	01.07.15	900 000		900 000	30.06.19	8-9
	25.06.19	100 000			25.06.24	10.14
Olav Dalen Zahl (Chief Executive Officer until 15 August 2019)	01.07.15	6 000 000	6 000 000	6 000 000	30.06.22	8-9
Thor Christian Moen (General Counsel until 30 September 2019)	09.09.15	600 000	600 000	600 000	30.06.20	10-12
	25.06.19	270 000			25.06.24	10.14
Danckert P. Mellbye (Chief Operations Officer until 30 September 2019)	20.09.17	375 000	250 000	125 000	31.12.20	17.60-20.30
	25.06.19	270 000			25.06.24	10.14
Kari Ahlström (Regional Director Finland & Baltics until 30 June 2019)	27.04.17	450 000	300 000	150 000	31.12.20	14.26-16.32
Total		19 925 000	15 400 000	15 375 000		

1) Erik J. Johnson was granted 2,100,000 share options 4 February 2020 at a strike price of NOK 8.726 with expiry date 25 June 2024

2) J. Harald Henriksen exercised 900,000 options 2 January 2019 at a subscription price per share of NOK 8.356

3) See note 21 for extension of expiry date until 30 June 2020 for share options originally expired at 1 July and 31 December 2018.

30.3 Fees to auditors

The table below summarises audit fees, fees for further assurance services and tax services incurred by the Group during 2019 and 2018 from Ernst & Young, who were appointed the Group auditors in December 2014. Fees include all companies in the Group.

	2019	2018
Audit fees	8 867	6 859
Fees for further assurance services	689	1 153
Fees for tax services	473	990
	10 029	9 002

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

NOTE 31: GUARANTEES

B2Holding ASA have issued a guarantee limited to EUR 612 million with the addition of any and all interests, default interests, costs and expenses to DNB Bank ASA as Agent on behalf of itself, Nordea Bank ABP, filial i Norge and Swedbank AB in connection with the provision of the Group's senior secured multi-currency revolving credit facility of EUR 510 million. The guarantee was issued on behalf of the borrower under the multi-currency revolving credit facility, B2Holding ASA's 100 % directly owned subsidiary, B2Kapital Holding S.à r.l. The total utilised amount under the facility at 31 December 2019 was EUR 300 million.

B2Holding ASA issued a office rental guarantee with effect from 10 October 2017 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement matures in September 2021 with the option of extending for an additional 3 years if not cancelled within a specified date. Although the guarantee is unlimited, the Group estimates that its exposure for the remaining rental period is limited to the monthly rental cost for the period, which amounts to SEK 3.8 million.

B2Holding ASA issued a office rental guarantee with effect from 19 December 2017 in favour of the lessor of the Group's offices in Wroclaw, Poland. The guarantee agreement is limited to the aggregated amount of EUR 402 thousand, which are ment to cover 3 months office rental cost, and are valid until 90 days following the rental agreement maturing in June 2023.

NOTE 32: SUBSEQUENT EVENTS

The Board of Director's announced its intention to propose a dividend of NOK 0.08 per share for the financial year 2019 to the Annual General Meeting. Due to the uncertainty associated with the Covid-19 pandemic and unknown macroeconomic consequences, the Board of Directors has resolved to cancel the previously announced proposal to pay a cash dividend of NOK 0.08 per share for 2019. The dividend is subject to approval on the Annual General Meeting, which will be held in May 2020.

On 22 January it was announced that B2Holding through its Cypriot entity B2Kapital Cyprus, in a partnership with Waterfall Asset Management, signed an agreement with Bank of Cyprus Public Company Ltd. for the acquisition of an unsecured non-performing loan portfolio. The portfolio has a Face Value of EUR 400 million and consists of a mix of loan products issued to individuals and small businesses. The entire portfolio will be serviced by B2Kapital Cyprus.

On 5 February it was announced that Erik J. Johnsen has been appointed as CEO of the Company. Johnsen has been acting as CEO since 15 August 2019 and assumes the role with immediate effect.

On 7 February it was announced that B2 Kapital S.r.l., the Italian branch of B2Holding ASA, and Banca Sella S.p.A. have signed an agreement aimed at the acquisition and servicing of banking and financial non-performing loans (NPL), secured and unsecured, originated from third parties in the Italian market.

On 23 March it was announced that B2Holding had made a buyback in bond B2H01 (ISIN: NO0010753072) of EUR 16.4 million in nominal amount to the price of 97 % of par value.

During the first quarter of 2020 the spread of the coronavirus (Covid-19) has impacted all European countries with increasing severity. In March 2020, the World Health Organization (WHO) declared Covid-19 a global pandemic. During this period countries and organizations, including B2Holding, have taken considerable measures to mitigate risk for communities, employees and business operations. The full extent, consequences, and duration of the Covid-19 pandemic and the resulting operational and economic impact for B2Holding cannot be predicted at the time of publication of these Consolidated financial statements. B2Holding has a good foundation to face the uncertain business outlook. Nevertheless, the implemented restrictions to prevent the spread of the virus will have a negative impact on European economies and will also affect the Group's collections and recoveries and consequently the net income, credit risk and liquidity risk in the short-term. The Group has temporary reduced portfolio purchases to a minimum in order to preserve and strengthen liquidity going forward.

The Group's presentation currency and B2Holding ASA's functional currency is NOK (Norwegian Krone). Since year-end 2019, the Norwegian Krone has depreciated significantly against most other currencies and the Euro has significantly appreciated against many of the currencies the Group has exposure towards. These conditions may significantly affect the consolidated financial statements in 2020. In 2019, approx. 99 % of revenue was related to operations outside Norway. Currency effects related to monetary items denominated in foreign currencies not used for net investment hedge in accordance with IFRS 9 is recorded as Net exchange gain/(loss) in the income statement. Please see note 4 for further information about the Group's exposure and sensitivity related to changes in foreign exchange rates.

Parent company income statement

Year ended 31 December	Notes	2019	2018
Operating revenue from group companies		33 102	21 876
Total revenues		33 102	21 876
Personnel expenses	3	-53 242	-34 713
Depreciation and amortisation	7	-642	-402
Operating expenses from group companies		-15 867	
Other operating expenses	4	-43 066	-99 067
Operating expenses		-112 817	-134 182
Operating profit		-79 715	-112 306
Profit from shares in associated parties/joint ventures		1 451	
Net gain/(loss) on other investments	5	-61 708	984 878
Interest income from group companies		496 317	404 747
Interest expense to group companies		-3 759	-575
Net exchange gain/(loss)	5	-11 232	20 775
Other interest expenses	5	-497 393	-364 197
Other financial items	5	-19 324	-17 186
Net financial items		-95 648	1 028 442
Profit before tax		-175 363	916 136
Change in deferred taxes	6	18 814	-5 053
Profit after tax		-156 549	911 083
<i>Attributable to:</i>			
Ordinary dividends			-184 470
Other equity		- 156 549	726 613

Parent company balance sheet

As at 31 December	Notes	2019	2018
Tangible and intangible assets	7	4 653	2 027
Investment in subsidiary companies	8	3 426 544	2 759 979
Investments in associated companies and joint ventures	8	275 891	
Long-term loans to group companies	8.1	9 188 374	8 559 834
Other non-current financial assets		50 041	47 516
Total non-current assets		12 945 503	11 369 356
Short-term receivables from group companies	9	151 822	50 694
Other short-term assets		34 101	21 294
Cash and short-term deposits	9	5 839	11 254
Total current assets		191 762	83 242
Total assets		13 137 265	11 452 598
Share capital	10, 11	40 993	40 903
Other paid in capital	10, 11	2 843 325	2 835 895
Other capital reserves	10, 15.1	14 819	13 741
Other equity	10	925 341	805 089
Total equity		3 824 478	3 695 628
Deferred tax liabilities	6		16 169
Long-term interest bearing loans and borrowings	12	7 437 305	7 162 776
Total non-current liabilities		7 437 305	7 178 945
Short-term interest bearing loans and borrowings	12	1 479 570	
Short-term payables to group companies	9	301 987	300 885
Accounts and other payables		2 396	1 829
VAT, payroll and other public duties payables		4 877	4 525
Other current liabilities	13	86 652	270 786
Total current liabilities		1 875 482	578 025
Total liabilities		9 312 787	7 756 970
Total equity & liabilities		13 137 265	11 452 598

Oslo, 29 April 2020

/sign/
Jon H. Nordbrekken
Chairman of the
Board

/sign/
Adele Bugge
Norman Pran
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Per Kristian Spone
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Erik J. Johnsen
Chief Executive
Officer

Parent company cash flow statement

Year ended 31 December	2019	2018
Cash flow from operating activities		
Profit for the year before tax	-175 363	916 136
<u>Adjustment for non-cash items:</u>		
Depreciation and amortisation of assets	642	402
Interest expense on interest bearing loans	497 388	364 194
Amortisation of loan financing costs	25 654	16 705
Share based payment expense	1 077	1 126
Unrealised foreign exchange differences	23 616	-17 295
<u>Operating cashflows:</u>		
(Grant) / repayment of long-term receivables	756	854
Interest paid on interest bearing loans & borrowings	-476 031	-355 916
<u>Operating capital adjustments:</u>		
Decrease / (increase) in short-term balances with group companies	-100 026	162 069
Decrease / (increase) in accounts receivable and other current assets	-12 807	-5 436
Decrease / (increase) in other non-current financial assets	-28 978	-19 941
Increase / (decrease) in accounts payable and other current liabilities	-20 102	-4 171
Net cash flow from operating activities	-264 174	1 058 727
Cash flow from investing activities		
Purchase of tangible and intangible fixed assets	-3 275	-1 066
Purchase of shares in subsidiary companies	-446 718	-673 933
Purchase of shares in joint ventures	-275 765	
Sale of shares in subsidiary companies	59 473	1 148
Decrease / (Increase) in long-term loans to group companies	-688 902	-2 914 208
Net cash flow from investing activities	-1 355 187	-3 588 059
Cash flow from financing activities		
Proceeds from the issue of new shares, net of transaction costs	7 520	752 529
Establishment of interest bearing loans and borrowings, less loan financing costs	1 943 300	1 901 260
Repayment of interest bearing loans and borrowings during the year	-152 404	
Dividend paid to shareholders	-184 470	-121 930
Net cash flow from financing activities	1 613 946	2 531 859
Net cash flow during the year	- 5 415	2 527
Cash and cash equivalents at 1 January	11 254	8 727
Cash and cash equivalents at 31 December	5 839	11 254

Notes to the parent company financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2019, consist of the income statement, balance sheet, cash flow statement and notes to the accounts. The financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK'000) except where otherwise indicated.

Investments

Investment in subsidiaries, associated companies and joint venture companies are accounted for using the cost method. The investments are recorded at the acquisition price of the shares and will be written down or impaired to fair value when a fall in value is due to reasons that cannot be assumed to be temporary and are necessary according to generally accepted accounting principles. Write-downs are reversed when there is no longer a basis for impairment. Dividends and group tax contributions from subsidiaries are recognised in the income statement when the subsidiary has proposed these.

Interest bearing loans and borrowings

Borrowings are recognised at nominal value. Directly associated costs are amortised straightline over the term of the loan.

Foreign currency

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

Classification

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

Tangible fixed assets

Tangible fixed assets are recorded in the balance sheet at historical cost less depreciation based on an assessment of useful economic life. If the recoverable amount is less than the balance sheet value, then the amount is impaired to the recoverable amount which is the highest of net sales value or value in use. Value in use is the current value of the future cash flows that the asset will generate.

Intangible assets

Intangible assets include purchase of software. Expenditures for IT development and maintenance are expensed as incurred.

Intangible assets acquired separately are measured on initial recognition at cost.

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

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

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

Lease agreements

A lease is classified as either a finance or operating lease. Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

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

Receivables and other current assets

Receivables and other current assets are accounted for at face value less any provision for expected losses.

Tax

Current income tax:

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax:

Deferred income tax is computed using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date as well as tax losses carried forward. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities.

Defined contribution pension plans

The Company operates a defined contribution pension plan under which the company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods, and therefore does not record a pension liability in the balance sheet.

Share based payments

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in B2Holding Group financial statement note 23. That cost is recognised in personnel costs, together with a corresponding increase in other capital reserves within equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of that period.

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. For further details, see note 13 in B2Holding Group financial statement.

Cash flow statement

The cash flow statement is prepared according to the indirect method which reconciles the change in cash and cash equivalents to the profit for the year before tax. Cash flows are divided into cash flows from operating activities, investing activities and financing activities. Cash and cash equivalents consist of cash and short-term deposits as well as immediately available balances with banks and similar institutions. Short-term deposits are easily and readily convertible to a known amount of cash and have a maturity of not more than three months.

NOTE 2: FINANCIAL RISK MANAGEMENT

The B2Holding Group's activities are exposed to financial risks: market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. The Company focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects of the market fluctuations on the Group's financial performance.

Market risk**Market and regulatory environment:**

The prime market risk for the Company is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the Group debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables.

The services and products offered in the respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licenses, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

Currency and interest rate risk

The strategy of the Company is to manage and limit both currency and interest rate risk for the Group. The Group holds various derivative financial instruments with the purpose of reducing its interest rate exposure and achieving a suitable currency ratio between the Group's assets and liabilities.

Currency risk:

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

The Group's bond loans is denominated in EUR and borrowings under the multi-currency revolving credit facility are drawn in PLN, SEK and NOK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2019: (i) FX Forward of NOK 250 million bought against DKK, (ii) FX Forward of EUR 35 million bought against DKK, (iii) FX Forward of EUR 45 million bought against SEK and (iv) FX Forward of EUR 10 million bought against PLN. At 31 December 2019, net debt amounted to NOK 11,520 million. Adjusted for the currency derivatives mentioned above, the net debt represented a currency basket comprising EUR: 68 %, PLN: 16 %, SEK: 10 % and DKK: 6 %.

For currency sensitivity analysis for the Group, please refer to note 4.1 in B2Holding Group financial statement.

Interest rate risk:

The Group uses interest rate swaps and interest rate caps to reduce its interest rate exposure. The Group's strategy is to hedge between 60 % and 120 % of net borrowings up to a maximum period of 5 years. The hedging ratio at 31 December 2019 was 71 % with a duration of 3.2 years. For details of the Group's hedging effective at 31 December 2019, please refer to note 4.1 in B2Holding group financial statement.

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

Credit risk

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

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

Liquidity risk

The Company's five bond loans of EUR 925 million in total and the Group's multi-currency revolving credit facility of EUR 510 million and cash and cash equivalents, totalling NOK 14,510 million at 31 December 2019, ensures necessary funding to meet future payment obligations.

At 31 December 2019 the Group had an unused part of the revolving credit facility totalling EUR 180 million or NOK 1,775 million, an unused part of the multi-currency overdraft totalling EUR 30 million or NOK 296 million in addition to cash and cash equivalents of NOK 356 million. For maturity profile of the Group's financial liabilities, please refer to note 4.1 in B2Holding Group financial statement.

NOTE 3: PERSONNEL EXPENSES

	2019	2018
Wages, salaries and other benefits paid	42 313	36 701
Social security costs	7 602	7 930
Defined contribution pension costs	3 508	2 623
Other personnel costs	4 912	5 068
Cost share option program	1 077	1 126
Social security cost share option program	-6 169	-18 735
	53 242	34 713
Number of full time equivalents (FTEs) at 31 December	26.9	20.9

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

NOTE 4: OTHER OPERATING EXPENSES

	2019	2018
Audit and tax services	2 700	2 655
External accounting services & temporary consultants	231	438
Legal services	12 316	4 206
Other professional services	9 730	72 613
Cost of office premises	4 616	3 126
IT, telecommunications	2 389	2 009
Marketing, business entertaining	3 438	3 904
Travel, accommodation, meetings, arrangements	3 606	4 663
Printing, postage	1 013	1 204
Statutory and other corporate costs	3 026	4 249
	43 066	99 067

NOTE 5: FINANCIAL ITEMS

	2019	2018
Dividend from Ultimo Netherlands B.V.		973 980
Group contribution from Ultimo Netherlands B.V., NUF		8 390
Group contribution from Interkreditt AS	593	2 561
Loss on sale of Investments to group companies	-50 876	-53
Write-down on investments	-11 425	
Net gain/(loss) on other investments	-61 708	984 878
Realised exchange gains / (losses)	12 384	3 482
Unrealised exchange gains / (losses)	-23 616	17 293
Net realised and unrealised exchange gains / (losses)	-11 232	20 775
Interest expense on interest bearing loans	-497 388	-364 194
Other interest expense	-5	-3
Other interest expenses	-497 393	-364 197
Interest income on cash & short-term deposits		103
Other interest income	54	
Gain on financial instruments	8 257	
Costs of financing	-27 635	-17 289
Other financial items	-19 324	-17 186

NOTE 6: TAXES

The major components of income tax reported in the income statement were:

	2019	2018
Current income tax		
Current year income tax payable	0	0
Origination and reversal of temporary differences	-18 814	5 053
Deferred tax expense / (income)	-18 814	5 053
Total tax expense reported in the income statement	-18 814	5 053

Calculation of the income tax base

	2019	2018
Profit before tax	-175 363	916 136
Permanent differences	59 865	-954 134
Group contribution	593	10 951
Change in temporary differences	-27 421	-36 104
Transfer to / (from) tax losses carried forward	142 326	63 151
Current year income tax base	0	0
Current year income tax payable at 22 %	0	0

Calculation of the deferred tax base	2019	Deferred taxes		Change in
		Adjustment 1. January 2019 ¹⁾	2018	deferred taxes 2019
Long-term loans to group companies	293 552	-131 378	485 442	
Fixed assets	471			
Taxable temporary differences	294 023	-131 378	485 442	
Fixed assets			-50	
Other receivables & liabilities	-2 819		-8 988	
Long-term interest bearing loans	-310 714		-391 956	
Tax losses carried forward - no time limit on expiry 1)	-375 966	143 401	-214 626	
Reversal of basis for deferred tax asset not recognised	395 476		203 671	
Deductible temporary differences	-294 023	143 401	-411 949	
Net basis for deferred tax / tax asset	0	12 023	73 493	
Basis for deferred tax at 22 %	-87 005	2 645	-28 639	-61 011
Deferred tax asset not recognised	87 005	0	44 808	42 197
Net deferred tax / change in deferred taxes	0	2 645	16 169	-18 814
<i>Comprising:</i>				
22 % deferred tax liability	64 685	-28 903	106 797	
22 % deferred tax asset	-64 685	31 548	-90 628	
	0	2 645	16 169	

1) Tax effect post the merger of Ultimo Netherlands B.V. into the Company with effective date as of 1 January 2019, where deferred FX gain in the Company on intercompany loan to Ultimo Netherlands B.V. as of 31 December 2018 (NOK 484,8 mill) is replaced with the lower deferred FX gain on the intercompany loan from Ultimo Netherlands B.V. to subsidiary B2Kapital Holding Sarl (NOK 383,4 mill). Further temporary differences in Ultimo Netherlands B.V. (NOK 12,023 mill) as of 31 December 2018 are eliminated in tax losses carried forward.

Significant judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Reconciliation of the Norwegian nominal tax rate to the effective tax rate	2019	2018
Profit before tax	-175 363	916 136
Expected tax expense at the Norwegian nominal tax rate of 22 % (23 % 2018)	-38 580	210 711
Tax effect of permanent differences	13 301	-216 932
Tax effect on change in Norwegian tax rates from 24% to 23% (2018)		-735
Tax effect of Merger	-31 548	
Tax effect of the change in unrecognised deferred taxes	42 197	12 009
Tax effect on estimate change	-4 184	
Total income and deferred tax expense	-18 814	5 053

NOTE 7: TANGIBLE FIXED ASSETS

	Equipment, fixtures & fittings	Software	Total
Acquisition / purchase cost			
At 1 January 2019	2 838	70	2 908
Additions	757	2 518	3 275
Disposals	-21		-21
At 31 December 2019	3 574	2 588	6 162

Depreciation and impairment

At 1 January 2019	851	30	881
Depreciation charge for the year	569	73	642
Accumulated depreciation on disposals	-14		-14
At 31 December 2019	1 406	103	1 509

Depreciation and impairment

At 31 December 2019	2 168	2 485	4 653
At 1 January 2019	1 987	40	2 027

Depreciation method	Straight line	Straight line
Economic useful lives	0-5 years	3 years

NOTE 8: INVESTMENT IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Name of subsidiary	Country of incorporation	Established/ acquired	% equity interest ¹⁾		Equity 2019	Profit 2019	Book value 2019
			2019	2018			
Ultimo Netherlands B.V.	the Netherlands	2014		100.00 %			
B2Kapital Holding S.a.r.l.	Luxembourg	2014	100.00 %		5 025 511	-133 351	3 425 423
Sileo Förvaltning AB	Sweden	2013	100.00 %		1 103	-3 171	1 121
B2 Kapital Portfolio Management S.R.L. ²⁾	Romania	2016	0.20 %	0.20 %	38 449	-98 159	0
Joint venture companies							
CE Partner S.à.r.l	Luxembourg	2018	50.00 %	50.00 %	85	-33	58
CE Holding Invest S.C.S.	Luxembourg	2018	49.99 %	49.99 %	579 047	27 603	275 833
							3 702 435

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

2) The 99.8 % majority of the shares are owned by B2Kapital Holding Sàrl (Luxembourg), a 100 % owned B2Holding Group company

Ultimo Netherlands B.V. was merged into B2Holding ASA with effect from 1 January 2019. B2Kapital Holding S.a.r.l. and Sileo Förvaltning AB was two subsidiaries still owned by Ultimo Netherlands B.V. at the time of merger.

During 2019 the Group entered a new joint venture with DDM Group, holding portfolios in Croatia, an investment of NOK 276 million. The Group holds 50 % of the share capital and voting rights in CE Partner S.à.r.l. and CE Holding Invest S.C.S. with offices in Luxembourg. The Group is master servicer for the joint venture.

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.

8.1 Long-term loans to group companies

	2019	2018
Ultimo Netherlands B.V.		8 559 834
B2Kapital Holding S.a.r.l.	9 188 374	
Long-term loans to group companies	9 188 374	8 559 834

NOTE 9: CASH AND SHORT-TERM DEPOSITS

	2019
Cash at banks:	
Unrestricted balances	977
Tax deductions from employee payroll	2 396
Other restricted balances	2 466
	5 839

Cash at banks earns interest at floating rates which is based on bank deposit rates. Other restricted balances represent deposits paid into an escrow account in connection with lease of office premises.

For the purpose of the statement of cash flow, cash and cash equivalents comprised the cash balances in the table above.

In addition the Company holds bank accounts in the Group's multi-currency cashpool, with a net amount of NOK -223.6 million, gross classified as "Short-term receivables from group companies" and "Short-term payables to group companies" in the balance sheet.

NOTE 10: CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Other paid-in capital	Other capital reserves	Other equity	Total equity
At 1 January 2019	40 903	2 835 895	13 741	805 089	3 695 628
Profit for the year after tax				-156 549	-156 549
Other equity from merger (note 8)				276 801	276 801
Issue of share capital (note 11)	90	7 430			7 520
Share based payment (note 15.1)			1 077		1 077
Dividends					0
At 31 December 2019	40 993	2 843 325	14 818	925 341	3 824 478

The Bord of Directors has decided to propose for the Annual General Meeting in 2020 an ordinary cash dividend for 2019 of NOK 0.00 per share. See note 18 for subsequent events.

NOTE 11: SHARE CAPITAL AND OTHER PAID-IN CAPITAL

Ordinary shares have a nominal value of NOK 0.10 each and all provide the same rights in the Company. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital ¹⁾ NOK'000s
At 1 January 2019	409 032 598	40 903	2 835 895
Exercise of employee share options on 25 January 2019 at an average subscription of 8.356	900 000	90	7 430
At 31 December 2019	409 932 598	40 993	2 843 325
At 29 april 2020 (the date of completion of these financial statements)	409 932 598	40 993	2 843 325

For further information about mandates granted to the Board of Directors to increase the share capital, please refer to note 22 in B2Holding Group financial statement.

The largest shareholders at 31 December 2019 were as follows:

The largest shareholders at 31 December 2019 were as follows:	Number of shares	% total
Prioritet Group AB ¹⁾	52 913 000	12.91 %
Rasmussengruppen AS	43 073 236	10.51 %
Valset Invest AS ¹⁾	25 000 000	6.10 %
Stenshagen Invest AS ¹⁾	18 893 376	4.61 %
Verdipapirfondet DNB Norge	13 712 347	3.35 %
K11 Investor AS	9 766 680	2.38 %
Bryn Invest AS	8 676 690	2.12 %
Rune Bentsen AS	8 191 680	2.00 %
Verdipapirfondet Alfred Berg Gambak	7 825 891	1.91 %
Verdipapirfondet Alfred Berg Norge	7 715 276	1.88 %
Skandinaviska Enskilda Banken AB	7 077 252	1.73 %
Arctic Funds Plc	6 484 744	1.58 %
Verdipapirfondet Pareto Investment	6 381 405	1.56 %
Greenway AS	5 802 368	1.42 %
Verdipapirfondet Alfred Berg Aktiv	5 409 161	1.32 %
Swedbank Robur Nordenfond	5 400 000	1.32 %
Arctic Funds Plc	4 779 734	1.17 %
Tycoon Industrier AS	4 599 310	1.12 %
Fjelltunveien Invest AS	4 100 000	1.00 %
Remaining shareholders (less than 1 %)	164 130 448	40.04 %
	409 932 598	100.00 %

1) Shareholder represented in the Board of Directors

Shares owned by Board of Directors and Group Management

The number of shares owned directly or indirectly by the Board of Directors and Management at 31 December 2019 were as set out below. For details about share option programs and share based payments granted to the Board of Directors and Management, please refer to note 23 in B2Holding Group financial statement.

Name	Position	Number of shares
Jon Harald Nordbrekken ¹⁾	Chairman of the Board	27 200 000
Per Kristian Spone ²⁾	Board member	72 708
Kari Skeidsvoll Moe	Board member	6 200
Kjetil A. Garstad ³⁾	Deputy Board member	451 425
Grethe Wittenberg Meier	Deputy Board member	25 000
Erik Just Johnsen ⁴⁾	Chief Executive Officer	1 910 000
Rasmus Hansson ⁵⁾	Head of M&A and Investor Relations	100 057
Tore Krogstad	Head of Personnel, Improvement & Restructuring	56 000
Maria Haddad	Head of Corporate Development	100 000
J. Harald Henriksen ⁶⁾	Chief Governance Officer	920 057

1) Jon H. Nordbrekken holds 2,200,000 personally. In addition Valset Invest AS, an entity controlled by Nordbrekken and his related parties, holds 25,000,000 shares

2) Per K. Spone holds 66,708 personally. In addition persons related to Spone holds 6,000 shares

3) Steel City AS, an entity controlled by Kjetil A. Garstad, holds 451,425 shares

4) Pine AS, an entity controlled by Erik Just Johnsen holds 1,910,000 shares

5) Rmh Invest AS, an entity controlled by Rasmus Hansson, holds 100,057 shares

6) Haralditt AS, an entity controlled by J. Harald Henriksen, holds 920,057 shares

NOTE 12: INTEREST BEARING LOANS AND BORROWINGS**Long term**

The Company holds four long term unsecured bond loans as of 31 December 2019.

	Currency	Nominal interest	Debt in local currency	Debt in NOK	Maturity
Senior Unsecured Bond Issue 2016	EUR	7.00 %	175 000	1 726 165	October 2021
Senior Unsecured Bond Issue 2017	EUR	4.25 %	200 000	1 972 760	November 2022
Senior Unsecured Bond Issue 2018	EUR	4.75 %	200 000	1 972 760	May 2023
Senior Unsecured Bond Issue 2019	EUR	6.35 %	200 000	1 972 760	May 2024

Short term

The Company's first issued senior unsecured bond of EUR 150 million matures in full in December 2020.

	Currency	Nominal interest	Debt in local currency	Debt in NOK	Maturity
Senior Unsecured Bond Issue 2015	EUR	7.50 %	150 000	1 479 570	December 2020

Repayment schedule at 31 December 2019

	EUR	NOK
In 2020	150 000	1 479 570
In 2021	175 000	1 726 165
In 2022	200 000	1 972 760
In 2023	200 000	1 972 760
In 2024	200 000	1 972 760
	925 000	9 124 015

The company holds EUR 21 million in treasury bonds not reflected in outstanding nominal amounts in table above.

Financial covenants

The financial covenants are presented in the tables below. All covenants have been met at 31 December 2019 and 31 December 2018.

	Requirements	2019	2018
Secured loan to value	Maximum 65 %	17 %	23 %
Leverage ratio	Maximum 4.0	2.9	3.5
Net interest cover ratio	Minimum 4.0	5.1	4.8

If the group fails to comply with the financial covenants the bond loan agreements have a grace period after notice thereof is given to the counterparties before default is declared.

NOTE 13: OTHER CURRENT LIABILITIES

	2019	2018
Provision for social security on share options	1 857	8 026
Accrued interest bond loans	66 420	56 483
Proposed dividend		184 470
Other	18 375	21 807
	86 652	270 786

NOTE 14: COMMITMENTS

The company has entered into commercial leases for office premises and one motor vehicle.

The lease contract for the office premises mature in June 2024. The lease is annually adjusted according to the consumer price index. There are no restrictions placed upon the lessee under the lease contract to use the office premises in the normal course of business. The operating lease costs for the following types of lease were as follows:

	2019	2018
Office premises	3 783	2 296
Motor vehicles	154	180
Office equipment		2
	3 937	2 478

Future minimum rentals payable under the non-cancellable operating lease at 31 December 2019 were as follows:

	2019	2018
Rentals payable within one year	3 612	3 747
Rentals payable from one to five years	12 175	13 804
Rentals payable after five years		1 700
	15 787	19 251

NOTE 15: REMUNERATION

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

15.1 Group Management and Board of Directors

Remuneration 2019	Salary ⁹⁾	Bonus earned in 2019 ¹⁰⁾	Pension expense	Other benefits ¹¹⁾	Total	Share option cost ¹²⁾	Directors fee
Group Management							
Erik Just Johnsen, Chief Executive Officer ¹⁾	3 247	450	172	25	3 894	144	
Cecilie Kjelland, Chief Legal and Compliance Officer ²⁾	746	84	57	8	895		
Rasmus Hansson, Head of M&A and Investor Relations ³⁾	2 287	271	172	19	2 748	101	
Tore Krogstad, Head of Personnel, Improvement & Restructuring ⁴⁾	2 069	252	172	29	2 522	429	
J. Harald Henriksen, Chief Governance Officer ⁵⁾	2 215	265	174	19	2 673	53	
Former members of Group Management							
Olav Dalen Zahl, Chief Executive Officer ⁶⁾	2 518		132	139	2 789		
Thor Christian Moen, General Counsel ⁷⁾	1 899		146	20	2 065	76	
Danckert P. Mellbye, Chief Operations Officer ⁸⁾	1 805		144	21	1 969	274	
Board of Directors							
Jon Harald Nordbrekken, Chairman				5	5		800
Per Kristian Spone							340
Kari Skeidsvoll Moe							315
Niklas Wiberg							315
Adele Bugge Norman Pran							340
Kjetil A. Garstad, Deputy member							300
Grethe Wittenberg Meier, Deputy member							300
Total	16 785	1 322	1 169	284	19 561	1 077	2 710

1) Erik J. Johnsen, still Chief Financial Officer, took up the position as interim Chief Executive Officer with effect from 15 August 2019, and with permanent effect from 5 February 2020.

2) Cecilie Kjelland took up the new position as Chief Legal and Compliance Officer with effect from 1 September 2019

3) Rasmus Hansson, formerly Director of M&A, took up the new position as Head of M&A and Investor Relations with effect from 9 October 2019

4) Tore Krogstad, formerly Regional Director Scandinavia, took up the new position as Head of Personnel, Improvement and Restructuring with effect from 2 January 2020

5) J. Harald Henriksen, previously Chief Compliance Officer, took up the new position as Chief Governance Officer with effect from 14 February 2019 and was a member of the Executive Management Group until 19 February 2020. Mr. Henriksen exercised 900.000 share options in January 2019, receiving a non-cash, taxable benefit with a value of NOK 3.7 million.

6) Olav Dalen Zahl held the position as Chief Executive Officer until 15 August 2019. Mr. Zahl received ordinary salary and agreed benefits during a 6-month period of notice ended 29 February 2020. Further, after the notice period, he is entitled to a severance payment of 12 month base salary of NOK 3.85 million that will be paid over a 12 months period and 6 month use of a company car with a total benefit value of NOK 95 thousand. The expiry date of 6,000,000 exercisable share options vested 31 December 2018 is extended to 30 June 2022.

7) Thor Christian Moen was part of Group Management in the period 14 February - 30 September 2019

8) Danckert P. Mellbye was part of Group Management in the period 14 February - 30 September 2019

9) Salary is basic salary and if applicable earned, not paid, holiday allowance for 2019

10) Provision for holiday allowance is not included

11) Other benefits including amongst others company car, telecom and insurances

12) Accrued social security costs are not included in the share option cost stated above.

All members of the Group management are covered by a defined contribution pension plan which fulfill the company's obligations under the Norwegian occupational pension legislation.

For further details of remuneration to Group management, including those employed in other group companies, please refer to note 30.2 in B2Holding Group financial statement.

For further details of the share option program, please refer to note 23 in B2Holding Group financial statement.

Remuneration 2018	Salary	Bonus earned in 2018	Pension expense	Other benefits	Total	Share option cost	Directors fee
Group Management							
Olav Dalen Zahl, Chief Executive Officer	3 512	1 425	181	195	5 313	0	
Erik Just Johnsen, Chief Financial Officer	2 686	707	183	17	3 593	0	
J. Harald Henriksen, Chief Governance Officer	2 075	645	168	22	2 910	0	
Rasmus Hansson, Director M&A	1 908	600	170	21	2 699	54	
Thor Christian Moen, General Counsel	2 306	748	178	33	3 265	54	
Danckert P. Mellbye, Chief Operation Officer	1 980	735	177	37	2 929	565	
Members of Executive Management Team							
Henrik Wennerholm, Regional Director Scandinavia	736		140	33	909	54	
Tore Krogstad, Regional Director Scandinavia	1 284	594	190	27	2 095	399	
Christos Savvides, Regional Director South Eastern Europe							
Board of Directors							
Jon Harald Nordbrekken, Chairman				13	13		675
Per Kristian Spone							288
Kari Skeidsvoll Moe							263
Niklas Wiberg							115
Adele Bugge Norman Pran							175
Kjetil A. Garstad, Deputy member							175
Grethe Wittenberg Meier, Deputy member							175
Trygve Lauvdal							88
Tove Raanes							113
Total	16 487	5 454	1 387	398	23 726	1 126	2 067

15.2 Fees to auditors

All figures including VAT.

	2019	2018
Audit fees	1 500	1 400
Fees for further assurance services	46	1 174
Fees for tax services	58	81
Total	1 604	2 655

NOTE 16: RELATED PARTY DISCLOSURE

The Company's related parties include the Group management team, Board of Directors, associated companies and joint ventures. Related party transactions with Group management team and Board of Directors are set out in note 15.

Transactions with associated companies and joint ventures

See note 8 for transactions with associated companies and joint ventures.

Group companies

Companies in the B2Holding Group are also related parties. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured, and other than for interest-bearing loans, and interest free. At 31 December 2019 and 31 December 2018, the Company has not made any provision of doubtful debts relating to intra-group related party balances. This assessment has been undertaken for each period end based on an examination of the financial position of the related party and the market in which the related party operates.

For details of the Group's transactions with related parties, please refer to note 29 in B2Holding Group financial statement.

NOTE 17: GUARANTEES

B2Holding ASA has issued a guarantee limited to EUR 612 million with the addition of any and all interests, default interests, costs and expenses to DNB Bank ASA as Agent on behalf of itself, Nordea Bank ABP NUF and Swedbank AB in connection with the provision of the Group's senior secured multicurrency revolving credit facility of EUR 510 million. The guarantee is issued on behalf of the borrower under the multicurrency revolving credit facility, B2Holding ASA's 100 % indirectly owned subsidiary, B2Kapital Holding S.à r.l. The total utilised amount under the facility at 31 December 2019 is EUR 300 million.

B2Holding ASA issued an office rental guarantee with effect from 10 October 2017 in favour of the lessor of the Group's offices in Gothenburg, Sweden. The rental agreement matures in September 2021 with the option of extending for an additional 3 years if not cancelled within a specified date. Although the guarantee is unlimited, the Group estimates that its exposure for the remaining rental period is limited to the monthly rental cost for the period, which amounts to SEK 3.8 million.

B2Holding ASA issued an office rental guarantee with effect from 19 December 2017 in favour of the lessor of the Group's offices in Wrocław, Poland. The guarantee agreement is limited to the aggregated amount of EUR 402 thousand, which are ment to cover 3 months office rental cost, and are valid until 90 days following the rental agreement maturing in June 2023.

NOTE 18: SUBSEQUENT EVENTS

The Board of Director's announced its intention to propose a dividend of NOK 0.08 per share for the financial year 2019 to the Annual General Meeting. Due to the uncertainty associated with the Covid-19 pandemic and unknown macroeconomic consequences, the Board of Directors has resolved to cancel the previously announced proposal to pay a cash dividend of NOK 0.08 per share for 2019. The dividend is subject to approval on the Annual General Meeting, which will be held in May 2020.

On 5 February 2020 it was announced that Erik J. Johnsen has been appointed as CEO of the Company. Johnsen has been acting as CEO since 15 August 2019 and assumes the role with immediate effect.

On 23 March it was announced that B2Holding had made a buyback in bond B2H01 (ISIN: NO0010753072) of EUR 16.4 million in nominal amount to the price of 97 % of par value.

During the first quarter of 2020 the spread of the coronavirus (Covid-19) has impacted all European countries with increasing severity. In March 2020, the World Health Organization (WHO) declared Covid-19 a global pandemic. During this period countries and organizations, including B2Holding ASA, have taken considerable measures to mitigate risk for communities, employees and business operations. The full extent, consequences, and duration of the Covid-19 pandemic and the resulting operational and economic impact for B2Holding ASA cannot be predicted at the time of publication of the Annual report 2019. The Group has a good foundation to face the uncertain business outlook. Nevertheless, the implemented restrictions to prevent the spread of the virus will have a negative impact on European economies and will also affect the Group's collections and recoveries and consequently the net income, credit risk and liquidity risk in the short-term. The Group has temporary reduced portfolio purchases to a minimum in order to preserve and strengthen liquidity going forward.

The Group's presentation currency and B2Holding ASA's functional currency is NOK (Norwegian Krone). Since year-end 2019, the Norwegian Krone has depreciated significantly against most other currencies and the Euro has significantly appreciated against many of the currencies the Group has exposure towards. These conditions may significantly affect the Group's consolidated financial statements in 2020. In 2019, approx. 99 % of revenue was related to operations outside Norway for further information about the Group's exposure and sensitivity related to changes in foreign exchange rates.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2019 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, 29 April 2020

/sign/
Jon Harald Nordbrekken
Chairman of the Board

/sign/
Adele Bugge Norman Pran
Board Member

/sign/
Niklas Wiberg
Board Member

/sign/
Per Kristian Spone
Board Member

/sign/
Kari Skeidsvoll Moe
Board Member

/sign/
Erik J. Johnsen
Chief Executive Officer

Auditor's report



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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 2019, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2019, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, 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 2019 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.

Emphasis of matter

We draw attention to the Board of Directors report, note 32 of the consolidated financial statements and note 18 of the financial statements of the parent company, which describes the risk, uncertainty and the expected effects of Covid-19. Our opinion is not modified in respect of this matter.

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 2019. 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.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Estimated future cash collections from purchased portfolios

Purchased loan portfolios account for 79 % of total assets of the Group. Estimated future cash collections from purchased loan portfolios is the basis for the book value of purchased loan portfolios and is also input into the disclosure of fair value of purchased loan portfolios in the notes to the consolidated financial statements.

Estimation of future cash collections from purchased loan portfolios is complex and require significant judgement from management about the value, probability and timing of expected future cash flows. Furthermore, the estimates of future cash flows depend on management's approach to managing the portfolios (e.g. changes in collection policies and strategies) and local regulations. The estimation of future cash collections from purchased loan portfolios was considered a key audit matter based on the significant judgments involved.

We tested the consideration price upon acquisition of loan portfolios to the purchase agreement. We tested the approval by Group management of the initial cash collection forecast of the purchased portfolio prepared by local management and compared the initial cash collection forecast to historical cash collection on similar loan portfolios. We also compared the calculated effective interest rate on the purchased loan portfolio to the effective interest rate on loan portfolios purchased in previous years. Furthermore, we tested changes in future cash collection estimates by comparing actual cash collection to forecasted cash collection and by testing the historical accuracy of prior year forecasts. As part of our procedures, we discussed the assumptions used including amounts, probability and timing of expected future cash flows, changes in policies and strategies, seasonality and local regulations with management and controllers.

We also assessed the Company's disclosure in note 3 *Critical accounting judgments and key sources of estimation uncertainty*, note 4.3 *Purchased loan portfolios* and note 4.4 *Fair value estimation purchased loan portfolios*.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate 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 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, 29 April 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Asbjørn Rødal
State Authorised Public Accountant (Norway)

Alternative performance measures

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and approved by the EU. In addition, the Group presents alternative performance measures (APMs). These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies.

The APMs are regularly reviewed by Management and their aim is to enhance stakeholders' understanding of the Group's performance and to enhance comparability between financial periods. The APMs are reported in addition to, but are not substitutes for the financial statements prepared in accordance with IFRS.

The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations. The APMs also provide measures commonly reported and widely used by investors as an indicator of the Group's operating performance and as a valuation metric of debt purchasing companies. Furthermore, APMs are also relevant when assessing our ability to incur and service debt.

APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

Alternative performance measures - reconciliation

	2019	2018
Operating profit (EBIT)	958 570	1 377 856
Add back depreciation, amortisation and impairment losses	134 267	56 126
EBITDA	1 092 837	1 433 981
Gross cash collection from purchased loan portfolios	5 202 047	3 997 380
Less interest income from purchased loan portfolios	-2 713 165	-2 537 113
Less net credit gain/loss purchased loan portfolios	400 127	57 625
Amortisation/revaluation of purchased loan portfolios	2 889 009	1 517 891
Total revenues	2 873 823	2 905 622
Add back amortisation/revaluation of purchased loan portfolios	2 889 009	1 517 891
Cash Revenue	5 762 832	4 423 513
Operating profit (EBIT)	958 570	1 377 856
Add back amortisation/revaluation of purchased loan portfolios	2 889 009	1 517 891
Add back depreciation, amortisation and impairment losses	134 267	56 126
Cash EBITDA	3 981 846	2 951 872

Alternative Performance Measures (APMs) - definitions:

Amortisation and revaluation - Amortisation/revaluation of purchased loan portfolios shows the difference between gross cash collection and revenue from purchased loan portfolios recognised in the income statement. Amortisation is the amount of the cash collections that are used to reduce the book value of the purchased portfolios. Revaluation is the change in portfolio value that comes from revised estimates on future remaining collection from the portfolio.

Available investment capacity - Available investment capacity includes cash and cash equivalents (less NOK 200 million to cover working capital) plus unutilised bank overdraft plus unutilised multi-currency revolving credit facility. Cash flow from future operations is not included in the number.

Cash EBITDA - Cash EBITDA consists of EBIT added back depreciation, amortisation and impairment losses of tangible and intangible assets and added back amortisation and revaluation of purchased loan portfolios. Cash EBITDA is a measure on actual performance from the collection business (cash business) included other business areas.

Cash margin - Cash margin consists of cash EBITDA expressed as a percentage of cash revenue.

Cash revenue - Cash revenue consists of total revenue added back amortisation and revaluation of purchased loan portfolios. Cash revenue is a measure on actual revenues (cash business) from the collection business included other business areas.

EBITDA - Operating earnings before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) added back depreciation, amortisation and impairment losses of tangible and intangible assets.

ERC - Estimated remaining collection (ERC) expresses the gross cash collection in nominal values expected to be collected in the future from the purchased loan portfolios owned at the reporting date and the Group's share of gross cash collection on portfolio purchased and held in SPVs.

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

Net borrowing - Consist of nominal value of interest bearing loans and borrowings plus utilised bank overdraft less cash and short-term deposits.

Operating cash flow per share - Operating cash flow per share is operating cash flow from consolidated statement of cash flows divided on the weighted average number of shares outstanding in the reporting period. Operating cash flow per share is a measure on actual cash earned from operating business per share.

Profit margin - Profit margin consists of operating profit (EBIT) expressed as a percentage of total operating revenues.

B2HOLDING ASA

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