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.

All figures in NOK'000s unless otherwise stated

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 portfolios credit adjusted effective interest rate. Monthly cash flows greater than the cash flow forecast for the same period are recorded as part of the "Net credit gain/loss purchased loan portfolios" in the period. Likewise, monthly cash flows that are less than the monthly cash flow forecast for the same period are also classified as part of the "Net credit gain/loss purchased loan portfolios" in the period.

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

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

Unidentified receipts and excess payments

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

Collateral assets

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

2.5 Segments

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

The Group's operating segments are the geographical regions:

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

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

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

2.6 Revenue from contracts with customer

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties. Revenue from contracts with customers are mainly revenue from external collection, telemarketing, fraud prevention and credit information services. Revenue from contracts 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 cashgenerating 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 arebased 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:

<u>Purchased loan portfolios – classification</u>

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.

<u>Purchased loan portfolios – recognition in the income statement</u>

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 measurementis 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.

All figures in NOK'000s unless otherwise stated

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.

All figures in NOK'000s unless otherwise stated

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

	12 months or less	1-2 years	2-5 years	More than 5 years
Interest bearing loans & borrowings (short-term and long-term)	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		

All figures in NOK'000s unless otherwise stated

	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 int 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 Consoldiated statement of financial position.

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

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

All figures in NOK'000s unless otherwise stated

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
Secured portfolios:						
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
Unsecured portfolios:						
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**

All figures in NOK'000s unless otherwise stated

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**

All figures in NOK'000s unless otherwise stated

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

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

The weighted average cost of capital is estimated as:

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

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

Risk free rate:

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

Market risk premium:

The market risk premium is defined as:

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

A market risk premium of 5 % was applied.

Equity beta:

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

Small Stock Premium (SSP)

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

All figures in NOK'000s unless otherwise stated

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

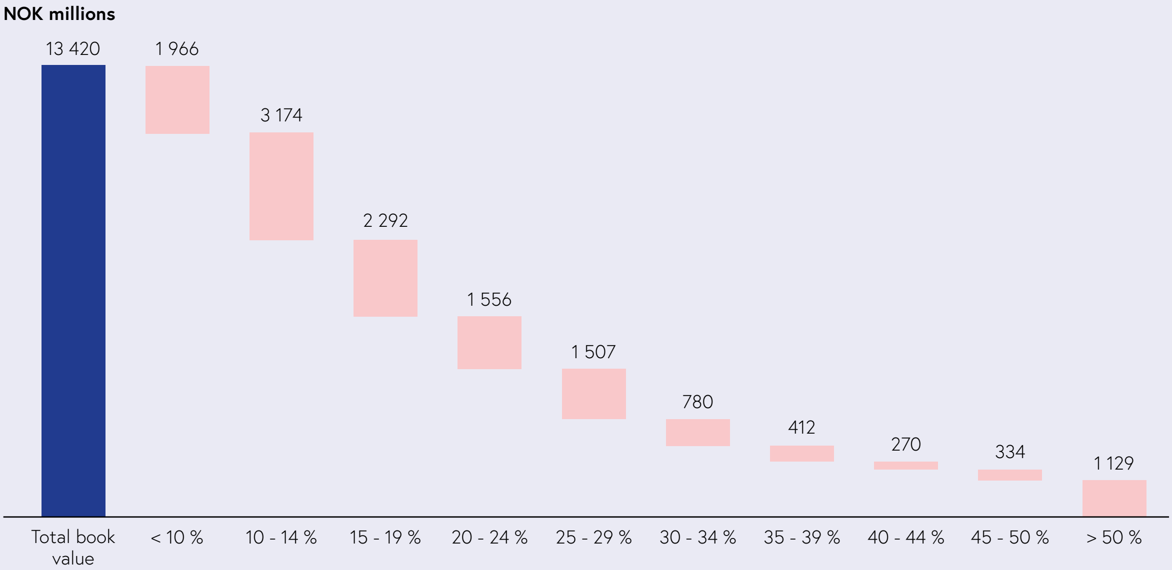
Future cash flow estimates
The future cash flow estimates are based on the forecast for the portfolio base as of 31 December 2019.

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 grapically below.



All figures in NOK'000s unless otherwise stated

4.5 Fair value of financial instruments

	Carrying amount			Fair value			
As at 31 December 2019	**Fair value through profit or loss**	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Purchased loan portfolios		13 419 720	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**

	Carrying amount			Fair value			
As at 31 December 2018	**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 thatis used in preparing the measurements. The fair value hierarchy has the following levels:

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

All figures in NOK'000s unless otherwise stated

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 aquired	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.

All figures in NOK'000s unless otherwise stated

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**

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**

All figures in NOK'000s unless otherwise stated

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

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

All figures in NOK'000s unless otherwise stated

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**

All figures in NOK'000s unless otherwise stated

NOTE 12: INCOME TAX

The major components of income tax reported in the income statement for the years ended 31 December 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
Witholding 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 witholding 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 witholding 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.

All figures in NOK'000s unless otherwise stated

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**

All figures in NOK'000s unless otherwise stated

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 therefor they are not considered dilutive for the year ended 31 December 2019. These options could potentially dilute basic earnings per share in the future.

All figures in NOK'000s unless otherwise stated

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 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 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.

Confirmaciónde 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.

All figures in NOK'000s unless otherwise stated

NOTE 15: TANGIBLE AND INTANGIBLE ASSETS

	Improvements to rented offices	Equipment, fixtures & fittings	RoU asset office premises	RoU asset vehicles & equipment	Intangible assets	Total
Acquisition/purchase cost						
At 1 January 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 ipmlementation - 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 ipmlementation - 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.

All figures in NOK'000s unless otherwise stated

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

Lease liabilities	IFRS 16 2019	IAS 17 2018
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 relationg 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 relationg to leases of low value assets	-11 950	
	-66 910	

All figures in NOK'000s unless otherwise stated

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

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

Profit from shares in associated companies/joint ventures and participation loans/notes	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**

All figures in NOK'000s unless otherwise stated

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 particiapition loan/notes are measured at fair value through profit or loss. The Group considers the best estimate of fair value to be equal to the book value of the portfolios after amortised cost, since the remunerations is directly based on the portfolios. 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.

All figures in NOK'000s unless otherwise stated

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**

All figures in NOK'000s unless otherwise stated

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**

All figures in NOK'000s unless otherwise stated

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**

All figures in NOK'000s unless otherwise stated

NOTE 20: COLLATERAL ASSETS

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

	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 maintainance.

	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 maintanance 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.

All figures in NOK'000s unless otherwise stated

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.

All figures in NOK'000s unless otherwise stated

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

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

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

	Outstanding options			Vested options		
Exercise price	Outstanding options as of 31.12.2018	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**

	2019	2018
Short-term		
Bond loan	1 497 563	
Bank overdraft	96 634	59 115
Other		363
	1 594 197	**59 478**

All figures in NOK'000s unless otherwise stated

Interest bearing loans

The Group is financed by the following loans; (i) a EUR 510 million senior secured multi-currency revolving credit facility agreement, including a multi-currency cash pool with a EUR 40 million overdraft, which matures in May 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

All figures in NOK'000s unless otherwise stated

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**

All figures in NOK'000s unless otherwise stated

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.

Interest bearing liabilities	2019	2018
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.

All figures in NOK'000s unless otherwise stated

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.

All figures in NOK'000s unless otherwise stated

NOTE 28: COMMITMENTS

28.1 Lease commitments - Group as lessee

The Group has entered into leases for office premises, motor vehicles and office equipment. The lease payments for the majority of the office premises lease contracts are adjusted according to the consumer price index, have an extension option and have an average life of between 12 months and 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.

<u>Transactions with associated companies and joint ventures</u>
See note 17 and 18 for transactions with associated companies and joint ventures.

<u>Transaction with Bank2 ASA</u>
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.

<u>Group companies</u>
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

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)	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)	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 %
Confirmaciónde Solicitudes de Crédito					
Verifica S.A. 3)	Spain	Western Europe		100 %	80 %
Acreditia Servicos Auxiliares S.L. 4)	Spain	Western Europe		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 Confirmaciónde 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 marked and the Group's remuneration strategy. Each salary band will have a maximum and a minimum pay level, which is +/- 30 % from the midpoint.

4. Reward

Reward includes all the instruments the organization and its managers have at hand, and utilize to encourage and reward performance. Monetary reward includes:

Base Salary
Benefits – e.g. Pension Scheme, Personnel Insurances, Car Scheme, etc.
Annual Bonus – Short Term Incentive
Share Options – Long Term Incentive

5. Determining Base Salary

The base salary will be determined based on the following criteria's: Job level, Local competition, Salary band for the job, Performance level, Budget and guidelines for annual salary review.

Determining annual base salary movements - the following criteria will apply: Performance level, Present position in salary band, Budget and guidelines for annual salary review.

Expatriates are subject to tailor-made arrangements.

6. Determining Benefits

Benefits will be related to local market standards and job level.

7. Determining Annual Bonus

a. All Managers subject to this reward policy are eligible for an annual bonus subject to achievement of an agreed set of targets. Performance level related to the set of targets will be the criterion determining the size of the annual bonus. The target structure will comprise Group targets, Business Unit targets and individual targets when appropriate.

A target level expressed in % of base salary will be defined for each Manager. Determination of the target will be based on local market standard for each individual managerial position.

The Board of Directors of B2Holding ASA (the "BoD") will set the target bonus level for the CEO. The BoD will furthermore decide the target bonus level for the other Managers following a recommendation of the CEO.

b. The target structure will include 2-3 independent weighted components:

I. Group targets
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.

All figures in NOK'000s unless otherwise stated

30.2 Group management and Board of Directors

Remuneration 2019	Salary [16]	Bonus earned in 2019 [17]	Pension expense	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) Jeremy 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 Managment, took up the position as Chief Investment Officer with effect from 9 October 2019
6) Tore Krogstad, formerly Regional Director Scandinaiva, 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 posisition 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 Developement 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 Managment 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 Exectuive 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 benfit value of NOK 95 thousand. The expiry date of 6,000,000 exerciable 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 amongts others company car, telecom and insurances
19) Accrued social security costs are not included in the share option cost stated above.

All figures in NOK'000s unless otherwise stated

Current CEO and Group Management have received bonus according to the bonus program described in the Remuneraton Policy, see note 30.1.

Group Managment has not received remuneration or financial benefits from other B2H Group companies than the one listed above, and no additional remuneration are paid for special services outside the normal functions within the given mangager positions.

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 Managment, the Board of Directors or other elected corporate bodies.

The employment agreements of the CEO and Managment have a mutual 6-month period of notice from the last day of the month/the day in which the written notice is received by the other party. If the Company terminates the employment agreement, the CEO/Manager is entitled to ordinary salary and agreed benefits throughout the period of notice and the right to severance pay from the date of termination corresponding to 12 months' base salary without the addition of holiday pay and other benefits (such as pension costs, car schemes, telephone etc.). For the CEO the severance is paid in 12 monthly rates starting from the time of ended 6-month notice period. Same for Managment, but there is an option that it could instead be paid in one total amount at the time of ended 6-months notice period. The right to severance pay is conditional upon the CEO/Manager not committing a serious breach of duty or other material breach of his duties.

Remuneration 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**

All figures in NOK'000s unless otherwise stated

Shares owned by Group management and Board of Directors

The number of shares owned directly or indirectly by the Board of Directors and Group Management at 31 December 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 Excecutive 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 addtion persons related to Spone holds 6,000 shares*
3) *Steel City AS, an entitiy 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 entitiy controlled by Rasmus Hansson, holds 100,057 shares*
6) *Haralditt AS, an entitiy controlled by J. Harald Henriksen, holds 920,057 shares*

All figures in NOK'000s unless otherwise stated

Share options owned by Group management and Board of Directors

The following members of the Board and Management participate in the option programs:

See note 21 for further information of the Group share option program.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 Excecutive 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. Johnsen 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 excercised 900,000 options 2 January 2019 at a supscription price per share of NOK 8.356
3) See note 21 for extention of expiry date until 30 June 2020 for share options orginally expired at 1 July and 31 December 2018.

All figures in NOK'000s unless otherwise stated

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.