

Q4 2016 presentation



Oslo, 27 February 2017

B2Holding status update Q4 2016

Strong gross collection in all regions in Q4

Financial developments

- Gross cash collection on portfolios above expectations across all regions – total NOK 556m (vs. NOK 415m Q4'15)
- Cash EBITDA NOK 349m (vs. NOK 240m Q4'15)
- High activity level in portfolio acquisitions – NOK 1,054m (vs. NOK 672m Q4'15)
- High investment capacity – NOK 1,960m

Operational and organisational developments

- Further geographical expansion into three new countries – Hungary, Greece and Bosnia Herzegovina, process initiated in Italy
- Strong growth and further operational improvements in Western part of SEE
- Core team for secured assets established in Bulgaria and Romania
- Continued strong operational performance in Sweden and Finland

15 platforms, total gross ERC of NOK 9.5bn



Platforms	15
Countries with portfolios	15
Employees (FTEs)	1,489
Total Gross ERC (NOKm)	9,489

Note: Total gross ERC includes the Group's share of portfolios owned by joint ventures

Type of portfolios sold to debt purchasers

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

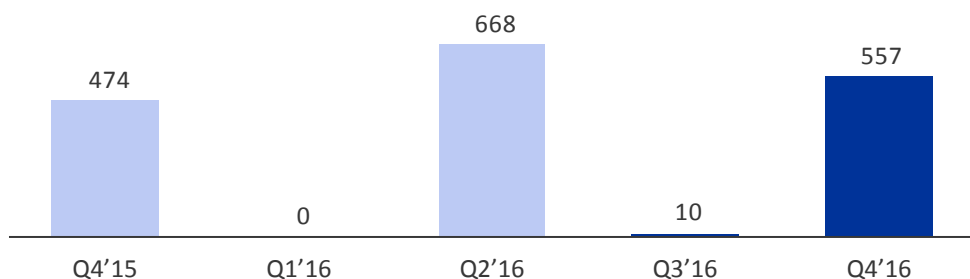
- Retail unsecured
 - valuation based on statistical analysis
- Retail secured
 - valuation based on underlying 1st rank collateral
 - representative groups of Residential Real Estate used as basis for valuation
- SME
 - statistical analysis and individual valuation of larger claims
- Corporate secured
 - valuation based on underlying 1st rank Real Estate collateral line by line
 - Portfolio valuations dependent on valuation of collateral and timing of realisation

Continued strong development in SEE, Poland still competitive

South East Europe (SEE)



Portfolio acquisitions (NOKm, purchase price)

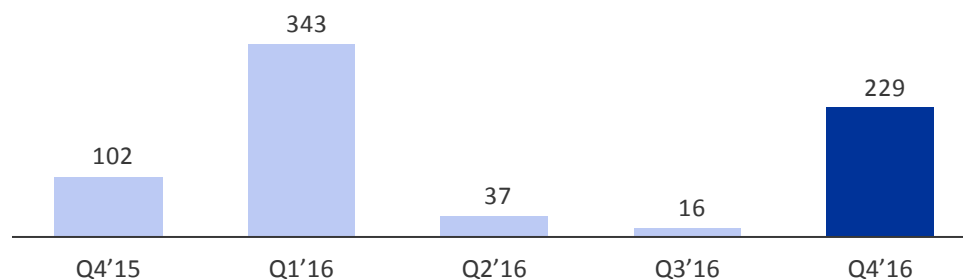


- Several transactions closed during Q4
- Mix of large and small transactions
- Secured vs unsecured portfolio purchases quite evenly distributed
- Mainly one-off transactions
- Majority of the larger transactions are secured
- Secured transactions mainly conducted in Croatia, Slovenia and Romania
- Timing of secured portfolio acquisitions usually more difficult to assess due to higher portfolio and transaction complexity

Poland



Portfolio acquisitions (NOKm, purchase price)



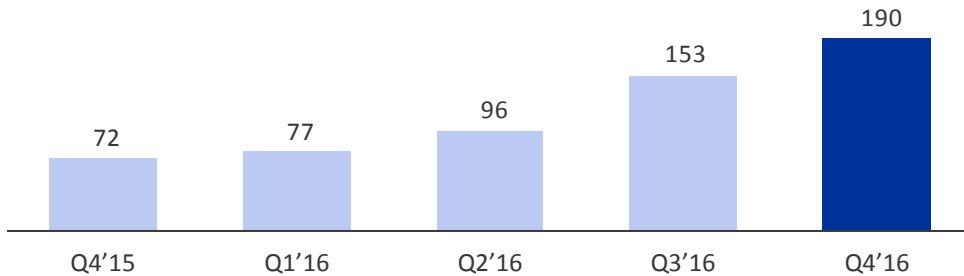
- Poland is still a competitive market, but there are some signs of slowing pressure due to reduced acquisition activity by other players in the market
- Pricing discipline maintained
- Portfolio acquisitions in Poland are mainly one-off transactions
- Quarterly variations partly due to seasonality effect
- Changes in legal environment has imposed some uncertainties on valuations

Record high activity in the Nordics and the Baltics

Finland and the Baltics



Portfolio acquisitions (NOKm, purchase price)

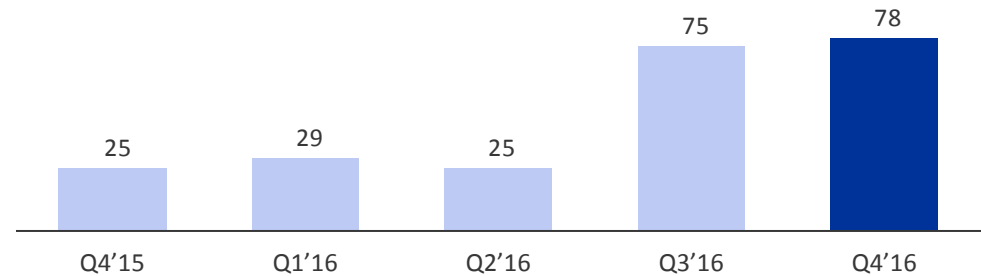


- Maintained strong acquisition activity in Finland
- The high degree of forward flow arrangements provides good visibility for portfolio purchases in Finland
- Strong growth in the Baltic states through increased number of portfolio acquisitions as well as a few larger transactions
- Portfolios acquired in all Baltic countries
- Centre of excellence for portfolio valuations in Riga covering the Baltics
- Potential acquisition of collection platforms in Lithuania currently under evaluation

Rest of Nordics



Portfolio acquisitions (NOKm, purchase price)



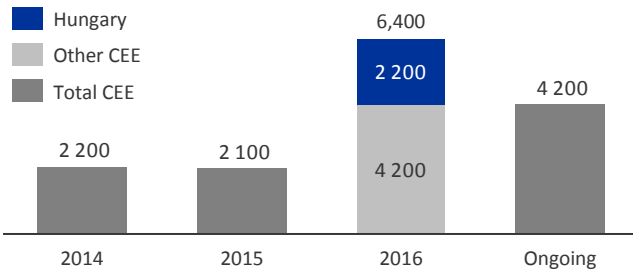
- Combination of increased forward flow arrangements and larger one-off transactions resulted in a record high quarter for portfolio purchases in the region
- As of today, Sweden constitutes the main market for portfolio purchases in rest of Nordics
- High activity in Sweden in the second half of 2016 which to a certain extent can be explained by seasonality effect
- Strong focus on securing forward flow arrangements in order to maintain a stable flow of portfolio purchases

B2H has entered Hungary and is entering Italy and Greece

Hungary



NPL transaction volume (EURm face value)

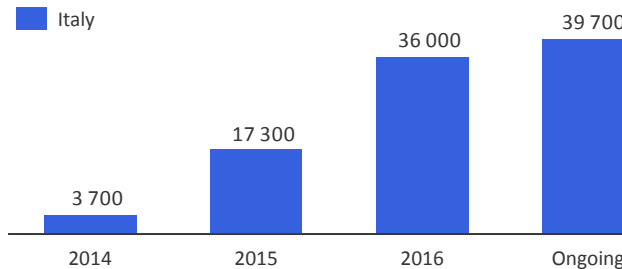


- B2H acquired Consequence Europe in Q4 2016, a company specialised in 3rd party servicing of unsecured portfolios
- Ongoing process to obtain a required license from the Hungarian National Bank in order to acquire NPL's
- B2H see an interesting and increasing volume of portfolios coming out in the Hungarian market
- Retail and non-retail secured portfolios represent the majority of the expected volumes going forward

Italy



NPL transaction volume (EURm face value)

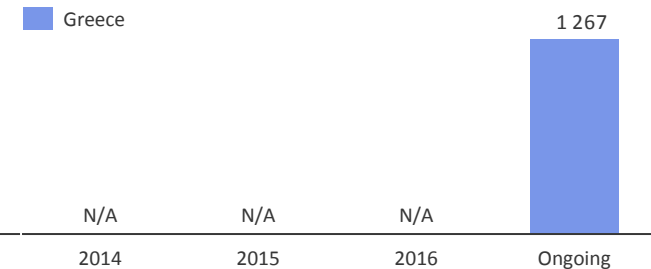


- B2H to establish an operation in Italy during Q1 2017
- Establishment of SPV for portfolio purchases was initiated in Q4 2016
- B2H will focus on outsourced collection services in the initial phase
- Large NPL market with an estimated total of more than EUR 300bn in NPL's
- Due to the significant upturn in portfolio sales activity, B2H expects to increase its activity in the Italian market during 2017

Greece



NPL transaction volume (EURm face value)



- A fully owned entity of B2Holding was established in Greece during Q4 2016
- License application being submitted during first half of 2017
- Greek banks currently hold an estimated total of over EUR 100bn of NPL's
- Due to lack of servicing of NPL's by Greek banks, B2H believe there will be an interesting market for servicing of NPL portfolios in Greece
- Outsourced servicing by Greek banks will be a first step to prepare for future NPL sales by Greek banks

Source: Deloitte Deleveraging Europe 2016-2017, KPMG European Debt Sales 2016

Note: Approx. EUR 1bn of the transaction volume in Hungary in 2016 is related to an AXA Bank residential mortgage portfolio that was part of the sale to OTP

Continued good collection and operational performance

- Record high cash EBITDA and portfolio acquisitions

Financial summary

NOKm	Q4'16	Q4'15	% change	2016	2015	% change
Net operating revenues	416	345	21 %	1 396	1 076	30 %
EBITDA	159	117	36 %	545	405	35 %
Operating profit (EBIT)	151	108	39 %	516	377	37 %
<i>Profit margin</i>	36 %	31 %		37 %	35 %	
Cash Revenue	607	469	29 %	2 060,6	1 500,5	37 %
Cash EBITDA	349	241	45 %	1 209,9	829,4	46 %
Profit for the period after tax	76,0	-1,8		181,1	198,2	-9 %
Earnings per share (EPS)	0,21	-0,01		0,53	0,63	
Cash flow from operating activities	232	109	112 %	802	591	36 %
Operating cash flow per share	0,63	0,35		2,34	1,90	
Portfolio acquisitions	1 054	672	57 %	2 584	1 358	90 %
Cash collection from portfolios	556	415	34 %	1 870	1 339	40 %
ERC (at end of month)	9 489	6 490	46 %	9 489	6 490	46 %

Comments

- Strong gross collection on portfolios
- Q4 gross collection 5% above expected collection curves – 2016 collection was 0.7% below curve
- Cash EBITDA record high
- Higher costs in Q4 was mainly due to high investment in future cash flow through high legal filing of claims
- Proposed cash dividend of NOK 0.15 per share

Financial highlights: Income statement

Income statement

NOKm	Q4'16	Q4'15	2016 unaudited	2015 audited
Interest income on purchased loan portfolios	365	291	1 206	915
Revenue from external collection	29	34	104	104
Other operating revenues	22	20	86	57
Net operating revenues	416	345	1 396	1 076
Excess cash from collection over income	191	124	664	424
Total cash revenue	607	468	2 061	1 500
External costs of services provided	-87	-50	-244	-189
Personnel costs	-99	-107	-359	-294
Other operating expenses	-72	-71	-248	-188
Cash EBITDA	349	240	1 210	829
EBITDA	159	117	545	405
Depreciation and amortisation	-8	-8	-30	-28
EBIT	151	108	516	377
				0
Net financials	-57	-89	-288	-134
Tax	-17	-21	-45	-45
Net profit	77	-2	182	198
Non-recurring items (net of tax)	0	79	20	79
Adjusted net profit	77	77	203	277

Comments

- External cost of services provided – high activity in filing of claims in Q4
- Net financials influenced by unrealised currency losses of NOK 76m related to internal loans

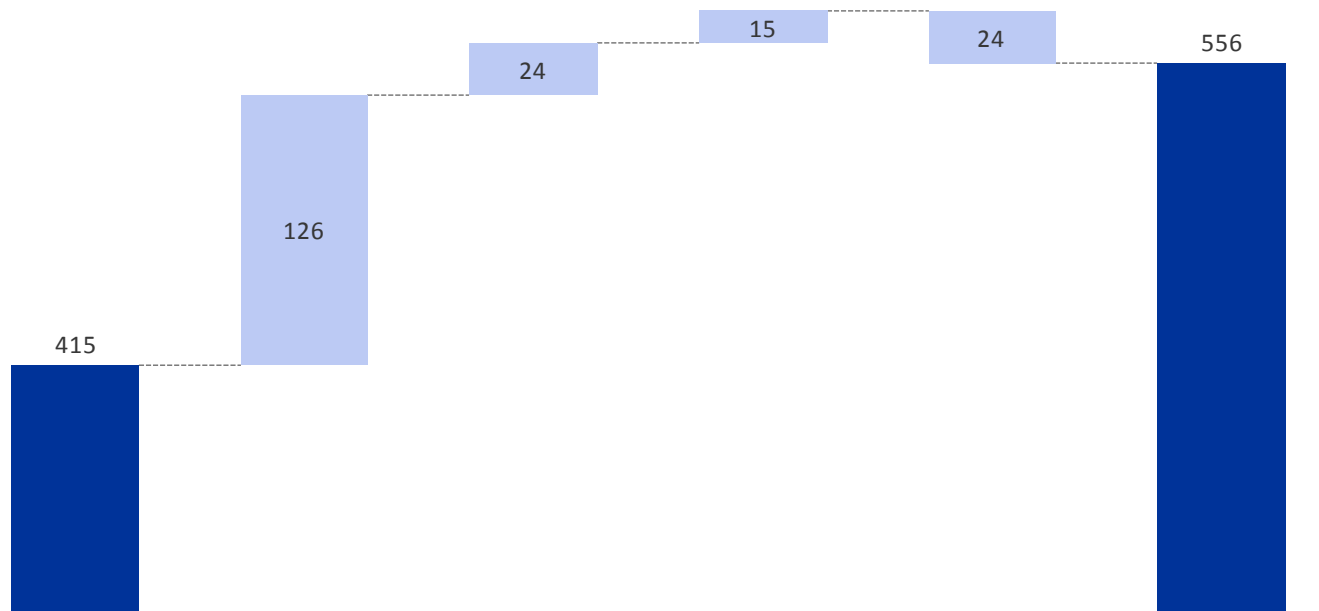
1) Interest income including change in portfolio cash flow estimates, explained by permanent deviations to initial NPV of non-performing loan portfolio

2) Actual cash collection less interest income on purchased loan portfolios is equal to portfolio amortisation

SEE area continuing to drive gross cash collection growth

Bridge Q4'15-Q4'16: Gross cash collection on portfolios

NOK million



Q4'15

SEE

Finland & Baltics

Rest of Nordics

Poland

Q4'16



Comments

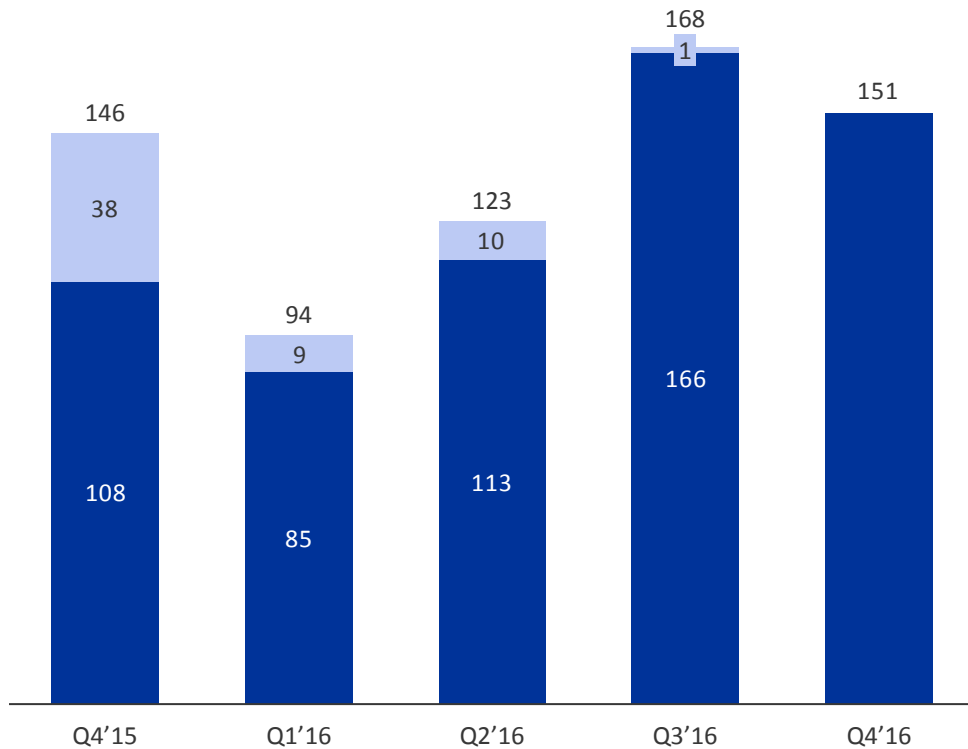
- SEE area shows high collection on both secured and unsecured portfolios
- High collection in Finland due to tax returns in December
- Continued growth in the Swedish market

Record high Cash EBITDA for the quarter

EBIT

NOK million

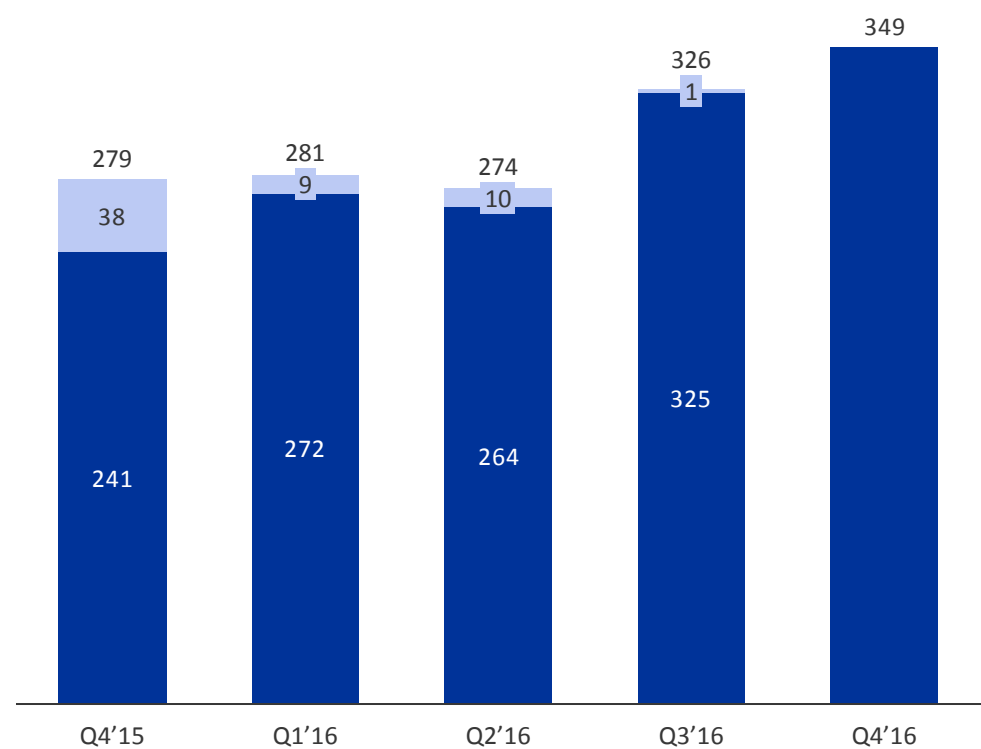
Non-recurring items
As reported



Cash EBITDA

NOK million

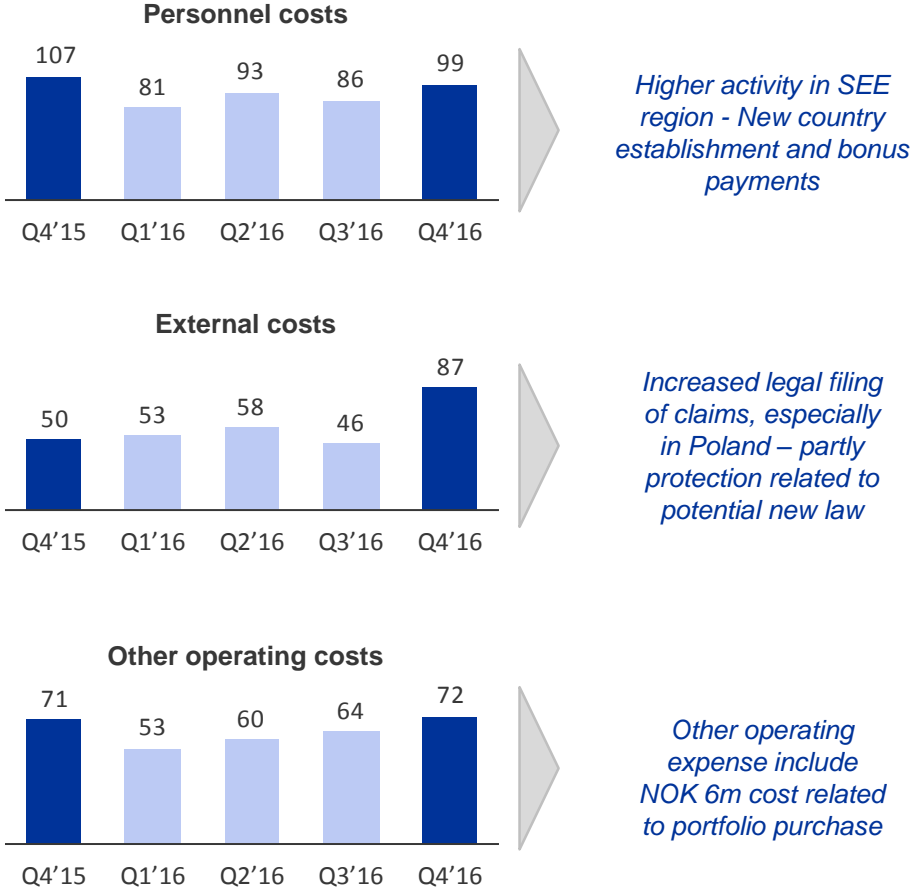
Non-recurring items
As reported



Higher cost mainly driven by investment in future cash flow through legal collection process

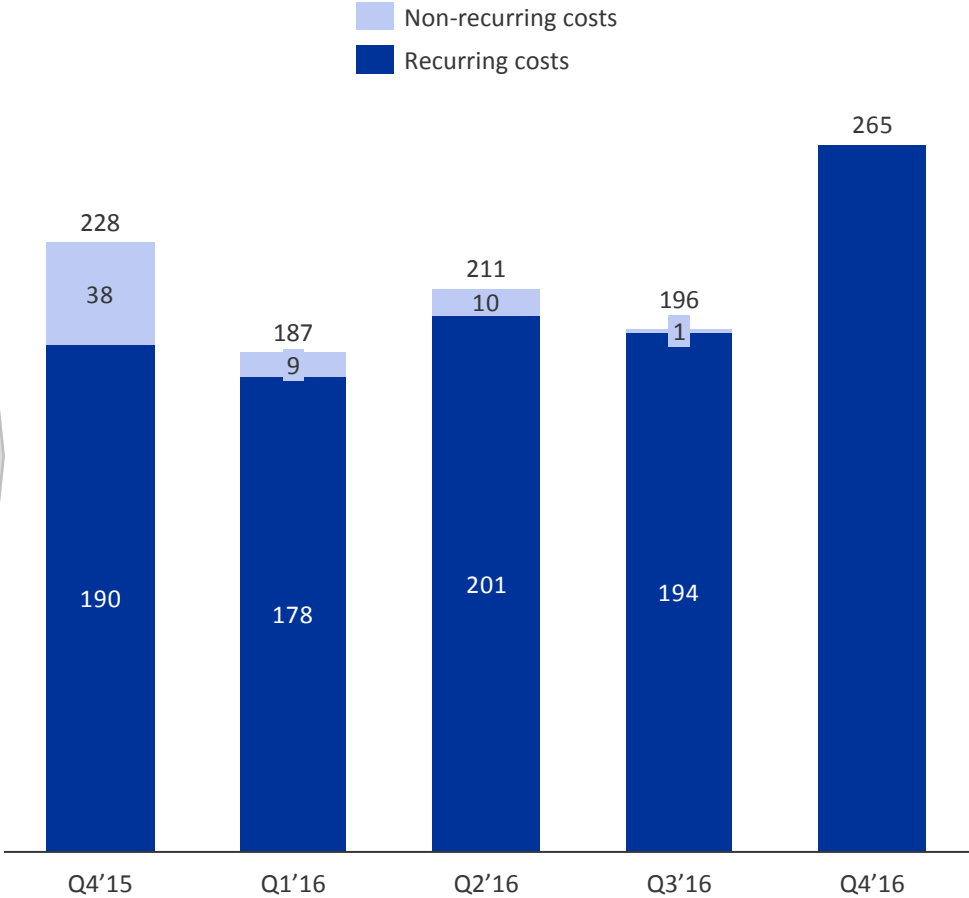
Total operational costs per quarter

NOK million



Operational costs split

NOK million



Balance sheet

Balance sheet

NOKm	2016 unaudited	2015 audited
Tangible and intangible assets	485	418
Other long-term financial assets	4	2
Non-performing loans portfolio	4,752	3,168
Loan receivables & other financial assets	567	286
Total long-term financial assets	5,323	3,455
Other short-term assets	123	70
Cash & short-term deposits	218	765
Total current assets	341	835
Total assets	6,149	4,708
Total equity	2,425	1,672
Long-term interest bearing loans & borrowings	3,218	2,526
Other long-term liabilities	115	91
Total long-term liabilities	3,333	2,617
Short-term interest bearing loans	0	0
Other short-term liabilities	391	419
Total short-term liabilities	388	419
Total equity and liabilities	6,149	4,708

Comments

- Increase in non-performing loans portfolio of 50%
- Number of claims 5.5m
- Face value NOK 60bn
- Loans receivable NOK 311m (NOK 259m in 2015)
- Equity ratio 39.4%
- Investment capacity NOK 1,962m

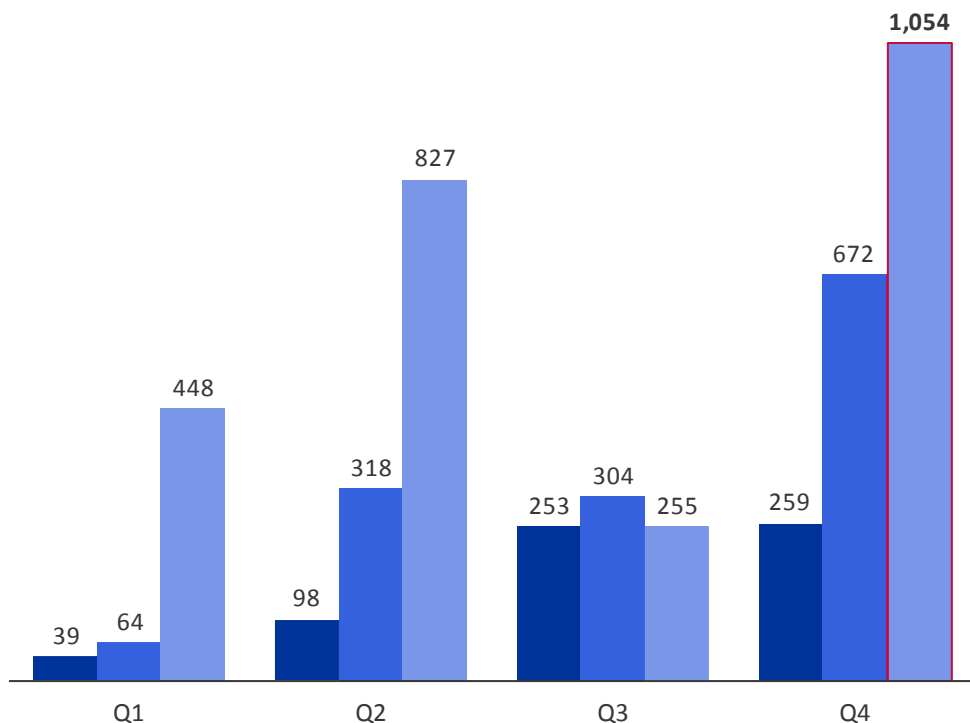
Record quarter in terms of portfolio acquisitions

– Crossing the NOK 1bn mark for the first time

Portfolio purchases

NOK million

■ 2014 ■ 2015 ■ 2016

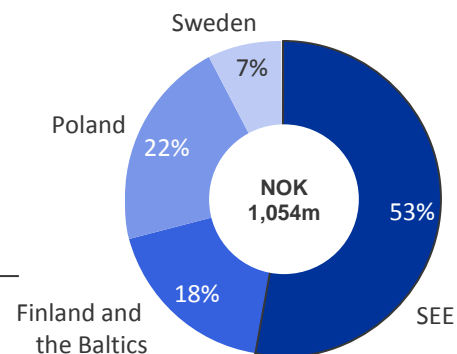


Comments

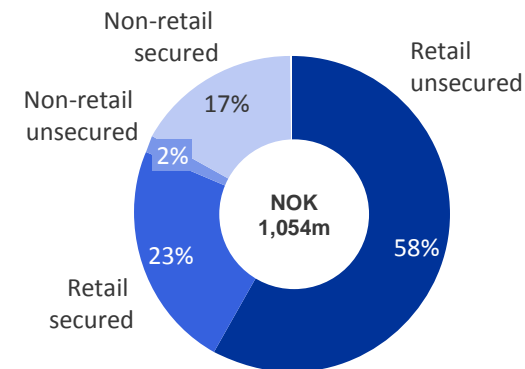
- Record year and record quarter for portfolio acquisitions:
 - NOK 1.05bn in acquisitions in Q4'16, up from NOK 672m in Q4'15
 - NOK 2.6bn in acquisitions in 2016, up from NOK 1.4bn in 2015
- Q2 and Q4 usually the most active quarters
- Portfolio purchases in all geographies present
- Continued strong forward flow (frame agreements) in the Nordic region

Key details portfolio purchases

Geography distribution



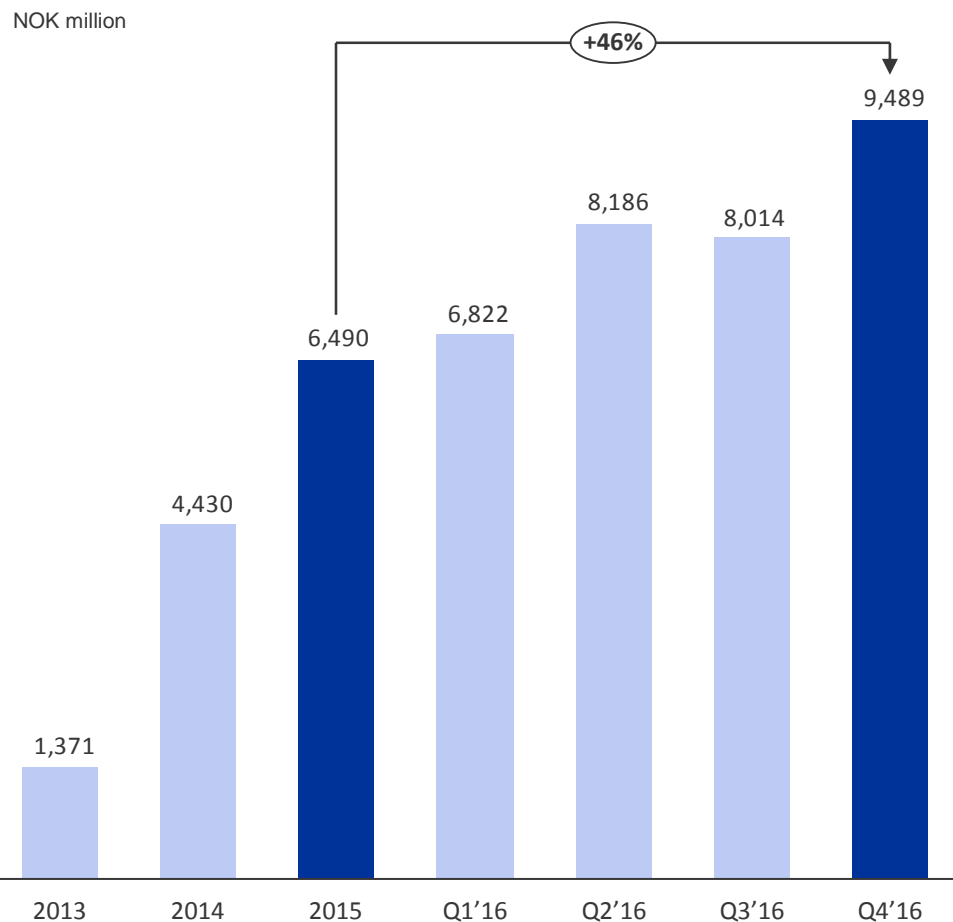
Distribution by type



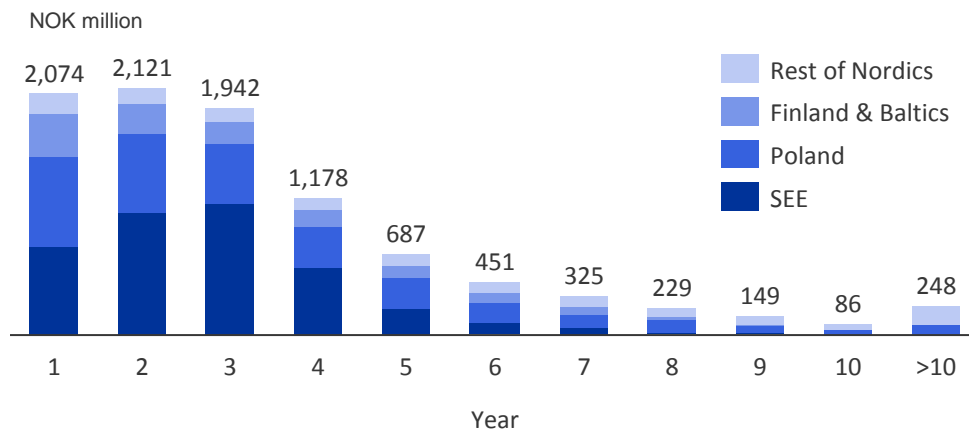
Total Gross ERC of approx. NOK 9.5bn

– 46% growth y-o-y

Development in Total Gross ERC



Total Gross ERC split by estimated collection time



Gross ERC split by estimated collection time table

NOK million

	Year										120m ERC	Total ERC
	1	2	3	4	5	6	7	8	9	10		
SEE	757	1,046	1,118	570	229	104	55	25	13	0	3,917	3,917
Poland	770	678	517	363	254	177	123	88	58	36	3,063	3,147
Finland & Baltics	374	262	191	143	110	86	70	49	23	5	1,313	1,324
Rest of Nordics	173	136	116	103	93	84	76	67	56	45	948	1,101
Total	2,074	2,121	1,942	1,178	687	451	325	229	149	86	9,241	9,489

Outlook

Expect continued collection improvement and growth in 2017 – but Q1 typically less eventful than Q4

Financial

- Solid investment capacity through existing drawing facilities and strong cash flow
- Continued focus on optimisation of capital structure going forward
- Focus on financial targets

Operational and organisational

- Seasonality in collection with expected and normally lower activity in Q1 vs Q4
- Continued strong pipeline – good flow of portfolios in all markets
- New markets will increase portfolio pipeline – Hungary and Italy
- Continue focus on operational efficiency in the Group

Agenda



Appendices

Financial highlights: Cash flow

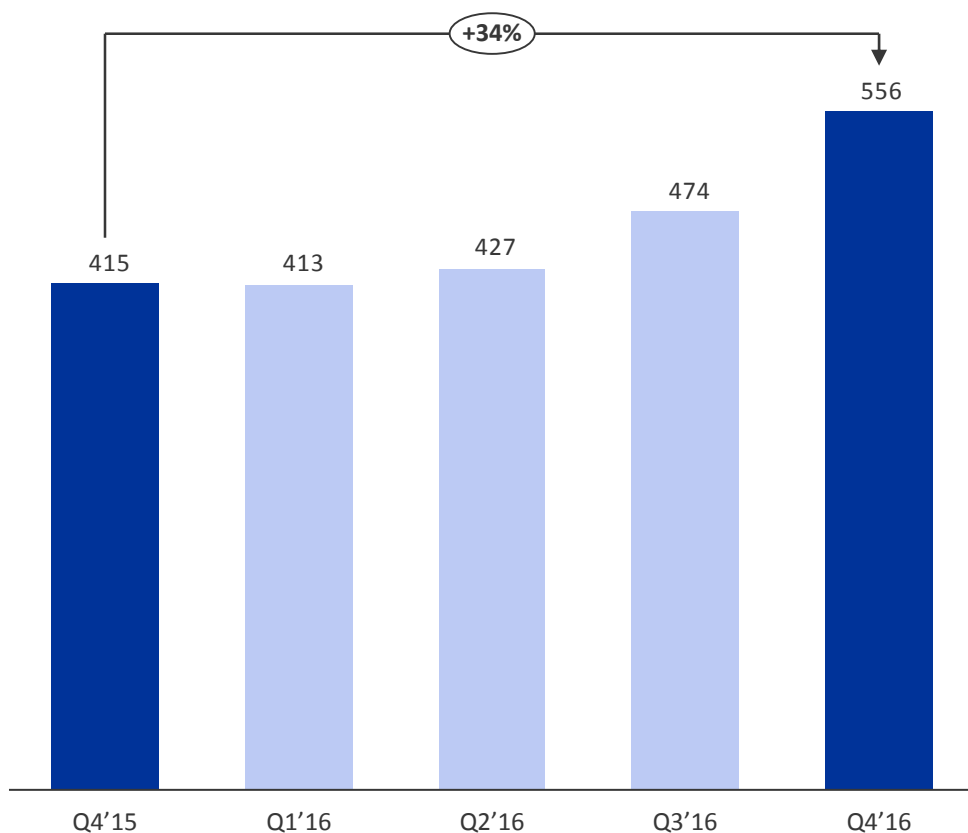
Consolidated cash flow

NOKm	Q4'16	Q4'15	2016 unaudited	2015 audited
Cash EBITDA	349	240	1,210	829
Interest expenses paid	-53	-31	-184	-91
Working capital and FX revaluation	-62	-224	-110	-145
Income tax paid during the period	-14	-5	-60	-27
Other adjustments	11	129	-53	24
Cash flow from operation	232	109	802	591
Cash flow from investing activities				
Portfolio Investments	-903	-672	-2,432	-1,358
Acquisition of subsidiary	-5	0	-92	0
Other	-15	-4	-190	-29
Net cash flow from investing activities	-923	-676	-2,713	-1,388
Cash flow from financing				
Net proceeds from new share issues	0	0	662	17
Change in interest bearing debt	766	1,022	738	1,216
Other	0	0	0	0
Net cash flow from financing	766	1,022	1,400	1,233
Net cash flow in the period	75	455	-511	436
Opening cash and cash equivalents	149	292	765	294
Exchange rate difference on currency conversion	-6	17	-36	34
Closing cash and cash equivalents	218	765	218	765

Cash collection and net operating revenue at record high levels

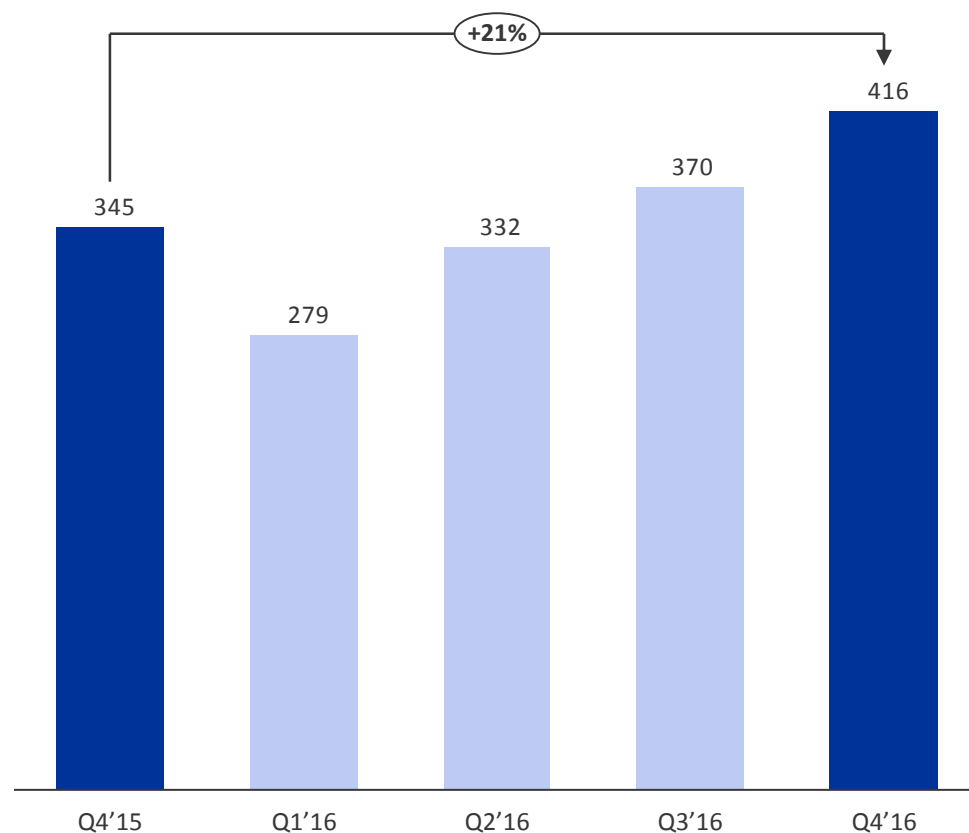
Gross cash collection on portfolios

NOK million



Net operating revenue

NOK million

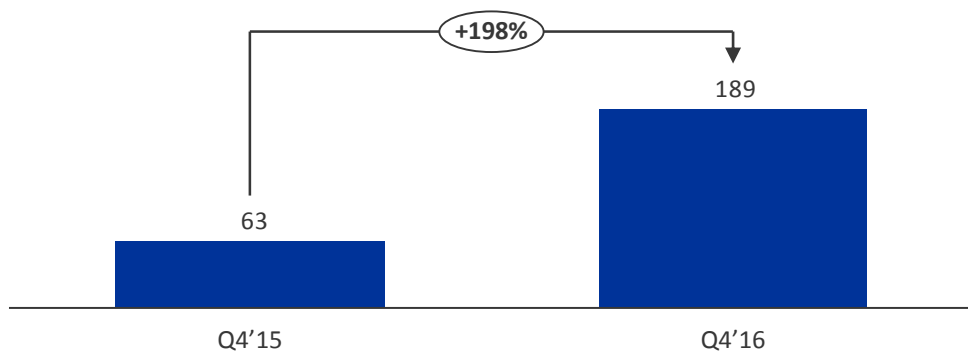


Segment financials – SEE



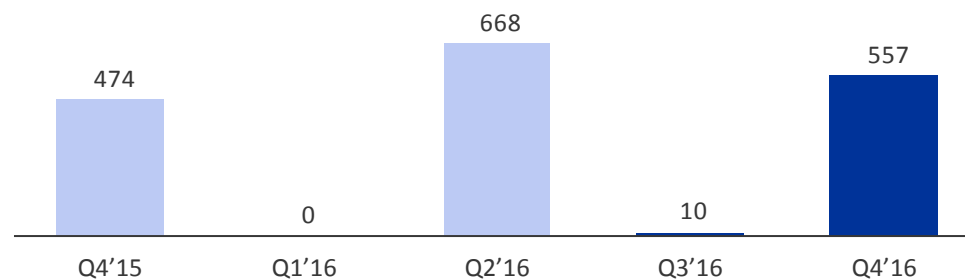
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q4'15	Q4'16	% growth
Interest income on purchased loans	69	132	91 %
Cash EBIT	35	145	314 %
EBIT	41	88	115 %
Changes in portfolio cash flow estimates		4	
Carrying value of loans	868	2 032	134 %

Comments

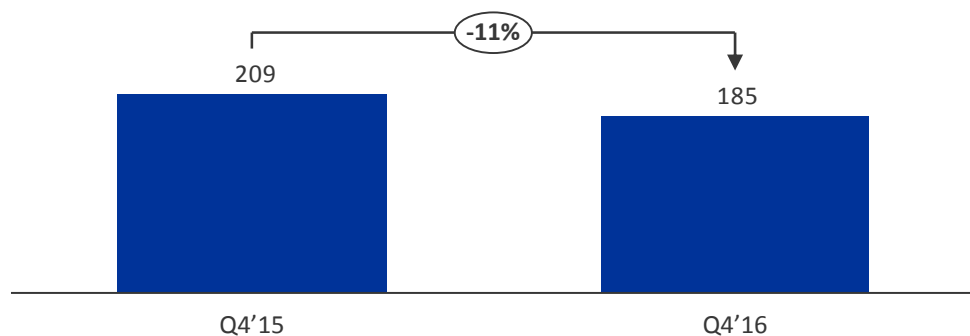
- Strong development in collections
- New operational system installed – efficiency improvements
- Strengthen organisation – positive development
- Good portfolio pipeline

Segment financials – Poland



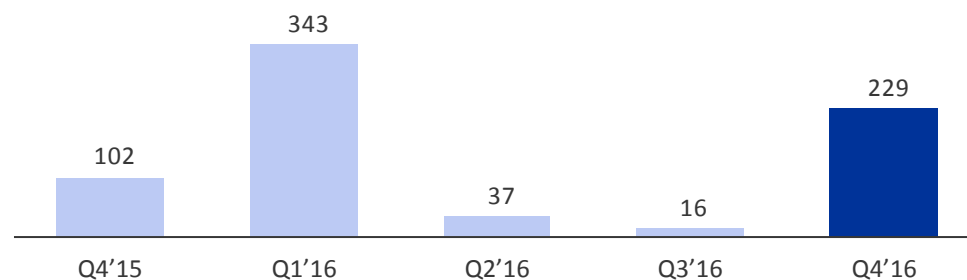
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q4'15	Q4'16	% growth
Interest income on purchased loans	149	137	-8 %
Cash EBIT	127	84	-34 %
EBIT	67	35	-48 %
Changes in portfolio cash flow estimates		-1	
Carrying value of loans	1 414	1 605	14 %

Comments

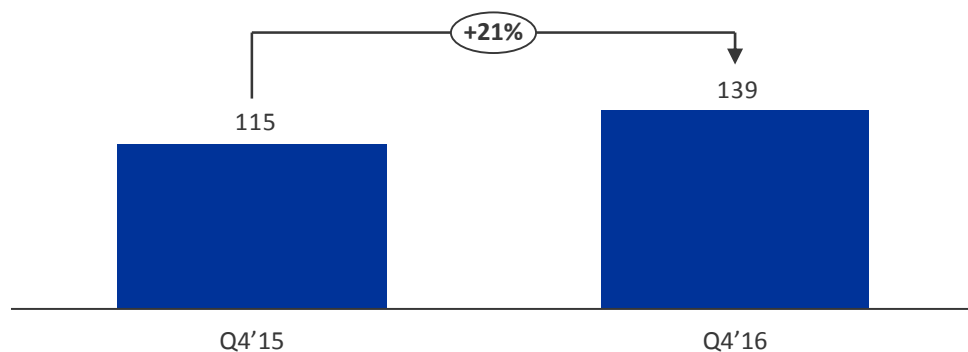
- Actual collection better than expectations
- Potential new law regarding time barring – filing of claims as a protection
- High investment in future cash flow through high legal filing of claims

Segment financials – Finland and the Baltics



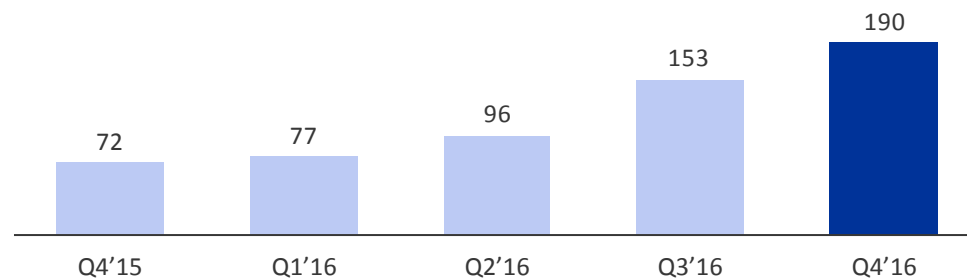
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q4'15	Q4'16	% growth
Interest income on purchased loans	58	67	15 %
Cash EBIT	95	113	20 %
EBIT	38	41	10 %
Changes in portfolio cash flow estimates	-4	0	
Carrying value of loans	439	717	63 %

Comments

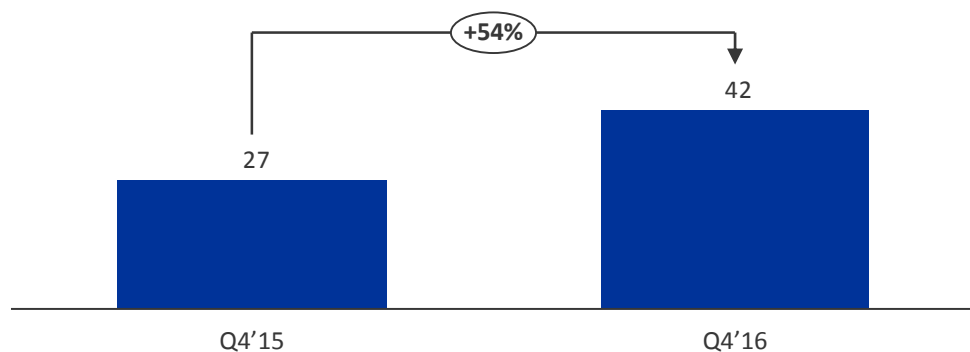
- Good operational performance
- High portfolio purchases both in Finland and the Baltics

Segment financials – Rest of Nordics



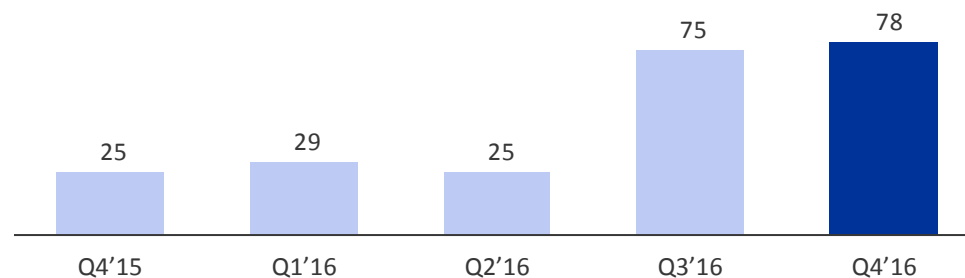
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

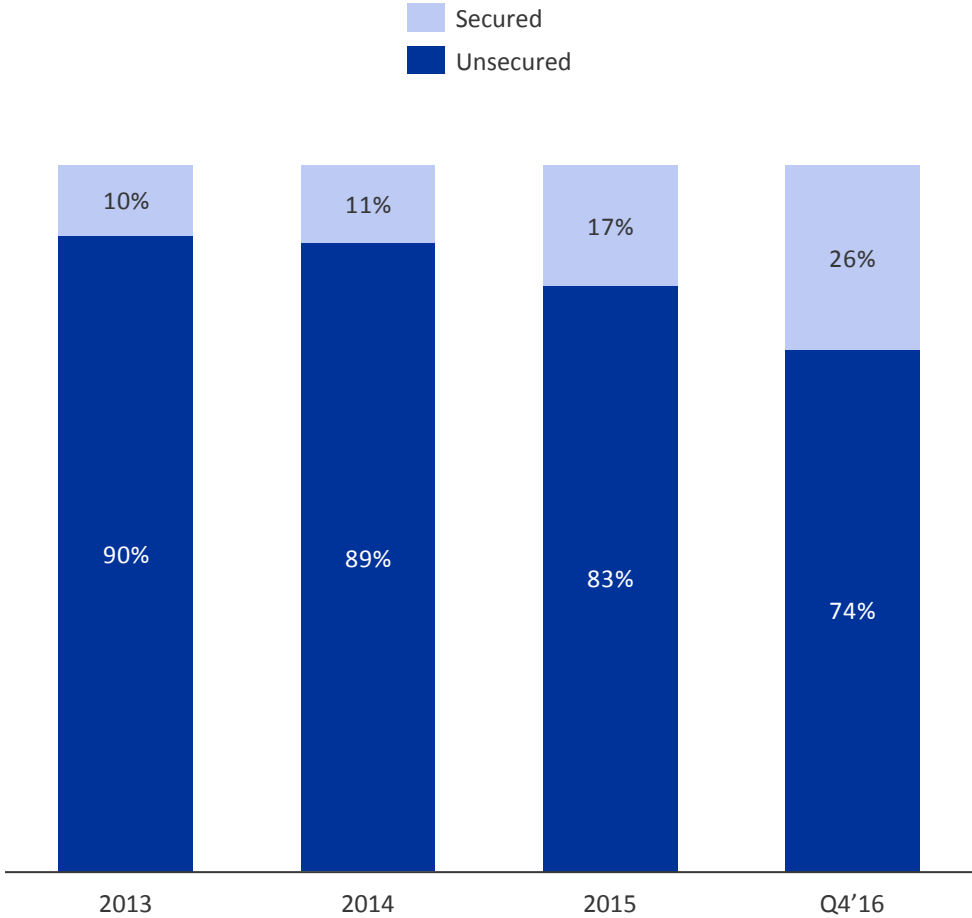
NOKm	Q4'15	Q4'16	% growth
Interest income on purchased loans	18	26	41 %
Cash EBIT	18	33	77 %
EBIT	10	17	73 %
Changes in portfolio cash flow estimates	0	0	
Carrying value of loans	447	552	23 %

Comments

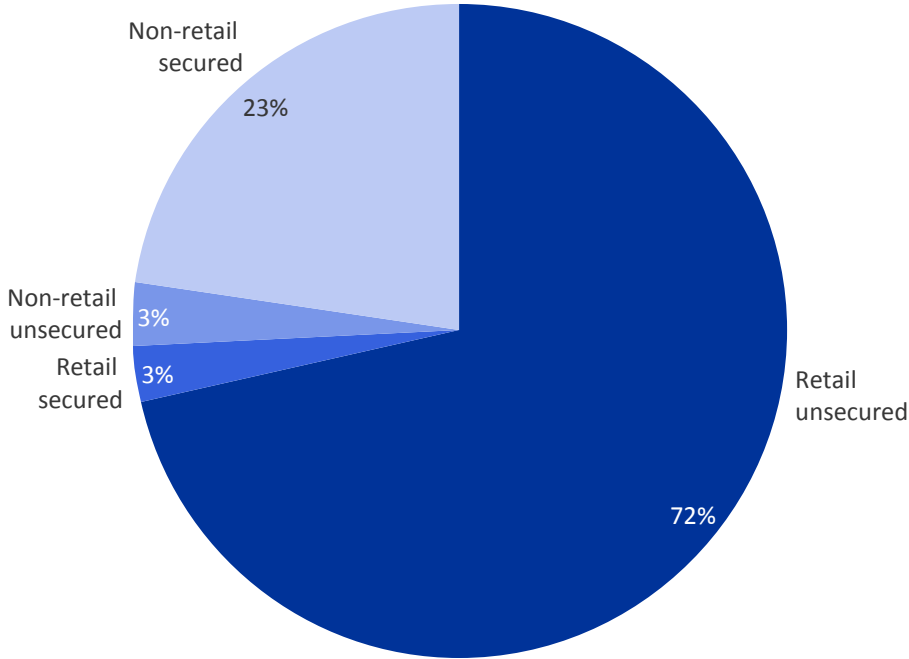
- Continued good development in operational performance
- Continued good development in portfolio purchases
- Scoring system implemented is developing positively

Portfolio composition

Portfolio distribution by type (measured by purchase price)¹⁾



Portfolio distribution by type (measured by purchase price)



1) 2013 and 2014 extrapolated based on portfolios per 31/12/2015



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