

Q3 2016 presentation



Oslo, 25 November 2016

B2Holding status update Q3 2016

Continued to improve operational performance, and has further strengthened its position in key markets in Q3

Financial developments

- Strong financial performance during the quarter with cash EBITDA and EBIT up 40% and 49% yoy, respectively
- Successfully issued a EUR 175 million unsecured bond in September (settlement 4th October)
 - Significantly increased investment capacity, well positioned for supporting the growth strategy going forward
- The Group acquired portfolios for NOK 255 million in Q3 and has in total purchased portfolios for NOK 1,529 million Q1-Q3 2016
 - Acquired portfolios in all markets where it has presence, with the majority in the Nordics

Operational developments

- Announced the first joint venture acquisition with a larger competitor in a mortgage portfolio in Romania, expected closing in the fourth quarter
- The positive development in the Nordics and the SEE area have continued in the third quarter, showing strong operational performance

Organisational developments

- In Poland the new CEO of Ultimo took over from 1 September strengthening the organisation for further development in the market and operational performance
- Further build-up of operational- and organisational resources in the SEE region through new hiring's and operational improvements to meet business opportunities in the region.
 - DCA (Bulgaria and Romania) has good performance in accordance with plan and growing as expected.
- The Group will continue to focus on streamlining its operations and taking advantage of adoption of best practice within the Group

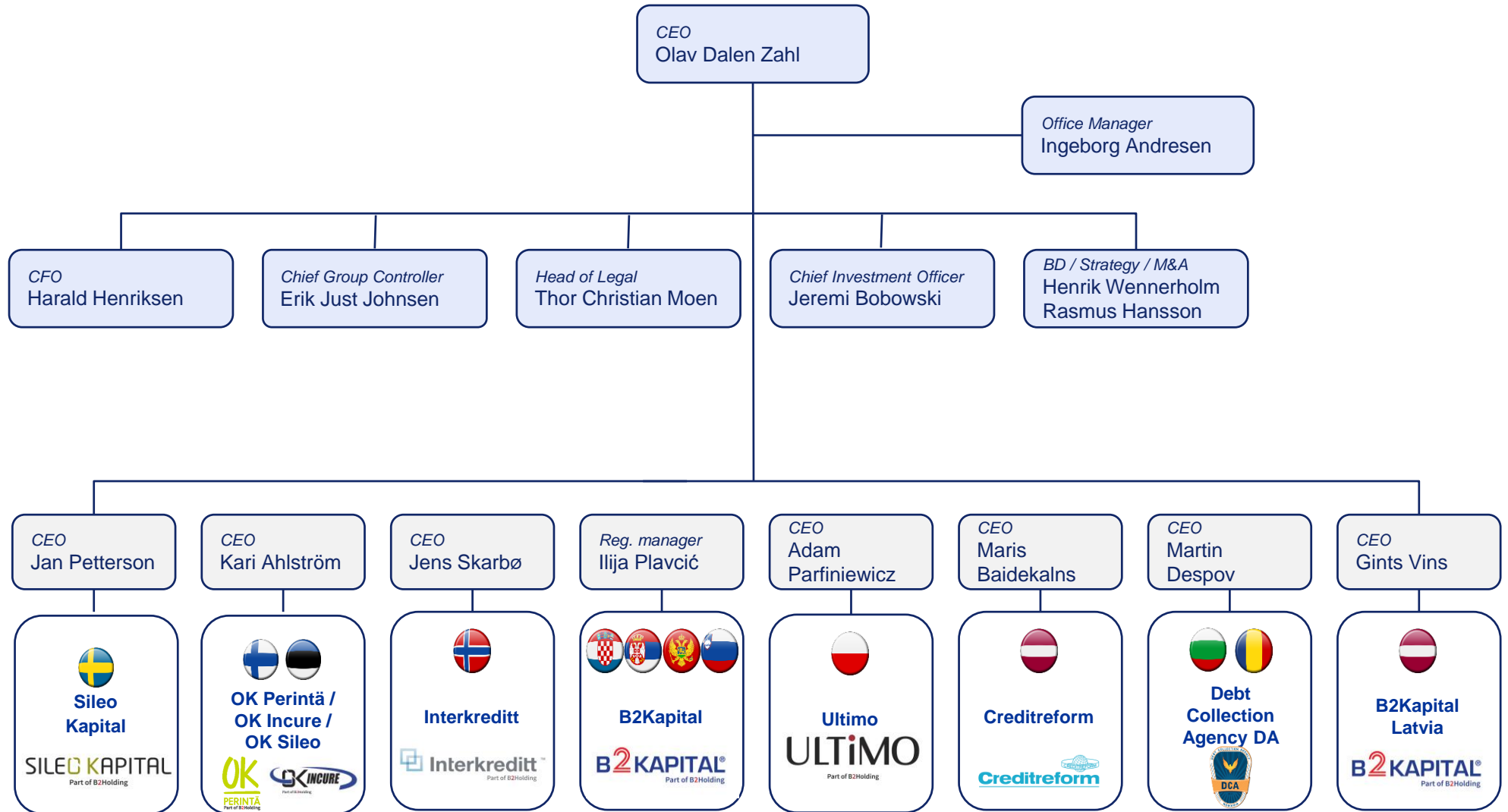
12 platforms managing over 2,500 portfolios in 15 countries, expected to generate NOK ~8bn in collection

B2 HOLDING®
Making each other better



Platforms	12
Countries with portfolios	15
Employees	1,430
Total Gross ERC (NOKm)	8,014

B2Holding group functions

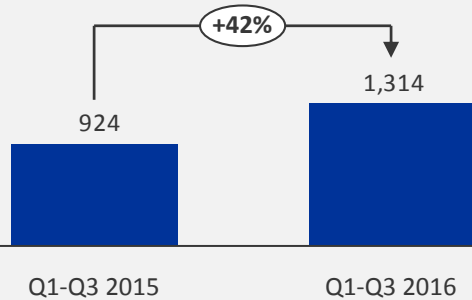


(portfolio acquisitions Baltics)

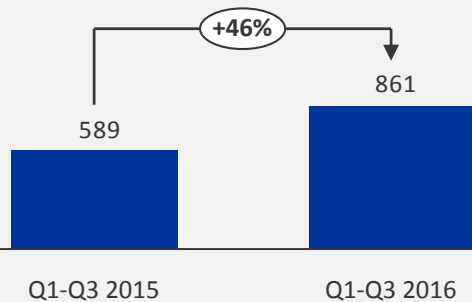
Financial highlights as of Q3'16

Increasing collections and cash EBITDA

Gross Cash collection (NOK)¹⁾

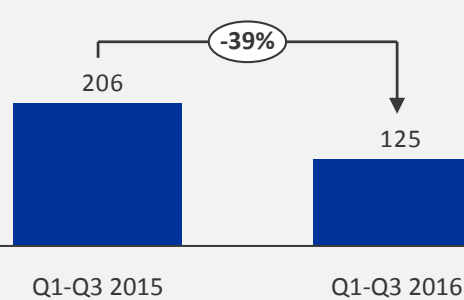


Cash EBITDA (NOK)³⁾

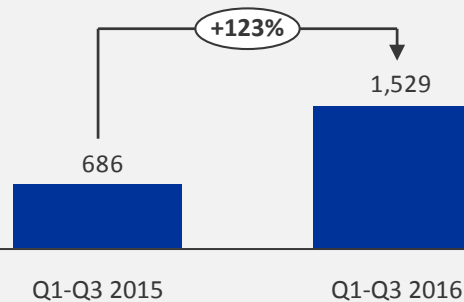


Increasing profits and acquisition activity

Adjusted net profit (NOK)²⁾



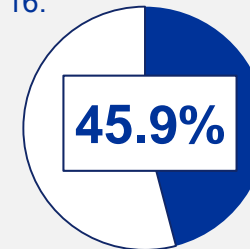
Portfolio acquisitions



Solid balance sheet and return on capital

Equity ratio

Q3'16:



Q2'16: 44.3%

Adjusted ROE²⁾

Q3'16 LTM:

10.5%

Adjusted for e.o. items

13.6%

Adjusted for e.o. items and FX

Available liquidity (NOK)⁴⁾⁵⁾

Q3'16:

NOK 1.2 billion

Q2'16: NOK 1.3bn

1) Gross Cash collection on portfolios

2) Adjusted for extraordinary items. ROE based on average quarterly equity LTM

3) Cash EBITDA defined as operating EBITDA plus portfolio amortisation / revaluation

4) Excess cash (cash above minimum cash position of NOK 200m) plus undrawn amount on the revolving credit facility and the bank overdraft facility

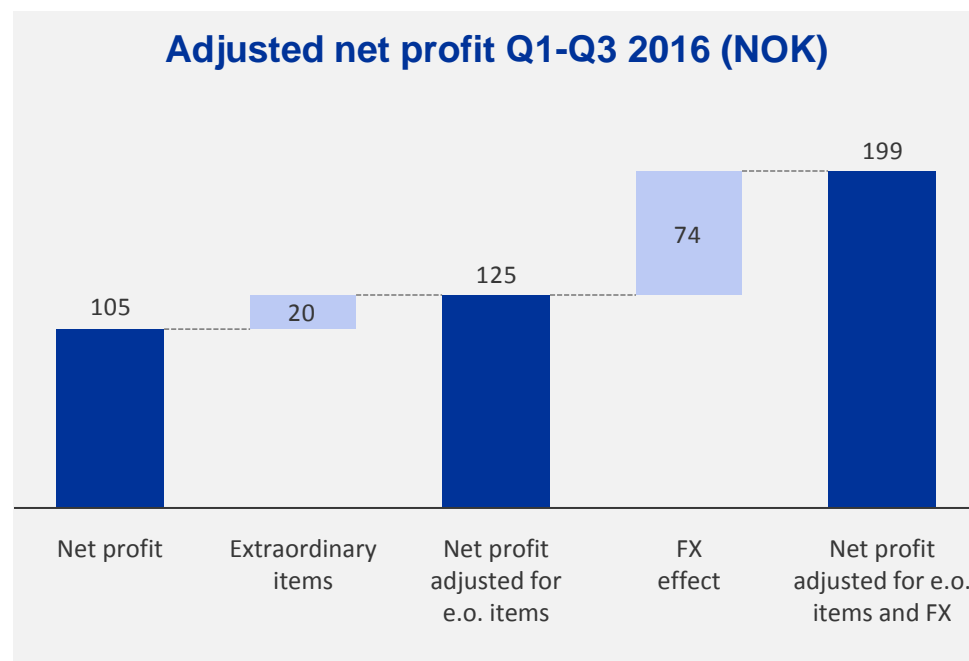
5) New EUR 175m unsecured bond settled 4 October and not included per Q3 2016

Currency is affecting net profit

Comments

- Currency effect comes from operational hedge, external and internal funding exposure:
 - Net currency exposure at parent company level EUR 159 million
 - Funding of subsidiaries with internal loans of equivalent of EUR 309 million
 - External loans of EUR 150 million
- Funding of subsidiaries with additional equity of EUR 159 million would neutralise the currency effect
 - Accumulated currency effect of NOK 74 million in Q1-Q3 2016
- LTM ROE adjusted for extraordinary items and the currency effect estimated to 13.6%

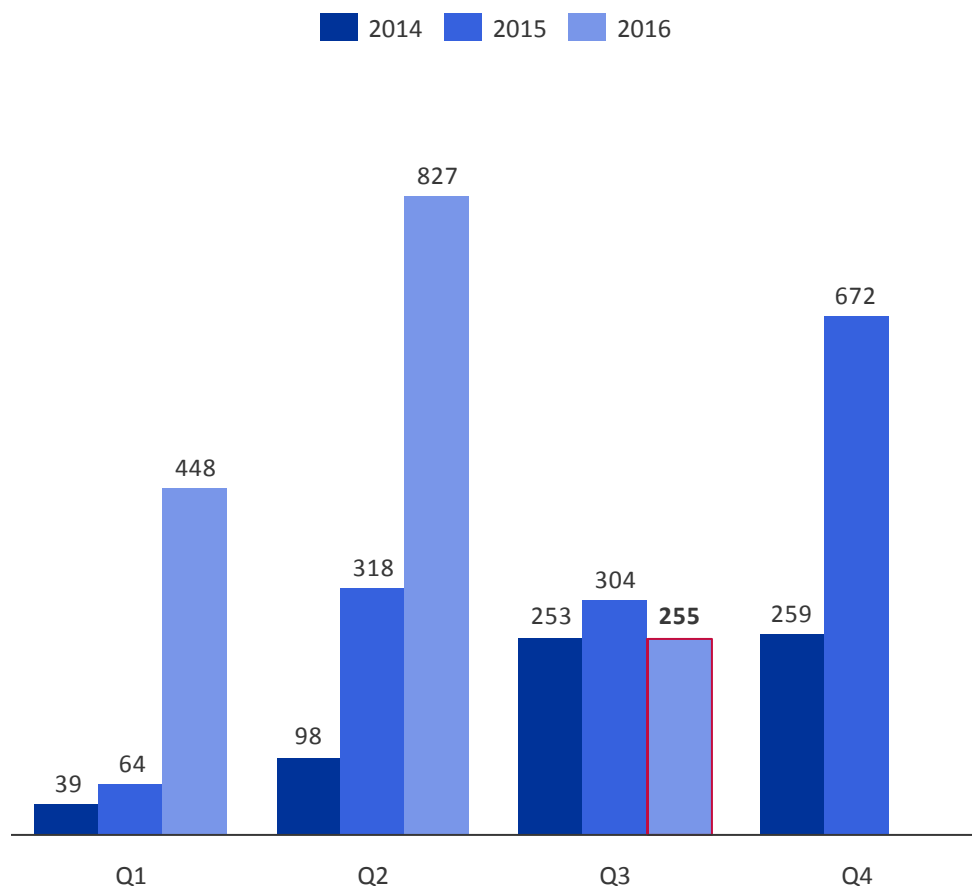
Net profit adjusted for extraordinary items and FX



Acquired portfolios in all markets present in Q3, majority in the Nordics

Portfolio purchases

NOK million

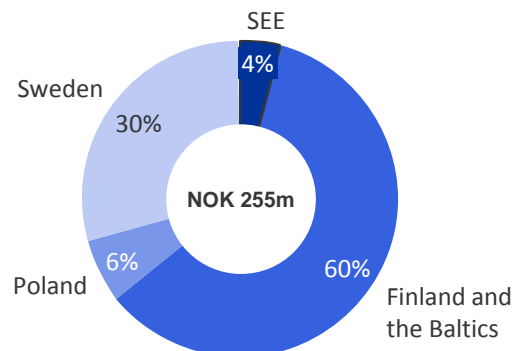


Comments

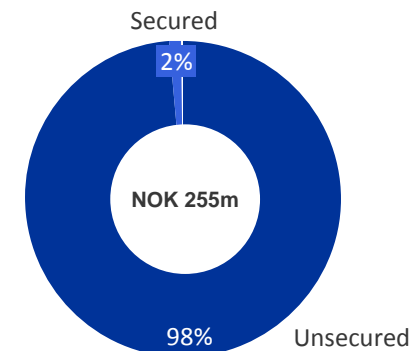
- Along with Q1, Q3 is traditionally a less active portfolio purchase period, as sellers usually wait until half-year end or year-end to dispose of NPLs
 - Large part of pipeline in Q4 (as communicated in the Q2 presentation)
- Portfolio purchases in all geographies present
- Strong flow from forward flow and frame agreements in the Nordic region

Key details portfolio purchases

Geography distribution



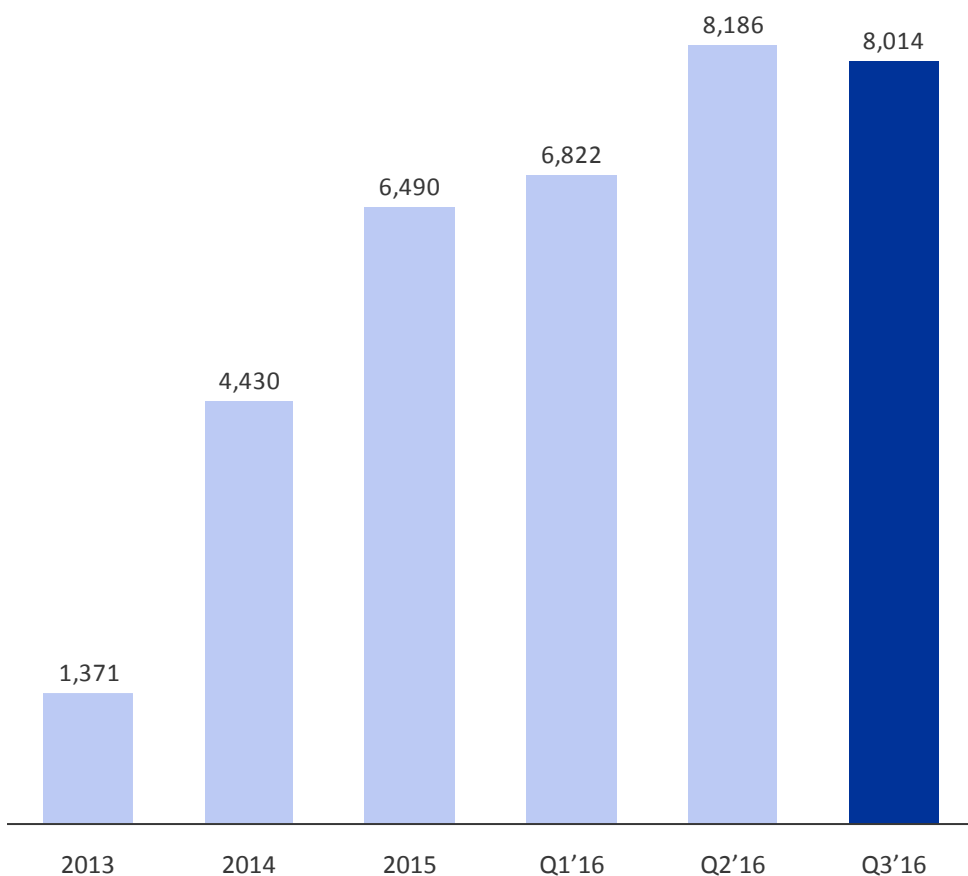
Distribution by type



Total Gross ERC of approx. NOK 8bn – affected by FX

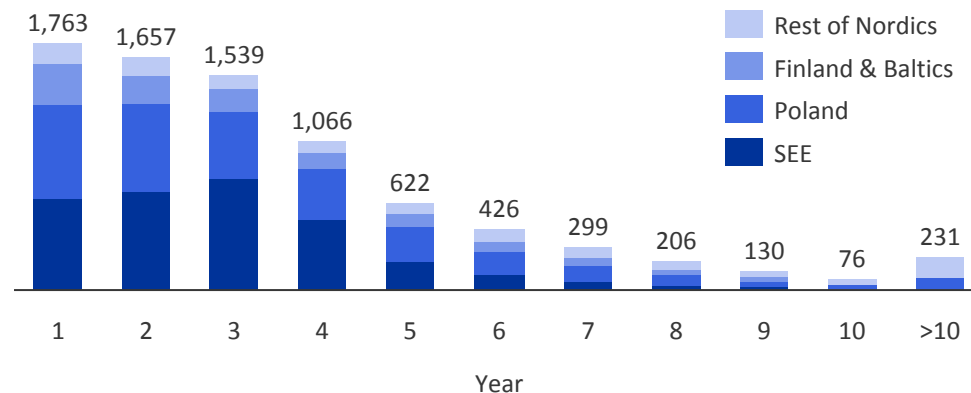
Development in Total Gross ERC

NOK million



Total Gross ERC split by estimated collection time

NOK million



Gross ERC split by estimated collection time table

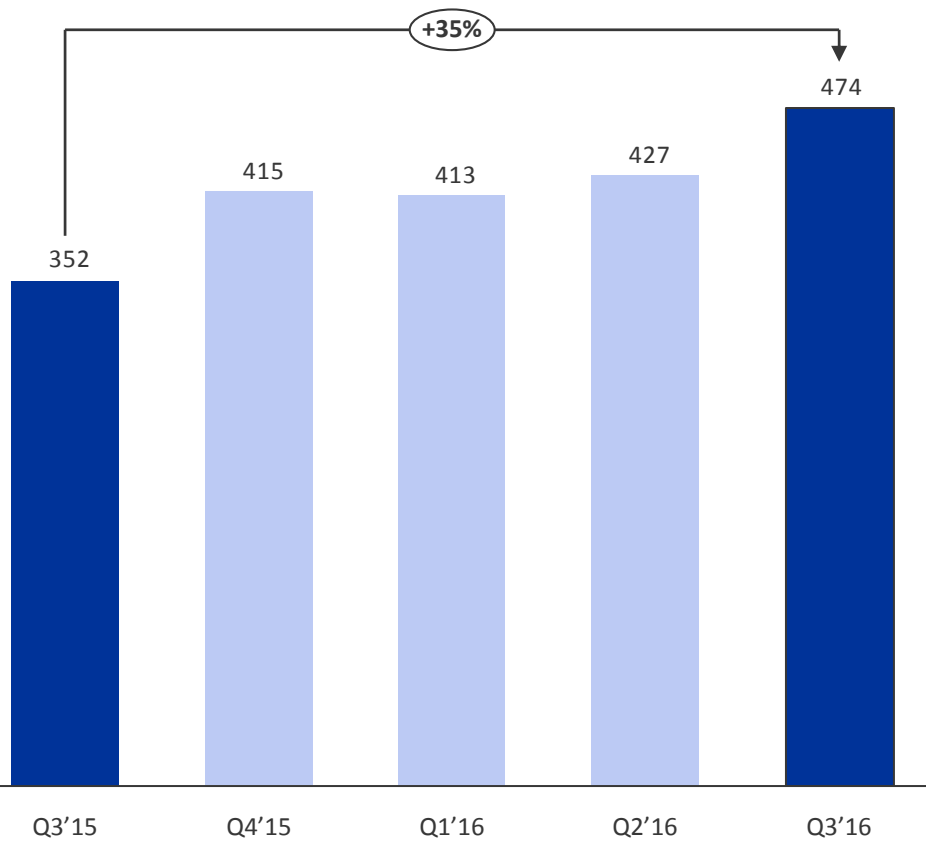
NOK million

	Year											120m ERC	Total ERC
	1	2	3	4	5	6	7	8	9	10			
SEE	640	696	787	499	199	103	58	23	8	1	0	3,014	
Poland	677	631	488	354	246	175	114	79	52	31	83	2,929	
Finland & Baltics	303	213	162	121	93	72	58	42	20	3	10	1,098	
Rest of Nordics	143	117	102	91	83	76	69	61	51	41	138	973	
Total	1,763	1,657	1,539	1,066	622	426	299	206	130	76	231	8,014	

Over 30% growth y-o-y in gross cash collection and net operating revenues

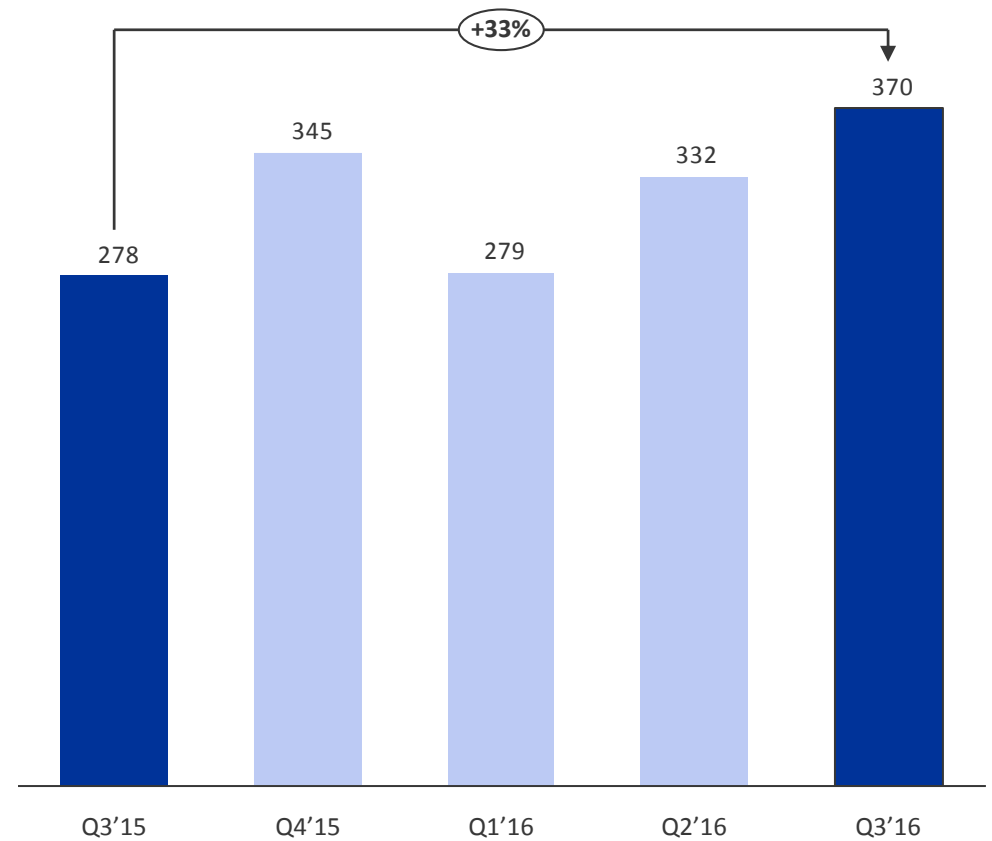
Gross cash collection on portfolios

NOK million



Net operating revenue

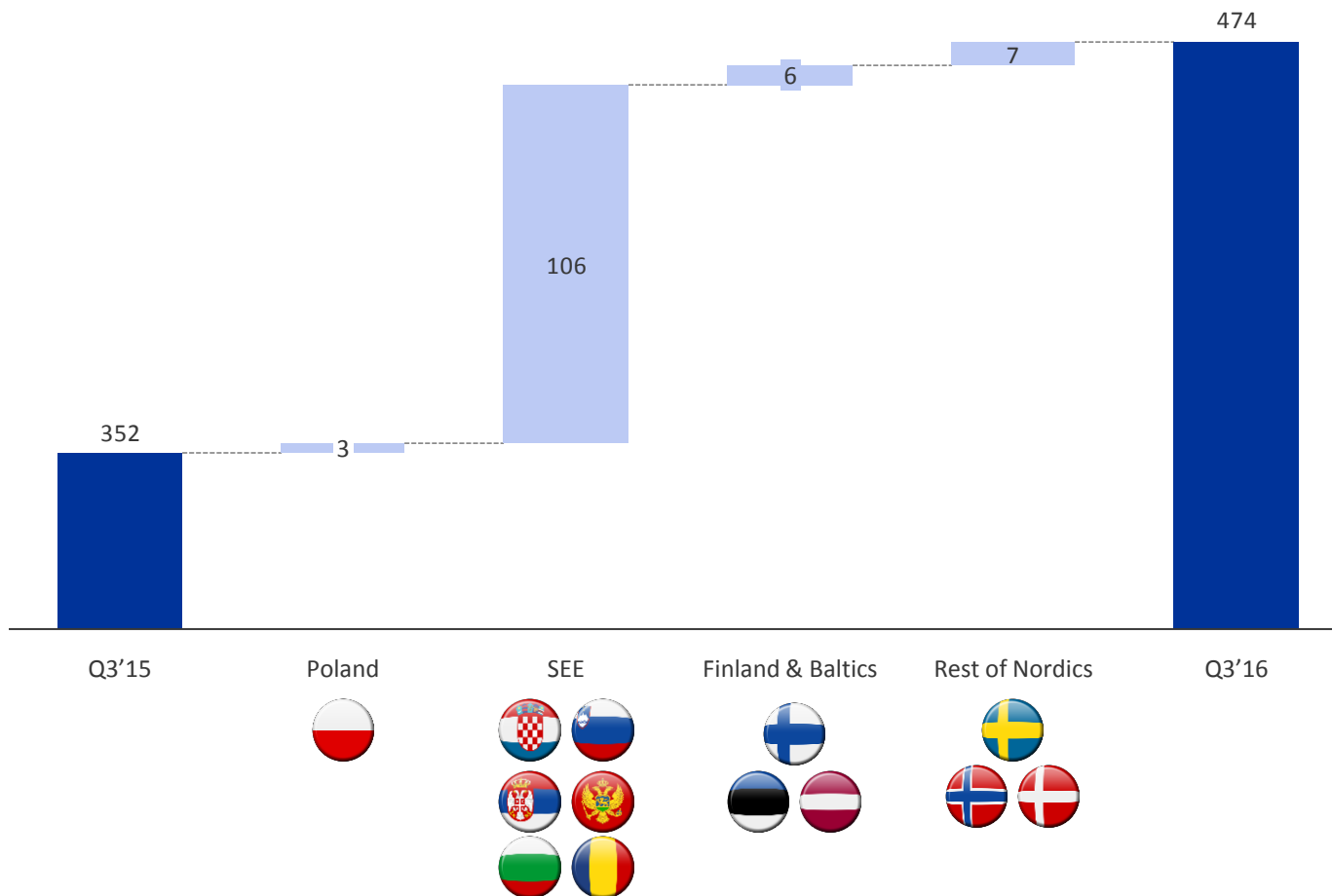
NOK million



The SEE area is driving gross cash collection growth

Gross cash collection on portfolios bridge

NOK million

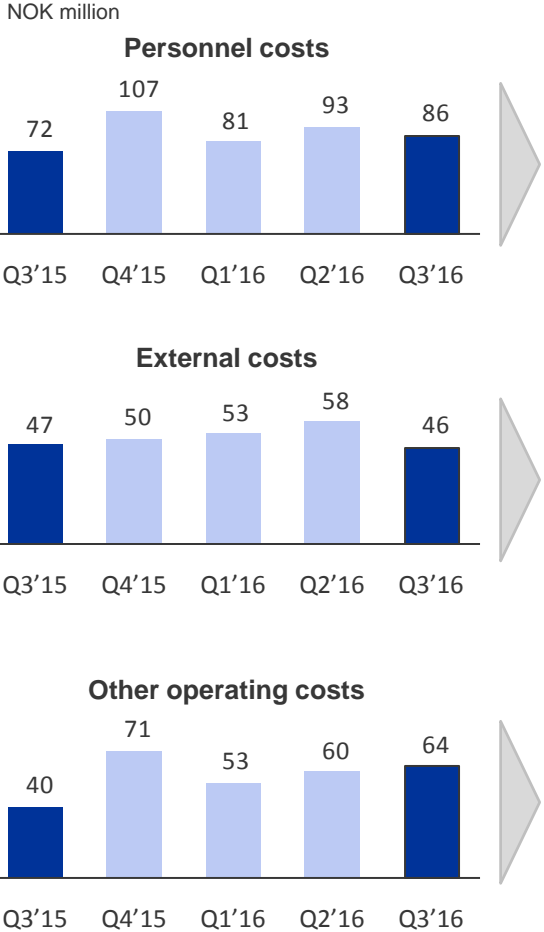


Comments

- Strong operational performance in the SEE-region
- Actual cash collection on secured portfolios progressing according to predictions

Continuing to display disciplined cost control

Total operational costs per quarter

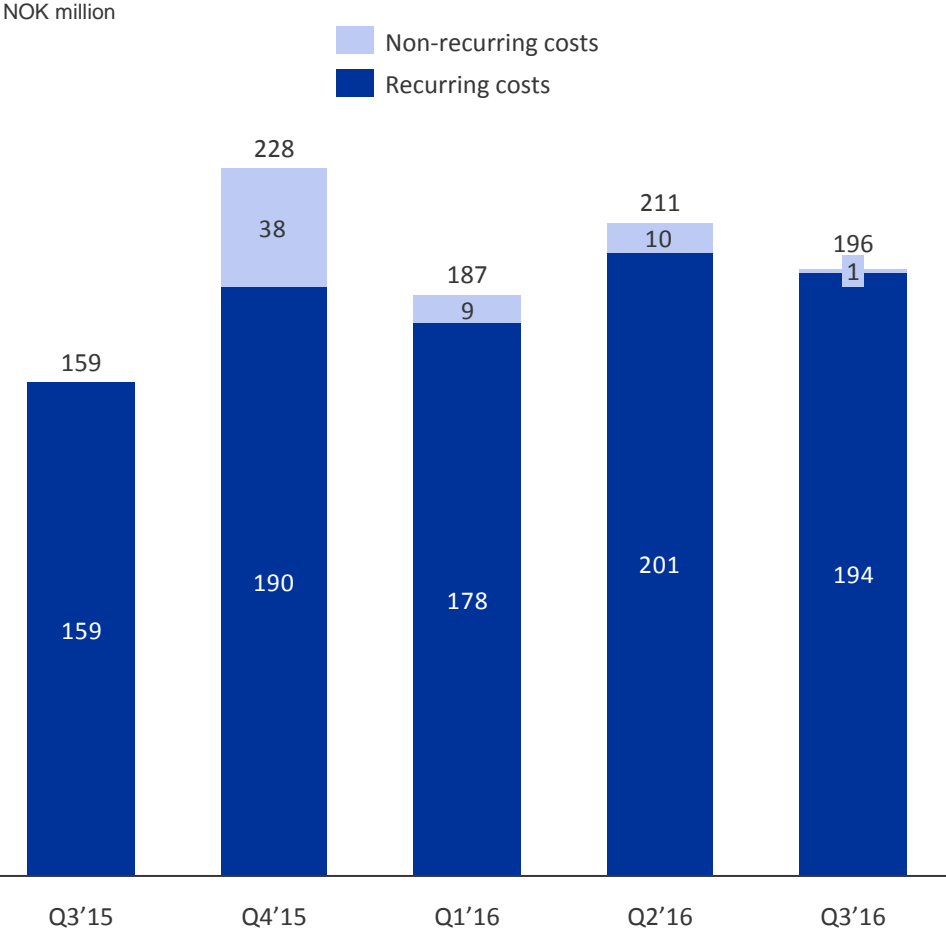


Lower personnel costs - even including DCA full quarter

*Stable development in external costs, as expected
NOK 5m moved to other operating costs*

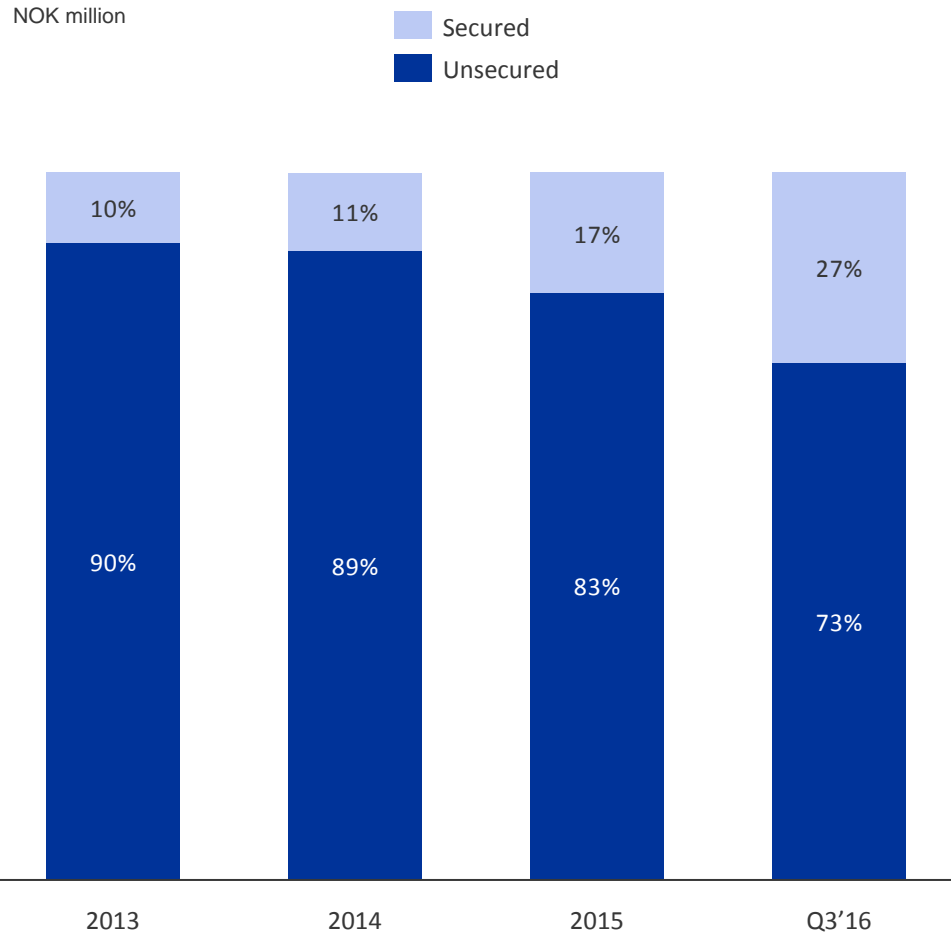
Stable development in other operating expenses

Operational costs split

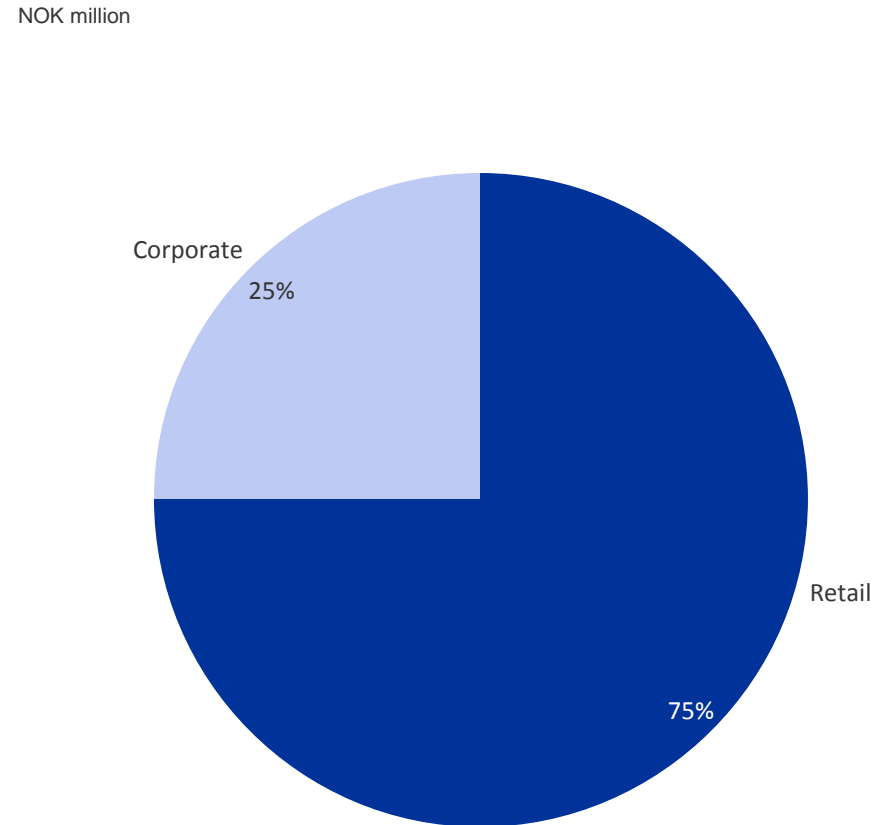


Portfolio composition

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



Portfolio distribution by type (measured by purchase price)



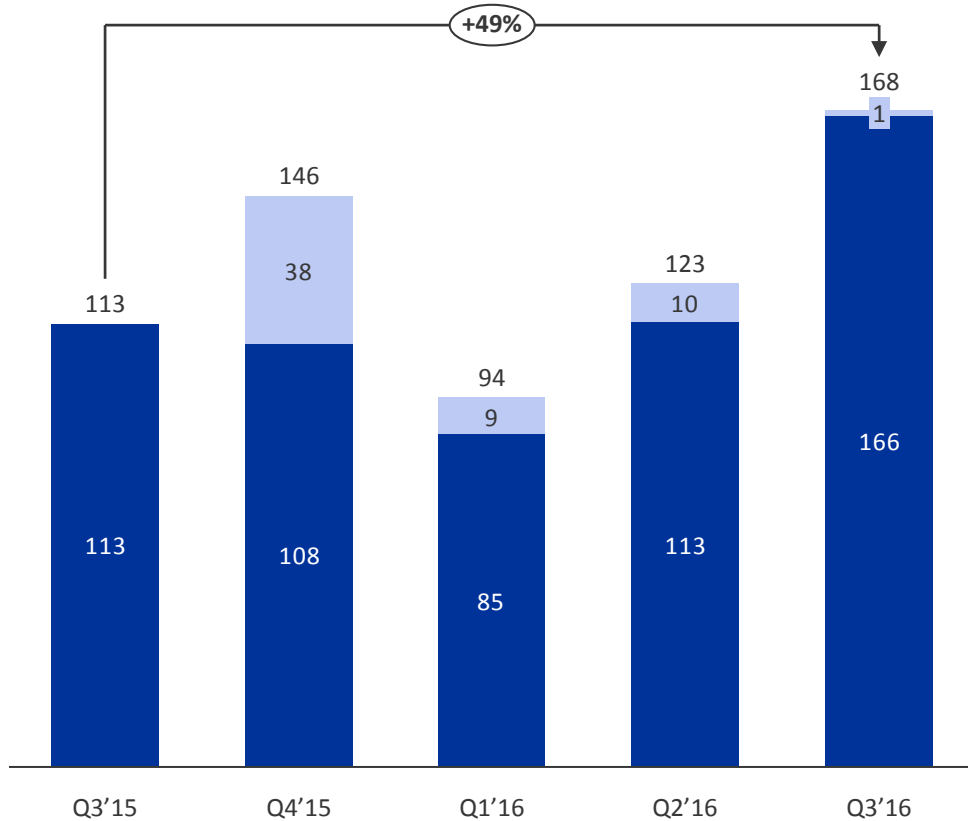
1) 2013 and 2014 extrapolated based on portfolios per 31/12/2015

Strong y-o-y growth in EBIT and Cash EBITDA

EBIT

NOK million

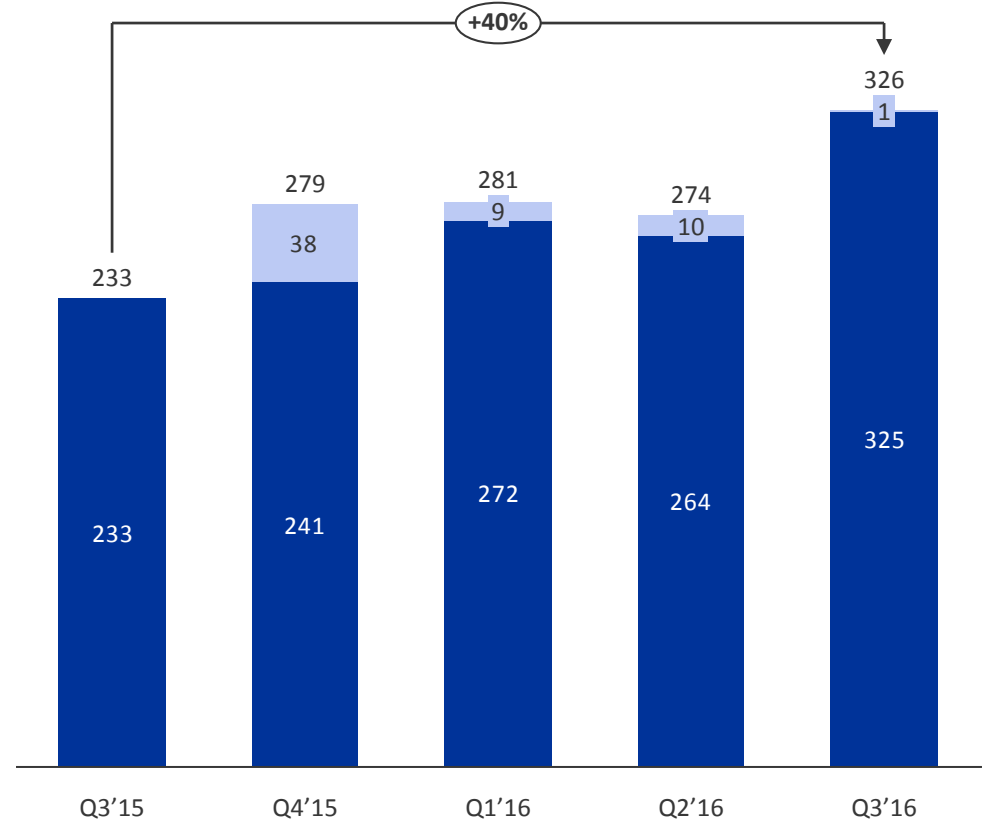
■ Non-recurring items
■ As reported



Cash EBITDA

NOK million

■ Non-recurring items
■ As reported



Financial highlights: Income statement

Income statement

NOKm	Q3'15	2015 audited	Q2'16	Q3'16
Interest income on purchased loan portfolios	239	915	284	323
Revenue from external collection	23	104	26	26
Other operating revenues	16	57	22	21
Net operating revenues	278	1,076	332	370
Excess cash from collection over income	113	424	143	151
Total cash revenue	391	1,500	475	520
External costs of services provided	-47	-189	-58	-46
Personnel costs	-72	-294	-93	-86
Other operating expenses	-40	-188	-60	-64
Cash EBITDA	233	829	264	325
EBITDA	120	405	121	174
Depreciation and amortization	-7	-28	-7	-8
EBIT	113	377	113	166
Net financials	16	-134	-36	-116
Tax	-4	-45	-15	-6
Net profit	125	198	63	44
Non-recurring items (net of tax)	0	79	10	1
Adjusted net profit	125	277	72	46

Comments

- Strong growth in cash revenue
- Strong growth in operating profit – stable operating costs
- Good development in operational performance – cost to collect
- Financials include NOK 69 mill in unrealized currency loss Q3 2016 vs. NOK 47 unrealised currency gain in Q3 2015
- Cash EBITDA 9 month NOK 861 million

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

Financial highlights: Balance sheet

Balance sheet

NOKm	Q3'15	2015 audited	Q2'16	Q3'16
Tangible and intangible assets	419	418	499	475
Other long-term financial assets	2	2	2	2
Non-performing loans portfolio	2,554	3,168	4,030	4,038
Loan receivables & other financial assets	243	286	307	319
Total long-term financial assets	2,799	3,455	4,339	4,358
Other short-term assets	57	70	92	91
Cash & short-term deposits	305	765	215	222
Total current assets	362	835	307	313
Total assets	3,580	4,708	5,145	5,147
Total equity	1,662	1,672	2,281	2,362
Long-term interest bearing loans & borrowings	1,305	2,526	2,410	2,357
Other long-term liabilities	71	91	138	113
Total long-term liabilities	1,376	2,617	2,547	2,470
Short-term interest bearing loans	13	0	46	73
Other short-term liabilities	529	419	271	241
Total short-term liabilities	542	419	317	314
Total equity and liabilities	3,580	4,708	5,145	5,147

Comments

- Non performing loans FX effect of NOK 109 million
- Takto increases the lending
- Money multiplier of 2
 - Higher investment in secured portfolios
- Equity ratio of 45,9%
- Investment capacity of NOK 2,7 billion Incl. bond loan of EUR 175 million

Financial highlights: Cash flow

Consolidated cash flow

NOKm	Q3'15	2015 audited	Q2'16	Q3'16
Cash EBITDA	233	829	264	325
Interest expenses paid	-24	-91	-39	-45
Working capital and FX revaluation	-56	-145	15	-5
Income tax paid during the period	-5	-27	-35	-6
Other adjustments	44	24	21	-60
Cash flow from operation	191	591	226	209
Cash flow from investing activities				
Portfolio Investments	-304	-1,358	-827	-254
Acquisition of subsidiary	0	0	-87	0
Other	-2	-29	-5	-6
Net cash flow from investing activities	-306	-1,388	-919	-260
Cash flow from financing				
Net proceeds from new share issues	0	17	627	35
Change in interest bearing debt	121	1,216	-28	0
Other	0	0	0	0
Net cash flow from financing	121	1,233	599	35
Net cash flow in the period	6	436	-94	-16
Opening cash and cash equivalents	267	294	273	169
Exchange rate difference on currency conversion	20	34	-10	-4
Closing cash and cash equivalents	292	765	169	149

Outlook

Highlights

- Strong collection in beginning of Q4 2016
- Strong focus on streamlining existing operations through implementing best practice between platforms and take advantage of B2H's vast data capabilities
- Strong pipeline with large portfolios
- With the continued push for banks to delever and clean up their balance sheets, the portfolio pipeline is growing significantly
 - General volumes are increasing and we are seeing trend towards larger portfolios
- B2H is continuously evaluating further geographical expansion within the strategically defined areas (Poland, SEE, the Nordics and the Baltics)

Agenda



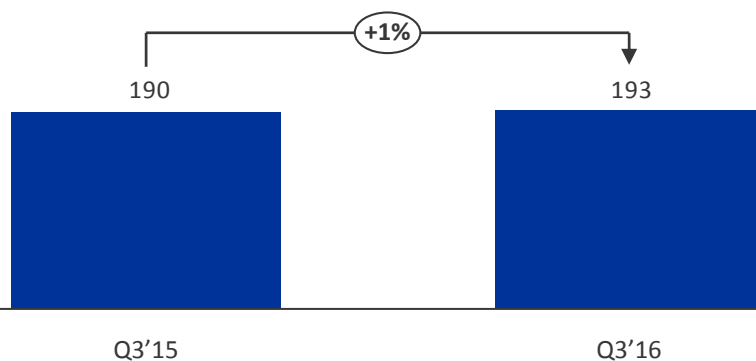
Appendices

Segment financials – Poland



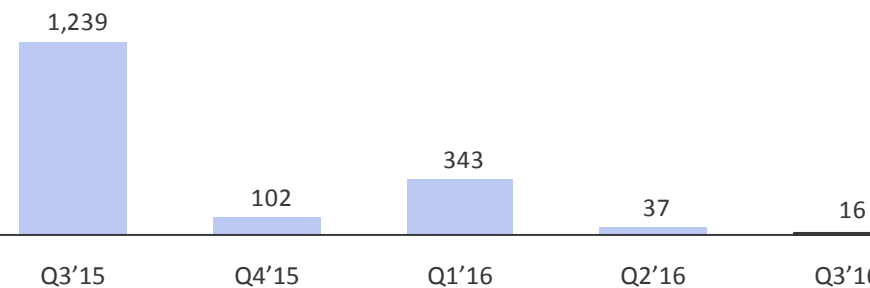
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q3'15	Q3'16	% growth
Interest income on purchased loans	130	130	0 %
Cash EBIT	112	112	0 %
EBIT	52	39	-26 %
Changes in portfolio cash flow estimates	0	-11	
Carrying value of loans	1,359	1,444	6 %

Comments

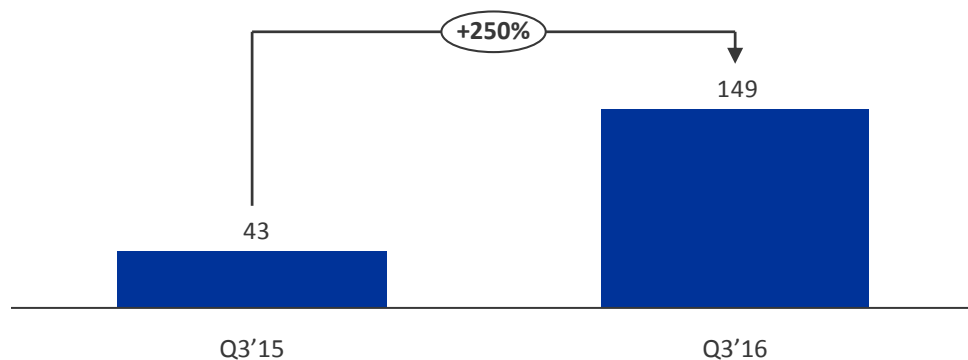
- Adam Parfiniewicz new CEO of Ultimo
- The collection curves adjusted to bailiff development
- Focus on increasing operation efficiency

Segment financials – SEE



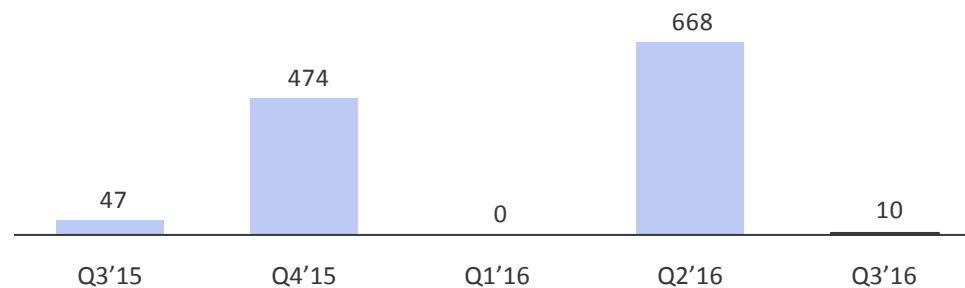
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



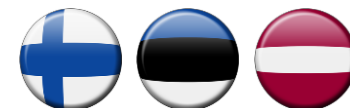
Key financials

NOKm	Q3'15	Q3'16	% growth
Interest income on purchased loans	39	125	225 %
Cash EBIT	31	112	262 %
EBIT	27	91	240 %
Changes in portfolio cash flow estimates	0	3	
Carrying value of loans	352	1,519	331 %

Comments

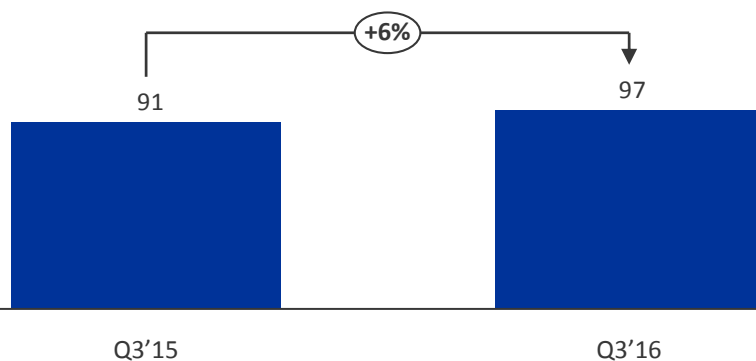
- Strong development in collections
- New operational system installed – efficiency improvements
- Strengthen organisation – positive development
- Good portfolio pipeline

Segment financials – Finland and the Baltics



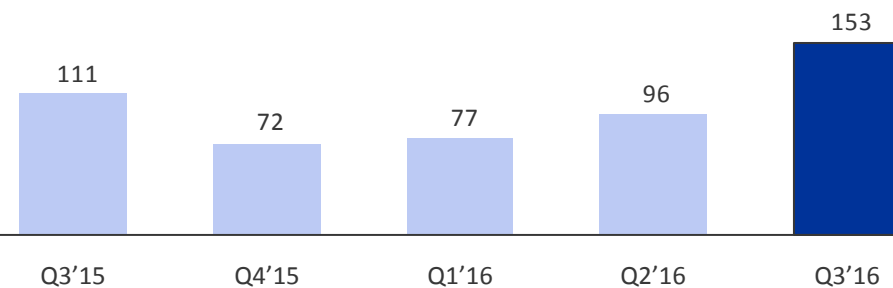
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q3'15	Q3'16	% growth
Interest income on purchased loans	42	53	25 %
Cash EBIT	78	84	7 %
EBIT	38	39	4 %
Changes in portfolio cash flow estimates	9	0	
Carrying value of loans	426	594	39 %

Comments

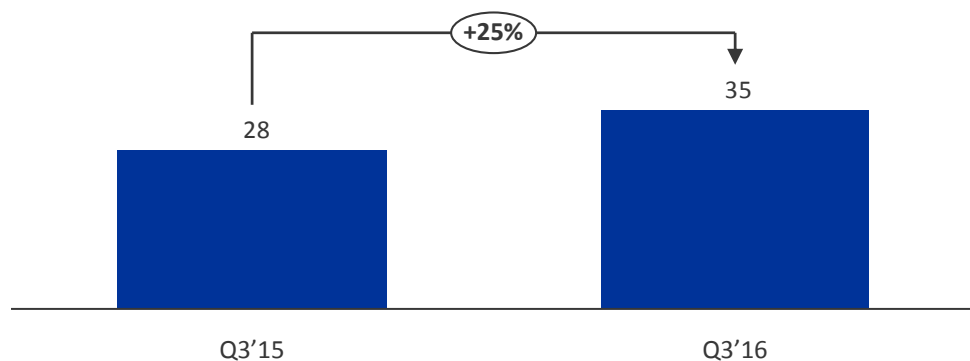
- Good operational performance
- Continued lower cost to collect
- High portfolio purchases

Segment financials – Rest of the Nordics



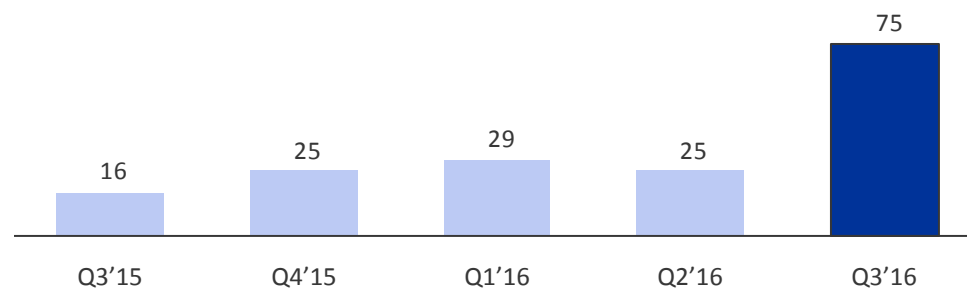
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q3'15	Q3'16	% growth
Interest income on purchased loans	19	22	14 %
Cash EBIT	22	28	29 %
EBIT	13	16	25 %
Changes in portfolio cash flow estimates	0	1	
Carrying value of loans	416	1,444	247 %

Comments

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

Financial targets

Portfolio acquisitions

- Year-to-date 2016, B2Holding has acquired portfolios at a pace well above historical levels for comparable periods, and has a strong pipeline of opportunities being evaluated
- The company expects to acquire portfolios over the next years with a target to reach an equity ratio down towards ~30% by year-end 2017

Geographic and platform expansion

- The company is actively evaluating additional platforms, both to strengthen existing geographies and for possible entry into new markets
- The company's strategy to gain local presence before acquiring substantial portfolios remains firm

ROE target

- The company targets a return on equity (ROE) above 20%

Dividend policy

- As the company foresees significant opportunities in the near to medium-term, the company aims to distribute 20-30% of net profits as dividend to shareholders, starting at the low end for 2016 (to be paid in 2017)
- The strong cash generation capacity of the business supports a significantly higher long-term pay-out ratio target, and potential distribution through both dividends and share buybacks



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