



STRATEGIC VISION: THE EXPANSION OF THE NEW OWNER OF DCA

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B2Holding buys
loan portfolio
from bank #1 in Romania

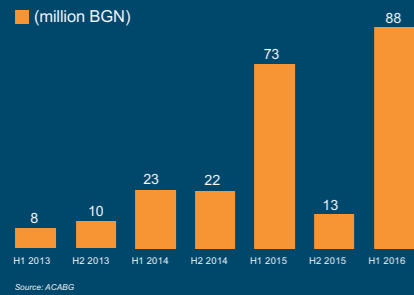
Triple growth
of bad debts
sell-off in Bulgaria

Which sectors
generates
bankruptcies

> 20% GROWTH IN INTERCOMPANY DEBTS

The amount of intercompany debt handed over for collection grew 20% on year base up to 89 million BGN in January-June 2016, the Association of Collection Agencies in Bulgaria's (ACABG) data showed. ACABG expects by the end of 2016 the country's banks and financial institutions to focus further on the sale of debt and on the sale of new types of loans - secured and corporate loans.

Intercompany debt referred to collectors in Bulgaria



> NORWAY'S B2HOLDING BUYS ROMANIA'S NO. 1 BANK'S NPLS

Norwegian debt solutions provider B2Holding ASA, that has recently acquired Bulgaria's Debt Collection Agency, has entered into an agreement to acquire a residential mortgage Non-Performing Loan (NPL) portfolio in Romania valued at EUR 370 million. The portfolio consists of 6,800 loans secured by real estate collaterals and is being sold by Banca Comerciala Romana (BCR), the leading Romanian bank in terms of asset value (over EUR 14 bn.) and a member of the Austrian Erste Group. B2Holding is stepping in this deal in a 50/50 partnership with another leading debt collection agency in the country. The purchase was made through Dutch-registered Ultimo Netherlands BV, a fully owned subsidiary of B2Holding. The transaction is expected to close during December 2016.

Triple growth of bad debts sell-off in Bulgaria

Debt purchases volumes in Bulgaria reached record levels. The amount of receivables portfolios bought by collection agencies in the country surged nearly three times on the year to 609 million BGN in January-June 2016. These are the findings of a survey by Debt Collection Agency (DCA) and the 14 other member companies of the Association of Collection Agencies in Bulgaria (ACABG) which make up for three-quarters of the market. These were the highest volumes purchased by professional debt collectors in Bulgaria ever, according to the organization (chart 1).

Banking sector was the one that contributed most of all for the growth in the debt purchases. Since a year ago, banks have been seeking to clean up bad debt, as the stress tests further motivated their actions and they stepped actively towards selling, instead of just collecting their bad debts, ACABG experts commented.

The total volume of outstanding receivables assigned to collection agencies rose 11% on the year to 1.11 billion BGN at end-June. The number of bad debt cases fell from 1.29 million in January-June 2015 to 1 million in the same period 2016. The rise in the Bulgarians' average bad debt per person from 775 BGN to 1104 BGN is due to the tendency for households to take more and larger consumer loans, ACABG said. This is accepted as a good signal by the industry experts as it reflects the improved economic situation in the country and the increased household income.

Banks are responsible for more than half of the non-performing loans (NPLs) submitted

for collection, followed by telecommunications and utility companies (chart 2). Fast lenders, that account for the bulk of the overdue debt in the segment of non-bank financial

products referred to collectors, decreased their share significantly (chart 2). Their NPLs fell almost two times for the last two years, reaching 18% of all loans at end-June in comparison to more than 30% in June 2014. At the same time their portfolios have risen 15% on the year in April-June 2016, the highest increase for the last 8 years. Firstly, the positive trend is due to the improvement in the household solvency driven by the economic recovery. Secondly, fast cash loan firms have changed their NPLs management strategy for the last year and a half. Most of them now prefer selling their overdue receivables earlier and more regularly.

The most dynamic change has been noticed in the insurance sector, which is preparing for stress tests later this year. During the first half, insurers accounted for nearly 7% of the total outstanding receivables assigned to collectors, as until now they rarely exceeded 1%, ACABG said. "Similarly to banks Bulgarian insurers also are subjected to asset quality review (AQR) and stress tests. These stress tests motivated them to clean up their bad debt", Martin Despov, CEO of DCA commented.

Experts forecast that the solvency of the households will remain stable till the end of the year while the level of collection will reach the value before the crisis.

CAPITAL WEEKLY: THREE SIZABLE DEBT PURCHASES DEALS ARE FORTHCOMING

Three sizable debt purchases deals are expected to be finalized in the second half of 2016, Capital weekly informed. The first one is about the receivables of HETA Asset Resolution Bulgaria and HETA Asset Resolution Auto Bulgaria (formerly Hypo Alpe-Adria International). The Austrian company has offered for sale non-performing portfolio of financial lease and loan receivables with gross exposure of up to 130 million euro and accrued interest of up to 37 million euro. The next sizable portfolio to be sold is the one of Unicredit Bulbank. The bank offers for sale overdue corporate loans portfolio valued at around 100 million euro and secured by real estate. The third sizable tender is about a FIBank's unsecured loans portfolio that packages overdue consumer credits, mortgage loans, overdrafts and credit cards.

Chart 1

Debt purchase volumes by individuals in Bulgaria

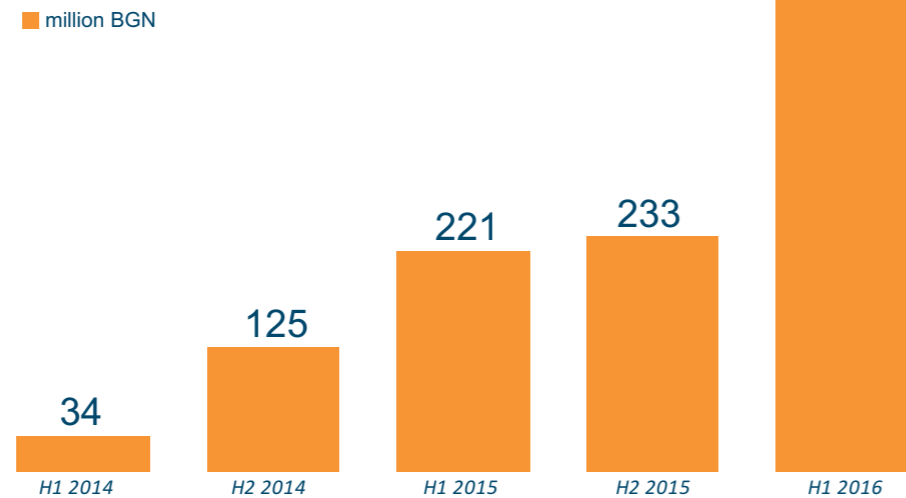
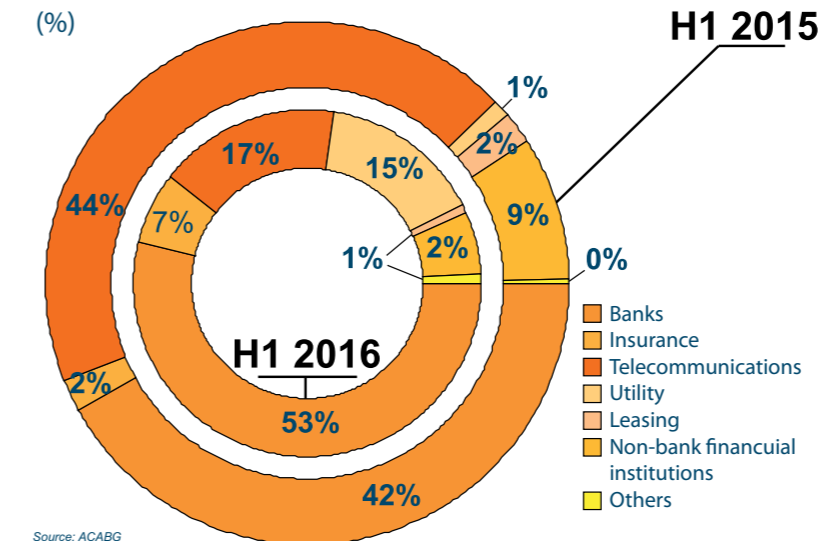


Chart 2

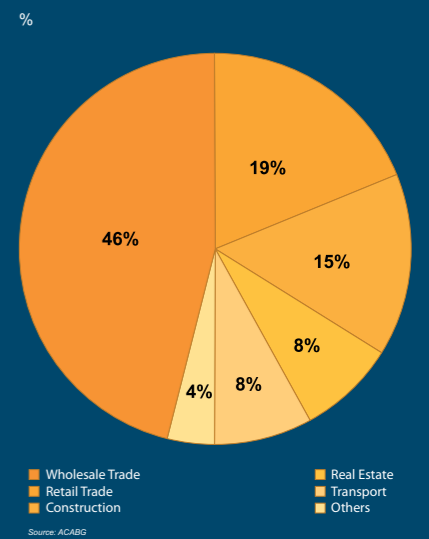
The percentage of debt assigned to collection companies by sector (%)



> TRADE, CONSTRUCTION AND REAL ESTATE FIRMS GENERATE MOST OF THE INSOLVENCIES

Insolvencies in Bulgaria dropped by nearly 8% on the year in January-June 2016, but the indebtedness of companies remains high at a rate of 210%, ACABG said. Companies from the trade sector account for 25% of all cases of insolvency, followed by the construction and real estate firms with 15%. The main reasons for the financial difficulties are high levels of indebtedness, poor liquidity management and the fewer funding opportunities.

Which sectors generate insolvencies



> BANKRUPTCIES FILINGS PLUMMETED IN THE FIRST HALF OF 2016

Commercial bankruptcy filings in Bulgaria fell 29% on the year to 245 in January-June 2016, the Registry Agency said. The number of the corporate files for insolvency dropped by 18% on the year from 307 in January-June 2015 to 252 in the same period of 2016. There have been 2 insolvencies per 1000 companies at end-June.

Bankruptcies by sector
Residential Construction
Real Estate
Transport
Renting
Retail pharmacy

"Being part of our group, DCA will get a better access to capital and strengthen its financial capability to purchase debt portfolios."

Olav Dalen Zahl,
CEO of B2Holding ASA



"We strongly believe in the Bulgarian market"

Norwegian debt solutions provider B2Holding ASA acquired Debt Collection Agency (DCA), one of the leading debt collection companies in Bulgaria, in June 2016. The purchase included DCA's subsidiary in Romania and the specialized company in collecting debts of legal entities Smart Collect. The Norwegian company operates in a total of 16 countries, it has 1500 employees and more than 4 450 000 acquired debts for over EUR 5.4 billion. The head office of B2Holding is in Oslo, Norway. Olav Dalen Zahl, CEO of B2Holding ASA, reveals how DCA will develop and expand its business in the coming years.

How will the acquisition of DCA reinforce the position of B2Holding in the Balkans and what benefits would this new partnership bring to both the buyer and the seller?

- The goal of the B2Holding group is to expand into new attractive markets in the CEE. Through the acquisition of DCA we became one of the leading players in Bulgaria. Furthermore, with the purchase of DCA Romania we gained a very good platform for further growth in the largest market in the Balkan region in terms of transaction volume. In this way we significantly strengthened our position as one of the leading players on the Balkans. As part of the B2Holding group, DCA will improve its access to capital and share B2Holding's extensive experience in the debt purchasing industry. This will help the Bulgarian company find appropriate solutions for both the sellers of debt portfolios and the debtors. Last but not least, the deal will also increase the capability of DCA to build cross-border relations with banks and financial institutions.

To what extent do products and customer segments of B2Holding and DCA complement one another?

- Approximately 90% of B2Holding's revenues come from debt purchasing activities, and as such the operation of DCA, which purely focuses on debt purchasing, fits very well with the strategy of B2Holding.

How will DCA's corporate customers in Bulgaria and Romania benefit from this deal? What advantages will this partnership provide for them?

DCA will get access to additional capital. This means that DCA clients can confidently place their trust in the financial capability of the debt purchase company to acquire debt

portfolios for future. This could for example lead to more forward flow arrangements.

What is the outlook for the debt collection and debt purchases markets in Bulgaria and Romania and how do they look like in comparison with the other markets on which B2Holding operates?

Bulgaria is a growing market we believe strongly in, and a place where the competitive landscape is not too crowded. With reference to that, Bulgaria can be compared with other Balkan markets such as Croatia. Romania on the other hand, is a more mature market, and could be compared with Poland. We do, however, still see very interesting opportunities in Romania. It is a large market and we believe it will generate a lot of activities in the coming days.

What are the future plans of B2Holding for its activity in the Balkan region? What is your vision for the development of DCA? Do you plan to extend company's range of services?

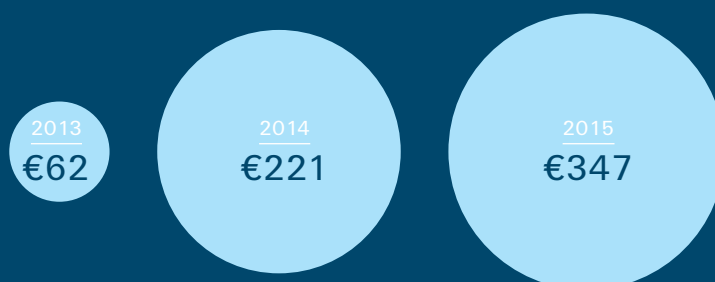
We currently have operations in 6 countries in the Balkan region in addition to operations in Poland, the Baltics and the Nordic countries. Our goal is to grow our activities in the Balkan market, and become the leading market player in as many of these countries as possible. We are at our early stage of our ownership in DCA, but we have the ambition to develop the debt purchasing company into the leading player in Bulgaria and further expand the business in Romania. Through access to capital and by transferring best practices from other companies within the B2Holding group, we strongly believe that we will reach our targets. B2Holding has invested in secured portfolios in the Western Balkans, and a natural extension of the services of DCA, would be to look at this asset class, as there will be secured portfolios for sale in the markets where DCA operates.

Do you consider new acquisitions in the Balkan region?

We still have an ambition to grow, but we will only consider acquisitions of attractive targets that fit well with our strategy. We have looked at several opportunities, but so far DCA is the only acquisition we have made in the Balkan region.

KEY FIGURES

Purchased loan portfolios in million EUR



Gross collection from purchased loan portfolios in million EUR



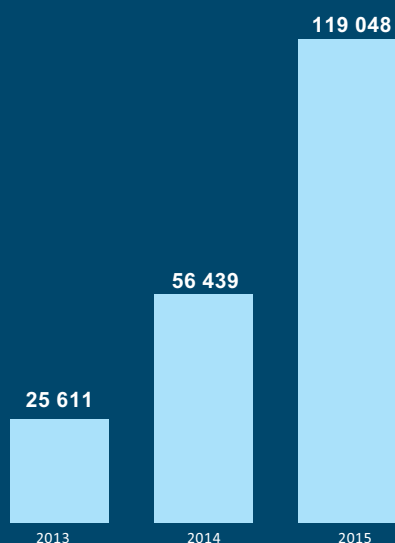
4.45
million acquired debts

5.46
billion EUR face value acquired portfolio

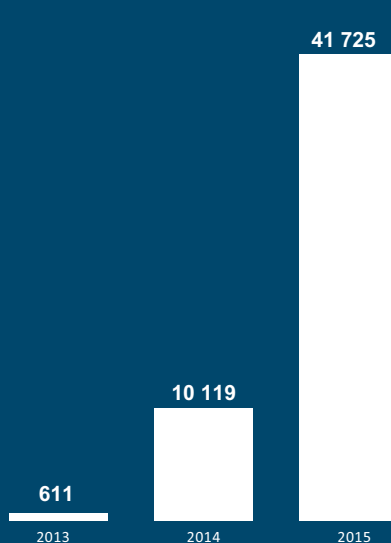
1500
employees

16
countries

Operating revenues
(in 000s EUR)



Operating profit
(in 000s EUR)



Total assets
(in 000s EUR)

