Collector Bank AB (publ)

Full Rating Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N3

PRIMARY ANALYST
Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

SECONDARY CONTACTS
Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

RATING RATIONALE

Our 'BBB-' long-term issuer rating on Collector Bank AB (publ) reflects the bank's strong risk-adjusted earnings, demonstrated access to diverse funding sources, and robust capital position, which is supported by a lack of dividend payments. Following a reverse merger between Collector Bank and its former parent, Collector AB, the bank became the group's listed entity as of 15 Aug. 2022. Via strong growth in commercial real estate loans, the bank has changed its risk profile from that of a domestic consumer lender to that of mid-size regional real estate and SME lender over the past decade.

The rating is constrained by the bank's elevated risk appetite and risk governance challenges as it grows in new geographic areas and sectors. The fiercely competitive climate in the consumer lending sector has led to a greater focus on corporate lending in niches where high demand has allowed both growth and higher margins. A heightened focus on commercial real estate and increasing single-name exposures represent a risk factor as the bank's core economies slow and we project elevated losses and non-performing loans (NPLs) over the next two years.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that, despite the impact of adverse economic conditions on its core operating segments, the bank will be able to manage higher credit provisions and maintain capital ratios due to lower growth and strong earnings. Our forecast assumes an increase in loss reserves due to deteriorating economic conditions as well as estimates for the impact of specific provisions in the commercial and retail loan books. In addition, we believe the bank is prepared to continue to retain earnings and adapt its loan growth to reflect higher capital requirements or worse-than-expected market conditions, if necessary.

POTENTIAL POSITIVE RATING DRIVERS

- Materially higher capitalisation ratios, with the Tier 1 ratio sustainably above 18%.
- Reduced risk appetite reflected in both increased collateralisation and lower concentration risk.
- Improved operating environment in core markets and segments.

POTENTIAL NEGATIVE RATING DRIVERS

- Higher-than-anticipated credit losses or increased risk appetite.
- Regulatory changes affecting the business model and/or recovery prospects for consumer loans.
- Reduced access to deposit and/or capital market financing.
- Tier 1 ratio sustainably below 15%.

Figure 1. Collector Bank key credit metrics, 2019–2025e

%	2019	2020	2021	2022	2023e	2024e	2025e
Net interest margin	5.1	4.9	5.7	6.3	6.3	6.0	6.0
Loan losses/net loans	4.27	2.75	2.58	2.41	3.58	3.13	2.39
Pre-provision income/REA	3.2	3.7	5.0	5.6	5.5	5.0	5.0
Return on equity	-6.7	7.7	14.2	18.3	11.7	11.2	13.6
Loan growth	14.4	6.9	12.3	14.6	2.0	4.0	5.0
CET1 ratio	10.3	13.7	13.9	14.3	14.2	14.2	14.8
Tier 1 ratio	11.8	14.6	14.7	15.4	15.3	15.2	15.8

Based on NCR estimates and company data. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Collector Bank is a niche bank that provides financing solutions for retail and corporate customers. A reverse merger between the bank and its former parent, Collector AB, was completed on 15 Aug. 2022 with minimal impact on the credit profile of the merged entity. On the same day, Collector Bank replaced Collector AB as the group's publicly listed entity. Collector AB was founded in 1999 and Collector Bank obtained its banking licence in 2015. The bank's main owner since 2011 has been Fastighets AB Balder, of which Erik Selin is CEO and the main owner. Mr Selin is also the bank's board chairman.

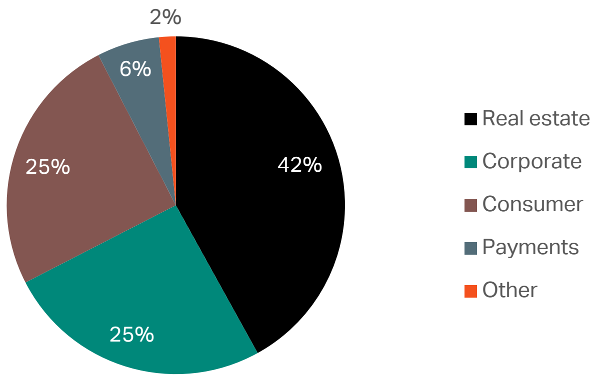
Collector Bank's main geographic markets are in the Nordic region and northern Europe with an emphasis on Sweden, as well as real estate lending in Germany. As of end-2022, the bank had SEK 41.5bn in gross lending, of which 67% was attributable corporate and real estate lending. The business is organised into four segments: Consumer, Payments, Corporate, and Real estate. The Corporate segment offers factoring and secured company credit, while the Real estate segment focuses on senior and junior loans in metropolitan areas. The Consumer segment offers unsecured consumer loans and credit cards as well as savings accounts, which constitute the bank's main funding source. The Payments segment provides payment solutions for e-commerce operators and retailers.

OPERATING ENVIRONMENT

Operating environment assessment 'bbb-'

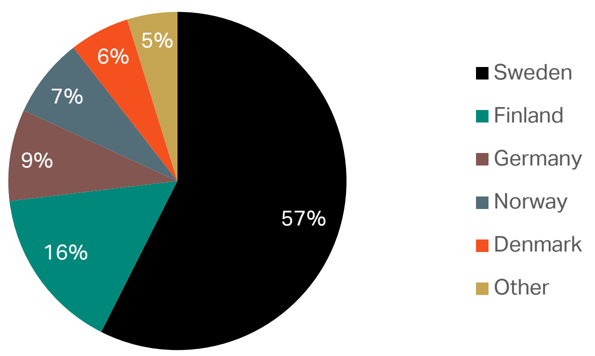
Our assessment of the operating environment reflects our view that Collector Bank's real estate, corporate and consumer lending carries higher-than-average risk. In our view, the bank's exposure to real estate, which increased to 42% during 2022, is a particular risk factor in the current climate. For this reason, we view the bank's operating environment as weaker than reflected in our national banking assessments.

Figure 2. Collector Bank credit portfolio, 2022



Source: bank reports.

Figure 3. Collector Bank geographic distribution of loans, 2022



Source: bank reports.

National economies weakening

National factors 'a-'

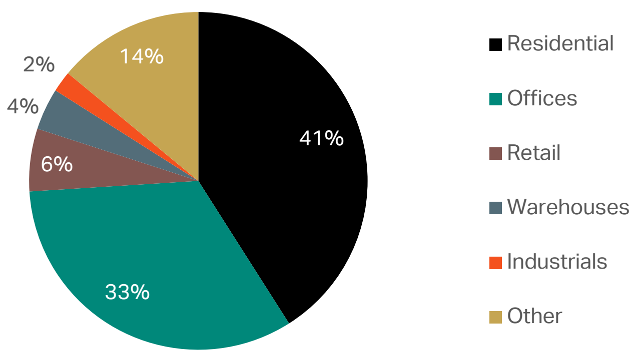
Around 60% of Collector Bank's loan book is located in Sweden. In our national banking assessments, we apply a score of 'a-' given the bank's primary focus on the Swedish market and our assessment that the national operating environment level is relevant for Collector Bank's other core countries of operation. The operating environment for Nordic banks has changed dramatically over the past year, partly due to rising interest rates, stronger earnings, and stable labour markets. However, we believe a moderate technical recession is likely in Sweden in 2023 and corporate bankruptcy concerns are increasing.

Weakening real estate market and cost inflation increase sector risk

Regional, sectoral, and cross-border factors 'bb+'

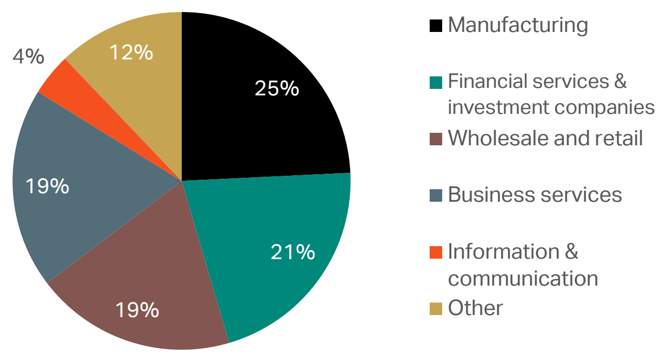
Collector Bank's corporate and real estate lending has a higher risk profile than reflected in our assessment of national factors. We see increasing risk in the bank's real estate exposures given weakening financial profiles among real estate companies as a result of rising interest rates and declining property valuations. Half of the bank's real estate lending is located in Sweden, where transaction activity has slowed considerably and reported property valuations are facing high levels of scrutiny. In addition, 20% of the bank's real estate lending is located in Germany and 17% in Finland, where interest rate increases have driven yields higher. Collector Bank's real estate lending is backed primarily by residential real estate (41%), where inflation-related rental increases have been more modest than for offices and other commercial property types. The bank's corporate exposure is diverse in terms of geography and industry, but we see increasing risk due to declining economic conditions and a general increase in bankruptcies.

Figure 4. Collector Bank real estate exposure, 2022



Source: bank reports.

Figure 5. Collector Bank corporate exposure, 2022



Source: bank reports.

Collector Bank's private lending is primarily to borrowers in Sweden and Finland, which have strong legal frameworks which benefit creditors and incentivise borrowers to repay debt. However, rising indebtedness has increased the regulatory focus on consumer lending in the Nordic markets and subjected the sector to regulatory risk factors such as more cumbersome credit check requirements and the possibility of interest rate ceilings. In June 2023, the Swedish government is expected to present the findings of a special investigation into the domestic consumer credit market. The review will consider the introduction of more extensive national debt registers and underwriting, marketing restrictions, and easier access to debt relief for borrowers.

In our view, consumer lending is riskier than an average retail loan portfolio in the bank's core markets, which are dominated by mortgage lending with a long history of minimal credit losses. We expect inflation and interest rates to have a greater impact on consumer banks and their customers before stabilising by end-2023. Nordic banks have been raising interest rates on customer loans, and individuals with already weak financial profiles can be more sensitive to inflationary pressure. Homeowners face material increases in interest and heating costs, and housing prices are coming off record highs, dampening customer sentiment. We believe these factors could impact consumption patterns and demand for consumer loans through end-2023.

RISK APPETITE

Risk appetite assessment 'bbb-'

In our view, Collector Bank has above-average risk appetite given its credit risk profile. However, the bank has a diverse product offering and a significant part of the corporate loan portfolio is collateralised. The bank has reduced its risk appetite by lowering growth targets and increasing underwriting standards in response to more difficult market conditions.

Risk governance and environmental, social and governance (ESG) factors

Risk governance 'bb'

We view Collector Bank's risk governance framework in the light of the bank's elevated credit risk appetite, for which it is compensated by high lending margins. Via strong growth, the bank has changed its risk profile from that of a domestic consumer lender to that of a mid-size regional real estate and SME lender over the past decade. This transformation has increased the bank's credit exposure to new geographic areas and sectors and materially increased single-name concentrations in the lending book. The bank has raised its competence in many of these areas by recruiting experienced staff to improve its overall risk management. However, due to the pace of transformation and the quick deterioration of financing conditions, we remain conservative in our assessment of the bank's risk governance.

In our view, consumer lenders have greater exposure to regulatory scrutiny. We view the actions of the Swedish financial supervisory authority as part of a broad regulatory effort to investigate and monitor the growth of consumer lending across the Nordic region. In October 2022, the authority closed a preliminary case against Collector Bank without further action. The regulator's decision stated that the bank had implemented measures to address historical deficiencies in consumer loan underwriting to a significant degree. Two other Swedish consumer banks were fined as a result of similar reviews.

In 2022, Collector Bank began reporting under the UN's Principles for Responsible Banking and Global Compact. In addition, the bank has identified three key focus areas from the UN's 17 Sustainable Development Goals where it believes it can make a difference, namely: 1) decent work and economic growth, 2) sustainable cities and communities, and 3) climate action. In this respect, Collector Bank is in broad alignment with the wider Nordic banking sector, as it seeks to avoid negative regulatory attention due to lack of ESG awareness. In addition, the bank has implemented an ESG questionnaire for corporate clients as a first step towards improving understanding of ESG-related risk both within the bank and among customers.

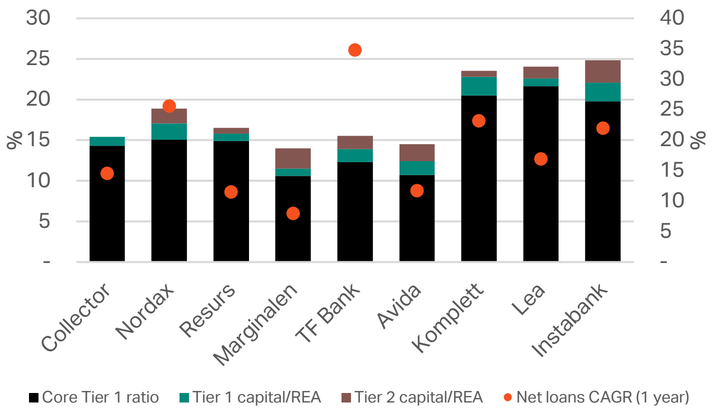
Despite being cleared by the regulator in 2022, responsible lending is an area in which Collector Bank could face continued scrutiny in view of regulatory concerns about debt levels and consumer lending practices. The bank reports 36% Stage 3 NPLs in its consumer loan book, which is significantly higher than market averages across the Nordic region. Unlike other regional consumer banks, Collector Bank has historically held NPLs on its own balance sheet rather than selling them to debt purchasers via forward flow agreements.

Lack of dividend supports capital ratios

Capital 'bbb'

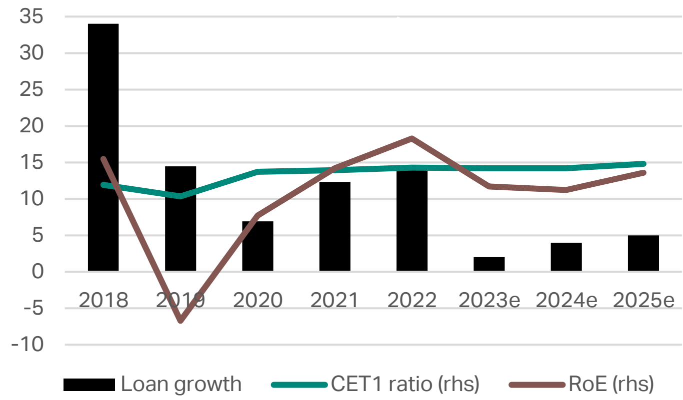
The bank reported a CET1 ratio of 14.3% as of 31 Dec. 2022. We expect the group's CET1 ratio to remain at 14-15% through 2025. We also take into consideration Tier 1 capital instruments, which add 0.9pp to the Tier 1 capital ratio. While lending growth has accelerated over the past two years, we expect low growth during early 2023 before a slow increase through 2025 in our forecast. Given higher margins, we believe that profitability will be sufficient to support growth and that the bank will start paying dividends from 2024, a year later than we previously expected due to tough economic conditions and uncertainty about future capital requirements.

Figure 6. Selected Nordic niche banks' capitalisation and lending growth, 31 Dec. 2022



Source: bank reports.

Figure 7. Collector Bank's loan growth and consolidated CET1 ratio, 2018-2025e



Based on company data and NCR estimates.

At end-2022, the bank's regulatory CET1 requirement was 8.4%. This will increase by nearly 1pp when Sweden's regulatory countercyclical capital buffer is increased to 2% at the end of June 2023. The bank is still waiting for the Swedish regulator to define its Pillar 2 guidance. Due to market conditions, the bank called a SEK 500m tier 2 capital instrument in June 2022 without refinancing. This reduced its total capital ratio by about 1.3pp and narrowed the buffer over its total regulatory requirement to 3pp. We expect the bank to issue new tier 2 capital during 2023, in line with recent issues of capital instruments by other Nordic consumer banks, even though the market for capital instruments remains volatile.

Increased risk aversion in capital markets drives increase in price-sensitive deposits

Funding and liquidity 'bbb-'

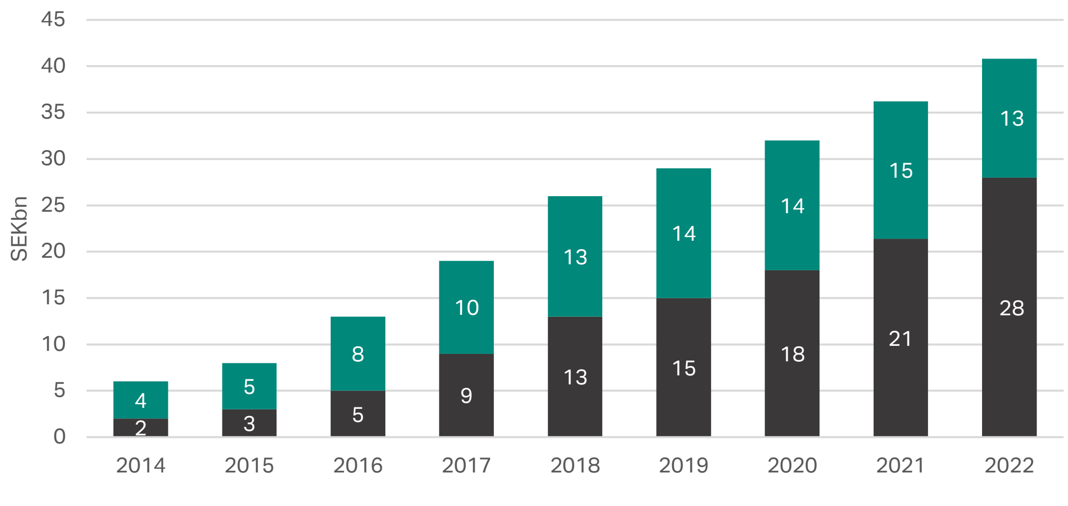
Customer deposits are Collector Bank's primary funding source, but the bank also issues bonds under a SEK 15bn medium-term note programme and has a bond denominated in Norwegian krone. The bank also demonstrated access to the capital markets by issuing a SEK 300m bond in September 2022. Despite 15% growth in net lending, the bank's loan to deposit ratio decreased by 3pp in 2022 to 112% due to strong deposit growth. We note that the short duration of factoring and payment loans gives the bank an opportunity to improve liquidity by restricting new lending. In addition, we believe that the short duration of the loan book explains the bond portfolio's relatively short average time to maturity of slightly less than two years.

Most of Collector Bank's deposit base is located in Sweden, but due to increased domestic competition and turbulent capital markets the bank is increasingly tapping the German deposit market via the Raisin deposit system. German deposits grew strongly in 2022, and now account for 40% of deposits, compared with Sweden's 59%. The increase in euro-denominated deposits reduces currency risk for the bank's euro and Danish krone-denominated lending. In addition, Collector Bank has increased the proportion of fixed-term deposits and reduced its use of commercial paper funding. The bank also launched corporate deposits in Norwegian krone in 2021 and expects to introduce retail deposits denominated in the Norwegian currency in 2023. We see the diversification of funding as positive. However, we expect reduced customer loyalty and higher price dependence to result from the rapid expansion of euro-denominated deposits.

The price-sensitive nature of the bank's deposit base is a risk factor in comparison with those of more typical Nordic banks, which tend to rely on relational deposits. Recent developments in the U.S. banking sector have demonstrated the speed with which depositors can react to negative information in a digital banking environment. The bank maintains around 95% guaranteed deposits, reducing this risk somewhat and indicating a high level of granularity, but we note that reputational risk could have severe effects on liquidity.

Collector Bank's liquidity exposure is of high quality and fulfils both regulatory liquidity coverage requirements and the bank's internal liquidity stress requirements by good margins. However, liquid assets, including deposits held by highly rated banks, represent only 18.5% of the deposit base. At end-2022 the bank's reported liquidity coverage ratio stood at 313% (internal limit 120%) and the net stable funding ratio was 136% (internal limit 110%).

Figure 8. Collector Bank's net lending by customer type, 2014-2022



Based on company data.

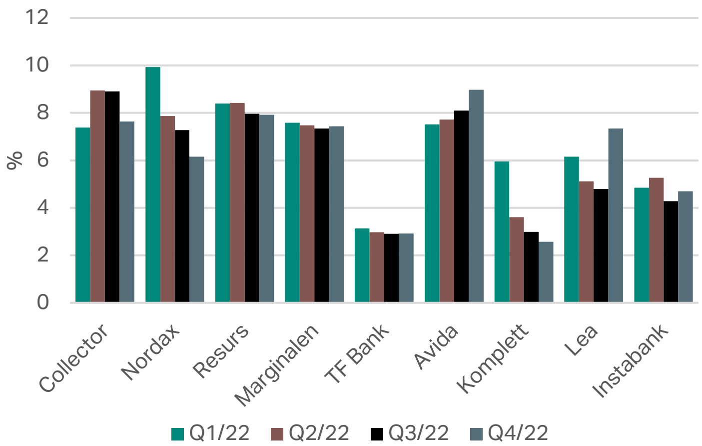
Increased focus on corporate and commercial real estate lending

Credit risk 'bb-'

Over the past two years, Collector Bank has focused on growth in corporate and real estate lending due to high levels of transaction activity in the Nordic and German real estate markets. We project a significant slowdown in loan growth during 2023, as was the case in the second half of 2022, due to a decline in transactions and the bank's stated objective of increasing selectivity and serving recurring customers as real estate companies increase their use of secured bank financing. We expect the bank to continue to focus its future growth strategy on corporate and real estate lending, with household lending continuing its recent trend of moderate decline.

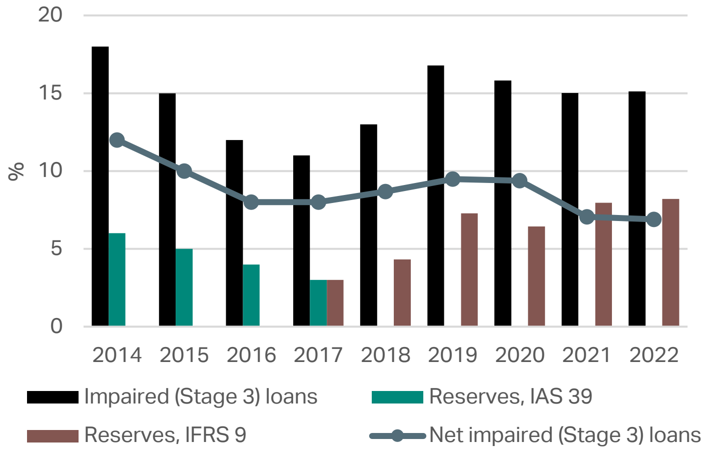
Corporate lending, including commercial real estate lending, accounts for 67% of Collector Bank's loan book. Of this, 62% is real estate lending, including construction credit for pre-sold development projects. The bank has a meaningful level of real estate loans with a junior lien position (37%), increasing uncertainty about loss recovery in the event of default. The remainder is corporate factoring, SME loans and credits to a variety of sectors across the Nordic region. Historically, loan losses have been low in these sectors, accounting for only 12% of Stage 3 loans at end-2022. However, corporate lending and the bank's increased focus on recurring customers have increased single-name concentration risk in the loan book, especially in comparison with many other regional niche banks. We see a particular risk associated with this concentration on the basis of loan-loss experience from earlier banking crises, when loan losses were particularly high in commercial real estate and SME lending. The increased risk arising from currently tough economic conditions is captured in our operating environment assessment. However, larger loans add uncertainty to the forecast given the impact and volatility of single-customer defaults on loss provisions and interest income.

Figure 9. Selected Nordic niche banks' net Stage 3 NPLs to net loans, Q1 2022–Q4 2022



Source: bank reports.

Figure 10. Collector Bank's impaired loans and reserves as a % of gross loans, 2014-2022



Based on company data.

NPLs kept on own balance sheet

Other risks 'bbb-'

We see "other risks" as neutral in our assessment of Collector Bank's risk appetite. Historically, the bank has retained NPLs on its own balance sheet. The EU's NPL back-stop regulations are likely to force Collector Bank to change this strategy and start selling NPLs to debt purchasers to reduce the impact on its capital ratios. This would reduce the level of the bank's problem loans and loan-loss reserving but increase its exposure to volatility in the market for purchased debt.

COMPETITIVE POSITION

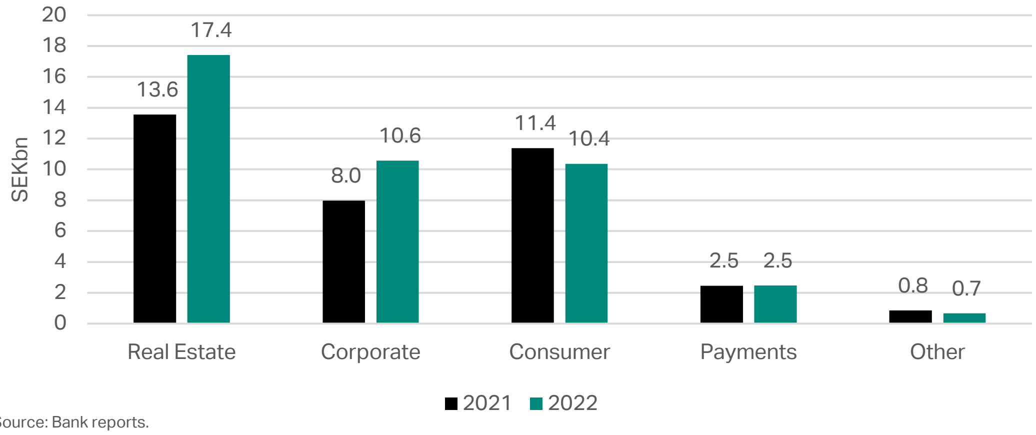
Competitive position assessment 'bb'

Collector Bank serves as an alternative lender within the estate sector, filling a void where other banks and bond issuers are unwilling to lend due to underlying secured values or risk factors. Strong demand from real estate companies and a limited willingness to lend among banks has generated a beneficial competitive landscape for the bank in recent years. The bank used the opportunity to increase its real estate exposure by 28% in 2022 due to strong demand from recurring real estate customers in Sweden, Germany, Finland and Denmark. Similarly, the bank has grown in less competitive areas of corporate lending by offering factoring and credits to SMEs in niches not typically filled by other regional banks.

Consumer loans still account for a quarter of total lending. However, Collector Bank has demonstrated its intent to reduce its consumer loan book over time. The fiercely competitive climate in the consumer lending and credit card markets results in low pricing power among banks and difficulties in attracting customers on the basis of reputation. The bank relies heavily on agents to attract consumer borrowers, meaning that it must compete on price and pay high fees to obtain price-sensitive customers.

Collector Bank's Payments segment has an improving market position, servicing 4.3 million active customers: the bank is a leading player in the Nordic business-to-consumer and business-to-business markets.

Figure 11. Collector Bank's net lending by segment, 2021-2022



Source: Bank reports.

PERFORMANCE INDICATORS

Performance indicators assessment 'bbb+'

Collector Bank's risk profile indicates strong profitability, which provides a significant buffer against volatility in credit provisions. The bank's profitability improved in 2022, reflecting increased exposure to corporate real estate as interest rates and risk premiums were rising. We expect earnings to remain elevated through 2023 before contracting in subsequent years. Realised loan losses have remained relatively low, but we project higher losses in 2023 due to increasing risk in the bank's commercial loan book and the cumulative impact of cost inflation on retail customers' ability to repay high amounts of interest.

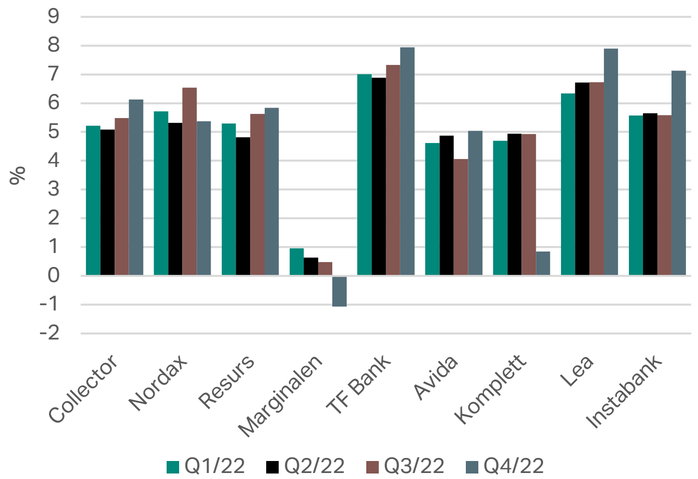
Earnings boosted by strong margins and cost efficiency

Earnings 'aa'

Higher risk premiums on real estate and corporate loans and rising interest rates boosted earnings in 2022, a trend we expect to continue for most of 2023 before receding in subsequent years. These improvements are likely to more than offset tighter margins on consumer lending given the continued shift towards commercial lending.

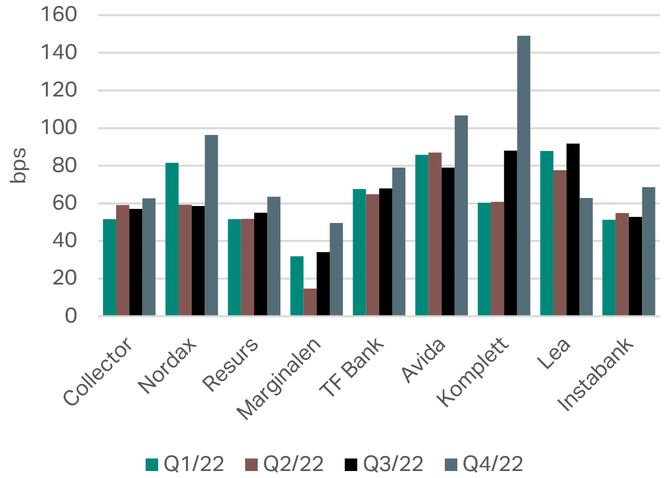
Higher net interest margins increased risk-adjusted earnings and pre-impairment profit to average REA was 5.6% in 2022, up from 5.0% a year earlier. We project this metric will remain elevated through 2023 and return towards 5% in 2024 and 2025, indicating strong capital generation. The cost/income ratio for 2022 was 26%, compared with 30% a year earlier, outperforming the bank's niche bank peer group and contributing to strong earnings buffers. We expect personnel expenses to increase as a result of cost inflation, but to trend lower than projected inflation rates in the wider economy and to remain at strong levels throughout our forecast period.

Figure 12. Selected Nordic niche banks' annualised pre-provision income to average REA, Q1 2022–Q4 2022



Source: bank reports.

Figure 13. Selected Nordic niche banks' loan-loss provisions to net loans, Q1 2022–Q4 2022



Source: bank reports.

Low visibility in terms of loss performance

Loss performance 'bb'

We believe that economic conditions will lead to higher credit provisions over our forecast period. Each of the bank's core operating segments has become more fragile as a result of cost inflation, higher interest costs, and the likelihood of moderate recession in Sweden and other core markets. Accordingly, we expect the bank to increase credit reserves in response to deteriorating conditions in the wider economy but also to make one-off reserves in respect of specific customers. We project loan losses of 3.6% of net lending during 2023 (2.4% in 2022), about 100bps higher than our previous expectations. In addition, we expect losses to remain elevated into 2024 before normalising as growth rates rise. We project a somewhat larger nominal increase in Stage 3 NPLs (15.1% at end-2022) but expect credit provisions to reflect the high proportion of secured lending in the corporate and real estate loan book.

The European Banking Authority's new definition of default came into effect at the beginning of 2021, introducing a new standard on how banks should recognise credit defaults. Collector Bank automatically categorises credits in default as stage 2 or 3.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Moderately negative aggregate ESG impact

We consider ESG factors throughout our analysis, where material to the credit assessment. In aggregate, we view the bank's ESG profile as having a moderately negative impact on its creditworthiness.

Figure 14. Collector Bank's priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Responsible lending	Regulatory scrutiny. Media attention. Reputational brand damage. Impact of NPL backstop.	Operating environment (-) Risk governance (-) Other risk (-)
Physical climate risk to collateral	Climate-related damage to real estate collateral (closely linked to supervision of insurance). Longer-term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Anti-money laundering capacity	Risk of sanctions and fraud. Insufficient control of customers.	Risk governance (0)
Risk governance	Reputational risk associated with ownership structure. Focus on consumer lending.	Risk governance (-) Competitive position (-)

*Defined on a 5-step scale ranging from double minus (--) to double plus (++), with (--) representing the most negative impact and (++) the most positive. See ESG factors in financial institution ratings.

ADJUSTMENT FACTORS

Support analysis

Support analysis neutral

We do not adjust the rating on Collector Bank to reflect expectations of additional shareholder support. In addition, following a capital injection in 2020, we believe that investors now expect the bank to generate its own capital. We note that Erik Selin is the main owner (both directly and indirectly) through a 34.1% stake in affiliate Fastighets AB Balder (as at end-2022) and his own shareholdings. According to publicly available information, Mr Selin has since increased his direct ownership of Collector Bank by 0.5pp as of 15 Mar. 2023.

Figure 15. Collector Bank's ownership structure, 31 Dec. 2022

Owner	Share of capital
Fastighets AB Balder	44.1%
Erik Selin	16.5%
StrategiQ Capital AB	6.9%
State Street Bank and Trust Co	4.0%
Helichrysum Gruppen AB	3.5%
Other	25.0%
Total	100.0%

Source: Collector Bank.

ISSUE RATINGS

Our rating on Collector Bank's unsecured medium-term note programme is in line with the 'BBB-' issuer rating. The bank has an outstanding additional tier 1 instrument, which we rate four notches below the issuer rating at 'B+'. We also expect the bank to replace the tier 2 instrument that was called in 2022, which we expect to rate two notches below the issuer rating at 'BB'.

METHODOLOGIES USED

(i) Financial Institutions Rating Methodology, 18 Feb. 2022.
(ii) Rating Principles, 24 May 2022.
(iii) Group and Government Support Rating Methodology, 18 Feb. 2022.

RELEVANT RESEARCH

(i) Sweden's real-estate sector faces growing challenges, 13 Dec. 2022
(ii) Nordic consumer banks improve margins to offset higher loss provisions, 29 Nov. 2022.
(iii) Nordic consumer banks face higher financing costs, 31 Aug. 2022.
(iv) Nordic consumer banks report steady first-quarter 2022 results, 1 Jun. 2022.

Figure 16. Collector Bank key financial data, 2018–2022

Key credit metrics (%)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
INCOME COMPOSITION					
Net interest income to op. revenue	87.5	87.8	85.5	88.1	90.3
Net fee income to op. revenue	12.2	13.1	13.2	11.1	9.3
Net trading income to op. revenue	-3.0	-2.0	-0.2	0.7	-0.7
Net other income to op. revenue	3.3	1.2	1.5	0.1	1.2
EARNINGS					
Net interest income to financial assets	5.7	5.1	4.9	5.7	6.3
Net interest income to net loans	6.4	6.0	5.8	6.8	7.5
Pre-provision income to REA	4.0	3.2	3.7	5.0	5.6
Core pre-provision income to REA (NII & NF&C)	4.0	3.2	3.7	4.9	5.6
Return on ordinary equity	15.5	-6.7	7.7	14.2	18.3
Return on assets	1.9	-0.7	0.8	1.8	2.5
Cost-to-income ratio	43.5	49.8	39.7	30.0	25.9
Core cost-to-income ratio (NII & NF&C)	43.7	49.4	40.3	30.2	26.0
CAPITAL					
CET1 ratio	11.9	10.3	13.7	13.9	14.3
Tier 1 ratio	11.9	11.8	14.6	14.7	15.4
Capital ratio	13.7	13.3	15.8	15.7	15.4
REA to assets	93.0	90.8	92.0	88.8	92.9
Dividend payout ratio					
Leverage ratio	11.1	9.4	12.6	12.7	13.8
GROWTH					
Asset growth	33.3	24.4	2.3	17.4	9.9
Loan growth	34.0	14.4	6.9	12.3	14.6
Deposit growth	46.3	31.5	4.8	1.6	17.5
LOSS PERFORMANCE					
Credit provisions to net loans	1.30	4.27	2.75	2.58	2.41
Stage 3 coverage ratio	27.32	37.19	45.72	52.99	54.34
Stage 3 loans to gross loans	13.01	16.78	15.82	15.01	15.11
Net stage 3 loans to net loans	9.88	11.37	9.38	7.78	7.65
Net stage 3 loans/ordinary equity	77.32	108.83	64.27	47.65	48.28
FUNDING & LIQUIDITY					
Loan to deposit ratio	117.7	102.4	104.5	115.5	112.6
Liquid assets to deposit ratio	13.2	21.7	16.3	25.0	18.5
Net stable funding ratio	0.0	0.0	0.0	133.6	136.0
Liquidity coverage ratio	161.0	155.0	225.0	337.5	313.0

Key financials (SEKm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
BALANCE SHEET					
Total assets	29,650	36,893	37,738	44,294	48,676
Total tangible assets	29,368	36,785	37,623	44,205	48,597
Total financial assets	29,305	36,535	37,258	44,063	48,310
Net loans and advances to customers	26,347	30,151	32,242	36,214	41,490
Total securities	1,143	1,485	1,223	2,621	3,770
Customer deposits	22,391	29,454	30,855	31,351	36,842
Issued securities	3,268	3,592	996	5,729	3,337
of which covered bonds	–	–	–	–	–
of which other senior debt	2,769	2,598	–	5,229	3,337
of which subordinated debt	499	994	996	500	–
Total equity	3,368	3,149	4,707	5,916	7,070
of which ordinary equity	3,368	3,149	4,707	5,916	6,570
CAPITAL					
Common equity tier 1	3,288	3,465	4,769	5,476	6,461
Tier 1	3,288	3,960	5,082	5,789	6,961
Total capital	3,781	4,459	5,474	6,187	6,961
REA	27,562	33,498	34,730	39,315	45,244
INCOME STATEMENT					
Operating revenues	1,676	1,919	2,116	2,637	3,212
Pre-provision operating profit	946	964	1,275	1,847	2,380
Impairments	300	1,206	859	884	938
Net Income	496	-219	303	753	1,141

Source: company. FY–full year. YTD–year to date.

Figure 17. Collector Bank rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bb+
Operating environment	20.0%	bbb-
Capital	17.5%	bbb
Funding and liquidity	15.0%	bbb-
Risk governance	5.0%	bb
Credit risk	10.0%	bb-
Market risk	-	-
Other risks	2.5%	bbb-
Risk appetite	50.0%	bbb-
Market position	15.0%	bb
Earnings	7.5%	aa
Loss performance	7.5%	bb
Performance indicators	15.0%	bbb+
Indicative credit assessment		**bbb-**
Transitions		Neutral
Peer comparisons		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb-**
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		**BBB-**
Outlook		Stable
Short-term rating		**N3**

Figure 18. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB-
Tier 2	BB
Additional Tier 1	B+

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