collector

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Today’s presenters

Martin Nossman
CEO
Education: Master of Economics from Lund University
Experience: Several leading positions at Handelsbanken Capital Markets

Magnus Borelius
Treasurer
Education: Degree from University of Gothenburg School of Business, Economics and Law
Experience: Several leading positions at City of Gothenburg, most recently Head of Group Treasury at City of Gothenburg

Magnus Erkander
CFO
Education: Degree from Stockholm School of Economics
Experience: Several leading positions at Nordea, most recently Head Controller, Group Corporate Center at Nordea

Erik Berfenhag
Group Chief Credit Officer
Education: Degree in Economics from University of Gothenburg School of Business, Economics and Law
Experience: Previously Credit Manager Factoring at Collector Bank and Financial Specialist at SEB

Agenda

Business Overview & Strategy

Introduction to collector

Collector in brief

- Collector is a digital niche bank that provides financing solutions for retail and corporate customers
- The operations compromise of financial services, divided into two segments – Retail and Corporate
- The new organization structure will have four segments – Retail, Corporate, Payments and Colligent
- Market capitalisation of SEK 5.2bn as of 27 February 2019
- Operates mainly in Sweden, Finland and Norway with offices in Gothenburg (HQ), Stockholm, Helsinki, Turku and Oslo
- Average full-time employees at 377 in 2018

Financial highlights 2018

Credit portfolio	SEK 26bn
Gross income	SEK 2.3bn
Profits after tax(1)	SEK 602m
Cost/income	0.46
Credit loss level(2)	1.2%
Return on Equity	17.6%

The figures in this presentation are Group numbers

(1)(2)Excluding the increased provision for credit losses of SEK 46 million according to the new IFRS 9 standard that was introduced on 1 January 2018. Including the impact Profits after tax amounted to SEK 566m and the Credit loss level was 1.4%.

Collector's journey

1999 – Collector is founded by **Lena Apler** and **Johan Möller**, with background from **Securum**

2003 – Collector offers **factoring**

2004 – **Payment solutions** for e-commerce, **debt collection** and **consumer loans** are launched

2005 – Starts offering **deposit accounts**

2008 – Opening up offices in **Norway** and **Finland**

2010 – Starts offering **credit cards**

2011 – **Erik Selin,** founder of Fastighets AB Balder, joins the Board of Directors following **Fastighets AB Balder's** acquisition of a 35% stake

2015 – Obtains banking license and is introduced to **NasdaqOMX**

2016 – **Collector Ventures** is founded

2017 – First issue under the **MTN programme**, a three-year bond of SEK 800m and a ten-year Tier 2 bond of SEK 500m with early redemption after five years

2018 – Collector acquires **Lindorff Payments** from Lowell

Stable and long-term shareholders

Ownership[1]

Name	%
Erik Selin (own holdings and through Fastighets AB Balder and companies)	46.6
Lundström (through StrategiQ Capital AB)	12.7
Ernström Finans AB	5.3
Lena Apler (own holdings and through companies)	4.4
Swedbank Robur fonder	4.2
Handelsbanken Liv	1.8
Avanza Pension	1.8
Vante AB	1.4
JP Morgan Bank Luxembourg S.A.	1.3
Remaining shareholders	20.5

- Financially stable and long-term large shareholders
- Long-term ownership and commitment shown by the three largest owners who invested in Collector well before the IPO
  - StrategiQ Capital AB and Ernström Finans AB have been owners since 2006
  - Fastighets AB Balder acquired a 35% stake in 2011
- Erik Selin, founder of Fastighets AB Balder, has a well regarded track record and strong credit worthiness – Active within the Board of Directors since 2011
- Fastighets AB Balder, with a 44.1%[2] stake in Collector AB, is very active in the debt capital market and has a history of honouring coupon payments and redemptions
- Lena Apler, founder of Collector, is still active both in terms of board representation and a noticeable ownership share and has been with Collector for 20 years

Source: (1) As of 31 Dec 2018 Q4 2018 report. (2) Fastighets AB Balder's interim report Jan – Dec 2018

A well diversified financial services platform

Business segments	Income 2018	Profit contribution 2018	Credit portfolio 31 Dec 2018	Future business segments	Products	Sweden	Finland	Norway	Other
Retail	61%	32%	49%	Retail	Personal loans	✓	✓		
					Deposit accounts	✓	✓		
					Credit cards	✓			
				Payments	B2B & B2C	✓	✓	✓	✓
Corporate	39%	61%	51%	Corporate	Factoring & Company credits	✓	✓	✓	
					Real estate credits	✓	✓	(✓)	Potential
				Colligent	Debt collection	✓	Potential	Potential	
					Purchased debt	✓	✓	(✓)	
					Share of income for 2018	68%	17%	12%	3%

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Retail (1/2)

Personal loans / Deposit accounts / Credit cards / Residential mortgages

Business segment	Products	Business overview	Key statistics
Retail	Personal loans	• Personal loans to private individuals in Sweden and Finland • Contractual tenors of 2-15 years • Distribution mainly through intermediaries • All individuals with a record of non-payments are disqualified	• Approximately 87,000 loan customers • SEK 134,000 average amount on new loans • The average borrower is 46 years old, has an yearly income of SEK 350,000, is married and lives in a rented home (59% of lenders do not have a mortgage). There is an even split between cities and the country side, but the largest town of lenders is Stockholm (27%)
	Deposit accounts	• Competitive interest rates to customers in Sweden and Finland • Customers protected through state deposit guarantees • Floating and fixed rates. Offering deposits on several maturities from O/N up to 2 years	• 83,200 deposit customers in total • SEK 239,000 average deposit amount per retail customer
	Other	• Credit cards and residential mortgages • Offering credits cards in own brands and white label solutions • Selectively exploring residential mortgages	• Approximately 21,500 outstanding credit cards

Retail (2/2)

Checkout , Instore solutions , B2B & B2C

Business segment	Products	Business overview	Key statistics
Payments	Checkout Instore solutions B2B & B2C	• Collector Checkout, payment gateway with credit and debit payment options • Merchant branded credit account solution instore • Offering solution for both B2B & B2C	• Top 3 digital B2C players in the Nordics • Clear leading position within B2B • Agreements with approximately 800 merchants • More than 4,000,000 end consumers

Corporate (1/2)

Factoring & Company credits / Real estate credits

Business segment	Products	Business overview	Key statistics
Corporate	Factoring & Company credits	• Invoice factoring, primarily invoice purchase • Combination of corporate loans and factoring to larger clients • Export factoring • Focus on SME segment • Variation in industries amongst clients	• Accounts for 20% of the credit portfolio • Approximately 400 customers
	Real estate credits	• Junior and senior real estate lending • Commercial and residential properties • Tenors offered at 24-36 months • Focus on larger metropolitan areas and university cities	• Accounts for 27% of the credit portfolio, with 2% residential property developers • At least 70% of the apartments have been sold with binding transfer agreements

Corporate (2/2)

Debt collection & Purchased debt

Business segment	Products	Business overview	Key statistics
Colligent	Debt collection & Purchased debt	• Third party debt collection • Strong market position towards the real estate sector • B2B & B2C offering • Purchased debt of primarily unsecured non-performing loans • Purchased debt is not a focus area for the business, so far 4 portfolios have been bought	• Works with more than 500 real estate companies • 57,000 debt collection cases at the end of 2018 • The portfolio consists of SEK 1.3bn in purchased debt

Trends going forward

Retail

- Continued focus on the quality of the loan portfolio
- Less dependency on brokers
- Keep the position on Personal Loans in Sweden and expand in Finland

Payments

- Integration of Lindorff Payments
- New strategy to focus on larger customers
- Large inflow of new customers, unsatisfied with their existing solution

Corporate

- Continued good demand for real estate credits in Sweden and Finland
- Continued strong growth in Factoring & Company credits in Sweden and Norway
- Large potential in Factoring & Company credits in Finland

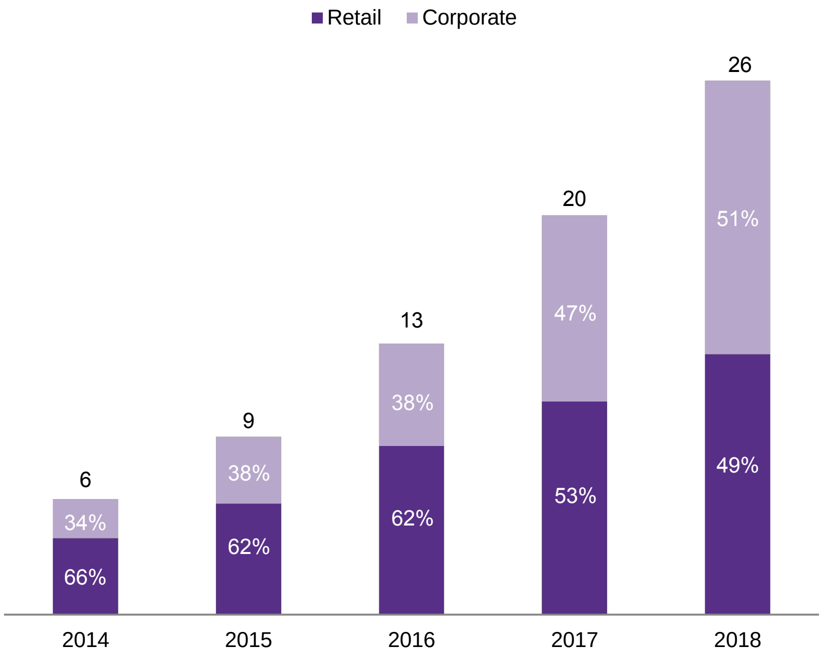
Colligent

- Continued strong growth in the Real Estate segment in Sweden
- Extended product offering towards more geographies and industries within the Nordics

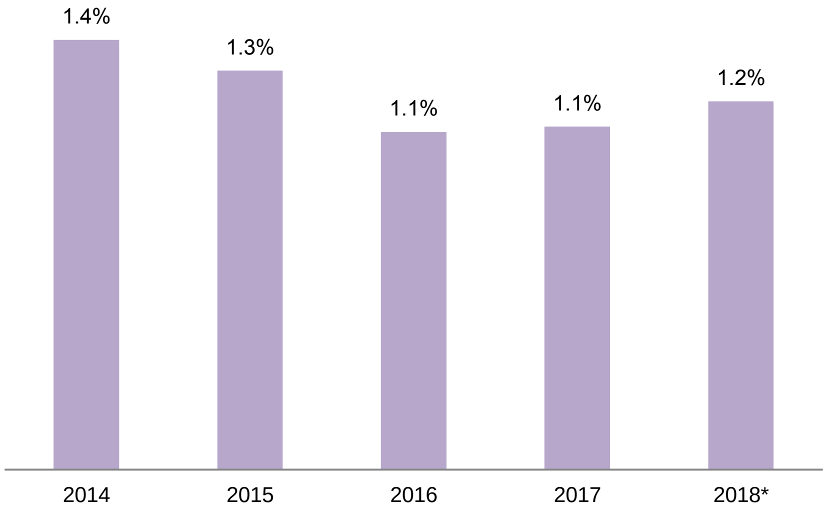
Financial Performance

Maintained high credit quality despite high growth

Lending to the public, SEKbn



Net credit loss level



*Excluding the increased provision for credit losses of SEK 46 million according to the new IFRS 9 standard that was introduced on 1 January 2018. Including the impact, the net credit loss level was 1.4%.

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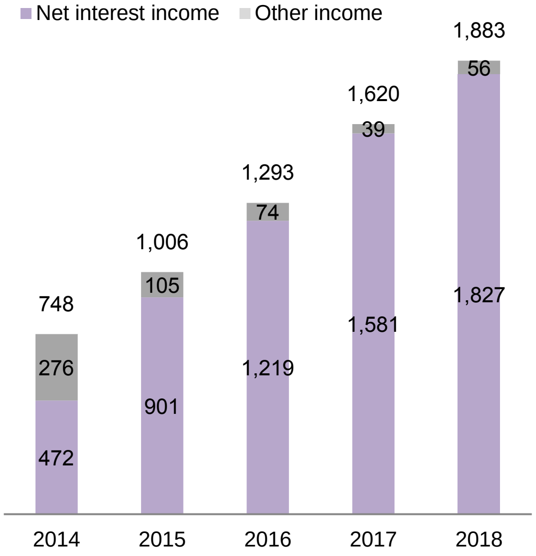
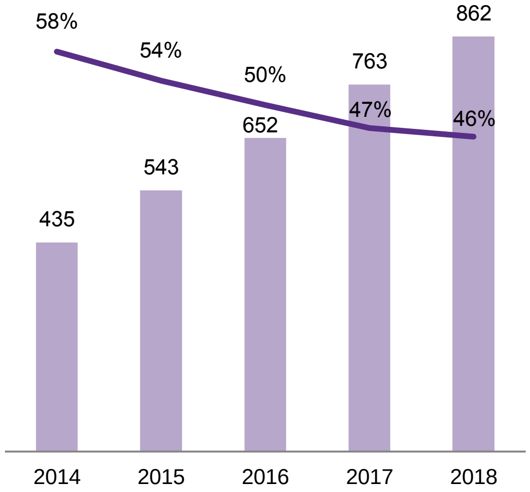
Strong and stable financial development

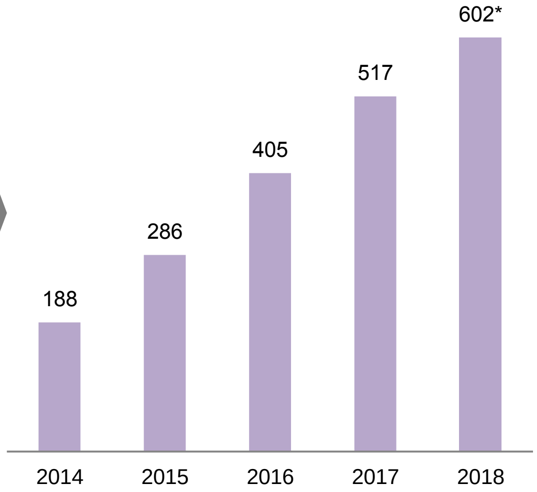
Operating income, SEKm



Cost/income ratio and costs, SEKm



Earnings after tax, SEKm



- Customer driven net interest income is the main operating income item
- Stable growth leading to cost efficiency through economics of scale
- Increasing income and cost efficiency continues to be in focus to improve profitability

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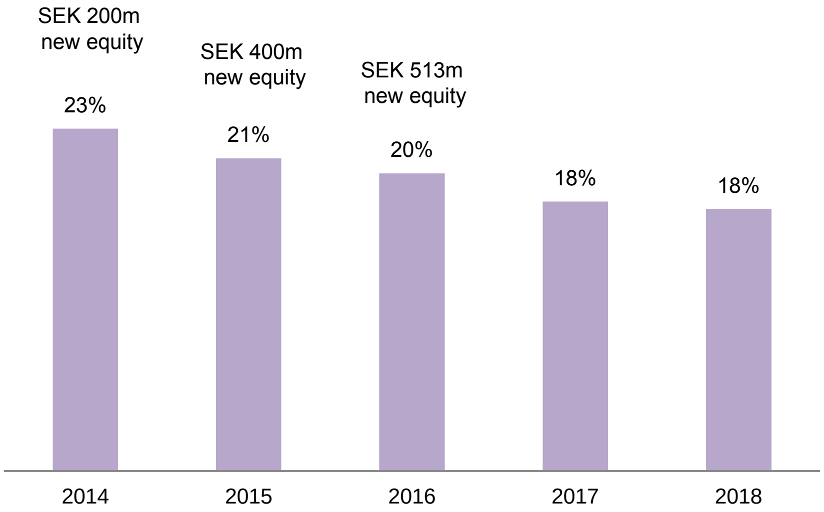
*Adjusted for IFRS 9. Earnings were affected by an increased provision for credit losses of SEK 46m, according to the new IFRS 9 standard that was introduced on 1 January 2018. Earnings after tax amounted to SEK 566m.

High profitability

Return on equity



Comment

- High profitability generated from a diversified business mix and cost control
- Continued focus on income generation and cost efficiency
- The new organisation structure with the four segments Retail, Payments, Corporate and Colligent as separate profit centres, will enable Collector to financially manage the segments more efficiently

Financial management of Collector

	Area	Parameter	Ambition, target or requirement	2018
Financial targets	Capitalisation	Total capital ratio	>15%	13.7%
	Dividend	Focus on growth in medium term, which implies low or no dividend		0%
Regulatory requirements	Capitalisation	CET1 ratio	9.4%	11.9%
		Total capital ratio	13.3%	13.7%
		Leverage ratio	3%	11.0%
	Liquidity and funding diversification	Liquidity coverage ratio	100%	161%
		Net stable funding ratio	100%	>100%
Management focus	Asset quality	Net credit loss level	Maintain a low level	1.2%*
	Efficiency	Cost/income ratio	<40%	46%

*Excluding the increased provision for credit losses of SEK 46 million according to the new IFRS 9 standard that was introduced on 1 January 2018. Including the impact the net credit loss level was 1.4%.

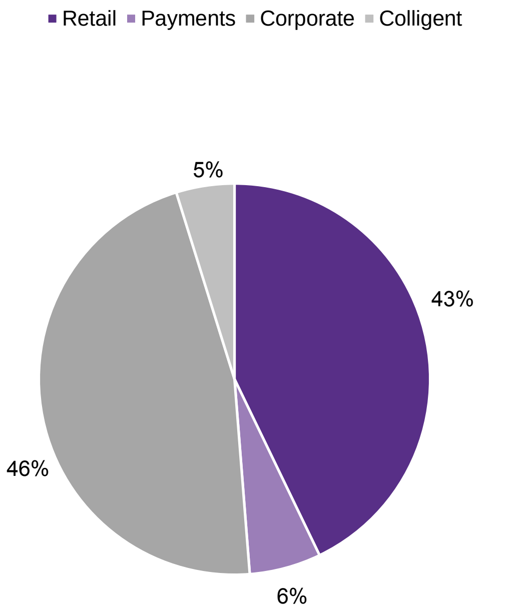
Asset Quality

Diversified credit portfolio

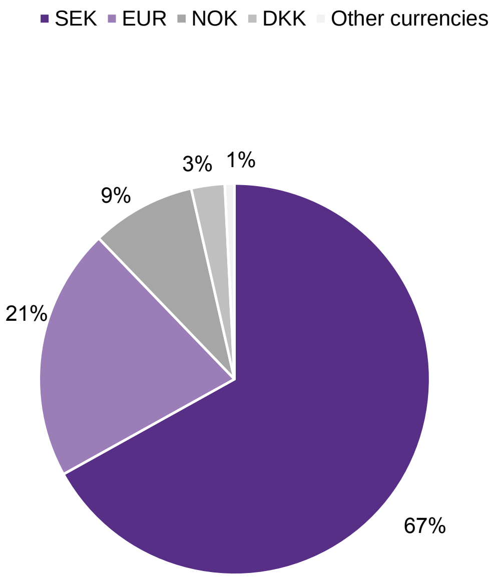
Comment

- Operates with a diversified business mix in economically robust Nordic countries
- The credit portfolio amounted to SEK 26bn as of 31 December 2018
- Corporate credit accounts for 46 % of the credit portfolio, with 27% in real estate and 20% in factoring and company credits
- Within real estate credits, the exposure to residential developers is 2%
- As a first alternative, lending should be matched by funding in the same currency
- If matching is not possible, the FX exposure should be hedged through FX futures or swaps

Credit portfolio segments



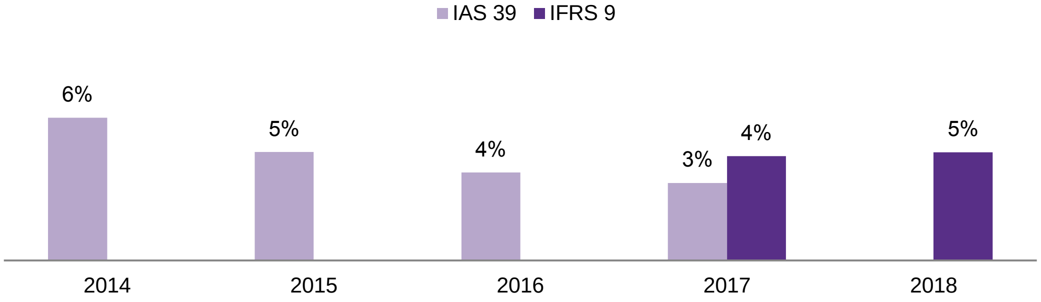
Currency distribution



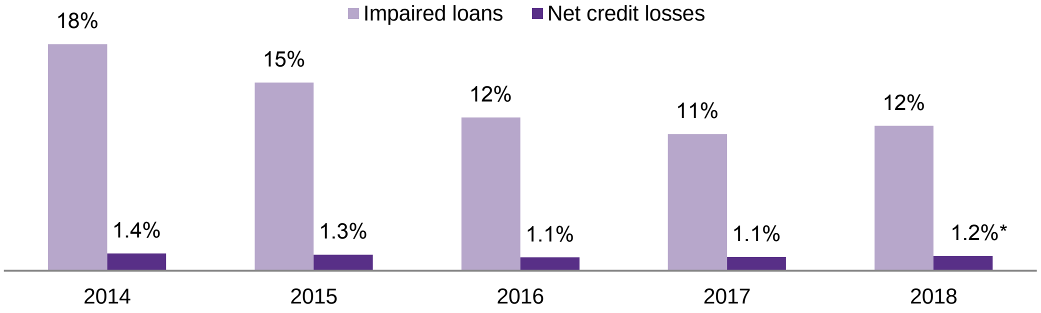
High attention on the development in credit quality

	2018
Loan receivables gross, SEKm	26,104
Impaired loans, SEKm	3,063
Percentage of impaired loans	12%
Reserves, SEKm	1,191
Reserves in relation to loans	5%
Net credit losses, SEKm	300
Net credit loss level	1.2%*

Reserves in relation to gross loans



Impaired loans and net credit losses in relation to gross loans



*Excluding the increased provision for credit losses of SEK 46 million according to the new IFRS 9 standard that was introduced on 1 January 2018. Including the impact the net credit loss level was 1.4%.

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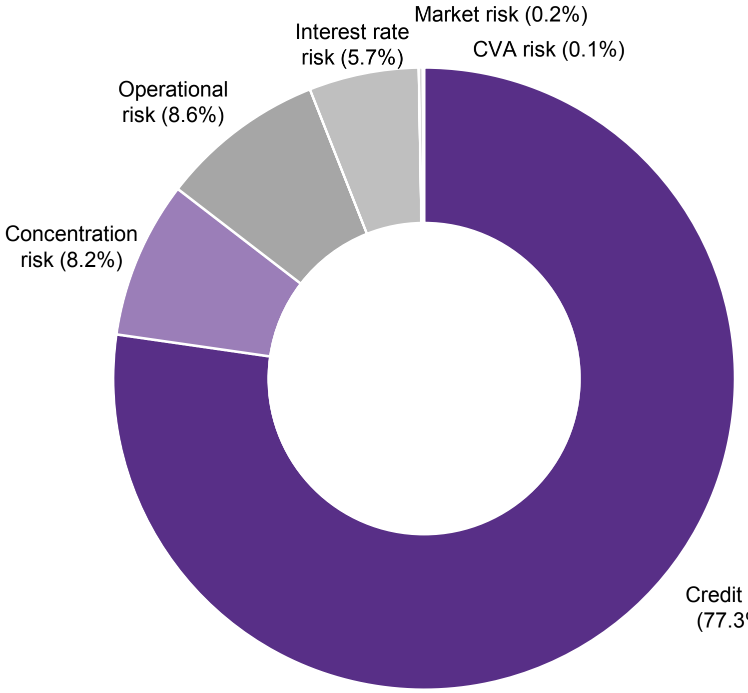
Risk identification

Risks

Capital requirements



Robust, proven and data driven credit decision processes

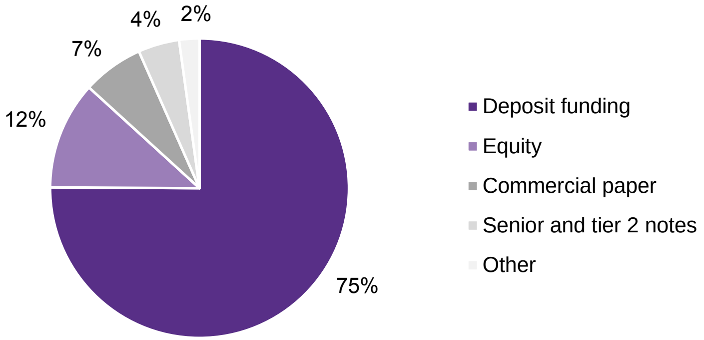
Retail		Credit process
Retail	Personal loans and credit cards	• Scoring models – outcome affects approval as well as terms • Automated credit process through both internal Collector record and external credit record
Payments	B2B & B2C	• Scoring models • Automated credit process • Continuous follow-up, analysis and adjustments to the automated credit process

Corporate		
Corporate	Factoring	• Analysis of customer and the particular credit limit with focus on the end-customer's repayment capabilities • Factoring limit set for each customer • Credit decision taken by Credit Committee, Credit Advisory Board or Board of Directors • Continuous monitoring
Corporate	Company credits	• Analysis of borrower and the particular credit with focus on repayment capabilities • Credit decision taken by Credit Committee, Credit Advisory Board or Board of Directors • Continuous monitoring
Corporate	Real estate credits	• Analysis of borrower and the particular credit with focus on repayment capabilities • Credit decision taken by Credit Committee, Credit Advisory Board or Board of Directors • Continuous monitoring
Colligent	Purchased debt	• Analysis with focus on forecast of future cash flows in order to reach a valuation of the underlying portfolio. Due diligence is performed on parts of or full portfolio depending on size • Purchase decision taken by Credit Committee, Credit Advisory Board or Board of Directors

Funding & Liquidity

Access to a wide base of funding sources

Funding and liability split as of 31 December 2018



Access to capital markets and bank facilities

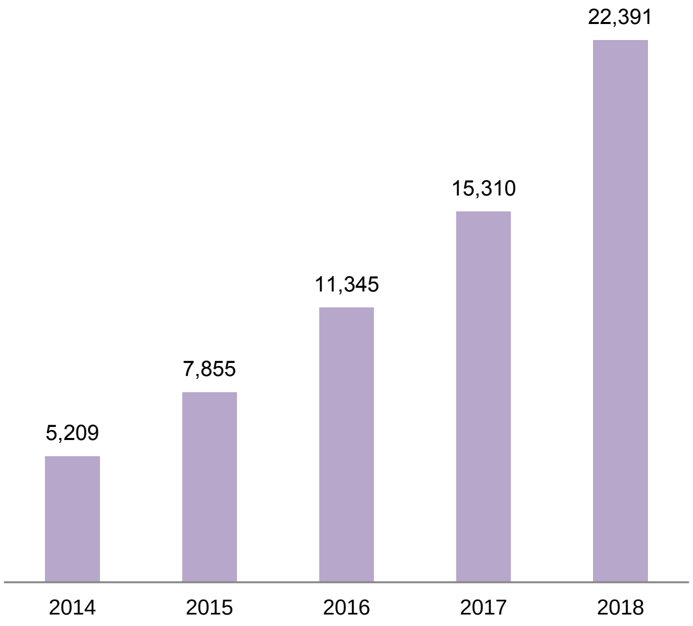
	Framework amount	Utilised amount
Commercial paper programme	SEK 5bn	SEK 2bn
MTN programme	SEK 5bn	SEK 1.3bn
Bank facilities	SEK 800m	SEK 0

Comment

- Strategic focus to reduce refinancing risks by diversification of the funding structure
- Deposit funding amounted to SEK 22bn as of 31 December 2018, which corresponds to 75% of the total funding
- Commercial paper programme with a scope of SEK 5bn and issued SEK 2bn as of 31 December 2018
- MTN programme with a framework amount of SEK 5bn.
  - Outstanding SEK 800m senior unsecured notes with maturity in 2020
  - Outstanding SEK 500m tier 2 capital with a maturity in 2027 and call in 2022
- Contracted and unutilised credit facilities of SEK 800m

Large share of stable deposits

Deposit funding, SEKm



	2014	2015	2016	2017	2018
% of total funding	79%	78%	75%	68%	75%

Comment

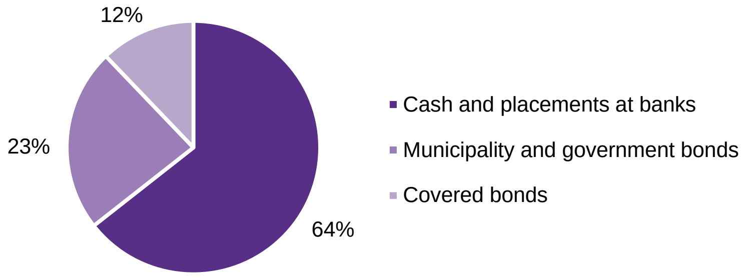
- Stable volume growth over the last years, with 87% of the deposits funding covered by the deposit guarantee
- 17% of the deposit funding is term deposit
- Average deposit is SEK 257,000
- Weighted average interest rate 0.85%

Conservative and stable liquidity portfolio

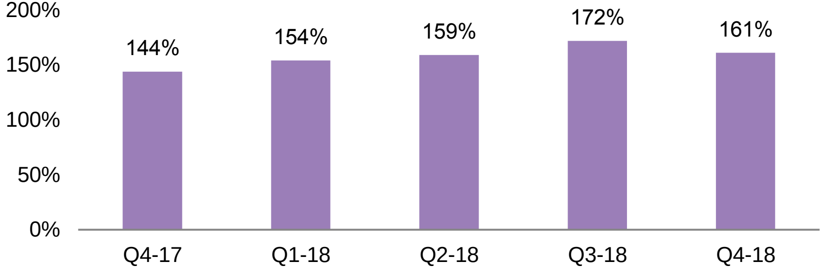
Comment

- The liquidity position shall always be sufficient to meet both normal fluctuations in liquidity and a stressed scenario
- The liquidity portfolio consist of cash placements at banks and AAA rated bonds, with a majority issued by Swedish municipalities and governments
- In addition to liquid assets, Collector has unutilised credit facilities of SEK 800m
- From a regulatory perspective, the LCR has continued to improve with the ratio at 158% on average in 2018, well above the 100% requirement

Liquidity reserve distribution



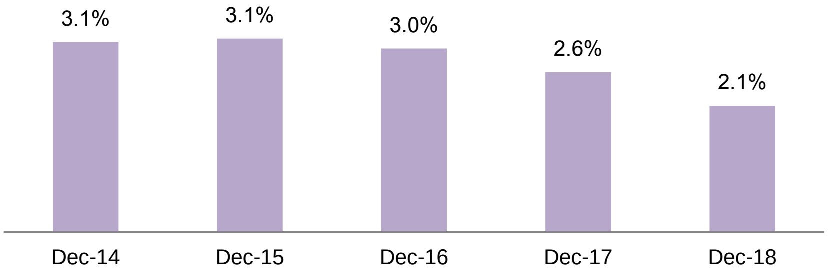
Liquidity coverage ratio (LCR)



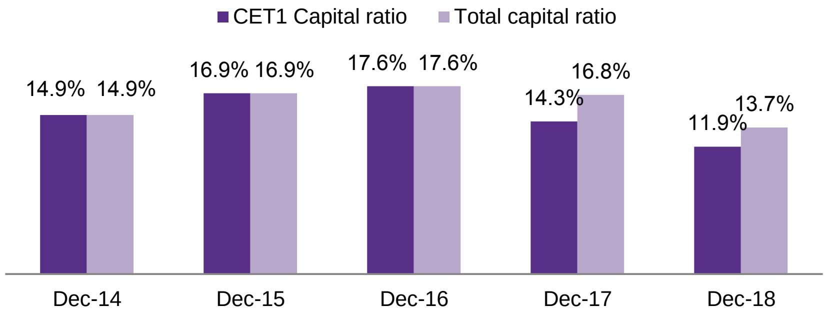
Capital Adequacy

Development of capital

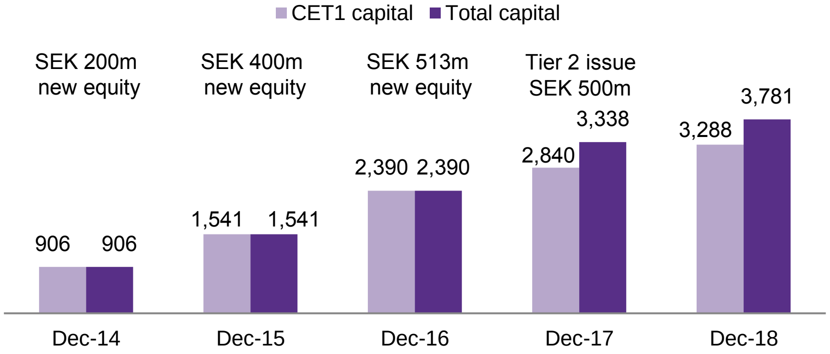
Net Profit/REA



CET1 and total capital ratio development



CET1 and total capital development, SEKm



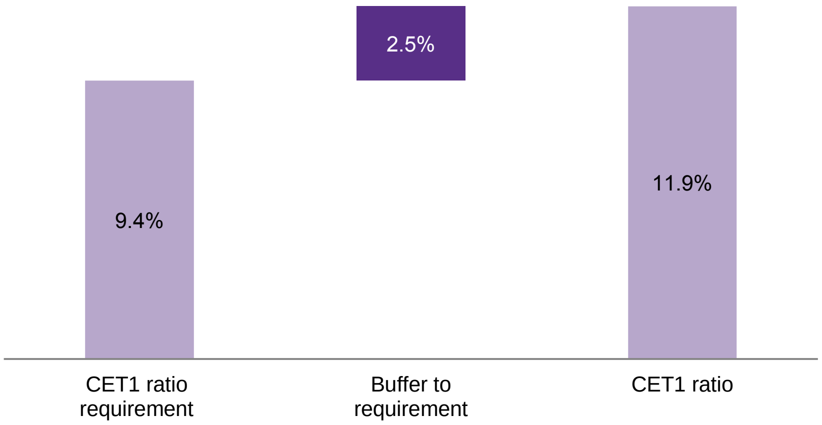
Comments

- History of organic equity generation supporting growth
- The organic equity generation has been further supported by new equity and capital issues
- Regulatory changes in risk weights have affected the capital ratios negatively
- Focus going forward is on strengthening profitability in order to facilitate continued growth and fulfill the target of a 15% total capital ratio

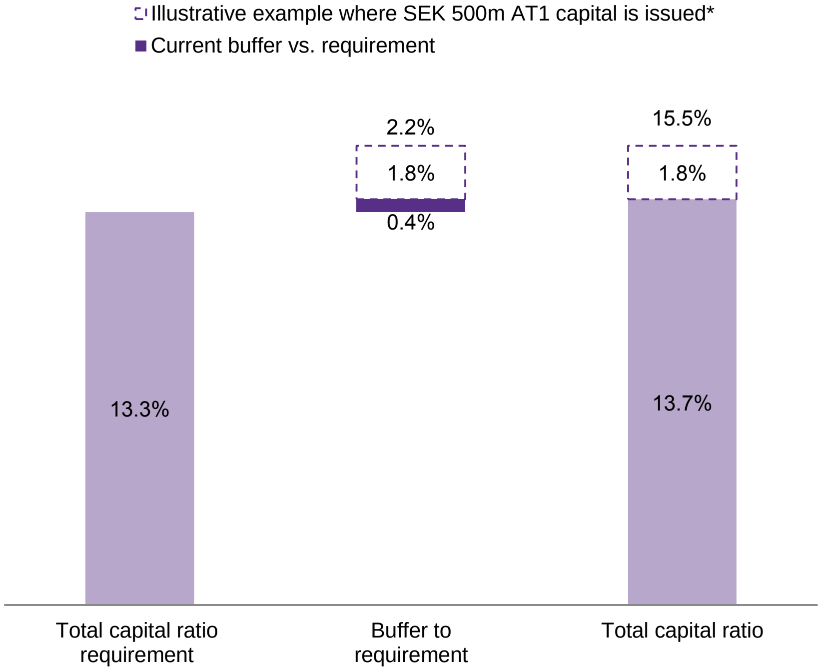
collector

CET1 and total capital ratios are above requirements

CET1 ratio vs. requirement



Total capital ratio vs. requirement



* No regulatory haircut has been included in the illustrative example

Summary

Key credit highlights

1

Growth-driven niche bank with excellent credit quality

- ✓ Strong historical growth track record
- ✓ Conservative risk appetite
- ✓ Proven track record of consistently low credit losses

2

Well diversified business mix

- ✓ Balanced mix between Retail & Corporate
- ✓ Broad product offering within both segments
- ✓ Pan-Nordic presence with majority of business in Sweden

3

High profitability

- ✓ Strong cost/income ratio with potential for further improvement
- ✓ Clear economies of scale
- ✓ Highly attractive RoE level

4

Low-risk funding and liquidity strategy

- ✓ Access to a wide range of funding sources
- ✓ Increased diversification of funding going forward
- ✓ Conservative approach to liquidity management – limited risk taking within Treasury

5

No dividend payments to shareholders

- ✓ Current dividend policy of not distributing funds to shareholders
- ✓ No expectation from the market to start paying dividends in the near term with net profits available for AT1 investors and growth

6

Strong backing from shareholders

- ✓ Strong, stable, long-term shareholders
- ✓ Track record of credit investor friendly behaviour

Proposed Transaction

Overview of the transaction

Transaction rationale, description and comments

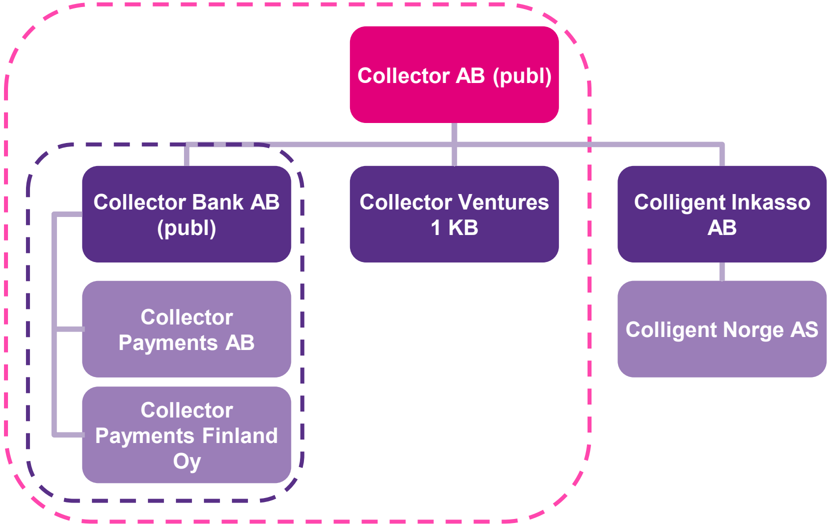
Rationale and description

- Collector is looking to raise SEK [500]m of Additional Tier 1 Capital to strengthen the total capital ratio
- The transaction will have a temporary write-down structure with a first call option after 5 years
- The transaction will be issued out of Collector Bank AB, where the vast majority of the Group's assets, liabilities and cash flows are located
- Regulations stipulate that the CET1 trigger levels will need to be linked to the Group's capitalisation under the consolidated situation

Comment

- Collector AB (publ) is the ultimate parent of the Group and is listed on Nasdaq Stockholm Mid Cap
- Collector Bank AB (publ) has a MTN and Commercial Paper Programme established with listed securities on Nasdaq Stockholm

Overview of the group structure



Labels

- - - Collector Bank Group

- - - Collector consolidated situation

Overview of key terms and conditions

Issuer	Collector Bank AB (publ)
Tenor	Perpetual
Status	Junior subordinated, senior to share capital only
Principal Amount	SEK [500m]
First Call Date/Redemption	Redemption on [ ] (5 years), or on any Interest Payment Date thereafter, subject to FSA approval
Coupon payments	• 3mStibor + [ ]bps, paid quarterly in arrears • Based on the Outstanding Principal Amount • Fully discretionary and only payable out of distributable items • Mandatory cancellation in case of a breach of the combined buffer requirement or if otherwise required by applicable banking regulation • Non-cumulative
Going Concern Loss Absorption	Principal write-down upon a breach of the CET1 Trigger Level, subject to FSA approval
Trigger Level	5.125% for the Issuer, 7% for the consolidated situation
Additional Early Redemption Events	Upon a Capital Event and Tax Event, subject to FSA approval
Denominations	SEK 2,000,000 + SEK 2,000,000
Governing law	Swedish Law
Listing	Stockholm

Please refer to the Terms & Conditions dated 18 March 2019 for full information

Appendix

Income statement Group

Amounts in SEK million	Full year 2018	Full year 2017
Revenue	2,321	1,933
	2,321	**1,933**
Operating expenses		
Personnel expenses	-285	-246
Depreciation of property, plant and equipment and amortization of intangible non-current assets	-83	-60
Other profit/loss - net	-	-
Other expenses	-1,039	-843
Operating expenses	**-1,407**	**-1,149**
Operating earnings	**914**	**784**
Earnings from financial items		
Financial income	14	14
Financial expenses	-207	-130
Earnings after interest and tax	**721**	**668**
Income tax	-155	-151
Earnings for the year	**566**	**517**
Attributable to:		
The Parent Company's shareholders	566	517
Holdings without controlling influence	-	-
	566	**517**
Earnings per share for profit attributable to the Parent Company's shareholders during the period (expressed in SEK per share)		
Before dilution	5.51	5.03
After dilution	5.51	5.03

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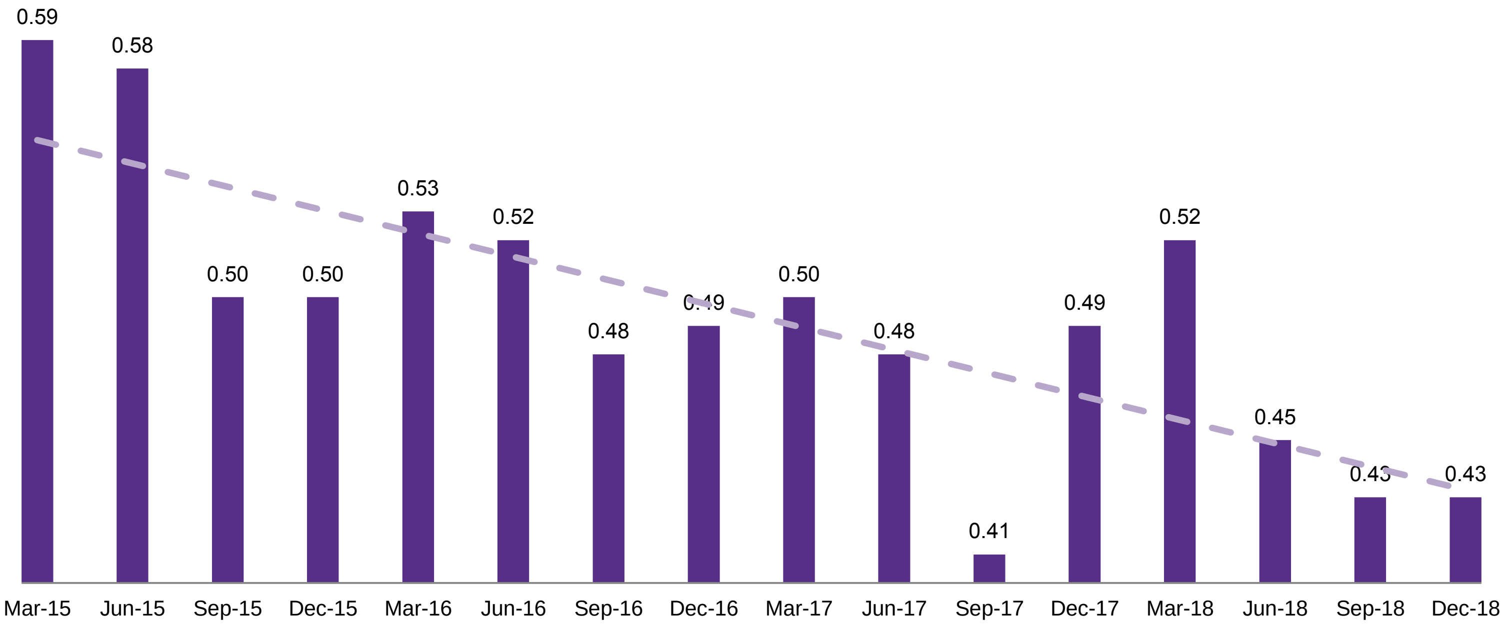
Balance sheet Group

Assets, SEK million	Full year 2018	Full year 2017
Non-current assets		
Property, plant and equipment		
Equipment	18	10
	18	**10**
Intangible non-current assets		
Capitalized expenses for development work	269	216
Customer relations	13	-
Goodwill	72	71
	354	**287**
Financial non-current assets		
Financial investments	1,180	939
Lending to the public	12,689	9,563
	13,869	**10,502**
Total non-current assets	**14,241**	**10,799**
Current assets		
Lending to the public	13,415	9,944
Derivative instruments	138	26
Other receivables	96	69
Cash and cash equivalents	1,928	1,533
Total current assets	**15,577**	**11,572**
Total Assets	**29,818**	**22,371**

Equity and Liabilities, SEK million	Full year 2018	Full year 2017
Equity		
Share capital (102,690,502 shares)	10	10
Reserves	-3	-6
Other contributed capital	1,313	1,313
Retained profit, incl. earnings for the year	2,155	1,762
Total Equity	**3,475**	**3,079**
Non-current liabilities		
Borrowing	264	264
Securities issued	1,329	1,344
Other non-current liabilities	0	2
Deferred tax liabilities	143	121
	1,736	**1,731**
Current liabilities		
Accounts payable	33	34
Accrued expenses and deferred income	175	203
Current tax liabilities	36	91
Other current liabilities	267	152
Borrowing	22,127	15,046
Securities issued	1,969	2,035
	24,607	**17,561**
Total Equity and Liabilities	**29,818**	**22,371**

Committed focus on improving the cost/income ratio

Quarterly development 2015-2018



Risk Factors

Risk factors (1/13)

RISK FACTORS

*Investing in the Bonds involves inherent risks. A number of risk factors and uncertainties may adversely affect Collector Bank AB (the "**Company**" or the "**Issuer**", and together with its parent Collector AB (publ) and its subsidiaries, the "**Group**" or "**Collector**"). These risk factors include, but are not limited to, financial risks, credit risk, technical risks, risks related to the business operations of the Issuer, and regulatory risks. If any of these or other risks or uncertainties actually occurs, the business, operating results and financial condition of the Issuer could be materially and adversely affected, which could have a material adverse effect on the Issuer's ability to meet its obligations (including repayment of the principal amount and payment of interest) under the additional tier 1 capital bonds (the "**Bonds**").*

The risks outlined in this presentation are not exhaustive, and other risks not known at present to the Issuer, or that the Issuer currently deems immaterial, and therefore not discussed herein, may also adversely affect the Issuer and adversely affect the price of the Bonds and the Issuer's ability to service its debt obligations. Prospective investors should consider carefully the information contained in this presentation and make an independent evaluation before making an investment decision.

The risk factors below are not ranked in any specific order.

Risks related to the Group, its business and the industry

Risks associated with the general economic situation

Collector's performance is affected by the general economic situation and the factors affecting business operations generally in the jurisdictions where Collector operates. This includes variable economic cycles that affect demand for financial products and services. Such cycles are in turn affected by global political events as well as terrorist acts and war, along with market specific events such as changes in customer behaviour or customer confidence and preferences, changed investor behaviour or preferences, interest rates, inflation rates, changing property prices, unemployment rates, unrest in the labour market and in society at large.

Negative economic growth could affect Collector's operations in a number of ways, including the impact on Collector's customers' income, capital, liquidity, business conditions, financial position, which in turn may affect the customer's repayment ability, have a negative impact on Collector's credit worthiness and reduce demand for some of Collector's financial products and services. Overall, negative economic developments could have a material adverse effect on Collector's business, financial position and results of operations.

Risks related to decreasing commercial property values

Collector provides credits secured by real estate mortgages as part of its operating activities. A majority of the credits are junior credits layered above the universal banks' funding levels, usually up to about 8o per cent. of the property value. A junior credit means that Collector provides a credit above the senior creditor in order to increase the loan to value ratio. Any increase in the willingness of universal banks to provide senior loans could result in reduced demand for the credits that Collector offers.

The value of properties that serve as security for credits issued is influenced by several factors, both property-specific, such as occupancy rates, rents and operating costs, and market-specific, such as yield requirements and cost of capital derived from comparable transactions in the property market. Both property-specific and market-specific deterioration could cause the value of the properties that serve as security for credits issued to decrease, which could have a material adverse effect on Collector's business, financial position and results of operations.

Systemic risk

Due to the high level of interdependence between financial institutions, Collector is subject to the risk of deterioration of the actual or perceived commercial and financial soundness of other financial institutions. A default or financial difficulties of one financial institution may have negative consequences for other financial institutions and may lead to liquidity problems, losses, defaults or worsening of general economic climate in the markets in which Collector operates which may result in a material adverse effect on Collector's business prospects, financial condition or results of operations.

Business risk and strategic risk

Business risk refers primarily to volatility in earnings that can be attributed to changes in volumes, interest margins or other price changes. Business risk may arise due to factors in the external business environment, such as changes in the competitive environment, customer behavior or preferences or technological developments and relate to each of Collector's products and services. Moreover, the market or the area(s) in which Collector operates may decline or cease completely; for example if some transaction flow decline, or if universal banks expand their lending. Such situation could cause a decrease in customer demand for some of Collector's products and services.

If business risk as described above should materialise, it could have a material adverse effect on Collector's business, financial position and results of operations. Strategic risk refers to losses incurred as a result of unfavourable business decisions and/or incorrect or improper implementation of such decisions. Strategic risk also comprises the risk that Collector fails to develop or implement its strategic plans for the business; for example, Collector may not have sufficient financial resources to fund all desired or necessary investments in connection with the implementation of strategic plans. Since strategic risk relates to Collector's ability to respond adequately to changes in the business environment, it is closely related to business risk. Strategic risk is affected by the ability of the board of directors and the senior management to plan, develop, organize, direct and control operations, and to continuously monitor market conditions. Lack of such ability could have a material adverse effect on Collector's business, financial position and results of operations.

Risk factors (2/13)

Risks related to competitors

Collector is subject to significant competition relating to all types of financial products and services that Collector offers on the markets in which Collector operates. Competition may increase in some or all of Collector's markets due to changes in laws, regulatory decisions, competitors' development of products and services, technological solutions, or other factors, including the behaviour of an increased number of competitors. There is a risk that Collector will be unable to adapt to new technologies, maintain its position in relation to competitors, offer competitive products and services, as well as competitive prices for its products and services, or otherwise fail in adapting to new market conditions. This could result in Collector failing to attract new customers and/or retain existing customers. Increased competition could have a material adverse effect on Collector's business, financial position and results of operations.

Market risks

Market risks includes currency risk, interest rate risk and other price risks and refers to the risk that the market value of Collector's assets and/or liabilities could fluctuate as a result of fluctuations in the general interest rate situation, exchange rates and/or other price related fluctuations.

Currency risk

Collector primarily operates in Sweden, Norway and Finland and has income, assets, liabilities and expenses denominated in SEK, NOK and EUR, as well as exposure to other currencies such as DKK, USD, GBP and CHF. The risk that the market value of Collector's revenue, assets, expenses and/or liabilities, including derivatives, could fluctuate as a result of fluctuations in exchange rates to which Collector is exposed from time to time could have a material adverse effect on Collector's business, financial position and results of operations.

Interest rate risk

Interest rate risk refers to the risk of the market value of Collector's assets and liabilities changing and that Collector's revenue and expenses would be affected as a result of fluctuations in the general interest rate situation. Collector usually offer floating interest rates on its lending and deposits, which are also applied in Collector's external financing arrangements.

Furthermore, an increase in market interest rates could have a negative effect on Collector's profit in the event that such increase would affect interest rates on funding and deposits from the public, while Collector's revenues in its lending operations remain unchanged. Higher interest rates would force Collector to raise savings account rates, which would increase Collector's financing costs. If Collector is unable to compensate such higher costs by charging higher interest rates on loan products, the net interest, and therefore also the result of operations, will be adversely affected. In the event that interest risk materialises, it could have a material adverse effect on Collector's business, financial position and results of operations.

Regulatory changes and non-compliance

Collector's business is subject to extensive regulation and supervision in each jurisdiction in which Collector operates. Regulation and regulatory requirements are constantly changing and new requirements are implemented for Collector, including, but not limited to, regulations on conducting business, preventing money laundering, processing of personal data, payments, consumer credit, capital requirements, reporting, compliance requirements, corporate governance and taxation. As a result, Collector is exposed to the risk that fundamental conditions for its business may be affected by government intervention, political statements or decisions, new legislation or other changes to the rules and regulations. Collector is also exposed to the risk that financial supervisory authorities, tax authorities or other authorities in the jurisdictions where Collector operates disagree with Collector's interpretations of laws, regulations, tax agreements, and precedent court cases. Changes in the legal framework (nationally, in the European Union and internationally), its interpretation, application or enforcement may also affect the ability and willingness of customers to use Collector's services and products. Moreover, the costs of compliance and verification of compliance are increasing as new regulation of the financial sector is continuously implemented. If fundamental conditions for the operations are changed, this could have a material adverse effect on Collector's business, financial position and results of operations.

There are political discussions about how to tax the financial sector in general and banks in particular. The implications of a potential increase of the taxation of the financial sector cannot be envisaged. New taxation rules could have a material adverse effect on Collector's business, financial position and results of operations.

There is a risk that relevant authorities will determine that Collector does not fully comply with, or that Collector is in violation of, applicable laws and regulations. In the event of non-compliance with applicable laws, regulations or administrative provisions, Collector could be subjected to sanctions in the form of fines or penalties amounting to significant sums, limitation or revocation of licences that are essential for Collector's operations (including its banking license), reputational damage and loss of customers, which could have a material adverse effect on Collector's business, financial position and results of operations.

Risk factors (3/13)

Risks related to processing of personal data

As part of Collector's daily operations, the Group collects and processes personal data of customers and employees, such as information on private individuals and contact persons of corporate customers. Collector is exposed to the risk that personal data may be lost, disclosed, stolen or processed in violation of applicable data protection laws. Collector relies to some extent on suppliers and partners when handling personal data. Violation of applicable data protection laws could lead to fines, reputational damage and loss of customers, which could have a material adverse effect on Company's business, financial position and results of operations.

Risks related to money laundering and prevention of terrorism financing

Collector is at risk of being damaged by incidents of money laundering and terrorism financing. The risk of exposure against money laundering and terrorism financing has increased worldwide in general and for fast-growing companies in particular. Staff turnover may be a factor that increases the risk of money laundering and Collector could suffer legal consequences as a result. Violation of applicable anti-money laundering and terrorism financing prevention regulations could lead to sanctions in the form of a reprimand or warning, or revocation of Collector's licenses, including its banking license. Sanctions could also include penalties and fines. Business relationships and Collector's reputation could also be damaged, which could have a material adverse effect on Collector's business, financial position and results of operations.

Risks related to consumer protection

Collector mediates consumer credits and is under the supervision of authorities in the markets in which Collector operates. In the event that Collector is considered to be in violation of applicable consumer protection legislation in the markets in which Collector conducts business, for example in relation to inadequate credit assessments, misleading advertising and other marketing practices, unfair contract terms, or improper price and interest rate information, there is a risk that the supervisory authority will bring legal action against Collector and/or order Collector to cease certain advertising or application of certain contractual terms or order Collector to cease certain types of credit lending. Furthermore, regulatory authorities may request that Collector changes its consumer credit lending and consumer credit assessment process, which could lead to additional costs for Collector. Such events could have a material adverse effect on Collector's business, financial position and results of operations.

Risks related to BRRD and the Swedish Resolution Act

The European Parliament and the Council of Ministers adopted Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (as amended) ("**BRRD**"), which provides various measures for the resolution of failing credit institutions. On 1 February 2016, the Swedish Resolution Act (as amended) (*Sw. lag (2015:1016) om resolution*) (the "**Swedish Resolution Act**") was adopted for the purpose of, inter alia, implementing the BRRD.

The purpose of the BRRD and the Swedish Resolution Act is to stop government-funded bail-outs and instead introduce "bail-ins". A bail-in means that creditors of a distressed financial institution may need to accept certain write-downs of their debt in order for the financial institution to recover. The BRRD provides for the possibility that certain unsecured debt instruments, following a decision by relevant authorities, may be written-down, rescheduled or further subordinated (for instance, by the swapping of debt to equity), which will have an impact on the funding costs of Collector. If companies within the Group enter into resolution, the relevant authority would be authorised to divest asses, write-down debt instruments (such as the Bonds) in part or in full, and convert debt into equity instruments. As a result of the BRRD and related legislation, holders of the Bonds may lose whole or part of their investment. Application of the new legislative framework on bail-in and resolutions may have a material adverse effect on investments by Collector's shareholders and holders of the Bonds and on Collector's business, financial position and results of operations, and the Bonds may be written-down, rescheduled or otherwise modified in case of Collector's insolvency.

Risk related to MiFiD II/MiFIR

On 3 January 2018, new regulation on the securities market was introduced through the legislative package of MiFID II/MiFIR. The framework has resulted in an increase of reporting and transparency requirements within the interest market. This could lead to financial institutions acting as intermediaries in trading with financial instruments becoming less prone to be the holders of certain securities. Should this risk materialise, it could result in negative effects on the liquidity of the Bonds and the possibility for holders to sell their Bonds.

Risk related to legally permissible interest rates

Collector is currently subject to regulatory caps on lending rates in some of the jurisdictions in which the Group operates. Legislation in this jurisdictions limits the amount of interest that may be charged for certain financial products. Should such regulatory requirements increase or should new requirements be introduced in other jurisdictions in which Collector operates, Collector may have to alter the terms upon which it offers some or all of its financial products. Such changes could lead to decreased profitability and could ultimately have a negative effect on Collector's business, financial condition and results of operations.

Risk factors (4/13)

Ability to manage growth

Collector has had good growth historically and aims to continue to grow, which entails a number of risks that are to some extent difficult to predict. Growth can entail an increase in both the complexity of the business and the responsibility for the management, which increases the burden on Collector's senior management and operational resources. This in turn could lead to organisational problems, such as difficulties in recruiting skilled personnel and engaging partners with sufficient experience in the industry. Furthermore, existing facilities and existing control, governance, finance, accounting and information systems, as well as other technical solutions, may prove to be insufficient for continued growth and further investment in these areas may therefore be necessary. Increased growth could also entail capital risk for Collector depending on the needs and requirements that e.g. owners, financiers and authorities impose on Collector, as well as a risk that new product categories that are introduced do not produce the desired outcome. If Collector proves to be unable to effectively control or accommodate continued growth, this could have a material adverse effect on Collector's business, financial position and results of operations.

Risks associated with acquisitions

Collector's management has in the past analysed a variety of acquisition targets and may engage in acquisitions of other companies or business assets in the future. Carrying out acquisitions involves further risks. For instance, any acquisition carries the risk that the price paid is considered too high by the market, that the acquisition proves to be less successful than anticipated, that the acquired company or business does not develop as expected by the market, and that sales and earnings goals pursued by way of the acquisition are not met. A review of the potential target (*due diligence*) carried out by Collector may be insufficient and may not identify all potential risks and issues that eventually could materialise. Other risks pertaining to acquisitions may include that the acquisition requires extensive time and resources by Collector's management, which could lead to the management not being able to allocate sufficient time for Collector's existing operations, or ultimately loss of employees or customers. In addition, any acquisition is subject to the risk that Collector will not be able to integrate the acquired company into Collector as planned or only at a higher cost than originally planned or that any intended synergy effects cannot be realized to the extent anticipated or at all. Collector may also be unable to maintain uniform standards, control functions, procedures or policies throughout Collector, which may lead to operational ineffectiveness or issues with quality and compliance. Furthermore, acquisitions may involve the risk that liabilities related to the acquired business or company are assumed which may not be recoverable from the respective seller. Any of these risks may reduce the available cash of Collector and result in a material adverse effect on Collector's business prospects, financial condition or results of operations.

Credit risk

Credit risk relates to the risk that Collector does not receive payment as agreed and/or will suffer credit loss due to the inability of the counterparty to fulfil its obligations. The underlying transaction may, for example, be a loan or other commitments such as various guarantees and obligations or derivatives (for instance, interest rate and currency swaps). Credit risk can be divided into risks related to (i) consumer loans and credit cards, (ii) commerce receivables attributable to payment solutions, (iii) company credits, (iv) real estate credits, (v) factoring credits, and (vi) acquired overdue credit portfolios. In the event that borrowers fail to perform their obligations, or if the security that Collector holds to secure its claims is inadequate or impossible to realise, Collector may suffer a credit loss. Such credit losses could result in a material adverse effect on Collector's business, financial position and results of operations.

Consumer loans and credit cards

Collector offers unsecured credits and credit cards to private individuals. Specific risks associated with granting unsecured consumer loans and credit card loans are risks that could affect the customers' repayment ability, including the risk of economic downturns and higher unemployment rates. Moreover, Collector is exposed to the risk of customers applying for and being granted loans with no intention of repaying the borrowed amount. Collector is also exposed to various types of fraud or identity theft, which entails a risk of credit losses. The aforementioned risks could have a material adverse effect on Collector's business, financial position and results of operations should they materialise.

Commerce receivables attributable to payment solutions

Collector offers its partners' customers instalment payment solutions, revolving credit or payment by invoice regarding financing purchases of goods. The credits are unsecured and are mainly granted to private individuals. Specific risks to which Collector is exposed in commerce are risks that could affect the customers' ability to repay credits, including the risk of economic downturns and higher unemployment. Moreover, in commerce Collector is exposed to the risk of various types of fraud or identity theft, which is associated with the risk that repayment will not occur. The aforementioned risks could have a material adverse effect on Collector's business, financial position and results of operations should they materialise.

Corporate credits

Corporate credits consist of various types of short-term operating and bridge financing arrangements where the credit is usually linked to one of Collector's core operations, such as in factoring, sale financing or credit management. Corporate credits are usually secured through share pledges, guarantees or business mortgages. The specific risks related to corporate credits are economic downturns, which could have a negative effect on companies' repayment ability, and the risk that Collector will become the victim of fraud. Collector's credit portfolio of corporate credits includes a number of commitments that are significant in nature and/or involve exposure to specific industries and/or geographical areas, which entail a particular risk exposure and cyclical sensitivity to these customers, industries and areas; for further information, see the section on "Concentration risk" below. The aforementioned risks could have a material adverse effect on Collector's business, financial position and results of operations should they materialise.

Risk factors (5/13)

Real estate credits

Collector provides junior and senior property financing to certain professional customers with extensive experience. The loans are usually secured by mortgages issued in commercial property or apartment buildings in urban areas, such as Stockholm, Gothenburg, the Øresund metropolitan area, Oslo, Helsinki and other growth areas. As with other corporate credits granted by Collector, the real estate credits are usually secured by mortgages of satisfactory value and are granted on relatively short term. The ranking of junior and senior credits is determined by applicable bankruptcy regulation, where senior credit rank ahead of junior credit.

A specific risk related to real estate credits is an economic downturn, which could result in a negative impact on the market value of the properties in which Collector holds mortgage. Such negative effect on the market value could affect companies' repayment ability. Incorrect valuation of properties and Collector's security in them could also affect Collector's ability to obtain full compensation following a realisation of such mortgage. Collector has granted a number of major real estate credits and these credits are concentrated to properties in certain geographical areas, which entails a special risk exposure to such customers, industries and areas; for further information, see the section on "Concentration risk" below. Moreover, there is a risk related to the real estate development projects for which Collector grants credits. Errors in planning or execution of property development could result in increased costs for customers or higher vacancy rates, which could affect the ability of customers to repay their loans. The aforementioned risks could have a material adverse effect on Collector's business, financial position and results of operations should they materialise.

Factoring credits

The factoring business involves Collector either buying the customer's issued invoices or granting loans secured by issued invoices. In invoice purchasing Collector assumes the credit risk, while invoice factoring and purchase on a recourse basis mean that Collector primarily has a credit risk on the invoice issuer and not on the final customer, who is the invoice recipient. The specific risks related to factoring are the risk of economic downturns, which could have a negative effect on companies' repayment ability, and the risk that Collector will become the victim of fraud. The factoring product area includes a number of commitments associated with exposure to specific industries and/or geographical areas, which entails a particular risk exposure to these customers, industries and areas; for further information, see the section on "Concentration risk" below. The aforementioned risks could have a material adverse effect on Collector's business, financial position and results of operations should they materialise.

Acquired portfolios of overdue receivables

From time to time, Collector acquires portfolios of overdue consumer receivables. These portfolios may contain receivables that have been overdue for a time period between a few months and several years. The main risks associated with such acquisitions are risk of erroneous valuation of the credit portfolio and the price paid for each individual item relative to future outcomes at the time of repayment and settlement of the credits. Moreover, Collector is exposed to risks that could affect the customers' repayment ability, including the risk of economic downturns and higher unemployment, and thus the forecasted cash flow for credit portfolios. The aforementioned risks could have a material adverse effect on Collector's business, financial position and results of operations should they materialise.

Concentration risk

Concentration risk refers to risk resulting from large individual exposures or as a result of significant exposure to certain groups of counterparties for which the probability of default is driven by reliance on a common underlying factor, such as an industry or geographic area. Collector has large individual exposures to commercial banks and other companies, which entails name concentration to those parties. The lack of diversity of the credit portfolio increases the risk of credit losses if case of issues or distress of any of these counterparties. In addition, Collector has a large concentration of customers in the household segment, which entails risks in the event of, for example, an economic downturn or other general economic events that adversely affect household finances.

Collector's primary area of business is the Nordic market and a large majority of credit exposure is thus related to the Nordic countries, with an emphasis on Sweden. In addition, Collector's property financing focuses mainly on large cities and university towns in Sweden. This entails some geographic concentration, which increases the risk of credit losses in case of issues or declining popularity within any of these regions. An increased concentration in the credit portfolio may involve increased risk of credit losses, which could have a material adverse effect on Collector's business, financial position and results of operations.

Risks related to major customers

A limited number of customers in certain product areas account for a large part of Collector's net sales in such product areas. Any loss of contracts with major customers or customers' cessation of use of Collector's services in these product areas could result in Collector losing opportunities for revenues or a decrease in revenues in such product areas, which would have a negative effect on the net sales and could have a material adverse effect on Collector's business, financial position and results of operations.

Counterparty risk

Collector is exposed to counterparty risks, mainly related to derivatives entered into with individual counterparties. Counterparty risk consists of the risk that Collector's counterparties become unable to fulfil their contractual obligations when due, prior to close-out of the derivative transaction. If counterparty risk materialises, it could have a material adverse effect on Collector's business, financial position and results of operations.

Risk factors (6/13)

Operational risk

Operational risk relates to the risk of losses resulting from errors or inadequacies in internal procedures and processes. In addition to errors in administrative procedures, operational risk also includes human error, erroneous systems, IT technical errors at Collector or its suppliers and legal risks, as well as internal and external irregularities. The risk of losses also includes the risk of non-compliance, i.e. the risk associated with inadequate compliance (laws, regulations, and policies), including, but not limited to, customer protection, preventing money laundering, data protection and competition rules.

Operational risks can lead to business losses, damage to Collector's reputation, increased costs, direct and indirect financial losses, liability or indemnities, impairment losses and/or sanctions in the form of fines or penalties amounting to substantial sums, or limitation or revocation of Collector's licenses which is essential for its operations (including its banking license) which could have a material adverse effect on Collector's business, financial position and results of operations.

Personnel risk

Personnel risk refers to the risk of losses incurred due to inadequacies in skills and staffing, accountability, any weaknesses in Collector's culture and fundamental values, dubious reward models, errors committed by employees, temporary personnel or other service providers, human error, as well as criminal and disloyal actions performed by employees, temporary personnel or other service providers. If losses due to errors or inadequacies related to personnel risk should occur, it could have a material adverse effect on Collector's business, financial position and results of operations. For further information, see the section on "Risks related to key personnel, temporary personnel and other service providers" below.

Process risk

Process risk refers to the risk of losses incurred when manual or automated activities in transaction and information flows are insufficient in quality or capacity which may result in failure to meet operating objectives. Deficiencies in the division of responsibilities, organisation and documentation, as well as systematic deficiencies in Collector's established procedures and processes, such as lending and compliance with laws, regulations, and internal rules, also entail process risk. Process risk could entail a material adverse effect on Collector's business, financial position and results of operations.

External risk

External risk refers to the risk of losses incurred as a result of Collector's relationship with the outside world and arises, for example, through the criminal and disloyal actions of outsiders, such as through fraud, or through disruptions in society's infrastructure, such as electricity, telecommunications, water, broadband or disasters. Risks related to external suppliers and unstable political and legal conditions also fall under this category. External risks could have serious implications for Collector's operations and could result in a material adverse effect on Collector's business, financial position and results of operations.

IT and system risk

Collector's IT infrastructure is critical for the business and for Collector being able to provide services to its customers and stakeholders. Collector's operations are dependent on secure handling and storage of confidential information, as well as other information in Collector's computer systems and networks.

IT and system risk refers to the risk of losses arising from IT and systemic inadequacies, such as inadequate accessibility, reliability, traceability, capacity and confidentiality.

IT risks relevant for a niche bank could, for example, include occurrences of intrusion, or if interruptions or shutdown in IT services, electricity supply, communication or other systems used by Collector, or if Collector's servers are damaged by physical or electronic breakdowns, computer viruses or similar disruptions. There is a risk that Collector's IT infrastructure cannot support a significant, unexpected or extraordinary increase in data traffic or volumes based on the business, which depends on IT from a short term perspective. On such occasions, Collector may be forced to upgrade its IT systems and resources to meet the demands, which may result in delays and increased costs for Collector. Furthermore, there is a risk that Collector will not successfully anticipate, manage and implement the necessary changes in the IT infrastructure at the times in the future where it may be required.

Collector has to some extent outsourced operation of its IT platform to external providers and may outsource other functions in the future. If external providers to which Collector outsources business-critical functions do not perform their work in a satisfactory manner, Collector may incur expenses to resolve errors caused by such providers. Depending on the function involved, such errors could result in disrupted operations, inefficient processes or loss of sensitive data, which could have a material adverse effect on Collector's business, financial position and results of operations.

Risk factors (7/13)

Model and analysis risk

Collector uses statistic automatic models in credit assessments, such as scoring models. If such models contain errors or deficiencies, or if updates or calibrations that are continuously made to such models result in errors that prevent the models from accurately identifying significant factors and correctly evaluating information, the results may be inaccurate and misleading. Moreover, there is a risk that Collector's employees may use statistical models incorrectly, the information used in the models may be incorrect, or the employees might then make erroneous qualitative risk assessments. In the event that the statistical models used by Collector are inaccurate, or if the results of the analyses carried out using the models are incorrect for some other reason, it could have a material adverse effect on Collector's business, financial position and results of operations.

Information risk

Collector's credit approval process and decisions on whether to engage in transactions with customers and counterparties are based on continual assessments of both publicly available information, such as financial statements and other financial information, and credit assessments and commitments from customers or counterparties. In the event that assessments are made based on inaccurate or incomplete information, or otherwise misleading facts, this may have a material adverse effect on Collector's business, financial position and results of operations.

Risk associated with licences

In the case of serious violations of applicable rules, provisions and other regulations applicable to the business, Collector may be subject to regulatory sanctions and penalties, including the possibility that the Swedish Financial Supervisory Authority (the "**SFSA**") or some other regulatory authority may withdraw or restrict Collector's licenses which are essential for the business, including the banking licence.

Measures taken by the regulatory authority which entail restriction of Collector's business could have a material adverse effect on Collector's financial results, business and performance in general. Revocation of licences that are essential for the business, including the banking licence, would result in Collector being unable to continue its business.

Liquidity and funding risk

Liquidity and funding risk refers to the risk that Collector may be unable to borrow funds required for its business at a reasonable cost, or sell assets at a reasonable price, in order to meet its payment obligations on the respective due dates. Liquidity and funding risk can also be expressed as a lack of funding on reasonable terms and conditions, or difficulties related to capitalisation. Collector's primary source of financing is deposits from the public. Other sources of funding are issuances of certificates and medium term notes. Funding through deposits from the public or via the certificates market is mainly granted on short-term, but in addition Collector has issued certain long term debt capital instruments. Since in some cases Collector's lending is granted on longer term than its borrowing, this entails a risk for Collector's long term funding and liquidity. Any decline in deposits from the public or demands for rapid repayment of deposits due to, for example, loss of reputation, increased competition, further interest rate decrease after which savings accounts would not be attractive options, political intervention or other unforeseen events could have a material adverse effect on Collector's ability to finance its operations. Collector may also lack sufficient cash and cash equivalents to repay deposits at the rate that creditors request repayment and to otherwise meet its obligations as they fall due.

If Collector's existing financing agreements with credit institutions are not extended, and/or if Collector violates the provisions of any existing credit agreements, this could have a material adverse effect on Collector's ability to finance its operations. Moreover, as a result, Collector may lack sufficient cash to pay its debts as they fall due.

In the future, Collector may, in whole or in part, need to raise new financing or refinance its business through bank loans or through the capital market issuances. Such new financing or refinancing is dependent on several factors, such as circumstances on the financial market in general and Collector's credit rating.

Collector's access to external financing may thus be limited, in whole or in part, or occur on less favourable terms and conditions. Disruptions and uncertainty in the capital and credit markets could also limit access to capital, which could be crucial for Collector's operations. There is a risk that Collector may need additional financing in the future and that such financing will not be available on acceptable terms. There is also a risk that in the future Collector may violate the terms and conditions of existing credit agreements, due to circumstances within or outside of Collector's control, which may lead to creditors having the right to terminate credits and demand repayment, or to renegotiate the terms. This in turn may have a material adverse effect on Collector's business, financial position and results of operations in general, and as a result Collector may lack sufficient cash to pay its debts as they fall due.

Risk factors (8/13)

Risks related to the state deposit guarantee scheme

Collector is a bank, which means that deposits by the general public on accounts held by Collector are covered by the state deposit guarantee scheme. Consequently Collector must fulfil specific requirements related to deposit operations. Failure by Collector to meet these requirements could result in sanctions by regulatory authorities, who could decide that Collector's deposits will no longer be covered by the deposit guarantee scheme. If Collector is not covered by the deposit guarantee scheme, borrowing costs would most likely increase substantially.

Since Collector's primary source of financing is deposits from the public, such termination would adversely affect Collector's financial position which could force Collector to change its business or cease operations. If Collector is forced to discontinue deposit operations or if Collector's deposit operations are not covered by the state deposit guarantee scheme, it could have a material adverse effect on Collector's business, financial position and results of operations.

Furthermore, Collector is exposed to the risk that the terms and conditions for the government deposit guarantee scheme may change. Such changes may result in an increase in the fee for participation in the deposit guarantee scheme or in other costs related to the deposit guarantee, increased administration, or entail a decreased guarantee amount. In the event that changes related to the state deposit guarantee scheme are implemented, it could have a material adverse effect on Collector's business, financial position and results of operations.

Capital risk

Collector is a bank, and is therefore subject to extensive regulation regarding capital adequacy and liquidity requirements. Collector must at any given time meet the specified capital and liquidity ratios and have adequate capital resources. Collector is exposed to the risk of changes in the regulatory provisions governing capital adequacy and liquidity, or the implementation of new rules and regulations.

Moreover, Collector is exposed to the risk of business developing in a way that could cause the Group's earnings to decline, which would affect capital adequacy. A lack of capital, could require Collector to raise additional capital. In such a situation Collector may need to reallocate capital in its business which could affect its development and growth. If any of the capital risks mentioned above should materialise, they could have a material adverse effect on Collector's business, financial position and results of operations.

Risks related to accounting policies

Collector is affected by the accounting rules applicable from time to time in the jurisdictions in which Collector operates, such as IFRS and other international accounting rules. This means that in future, Collector's accounting, financial reporting and internal control may be affected by, and need to adapt to, changes in accounting rules or changes in the application of such accounting rules. Collector may need to change its operations as a result of new accounting principles. This may entail uncertainty related to Collector's accounting, financial reporting and internal control and could also affect Collector's reported earnings, balance sheet and equity, which could have a material adverse effect on Collector's business, financial position and results of operations.

IFRS 9, which is a new accounting standard in respect of financial instruments, has replaced IAS 39 and was implemented on 1 January 2018. IFRS 9 comprises classification and valuation, depreciation and hedge accounting related to financial instruments. The new calculation model for deposition of reserves for anticipated credit losses have had and may also in the future have material impact on Collector's accounting, and requires system support as well as additional assessment for determination of recovery value.

Reputational risk

Collector is exposed to the risk of rumours and speculation which, whether they are true or not, could damage Collector's trust, standing and reputation with employees, shareholders, partners, suppliers and customers. Moreover, rumours, the use of Collector's name in the wrong context or if Collector is associated with people and/or circumstances incompatible with Collector's business culture, will have an adverse effect on Collector's brand. For example, negative publicity may ensue if Collector is accused of non-compliance with regulatory requirements, if a regulatory or other investigation is initiated in respect of Collector's business, or because of the behaviour of partners or suppliers in the market. Collector's standing and reputation may also be negatively affected by the non-compliance of its partners. Negative publicity or a bad reputation may affect Collector's contacts with regulators, causing regulatory authorities to have a negative attitude towards Collector. There is also a risk that a poor reputation could affect customers' willingness to pay for their credits or customers might take legal action against Collector to a greater extent.

Collector may also be affected by rumours and speculation directed towards the financial sector at large. Scandals affecting the financial sector in general or because of a competitor's improper behaviour on the market can affect the public's confidence in the financial sector and thus have a negative impact on Collector's reputation and market position. Loss of confidence in the financial sector may lead to a large outflow of deposits and thus a liquidity crisis for Collector. Since deposits from the public comprise Collector's primary source of funding for operations, declining deposits or a large outflow of deposits could result in liquidity risks for Collector. Loss of confidence in the financial sector could also affect Collector's own funding opportunities and lead to reduced access to capital from other players in the financial sector.

Risk factors (9/13)

Risks related to partners and suppliers

Collector relies to some extent on partners and suppliers to perform information gathering and disclosure in connection with lending. This means that Collector bears the risk in relation to customers and regulatory authorities for the suppliers' inadequate contractual and/or regulatory compliance. Collector also relies on payment flows via banks and credit institutions.

If Collector or Collector's service provider in relation to outsourced services should violate applicable rules for Collector's business or otherwise fail to meet obligations to the customer or Collector, Collector may be exposed to financial or other liability, and be subject to regulatory sanctions and penalties including revocation or restriction of Collector's licence, which is essential for the business, including the banking licence. Furthermore, Collector's reputation may be adversely affected by the inadequate compliance of suppliers and partners. If Collector is subjected to regulatory sanctions or penalties, or to withdrawal or restriction of its licence, this could have a material adverse effect on Collector's business, financial position and results of operations.

Collector's outsourcing agreement concerning part of its deposit operations allows interruptions to occur to a substantial extent without the possibility for Collector to take measures to secure customer access to their deposits and accounts. This could cause Collector's customers to lose confidence in Collector, which could ultimately lead to reduced deposits from the public, which in turn could have a material adverse effect on Collector's business, financial position and results of operations.

Reliance on individual suppliers and partners

Collector's short-term ability to provide its customers with products and services to the extent that meet customers' demand would be affected if one or more of Collector's existing suppliers or partners stopped cooperating with Collector without the possibility of Collector replacing such a supplier or partner at short notice. In order for Collector to be able to provide products and services to its customers, Collector relies on the deliveries of its suppliers and partners and that these deliveries comply with agreed requirements and timing. Incorrect, delayed or missing deliveries from suppliers or partners could have a material adverse effect on Collector's business, financial position and results of operations. Moreover, Collector's financial position, reputation in the market and other factors affecting Collector and its business may have an effect on the willingness of partners and suppliers to enter into cooperation with Collector. In the event that partners or suppliers choose to terminate collaborations, or not to initiate collaborations with Collector, this could have a material adverse effect on Collector's business, financial position and results of operations.

Risks related to key personnel, temporary personnel and other service providers

Collector's performance and future growth is dependent on the work carried out and the knowledge and expertise held by employees, temporary personnel and other service providers. Collector's continued ability to effectively compete in the market and develop new areas is dependent on its ability to attract new employees and retain and motivate existing employees, temporary personnel and service providers. Each loss of key personnel, temporary personnel or other service providers who significantly contribute to Collector's operations or sales, and the difficulties recruiting and retaining skilled employees in the future, could have a negative impact on Collector's business in both the short and long-term and have a material adverse effect on Collector's business, financial position and results of operations.

Risks related to disputes

Collector may from time to time become involved in disputes within the framework of normal business operations and is exposed to risks associated with the potential for customers, suppliers, partners or other parties to take legal action against the Company. Major and complicated disputes can be costly, time and resource consuming and may disrupt normal business operations. The results of disputes could have a material adverse effect on Collector's business, financial position and results of operations.

Risks related to change of control clauses

Some of Collector's agreements with customers and other parties include ownership change clauses under which Collector must notify the customer of changes in the ownership of Collector or its senior management. Such clauses may in some cases result in the counterparty being entitled to terminate the contract prematurely. If Collector does not comply with the contractual provisions on disclosure or other requirements, Collector may be considered to have breached the contract in question, which could cause Collector to be liable under the contract. Such damages or terminations could have a material adverse effect on Collector's business, financial position and results of operations.

Risk associated with insurance

Collector has insurance covering interruption damage, property damage, product liability, general liability, Chief Executive Officer and Board liability, breach casualty insurance, pension liability insurance and travel insurance. Nevertheless, there is a risk that Collector may sustain damages or incur liability claims that are not covered by insurance in whole or in part. If Collector incurs damages or liability that are not fully covered by insurance, this could have a material adverse effect on Collector's business, financial position and results of operations.

Risk factors (10/13)

Risks relating to the Bonds

Bondholders are subject to credit risks towards the Issuer

Investors in the Bonds carry a credit risk relating to the Issuer. The investors' ability to receive payment under the Bonds is therefore dependent on the Issuer's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Issuer's operations and its financial position. The Issuer's financial position is affected by several factors of which some have been mentioned above.

An increased credit risk may cause the market to charge the Bonds a higher risk premium, which would affect the Bonds' value negatively. Another aspect of the credit risk is that a deteriorating financial position of the Issuer may reduce the Issuer's possibility to receive debt financing at the time of the maturity of the Bonds.

Liquidity risk

Active trading in the Bonds may not always occur. Hence, there is a risk that a liquid market for trading in the Bonds will not occur, or be maintained. This may result in that the bondholders cannot sell their Bonds when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Bonds.

It should also be noted that during any given time period it may be difficult or impossible to sell the Bonds (at all or at reasonable terms) due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

The market price of the Bonds may be volatile

The market price of the Bonds could be subject to significant fluctuations in response to actual, expected or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. In addition, the global financial markets have experienced significant price and volume fluctuations in recent years, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Issuer's operating results, financial condition or prospects.

Change of law

The Terms and Conditions are based on Swedish law in effect as at the date of issue of the Bonds. Should any possible judicial decision or change to Swedish law or administrative practice after the date of issue of the Bonds occur, there is a risk that the bondholders are negatively affected.

The Issuer's obligations under the Bonds are deeply subordinated

The rights of the bondholders will, in the event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer, be subordinated in right of payment to the claims of depositors and other unsubordinated and subordinated creditors of the Issuer.

The Bonds will rank junior to, inter alia, the Issuer's medium term notes and commercial papers issued from time to time. The Issuer may also issue other debt obligations or capital instruments that rank or are expressed to rank senior to the Bonds, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer.

In the event of a liquidation of the Issuer, the Issuer will be required to pay its depositors and its unsubordinated creditors in full before it can make any payments on the Bonds. If this occurs, the Issuer may not have enough assets remaining after these payments are made to pay amounts due under the Bonds. In addition, the BRRD and the Swedish Resolution Act, could mean that an investment in the Issuer's regulatory capital instruments as additional tier 1 capital runs the risk that the Issuer's debt under those instruments will be written off (bail-in), rescheduled or further subordinated (for instance, by the swapping of debt to equity).

Redemption of the Bonds upon on the occurrence of a capital event or a tax event

The Issuer may upon the occurrence of a Capital Event or a Tax Event (each as defined in the Terms and Conditions for the Bonds), at its option, but in each case subject to obtaining the prior consent of the SFSA, redeem all, but not some only, of the Bonds at par together with accrued interest.

If the Bonds would be redeemed following a Capital Event or a Tax Event, there is a risk that the bondholders will not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Bonds.

There are limited acceleration events in relation to the Bonds

Risk factors (11/13)

The holders of the Bonds may only accelerate the Bonds upon the liquidation or bankruptcy of the Issuer. No payments will be made to the holders of the Bonds before all amounts due, but unpaid, to all other creditors of the Issuer ranking ahead of the holders of the Bonds have been paid by the Issuer, as ascertained by the judicial liquidator (Sw. *likvidator*) or bankruptcy administrator (Sw. *konkursförvaraltare*).

Interest rate risks

The Bonds will bear interest at a floating rate. Bondholders should be aware that the floating rate interest income is subject to changes to the STIBOR rate (with no zero floor) and therefore cannot be anticipated. Hence, bondholders are not able to determine a definite yield of the Bonds at the time of purchase, so that their return on investment cannot be compared with that of investments in simple fixed rate (i.e. fixed rate coupons only) instruments.

In addition, bondholders are exposed to reinvestment risk with respect to proceeds from coupon payments or redemptions by the Issuer. If the market yield declines, and if bondholder want to invest such proceeds in comparable transactions, bondholders will only be able to reinvest such proceeds in comparable transactions at the then prevailing lower market yields.

Call options are subject to the prior consent of the SFSA

The Issuer has the option to redeem the Bonds as from the first call date, being the interest payment date falling on or nearest to five (5) years after the issue date of the Bonds. If the Issuer considers it favorable to exercise such a call option, the Issuer must obtain the prior consent of the SFSA.

The bondholders have no rights to call for the redemption of the Bonds and should not invest in the Bonds in the expectation that such a call will be exercised by the Issuer. The SFSA must agree to permit such a call, based upon its evaluation of the regulatory capital position of the Issuer and certain other factors at the relevant time. There is a risk that the SFSA will not permit such a call or that the Issuer will not exercise such a call. The bondholders should be aware that they may be required to bear the financial risks of an investment in the Bonds for a period of time in excess of the minimum period.

The Issuer may cancel interest payments on Bonds at its discretion for any reason, and will be required to cancel interest payments in certain cases

Any payment of interest in respect of the Bonds shall be payable only out of the Issuer's Distributable Items (as defined in the Terms and Conditions of the Bonds). Interest payments may be cancelled by the Issuer, at any time, in whole or in part, at the option of the Issuer in its sole discretion; or will be mandatorily cancelled to the extent so required by the applicable capital regulations.

The Issuer's Distributable Items will depend to a large extent on the net income earned by the Issuer. The Issuer is entitled to cancel payments of interest in its sole discretion and it is permitted to do so even if it could make such payments without exceeding any maximum distribution limits set out in the applicable capital regulations. Payments of interest on the Bonds may be cancelled even if holders of the Issuer's shares continue to receive dividends.

Following any cancellation of interest, the right of the holders of the Bonds to receive accrued interest in respect of any such interest period will terminate and the Issuer will have no further obligation to pay such interest or to pay interest thereon, whether or not payments of interest in respect of subsequent interest periods are made, and such unpaid interest will not be deemed to have "accrued" or been earned for any purpose nor will the non-payment of such interest constitute an acceleration event.

Any actual or anticipated cancellation of interest payments will likely have an adverse effect on the market price of the Bonds. In addition, as a result of the interest cancellation provision of the Bonds, the market price of the Bonds may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Loss absorption following a Trigger Event

The principal amount of the Bonds may be written down to absorb losses

The Bonds are being issued for regulatory capital adequacy purposes with the intention and purpose of being eligible as additional tier 1 capital of the Issuer. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Terms and Conditions of the Bonds and which, in particular, require the Bonds and the proceeds of their issue to be available to absorb any losses of the Issuer.

Accordingly, if at any time the CET1 ratio (as defined in the Terms and Conditions of the Bonds) of the Issuer has fallen below 5.125 per cent. in the case of the Issuer, or 7.00 per cent., in the case of the Issuer Consolidated Situation (as defined in the Terms and Conditions of the Bonds), (a "**Trigger Event**"), the nominal amount or payment obligation of the Bonds shall be written down as described in the Terms and Conditions of the Bonds.

The Issuer and/or the SFSA may determine that a Trigger Event has occurred on more than one occasion and the nominal amount of each Bond may be reduced on more than one occasion.

Risk factors (12/13)

Bondholders may lose all or some of their investment as a result of any such write-down to the nominal amount or payment obligation. Any such write-down shall not constitute an acceleration event and, following such write-down, the bondholders' claims in respect of principal will, in all cases (including following a redemption of the Bonds upon a Capital Event or a Tax Event (each as defined in the Terms and Conditions for the Bonds) or upon bankruptcy or liquidation), be based on the reduced nominal amount or payment obligation of the Bonds to the extent the nominal amount or payment obligation, in the sole discretion of the Issuer, has not subsequently been reinstated as described in the Terms and Conditions of the Bonds.

In addition, following a write-down of the Bonds as described above, interest can only continue to accrue on the reduced nominal amount or payment obligation following such write-down, which will be lower than the original nominal amount or payment obligation of the Bonds.

The market price of the Bonds is expected to be affected by fluctuations in the CET1 ratio of the Issuer. Any indication that the CET1 ratio of the Issuer is trending towards 5.125 per cent. in the case of the Issuer, or 7.00 per cent., in the case of the Issuer Consolidated Situation may have an adverse effect on the market price of the Bonds. The level of the CET1 ratio of the Issuer and the Issuer consolidated Situation may significantly affect the trading price of the Bonds.
The CET1 ratio shall be calculated by the Issuer and shall be binding on the bondholders

For the purposes of determining whether a Trigger Event has occurred and if a write-down of the Bonds is required, the Issuer must (and the Swedish FSA, or any agent appointed for such purpose by the Swedish FSA, may) calculate the CET1 ratio of the Issuer or the Issuer Consolidated Situation, as the case may be, based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for ensuring effective ongoing monitoring of the capital ratios of the Issuer and the Issuer Consolidated Situation. The Issuer will calculate and publish the relevant CET1 ratio on at least a quarterly basis.

The Issuer's and/or the Swedish FSA's calculation of the CET1 ratios of the Issuer and the Issuer Consolidated Situation, and therefore its determination of whether a Trigger Event has occurred, shall be binding on the bondholders, who shall have no right to challenge the published figures detailing the CET1 ratios of the Issuer or the Issuer Consolidated Situation, as the case may be.

Any write-up of the Bonds is at the sole and absolute discretion of the Issuer and may require shareholder approval

Following any write-down of the Bonds, the Issuer may, but is not in any circumstances obliged to, reinstate the nominal amount. Any reinstatement can only be made out of distributable reserves of the Issuer and will thus need a shareholders' decision, which may or may not be given.

The Issuer's interests may not be aligned with those of investors in the Bonds

The CET1 ratio and Distributable Items and any relevant maximum distributable amount stipulated in the applicable capital adequacy regulation, will depend in part on decisions made by the Issuer relating to its businesses and operations, as well as the management of its capital position. The Issuer will have no obligation to consider the interests of holders of the Bonds in connection with their strategic decisions and capital management. The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event. Holders of Bonds will not have any claim against the Issuer relating to decisions that affect the capital position of the Issuer, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause holders of the Bonds to lose the amount of their investment in the Bonds.

The Bonds are perpetual obligations with no specified maturity date

The Bonds are perpetual obligations of the Issuer with no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Bonds at any time, except as set forth in the Terms and Conditions of the Bonds, in any event, subject to the prior approval of the Swedish SFA. The holders of the Bonds will have no right to require the redemption of the Bonds except if a judgment is issued for the liquidation or bankruptcy of the Issuer.

The Bonds may be subject to substitution and variation without bondholders' consent

Upon the occurrence of a Tax Event or a Capital Event (each as defined in the Terms and Conditions of the Bonds), the Issuer may, at its option, subject to the permission of the Swedish SFA, but without any requirement for the consent or approval of the bondholders, substitute or vary the terms of the Bonds so that they remain, or become, Qualifying Capital Bonds (as defined in the Terms and Conditions of the Bonds). Qualifying Capital Bonds are securities issued directly or indirectly by the Issuer that have terms not materially less favorable to the holders of the Bonds than the terms of the Bonds.

Any such substitution or variation may have adverse consequences for bondholders, dependent on a number of factors, including the nature and terms and conditions of the relevant Qualifying Capital Bonds and the tax laws to which a particular holder of the Bonds is subject.

No limitation on issuing debt

There is no restriction on the amount of debt which the Issuer may issue which ranks senior to the Bonds or on the amount of securities which the Issuer may issue which ranks *pari passu* with the Bonds. The issuance of additional debt by the Issuer may reduce the amount recoverable by the bondholders upon the bankruptcy or any liquidation of the Issuer.

Risk factors (13/13)

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in SEK. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than SEK. These include the risk that exchange rates may significantly change (including changes due to devaluation of SEK or revaluation of Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to SEK would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The impact of changes to the capital adequacy framework

In the aftermath of the global economic crisis, many initiatives for regulatory changes have been taken, including an overview of the capital adequacy framework.
To complement the CRR/CRD IV legislative package, the European Parliament and the Council of Ministers adopted the BRRD, which provides various measures for the resolution of failing credit institutions.

In particular, the dynamic nature of the regulatory capital and liquidity requirements of the CRD IV/CRR package may force the Issuer to allocate more risk-absorbing capital of sufficient quality and to set aside additional amounts of liquid assets. The BRRD could mean that an investment in the Issuer's regulatory capital instruments as Additional Tier 1 Capital is exposed to the risk that the Issuer's debt under those instruments will be written off (bail-in), rescheduled or further subordinated (for instance, by the swapping of debt to equity).

The determination that all or part of the nominal amount of the Bonds will be subject to the BRRD may be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's control. Accordingly, trading behaviour in respect of Bonds which are subject to the BRRD is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that Bonds will become subject to the BRRD could have an adverse effect on the market price of the relevant Bonds. Potential investors should consider the risk that a bondholder may lose all of its investment in such Bonds, including the principal amount plus any accrued but unpaid interest, in the event that measures having that effect are taken under the BRRD or otherwise.

No action against the Issuer and bondholders' representation

In accordance with the Terms and Conditions, an agent will represent all bondholders in all matters relating to the Bonds and the bondholders are prevented from taking actions on their own against the Issuer. Consequently, individual bondholders do not have the right to take legal actions to declare any default by claiming any payment from the Issuer and may therefore lack effective remedies unless and until a requisite majority of the bondholders agree to take such action.

However, the possibility that a bondholder, in certain situations, could bring its own action against the Issuer (in breach of the Terms and Conditions) cannot be ruled out, which could negatively impact an acceleration of the Bonds or other action against the Issuer.

To enable the agent to represent bondholders in court, the bondholders and/or their nominees may have to submit a written power of attorney for legal proceedings. The failure of all bondholders to submit such a power of attorney could negatively affect the legal proceedings.

Under the Terms and Conditions, the agent will in some cases have the right to make decisions and take measures that bind all bondholders. Consequently, the actions of the agent in such matters could impact a bondholder's rights under the Terms and Conditions in a manner that would be undesirable for some of the bondholders.

Bondholders' meetings, modification and waivers

The Terms and Conditions includes certain provisions regarding bondholders' meetings. Such meetings may be held in order to resolve on matters relating to the bondholders' interests. The Terms and Conditions allow for stated majorities to bind all bondholders, including bondholders who have not taken part in the meeting and those who have voted differently to the required majority at a duly convened and conducted bondholders' meeting. Consequently, the actions of the majority in such matters could impact a bondholder's rights in a manner that would be undesirable for some of the bondholders.

Risks relating to the clearing and settlement in Euroclear's book-entry system

The Bonds will be affiliated to Euroclear Sweden's account-based system, and no physical notes will be issued. Clearing and settlement relating to the Bonds will be carried out within Euroclear's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of Euroclear's account-based system.

collector