collector

Q1

JANUARY-MARCH 2018

Interim report January-March 2018

JANUARY-MARCH 2018 (COMPARED WITH JANUARY-MARCH 2017)

- Income increased by 17 percent, amounting to SEK 511 million (438)
- Earnings after tax (EAT) were SEK 112 million (113)
- Higher expenses than historical relating to adaptations to regulations, double license and operating expenses, moving expenses and investments in new digital offerings.
- Return on equity (RoE) was 18 percent (20)
- Earnings per share, 1.09 (1.11)
- Good volume growth in the credit portfolio, SEK 20,232 million (14,973), 35 percent
- Continued strong development for Factoring and Company credits and Real estate credits.
- Strategic decision to further increase the quality of credit portfolio has diminished growth within personal loans.
- Stable credit loss level of 1.1 percent (1.1)

EVENTS AFTER THE END OF THE PERIOD

- Agreement entered into with Apoteket

INCOME
January–March 2018
511 +17 %
SEK MILLION

RETURN ON EQUITY (ROE)
31 March, 2018
18 %

EARNINGS AFTER TAX
January–March 2018
112 -1 %
SEK MILLION

TOTAL CAPITAL RATIO
January–March 2018
16 %

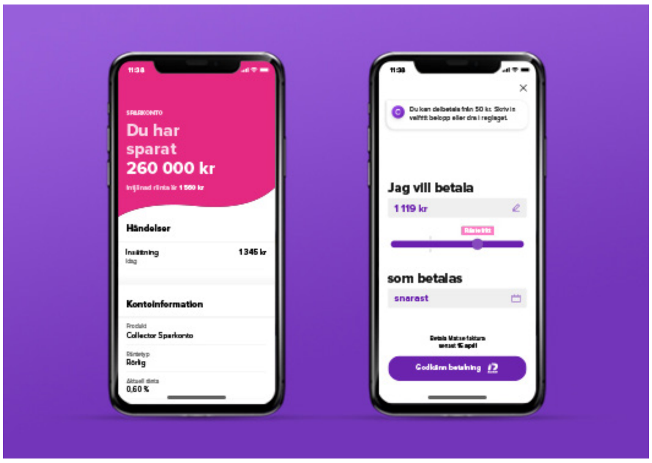
Key ratios

IFRS key ratios, SEK million	Q1 2018	Q1 2017	Δ%	Full year 2017
Income	511	438	17%	1,933
Earnings per share before dilution, SEK, [1]	1.09	1.11		5.03
Earnings per share after dilution, SEK, [2]	1.09	1.11		5.04
Earnings before tax (EBT)	145	145	0%	668
Earnings after tax (EAT)	112	113	-1%	517
Equity	3,024	2,678	13%	3,079
Operating earnings	185	168	10%	784
Non-IFRS key ratios, SEK million	**Q1 2018**	**Q1 2017**	**Δ%**	**Full year 2017**
Average number of shares, [3]	102,690,502	102,690,502	0%	102,690,502
Capital base, [4]	3,427	2,484	38%	3,338
Total capital ratio, [5]	16%	16%		17
Return on total assets, [6]	0.5%	0.6%		2,3%
Return on equity (RoE), [7]	18%	20%		18%
Equity per share, SEK, [8]	29.4	26.1	13%	30.0
Equity to assets ratio, [9]	13%	15%		14%
Credit losses, [10]	1.1%	1.1%		1.1%
C/I ratio, [11]	0.52	0.50		0.47
Average number of full-time employees, [12]	394	355	11%	376
Investments in intangible non-current assets	36	30	21%	121
Organic growth, [13]	15%	26%		27%

1) The period's earnings after tax attributable to the period's average number of ordinary shares outstanding, before and after dilution.
2) Earnings for the period after tax, adjusted by the convertible interest rate through the period's average number of shares following dilution.
3) The period's average number of ordinary shares.
4) See Note 5 on page 18.
5) Capital base divided by total capital requirement. Refers to the financial group of companies. See Note 5 on page 18.
6) Earnings after tax divided by total assets at end of the period.
7) Earnings after tax in relation to average equity. Rolling 12 months.
8) Equity divided by the number of shares outstanding at end of the period.
9) Equity divided by total capital at end of the period.
10) Credit losses in relation to lending and other accounts receivable. Rolling 12 months.
11) Total expenses before credit losses, according to the Annual Accounts Act for Credit Institutions.
12) Including employees on non-current-term contracts, but not on parental leave or a leave of absence.
13) Growth, excluding acquisitions and currency effects.

THIS IS COLLECTOR

Collector is an innovative, digital, niche bank that offers financing solutions to private and corporate customers. Operations are comprised of the Retail and Corporate segments. Within the Retail segment, the company is engaged in lending to private individuals, invoice and payments by instalments to e-commerce and retail companies, credit card services and deposits. The Corporate segment includes real estate credits, factoring and company credits directed mainly at small and medium-sized enterprises, debt collection on behalf of clients (assignment debt collection) and the acquisition of portfolios of overdue receivables. The company has offices in Gothenburg (head office), Stockholm, Helsinki and Oslo. The Group consists of the parent company Collector AB (publ), wholly owned subsidiary Collector Bank AB, where the main business is conducted, Colligent Inkasso AB and Colligent Norge AS with business services and debt collection and Collector Ventures 1 KB with investments in Fintech. Collector AB (publ) is listed on Nasdaq Stockholm.



A comment from our CEO

Investments for the future

In the first quarter, income increased by 17 percent and amounted to SEK 511 million. Mainly lending in the corporate segment has shown strong growth figures, 33 percent, while our commitment to raising quality within personal loans has dampened growth in the Retail segment, 9 percent. During the quarter, we made larger non-recurring investments in IT and moved the operations to new premises in Gothenburg, which together were charged to earnings in the quarter. The underlying expenses have also increased and, for that reason, we will be conducting a review of expenses in our operations. Earnings before tax amounted to SEK 145 million, which is unchanged from the first quarter of the previous year.

New products

Within the corporate segment, it is gratifying to see the large influx of new customers in Sweden and the rest of the Nordic region and that customers appreciate our flexible and digital solutions. Now we are taking the next step and developing "Digital Factoring". The service is aimed primarily at small businesses and companies with different financing needs that need to quickly improve their liquidity. The customer sign-up and credit rating processes are done digitally. For the first time, we will be able to offer a factoring solution entirely through digital channels, where the cultivation of new customers is driven primarily through online marketing. This is our first product in Open Banking and was launched in early April. What makes Digital Factoring unique is that it can easily be integrated into other systems through its open architecture and API integration. 24SevenFinans, one of around twenty companies that Collector Ventures has invested in, will be the first to offer the product.

During the first quarter, Collector strengthened its digital identity in the Retail segment by launching the Collector app. Our new user-friendly app makes our entire Retail segment offering available via mobile devices, contributing to a better and more personal customer experience. We will continually update the app with several of our own services and with partner products, in accordance with our customers' wishes.

During the period, we announced that we will launch digital residential mortgages, which have been in-demand among our customers. Interest has exceeded expectations, and the first loans will be paid out before the end of the second quarter. Our offering is unique in several ways. It is entirely digital and can also serve a group that have the financial prerequisites but feel excluded from the residential mortgage market due to their free form of employment.

New headquarters

Since mid-February, we have gathered most of our more than 400 employees in Sweden under one roof in Gothenburg in bright and fresh premises at Lilla Bommens Torg 11. It is a workplace that reflects our culture and our values – entrepreneurship, dedication and ethics. The shared office premises allow for spontaneous meeting places and opportunities to easily find new innovative solutions that challenge, develop and create superior customer experiences.

Future

The outlook for 2018 and beyond is bright, with good hopes for increased growth rates for the rest of the year. We are also reviewing costs with the ambition to improve the C/I ratio during the year.

It is with a clear focus that I can say that we are well-positioned to take advantage of all the opportunities ahead of us.

Liza Nyberg
CEO

The Group's development

Income and earnings January–March 2018
Collector showed continued growth in the first quarter of 2018, albeit at a somewhat lower pace than historical. Total income increased by 17 percent, compared with the corresponding period in 2017 and amounted to SEK 511 million (438). Organic growth, excluding currency effects, amounted to 15 percent.

The income growth was mainly due to positive development within the corporate segment where Factoring and Company credits as well as Real estate credits are strong. On the personal loan side, a strategic decision to raise the quality of the credit portfolio has dampened growth. During Q1, Collector focused on digital mortgages and digital factoring. Regulatory changes in combination with a changed debt collection process have momentarily had a negative effect but are likely to generate a positive cash flow effect going forward.

Earnings before tax (EBT) amounted to SEK 145 million (145) and earnings after tax (EAT) were SEK 112 million (113). The higher tax is explained by non-deductible interest expenses on the Tier 2 bond. Return on equity (RoE) of 18 percent (20). Earnings per share amounted to SEK 1.09 (1.11).

Expenses
The period has been charged by higher costs, which relates to the transfer of cloud services (IT), regulatory applications (IFRS9, GDPR), investment in new digital offerings and relocation to new headquarters in Gothenburg. The brokerage commissions in the Retail segment are accrued for a straight three-year period, corresponding to an average duration, resulting in cost-cutting given the previous strong credit growth in private lending. The cost/income ratio (K/I) was 0.52 (0.50).

Creditportfolio
The total credit portfolio amounts to SEK 20,232 million (14,993) 35 percent. The increase is primarily due to the product areas Real estate credits, Factoring and Company credits. The average duration/maturity is 36 months for Real estate credits and Personal loans and 24 months for Factoring and Company credits. The quality of the total loan portfolio and the relationship between healthy receivables in relation to doubtful receivables continues to improve.

Credit losses
The credit loss ratio for the rolling 12 months amounted to 1.1 percent (1.1) at the end of the period. Continued very low credit losses within the corporate segment.

Liquidity and financial investments
As at 31 March, cash and cash equivalents amounted to 1,172 million (2,076). Collector's excess liquidity is invested in Swedish municipal bonds and deposited in accounts in Nordic banks.

As at the end of the period, consolidated financial investments amounted to SEK 957 million (473). Of this, SEK 141 million (71) involved investments in Fintech companies through Collector Ventures.

Funding
Efforts to diversify the financing structure continue to reduce refinancing risk, as well obtain more funding sources and terms to maturity. Collector finances its operations to 81 percent with deposits from the public, which as at the end of the period amounted to SEK million 15,537 (12,502). Under the MTN programme (framework 5,000 MSEK) a three-year bond of SEK 800 million has been issued and one Tier 2 bond of 500 SEK million. Certificates issued amounted to SEK 2,357 million (1,448) as at end of the period. Collector also has bank credits of SEK 800 million, which, continuously, are unutilized. The diversified financing structure has resulted in higher interest expenses. Deposit guarantee expenses are now reported under interest expenses.

Capital and total capital ratio
Collector has received permission from the Swedish Financial Supervisory Authority to include earnings for the year in the capital base. A review has been performed of the earnings for the period, which have therefore been taken into consideration in the capital base. The capital base for the financial group of companies amounted to SEK 3 427 (2,484) million as at the end of the period and the capital requirement amounted to SEK 1 677 million (1,217). The total capital ratio has been affected by IFRS9 and was 16,4 percent (16.3) as at the end of March. The Core Tier ratio amounted to 14,0 % (16,3), and the primary ratio amounted to 14,0 % (16,3).

DEVELOPMENT IN THE RETAIL SEGMENT

Focus on quality in the personal loan portfolio

The Retail segment has had a more subdued growth rate of 9 percent, where external income amounted to SEK 323 million (296). Earnings before tax (EBT) increased by 20 percent, amounting to SEK 71 million (89).

The subdued growth in the Retail segment is largely explained by a strategic decision to raise the quality of the personal loan portfolio even further, with a clearer focus on the premium segment. The total acceptance level for new lending decreased accordingly, from 44 percent in Q1 2017 to 34 percent for the same period in 2018. Increased competition has also negatively impacted the growth rate. Investments are also being made in the premium segment in Norway and Finland.

There has been major interest in Collector's digital residential mortgages, and the first mortgages are scheduled to be issued in the second quarter of 2018.

Payment solutions for e-commerce and retail chains had lower volumes than expected. Postponement of the NA-KD implementation as well as a lower effect of the Christmas retail period than in previous years had a negative impact on growth. Verkkokauppa, implemented in late 2017, is still building volume. The positive reception of the B2B portal is expected to generate volume growth in 2018.

Cards had a slightly weaker development during the period. Efforts to increase cross-selling through the product area's own channels are expected to increase volumes in 2018.

The deposit balance during Q1 amounted to 15,538 SEK million (12,502). The brokerage model for collaborative partners implemented in 2017 has contributed to the increased deposit volumes.

Major interest in Collector's digital residential mortgages.

PRODUCTS

- Personal loans
- Payment solutions for e-commerce and retail chains (B2B+B2C)
- Cards – Collector Easyliving and Collector Easycard
- Savings accounts in Sweden and Finland

DEVELOPMENT IN THE CORPORATE SEGMENT

Continued strong development

Growth in earnings and profitability for the corporate segment remained strong during the quarter. External income rose by 32 percent, totalling SEK 188 million (142). Earnings before tax (EBT) in the Corporate segment amounted to SEK 74 million (56), an increase of 32 percent.

Corporate loans continue to be strong, in line with our plans. Of the total credit portfolio, real estate credits account for approximately 31 percent. Housing developers account for under 5 percent of the total credit portfolio.

Factoring and company credits have developed very positively in terms of income and earnings. The existing customer base is building larger volumes than forecast and there has been a good influx of new customers. A new fully digital factoring solution is expected to contribute to continued volume growth.

Collector's collection agency Colligent had continued strong growth in a mature market. A stable earnings level was maintained by Colligent's niche in the real estate industry with legal services linked to assignment debt collection as well as services to existing and new factoring customers for Collector.

Acquired receivables remained essentially unchanged in Q1 due to limited acquisitions as a result of a significant rise in market prices.

Major interest in new digital factoring solution.

PRODUCTS

- Factoring and company credits
- Real estate credits
- Assignment debt collection
- Acquisition of portfolios – acquired receivables

Other

Material risks and uncertainty factors
Through its operations, Collector is exposed to a number of different financial risks: primarily credit risk, market risk (currency risk and interest rate risk), liquidity risk and financing risk, price risk, operational risk and reputation risk.

The Group's overall risk management policy focuses on the unpredictability of the financial markets, and strives to minimize potentially unfavourable influences on the Group's financial results. The Group uses derivative instruments for managing risk exposure. Risk management is taken care of by the Group's management according to policies established by the Board. The Board establishes written policies for overall risk management and for specific areas such as currency risk, interest rate risk, credit risk, operational risk and the use of derivatives and similar financial instruments.

The Group's risk structure and its risk, liquidity and capital management are described in detail in Collector's Annual Report. After that, there have been no significant changes except as reported in this Interim Report.

Financial group of companies
The Parent Company, Collector AB (publ), is part of a financial group of companies (consolidated situation) that includes the subsidiaries Collector Bank AB, Collector Ventures 1 KB and Colligent Norge AS. All companies are fully consolidated. The entire financial group of companies is under the supervision of the Swedish Financial Supervisory Authority, and it is subject to the Swedish Financial Supervisory Authority's regulationsregarding capital adequacy and large exposures. Colligent Inkasso AB is a wholly owned subsidiary of Collector AB (publ), but is not included in the financial group of companies.

Employees
The average number of full-time employees (FTE) in the quarter amounted to 394, an increase of 11 percent compared with the previous year. The number of full-time employees includes employees on fixed-term contracts, but not on parental leave or a leave of absence.

Parent Company
The Parent Company is a holding company. Operating income for the period amounted to SEK 28 million (18) and relates to intra-Group administrative services. Earnings before tax (EBT) amounted to a negative SEK 6 million (3) for the full year and earnings after tax (EAT) were a negative SEK 5 million (2). The Parent Company's cash and cash equivalents totalled SEK 6 million (0), and equity totalled SEK 1,227 million (1,221) on 29 March 2018.

Ownership structure 29 March 2018

Shareholders	%
Fastighets AB Balder	44.07
StrategiQ Capital AB	12.72
Swedbank Robur fonder	4.43
Ernström Finans AB	5.36
Helichrysum Gruppen AB	3.82
Andra AP-fonden	3.20
Handelsbanken Fonder	2.62
Handelsbanken Liv	1.53
Vante AB	1.36
Other shareholders	20.89
Total	**100**

The Collector share
As at 29 December 2018, the closing price for the Collector share was SEK 65.30, which corresponds to a market value of SEK 6.7 billion. The number of shareholders as at end of the period was 6,620.

Share capital
As of 30 March 2017, the share capital amounted to SEK 10,269,050, divided into 102,690,502 ordinary shares. The Company has one (1) class of shares. Every share entitles the owner to one vote at the General Meeting.

Dividend
According to the adopted dividend policy, Collector will focus on medium-term growth, which means that dividends may be low or not occur at all in the medium term.

Relationships with related parties
Collector provides debt collection services to Balder and issues real estate credits for Garden Growth, Bronsporten Invest AB and Brinova Fastigheter AB, as well as company credits for NA-KD One World and Transfer Galaxy. These transactions take place on market terms. Deposits are also made by related parties and in accordance with applicable market terms for Collector's deposit accounts.

Annual General Meeting and Annual Report
The Annual General Meeting will take place on Tuesday, 24 April at 15:00 CET at Collector's new headquarters, Lilla Bommen 11 in Gothenburg. The Annual Report was published on 29 March and is available at www.collector.se.

Nomination Committee
The Nomination Committee consists of Chairman of the Board Lena Apler, representing Helichrysum Gruppen AB, Erik Selin, representing Fastighets AB Balder, Rolf Lundström, representing StrategiQ Capital AB and Fabian Hielte, representing Ernström Finans AB. Lena Apler has been appointed Chairman of the Nomination Committee.

Events after the end of the period
Collector has entered into an agreement for payment solutions with Apoteket AB, which will generate a significant credit volume annually starting in 2019.

Presentation to investors, analysts and the media
A live conference call will be held on 24 April 2018 at 10:00 a.m. (CET) where CEO Liza Nyberg will present the report. The presentation will be held in Swedish and will be broadcast live at: https://financialhearings.com/event/10805. To participate in the telephone conference, please call +46 8 50639549. The switchboard opens at 9:55 a.m. (CET). The presentation material will be available afterwards on our website www.collector.se.

The Board of Directors and the CEO affirm that this Interim Report provides an accurate overview of the operations, financial position and performance of the Group and the Parent Company, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

This Interim Report has not been reviewed by the company's auditors.

Gothenburg, 24 April 2018

Board and CEO

Lena Apler, *Chairman*	Azita Shariaty	Cecilia Lager	Patrik Reuterskiöld
Erik Selin, *Vice Chairman*	Christoffer Lundström	Anna Settman	Liza Nyberg, *CEO*

Future reporting dates

Annual General Meeting 2018	24 April 2018
Interim Report January–June 2018	19 July 2018
Interim Report January–September 2018	25 October 2018

CONTACT

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This information is such information that Collector AB is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was issued for publication by the above contact persons on 24 April 2018 at 08.15 p.m. CET.

INCOME STATEMENT

Group

Amounts in SEK million	Note	Q1 2018	Q1 2017	Full year 2017
Income	2	511	438	1,933
		511	**438**	**1,933**
Operating expenses				
Personnel costs		–69	–61	–246
Depreciation of property, plant and equipment and amortization of intangible non-current assets		–19	–13	–60
Other profit/loss – net		—	—	—
Other expenses	4	–238	–196	–843
Operating expenses		**–326**	**–270**	**–1,149**
Operating earnings		**185**	**168**	**784**
Earnings from financial items				
Financial income		2	0	14
Financial expenses		–42	–23	–130
Earnings after interest and tax		**145**	**145**	**668**
Income tax		–33	–32	–151
Earnings for the year		**112**	**113**	**517**
Attributable to:				
The Parent Company's shareholders		112	113	517
Holdings without controlling influence		—	—	—
		112	**113**	**517**
Earnings per share for profit attributable to the Parent Company's shareholders during the period (expressed in SEK per share)				
– Before dilution		1.09	1.11	5.03
– After dilution		1.09	1.11	5.04

STATEMENT OF COMPREHENSIVE INCOME

Group

	Q1 2018	Q1 2017	Full year 2017
Earnings for the year	112	113	517
Other comprehensive income	—	—	—
Items that later can be reversed in the income statement:			
Exchange rate differences	6	–1	–4
Total comprehensive income for the period	**118**	**112**	**513**
Attributable to:			
– The Parent Company's shareholders	118	112	513
– Non-controlling interests	—	—	—
	118	**112**	**513**

BALANCE SHEET

Group

Amounts in SEK million	Note	31 March 2018	31 March 2017	Full year 2017
ASSETS				
Non-current assets				
Property, plant and equipment				
Equipment		18	10	10
		18	**10**	**10**
Intangible non-current assets				
Capitalized expenditure for development work		234	169	216
Goodwill		72	72	71
		306	**241**	**287**
Financial non-current assets				
Financial investments	6	957	473	939
Lending and other receivables		9,674	8 359	9,563
		10,631	**8 832**	**10,502**
Total non-current assets		**10,955**	**9 083**	**10,799**
Current assets				
Lending and other receivables		10,558	6 614	9,944
Derivative instruments		—	12	26
Other receivables		241	70	69
Cash and cash equivalents		1,172	2 076	1,533
Total current assets		**11,971**	**8 772**	**11,572**
TOTAL ASSETS		**22,926**	**17 855**	**22,371**
EQUITY AND LIABILITIES				
Equity				
Share capital (102,690,502 shares)		10	10	10
Reserves		—	–3	–6
Other contributed capital		1,313	1 313	1,313
Retained profit, incl. earnings for the year		1,701	1 358	1,762
Total equity		**3,024**	**2 678**	**3,079**
Non-current liabilities				
Borrowing		248	161	264
Securities issued		1,344	800	1,344
Other non-current liabilities	6	1	—	2
Deferred tax liabilities		121	87	121
		1,714	**1 048**	**1,731**
Current liabilities				
Accounts payable		47	38	34
Accrued expenses and deferred income		161	125	203
Current tax liabilities		10	52	91
Other current liabilities		141	125	152
Borrowing		15,289	12 341	15,046
Securities issued		2,357	1 448	2,035
Derivative instruments	6	183	—	—
		18,188	**14 129**	**17,561**
TOTAL EQUITY AND LIABILITIES		**22,926**	**17 855**	**22,371**

SUMMARY OF CHANGES IN EQUITY

Group

Amounts in SEK million	Attributable to the Parent Company's shareholders					Non-controlling interests	Total equity
	Share capital	Other contributed capital	Reserves	Retained profit	Total		
Opening balance as at 1 January 2017	**10**	**1,313**	**–2**	**1,245**	**2,566**	**—**	**2,566**
Comprehensive income							
Earnings for the year				113	113		113
Other comprehensive income							
Exchange rate differences			–1		–1		–1
Other comprehensive income							
Total comprehensive income	**—**	**—**	**–1**	**113**	**112**	**—**	**112**
Transactions with shareholders							
New issue of ordinary shares							
Bonus issue of ordinary shares							
Total transactions with shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Closing balance as at 31 December 2017	**10**	**1,313**	**–3**	**1,358**	**2,678**	**—**	**2,678**
Opening balance as at 1 January 2017	**10**	**1,313**	**–2**	**1,245**	**2,566**	**—**	**2,566**
Comprehensive income							
Earnings for the year				517	517		517
Other comprehensive income							
Exchange rate differences			–4		–4		–4
Other comprehensive income							
Total comprehensive income	**—**	**—**	**–4**	**517**	**513**	**—**	**513**
Transactions with shareholders							
New issue of ordinary shares							
Bonus issue of ordinary shares							
Total transactions with shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Closing balance as at 31 december 2017	**10**	**1,313**	**–6**	**1,762**	**3,079**	**—**	**3,079**
Opening balance as at 1 January 2018	**10**	**1,313**	**–6**	**1,762**	**3,079**	**—**	**3,079**
Impact of implementation of IFRS 9				–173	–173		–173
Adjusted equity as at January 1, 2018	**10**	**1,313**	**–6**	**1,589**	**2,906**	**—**	**2,906**
Comprehensive income							
Earnings for the year				112	112		112
Other comprehensive income							
Exchange rate differences			6		6		6
Other comprehensive income							
Total comprehensive income	**—**	**—**	**6**	**112**	**118**	**—**	**118**
Transactions with shareholders							
New issue of ordinary shares							
Bonus issue of ordinary shares							
Total transactions with shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Closing balance as at 31 December 2018	**10**	**1,313**	**—**	**1,701**	**3,024**	**—**	**3,024**

CASH FLOW STATEMENT

Group

SEK million	Q1 2018	Q1 2017	Full year 2017
Operating activities			
Earnings after interest and tax	145	145	668
Adjustments for items not included in the cash flow, etc.			
– Credit losses	55	41	189
– Depreciation/amortization	19	13	60
– Capital gains/losses	—	—	—
– Unrealized exchange rate differences	–131	11	–46
– Revaluation bonds	–1	0	4
– Other	–12	–9	–45
– Interest	7	–25	4
	82	**176**	**834**
Taxes paid	–65	–45	–91
Cash flow from operating activities before changes in working capital	**17**	**131**	**743**
Cash flow from changes in working capital			
Increase(+)/Decrease(–) in non-current and current operating receivables	–816	–1,562	–6,185
Increase(+)/Decrease(–) in operating liabilities	–62	29	104
Cash flow from operating activities	**–861**	**–1,402**	**–5,338**
Investing activities			
Acquisition of intangible non-current assets	–36	–30	–121
Acquisition of property, plant and equipment	–9	–1	–4
Disposal of property, plant and equipment	—	—	—
Acquisition of financial assets	–42	–132	–609
Disposal of financial assets	25	20	36
Cash flow from investing activities	**–62**	**–143**	**–698**
Financing activities			
New issue	—	—	—
Change in deposits from the public	229	1,799	5,203
Securities issued	322	800	1,344
Dividend paid	—	—	—
Cash flow from financing activities	**551**	**2,599**	**6,547**
Cash flow for the year	–372	1,054	511
Cash and cash equivalents at start of the year	1,533	1,021	1,021
Exchange rate differences in cash and cash equivalents	11	1	1
Cash and cash equivalents at the end of the year	**1,172**	**2,076**	**1,533**

Notes on accounting principles and notes to the financial statements

General accounting principles

The Interim Report is prepared in accordance with IFRS/IAS 34, and the Swedish Financial Supervisory Authority's Regulations and General Guidelines on Annual Accounts for Credit Institutions and Securities Companies (FFFS 2008:25, Chapter 7, Sections 2–3, and Chapter 8), the Annual Accounts Act for Credit Institutions and Securities Companies (Chapter 7, Sections 7–8) and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups have been taken into consideration.

As of 1 January 2018, the accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are applied.

IFRS 9 Financial instruments

The standard comprises three areas; classification and measurement, impairment and hedge accounting. Collector does not apply hedge accounting.

Classification and measurement
According to the requirements of IFRS 9, financial assets are classified and measured at amortized cost, fair value via the income statement or fair value through other comprehensive income.

Financial assets
Financial assets are recognized when the Group becomes a party to the contractual terms of the instruments and are measured at the first reporting date at fair value. For financial assets measures at fair value via the income statement, transaction expenses are recognized at the transaction date, while other financial assets are included in fair value. Financial assets are de-recognized when the contractual rights to the cash flows arising from the asset cease or when all risks and benefits associated with the asset are transferred to another.

A financial asset is measured at amortized cost if the financial asset is managed within a business model the purpose of which is to realize the cash flow of the financial asset by receiving contractual cash flows and the contractual cash flows consist solely of repayment of principal and interest on outstanding principal. A financial asset is measured at fair value with the changes in value recognized in other comprehensive income if the financial asset is managed within a business model the purpose of which is to realize the cash flow of the financial asset, both by obtaining contractual cash flows and by selling the asset, and the contractual cash flows consist solely of repayment of principal and interest on outstanding principal. Other financial assets are recognized at fair value via the income statement.

Equity instruments and derivative instruments are classified under the fair value category via the income statement.

Debt instruments are classified based on the business model, i.e. the purpose Collector has in order to own homogeneous groups of assets, partly on the basis of whether the cash flows the asset is expected to generate consist solely of interest and repayment of principal.

To assess the business model, Collector has divided the financial assets into portfolios, which are handled in the same way. On assessment of which category best represents how each portfolio is managed, it is, primarily, assessed whether the purpose is to obtain contractual cash flows during the maturity or by selling assets, how the profitability of the portfolio is monitored internally, what the risk management for the portfolio looks like, and whether it is a portfolio intended for trading. To assess whether contractual cash flows meet the requirement to consist of only interest and principal, the balance sheet debt instruments are analyzed. For Collector, the measurement category fair value via income consists of financial investments and derivative instruments, while the measurement category amortized cost consists primarily of lending and other receivables and cash and cash equivalents. Collector currently has no financial assets recognized at fair value through other comprehensive income.

Embedded derivatives
Some composite instruments contain both derivatives and non-derivatives (embedded derivatives). If the host contract is a financial asset that is covered by IFRS 9, the instrument is considered as a whole and the embedded derivative is not to be separated from the host contract. For other composite instruments (where the host contract is not a financial asset covered by IFRS 9), the embedded derivative shall be separated and recognized as an independent derivative if its economic characteristics and risks are not closely linked to the economic characteristics and risks of the host contract. Collector holds embedded derivatives linked to convertible instruments, in which option portions are recognized separately.

Financial liabilities
Financial liabilities are initially recognized at fair value. For financial liabilities recognized at fair value via the income statement, any transaction expenses are recognized in income. For other financial liabilities, transaction expenses are recognized as an adjustment of fair value. Financial liabilities are de-recognized when the commitment is completed, terminated or cancelled.

The measurement category financial liabilities measured at fair value via consists of derivative instruments, while the measurement category other financial liabilities, which are recognized as amortized cost, consists primarily of borrowing and issued securities.

Impairment

For financial assets classified at amortized cost or fair value through other comprehensive income, an impairment requirement is calculated. Based on whether the credit risk is assessed to have increased or not since initialization, the assets are divided into three stages. Stage 1 includes items for which no significant increase in credit risk has occurred, Stage 2 includes items for which a significant increase in credit risk has occurred, and Stage 3 includes items in default. In assessing whether there has been a significant increase in credit risk, an analysis is made of whether the counterparty is delayed with payment, more than 30 days, or if there are other indicators that the risk is increased. To categorize if the counterparty is defaulted, an analysis is made of whether the counterparty is severely delayed with payment, over 90 days, or if there are other indications that lead to an assessment that repayment is less likely.

The reservations made for items in Stage 1 correspond to the expected credit losses expected within a twelve-month period. In Stages 2 and 3, an amount corresponding to the expected credit losses is reserved over the entire life span. When calculating the losses in Stages 2 and 3, three main parameters are estimated; probability of default, expected loss given default and expected exposure at default. The parameters are estimated based on historical patterns among the bank's customers and indicate the size of the cash flows the bank expects to not be realized. In calculating expected loss in Stage 3, the counterparty has already defaulted and an estimation is made of the recovery the bank expects to be able to perform. The result of this calculation will then be calculated at present value to arrive at the expected credit loss, with the present value calculation based on each asset's effective interest rate. For the reservation of doubtful claims in the Retail segment, modelling results are analyzed by the company'e management to ensure that the expected credit losses are reasonable, which may result in the modelling result being updated.A probability-weighted average of expected losses according to the scenario together with forward-looking forecasts as well as macroeconomic information are also taken into account.

Expected credit losses for loan commitments and financial guarantees are also taken into account in impairment testing.

Collector also holds acquired overdue receivables which are recognized at amortized cost using the effective interest rate method. The carrying amount of the acquired deferred receivables corresponds to the present value of all expected future cash flows discounted by the initial effective interest rate determined at acquisition.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is also applied by Collector from 1 January 2018. IFRS 15 replaces all previously published standards and interpretations that handle income with a combined new revenue recognition model (according to a five-step model). According to IFRS 15, income must be recognized when a promised item or service is transferred to a customer, which may occur over time or at a point time. The income shall consist of the amount that the company expects to receive as compensation for goods or services transferred. The introduction of IFRS 15 has not had a material impact on the Group's financial reports.

Income Statement according to the Swedish Annual Accounts Act for Credit Institutions (ÅRKL)

For the Parent Company, the Swedish Annual Accounts Act and Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities have been applied.

Note 1

Amounts in SEK million	Q1 2018	Q1 2017	Full year 2017
Operating income			
Income from interest	455	377	1,711
Interest expenses	–42	–23	–130
Commission income	5	3	15
Commission expenses	–56	–45	–197
Other operating income	53	58	221
Total operating income	**415**	**370**	**1,620**
Operating expenses			
General administration costs	–119	–91	–393
Depreciation of property, plant and equipment and amortization of intangible non-current assets	–19	–13	–60
Other operating costs	–77	–80	–310
Total expenses before credit losses	**–215**	**–184**	**–763**
Earnings before credit losses	**200**	**186**	**857**
Credit losses, net	–55	–41	–189
Operating earnings according to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL)	**145**	**145**	**668**
Tax on earnings for the year	–33	–32	–151
Earnings for the year	**112**	**113**	**517**
C/I ratio	**0.52**	**0.50**	**0.47**

Income per significant type of income

Note 2

Amounts in SEK million	Q1 2018	Q1 2017	Full year 2017
Group			
Credit management	26	28	107
Commission income	5	3	15
Income from interest	453	377	1,697
Other income	27	30	114
	511	**438**	**1,933**

Segment reporting

Note 3

Amounts in SEK million (Q1 2018)	Retail	Corporate	Eliminations	Collector Group
Income, external customers	323	188	—	511
Income, internal	30	17	–47	0
Total income	**353**	**205**	**–47**	**511**
Earnings before tax	**71**	**74**	**0**	**145**
Lending and other receivables	10,512	9,720	0	20,232

Amounts in SEK million (Q1 2017)	Retail	Corporate	Eliminations	Collector Group
Income, external customers	296	142	—	438
Income, internal	23	10	–33	0
Total income	**319**	**152**	**–33**	**438**
Earnings before tax	**89**	**56**	**0**	**145**
Lending and other receivables	9,093	5,880	—	14,973

Amounts in SEK million (full year 2017)	Retail	Corporate	Eliminations	Collector Group
Income, external customers	1,260	674	—	1,933
Income, internal	87	50	–136	0
Total income	**1,346**	**723**	**–136**	**1,933**
Earnings before tax	**368**	**300**	—	**668**
Lending and other receivables	10,411	9,096	—	19,507

Other expenses

Note 4

Amounts in SEK million	Q1 2018	Q1 2017	Full year 2017
Group			
Commission expenses	56	45	197
Credit management costs	18	18	71
Credit losses, net	55	41	189
Postage costs	11	11	44
Administration costs	50	30	147
Other operating costs	48	51	195
	238	**196**	**843**

Capital adequacy

Note 5

Capital base	Corporate Group Q1 2018	Q1 2017	Full year 2017
Core Tier 1 capital before adjustments	3,188*	2,676	3,080
Deduction intangible assets	–259	–192	–240
Core Tier 1 capital	2,929	2,484	2,840
Supplementary capital**	498	—	498
Deduction from Tier 1 and Tier 2 capital	—	—	—
Expanded capital base	—	—	—
Capital base	**3 427**	**2,484**	**3,338**

* Collector applies transitional rules for IFRS 9 in accordance with (EU) No. 575/2013 Article 473a pursuant to the retroactive part and its effect on Core Tier 1 capital.

** Pursuant to EBA Q&A 2017_3329, Collector analyzes the management of supplementary capital instruments, issued by Collector Bank AB, which are included in the consolidated capital base.

Capital requirement	Corporate Group Q1 2018	Q1 2017	Full year 2017
Credit risk	1 488	1,074	1,400
Market risk	8	3	9
Creditworthiness adjustment risk (CWA risk)	1	1	2
Operational risk	180	139	180
Capital requirement Pillar I	**1 677**	**1,217**	**1,591**
Summary of capital			
Remaining capital after Pillar I	**1 750**	**1,266**	**1,747**
Capital adequacy ratio	**2,04**	**2.04**	**2.10**
Total capital ratio	**16,4%**	**16.3%**	**16.8%**

Capital ratios and buffers 1	Q1 2018	Q1 2017	Full year 2017
Core Tier 1 capital	14,0%	16.3%	14.3%
Tier 1 capital	14,0%	16.3%	14.3%
Total capital	16,4%	16.3%	16.8%
Institution-specific buffer requirements (Common Equity Tier 1 capital requirement according to Article 92(1)(a) and buffer requirements) as a percentage of the risk-weighted exposure amount	8,5%	8.6%	8.5%
Of which: minimum capital requirement	4,5%	4.5%	4.5%
Of which: the capital conservation buffer requirement	2,5%	2.5%	2.5%
Of which: the counter-cyclical capital buffer requirement	1,5%	1.6%	1.5%
Core Tier 1 capital available for use as buffer, as a percentage of the risk-weighted buffer amount	8,0%	11.8%	9.8%

	Q1 2018			Q1 2017			Full year 2017		
Exposures, the Corporate Group (Credit risk)	Exposure	Risk-weighted amount	Minimum requirement (8 percent)	Exposure	Risk-weighted amount	Minimum requirement (8 percent)	Exposure	Risk-weighted amount	Minimum requirement (8 percent)
Municipalities and other associations	548	—	—	420	—	—	492	—	—
Covered bonds	277	28	2	—	—	—	341	34	3
Institution exposures	1 166	233	19	2,117	424	34	1,610	322	26
Corporate exposures	8 890	8 791	703	5,163	5,163	413	8,063	7,977	638
Household exposures	9 072	6 684	535	7,872	5,904	472	9,415	6,909	553
Unregulated items	2 054	2 061	165	1,337	1,337	107	1,618	1,627	130
Items associated with particularly high risk	12	19	1	—	—	—	21	33	2
Other items	777	777	62	593	593	48	597	597	48
Total	**22 796**	**18 593**	**1 487**	**17,502**	**13,421**	**1,074**	**22,157**	**17,499**	**1,400**

The Parent Company, Collector AB (publ), is part of a financial group of companies (consolidated situation) that includes the subsidiaries Collector Bank AB, Colligent Norge AS and Collector Ventures 1KB. Collector applies the standardized approach in the calculation of credit risk. For operational risk, the basic indicator approach is used.

Collector has received permission from the Swedish Financial Supervisory Authority to include earnings for the year in the capital base. A review has been performed of the earnings for January-March. This year's earnings have therefore been taken into consideration in the capital base.

Calculation of fair value

Note 6

The table below shows financial instruments measured at fair value, based on how the classification in the fair value hierarchy was made.
The levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable data) (Level 3)

The following table shows the Group's financial assets and liabilities measured at fair value as at 31 March 2018.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value via the income statement				
Derivative instruments held for trading (currency derivatives)	—	—	—	—
Financial investments	—	816	141	957
Total assets	**—**	**816**	**141**	**957**
Liabilities				
Financial liabilities measured at fair value via the income statement				
Derivative instruments – fair value option	—	1	—	1
Derivative instruments held for trading (currency derivatives)	—	183	—	183
Total liabilities	**—**	**184**	**—**	**184**

The following table shows the Group's financial assets and liabilities measured at fair value as at 31 March 2017.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value via the income statement				
Derivative instruments held for trading (currency derivatives)	—	12	—	12
Financial investments	—	397	71	468
Total assets	**—**	**409**	**71**	**480**
Liabilities				
Financial liabilities measured at fair value via the income statement				
Derivative instruments held for trading (currency derivatives)	—	—	—	—
Total liabilities	**—**	**—**	**—**	**—**

The following table shows the Group's financial assets and liabilities measured at fair value as at 31 December 2017.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value via the income statement				
Derivative instruments held for trading (currency derivatives)	—	26	—	26
Financial investments	—	814	125	939
Total assets	**—**	**840**	**125**	**965**
Liabilities				
Financial liabilities measured at fair value via the income statement				
Derivative instruments – fair value option	—	2	—	2
Derivative instruments held for trading (currency derivatives)	—	—	—	—
Total liabilities	**—**	**2**	**—**	**2**

For other financial assets and liabilities, the carrying amount corresponds to the estimated fair value in all material respects.

Financial instruments

Note 7

Transition effects IFRS 9

As stated in the section on general accounting principles, Collector has applied IFRS 9 since 1 January 2018. Collector has analyzed the impact of the standard, and the classification and measurement rules have no significant impact on the financial statements as there have been no re-classifications between fair value and amortized cost. The Group's financial investments are still recognized at fair value via the income statement as these investments are monitored on a fair value basis and the Group's loan and accounts receivable are recognized at amortized cost as the purpose is to obtain contractual cash flows. The new rules for impairment entail the introduction of a new model based on expected credit losses. The transition to IFRS 9 resulted in the reserve for doubtful loan receivables increasing by SEK 221 million (SEK 173 million net after tax) as at 1 January 2018, which affected the balance sheet item lending and other receivables (both non-current assets and current assets) and current tax liabilities. The transition effect in equity has been recognized in retained profit.

Change in credit loss reserve Q1

The table below shows how the recognized credit losses in accordance with IFRS 9 have changed during the period.

Period	Opening balance as at 1 January 2018				Closing balance as at 31 March 2018				
Stage	1	2	3	TOTAL (SEK MILLION)	1	2	3	TOTAL (SEK MILLION)	Change
Retail segment	109	31	655	795	108	28	716	852	57
Corporate segment	20	3	40	63	17	7	48	72	9
				858				**924**	**66**

The reserve increased during the quarter by SEK 66 million and the cost for credit losses in the income statement for the quarter amounted to SEK 55 million. The average difference, 11 SEK million, consists mainly of currency effects.

INCOME STATEMENT

Parent Company

Income Statement, Parent Company

Amounts in SEK million	Q1 2018	Q1 2017	Full year 2017
Net sales	28	18	79
Operating expenses			
Other external costs	–29	–17	–76
Depreciation of property, plant and equipment and amortization of intangible non-current assets	–3	–4	–13
Operating earnings	**–4**	**–3**	**–10**
Earnings from financial items			
Interest income and similar items	0	0	9
Interest expenses and similar items	–2	0	–4
Earnings after interest and tax	**–6**	**–3**	**–5**
Appropriations			
Appropriations, other	0	—	14
Earnings before tax	**–6**	**–3**	**9**
Income tax	1	1	0
Earnings for the year	**–5**	**–2**	**9**

BALANCE SHEET

Parent Company

Amounts in SEK million	Q1 2018	Q1 2017	Full year 2017
ASSETS			
Non-current assets			
Intangible non-current assets			
Capitalized expenditure for development work and similar work	22	29	24
	22	**29**	**24**
Property, plant and equipment			
Equipment	15	6	7
	15	**6**	**7**
Financial non-current assets			
Participations in Group companies	1,398	1,327	1,381
Other non-current receivables	5	5	5
Deferred tax asset	1	1	
	1,404	**0**	**1,386**
Total non-current assets	**1,441**	**0**	**1,417**
Current assets			
Current receivables			
Receivables with Group companies	25	46	25
Other receivables	16	13	13
Prepayments and accrued income	12	7	11
	53	**66**	**49**
Cash and bank balances	6	0	24
Total current assets	**59**	**66**	**73**
TOTAL ASSETS	**1,500**	**1,434**	**1,490**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (102,690,502 shares)	10	10	10
Statutory reserve	18	18	18
Development expenditure fund	13	13	13
	41	**41**	**41**
Non-restricted equity			
Share premium reserve	1,274	1,274	1,274
Retained earnings	–83	–92	–92
Earnings for the year	–5	–2	9
	1,186	**1,180**	**1,191**
	1,227	**1,221**	**1,232**
Untaxed reserves			
Tax allocation reserves	4	4	4
	4	**4**	**4**
Provisions			
Tax provisions	2	0	2
	2	**0**	**2**
Non-current liabilities			
Other non-current liabilities	88	0	87
	88	**0**	**87**
Current liabilities			
Deposits from the public	1	1	1
Accounts payable	16	10	5
Liabilities to Group companies	146	192	149
Other current liabilities	0	0	0
Accrued expenses and deferred income	16	6	10
	179	**209**	**165**
TOTAL EQUITY AND LIABILITIES	**1,500**	**1,434**	**1,490**