

Press release 21 January 2020

Collector makes extra provisioning for credit losses of SEK 800m, write-down of IT assets of SEK 150m, carries out a guaranteed rights issue of SEK 1,000m and Erik Selin is proposed new chairman

- Today, the Board of Collector has decided to make an extra provisioning for expected credit losses of SEK 800 million in connection with the closing of accounts for the fourth quarter 2019
- The Board has also decided to make a write-down of capitalised IT investments of SEK 150 million, which will have no effect on the company's capital base
- Operating profit for the fourth quarter 2019 is expected to amount to SEK -670 million, including total non-recurring items of approximately SEK 810-820 million, and adjusted operating profit is expected to amount to SEK 140-150 million
- To strengthen the company's capital base and fulfil current buffer requirements, Collector will carry out a fully guaranteed rights issue of approximately SEK 1,000 million during the first quarter 2020
- In line with the further streamlining of the company, Collector also intends to divest Collector Ventures
- Ahead of Collector's annual general meeting 2020, the nomination committee proposes that deputy chairman Erik Selin is elected new chairman of the Board of Directors

Martin Nossman, CEO of Collector, comments:

"We will adopt a more prudent approach to provisioning for expected credit losses going forward. To adapt the current provision ratio, the Board has decided upon an extra provisioning for expected credit losses in connection with the closing of accounts for the fourth quarter 2019. The management team of Collector has reviewed the company with the purpose of streamlining Collector and thereby focusing on core business. During the fall of 2019 we divested our third-party debt collection business, Colligent Inkasso AB, and in 2020 we intend to divest Collector Ventures, Collector's investment business focusing on fintech. Following the streamlining and adoption of more prudent accounting for IT investments, we also make a write-down of capitalised IT investments during the fourth quarter 2019."

After the extra provisioning for expected credit losses, write-down of capitalised IT investments and the fully guaranteed rights issue we will have a stronger capital base and a stable foundation for the future."

Extra provisioning for expected credit losses

IFRS 9 accounting principles depict a model for estimating expected credit losses in which calculations are based on a number of internal and external variables. As the model is forward-looking, assumptions regarding and assessments of such variables have an impact on provisions for expected credit losses. Due to the adoption of more prudent assumptions regarding the future as well as changed price levels in the secondary market for NPL portfolios, the Board has today, following an overall assessment, decided upon an extra provisioning for expected credit losses of SEK 800 million during the fourth quarter 2019.

According to the model for expected credit losses, financial assets are divided into three stages – Performing (Stage 1), Under-performing (Stage 2) and Impaired (Stage 3). Of SEK 800 million, SEK 600 million adheres to the Retail segment, of which SEK 50 million to Stage 2 and SEK 550 million to Stage 3. SEK 200 million adheres to the Corporate segment.

Write-down of capitalised IT investments

In connection with the closing of accounts for the fourth quarter 2019, Collector will also make a write-down of capitalised IT investments of approximately SEK 150 million which will have no effect on the capital base. As a result, depreciation related to intangible assets is expected to decrease during the next few years. Collector will also modify the principle for capitalisation of IT investments, which is expected to increase reported IT costs by an amount corresponding to the expected decrease of depreciation during 2020.

Collector is a challenger bank that offers financing solutions to private and corporate customers. Within the Retail segment, the company offers lending to private individuals, invoice and payments by instalments to e-commerce and retail companies, credit cards and deposits. The Corporate segment includes real estate lending, factoring and corporate lending directed mainly at small- and medium-sized enterprises and handling of portfolios of overdue receivables. The company has offices in Gothenburg (head office), Stockholm, Helsinki, Turku and Oslo. Collector AB (publ) is listed on Nasdaq Stockholm.

Preliminary operating profit and effects on the company's capital adequacy 2019

Operating profit for the fourth quarter 2019 is expected to amount to approximately SEK -670 million including the extra provisioning for expected credit losses and write-down of capitalised IT investments. The operating profit for the fourth quarter 2019 includes non-recurring items of approximately SEK 810-820 million in total. Adjusted operating profit is expected to amount to approximately SEK 140-150 million. Profit after tax for the full year 2019 is expected to amount to approximately SEK 0 million. The result is preliminary and has not been reviewed by the company's auditor. The year-end report will be published 13 February 2020.

Reported credit losses, excluding the extra provisioning, is expected to have amounted to approximately 2.0 percent of average lending to the public in 2019, should the model for expected credit losses, with the modifications presented above with regards to the company's impaired receivables, have been applied during 2019.

The CET1 ratio for the consolidated situation is expected to amount to approximately 10.4 percent and the total capital ratio to approximately 13.3 percent following the extra provisioning and write-down of capitalised IT investments as of 31 December 2019. This means that current Pillar I requirements of in total 8.0 percent, as well as with regards to CET1 capital where the requirement is 4.5 percent and to Additional Tier 1 and supplementary capital where the requirement is 3.5 percent, is fulfilled for the bank as well as for the consolidated situation. The Pillar II requirement, currently amounting to 1.2 percent for the consolidated situation, will also be fulfilled following the extra provisioning and the write-down. The combined buffer requirement of an additional 4.4 percent is temporarily not fulfilled neither for the bank nor for the consolidated situation but will be fulfilled, including significant headroom, following the completion of the fully guaranteed rights issue.

Collector will report the effects from the extra provisioning and the write-down to the Swedish Financial Supervisory Authority (SFSA) as an event of material significance. Collector will also provide the SFSA with a plan for restoration of the combined capital buffer requirement (a capital conservation plan) in which Collector will declare that the company immediately addresses and handles the effects of the extra provisioning and write-down through the fully guaranteed rights issue.

Guaranteed rights issue

To strengthen the company's capital base and fulfil current buffer requirements, the Board of Collector will propose that an extraordinary general meeting ("EGM") authorises the Board to resolve on a rights issue of approximately SEK 1,000 million. The rights issue is fully guaranteed and will be carried out during the first quarter 2020. The net proceeds from the rights issue will strengthen the bank's capital position, and the CET1 ratio for the consolidated situation is expected to amount to approximately 13.4 percent and the total capital ratio to approximately 15.8 percent compared to 10.4 percent and 13.3 percent as of 31 December 2019, respectively. The rights issue will be carried out with preferential rights for existing shareholders in Collector. The shareholders will be offered to subscribe for new shares in Collector in relation to the number of shares they hold on the record date of the rights issue. It will also be possible to subscribe for new shares without preferential rights. The complete proposal to authorise the Board to resolve upon a rights issue will be included in the notice to the EGM.

The Board will resolve upon and make public the terms for the rights issue on or around 25 February 2020, including the amount by which the share capital of Collector will increase, the number of shares to be issued, the subscription price for the new shares, the record date for participation in the rights issue and the subscription period.

The company's largest shareholders including Fastighets AB Balder, StrategiQ Capital AB, Lena Apler (through companies) and Erik Selin (through companies), jointly representing approximately 72 percent of the share capital and votes in Collector, have undertaken to subscribe their pro rata share, respectively, of the rights issue, corresponding to a total new investment in Collector of at least SEK 719 million. In addition, certain large shareholders in the company, including StrategiQ Capital AB, Lena Apler (through companies) and Erik Selin (through companies) have undertaken to guarantee the remainder of the rights issue. Consequently, Collector has obtained subscription and guarantee undertakings corresponding to 100 percent of the rights issue. A guarantee commission of 1 percent of the guaranteed amount will be payable to the guarantors. In addition to the subscription and guarantee undertakings set out above, shareholders representing more than half of all outstanding shares and votes in Collector have undertaken to, at the EGM, vote in favour of an authorisation of the Board to resolve upon the rights issue, which means that the Board will obtain the necessary authorisation to resolve upon the rights issue.

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An indicative timetable for the rights issue is set out below:

Extraordinary general meeting	17 February 2020
The terms of the rights issue are resolved upon and made public	25 February 2020
Subscription period	5-19 March 2020

SEB Corporate Finance is financial advisor and Advokatfirman Cederquist and Nord Advokater are legal advisors to Collector in connection with the rights issue.¹

Streamlining and divestment of Collector Ventures

During 2019 and the beginning of 2020, the management of Collector has carried out a review with the purpose of streamlining Collector and thus focus on the company's core business. As a first step the company's third-party debt collection business, Colligent Inkasso AB, was divested in December 2019 and during the fall of 2019 Collector also decided to discontinue its residential mortgage offering which has been at a trial stage since the launch in 2018. As a next step, Collector intends to divest Collector Ventures, Collector's investment business focusing on fintech.

New chairman of the Board of Collector

Lena Apler has, on the back of the streamlining of the company and her ability to focus on the fintech portfolio with the planned divestment of Collector Ventures during 2020, informed Collector's nomination committee that she declines re-election for chairmanship in Collector AB and Collector Bank AB in connection with the annual general meeting 2020. However, Lena Apler has informed the nomination committee that she will be available for election as Board member.

Ahead of Collector's annual general meeting 2020, the nomination committee proposes that deputy chairman Erik Selin is elected new chairman of the Board of Directors. The nomination committee's complete proposal will be presented in the notice to Collector's annual general meeting, to be held on 27 April 2020.

Lena Apler, chairman of the Board of Collector, comments:

"Collector is now entering a new phase in which the business is becoming more streamlined. As such, I feel that it is a natural time for me to leave the chairmanship this spring. I have become strongly associated with the investments in fintech and will hence focus on the divestment of Collector Ventures in the best way possible. Erik Selin and I have had an incredibly good cooperation in the Board and will continue the cooperation, however in new roles."

Erik Selin, deputy chairman of the Board and proposed new chairman of Collector as well as main shareholder in Collector's largest shareholder Fastighets AB Balder, comments:

"As the main shareholder in Collector, I take full responsibility for the streamlining of the business. Lena Apler and I have jointly concluded that this is a good solution for the company, and our intention is to continue working together also going forward. Her knowledge about the company and its operations is and will continue to be invaluable. After the implementation of our new direction and the actions which we are now taking, Collector will become a stronger, simpler and, as an investment, safer company with a clear focus on profitability and capital allocation."

Conference call

A conference call will be held in Swedish today on the 21 January at 09:30 a.m. CET during which CEO Martin Nossman and CFO Peter Olsson will participate. A presentation will be followed by an opportunity to ask questions.

Those who wish to participate in the conference call, please find more details at <https://financialhearings.com/event/12650>, where it is also possible to follow and listen to the presentation live. The presentation material will be available in English and published in connection with the conference call on www.collector.se/en.

¹ SEB is not acting as a placing agent or underwriter in connection with the rights issue.

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This is information that Collector AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 21 January 2020 at 07:30 a.m. CET.

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This press release contains certain forward-looking information that reflects Collector's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.