



collector

2017 ANNUAL REPORT

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This report is written in Swedish and translated to English



NEW CEO RECRUITED

Liza Nyberg new CEO

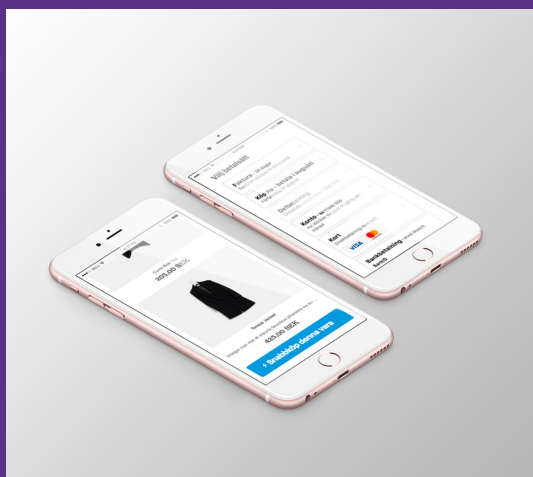
Liza was appointed as the new CEO on 1 September 2017. She joins Collector from Landshypotek Bank where she was CEO.

collector
VENTURES

FINANCING IN NEW INNOVATIONS

Collector Ventures invests in fintech

Collector's investment fund Collector Ventures makes seven new investments in start-ups in fintech.



DEVELOPMENT AND LAUNCH OF NEW INNOVATIONS

B2B Checkout and smart apps

Collector Bank's checkout makes e-commerce between companies as smooth as for consumers. Collector's new app brings together the entire Retail offering and, with the Spira app, it is possible to succeed on the stock exchange without prior skills.



LENA APLER ACHIEVES DOUBLE SUCCESS

Collector's founder awarded prestigious titles

Lena Apler is named Female Founder of the Year by DI Digital and is appointed guest professor at the School of Business, Economics and Law at the University of Gothenburg.



INTENSIVE TRAINING TOGETHER WITH ACADEMIC WORK

Collector Academy strengthens availability of programmers

In cooperation with Academic Work, Collector Bank launches a boot camp in programming for new IT talents. A 500-hour intensive training course is followed by a one-year trainee programme.



NEW MANAGEMENT IN NORWAY AND FINLAND

Reinforced with two new country managers

Thomas Gunnarsson is appointed as the new Country Manager for Norway and Aki Tusa is appointed to the corresponding position in Finland.



NAMED ONE OF THE CAREER COMPANIES OF THE YEAR

Praised for employer branding efforts

Collector Bank receives the Career Company of the Year stamp of quality for its unique development and career opportunities.



NEW HEADQUARTERS

Collector Bank makes space for the future

More than 400 employees gather under a single roof as Collector moves into new premises at Lilla Bommen in Gothenburg.

The CEO's comments

Innovation and corporate culture – prerequisites for continued strong growth

Once again, Collector outperformed its previous years, with 2017 being the strongest year in our history financially. Both income and profit after tax rose by 28 percent. Naturally, achieving the same growth rate as previously, despite major investments in development and regulations, is particularly pleasing.

With both the Corporate and Retail sides developing well, 2017 was another year of strong growth. Thanks to intensive development efforts, we have been able to take several digital innovations to the market with and we have continued to develop our offering to both private customers and companies. At the same time, we continue to build on our strong corporate culture, to remain an appealing employer, attracting the sector's best employees.

High pace of innovation and customer inflow

Within the Corporate segment, our lending has continued to develop well, with a good inflow of new customers in Sweden and the other Nordic countries. In particular, factoring and company credits to medium-sized companies have increased.

On the Retail side, development has been good in Sweden, although we have deliberately lowered the growth rate in Personal loans compared with the preceding year. The Retail segment also includes our e-commerce solutions, for both B2B and B2C, which have also contributed strongly to favourable trend. Several important agreements were signed there during the year, and at an even higher pace following the end of the period. Worth noting is that our checkout solution has delivered a high conversion rate, benchmarked against other leading players in the market.

Intensive development and innovative energy have enabled us to rapidly launch several digital innovations, including the Spira app – a collaboration with Aktieinvest in which we offer easy monthly savings in shares. In the latter half of the year, there was considerable focus on launching an initial version of the Collector app, which brings together our entire Retail offering in a single interface.

Regulations generate new opportunities

During 2017, we invested considerable amounts in implementing new regulations such as PSD2, GDPR and IFRS 9. New security requirements and open APIs are expected to increase IT expenses. However, we have developed our

solutions to also ensure they provide us with new business opportunities. The new Payment Services Directive, PSD2, requiring banks to open their technical interfaces and disclose customer data to third parties, will come into effect in May 2018. With the platform we have developed in house, we managed to build the solution efficiently and already had it completed in January. Once the directive has been introduced, we will be able to offer financial services to customers with accounts at other banks, both private individuals and companies. To this end, we have now launched "Collector Open Banking", opening up for new collaborations in which the user is in focus and gains an unsurpassed experience.

A third of personnel in IT

Conducting banking operations is increasingly becoming a matter of recruiting appropriate IT skills. Today, Collector probably has one of the foremost IT departments in the Swedish banking sector. We are attractive because we work with the latest technology. Many are also attracted by our strong corporate culture, pervaded by entrepreneurship, creativity, development and agile approaches. We constantly seek to improve and rethink, including in the process of strengthening our employer brand. As a step in finding new IT talent, we have launched the intensive programme Collector Academy together with Academic Work. Twelve weeks of training in programming are followed by a one-year trainee programme. Collector Academy enables us to safeguard a good supply of IT skills and provide a future workplace remaining at the forefront in digital technology and innovation.

Focus in 2018: mortgages, continued innovation and sustainable growth

In our assessment, the next financial area that should be digitized is mortgages. We will have the technology in place in 2018, although resolving digital signing remains a challenge – a remnant of legislation from 1936. In brief, it is a matter of gaining acceptance for digital signing rather than on paper. As a digital bank, this is prerequisite to being able to take a mortgage product to the market.

We continue to invest in innovation and business development at the same pace, including through Collector Ventures, where we both invest in fintech companies and add new



skills. Among the roughly 20 companies we have invested in to date, Simplex (Enkla.com), Nordkap, Solifast, Gimi (Veckopengen), Kaching and 24SevenFinance stand out as digital innovators. We prefer to invest in companies and business concepts where we perceive a business advantage.

Sustainability is a strategic prerequisite for our business model. During 2017, we increased this focus with concerted efforts to identify the sustainability issues most important to us. Our first Sustainability Report is now in place and implementation efforts are continuing.

Strong growth in e-commerce is expected

Early last autumn, we began work on the Convert report, which examines the business-to-business (B2B) e-commerce market. Even before work commenced, we knew that B2B was far behind B2C, but assumed this was mainly due to insufficient maturity in the buying companies. However, the report showed the opposite to be true. Market expectations are high, while the companies on the selling side are hesitant to launch e-commerce. One reason may be that the technical and financial tools for B2B are far behind the consumer segment. Therefore, Collector's launch of a checkout function at the end of 2017 is a particularly positive development. The solution, adapted for B2B application, provides a buying experience equivalent to private consumer standards. I am certain we will quite soon see a major shift in how companies conduct purchases with other companies – in which digital interfaces will play a crucial role.

Continuing to develop our existing customer relationships will be as important in 2018 as previously. Our partnership with Rossignol, one of our major news items in 2016, has been deepened. We are also proud that Finland's best-known and most well-visited e-commerce shop, Verkkokauppa.com, has chosen us as a supplier. Because they also have three physical shops, they needed an all-channel solution, which we delivered. Stadium is also developing its solution with us, according to the philosophy that customers should have the same shopping experience, regardless of whether they shop in physical shops or online. Collector's payment solutions are equipped for most challenges.

Today, we can see that we have many competitors in several different sectors – among banks, credit institutions, technology companies and other innovative segments. However, our combination of financial muscle, as well as our modern IT platform, competent employees and strong corporate culture makes us unique and provides the conditions for us to build superior customer experiences – whatever these may look like and regardless of who chooses us in the future.


Liza Nyberg
CEO

A selection of our services

Collector Bank offers financial services for both individuals and companies. For us, it is important to develop solutions that make a real difference for our customers.

PAYMENT SOLUTIONS FOR E-COMMERCE AND SHOPS (B2B, B2C)

Payment solutions for e-commerce and shops

With invoicing and payment in instalments, you can offer your customers greater flexibility at the time of payment. This fosters successful purchases and enhances customer satisfaction. Through Collector's digital payment solutions for B2B sales, you can offer your customers a number of new opportunities, reaching new customer groups while simplifying your own administration. You also get paid faster and avoid both credit risk and complicated handling.

Collector Checkout

Collector Checkout is a payment solution that makes transactions easier for both e-retailers and end-users. Checkout also includes the unique service Collector Insight, an analytic tool that helps you, as an e-retailer, become more familiar with your customer base and be able to adapt your offers.

CORPORATE FINANCING

Purchase of receivables

We buy your invoices and, at the same time, assume the credit risk. In this way, cash is freed up from your accounts receivable right from the date of invoicing – without increasing debt.

Invoice factoring

With invoice factoring, you can set credit limits equivalent to your total sales. Invoice Factoring saves time and money in your financial administration.

Export financing

Collector Bank offers a solution that finance invoices up to 100 percent with possible access to the funds on the same day. The main difference compared with normal factoring is the degree of financing.

Order financing

Finance newly received orders and projects to be able to secure purchases and investments. You can then improve your key ratios at the same time that you focus on developing and growing.

REAL ESTATE CREDITS

Real estate credits

Collector has extensive experience in commercial property and provides financing solutions in the metropolitan regions in the form of mortgages.

RETAIL

Savings

Our savings accounts offer favourable interest rates and your deposits are guaranteed, allowing you to feel secure. Choose if you want free withdrawals and deposits or if you prefer to lock in a larger lump sum for one or two years at a fixed interest rate.

Borrowing

With the Collector Loan, you can borrow up to SEK 500,000. Among other things, this loan makes it possible to collect several small loans in one place, thereby lowering the monthly expenses. Our terms are individual, and we make an assessment based on your individual circumstances.

Credit card – Collector Easyliving

Easyliving is a credit card linked to Mastercard with up to SEK 100,000 in credit and interest-free purchases for up to 56 days. It is also one of Sweden's best travel cards, with cancellation protection and SEK 0 in currency charges.

Betalkoll (Payment Check)

The Betalkoll app provides a way for you to balance your private finances and achieve a more even flow. Simply register your invoices and Collector ensures they are paid on time. You then receive a collective invoice each month on which you can choose to make partial payments.

Spira

The Spira app offers simple monthly saving in shares. An optional savings amount is deducted automatically and placed in a portfolio of the largest investment companies on the Stockholm Stock Exchange.

Collector app

Our new Collector app brings together our entire offering to the Retail market in a single place and, providing an overview of your services at Collector Bank. The digital assistant helps you by answering questions.

Read more about us in our digital version:

arsredovisning.collector.se/2017/en

Administration Report

The Board of Directors and CEO of Collector AB (publ), org. no. 556560-0797, hereby present the annual consolidated accounts and the accounts of the Parent Company for the financial year 2017.

Group operations

The business is divided into two segments, Retail and Corporate, and comprises financing services, credit management and business law. The financing services are aimed at the corporate market through the provision of factoring services and property finances. The Retail market is offered sales-supporting financing through e-commerce and retail chains.

Credit management is mainly directed at the corporate market through the management and acquisition of unpaid invoices and other receivables, such as acquired credit portfolios. The Group's other areas of operation include lending and deposits for the public via web-based services as well as company credits.

Legally, deposit and lending operations are conducted through Collector Bank AB, which has affiliates in Norway and Finland. All commissioned debt collection services are conducted through Colligent Inkasso AB. The Norwegian subsidiary, Colligent Norge AS, is also active in debt collection. The subsidiary, Collector Ventures 1 KB invests in fintech.

The business is run from the head office in Gothenburg as well as the offices in Stockholm, Helsinki and Oslo.

Consolidated profit

Collector continued its strong growth in 2017. Total income increased by 28 percent compared with the corresponding period in the previous year, amounting to SEK 1,933m (1,513). Profit before tax (EBT) increased by 28 percent, amounting to SEK 668m (521). The improvement in profit is explained by strong income growth primarily in Real estate credits, Factoring and Corporate credits, as well as Personal loans. Profit after tax (EAT) increased by 28 percent to SEK 517m (521), corresponding to a return on equity (RoE) of 18 percent (20). Earnings per share increased by 23 percent to SEK 5.03 (4.25).

Expenses

The cost/income ratio (C/I) has improved to 0.47 during 2017 (0.50) despite the major non-recurring expenses for regulatory adjustments and systems development included in the fourth quarter. Parts of the year have been characterized by excess liquidity which, in combination with bond financing, increased interest expenses. Other expenses decreased due to the dissolution of excess provisions for the deposit guarantee during the third quarter.

Credit portfolio

The total credit portfolio amounts to SEK 19,507m (13,242) and has increased by more than SEK 6 billion in the past year, corresponding to 47 percent. The increase is primarily due to the

product areas Real estate credits, Personal loans, Factoring and company credits. The average duration/maturity is 36 months for Real estate credits and Personal Loans and 24 months for Factoring and corporate loans. 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.

Funding

In 2017, strategic diversification of the financing structure was implemented to reduce refinancing risk, as well as obtain more financing sources and maturities. Collector finances its operations to 82 percent with deposits from the public, which as at the end of the period amounted to SEK 15,310m (11,345). In March 2017, the first issue was made under the MTN programme (framework amount SEK 5,000m), a three-year bond of SEK 800m. In June 2017, a Tier 2 bond of SEK 500m was issued with a maturity of ten years and the possibility of early redemption after five years. Commercial papers issued amounted to SEK 2,035m at the end of the period (806). Collector also has bank credits of SEK 800m, which have been untapped throughout 2017.

Capital and total capital ratio

Collector has received permission from the Swedish Financial Supervisory Authority to include profit for the year in the capital base. A review has been performed of the profit for the period, entailing the profit for the period being included in the capital base. The capital base for the financial group of companies totalled SEK 3,338m (2,390) and the capital requirement was SEK 1,591m (1,087) at the end of the period. The SEK 500m Tier 2 bond issued in June 2017 has been included in the capital base as supplementary capital. The total capital ratio was 16.8 percent (17.6) as at the end of December. The Common Equity Tier 1 capital ratio amounts to 14.3 percent (13.8) and the Equity Tier 1 capital ratio to 14.3 percent (17.6). During the year, Collector issued a convertible debenture loan of SEK 100m. Evaluation shows that without adjustment of terms, no part will be classified as Tier 1 capital in the capital base.

Development in Retail

The Retail segment's total external income increased by 22 percent in 2017, totalling SEK 1,260m (1,036). Profit before tax (EBT) for the Retail segment increased by 11 percent, amounting to SEK 368m (333).

The product area of payment services product for e-commerce and retail chain chains had somewhat lower volumes than expected. Verkkokauppa, Finland's largest e-commerce company, implemented our payment services during the fourth quarter. NA-KD starting up in 2018. Collector's focus on business-to-business (B2B) e-commerce generated significant customer interest during the year and is expected to generate volume growth in 2018.

Personal loans had strong growth, especially in the first three quarters. The rate of new contracts was somewhat lower during the last quarter of the year, due to a deliberate customer strategy combined with subdued market conditions and tougher competition, especially in Sweden. At the end of 2016, the limit for Collector Personal loans in Sweden was raised to SEK 500,000. This has provided a good influx of larger loans but at slightly lower average interest rates, as borrowers granted large loans have very good creditworthiness. In the short term, this involves a slight margin reduction, which is expected to be offset by longer duration and lower credit losses.

Cards had a weaker development during the year but showed positive trends in the second half of the year. A new Product Area Manager was appointed in November. Efforts to increase cross-selling through the product area's own channels are expected to increase volumes in 2018.

The deposit balance increased by almost SEK 4 billion and amounted to SEK 15,310m at year-end. Collector offers deposits with ceilings of SEK10 million, but it makes exceptions for larger deposits from businesses affected by negative interest rates on deposits with other banks. Interest rates are, however, lower than on volume of deposits of SEK 10m.

Development in Corporate

During 2017, the Corporate segment continued to show strong profit and profitability growth, External income rose by 41 percent, totalling SEK 674m (478), Profit before tax (EBT) in the Corporate segment amounted to SEK 300 million (188), an increase of 60 percent.

Property finances experienced very strong volume growth in the first six months, which diminished in the second half of the year due to the general turmoil in the Swedish housing market. Of the total credit portfolio, property finances accounted for approximately 30 percent and real estate developers only 5 percent. Income from the property credit portfolio continued to increase, both in terms of total income and in contribution margin.

During the year, Factoring and company credits showed high growth both in terms of total income and contribution margin. The deal with Rossignol, which began in March, built up the maximum credit volume in the fourth quarter. Collector has also entered into agreements with several other major customers, which have contributed to the strong growth in the product area during the year. Favourable growth in Norway, with several

major customers in the pipeline, is expected to produce a positive effect in 2018.

Collector's debt collection agency Colligent had continued strong growth in a mature market. Positive development with legal services is linked to assignment debt collection on the property side. During the fourth quarter, the position has been strengthened by offering services to existing and new factoring customers.

Acquired receivables had a weaker development due to few new acquisitions as a result of a significant increases in prices in the market.

Material risks and uncertainty factors

Through its operations, Collector is exposed to a variety of risks, particularly credit risk, market risk (currency and interest risk), liquidity and funding risk, operational risk and reputation risk.

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

Sustainability

For Collector, sustainability is essential for our long-term success and for our capacity to generate value for our customers, owners and employees, and to contribute to society. Sustainability is integrated into the strategy and involves both opportunities to be utilized and risks to be mitigated. In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Collector has chosen to prepare its Sustainability Report separately from the Administration Report and the formal financial accounts. The Sustainability Report was submitted to the auditors at the same time as the Annual Report and can be found on page 52.

Collector Ventures

Collector Ventures invests in new fintech companies with a distinctive digital focus in which Collector Bank perceives technical and commercial benefit. In 2017, investments were made in seven companies for an amount equivalent to SEK 85m. As per 31 December 2017, the number of investments amounted to a book value of SEK 125m. To date, Collector Ventures has invested in some 20 fintech companies, including Simplex (Enkla.com), Wint, Gimi (Veckopengen), BetterWealth, Nordkap, Kaching and 24Seven Finance.

Employees and working environment

The average number of full-time employees amounted to 376

(FTE) in the period January–December 2017, an increase of 14 percent. The number of full-time employees includes employees on fixed-term contracts, but not on parental leave or a leave of absence. Of those employed at the end of the year, the proportion of women was 52 percent and the proportion of men 48 percent. Of the senior executives, 63 percent were women at the end of the year. Short-term absence due to illness during the year amounted to 3.3 percent (3.3) and total absence due to illness, including long-term absence due to illness, amounted to 4.7 percent (4.3). Personnel turnover during the year was 15.8 percent (17.1).

The working environment is a strategic issue for Collector. Our starting point is to be an attractive and equal workplace, at which everyone is treated with respect and dignity. Our good health figures are partly a result of the fact that we have a young organization, although we do also encourage a healthy and sustainable lifestyle, and work actively to maintain a high level of job satisfaction. We have a climate pervaded by openness, transparency and accessibility, and have a high degree of confidence in the abilities of the individual employee.

Executive Management Team

Lena Apler passed the baton of CEO on to Liza Nyberg on 1 September. Liza Nyberg joins us from the position of CEO of Landshypotek Bank. Maria Lykken Ljungdahl was appointed the new CFO, succeeding Pia-Lena Olofsson in October. On 31 December 2017, other senior executives were Mikael Anstrin (CBDO), Susanne Bruce (COO), Camilla Dorvall (CIO), Thomas Gunnarsson (Country Manager Norway), Sandra Schedwin (HR-Director) and Aki Tusa (Country Manager Finland). More information on senior executives is available in the Corporate Governance Report on page 62.

Parent Company

The Parent Company is a holding company. Operating income for 2017 amounted to SEK 79m (65) and pertains to intra-Group administrative services. Profit before tax (EBT) amounted to SEK 9m (7) for 2017 and profit after tax (EAT) were SEK 9m (5). The Parent Company's cash and cash equivalents totalled SEK 24m (5), and equity totalled SEK 1,232m (1,223), as at 31 December 2017.

Relationships with related parties

Collector provides debt collection services to Balder Fastighets AB and issues real estate credits for Garden Growth and Brons-porten Invest 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.

Share capital and shares outstanding

As of 31 December 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. The Board of Directors proposes that no dividends be paid for the 2017 financial year.

The Collector share

Collectors share ("COLL") was listed on the Nasdaq Stockholm, on 10 June 2015 with the listing price of SEK 55. At the end of the period, the last price paid for the Collector share was SEK 81.25, corresponding to a market capitalization of SEK 8.3 billion.

Ownership structure

There were approximately 5,800 shareholders at year-end. The ten largest shareholders accounted for approximately 85 percent of the capital and votes. The proportion of shares owned by natural persons or legal entities outside of Sweden amounted to approximately 5 percent.

Shareholders 31 Dec. 2017	%
Fastighets AB Balder	44.1
StrategiQ Capital	12.7
Swedbank Robur fonder	6.2
Ernström Finans AB	5.4
Helichrysum Gruppen	3.8
Andra AP-fonden	3.2
Handelsbanken fonder	3.1
Muirfield Invest Aktiebolag	1.5
Vante AB	1.4
Other shareholders	18.6
Total	100

Events after the end of the period

No significant events have occurred after the end of the year.

Proposal for the disposal of the company's profit

The Board of Directors and the CEO propose that the unappropriated profit of SEK 1,190,725,960 be allocated as follows:

Carried forward	1,190,725,960
Total	1,190,725,960

GROUP

Multi-year comparison

Income statement, SEK million	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016	1 Jan. 2015 –31 Dec. 2015	1 Jan. 2014 –31 Dec. 2014	1 Jan. 2013 –31 Dec. 2013
Income	1,933	1,513	1,187	916	697
Total income	1,933	1,513	1,187	916	697
Operating expenses					
Personnel expenses	–246	–211	–173	–160	–139
Depreciation of property, plant and equipment and amortization of intangible fixed assets	–60	–40	–28	–22	–19
Other profit/loss – net	–	0	–1	0	0
Other expenses	–843	–663	–536	–396	–285
Total expenses	–1,149	–914	–738	–578	–443
Operating profit	784	599	449	338	254
Profit from sales of subsidiaries	–	0	–	–1	–
Financial income	14	0	0	6	24
Financial expenses	–130	–78	–78	–99	–87
Profit after interest and tax	668	521	371	244	191
Income tax	–151	–116	–85	–56	–43
Profit for the year	517	405	286	188	148
Attributable to:					
The Parent Company's shareholders	517	405	286	188	146
Holdings without controlling influence	0	–	–	–	2
Total	517	405	286	188	148
Earnings per share for profit attributable to the Parent Company's shareholders during the year (expressed in SEK per share)	5.03	4.25	3.16	2.35	1.99

GROUP

Key ratios

IFRS key ratios, SEK million	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016	1 Jan. 2015 –31 Dec. 2015	1 Jan. 2014 –31 Dec. 2014	1 Jan. 2013 –31 Dec. 2013
Income	1,933	1,513	1,187	916	697
Earnings per share before dilution, SEK, ¹⁾	5.03	4.25	3.16	2.35	1.99
Earnings per share after dilution, SEK, ²⁾	5.04	—	—	—	—
Non-IFRS key ratios, SEK million	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016	1 Jan. 2015 –31 Dec. 2015	1 Jan. 2014 –31 Dec. 2014	1 Jan. 2013 –31 Dec. 2013
Profit before tax (EBT)	668	521	371	244	191
Profit after tax (EAT)	517	405	286	188	148
Average number of shares, ³⁾	102,690,502	95,421,407	89,887,451	79,831,081	74,382,100
Capital base, ⁴⁾	3,338	2,390	1,541	906	527
Equity	3,079	2,566	1,649	995	635
Total capital ratio, ⁵⁾	16.8%	18%	17%	15%	12%
Return on total assets, ⁶⁾	2.3%	2.7%	2.8%	2.9%	3.1%
Return on equity (RoE), ⁷⁾	18%	20%	21%	23%	26%
Equity per share, SEK, ⁸⁾	30.0	25.0	17.7	13.4	8.5
Equity to assets ratio, ⁹⁾	14%	17%	16%	15%	13%
Credit losses, ¹⁰⁾	1.1%	1.1%	1.3%	1.4%	1.1%*
C/I ratio, ¹¹⁾	0.47	0.50	0.54	0.58	—
Average number of full-time employees, ¹²⁾	376	329	264	229	201
Investments in intangible fixed assets	121	102	50	33	25
Organic growth, ¹³⁾	27%	27%	30%	—	—
Operating profit	784	599	449	338	254

* Has been positively impacted by an insurance effect of SEK 6 million – excluding this, it is 1.3 percent.

1) The period's profit after tax attributable to the period's average number of outstanding ordinary shares, before and after dilution. The period's profit has been adjusted for dividends attributable to preference shares.

2) Profit 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 before and after dilution. The number of shares has been adjusted retroactively according to a resolution by the Annual General Meeting to split shares.

4) See Note 26 on page 36.

5) Capital base divided by total capital requirement. Refers to the financial group of companies. See Note 26 on page 36.

6) Profit after tax divided by total assets at the end of the period.

7) Profit after tax in relation to average equity. Rolling, 12 months.

8) Equity divided by the number of outstanding shares at the end of the period. The number of shares has been adjusted retroactively

according to a resolution by the Annual General Meeting to split shares.

9) Equity divided by total capital at the 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 fixed-term contracts, but not on parental leave or a leave of absence.

13) Growth, excluding acquisitions and currency effects.

The financial reports issued by Collector include alternative key ratios complementing the measures defined or specified in the applicable regulations on financial reporting. Alternative key ratios are provided because they provide clearer or more in-depth information than the measures defined in the applicable financial reporting rules. The basis for the alternative key figures provided is that they are used by management to assess financial development and are therefore considered to provide analysts and other stakeholders with valuable information.

Collector regularly uses alternative key ratios as a complement to the key ratios that generally constitute good accounting practice. The alternative key ratios are derived from the consolidated accounts and are presented because analysts, investors and other stakeholders are interested in evaluating Collector's financial position and profit. These key ratios are limited as analytical tools and should not be used in isolation or as a replacement for the analysis of our operating results as reported in accordance with IFRS.

GROUP

Income statement

SEK million	Note	1 Jan. 2017–31 Dec. 2017	1 Jan. 2016–31 Dec. 2016
Income	4	1,933	1,513
		1,933	1,513
Operating expenses			
Personnel expenses	5	–246	–211
Depreciation of property, plant and equipment and amortization of intangible fixed assets	6	–60	–40
Other profit/loss – net	7	–	0
Other expenses	8, 9, 10	–843	–663
Operating expenses		–1,149	–914
Operating profit		784	599
<i>Profit from financial items</i>			
Profit from sales to subsidiaries		–	0
Financial income	11	14	0
Financial expenses	11	–130	–78
Profit after interest and tax		668	521
Income tax	12	–151	–116
Profit for the year		517	405
Attributable to:			
The Parent Company's shareholders		517	405
Holdings without controlling influence		0	–
		517	405
Earnings per share for profit attributable to the Parent Company's shareholders during the year (expressed as SEK per share)			
– Before dilution	13	5.03	4.25
– After dilution	13	5.04	4.25

GROUP

Statement of comprehensive income

SEK million	1 Jan. 2017–31 Dec. 2017	1 Jan. 2016–31 Dec. 2016
Profit for the year	517	405
Other comprehensive income	–	0
Items that later can be reversed in the income statement:		
Exchange rate differences	–4	4
Total comprehensive income for the year	513	409
Attributable to:		
– The Parent Company's shareholders	513	409
– Non-controlling interests	0	–
	513	409

GROUP

Balance sheet

SEK million	Note	31 Dec. 2017	31 Dec. 2016
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>			
Equipment	14	10	10
		10	10
<i>Intangible fixed assets</i>			
Capitalized expenses for development work	15	216	151
Goodwill	15	71	72
		287	223
<i>Financial non-current assets</i>			
Financial investments	25	939	362
Deferred tax asset	22	—	1
Lending and other receivables	17	9,563	7,408
		10,502	7,771
Total non-current assets		10,799	8,004
Current assets			
Lending and other receivables	17	9,944	5,834
Derivative instruments	16	26	33
Other receivables	18	69	263
Cash and cash equivalents	19	1,533	1,021
Total current assets		11,572	7,151
TOTAL ASSETS		22,371	15,155
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital (102,690,502 shares)	20	10	10
Reserves		—6	—2
Other contributed capital		1,313	1,313
Retained profit, incl. profit for the year		1,762	1,245
Total equity		3,079	2,566
<i>Non-current liabilities</i>			
Borrowing	21	264	119
Securities issued		1,344	—
Other non-current liabilities		2	—
Deferred tax liabilities	22	121	87
		1,731	206
<i>Current liabilities</i>			
Accounts payable		34	32
Accrued expenses and deferred income	23	203	112
Current tax liabilities		91	66
Other current liabilities	24	152	141
Borrowing	21	15,046	11,226
Securities issued	21	2,035	806
		17,561	12,383
TOTAL EQUITY AND LIABILITIES		22,371	15,155

GROUP

Summary of changes in equity

SEK million	Attributable to the Parent Company's shareholders					Non-control- ling interests	Total equity
	Share capital	Other contributed capital	Reserves	Retained profit	Total		
Opening balance as at 1 January 2016	9	801	-7	846	1,649	-	1,649
<i>Comprehensive income</i>							
Profit for the year				405	405		405
<i>Other comprehensive income</i>							
Exchange rate differences			5		5		5
Other comprehensive income							
Total comprehensive income	-	-	5	405	410	-	410
<i>Transactions with shareholders</i>							
New issue of ordinary shares	1	512			513		513
Bonus issue of ordinary shares							
Expenses related to the new issue (net)				-6	-6		-6
Total transactions with shareholders	1	512	-	-6	507	-	507
Closing balance as at 31 December 2016	10	1,313	-2	1,245	2,566	-	2,566
Opening balance as at 1 January 2017	10	1,313	-2	1,245	2,566	-	2,566
<i>Comprehensive income</i>							
Profit for the year				517	517	0	517
<i>Other comprehensive income</i>							
Exchange rate differences			-4		-4		-4
Other comprehensive income							
Total comprehensive income	-	-	-4	517	513	0	513
<i>Transactions with shareholders</i>							
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	0	3,079

GROUP

Cash flow statement

SEK million	Note	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Operating activities			
Profit after interest and tax		668	521
– of which interest received		1,707	1,295
– of which interest paid		–123	–98
Adjustments for items not included in the cash flow, etc.			
– Credit losses		189	120
– Depreciation/amortization		60	40
– Capital gains/losses		–	0
– Unrealized exchange rate differences		–46	–239
– Revaluation bonds		4	–1
– Other		–45	–35
– Interest		4	–21
		834	385
Taxes paid		–91	–64
Cash flow from operating activities before changes in working capital		743	321
<i>Cash flow from changes in working capital</i>			
Increase(+)/Decrease(–) in non-current and current operating receivables		–6,185	–4,450
Increase(+)/Decrease(–) in operating liabilities		104	–161
Cash flow from operating activities		–5,338	–4,290
Investing activities			
Disposal of subsidiaries		–	0
Acquisition of intangible fixed assets		–121	–101
Acquisition of property, plant and equipment		–4	–5
Acquisition of financial assets		–609	–958
Divestment of financial assets		36	746
Cash flow from investing activities		–698	–318
Financing activities			
New issue		–	505
Securities issued		1,344	–
Change in deposits from the public	21	5,203	4,297
Cash flow from financing activities		6,547	4,802
Cash flow for the year		511	194
Cash and cash equivalents at the start of the year		1,021	825
Exchange rate differences in cash and cash equivalents		1	2
Cash and cash equivalents at the end of the year		1,533	1,021

Notes

AMOUNTS IN SEK MILLION

Collector AB (publ), company registration number 556560-0797, conducts business in Sweden and in other Nordic countries via its subsidiaries. The head office is located in Gothenburg. The business consists of financial services, credit management and corporate law.

Collector AB is a public company with its registered head office in Gothenburg, Sweden. The address of the head office is Lilla Bommens Torg 11, SE-411 09 Gothenburg, Sweden. The Parent Company, Collector AB (publ), is part of a financial group of companies that includes the subsidiaries Collector Bank AB, Collector Ventures 1 KB and Colligent Norge AS. All companies are fully consolidated. The whole of the financial group of companies is under the supervision of the Swedish Financial Supervisory Authority and is covered by its rules for 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.

Note 1 Accounting and valuation principles

Basis for preparation of report

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Furthermore, the Swedish Financial Reporting Board of Directors' Supplementary Accounting Rules for Groups (RFR 1) and the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on annual reports in credit institutions and securities companies have been applied. They have been prepared according to the acquisition value method apart from where it concerns re-evaluations of financial assets and liabilities (including derivative instruments) measured at fair value via the income statement.

Preparing reports in agreement with IFRS requires the use of a number of important estimates for accounting purposes. Furthermore, it requires the management to make certain assumptions during the application of the Group's accounting policies. Those areas that involve a large degree of assumptions, that are complex, or those areas where the assumptions and estimates have significant importance for the Consolidated Financial Statements, are presented later in the text.

New standards and interpretations not yet applied by the Group

The Group and the Parent Company's accounting policies, as well as their calculations and reporting, have essentially been unchanged from the 2016 Annual Report. None of the IFRS or IFRIC interpretations that entered into effect in 2017 had any material impact on the Group.

New standards and interpretations not yet applied by the Group

A number of new standards and interpretations come into effect for financial years beginning after 1 January 2018 and have not been applied in preparing this financial report. None of these are expected to have a material impact on the Group's financial reports, with the exception of those listed below: IFRS 9 Financial Instruments deals with classification, measurement and recognition of financial assets and liabilities. Although earlier application of IFRS 9 is permitted, Collector does not intend to apply the standard prematurely. The complete version of IFRS 9 was published in July 2014. The new accounting standard for financial instruments, IFRS 9 "Financial Instruments" includes classification and valuation, impairment and hedge accounting and replaces existing requirements in these areas in IAS 39. IFRS 9 retains a mixed approach to valuation of financial instruments but simplifies this approach in certain respects. There will be three categories of measurement for financial assets: amortized cost, fair value through other comprehensive income

and fair value through the income statement. How an instrument is to be classified depends on the company's business model and the characteristics of the instrument. In simplified terms, the standard's new impairment model for financial instruments entails the company recognizing impairment at the time of payment of credit and estimates the expected credit losses, which requires further assessment regarding change in credit risk and forward-looking information, unlike the current model based on credit losses that have occurred. In accordance with the new standard, Collector has classified assets and liabilities and developed models for calculating expected credit losses. IFRS9 will entail increasing, and advancing in time, the provisions for anticipated credit losses, as well as a reduction in equity, but it will not affect cash flow or underlying credit risk. The impairment model contains a three-stage model based on changes in the credit quality of the financial assets. The essence of the three-stage model is that assets are divided into three different categories depending on how the credit risk has changed since the asset was first included in the balance sheet. The model groups receivables into the following three stages: Stage 1 Performing receivables, Stage 2 receivables, the credit risk of which is considered to have increased significantly since initial recognition Stage 3 receivables considered to be credit impaired due to a loss event having occurred. According to IFRS 9, a loss event has occurred if the claim is more than 90 days overdue. A key factor affecting the scale of anticipated loan losses are the rules governing the transfer of a credit between stages 1 and 2. The bank takes the PD (Probability of Default) into account in assessing significant risk increases, the change being assessed through a combination of absolute and relative changes. In addition, all credits more than 30 days overdue will be credited to stage 2, regardless of whether there is a significant increase in risk or not.

Expected credit losses according to IFRS 9 are calculated by: multiplying the probability of default (PD) by the exposure in at default (EAD) multiplied by the loss-given default (LGD). For assets in Stage 1, the calculation is based on the likelihood of default within next 12 months, while for assets in Stages 2 and 3, the calculation is based on the expected lifetime of the asset.

The transition to IFRS 9 increases the reserve for doubtful receivables for lending by SEK 221 million. At the same time, current tax receivables increase by SEK 49 million and equity decreases by SEK 172 million. Collector will not recalculate the 2017 comparative figures, in accordance with the standard's transitional rules. Collector has resolved to apply transitional rules and has informed the Swedish Financial Supervisory Authority (FI) of this. The application of the transitional rules entails gradual phasing the effect directly arising from the increased IFRS 9 provisions into capital adequacy between 2018 and 2022 – the impact on capital adequacy is therefore deemed to be insignificant. In Collector's assessment, calculations of credit loss provisions under IFRS 9 will result in increased volatility in the income statement, mainly due to transfers between stages 1 and 2, and that the calculations will become more pro-cyclical as a result of assessments of macroeconomic outlook being included in the calculations.

STAGE	1	2	3	TOTAL (SEK million)
Retail segment	109	31	51	191
Corporate segment	20	3	6	30
				221

Collector does not currently apply hedge accounting, so the Group is not affected by the amended regulations as per the transition date.

IFRS 15 Revenue from Contracts with Customers regulates how revenue

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is to be recognized. The principles on which IFRS 15 is based provide users of financial reports with more usable information about the company's revenue. The expanded disclosure obligation means that information about revenue types, time of settlement, uncertainties linked to revenue recognition and cash flow attributable to the company's customer contracts has to be supplied. Revenue has to be recognized under IFRS 15 when the customer obtains control over the sold product or service and can use and benefit from the product or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, as well as associated SICs and IFRICs. IFRS 15 enters into force 1 January 2018. Early application is permitted. Although the Group has evaluated the effects of the introduction of the standard, it is not expected to have a significant effect.

None of the other IFRS or IFRIC interpretations, which have yet to enter into force, are expected to have any substantial effect on the Group.

Consolidated Financial Statements

Subsidiaries

Subsidiaries are all of the companies (incl. companies for special purposes) where the Group has the right to shape financial and operative strategies in a way that normally follows with a shareholding that amounts to more than half of the voting rights. The presence and the effect of any potential voting rights which it is currently possible to use or convert are to be taken into consideration when assessing whether the Group exercises a controlling interest in another company. Subsidiaries are included in the consolidated financial statements from the date when the controlling interest is transferred to the Group. They are excluded from the consolidated financial statements from the date when the controlling interest ceases.

The acquisition method is used for reporting the Group's business acquisitions. The purchase price for the acquisition of a subsidiary consists of the fair value of the transferred assets, liabilities and the shares issued of the Group.

The purchase price also includes the fair value for all assets or liabilities that follow from an agreement on a conditional purchase price. Expenses associated with acquisitions are recognized when they are incurred. Identifiable acquired assets and liabilities assumed in a business combination are initially measured at fair value on the acquisition date. For each acquisition, the Group decides whether all holdings without controlling interest in the acquired company are to be reported at the fair value or the holding's proportionate share of the acquired company's net assets.

The amount by which the purchase price, the holding without controlling interest, if any, and the fair value on the acquisition date of earlier shareholdings exceeds the fair value of the Group's share of identifiable acquired net assets, is recognized as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets, in the event of what is known as a "bargain purchase", the difference is recognized directly in the statement of the year's profit.

If the business acquisition is carried out in several steps, then the previously held equity interest in the acquired company is revalued to its actual value at the acquisition date. Any resulting gain or loss is recognized in profit or loss. Each contingent consideration that is transferred by the Group has to be recognized at fair value at the acquisition date. Subsequent changes in the fair value of a contingent consideration, which is classified as an asset or liability, are recognized in accordance with IAS 39, either in the income statement or in other comprehensive income.

Contingent consideration classified as equity is not revalued and its subsequent settlement is recognized within equity.

Intra-Group transactions and balance sheet items, as well as unrealized profit and loss on transactions between Group companies, are eliminated. The accounting policies for subsidiaries, where appropriate, have been amended to guarantee a consistent application of the Group's policies.

Translation of foreign currency

Reporting currency

Items that are included in the financial statements for the different entities in the Group are measured in the respective company's domestic currency that constitutes the functional currency. The consolidated accounts are presented in Swedish kronor (SEK), which is the Parent Company's functional and reporting currency.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency according to the exchange rate that applied on the transaction date. Exchange rate gains and losses that arise during the payment of such transactions and on the translation of monetary assets and liabilities in foreign currency to the rate on the balance sheet date are recognized in the income statement as other expenses. The Group does not apply hedge accounting.

Group companies

Profit or loss and financial position for all Group companies that use another functional currency than the presentation currency are translated into the Group's presentation currency as follows:

- (a) assets and liabilities in each of the individual balance sheets are translated to the rate on the balance sheet date;
- (b) income and expenses in each of the income statements are translated at the average exchange rate and (c) all resulting exchange differences are recognized in other comprehensive income. Goodwill and adjustments in fair value that result from the acquisition of a foreign operation are treated as assets and liabilities in this operation and are translated to the rate on the balance sheet date.

Property, plant and equipment

All property, plant and equipment is recognized at acquisition value with deduction for depreciation. Included in the acquisition value are charges that can be directly attributed to the acquisition of the asset.

In order to allocate their acquisition value or revalued amount down to the estimated residual value over the estimated economic lifetime, depreciations for other assets are done using the straight-line method as follows: – equipment and installations 3–5 years.

The assets' residual values and economic lifetimes are reviewed at each balance sheet date and are adjusted if necessary.

An asset's carrying value is immediately written down to its recoverable value if the asset's carrying value exceeds its estimated recoverable value.

Profits and losses on divestment are established by a comparison between the sales income and the carrying values and are recognized in *Other profits/losses – net in* the income statement.

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Intangible assets**Goodwill**

Goodwill represents the amount by which the cost of the acquisition exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill on the acquisition of subsidiaries is recognized as intangible assets. Goodwill recognized separately is tested annually, and more frequently if there are indications of impairment, to identify possible impairment needs and is recognized at cost less accumulated impairment. Impairments of goodwill are not reversed. Profit or loss on the divestment of an entity includes the remaining carrying value of the goodwill relating to the divested entity.

Goodwill is allocated to cash generating entities for testing the impairment requirements, if any. The allocation is made to cash generating entities or groups of cash generating entities that are expected to benefit from the business combination that gave rise to the goodwill item. The Collector AB Group allocates goodwill to the companies Collector Bank AB, Colligent Inkasso AB and Collector Norge AS.

Capitalized expenses

Acquired software licences are activated based on the charges that were incurred when the relevant software was acquired and put into use.

These activated charges are amortized over the assessed economic lifetime, five years.

Expenses that are directly linked with the development of identifiable and unique software products that are controlled by the Group, which have probable financial benefits over more than one year and which exceed the expenses, are recognized as intangible assets. Included in the expenses are expenses for employees incurred through the development of software products and a reasonable share of the indirect expenses. Other expenses are recognized when they are incurred.

Development expenses for software that are recognized as assets are amortized over their estimated economic lifetime, 5 years.

Impairment of non-financial assets

The assets that are amortized are assessed with respect to loss of value whenever events or changes in circumstances indicate that the carrying value is not recoverable. Impairment is recognized in the amount by which the asset's carrying value exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less selling expenses and its value in use. In assessing the impairment requirement, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash generating units). For assets, other than financial assets and goodwill, which have been previously impaired, a test is made on every balance sheet date to see if reversal should take place.

Cash flow statement

The consolidated cash flow statement is prepared in accordance with the indirect method. Cash and equivalents refer to the item Lending to credit institutions. Cash flow from operating activities is attributable to the following items in the balance sheet - relating to operating receivables: Lending and other receivables (current and non-current) and other receivables; and, for operating liabilities: accounts receivable, Accrued expenses and prepaid income and Other current liabilities.

Financial assets

The Group classifies its financial assets according to the following categories:

Financial assets at fair value through the income statement, as well as loan receivables and accounts receivable. The classification depends on the purpose for which the financial asset was acquired. Management classifies the financial assets on the first accounting occasion.

Financial assets measured at fair value through the income statement

Financial assets measured at fair value through the income statement are financial assets that are held for trading. A financial asset is classified as belonging to this category if it was primarily acquired with the aim of selling it in the short term.

Financial assets at fair value through the income statement are initially recognized at fair value, while related transaction expenses are recognized in the income statement. After the acquisition date, financial assets at fair value through the income statement are recognized at fair value.

Gains and losses arising from changes in the fair value of financial assets at fair value through the income statement are recognized in the period in which they arise and are included in the income statement item "other expenses". Dividend income from securities in the category financial assets at fair value through the income statement are recognized in the income statement as part of financial income when the Group's entitlement to receive payment has been established.

Derivative instruments and hedge measures

Derivatives are classified as holdings for trade when the company does not apply hedge accounting. Derivative instruments are recognized in the balance sheet on the contract date and are measured at fair value through the income statement in the item Other income or expenses – net, both initially and in subsequent translations.

Disclosure of fair value for different derivative instruments can be found in note 16.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives that have fixed or determinable payments and are not quoted in an active market. They are included in current assets with the exception of items with due dates more than 12 months after the balance sheet date, which are classified as non-current assets. Loan receivables and accounts receivable are classified as Lending and other receivables on the balance sheet. Loan receivables and accounts receivable are recognized at amortized cost applying the A.P.R. Method.

Loans and receivables are recognized initially at fair value and are subsequently measured at amortized cost using the A.P.R. Method, less any provisions for depreciation. A provision for depreciation of accounts receivable is established when there is objective evidence that the Group will not be able to receive all of the amount under the receivables' original terms. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy or be subject to financial reconstruction and unpaid or overdue payment are to be considered as indicators that there may be a need for impairment. The size of the reservation for individually measured receivables comprises the difference between the asset's carrying amount and the present value of future cash flows. Group-based reservations are made for assets that are not individually significant. The size of Group-based reservations is based on historical outcomes and assessed recoverable amount. The assets' carrying amount is reduced by the use of an impairment allowance account and the loss is recognized in the income statement in the item Other expenses.

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When an account receivable cannot be collected, it is written off against the impairment allowance account for accounts receivable. Recovery of amounts previously written off is credited to Other expenses in the income statement. The principles for the accounting of acquired credit portfolios are described below on page 16.

The Group has factoring receivables with an agreed right of recourse in some cases. This means that if the opposite party cannot pay, the receivable can be recovered in its entirety from the factoring customer and thus the risk of credit losses is reduced.

Cash and cash equivalents

Included in cash and cash equivalents are cash, bank balances and other investments regarded as highly liquid.

Financial liabilities

Financial liabilities measured at fair value through the income statement
Derivative instruments with negative market value are recognized in this category. Changes in fair value and realized profits and losses for these liabilities are recognized directly in the income statement under the heading Other expenses – net.

Borrowing

Collector is predominantly funded by deposits from the public. Although most deposits are made in Sweden, deposits are also offered in Finland. Other funding takes place through commercial paper and MTN programmes. The MTN programme of SEK 5 billion was established in 2017. Collector has issued bonds within the programme for a value of SEK 1,300 million. Financial liabilities that are not classified as Liabilities measured at fair value through the income statement are initially recognized at fair value with deduction for transaction expenses and subsequently at amortized cost applying the A.P.R. Method. This category includes liabilities to the public, issued certificates and bonds issued.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired from suppliers as part of operating activities. Accounts payable are classified as current liabilities if they fall due within one year or less, or during a normal business cycle if this is longer. If not, they are classed as non-current liabilities.

Accounts payable are initially recognized at fair value and are subsequently measured at amortized cost using the A.P.R. Method.

Current and deferred income tax

The tax expenses for the period covers current and deferred tax. Tax is recognized in the income statement, apart from when the tax concerns items that are recognized in other comprehensive income or directly in equity. In such cases, the tax is also recognized in other comprehensive income and equity respectively.

The current tax expense is calculated on the basis of the tax rules that are decreed on the balance sheet date or decreed in practice in the countries where the parent company's subsidiaries are active and generate taxable income. The management regularly evaluates the claims made in income tax returns concerning situations where the applicable tax rules are subject to interpretation and makes, when judged appropriate, provisions for amounts that will probably be paid to the tax agency.

Deferred tax is recognized in its entirety, according to the balance sheet method, for all temporary differences that arise between the fiscal value for assets and liabilities and their carrying values in the consolidated

financial statements. Deferred income tax is estimated using tax rates (and tax laws) that have been decided or announced as per the closing date and that can be expected to be valid when the deferred tax receivable is realized, or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future fiscal surpluses will be available, against which the temporary differences can be utilized. Deferred tax is calculated on temporary differences that arise in participations in subsidiaries, apart from where the date for reversing the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Payments to employees

Pension obligations

All of the Group's pension plans are of defined contribution type. A defined contribution pension plan is a pension plan according to which the Group pays fixed contributions to a separate legal entity. The Group does not have any legal or constructive obligations to pay further contributions if the legal entity does not have sufficient assets to pay all compensations to employees associated with the employees' service during the current or previous periods. For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance schemes on a compulsory, contractual or voluntary basis. The Group does not have any other payment obligations once the contributions are paid. The contributions are recognized as personnel expenses when they fall due for payment. Prepaid contributions are reported as an asset to the extent that a cash refund or reduction of future payments can be credited to the Group.

For the CEO and the Chairman of the Board, there is a pension plan in the form of capital pledged for pension commitments. The asset is a financial instrument measured at fair value in the income statement. The liability, that is the pension commitment, corresponds to the same value as the asset. In the consolidated financial statements, the commitment is reported net.

Provisions

Provisions are reported when the Group has a legal or informal obligation as a consequence of past events, it is likely that an outflow of resources will be required to settle the obligation and the amount has been estimated in a reliable manner.

Revenue recognition

Revenues include the fair value of that which is obtained or will be obtained for the Group's current operation. Revenues are recognized excluding Value Added Tax and after eliminating intra-Group sales.

The Group recognizes revenue when its amount can be measured reliably, it is probable that future financial benefits will fall to the company and specific criteria have been fulfilled by each one of the Group's operations.

If any circumstances arise that can change the original estimation of revenue or expenses, the estimates are reassessed. These reassessments may result in increases or reductions in estimated income or expenses and affect revenue during the period when the circumstances that gave rise to the change came to the attention of the senior management.

Income from interest

Interest income is recognized as revenue allocated over the term

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applying the A.P.R. Method. When the value of a receivable has gone down, Collector reduces the carrying value to the recoverable value, which comprises the assessed future cash flow, discounted by the original effective interest for the instrument and continues to dissolve the discount effect as income from interest. Interest income on impaired loans is recognized at the original effective interest rate.

Commission income and Commission expenses

Commission income is recognized net in the period it is earned and refers to income from payment solutions. Income mainly comprises service charges and payments for services sold. Under commission expenses, expenses are recognized for services received to the extent they are not to be counted as interest, e.g. bank charges, custodial fees and payments to external intermediaries concerning managed volumes.

Credit management income

Income from credit management mainly comprises fees in connection with collection of receivables from the debt collection operations. Credit management income is recognized in the period in which it is earned. The Group applies the percentage of completion method when recognizing accrued commission income for credit management, which is based on estimates of how large a share of the ongoing assignment is complete on the balance sheet date.

Income from acquired credit portfolios

Income from acquired credit portfolios is recognized according to the A.P.R. Method. The Group recognizes the income after a current value estimate for the expected future cash flows. The Group bases its assessments on historic outcomes and expected cash flows.

Estimates and follow up of the cash flow are performed regularly during the year to guarantee that the estimates are correct. The dissolution of the discount effect is recognized as interest income, and changes in value due to changed estimates of the current value of the future cash flows are recognized in the income statement as other income (note 4).

Financial risk management

Financial risk factors

Through its operations, the Group is exposed to a number of different kinds of risks of a material nature, mainly market risks (currency risk and interest rate risk), interest rate risk, liquidity and financing risk, reputational risk and operational risk. The ability to assess, manage and control risks is central in light of the business conducted. Collector has formulated a business structure to ensure sound risk management. The overall risk policy comprises the Board of Directors' and management's basic steering documents regarding risk management and aims to minimize potential unfavourable effects on the financial performance of corporate groups. The Board of Directors establishes written policies regarding both overall risk management and for specific areas such as granting credit, currency risk, interest rate risk and liquidity management.

Market risk

Foreign currency risk

The Group's foreign currency risk arises because there are recognized assets and liabilities in a currency other than the functional currency; this primarily concerns EUR and NOK. Currency risk refers to the risk that the value of assets and liabilities, including derivatives, is negatively impacted in a change in the exchange rates. The net carrying amount of assets and liabilities in foreign currency is recognized in SEK million in

the following table:

2017	EUR	NOK	DKK	USD	GBP	CHF
Cash and cash equivalents	2,551	1,715	501	79	8	20
Lending and other receivables	4,078	1,917	478	138	1	57
Other liabilities	-93	-126	-4	-2	0	-
Accrued expenses and deferred income	-91	-15	0	0	-1	-10
Liabilities to credit institutions	-2,480	-1,618	-487	-54	-4	-
Net	3,965	1,873	488	161	4	67
2016	EUR	NOK	DKK	USD	GBP	CHF
Cash and cash equivalents	771	323	167	5	8	0
Lending and other receivables	2,139	1,735	369	54	2	0
Other liabilities	-60	-87	0	-	-	-
Accrued expenses and deferred income	-21	-12	-1	0	-1	0
Liabilities to credit institutions	-753	-999	-301	-54	-4	0
Net	2,089	931	235	5	5	0

According to the Group's risk management policy, foreign currency exposure should be minimal. Follow-up of Collector's currency risk is done continuously by the Treasury function and senior management. Currency risk is minimized by striving to refinance the assets in foreign currencies in the same currency. For the component of the assets for which this is not possible or if, for some other reason, it is not desirable to refinance in the corresponding currency, currency swaps and/or forward exchange contracts are used to minimize the currency risk. Hedge accounting is not applied to these financial hedges. Outstanding forward exchange contracts and currency swaps per 31 December 2017 are recognized at fair value in SEK million in the following table:

2017	EUR	NOK	DKK	USD	GBP	CHF
Derivatives	3,997	1,891	496	162	4	67
Total	3,997	1,891	496	162	4	67
2016	EUR	NOK	DKK	USD	GBP	CHF
Derivatives	2,103	990	235	4	5	-
Total	2,103	990	235	4	5	-

The above tables regarding net assets and outstanding derivatives indicate that the Group is primarily exposed to changes in the SEK/EUR and SEK/NOK exchange rates. If the SEK were to weaken by 10 percent against the EUR, the impact on profit before tax would amount to SEK -4 million and a corresponding weakening of SEK against NOK would entail a negative impact on profit of SEK 7 million. Unfavourable exchange rate fluctuations against the SEK of 10 percent regarding all of the exchange rates the Group is exposed to would entail a combined negative impact on profit before tax of SEK 11 million.

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In the same manner, if the SEK were to weaken by 10 percent against the EUR, equity would be affected by SEK 0 million and if there were a corresponding weakening in the SEK against NOK would affect equity by a negative SEK 7 million.

Interest rate risk

Interest rate risk refers to the risk that the market value of Collector's assets and liabilities should change as a result of changes in the general interest rate situation. Collector calculates and reports to the Swedish Financial Supervisory Authority what impact a sudden change in the general interest rate situation would have on the company's financial worth. Collector mainly has variable rates regarding both loans and deposits, as well as borrowing. In accordance with industry practice, mainly lending and deposit interest rates are adjusted in the event of major changes in market rates. Collector has a relatively good matching between assets and liabilities regarding the fixed-interest terms and the interest rate risk is thereby also limited. By striving for variable lending and deposit interest to the public, there is considerable flexibility to adapt the rates based on the prevailing market situation. The adopted financial and liquidity policy states that Collector shall, insofar as possible, match the fixed-interest terms with regard to lending, deposits and borrowing. Collector's treasury function is responsible for continuous management and follow-up of the interest rate risks and reporting takes place regularly to senior management. A parallel shift in the interest rate curve with a 200 basis point increase indicates a theoretical revaluation of the balance sheet by a negative SEK 38 million.

Credit risk

Credit risk relates to the risk that Collector will not receive payment as agreed and/or will make a loss due to the inability of the counterparty to fulfil its obligations. Credit risk mainly arises through outstanding receivables and agreed transactions and is managed at the Group level through an established credit policy and instructions. The steering documents comprise all of Collector's credit exposures, which are attributable to the Retail and Corporate segments and can essentially be divided into the following credit portfolios.

Retail

Personal loans
Credit cards
Payment solutions

Corporate

Factoring loans
Company credits
Property finances
Past due acquired loans

Personal loans and credit cards

Personal loans are unsecured credits to private individuals in Sweden, Norway and Finland of up to SEK 500,000 with loan periods that are mainly between 2 and 15 years. The card business consists of credit cards for private individuals in Sweden with a credit limit up to SEK 100,000.

Collector carries out ordinary checks prior to all granting of credit and applies scoring templates designed specifically for each customer. Credit is provided to the end customer once an automated credit rating process has been completed. The automated credit rating is based in

part on internal information in the form of e.g. care and existing involvement with Collector, and in part on external information in the form of a credit report and information provided by the customer. The scoring obtained by the borrower affects what credit offering is presented in terms of both amount and interest rate.

In the case of unpaid statements, internal credit management takes place, which among other things means monthly follow-up and analysis of due receivables, resulting in good ongoing risk management. The credit department continuously follows up, analyses and recommends necessary changes in the credit rating process. To limit credit losses, internal efforts are continuously made to improve scoring models and debt collection processes. Collector judges the credit risks linked to private loans and card business generally to be somewhat higher than for other company consumer credit but nevertheless acceptable in view of the good ongoing yield.

Payment solutions

Receivables attributable to payment solutions relate to the credit portfolio built up through Collector's cooperation regarding retail financing solutions with players in retail and distance trading (e-commerce and mail order). The credit facilities can comprise, for example, payment by instalments, current account credit or invoices of 30-45 days and pertains to financing of purchases of goods. The credits are unsecured loans, which mainly target private individuals in Sweden, Finland and Norway, but also to some extent Denmark, Germany and the Netherlands. The average credit amount for these receivables is low, about SEK 1,100, and the average maturity is short at just over two months. Credit management in the form of reminders and debt collection demands is handled internally, which provides good insight and knowledge of the matters. Continuous risk management takes place through monthly analysis and follow-up of statistics and key ratios of overdue receivables and credit management cases at the customer level. Regular checks are made on all transactions to identify suspected fraud.

Collector does a credit check before any credit is granted and applies specifically structured scoring templates, depending on the product, credit amount and country. The credit rating process is automated and based in part on internal information such as care and existing involvement with Collector, and in part on external information in the form of a credit report and information provided by the customer. Collector assesses that the credit risks for this business are generally limited mainly due to the portfolio consisting of a large number of small credits with short durations.

Factoring loans

Factoring loans originate in the factoring business that involves Collector either buying or pledging the customer company's issued invoices. In invoice purchasing Collector assumes the credit risk, while invoice financing and purchase with right of recourse mean that Collector primarily has a credit risk on the invoice issuer and not on the final customer, who is the invoice recipient.

Lending regarding factoring limits is always preceded by adequate credit analyses, which are collated in credit memoranda that provide the basis for decisions by the Credit Committee or the Board of Directors, depending on the decision-making body. Both the lender and the specific credit proposal are analyzed, focusing on repayment ability and sensitivity analysis.

Credit monitoring of customers and invoice recipients takes place on a continuous basis, and there is always a set total limit per customer up to

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which Collector may purchase or factor invoices. In addition to this, follow-up is also done of the client's financial standing, which directly affects the size of granted limits. The credit manager for the factoring product area arranges the continuous follow-up. Collector has deliberately chosen a low level of risk for the factoring business relative to the general level of risk in the factoring sector.

Based on customer selection and the fact that credit periods are short, credit testing is extensive and continuous follow-up takes place, the credit risks pertaining to the factoring business are deemed to be limited.

Company and real estate credits

Company credits consist of shorter operating credits and what is known as bridge financing where the credit is usually linked to one of Collector's other operations, such as the factoring business. Real estate credits are larger credits that are targeted at professional players with many years of experience and comprise junior and senior loans with collateral in multi-dwelling properties and commercial properties in metropolitan areas, such as Stockholm, Gothenburg, the Öresund region, Oslo and Helsinki, as well as other growth areas. The loan-to-value ratio is normally a maximum of 75 percent of the properties' appraised market value. Both company and real estate credits are normally secured with adequate collateral and have relatively short terms.

Lending in the form of company and real estate credit is preceded by adequate credit analyses, which are collated in credit memoranda that provide the basis for decisions by the Credit Committee or the Board of Directors, depending on the decision-making body. Both the lender and the specific credit proposal are analyzed, focusing on repayment ability and sensitivity analysis. The basic premise is that the risk of credit losses for Collector is to be very unlikely, and there are routines that work well for continuous follow-up and control of credits and borrowers. Credit monitoring of outstanding credits is performed continuously via external credit data providers. In addition to this, continuous follow-up also takes place of the customer's financial standing by collection of interim reports and other relevant information. The credit managers for the product areas of company and real estate credits arrange continuous follow-up.

Company and real estate credits are normally secured through mortgages in property, shares, guarantees, surety, floating charges or other forms of security. Company credits generally have a relatively short term of 3–36 months, while real estate credits normally have terms of 12–60 months. In exceptional cases company and real estate credits are granted with longer terms. The credit risk relating to company and real estate credits is therefore deemed to be controlled.

Past due acquired loans

Past due acquired loans refers to credit portfolios with overdue receivables against private individuals that were acquired from other creditors in Sweden, Norway and Finland. The portfolios contain loans that were past due from a few months and up to several years. The acquisition price is determined in part by the age of the receivable and historical cash flow. Acquisitions of past due loan portfolios are preceded by an extensive analysis of the current portfolio with a focus on future anticipated cash flows to determine a suitable purchase consideration. In addition to this, what is known as due diligence is also done of all or part of the loan portfolio to ensure that the information received regarding the credit matters agrees with reality. Normally, Collector also demands guarantees from the seller in the acquisition agreement

regarding disputed claims, deceased creditors, statute-barred claims or other errors. These guarantees normally run for 12-24 months, which means that there is time to identify potential deficiencies in the acquired loan portfolio.

Risk management takes place with regard to all acquired loan portfolios by the cash flows being monitored and continuously analyzed and valuations being regularly updated.

Receivables by segment

The table below presents receivables by segment as at 31 December 2017.

Loans and receivables	Amount	Within agreed time	Overdue	Provision for bad debts
Retail segment	11,015	8,630	2,385	–604
Corporate segment	9,130	8,436	694	–34
Total	20,145	17,066	3,079	–638

The table below presents receivables by segment as at 31 December 2016

Loans and receivables	Amount	Within agreed time	Overdue	Provision for bad debts
Retail segment	8,705	6,978	1,727	–461
Corporate segment	5,028	4,574	454	–30
Total	13,733	11,552	2,181	–491

All receivables under the heading Overdue in the table are overdue by one day or more. The receivables in the Retail segment are reserved collectively based on the applicable reserves policy. In the Corporate segment, reservations are made individually based on assessed credit risk.

Counterparty risk

Counterparty risk in liquidity management and financing refers to the risk that Collector's assets will decrease in value if a counterparty's credit quality becomes impaired. In liquidity management, counterparty risk arises when Collector invests liquidity with financial counterparties or invests in financial securities to meet liquidity reserve requirements and LCR measures. In order to limit counterparty risk, bank balances are to be placed at Nordic banks with a credit rating of at least A-/A3 from Standard & Poor's or Moody's. The exception to the above is the placement of liquid funds at Avanza Bank in connection with a deposit cooperation. Collector follows governance policies established by the Board of Directors regulating the type of placement and limits for individual counterparties.

Collector trades in currency derivatives in the form of swaps and futures to minimize currency risk arising from lending in currencies other than SEK. Counterparty risks constitute the credit risk in relation to other banks arising as a consequence of Collector trading with OTC derivatives to minimize the currency risks. The exposure value is determined by the so-called market valuation method, as the sum of the current replacement cost and the possible future credit exposure and is then attributed to the relevant exposure class. The risk is reduced through the exchange of collateral in accordance with CSA agreements.

Liquidity and funding risk

Liquidity and funding risk refers to the risk that Collector may be unable to borrow the required funds at a reasonable expense or sell assets at a reasonable price to meet its payment obligations. Liquidity and funding risk can also be expressed as a lack of funding on reasonable terms

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and conditions. The handling of liquidity and funding issues in Collector is based on a prepared finance and liquidity policy which states that Collector in this respect shall have a risk profile that is risk averse. To maintain a good supply of liquidity and ensure stable financing, three requirements have also been set. In summary, these mean that Collector shall have credit agreements with several different commercial banks, have a good equity/assets ratio and that current terms on deposits shall be considered to be attractive, considering profitability and liquidity risk. Collector manages the liquidity risk by ensuring that liquidity is satisfactory in terms of amount and composition to ensure future liquidity needs. At any time, adequate cash and cash equivalents, current investments with a liquid market and access to financing through credit facilities shall be available to be able to meet both normal fluctuations in liquidity and a stressed scenario with unexpected outflows beyond the normal. The composition of the balance sheet means that Collector's conditions for avoiding liquidity problems are deemed to be good. A liquid asset portfolio with short durations on the loan receivables and a liquidity reserve with good margins combined with a practically, relatively stable and secure financing mean that Collector views the liquidity and funding risk as manageable.

The treasury function is responsible for the continuous follow-up of the liquidity and funding situation. Reporting on liquidity and funding risk occurs regularly to senior management, and the Board of Directors is informed in connection with Board reports. To evaluate the liquidity and funding risk, Collector also conducts stress tests.

The table below analyses the Group's financial liabilities that will be settled net, split up based on the time remaining on the balance sheet date to the contractual due date. The amounts shown in the table are undiscounted flows. All amounts are attributable to credits cancelable for the customers, and the estimate of future interest payments is therefore uncertain. Accordingly, in the table below, the liquidity flows relating to interest payments, only include expensed interest.

	Payable on demand	Due date no longer than 3 months from balance sheet date	Due date longer than 3 months but no longer than 1 year from the balance sheet date	Due date more than 1 year but no longer than 5 years from the balance sheet date	Due date longer than 5 years from the balance sheet date
As at 31 December 2017					
Bank loans	—	—	—	—	—
Deposits from the public	—14,317	—226	—502	—264	—
Securities issued	—	—1,207	—829	—847	—498
Accounts payable and other liabilities	—10	—213	—54	—	—

Accrued interest	—	—10	—	—	—
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As at 31 December 2016

Bank loans	—	—	—	—	—
Deposits from the public	—10590	—298	—338	—119	—
Securities issued	—	—462	—344	—	—
Accounts payable and other liabilities	—16	—294	—41	—	—
Accrued interest	—	—7	—	—	—

The table below analyses the Group's financial derivative instruments that will be settled gross, split up based on the time remaining on the balance sheet date to the contractual due date.

The amounts given in the table are the contractual, undiscounted cash flows.

The amounts that fall due within 12 months agree with the carrying values, since the discount effect is insignificant.

	Less than one year
As at 31 December 2017	
Forward exchange contract and currency swaps:	
— outflow	6,177
— inflow	6,648

As at 31 December 2016	
Forward exchange contract and currency swaps:	
— outflow	4,195
— inflow	3,377

All of the Group's forward exchange contracts and currency swaps mature within six months.

Management of capital risk

The goal of Collector's capital management is to secure the ability to continue its operation, so it can continue to generate returns for shareholders and benefit for other stakeholders as well as establishing an optimal capital structure to keep the costs of capital down.

The Board of Directors produces overall five-year plans by means of annual reviews of strategy during which Collector's vision and goals according to the business plan are discussed and fixed. These plans also include a plan for how an optimal capital structure is to be achieved.

The capital risk in the Group is connected to the needs and requirements set by owners, financiers and regulatory bodies for the company. The capital ratio and the equity-to-assets ratio are two important key ratios for assessing the capital risk in the Group. The internal capital evaluation is an important process to evaluate Collector's collective capital requirements based on the risks that the business is exposed to. The aim is to evaluate whether or not the capital base is adequate in terms of amount and composition to ensure long-term development. The internal capital evaluation is drafted in cooperation between the function for risk control, the Board of Directors and senior management and also involves other relevant functions. The internal capital evaluation is

updated when necessary and at least once a year and is approved by Collector's Board of Directors.

	2017	2016
Total assets	22,371	15,155
Total equity	3,079	2,566
Equity/assets ratio	13.8%	16.9%

The equity-to-assets ratio as at December 2017 is above the requirements set for the Group (Note 26).

Reputational risk

Reputational risk refers to the risk that the market's and/or public's faith and trust in Collector decreases as a result of the spread of negative publicity or harmful rumours. If Collector's reputation is damaged, it can impact both business opportunities and terms of financing.

Collector works actively to inform its customers and other stakeholders about the business to minimize the risk of false rumours spreading in the market. In the past year, the Group worked intensively to strengthen Collector's brand. The approved information and communication policy presents Collector's strategy for minimizing the risk of possible rumours spreading and how potential rumours should be handled. All communication, both internal and external, shall be of a high level of quality and be characterized by availability, clarity and objectivity. Furthermore, it is of the utmost importance that the communication be provided at the right time to the right recipients, through the right channels and structured in a professional and attractive manner. Correct and adequate information about Collector is communicated through the following channels, to name a few: the website collector.se, a lavish and extensive Annual Report, active contact with periodicals and other media and to employees over the intranet.

Based on Collector's circumstances, it is assessed that reputational risk is mainly closely linked to liquidity and funding risk.

A rumour that harms confidence in banks in general and Collector in particular would in all likelihood first have a negative impact on deposit from the public and possibly also bank financing. Of course, the business operations can also be negatively impacted. However, Collector has a diversified business and does not stand or fall with an individual

business operation.

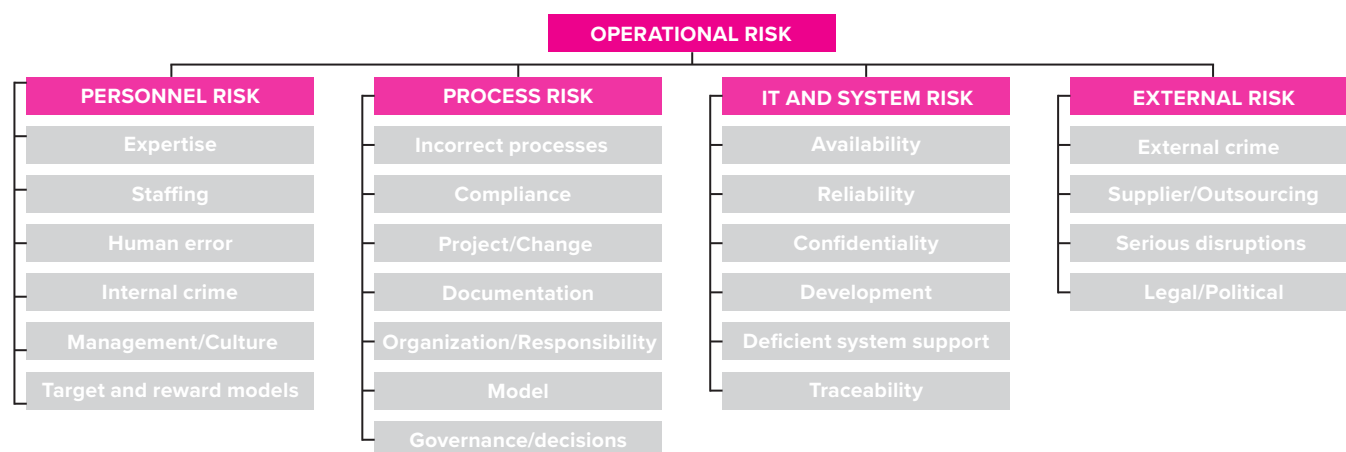
Operational risk

Operational risk relates to the risk of losses resulting from errors or inadequacies in internal procedures and processes. In addition to pure errors in administrative procedures, operational risk also includes human error, erroneous systems, IT technical problems and legal risks, as well as internal and external fraud.

To facilitate the work of identifying, evaluating and assessing the operational risks, Collector has chosen to structure the operational risks based on four main areas: personnel risk, process risk, IT and system risk and external risk. A number of potential risk areas have then been identified under each main area; see the schematic diagram below.

Collector strives for a structured approach to facilitate identification and handling of the operational risks in the business and has established a number of different steering documents in the form of policies, guidelines and instructions to minimize the operational risk in the business. Systematic self-assessments are conducted annually in the operations. Besides identifying operational risks in the business, they also contribute to spreading knowledge of operational risk in the organization. Good knowledge and understanding of operational risks and how they can be handled hopefully further contributes to a sound risk culture in Collector. A structured incident reporting, process mapping and the approval process applied for new products and services, or material changes, are examples of other central elements of Collector's risk framework with regard to managing the operational risks.

The department heads take extensive responsibility for the respective business area and continuously follow up the operational risks that may exist in the part of the operation that they are responsible for. Collector's risk control function and compliance organization have well developed cooperation on operational risks. Information about customer complaints and other incidents is continuously gathered and analyzed to ensure a well-functioning handling of the operational risks in the business.



Calculation of fair value

The Group applies IFRS 13 for financial instruments that are measured at fair value on the balance sheet. Thereby, disclosure is required about measuring at fair value per level in the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Observable data for assets or liabilities other than quoted prices included in level 1, either directly (i.e. as price quotes) or indirectly (i.e. deduced from price quotes) (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 presents the Group's assets and liabilities measured at fair value as at 31 December 2017.

	note	Level 1	Level 2	Level 3	Total
Assets					
Financial assets at fair value through the income statement					
– Derivative instruments held for trading	16	—	26	—	26
– Financial investments	25	—	814	125	939
Total assets		—	840	125	965
Liabilities					
Financial liabilities at fair value through the income statement					
– Derivative instruments – fair value option		—	2	—	2
– Derivative instruments held for trading	16	—	—	—	—
Total liabilities		—	2	—	2

The following table presents the Group's assets and liabilities measured at fair value as at 31 December 2016.

	note	Level 1	Level 2	Level 3	Total
Assets					
Financial assets at fair value through the income statement					
– Derivative instruments held for trading	14.23	—	33	—	33
– Financial investments	23	—	317	40	357
Total assets			350	40	390
Liabilities					
Financial liabilities at fair value through the income statement					
– Derivative instruments held for trading		—	—	—	—
Total liabilities		—	—	—	—

Financial instruments in levels 2 and 3.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Market information is used to as great an extent as possible when this is available, while company-specific information is used to as small an extent as possible. If all material input data required for measurement of the fair value of an instrument is observable, the instrument is at level 2. In cases where one or more items of material input data are not based on observable market information, the instrument concerned is classified at level 3. Specific valuation techniques used to measure financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Calculating the fair value of interest-rate swaps as the current value of estimated future cash flows based on observable yield curves.
- Establishing the fair value of currency future contracts using exchange rates for currency futures on the balance sheet date, where the resultant value is discounted to current value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- Bonds issued by municipalities are measured at fair value according to level 2.

Financial instruments level 3	Financial assets measured at fair value through the income statement
Initial value	40
Acquisition	77
Revaluation	8
Closing value	125

There were no reclassifications between levels during the financial year. Financial instruments in level 3 refer to investments in unlisted companies (new fintech companies) through Collector Ventures. Assets are valued at fair value through the income statement. All investments are, in some way, in the start-up phase, which the valuation is somewhat sensitive until a new indication of value emerges.

Type	Value 31 Dec. 2017	Refers to	Valuation technique	Non-observable data
Other investments	125	Portfolio of unlisted companies	Collector uses different techniques depending on available observable data. Examples of existing models include discounted cash flow models and valuation of multiples	n.a.

Note 2 Key estimates and assessments for accounting purposes

Estimates and assumptions are evaluated regularly and are based on historical experience and other factors, including expectations for future events that are to be considered reasonable under prevailing conditions. The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result will, by definition, rarely correspond to the actual results. The estimates and assumptions that involve a significant risk of significant adjustment in the carrying values for assets and liabilities during the next financial year are stated in their essential features below.

Testing the need for impairment of goodwill

Each year, and more frequently if there are indications that this is necessary, the Group examines whether there is any need to recognize impairment in goodwill.

- (1) A group of cash-generating units that jointly refers to the operations in Colligent Inkasso AB 43 (43)
- (2) A group of cash-generating units that jointly refers to the Swedish operations in Collector Bank AB. 25 (25)
- (3) Operations in Collector Norge AS 4 (4)

The method is based on a present value estimate of the company's forecast of future cash flow, where the degree of recovery is calculated. The calculations apply forecasts based on budgets for each business for the next 5 years. Cash flows are then extrapolated with a growth rate consistent with assumptions regarding sector forecasts.

The discount rate applied corresponds to the required return on equity and includes an estimate of the market risk premium in the relevant sector given the risk-free interest rate (ten-year government bond) and risk

Continuation of Note 2

premium. The required return varies over the years and is therefore calculated applying the arm's length principle regarding sources and inputs to preserve objectivity (Note 15).

Acquired credit portfolios

The Group uses a robust valuation model for acquired credits. The method is based on a present value calculation of our forecast future cash flow, where the IRR (Internal Rate of Return) in the portfolio's acquisition calculation is used as the discount factor. Deviations in actual cash flow compared with forecast cash flow require an upward adjustment or impairment, depending on whether cash flow out-performs or under-performs the forecast. This then provides the basis for the book value, which affects profit. The book value of the acquired credits amounts to SEK 216 (241) million.

The Group has extensive experience of valuing acquired credits. In terms of experience, our method has provided a stable outcome very close to our forecasts. Each portfolio consists of a larger number of receivables, spreading the risk in the portfolio and reducing fluctuations in cash flow. The spread, over many cases in a portfolio, means that cash flow comprises numerous smaller payments through the Enforcement Agency or directly from the debtor. This means that overall total cash flow fluctuates very little and can be forecast with high level of certainty.

Testing the need to impair financial assets

Credits issued by the Group that fall due for payment without being settled by the debtor and thus subject to debt collection measures are managed internally within the Group. In view of the operations conducted, a substantial proportion of the assets in Collector's balance sheet consist of overdue receivables. The book value of these receivables is determined by a present value calculation of anticipated future cash flows.

Given the valuation principle applied regarding overdue receivables, the most significant risk is that future cash flows will decline faster than forecast. The cash flows attributable to overdue receivables are therefore monitored and analyzed on a regular basis. In connection with changes of quarter, an assessment is made to determine whether any book values should be revalued. The annual aggregated adjustment of the book values of overdue receivables issued by the Group has historically been limited to +/- 3 percent of the total book value of these receivables. For the next financial year, the effect of the revaluation of overdue receivables is expected to be in line with historical outcomes.

The changes in cash flow forecasts that Collector Bank implements are based on analyses of historical cash flows and assumptions regarding the future trend.

Note 3 Segment reporting

The senior management has established the business segments based on the information used as a basis for distributing resources and evaluating results.

The senior management assesses the business on an aggregated level distributed on the basis of a customer perspective: Retail and Corporate. The Retail and Corporate business areas presented in the monthly report are deemed to be operating segments under the IFRS 8 definition.

The Private/Retail segment pertains to the revenue streams of interest income and commission revenue, which are generated from the Commerce, Private Loans, Cards and Credit Management Consumer product areas. The Corporate segment comprises the product areas of Factoring, Company Credits, Purchased Portfolios, Credit Management Corporate as well as Real Estate Credits and pertains to the revenue streams of Credit Management and Interest Income.

The income measure followed up at segment level is profit before tax. This means that expenses of personnel, production, purchased

services and interest attributable to the segment are included in the segment result. On the assets and liabilities side it is the measure of outstanding credit portfolio which is presented in the monthly report per segment, which in the annual financial statements is referred to as lending and other receivables. No other measures on the balance sheet are followed up at segment level.

Intra-Group sale between segments takes place on market terms. Internal transactions between the business areas pertain to remuneration for work carried out in Credit Management on management and debt collection of the Group's purchased receivables. The remuneration is paid in the form of a commission recognized as an expense, but which is eliminated in the consolidated statement of comprehensive income.

No single customer accounts for more than 10 percent of the Group's aggregate income.

Under IFRS 8, presentation by geographic region has to take place with regard to revenue and non-current assets and on the basis of where the Group companies are located.

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
Interest expenses	—74	—56	—	—130
Credit losses	—187	—3	—	—189
Other expenses	—717	—365	136	—946
Profit before tax	368	300	0	688
Lending and other accounts receivable	10,411	9,096	0	19,507
Reporting per geographic area	Income, external customers		Intangible fixed assets	
	2017		2017	
Sweden	1,895		287	
Other countries	38		—	
	1,933		287	

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Continuation of Note 3

2016	Retail	Corporate	Eliminations	Collector Group
Income, external customers	1,036	478	—	1,513
Income, internal	79	36	—116	—
Total income	1,115	514	—116	1,513
Interest expenses	—50	—28	—	—78
Credit losses	—120	0	—	—120
Other expenses	—611	—298	116	—794
Profit before tax	333	188	—	521
Lending and other accounts receivable	8,244	4,998		13,242

	Income, external customers	Intangible fixed assets
Reporting per geographic area	2016	2016
Sweden	1,469	223
Other countries	44	0
	1,513	223

Note 4 Income

Income per significant type of income	Sweden	Norway	Finland	Total Group
Group income per 2017				
Credit management	70	37	—	107
Commission income	14	0	1	15
Income from interest	1,696	1	—	1,697
Other income	113	1	0	114
	1,893	39	1	1,933
Group income per 2016				
Credit management	62	41	—	103
Commission income	15	—	1	16
Income from interest	1,296	1	—	1,297
Other income	96	—	1	97
	1,469	42	2	1,513

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Note 5 Employees and personnel expenses

Average number of full-time employees (including temporary employees, but not those on parental leave or leave of absence)	1 Jan. 2017 –31 Dec. 2017	of whom men, %	1 Jan. 2016 –31 Dec. 2016	of whom men, %
Group				
Sweden	317	49	276	46
Finland	33	42	30	42
Norway	26	46	23	47
Total for Group	376	48	329	46

	31 Dec. 2017 Proportion of women, %	31 Dec. 2016 Proportion of women, %
Gender distribution in senior management		
Total for Group		
Board of Directors	57	50
Other leading senior executives	63	55

	31 Dec. 2017	31 Dec. 2016
Salaries, other compensation and social security contributions	Salaries and bene- fits	Salaries and bene- fits
Group	194.8	156.5
(of which pension expenses)	74.0	60.0
	(18.2) ¹⁾	(13.5) ¹⁾

1) Of the Group's pension expenses, 4 (3) pertains to the Group's Board of Directors and CEO.

	31 Dec. 2017	31 Dec. 2016
Salaries and other benefits by country and between Board Members, etc. and other employees	Board of Directors and CEO ²⁾	Board of Directors and CEO ²⁾
Group in Sweden	7.1	6.9
Group in Norway	—	—
Group in Finland	—	—
Total for Group	7.1	6.9

2) Pertains to salaries and other benefits to Board Members, deputy Board Members, CEO and Deputy CEO.

Remuneration and other benefits 2017	Basic salary/ remuneration	Variable remuneration	Other benefits	Pension expense	Other remuneration	Total
Chairman of the Board	Lena Apler	3.4	0.2	0.6	0.0	4.2
Vice Chairman	Erik Selin	0.6				0.6
Board Member	Christoffer Lundström	0.4				0.4
Board Member	Azita Shariati	0.3				0.3
Board Member	Cecilia Lager	0.4				0.4
Board Member	Patrik Reuterskiöld	0.4				0.4
Board Member	Anna Settman	0.3				0.3
CEO	Liza Nyberg	1.3	0.1	0.5		1.9
Other senior executives (eight individuals)		10.9	0.4	2.4	0.0	13.7
Total		18.0	0.7	3.5	0.0	22.2

NOTES

Continuation of Note 5

Remuneration and other benefits 2016		Basic salary/ remuneration	Variable remuneration	Other benefits	Pension expense	Other remuneration	Total
Chairman of the Board	Lena Apler	1.8		0.0	0.1	0.0	1.9
Vice Chairman	Erik Selin	0.3					0.3
Board Member	Vilhelm Schottenius	0.3					0.3
Board Member	Christoffer Lundström	0.3					0.3
Board Member	Azita Shariati	0.3					0.3
Board Member	Cecilia Lager	0.3					0.3
CEO	Stefan Alexandersson	3.7		0.1	0.9	0.0	4.7
Other senior executives (seven individuals)		7.4	—	0.4	1.7	0.0	9.5
Total		14.4	—	0.6	2.7	0.0	17.7

Remuneration of CEO and senior executives

Remuneration paid to the CEO is decided by the Board of Directors. The CEO received no variable remuneration in 2017. According to the contract, retirement age is 65. In the case of termination of employment of the company's CEO, from the company's side, remuneration is paid for 18 months. If the CEO resigns, there is a six-month notice period. There is no agreement on severance pay for the Board of Directors. Fixed remunerations to senior executives are determined by the CEO. In the case of termination of employment of senior executives, from the company's side, remuneration is paid for 3–12 months.

For the past and present CEO, and the Chairman of the Board, endowment insurance policies have also been signed. The Group's pension obligations correspond to the fair value of the endowment insurance policies, and additional special payroll tax on the pension obligation. The endowment insurance policies and pension obligation are recognized net in the balance sheet. On 31 December 2017, the pension commitment

was SEK 3 (2) million. The special payroll tax is recognized under "accrued expenses and prepaid income".

Remuneration policy

Collector has adopted a remuneration policy that has been prepared with the aim of fulfilling the requirements that are set in the Swedish Financial Supervisory Authority's regulations (FFFS 2011:1) on remuneration policy in credit institutions. The starting point for the remuneration policy is that it is prepared based on the risks to be found in the Group. It states the grounds and principles for how remuneration shall be established, applied and followed up as well as how the company defines the employees who could affect the company's risk level. The remuneration policy shall promote healthy and effective risk management and should militate against excessive risk-taking. The policy shall promote the Group's long-term interests. No employee in what the remuneration policy defines as management or other risk takers are currently eligible for variable salary components.

Note 6 Depreciation of property, plant and equipment and amortization of intangible fixed assets

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Group		
Capitalized expenses for development work and similar	–56	–37
Leasing objects	0	0
Equipment	–4	–3
	–60	–40

Note 7 Other profits/losses – net

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Group		
Profit/loss from sales of equipment	—	0
Profit/loss on sales of leasing objects	—	0
	—	0

Note 8 Remuneration and expense reimbursement to the auditors

	1 Jan. 2017 –31 Dec. 2017		1 Jan. 2016 –31 Dec. 2016	
	PwC Sweden	PwC Other	PwC Sweden	PwC Other
Group				
Auditing	1.1	0.2	1.0	0.3
Audit activities in addition to audit assignment	0.6	—	0.5	0.1
Tax advice	1.0	0.1	1.1	—
Other services	0.1	—	1.1	—

Audit assignments pertain to the examination of the annual accounts and book-keeping and the administration by the Board of Directors and CEO, as well as other tasks incumbent on the company's auditor to be performed. Audit activities in addition to the audit assignment entail quality assurance services to be exercised in accordance with the law, the articles of association, statutes or agreements. Tax advice includes both consulting and auditing of compliance in the area of taxation. Other services involve other assignments.

Note 9 Lease expenses

31 Dec. 2017	Less than 1 year	Between 1-5 years	Between 6–10 years
Rent premises etc.	27	86	98
Hire cars	2	2	—

31 Dec. 2016	Less than 1 year	Between 1-5 years	Between 6–10 years
Rent premises etc.	20	87	0
Hire cars	2	4	—

Pertains to future minimum lease payments regarding non-cancelable operational leasing agreements

Note 10 Other expenses

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Group		
Commission expenses	197	142
Credit management expenses	71	68
Credit losses, net	189	120
Postage expenses	44	46
Administration expenses	147	114
Other operating expenses	195	173
	843	663

Note 11 Financial income and expenses

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Group		
Loss on divestments of Group companies	—	0
Loans to credit institutions – interest income	5	0
Deposits, credit institutions – interest expenses	–3	–1
Deposits, the public – interest expenses	–89	–68
Securities issued – interest income	2	—
Issued securities – interest expenses	–29	–2
Revaluation of securities	1	1
Promissory credit and other interest expenses	–3	–8
Profit/loss from sales of current investment	—	0
Other interest income	0	0
Net financial items	–116	–78

Note 12 Income tax

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Group		
Income tax for the period	–118	–93
Taxes on the previous year's profit	–1	–1
Total current tax	–119	–94
Deferred tax	–32	–22
	–151	–116

	1 Jan. 2017 –31 Dec. 2017		1 Jan. 2016 –31 Dec. 2016	
Reconciliation of effective tax	%	Amount	%	Amount
Profit before tax		668		521
Tax at current rate for Parent Company	22	–147	22	–115
Non-deductible expenses		–5		–1
Non-taxable income		0		1
Standard interest attributable to tax allocation reserve		0		0
Current tax attributable to previous years		1		–1
Effect of foreign tax		0		0
		–151		–116

Note 13 Earnings per share

	Prior to dilution		After dilution	
Earnings per share	2017	2016	2017	2016
Earnings per share	5.03	4.25	5.04	—

Earnings per share after dilution	2017	2016
Profit attributable to Parent Company shareholders (SEK million)	517	405
Effect of interest on convertible debentures	2	—
Profit attributable to Parent Company shareholders after dilution (SEK million)	519	405

Weighted average number of shares, after dilution	2017	2016
Weighted average number of ordinary shares, before dilution	102,690,502	102,690,502
Effect of convertible debentures *)	439,698	—
Weighted average number of ordinary shares over the year, after dilution	103,130,200	102,690,502

The weighted average number of ordinary shares amounts to 102,690,502 and the number of ordinary shares outstanding at the end of the year amounts to 102,690,502.

*) In the above calculation, convertibles owned by Collector Bank AB have not been taken into account. If these were to be redeemed, the number of shares would increase by 444,380.

NOTES

Note 14 Property, plant and equipment

Equipment	31 Dec. 2017	31 Dec. 2016
Group		
<i>Accumulated acquisition values</i>		
At the start of the year	31	26
New acquisitions	4	5
Divestments and disposals	—	—1
Translation difference acquisition value	0	1
	35	31
<i>Accumulated depreciation</i>		
At the start of the year	—21	—18
Divestments and disposals	—	0
Translation difference depreciation	0	0
Depreciation of the acquisition values for the year	—4	—3
	—25	—21
Carrying value at the end of the year	10	10

Note 15 Intangible assets

Capitalized expenses	31 Dec. 2017	31 Dec. 2016
Group		
<i>Accumulated acquisition values</i>		
At the start of the year	282	181
Divestments	—	—
New acquisitions	121	101
Translation difference	0	0
	403	282
<i>Accumulated depreciation</i>		
At the start of the year	—131	—94
Divestments	—	—
Translation difference	0	0
Amortization and impairment for the year	—56	—37
	—187	—131
Carrying value at the end of the year	216	151
Goodwill		
Group		
<i>Accumulated acquisition values</i>		
At the start of the year	72	71
Acquisition	—	—
Translation difference	—1	1
	71	72

The senior management assesses business on the basis of a customer perspective:
Retail and Corporate, which have been identified as operating segments in accordance with IFRS 8. Group goodwill is attributable to the following cash generating entities:

- (1) A group of cash-generating units that jointly refers to the operations in Colligent Inkasso AB SEK 43 million (43)
- (2) A group of cash-generating units that jointly refers to the Swedish operations in Collector Bank AB SEK 25 million (25)
- (3) Operations in Collector Norge AS SEK 4 million (4)

Goodwill for each cash-generating unit/group has been tested for impairment in preparing the annual accounts. The calculations of future cash flows are based on three-year financial forecasts, with assumptions having been made regarding average credit stock, new contracts and margins, and with cash flows beyond the five-year period being extrapolated applying an estimated growth rate of 2.0 percent and a discount rate.

Since the same required return applies to all cash-generating units, the same discount rate is used in all calculations. The average growth rate used is based on the company's own plans and assessments for future developments. The calculation of the recovery value is based on the value in use. The discount rate is considered to correspond to the return on equity (RoE) and is calculated at 6.8 percent after tax applying the following formula. Before tax, the discount rate is 8.7 percent.

Required return on equity

$$Re = Rf + b(Rm) + a$$

In the event of a change in assumptions made regarding rate of growth and discount rate of +/- 2 percentage points, no need for impairment would arise. Collector therefore deems there to be scope for a reasonable change in both the assumption on rate of growth and the discounting factor.

NOTES

Note 16 Derivative instruments

	31 Dec. 2017		31 Dec. 2016	
	Assets	Liabilities	Assets	Liabilities
Group				
Currency future contracts	26	—	33	—
Total	26	—	33	—

The nominal amount for outstanding currency future contracts as at 31 December 2017 amounted to 6,648 (3,377).
The futures fall due within six months of the balance sheet date.

Note 17 Lending and other receivables

	31 Dec. 2017	31 Dec. 2016
Group		
Loan receivables and accounts receivable ¹⁾	20,145	13,733
Provision for bad debts	–638	–491
Accounts receivable – net	19,507	13,242
Other receivables	9	12
Prepayments and accrued income	60	251
	19,576	13,505
Minus non-current part	–9,563	–7,408
Current part	10,013	6,097

The fair value of loans and receivables and other receivables is as follows:

	31 Dec. 2017	31 Dec. 2016
Loan receivables and accounts receivable	19,507	13,242
Other receivables	9	12
Prepayments and accrued income	60	251
	19,576	13,505

1) Loans and receivables consist of both own and acquired loans and receivables. The distribution of receivables by segment is presented by the table on page 16.

The reserve for bad debts amounted to 638 (491). The company has made calculations for the expected cash flow and made the judgement that there is no further need for impairment.

As at 31 December 2017, loans and receivables totalling 3,079 (2,181) were overdue. Of these, 216 (241) were acquired overdue receivables. Of the remaining amount, 2,160 (1,642) relates to overdue receivables. Impairment has been carried out according to the Group's reserves policy and it is deemed that there is no further need for impairment, beyond 638. The company makes regular assessments of receivables during the year based on the solution rate and recovery rate. An age analysis of these loans and receivables is given as per:

	31 Dec. 2017	31 Dec. 2016
Less than 3 months	219	54
3 to 6 months	164	128
More than 6 months	1,777	1,460
Total	2,160	1,642

Carrying amounts in SEK million, by currency, for the Group's loans and receivables are as follows:

	31 Dec. 2017	31 Dec. 2016
SEK	12,838	8,943
EUR	4,078	2,139
NOK	1,917	1,735
USD	138	54
GBP	1	2
DKK	478	369
CHF	57	—
	19,507	13,242

Changes in the reserve for doubtful loans and receivables are as follows:

	31 Dec. 2017	31 Dec. 2016
As at 1 January	–491	–397
Provision for bad debts	–189	–106
Receivables written off during the year that are not collectable	42	26
Foreign currency effect	0	–14
As per 31 December	–638	–491

Provisions for respective reversal of provisions for bad debts are included in the item Other expenses in the income statement. Amounts that are recognized on the value reduction account are normally written off when the Group does not expect to recover further liquid funds.

Other categories within loans and receivables do not include any assets for which there is a need for impairment.

NOTES

Note 18 Other receivables

	31 Dec. 2017	31 Dec. 2016
Group		
Prepaid loan brokerage expenses *)	—	207
Prepaid supplier invoices	20	9
Accrued commission income	13	12
Accrued interest income	8	11
Other accrued income	2	1
Other prepayments	17	11
Other receivables	9	12
	69	263

*) if the classification of the account took place in 2017

Note 19 Cash and cash equivalents

	31 Dec. 2017	31 Dec. 2016
Group		
Cash and bank balances	1,533	1,021
Current investments	—	—
	1,533	1,021

Of the total amount, SEK 11 million (11) refers to funds held on behalf of a third party.

Note 20 Share capital

Specification of changes in equity can be found in the consolidated statement of changes in equity, which is immediately after the balance sheet.

	Share capital
As at 1 January 2016	9
New issue of ordinary shares	1
As at 31 December 2016	10
As at 31 December 2017	10

The shares issued total 102,690,502 (102,690,502) ordinary shares with a quota value of SEK 0.1 per share (0.1 per share). All shares issued are fully paid. No dividend has been paid in 2016 and 2017.

Note 21 Borrowing

	31 Dec. 2017	31 Dec. 2016
Group		
Non-current		
Deposits from the public	264	119
Securities issued	1,344	—
Other non-current liabilities – convertible option component	2	—
	1,610	119
Current		
Deposits from the public	15,046	11,226
Securities issued	2,035	806
	17,081	12,032
Total borrowing	18,691	12,151

Bank loans

Total borrowing includes bank loans and other secured loans of 0 (0). The security for bank loans consists of floating charges in Collector Credit AB. Of the deposits from the public, 13,067 (9,478) is guaranteed by the Swedish National Debt Office.

The Group's exposure, with respect to borrowing, to changes in interest and the contractual timing of interest rate renegotiation on the balance sheet date is as follows:

Deposits from the public	31 Dec. 2017	31 Dec. 2016
Payable on demand	14,318	10,590
Due date no longer than 3 months from balance sheet date	226	298
Due date longer than 3 months but no longer than 1 year from the balance sheet date	502	338
Due date more than 1 year but no longer than 5 years from the balance sheet date	264	119
	15,310	11,345
Securities issued and convertible option portion	31 Dec. 2017	31 Dec. 2016
Due date no longer than 3 months from balance sheet date	1,206	462
Due date longer than 3 months but no longer than 1 year from the balance sheet date	829	344
Due date more than 1 year but no longer than 5 years from the balance sheet date	848	—
Due date longer than 5 years from the balance sheet date	498	—
	3,381	806

NOTES

Continuation of Note 21

Average interest rates during the year:

	31 Dec. 2017	31 Dec. 2016
Deposits from the public, %		
SEK, Direktkonto (direct account)	0.63	0.64
SEK, Ettårskonto (one-year account)	1.00	0.78
SEK, Tvåårskonto (two-year account)	1.20	0.82
Securities issued, %		
Commercial papers	0.38	0.36
Senior unsecured bond	1.24	—
Bond Tier 2	4.00	—
Convertible	4.62	—

The fair value of borrowings is assessed, in all material respects, as equivalent to their carrying value, because most consists of short-term borrowings and the effect of discounting is therefore not significant.

Carrying amounts in SEK million, by currency, for the Group's total borrowing are as follows:

	31 Dec. 2017	31 Dec. 2016
EUR	23	27
SEK	18,668	12,124
	18,691	12,151

The Group has the following underutilized credit facilities:

Variable interest	31 Dec. 2017	31 Dec. 2016
Expire within one year	800	800

The loan possibilities that expire within one year are one-year credit facilities that were reviewed at various times in 2018. The entire change for the year in borrowing affects cash flow and is reported under financing activities in the cash flow statement.

Note 22 Deferred tax

	31 Dec. 2017	31 Dec. 2016
Group		
Deferred tax assets:		
Change in deferred tax for temporary differences	—1	1
	—1	1
Deferred tax liabilities:		
Provision for deferred tax in untaxed reserves	116	85
Provision for deferred tax attributable to other temporary differences	6	2
	121	87
Deferred tax liabilities:		
– deferred tax liabilities to be paid after more than 12 months	121	87
The gross change in deferred taxes is as follows:		
Opening balance	87	66
Change in deferred tax regarding untaxed reserves	31	21
Change in deferred tax for other temporary differences	3	0
Closing balance	121	87

Note 23 Accrued expenses and prepaid income

	31 Dec. 2017	31 Dec. 2016
Group		
Interest expenses	11	9
Accrued personnel expenses	18	14
Other accruals	174	89
	203	112

Note 24 Other current liabilities

	31 Dec. 2017	31 Dec. 2016
Group		
Deposits	57	68
Client funds	25	19
Liability to dealers	30	34
Other liabilities	40	20
	152	141

NOTES

Note 25 Financial assets and liabilities

	Financial assets measured at fair value through the income statement		Financial liabilities measured at fair value through the income statement			
As at 31 December 2017	Held for trade	Loan/trade receivables	Held for trade	Other liabilities	Total carrying amount	Fair value
Assets						
Accounts receivable and other receivables	—	19,516	—	—	19,516	19,516
Other financial assets valued at fair value through the income statement	814	—	—	—	814	814
Shares and participating interests	125	—	—	—	125	125
Derivative instruments held for trading	26	—	—	—	26	26
Cash and cash equivalents	—	1,533	—	—	1,533	1,533
Total	965	21,049	—	—	22,014	22,014
Liabilities						
Borrowing and certificates issued	—	—	—	18,689	18,689	18,689
Derivative instruments – fair value option	—	—	2	—	2	2
Accounts payable and other liabilities	—	—	—	186	186	186
Total	—	—	2	18,875	18,877	18,877
	Financial assets measured at fair value through the income statement		Financial liabilities measured at fair value through the income statement			
As at 31 December 2016	Held for trade	Loan/trade receivables	Held for trade	Other liabilities	Total carrying amount	Fair value
Assets						
Accounts receivable and other receivables	—	13,254	—	—	13,254	13,254
Other financial assets valued at fair value through the income statement	317	5	—	—	322	322
Shares and participating interests	40	—	—	—	40	40
Derivative instruments held for trading	33	—	—	—	33	33
Cash and cash equivalents	—	1,021	—	—	1,021	1,021
Total	390	14,280	—	—	14,670	14,670
Liabilities						
Borrowing	—	—	—	12,151	12,151	12,151
Accounts payable and other liabilities	—	—	—	173	173	173
Total	—	—	—	12,324	12,324	12,324

NOTES

Note 26 Capital adequacy analysis

The Parent Company, Collector AB, is part of a financial group of companies (consolidated situation) that includes the subsidiaries Collector Bank AB, Colligent Norge AS and Collector Ventures 1KB.

The information on the company's capital adequacy in this document pertains to information that must be disclosed according to Chapter 6, Sections 3–4 of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on the annual reports of credit institutions and securities companies and which relates to information indicated by Articles 92.3 (d) and (f), 436 (b) and 438 of Regulation (EU) No 575/2013 and Chapter 8 Section 23 of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2014:12) on supervisory requirements and capital buffers, as well as column a in Annex 6 to Commission Implementing Regulation (EU) No 1423/2013. Other disclosures required according to FFFS 2014:12 and Regulation (EU) No 575/2013 are set out on the company's website, www.collector.se.

Information on capital base and capital requirements

The establishment of the company's statutory capital requirement is governed by the Act (2014:968) on Prudential Supervision of Credit Institu-

tions and Securities Companies, the Capital Adequacy Regulation (EU No 575/2013), the Capital Buffers Act (2014:966) and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding prudential requirements and capital buffers (FFFS 2014:12).

The purpose of the rules is to ensure that the company manages its risks and protects its customers. The rules state that the company's capital base must cover the need for capital including the minimum capital requirement (the capital requirement for credit risk, market risk and operational risk).

Collector applies the standardized method when calculating credit risk. The capital base must amount to at least 8 percent of the risk weighted exposure. The exposure is calculated by allocating the company's items on and off the balance sheet to different risk classes. For each risk class, there is a number of risk weights. How the allocation is made between risk classes and the underlying risk weights depends on the type of exposure and the opposite party.

For operational risk, the base method (15 percent of the last three years' average operating income adjusted for dividends from Group companies) is used).

The company's capital situation can be summarized as follows:

Capital base	Corporate group	
	31 Dec. 2017	31 Dec. 2016
Equity	3,080	2,565
Deduction intangible assets	–240	–175
Core Tier 1 capital	2,840	2,390
Tier 2 capital	498	–
Deduction from Tier 1 and Tier 2 capital	–	–
Expanded capital base	–	–
Capital base	3,338	2,390

Capital requirement	Corporate group	
	31 Dec. 2017	31 Dec. 2016
Credit risk	1,400	940
Market risk	9	6
Creditworthiness adjustment risk (CWA risk)	2	1
Operational risk	180	140
Capital requirement Pillar I	1,591	1,087

Summary of capital		
Remaining capital after Pillar I	1,747	1,303
Capital adequacy ratio	2.10	2.20
Total capital ratio	16.8%	17.6%

Exposure for the group of companies (Credit Risk)	31 Dec. 2017			31 Dec. 2016		
	Exposure	Risk-weighted amount	Minimum requirement (8%)	Exposure	Risk-weighted amount	Minimum requirement (8%)
Municipalities and other associations	492	–	–	335	–	–
Covered bonds	341	34	3	–	–	–
Institution exposures	1,610	322	26	1,070	214	17
Corporate exposures	8,063	7,977	638	4,207	4,207	336
Household exposures	9,415	6,909	553	7,352	5,514	441
Unregulated items	1,618	1,627	130	1,259	1,259	101
Items associated with particularly high risk	21	33	2	–	–	–
Other items	597	597	48	558	558	45
Total	22,157	17,499	1,400	14,781	11,752	940

NOTES

Continuation of Note 26

Amounts in SEK thousand	Note	Corporate group	
		31 Dec. 2017	31 Dec. 2016
Common Equity Tier 1 capital after deductions		2,840	1,877
Additional Tier 1 capital after deductions		—	513
Tier 2 capital after any deductions		498	—
Capital base		3,338	2,390
Amount of risk exposure		19,887	13,584
Capital base requirement for			
– credit risk		1,400	940
– market risk		9	6
– creditworthiness adjustment risk (CWA risk)		2	1
– operational risk		180	140
Capital requirement Pillar I		1,591	1,087
Common Equity Tier 1 capital ratio		14.3%	13.8%
Tier 1 capital ratio		14.3%	17.6%
Total capital ratio		16.8%	17.6%
Total Common Equity Tier 1 capital requirement including buffer requirement		8.5%	8.2%
of which capital conservation buffer		2.5%	2.5%
of which countercyclical capital buffer		1.5%	1.2%
of which systemic risk buffer		0.0%	0.0%
Common Equity Tier 1 capital available for use as buffer		8.3%	7.8%
Specification of capital base			
<i>Common Equity Tier 1 capital</i>			
Share capital		10	9
Other contributed capital		1,313	801
Non-distributed profits		1,239	838
Revised net profit after deduction of predictable dividends and expenses		518	404
		3,080	2,052
Less:			
– Intangible assets		240	175
– Deferred tax assets		—	—
Total Common Equity Tier 1 capital		2,840	1,877
<i>Additional Tier 1 capital</i>			
Capital instruments and associated premium funds		—	513
Deductions		—	—
Total additional Tier 1 capital		—	513
<i>Tier 2 capital</i>			
Non-perpetual subordinated loans		498	—
Deductions		—	—
Total Tier 2 capital		498	—
Total capital base		3,338	2,390

NOTES

Note 27 Pledged assets and contingent liabilities

	31 Dec. 2017	31 Dec. 2016
Pledged assets		
<i>For own liabilities and provisions</i>		
Floating charges	800	800
Total pledged assets	800	800
Contingent liabilities	None	None

In addition to pledged assets, the Group/company uses covenants/loan terms.

Note 28 Transactions with related parties

As at 31 December 2017, Fastighets AB Balder owns 44.07 percent of Collector AB.

	31 Dec. 2017	31 Dec. 2016
<i>Income and expenses with related parties in 2016</i>		
Debt collection services		
Fastighets AB Balder	6	6
Other related parties	0	0
Company and real estate credits		
Oscar Properties	–	6
24 Storage Service AB	–	1
Garden Growth	4	–
Nakd one World	1	–
Other related parties	0	6
Deposits		
Fastighets AB Balder	2	0
Other related parties	0	0
Convertibles		
Collector Bank ab	1	–
Other related parties	0	–
Total	14	19

Continuation of Note 28

Outstanding accounts on the balance sheet date

	31 Dec. 2017	31 Dec. 2016
Company and real estate credits		
Oscar Properties	–	60
24 Storage Service AB	–	50
Garden Growth	70	–
Nakd one World	25	–
Other related parties	10	42
Total	105	152
Deposits		
Fastighets AB Balder	202	500
Other related parties	3	3
Total	205	503
Convertibles		
Collector Bank ab	42	–
Other related parties	21	–
Total	63	–

Collector provides debt collection and company and real estate credit services to related parties. These take place on market terms.

Deposits are made at current terms for Collector's respective savings account. During 2017, convertibles had an average interest rate of 4.62 percent

For information on the remuneration of the Board of Directors and senior executives, please see Note 5.

Note 29 Events after the balance sheet date

- Collector Bank initiates a partnership with 24SevenFinans while Collector Ventures invests in the same company.
- Adam Ritzén is appointed as the new Sales and Marketing Manager and Johanna Niklasson becomes the new communications manager
- Collector Bank presents the report "Convert", showing that e-commerce between companies remains far behind e-commerce targeting consumers.

PARENT COMPANY

Income Statement

SEK million	Note	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Other operating income	30	79	65
		79	65
Operating expenses			
Other external expenses	31, 32	–76	–63
Depreciation of property, plant and equipment and amortization of intangible fixed assets	33	–13	–13
Operating profit		–10	–11
Profit from financial items			
Profit from holdings in Group companies		–	0
Interest income and similar items	34	9	0
Interest expenses and similar items	34	–4	0
Profit after interest and tax		–5	–11
Appropriations			
Appropriations, other	35	14	18
Profit before tax		9	7
Income tax	36	0	–2
Profit for the year		9	5

PARENT COMPANY

Statement of comprehensive income

SEK million	1 Jan 2017 –31 Dec 2017	1 Jan. 2016 –31 Dec. 2016
Profit for the year	9	5
Other comprehensive income	–	–
Total comprehensive income for the year	9	5

THE PARENT COMPANY

Balance Sheet

SEK million	Note	31 Dec. 2017	31 Dec. 2016
ASSETS			
Non-current assets			
<i>Intangible fixed assets</i>			
Capitalized expenses for development work and similar work	37	24	31
		24	31
<i>Property, plant and equipment</i>			
Equipment	38	7	6
		7	6
<i>Financial non-current assets</i>			
Participations in Group companies	39	1,381	1,299
Other non-current receivables	40	5	5
		1,386	1,304
Total non-current assets		1,417	1,341
Current assets			
<i>Current receivables</i>			
Receivables with Group companies		25	29
Other receivables		13	12
Prepayments and accrued income	41	11	5
		49	46
<i>Cash and bank balances</i>			
		24	5
Total current assets		73	51
TOTAL ASSETS		1,490	1,392

CONTINUED

Balance Sheet

SEK million	Note	31 Dec. 2017	31 Dec. 2016
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital (102,690,502 shares)		10	10
Statutory reserve		18	18
Development expenditure fund		13	12
		41	40
<i>Non-restricted equity</i>			
Share premium reserve		1,274	1,274
Retained profit		–92	–96
Profit for the year		9	5
		1,191	1,183
		1,232	1,223
Untaxed reserves			
Tax allocation reserves	42	4	4
		4	4
Provisions			
Tax provisions		2	–
		2	0
Non-current liabilities			
Other non-current liabilities		87	–
		87	–
Current liabilities			
Deposits from the public		1	1
Accounts payable		5	5
Liabilities to Group companies		149	153
Other current liabilities		0	0
Accrued expenses and deferred income		10	6
		165	165
TOTAL EQUITY AND LIABILITIES		1,490	1,392

PARENT COMPANY

Pledged assets and contingent liabilities

SEK million	Note	31 Dec. 2017	31 Dec. 2016
Pledged assets	43	—	—
Contingent liabilities	43	400	400

PARENT COMPANY

Equity

2017	Restricted equity			Non-restricted equity	
	Share capital	Statutory reserve	Development expenditure fund	Share premium reserve	Retained profit
Parent Company					
At the start of the year	10	18	12	1,274	—91
Profit for the year	—	—	—	—	9
New issue of ordinary shares	—	—	—	—	—
Transfer of development expenses capitalized in-house	—	—	1	—	—1
Expenses and tax effect in stock exchange listing	—	—	—	—	0
At the end of the year	10	18	13	1,274	—83

2016	Restricted equity			Non-restricted equity	
	Share capital	Statutory reserve	Development expenditure fund	Share premium reserve	Retained profit
Parent Company					
At the start of the year	9	18	—	762	—78
Profit for the year	—	—	—	—	5
New issue of ordinary shares	1	—	—	512	—
Transfer of development expenses capitalized in-house	—	—	12	—	—11
Expenses and tax effect in stock exchange listing	—	—	—	—	—6
At the end of the year	10	18	12	1,274	—91

PARENT COMPANY

Cash flow statement

SEK million	Note	1 Jan. 2017 –31 Dec 2017	1 Jan. 2016 –31 Dec. 2016
Operating activities			
Profit/loss after financial items		–5	–11
– of which, interest received		0	0
– of which interest paid		–2	0
Adjustments for items not included in the cash flow, etc.			
– Depreciation/amortization		13	13
– Other non-cash items		–8	–
		0	2
Taxes paid		0	0
Cash flow from operating activities before changes in working capital		0	2
<i>Cash flow from changes in working capital</i>			
Increase(–)/Decrease(+) in current receivables		–2	–6
Increase(+)/Decrease(–) in operating liabilities		–3	19
Cash flow from operating activities		–5	15
Investing activities			
Acquisition of intangible fixed assets		–4	–2
Acquisition of property, plant and equipment		–4	–13
Investments in subsidiaries		–81	–557
Sales of subsidiaries		–	0
Cash flow from investing activities		–89	–572
Financing activities			
Group contributions paid/received		18	40
New issue of ordinary shares		–	505
Borrowings	21	100	–
Amortization		–5	–
Cash flow from financing activities		113	545
Cash flow for the year		19	–12
Cash and cash equivalents at the start of the year		5	17
Cash and cash equivalents at the end of the year		24	5

NOTES

Accounting policies, parent company

The Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The policies are the same for the parent company as for the Group apart from the following exceptions.

Group contributions

Group contributions are reported in the income statement in accordance with RFR2.

Group information

Of the parent company's transactions measured in SEK, 2.0 percent (0.1) of the expenses and 100 percent (100) of the income pertains to other companies throughout the group of companies to which the company belongs.

Note 30 Other operating income

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Parent Company		
Management fee	79	65
Other	0	0
	79	65

The Parent Company's income largely consists of management fees from subsidiaries.

Note 31 Remuneration and expense reimbursement to the auditors

	1 Jan. 2017 –31 Dec. 2017		1 Jan. 2016 –31 Dec. 2016	
	PwC Sweden	PwC Other	PwC Sweden	PwC Other
Parent Company				
Auditing	1.1	—	1.0	—
Auditing activities in addition to the audit assignment	0.4	—	0.5	—
Tax advice	1.0	—	0.1	—
Other services	0.1	—	1.3	—

Audit assignments pertain to the examination of the annual accounts and book-keeping and the administration by the Board of Directors and CEO, as well as other tasks incumbent on the company's auditor to be performed. Audit activities in addition to the audit assignment entail quality assurance services to be exercised in accordance with the law, the articles of association, statutes or agreements. Tax advice includes both consulting and auditing of compliance in the area of taxation. Other services involve other assignments.

Note 32 Employees and personnel expenses

	31 Dec. 2017 Proportion of women, %	31 Dec. 2016 Proportion of women, %
Gender distribution in senior management		

Parent Company

Board of Directors	57	50
Other leading senior executives	63	55

	31 Dec. 2017		31 Dec. 2016	
	Salaries and bene- fits	Social security expenses	Salaries and bene- fits	Social security expenses
Salaries, other compensation and social security contributions				
Parent Company	3.3	0.2	1.8	0.6

	31 Dec. 2017		31 Dec. 2016	
Salaries and other benefits by country and between Board Members, etc. and other employees	Board of Directors, CEO	Other employees	Board of Directors, CEO	Other employees
Parent Company				
Sweden	3.3	—	1.8	—
Parent Company total	3.3	—	1.8	—

1) Refers solely to remuneration of the Board of Directors.

There is no agreement on severance pay for the Board of Directors or CEO.

NOTES

Note 33 Depreciation of property, plant and equipment and amortization of intangible fixed assets

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Parent Company		
Capitalized expenses for development work and similar	11	11
Equipment	2	2
	13	13

Note 34 Financial income and expenses

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Group		
Securities issued – interest income	–4	—
Revaluation of securities	9	—
Promissory credit and other interest expenses	0	0
Other interest income	0	0
Net financial items	5	0

Note 35 Appropriations, other

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Parent Company		
Group contributions received and provided	14	18
Reversal from tax allocation reserve	—	—
Provisions to tax allocation reserve	—	0
Excess depreciation	0	0
	14	18

Group contributions at the Parent Company go over the income statement according to RFR2.

Note 36 Income tax

	1 Jan. 2017 –31 Dec. 2017	1 Jan. 2016 –31 Dec. 2016
Parent Company		
Income tax for the period	0	–2
Tax from previous years	2	0
Deferred tax	–2	—
	0	–2
Reconciliation of effective tax	%	% Amount
Profit before tax	9	7
Tax according to current tax rate for the Parent Company	22.0 –2	22.0 –2
Non-deductible expenses	–1	0
Non-taxable income	0	0
Expenses to be deducted but not included in profit	1	0
Standard interest attributable to tax allocation reserve	0	0
Tax from previous years	2	0
	0	–2

NOTES

Note 37 Capitalized expenses for development work and similar work

	31 Dec. 2017	31 Dec. 2016
Parent Company		
<i>Accumulated acquisition values</i>		
At the start of the year	79	65
New acquisitions	4	14
Divestments and disposals	—	—
	83	79
<i>Accumulated depreciation according to plan</i>		
At the start of the year	—48	—37
Depreciation for the year according to plan	—11	—11
Reversal depreciation on divestments	—	—
	—59	—48
Carrying value at the end of the year	24	31

Note 38 Equipment

	31 Dec. 2017	31 Dec. 2016
Parent Company		
<i>Accumulated acquisition values</i>		
At the start of the year	13	11
New acquisitions	4	2
Divestments and disposals	—	—
	17	13
<i>Accumulated depreciation according to plan</i>		
At the start of the year	—7	—5
Divestments and disposals	—	—
Depreciation according to plan for the year for acquisition values	—3	—2
	—10	—7
Carrying value at the end of the year	7	6

Note 39 Participations in Group companies

	31 Dec. 2017	31 Dec. 2016
Accumulated acquisition values		
At the start of the year	1,299	742
Acquisitions during the year	82	44
Shareholder contribution	—	513
Divestments during the year	—	—
	1,381	1,299

Specification of the Parent Company and Group holdings of participations in Group companies:

Subsidiary / Corp. ID. no. / Domicile	Number of participations	Share in %	Carrying amount
Collector Bank AB, 556597-0513, Gothenburg	1,494,220	100.00	1,198
Colligent Inkasso AB, 556527-5418, Gothenburg	1,000	100.00	57
Collector Ventures 1 KB, 969780-2180, Stockholm	KB partner	80.00	126
			1,381

NOTES

Note 40 Other non-current receivables

	31 Dec. 2017	31 Dec. 2016
Parent Company		
<i>Accumulated acquisition values</i>		
At the start of the year	5	5
Acquisitions during the year	—	—
	5	5

Note 41 Prepaid expenses and accrued income

	31 Dec. 2017	31 Dec. 2016
Parent Company		
Prepaid supplier invoices	10	5
Other prepayments	1	—
	11	5

Note 42 Untaxed reserves

	31 Dec. 2017	31 Dec. 2016
Parent Company		
Tax allocation reserve 2012	1	1
Tax allocation reserve 2013	2	2
Tax allocation reserve 2014	0	0
Tax allocation reserve 2016	0	0
Excess depreciation	1	1
	4	4

Note 43 Pledged assets for liabilities to credit institutions

	31 Dec. 2017	31 Dec. 2016
Parent Company		
Pledged assets		
<i>For own liabilities and provisions</i>	—	—
Total pledged assets	—	—
Contingent liabilities		
Guarantees for the benefit of Collector Bank AB	400	400
Responsibility as limited partner in Collector Ventures 1 KB	—	—
	400	400

Note 44 Proposed appropriation of profit

	31 Dec. 2017
The Board of Directors and the CEO propose that the available profit, SEK 1,191 million, be distributed in the following manner:	
Carried forward	1,191
Total	1,191

The consolidated income statement and balance sheet will be submitted to the Annual General Meeting on 24 April 2018 for adoption.

The Board of Directors and CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's position and performance. The Annual Report has been prepared in accordance with generally accepted accounting principles and provides a true and fair view of the Parent Company's position and performance. The Directors' Report for the Group and the Parent Company provides a true and fair overview of the development of the Group's and Parent Company's operations, position and performance and describes significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

Gothenburg, 26 March 2018

Lena Apler
Chairman

Liza Nyberg
CEO

Erik Selin
Vice Chairman

Christoffer Lundström

Patrik Reuterskiöld

Azita Shariati

Cecilia Lager

Anna Settmann

Our audit report was submitted on 26 March 2018
PricewaterhouseCoopers AB

Peter Nilsson
Authorized Public Accountant
Auditor in charge

Rebecka Öhman
Authorized Public Accountant

Audit Report

To the Annual General Meeting of Collector AB, Org. no. 556560-0797

Report on the Annual Report and the Consolidated Financial Statements

Opinion

We have conducted an audit of the Annual Accounts and Consolidated Financial Statements of Collector AB for the financial year 1 January 2017 to 31 December 2017. The company's annual and consolidated accounts are included on pages 7-48 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present, in all material respects, a fair portrayal of the financial position of the Parent Company as of December 31, 2017 and its financial performance and cash flow for the year in accordance with the Annual Accounts Act. The Consolidated Financial Statements have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and in all material respects give a true and fair view of the Group's financial position as at 31 December 2017 and of its financial results and cash flow for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory Administration Report (Directors' Report) is consistent with the other parts of the annual and consolidated accounts.

We therefore recommend that the Annual General Meeting approve the consolidated Income Statement and Balance Sheet and the Income Statement and Balance Sheet of the Parent Company.

Our statements in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company's Audit Committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for statements

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility in accordance with these standards is described in the section Auditor's responsibility. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This entails that, based on our best knowledge and belief, no prohibited services referred to in Article 5.1 of the Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Scope and focus of the audit

We designed our audit was to determine the degree of materiality and assess the risk for material misstatement in the financial statements. We took into account in particular the areas in which the CEO and the Board of Directors made subjective judgements, including significant accounting estimates made based on assumptions and projections about future events, which by their nature are uncertain. As with all audits, we have also considered the possibility of the Board of Directors and CEO overriding internal controls, and among other things, considered whether there is evidence of systematic differences that gave rise to a risk of material misstatement due to fraud.

We adapted our audit to carry out a proper investigation in order to be able to express an opinion on the financial statements as a whole, taking into account the Group's structure, accounting processes and controls, and the sector in which it operates.

Collector's principal operations are conducted in the wholly-owned subsidiary Collector Bank AB, which is why most of our audit refers to this company and was implemented by the central audit team. Our audit is performed on an ongoing basis throughout the year and we meet with the Board of Directors to discuss our observations in connection with the planning of the audit, the reporting of the review of internal control in the autumn and in connection with the review of the year-end accounts.

Materiality

The scope and focus of the audit are influenced by our assessment of materiality. An audit is designed to achieve a reasonable degree of assurance about whether the financial statements are free from material misstatement. Errors may occur as a result of fraud or error. These are regarded as material if, individually or collectively, they can reasonably be expected to influence the economic decisions that users make based on the financial statements.

Based on professional judgement, we defined certain quantitative materiality figures, including the financial reporting as a whole. We used these and qualitative considerations to determine the scope and focus of the audit and the character, timing and scope of our audit measures, and to assess the impact of individual and combined errors in the financial statements as a whole.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Provisions for expected credit losses

As of 31 December 2017, the Group's balance sheet item Lending and receivables amounted to SEK 19,507 million, net after provisions for feared credit losses of SEK 638 million. Accordingly, this item constitutes a major portion of the balance sheet. To determine the size of the provision for feared loan losses, management is required to make judgements about borrowers' future ability to repay. The inherent complexity, combined with the size of the item and the need for extensive IT support, increases the risk for material misstatements in the financial reporting and makes the valuation of loan receivables a particularly important area of the audit.

Calculating provisions for feared credit losses is based on management's estimates of future cash flows and the selected discount rates. This involves subjective judgements, both in terms of the timing of when provisions are recognized, and the size of the provisions.

Collector has processes for provisions for individually identified receivables, as well as models for collective provisions for its own lending.

Effective from 1 January 2018, IFRS 9, the new accounting standard for financial instruments accounting, is applied. The new model for calculating reserves for feared credit losses represents a major change and requires, in addition to systems support, further assessments to determine the recoverable amount.

For a description of the type and size of the receivables, associated risks, important recognition and measurement principles, including the transition to IFRS 9, and information about key management estimates, please refer to the company's description in the Directors' Report and Note 1 on pages 16-25 and Note 17.

How our audit addressed the particularly important area

Our audit of the company's valuation of loan receivables has covered both tests of internal controls and substantive testing of credit reserves.

Testing of internal controls have included:

- review of the approval process for new credit,
- review of the information in the system against the established agreement,
- testing of general controls, such as the allocation of authorizations, access to applications and changes in the production environment,
- testing of the credit reserve process, including evaluation of models for credit loss provisions.

In our substantive testing, the audit team, including the work of our valuation specialists has included:

- interviews with those at Collector responsible for valuation, to evaluate key assumptions and estimates,
- analytical review where comparisons and assessments of historical data are used to assess the reasonableness of forecasts for the future development of portfolios,
- sampled based review of the use of parameters and inputs to forecast future cash flows,
- evaluation and sampled based validation of models relating to the calculation of the credit provisions.

We have evaluated Collector's work on the implementation of IFRS 9. In addition, we have sample based tested and assessed significant assumptions in the model.

Information other than annual and consolidated accounts

The printed version of this document also contains information other than annual and consolidated accounts and can be found in the introduction and on pages 1-6 and 52-61. The Board of Directors and the CEO are responsible for this other information.

Our statement regarding the annual accounts and the consolidated accounts does not include this information and we do not make a statement attesting to this other information.

In connection with our audit of the Annual Report and the consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is to a significant extent incompatible with the Annual Report and the consolidated accounts. In this examination, we also take into account the knowledge we have acquired during the audit, as well as assess whether the information in general contains any material misstatement.

If, based on this work conducted regarding this information, we conclude that the other information contains any material misstatement, we are required to report this. We have nothing to report in that regard.

Responsibility of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the CEO are also responsible for such internal

control as they determine is necessary to enable the preparation of annual and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to going concern. They disclose, as applicable, conditions that could impact the company's capacity to continue operating, and the assumption of continued operation. However, the assumption of continued operation is not applicable if the Board of Directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative but to do so.

The Risk and Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditors' responsibility

Our objective is to obtain reasonable assurance as to whether the annual accounts and the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error and to issue an audit report containing our statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for auditing the annual accounts and the consolidated accounts is available on the Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the audit report.

Report on other legal and regulatory requirements

Opinion

In addition to our audit of the annual and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Collector AB for 1 January 2017 to 31 December 2017 and the proposed appropriations of the company's profit or loss.

We recommend that the Annual General Meeting appropriate the company's profit or loss in accordance with the proposal presented in the statutory Administration Report (Board of Directors' Report) and that the directors and the CEO be discharged from liability for the financial year.

Basis for statements

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in the section Auditor's responsibility. We are independent of the Parent Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditors' responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability towards the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for auditing the annual accounts and the consolidated accounts is available on the Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the audit report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed audit firm for Aktiebolaget Collector (publ) by the general meeting of shareholders on 25 April 2017 and has been the company's audit firm since 2008.

Gothenburg 26 March 2018
PricewaterhouseCoopers AB

Peter Nilsson
Authorized Public
Accountant
Auditor in charge

Rebecka Öhman
Authorized Public
Accountant

SUSTAINABILITY REPORT

Focus on the future



Collector's sustainability work is closely linked to our core values: ethics, commitment and entrepreneurship. As a growing company, we have a responsibility to contribute to the sustainable development of the society in which we operate – locally and globally. In 2017, sustainability efforts were implemented in earnest in our operations. The Sustainability Report comprises the Parent Company Collector AB (corporate identity number 556560-0797) and all entities included in Collector's consolidated accounts for the same period as specified in Note 39 to the consolidated accounts.



The ultimate responsibility for sustainability issues at Collector lies with the Board of Directors, which defines the strategic direction and establishes policy frameworks and control processes. The CEO is responsible for integrating sustainability work into the operations, and each function is responsible for advancing and developing the efforts within its area of responsibility.

Here, Chairman of the Board Lena Apler and CEO Liza Nyberg discuss how sustainability issues form an integral part of the strategy and play a crucial role in Collector's future operations.

What does sustainability mean to Collector?

Lena: Sustainability is vital if we are to be relevant today, and probably even more so in the future. We seek to generate long-term value for our customers, employees, owners and society as a whole by working primarily on the social and economic aspects of the sustainability agenda. To me, sustainability involves how we must be aware of the changes taking place in our world, how they will affect our customers and our operations, and how we choose to act. Sustainability entails the long-term – not to progressing too quickly or taking easy solutions without being persistent in doing things right, opting out of transactions that do not comply with our ethical standards and daring to pursue ideas that can help build value for our stakeholders in the long term.

How is sustainability integrated into Collector's targets and strategies?

Liza: We must be both persistent and agile in implementing our growth strategy. In our day-to-day efforts, sustainability involves how we act and assume responsibility in all of our relationships, with people, with other companies, and in society. It permeates everything we do and, through our values of entrepreneurship, ethics and commitment, our employees have sustainability at their very core. Through strategic and long-term sustainability work, we can identify and utilize opportunities while minimizing risks. Our mission is to generate a long-term value for our customers, employees, owners and society in general.

What is your foremost key to success?

Lena: Our corporate culture is crucial to our success. We have a wonderful culture! I like to quote Peter Drucker: "Culture eats strategy for breakfast" – strategies must constantly be developed, reworked and adapted to changes in reality, but culture continues over time, serving as both our driving force and our road map. To maintain our culture while growing rapidly, we all must be bearers of our culture and live according to our core values. The challenge is to grow cautiously and to take care to recruit people who can contribute to our corporate culture.

Liza: Our greatest assets and what really differentiates Collector from other players in the sector are our unique corporate culture and our employees. There is enormous power in the drive and commitment shown by our employees. We should have fun at work, inspiring one another to come up with new ideas and to be able to implement them. We never say "that's impossible". Instead, we say "Cool idea – we've never done that!"

How should we meet the future needs of our customers?

Lena: By being good listeners! Developments are progressing very quickly, and we must be able to develop with our custom-

ers, understanding and meeting their needs. We achieve this by maintaining a dialogue with our customers, by being flexible, by realizing ideas and finding new ways to deliver what the customer wants. Preferably before the customers themselves realize their need for a new solution. An integrated view of sustainability is prerequisite to understanding and meeting the customer's future needs in a society undergoing great change.

Liza: Our external environment is changing, and we must react to that. An integrated view of sustainability is a prerequisite for being able to understand and meet customers' future needs. Our agile approach and high level of expertise in digital solutions enable us to challenge conventions and find new solutions that are both smoother and more efficient for people and the environment, as well as more secure than the established ones. We want to create a customer experience based on digital technology, yet still perceived as accessible, genuine and personal. We shall resolve the tasks presented to us by our customers, and facilitate their ideas simply, smoothly and securely.

What have you achieved in 2017 – what are you proud of?

Liza: I'm proud that we've created a strong organization of people with different backgrounds and many skills, who find it fun to work with us. We have managed to grow with good profitability. Our scalable and flexible IT platform, developed in-house, enables us to quickly introduce new products, such as Spira, Check-out B2B and, soon digital mortgages too. We are at the forefront of digital development in the sector and perceive numerous future opportunities. I'm also proud of our strong customer relationships, characterized by our strong values of entrepreneurship, ethics and commitment – we find new solutions, we are fair and transparent, and we care about our customers.

What is the next stage in Collector's sustainability work?

Lena: We have now completed the groundwork with an organization, culture and digital platform that are agile and focused on the opportunities and risks of the future. In terms of sustainability, our next step is to have a structured dialogue with our stakeholders, to clarify our ambitions and set out our strategy.

Liza: We see strategic sustainability taking on an increasingly clear role in our transactions. We must stay a step ahead of the regulations affecting our sector and help understand and address the risks in the sector's digital development. During the journey, we must continue to develop structures and processes for our work – an aspect that is increasing in importance as we grow.

OUR WORLD

Focus on the future

We live in a time of substantial change, where having a long-term focus on the future is essential for successful business. This means that we must understand how society develops, how it affects our business and what expectations our stakeholders have of us. Four mega trends affect our society – demographic change, the connected world, access to resources and climate change. By analyzing these trends, we can understand how conditions will change for our sector and for our customers, as well as the risks and opportunities facing is in the future. Accordingly, we can remain at the forefront by identifying solutions and opportunities and by meeting customer needs in a changing world. The first three megatrends will have a significant impact on Collector's operations, while we believe climate change will have less of an impact.

1

DEMOGRAPHIC CHANGES

Changed conditions:

- Labour market in the Nordic region
- Increasing income discrepancies
- Changed consumer behaviour

- Demographic changes will affect us in several ways. With an ageing population and increasing demand for employees skilled in digitization, skills will become increasingly scarce, in particular the expert digital skills that are essential for Collector. Our response is to develop new ways of finding and developing skills through partnerships with local actors and universities.
- Increasing economic discrepancies in society make it important for us to contribute to our customers' knowledge of good private finances and financial obligations.
- Changed consumer behaviour towards online channels and sharing economy places new demands on ours ability to develop solutions and meet customers through new channels.

2

CONNECTED WORLD

Changed conditions:

- Big data
- Cyber crime
- Market regulation
- Changing role of the bank

- In a connected world, our relations, with each other and with the outside world, change. With Collector's digital platform, digitization and its consequences involve new ways of interacting and sharing information. Although big data opens opportunities, it is important to ensure that customers' privacy is protected. We will see increasing challenges from cyber crime, which we address with robust systems.
- We are partnering with other players in the financial sector to counteract cyber crime and we will also see continued development of market regulations to adapt to new conditions in the sector.
- The role of the banks will change with the opportunities that digitization presents. Our digital offering and strength in digital skills means that this is the core of our business. We focus on our customers' needs and what we can do to simplify and improve financial transactions, increase security, and manage risks for our customers.

3

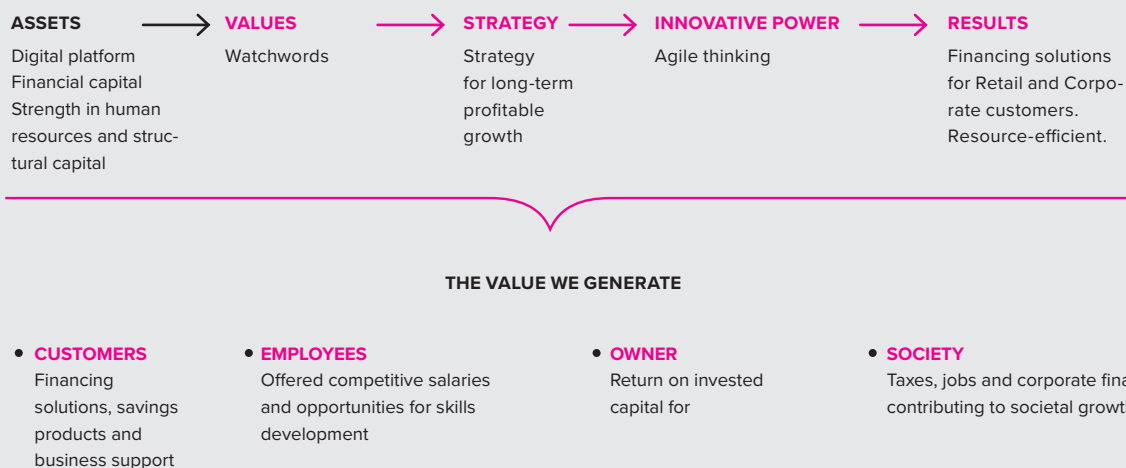
ACCESS TO RESOURCES

Changed conditions:

- Circular economy

- Among other things, access to resources will lead to increased expenses, new legislation and regulations. We can counter this by working in an agile way, ensuring that our operations are as efficient as possible and identifying business opportunities linked to the circular economy.

COLLECTOR'S BUSINESS MODEL



1. Assets

We have been able to build a resource-efficient, high-performance organization and a customer-focused offer by investing the following assets in our business model:

Strength in human resources and structural capital

In recent years, our organization has experienced strong growth. Over the past five years, the average number of employees has risen from 201 to 376. Our structural capital includes processes, frameworks and credit approval and management tools, including our scoring model for loan approvals. An indicator that these processes work are our credit losses, which have been below 1.5 percent since 2013 and at 1.1 percent over the past two financial years.

Digital platform

We have a unique digital platform, developed in-house, that is modular and flexible. In 2017, three new products were launched: the Spira app, which simplifies savings in stocks, a checkout solution B2B for our corporate customers and the Collector app, which provides a clear overview of our users' finances.

Financial capital

Our strong growth in income and profit has created a stable and high capital base that amounted to SEK 3,338 million at the end of 2017, compared with SEK 553 million in 2013. The capital ratio for 2017 was 17 percent. Over the past five years, our average annual growth rate was 29 percent in terms of income and 37 percent in terms of profit after tax.

2. Business model

Collector's business model describes how our business generates long-term sustainable value for our key stakeholders: customers, employees, owners and society. We process our assets through a unique recipe for success, which mainly comprises following parameters:

- Our corporate culture is central to our core values of entrepreneurship, ethics and commitment forms the foundation for our behaviour.
- A strategy with profitable growth in focus, whereby we have been able to show strong growth for 18 years.
- Innovative power and agile thinking means we are focused on ideas and able to come up with good ideas and to implement them, offering our customers innovative thinking and digital financing solutions.

3. Results

We generate the following values for our stakeholders;

- We help our customers realize their ideas through digital financing solutions, savings products with interest and support for better decisions and more secure transactions.
- Our employees enjoy their work, receive competitive salaries and have good opportunities to develop their skills.
- Through continued strong and profitable growth, we strive to generate a good return on invested capital for our shareholders.
- To society, we contribute tax payments, jobs and financing of companies that contribute to community growth, and we do this with a low environmental impact.

FOCUS AREAS

Collector's sustainability efforts build on our three core values of entrepreneurship, ethics and commitment, which permeates all of our operations and our approach to the people, companies and communities with whom we come into contact. The objective is to be able to generate long-term value for our customers, employees and owners, as well as for society in general.



ENTREPRENEURSHIP stands for innovative power, new thinking and drive. This means that we are driving change, that we are focused and that we dare to challenge. We are open to new impressions and seek to constantly develop and grow to create opportunities and realize ideas.

RELEVANT SUSTAINABILITY ISSUES

- Customer relations
- Financial knowledge
- Long-term profitable growth
- Durable products



ETHICS stands for respect, empathy and integrity. This means we are responsible, open and forthright. We show respect for one another, our customers, partners and other stakeholders. We stand for what we do and make informed decisions based on a holistic approach.

RELEVANT SUSTAINABILITY ISSUES

- Ethical business and counteracting financial crime
- Working conditions and human rights
- Transparency
- Taxes



COMMITMENT stands for participation, energy and passion. This means that we always do our best and gladly go the extra mile to find the best solution. We are passionate about our assignment, work close to our customers and impress people with our ability to provide quick responses.

RELEVANT SUSTAINABILITY ISSUES

- Access to skills
- Diversity
- Skills development
- Working environment and health
- Efficient use of resources
- Social commitment

Entrepreneurship

Collector has its origins in the capacity of a strong entrepreneur to challenge the conventions that survive as approaches to day-to-day operations. Curiosity, creativity, openness for new solutions and a strong fighting spirit give us the courage to think differently at Collector. We are nimble and unencumbered by old systems and hierarchies.

Customer relations

In the sector in which we operate, trust capital is a prerequisite. We strive to be accessible, to show respect and to offer useful solutions.

Responsible lending is a key aspect of long-term value creation. Among other things, we grant Personal loans (unsecured loans) only to people considered able to repay. To make reliable credit assessments, we have developed an advanced digital scoring model based on millions of data points (big data). The model is continuously being developing to improve selection criteria and improve the quality of the credit portfolio. In 2017, 40

percent of all loan applications for private loans were granted, compared with 48 percent in 2016. The ambition is to maintain a low and stable credit loss level. For 2017 it was 1.1 percent.

We have a restrictive attitude towards direct marketing. Of our loans, 97 percent are mediated by loan brokers with our loan terms being clearly stated and easily compared to those of other lenders.

It is also important to make sure our customers can contact us easily when necessary. The challenge is to be able to help customers when they need to perform a transaction or seek other help. Since we consider it important to be able to respond to the customer with the right expertise and, at the same time, gaining an understanding of our customers' needs, Collector maintains its own customer service function.

Customer service operates through various channels and answers about 12,000 calls a week, 6,000 e-mails and about 400 questions in our chat forum. Our customers have different backgrounds and we can currently provide customer service in 15 different languages. In 2017, 85 percent of calls were

answered within 90 seconds. Each year, satisfaction with our service is measured, and for 2017 we scored 4.41 on a scale of 1 to 5 (in 2016, we scored 4.38). Since June 2017, when customers have contacted our customer service, we have asked them if the problem was resolved and 89 percent of them have answered yes.

Collector's debt collection company Colligent has developed a new and solution-focused approach to solving customer problems. By listening, analyzing the situation based on legal skills, and being solution-oriented, new routes out of debt can be found, benefiting all concerned. Our advisers in the debt collection operations have academic legal degrees and can therefore provide qualified advice during the process.

Financial knowledge

We have a responsibility to ensure that our customers receive accurate and relevant information to make optimal financial decisions.

CASE *Collector Ventures*

Collector Ventures invests in new fintech companies and has invested in some 20 start-ups to date. Common to these is that they have a clear business concept that meets a need in the market, often with the dissemination of financial knowledge as part of the business model, such as making it easier for people to make better decisions about their consumption.

CASE *Gimi (Veckopengen)*

One of the companies that Collector Ventures has invested in is Gimi, which offers the Veckopengen app to children and parents who want to learn more about managing money. The app can be used for payment and saving of pocket money, allowing children to set their own savings targets and to earn money for various household tasks.

CASE *Albert – the digital math teacher*

One way of building financial awareness is to promote better maths skills in young people. Collector partners with eEducation company Albert to develop the Albert digital homework assistance app. The aim is to make knowledge available to all through technological innovation and building on artificial intelligence. The maths problems included have been taken from lower-secondary school materials and helps pupils with the problems they are unable to resolve. The app has been downloaded by a large proportion of the country's lower-secondary pupils and the response has been overwhelmingly positive.

We strive to contribute to increased knowledge in personal finances and financial obligations among our customers. We do this by actively promoting a responsible attitude towards customers in product development, sales and consulting, credit and debt collection management. We also play a role in increasing financial knowledge among young people and in marginalized areas. See our examples Pocket Money and Albert.

Long-term profitable growth

We have shown continuous strong and profitable growth from the outset. This helps to provide security and stability for both customers and employees, as well as from a social perspective. Since 2005, our income has shown an average annual growth rate of 29 percent and profit after tax has increased by an average 52 percent.

Sustainable products

The Compliance function is involved in the development of new products, from an early stage to ensure regulatory compliance and that robust processes and control procedures are put in place. In the future, we see potential in integrating additional sustainability criteria in the development of new products from a wider perspective and in a structured manner.

Our digital approach is also more resource efficient than in traditional banking operations, with less resources, such as paper and transport, being consumed. Our digital platform is structured in modules and can thus be developed and expanded continuously, giving us the flexibility to lead the way forward.

Ethics

Good business ethics are a prerequisite for building confidence among customers, employees and society. Our entire operations are pervaded by the organization's governance instruments and a clear ethical compass among our employees. Business is to be conducted in an above-board manner and with respect for the responsibility we bear in our relationships with key stakeholders and the society in which we operate.

Ethical business and counteracting financial crime

Financial crime includes phenomena such as money laundering, financing of terrorism, bribery and corruption. For Collector, it is important to both combat crime in society and protect our business and brand. It is our responsibility to combat and prevent criminal behaviour. Relevant risks in our sector include bribery and other corruption, as well as abuse of power for personal gain among employees and in our interactions with other companies, individuals or institutions of society. We actively counteract this through training, robust systems and controls. Much of risk management is governed by regulations, but we have also chosen to introduce supplementary procedures, such as the Collector Ethics Committee (see below).

Collector has clear governance documents and processes, as well as regular training for employees in counteracting money laundering and financing of terrorism, and in the detection and reporting of suspicious transactions. The company's Compliance function monitors compliance with legislation, Finansinspektionen's (Swedish Financial Supervisory Authority) regulations and the Board of Directors' governance documents, reporting directly to the Board of Directors on, for example, Finansinspektionen's know-your-customer regulations. In addition, there is continuous monitoring of transactions through filters that flag different outcomes, and if these filters identify a suspicious transaction, it is reported to the financial police.

To ensure that the entire organization knows, understands and adheres to our ethical rules, we have a framework of policies and processes for information, follow-up and control. All employees receive training in Collector's ethical guidelines upon recruitment and, each year, compliance training courses are conducted for all relevant employees, including topics such as anti-corruption and money laundering.

An ethical approach is also part of the credit assessment of corporate customers. Before Collector grants credit or commences a business relationship with a new company, the business is reviewed from a financial perspective and with regard to ethical requirements. Not only illegal operations are excluded but also alcohol, tobacco and pornography. Other business models, not considered ethical, may be rejected by the Credit Committee. In the future, our challenge will be to further systematize this work with processes supporting our continued growth.

Reporting of potential deviations

If anyone, whether an employee or a customer becomes aware of irregularities, it is important that this be disclosed. We have clear guidelines about this and anyone with information on misconduct must report this to their immediate manager. In accordance with official requirements, there is also a whistleblower system in place, managed by an external party, where the whistleblower's anonymity can be guaranteed. The purpose of these measures is to be able to detect and address possible misconduct as early as possible. In 2017, no cases were reported via the whistleblower function.

Ethics Committee

If an ethical dilemma arises in relationships with customers or employees, this is addressed by Collector's Ethics Committee, consisting of the CEO, the HR Director, the Head of Legal and the Head of Compliance.

An example case might be that we are made aware that a customer or supplier has behaved in a manner or expressed values that we do not agree with. The Ethics Committee shall reach exemplary business decisions ensuring that Collector clarifies the operations' values – entrepreneurship, commitment and ethics.

Integrity and confidentiality

The banking sector is increasingly a target of cyber crime. Consequently, it is important that Collector provide robust systems and routines to detect and prevent attempts at cyber crime, as well as countering the increasing activity and number of intrusion attempts.

With the latest technology and increased focus on security, we have built control systems using, for example, blockchain technology and event sourcing, which improve the traceability and control of transactions. Cloud-based data storage reduces our vulnerability and we spread the risks. The Swedish Financial Supervisory Authority monitors and approves our data storage solution.

Our focus on security pervades our development work and all development teams include IT security architects. The number of intrusion attempts has increased but, to date, no attempt has managed to penetrate our security system.

Risk control function

The Compliance function, the risk control function and the internal audit perform checks on processes and procedures according to audit plans established by the Board of Directors. The challenge is to keep ahead of current legislation, as technological development often drives changes at a faster pace than laws and regulations can handle.

Working conditions and human rights

At Collector, there is zero tolerance for all forms of discrimination or harassment due to gender, gender identity or expression, ethnicity, religion or other beliefs, disability, sexual orientation or age. We demand respect for human rights, both in our own operations and among our suppliers and business partners.

To provide a uniform picture of the business ethics framework, work has begun to establish a Code of Conduct. During 2018, training will be provided to all employees to ensure that they are familiar with, and act in accordance with the Code.

Supply chain

All of our direct suppliers are in countries and sectors with a low

risk of human rights abuses. At present, these factors are only controlled through self-assessment by the suppliers. The target for 2018 is for all of our suppliers to sign our supplier policy, in which they commit to complying with our requirements regarding good working conditions, respect for human rights, anti-corruption and respect for the environment.

Transparency

For Collector, transparency means maintaining an open and accessible approach and providing relevant and accurate information about the company's strategies, profit and other factors that may affect stakeholder decisions. We strive to provide clear information on terms to customers. Information for customers is available on our website and our customer service can be accessed by phone, e-mail and chat.

Towards our owners, employees and the financial market, we maintain an open dialogue in which we strive to provide as accurate and relevant information as possible about our operations. We achieve transparency towards our owners through open dialogues at our general meetings and through regular gatherings. In connection with quarterly reports, telephone or live presentations are held that are also made available on our website. Continuous contacts and dialogue are maintained with the Swedish Financial Supervisory Authority.

Employees receive regular information through our intranet and monthly meetings are held with all employees via a video up-link. The ongoing dialogue primarily takes place via employees' immediate managers.

Taxes

Since its inception, Collector Bank has paid income taxes in the locations where its operations are conducted, which is an obvious part of assuming our responsibility as a corporate citizen. Over the past five years, Collector has paid a total of SEK 451m in income tax.

Commitment

Through strategic sustainability, we show a clear commitment to our employees and our environment. The issues that have a strong link to commitment give us the appropriate prerequisites for implementing our growth strategy.

The sustainability issues pervaded by our commitment are strongly linked to our customer offering and how we deliver it with the least possible environmental impact. We want to understand and meet our customers' needs before our customers themselves have recognized that need. We seek new, better

solutions and ways of providing financial services with good terms for our customers and of helping them manage their finances.

Our employees should feel that they have the opportunity to realize ideas in which they and others believe. The commitment concerns both how we behave as colleagues and managers, but also in our relations with customers, business partners and our community.

Access to skills

Collector strives to be an attractive and dynamic workplace for driven people with different personalities and backgrounds. We have a strong and present founder and strong female role models, aspects that many applicants say that they find inspiring. We have built up a systematic HR approach with processes for recruitment, introduction, and skills and leadership development.

For Collector, skills are both our greatest strength and a future challenge. We need to be able to attract skilled employees who enjoy working with us and whom we have opportunities to develop.

There is a shortage of about 30,000 with appropriate IT skills in the Swedish labour market, and competition for the best skills is likely to get fiercer. Collector works actively to appeal to the most talented people in this field and has learned that many are attracted to Collector, knowing they will have the opportunity to work with the latest technology. We have developed a close partnership with the Chalmers University of Technology in Gothenburg to facilitate the recruitment of highly talented people.

The IT experts of the future have not necessarily followed the traditional educational routes and are not only to be found at the largest universities. We believe that the best programmers of the future can also be found in many other places and have other backgrounds.

To find these talented people, we initiated Collector Academy in partnership with Academic Works – a boot camp for those lacking formal education but who are motivated and have the appropriate mindset. Over a period of three months, they receive 500 hours of training in coding, corresponding to three years of coding at university. Following training, participants are offered employment with a mentor and continued trainee instruction during the first year.

An annual eNPS survey is conducted into how our employees perceive Collector as an employer. This allows us to compare ourselves with competing employers and to identify improvement opportunities. In the latest survey, conducted in May 2017, our eNPS score was 35 (compared with a Nordic average of 7). In

2018, we will implement more frequent surveys and provide additional support for managers in the process of proactively and systematically working with employee satisfaction.

Diversity

At Collector we see the strength in diversity and inclusion in building a dynamic and creative organization and in understanding and responding to our customers. This is an inherent approach and working method at Collector – we seek skills,

CASE *Mitt Liv*

Collector partners with social company Mitt Liv, which works for increased integration in the Swedish labour market through mentoring programs, recruitment and skills development. The Mitt Liv model is based on self-help, with mentoring and setting up encounters that create opportunities, both for qualified people with a foreign background seeking to enter the Swedish labour market, as well as for organizations that participate by providing new skills and a wider recruitment base. Through the partnership, we have found skilled, new employees and increased the organization's expertise.

individuals and personalities that complement a group with the traits that it lacks. The average age at Collector is 34 years and, of those employed at the end of the year, the proportion of women was 52 percent and the proportion of men 48 percent. Of the senior executives, 63 percent were women and on the Board of Directors, 57 percent of members were women.

We want to reflect the diversity of society in other ways too. For example, we currently speak a total of 20 different languages. We collaborate with social company Mitt Liv on the development of inclusive leadership and we also participate in their mentoring programs for those with a non-Swedish background.

Working environment and health

There are no jobs hazardous to health in our workplaces. We encourage a healthy and sustainable lifestyle and work continuously to ensure employee health and well-being, including both the physical and psychosocial work environment.

Short-term absence due to illness over the year was 3.3 percent (3.3). Personnel turnover was 15.8 percent (17.1).

Skills development

We want our employees to be able to develop to their full potential and therefore invest heavily in skills development. This is particularly important for us because we are working with technologies that are constantly evolving.

Each employee has an individual skills development plan that is adjusted as needed. In addition to individual programmes, a weekly IT skills lunch is arranged, at which a topic is presented during 1.5 hours. Everyone is welcome to apply for one of the 30 available places. Within the IT organization, we also have recurring "Improvement days", on which our developers can take the day off from their everyday tasks to, for example, develop their own ideas, run their own projects or learn about something new.

Resource-efficient operations

Although our own environmental impact is limited, our operations have an indirect impact through our suppliers' use of energy, primarily through energy consumption and potential emissions associated with our server capacity. We apply a cloud-based server solution, which is both safer and more flexible than having our own servers. This is also more efficient from an energy consumption perspective due to the large-scale management of our data capacity by Microsoft, whose server rooms are more energy efficient than most. The server room used by Collector has a power usage effectiveness of 1.07-1.08, compared with an average of 1.70 in the sector. Microsoft climate compensates for CO2 emissions for all capacity procured by Collector.

In February 2018, Collector's head office, where most of our employees work, moved into new premises in Gothenburg. The building and the premises are Gold-rated according to the LEED international environmental certification system – the highest rating from an environmental perspective.

Social commitment

Our social commitment focuses on issues associated strongly with our core values. It must also take a long-term approach work according to the principles of helping others to help themselves. Earlier in this report, we describe our local partnerships with Mitt Liv and Albert, which are closely linked to the sustainability issues of diversity and financial awareness.

Collector also partners with the Hand in Hand organization, supporting a village project in Marappagoundar Pudhur, India. This too entails providing opportunities for people to change their own situation. Hand in Hand makes it possible for women to start their own businesses, thereby lifting themselves and their families out of poverty for good. Our commitment to Hand in Hand is also a way of getting our employees, partners and customers raise their sights beyond Sweden.

SIGNIFICANT ISSUES

We have identified the key sustainability issues by means of a materiality analysis, which forms the basis for this report and the priorities for our future sustainability efforts. Based on an analysis of the future and the mega trends and changes anticipated in society, for our customers and the market for digital financing solutions, we have identified 18 key issues that affect Collector's competitiveness and ability to build trust among our key stakeholders. Through internal interviews with a selected group of key individuals within Collector, the relevance of each question up until 2020 was assessed from two perspectives:

- *Stakeholders* – stakeholders' perception of the importance of the question to their view of Collector and our ability to generate value for them. The analysis was based on the perspective of six stakeholder groups – retail customers, corporate customers, shareholders, employees, society and the authorities.
- *Value generation* – the question's impact on Collector's capacity to generate value based on three different internal perspectives – strategy, culture and innovation.

Based on the analysis, we have divided the results into four categories:

Issues where we can make the biggest difference

- Ethical business and counteracting financial crime
- Transparency
- Satisfied customers
- Financial knowledge
- Working conditions and human rights
- Responsible taxes

Issues that support our business model most

- Access to skills
- Skills development
- Diversity

Issues that foremost generate confidence in Collector

- Social commitment
- Long-term, profitable growth
- Sustainable products
- Working environment and health

Issues requiring more communication:

- Integrity and confidentiality

AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the Annual General Meeting of Collector AB (publ), Org. no. 556560-0797

Assignments and responsibilities

The Board of Directors is responsible for the Sustainability Report for 2017 presented on pages 52–61 and for it having been prepared in accordance with the Annual Accounts Act.

Scope and focus of the review

Our examination has been conducted in accordance with FAR's recommendation RevR 12 "The auditor's opinion on the statutory Sustainability Report". This entails that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Statement

A Sustainability Report has been prepared.

Gothenburg, 26 March 2018
PricewaterhouseCoopers AB

Peter Nilsson
Authorized Public Accountant

Corporate Governance Report

Collector AB ("Collector") is a Swedish public company domiciled in Gothenburg, Sweden. During 2017, the company's shares were listed on the Nasdaq Stockholm exchange. This Corporate Governance Report has been prepared in accordance with the Swedish Code of Corporate Governance (the Code) and the Annual Accounts Act and provides a summary description of Collector's governance during the 2017 financial year. The Code, which is available at www.bolagsstyrning.se, is based on the "follow or explain" principle, which means that deviations from one or more provisions can be made. Any deviations shall be indicated, and descriptions provided of the reason for them and what solution was chosen instead.

In 2017, no deviations were made from the Code. Nor has Collector had any violations of Nasdaq Stockholm's Rule Book for Issuers or generally accepted practice on the stock market. The Corporate Governance Report has been reviewed by Collector's auditor; see page 70.

Ownership and voting rights

At the end of 2017, Collector had 5,869 shareholders according to the shareholder register kept by Euroclear Sweden. Collector's main shareholder is Fastighets AB Balder with holding of approximately 44 percent of the share capital and votes. The ten largest shareholders accounted for the equivalent of approximately 85 percent of the capital. As at 30 December 2017, share capital amounted to SEK 10,269,050, divided into 102,690,502 ordinary shares. The Company has a single share series, within which each share entitles the holder to one vote at the General Meeting. The distribution of ownership is presented on page 9.

General Meeting

The shareholders' right to decide on Collector affairs is exercised by the General Meeting of Shareholders, which is the highest decision-making body in

Collector. In accordance with the Articles of Association, the General Meeting elects the company's Board of Directors and also appoints auditors for the company. Extraordinary General Meetings may be held if the Board of Directors deems this necessary or if Collector's auditors or the owners of at least half of the shares request such a meeting. The Annual General Meeting is held in Gothenburg during the spring. At the Meeting, resolutions are made regarding decisions on changes to the Articles of Association, changes in the share capital, adoption of the income statement and balance sheet, possible dividends and other appropriations of the company's profits, discharge from liability for Board Members and the CEO, fees to Board Members and the auditor, election of Board Members and auditor, determination of nomination procedure, guidelines for remuneration of senior executives, and other important matters. The notice convening the Annual General Meeting will be published no earlier than six and no later than two weeks prior to the Annual General

Meeting. The formalities concerning the Annual General meeting are governed by both the Companies Act and the Articles of Association. To be able to participate, the shareholder must be present at the Meeting, in person or by proxy. In addition, the shareholder must be entered in his/her own name in the shareholder register at a certain date before the Meeting and must also have registered participation with the company according to a certain procedure. All shares confer a right of one (1) vote per share to the holder.

At General Meetings, decisions usually require a simple majority. This entails more than half of the total votes cast, unless otherwise specified in the Companies Act. Shareholders who want to have a matter addressed at the AGM can submit a proposal to the company until the date that is stated on the website where contact information is also provided.

2017 Annual General Meeting

At Collector's Annual General Meeting on 23 April 2017, 95 shareholders were represented with a holding corresponding to 80 percent of the total number of shares and votes in the company. The company's auditor and all of the Board Members were present at the Meeting. The full minutes of the Annual General Meeting are available on the website. The Meeting made the following resolutions:

- Approval of the income statement and balance sheet of the Parent Company, the consolidated income statement and balance sheet, and the disposal of the company's profit in accordance with the approved balance sheet
- discharge from liability for the Board Members and CEO
- determination of the number of Board Members and, where applicable, the number of auditors and deputy auditors
- determination of fees for the Board of Directors and auditors
- election of the Board, Chairman and auditor
- determination of nomination procedure
- adoption of guidelines on compensation for senior executives
- adoption of principles for guidelines for the appointment of the Nomination Committee
- Authorization for the Board to decide to issue new shares
- issue of personnel convertibles with a maximum nominal value of SEK 100 million

Nomination Committee

According to the principles adopted by the 2017 Annual General Meeting, the Nomination Committee shall be formed no later than the last banking day of September, after the Chairman of the Board has identified the three shareholders with the largest number of votes, which shareholders will then be entitled to appoint a member each to the Nomination Committee.

If either of the shareholders with the largest number of votes waives their right to appoint a member of the Nomination Committee, the shareholder with the next largest shareholding shall

be offered the opportunity to appoint a member. Together with the Chairman of the Board, these three owner representatives shall constitute the company's Nomination Committee. Information is provided on the website regarding instructions for the Nomination Committee.

In terms of the composition of the Board of Directors of Directors, the Nomination Committee has, in its work, applied the company's diversity policy. The diversity policy reflects item 4.1 in the Swedish Code of Corporate Governance, which provides that the Board of Directors shall maintain such a policy, taking into account the company's operations, phase of development and other relevant circumstances, pervaded by diversity and breadth in the qualifications, experience and background of the elected members, while also striving for balance in terms of gender. Accordingly, in its work, the Nomination Committee has taken the value of diversity into account. In its endeavour to achieve diversity, the Nomination Committee has taken into account both the importance of an even gender distribution and that the Board of Directors shall comprise people of various ages and various backgrounds. For financial year 2017, the Board of Directors consisted of seven women and three men. The Board of Directors proposed to the 2018 Annual General Meeting will entail the Board of Directors maintaining the same gender distribution.

Composition of the Nomination Committee prior to the 2018 Annual General Meeting:

Member	Independent in relation to the company and company management	Independent in relation to the company's major shareholders	31 December 2017, % of votes
Lena Apler (Chairman) Helichrysum gruppen AB	No	Yes	3.8
Christoffer Lundström, StrategiQ Capital and Provobis	Yes	No	12.7
Erik Selin, Fastighets AB Balder	Yes	No	44.1
Fabian Hielte, Ernström Finans AB	Yes	Yes	5.3

Until 28 March 2018, the Nomination Committee held two meetings

Board of Directors elected by the 2017 Annual General Meeting

Meeting attendance 2017					Independent of:			
Member	Position	Elected	Born	Board meetings	Remuneration Committee	Risk and Audit Committee	Company and company management	Company's major shareholders
Lena Apler	Chairman	1999	1951	14/14	4/4	6/6	No	Yes
Erik Selin	Vice Chairman	2011	1967	13/14	4/4	5/6	Yes	No
Cecilia Lager	Member	2016	1963	14/14		6/6	Yes	Yes
Christoffer Lundström	Member	2007	1973	13/14	4/4		Yes	No
Patrik Reuterskiöld	Member	2017	1976	5/5			Yes	Yes
Anna Settmann	Member	2017	1970	7/7			Yes	Yes
Azita Shariati	Member	2016	1969	11/14			Yes	Yes

and was in contact between those occasions. All documents from the Nomination Committee for the 2018 AGM are available on the website.

Auditor

According to the Articles of Association, Collector shall have at least one and no more than two auditors, who are appointed for a period until the end of the Annual General Meeting held the year after the appointment of the auditor. At the 2017 Annual General Meeting, the audit firm PricewaterhouseCoopers AB was elected as Collector's auditor for the period until the end of the Annual General Meeting held in 2018. The Auditor-in-Charge was Peter Nilsson, Authorized Public Accountant. The auditor examines and submits a report on his audit of Collector's Annual Report and consolidated financial statements, on the company's allocation of its profit, and on the administration by the Board of Directors and CEO.

At the 2017 Annual General Meeting, it was resolved that the auditor's fee was to be paid according to the approved invoice. For a specification of remuneration of the auditor, please see Note 6.

Board of Directors

The Board of Directors bears the ultimate responsibility for Collector's organization and management and, according to the Articles of Association, shall consist of at least three and at most ten members without deputies. The Members are elected for one year. There is no limitation on how long a Member can sit on the Board of Directors.

At the 2017 Annual General Meeting, Board Members Lena Apler, Erik Selin, Christoffer Lundström, Cecilia Lager and Azita Shariati were re-elected. Vilhelm Schottenius had declined re-election. Patrik Reuterskiöld and Anna Settmann were elected as new Board Members. Lena Apler was elected Chairman of the Board, albeit with Erik Selin serving as Chairman of the Board until a new CEO can be appointed, replacing Lena Apler in her role as Acting CEO. For a more detailed presentation of the Board Members, please see pages 66-67.

The Board of Directors' composition meets the requirements regarding independent members. Lena Apler, Chairman of the Board, was the Acting CEO until 1 September 2017 and was also a member of management during that period.

The Board of Directors' rules of procedure and work in 2017

During the year, 14 Board meetings were held, of which 12 were ordinary meetings, one was a statutory meeting and one was an extraordinary meeting.

The Board Member's attendance is presented in the table below.

The tasks of the Board of Directors are governed by the Companies Act and the Articles of Association. The work follows annually established rules of procedure covering the matters to be discussed by the Board of Directors during each ordinary meeting, the distribution of work within the Board of Directors, with specific undertakings for the Chairman. The rules of procedure also state rules for financial reporting to the Board of Directors as well as more detailed rules for the CEO's responsibility and powers. The Chairman of the Board is appointed by the Board of Directors. The Board of Directors' action plan for 2017 addressed the following areas:

- January-March: The 2016 Annual Report and the observations by the external and internal auditors on the Year-end Report for 2016.
- April-June: Quarterly Report, statutory Board meeting, internal processes.
- July-September: Interim report, strategy, IT, HR and organization, establishing the external and internal auditors' plan for the audit process.
- October-December: Quarterly report, compliance, risk budget and financial three-year plan, compensation issues and the evaluation of the work of the Board of Directors.

Evaluation of the Board of Directors' work

To improve the Board of Directors' effectiveness and develop how it works, a Board evaluation is conducted every year. The Chairman of the Board is responsible for this evaluation and presents the results to the Nomination Committee. The objective of the evaluation is to obtain the Board Members' views of how the Board of Directors' work is conducted and what steps could be taken to improve the effectiveness of the Board work and whether the Board of Directors is well balanced in terms of expertise. The basis for the evaluation constitutes an important foundation for the Nomination Committee prior to the Annual General Meeting. In 2017, the Chairman engaged HR Commitment AB to conduct an evaluation of the Board of Directors. The results of the evaluation have been reported to both the Board of Directors and the Nomination Committee. The Board of Directors' work is essentially deemed to function very well.

Board committees

The Board of Directors has established two Board committees to improve efficiency and prepare and address certain defined issues.

Risk and Audit Committee

The main task of the Risk and Audit Committee is to monitor the company's financial reporting and ensure that the adopted principles for financial reporting, internal auditing and risk assessment are applicable and complied with, as well as establishing the company's risk appetite. The Risk and Audit Committee is also tasked with supporting the Nomination Committee with proposals for the appointment of external auditors and audit fees. The Risk and Audit Committee meets at least three times a year. During 2017, the Risk and Audit Committee consisted of Lena Apler, Erik Selin and Cecilia Lager, with six meetings being held.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee. The Remuneration Committee's main area of responsibility is to prepare certain matters for adoption by the Board of Directors, including remuneration principles, salaries and other remuneration to the CEO and other members of the Group management, and to monitor and evaluate targets and principles for variable remuneration and long-term incentive programmes.

The Remuneration Committee is also tasked with proposing guidelines for remuneration to members of the Group's senior management. The Remuneration Committee shall comprise at least two Board Members appointed by the General Meeting. The current Remuneration Committee consists of Chairman of the Board Lena Apler, Deputy Chairman Erik Selin and Board Member Christoffer Lundström.

CEO and management group

The CEO is responsible for the continuous management of the company in accordance with the Swedish Companies Act and the Board of Directors' instructions. The CEO is responsible for keeping the Board of Directors informed about the company's operations and for ensuring that the Board of Directors has as true and correct a basis on which to make decisions as possible. The CEO conducts a continuous dialogue with the Chairman of the Board to provide information on the Group's development.

Collector's senior management consists of CEO Liza Nyberg and CFO Maria Lykken Ljungdahl. The extended management team consists of Mikael Anstrin (CBDO), Susanne Bruce (COO), Camilla Dorvall (CIO), Thomas Gunnarsson (Country Manager Norway), Sandra Schedwin (HR Manager) and Aki Tusa (Country Manager Finland).

Remunerations

Remuneration of the Board of Directors

Fees and other remuneration to the Board of Directors are determined at the Annual General Meeting. The 2017 Annual General Meeting resolved that remuneration to the Board of Directors, for the period until the next Annual General Meeting shall total SEK 2,400,000, with SEK 300,000 each being allocated to of the Chairman and the elected members. In addition to the established Board fee for Chairman Lena Apler, fees were paid from 1 January to 1 September 2017 in the amount of SEK 1,989,430 as salary for her service as Acting CEO, as agreed with Collector.

Remuneration principles for senior executives

At the 2017 Annual General Meeting, guidelines were adopted for the remuneration and other terms of employment for senior executive. According to the guidelines, the remuneration shall consist of a fixed salary, a pension and other benefits. To avoid senior executives being encouraged to take unhealthy risks, no variable compensation is paid. Consequently, fixed remuneration, combined with pension provisions and non-monetary benefits, constitute the employee's total remuneration. Furthermore, the Annual General Meeting may resolve to offer long-term incentive programmes, such share- or share price-related incentive programmes. Each senior officer shall be offered salary and other terms of employment that are of a nature that allows the Group to attract and retain skilled senior executives at a reasonable expense to Collector. The fixed salary shall be at market level and be based on the difficulty of the work and the senior executive's experience, responsibility, skills and workload.

In addition to fixed salaries, senior officers may receive severance pay during notice periods. For each person covered by the guidelines, salary and severance pay shall not together exceed 24 months' fixed salary. Other benefits shall correspond to what can be considered reasonable considering market practices. Each senior executive shall be offered a pension on market terms in the country where the senior officer has his or her permanent residence.

Remuneration of the Board of Directors and senior executives

The total gross remuneration paid to the CEO and other senior executives, including fixed salary, variable remuneration, pension payments and other benefits and remuneration amounted to SEK 17,055,000 in 2017. Of the total compensation, SEK 4,273,000 comprised remuneration to the CEO and SEK 12,782,000 remuneration to senior executives.

Corporate culture and working environment

Collector's corporate culture is based on our three core values: entrepreneurship, ethics and commitment, which shape our approach and behaviour. There are documented policies for each of these areas.

Work environment efforts represent a strategic issue for Collector, with the fundamental approach being to offer an attractive workplace where everyone is treated equally, with respect and dignity. Our good health figures are partly a result of the fact that we have a young organization, although we encourage a healthy and sustainable lifestyle, and work actively to maintain a high level of job satisfaction. We strive to maintain a climate pervaded by openness, transparency and accessibility, and have a high degree of confidence in the abilities of the individual employee.

Compliance and risk control

Collector's operations are regulated in the Swedish Banking and Finance Business Act, legislation that has been both expanded and developed within the EU in recent years. Collector has a systematic approach surrounded by a substantial set of rules with regard to compliance and risk control. Collector has founded a Compliance function and a Risk Control function.

Over the past year, the Compliance function has been developed strongly under the leadership of Håkan Svensson. Today, the function comprises three independent operations: the regulatory compliance unit, the unit to counteract money laundering and financing of terrorism, and Data Protection Officer function. The Data Protection Officer is a new mandatory function in accordance with the EU Data Protection Act, due to come into effect in May 2018.

The Compliance function is being expanded and strengthened in light of Collector's strong growth, the major changes in the EU regulations in particular and to meet an increased need to ensure clear consumer protection. In addition, external developments have focused strongly on measures to counteract money laundering and financing of terrorism. The purpose of the Compliance function is to support the operations, ensuring they are conducted in accordance with the rules and regulations applicable to the licensed operations. By means of consultation, monitoring, examination and controls, the independent control functions monitor regulatory compliance in the operations and promote proactive efforts to minimize their regulatory risks. The Compliance function is independent in relation to the business operations and reports directly to the Board of Directors.

The risk control function's work is based on Collector's overarching risk policy and includes risk control, which refers to the monitor-

ing and review of risk management. The risk control function shall strive to identify and visualize all risks in the business and to ensure that all identified risks are evaluated and reported through suitable controls and appropriate analyses. See also the financial risk management section on page xx. The risk control function is led by Martin Nilsson (Risk Control Officer) who reports to the CEO.

Internal audit

The internal audit is an independent audit function, the work of which is based on a risk analysis and the audit plan established by the bank's Board of Directors. KPMG is appointed by the Board of Directors as the internal auditor of Collector. The internal audit helps the organization achieve its goals by systematically and in a structured manner evaluating risk management, governance and control and management processes and proposing changes where these can help enhance efficiency. The focus and scope of the internal audit work is based on generally accepted internal audit practices.

The utmost responsibility for risk management and internal governance and control always rests with the company's Board of Directors, which has internal audit as its controlling body. The role of internal audit is sometimes described as the "third line of defence". From this perspective, the operating activities is seen as the "first line of defence" and the independent control functions for compliance and risk control as the "second line of defence". The Board of Directors receives regular feedback directly from the internal auditor regarding the company's internal control and can, if so desired, expand the control when necessary.

Internal control regarding financial reporting

Internal control of financial reporting is part of the overall internal control within Collector. It serves to provide reasonable assurance of the reliability of the external financial reporting and that financial reports are prepared in accordance with applicable accounting standards and other requirements for listed companies. The Board of Directors' responsibility for internal control is regulated by the Companies Act, the Annual Accounts Act and the Swedish Code of Corporate Governance. The Annual Accounts Act requires that the company annually detail its system of internal control and risk management regarding financial reporting. The Board of Directors bears the overall responsibility for the financial reporting.

The quality of the external financial reporting is ensured through a series of measures and routines. The CEO is responsible for all external financial information being correct and of good quality. The duties of the company's auditors include reviewing accounting issues that are critical to the financial reporting and for reporting their findings to the Risk and Audit Committee and the Board of Directors. In addition to the audit of the annual accounts, a review is performed of the interim financial statements and the company's management and internal control.

Board of Directors



Lena Apler

Vice Chairman since 2014. Board Member since 1999. Born in 1951, Swedish citizen

Dependent in relation to the company and its Management. Independent of major shareholders in the company.

Courses in finance and marketing, University of Gothenburg, SEB IHU (internal higher banktraining). Guest professor at the School of Business, Economics and Law at the University of Gothenburg.

Other Board assignments

Board Member of Skistar AB (publ), Swedish Fintech Association, Connect Väst, FinansKompetensCentrum, the West Swedish Chamber of Commerce

Relevant work experience

CEO and founder of the Collector Group. Background from SEB, The Norwegian Creditbank (DnC) and Société Générale and CEO of Securum Finans.

Shareholding in Collector (own and through closely related parties): 4,271,552 shares through companies*

Erik Selin

Vice Chairman since 2014. Board Member since 2011. Born in 1967, Swedish citizen

Independent in relation to the company and its Management. Dependent in relation to major shareholders in the company.

Upper-secondary Economist.

Other Board assignments

Board Member of the West Sweden Chamber of Commerce, Ernström & Co, Hexatronic Scandinavia AB and Hedin Bil.

Relevant work experience

CEO of Fastighets AB Balder (publ).

Shareholding in Collector (own and through closely related parties): 46,741,090, of which 45,250,590 through Fastighets AB Balder*



Cecilia Lager

Board Member since 2016. Born in 1963, Swedish citizen

Independent in relation to the company and company management, as well as major shareholders in the company.

Training in finance at Lund University.

Other Board assignments

Altor Fund Manager AB, Capacent Holding AB, Cinnober Financial Technology AB, Clemondo Group AB, Elanders AB, Evolution Gaming AB and Navigera AB (Chairman).

Relevant work experience

CEO of Sherpani Advisors with many years of experience in finance, strategic development, transformation, and marketing and communications. Senior positions within ABB, Sapa, SEB and Alecta.

Shareholding in Collector (own and through closely related parties): 2,200 shares through companies*

Christoffer Lundström

Board Member since 2007. Born in 1973, Swedish citizen

Independent in relation to the company and its Management. Dependent in relation to major shareholders in the company.

Bachelor of Arts from Webster University and Hotel Management Diploma from HOSTA.

Other Board assignments

Board Member of the Katjing Group, the Provobis Holding AB Group, the Provobis Invest Group, the RCL Holding Group and the KL Capital Group. Board Member of Tableflip Entertainment AB, Feelgood Svenska AB, Scandic Hotel Board Member and Chairman of AM Brands AB.

Relevant work experience

CEO of RCL Holding AB and business developer within the Provobis sphere's investments.

Shareholding in Collector (own and through closely related parties): 165,000 shares*



*Shareholding in Collector per 30 December 2017



Patrik Reuterskiöld

Board Member since 2017.
Born in 1976, Swedish citizen

Independent in relation to the company and company management, as well as major shareholders in the company.

MBA from the Stockholm School of Economics and Bachelor of Laws degree from Stockholm University

Other Board assignments

Relevant work experience
Chief Commercial Officer for RemCo (unit of Intrum Justitia), Senior Investment Banker at Morgan Stanley responsible for the Nordic Financial Institutions group within Investment Banking. Advisor on mergers and acquisitions and capital markets transactions within the Nordic financial services sector.

Shareholding in Collector (own and through closely related parties): 0*

Anna Settmann

Board Member since 2017.
Born in 1970, Swedish citizen

Independent in relation to the company and company management, as well as major shareholders in the company.

market economics from at Berghs and the IFL program at the Stockholm School of Economics.

Other Board assignments
Telia Company AB,
Anticimex TopHolding AB.

Relevant work experience
CEO of Aftonbladet. Board Member of Nordnet Bank AB and DIBS Payment Services AB

Shareholding in Collector (own and through closely related parties): No holdings: 0*



Azita Shariati

Board Member since 2016.
Born in 1969, Swedish citizen

Independent in relation to the company and company management, as well as major shareholders in the company.

Training in dietary economics at the University of Gothenburg, with studies in programming, statistics and marketing.

Other Board assignments
The Almega Services companies (Chairman), the Almega employers' organization for the Swedish service sector, the Swedish Agency for Participation and Visita.

Relevant work experience
President Sodexo Nordics.
CEO Healthcare Nordics.
CEO of Sodexo AB.

Shareholding in Collector (own and through closely related parties): No holdings: 0*

*Shareholding in Collector per 30 December 2017

Senior executives



Liza Nyberg

CEO since 1 September 2017.
Not a Board Member.
Employed since 2017.
Born in 1963, Swedish citizen

BA Economics from Stockholm University. Various business management courses, including UGL.

Previous assignments

CEO Landshypotek Bank,
Head of Personal Banking:
Danske Bank Sweden and
SkandiaMäklarna AB,
CEO SkandiaMäklarna AB,
CEO Emric AB,
CEO Bokredit Sverige AB.

Other assignments

Board Member of Colligent
Inkasso AB, New P. and
Mountains AB.

*Shareholding in Collector (own
and through closely related
parties)*:*
0

*Holdings of convertibles in
Collector (own and through
closely related parties)*:*
SEK 10,000,000

Mikael Anstrin

CBDO
Employed since 2012,
Born in 1983, Swedish citizen

Market economic DHIM at IHM
Business School Gothenburg.

Previous assignments

Head of Commerce and Sales
Manager at Collector AB. Sales
Manager at NetOnNet.

*Shareholding in Collector (own
and through closely related
parties)*:* 7,480 shares

*Holdings of convertibles in
Collector (own and through
closely related parties)*:*
SEK 2,000,000



Camilla Dorvall

CIO
Employed since 2012,
Born in 1967, Swedish citizen

Systems Science at Gothenburg
University, Business Administra-
tion/Management at TBV/Gothen-
burg University.

Previous assignments

IT manager and CIO at Göteborg &
Co. Senior positions from the IT
companies in the Alfaskop Group
and experience from Svenska
Konsultgruppen.

Other assignments

Partner in Your make by Windo
Dorvall Handelsbolag.
Board Member of Friskis & Svettis
Gothenburg

*Shareholding in Collector (own
and through closely related
parties)*:* 1,863 shares

*Holdings of convertibles in
Collector (own and through closely
related parties)*:* SEK 4,000,000

Susanne Bruce

COO
Employed since 2016,
Born in 1961, Swedish citizen

Courses in law and economics at
the University of Gothenburg and
marketing at RMI-Berghs.

Previous assignments

Deputy CEO and Operations
Director at Intrum Justitia Sverige
AB, Business Area Manager for
Collection at Lindorff Sverige AB,
founder and owner of Profact AB
and CEO at Aptic AB.

Other assignments

Deputy Board Member at
BruceX2 AB and at Travel by
Bruce AB and Colligent AB.

*Shareholding in Collector (own
and through closely related
parties)*:* 300 shares

*Holdings of convertibles in
Collector (own and through
closely related parties)*:*
SEK 800,000



*Per 30 December 2017



Thomas Gunnarsson

Country Manager Norway
Employed since 2017,
Born in 1967, Swedish citizen

Management at NHH (Solstrand Project), Executive Development at NHH, Military and Strategic Leadership at the Swedish Navy Officers' Academy.

Previous assignments
CEO, Opplysningen Digitale Media AS, CEO Top Temp AS, Sales Manager Telenor Media AS.

Shareholding in Collector (own and through closely related parties):* 300 shares

Holdings of convertibles in Collector (own and through closely related parties):*
SEK 2,000,000

Maria Lykken Ljungdahl

CFO
Employed since 2017, Born in 1967, Norwegian citizen

Training in finance at Karlstad University. Various leadership training courses.

Previous assignments
Head of Group Treasury Modern Times Group MTG AB, Vice President Banque Invik, Kinnevik, Head Internal Bank, Skanska Financial Services AB, Financial Risk Manager, Scania CV AB, Trader, Inter IKEA Treasury SA.

Shareholding in Collector (own and through closely related parties):* 0

Holdings of convertibles in Collector (own and through closely related parties):* 0



Sandra Schedwin

HR Director
Employed since 2016,
Born in 1982, Swedish citizen

MSc. in Workplace and Organizational Psychology, Gothenburg University. Certified Coach and Certified Business Communication Practitioner of NLP.

Previous assignments
Business Developer, Customer Service Centre Manager, HR Business Partner, Länsförsäkringar.

Shareholding in Collector (own and through closely related parties):* 0

Holdings of convertibles in Collector (own and through closely related parties):*
SEK 2,000,000

Aki Tusa

Country Manager Finland
Employed since 2017,
Born in 1975, Finnish citizen

Master's degree in Economics from the Helsinki School of Economics.

Previous assignments
Head of Credit at Nordea Finance in Finland and Senior Credit Officer at Nordea bank in Finland. Experience from various positions in the banking sector in the retail and corporate segments.

Shareholding in Collector (own and through closely related parties):* 0

Holdings of convertibles in Collector (own and through closely related parties):*
SEK 780,000



*Per 30 December 2017

Auditors' statement on the Corporate Governance Report

To the Annual General Meeting of Collector AB (publ), Org. no. 556560-0797

The Board of Directors is responsible for the Corporate Governance Report for 2017 presented on pages 62–69 and for it having been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and, based on that reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report has a different focus and is substantially less in scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden.

We believe that a Corporate Governance Report has been prepared, and that its statutory information is in agreement with the Annual Report and consolidated financial statements.

Gothenburg, 26 March 2018
PricewaterhouseCoopers AB

Peter Nilsson
Authorized Public Accountant
Auditor in charge

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