

Collector Bank AB (publ) assigned 'BBB-' long-term issuer rating; Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned a 'BBB-' long-term issuer rating on Sweden-based Collector Bank AB (publ) (Collector Bank). The outlook is stable. At the same time NCR assigned an 'N-1+' short-term issuer rating. NCR has also assigned 'BBB-' issue ratings to Collector Bank's senior unsecured bonds, 'BB' issue rating to its tier 2 bond and 'B+' issue rating to its additional tier 1 bond.

Rationale

The rating reflects Collector Bank's strong risk-adjusted earnings, good access to funding, and diverse loan portfolio. The bank is directly owned by Collector AB, which is listed on the Stockholm Stock Exchange. In our view, stronger loss reserves, together with a more balanced growth strategy, are positive for the bank's risk governance and overall risk management. Strong growth in recent years has made it necessary to implement more transparent segment reporting, which is a focus of the bank's new leadership. The bank is largely deposit funded but is diversifying its funding across currencies and debt classes.

We see lending to the commercial real estate sector as a particular risk factor in the event of a deep recession but expect low losses from this exposure over a normal cycle. The fiercely competitive climate in consumer lending has made the bank focus more on corporate lending, in niches where the competition is currently more benign.

Outlook

The stable outlook reflects our expectation of an economic recovery across Collector Bank's core markets following increased COVID-19 vaccination and reduced pandemic-related restrictions by mid-2021. It also reflects our expectation that the bank's earnings will be sufficient to generate enough capital to support its more moderate growth objectives without significantly increasing its risk profile or requiring additional capital injections. We could raise the rating to reflect materially higher capital ratios, with common equity Tier 1 (CET1) above 16%, or improved credit quality and loss performance due to increased focus on secured lending. We could lower the rating to reflect significant economic decline in the bank's core markets, materially lower capital ratios (with CET1 below 12%), or increased regulation, limiting growth and margins.

Rating list	Rating
Long-term issuer credit rating:	BBB-
Outlook:	Stable
Short-term issuer credit rating:	N-1+
Senior unsecured issue rating:	BBB-
Tier 2 issue rating:	BB

Additional Tier 1 issue rating:

B+

More information is available [here](#).

If you have any questions, please contact:

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The methodology documents used for this rating are NCR's Financial Institutions Rating Methodology published on 14 Aug. 2018 and NCR's Rating Principles published on 16 Sep. 2019. For the full regulatory disclaimer please see the rating report.

About Us

Nordic Credit Rating AS is a credit rating agency headquartered in Oslo with a branch in Stockholm. The company provides credit ratings to companies and financial institutions in the Nordic region, and bases its analysis on local insights. Nordic Credit Rating is registered with the European Securities and Markets Authority (ESMA).

Attachments

[Collector Bank AB \(publ\) assigned 'BBB-' long-term issuer rating; Outlook stable](#)