RISK AND CAPITAL

MANAGEMENT REPORT 2016

Catella Bank S.A.

Annual disclosure in accordance with

Capital Requirements Regulation (CRR) – Regulation (EU) No 575/2013, Part Eight, Title 1

INDEX

1 Introduction

1.1 Purpose

On an annual basis, in addition to and conjunction with the publication of its annual statement, Catella Bank discloses the key elements of its internal risk management and capital framework.

Aim of this disclosure is to allow market participants, including analysts, partner banks, investors, and customers to assess the risk organisation and capital adequacy of Catella Bank.

1.2 Regulatory context

This report is made in accordance with the disclosure requirements for credit institutions and investment firms set out in Part Eight of the Regulation (EU) No 575/2013, broadly known as the Capital Requirements Regulation (CRR).

It is in line with CSSF Circular 14/583 and the CSSF regulation 14-01, which are the transpositions of the CRR (EU 575/2013) into national law.

The CRR, in line with the international Basel III framework, constitutes of 3 so called Pillars. This document relates to Pillar III:

1. Pillar I : sets out minimum capital requirements, by providing rules for the measurement of credit risk, market and operational risks;
2. Pillar II: establishes a process for assessing capital adequacy in relation to the Bank's actual risk profile and for determining whether additional capital is required to cover these risks. This is achieved through the Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP), and the requirement for the CSSF to undertake a supervisory review to assess the robustness of the Bank's assessment and capabilities;
3. Pillar III: aims to complement the minimum capital requirements (Pillar I) and supervisory review process (Pillar II) by developing a set of disclosure requirements.

1.3 Basis for preparation

The Board of Directors (the 'Board') of Catella Bank S.A. has adopted this policy to comply with disclosure requirements laid down in the CSSF Circular 14/583 and the CSSF regulation 14-01 and for assessing the appropriateness of the Bank's Pillar III disclosures, including their verification and frequency. In this matter, the following terms apply:

- The information in Pillar III is prepared solely to meet the Basel III disclosure requirements and to provide certain specified information about capital and other risks and details about the management of those risks and for no other purpose. The disclosures are not constituting any form of financial statements on the business nor constituting either any form of contemporary or forward-looking record or opinion about the business;
- These disclosures are subject to internal review, challenge and approval processes. An audit trail to support disclosures is maintained;
- Wherever possible and relevant, the Board is ensuring consistency between Pillar III disclosures, Pillar I reporting and Pillar II ICAAP content, e.g. disclosure about risk management practices and capital resources at year-end.
- In order not to conflict with requirements under accounting standards and to ease the validation process, the quantitative basis of the Pillar III disclosures are extracted from the mandated set of reporting explaining the annual financial statements unless otherwise mentioned.

This document has been reviewed by the Board of Directors of the Bank and is published on the Catella Group website: www.catella.com/en/bank.

1.4 Scope

This disclosure applies to Catella Bank S.A. on a standalone basis. The Bank has its headquarters at 38, rue Pafebruch, L-8308 Capellen, Luxembourg.

All information is in line with how the Board and the Senior Management of the Bank assess and manage the risk and capital adequacy of the bank.

1.5 Date and frequency of disclosure

Published data reflect the financial situation of the Bank as of December 31, 2016.

At a minimum, this disclosure is made on an annual basis in conjunction with the publication of the Bank's financial statements. The Bank will assess at any time the need to publish some or all disclosures more frequently than annually in the light of the relevant characteristics of its activity.

1.6 Exclusion of non-material, proprietary and confidential information

In accordance with CRR article 432, the Bank may choose to exclude one or more of the disclosures in this document if the information is deemed immaterial, proprietary or confidential.

- Information in disclosures is seen as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.
- Information is regarded as proprietary if disclosing it to the public would undermine the Bank's competitive position.
- Information is regarded as confidential if the Bank has obligations to customers or other counterparty relationships binding it to confidentiality.

1.7 Structure

This report includes details on:

- scope of application
- capital
- risk exposures
- risk assessment processes
- capital adequacy
- remuneration

2 Organisation and Business Activities

2.1 Catella Bank in brief

Catella Bank was founded as Banque Invik as 1989. In 2010 it became part of Catella Group, after which the Bank was fully integrated in 2012 and received its current name. The Bank is fully owned by Catella Holding AB, a Swedish company and a fully owned subsidiary of Catella AB ("The group"), which as of the 7th of December 2016 is listed on the Nasdaq Stockholm's main market.

The Bank operates from its head office based in Luxembourg with a branch network in Sweden with offices in Stockholm, Gothenburg and Malmö, and a representative office in Switzerland. Within the branch network Catella Bank SA conducts Wealth Management activities through Catella Bank Filial (hereafter the "Branch"). Given its geographical presence, the Bank is primarily active within the EU.

The core business activities of the Bank are to provide (1) card and payment solutions, (2) customised wealth management services to clients requiring active independent advice and management, including commercial real estate financing and securities based lending.

As of December 2016 the Bank has 159 Employees.

2.2 Business activities and related risks

Sub-sections below describe the main commercial activities and resulting key risks Catella Bank is exposed to.

2.2.1 Wealth management

The Wealth Management activity includes securities-based and real estate lending, discretionary management and advisory services. In addition the Bank offers tax efficient investment schemes for their client base.

Apart from the main client offerings, Catella Bank participates in one-off transactions structured by the Group such as raising capital from the Branch's customers for specific deals.

The geographical target of the Bank are EU countries with a particular focus (ca 70% of exposure) on Sweden and Finland, and to less extend Luxembourg, France, UK, Spain and Portugal.

As part of the Wealth Management Business, Catella Bank offers loans and overdraft facilities to its private clients. The loans and overdraft facilities can be categorised in three types:

- <u>Custody Lending Facilities:</u> Securities-based credit facility whereby the maximum outstanding allowed is determined by the advance values set by the Bank in relation to the actual market value, credit quality and liquidity of the underlying assets. In most cases the revolving credit facility is fully secured by the underlying collateral value;

- <u>Share pledge structures</u>: Tax efficient credit facilities which use shares of the holding company as a pledge for a loan where the Bank accepts company equity shares as financial collateral;
- <u>Real estate loans</u>: Active EU wide focusing on both commercial and residential real estate to high net worth individuals.

From a risk perspective, Wealth Management activities expose the Bank in particular to the following risks:

- Credit Risk, including concentration risks on Nordics, commercial real estate and single counterparties, and risk on credit mitigants;
- Operational Risk, related to system and human failure, conduct, internal and external fraud, as well as change risk related to new activities, systems and products;
- Reputation Risk, related to inaccurate services provided, e.g. to high net worth individuals;
- Business Risk, arising from changes in the market environment (e.g. economic downturn or new competitors).

Furthermore, the long term nature of commercial real estate loans and anticipated growth of this portfolio, also implies inherent Liquidity and Interest Rate risks.

2.2.2 Cards and Payments Solutions

The second core business of Catella Bank is the offering of cards and payment solutions to banks, wealth managers, and corporates. The card business is structured in 3 streams:

- Bankcard Solutions (in function of Issuing Bank), targeting banking institutions; and
- Business Solutions (in function of Acquiring Bank), targeting non-financial companies 7pecialized in e-commerce activity (e-merchants)
- Pre-paid card solution, targeting private and corporate accounts

Bankcard Solutions

As part of Bankcard Solutions, Catella Bank offers credit card payment solutions to private banks (Partner Banks) and wealth managers, which have no infrastructure / payment processing expertise and direct access to scheme networks (Visa and MasterCard) to offer such product directly to their own customers.

Catella Bank primarily provides services to banks and wealth managers headquartered in the EU or other Western European countries. Secondary focus are branches and subsidiaries of these institutions outside Western Europe of which the Bank has ensured that EU or international regulatory standards, with equivalent supervisory regime, are complied with.
The Bank issues credit cards in different currencies and with and without specific reference to the cardholder's Bank. Part of the cards are issues under the Catella brand 'Capitol'.

The customer base of the Partner Banks consists exclusively of high net worth individuals.

From the described nature of the operations, the Bank is particularly exposed to the following risks:

- Operational Risk, in particular Fraud Risk, and to less extent IT and Infrastructure Risk:
  The Bank is liable for any fraud losses on cards issued. In order to mitigate this risk Catella has hard security limits in place to block transactions which exceed pre-determined volume or value thresholds, an 'Issuing Fraud Monitoring Tool' generating systemic alerts and trained fraud agents monitoring IFMT alerts and cardholder transactions 24/7.
  Technical failure and malware attacks may affect the services provided, including the clearing and settlement of transactions.
- Credit Risk: Catella Bank is facilitating, on behalf of partner banks, settlement of the cardholders' transactions by allowing drawing of funds up to an approved credit limit. Therefore, Catella Bank has a direct credit as the service is representing a 30 days cash advances to cardholders before global back payment is issued by the partner bank. By substitution principle, as this credit facility

is totally guaranteed by the partner banks, Catella has the ultimate credit exposure on financial institutions.

- Legal, Compliance and associated Reputation Risk: The Bank has outsourced the AML/KYC to the partner banks. In the event the partner bank does not adequately fulfil its obligations, Catella Bank SA may in turn not be able to meet its obligation toward the CSSF in a timely manner. The Bank mitigates this risk by having clear signed agreements with each partner (all partners were put onto new 'Third Party Introducer' contracts last year which clearly stipulate their specific obligations in this regard), and a robust on boarding process for new partners. Additionally, Legal & Compliance conducts AML questionnaires and request sample checks from partners to assess the completeness of their documentation and advises on the approval of all jurisdictions outside Western Europe.

Business Solutions

Business Solutions is strictly dedicated to e-commerce for international merchants that trade through the internet. As such, the bank operates only on card-not-present (CNP) industry payments.

Merchants wanting to accept card association-branded credit card sales payments must be sponsored by an acquiring bank gaining a direct access with the credit card associations or schemes (Visa and Mastercard). For that activity, as a direct member of the credit card associations, Catella Bank is offering processing services.

Being the acquirer bank, Catella Bank is responsible for ensuring clients' compliance with the card and payment system rules and guarantees the correct processing and delivery of goods or services by the merchants. Regardless of the presence of other third parties, like payment processor (Payment Service Provider or PSP acting as payment getaway for the merchants), Catella Bank is the ultimate risk-controlling entity throughout the credit card process.

In order to prevent excessive contested transactions by the merchant's customers, the Card organizations (Visa or MasterCard) as well as Catella Bank have established operational standards obliging the merchants to monitor the reasons for chargebacks and to implement remedial actions.

The material risks attached to the acquiring business are the following:

- Credit Risk, most notably Chargeback or Settlement Risk, related to a potential failure of a merchant to honour its obligation towards its customers.

  The Bank takes the risk associated with the transactions the merchant is receiving. According to Visa and MC schemes rules, each bank as acquirer is the ultimate liable to provide funds to every cardholders and reimburse the cardholders in case the merchant can no longer support the cost of the contested transactions. Hence, Catella Bank has indirect credit exposure to the merchant (off-balance sheet position as the Bank is not providing its own funds), as it faces the risk of merchants' non-compliance with the operational standards and ultimate default. This risk arises if the merchants accept deposits or full payment for the goods to be delivered in the future.

  The effective term of the contingent liability produced by each transaction is usually measured in very few days (although the consumer can file chargeback technically through a 6 month window of chargeback liability after a purchase, 90% of the chargeback registered are sent by the cardholders less than 10 days after the service/ product provided by the merchant or expected delivery date).

  The Bank follows industry best practices by requiring merchants to comply with a set of risk-mitigation rules, such as imposing to maintain a retention account or holdback reserves for higher

risk or high chargeback merchants. The reserve account rate is based mainly on the line of business, chargeback and creditworthiness of the merchants. In addition, the Bank is also mitigating its chargeback risk through omnibus-account-agreements with some of its PSP parties, integrated accounts in which the daily transactions processed by multiple merchants are combined.
In case one or multiple merchants default and Catella Bank is not able to support the cost of reimbursement with the current transaction volume, and size of the merchant's retention account or PSP omnibus account held with the Bank, it will have to cover the refunds for undelivered goods and services based on its own resources.

Summarising the information above, the acquiring bank becomes exposed to the credit risk once merchant is paid while for the issuing-function of the bank becomes exposed to the risk once it authorises a transaction.

- Operational Risk, in particular Fraud Risk**,** which includes refund fraud (fraudulent merchant), bust outs (merchant disappearing leaving the bank covering the chargebacks), voucher laundering, data compromise, technical failure or malware attacks. E-commerce transactions ('Card Not Present' or CNP transactions) are linked with higher potential fraud, accounting for the fast majority of all fraud losses on cards issued worldwide from an acquiring perspective.

- Compliance Risk, arising from the requirement and possible failure to adhere to Visa and Mastercard standards at any time, as well as risk not meeting regulations, clearing and settlement rules, suspicious activity reporting requirements, etc.
- Reputation Risk, in particular arising from the fact that Catella Bank as an acquiring bank operates in certain segments which may be subject to public debate and therefore could affect its relations with key stakeholders, including with other institutions providing depository / multi-currency account services.
- Business Risk, arising from the business dependency on the card providers for licences to operate in this business, and on the bank(s) providing supporting services, as well as due to changes in the market environment (e.g. triggered by economic downturn or by new competitors entering the market).
- Liquidity Risk, related to the ability of Catella Bank to timely transmit funds to the merchants. Catella is mitigating this risk by paying merchants after receiving credit from the issuing bank. This delay allows Catella to perform fraud reviews and deduct directly from the merchant/PSP (for omnibus mechanism) transaction account, the cardholders chargebacks initiated.

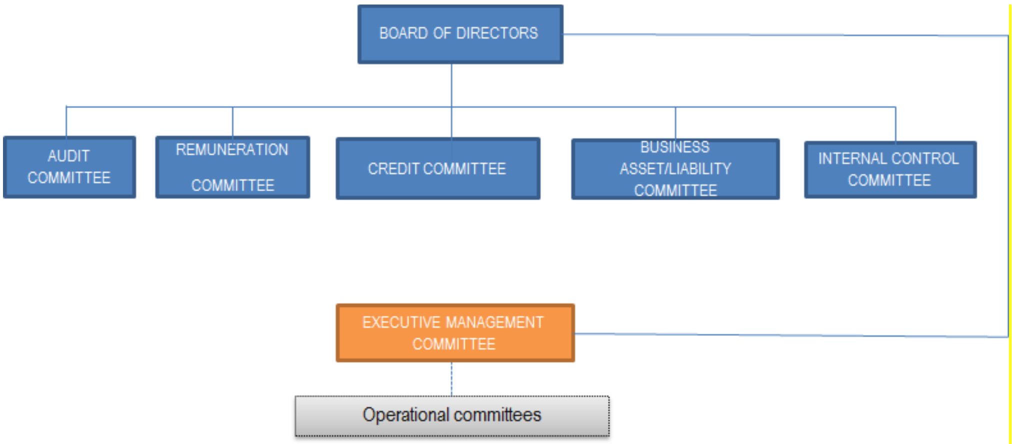
  Catella Bank has a framework in place for merchant on-boarding and for monitoring of the merchants' risk throughout the business relationship. Reputational risk are mitigated by a strategy to diversify revenues and decrease dependencies on individual business segments.

3 Risk Governance

3.1 Organisational structure

Below diagram summarises the main organisational structure and underlying governance bodies of Catella Bank which are explained in this chapter.

Figure 1: Catella Bank main governance bodies



3.4.2 Board and senior executives

Catella Bank has a 1- Tier Board structure which represents the notion of 'Management Body' or 'Board' as defined by the regulator.[1] In accordance with Circular 12/552, the Board of Directors has the ultimate responsibility for ensuring a sound and robust internal control framework and is responsible for establishing, documenting and communicating to the Authorised Management the main principles and objectives ("strategies") governing risk taking and risk management as well as the internal capital planning, management and adequacy.

The managerial function of the 'Management Body' is also represented by the Authorised Management of the Bank, which is ultimately responsible for execution of the business strategy and day-to-day management of the Bank.

The Executive Management Committee or 'Management Team' includes the Authorised Management and the executive managers outside the Managing Body responsible for day-to-day oversight of the underlying functions. The Executive Management Committee is accountable directly and indirectly to the Board of Directors, and represents the regulatory notion of "Senior Management".[2]

[1] CRD IV, Article 4 (82) – (83), defines the Management Body as "the governing body of an institution, comprising the supervisory and the managerial functions, which has the ultimate decision-making authority and is empowered to set the institution's strategy, objectives and overall direction. Management body shall include persons who effectively direct the business of the institution." The Management Body also has a "supervisory function" of "overseeing and monitoring management decision-making."

[2] CRD IV, Article 4 (84)

Table 1: governance bodies, responsibilities and tasks

Governance body	Main responsibility	Key tasks
Board of Directors	Ultimate decision making authority	• Approves overall corporate strategy • Approves annual budget • Approves new or seizure of business • Oversees the Bank' s compliance and risk culture • Oversees the quality and integrity of the Bank' s disclosure and internal controls • Appoints and reviews performance of Authorised Management and Control functions • Approves risk appetite framework • Approves risk and capital policies • Approves ICLAAP
Authorised Management	Responsible for execution of business strategy	• Develops and executes the business strategy • Leads day-to-day management • Sets up a risk management function whose object is to measure, monitor, control and report the risks to which the institution is exposed • Responsible for the development and implementation of an ICLAAP
Executive Management Committee	Responsible for day-to-day management	• Responsible for day-to-day management • Direct reporting line for senior staff • Requires corrective action where needed

3.2 Risk Committees

Table 2: Risk committees

Committee	Committee level	Key tasks
Audit Committee	Board	• Monitors and reviews accounting policies and practices including effectiveness of processes and controls • Monitors integrity of financial statements • Reviews and challenges regulatory compliance of financial reporting • Reviews and challenges financial reporting capabilities
Remuneration Committee	Board	• Sets principles and guidelines for remuneration Authorised Management • Oversees schemes of performance based incentives and awards
Board Credit Committee	Board	• Reviews, considers and approves out-of-credit-policy requests for credit exposure • Reviews and considers and approves requests for credit exposure outside mandate of Credit Committee
Business Asset & Liability Committee (BALCO)	Board	• Reviews the Bank's strategic capital and liquidity practices • Reviews at least annually the Bank's liquidity and funding program, including contingency plan, risk appetite/capital coverage, capital planning and funding strategy • Reviews and approves policies and limits for liquidity, capital and market risks
Internal Control Committee (ICC)	Board	This Committee meets 4 times a year and is chaired by one member of the Board of Directors dedicated to Risk, Compliance and Intrenal Audit specific topics. • Reviews and discusses all quarterly Risk, Compliance and Audit reports • Reviews the follow up by Authorised Management on recommendations made • Meets the Head of the Internal Control functions and Internal Audit at least annually and reviews the quality of their work • Assesses control capabilities, effectiveness internal audit • Supervises overall risk management limits for capital, liquidity and operational risk management • Reviews robustness contingency plan, methodology for measuring compliance risk
Credit Committee	Operational	• Reviews, considers and approves requests for credit exposure, in relation to borrowers, as well as e-merchants and partner banks • Reviews limits for credit risk

		• Typically meets on a weekly basis and is organized and managed by the Head of Credit
Asset & Liability Committee (ALCO)	Operational	• Reviews capital and liquidity position of Bank • Pre-approves policies and limits, as well as funding and capital planning and strategies before submission to BALCO
Relationship Committee	Operational	• Approves onboarding of new clients, among others to ensure that target clients are within the strategic scope and risk appetite of the Bank
Change Advisory Board	Operational	• Evaluates, prioritises and authorises or rejects any planned action that alters the current conditions and SLA's in the Information Systems Environment
Project Board	Operational	• Responsible for the effective management and the review of projects across the bank and within the context of the strategy defined by Catella authorised management

3.3 Risk management department

The responsibilities of Catella Bank's Risk Management department can be summarised as follows:

- To ensure that all risks are under control by identifying, measuring, assessing, mitigating and monitoring them on an ongoing basis: risk policies and procedures define the framework for controlling all types of risks by describing the methods used and the defined limits, as well as the escalation procedures in place;
- To provide the Authorised Management, the Board Risk Committee and the Board of Directors with a comprehensive, objective and relevant overview of the risks;
- To ensure that the risk limits are compatible with the Bank's strategy, business model and structure through an effective risk appetite framework, which defines the level of risk the Bank is willing to take in order to achieve its strategic and financial goals; and
- To ensure compliance with banking regulation requirements by submitting regular reports to the supervisory bodies, taking part in regulatory discussions and analysing all new requirements related to Risk Management that could affect the regulatory monitoring of Bank's activities.

The risk management department is headed by the Chief Risk Officer (CRO) who both directly reports to the Authorised Management and Board of Directors, and engages with the CSSF.

Since the arrival of the new CRO, internal resource since March 1, 2017, the organisational structure and staffing has evolved. The hiring process for new internal RM resources has started with a priority Operational Risk and Liquidity Risk. The target team size was set around 5/6 FTE going forward.
Multiple initiatives are currently launched to enhance risk culture, ownership, and oversight.

3.4 Interaction with other entities within the Catella Group

Within the Catella Group, Catella Bank is the most heavily regulated entity. For this reason the control functions of the Bank also function as the centre of competence within Catella for those areas which are supervised by the CSSF. This implies that they also have a leading role in providing methodology and guidance to the other entities within their particular domain.

Catella Group has implemented downstream secondary reporting lines from Group level to the Bank's Board of Directors, Authorised Management and the Bank's control functions.
At the group level the group control functions provide group reports on a quarterly basis for the consolidated situation to the Group Board of Directors and made available to the Bank without delay after dissemination. Since Luxembourg Law is governing the consolidated situation, the Bank's control

functions have the responsibility of informing the group control functions and group management on applicable regulatory requirements that will have to be observed by Catella AB in its governance of the group and the consolidated situation.

4 Risk Management

4.1 Risk management framework

The Risk function of the Bank including underlying capabilities across the Bank, are organised along the following building blocks, which together constitute the 'Risk Framework' of the Bank.

- **Risk Strategy** – To be set in conjunction with Business Strategy and Risk Appetite
- **Risk Governance & Oversight** – Including 3 Lines of Defence model, risk committees, and formalised reporting lines to Authorised Management and Board of Directors
- **Risk Policies & Procedures** – Including Policies for main risk categories
- **Risk Methodology** – E.g. to measure risks under normal and stressed circumstances; for internal or regulatory reporting purposes
- **Risk Monitoring & Reporting**
- **Risk Culture** – As reflected in open discussion, transparent and balanced decision making

Risk Management department and the Chief Risk Officer in particular play a leading role in organising an effective Risk Framework for the Bank, enabling the appropriate identification, measurement and management of the risks related to the commercial activities and the business environment the Bank is operating in.

The Bank uses the industry standard Three-Lines-of-Defence model to manage its risks. Reporting lines reinforce segregation of duties and independence within the model.

Within the model the functions Risk Management, Legal & Compliance, IT Security and HR constitute the main independent (Second Line) control functions within Catella Bank.

In accordance with above model material risks in each business unit are effectively identified, assessed, monitored and controlled by means of a specific self-assessment overseen by the independent Risk Management department.

4.2 Risk appetite

Catella Bank strives to maintain a moderate risk profile. Catella Bank regards itself as a Challenger Bank that operates in a limited number of profitable niche markets. Within strict financial and qualitative boundaries it is willing to accept some of the risks that it sees as inherent to this business strategy and that result from a targeted return on equity above industry average.
The moderate risk profile of Catella Bank is reflected in a number of quantitative and qualitative statements, characteristics and measures around the key resources of risk appetite: Profitability, Capital, Liquidity, Operations, Compliance and Reputation.

Whereas the qualitative statements are static in nature, quantitative measures are calibrated on a yearly basis. Below table links the 7 main qualitative risk statements of the Bank to quantitative thresholds and obliged indicators, substantiating a moderate risk profile for the Bank.

Below table provides a summary of the main limits and risk indicators set at bank level.

Table 3: Risk appetite summary

Catella Bank aims to have a sustainable profit			
Sizable and scalable products/markets	Revenue per core product/market offering		≥ EUR 10 m
Profitability	ROE		≥ 15%
	Net result		4 out of 5 years and 3 years cumulative net results are positive
Diversified earnings and risk exposure	Maximum exposure per economic group	One Obligor Exposure (Large Exposures)	20% of own funds
	Commercial real estate	Maximum Loss at Default (LaD) per borrower	EUR 2 m
		Maximum Loan to Value (LtV) per loan	70%
	Share pledge loans	Maximum total exposure as % total loan book	10%
		Maximum loan	EUR 4 m
		Min. market value vs loan	200%
		Minimum Securities Coverage Ratio (SCR)	125%
	Lombard credit – non-standard (concentrated securities positions)	Maximum total exposure as % of total loan book	10% 2020: 5%
	Residential Real Estate covered by financial securities	Minimum Securities Coverage Ratio (SCR)	120%
Capital buffers must allow Catella Bank to remain in business even under very rare circumstances			
Minimum capital	Minimum CET 1		[Pillar 1 + II] + 1%
	Leverage Ratio (minimum capital)		3.7%
Capital impact	Maximum Interest Rate Risk sensitivity (+/- 200 bps for net earnings and economic value)		EUR 1.500 k
Catella Bank has a low appetite for residual liquidity risks			
Short term liquidity	Liquidity Coverage Ratio (LCR)		2017: 91% 2018: 101% 2019: 111%
Long term liquidity	Net Stable Funding Ratio (NSFR)		2018: > 110%
Funding diversification	Target minimum long-term debt > 3 yrs maturity		30%
Survival Period	Target minimum survival period applied in buffer calculation		2 months
Maturity mismatch	Target max. assets-liabilities mismatch in economic tenor		6 months
Maximum tenor	Lombard credits		u.f.n. and/or annual renewal
	Commercial real estate lending		5 years
Catella Bank only focuses on markets, products and customers it thoroughly understands and for which it has the capacity to effectively manage resulting risks, and add value to our customers and shareholders			
Countries	Commercial real estate lending		Nordics, Western Europe
	Share pledge loans (jurisdiction of company)		Luxembourg, Cyprus, Sweden
	Bankcard Solutions (Issuing)		EU, Western Europe + their branches and subsidiaries (in pre-approved jurisdictions) which comply with EU or international standards with equivalent supervisory regimes
Catella Bank promotes a culture of risk awareness, accountability and conduct that is compliant with internal policies and external requirements			
Policy breaches	Number of unapproved policy breaches shall not increase relatively over time		

4.3 Risk identification and measurement

Risk identification is the process whereby potentially material risks are detected, based on a perpetual evaluation of the risk performed at all level of the Bank. In order to ensure that risks are proportionately and adequately managed, all potentially material risks the Bank is or could be exposed to, are classified considering industry best practices and recommendations in Circular CSSF 07/301.

All risk are defined by Catella Bank according to a clear taxonomy and structure consolidating into five main risk categories. This approach is applied across all entities.

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity & Capital Risk
- Business Risk

Figure 2: Risk classification Catella

	Enterprise Risk				
Dimensions	Capital - Risk adjusted performance - (Credit Rating)				
Risk categories	Credit Risk	Market Risk	Operational Risk	Liquidity & Capital Risk	Business Risk
	Default Risk Single Name Concentration Risk Sector Concentration Risk Country Concentration Risk Credit Mitigation Risk Counterparty Credit Risk Settlement Risk	Interest Rate Risk FX Risk Equity Risk Derivatives Risk Property Risk Model Risk	Internal & External Fraud Governance, Organization and People Technology and Infrastructure Risks Operations & Processes including: Business Continuity Risk Information Security Risk Outsourcing Risk Reporting Risk Compliance & Conduct Risk Litigation Risk Legal Risk	Market Liquidity Risk Funding liquidity Risk Funding Concentration Risk Liquidity Maturity GAP ALM Risk Capital Risk	Scheme Risk (VISA MC) Strategic Risk Regulatory Risk Tax Risk Pension Risk Reputation Risk
Cause factors	External: political, (macro) economic , social, technological, environmental, legal Internal: people, process, systems, balance sheet, products, clients, reputation				

Other than through uniformity of risk taxonomy and alignment of organisation and reporting, the comprehensiveness of risk identification is ensured by application of a process for new products and changes within the Bank, as well as by an annual Risk Control Self-Assessment.

This first process, as described in the ‘New Product Approval Process Policy’ is coordinated by the business functions which have primary responsibility for risk identification and assessment, and requires input and validation from all control functions, before being submitted to Authorised Management for discussion, challenge and formal approval. Changes in products, markets or infrastructure which have a material effect on the risk profile of the Bank are reported to the CSSF by Legal & Compliance.

The Risk Control-Self Assessment is performed by each department under guidance of the Risk Management department. Enforcement of this process has been prioritised for 2017.

Catella Group measures the exposure to different risks through consistent methodologies. For every identified risk, quantitative and / or qualitative methods and tools are disposed allowing the measurement of its risks. For those risk which are in scope of Catella Bank, methodologies used by the Bank in principle are also applied across all consolidated entities and the wider Catellla Group.

4.4 Risk strategy

A risk strategy is a structured and coherent way of identifying, assessing and managing risk. Catella Bank adapts its risk strategy to the size of the Bank and to the degree of complexity of its activities according to the proportionality principle.

The Bank takes and manages every risk in line with its Risk Appetite Framework as further explained below. The four key approaches to risk management are:

a. **Avoid risk**, e.g. by avoiding legal jurisdictions in which compliance with international law and policy standards cannot be ensured;

b. **Control / mitigate risk**, i.e. reduce the impact or likelihood (or both) through intermediate steps, for example by performing Know Your Customer checks or performing annual Risk Control Assessment;

c. **Transfer the risk**, i.e. transfer the risk to third party that can manage the outcome. This is done e.g. financially through insurance contracts, interest rate swaps, selling loans to other institutions, or by the implication of a guarantor, or operationally through outsourcing an activity, although the risk oversight in all cases remains with the Bank;

d. **Accept the risk**, i.e. consider the change of a negative impact and prepare through capital contingency planning, e.g. in relation to funding and credit concentration risks, which is inherent to the current growth phase of the Bank.

‘Inherent Risk’ is the risk before taking into account the effects of the chosen risk strategy, whereas **‘Residual Risk’** is the remaining risk after employing that strategy, and hence the basis for the capital adequacy assessment.

The risk strategy per individual risk and business is reflected in the above mentioned risk appetite framework and metrics which have been set in support of the moderate risk profile of the Bank and the Bank’s overall business objectives.
It is reviewed periodically in conjunction with the business objectives and the capital adequacy of the Bank.

Most relevant risk strategies are summarised below.

4.4.1 Diversification of funding

Currently the funding of the Bank is largely concentrated towards private wealth deposits, which is cheap but relatively inflexible source of funding given that it is not a primary product for the bank’s customers.
The strategy is to diversify the sources of funding in the coming years, and by doing so reduce the dependency on wealth management deposits and increase the available options for contingency funding.

4.4.2 Reduction of single obligor credit risk concentration

Due to a chosen commercial strategy the Bank accepts the fact that there is a concentration on commercial real estate and on the Nordic countries in particular.

Besides, due to the relative small size of the Bank there is a relative big concentration on individual counterparties, and connected clients.
Catella Bank applies a regime of credit limits derived from own funds – which is considerable stricter than the regulatory thresholds applicable – to restrict the maximum exposure to individual borrowers and over time to diversify the lending book.

4.4.3 Enforcement of risk culture and controls

To increase risk oversight and promote and foster Risk ownership and appropriate controls in the First Line of Defence (including Commercial business lines, Treasury, Finance) several initiatives are taken and planned in 2017. This includes risk awareness training, formalisation of process ownership, extension of the risk control self-assessment.

4.5 Risk monitoring and reporting

The aforementioned five main risk categories also link to the organisational set up of the Risk Management department, and the way consolidated reporting by Risk Management to the Authorised Management, Board of Directors and Internal Control Committee is structured. This also ensures there is a coherent and comprehensive view of most significant developments at enterprise level.

Risk management policies and procedures to provide guidance and direction as to the management of risk with the purpose to :

- Ensure a consistent and effective approach to risk management;
- Foster and encourage / communicate risk-aware culture where risk; management is seen as a positive attribute of decision making rather than simply a corrective measure; and
- Align the risk management practices and monitoring operations within all areas of the Bank's operations.

The monitoring of risks is reflected in reports/regular updates addressed to the Board of Directors and to the Authorised Management, and produced by the persons responsible for each department involved in the Three Line of Defence risk management structure. This includes Wealth Management, Cards, Credit, Finance, Back-Office and IT departments.

Main reports provided by the second line control functions include:

- Internal Capital & Liquidity Adequacy Assessment Process (ICLAAP): focus on the enhanced risk framework and policy level. It also provide qualitative/ quantitative evidence demonstrating that the Bank under a consolidated view has implemented methods and set of measures, procedures to ensure adequate alignment of the risk taking and strategy with capital resources. This exercise includes as such a forward looking statements for the next 3 years.
- The Recovery Plan which includes KPIs, triggers events and scenarios which apply to the Bank and its Swedish branch.
- Quarterly Risk and Compliance reports: with the objective to provide regular update of the risk linked with the normal course of the business through mainly quantitative and qualitative analysis to the Management, the Board and the Catella Group Risk function and Board of Directors.
- Monthly consolidated dash boards by Risk Management department provided to management team and authorised management, to alert on trends and compliance with risk appetite and items covered in the framework risk policy.

4.6 Effectiveness of hedges and mitigants

Catella Bank manages market risks by hedging against foreign exchange risk and interest rate risk with the objective to protect its earnings and the economic value of its assets and liabilities.
Treasury has the responsibility to manage interest rate and FX risk hedging. According to the market risk policy, cross-currency basis risk stems from the cash flow hedging techniques used by the Bank to mitigate the above risks via FX swaps.

Foreign exchange risk is not necessarily fully hedged. Interest rate risk deriving from mismatches between short term funding and longer term lending is monitored by ALCO according to specific limits set very prudently and reflecting a very low tolerance for currency and interest rate risk.
Total exposure is monitored

Real estate and financial instruments which are pledged to the Bank as collateral for loans are revalued and monitored in line with regulatory standards and industry best practices.

As part of its Wealth management or Treasury transactions, the Bank may use financial instruments linked to other market risk factors than the above. A prerequisite is that such transactions are completely hedged with derivatives and that the Bank is able to valuate and measure the risks involved in the derivatives. Catella Bank may when need arises, acquire shares or other assets, in support of its wealth management business.

5 Own Funds, Capital and Liquidity adequacy

This section summarises the own funds of Catella Bank, as well as the main approaches, requirements and conclusions on capital adequacy as reported to the CSSF as part of the quarterly COREP reporting, and annual Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP). Small deviations between both regulatory reports are due to timing and scoping differences.

The Bank's risk profile is currently assessed using the Pillar I plus approach. It takes the generic Pillar I capital requirements calculation as a starting point and then considers whether this results in an adequate amount of capital to cover the Bank's actual risk profile.

5.1 Own funds

As at 31 December 2016, the capital resources of Catella Bank were as follows (source: COREP):

Table 4: own funds (Tier 1)

Tier 1 capital (original own funds)	In k€
Subscribed capital	17,420
Legal reserves/ share premium	1,785
Special reserves	13,776
P&L brought forward/ retained earnings	3,101
Other	(2,228)
Total Tier 1 capital- Capital resources	**33,853**

During the year, Catella Bank complied all times with all of the externally imposed regulatory capital requirements.

5.2 Pillar 1 capital requirements as per 31 December 2016

The measurement of the minimum capital requirement as per 31 December 2016 is based on the Circulars CSSF 06/273, 07/301, as amended by CSSF 08/338, 09/403, 11/506, 13/568.
Data provide are extracted from COREP reporting.

Credit risk: Standardised Approach

As per end of 2016 capital requirements for credit risk amount to EUR 13.6 m.

Table 5: capital requirements for credit risk

Standardised approach (SA)	Risk weighted exposure	8% capital
Institutions	37,652,350.74	3,012,188.06
Corporates	48,664,346.59	3,893,147.73
Retail	12,854,374.06	1,028,349.92
Secured by mortgages on immovable property	29,864,713.63	2,389,177.09
Exposures in default	5,262,930.80	421,034.46
Items associated with particular high risk	526,689.53	42,135.16
Equity	4,705,365.78	376,429.26
Other items	31,145,325.05	2,491,626.00
Total	**170,676,096.18**	**13,654,087.69**

Operational risk: Basic Indicator approach ('BIA')

From a qualitative standpoint, the Bank uses a sound risk control framework based on the ' Principles for a sound Management of Operational Risk' from the Basel Committee in applying the risk and control self-assessment (RCSA) practice to analyse its risk profile as well as the adequacy of its control to cover it. As per end of 2016 capital requirements for credit risk amount to EUR 4.2 m.

Market risk: Standardised Approach.

As no trading activities are performed for own account, market risk boils down to Foreign Exchange risk and Interest-Rate risk in the Banking book.

As per end of 2016 capital requirements for market risk amount to EUR 0.1 m.

5.3 Capital adequacy as per 31 December 2016

The Bank's net available capital as of 31 December 2016, based on applicable regulatory buffers, including an existing Pillar II buffer imposed by the CSSF of 2.5%, amount to **EUR 18.7 m**.

Note that for capital adequacy purposes, an extraordinary profit from the sale of VISA shares was included as per end of 2016.

Table 6: Total capital requirements and available capital (in million €) – source ICLAAP

Total capital requirements as % of RWA and EUR m	2016	
Risk exposure		
Total risk exposure amount	**218.8**	
Capital requirements		
Capital requirements Pillar I	8.0%	17.4
Capital requirements Pillar II	2.5%	5.5
Capital conservation buffer	2.5%	5.5
Countercyclical capital buffer	1.0%	2.2
Total capital ratio requirements	**14.0%**	**30.6**
Available capital		
Total capital ratio	**22.6%**	**49.3**
Net available capital	8.6%	18.7

The aforementioned countercyclical capital buffer is related to Swedish exposures and applied proportionate for all exposures to counterparties with Swedish domicile. As per end of 2016 the rate was set at 2% by the Swedish Finansinspektionen. For 2016 and 2017 a regulatory cap of 1.5% and 2% is applicable.

5.4 Internal Capital Adequacy Assessment Process (Pillar II)

In context of the ICAAP, the Bank also conducts stress tests and assesses to which extent the outcome of these tests requires changes in its risk and internal capital management to ensure its internal capital adequacy. As such the Bank submits its non-trading book activities to a stress test to assess its interest rate risk (Circular CSSF 16/642), as well as performs liquidity stress tests in accordance with Circular CSSF 09/403. A broader stress-testing framework is also applied in line with Circular CSSF 11/506.

The material risk assessment for the Bank based on the situation as per end of 2016 results in a Pillar II capital add-on of EUR 3.1 m, corresponding with 1.4% of applicable Pillar I Risk Weighted Assets. The amount of EUR 3.1 m encompasses a capital charge for credit concentration risk of EUR 2.1 m, and a newly calculated capital charge of EUR 1.0 m to reflect a potential loss in net interest earnings. The latter is primarily driven by the risk of a possible negative interest on our deposit with the central bank, as the Bank typically includes a floor on the reference rate which is applied in credit facilities.

Table 7: Pillar II add-on (in million €)

Capital requirements Pillar I & II [2016-12-31]	Pillar I	Pillar II	Pillar II add-on
Credit risk	13.3	0.0	0.0
Market risk	0.1	0.0	0.0
Operational risk	4.2	1.1	0.0
Total	**17.5**	**1.1**	**0.0**
Concentration risk			2.1
Interest rate risk			1.0
Pillar II add-on as MEUR			**3.1**
Pillar II add-on as % of RWA			**1.4%**

The outcome of the material risk assessment is substantially below the prevailing 2.5% Pillar II buffer imposed by the CSSF which may be subject to change.

5.5 Liquidity Coverage Ratio (LCR) as per 31 December 2016

The Liquidity Coverage Ratio (LCR) aims to ensure that banks hold enough liquid assets to survive a significant stress, resulting in increased cash outflows lasting for one month.

The LCR definition has been set on the basis of technical standards issued by European Banking Authority, defining so called High Quality Liquid Assets and taking assumptions on theoretical outflows.

The LCR entered into force at European level on 1st October 2015.

The minimum regulatory ratio was 70% as per 1 January 2016, and 80% as of 1 January 2017. Catella Bank's LCR ratio has always been more than 100%. It was well above regulatory requirements at 124% at end of 2016.

6 Main Risks

This section summarises the main risk types to which the Bank is exposed and mitigations applied.

6.1 Credit risk

Credit risk is defined as the risk of loss if counterparties fail to fulfil their agreed obligations and the pledged collateral does not cover existing claims. It stems mainly from various forms of lending, but also from issued guarantees and deposits held with other banks.

Catella Bank is widely exposed to credit risk, in relation to its lending activities and exposures to other institutions. Credit risk is largely mitigated through collateral, such as real estate mortgages and pledges on securities portfolios. In relation to e-merchants credit risk is mostly mitigated by rolling cash reserves held with Catella Bank.

In particular credit concentration risk to the Nordics, commercial real estate and individual counterparties is material and typically not captured under Pillar I capital.

6.2 Market risk

Market risk is defined as the risk of loss in positions arising from movements in market prices. Market risk includes risks in relation to interest rate risk and foreign exchange.
Catella does not perform any trading activities on its own account and therefore has no material Pillar I requirements to cover market risk. Yet Catella Bank is exposed to some form of market risk through its exposures to FX risk and interest rate risk for non-trading activities (IRRBB). The latter is captured under Pillar II (see 5.3).

The assets and liabilities on the balance sheet are predominantly floating-rate with relatively short maturities. The sensitivity to IRRBB as measured by the regulatory stress test represents a negligible part of total own funds, significantly below the regulatory threshold, but may affect net interest earnings as explained above.
Similarly the assumptions regarding loan prepayments and behaviour of non-maturity deposits are not material.

Yet Catella Bank is upgrading its measurement and monitor capabilities to both comply with all regulatory requirements .

6.3 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

In particular regarding its cards processing activities on both the issuing and acquiring business, Catella considers operational risk as a major risk.

Operational risk incidents are reported centrally to and analysed centrally by the risk department supported by a dedicated risk tool. This tool is also used to capture operational losses, and support the Risk Control Self-Assessment across the Bank. Risk Management advises to the Senior Management on improvements in processes and controls.

For the ICLAAP the combined impact of a number of severe operational risk scenarios has been assessed. No additional capital allocation was deemed to be necessary,

6.4 Liquidity risk

Thanks to the diversification of the Catella business activities, the liquidity risk profile of the Bank is limited and complementary. The Bank is benefiting from a liquidity surplus coming from the Wealth Management and acquiring activities through clients' deposits, transaction and position accounts as well as retention reserves in support of its lending activities. Ambition to grow the commercial real estate lending portfolio in particular, has forced the Bank to develop a supporting funding strategy focusing on a more diversified source of funding.

7 Remuneration Policy

7.1 Governance

Below table summarises the main duties of the relevant governance bodies in relation to remuneration.

Table 8: Governance bodies, main responsibilities and tasks

Governance body	Main responsibility	Key tasks
Board of Directors (BoD)	Ultimate decision making authority	• Ultimately responsible for the design of the Remuneration Policy and the review of the Policy's implementation • Ensures that the implementation of the Policy is reviewed on a regular basis by the BRC, which must be assisted by the Control Functions or by external experts • Such central and independent reviews assess whether the remuneration system operates as intended and is compliant with the relevant and applicable regulations
The Board Remuneration Committee (BRC)	Board Committee overseeing nomination and remuneration matters • Includes at least two members of the Board • Meets at least annually	• Determines whether total amount of variable remuneration is set in accordance with regulatory standards • Determines whether the Policy is appropriate and administered correctly • Prepares Board decisions regarding remuneration • Monitors the appropriate structure of the remuneration system • Ensures the principles of the policy are adhered too • Ensures the remuneration systems are compatible with the business strategy and risk strategies of the Bank
Authorised Management	Responsible for execution of HR strategies and policies	• Plays an active role in ensuring the correct operational implementation of the Policy throughout Catella Bank entities and taking all appropriate measures to ensure that the Policy is applied properly and in line with mandatory local regulations

7.2 Link between pay and performance

Catella Bank aims to attract, retain and motivate highly qualified professionals. Catella Bank offers remuneration packages that, while in line with market practices, are competitive and attractive, both in terms of amount and structure. An important element of the employees' remuneration packages is the variable component which is strongly linked to the performance of the entity, the department and the individual.

Catella Bank can decide, in case of poor performance of the staff member, the department, the entity to lower or even to reduce to zero the variable remuneration. When it comes to individual performance, the rating given by the appraiser determines whether the staff member is eligible or not to receive variable remuneration.
Variable compensation for performance should always have an individual component reflecting non-financial performance criteria, such as compliance with internal rules, risk standards and procedures, as well as compliance with the company's standards which govern relationships with clients and investors, as well as proper ethical behaviour.

7.3 Application of proportionality principle to the Bank

The Bank has concluded that on an individual, consolidated and sub-consolidated basis, the Bank is capable of exercising the proportionality principle as encoded in Circular 11/505, given the balance sheet size of the Bank and Group, the internal organisation and the nature, scope and complexity of our activities.
By applying the principles of proportionality, the following criteria are "neutralised":

- the deferral requirements;
- the payment of the variable remuneration in units or shares, equivalent ownership interests or share-linked instruments or equivalent non-cash instruments;
- the ex-post risk factor requirement such as the "*malus"* approach.

Examples:

- if an employee got a fixed salary of 50.000 Euros, he can receive a variable remuneration of up to 50.000 Euros in cash without deferral;
- if person got a fixed salary of 50.000 Euros he can receive a variable remuneration of up to 100.000 Euros in cash without deferral, subject to the Shareholder's approval as described in article 38 (higher ratio rule) of Law of 23 July 2015. The shareholders must approve any amount above 100% with a maximum of 200%.

The proportionality principle is not applicable to the below requirements:

- Staff members are required to undertake not to use personal hedging strategies or remuneration- and liability- related insurance to undermine the risk alignment effects embedded in their remuneration arrangements;
- No variable remuneration shall be paid through vehicles or methods that facilitate the non-compliance with this Directive or Regulation (EU) No 575/2013.

7.4 Design characteristics of remuneration system

7.3.1 Objectives and principles

The current Remuneration Policy has been approved by the Board of Directors on February 2017 and is effective within Catella Bank as of that date. It is based on the following founding principles:

- The Bank will ensure that it maintains robust governance arrangements, which include a clear organisational structure with transparent and consistent lines of responsibility, effective, proportionate and comprehensive processes to identify, manage, monitor and report the risk that it is or might be exposed to, and adequate internal control mechanisms, including sound administration and accounting procedures;
- Sound and effective risk management practices that do not encourage risk taking that exceeds the risk appetite and tolerated risk of the Bank;
- Ensuring it is aligned with the business strategy, objectives, values and long-term interests of the Bank and ultimately the shareholder's expectations;
- Avoiding or mitigating conflicts of interest, as necessary;

- Ensuring staff engaged in control functions are independent from business units of the Bank that they oversee, and that appropriate authority and remuneration is linked to their functions, independent of the performance of the business areas they oversee;
- Ensuring appropriate and holistic ratios are set between fixed and variable remuneration for Identified Staff, which shall include the possibility to pay no variable remuneration component;
- Complying with all Bank's internal rules & regulations.

The remuneration systems and practices of the Bank are an important factor in ensuring that the Bank can achieve its strategic objectives whilst maintaining adherence to the above principles. They are intended to ensure a remuneration level that will enable the Bank to attract and retain sufficient numbers of qualified staff in a dynamic market environment. The remuneration models and parameters are geared to the long-term business success. The system, among others, includes the following elements:

- With discretionary fringe benefits, the Bank creates a working environment that encourages performance, offers recognition to employees and supports them beyond the immediate workplace;
- In addition to statutory and private pension schemes and where applicable, the Bank may offer its employees a company pension scheme with various implementation options if such scheme is in line with the long term strategy and interests of the Bank. Should the Bank offer a discretionary company pension scheme and an employee leave the Bank before retirement, the Bank will retain the discretionary pension benefits for a period of five years and subsequently pay such benefits to the employee in accordance to Article 38-6 o) of the Law of 23 July 2015;
- The remuneration components result in competitive compensation for employees, taking into account an appropriate balance of variable and fixed remuneration. In the ongoing development of its remuneration models, the Bank pursues the aims of rewarding performance and fostering the employee behaviour required for corporate success while complying with regulatory requirements;
- Variable remunerations shall always be paid after consideration is given to of the performance of the employee, the business unit concerned, and of the overall results of the Bank;
- Except for welcome "sign-on" bonus authorised by the law, no bonuses may be promised, or awarded if not justified by appropriate performance or achievements, and no variable remuneration is to be paid to members of the Management body of the Bank unless justified;
- Performance or achievements shall always be evaluated taking into account their long-term benefits or impact on the bank. The assessment of an employee or a department's performance will take into account long term strategic views and goals of the Bank's long-term strategic plan;
- The total variable remuneration pool does not limit the ability of the institution to strengthen its capital base;
- Guaranteed variable remuneration, as a general principle, is not allowed. However, on an exceptional basis, it may be permitted when hiring new staff and where the Bank has a sound and strong capital base. In any case, this shall be limited to the first year of employment;
- The Bank has established an HR performance review and disbursement procedure.

The application and implementation of the above principles is supervised by the control functions of the Bank. The control functions will also retain the obligation of constructing, designing and operating the remuneration practices encapsulated in this Policy.

7.3.2 Performance measurement

Within Catella Bank and subject to minor local adjustments, all members of staff are assessed once a year on the basis of targets set at the beginning of each calendar year.
A skills matrix assesses the competencies of the employee.
Staff objectives are set-up in a way that ensures that individual performance and development are coherent with Catella Bank's ambition, future development and risk management. Objectives are specific to the function and to the employee and focus on what the employee is asked to achieve in that particular

calendar year. Objectives may be quantitative or qualitative, but the set of objectives should always include qualitative objectives.

As a general principle performance is assessed and discussed during appraisal interviews that are done at least once a year by the direct manager of the employee The direct manager is aware if the appraisee is a Material Risk Taker or not.
The main objective of such annual assessments is to give feedback to employees regarding their performance and competencies and hence recognise the work done, identify developments needs and career aspirations and motivate employees to continue contributing to Catella Bank performance Catella Bank's performance management also aims to:

- Guarantee fairness and internal consistency throughout the Bank;
- Promote internal mobility;
- Recognise collective efforts done to achieve Catella Bank's corporate objectives;
- Granting a fair bonus.

The appraisal interview assesses the competencies of the employee as well as the achievement of targets. Both dimensions are rated on a scale from red to green and the final assessment score is based on the average of these 2 scores. There is no mathematical formula to set the final score. It is left to the manager's discretion to round it up or down.

7.3.3 Performance assessment for Risk Takers' clawback period

The Bank applies a two years "Clawback Period" protocol.
After the end of a financial year, the performance of Risk Takers – like that of all other employees – is assessed on the basis of the individual quantitative and qualitative targets for the financial year in question. This Performance assessment I forms the basis for the amount of individual variable remuneration.

For Identified Risk Takers under this Policy, additional risk reviews shall be conducted in each year (Performance assessment II) to determine whether causes have arisen in the meantime justifying the cancellation or reduction of claims granted to the employee. Such reasons are deemed to exist primarily in case of violations of rules and guidelines (Code of Ethics), a lack of sustainability in the performance of an employer (which serves as the basis for the Performance assessment I), or the employee's risk behaviour.

After the expiry of the clawback period, the Performance assessment I is reviewed in Performance assessment II. This also examines the employee's behaviour during the period and takes into account collective criteria such as the liquidity and profitability of the Bank. Negative individual contributions to success or failure to meet liquidity and profitability criteria of the Bank may result in the variable remuneration component being reduced or cancelled.

In case of resignation or termination of employment by the employer or the employee before the applicable date, no variable remuneration shall be paid out.

The pay-out letter to the employee shall contain clauses in relation to the foregoing that have to be acknowledged by the employee as a condition to the pay-out.

7.5 Remuneration models and parameters

7.5.1 Remuneration models

The remuneration parameters relevant to the remuneration system are derived from the Bank's 5 year long-term financial plan. They are set annually in "incentive plans" for each department to ensure that employees' remuneration-related targets are sufficiently transparent and bespoke; can make an effective and sustainable contribution to achieving the Bank's goals, and do not create incentives to incur excessive risks.

The system is made up of six target group-specific remuneration models:

1. Pay-Scale model: All pay-scale employees
2. Front Office and Key Staff model: Relationship Managers, Heads and Other Senior Staff
3. Management model: Members of the Executive Management
4. Control functions: Chief Compliance Officer, Chief Risk Officer, Chief Internal Auditor
5. Authorised Management model: Members of the Authorised Management
6. Board of Directors model: Members of the Board Directors

7.5.2 Disbursement volume and parameters for variable remuneration

At the end of each financial year, Authorised Management shall submit to the Board of Directors a certain volume of funds that can be made available for the disbursement as variable remuneration. To meet the regulatory requirements, the budget for variable remuneration is reviewed under these five principles:

1. The process shall always take into account economic factors – in particular all current and future risks, risk bearing capacity, multi-year planning and the profit position of the Bank – as well as regulatory factors such as the ability to regain appropriate capital and liquidity resources or maintain them in the long term. The process shall ensure that the Bank's ability to maintain or regain compliance with the combined capital buffer requirements is not impaired. It also ensures, in case of a negative overall performance of the Bank, in particular if this involves a decrease in company value, that it is generally not permissible to set aside a budget for variable remuneration;
2. An employee's individual targets are derived from the relevant Bank's "incentive plans" and are agreed at the beginning of a financial year. There shall include quantitative and qualitative targets;
3. The annual return on equity should also be used to as a determining factor for setting and/or paying out variable remuneration;
4. The variable pay is also evaluated and based on the performance of the employee, the business unit of the employee and the overall results of the Bank. The Bank will thus consider non-financial criteria such as compliance with Bank's Code of Ethics, Compliance Manual, personal development and growth, the achievement of notable and reputable training milestones and exceptional internal circumstances as additional criteria that may trigger exceptional performance related remuneration;
5. As a weighing measures for non-financial criteria, the Bank shall implement its annual individual staff performance appraisal procedures.

7.5.3 Variable remuneration principles for specific categories of staff

Front Office and key staff

- At the beginning of the financial year, the Authorised Management shall sets each department' target on the basis of the Bank's overall performance criteria. These criteria are linked to a target volume for the variable remuneration of employees under the Front Office and Key Staff model.
- Any distribution of the disbursement budget to the employees takes solely place on a discretionary basis, taking into account the Bank's contribution to performance and that of the individual employee.
- The amount of the individual variable remuneration is limited to 200 % of the target amount and cannot exceed the individually applicable 100% bonus cap for variable remuneration.

Executive management and employees with key project management responsibilities

- See above.
- Criteria set by the Authorised Management are to be approved by the Board of Directors.

Control functions

- A recommendation shall be made by the Remuneration Committee on the total volume of variable compensation under the control functions model.
- Variable compensation for control functions will predominately be judged in accordance to the control functions objectives, and only takes into account the individual employee performance.

Authorised management

- At the beginning of the financial year, the Board of Directors sets a Bank performance target plan. This target is linked to a target volume for the variable remuneration of employees under the authorised management model.
- After the end of the financial year, a decision is made on the total volume of variable compensation under the authorised management model on the basis of Bank's performance.
- Any distribution of the disbursement budget takes into account the Bank's contribution to performance and that of the individual employee.
- The amount of the individual variable remuneration is limited to 200 % of the target amount and cannot exceed the individually applicable 100% bonus cap for variable remuneration.

Board of Directors

- After the end of the financial year and where applicable, a decision can be made on the total volume of variable compensation under the Board of Directors model on the basis of Bank's overall performance.
- Any applicable variable remuneration under this model is subject to the Bank's General assembly approval.

7.6 Determination of identified staff

Catella Bank has performed a detailed analysis to identify its members of staff whose professional activities have a material impact on Catella Bank's risk profile, referred to as the "Identified Staff".
This analysis has been performed in collaboration with Risk Management, Compliance, Audit, Legal and HR departments.
More precisely, Catella Bank has updated the list of Identified Staff that had already been drawn up -on the basis of the analysis of job functions and responsibilities as prescribed mainly by the EBA Guidelines on Sound Remuneration Policies and CSSF Circulars 10/496, 11/505, 15/601, 15/622 with regard to the requirements detailed in the Commission Delegated Regulation EU 604/2014 on the identification of categories of staff whose professional activities have a material impact on an institution's risk profile. Catella Bank updates the list of Identified Staff at least on an annual basis.

7.7 Identification of the risk takers and identified staff

The European Commission has proceeded to publish the Commission Delegated Regulation (EU) No 604 / 2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile. These Regulatory Technical Standards have set out the process and criteria for the identification of so called Identified Staff who have a material impact on the Bank's risk profile. A detailed definition of Identified staff is set out as all employees classified in group 2 to 6. The list is drawn and yearly reviewed by HR and Compliance.

The list of Identified Staff is fixed at **9** (excluding 13 senior management members) as of 31 December 2016.

Catella Bank already adopted before the implementation of Directive 2004/39/CE in 2007 and still maintains measures enabling to effectively identify where the Relevant Persons might fail to act in the best interests of clients and to take remedial action.

In addition, organisational measures adopted in the context of the launch of new products or services appropriately take into account the remuneration policies and practices and the risks that these products or services may pose in terms of conduct of business and conflicts of interests.

7.8 Disclosure

Internal disclosure

Employees of Catella Bank are informed through the intranet or by their hierarchy on the performance assessment and reward process and the main principles of this Policy.
The discretionary nature of the variable remuneration is mentioned in the employment contracts.
Catella Bank informs its staff members appropriately and timely of any amendments to the Policy which might affect them.

External disclosure

As set out in art. 450 (Part Eight) of EU Regulation N°575/2013, Catella Bank makes available to the public information regarding its Remuneration Policy and practices for those categories of staff whose professional activities have a material impact on Catella Bank’s risk profile (i.e. the Identified Staff).

8 Annex

8.1 Declaration of the Management Body

Catella Bank's Board of Directors ensures that the risk management arrangements of Catella Bank are adequate with regard to the Bank's profile and strategy, these arrangements being already implemented or making part of an action plan with the aim to reach this objective.
This declaration is based on the reliability of the risk-related information communicated to the Board through the dedicated channels foreseen by the governance. In particular, the Board Internal Control Committee - a sub-committee of the Board- is the forum where the risk exposures are compared to the Board's risk appetite, and where significant risk events and issues are reported and discussed.

8.2 Own Funds, RWAs and solvency ratio

	Common Equity Tier 1 capital: instruments and reserves	2016-12-31 (kEUR)	2015-12-31 (kEUR)	(B) Regulation (EU) No 575/2013 Article Reference	(C) Amounts subject to Pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
1	Capital instruments and the related share premium accounts	19,205	14,955	26 (1), 27, 28, 29, EBA list 26 (3)	N/A
	of which: instrument type 1			EBA list 26 (3)	N/A
	of which: instrument type 2			EBA list 26 (3)	N/A
	of which: instrument type 3			EBA list 26 (3)	N/A
2	Retained earnings	2,877	0	26 (1) c	N/A
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	14,000	14,178	26 (1)	N/A
3a	Funds for general banking risk			26 (1) f	N/A
4	Amount of qualifying items reffered to in Article 484 (3) and the related share premium accounts subject to phase out from CET1			486 (2)	N/A
	Public sector capital injections grandfathered until 1 January 2018			483(2)	N/A
5	Minority interests (amount allowed in consolidated CET1)			84, 479, 480	N/A
5a	Independently reviewed interim profits net of any foreseeable charge of dividend			26 (2)	N/A
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**36,082**	**29,134**		N/A
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)			34, 105	N/A
8	Intangible assets (net of related tax liability) (negative amount)	-2,124	-2,696	36 (1) b, 37, 472 (4)	N/A
9	Empty set in the EU				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-105		36 (1) c, 38, 472 (5)	N/A
11	Fair value reserves related to gains or losses on cash flow hedges			33 a	N/A
12	Negative amounts resulting from the calculation of expected loss amounts			36 (1) d, 40, 159, 472 (6)	N/A
13	Any increase in equity that results from securitised assets (negative amount)			32 (1)	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing			33 b	N/A
15	Defined-benefit pension fund assets (negative amount)			36 (1) e, 41, 472 (7)	N/A
16	Direct or indirect holdings by an institution of own CET1 instruments (negative amount)			36 (1) f, 42, 472 (8)	N/A
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			36 (1) g, 44, 472 (9)	N/A

18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institutions does not have a significant investment in those entities (amount above 10% treshold and not of eligible short positions) (negative amounts)			36 (1) h, 43, 45, 46, 49 (2) (3), 79, 472 (10)	N/A
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institutions has a significant investment in those entities (amount above 10% treshold and not of eligible short positions) (negative amounts)			36 (1) i, 43, 45, 47, 48 (1) b, 49 (1) to (3), 79, 470, 472 (11)	N/A
20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			36 (1) k	N/A
20b	of which: qualifying holdings outside the financial sector (negative amount)			36 (1) k i, 89 to 91	N/A
20c	of which: securitisation positions (negative amount)			36 (1) k ii, 243 (1) b, 244 (1) b, 258	N/A
20d	of which: free deliveries (negative amount)			36 (1) k iii, 379 (3)	N/A
21	Deferred tax assets arising from temporary differences (amount above 10% treshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)			36 (1) c, 38, 48 (1) a, 470, 472 (5)	N/A
22	Amount exceeding the 15% treshold (negative amount)			48 (1)	N/A
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities			36 (1) i, 48 (1) b, 470, 472 (11)	N/A
24	Empty set in the EU				
25	of which: deffered tax assets arising from temporary differences			36 (1) c, 38, 48 (1) a, 470, 472 (5)	N/A
25a	Losses for the current financial year (negative amount)			36 (1) a	N/A
25b	Foreseeable tax charges relating to CET1 items (negative amount)			36 (1) l	N/A
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment				N/A
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468				N/A
	of which: … filter for unrealised loss 1			467	N/A
	of which: … filter for unrealised loss 2			467	N/A
	of which: … filter for unrealised gain 1			468	N/A
	of which: … filter for unrealised gain 2			468	N/A
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR			481	N/A
	of which: …			481	N/A
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)			36 (1) j	N/A
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-2,228**	**-2,696**	**Sum of rows 7 to 20a, 21, 22 and 25a to 27**	N/A
29	**Common Equity Tier 1 (CET1) capital**	**33,853**	**26,437**	**Row 6 minus row 28**	N/A
Additional Tier (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts			51, 52	N/A
31	of which: classified as equity under applicable accounting standards				N/A

32	of which: classified as liabilities under applicable accounting standards				N/A
33	Amount of qualifying items reffered to in Article 484 (4) and the related share premium accounts subject to phase out from AT1			486 (3)	N/A
	Public sector capital injections grandfathered until 1 January 2018			483 (3)	N/A
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties			85, 86, 480	N/A
35	of which: instruments issued by subsidiaries subject to phase out			486 (3)	N/A
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**				N/A
Additional Tier (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)			52 (1) b, 56 a, 57, 475 (2)	N/A
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			56 b, 58, 475 (3)	N/A
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% treshold and net of eligible short positions) (negative amount)			56 c, 59, 60, 79, 475 (4)	N/A
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			56 d, 59, 79, 475 (4)	N/A
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)				N/A
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			472, 472 (3) a, 472 (4), 472 (6), 472 (8), 472 (9), 472 (10), 472 (11) (a)	N/A
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc				N/A
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			477, 477 (3), 477 (4) a	N/A
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc				N/A
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre CRR			467, 468, 481	N/A
	Of which: … possible filter for unrealised losses			467	N/A
	Of which: … possible filter for unrealised gains			468	N/A
	Of which: …			481	N/A
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)			56 e	N/A
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**				N/A
44	**Additional Tier 1 (AT1) capital**				N/A
45	**Tier 1 capital (T1=CET1 + AT1)**	**33,853**	**26,437**		N/A
Tier 2 (T2) capital: instruments and provisions					

46	Capital instruments and the related share premium accounts			62, 63	N/A
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2			486 (4)	N/A
	Public sector capital injections grandfathered until 1 January 2018				N/A
48	Qualifying own funds instruments included in consilidated T2 capital (including miority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			87, 88, 480	N/A
49	of which: instruments issued by subsidiaries subject to phase out			486 (4)	N/A
50	Credit risk adjustments			62 c & d	N/A
51	**Tier 2 (T2) capital before regulatory adjustments**				N/A
Tier 2 (T2) capital: regulatory adjustment					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)			63 b i, 66 a, 67, 477 (2)	N/A
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			66 b, 68, 477 (3)	N/A
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% treshold and net of eligible short positions) (negative amount)			66 c, 69, 70, 79, 477 (4)	N/A
54a	Of which new holdings not subject to transitional arrangements				N/A
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements				N/A
55	Direct and indirect holdings by the institution of the T2 instruments an subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			66 d, 69, 79	N/A
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)				N/A
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	N/A
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc				N/A
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			475, 475 (2) a, 475 (3), 475 (4) a	N/A
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant in the capital of other financial sector entities, etc				N/A
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR			467,468,481	N/A
	Of which: … possible filter for unrealised losses			467	N/A
	Of which: … possible filter for unrealised gains			468	N/A
	Of which: …			481	N/A
57	**Total regulatory adjustments to Tier 2 (T2) capital**				N/A
58	**Tier 2 (T2) capital**				N/A

59	**Total capital (TC=T1 + T2)**	**33,853**	**26,437**		N/A
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)				N/A
	Of which: … items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)			472, 472 (5), 472 (8) b, 472 (10) b, 472 (11) b	N/A
	Of which: … items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)			475, 475 (2) b, 475 (2) c, 475 (4) b	N/A
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)			477, 477 (2) b, 477 (2) c, 477 (4) b	N/A
60	**Total risk weighted assets**	**0**	**0**		N/A
Capital ratio buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	#DIV/0!	#DIV/0!	92 (2) a, 465	N/A
62	Tier 1 (as a percentage of total risk exposure amount)	#DIV/0!	#DIV/0!	92 (2) b, 465	N/A
63	Total capital (as a percentage of total risk exposure amount)	#DIV/0!	#DIV/0!	92 (2) c	N/A
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII), expressed as a percentage of risk exposure amount)	0.0	0.0	CRD 128, 129, 130	N/A
65	of which: capital conservation buffer requirement				N/A
66	of which: countercyclical buffer requirement				N/A
67	of which: systemic risk buffer requirement				N/A
67a	of which: Global Systemically Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer			CRD 131	N/A
68	Common Equity Tier 1 avaiblable to meet buffers (as a percentage of risk exposure amount)	#DIV/0!	#DIV/0!	CRD 128	N/A
69	[not relevant in EU regulation]				N/A
70	[not relevant in EU regulation]				N/A
71	[not relevant in EU regulation]				N/A
Amounts below the treshold for deduction (before risk weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% treshold and net of eligible short positions)			36 (1) h, 46, 45, 472 (10), 56 c, 59, 60, 475 (4), 66c, 69, 70, 477 (4)	N/A
73	Direct and indirect holdings by the instution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% treshold and net of eligible short positions)			36 (1) i, 45, 48, 470, 472 (11)	N/A
74	Empty set in the EU				N/A
75	Deferred tax assets arising from temporary differences (amount below 10% treshold, net of related tax liability where the conditions in Article 38 (3) are met)			36 (1) c, 38, 48, 470, 472 (5)	N/A
Applicable caps on the inclusion of provisions in Tier 2					

76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)			62	N/A
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach			62	N/A
78	Credit risk adjustments included in T2 in respect of exposures subject to internal Ratings-based approach (prior to the application of the cap)			62	N/A
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach			62	N/A
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements			484 (3), 486 (2) & (5)	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			484 (3), 486 (2) & (5)	N/A
82	Current cap on AT1 instruments subject to phase out arrangements			484 (4), 486 (3) & (5)	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			484 (4), 486 (3) & (5)	N/A
84	Current cap on T2 instruments subject to phase out arrangements			484 (5), 486 (4) & (5)	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			484 (5), 486 (4) & (5)	N/A

8.3 Capital Instruments main features

As per end of 2016 no capital instrument were issued by Catella Bank S.A.

8.4 Asset Encumbrance

Disclosure on asset encumbrance

Figures as reported in 2016 AE report

kEUR

Template A-Assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	21,847		359,828	
020	Loans on demand	2,714	2,714	198,155	198,155
030	Equity instruments			5,056	5,056
040	Debt securities				0
050	*of which: covered bonds*				0
060	*of which: asset-backed securities*				0
070	*of which: issued by general governments*				0
080	*of which: issued by financial institutions*				0
090	*of which: issued by non-financial institutions*				0
100	Loans and advances other than loans on demand	13,828		144,334	144,334
110	*of which: mortgage loans*	0		68,547	68,547
120	Other assets	5,305		12,282	

Template B-Collateral received

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	0	736,932
150	Equity instruments	0	462,230
160	Debt securities	0	51,359
230	Other collateral received	0	175,325
240	**Own debt securities issued other than own covered bonds or ABSs**	0	0

Template C-Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	77	75

Not to be filled in any case

D - Information on importance of encumbrance

NA

8.5 Leverage ratio

	Reference date	**31 /12/2016**	**31 /12/2015**
	Entity name	Catella Bank	Catella Bank
	Level of application	Consolidated	Consolidated
Table LRSum: Summary reconsiliation of accounting assets and leverage ratio exposures			
		Applicable Amounts in kEUR	**Applicable Amounts in kEUR**
1	Total assets as per published financial statements	375,500	333,567
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013	0	0
4	Adjustments for derivative financial instruments	1,214	820
5	Adjustments for securities financing transactions	0	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	33,844	229,029
7	Other adjustments		
8	**Leverage ratio exposure**	**410,557**	**563,416**

Table LRCom: Leverage ratio common disclosure			
		CRR leverage ratio exposures	**CRR leverage ratio exposures**
On-balance sheet exposure (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	375,500	333,567
2	Asset amounts deducted in determining Tier 1 capital	0	0
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**375,500**	**333,567**
Drivative exposures			
4	Replacement cost associated with derivatives transactions		
5	Add-on amounts for PFE associated with derivatives transactions	1,214	820
EU-5a	Exposure determined under Original Exposure Method		
6	empty set in the EU		
7	empty set in the EU		
8	empty set in the EU		
9	empty set in the EU		
10	empty set in the EU		
11	**Total derivative exposures (sum of lines 4 to 5a)**	**1,214**	**820**
Securities financing transaction exposures			
12	empty set in the EU		
EU-12a	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013		
EU-12b	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013		
13	empty set in the EU		
14	empty set in the EU		
15	empty set in the EU		

16	**Total securities financing transaction exposures**	**0**	**0**
Off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount		
18	Adjustments for conversion to credit equivalent amounts	33,844	229,029
19	**Total off-balance sheet exposures (sum of lines 17 to 18)**	**33,844**	**229,029**
Capital and Total Exposures			
20	**Tier 1 capital**		
EU-21a	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013		
21	**Total Exposures (sum of lines 3, 11, 16, 19 and 21a)**	**410,557**	**563,416**
Leverage Ratios			
22	**End of quarter leverage ratio**	**0.00**	**0.00**
EU-22a	**Leverage ratio (avg of the monthly leverage ratios over the quarter)**		
Choice on transitional arrangements and amount of derecognised fiduciary items			
23	Choice on transitional arrangements for the definition of the capital measure		
24	Amount of derecognised fiduciary items in accordance		

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives and SFTs)			
		CRR leverage ratio exposures	**CRR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	**375,500**	**333,567**
EU-2	Trading book exposures		
EU-3	Banking book exposures, of which:		
EU-4	Covered bonds	0	0
EU-5	Exposures treated as sovereigns	0	0
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0	0
EU-7	Institutions	0	0
EU-8	Secured by mortgages of immovable properties	0	0
EU-9	Retail exposures	0	0
EU-10	Corporate	0	0
EU-11	Exposures in default	0	0
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	0	0

8.6 Remuneration – Quantitative information

		Senior management The managing director, the deputy managing director and other members of the management group or a similar body that report directly to the board of directors or the managing director (FFFS 2011:1).	**Other employees whose work duties have a material impact on the undertaking's risk profile** FFFS 2011:1 & Commission Delegated Regulation (EU) No 604/2014 If employees have not yet been identified according to the delegated regulation, remuneration may be specified in relation to the previous definition "Risk taker".	**Senior management** The managing director, the deputy managing director and other members of the management group or a similar body that report directly to the board of directors or the managing director (FFFS 2011:1).	**Other employees whose work duties have a material impact on the undertaking's risk profile** FFFS 2011:1 & Commission Delegated Regulation (EU) No 604/2014 If employees have not yet been identified according to the delegated regulation, remuneration may be specified in relation to the previous definition "Risk taker".	**Senior management** The managing director, the deputy managing director and other members of the management group or a similar body that report directly to the board of directors or the managing director (FFFS 2011:1).	**Other employees whose work duties have a material impact on the undertaking's risk profile** FFFS 2011:1 & Commission Delegated Regulation (EU) No 604/2014 If employees have not yet been identified according to the delegated regulation, remuneration may be specified in relation to the previous definition "Risk taker".
Article 450 1 h)	**Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:**	**2016**	**2016**	**2015**	**2015**	**2014**	**2014**
Article 450 1 h) i)	The amounts of fixed remuneration for the financial year	2,546,398.31 €	1,273,935.65	1,889.654 €	98.543 €	1,087.407 €	98.543 €
	The amounts of variable remuneration for the financial year	171,059.26 €	292,060.00	157.901			
	Number of beneficiaries	13	9	15	1	7	1
Article 450 1 h) ii)	The amounts of variable remuneration in the form of cash	171,059.26	292,060.00	157.901	0	0	0
	The amounts of variable remuneration in the form of shares						
	The amounts of variable remuneration in the form of share-linked instruments						
	The amounts and forms of variable remuneration in other types						
Article 450 1 h) iii)	The amounts of outstanding deferred remuneration in vested portions						
	The amounts of outstanding deferred remuneration in unvested portions						
Article 450 1 h) iv)	The amounts of deferred remuneration awarded during the financial year						
	The amounts of deferred remuneration paid out during the financial year						
	The amounts of deferred remuneration reduced through performance adjustments during the financial year						
Article 450 1 h) v)	New sign-on payments made during the						
	Number of beneficiaries						
	Severance payments made during the						
	Number of beneficiaries						
Article 450 1 h) vi)	The amounts of severance payments awarded during the financial year (not						
	Number of beneficiaries						
	Highest such award to a single person						