CATELLA

2016

Annual Report

Catella is a leading specialist in property advisory services, property investments, fund management and banking, with operations in 12 European countries. The group has annual sales of about SEK 2 billion and assets under management of SEK 156 billion. Catella is listed on Nasdaq Stockholm in the Mid Cap segment.

Contents

A leading finance group in property, funds and banking

3

focus areas

Property
Funds
Banking

12

European countries

25%

average annual growth, 3 years

Listed

on Nasdaq Stockholm

30 years

in the property and financial services industry

13%

average operating margin, 3 years

2 SEK billion

in sales

156 SEK billion

in assets under management

A strong customer value proposition

Strong local presence

- Deep local knowledge in all markets.
- Local entrepreneurship and expertise.
- Local offices in 25 cities across Europe.
- International knowledge transfer and collaboration.

Pan-European reach

- Established in twelve countries.
- Pan-European perspective on investments.
- Integrated approach to business opportunities.
- Ability to support international investors in several European countries.

Access to global capital

- International capital raising capacity.
- Financing through own bank for selected property projects.
- Financing through own funds.

In prime position to create future shareholder value

Income has more than doubled in the past four years from just under SEK 1 billion to SEK 2 billion. During the same period, the operating result rose from SEK –33 to SEK +263 million. Future value creation is supported by favourable market trends and based on the capacity to take advantage of potential synergies.

The property investment market is being driven by rapid urbanisation in Europe and historically low interest rates, which are set to persist. Catella manages all phases of the value creation process in property investment – from analysis, project generation and acquisitions to financing and strategic management, all the way through to sale.

The investment funds market is also expanding in pace with savings growth. Trends such as ageing populations and the declining capacity of national governments to provide post-retirement income are driving this growth. Catella is a leading independent fund manager in the Nordic region and a globally leading niche player in systematic macro products. About half of income generated in 2016 in Equity, Hedge and Fixed Income Funds consists of fixed revenue. Combined with the broad-based and complementary product portfolio and variable revenue, this supports well-balanced earnings.

The banking market is undergoing consolidation and standardisation of banking services, which provides opportunities for niched institutions with customised offerings. Catella Bank adds value to its clients in its capacity as a specialist in selected niches in wealth management (private banking) and tailored card/payments solutions.

In response to the allocation of global capital to investments in real estate and other financial assets in Europe, Catella's clients are increasingly taking a European perspective on their investments. Demand is also growing for deep local knowledge in each market. Catella's established brand, efficient organisation and strong balance sheet support our ambitions to deepen and revitalise local and European offerings. We are continuously refining our scalable business models, actively pursuing closer collaboration among the various parts of the group and creating growing proximity to the international capital markets.

Our ambition is to become the leading European partner to investors in property and finance.

Catella was listed on the Nasdaq Stockholm Main Market on 19 December 2016.

2016: Invested in growth

Built up operations in Norway, Germany and Spain.

London organisation established as a base for the group's international capital raising.

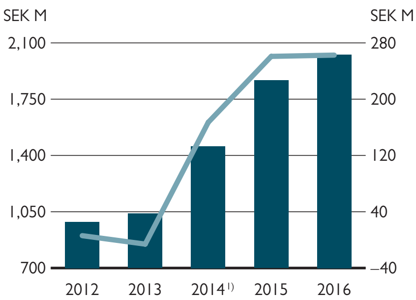
New fund management team in Mutual Funds.

Bank IT infrastructure further developed.

Listing on the Main Market, Nasdaq Stockholm.

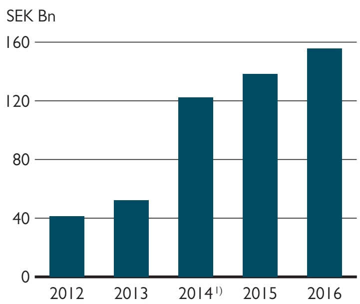
Expanded in Property Funds with residential real estate funds.

TOTAL INCOME AND OPERATING PROFIT



■ Total income
■ Operating profit before acquisition-related items

ASSETS UNDER MANAGEMENT



■ Assets under management

SHAREHOLDERS AT 31 DECEMBER 2016

	Capital, %	Votes, %
Claesson & Anderzén Group (and related parties)	49.8	49.1
Bure Equity	10.7	11.1
Catella Bank[2]	2.9	3.9
Handelsbanken Fonder	4.2	3.7
Avanza Pension	2.4	2.2
Nordnet Pension	2.0	1.8
Thomas Andersson Borstam (privately and via companies)	1.6	1.5
Swedbank Försäkring	1.3	1.2
Mp Pensjon Pk	1.2	1.1
Nordea Investment Funds	1.1	1.0
Others	22.7	23.5
Total	**100.0**	**100.0**

[1] Systematic Funds (IPM) included as a subsidiary as of Q3 2014.
[2] Refers to nominee-registered clients of Catella Bank.

- Total income rose by 9 percent to SEK 2,027 million (1,866).
- Operating profit[1], on par with 2015, was SEK 263 million (261).
- Earnings per share[2] of SEK 3.32 (2.97).
- Proposed dividend of SEK 0.80 (0.60).

+9%

GROWTH IN TOTAL INCOME

+13%

GROWTH IN ASSETS UNDER MANAGEMENT

13%

OPERATING MARGIN

19%

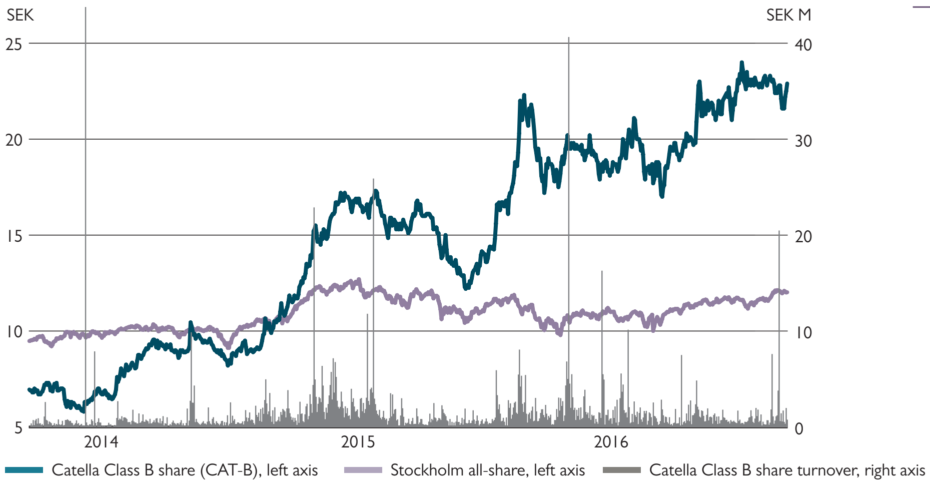
RETURN ON EQUITY

CONSOLIDATED KEY FIGURES

	2016	2015
Net sales, SEK M	2,007	1,853
Income excluding direct assignment expenses and commissions, SEK M	1,610	1,519
Operating profit, SEK M [1]	263	261
Profit before tax, SEK M	497	306
Profit after tax, SEK M	356	272
Operating margin, % [1]	13	14
Earnings per share, SEK [2]	3.32	2.97
Return on equity, %[2]	19	20
Equity per share, SEK [2]	19.09	16.14
Number of employees at year-end	578	539
Property transaction volumes in Corporate Finance, SEK Bn	55.5	58.3
AUM in Asset Management and Banking, SEK Bn	155.7	138.3

[1] Before acquisition-related items. [2] Attributable to shareholders of the parent company.

THREE-YEAR OVERVIEW, CATELLA CLASS B SHARE



Comments from the Chairman and the CEO

Our ambition remains to become the leading European partner to investors in property and finance. We also see good opportunities to generate returns for Catella's shareholders by investing in and supporting our own projects and products.

JOHAN CLAESSON, CHAIRMAN OF THE BOARD:

Swift current of change brings new opportunities

Recent years have been characterised by a major change process within Catella, related to the organisation as well as product development and distribution. The change process was triggered by the insight that although Catella's position is strong in several segments and markets, we have the capacity to be much better.

Based on Catella's position, expertise and focus in our four business areas, the board of directors is convinced that conditions for sustained growth are good. The synergies between the business areas are much greater than they seem on the surface. On the strength of its property expertise, Property Investment Management can identify new property investments for our clients, independently and supported by Corporate Finance. Upon deeper analysis, it also becomes obvious that Corporate Finance and Banking play critical roles in our efforts to increase property assets under management. Our Corporate Finance has the unique knowledge, networks and credibility required to identify deals, and Banking can contribute both financing and distribution.

In Equity, Hedge and Fixed Income Funds, our objective is to create value for our clients through active or systematic management. Our high level of product expertise supports ongoing efforts to develop new products. We are also investing actively to increase distribution in Sweden and the rest of the world. Distribution capacity is crucial to long-term growth in assets under management.

Geographical expansion is ongoing in Property Investment Management, where our primary exposures are currently in Germany and France, but where Spain and the Nordic market in particular will be more significant going forward. Catella's property assets under management have doubled in recent years and our ambition is to further double volumes. We intend to grow both within traditional real estate investment funds, which are most common in Germany, but also in funds with a more opportunistic strategy in which performance-based revenues are a key component.

Catella has invested about SEK 50 million as a partner in various property projects in Germany. The investments have performed well and we have committed to investing roughly an additional SEK 35 million. From an international perspective, it is important that Catella can, in selected situations, invest jointly with clients to attract capital. This will enhance our credibility and make Catella an even more attractive partner. To structure its own investments and support new property products, Catella will form an investment committee structure where we gather internally financed investments. In the next few years, we also intend to allocate capital for these investments, which are primarily in the property segment. The capital to be invested will primarily be the expected cash flows generated by our loan portfolios. We see substantial potential in various projects and dedicated property products – and believe Catella's opportunities through active participation will drive growth and credibility in addition to good return. The target for each investment will be to generate long-term return of at least 20 percent.

Catella currently manages more than SEK 150 billion, a considerable sum that requires high-level expertise and responsible management. Our ambition is to further increase assets under management to give Catella a wider platform, geographically as well as in terms of investors and investments.

Stockholm, April 2017

Johan Claesson
Chairman of the Board

KNUT PEDERSEN, PRESIDENT AND CEO:

Set for sustained growth

Income rose markedly in all business areas in 2016 and fixed revenues continued to climb, driven primarily by strong capital inflows in most of our fund and property operations. The growth provides us with a stable revenue base and a bigger upside in our performance-based business models.

European platform and access to international capital

European reach to attract international capital is a keystone of our strategy. Accordingly, on the property side, we have invested in Property Investment Management in recent years, establishing operations in markets where we are currently present in Corporate Finance. Catella now has offices in 25 cities in 11 European countries and thus the breadth and unique, local expertise international investors demand. Combined with the establishment in London in capital raising, this makes Catella a more attractive partner for a wider group of investors in all of our products.

We offer our clients an integrated value chain: from analysis to transaction, acquisition, financing, strategic management and, ultimately, exit, through close collaboration among our teams in Corporate Finance, Property Asset Management, Property Funds, Catella Bank and our capital raising unit in London. We forged numerous coordinated initiatives in 2016 that resulted in profitable business. Our entrepreneur-driven culture of clear local mandates combined with our European platform and access to international capital is the source of Catella's execution capacity.

Distribution and positioning

We replaced large parts of our Mutual Funds management team during the year, which delivered clear results in the fourth quarter, when most of Catella's funds outperformed their benchmarks, reversing the weaker beginning to the year. Although lacklustre performance early in the year and the change of team caused higher outflow, this began to stabilise in the fourth quarter. Efforts are ongoing in Mutual Funds to develop new and niched alternative and actively managed products that complement our clients' portfolios. We are also strengthening relationships with our resellers and their end clients and further developing direct distribution towards institutional clients.

Systematic Funds demonstrated successful management and increased assets under management by 40 percent, an inflow of SEK 19.6 billion. The majority of the inflow was invested in the Macro Strategy product, which also generated a large share of income for the year. The product is scalable and has good potential to attract additional capital. We will continue to expand our geographical reach to address new investors and improve distribution in existing markets. Our focus on presence in London plays a key role in this context.

Growth was recorded in all Banking service segments. In Wealth Management, we have muscled up in advisory services and distribution, which produced results through an increase in assets under management of 21 percent during the year and several capital acquisitions in property projects generated by Corporate Finance. Our ability to offer exclusive investment opportunities and tailored solutions makes us appealing to clients. Catella received non-recurring income of SEK 150 million during the year when Visa Inc. acquired Visa Europe, which strengthened the bank's capital base and made it possible to further expand the loan book, primarily against property situations in the Nordics. Our investments in additional sales resources and intensified client marketing in Cards and Payment Solutions began to produce results during the year, although we would have preferred a faster growth rate.

With our European platform in Property Asset Management, we can cover investment needs in most markets, making Catella a relevant partner for capital seeking investments in property. Internally, we have identified clear synergies with Property Funds, which used the local expertise found in

> ”
>
> Catella is better positioned for growth than ever, and our strong balance sheet equips us to exploit future opportunities in the market.

Property Asset Management for investments to its funds. Above all, we delivered growth and collaboration through our venture in residential real estate investment funds, resulting a number of investments during the fourth quarter. In the Property Investment Management business area, we are also engaged in property project development. Two development projects are currently in progress, in which Catella has also invested capital. Our strategy is to identify interesting projects and develop them until sold during an early phase to final investors.

In Corporate Finance, we have increased the share of value-add and capital market-related services in the Nordics, as reflected in improved margins. Our focus nevertheless remains on being a leading advisor in property transactions.

In Continental Europe, our position is good in France and Spain, but we have identified a need for staff reinforcements and changes to the product mix in Germany to achieve profitability targets.

Unique opportunities to generate returns

Our ambition remains to become the leading European partner to investors in property and finance. We also see good opportunities to generate returns for Catella's shareholders by investing in and supporting our own projects and products.

At the end of the year, we executed the planned list change to the Mid Cap segment on Nasdaq Stockholm. This is yet another stamp of quality for our organisation and opens the doors for a wider group to invest in Catella.

Catella is better positioned for growth than ever, and our strong balance sheet equips us to exploit future opportunities in the market. Supported by a stable income base, we are progressively integrating through coordinated initiatives among the business areas. As a result, we are steadily increasing volumes with existing investors and demonstrating our capacity to attract new clients.

Stockholm, April 2017

Knut Pedersen
President and Chief Executive Officer

Catella's markets

Positive market trends are supporting Catella's focus areas

The prime drivers of long-term growth – urbanisation, savings growth and digitalisation – indicate positive development in Catella's markets in Europe. Due to the political climate, global capital is also increasingly looking at Europe as a stable investment alternative over the long term.

The property market

Economic conditions in Europe are benefiting the property market

The European economy remains relatively immune to the current political uncertainty. Economic growth in the euro area began to recover, and leading indicators improved markedly in 2016. Even though underlying economic growth is stronger, the ECB is expected to maintain an expansionary monetary policy in 2017. There have been major differences in economic growth across the EU in the past five years. Although inflation has recently begun to rise, particularly in Germany, the economies in the southern European countries are generally still too weak to withstand a more austere monetary policy.

The allocation of capital to the property sector is expected to continue rising due to the combination of relatively good growth and persistently low interest rates. Low costs of financing and stable direct yield are making real estate an attractive alternative for investors.

Catella is active in the European property markets – as an advisor in Corporate Finance and as an asset and fund manager in the Property Investment Management business area.

Urbanisation

More than half the world's population lives in cities. In 20 years, that figure is expected to have risen to 70 percent. The trend is fuelling new construction, as well as new types of housing, higher rents, rising purchase prices and higher land prices. Urbanisation is probably the trend with the greatest impact on the property industry, where fast-rising demand in metropolitan regions is confronting slow growth in supply.

Catella manages all phases of the value creation process in property investment, from project generation and analysis to transaction, acquisition, financing and strategic management and, ultimately, exit.

Savings growth

The investment funds market is also expanding in pace with savings growth. Trends such as ageing populations and the declining capacity of national governments to provide post-retirement income are driving this growth. The inflow of capital is being invested in property funds, for example, which invest in European real estate.

Catella acts as an advisor to these funds, both in connection with transactions and in relation to development and value creation on behalf of the funds.

Allocation of global capital to Europe

Investment volumes in European real estate have risen steadily since 2009, and there has been strong interest among investors in Asia, North America and the Middle East. Investors from North America and Asia accounted for 20 percent of total investment volume in 2016, down 37 percent year-on-year. Interest in investments in Europe remains high, but finding suitable assets is a challenge.

Many investors, such as property funds, look for local partners, and large investors often seek a partner able to support them in several European countries.

Catella is well positioned to offer local advisory services in eleven markets in Europe. In addition, activities and client contacts are coordinated across borders to craft local and European offerings.

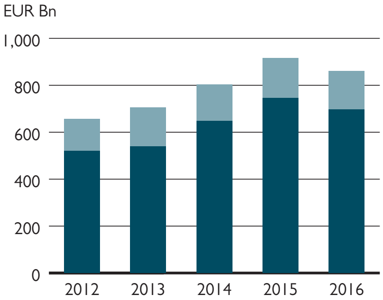
High activity, but falling transaction volumes[2)]

Transaction volumes for commercial real estate in Europe fell by 21 percent in 2016 to EUR 255 billion. Despite the downturn, transaction volume was high from a historical perspective. Activity in the property market stood up well in light of considerable political turbulence in 2016 due to Brexit, trouble in the Italian banking sector, general political turbulence in Italy and rising populism in France, Germany, Poland and the Netherlands.

Germany, the UK and France generated 57 percent of total transaction volume in 2016. The sharpest drop in transaction volume was in the UK, with a downturn of nearly 45 percent.

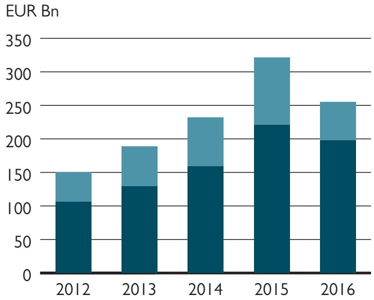
Of the total transaction volume, 73 (68) percent was brokered by transaction advisors. The market is dominated by a large number of local and global firms that primarily offer dedicated transaction advice. Strong devel-

TOTAL AUM IN PROPERTY FUNDS IN EUROPE[1)]



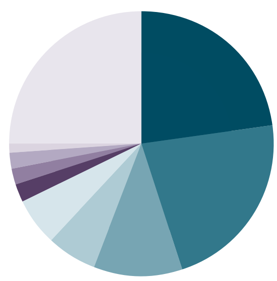
Non-listed property funds
Closed-ended property funds

PROPERTY TRANSACTION VOLUMES IN EUROPE[2)]



Europe excluding UK   UK

PROPERTY TRANSACTION VOLUMES IN EUROPE BY COUNTRY, %[1)]



Germany **23%**
UK **23%**
France **11%**
Sweden **6%**
Spain **6%**
Finland **2%**
Denmark **2%**
Norway **1.7%**
Baltics **0.3%**
Rest of Europe **25%**

[1)] Source: INREV.
[2)] Source: RCA – Real Capital Analytics. Refers to commercial real estate.

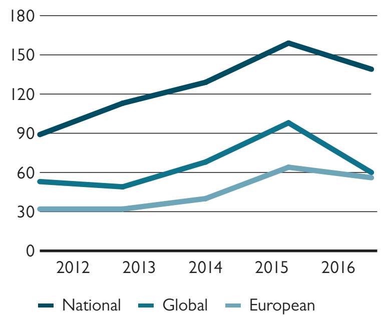
opment in the European property market has awakened the interest of global service providers, which has created price pressure on transaction advice as a stand-alone service.

Higher demand for value-add services

Although demand for various types of service varies from country to country in Europe, investors are becoming increasingly sophisticated, which is bumping up demand for value-creating services. European investors are also progressively developing their business models and seeking individualised solutions at every step of value creation – from analysis and acquisition to development and sale.

Property Investment Management has long-term experience working in close collaboration with investors to identify, acquire and develop properties based on specific mandates tailored to the client. Corporate Finance is working tirelessly to offer increasingly advanced services, including capital market-related services and advisory services in connection with complex transactions. These services generate higher margins than dedicated transaction advice.

EUROPEAN PROPERTY INVESTMENTS BY SOURCE OF CAPITAL[2)]



The investment funds market

The investment funds market in Sweden[1]

Catella is a leading independent provider in equity, hedge and fixed income funds with a Nordic focus. The funds are offered directly to institutions or via partners, such as banks and other financial advisors, whose clients are private individuals and companies primarily in Sweden, but internationally as well. Catella competes with all firms that offer funds in the Swedish market.

2016 was yet another strong year for fund savings in Sweden. For the first time ever, total fund assets in Sweden exceeded SEK 3,500 billion. New fund savings in Sweden totalled SEK 53 billion in 2016. Added to value appreciation of almost SEK 270 billion, this brought total fund assets to the new record level of SEK 3,568 billion at the end of 2016. There was keen interest during the year in saving in equity funds and mixed funds.

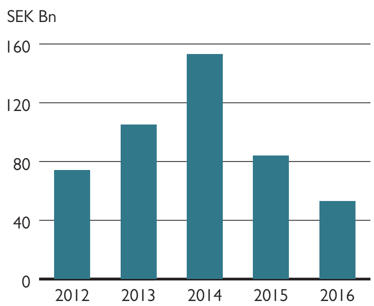
The Swedish investment funds market has a long history. Fund savings have gone from strength to strength since the end of the 1970s and the "public savings programmes" of the 1980s. The concept of public savings programmes is no more, but fund savings are for everyone, now more than ever. The most important trend in today's funds market is greater focus on saving for retirement. Since 2000, all working people in Sweden save in funds via the Swedish Pensions Agency, and people can also choose to invest large portions of their occupational pension contributions in funds. Although the Swedish funds market is still dominated by four banks, this dominance has waned considerably over the last 15 years. This is due to the success of many independent fund managers, as well as the digital advances that make it easier for new market entrants that do not have their own physical distribution networks.

Fund management charges in the Swedish market have fallen in recent years, and average 0.94 percent, while the European average is 1.27 percent.

Going forward, the market for advisory services related to investment in funds and fund distribution is facing both challenges and opportunities. New regulations will be coming into force at the beginning of 2018. The new EU legislation on advisory services and commissions (MIFID II) is aimed at increasing transparency and ensuring sound advice. The implications of MIFID II include making it clearer to customers what they are paying for. Requirements for transparency will be more stringent concerning the price of products, cost of distribution and compensation in connection with advisory services. This will make the price of management even more transparent, and funds that generate good risk-adjusted returns with competitive charges will benefit over the long run.

In addition, digitalisation is presenting opportunities for wider and more advanced distribution via established digital platforms and new channels.

NET SAVINGS IN FUNDS IN SWEDEN[1]



The global hedge fund market[2]

Catella manages systematic macro and equity strategies for institutional investors, such as life insurance companies and pension funds, worldwide.

2016 was the first year since 2009 in which there was a net outflow in hedge funds. Globally, the net outflow was about USD 100 billion. The outflows are the result of several years of weak returns in relation to performance in the equity market, as well as more stringent regulatory requirements. On the strength of positive returns during the year, however, the value of the global hedge fund market rose to record heights, exceeding USD 3,000 billion by year-end.

Trend-following strategies (Commodity Trading Advisors, CTAs) showed net inflows of USD 17 billion, or 7 percent, in 2016. Overall, listed macro funds recorded a net outflow of USD 17 billion during the year.

Via the Systematic Funds service segment, Catella operates in the sub-segment of systematic macro funds. Although affected by the general trend in the market, this business has delivered solid growth in assets under management in recent years, thanks to stable and attractive returns. Even in a stagnant market, Catella is in a favourable position to further increase market shares in its segments, assuming continued good and diversified returns.

[1] Source: Swedish Investment Fund Association.
[2] Source: 2017 Preqin Global Hedge Fund Report.
[3] Source: World Payments Report 2016 from Capgemini and BNP Paribas.

The banking market

Private Banking

Catella Bank is a niche bank oriented primarily towards the upper segment in wealth management (private banking).

A number of changes are ongoing in private banking. More rigorous banking regulations are leading to higher capital requirements along with steep increases in lending due to the low interest rate environment. Needs to invest in infrastructure are rising due to more extensive regulation, which could potentially lead to small wealth managers being out-competed and consolidated. The trend is reinforced by major regulatory changes such as MIFID II.

Increasingly, private banking clients want to invest in tailored products. The major banks have limited capacity to meet this demand because developments in that segment are going more towards standardisation of private banking services. In response, demanding clients are more often seeking out smaller, more personalised institutions. Catella Bank is big enough to meet the unique needs of our clients as a full-service bank while still having the capacity to offer customised services.

Card issuing and card acquiring[3)]

Catella Bank offers card issuing and card acquiring services to international banks, online merchants and fintech companies that require specialised solutions. The card acquiring business is operated in partnership with a large number of fintech companies across Europe, which can offer payment services through Catella featuring ultra-modern fraud deterrence systems and other tailored services.

Visa and MasterCard still dominate the card market, despite the advances of numerous international firms like PayPal and Klarna, as well as national services like Swish.

As a card issuer, Catella Bank works with a wide array of partners in Europe. Cards are offered both with clients' own profiles and as neutral cards. The products are flexible and adapted to all types of consumption pattern.

The global volume/number of non-cash transactions increased by 8.9 percent in 2014 (7.6) to 387 billion (358). (2014 is the most recent year for which official statistics are available for all regions.) Growth in non-cash payments was driven mainly by debit and credit card payments, by far the dominant form of payment.

Volumes rose in Europe by 6.4 percent (5.4) in 2014, driven by the larger countries like the UK, Germany and France, as well as Sweden and Denmark. Germany was on the forefront in mobile usage, with the largest number of customers in Europe who used mobile devices to shop online.

Market evolution is presenting a number of challenges for traditional Payment Service Providers (PSPs). The global regulatory landscape is becoming increasingly complex and competition from new types of provider is intensifying.

Technical progress is also driving the greater complexity in payment services. New types of operator are entering the market with products and services that are based on the latest technology and can meet consumer demand for greater convenience.

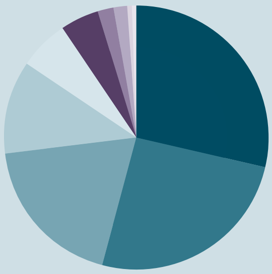
The lending market

Catella Bank is active primarily in lending to private banking clients, credit cards and commercial real estate. The lending market continues to grow as low interest rates persist. Low-cost financing opportunities are making it possible for niche banks to gain market shares as they move into segments where the major banks have been restrictive, such as consumer loans, credit cards and mortgage loans at higher risk/margins. Catella's extensive experience with property appraisals lowers the risk and enables higher margins. Equity requirements are increasing, which limits the growth rate for niche players, but digitalisation is fuelling the migration because the major banks are not keeping up with developments. Catella Bank is strategically developing its lending operations and capitalising on a growing market, existing infrastructure and trends in digitalisation.

Catella's geographical markets

Catella operates in 12 countries, with local offices in 25 European cities. The group has nearly 600 employees, of whom one third work in Sweden and one quarter at the bank in Luxembourg.

EMPLOYEES BY COUNTRY, %



UK

Catella has opened an office in London as a base for the group's international capital raising operations.

OFFICE

- London

SPAIN

TOTAL INCOME

SEK 28 M

2015: SEK 31 million

OFFICE

- Madrid

FRANCE

TOTAL INCOME

SEK 242 M

2015: SEK 267 million

OFFICES

- Paris
- Nantes
- Lyon

NORWAY[1)]

TOTAL INCOME

SEK 3 M

2015: SEK 0 million

OFFICES

- Oslo

[1)] Operations in Norway were consolidated as of 9 September 2016.

SWEDEN

TOTAL INCOME

SEK 978 M

2015: SEK 903 million

OFFICES

- Stockholm
- Gothenburg
- Malmö

FINLAND

TOTAL INCOME

SEK 77 M

2015: SEK 60 million

OFFICES

- Helsinki
- Jyväskylä
- Lahtis
- Uleåborg
- Tammerfors
- Åbo

DENMARK

TOTAL INCOME

SEK 44 M

2015: SEK 52 million

OFFICE

- Copenhagen

BALTICS

TOTAL INCOME

SEK 15 M

2015: SEK 11 million

OFFICES

- Riga
- Tallinn
- Vilnius

GERMANY

TOTAL INCOME

SEK 276 M

2015: SEK 236 million

OFFICES

- Berlin
- Düsseldorf
- Frankfurt
- Hamburg
- Munich

LUXEMBOURG

TOTAL INCOME

SEK 365 M

2015: SEK 305 million

OFFICES

- Luxembourg

Strong local presence, pan-European reach and access to global capital

Catella is a leading specialist in property advisory services, property investments, fund management and banking, with operations in 12 European countries. Our vision is to be the leading European partner to investors in property and finance.

Property

Local business model in each market
Successful advisory services in the property sector require deep understanding and extensive networks in the local market. Catella applies a local business model in each market. We are close to the local deals, with wide networks in each market, local muscle and a vigorous spirit of entrepreneurship. After the geographical expansion in recent years, and with our European reach, Catella is also well positioned to support international investors

Cross-pollination of skills and coordination of initiatives
The ambition is to progressively increase cooperation among staff in the respective business areas and between geographical markets. This creates the prerequisites for sharing knowledge, developing better offerings and the capacity to handle complex and potentially cross-border assignments. It also enhances cooperation with other Catella business areas to develop local and international offerings alike.

Orientation towards capital market-related services
Catella is working determinedly to increase the share of value-add and capital market-related services, which generate higher margins than dedicated transaction advice.

Competitive capacity to attract capital
Catella applies an integrated strategy for the capital market, thus becoming more relevant to international investors in connection with transactions and property projects.

Stable financial platform
Catella aims to build a platform that remains well-balanced in upturns and downturns. Beyond that, the ambition is to expand the business geographically and to achieve a larger share of recurring revenue.

Funds

Complementary products and balanced earnings
Catella is aiming for sustained growth in assets under management and to create additional products to strengthen the balance among product categories. A broad-based and complementary product portfolio contributes to good earnings balance.

Increased share of direct distribution of funds
Third-party distribution is central to Catella's sales of funds to consumers. The strategy towards distributors is to offer a high level of service and an extensive portfolio of attractive products as a main alternative, a complement, or a building block in another product. In addition, Catella regularly evaluates opportunities for wider direct distribution offered by progress in digital technologies. Catella is also developing its own distribution, primarily towards institutions, but also companies and private banking clients.

Banking

Scalable platform
Catella Bank is a scalable business. Growth will be primarily organic and within Catella Bank's existing service segments, but the consolidation of the banking market is making way for other opportunities as well.

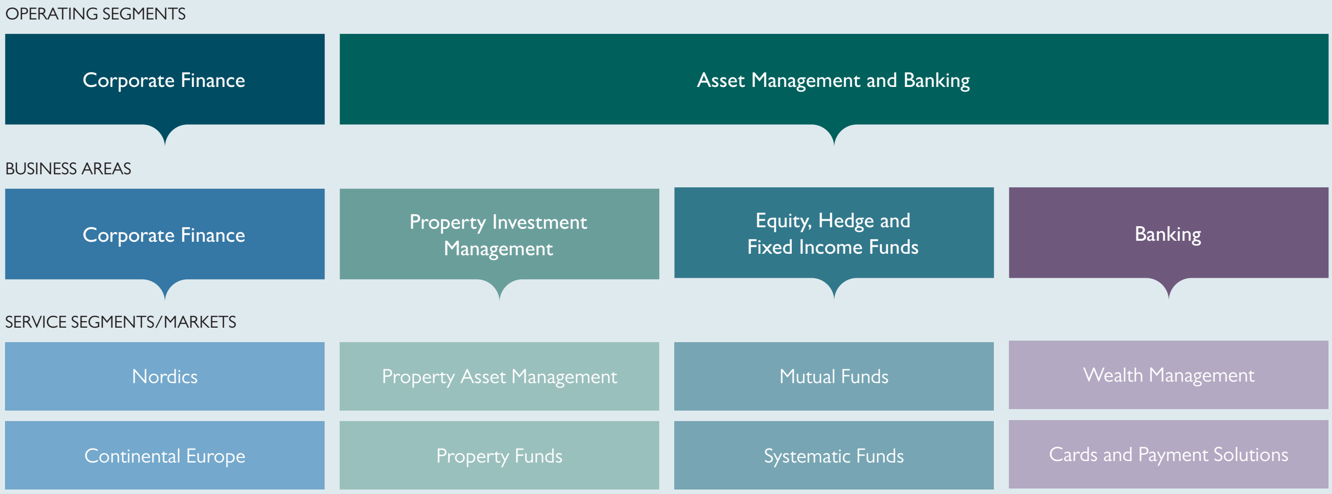
Benefit from higher demand for tailored services
Demand for private banking services from specialised institutions is growing as many banks are increasingly standardising their services. Clients with high demands often seek out smaller, more client-oriented institutions like Catella Bank. Catella Bank is oriented towards offering a wide selection of financial services and tailored solutions to high net worth individuals in Europe.

Collaborative development of offerings with the rest of Catella
High net worth private banking clients are looking for investments they cannot access on their own. With its strong position in the property market, Catella can deliver precisely that, including property investments and selected fund products, to clients of Catella Bank. The offerings are designed jointly with Catella's other business areas.

Digital presence
Digitalisation is creating business opportunities in private banking to address new client categories and more effectively manage existing client relationships.

Collaboration among business areas is forging new business opportunities

The objective of the new organisational structure is to increase coordination and collaboration within and between the business areas that can achieve direct synergies. Creating platforms where employees from different countries and business areas exchange knowledge, jointly develop new business opportunities and coordinate activities and client contacts enables Catella to create outstanding offerings for local and international investors.



The group is operationally segmented into the four business areas: Corporate Finance, Property Investment Management, Equity, Hedge and Fixed Income Funds and Banking. As before, Catella reports the two operating segments of Corporate Finance and Asset Management and Banking. The Asset Management and Banking operating segment includes the business areas of Property Investment Management, Equity, Hedge and Fixed Income Funds and Banking

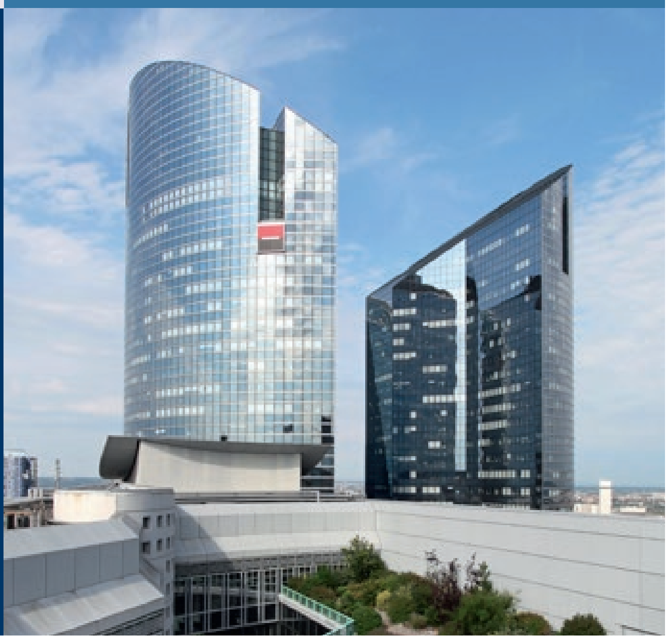
Corporate Finance

Leading advisor in the European property sector

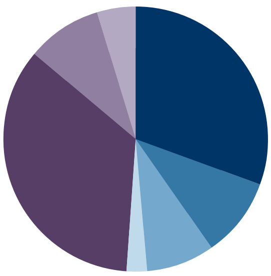
Strategic advisory services, capital market-related services and high-end transaction advisory services.

Property knowledge combined with investment banking expertise.

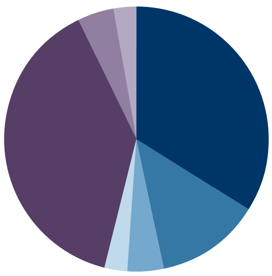
Solid knowledge of local property markets combined with international reach.



TOTAL INCOME PER COUNTRY



CATELLA'S TRANSACTION VOLUMES BY COUNTRY



586 SEK M

TOTAL INCOME 2016

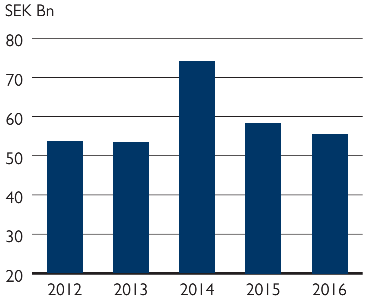
56 SEK Bn

TRANSACTION VOLUME 2016

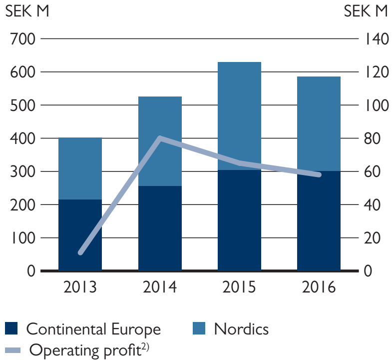
23 offices

IN ELEVEN EUROPEAN COUNTRIES

CATELLA'S TRANSACTION VOLUMES



TOTAL INCOME AND OPERATING PROFIT



EARNINGS REVIEW

SEK M	2016	2015
Nordics [1]	299	305
Continental Europe [1]	286	325
Total income	**586**	**630**
Assignment expenses and commissions	–64	–37
Operating expenses	–463	–527
Operating profit before acquisition-related items	**58**	**66**

KEY FIGURES

	2016	2015
Operating margin, % [2]	10	11
Property transaction volumes for the period, SEK Bn	55.5	58.3
of which Nordics	30.0	33.9
of which Continental Europe	25.5	24.4
Number of employees at year-end	203	211

[1] Including internal revenue.
[2] Before acquisition-related items.

Enhanced product mix and more integrated offering

Catella is a leading provider of corporate finance advisory services in the European property sector. We provide real estate companies, financial institutions, property funds and other property owners with strategic advisory services, capital market-related services and qualified advisory services in relation to transactions.

The business is operated through 23 local teams in 11 countries who offer our clients local presence combined with European reach.

Performance in 2016

The share of qualified advisory services continued to increase in 2016, in accordance with the adopted strategy, and delivered higher income in relation to transaction volume. Efforts to improve efficiency and work in a more integrated manner within the business area and in collaboration with the rest of Catella also continued and delivered good results. The most progress has been made with integration in the Nordic Corporate Finance business.

A number of more complex capital market transactions were executed in the Nordics during the year in collaboration with Catella Bank. For example, in connection with the launch of the alternative investment fund Baltic Horizon, which was listed on Nasdaq Tallinn, and the secondary listing of the fund on Nasdaq Stockholm's new market for investment funds.

Consumer services in the Nordics were discontinued during the year. Catella is now a dedicated property specialist in Corporate Finance.

In Continental Europe as well, operations were developed towards more qualified advisory services and a more integrated offering. Catella solidified its position in France as a leading advisory services provider and gained market shares in 2016 in a market where transaction volumes declined year-on-year. Catella has assessed substantial potential in the German market and carried out a number of recruitments to strengthen its position and grow the historically low market share.

The London operations were developed during the year with focus on capital raising to make Catella even more relevant to international institutional investors in connection with transactions and property projects.

Total income for the year amounted to SEK 586 million (630), with operating profit of SEK 58 million (66). However, profit for continuing operations adjusted for discontinued and divested operations improved by SEK 18 million year-on-year.

> With 23 local offices in 11 countries, we offer our clients local presence combined with European reach.

Focus in 2017

Catella has identified further potential in improving the product mix in Corporate Finance by offering even more highly qualified advisory services.

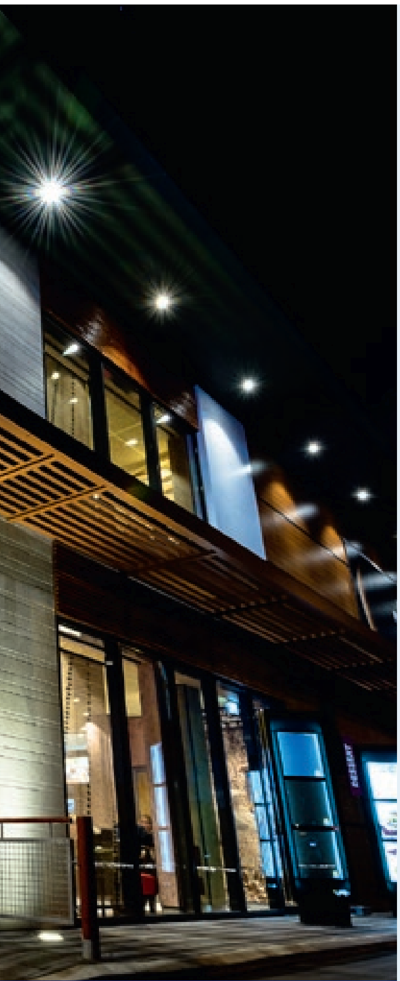
Distribution towards institutional investors will also be further strengthened to sharpen competitiveness in connection with capital market transactions. Efforts are ongoing to create reciprocal value for Catella's clients in Corporate Finance and Banking by offering Catella's private banking clients high-quality property investment opportunities.

Catella's ambition remains to establish Corporate Finance operations in Norway, alongside the recently established Asset Management business, to secure local presence in all Nordic markets.

In Continental Europe, the French operations have a strong market position in transactions. Expansion in other markets is being accomplished by using best practice from the French operations to strengthen the offering in other areas, including Germany.

Operations within the business area are also being further integrated to streamline resource allocation and further enhance the offering at the European level.


McDonald's
DØGNÅBENT
FREDAG OG LØRDAG



THE LINK BETWEEN PROPERTY AND FINANCE

The link between property and finance in the acquisition of McDonald's Nordic operations

Catella was the exclusive financial advisor to British investor Guy Hands in the acquisition of McDonald's Nordic operations. The Nordic operations consist of 435 restaurants, 95 percent of which are franchises.

Catella led an extensive and structured financing process alongside the acquisition process. Nordic banks demonstrated keen interest and the process resulted in Catella being able to secure a long-term, tailored financing solution for Guy Hands.

The project is an example of collaboration between countries and units within Catella. The Corporate Finance team in Denmark executed the transaction and led the financing process, while Catella's local property experts in Sweden, Norway, Finland and Denmark acted as advisors in relation to the properties in each market.

With its deep knowledge of local property markets and wide-ranging capital market expertise, Catella is well positioned for this type of assignment.

About McDonald's Nordic operations

Region:	Nordics
Property type:	435 restaurants in Sweden, Denmark, Finland and Norway
Total area:	213,000 m^2

Property Investment Management

Pan-European specialist in property investments

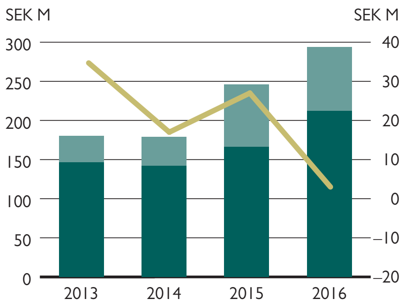
Focus on property investments with a broad spectrum of risk categories.

Specialists in active strategic management.

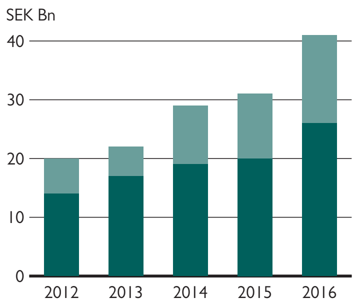
Value creation in all phases of the property investment cycle.

Long-term experience with deep knowledge of local property markets.

TOTAL INCOME AND OPERATING PROFIT



AUM IN THE BUSINESS AREA



EARNINGS REVIEW

SEK M	2016	2015
Property Funds[1)]	212	166
Property Investment Management[1)]	95	85
Total income	**295**	**249**
Assignment expenses and commissions	–85	–71
Operating expenses	–207	–150
Operating profit before acquisition–related items	**3**	**28**

[1)] Includes internal revenue.
[2)] Before acquisition-related items.

KEY FIGURES

	2016	2015
Operating margin, %[2)]	1	11
AUM at year-end, SEK Bn	40.3	31.6
Net inflow and outflow	4.9	3.0
of which Property Funds	25.6	20.2
Net inflow and outflow	3.2	1.0
of which Property Asset Management	14.7	11.3
Net inflow and outflow	1.7	2.1
Number of employees at year-end	105	78

295 SEK M

TOTAL INCOME 2016

40 SEK Bn

ASSETS UNDER MANAGEMENT 2016

28%

GROWTH IN ASSETS UNDER MANAGEMENT 2016

9 Operations in countries in Europe

Expanded client offering, geographically and in terms of products

Catella is a leading specialist in property investment management in Europe. We offer institutional and other professional investors attractive, risk-adjusted return through property asset management and our own property funds.

Operations are run by local teams in nine markets, who together offer our clients deep knowledge of the local property markets combined with European reach.

A complete asset management solution with value creation in all phases of property investment
Catella offers investors a complete asset management solution in the Property Asset Management service segment. Value is created in all phases of property investment, from project generation and acquisitions to financing, strategic management and, finally, sale. Strong local presence give Catella access to interesting business opportunities in the nine European markets in which the business operates. Investment opportunities are also offered in development projects, where Catella identifies land and property development opportunities, arranges project financing, is involved in co-financing and executes onward sale after building permission has been obtained.

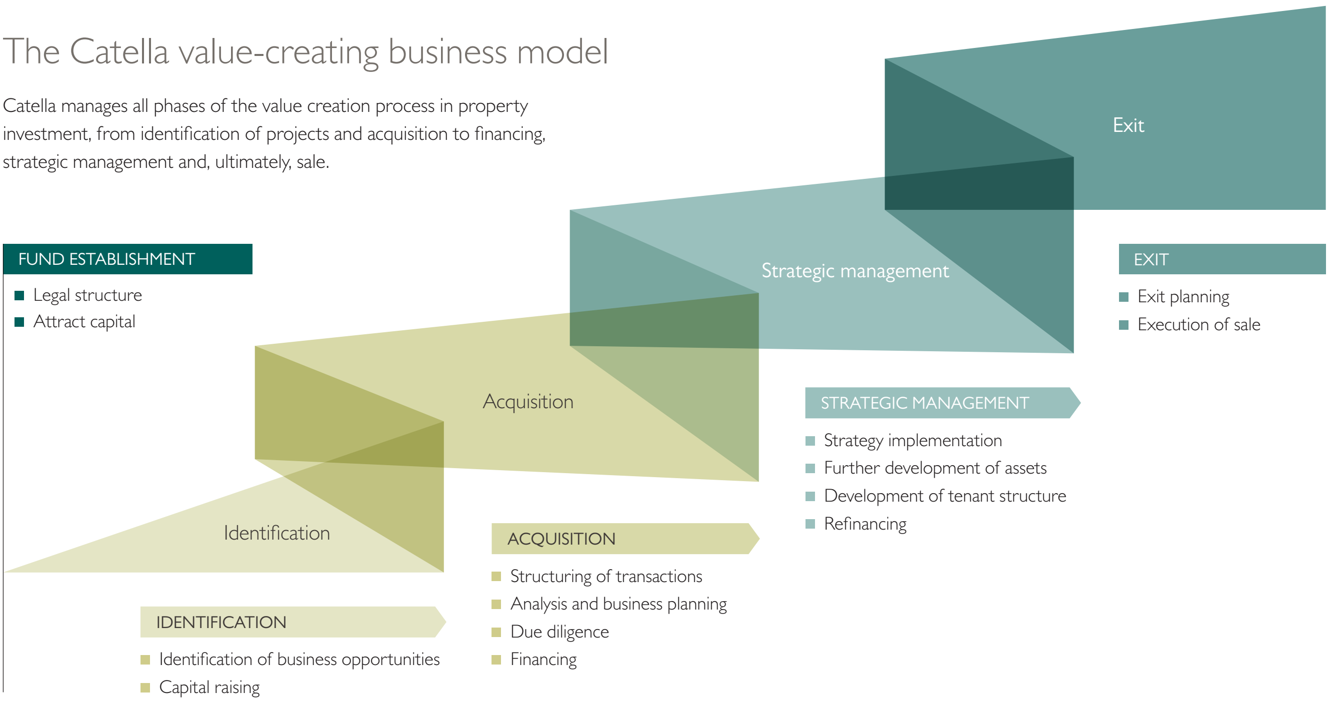
Specialised European property funds with access to Catella's leading local investment teams
Specialised property funds are offered within the Property Funds service segment, with a variety of investment strategies as to risk and yield levels, property type and locations.

Through 15 open-ended and regulated property funds, investors gain access to fund management and effective allocation among various European markets. Management combines the highest level of specialist knowledge within the investment strategy of each fund with Catella's local presence in the respective markets.

Performance in 2016
Property Asset Management operations were geographically expanded during 2016 through establishment in Norway. The expansion is

The Catella value-creating business model

Catella manages all phases of the value creation process in property investment, from identification of projects and acquisition to financing, strategic management and, ultimately, sale.



part of the strategy to attract international capital seeking European reach combined with strong local presence. The teams in France and Spain executed a number of significant investments in 2016 on behalf of larger national and international investors. Several sales of large mandates were carried out in Finland during the year.

In parallel, the Property Funds offering was augmented with European residential real estate funds. Catella Parken Europa, a special fund, was also launched in 2016. Like Catella's other regulated property funds, these funds are based in Germany but invest throughout Europe, assisted by the local investment teams in Property Asset Management.

Assets under management increased during the year by SEK 8.7 billion, including net inflow of SEK 4.9 billion, to a total of SEK 40.3 billion at year-end. The increase was highest during the second half of the year when Property Asset Management in France and the new residential property funds generated a large share of the inflow.

Total income rose by 18 percent during the year to SEK 295 million (249). Operating profit, which was charged with the costs of establishing new offices and the new residential property funds, amounted to SEK 3 million (28).

> We set ourselves apart with a high level of service and customised solutions, supported by a unique combination of deep knowledge about the local property markets and European reach.

Focus in 2017

The push to grow geographically in Europe will continue in 2017, in parallel with ongoing business development in Norway, Germany and Spain. Capacity will also be strengthened in 2017 in selected markets where Catella operates.

Beyond this, the ambition is to selectively launch niched funds within the framework of Catella's existing fund structures.

In order to take fuller advantage of synergies between Catella's operations, collaboration within the business area and with Catella's other business areas will be a priority.

Catella is also further developing the joint organisation for capital raising in London.

COLLABORATION BETWEEN ASSET MANAGEMENT AND BANKING

Unique property investments for clients of Catella Bank

When the investment company CTV Properties was formed, Catella Asset Management in Finland initiated the project, structured the deal and arranged the financing. Catella Bank later executed the capital raising in an exclusive offer to clients of the bank.

There is substantial demand for investments in high-quality property projects among clients of Catella Bank. Initially, 93 individuals and institutions invested in CTV Properties, with the Sampo Group the anchor investor. The project was in line with Catella's strategy to offer unique investment opportunities to wealth management clients of Catella Bank with a variety of risk profiles in the property sector. This was the fourteenth capital raising project that the bank has successfully executed in the past two years.

In conjunction with the establishment, CTV Properties acquired a diversified portfolio of logistics and industrial properties in Finland. The portfolio comprises 29 properties in well-established industrial estates in Helsinki and other growth regions in Finland.

CTV Properties is an example of how Property Asset Management and Catella Bank can jointly create and offer unique property investment opportunities. Catella will also be in charge of strategic management of the company, where the objective will be to create value for investors through active management and in future exit processes.

About CTV Properties

Region:	Europe/Finland
Structure:	Private holding company
Number of assets:	29
Asset type:	Logistics and industrial properties
Lettable area:	103,000 m^2

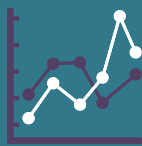

VOLVO
WETTERI


Tammermatic

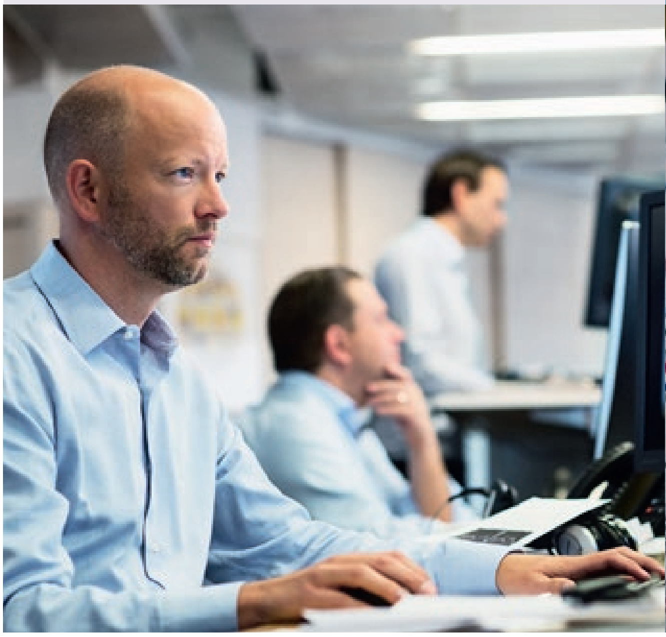

VOLVO
VOLVO

Wide selection of active and alternative funds

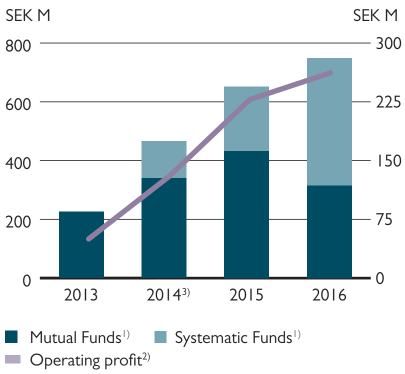
Leading independent fund manager in Nordic assets.



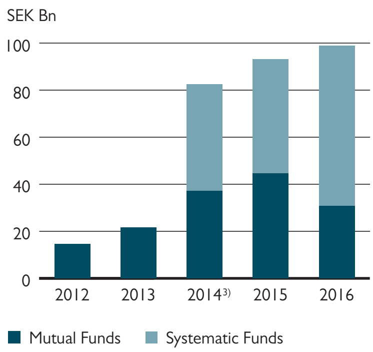
Global, leading niche player in systematic macro.



TOTAL INCOME AND OPERATING PROFIT



AUM IN THE BUSINESS AREA



748 SEK M

TOTAL INCOME 2016

+15%

GROWTH IN TOTAL INCOME 2016

99 SEK Bn

ASSETS UNDER MANAGEMENT 2016

EARNINGS REVIEW

SEK M	2016	2015
Mutual Funds[1]	315	433
Systematic Funds[1]	433	218
Total income	**748**	**651**
Assignment expenses and commissions	–182	–158
Operating expenses	–304	–265
Operating profit before acquisition-related items	**262**	**228**

KEY FIGURES

	2016	2015
Operating margin, % [2]	35	35
AUM at year-end, SEK Bn	98.9	93.1
Net inflow and outflow	–2.5	8.2
of which Mutual Funds	30.8	44.6
Net inflow and outflow	–14.4	5.3
of which Systematic Funds	68.1	48.5
Net inflow and outflow	11.9	2.9
Number of employees at year-end	78	73

[1] Includes internal revenue.
[2] Before acquisition-related items.
[3] Systematic Funds (IPM) included as a subsidiary as of Q3 2014.

Complementary funds deliver stable earnings

Catella is a leading independent fund manager in the Nordics. We offer actively managed Mutual Funds with a Nordic investment focus to private and institutional investors. We also offer Systematic Funds with low correlation to the equity market to institutional investors.

Active funds with Nordic assets

In the Mutual Funds service segment, we offer active equity, fixed income and hedge funds with a Nordic investment focus to private and institutional investors. The active management approach is team-based in order to generate attractive risk-adjusted returns to investors over the long term.

Within Mutual Funds, Catella manages nine funds with various strategies to ensure there is always an attractive alternative, regardless of market conditions and whatever the investor's individual needs.

Globally competitive systematic funds

In the Systematic Funds service segment, we offer globally competitive systematic funds to institutional investors. The funds often improve the risk-adjusted return in client portfolios, as the funds are aimed at low or negative correlation with returns on other holdings in the portfolio. The funds invest in liquid securities on a global basis and thus have a scalable business model, with the capacity to handle substantially higher volumes.

Catella enjoys a strong global position in the systematic macro strategies niche, with products that offer low or negative correlation with the equity market. We are also one of the pioneers in smart beta strategies, which are aimed at generating added value through exposure to the equity market, independently of companies' market capitalisation. This differentiates the product from conventional passive mandates.

Performance in 2016

Strong development for the Systematic Macro product and the Catella Nordic Long/Short Fund compensated for more mixed performance for other funds within Mutual Funds. Assets under management increased by SEK 5.8 billion during the year. Positive growth in value offset a net outflow of SEK 2.5 billion, and total assets under management at the end of the year amounted to SEK 98.9 billion (93.1). Total income rose to SEK 748 million (651) and operating profit to SEK 262 million (228), up 15 percent in both cases.

The organisation within the business area was reinforced during the year with new fund managers and staff in service functions. An important step was taken with the establishment in London for closer proximity to existing clients and to attract new international, institutional clients.

Several new fund managers were recruited within the Mutual Funds service segment on both the equity and fixed income sides, and the organisation was strengthened with a new Mid Office function. There was a net outflow of SEK 14.4 billion from the funds in 2016, attributable to weak development early in the year combined with the change of the fund management team. With new fund managers in place, returns in the funds improved both in absolute numbers and relative to their benchmark indices. Going forward, this is expected to have a favourable impact on assets under management.

Assets under management in the Systematic Funds service segment rose during the year by 40 percent or SEK 19.6 billion. The net inflow of SEK 11.9 billion was invested in the Macro Strategy product, which also generated a large share of income for the year. Demand for the product is high, as it often contributes to higher risk-adjusted returns in clients' investment portfolios.

> We offer funds that enhance our clients' investment portfolios. Regardless of market conditions, our constant aim is an attractive offering aligned with the investor's individual needs.

Focus in 2017

Catella is working to further strengthen relationships with the business area's existing clients and resellers while expanding direct sales to institutional clients in Sweden and abroad.

The funds market is undergoing profound change. Digital platforms for direct sales of funds are growing, along with the usage of online banking solutions. New regulations in Sweden are also increasing transparency in connection with sales to consumers. Stricter regulations concerning commissions to resellers of funds are also expected.

These changes make it even more important for Catella to continue providing well positioned and distinct products. The business area will also be developing even more niched funds. A large share of Catella's sales in the business area are made directly to institutions and are thus not affected by these changes to the same extent.

CATELLA'S FUND MANAGEMENT

Creating value with sustainable investments

Catella has high ambitions to progress in the area of sustainability, and puts strong emphasis on integrating sustainability in fund management, aimed at creating value for fund unitholders.

Catella's ultimate aim is to fully integrate sustainability into management decisions. Many other firms have two separate teams, one that performs financial research and takes investment decisions, and one that analyses corporate environmental management, social aspects and corporate governance.

"Sustainability and finance must go hand-in-hand. This is something Catella truly understands. That is why sustainability is integrated into investment decisions in the management of Catella Reavinstfond. It makes us more agile and there is no risk we will lose focus on generating returns for unitholders," says Anna Strömberg, portfolio manager of the Catella Reavinstfond.

Catella genuinely believes in the connection between sustainability, long-term profitability and growth.

"We seek out business models that are actively driven by sustainability, such as companies that offer eco-friendly alternatives to existing products and where the model creates ongoing growth and competitive advantage. Sustainability alone is, of course, no guarantee of a good investment, so it is incredibly important not to lose the financial perspective. Multiple factors play into the investment decision: management, the competitive situation, cost base, price and so on," she continues.

Investors increasingly understand their power to influence companies through their ownership. Nowadays, these issues are high on the agendas of both asset managers and asset owners. It has taken a little longer for asset managers, but they have increasingly begun to hire fund managers who specialise in responsible investment.

"An active sustainability approach is going to be a hygiene factor for investors, large and small, as they decide where to put their money. Long-term, this will affect how companies make strategic decisions and thus help make the world a better place and bring interesting business opportunities," Strömberg concludes.

> We genuinely believe in the connection between sustainability, long-term profitability and growth.

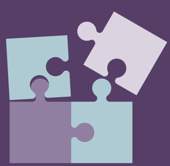
Anna Strömberg, Catella portfolio manager, has a solid background in fund management and sustainability work.

Banking

An international bank that offers tailored solutions

Focused offering.

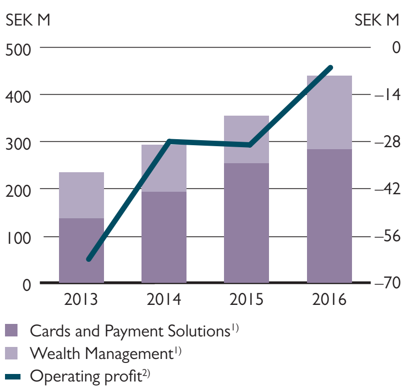
Established bank for 28 years.



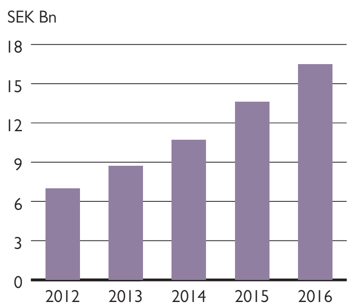
Tailored solutions.

Close client relationships.

TOTAL INCOME AND OPERATING PROFIT



AUM IN THE BUSINESS AREA



433 SEK M

TOTAL INCOME 2016

+22%

GROWTH IN TOTAL INCOME

17 SEK Bn

ASSETS UNDER MANAGEMENT 2016

12 SEK Bn

CARD AND PAYMENT VOLUMES 2016

EARNINGS REVIEW

SEK M	2016	2015
Cards and Payment Solutions [1]	283	254
Wealth Management [1]	157	100
Total income	**433**	**354**
Assignment expenses and commissions	–110	–89
Operating expenses	–329	–293
Operating loss before acquisition-related items	**–6**	**–28**

[1] Includes internal revenue.
[2] Before acquisition-related items.

KEY FIGURES

	2016	2015
Operating margin, % [2]	–1	–8
Card and payment volumes, SEK Bn	11.8	7.1
AUM at year-end, SEK Bn	16.5	13.6
Net inflow and outflow	2.4	3.1
Number of employees at year-end	176	163

Customised solutions generate sustained growth

Catella Bank is an international niche bank domiciled in Luxembourg, with a branch in Sweden. Our specialists in selected niches and tailored solutions create added value for clients and shareholders.

Catella offers financial services and tailored solutions to high net worth clients in Europe, as well as customised card and payment solutions to international banks, online merchants and fintech companies. We are also progressively building up lending operations.

Tailored solutions for high net worth individuals

Within the Wealth Management service segment, Catella offers high net worth individuals in Europe a wide selection of financial services and tailored solutions in investment advisory services and asset management.

The range of products and services include exclusive opportunities to invest in property and non-listed companies, management of Nordic equities, bonds and hedge funds, deposits and lending, wealth planning and other banking services.

Catella Bank has the expertise and networks required to assist its clients regardless of where they live, where they want to invest and where they want to borrow capital. The bank is based in Luxembourg, with a branch in Sweden and has its own management and sales organisation, as well as an international network of advisors.

Specialised card and payment solutions

The Cards and Payment Solutions service segment offers card and payment solutions to international banks, online merchants and fintech companies that require specialised solutions.

The business is operated in partnership with fintech companies all over the world, which can offer payment services through Catella featuring ultra-modern fraud deterrence systems and other tailored services.

Catella Bank also operates as a card issuer with a large number of partners in Europe. Cards are offered both with clients' own profiles and as neutral cards. Catella has issuing licenses from both Visa and MasterCard, with customisable solutions for all types of consumption pattern.

Performance in 2016

Catella's objective in Wealth Management is to offer clients exclusive investment opportunities that will enhance the attractiveness of the offering and thus enable long-term growth in assets under management. These products are developed in collaboration with Catella's other operations in property and fund investments. During the year, clients were, for example, offered a number of unique property-related products in collaboration with the Corporate Finance business, such as the opportunity to invest in Solnaberg Property prior to its listing on Nasdaq First North, and in Baltic Horizon, an investment fund that was listed on Nasdaq Tallinn and Nasdaq Stockholm.

Assets under management in Wealth Management increased by 21 percent, or SEK 2.9 billion, during the year, to SEK 16.5 billion in total (13.6) at year-end. As well, the client base has become more diversified, which is in line with Catella's strategy. Income in Wealth Management rose to SEK 157 million (100) during the year as a result of increased assets under management and higher variable revenues from capital raising in connection with a number of property transactions.

Volumes rose substantially in Cards and Payment Solutions during the fourth quarter, from SEK 1.8 billion to 6.4 billion. The volume increase had little impact on revenues, but is strategically important as the partnerships with Visa and MasterCard entail a certain proportion of low-risk transactions that generate lower revenue per transaction. In total, volume for the full year 2016 increased to SEK 11.8 billion (7.1) and income in the service segment increased by 11 percent to SEK 283 million (254).

The loan book amounted to SEK 1.3 billion (0.8) at year-end, an increase of 67 percent. Commercial properties in the Nordics accounted for the majority of lending, with further potential for growth. The non-recurring income received during the year when Visa Inc. acquired Visa Europe strengthened Catella Bank's capital base by SEK 150 million, creating the conditions for further growth in the loan book.

In total, income in the Banking business area increased in 2016 to SEK 433 million (354) and the operating loss improved to SEK –6 million (–28).

> Through specialisation in a number of selected niches and highly robust technical solutions, we are equipped to offer individual, customised solutions that few competitors can match.

Focus in 2017

Catella Bank continues to provide specialised, customised services as an alternative to the increasingly standardised services offered by larger institutions. However, volume growth in both of the bank's service segments will be required to achieve profitability. Growth is expected to be primarily organic.

The effort to offer tailored property products to Wealth Management clients will be intensified in collaboration with Catella's operations in Corporate Finance and Property Investment Management.

Catella Bank has invested in a robust infrastructure in order to offer stable card solutions and manage large payment volumes. The focus in upcoming years will be on volume growth, based on the scalable platform, in segments that create opportunities to maintain or increase margins.

In lending, the focus will be to further expand the loan book, primarily in connection with property projects in the Nordics. To further support sustained growth, Catella also developed a savings product in 2016 that is aimed at the general public. Launch of the product is planned for 2017.


WELCOME
BALTIC HORIZON
AIF LISTED
ON NASDAQ STOCKHOLM
BALTIC
HORIZON
Nasdaq
SYNERGY

ADVISORY SERVICES FOR CAPITAL RAISING AND LISTING

Financial advisor for premier listing on the new Nasdaq Stockholm AIF Market

Catella was the financial advisor in connection with capital raising and the market listing of Baltic Horizon, an alternative investment fund, on both Nasdaq Tallinn and the new Nasdaq Stockholm Alternative Investment Funds (AIF) market. Through Catella, Baltic Horizon has gained more than 4,000 investors and issue proceeds of EUR 50 million.

The creation of Baltic Horizon was a complex project in which Catella Corporate Finance was responsible for extensive coordination across national borders and between different Catella business areas. The project is an example of Catella's capacity to offer both deep knowledge about local property markets and broad-based capital markets expertise.

Catella acted as financial advisor and lead manager in connection with the listing on Nasdaq Tallinn in June 2016. In a focused process over two weeks in June, Catella Bank and Catella Corporate Finance in Stockholm jointly executed the capital raising that brought approximately EUR 30 million to Baltic Horizon.

In December 2016, Baltic Horizon was the first fund to be listed on Nasdaq Stockholm's new Alternative Investment Funds (AIF) market. Catella was also the financial advisor in the secondary listing, and Catella Bank executed the capital raising that brought about EUR 20 million to Baltic Horizon.

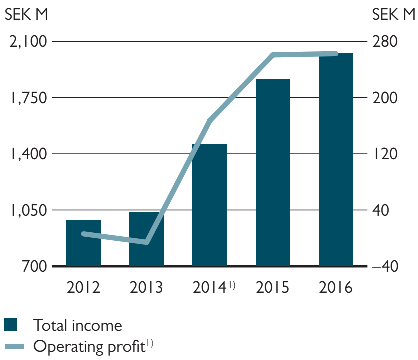
About Baltic Horizon

Type:	Evergreen real estate investment trust
Region:	Baltics
Manager:	Northern Horizon Capital
Investment strategy:	Focus on centrally located commercial properties in the Baltic capital cities
Execution venue:	Nasdaq Tallinn and Nasdaq Stockholm

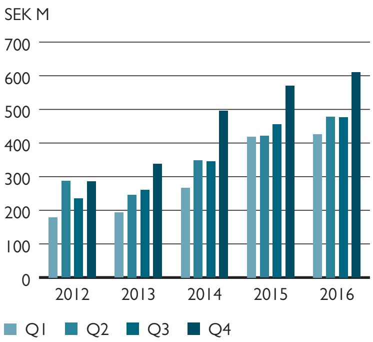
Financial review

Group

TOTAL INCOME AND OPERATING PROFIT

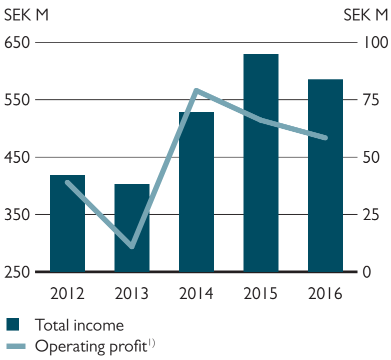


TOTAL INCOME PER QUARTER

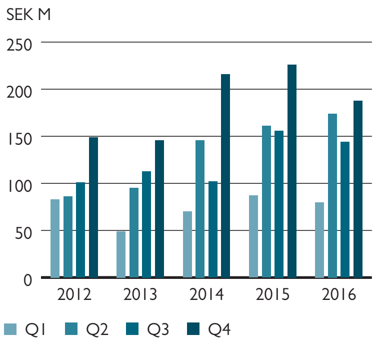


Corporate Finance

TOTAL INCOME AND OPERATING PROFIT

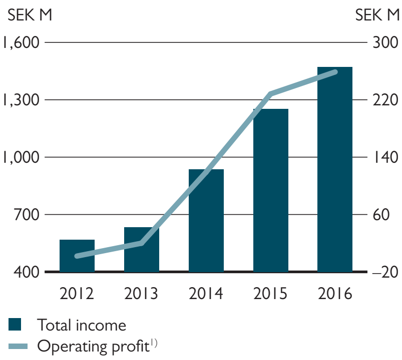


TOTAL INCOME PER QUARTER

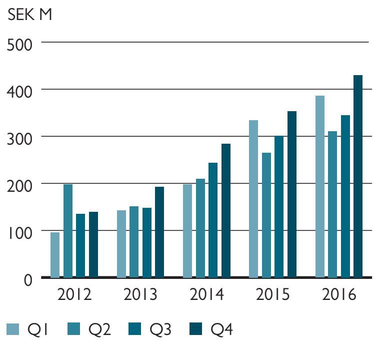


Asset Management and Banking

TOTAL INCOME AND OPERATING PROFIT



TOTAL INCOME PER QUARTER



CONSOLIDATED KEY FIGURES	Corporate Finance		Asset Management/Banking		Other		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Profit margin, %	9	7	23	14	–	–	18	15
Return on equity, %[2)]	22	24	33	22	–	–	19	20
Equity/assets ratio, %	59	53	21	17	–	–	31	29
Equity, SEK M[3)]	254	213	859	620	451	486	1,563	1,319
Number of employees at end of period	203	211	359	314	17	14	579	539
Earnings per share, SEK[3)]	–	–	–	–	–	–	3.32	2.97
Equity per share, SEK[3)]	–	–	–	–	–	–	19.09	16.14
Property transaction volumes for the period, SEK Bn	55.5	58.3	–	–	–	–	–	–
AUM at year-end, SEK Bn	–	–	155.7	138.3	–	–	–	–
Net inflow and outflow during the year, SEK Bn	–	–	4.8	14.4	–	–	–	–
Card and payment volumes, SEK Bn	–	–	11.8	7.1	–	–	–	–

[1)] Before acquisition-related items.
[2)] Return on equity: Average profit after tax for the last four quarters divided by average equity for the last five quarters.
[3)] Attributable to shareholders of the parent company.

INCOME STATEMENT BY OPERATING SEGMENT

SEK M	Corporate Finance		Asset Management/Banking		Other		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	575	623	1,461	1,245	–29	–16	2,007	1,853
Other operating income	11	6	11	7	–2	–1	20	13
Total income	**586**	**630**	**1,472**	**1,253**	**–31**	**–17**	**2,027**	**1,866**
Personnel costs	–322	–383	–532	–447	–24	–17	–878	–846
Other expenses	–205	–181	–682	–578	1	0	–886	–759
Total expenses	**–527**	**–563**	**–1,213**	**–1,024**	**–24**	**–17**	**–1,764**	**–1,605**
Operating profit/loss before acquisition-related items and items affecting comparability	**58**	**66**	**259**	**228**	**–55**	**–33**	**263**	**261**
Amortisation of acquisition-related intangible assets	–	–	–4	–7	0	0	–4	–7
Items affecting comparability	–	–	0	0	0	0	0	0
Operating profit/loss	**58**	**66**	**255**	**221**	**–55**	**–33**	**258**	**254**
Financial items, net	2	4	215	3	22	46	239	53
Profit/loss before tax	**60**	**70**	**469**	**223**	**–32**	**13**	**497**	**306**
Tax	–10	–24	–132	–51	1	41	–141	–34
Profit/loss for the year	**50**	**46**	**337**	**172**	**–31**	**54**	**357**	**272**
Profit/loss attributable to shareholders of the parent company	**50**	**46**	**252**	**143**	**–31**	**54**	**272**	**243**

FINANCIAL POSITION BY OPERATING SEGMENT

ASSETS	Corporate Finance		Asset Management/Banking		Other		Group	
Non-current assets	2016	2015	2016	2015	2016	2015	2016	2015
Intangible assets	62	61	300	252	50	50	412	363
Financial assets at fair value through profit or loss	0	0	91	29	246	245	337	274
Long-term loan receivables	0	0	756	248	0	0	756	248
Other non-current assets	16	18	153	51	69	94	238	163
	79	**79**	**1,300**	**580**	**365**	**389**	**1,744**	**1,048**
Current assets								
Accounts receivable	125	110	144	146	0	0	268	256
Current loan receivables	0	0	577	542	0	0	577	542
Cash and cash equivalents	237	220	2,408	2,513	105	120	2,750	2,854
Other current assets	37	71	242	190	33	50	313	311
	399	**400**	**3,370**	**3,392**	**138**	**170**	**3,907**	**3,963**
Total assets	**478**	**480**	**4,670**	**3,973**	**503**	**559**	**5,651**	**5,011**
EQUITY AND LIABILITIES								
Equity attributable to shareholders of the parent company	254	213	859	620	451	486	1,563	1,319
Non-controlling interests	27	43	139	75	0	0	167	117
Total equity	**281**	**256**	**998**	**695**	**451**	**486**	**1,730**	**1,436**
Liabilities								
Non-current liabilities								
Long-term loan liabilities	0	–	0	0	0	200	0	200
Other non-current liabilities	1	9	25	12	11	28	37	49
	1	**9**	**25**	**12**	**11**	**227**	**37**	**248**
Current liabilities								
Borrowings	0	0	260	50	0	0	260	50
Current loan liabilities	0	0	2,606	2,577	200	0	2,806	2,577
Other current liabilities	195	214	780	639	–158	–154	817	699
	196	**215**	**3,646**	**3,266**	**42**	**–154**	**3,884**	**3,326**
Total liabilities	**197**	**224**	**3,672**	**3,278**	**53**	**73**	**3,921**	**3,575**
Total equity and liabilities	**478**	**480**	**4,670**	**3,973**	**503**	**559**	**5,651**	**5,011**

CASH FLOW BY OPERATING SEGMENT

	Corporate Finance		Asset Management/Banking		Other		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Profit/loss before tax	60	70	469	223	–32	13	497	306
Adjustment for non-cash items	35	35	–190	20	–32	–56	–188	–1
Adjustment for cash items	–69	–23	–485	134	107	133	–447	244
Cash flow from operating activities	**26**	**82**	**–206**	**377**	**43**	**90**	**–137**	**549**
Cash flow from investing activities	**11**	**1**	**33**	**–67**	**11**	**16**	**55**	**–50**
Cash flow from financing activities	**–26**	**–19**	**–22**	**–22**	**–70**	**–47**	**–126**	**–88**
Cash flow for the year	**11**	**65**	**–203**	**288**	**–16**	**58**	**–208**	**411**

At Catella, there is always room for the individual

Catella believes in giving clear mandates to committed individuals who believe in personal accountability. One of the keys to Catella's success is being the best in every local market. Accordingly, our philosophy is based on local entrepreneurship, where we offer people whom we trust the opportunity to build unique products and services along with their colleagues all over Europe.

600

employees

12

European countries

70%

university-educated

37%

women

Nearly 600 employees in 12 countries

At year-end, Catella had 579 people (539), of whom 203 (211) in the Corporate Finance operating segment, 359 (314) in the Asset Management and Banking operating segment and 17 (14) in other functions.

Collaboration for greater synergies

Group management initiated the internal development project "OneCatella" in 2014. The objective is to maintain a pan-European perspective on investments and business opportunities through increased knowledge transfer and collaboration between countries and business areas. Expanded collaboration among employees, both within and between business areas, has resulted in new client projects and products.

Investing in young talent

In pace with the changes in the finance and property industries, it is becoming ever more important to attract employees with the right skills and values. Aimed at motivating and rewarding our younger talents across Europe, Catella offers an annual Young Professional programme. The goal is to learn more about Catella during the joint event and actively participate in the group's business development work within the framework of OneCatella.

Catella also offers a number of internship programmes for young talents across Europe. We provide university students and young talents with the opportunity to work directly with experienced colleagues in an international setting and to be an important part of a dedicated business team.

Diversity

Catella operates in twelve European countries and does business in an international market. To us, the benefits of diversity are obvious. The important thing is not where our employees come from, but that their backgrounds and experience are relevant to the challenges our clients are facing.

We have been a partner company for five years to "Mitt Liv" (My Life), a social enterprise dedicated to increased integration and diversity in the Swedish jobs market. Catella chose to get involved with "Mitt Liv" for the opportunity to make a positive difference in relation to Mitt Liv's core issue: promoting greater diversity.

Decentralised recruitment

Proximity to local deals, extensive networks in every market and providing scope for local action and strengthened entrepreneurship are key components of Catella's success. Recruitment at Catella is decentralised and based on the principle that the local business units are in prime position to find the best individuals in each market.

Compensation system that incentivises business

We believe in using the right incentives to encourage outstanding performance, proper conduct and balanced risk-taking in line with client and shareholder expectations. The variable compensation structure is built around participation in the profit generated at the level within Catella where the employee works and can make a difference. The composition and size of variable compensation is based on business logic, market and regulatory practice, the competitive situation and the employee's contribution to operations.

The variable compensation system is based on a profit-sharing model at the local level in the form of variable compensation and/or the taking on of risk through part ownership. Catella's compensation system creates strong incentives to do business that adds value for the client. Because variable compensation is based on local financial performance, the incentive also automatically encourages cost control.

Catella also has a warrant programme for senior management personnel that is linked to the share price performance of the Catella share.

At Catella, there is always room for your idea!

We believe in strong individuals who develop their clients in property and finance. Our employees do not work for the client, they work with the client, in the midst of the local market. They listen and identify the challenge, in all financial disciplines. We possess in-depth expertise in our fields. Our knowledge and collaboration among the teams in the various business areas make us a reliable partner in property and finance.

Open

We believe in individuals who act as individuals, but are also team players. We are big but not the biggest, and will always make sure we are the swiftest and most agile in everything we do. All to get even better at helping our clients by doing what we say and saying what we think.

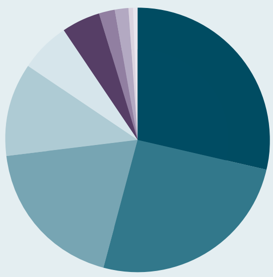
Exploratory

We are not interested in a workplace where one day is just like the next. That is why we are open to new initiatives in property and finance. When innovation is encouraged and we work together, the job is a much more rewarding.

Bold

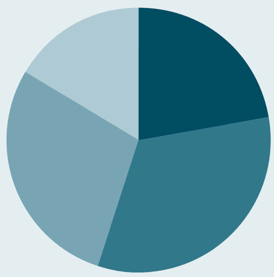
Boldness is not the same thing as cockiness. The harder you work, the bolder you can be – because if you work a little harder, you learn a little more and then comes the boldness and the confidence to present unusual and creative solutions. We like that at Catella.

EMPLOYEES BY COUNTRY, %



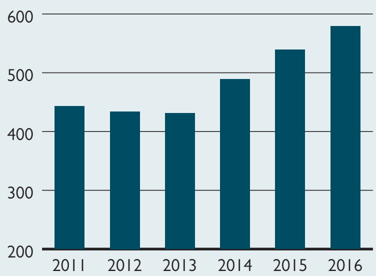
- Sweden **29%**
- Luxembourg **25%**
- Germany **19%**
- France **11%**
- Finland **6%**
- Spain **5%**
- Denmark **2%**
- Baltics **2%**
- Norway **0.5%**
- UK **0.3%**

AGE DISTRIBUTION

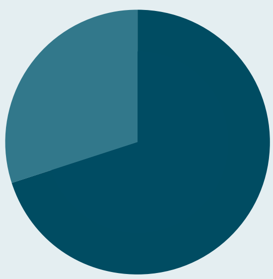


- <30 **22%**
- 31–40 **33%**
- 41–50 **28%**
- >50 **16%**

NUMBER OF EMPLOYEES

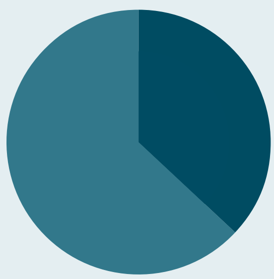


LEVEL OF EDUCATION, %



- University education **70%**
- Other education **30%**

GENDER DISTRIBUTION, %



- Women **37%**
- Men **63%**

EMPLOYEE KEY FIGURES

	2016	2015
Number of employees at the end of the period	579	539
Average number of employees	588	526
Employee turnover, %	2	14
Women/men, %	37/63	36/64
University educated, %	70	75

Providing talents with the right foundations to reach the top

At Catella, we are prepared to invest in people with talent and big ambitions. Our clients share the same passion and faith in the individual's ability to make a difference, regardless of their circumstances and background. And our clients like to play tennis. That is why our commitment to tennis comes naturally.

Catella has been sponsoring tennis for more than 15 years. Our commitment to tennis is based on a long-standing and genuine love for the game and the ambition to help young and promising talents – whatever their backgrounds and circumstances – develop into world stars.

Since 2012, Catella has been sponsoring the Good to Great Tennis Academy, run by Magnus Norman, Mikael Tillström and Nicklas Kulti, all former world-ranked players. As a main sponsor of Good to Great, Catella gives young tennis talents the chance to achieve their full potential by training at the Good to Great Tennis Academy and travelling to international tournaments.

The construction start of Good to Great's own arena, named the Catella Arena for its sponsor, was announced in 2016. When the arena is finished, with the official opening planned for early 2018, it will be one of the finest tennis arenas in the world.

Sponsoring tennis gives Catella international exposure and a venue for unique client activities. Catella Arena will be the centre court for our client activities, where we will bring our clients together to build a sense of cohesion and loyalty.

Team Catella

Catella's first team initiative, Team Catella, was formed back in 2001 in partnership with the Swedish Tennis Association. The aim was to ensure growth in Swedish men's tennis. The first Catella team featured Robin Söderling and Joachim "Pim Pim" Johansson, both of whom later achieved world rankings. The members of the present Team Catella are all promising players at Good to Great: Rebecca Peterson, Jacqueline Cabaj Awad, Karl Friberg, Jonas Eriksson Ziverts and Filip Malbasic.

Catella Arena in Stockholm will be one of the world's leading tennis facilities, where recreational players will be able to train alongside current and future tennis stars. The arena, expected to be ready to open in early 2018, will be a public facility with seven indoor and seven outdoor tennis courts, seven indoor and three outdoor paddle tennis courts, a state-of-the-art gym with a sports injury treatment room, a restaurant, school programmes and 18 rooms for overnight accommodation.

The Catella share and ownership

Catella is listed on Nasdaq Stockholm in the Mid Cap segment. Class A and B shares are traded under the stock tickers CAT A and CAT B, respectively. Catella has about 6,400 shareholders. The Claesson & Anderzén Group is the largest shareholder.

The Catella share

Catella's market capitalisation at 31 December 2016 was SEK 1,875 million (1,755). Catella's share price (Class B) rose in 2016 from SEK 21.00 to SEK 22.90, an upturn of 9 percent, on par with the Stockholm All-share.

The price of Catella's Class B share varied during 2016 between SEK 16.70 and SEK 24.50 and average daily turnover was SEK 1,608 thousand, corresponding to 80,738 shares. Total turnover in 2016 amounted to SEK 407 million, corresponding to about 20 million shares.

Share capital

Share capital at 31 December 2016 was SEK 164 million (163) divided among 81,848,572 shares (81,728,572). The quotient value per share is SEK 2 (2). Share capital is allocated between two share classes with different voting rights: 2,530,555 Class A shares that carry five votes per share, and 79,398,017 Class B shares that carry one vote per share. The Articles of Association confer a right for holders of Class A shares to convert these to an equal number of Class B shares. No Class A shares were converted to Class B shares in 2016.

Dividends

Catella's target is to transfer to shareholders the portion of consolidated profit after tax which is not judged necessary to develop the group's operations, with consideration taken to the company's strategy and financial position. Adjusted for increases in value unrealised in earnings, at least 50 percent of consolidated profit after tax shall be transferred to shareholders over time.

Given the growth opportunities within existing and new operations that are expected to generate long-term shareholder value, the board of directors is proposing a dividend to shareholders of SEK 0.80 per share (A and B) for the 2016 financial year. A dividend of SEK 0.60 per share (A and B) was distributed to shareholders for the 2015 financial year.

Shareholders

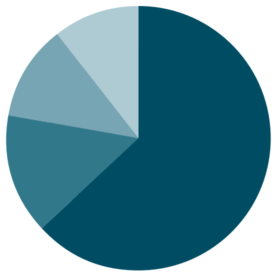
Catella had 6,350 (6,352) registered shareholders at the end of 2016. The largest individual shareholders at 31 December 2016 were the Claesson & Anderzén Group, with a shareholding of 49.8 percent (49.9) of the capital and 49.1 percent (49.1) of the votes, followed by Bure Equity AB (publ), with a shareholding of 10.7 percent (10.8) of the capital and 11.1 percent (11.1) of the votes.

The ten largest shareholders represented 77.3 percent (76.5) of the capital and 76.5 percent 75.6) of the votes at 31 December 2016. Foreign ownership amounted to 14.8 percent (13.8) of the capital and 14.9 percent (13.9) of the votes.

Outstanding warrant programme

At 31 December 2015, the group had 7,000,000 (17,074,000) outstanding warrants that confer the right to subscribe for 7,000,000 new Class B shares in Catella AB (publ). Of the total number of outstanding warrants, 200,000 (9,014,000) are held in treasury by Aveca AB, a subsidiary of the group.

OWNER DISTRIBUTION OF SHAREHOLDER CAPITAL AT 31 DECEMBER 2016, %



SHAREHOLDERS AT 31 DECEMBER 2016

Shareholders	Class A	Class B	Total	Capital, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,087,437	39,694,718	40,782,155	49.8	49.1
Bure Equity	356,695	8,430,617	8,787,312	10.7	11.1
Catella Bank[1)]	292,949	2,092,200	2,385,149	2.9	3.9
Handelsbanken Fonder		3,443,526	3,443,526	4.2	3.7
Avanza Pension	21,138	1,918,826	1,939,964	2.4	2.2
Nordnet Pension	3,317	1,652,312	1,655,629	2.0	1.8
Thomas Andersson Borstam (privately and via companies)		1,340,000	1,340,000	1.6	1.5
Swedbank Försäkring		1,075,103	1,075,103	1.3	1.2
Mp Pensjon Pk		989,412	989,412	1.2	1.1
Nordea Investment Funds		883,196	883,196	1.1	1.0
Others	769,019	17,798,107	18,567,126	22.7	23.5
Total	**2,530,555**	**79,318,017**	**81,848,572**	**100.0%**	**100.0%**

[1)] Refers to nominee-registered clients of Catella Bank.

During 2016, Catella repurchased a total of 1,440,000 outstanding warrants from senior management personnel and other employees for total consideration of SEK 11.9 million.

Catella also sold 300,000 warrants to key individuals. During the year, 9,954,000 warrants held in treasury expired.

If issued warrants are exercised, the exercise will have a dilutive effect on the ownership structure at each point. Outstanding warrants at 31 December 2016 entail a dilutive effect of 7.9 percent of the capital and 7.1 percent of the votes. All warrants, apart from those held in treasury, are held by senior management personnel and other key individuals within the Catella group. The warrants were acquired on market terms based on valuation in accordance with a generally accepted valuation model (Black & Scholes).

The group has no legal or constructive obligation to repurchase or settle the warrants in cash. According to the terms and conditions of the warrants, however, Catella has the right to repurchase warrants from holders who are no longer employed by the group. See Note 12 for further information.

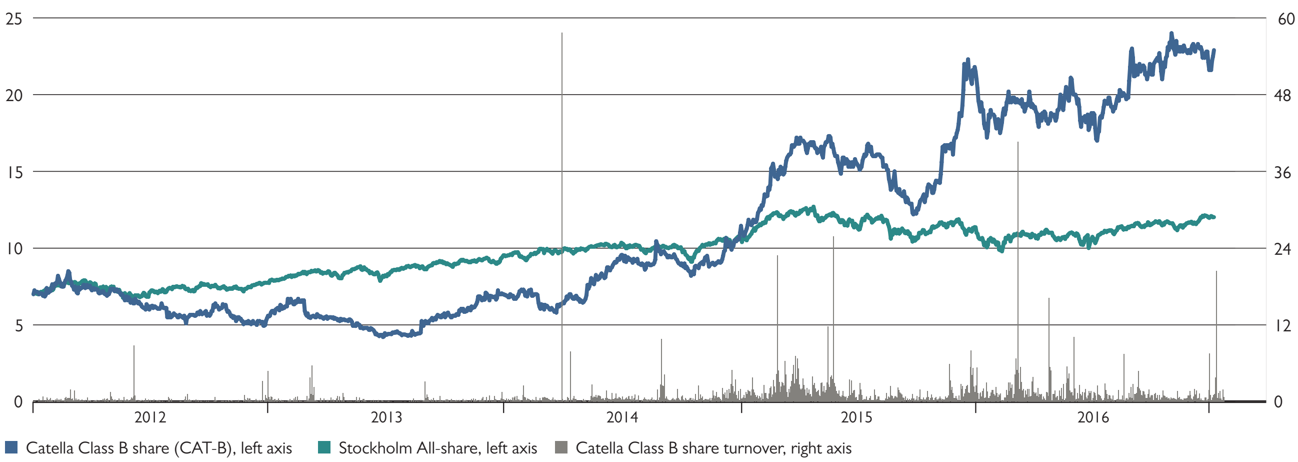
DISTRIBUTION OF SHARES AT 31 DECEMBER 2016

Shareholding	Number of shareholders	Number of Class A shares	Number of Class B shares	Capital, %	Votes, %
1–500	4,485	208,564	435,504	0.79	1.61
501–1,000	715	126,230	437,438	0.69	1.16
1,001–5,000	766	243,734	1,554,536	2.20	3.02
5,001–10,000	141	89,523	1,000,521	1.33	1.57
10,001–15,000	48	20,196	599,954	0.76	0.76
15,001–20,000	28	0	503,030	0.61	0.55
20,001–	167	1,842,308	74,787,034	93.62	91.33
Total	6,350	2,530,555	79,318,017	100.00	100.00

DISTRIBUTION OF WARRANTS BY EXERCISE YEAR AT 31 DECEMBER 2016

Issue 2014 (Exercise price SEK 11.00 per share)	Share of total outstanding warrants, %	Total number of outstanding warrants	Of which held in treasury
2018	33	2,333,333	66,667
2019	33	2,333,333	66,666
2020	33	2,333,334	66,667
Total 2014	100	7,000,000	200,000

FIVE-YEAR OVERVIEW OF THE CATELLA CLASS B SHARE



SHARE OWNERSHIP AFTER FULL DILUTION AT 31 DECEMBER 2016

Shareholders	Class A	Class B	Total	Capital, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,087,437	39,694,718	40,782,155	45.9	45.6
Bure Equity	356,695	8,430,617	8,787,312	9.9	10.3
Catella Bank[1]	292,949	2,092,200	2,385,149	2.7	3.6
Handelsbanken Fonder		3,443,526	3,443,526	3.9	3.5
Avanza Pension	21,138	1,918,826	1,939,964	2.2	2.0
Nordnet Pension	3,317	1,652,312	1,655,629	1.9	1.7
Thomas Andersson Borstam (privately and via companies)		1,340,000	1,340,000	1.5	1.4
Swedbank Försäkring		1,075,103	1,075,103	1.2	1.1
Mp Pensjon Pk		989,412	989,412	1.1	1.0
Nordea Investment Funds		883,196	883,196	1.0	0.9
Others	769,019	17,798,107	18,567,126	20.9	21.9
Total	**2,530,555**	**79,318,017**	**81,848,572**	**92.1**	**92.9**

Warrant holders	Class A	Class B	Total	Capital, %	Votes, %
Knut Pedersen		5,000,000	5,000,000	5.6	5.1
Johan Nordenfalk, COO		300,000	300,000	0.3	0.3
Marcus Holmstrand, CFO		300,000	300,000	0.3	0.3
Treasury		200,000	200,000	0.2	0.2
Others		1,200,000	1,200,000	1.4	1.2
Total		**7,000,000**	**7,000,000**	**7.9**	**7.1**
Total number of shares and warrants	**2,530,555**	**86,318,017**	**88,848,572**	**100.0**	**100.0**

[1] Refers to nominee-registered clients of Catella Bank.

FIVE-YEAR SHARE DATA

	2016	2015	2014	2013	2012
Class B share price					
Average price, SEK	22.82	15.69	8.61	5.52	6.39
Closing price for the year, SEK	22.90	21.50	10.60	6.95	5.55
High/Low, SEK	24.50 – 16.70	22.90 – 10.50	11.70 – 5.80	7.25 – 4.21	8.50 – 4.95
Earnings per share, SEK	3.32	2.97	2.66	–0.26	–0.17
Cash flow per share, SEK	–2.54	5.03	6.35	1.87	–0.27
Equity per share, SEK	21.13	16.14	14.24	11.40	11.33
Dividend per share, SEK	0.80[1]	0.60	0.20	–	–
Dividend yield, %	3.49	2.79	1.89	–	–
Market cap at year-end, SEK M	1,875	1,755	868	568	452
P/E	5.26	6.45	3.82	neg.	neg.
P/B	1.08	1.22	0.69	0.61	0.49
EV/EBITDA	2.19	2.40	neg.	neg.	neg.
Net liquidity (+) / net debt (–)	1,271	1,098	920	549	532
Average weighted number of shares after dilution	88,775,608	92,171,461	81,698,572	81,698,572	81,698,572
Number of Class A shares	2,530,555	2,530,555	2,530,555	2,530,555	2,530,555
Number of Class B shares	79,318,017	79,198,017	79,168,017	79,168,017	79,168,017
Total number of shares	**81,848,572**	**81,728,572**	**81,698,572**	**81,698,572**	**81,698,572**
Newly issued shares	120,000	30,000	–	–	–
Existing warrants	17,074,000	36,847,000	35,900,000	36,100,000	36,100,000
Newly issued (+) / expired (–) warrants (net)	–10,074,000	–19,773,000	947,000	–200,000	–
Total number of shares and warrants	**88,848,572**	**98,802,572**	**118,545,572**	**117,598,572**	**117,798,572**

[1] Board of directors' proposal.

Corporate governance

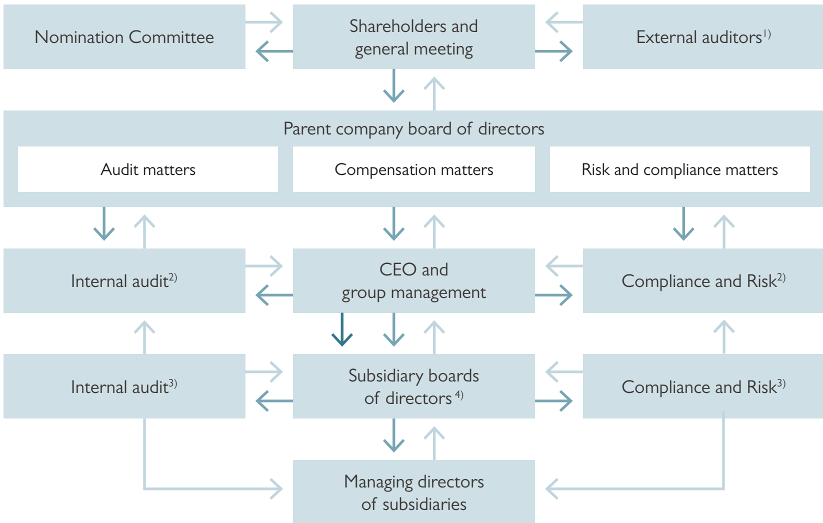
Catella AB (publ) is a public Swedish limited liability company whose registered office is in Stockholm, Sweden. Catella has been listed on Nasdaq Stockholm Mid Cap since 2016 and is governed by the Swedish Companies Act, the Swedish Corporate Governance Code and the rules and regulations of Nasdaq Stockholm.

Governance and control

Responsibility for management and control of operations in Catella and subsidiaries is allocated among the shareholders at the annual general meeting, the board of directors, the CEO, other senior management personnel and the internal audit, compliance and risk management functions. This responsibility proceeds from the Swedish Companies Act, the Articles of Association, the Swedish Corporate Governance Code, the rules and regulations of Nasdaq Stockholm and internal rules of procedure, policies and instructions. These provisions are applied and monitored by means of corporate reporting procedures and standards.

THE CURRENT ARTICLES OF ASSOCIATION ARE AVAILABLE ON CATELLA.COM.

CATELLA'S CORPORATE GOVERNANCE STRUCTURE



[1] In addition to the auditor's report, the external auditors submit reports concerning review of the annual accounts, management and internal control for financial reporting to the board of directors and executive management of the Catella group and its subsidiaries.

[2] Internal audit, compliance and risk management functions at the group level for Catella's consolidated financial situation.

[3] Internal audit, compliance and risk management functions exist in subsidiaries that conduct regulated operations.

[4] Subsidiary boards deal with matters related to auditing, compensation and compliance correspondingly to the board of directors of the parent company.

Shareholders

At the top of the corporate governance structure, shareholders exert their influence to guide the main direction of the company.

The largest individual shareholders at 31 December 2016 were the Claesson & Anderzén Group, with a holding of 49.8 percent (49.9) of the capital and 49.1 percent (49.1) of the votes, followed by Bure Equity AB (publ), with a holding of 10.7 percent (10.8) of the capital and 11.1 percent (11.1) of the votes. See "The Catella share and ownership" section for further information.

Annual general meeting

The Annual General Meeting (AGM), which is the company's supreme governing body, gives all shareholders the opportunity to exert their influence. Amendments to the Articles of Association are subject to resolution by the AGM. The Articles of Association do not impose any limitation on the number of votes a shareholder may cast at a general meeting. All shareholders are also entitled to vote at the general meeting for the entire number of shares they hold.

The annual general meeting was held 30 May 2016 in Stockholm. The board of directors, auditor and owners representing 68.4 percent of total voting power participated. Resolutions at the AGM included:

- To dispose of retained earnings and net profit for the year so that SEK 0.60 per share (0.20) is distributed to shareholders and the remainder carried forward.
- To pay directors' fees of SEK 1,870,000 in total (1,700,000), including SEK 550,000 (500,000) to the chairman of the board and SEK 330,000 (300,000) each to other directors. To pay auditor's fees according to approved invoice.
- To re-elect Johan Claesson, Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as directors, and to elect Johan Claesson chairman of the board.
- To appoint PricewaterhouseCoopers AB as the company's auditor, with Patrik Adolfson as auditor in charge, for a term beginning at the close of the 2016 AGM and ending at the close of the 2017 AGM.
- To endorse the Nomination Committee's proposed nomination principles for the 2017 AGM.
- To approve the board of directors' proposed guidelines for compensation to senior management personnel.

DOCUMENTATION FROM PREVIOUS GENERAL MEETINGS IS AVAILABLE ON CATELLA.COM.

Nomination Committee:

The members of the Nomination Committee are appointed in a procedure where the chairman of the board contacts the three largest shareholders in terms of voting rights as of 30 September, each of which appoints one representative. These representatives, along with the chairman of the board, make up the Nomination Committee for the period until the next AGM. The Nomination Committee appoints a committee chair internally, who cannot be the chairman of the board. The composition of the Nomination Committee must be publicly announced immediately upon appointment and no later than six months before the AGM. The Nomination Committee's remit is to present proposals to the AGM concerning the number of directors, directors' and auditor's fees, composition of the board of directors, chairman of the board, resolutions concerning the Nomination Committee, chairman of the AGM and election of auditors. The Nomination Committee's proposal is presented on Catella's website before the AGM. At the AGM, the Nomination Committee reports how its work has been conducted and presents its proposals and the reasoning behind them.

The members of the Nomination Committee ahead of the 2017 AGM are Magnus Strömer, committee chair, appointed by Handelsbanken Fonder, Thomas Andersson Borstam, privately and appointed by TAB Holding AB and Johan Claesson, chairman of the board of Catella AB (publ), appointed by CA Plusinvest AB. Two of the three members are independent in relation to the company, management and major shareholders.

INFORMATION ABOUT THE MEMBERS OF THE NOMINATION COMMITTEE AND ITS PROPOSALS IS AVAILABLE ON CATELLA.COM.

Board of Directors

As resolved by the general meeting, the board of directors shall be composed of five ordinary directors and no alternates.

The annual general meeting held 30 May 2016 re-elected Johan Claesson, Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as directors for a term ending at the close of the next AGM. Johan Claesson was elected chairman of the board. Refer to the section "Board of directors and auditors" for further information about the directors.

Board responsibilities

The board of directors is responsible for the organisation and management of the group in accordance with the Swedish Companies Act and for appointing the president and chief executive officer and the audit and compensation committees. The board also decides on pay and other compensation to the president and chief executive officer and other members of group management.

The board adopted an updated charter in May 2016, which establishes the audit and compensation committees. The board has decided that the entire board will perform the duties of the audit and compensation committees until it decides otherwise. The board has also adopted an instruction for financial reporting, an instruction to the CEO and new and updated policies. The charter regulates matters including the duties of the chairman of the board, the business to be addressed at each board meeting and business to be addressed at specific points during the year.

The board assures the quality of financial reporting through a series of group policies, rules of procedure, frameworks, clear structures with defined areas of responsibility and documented authority.

Board work in 2016

The board held 9 meetings (6) in 2016, of which 1 (1) was held by telephone. The CEO, Knut Pedersen, reported to the board but did not serve as a director. Knut Pedersen attended all board meetings. In addition to ongoing operations, matters related to the development of the Property Investment Management and Banking business areas, strategy and operational coordination, risk and compliance issues were accorded particular focus during the year. The chairman presided over the work of the board of directors and maintained continuous contact and dialogue with the CEO. The board met with the auditors twice to receive their opinions on the company's financial reporting and internal control. The COO recorded the minutes at all board meetings in 2016. The minutes were verified by the chairman and one other director. A review of the board's work and decisions during the year is presented below.

ATTENDANCE AND COMPENSATION TO THE BOARD OF DIRECTORS

	Elected	Independent of company/owners	Attendance, board meetings	Attendance, Audit committee meetings	Fees 2016/2017, SEKk[1]
Johan Claesson, chairman	2008	No/No	9/9	2/2	550
Jan Roxendal	2011	Yes/Yes	9/9	2/2	330
Johan Damne	2014	No/No	9/9	2/2	330
Joachim Gahm	2014	Yes/Yes	9/9	2/2	330
Anna Ramel	2014	Yes/Yes	9/9	2/2	330

[1] See Note 11 for a specification of directors' fees paid.

THE WORK OF THE BOARD OF DIRECTORS AND KEY DECISIONS IN 2016

QUARTER 1

- Evaluation of compensation matters prior to the annual general meeting.
- Review of the audit and evaluation of the auditor's performance.
- Review of internal audit and decision on internal audit plan for 2016.
- Review of risk reporting.
- Review of compliance and decision on compliance plan for 2016.
- Year-end report.

QUARTER 2

- Annual Report 2015.
- Interim report Q1 2016.
- Review of risk report.
- Decision on risk plan for 2016.
- Review of risk and compliance, Q1 2016.
- Review of information security.
- 2016 AGM.
- Adoption of the board charter, instruction to the CEO and reporting instruction.
- Adoption of updated and new policies and guidelines for the Catella group in 2016.

QUARTER 3

- Interim report Q2 2016.
- Review of risk and compliance, Q2 2016.
- Review and decision on Catella Group Recovery Plan 2016.
- Review of the ICLAAP process reported to CSSF.
- Decision to discontinue Consumer business within Corporate Finance.

QUARTER 4

- Interim report Q3 2016.
- Decision to apply for main market listing on Nasdaq Stockholm.
- Adoption of listing prospectus.
- Review of compliance, Q3 2016.
- Review of MIFID.
- Adoption of ICLAAP.

Evaluation of board performance

The chairman is responsible for evaluating the work of the board through interaction with individual directors and has ensured that the assessments were provided to the Nomination Committee.

Compensation to the board of directors

The 2016 AGM resolved to pay directors' fees of SEK 1,870,000 in total (1,700,000), including SEK 550,000 (500,000) to the chairman and SEK 330,000 (300,000) each to other directors. See Note 11 concerning directors' fees paid during the 2016 financial year.

Audit committee

The board resolved to establish an audit committee effective August 2016, comprising all directors. Formerly, audit matters were addressed at ordinary board meetings.

The audit committee will meet with Catella's auditors at least four times a year. The committee will support the board in its work to assure the quality of financial reporting and internal control over financial reporting.

Specifically, the committee will monitor financial reporting, the effectiveness of internal control, the activities of the internal audit function and the risk management system. The committee will also keep itself apprised concerning the statutory audit of the annual accounts. It will assess the independence of the external auditor, and services in addition to the audit will be subject to its approval.

The committee will present its conclusions and proposals to the board of directors prior to its decisions. The audit committee held 2 (0) meeting in 2016.

- Audit committee work in 2016
- Internal and external auditor's reports for Q2 2016
- Internal and external auditor's reports for Q3 2016
- Risk report for Q3 2016
- Proposal for ICLAAP
- Risk policy

Compensation committee

The board resolved to establish a compensation committee effective August 2016, comprising all directors. Formerly, compensation matters were addressed at ordinary board meetings.

The compensation committee will deal with matters related to pay, variable compensation, share-related incentive programmes and other forms of compensation to members of group management, and to other management levels if the board of directors so decides. The committee will present its conclusions and proposals to the entire board for decision. The committee did not meet during 2016 because it was not established until the listing on Nasdaq Stockholm in December 2016.

Guidelines for compensation to senior management personnel

Compensation to the CEO and other members of group management shall comprise fixed salary, variable compensation, other benefits and pension benefits. Total compensation shall be market-based, competitive and proportionate to the employee's responsibility and authority. Variable compensation is based on performance in relation to individually defined qualitative and quantitative targets and shall never exceed the employee's fixed salary. Upon termination of an employment contract by the company, pay during the period of notice and severance pay combined shall not exceed twelve months' salary. Pension benefits shall be provided through defined contribution plans, unless other arrangements are justified by special circumstances. The board of directors is permitted to depart from these guidelines only if justified by special circumstances in individual cases.

The variable compensation to the CEO was decided at the discretion of the board of directors in 2016, which is not in accordance with the decision of the annual general meeting. According to the guidelines for compensation to senior management personnel, the board of directors is empowered to depart from the guidelines if justified by special circumstances in individual cases. In the light of the organisational change that Catella has undergone, the board of directors decided in favour of a discretionary allocation of variable compensation to the CEO for the 2016 financial year. In making this decision, the board determined that qualitative targets for 2016 would provide a better steering mechanism and thus promote focus on the desired change process in the Catella group.

Details of compensation to the CEO and other senior management personnel are disclosed in Note 11.

Share-related incentive programme

At 31 December 2016, Catella had a total of 7,000,000 outstanding warrants divided among three series with exercise dates in 2018, 2019 and 2020. The exercise price is SEK 11.00 per share. In the judgement of the board of directors, the incentive programme promotes the long-term financial interests of the company because, through personal investment, senior management personnel will benefit from efforts to achieve long-term and positive appreciation in the value of the company's share. Further information is provided under "The Catella share and ownership".

CEO and group management

Group management has overall responsibility for operations within the Catella group in accordance with the long-term objectives set by the board of directors of Catella AB.

The CEO leads and regularly meets with managing directors of subsidiaries and other senior management personnel to discuss the business situation and other operational matters. The CEO has delegated decision authority to the managing directors of subsidiaries by means including the rules of procedure for each subsidiary, but this does not relieve the CEO of his responsibility. To support his work, the CEO has appointed a group management team and heads of business areas for consultation on important matters. Group management is described in greater detail in the "Group management" section.

Evaluation of the CEO

The board of directors continuously evaluates the CEO's performance. This matter is addressed in particular at one board meeting per year, at which no members of group management are present.

Auditing

The auditor is appointed by the annual general meeting for a term of one year. According to the Articles of Association, Catella shall have at least one and no more than two auditors and no more than two alternate auditors. The auditor and, where applicable, alternate auditor, shall be an authorised public accountant or registered audit firm. The 2016 AGM elected the auditing firm of PricewaterhouseCoopers AB (PwC), with authorised public accountant Patrik Adolfson serving as auditor in charge. The company's external auditors were present at one board meeting and one audit committee meeting. In addition to the audit, PwC has performed other assignments for Catella, including in relation to Catella's listing process in 2016.

As resolved by the AGM, audit fees shall be paid to the auditor in accordance with approved invoice. Fees paid to the auditors for the 2016 financial year are specified in Note 8.

Internal control

The board of directors' responsibility for internal control is governed by the Swedish Companies Act and the Swedish Annual Accounts Act (1995:1554). Information about Catella's internal control and risk management system and measures taken by the board of directors to ensure effective internal control must be disclosed each year in Catella's corporate governance statement.

Catella's internal control process is based on the COSO framework developed by the Committee of Sponsoring Organizations of the Treadway Commission. The process was designed to ensure adequate risk management including reliable financial reporting in compliance with IFRS, applicable laws and regulations and other standards that must be applied by companies listed on Nasdaq Stockholm and which are the parent company in a consolidated financial situation. This work involves the board of directors, group management and other staff.

Control environment

The board of directors has adopted policy documents that govern the roles and allocation of responsibilities between the CEO and the board of directors. The board of directors monitors and assures the quality of internal control in accordance with the board charter. In addition, the board has adopted a number of fundamental guidelines that govern risk management and internal control processes. These include risk assessment, mandatory control activities to manage the most material risks, an annual plan for internal control performance, self-assessment and reporting. The control environment within Catella encompasses these responsibility and authority, along with laws and regulations. All employees are responsible for compliance with adopted policy documents.

Risk assessment

Group management performs a comprehensive risk analysis each year, which identifies macroeconomic, strategic, operational, financial and compliance risks. Risks are evaluated based on estimated probability and impact, as well as the effectiveness of established measures to manage the risks.

Control activities

The structure of control activities is profoundly important to Catella's work to manage risks and assure internal control. Control activities are linked to the company's business processes and each unit ensures that control activities are executed in compliance with established standards.

Information and communication

Guidelines, instructions and manuals pertinent to financial reporting are communicated to relevant employees via the group's intranet. The board receives regular financial reports covering the group's financial position and profit trend. The company holds meetings at the management level and, thereafter, at the level each unit considers appropriate. A corporate communications policy has been adopted by the board of directors concerning external information, which was designed to ensure that the company complies with requirements for disclosure of accurate information to the market.

Performance review

The board of directors continuously evaluates the information provided by group management. Catella's financial position and investments and ongoing operations within Catella are discussed at all board meetings. The board of directors is also responsible for monitoring internal control. This work includes ensuring that measures are taken to correct any shortcomings, as well as following up on recommended actions noted in connection with the external audit, and, with regard to the consolidated financial situation, also from internal audit, the risk management function and the compliance function, which are further described below.

The company performs an annual self-assessment of its risk management and internal control performance. This process involves self-assessment of the effectiveness of control activities each year for all operational business processes in each reporting unit. The CFO is responsible for the self-assessment. The board of directors is informed of the key conclusions of the assessment process, as well as any actions concerning the company's internal control environment.

Internal control and monitoring in the consolidated financial situation

Several subsidiaries of the group conduct operations that are regulated by the financial supervisory authority in their respective jurisdictions. Parts of the group thus constitute a consolidated financial situation that is subject to applicable regulations, which require the establishment of control functions. In respect of the consolidated financial situation, the board of directors of Catella AB has appointed risk management, compliance and internal audit functions that regularly report to the board and the CEO. In respect of companies outside the consolidated financial situation, the board has judged that internal audit is not necessary at present.

The regulations applicable to subsidiaries affect their organisations and structures. In companies within the consolidated financial situation there are, for example, risk management, compliance and internal audit functions that are independent of business operations and report to the respective subsidiary's managing director, directly to the board of directors and to the heads of each function in the group's consolidated financial situation. Group management is represented on the boards of directors of subsidiaries and reports to the board of directors of the parent company. Subsidiary boards also include independent directors.

Whistleblowing function

A corporate whistleblowing function gives all employees a means to anonymously report serious wrongdoing that conflicts with Catella's values, business ethics, policies or the law. The purposes of this function include to uphold good ethics and prevent irregularities within Catella to the benefit of the company's employees, clients, suppliers and owners. No issues were reported to Catella's whistleblowing function during 2016.

Compliance with the Swedish Corporate Governance Code

As a Swedish limited liability company listed on Nasdaq Stockholm, application of the Swedish Corporate Governance Code (the Code) began at Catella on 19 December 2016. As of 19 December 2016, Catella is obliged to follow the Code's principle of "comply or explain" and has since then deviated from Code rule 9.4.

Code rule 9.4: Variable remuneration is to be linked to predetermined and measurable performance criteria aimed at promoting the company's long-term value creation.

Remarks: *Variable compensation was allocated to the CEO according to a discretionary decision by the board and was thus not linked to predetermined and measurable performance criteria. This is a deviation from the Code and from the guidelines for variable compensation resolved by the general meeting.*

Board of directors and auditors

Johan Claesson

Chairman

Born 1951. Chairman of the board of Catella AB since 2011 and director since 2008.

Other current assignments: Chairman of Claesson & Anderzén AB and directorships in other companies in the group, chairman of Apodemus AB. CEO and director of Bellvi Förvaltnings AB and Johan och Marianne Claesson AB. Director of Fastighetsaktiebolaget Bremia, Alufab PLC Ltd, K3Business Technology Group PLC, Leeds Group PLC and Nighthawk Energy PLC.
Background: Owner and executive chairman of Claesson & Anderzén AB.
Education: MBA.
Shareholding (December 2016): 1,087,437 Class A shares and 39,694,718 B shares.
Warrants (December 2016): None.
Ownership: Private and through companies.
Independent of company and management: No.
Independent of major shareholders: No.

Johan Damne

Director

Born 1963. Director of Catella AB since 2014.

Other current assignments: CEO of Claesson & Anderzén Aktiebolag; directorships and CEO assignments in other companies in the Claesson & Anderzén group. Director of Parnas Park Holding AB, S Fanfar AB, Glasbtn 2 AB.
Background CEO of Claesson & Anderzén AB.
Education: MBA.
Shareholding (December 2016): 150,000 B shares.
Warrants (December 2016): None.
Ownership: Private.
Independent of company and management: No.
Independent of major shareholders: No.

Joachim Gahm

Director

Born 1964. Director of Catella AB since 2014.

Other current assignments: Chairman of Arise AB and Sustainable Growth Capital SGC AB. Director of Kungsleden Aktiebolag and S&A Sverige AB.
Background: Former COO of E. Öhman J:or Fondkommission AB and president of E. Öhman J:or Investment AB.
Education: MBA.
Shareholding (December 2016): None.
Warrants (December 2016): None.
Ownership: N/A
Independent of company and management: Yes.
Independent of major shareholders: Yes.

Anna Ramel

Director

Born 1963. Director of Catella AB since 2014.

Other current assignments: Chairman of Kjellander & Ramel AB. Director of Erik Penser Bank AB (publ), SPP Spar AB and Anna Ramel AB.
Background: Compliance consultant in the financial services sector. Former legal counsel and compliance manager for firms including ABG Sundal Collier AB and Alfred Berg Fondkommission AB.
Education: LL M (Master of Laws).
Shareholding (December 2016): None .
Warrants (December 2016): None.
Ownership: N/A
Independent of the company and management: Yes.
Independent of major shareholders in the company: Yes.

Jan Roxendal

Director

Born 1953. Director of Catella AB since 2011.

Other current assignments: Chairman of Flexenclosure AB and the Swedish Export Credit Agency. Chairman, CEO and owner of Roxtra AB. Director of Magnolia Bostad AB.
Background: CEO and CFO of Gambro AB, president and CEO of Intrum Justitia Group, COO of ABB Group and CEO of ABB Financial Services.
Education: Higher public education in banking.
Shareholding (December 2016): 109,554 B shares.
Warrants (December 2016): None.
Ownership: Private.
Independent of company and management: Yes.
Independent of major shareholders: Yes.

AUDITOR

Patrik Adolfson

Auditor

Born 1973.

PricewaterhouseCoopers AB (PwC) has been Catella's auditing firm since 2011. The auditor in charge is Patrik Adolfson, authorised public accountant and member of FAR.

Other audit assignments: Attendo AB, Loomis AB, Nordstjernan Investment AB and Securitas AB.
Shareholding (December 2016): None.
Warrants (December 2016): None.
Ownership N/A.

Group management

Knut Pedersen

President and Chief Executive Officer

Born 1968
Member of group management since January 2014

Other current assignments: Chairman of Catella Fondförvaltning AB and member of the supervisory board of Catella Real Estate AG Kapitalanlagegesellschaft. Director of Nordic Seeding GmbH, Catella Bank S.A. And several other subsidiaries of the Catella group.
Background: Extensive experience acquired in various positions in the financial sector in Sweden and abroad, most recently as CEO and Group Head of Markets for ABG Sundal Collier AB. Previous positions include trader for UBS Warburg and Head of Equities and Head of Nordic Trading at Nordea.
Education: BSc (Economics), Ross School of Economics, University of Michigan.
Shareholding (December 2016): None.
Warrants (December 2016): 5,000,000.
Ownership: Private.

Johan Nordenfalk

Chief Operating Officer

Born 1973
Member of group management since March 2011

Other current assignments: Director of several subsidiaries of the Catella group and minor board assignments outside Catella.
Background: Employed by Catella since 2011. Former partner and practising attorney with the law firm of Hamilton advokatbyrå.
Education: LL M, Lund University, Maîtrise en droit, Université Panthéon-Assas, Paris.
Shareholding (December 2016): 120,000 B shares.
Warrants (December 2016): 300,000.
Ownership: Private.

Marcus Holmstrand

Chief Financial Officer

Born 1980
Member of group management since September 2015

Other current assignments: Director of several subsidiaries of the Catella group.
Background: Employed by Catella since 2011, previously as Group Business Controller. Previously served as Group Business Controller at Haldex AB and controller with the SCA Group.
Education: MSc, Economics, Jönköping International Business School. Post-graduate studies at University of California Davis Graduate School of Management.
Shareholding (December 2016): 4,000 B shares.
Warrants (December 2016): 300,000.
Ownership: Private.

Stockholm, 28 April 2017

Johan Claesson
Chairman of the Board

Johan Damne
Director

Joachim Gahm
Director

Anna Ramel
Director

Jan Roxendal
Director

Knut Pedersen
President and Chief Executive Officer

Auditor's opinion on the corporate governance statement

To the annual meeting of shareholders in Catella AB (publ), company registration number 556079-1419

Remit and Responsibilities
The board of directors is responsible for the corporate governance statement for the 2016 financial year on pages 63–68 and for its preparation in accordance with the Annual Accounts Act.

Scope and Orientation of the Examination
Our examination of the corporate governance statement was conducted in accordance with FAR's auditing standard RevU 16 The Auditor's Examination of the Corporate Governance Statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 28 April 2017
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant

RUSSIAN FEDERATION
CHINA
JAPAN
North
Pacific
Hong Kong
PHILIPPINES
Philippine
Sea
INDONESIA

Catella Annual Report 2016

Notes on the Consolidated Accounts:

Parent Company Notes:

Board of Director´s Report

The Board of Directors and the Chief Executive Officer of Catella AB (publ), Corporate identity number 556079–1419, hereby present the Annual Accounts and Consolidated Accounts for the financial year 2016. The results of operations of the Group and Parent Company are presented in the following Income Statements, Balance Sheets, Cash Flow Statements, Statements of Changes in Equity and Notes.

Amounts are in SEK M unless otherwise indicated. Figures in tables and comments may be rounded.

INFORMATION ON OPERATIONS

Catella is a financial advisor and asset manager with in-depth knowledge of property, fixed income and equities. The Group ("Catella") is a leader in the property sector with a strong local presence in Europe, and employs 579 (539) professionals in 12 countries. Operations are conducted in the Corporate Finance and Asset Management and Banking operating segments.

In Corporate Finance, Catella provides transaction advice and capital market-related services in the property sector. Advisory services are provided on assignment by property companies, financial institutions, pension funds, property funds and other property owners. Operations are conducted in the Baltics, Denmark, Finland, France, Spain, Sweden and Germany.

In Asset Management and Banking, operations are divided into three business areas. Catella's offering under the Equity, Hedge and Fixed Income Funds business area covers a broad selection of fund alternatives with complementary focus and management methodologies. Operations are conducted in two service segments; Mutual Funds, which provides equity, hedge and fixed income funds with a Nordic focus to private and institutional investors, and Systematic Funds, which manages systematic macro and equity strategies for institutional investors.
The operations of the Banking business area are conducted from within Catella Bank S.A., a niche bank with its registered office in Luxembourg. Operations are conducted in two service segments; Wealth Management, which provides a broad selection of financial services and tailored solutions for high net worth clients in Europe, and Card and Payment solutions, which offers card issuing and card acquiring solutions to international banks, e-commerce operators and fin-tech companies in need of specialized solutions.

Catella deals with all phases of value creation in property through its **Property Investment Management** business area, analysis to acquisition to financing through financing, strategic management, and finally, exit. Investments are carried out on assignment by financial institutions, pension funds, property funds and other property owners. Catella also creates value in proprietary property funds on assignment from institutional investors, and in property-related development projects. Operations are conducted in the Baltics, Denmark, Finland, France, Luxembourg, Norway, Spain and Germany.

Catella also manages loan portfolios comprising securitised European loans with primary exposure to housing.

The Group consists of parent company Catella AB (publ) (the "Parent Company") and several independent but closely collaborating subsidiaries with their own Boards.

OWNERSHIP STRUCTURE

Catella AB (publ) has its registered office in Stockholm, Sweden, and is listed on NASDAQ Stockholm's Mid Cap segment since December 2016, and previously on First North Premier on NASDAQ Stockholm since 2011. Catella's largest shareholder, accounting for at least one-tenth (1/10) of the shares/votes at the end of the financial year was the Claesson & Anderzén Group (and related parties) with 49.8% (49.9) of the share capital and 49.1% (49.1) of the votes, followed by Bure Equity AB (publ) with a holding of 10.7% (10.8) of the capital and 11.1% (11.1) of the votes. Catella's ten largest shareholders jointly controlled 77.3% (76.5) of the share capital and 76.5 (75.6) of the votes as of 31 December 2016. There is more on ownership structure in the section on the Catella share and owners.

OVERVIEW OF EARNINGS, FINANCIAL POSITION AND CASH FLOW

Progress of the Group—five-year summary

SEK M	2016	2015	2014	2013	2012
Net sales	2,007	1,853	1,445	1,020	971
Operating profit/loss before acquisition-related items and items affecting comparability	263	261	167	-6	6
Operating profit/loss	258	254	160	-12	-33
Financial items—net	239	53	88	5	29
Profit/loss before tax	497	306	248	-7	-4
Net profit for the year	**357**	**272**	**227**	**-21**	**-13**
Average no. of employees	588	526	480	458	444

SEK M	2016	2015	2014	2013	2012
Equity	1,730	1,436	1,252	932	925
Total assets	5,651	5,011	4,356	3,483	3,462
Equity/Asset ratio %	31	29	29	27	27

SEK M	2016	2015	2014	2013	2012
Cash flow from operating activities	-137	549	497	138	-101
Cash flow from investing activities	55	-50	41	28	67
Cash flow from financing activities	-126	-88	-20	-12	12
Cash flow for the year	**-208**	**411**	**519**	**153**	**-22**

The Group's net sales totalled SEK 2,007 M (1,853), up 8% year-on-year. The increase is attributable to all business areas in Asset Management and Banking.

Operating profit before acquisition-related items was SEK 263 M (261). Profit improved in the Equity, Hedge and Fixed Income Funds and Banking business areas, while results were down in Property Investment Management and Corporate Finance compared to the previous year. The profit reduction in Property Investment Management, where the operations are in the process of being established, is due to start-up costs, while the profit decrease in Corporate Finance is attributable to lower income in Continental Europe. Group operating profit was burdened by costs associated with the change of listing and consulting expenses of SEK 9.1 M. Amortisation of acquisition-related intangible assets, which wholly relate to Asset Management and Banking, was SEK 4 M (7).

The Group's net financial income and expense was SEK 239 M (53), of which SEK 224 M relates to non-recurring income from Visa Inc.'s acquisition of Visa Europe. Net financial income and expense includes interest income of SEK 24 M (26), mainly attributable to the loan portfolios, and interest expenses of SEK 11 M (12), attributable to Catella's bond issue. The valuation of long-term securities holdings and short-term investments at fair value resulted in a value adjustment of SEK -6 M (21), of which SEK -15 M (-11) relates to reversals of earlier write-ups of shares in Nordic Light Fund divested in the year, and SEK 7 M (31) to positive value adjustments of loan portfolios. Sales of shares in Nordic Light Fund and IPM Systematic Macro Fund generated profit of SEK 16 M (11) and SEK 1 M (0) respectively. Realised profit/loss on terminated currency forwards totalled SEK -12 M (0).

The Group's profit/loss before tax was SEK 497 M (306). Group profit/loss before tax, excluding the Visa transaction, was SEK 274 M (306).

The tax expense for the year was SEK 141 M (34), corresponding to effective tax of 28% (11). Variations in the effective tax rate are due firstly to the Group's significant loss carry-forwards, which are not fully reported as a receivable in the Consolidated Balance Sheet in accordance with the Group's accounting policies, and secondly some limitations on how loss carry-forwards may be utilised.

The net profit/loss for the year after tax was SEK 357 M (272), corresponding to earnings per share of SEK 3.32 (2.97). Net profit/loss after tax excluding the Visa transaction was SEK 206 M (272), corresponding to earnings per share of SEK 1.48 (2.97).

During 2016, consolidated equity increased by SEK 293 M to SEK 1,730 M as of 31 December 2016. In addition to net profit/loss for the year of SEK 357 M, and positive translation differences of SEK 39 M, equity was affected by a dividend of SEK 49 M to parent company shareholders, the repurchase of issued warrants of SEK 12 M and capital contributed for the transfer of warrants of SEK 3 M. Furthermore, equity increased by SEK 1 M as a result of a new issue and transactions with non-controlling interest had an overall net impact on consolidated equity in 2016 of

SEK -46 M, of which the majority related to dividends to non-controlling holdings. The equity/assets ratio as of 31 December 2016 was 31% (29).

In 2016, total assets increased by SEK 640 M, amounting to SEK 5,651M as of 31 December 2016. This increase is mainly due to strong growth in Catella's loan book, which the Visa transaction paved the way for.

Consolidated cash flow from operating activities before changes in working capital amounted to SEK 184 M (247).

Consolidated cash flow from operating activities was SEK -137 M (549), of which changes in working capital comprised SEK -321 M (302) and tax paid was SEK 126 M (58).

Cash flow from investing activities was SEK 55 M (-50), with the largest transactions comprising cash purchase consideration totalling SEK 167 M for the shares in Visa Europe and cash flow from loan portfolios of SEK 71 M, of which SEK 46 M related to the Gems clean-up call. Major payments consisted of IPM's investments in proprietary funds, net SEK 68 M, additional investments of SEK 25 M in associated company Nordic Seeding GmbH which conducts property development operations in Germany, and investments of SEK 23 M relating to the takeover of management of the European Student Housing Fund. In addition, a purchase consideration of SEK 25 M was made for shares in IPM, SEK 14 M was paid in connection with acquisitions from non-controlling shareholders in Catella Nordic Fixed Income and SEK 13 M was paid net after deductions for acquired cash and cash equivalents associated with the acquisition of new asset management operations in Norway.

Cash flow from financing activities was SEK -126 M (-88), mainly relating to the repurchase of warrants issued of SEK 22 M (31) and dividends to parent company shareholders, and to non-controlling interests of SEK 49 M (16) and SEK 56 M (41) respectively.

Cash flow amounted to SEK -208 M (411) of which cash flow from the banking operation was SEK -62 M (184) and cash flow from other operations was SEK -146 M (227).

Performance of operating segments—two-year summary

	Corporate Finance		Asset Management and Banking	
SEK M	**2016**	**2015**	**2016**	**2015**
Total income	586	630	1,472	1,253
Direct assigment costs and commission	-64	-37	-374	-317
Income excl. direct assignment costs & commission	522	593	1,098	936
Operating expenses	-463	-527	-839	-708
Operating profit/loss before acquisition-related items	58	66	259	228
Amortisation of acquisition-related intangible assets	-	-	-4	-7
Operating profit/loss	58	66	255	221
Financial items—net	2	4	215	3
Profit/loss before tax	60	70	469	223
Tax	-10	-24	-132	-51
Net profit for the year	**50**	**46**	**337**	**172**

SEK M	2016	2015	2016	2015
Equity	281	256	998	695
Total assets	478	480	4,670	3,973
Equity/Asset ratio %	59	53	21	17

Corporate Finance reported net sales of SEK 575 M (623), a decrease of 8% year-on-year. The decrease is attributable to continental Europe and the Consumer operations which were terminated in 2016. Profit/loss before tax was SEK 60 M (70).

Asset Management and Banking reported net sales of SEK 1,461 M (1,245). All business areas contributed to the sales increase. The profit/loss before tax was SEK 469 M (223). Systematic Funds, which increased assets under management and managed funds successfully, made the greatest profit improvement. Profit includes non-recurring income of SEK 224 M from the Visa transaction (SEK 150 M after tax), and amortisation of acquisition-related intangible assets of SEK 4 M (7).

IMPAIRMENT TESTING

During the year, Catella conducted impairment tests on assets with indefinite useful lives based on carrying amounts as of 30 September 2016. Catella's assets with indefinite useful lives consist of goodwill and brands, with a reported value of SEK 292 M (282) and SEK 50 M (50) respectively. Impairment tests proceed on the basis of estimated future cash flows based on budgets and forecasts approved by management and the Board of Directors. The impairment tests confirmed that there was no need to impair book values.

INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2016, the Group made investments totalling SEK 194 M (78). Of this amount, SEK 46 M (15) were investments in intangible assets and SEK 10 (9) were investments in property, plant and equipment. Additional investments and new investments in subsidiaries were SEK 34 M (10), of which SEK 18 M relates to acquisitions of shares from non-controlling holdings. Furthermore, SEK 25 M (25) was invested in associated company Nordic Seeding GmbH. Additionally, SEK 76 M (19) was invested in funds managed by IPM, and SEK 3 M (0) was invested in other operational holdings that are not associated companies. Depreciation and amortisation in the financial year was SEK 18 M (20).

FINANCING

In September 2012, Catella AB (publ) issued a five-year unsecured bond of SEK 200 M. The bond was listed on NASDAQ OMX Stockholm in July 2013. In the third quarter 2016, this item was reclassified from non-current loan liabilities to current loan liabilities in the Consolidated Statement of Financial Position. This bond has a nominal amount of SEK 300 M and accrues variable interest at 3-month Stibor plus 500 basis points. Funding is also conditional on the satisfaction of covenants based on financial position and liquidity. The covenants were satisfied for the full year and as of 31 December 2016.

The Group also has an overdraft facility of SEK 30 M (32), of which 30 M (32) was un-utilised as of 31 December 2016.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Consolidated financial situation

In March 2016, the financial supervisory authority in Luxembourg, CSSF, announced that Catella AB and its financial subsidiaries comprise a consolidated financial situation under Luxembourg law and that the authority intends to exercise supervision of the consolidated financial situation from the first quarter 2016 inclusive.

Non-recurring income for Catella resulting from Visa Inc.'s acquisition of Visa Europe

In June 2016, Visa Inc obtained the requisite permits relating to the acquisition of Visa Europe and thereby completed the transaction. As a result of its membership in Visa Europe, wholly-owned subsidiary Catella Bank S.A. received part of the purchase consideration in connection with the acquisition.

The transaction included a purchase consideration comprising different elements, including a cash portion, preference shares in Visa Inc. and anticipated additional purchase consideration totalling SEK 224 M. Of this amount, SEK 166 M was paid in cash in June, with the remainder of the compensation expected to be received at various times during coming years.

AGM 2016

The Annual General Meeting (AGM) on 30 May 2016 approved a dividend of SEK 0.60 (0.2) per share for the financial year 2015. The AGM also resolved to re-elect all Board members.

Start-up of Property Investment Management in Norway

On 5 September 2016, following approval from the supervisory authority CSSF in Luxembourg, Catella acquired 51% of the shares in Catella Asset Management AS (CAM AS). The acquisition provided Catella with a platform for carrying out Property Investment Management on the Norwegian market and management of mezzanine funds in Luxembourg.

Listing on Nasdaq Stockholm Main Market

Catella was listed on Nasdaq Stockholm Main Market on 19 December 2016.

Nomination Committee for the AGM 2017

In accordance with the May 2016 AGM's resolution on the principles governing the Nomination Committee, a Nomination Committee was appointed for Catella AB ahead of the AGM on 29 May 2017. The Nomination Committee consists of Magnus Strömer, appointed by Handelsbanken Fonder and Chairman of the Nomination Committee, Johan Claesson, appointed by CA Plusinvest AB and Chairman of Catella AB and Thomas Andersson Borstam, appointed by TAB Holding AB and through personal holdings.

SIGNIFICANT EVENTS AFTER YEAR-END

There were no significant events after year-end.

EMPLOYEES

The number of employees at the end of the period, expressed as full-time equivalents, was 579 (539), of whom 203 (211) were employed in the Corporate Finance operating segment, 359 (314) in the Asset Management and Banking operating segment, and 17 (14) in other functions.

FINANCIAL INSTRUMENTS, RISKS AND UNCERTAINTIES

Risks and uncertainties

Within the Corporate Finance operating segment, seasonal variations are significant. This means that sales and results of operations vary during the year.

The Corporate Finance operating segment relies on the credit market functioning efficiently. In turn, the credit market affects the market for property transactions, which is Catella's principal market in Corporate Finance. Corporate Finance is also very personnel intensive and relies on key employees. If several key employees decided to leave Catella, this could affect the Group's sales and results of operations.

In the Asset Management and Banking operating segment, various kinds of risk arise, such as credit risk, market risk, liquidity risk and operating risk. Policies and instructions have been established for controlling and limiting risk-taking in the operations in terms of issuing credit and other operating risks.

The Group's asset management and banking operations are conducted within the Asset Management and Banking operating segment, which includes lending coincident with client purchases of securities and properties in Europe. Trading in this operating segment is primarily on behalf of clients for client transactions. All transactions that are implemented on behalf of clients are controlled by instructions from the client, or through agreed investment rules or fund provisions. Catella does not bear any risk in terms of the progress of clients' financial instruments, other than due to non-compliance with agreed instructions. Several subsidiaries in the operating segment are regulated by the supervisory authority in the country in which they have their legal domicile.

The banking operation, and the credit card and acquisition operation are conducted within the auspices of the subsidiary Catella Bank S.A., is exposed to risks including credit and counterparty risk, as well as changes to regulatory structures relating to its operations. The Bank's sales and results of operations can be negatively affected by potential regulatory changes, and altered credit ratings of its clients and counterparties. The bank has limited currency exposure to foreign currency transactions. Currency exposure is hedged using derivative instruments. Financial risks are mainly managed through continuous measurement and follow-up of financial progress. Financial risks also arise because the Group is in need of external funding and uses various currencies. The Group's financial risks, which mainly comprise financing and liquidity risk, interest rate risk, currency risk and credit/counterparty risk, are described in Note 3.

A number of companies in the Catella Group conduct operations that are under the supervision of regulatory financial authorities in their respective domestic markets. In addition, Catella's consolidated financial situation is under the supervision of CSSF in Luxembourg since 31 March 2016. Existing regulatory frameworks and rapid regulatory changes are complex in general, and specifically with regard to Catella's banking operations. These regulatory framework place stringent, and in future even more stringent, demands on the routines and procedures, and liquidity and capital reserves, of the operations under supervision. Compliance with these regulatory frameworks is a pre-condition for conducting operations subject to supervision. Catella continuously seeks to ensure compliance with existing regulatory frameworks and to prepare for future compliance with coming regulatory changes.

The preparation of financial statements requires the Board and Group management to make estimates and judgements. Estimates and judgements affect the Income Statement and Balance Sheet, as well as disclosures regarding contingent liabilities, for example. Actual outcomes may differ from these estimates and judgements, due to changed circumstances or conditions. More information on critical estimates and judgements is presented in Note 4.

IPM Informed Portfolio Management AB (IPM) is currently consolidated as a subsidiary of Catella on the basis of Catella's ownership in combination with the terms of a shareholder agreement relating to the subsidiary that can be terminated in in November 2017. In the event that the shareholder agreement is not extended, IPM will no longer be consolidated as a subsidiary.

Financial instruments

Financial instruments are mainly used in the Asset Management and Banking operating segment, as follows:

Use of financial instruments

In Asset Management and Banking, active trading is conducted in all types of security and currency on behalf of clients and managed funds. In addition, the bank advises its clients on financial matters as follows:

Short-term investments: deposit accounts with automatic payment of accrued interest and principal at maturity.

Mid-term investments: at the client's request, investments in equities, fund units and bonds adapted to the client's risk profile with an investment horizon of three to five years.

Management of funds and discretionary management: investments in accordance with each fund's provisions or investment directives based on the manager's judgement.

The operating segment does not trade in or take positions on its own behalf in financial instruments apart from with the intention of limiting the currency exposure that arises in Catella Bank's card operation and within IPM's investment services in discretionary management and fund management. Due to the operating segment's prudent policy for issuing credit and trading in financial instruments, exposure to risks is limited. The operating segment is mainly exposed to credit risk and market price risk.

Derivative instruments

There is some currency exposure within Catella Bank's card operation, and IPM relating to transactions in foreign currency. These companies use currency swaps and forward contracts to limit this risk as follows:

Currency forwards are agreements to purchase or sell various currencies for future delivery, including undelivered spot transactions.

Currency swaps are agreements to swap a future cash flow in one currency for another. Swaps result in a financial exchange of currencies.

The hedging transactions described above are of a financial nature and are not recognised as hedges in accordance with the accounting standard IAS 39 Financial Instruments.

Other risks

Other risks in the Group include operating, strategic, political, reputational and commercial risks.

Operating risk

Operating risk is the risk of a loss due to internal causes (data error, mistakes, fraud, incomplete compliance with laws and internal regulations, other deficiencies in internal controls etc.) and events in the surrounding world (natural disasters, external crime, etc.) The Group has established procedures and controls to minimise operating risk. There are especially significant operating risks in the subsidiary Catella Bank, where there are significant volumes/transactions using real-time systems that require 24-hour availability. For traditional insurable risks such as fire, theft, liability, etc., the Group judges that it has satisfactory protection through its existing insurance cover.

Parts of the Group's operations require permits and are subject to regulation by the financial supervisory authority of each country. Existing regulatory frameworks and the progress of regulatory frameworks is complex generally, and specifically for Catella's banking operations. Such regulations place high and growing demands on licensable operations, routines and processes as well as liquidity and capital reserves. Observance of these regulatory frameworks is a pre-condition for conducting licensable operations. Catella works continuously to ensure compliance with existing regulatory frameworks and prepares for compliance with future regulatory changes. In instances of subsidiaries being unable to satisfy the standards set by regulatory structures, this may have a negative impact on the Group's results of operations and the value of the Group's assets.

Reputational risk

Reputational risk is the risk that the Group's reputation is damaged on the market, in the media or with clients, which could have a negative impact on Group profit. Reputational risk also increases as the Group grows and becomes a larger player on the market. Catella currently believes that its reputation is strong and its client base is broad.

Political risks

Catella holds equities, funds and loan portfolios. Its most significant investment is in the subsidiary European Equity Tranche Income ("EETI"), which has invested in securitised European loans primarily with exposure to housing. The loan portfolios held by EETI are described further in Notes 3 and 23 in the Annual Accounts. In addition to the financial risks described in these Notes, EETI is exposed to political risk. Retroactive changes to legislation could have a negative impact on the value of EETI's investments. It is difficult to determine precisely how such changes would influence consumer behaviour and it is possible that the degree of prepayment would increase and affect the expected cash flow from the investments.

Other political risks include potential changes in regulations that affect the Group's operations and how they are conducted. Should subsidiaries be unable to meet the requirements arising from any new regulations, this could have a negative impact on the Group's results of operations and on the value of the assets in these subsidiaries. No assessment can be made of any impact from this risk.

Strategic risk and other risks

Strategic risk could result from institutional changes and changes in fundamental market conditions that may occur. Legal and ethical risks are based in part on external regulations, mainly legislation and regulations, guidelines and instructions of supervisory authorities regarding operations, and in part on the requirements of the business community that operations be conducted on confidence-building grounds. Catella actively works with trade organisations, legal networks and other contacts to be able to control and adapt the companies' operations to changes in strategic risks at an early stage. Processes in the operations are subject to internal regulations. Continuous training, control and follow-up in terms of regulatory compliance are arranged by the Risk and Legal/Compliance units, which together with management, are responsible for continuously updating regulations.

Continued investments in infrastructure and improvements to routines and processes were made in the banking operations during the year, focusing on ensuring stability to enable future growth. The extensive work was also intended to increase efficiency and improve margins in the existing operations.

FUTURE PROGRESS

Corporate Finance

This business area is putting a great emphasis on increasing the share of value-adding and capital markets-related services, and thus improve profitability. In the Nordics, where these efforts have make the most progress, the margin improvement was clear in 2016. Catella has strong market positions in Sweden, Denmark and Finland, and work on continuing to advance its market position, with a greater focus on value-added and capital markets-related services is continuing. In addition, operations are being integrated to streamline the allocation of resources. Catella also harbours an ambition to start up operations in Norway.

In continental Europe, the French operation has a very strong market position in transactions. It strategy is to use best practice in this business area to develop operations on current and new markets. For example, experiences from the French operation are being used to enhance Catella's offering and market position in Germany and Spain.

Asset Management and Banking

Catella already provides a well-diversified product mix in the Equity, Hedge and Fixed Income Funds business area, but its ambition is to create more products to achieve a better balance between different product categories, and to further improve management. Sales through resellers remain very important to achieve the growth targets in Mutual Funds, with a focus on high quality of service and presence. A greater share of resources continued to be allocated to sales in 2016. In tandem with this, Catella's ambition is to improve its presence with institutional clients, and to increase the share of foreign clients in this segment. Systematic Funds mainly addresses institutional clients. Apart from this focus on institutions, the ambition is to access new client groups, primarily via a range of fund solutions. In 2016, resources were allocated to sales, including by the establishment of a London presence.

Catella's business within the banking business area is scalable, where substantial investments were made in 2015 and 2016. Profitability is primarily achieved through volume growth in the Bank's current business. Growth is expected to be mainly organic, but the ongoing consolidation in the banking market is also opening up other opportunities. The focus is on increasing client presence with better and more effective service, and growing this business to secure a return on the stable and scalable infrastructure built up. Additionally, Catella is investing resources in distribution, both directly and via a growing base of partners. In 2017, Catella intends to launch a savings product for the general public in Sweden to support its ongoing growth on the credit side and expand its loan book, mainly relating to specific property situations in the Nordics. Continued initiatives are also being conducted jointly with Catella's operations in Corporate Finance and Property Investment Management to produce tailored products for clients within Wealth Management, which has proven successful in 2016.

The property investment management business area is continuing to build its transaction and management capacity in all markets where Catella is present. Catella is combining local strategies with greater access to the international capital markets, and has formed a collective capital raising organisation in London. Growth in this business area is being created by adding new products into existing structures. The geographical expansion continued in 2016 with the start-up in Norway. The ambition for the business area is to selectively launch niche funds to address the needs of local investors. To better exploit the synergies between operations, collaboration within the business area and Catella's other business areas is increasing.

CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance ("the Code"), Catella has prepared a special Corporate Governance Report including a section on internal control. The Corporate Governance Report can be found on pages 63-68.

RESEARCH AND DEVELOPMENT

Catella is active in Corporate Finance and Asset Management and Banking, and does not conduct research in the sense referred to in IAS 38 Intangible assets.

ENVIRONMENTAL IMPACT

No Group company conducts operations that require permits under the Swedish Environmental Code.

PARENT COMPANY

Catella AB (publ) is the Parent Company of the Group. Group Management and other central Group functions are gathered into the Parent Company.

For 2016, the Parent Company recognised income of SEK 9.2 M (5.1) and operating profit/loss for the year of SEK -51.0 M (-29.8). The year-on-year reduction in profit/loss was mainly due to costs associated with the change of listing and consulting expenses of SEK 9.1 M, and increased variable pay roll costs.

In 2016, the Parent Company recognized appropriations of SEK 39.0 M (29.4) relating to Group contributions received from subsidiary Catella Fondförvaltning AB. Profit/loss for the year was SEK -15.0 M (-4.1).

The Parent Company had total loss carry-forwards of SEK 96 M (84). The company's Balance Sheet includes a deferred tax asset of SEK 18.9 M (18.9), mainly attributable to these loss carry-forwards. The amount is based on an assessment of the company's future utilisation of tax loss carry-forwards.

Cash and cash equivalents amounted to SEK 31.3 M (31.3) and total assets to SEK 740.1 M (790.8) on the reporting date.

At the end of the period, there were 9 (7) employees in the Parent Company, expressed as full-time equivalents.

PROPOSED APPROPRIATION OF PROFIT

The following non-restricted reserves and earnings in the Parent Company are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	50,912,148
Retained earnings	69,526,163
Net profit for the year	-14,990,061
	105,448,250

The Board of Directors and Chief Executive Officer propose that funds are allocated as follows:

SEK	
dividend paid to shareholders, 0,80 per share, in total	65,478,858
carried forward (of which 39 969 392 allocated to share premium reserve)	39,969,392
	105,448,250

Proposed payment of dividends on 5 June 2017.

The Group has no outstanding share warrants, which may be exercised for new class B shares of Catella AB in the period between the signing of these annual accounts, and the record date of 31 May 2017.

Board of Directors' statement on proposed dividend.

The Parent Company's and Group's results of operations and financial position are good, as reported in the most recent Income Statement and Balance Sheet. The Board of Directors judges that the proposed dividend is covered by equity, and is within the limits set by the company's dividend policy. As of 31 December 2016, the Group's equity/assets ratio is 31%. For the consolidated financial situation, the equity/assets ratio on the same date is 29%. The proposed dividend affects the equity/assets ratio only marginally. Other capital relations and liquidity will also be satisfactory in relation to the operations the Group is active within, after the proposed dividend. Accordingly, the Board of Directors considers that the proposed dividend is justifiable in terms of the standards that the operation's (the company and Group respectively) nature, scope and risks set on the scale of equity, and the company and the Group's needs to strengthen the Balance Sheet, liquidity and financial position otherwise.

PROPOSED COMPENSATION GUIDELINES FOR SENIOR MANAGERS OF CATELLA, 2017

The Board of Directors of Catella AB (publ) proposes that the AGM 2017 approves the following guidelines for the compensation of senior managers.

Scope of guidelines

These guidelines concern compensation and other terms of employment for the members of Catella's Group Management for the period the guidelines apply, hereby jointly designated 'senior managers.' The members of Group Management as of 28 April 2017 are Knut Pedersen (CEO), Marcus Holmstrand (CFO) and Johan Nordenfalk (COO). The guidelines apply to agreements entered after AGM resolutions and for amendments to existing agreements after this time. The guidelines are to be subject to an annual review.

The company's commitments regarding variable salary to Group Management in 2016 could cost the company a maximum of SEK 7M, assuming maximum outcome. Information on previously decided compensation that has not yet become due for payment is stated in Note 11 of these Annual Accounts.

Guidelines

The Board proposes the following compensation guidelines for senior managers.

Compensation to the CEO and other members of Group Management comprise basic salary, variable remuneration and other benefits, as well as pensions. Overall compensation should be on commercial terms and competitive, and in proportion to responsibility and authority. Variable remuneration is based on profit in relation to individually defined qualitative and quantitative targets and must not exceed basic salary. Upon termination of employment by the company, as an aggregate total, dismissal pay and severance pay may not exceed 12 months' salary. Pension benefits should be defined contribution. The Board is entitled to depart from these guidelines in individual cases in special circumstances.

Consolidated Income Statement

SEK M	Note	2016 Jan–Dec	2015 Jan–Dec
Net sales	6	2,007	1,853
Other operating income	7	20	13
		2,027	**1,866**
Direct assigment costs and commission		-417	-347
Other external expenses	8	-441	-392
Personnel costs	10, 11, 12	-878	-846
Depreciation and amortisation	9	-14	-13
Other operating expenses	13	-14	-8
Operating profit/loss before acquisition-related items		**263**	**261**
Amortisation of acquisition-related intangible assets	9	-4	-7
Operating profit/loss		**258**	**254**
Interest income	14	24	26
Interest expenses	14	-11	-12
Other financial income	14	260	41
Other financial expenses	14	-34	-3
Financial items—net		239	53
Profit/loss before tax		**497**	**306**
Tax	15	-141	-34
Net profit for the year		**357**	**272**
Profit/loss attributable to:			
Shareholders of the Parent Company		272	243
Non-controlling interests	20	85	29
		357	**272**
Earnings per share attributable to Parent Company shareholders, SEK	16		
- before dilution		3.32	2.97
- after dilution		3.06	2.63
Number of shares at end of year		81,848,572	81,728,572
Average weighted number of shares before and after dilution		88,775,608	92,171,461

Consolidated Statement of Comprehensive Income

SEK M	2016 Jan–Dec	2015 Jan–Dec
Net profit for the year	357	272
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit pension plans	0	0
Items that may be subsequently reclassified to profit or loss:		
Fair value changes in financial assets available for sale	3	0
Exchange-rate differences	36	-33
Other comprehensive income for the year, net of tax	**39**	**-33**
Total comprehensive income for the year	**395**	**239**
Total comprehensive income attributable to:		
Shareholders of the Parent Company	310	210
Non-controlling interests	86	29
	395	**239**

Consolidated Statement of Financial Position

SEK M	Note	2016 31 Dec	2015 31 Dec
Assets			
Non-current assets			
Intangible assets	18	412	363
Tangible assets	19	26	24
Investments in associated companies	20	51	27
Financial assets available for sale	22	45	0
Financial assets at fair value through profit or loss	23	337	274
Long-term loan receivables	25	756	248
Deferred tax assets	15	97	108
Other non-current receivables	26	19	5
		1,743	**1,048**
Current assets			
Accounts receivable	24	268	256
Current loan receivables	25	577	542
Tax assets		16	6
Other receivables		24	40
Prepaid expenses and accrued income	27	182	145
Derivatives	21	11	4
Financial assets at fair value through profit or loss	23	77	114
Client funds		3	2
Cash and cash equivalents	28	2,750	2,854
		3,907	**3,963**
Total assets		**5,651**	**5,011**
EQUITY AND LIABILITIES			
Equity	29		
Share capital		164	163
Other contributed capital		253	250
Reserves		-107	-142
Retained earnings incl. net profit/loss for the year		1,253	1,048
Equity attributable to shareholders of the Parent Company		**1,563**	**1,319**
Non-controlling interests	20	167	117
Total equity		**1,730**	**1,436**
Liabilities			
Non-current liabilities			
Borrowings	30	0	0
Long-term loan liabilities	30	0	200
Deferred tax liabilities	15	34	21
Other provisions	31	3	28
		37	**248**
Current liabilities			
Borrowings	30	260	50
Current liabilities	30	2,806	2,577
Derivatives	21	7	4
Accounts payable		207	153
Tax liabilities		79	65
Other liabilities		51	39
Accrued expenses and deferred income	32	469	436
Client funds		3	2
		3,884	**3,326**
Total liabilities		**3,921**	**3,575**
Total equity and liabilities		**5,651**	**5,011**

For information about the Group's pledged assets and contingent liabilities, see Notes 33–35.

Consolidated Statement of Cash Flows

SEK M	Note	2016 Jan–Dec	2015 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		497	306
Adjustments for non-cash items:			
Other financial items		-227	-38
Depreciation and amortisation	9	18	20
Impairment current receivables	13	12	5
Interest income from loan portfolios	14	-22	-25
Acquisition expenses		1	0
Profit/loss from participations in associated companies	7	1	-5
Capital gain on tangible assets		-	0
Capital gain on intangible assets	7	-6	-4
Personnel costs not affecting cash flow	10	35	46
Paid income tax		-126	-58
Cash flow from operating activities before changes in working capital		**184**	**247**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		-533	-272
Increase (+)/decrease (–) of operating liabilities		212	574
Cash flow from operating activities		**-137**	**549**
Cash flow from investing activities			
Investment in tangible assets	19	-10	-9
Investment in intangible assets	18	-42	-15
Acquisition of subsidiaries, net of cash and cash equivalents acquired	37	-57	-1
Sale of subsidiaries, net of cash disposed	37	0	13
Acquisition of associated companies	20	-25	-25
Investment in financial assets		-110	-76
Sales of financial assets		227	36
Cash flow from loan portfolios		71	22
Dividends from investments		0	5
Cash flow from investing activities		**55**	**-50**
Cash flow from financing activities			
Re-purchase of share warrants		-22	-31
New share issue		1	0
Dividend		-49	-16
Transactions with non-controlling interests		-56	-41
Cash flow from financing activities		**-126**	**-88**
Cash flow for the year		**-208**	**411**
Cash and cash equivalents at beginning of year		2,854	2,532
Exchange rate differences in cash and cash equivalents		104	-89
Cash and cash equivalents at end of year	**28**	**2,750**	**2,854**

SEK 2,052 M (2,022) of the Group's cash and cash equivalents is related to Catella Bank, and pursuant to the regulations and rules Catella Bank is regulated by, the rest of the Group does not have access to Catella Bank's liquidity.

Interest received and paid is stated in Note 36.

Consolidated Statement of Changes in Equity

SEK M	Equity attributable to shareholders of the Parent Company Share capital	Other contributed capital *	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests **	Total equity
Opening balance as of 1 January 2016	**163**	**250**	**-142**	**1,048**	**1,319**	**117**	**1,436**
Total comprehensive income for the year, January - December 2016							
Net profit for the year				272	272	85	357
Other comprehensive income, net of tax			35	3	38	1	39
Total comprehensive income for the year			**35**	**274**	**310**	**86**	**395**
Transactions with shareholders							
Transactions with non-controlling interests				-9	-9	-37	-46
Warrants issued		3			3		3
Re-purchase of warrants issued				-12	-12		-12
New share issue	0			1	1		1
Dividend				-49	-49		-49
Closing balance as of 31 December 2016	**163**	**253**	**-107**	**1,253**	**1,563**	**167**	**1,730**

* Other paid-up capital is share premium reserves in the Parent Company.
* Holdings in non-controlling interests are attributable to minority holdings in subsidiaries in Systematic Funds and Property Funds, and several subsidiaries in Property Asset Management and Corporate Finance. In 2016, the Swedish Corporate Finance operations were restructured from a trading partnership by means of a business transfer at market value to a limited company controlled by Catella, in which the employees own 40% of the shares.

In 2016, a total of 1,440,000 warrants were repurchased at market value from employees at a total purchase price of SEK 11.9 M. In the Consolidated Accounts, the repurchase of share warrants is reported under other contributed capital to the extent it consists of non-restricted equity, and the remainder against retained earnings. Furthermore, in 2016 9,954,000 warrants expired without being utilized, all of which were held in treasury. In addition, 120,000 warrants were exercised to subscribe for the same number of new shares at a price of SEK 11 per share, and 300,000 warrants held in treasury were sold to a key member of staff for a purchase price of SEK 3.1 M.

As of 31 December 2016, the parent company had a total of 7,000,000 warrants outstanding, of which 200,000 in treasury.

SEK M	Equity attributable to shareholders of the Parent Company Share capital	Other contributed capital *	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests	Total equity
Opening balance as of 1 January 2015	**163**	**273**	**-110**	**837**	**1,164**	**88**	**1,252**
Total comprehensive income for the year, January - December 2015							
Net profit for the year				243	243	29	272
Other comprehensive income, net of tax			-32		-32	-1	-33
Total comprehensive income for the year			**-32**	**243**	**210**	**29**	**239**
Transactions with shareholders							
Transactions with non-controlling interests				0	0	0	0
Warrants issued		3			3		3
Re-purchase of warrants issued		-26		-16	-42		-42
New share issue	0			0	0		0
Dividend				-16	-16		-16
Closing balance as of 31 December 2015	**163**	**250**	**-142**	**1,048**	**1,319**	**117**	**1,436**

Other paid-up capital is share premium reserves in the Parent Company.

The Parent Company has a total of 17,074,000 warrants outstanding. In 2011-2015, warrants were re-purchased at market price from employees. In 2015, 11,167,000 outstanding warrants were re-purchased for a total purchase consideration of SEK 41.9 M. In the Consolidated Accounts, the repurchase of share warrants is reported under other contributed capital to the extent it consists of non-restricted equity, and the remainder against retained earnings. Furthermore, in the year 30,000 warrants were exercised to subscribe for the same number of new shares at a price of SEK 11 per share, and 900,000 warrants held in treasury were sold to members of Catella's management and key members of staff. As of 31 December 2015, Catella held 9,014,000 warrants in treasury.

Notes on the Consolidated Accounts

NOTE 1 COMPANY INFORMATION

The Catella Group ("Catella") includes the Parent Company Catella AB (publ) (the "Parent Company") and a number of companies that conduct operations in two operating segments: Corporate finance and Asset Management and Banking. In addition, Catella manages a loan portfolio consisting of securitised European loans, with its main exposure to housing.

The Annual Accounts and Consolidated Accounts of Catella AB (publ) for the financial year-ending on 31 December 2016 were approved for publication by the Board of Directors and the Chief Executive Officer on 28 April 2017 and will be presented for adoption by the Annual General Meeting on 29 May 2017.

The Parent Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. The head office is located at Birger Jarlsgatan 6 in Stockholm. Catella AB is listed on Nasdaq Stockholm in the Mid Cap segment.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The Consolidated Accounts of Catella were prepared in accordance with the Swedish Annual Accounts Act, Recommendation RFR 1 supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS) and IFRIC interpretation statements endorsed by the EU. The Consolidated Accounts were prepared under historical cost convention, apart from the re-measurement of financial assets held for sale and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements requires the Board of Directors and Group Management to make estimates and judgements. These estimates and judgements affect the income statement, statement of Comprehensive income and statement of financial position, as well as the disclosures provided, such as contingent liabilities. Actual outcomes may differ from these assessments in the context of other assumptions or in other circumstances. The areas involving a high degree of judgement and that are complex, or such areas for which assumptions and estimates are of material importance to the Consolidated Accounts, include the assessment of future cash flows, which for example, form the basis of the measurement of loan portfolios, goodwill, trademark and contract portfolios, the measurement of deferred tax assets attributable to tax-loss carry-forwards, the measurement of accounts receivable, as well as assessments of disputes and the need to provision for them.

The accounting policies presented below were applied consistently to all periods presented in the Consolidated Accounts, with the exceptions described in greater detail. Furthermore, the Group's accounting policies were applied consistently by Group companies and the policies of associated companies were adjusted to the Group's accounting policies as necessary.

Introduction and effects of new and revised IFRS relating to 2016

No new standards were introduced in 2016 that had any material impact on the consolidated financial statements.

New standards and interpretations not yet adopted by the Group

A number of new standards and interpretations come into effect for financial years beginning after 1 January 2016 and have not been applied in the preparation of these financial statements. None of these are expected to have any material impact on the consolidated financial statements with the exception of the following:

IFRS 9 "Financial Instruments" deals with the classification, measurement and recognition of financial assets and liabilities and introduces new regulations for hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces those parts of IAS 39 dealing with the classification and measurement of financial instruments and introduces a new impairment model. IFRS 9 retains a mixed-measurement model, although it has been simplified in some respects. There are three measurement categories for financial assets, amortised cost, fair value recognised in Other Comprehensive Income and fair value recognised through profit or loss. The presentation of an instrument depends on the company's business model and the characteristics of the instrument. Investments in equity instruments are recognised at fair value through profit or loss but there is also an option to recognise the instrument at fair value in Other Comprehensive Income on first-time recognition. In such cases, no reclassification to the Income Statement will occur when the instrument is sold. IFRS 9 also introduces a new model for calculating credit loss provisions arising from expected credit losses. For financial liabilities, there is no change in presentation and measurement except in cases where a liability is recognised at fair value through profit or loss based on the fair value option. Changes in value attributable to changes in the entity's own credit risk are then recognised in Other Comprehensive Income. The standard will apply from financial years beginning 1 January 2018. Early adoption is permitted. The Group has not yet evaluated the effects of introducing the standard.

IFRS 15 "Revenue from contracts with customers" regulates revenue recognition. The principles established by IFRS 15 are intended to provide users of financial statements with more useful information about the company's revenues. The expanded disclosure requirements mean that information relating to nature of income, date of settlement, uncertainty associated with revenue recognition and cash flow attributable to the company's customer contracts must be presented. Revenue as defined by IFRS 15 is reported when the customer gains control over the sold good or service and is able to utilise and obtains benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the associated SIC and IFRIC. IFRS 15 is effective from 1 January 2018. Early adoption is permitted. The Group has not yet fully evaluated the effects of introducing the standard but the preliminary assessment is that it will not imply any material changes to the Group's results of operations and financial position.

IFRS 16 "Leases" was published in January 2016 and applies from 1 January 2019. The implementation of the standard will imply that virtually all lease contracts are reported in the Balance Sheet. The standard does not distinguish between operating and financial lease contracts. An asset (the right to use a leased asset) and a financial liability corresponding to the company's commitment to pay lease charges must be reported for virtually all lease commitments. One exception exists for short contracts and contracts of minor value. The Group has not yet evaluated the effects of introducing the standard.

Consolidated accounts

(a) Subsidiaries: Subsidiaries are all of the companies in which the Group has a controlling influence. The Group controls a company when it is exposed to, or is entitled to, variable returns from its holdings in the company, and has the ability to affect returns through its influence over the company. The existence and effect of potential voting rights that may currently be utilised or converted are taken into consideration in the assessment of whether the Group exercises a controlling influence over another company. Subsidiaries are included in the Consolidated Accounts from the date on which the controlling influence is transferred to the Group. They are excluded from the Consolidated Accounts effective the date on which the controlling influence ceases. All transactions with shareholders of subsidiaries are recognised based on the substance of these transactions. Gains/losses attributable to shareholders of non-controlling interests, who in addition to their ownership also are active in the company, are placed on a par with other forms of variable compensation and, accordingly, are recognised as personnel costs in the income statement. These shareholders' portion of the net assets in the Group is recognised in the Consolidated statement of financial position as a non-controlling interest.

The purchase method is applied to the recognition of the Group's business combinations. Goodwill arises coincident with the acquisition of subsidiaries, associated companies and joint arrangements is the amount by which the purchase consideration exceeds Catella's share of the fair value of identifiable assets, liabilities and contingent liabilities in the acquired company on the date of transfer. If the fair value of the subsidiary's acquired assets, liabilities and contingent liabilities exceeds the purchase consideration, the difference is recognised directly in profit or loss. Contingent consideration is recognised on the acquisition date at fair value and classified as a liability that is subsequently re-measured through profit or loss. Non-controlling interests in the acquired business are, on an acquisition-by-acquisition basis, measured at either fair value or at the proportionate share of the net assets of the acquired business held without a controlling influence. All acquisition-related transaction costs are expensed. These costs are recognised in the Group under the item "other external expenses" in profit or loss.

Intragroup transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated. Wherever appropriate, the accounting policies for the subsidiaries have been changed in order to guarantee consistent application of the Group's policies.

(b) Transactions with shareholders of non-controlling interests: The Group treats transactions with non-controlling interests as transactions with the Group's shareholders. Coincident with acquisitions from non-controlling interests, the difference between the consideration paid and the actual acquired portion of the carrying amount of the subsidiary's net assets is recognised in equity. Gains and losses attributable to disposals of non-controlling interests are also recognised in equity.

When the Group no longer holds a controlling or significant influence, each remaining holding is re-measured at fair value and the change in the carrying amount is recognised in profit or loss. The fair value is utilised as the first carrying amount and forms the basis for the future accounting of the remaining holding as an associated company, joint venture or financial asset. All amounts relating to the sold unit that were previously recognised in other comprehensive income are recognised as if the Group had directly sold the related assets or liabilities, which may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Associated companies: Associated companies are holdings that are neither subsidiaries nor joint arrangements, but for which the Group is able to exercise a significant influence, which in general applies to shareholdings of between 20% and 50% of the votes. Holdings in associated companies are recognised in accordance with the equity method and initially measured at cost. The carrying amount of the Group's holdings in associated companies includes the goodwill identified on acquisition, net of any impairment losses.

Associated companies are included in the Consolidated Accounts from the acquisition date. They are excluded from the Consolidated Accounts on the date on which they are sold. Transactions, balance sheet items and unrealised gains on transactions between the Group and its associated companies are eliminated in accordance with the Group's participation in the associated company. Unrealised losses are also eliminated but are taken into consideration as an indication that the transferred asset requires impairment. Shares of profits of associated companies are recognised in the Consolidated Income Statement under "Net operating profit", net of tax. Shares in associated companies are recognised in the Statement of Financial Position at cost, including the portion comprised of goodwill, adjusted for dividends and the share of the associated company's profit after the acquisition date.

Segment reporting

According to IFRS 8, operating segments are recognised in a manner that is consistent with the internal reporting regularly presented to the chief operating decision maker. The chief operating decision-maker is the function that is responsible for the allocation of resources and the assessment of the operating segment's profit or loss. For Catella, the CEO has been identified as the chief operating decision-maker.

Catella has defined four business areas, which are regularly monitored by the manager of the segment and Catella's CEO, who decide on the allocation of resources, budgetary targets and finance plan. IFRS 8 permits that two or more operating segments may be merged to one, providing that they have similar accounting characteristics, and are also similar in terms of the character of services, the character of production process, customer categories, distribution, and the extent to which operations, where applicable, are affected by various regulatory structures and risks.

Based on this, Catella has defined the Corporate Finance (consisting of the Corporate Finance operating segment) and Asset Management and Banking (consisting of the combined Property Investment Management, Equity, Hedge and Fixed Income Funds, and Banking operating segments), as the Group's reportable segments. This combination is based on the nature of services, their delivery, and recipient customer categories of all segments being similar, which are also influenced to a similar degree by risks and regulatory structures. Information reported for each operating segment has been prepared in accordance with the same accounting policies as applied for the Group.

Translation of foreign currencies

(a) Functional currency and reporting currency: Items included in the financial statements of the Group's various units are measured in the currency used in the financial environments in which each company primarily conducts its business activities (functional currency). Swedish krona (SEK) is used in the Consolidated Accounts, which is Catella AB's functional currency and the Group's reporting currency.

(b) Transactions and balance sheet items: Transactions in foreign currencies are translated to the functional currency at the rates of exchange ruling on the transaction date or the date on which the items were re-measured. Exchange rate gains and losses arising on payment for such transactions and on the translation of monetary assets and liabilities in foreign currency at the closing day rate are recognised through profit or loss. The exception is for transactions comprising hedging that meet the requirements for hedge accounting of cash flows or for net investments, when gains/losses are recognised in other comprehensive income. Exchange rate gains and losses attributable to loans and cash and cash equivalents are recognised through profit or loss as "other financial items." All other exchange rate gains and losses are recognised in the items "other operating income" or "other operating expenses" in the income statement.

Changes in the fair value of securities in foreign currencies that have been classified as financial assets available for sale have been allocated among translation differences, due to the change in the original cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised through profit or loss.

Translation differences for non-monetary financial assets and liabilities, such as shares measured at fair value through profit or loss, are recognised through profit or loss as a portion of fair value gains/losses. Translation differences for non-monetary financial assets such as equities classified as financial assets available for sale are entered in the fair value reserve through other comprehensive income.

(c) Group companies: The results of operations and financial position of all of the Group companies that have a functional currency that is different to the reporting currency are translated to the Group's reporting currency as follows:

- (a) Assets and liabilities for each of the balance sheets are translated at the closing day rate;
- (b) Income and expenses for each of the income statements are translated at the average exchange rates (insofar as the average rate constitutes a reasonable approximation of the accumulated effect of the rates applying on the transaction date, otherwise income and expenses are translated at the rate on the transaction date), and
- (c) All translation differences arising are recognised in other comprehensive.

Translation differences arising as a result of the translation of net investments in foreign operations and borrowing and other currency instruments identified as hedging of such investments are entered in other comprehensive income on consolidation. When a foreign operation is sold, either wholly or partly, the translation differences that were recognised in other comprehensive income are entered in profit or loss and recognised as a portion of the capital gain/loss.

Goodwill and adjustments of fair value arising on the acquisition of foreign operations are treated as assets and liabilities of this operation and translated at closing day rates.

Classification of assets and liabilities

Non-current assets and non-current liabilities essentially comprise amounts that are expected to be recovered or paid after more than 12 months from the reporting date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or paid within 12 months of the reporting date.

Property, plant and equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and any accumulated impairment. Depreciation is based on historical cost and estimated useful life.

Straight line depreciation is utilised for all types of assets as follows:

- Leasehold improvements — 20% per year or over the lease contract term
- Computers and peripherals — 25–33% per year
- Other office machines and office equipment — 20% per year

The residual values and useful lives of the assets are tested at the end of every reporting period and adjusted as necessary.

The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Gains and losses on disposal are determined by comparing sales proceeds to carrying amounts and are recognised in other operating income or other operating losses.

Intangible assets

(a) Goodwill: The amount by which the purchase price, any non-controlling interest and the fair value on the acquisition date of previous shareholdings, exceeds the fair value of identifiable acquired net assets is recognised as goodwill. Goodwill from acquisitions of subsidiaries is recognised as intangible assets. Goodwill is tested annually to identify any impairment and is recognised at cost less accumulated impairment losses. Impairment of goodwill is not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill relating to the sold unit.

Goodwill is allocated between cash-generating units when any impairment tests are performed. Goodwill is allocated to cash-generating units or groups of cash-generating units, as established in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill item arose.

(b) Trademarks and brands: Trademarks and brands acquired in a business combination are recognised at fair value on the acquisition date. Trademark recognized in the Consolidated statement of financial position is the registered trademark Catella, which is deemed to have an indefinite useful life. The trademark is tested every year to identify any impairment and is recognised at cost less accumulated impairment losses.

(c) Customer relations: Contract portfolios and associated customer relationships relating to a business combination are identified in the acquisition analysis and are recognised as a separate intangible asset. The customer relationships arising from business combination are measured at fair value. Fair value measurement uses a valuation model based on discounted cash flows. Measurement is based on the turnover rate and return for the acquired portfolio on the acquisition date. In this model, a separate cost or required return is paid in the form of a contributory asset charge for the assets utilised in order for the intangible asset to generate a return. Cash flows are discounted through a weighted average cost of capital (WACC), which is adjusted with respect to local interest rate levels in the countries where the acquisitions occurred. The useful life of the contract portfolios and associated customer relationships is based on the turnover rate of the acquired portfolio, which is deemed to be five years and corresponds to an annual amortisation rate of 20%. Amortisation is recognised in the item depreciation of acquisition-related intangible assets in profit or loss.

(d) Software licences: Acquired software licenses are capitalised on the basis of the expenses arising when the relevant software was acquired and commissioned. These capitalised expenses are amortised over the estimated useful life, usually three to four years. Coincident with Catella's increased ownership of IPM Informed Portfolio Management AB, the Group acquired a proprietary portfolio management system which is estimated to have a useful life of 10 years.

(e) Deferred tax attributable to intangible assets: A deferred tax liability is measured based on the local tax rate for the difference between the carrying amount and the taxable value of the intangible asset. The deferred tax liability is to be reversed over the same period in which the intangible asset is amortised, which results in the effect of the amortisation on the intangible asset, in terms of the full tax rate relating to profit after tax, being neutralised. The deferred tax liability is initially recognised with a corresponding increase in goodwill. No deferred tax attributable to goodwill on consolidation is considered.

Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not amortised/depreciated but tested for impairment yearly. Assets that are amortised/depreciated are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less any selling expenses and its value in use. For impairment testing, assets are grouped at the lowest levels at which separate identifiable cash flows exist (cash-generating units). Assets, that are not financial assets or goodwill and that were previously amortised/depreciated, are tested on each closing day to determine whether a reversal should be conducted.

Reversal of impairment

Impairment of assets included in the scope of IAS 36 are reversed if there is an indication that the impairment no longer exists and a change has occurred in the assumptions underlying the measurement of recoverable amount. However, impairment of goodwill is never reversed. A reversal is only conducted to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount, less any depreciation/amortisation wherever applicable, that would have been recognised had no impairment loss been recognised.

Impairment of loan receivables and accounts receivable recognised at amortised cost is reversed if the previous reasons for impairment no longer exist and full payment from the customer can be expected to be received.

Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loan receivables, accounts receivable, financial assets available for sale and financial assets held to maturity. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets when they are first recognised.

(a) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets held for trading or financial assets that have been identified as an item measured at fair value on initial recognition (fair value option).

Financial assets held for trading: A financial asset is classified in this category if it was primarily acquired with the aim of being sold in the near future. Those financial assets that are measured at fair value through profit or loss and that are held for trading are the Group's bond and fund portfolios, business-related shareholdings, and the derivatives that have not been identified as hedges in accordance with IAS 39 financial instruments. Assets in this category are normally classified as current assets. However, most of the holdings in the Nordic Light Fund, and other fund holdings, will be sold after 12 months, which is why this holding has been classified as non-current.

Items measured at fair value (fair value option): A financial asset that on initial recognition has been identified as an item measured at fair value is classified in this category. The loan portfolios are classified in this category since this corresponds to the original recognition and Catella's monitoring of these assets. Assets in this category are classified as current assets to the extent relating to the cash flows forecast over the next 12 months, while the remainder of the loan portfolios are recognised as non-current assets.

(b) Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives, that have determined or determinable payments and that are not listed on an active market. They are included in current assets, except for items becoming due for payment more than 12 months after the end of the reporting period, which are classified as non-current assets.

(c) Financial assets available for sale

Financial assets available for sale are assets that are not derivatives and where the assets have been identified as available for sale or have not been classified in any of the other categories. They are included in non-current assets if management does not intend to dispose of them within 12 months of the end of the reporting period. Catella's preference shares in Visa Inc. and a minor shareholding in Swift are classified in this category.

(d) Assets held to maturity

Financial assets held to maturity are financial assets that are not derivatives, that have determined or determinable payments and determined maturity periods and that Group Management intends and is able to hold until maturity. If the Group were to sell more than an insignificant amount in the category of financial assets held to maturity, the whole category would have to be reclassified (termed tainting) to the category of financial assets available for sale. Financial assets held to maturity are included in non-current assets except for the cases in which the maturity date is less than 12 months from the end of the reporting period, when they are classified as current assets. At present, Catella does not hold any assets in this category.

Recognition and measurement

Purchases and sales of financial assets are recognised on the transaction date—the date on which the Group undertakes to purchase or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs, which apply to all financial assets that are not recognised at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognised at fair value, while related transaction costs are recognised through profit or loss.

Financial assets are derecognised from the statement of financial position when the right to receive cash flows from the instrument has expired or been transferred and the Group has essentially transferred all risks and rewards associated with ownership. Financial assets available for sale and financial assets measured at fair value through profit or loss are recognised at fair value after the acquisition date. Loan receivables, accounts receivable and assets held to maturity are recognised after the acquisition date at amortised cost by applying the effective interest method.

Gains and losses due to changes in fair value relating to the category of financial assets measured at fair value through profit or loss are recognised in profit or loss in the period in which they arise and are included in the income statement item other financial items divided between the interest coupon received on outstanding loans and the change in fair value. The interest rate component is calculated in accordance with the effective interest method based on applicable discount rates that are an approximation of the instrument's interest rate component. The basis for determining fair value in this category is either the listed market value or measurement based on a discounted cash flow analysis performed by a party external to Catella. After the acquisition date, assets held to maturity are measured at amortised cost by applying the effective interest method. Dividend income from securities in the category of financial assets measured at fair value through profit or loss are recognised through profit or loss as a portion of other financial items when the Group's right to receive payments has been determined. Translation differences from monetary securities are recognised through profit or loss, while translation differences from non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as financial assets available for sale are recognised in other comprehensive income. When securities classified as financial assets available for sale are sold or impaired, the accumulated adjustments of fair value are transferred from equity to the income statement as gains and losses from financial instruments.

Interest on available-for-sale securities calculated in accordance with the effective interest method is recognised through profit or loss as a portion of interest income. Dividends from available-for-sale equity instruments are recognised through profit or loss as a portion of other financial items when the Group's right to receive payments has been determined.

Impairment of financial assets
The company evaluates whether there is objective evidence that a financial asset or Group of assets is impaired at each reporting date. Objective evidence may be firstly, observable circumstances that have occurred and that have a negative impact on the possibility of recovering the cost, or secondly a significant or protracted decrease in the fair value of an investment in a financial investment classified as an available-for-sale financial asset.

The impairment of receivables is measured on the basis of historical experience of bad debt loss on similar receivables. Accounts receivable subject to impairment are recognised at the present value of expected future cash flows although receivables with short terms are not discounted.

Derivative instruments and hedging measures
Derivative instruments are recognised in the statement of financial position on the contract date and measured at fair value, both initially and at subsequent re-measurement. The effect of the re-measurement is recognised in profit or loss. No hedge accounting in accordance with IAS 39 financial instruments takes place for the hedging transactions executed by Catella, except for hedging of a net investment in a foreign operation (hedging of net investment).

Hedging of net investment
The share of gains or losses from a hedging instrument that is deemed to be an effective hedge is recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is immediately recognised in profit or loss under other financial items. Accumulated gains and losses in equity are recognised through profit or loss when the foreign operation is wholly or partly sold.

Receivables in foreign currency that comprise a portion of the company's net investments in foreign subsidiaries are also measured at the closing day rate. Exchange rate differences on these receivables are eliminated from the Income Statement and recognised directly in other comprehensive income.

Accounts receivable
Accounts receivable are amounts to be paid by the customer for goods sold or services rendered in operating activities. If payment is expected within one year, the receivable is classified as a current asset. Otherwise, the receivable is entered as a non-current asset.

Accounts receivable are initially recognised at fair value and subsequently at amortised cost by applying the effective interest method, less any reserves for impairment.

Cash and cash equivalents
Cash and cash equivalents include cash, bank balances and other short-term investments in securities, etc. that are due for payment within three months after the acquisition date. The item includes client account receivables attributable to the asset management and securities operations reported net of client account liabilities.

Accounts payable
Accounts payable are obligations to pay for goods or services that have been purchased from suppliers in operating activities. Accounts payable are classified as current liabilities if they become due for payment within one year. Otherwise, the liability is entered as a non-current liability.

Accounts payable are initially recognised at fair value and subsequently at amortised cost by applying the effective interest method.

Borrowing
Borrowing is initially recognised at fair value, net of transaction costs. Borrowing is subsequently recognised at amortised cost and any difference between the amount received (net after transaction costs) and the amount of the repayment is recognised through profit or loss allocated over the loan term, by applying the effective interest method.

Fees paid for loan commitments are recognised as transaction costs for the borrowing to the extent that it is probable part or all of the credit facility will be utilised. In such cases, the fee is recognised when the credit facility is utilised. Where there is no longer any evidence to suggest that it is probable that part or all of the credit facility will be utilised, the fee is recognised as an advance payment for financial services and allocated over the term of the relevant loan facility.

Overdraft facilities are recognised as borrowing under current liabilities in the Statement of Financial Position.

Current and deferred income tax
Tax expenses for the period include current and deferred tax. Tax is recognized through profit or loss, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or equity, respectively.

The current tax expense is calculated on the basis of the tax rules that have been enacted or substantively enacted on the reporting date in the countries in which the Parent Company's subsidiaries and associated companies conduct business activities and generate taxable income. Management regularly evaluates the claims made in tax returns for situations in which applicable tax rules are subject to interpretation. Whenever deemed necessary, management provisions for amounts that must probably be paid to the tax authority.

In accordance with the balance sheet method, deferred tax is recognised on all temporary differences arising between the taxable value of the assets and liabilities and their carrying amounts in the Consolidated Accounts. However, deferred tax is not recognised if it arises as a result of a transaction comprising the initial recognition of an asset or liability that is not a business combination and that on the transaction date impacts neither recognised nor taxable earnings. Deferred income tax is calculated by applying tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date and that are expected to be applicable when the deferred tax asset in question is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future tax surpluses will be available that the temporary differences can be utilised against.

Deferred tax is measured on temporary differences arising on participations in subsidiaries and associated companies, except where the date of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and liabilities are offset when a legal offset right for the tax assets and liabilities in question exists and when the deferred tax assets and liabilities are attributable to taxes charged by the same tax authority and relate to the same taxpayer or different taxpayers where there is the intention of settling the balances by making a net payment.

Employee benefits

(a) Pension obligations
Group companies have different pension plans. The pension plans are usually financed through payments to insurance companies or funds administered by an asset manager, with payments determined based on periodic actuarial calculations.

Most of the pension plans in the Group are defined contribution. However, there are some defined benefit pension plans for managers within Catella Bank Luxembourg. These obligations are of less significant amounts for the Group. The Group's new pension plans should be defined contribution.

A defined contribution pension plan is a pension plan in which the Group pays fixed contributions to a separate legal entity on a mandatory, contractual or voluntary basis. The Group has no other additional payment obligations once the payments have been made. The contributions are recognised as personnel costs when they become due for payment. Prepaid contributions are recognised as an asset to the extent that the cash repayment or decrease in future payments benefit the Group.

(b) Compensation on termination

Compensation on termination is paid when the Group terminates the employment of an employee prior to the normal time of retirement or when the employee accepts voluntary redundancy in exchange for such compensation. The Group recognises severance pay when it is demonstrably obliged to either terminate the employment of an employee in accordance with a detailed, irrevocable formal plan, or to provide severance pay as a result of an offer made to encourage voluntary redundancy. Benefits expiring more than 12 months after the end of the reporting period are discounted to present value.

(c) Profit share and bonus plans

The Group recognises a liability and an expense for bonuses and profit shares based on a formula that takes into consideration the profit that is attributable to the Parent Company's shareholders after certain restatements. The Group recognises a provision when a legal obligation or an informal obligation exists due to previous practice.

Share-based payment

On a few occasions, the Group has issued warrants that senior managers and other key employees of the Group received as part payment for the acquisition of subsidiaries. Warrants outstanding as of the reporting date were issued in 2014 within the framework of an incentive program for the CEO and senior managers. These warrants were settled on market terms. The value of these warrants was determined by using an option valuation model (Black & Scholes). The warrants are classified as share-based payment.

Other contributed capital was credited when the warrants were issued. The company issues new shares when the options are utilised. Payments received, less any directly attributable transaction costs, are credited to share capital (quotient value) and other contributed capital when the options are exercised.

Provisions

Provisions for restructuring expenses and statutory requirements are recognized when the Group has a legal or informal obligation due to earlier events, it is probable that an outflow of resources will be required to settle the commitment and the amount has been measured reliably. Restructuring provisions include expenses for the termination of leases and severance pay. No provisions are made for future operating losses.

If a number of similar commitments exist, an assessment is made of the probability of an outflow of resources being required to settle this whole Group of commitments. A provision is recognised even if the probability of an outflow being required for a specific item in this Group of commitments is insignificant.

Provisions are measured at the present value of the amount expected to be required to settle the commitment. In this context, a discount rate before tax is used that reflects the current market assessment of the time value of money and the risks associated with the provision. The increase in the provision due to the passing of time is recognised as an interest expense.

Revenue recognition

Revenue includes the fair value of what is received or will be received for the services sold in the Group's operating activities. Revenue is recognised excluding value-added tax and discounts, and after elimination of intragroup sales. The Group recognises revenue when its amount can be reliably measured, it is probable that future financial benefits will flow to the company and specific criteria have been satisfied for each of the Group's operations as described below. The Group bases its estimates on historical outcomes, and in this context, takes the type of customer, type of transaction and special circumstances in each individual case into account.

Remuneration that is progressively accrued through services rendered, for example, fixed-fee consultancy, advisory or management fees is recognised as revenue coincident with the delivery of these services, which in practice, means that recognition is on a straight-line basis for the period to which the service relates. This revenue can either be a predetermined amount or a percentage fee of volumes managed for example (such as assets under management).

Remuneration attributable to a specific service or action is recognised as revenue when the service is rendered. Such income includes commission for such items as Catella Bank's credit card and acquisition operation and currency services.

This revenue can either be a predetermined amount or a percentage fee of volumes managed for example (such as card programme transactions or currency exchange).

Performance-based revenue, such as performance fees for extra returns in asset management or coincident with sales assignments, are recognised in accordance with applicable agreements regarding the point in time at which the performance-related fees may be charged. This means that in the case of a property sales assignment for example, where remuneration is a predetermined percentage of the customers' sales price of the property that is paid only when a sale has been completed is not recognised until a legally binding business transaction on the property has been concluded, and correspondingly, performance fees paid for surplus returns as recognised against an established reference level only on the measurement date, which can be daily, quarterly or annually depending on the product.

Commissions to resellers and settlement companies in Catella Bank's credit card and acquiring operations is recognised as an expense coincident with income being accrued in accordance with the above principles.

Interest income is recognised as revenue by applying the effective interest method. When the value of a receivable in the category of loan receivables and accounts receivable decreases, the Group decreases the carrying amount to the recoverable amount, which comprises the estimated future cash flow discounted by the original effective interest for the instrument, and continues to dissolve the discount effect as interest income. Interest income on impaired loan receivables and accounts receivable is recognised at the original effective interest rate.

Dividend income is recognised when the right to receive payment has been established.

Lease arrangements

Lease arrangements, where essentially, the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made during the lease term (after discounting for any incentives from the lessor) are expensed in the Income Statement on a straight-line basis over the lease term. The Group has only entered operating leases.

Earnings per share

The computation of earnings per share is based on consolidated net profit/loss for the year attributable to the Parent Company's owners and on the weighted average number of shares outstanding during the year. When computing earnings per share after dilution, earnings and the average number of shares after dilution are adjusted to take the effects of dilutive potential ordinary shares that originate from warrants issued during reporting periods into account. The dilution of warrants affects the number of shares and arises only when the exercise price is lower than the share price quoted on the stock exchange.

Items affecting comparability

Events and transactions that are material and not repeated items and whose effect on profit or loss is important to consider when net profit/loss is compared to previous years are recognised as items affecting comparability.

Other

Part of the Group's asset management assignment involves retaining cash and cash equivalents belonging to clients in the Group's bank accounts, with the corresponding liability to clients. Client funds are recognised in the Consolidated Statement of Financial Position as a current receivable and current liability. Both the receivable and liability are treated as items under financing activities in the Cash Flow Statement, and accordingly, do not impact on cash flow.

NOTE 3 FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks such as interest rate risk, currency risk, financing/liquidity risk and credit risk through its operating activities. Catella's Board of Directors assesses current and future risks and decides how they are to be managed by formulating group-wide risk management guidelines, which are evaluated and amended regularly. Risk management is also conducted at the relevant subsidiary level under the supervision of Group Management, which is why the risk management of significant subsidiaries is described below.

With regard to Asset Management and Banking operations, these subsidiaries include a dedicated risk management function that is independent from business operations, with the relevant managers reporting to each subsidiary's managing director and directly to the subsidiary's Board of Directors. Group Management is represented on subsidiary Boards and reports on to the Parent Company's Board.

Subsidiaries under the supervision of the financial supervisory authority of each country are Catella Real Estate AG, Catella Fondförvaltning AB, Catella Bank S.A., Catella Kapital och Pension AB, IPM Informed Portfolio Management AB and Catella Trust GmbH in the Asset Management and Banking operating segment. In the Corporate finance operating segment, there are no subsidiaries under supervision. Subsidiaries under supervision have an internal compliance function that monitors the subsidiaries' compliance with internal and external regulations and customer agreements. This function is independent of the business activities of each subsidiary and its managers report to the Managing Director and directly to the Board of the subsidiary. Group Management is represented in the subsidiary Boards and reports on to the Parent Company's Board.

As mentioned above, risk management is applied at subsidiary and operational levels since the different operating segments in the Group differ with regard to the operations conducted. For this reason, significant risks in each operating segment are described separately in the respective section on risk below.

Asset management and banking are conducted in the Group's Asset Management and Banking operating segment. The subsidiaries in this operating segment do not trade in financial instruments except in respect of hedge positions relating to client transactions. Nor do the subsidiaries trade in or take positions on their own account. Due to the subsidiaries' prudent policy for the credit issuance and trading in financial instruments, exposure to risks is limited. This operating segment is mainly exposed to credit risk.

The Group's treasury management consists of investments and holdings in loan portfolios and funds. These assets are recognised with the Parent Company in the category "Other." Investments in loan portfolios, described in more detail in Note 23, are mainly exposed to credit risk, but also to liquidity risk depending on potential changes in the repayment rate of the loan portfolios, interest rate risk and currency risk because the loans are in a currency other than SEK and mainly issued at variable interest. The book, and fair, value of the securitised loan portfolios was SEK 252 M (281) at year-end. Fund investments, described in more detail in Note 23, are mainly exposed to market price risk on the value of the funds and the holdings in them. Fund investments had a book value, also market value, of SEK 102 M (58) at year-end.

Liquidity risk

Liquidity risk is the risk that within a defined period of time the Group is unable to refinance its existing assets or is unable to meet more stringent liquidity requirements. Liquidity risk also includes the risk that the Group could be forced to borrow at unfavourable interest rates or sell assets at a loss to be able to fulfil its payment obligations.

As of 31 December 2016, the short-term liquidity reserve (cash and cash equivalents, short-term investments and committed but unutilised credit facilities) amounted to 143% (162) of consolidated annual sales and 93% (106) of consolidated borrowing and loan liabilities. Adjusted for Catella Bank, the short-term liquidity reserve was 51% (65) of annual sales and 404% (489) of borrowing and loan liabilities. As of 31 December 2016, the average time to maturity for short-term borrowing was ten days.

In the Group's investments in loan portfolios, the primary financial obligations are payment of ongoing operating expenses. These obligations are met with cash flows from individual loans in the acquired loan portfolios, which are monitored by Catella's investment advisors. Accordingly, the loan portfolios have limited inherent financial commitments, although Catella is subject to the risk of encountering difficulty in realising assets, which accordingly, could affect the Group's prospects of obtaining funds to maintain its financial commitments. Since the market for subordinated securities with collateral in assets is currently illiquid, many of the investments in loan portfolios are illiquid, although not all. A few of the investments are over the counter (OTC) transactions, which are not registered according to the applicable securities laws, which restricts the transfer, sale, pledge or other disposal of these investments, except in the case of transactions that do not need to be registered according to, or otherwise comply with, these laws. The Group assesses that short and long-term liquidity are favourable and that there is flexibility in financing. If the Group's liquidity were to change and if the Group needed to divest part or all of the loan portfolio, consisting of securitised European loan portfolios, mainly with exposure to housing, for liquidity reasons, the potential to alter this portfolio rapidly and obtain a reasonable price could be limited, due to changes in economic and other circumstances. If the Group acquires investments for which there is no market, the Group's potential to renegotiate such investments or obtain reliable information on the value of an investment or the risks to which it is exposed to, could be limited.

The following tables summarise the Catella Group's liquidity risk at the end of 2016 and 2015.

Liquidity report as of 31 December 2016-2015

31 December 2016	< 3 months	4 to 12 months	Between 1 and 3 yrs.	Between 3 and 5 yrs.	> 5 yr.	Without maturity	Total
Borrowings	-260		0				-260
Loan liabilities	-2,315	-200				-292	-2,806
Derivatives	-7						-7
Accounts payable and other liabilities	-259						-259
Total outflows *	**-2,841**	**-200**	**0**	**0**	**0**	**-292**	**-3,333**
Accounts receivable and other receivables	289	3					292
Loan receivables	552	25	219	517	4	15	1,332
Derivatives	11						11
Financial assets at fair value through profit or loss **	5	15	80	90	63		252
Total inflows *	**856**	**43**	**299**	**607**	**67**	**15**	**1,887**
Net cash flow, total	**-1,985**	**-157**	**298**	**607**	**67**	**-277**	**-1,446**

31 December 2015	< 3 months	4 to 12 months	Between 1 and 3 yrs.	Between 3 and 5 yrs.	> 5 yr.	Without maturity	Total
Borrowings	-50		0				-50
Loan liabilities	-2,565	-12	-200				-2,776
Derivatives	-4						-4
Accounts payable and other liabilities	-192						-192
Total outflows *	**-2,811**	**-12**	**-200**	**0**	**0**	**0**	**-3,023**
Accounts receivable and other receivables	292	4					296
Loan receivables	395	148	175	59		13	790
Derivatives	4						4
Financial assets at fair value through profit or loss **	50	16	36	125	54		281
Total inflows *	**741**	**168**	**212**	**184**	**54**	**13**	**1,371**
Net cash flow, total	**-2,070**	**155**	**12**	**184**	**54**	**13**	**-1,651**

Net cash flows reported above totalled SEK -1,446 M (-1,651) at the end of 2016, to be compared to consolidated cash and cash equivalents of SEK 2,750 M (2,854) on the same date.

* Discounted contracted cash flows. For outflows, estimated interest payments are approximately SEK 9 M in 2017. For inflows, estimated interest income including interest on loan portfolios is approximately SEK 53 M in 2017.
** The majority is EETI's loan portfolios, more information in Note 23.

The Group's borrowing and financing are managed by the Parent Company and holding companies in the Group. The Parent Company's management and accounting department carefully monitor rolling forecasts of the Group's and subsidiaries' liquidity reserves to ensure that the Group and subsidiaries have sufficient cash funds to meet needs in operating activities.

Catella Bank continuously monitors its liquidity in accordance with the rules governing the Bank's operations and continuously monitors compliance with internal and external regulatory or legal standards. For a description of the Group's loan liabilities, see Note 30. For the unutilized portion of granted bank overdraft facilities, see Note 28.

In combination with Catella's cash flows, the funding sources outlined above provide short and long-term liquidity and ensure flexibility in the Group's funding of its operations.

Market risk

Market risk is the risk of loss or reducing future income due to fluctuations in interest rates, exchange rates and share prices, including price risk relating to the sale of assets or closure of positions. Except in treasury management, all trading in financial instruments in the Group is client based and not conducted for proprietary trading or speculative purposes.

Market price risk in Treasury Management

The Group's investments in loan portfolios are primarily exposed to market price risk through changes in the value of these investments and through interest rate fluctuations that reduce potential interest income. The investments in loan portfolios accrue variable interest or have underlying assets with variable interest and are measured according to a market-based credit spread based on a reference rate such as EURIBOR. An increased credit spread could directly affect Catella through its impact on unrealised gains or losses on portfolio investments, and therefore also Catella's ability to make a profit on investments, or indirectly by affecting Catella's potential to borrow and access capital. In accordance with the accounting policies in Note 2, investments in the loan portfolios are measured at fair value through profit or loss. Note 23, financial assets measured at fair value through profit or loss, presents each individual loan portfolio and the weighted average expected variable interest rate on each investment.

The risks described above could result in either higher or lower income for Catella. The way that changes in discount rates and changes in anticipated cash flows would affect profit before tax, measured as the change in fair value of Catella's loan portfolios, is described in the sensitivity analyses in Note 23.

Market price risk in Asset Management and Banking

Consistent with the above, trading in financial instruments is exclusively client based, which is why the market price risk is regarded as limited. Catella Bank is indirectly exposed to market price risk on the value of security submitted for client loans and other commitments.

Interest rate risk

Interest rate risk is the risk that the Group's net profit could be impacted by changes in general interest rate levels. The Group has mainly raised loan financing in SEK at variable interest for its own operational financing. Detailed information on these liabilities is provided in Note 30. The Parent Company analyses and continuously monitors its exposure to interest rate risk.

Interest rate risk is a particular focus within Catella Bank. However, the Bank's interest rate risk exposure is limited because there are usually matching fixed income investments subject to similar terms as interest commitments, alternatively with an interest margin favouring Catella Bank. Catella Bank continuously analyses and monitors its exposure to interest rate risk.

Information on the Group's net debt profile and a sensitivity analysis are presented below, with information on fixed interest periods. As of 31 December 2016, the Group had a net cash position of SEK 1,271 M (1,098), The Group's net cash position excluding Catella Bank—the rest of the Group does not have access to Catella Bank's cash and cash equivalents—was SEK 753 (913) as of the reporting date. The Group's interest coverage ratio excluding Catella Bank, a measure of the ability to pay interest expenses, was 25.8 (26.3) as of 31 December 2016.

The Group's interest-bearing liabilities and assets by currency

	2016	2015
Amount, SEK M	**31 Dec**	**31 Dec**
EUR liabilities	-977	-664
USD liabilities	-544	-544
SEK liabilities	-1,273	-1,362
GBP liabilities	-142	-159
CHF liabilities	-69	-52
NOK liabilities	-14	-8
DKK liabilities	-15	-4
Liabilities in other currencies	-41	-38
Total interest-bearing liabilities	**-3,074**	**-2,831**
Term (days)	10	34
Average interest expense for the year,%	0.5	0.5
Interest +0.5%	1.0	1.0
Net effect on profit or loss of 0.5% increase, SEK M	-15	-14
Interest -0.5%	0.0	0.0
Net effect on profit or loss of 0.5% decrease, SEK M	15	14

	2016	2015
Amount, SEK M	**31 Dec**	**31 Dec**
EUR assets	1,936	1,372
USD assets	550	529
SEK assets	1,484	1,666
GBP assets	200	246
CHF assets	69	30
NOK assets	22	20
DKK assets	42	25
Assets in other currencies	43	40
Total interest-bearing assets	**4,345**	**3,929**
Term (days)	47	16
Average interest income for the year,%	1.4	1.4
Interest +0.5%	1.9	1.9
Net effect on profit or loss of 0.5% increase, SEK M	22	20
Interest -0.5%	0.9	0.9
Net effect on profit or loss of 0.5% decrease, SEK M	-22	-20

Exchange rate risk

The Group is active internationally and is subject to exchange rate risks that arise from various currency exposures. Exchange rate risk arises through business transactions, recognised assets and liabilities and net investments in foreign operations.

Subsidiaries' operations are predominantly conducted in the country in which they are located, and accordingly, transactions are executed in the same currency as the subsidiary's reporting currency. Accordingly, transaction exposure is limited, as described in more detail below.

Catella Bank conducts card operations, in which holders of debit and credit cards execute transactions in different currencies that are settled in the Bank's clearing system. This settlement is daily in foreign currencies. To reduce currency risk in currencies other than Catella Bank's functional currency (EUR) the accumulated positions are sold daily.

Financing of foreign assets—translation risk

Translation risk is the risk that the value in SEK relating to equity in foreign currencies could fluctuate due to exchange rate fluctuations. The Group's net exposure in foreign currency amounted to SEK 923 M (901) as of 31 December 2016. This net exposure consists of capital financed by deposits and equity. This means that, from a Group perspective, Catella has equity in foreign currencies that is exposed to exchange rate fluctuations. This exposure leads to a translation risk and thereby to a situation in which unfavourable exchange rate fluctuations could negatively impact the Group's foreign net assets upon translation to SEK. Catella does not hedge such foreign net investment in subsidiaries.

The following tables show the breakdown of the Group's capital employed by currency and its funding. They also include a sensitivity analysis of net liquidity/net debt and capital employed resulting from exchange rate fluctuations of +/-10% for the SEK. Changes to net liquidity/net debt and in capital employed resulting from exchange rate fluctuations are reported in other comprehensive income, and consequently do not affect profit for the year. In 2016, the translation difference amounted to SEK 36 M (33) of other comprehensive income. Given a change in foreign exchange rates as of year-end of +/–10%, the translation difference would increase/decrease by SEK 92 M (90).

Capital employed and financing by currency, 2016–2015

31 December 2016	EUR	USD	GBP	CHF	NOK	DKK	Other currencies	Total foreign currencies	SEK	Total, group	Total, group +10%	Total, group –10%
Capital employed	-149	46	1	0	4	-4	0	-102	561	459	449	469
Net liquidity (+)/Net debt (–)	959	6	58	0	8	27	2	1,060	211	1,271	1,377	1,165
Non-controlling interests	-16			0	-10	-9		-34	-132	-167	-170	-163
Net exposure	**795**	**52**	**59**	**0**	**2**	**14**	**2**	**923**	**639**	**1,563**	**1,655**	**1,471**
Net debt/equity ratio	-1.2	-0.1	-1.0	-0.2	-0.7	-1.2	-1.0	-1.1	-0.3	-0.7	-0.8	-0.7

31 December 2015	EUR	USD	GBP	CHF	NOK	DKK	Other currencies	Total foreign currencies	SEK	Total, group	Total, group +10%	Total, group –10%
Capital employed	134	0	2	0	-8	2	0	130	209	338	351	326
Net liquidity (+)/Net debt (–)	708	-15	87	-22	12	20	2	793	305	1,098	1,177	1,019
Non-controlling interests	-13			0		-9		-22	-95	-117	-120	-115
Net exposure	**829**	**-15**	**89**	**-22**	**4**	**14**	**2**	**901**	**418**	**1,319**	**1,409**	**1,229**
Net debt/equity ratio	-0.8	0.0	-1.0	-1.0	-3.3	-0.9	-1.0	-0.9	-0.6	-0.8	-0.8	-0.8

Transaction risk

Transaction risk is the risk of an impact on the consolidated net profit due to the value of the commercial flows in foreign currencies changing because of exchange rate fluctuations. Because the Group's operating activities are largely conducted in foreign subsidiaries whose functional currency is EUR or another foreign currency, exchange rate fluctuations between these currencies and SEK affect consolidated profit or loss.

The majority of the revenues of the subsidiary IPM are denominated in foreign currency, mainly USD and EUR, while the majority of expenses are in SEK. Currency risk arises when invoices in foreign currency are raised against clients. Because their maturity is short, the risk of substantial fluctuations in exchange rates is low. IPM utilizes currency forward contracts to limit its currency exposure.

On the reporting date, other subsidiaries of Catella had no substantial liabilities or assets in foreign currencies that resulted in net exposure in a currency other than the companies' functional currencies except relating to certain intragroup transactions.

Credit risk

Credit risk is the risk of losses due to a borrower not being able to fulfil its obligations to Catella. Credit risk relates to all receivables and potential receivables from companies, financial companies, public administration and private individuals.

Credit risk—accounts receivable and loan receivables

The risk of bad debt is generally low in the Group, due to several different factors. Counterparties are predominantly well-known mid-size and large clients, where there is an established, long-term relationship. This results in stable incoming payment flows. Credit checks are conducted on new clients. The sale and the transactions generated by the client portfolio are also diversified in several ways, the most important being that no or few clients constitute a significant part of total sales or lending. Accordingly, a default by an individual client would have a minor effect overall. Counterparties and loan receivables are approved in accordance with the authorisation order in place in the Group, specified further for Asset Management and Banking below. Furthermore, Catella renders services for geographically diversified clients in a large number of sectors including the public sector, financial sector and real estate companies. Accordingly, exposure to an economic downturn in a single sector or region is relatively limited. Overall, this implies stable payment flows from sales and lending generated, as confirmed by the low level of client losses and bad debt, which were 0.54% (0.29) of Group net sales in 2016.

Credit risk—Asset Management and Banking

Credit risk is Catella Bank's greatest risk exposure. Credit risk is the risk exposure to lending and overdrafts offered to clients, credit card receivables, card payment services and other commitments to Catella Bank's counterparties.

- Loans and overdraft facilities are structured as secured loans, secured against collateral in cash and cash equivalents, listed securities and/or guarantees. The bank's credit policy governs credit decisions and the terms and governance applying to the management process. All loans are subject to approval by the bank's Credit Committee, which consists of members of the bank's management. Larger loans or loans subject to special terms should be approved by the Board of Directors' Credit Committee. Group Management is represented on Catella Bank's Board of Directors, which accordingly, actively participates in making these decisions. At all times, credits must be secured against adequate security and the market value of assets pledged, which is monitored on an ongoing basis.
- Credit card receivables arise when the bank issues credit cards to customers of banking institutions located within and outside Luxembourg. Catella Bank is party to agreements with several international banks where Catella Bank offers credit card services to these institutions' major private high net worth clients. Credit risk can arise in relation to these receivables, but is covered by guarantees and undertakings from the banking institutions using the card services and the cardholders themselves.
- Card payment services relate to the bank's card acquiring operations. In the card acquiring operations, international retailers can use Catella Bank for clearing through the VISA/MasterCard payment platform, often through Payment Service Providers (PSP), who intermediate payment services for e-commerce operators. In this process, the bank handles the payment flow between card issuing banks, cardholders and retailers. Coincident with insolvencies, bad debts can arise in the card acquiring operations if the card acquiring retailer fails to fulfil its undertaking to deliver goods or services for which payment has been received. To reduce credit risk for card acquiring customers, Catella Bank retains a portion of the turnover in the card system as security from these businesses, or obtains a guarantee from the PSP relating to the clients' outstanding payment obligations. For more information on frozen funds, see Note 33.
- In order to secure payment transfers, manage liquidity positions and conduct securities trading, Catella Bank has investments with a number of financial counterparties. These credit institutions and banks have high credit ratings with

nominal limits determined by the bank's Board of Directors, within the confines of the applicable regulatory framework.
- The Bank provides mortgages against commercial properties. The loan-to-value ratio is conservative and the bank focuses on Catella's main markets in the Nordic countries.

Catella Bank branch office issues credit against collateral coincident with its clients' purchases of equities and fund units. The credit risk associated with lending against collateral in equities and fund units is regarded as very limited because Catella Bank branch office applies prudent leveraging rules. The branch complies with the Swedish Bankers' Association's and the Swedish Securities Dealers' Association's recommendations as guidance for setting loan to value ratios for securities. The CEO has the overall responsibility for Catella Bank branch office's credit exposure. The branch office's lending is characterised by high demands on ethics, quality and control. An overall principle is that all Catella Bank branch office's credit decisions are usually reached by a minimum of two individuals. Credit risk represents Catella Bank branch office's most significant risk exposure. Despite this, no credit losses have been reported by the branch office in 2016.

Credit risk—Treasury Management

The Group's investments in loan portfolios primarily consist of holdings in, and/or financial exposure to, securities that are subordinated from a payment perspective and are ranked below securities that are backed by, or represent ownership of, the same asset class. In the event of default by an issuer of such investments, holders of more senior securities from the issuer are entitled to payment before Catella. Some of the investments also have structural elements, which means that payment of interest and/or principal goes to more senior securities that are backed by, or represent ownership of, the same class of asset in the event of default or when the loss exceeds predetermined levels. This could lead to interruptions in Catella's expected revenue flow from its investment portfolio. Although holders of asset-backed securities normally have the advantage of high collateral levels, control over the timing and method of the sale of such collateral in the event of default is normally transferred to holders of the most senior securities. There are no guarantees that the income from the sale of collateral will be sufficient to fully repay Catella's investments.

Catella endeavours to reduce credit risk by actively monitoring its investment portfolio and the underlying credit quality of its holdings. Catella endeavours to further minimise credit risk by creating a diversified portfolio in terms of geographical allocation, administrators and issuers. Catella does not intend to undertake any credit hedging other than hedging of credit exposure in specific investments in individual cases. In 2016, no credit hedging was conducted.

Advance payment risk is the risk that individual debtors will pay off mortgages used as collateral for loan portfolios before their scheduled maturities. In its valuations, Catella takes into account an expected advance payment rate on the loans used as collateral for its investments, but it is possible that Catella's investments and the assets used as collateral for them will be repaid earlier than expected, and thereby affect the value of Catella's portfolio. Catella's investment advisors review advance payment assumptions quarterly and update them as required. The assumptions are reviewed by examining the information about the performance of underlying loans. The advance payment rate is affected by changes in interest rates and a number of financial, geographical and other factors that lie outside Catella's control, and consequently, cannot be predicted with certainty. The level and timing of the debtors' advance payment of mortgages used as collateral for certain investments could adversely affect the income earned by Catella on these investments.

Default risk is the risk that individual debtors will be unable to pay the required interest and principal at maturity. In its valuations, Catella takes into account an expected rate of default and an expected level of loss, but Catella's investments could incur larger losses if the payments in default are higher than expected. The risk of default is handled by Catella's investment advisor, who regularly analyses holdings. Every quarter, the investment advisor reviews the various assumptions and updates them as required. The assumptions are reviewed by examining the information about the performance of the underlying loans. The degree of default risk is affected by changes in interest rates and a number of financial, geographical and other factors that lie outside Catella's control, and consequently, cannot be predicted with certainty. The level and timing of a debtor's default of mortgages used as collateral for certain investments could adversely affect the revenue accrued by Catella on these investments.

Credit rating of financial assets

The following table states the credit ratings of the financial assets of the Group

Credit ratings of financial assets

31 December 2016	Accounts receivable	Loan receivables	Derivatives	Assets available for sale	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA	0				28	445	473
AA+	0		8		10	315	332
AA	1					112	112
AA-	0					514	514
A+	0		3	45		408	456
A	50					288	339
A-	1				10	30	41
BBB+	7					198	205
BBB	1						1
BBB-	0					12	12
BB+						6	6
BB	0				0		1
B+							0
	61	**0**	**11**	**45**	**48**	**2,327**	**2,492**
Counterparties without external credit ratings							
Company	156	1,011		0	12	28	1,207
Funds	29				102		131
Financial companies	1					395	396
Public administration	9						9
Private individuals	12	573					585
	207	**1,584**	**0**	**0**	**114**	**423**	**2,329**
Total	**268**	**1,584**	**11**	**45**	**163**	**2,750**	**4,821**

31 December 2015	Accounts receivable	Loan receivables	Derivatives	Assets available for sale	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA	0		1		18	338	356
AA+	1				10	223	234
AA	5					254	259
AA-	0					378	378
A+	7					531	539
A	19				10	282	312
A-	52				10	164	225
BBB+	3					0	3
BBB	3						3
BBB-	1					26	28
BB+						0	0
BB-	0				45		46
B+	1						1
	93	**0**	**1**	**0**	**94**	**2,196**	**2,384**
Counterparties without external credit ratings							
Company	132	591	3	0	236		962
Funds	17				58		75
Financial companies	4	0				657	661
Public administration	1						1
Private individuals	10	199	1				210
	163	**790**	**3**	**0**	**294**	**657**	**1,908**
Total	**256**	**790**	**4**	**0**	**388**	**2,854**	**4,292**

* Standard & Poor's long-term credit rating has been used.

Geographical concentration of credit risks

The following table states the geographical concentration of credit risks.

Geographical concentration of credit risks in financial assets

	Financial assets		Pledged assets, contingent liabilities and commitments	
	2016	2015	2016	2015
Sweden	1,786	1,518	158	428
Luxembourg	1,498	1,665	977	909
France	252	175	75	63
Germany	175	225	118	58
Portugal	131	117	3	5
Switzerland	126	76	480	511
Spain	124	74	9	8
Monaco	123	85	542	368
Other countries	605	357	541	371
Total	**4,821**	**4,292**	**2,904**	**2,722**

Capital risk and capital management and related risk

The objective of the Group's capital structure is to provide a healthy return to shareholders by maintaining an optimal capital structure aiming to achieve the lowest possible cost of capital, and in subsidiaries, achieving the requirement of financial stability placed on subsidiaries is also appropriate. The Group's capitalisation must be risk based and proceed from a judgement of the overall risk level of operations. It should also be forward looking and consistent with long and short-term business plans and expected macroeconomic growth. The capital is assessed with relevant key ratios, such as the ratio between net cash and equity. As of 31 December 2016, the Group excluding Catella Bank, whose cash and cash equivalents are not available to the Group, had a net cash position. As of 31 December 2016, net cash in relation to Group equity was 0.4 (0.6).

Part of the Group's operations conduct licensable operations, regulated by the financial supervisory authorities of the relevant countries of fiscal domicile. Existing regulations and the rapid development of the regulatory framework are generally complex, and particularly for Catella's banking operations. These regulations set stringent, and in the future, still more stringent standards on licensable operations, as well as on liquidity and capital reserves. Compliance with these regulatory structures is a pre-requisite for licensable operations. Catella works continuously to ensure compliance with current regulatory structures, and prepares for compliance with forthcoming regulatory changes. In the event that subsidiaries were to become unable to satisfy such regulatory stipulations, this may have adverse consequences for Group profit and the value of the Group's assets. For Catella's consolidated financial situation, the tier 1 capital ratio and the total capital ratio was 16.3% as of 31 December 2016 (18.5%). According to the statutory requirements, these may not be below 6 or 8% respectively. Subsidiaries subject to capital adequacy requirements from supervisory authorities satisfied such requirements in the year and as of 31 December 2016.

Fair value hierarchy for the measurement of financial assets and liabilities

The following table presents financial instruments measured at fair value based on how the classification in the fair value hierarchy has been conducted. The various levels are defined as follows:

Listed (unadjusted) market prices

The fair value of financial instruments traded on an active market is based on listed market prices on the reporting date. A market is considered to be active if listed prices from a stock exchange, broker, industrial Group, pricing service or supervisory authority are readily and regularly available and these prices represent actual and regularly occurring market transactions at arm's length. The listed market price used for the Group's financial assets is the actual bid rate. This category includes short-term investments in listed equities and bonds.

Valuation techniques that use observable market data

The fair value of financial instruments not traded on an active market (such as OTC derivatives or certain funds) is measured using valuation techniques. Here, market information is used as much as possible when available, while company-specific information is used as little as possible. If all significant input data required for the fair value measurement of an instrument is observable, the instrument is listed in the column of valuation techniques that use observable market data in the following table. The investments presented in the following table in the column for valuation techniques that use observable market data are mainly derivative instruments, fund holdings and Catella Bank's holding in preference shares in Visa Inc.

Valuation techniques that use non-observable market data

If one or more significant input data is not based on observable market information, the instrument concerned is classified in this category. Specific valuation techniques used to measure financial instruments are the calculation of discounted cash flows to measure fair value of the remaining financial instruments. The financial instruments classified in this category are the value of Catella's investments in securitised loan portfolios. They are measured at fair value, which was measured based on forecast discounted cash flows, see also Note 23. This category also includes units in the Nordic Light Fund, where the assets also comprise securitized loan portfolios, for further information see Note 23, and unlisted equity holdings.

A sensitivity analysis of changes to significant parameters for measuring loan portfolios (financial assets measured at fair value in profit or loss) is provided above in the section regarding Market price risk in treasury management.

Financial instruments by category

The Consolidated Statement of Financial Position presents how financial instruments are allocated by category, with no further disclosure on categories in the Notes.

The Group's assets and liabilities at fair value as of 31 December 2016

31 December 2016	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
Assets				
Derivatives		11		11
Financial assets available for sale		45		45
Financial assets at fair value through profit or loss	57	87	270	414
Total assets	**57**	**143**	**270**	**470**
Derivatives		7		7
Total liabilities	**0**	**7**	**0**	**7**

The Group's assets and liabilities at fair value as of 31 December 2015

31 December 2015	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
Assets				
Derivatives		4		4
Financial assets available for sale		0		0
Financial assets at fair value through profit or loss	48	21	320	388
Total assets	**48**	**25**	**320**	**392**
Derivatives		4		4
Total liabilities	**0**	**4**	**0**	**4**

Changes in instruments in the category of valuation techniques using non-observable market data in 2016 and 2015:

	2016	2015
	Assets at fair value through profit or loss	Assets at fair value through profit or loss
As of 1 January	320	323
Investments	4	8
Disposals	-26	-47
Amortisation	-61	-10
Gains and losses recognised through profit or loss	9	43
Capitalised interest income	12	14
Exchange rate differences	13	-12
As of 31 December	**270**	**320**

NOTE 4 CRITICAL ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and based on historical experience and other factors, including expectations of future events that are considered reasonable in prevailing circumstances.

Critical estimates and assumptions for accounting purposes

The Group makes estimates and assumptions of the future. By definition, the resulting estimates for accounting purposes will rarely match real outcomes. Estimates and assumptions that entail a significant risk of restatement of carrying amounts of assets and liabilities during the next financial year are addressed below.

Impairment tests of intangible assets with indefinite useful lives

The Group has goodwill of SEK 292 M (282) and trademarks and brands of SEK 50 M (50) which, in accordance with the accounting policy described in Note 2, are subject to impairment tests annually, in the fourth quarter. A judgement of recoverable amount is conducted based on measurements and estimates. The test conducted in 2016 showed no evidence of impairment of book values. See also Note 18.

Measurement of accounts receivable, loan receivables, reserves for losses on bad debt and loan receivable losses and other commitments to counterparties

Accounts receivable and loan receivables total SEK 1,601 M (1,046) and thus jointly constitute a significant item in the Statement of Financial Position. Accounts receivable and loan receivables are recognised at net amortised cost after provisions for losses on accounts receivable. Provisions for accounts receivable losses of SEK -8 M (-32) and loan receivable losses of SEK -14 M (-23) are subject to critical estimates and judgements. There is more information on credit risk in accounts receivable and loan receivables in Notes 3, 24 and 25. In addition, there are undertakings for unutilised, granted loan credits of SEK 2,366 M (2,015) that are described in Note 35 and credit risk for card acquisition customers and counterparty risk in card and payment systems. If the assumptions, which are based on historical statistics and individual judgements, were to differ from final outcomes, the provisions for these risks could prove insufficient and additional costs could thus arise in upcoming periods.

Measurement of securitised loan portfolios

At 31 December 2016, the value of Catella's loan portfolios was SEK 252 M (281). The measurement of the loan portfolios is based on a large number of parameters, including estimated future cash flows, as described in Note 3, Financial risk management. Since the market for these loan portfolios, subordinated securities with collateral in assets, is currently illiquid, many, although not all, of Catella's investments are illiquid. As a result, the valuation model includes a number of parameters that are non-observable market data, which leads to significant uncertainty. Changes in judgements underlying the chosen parameters could result in a change in the fair value of Catella's loan portfolio in the Consolidated Statement of Financial Position and such a change could be material. It is not possible to quantify the likelihood of whether the assumptions could be erroneous and thereby lead to erroneous valuation of the portfolio. For further information and a sensitivity analysis, refer to Notes 3 and 23.

Measurement of Nordic Light Fund

Nordic Light Fund is a fund product managed by Catella Bank which contains securitised loan portfolios. As of 31 December 2016, the value of Catella's units in Nordic Light Fund totalled SEK 14 M (38). The valuation of the loan portfolio is based on a large number of parameters including estimated future cash flows for the loan portfolios in line with the description above of securitised loan portfolios. Changes in the assessment underlying the chosen parameters could result in a change of the fair value of the fund units.

Measurement of preference shares in Visa Inc.

Catella received class C preference shares in Visa Inc. in connection with Visa Inc.'s acquisition of Visa Europe in June 2016. The conversion of preference shares to class A shares will take place when the legal disputes underway against Visa Europe have been resolved. The conversion rate is dependent on the outcome of these disputes. Although measurement of the preference shares takes these legal disputes into consideration, the measurement may be negatively or positively affected by the final outcome.

Measurement of identifiable assets and liabilities coincident with acquisition of subsidiaries/operations

The measurement of identifiable assets and liabilities coincident with the acquisition of subsidiaries or operations includes, as a part of the allocation of the purchase consideration, both items in the acquired company's Balance sheet and items not subject to recognition in the acquired company's Balance sheet, such as customer relations and software will be measured at fair value. Normally, no listed prices exist for the assets and liabilities to be measured, whereby various valuation techniques must be applied. These valuation techniques are based on several different assumptions. Other items that could be difficult to identify and measure are contingent liabilities that may have arisen in the acquired company, such as disputes. All balance sheet items are thereby subject to estimates and judgements. For further information regarding acquisitions, see Note 37.

Recognition of income tax, value added tax and other tax rules

The recognition of income tax, value added tax and other taxes is based on current rules in the countries in which the Group conducts operations. Due to the overall complexity of all rules governing taxes and the reporting of taxes, application and recognition are based on interpretation, as well as estimates and judgements of potential outcomes. Deferred tax is computed on temporary differences between recognised and tax values of assets and liabilities. Two types of assumptions and estimates mainly affect the reported deferred tax. Firstly, there are assumptions and estimates to establish the carrying amount of various assets and liabilities, and secondly judgements as to whether there will be a future taxable profit so that the temporary differences will be realisable. At year-end, SEK 67 M (86) was recognised as deferred tax assets based on a judgement of the Group's future utilisation of loss carry-forwards. The Group's overall loss carry-forwards amount to approximately SEK 645 M (700), which essentially, are attributable to operations in Sweden and have unlimited life. Critical estimates and assumptions were also made in terms of the recognition of provisions and contingent liabilities related to tax risks. For more information on taxes, see Note 15.

Effects on the Group's financial position from ongoing disputes and the measurement of contingent liabilities

Reporting of disputes and measurement of contingent liabilities are based on judgements. If these judgements were to differ from actual outcomes, this could have a material impact on Catella's accounts. For more information, see Note 34.

NOTE 5 INFORMATION PER SEGMENT

Disclosures by operating segment

Catella conducts operations in a number of countries where local managers are responsible for each local operation. There are three business areas in the Asset Management and Banking operating segment. Business area managers monitor operations in these business areas, and provide support for each operation. Business area managers report to the Head of the Asset Management and Banking operating segment (currently the CEO) and the Heads of the Nordic and Continental European markets in the Corporate Finance operating segment report to the Head of Corporate Finance (currently the CEO).

Operating segments report in a manner consistent with Catella's internal reporting to the CEO, identified as the chief operating decision maker of Catella. Catella's chief operating decision maker evaluates the Group's operations based on these operating segments and reporting segments: Corporate Finance and Asset Management and Banking. Catella's chief operating decision maker mainly uses adjusted earnings before interest, taxes, depreciation and amortisation to evaluate the operating segments' results of operations. The chief operating decision maker also receives monthly information on each segment's revenues and expenses and information on transaction volumes and volumes under management. There is more detail on this in Note 2.

The Parent Company, other holding companies and treasury management are recognised in the "Other" category. Acquisition and financing costs and Catella's trademark are also recognised in this category. Transactions between the operating segments are limited and relate mainly to financial transactions and certain re-invoicing of expenses. Limited transactions for rendering services to external customers occur. Any transactions are conducted on an arm's length basis.

The operations of the Group's reportable segments are as follows:

Corporate Finance

This operating segment has one business area with two main geographical markets, the Nordic countries and Continental Europe. Within Corporate Finance, Catella offers transaction advisory services on sales and acquisitions to domestic and international investors in Europe, focusing on complex transactions. Catella also provides market analysis and strategic advice, as well as advisory services on financing for companies in the property sector.

Asset Management and Banking

This operating segment is divided into three business areas. Catella provides equity, hedge and fixed income funds through the Equity, Hedge and Fixed Income Funds business area. With its broad offering, Catella is able to address the investment needs of private and institutional investors from various risk aspects, market conditions and management methodologies. Through the Banking business area, Catella also offers contemporary investment advice and asset management, as well as niche card and payment solutions for private banks and e-commerce companies, as well as serving as a card issuer and card acquirer. Through the Property Investment Management business area, Catella provides property funds mainly for institutional owners. Catella also offers asset management in the property sector, mainly for international investors and funds, as well as services in property-related development projects.

Information on each segment's revenues, expenses, assets, liabilities and cash flows is provided below.

Income Statement by operating segment

	Corporate Finance		Asset Management and Banking		Other		Eliminations		Group	
SEK M	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	575	623	1,461	1,245	11	8	-40	-23	2,007	1,853
Other operating income	11	6	11	7	0	0	-2	-1	20	13
	586	**630**	**1,472**	**1,253**	**12**	**8**	**-42**	**-24**	**2,027**	**1,866**
Direct assigment costs and commission	-64	-37	-374	-317	-	-	21	7	-417	-347
Other external expenses	-129	-138	-289	-245	-36	-21	14	13	-441	-392
Personnel costs	-322	-383	-532	-447	-30	-20	6	4	-878	-846
Depreciation and amortisation	-4	-4	-9	-8	0	0	-	-	-14	-13
Other operating expenses	-7	-1	-9	-8	0	0	2	1	-14	-8
Operating profit/loss before acquisition-related items	**58**	**66**	**259**	**228**	**-55**	**-33**	**0**	**0**	**263**	**261**
Amortisation of acquisition-related intangible assets	-	-	-4	-7	-	-	-	-	-4	-7
Operating profit/loss	**58**	**66**	**255**	**221**	**-55**	**-33**	**0**	**0**	**258**	**254**
Interest income	1	1	0	0	22	26	0	-1	24	26
Interest expenses	0	-2	-1	0	-10	-10	0	1	-11	-12
Other financial income	2	6	235	3	24	32			260	41
Other financial expenses	-1	-2	-19	0	-13	-1			-34	-3
Financial items—net	2	4	215	3	22	46	0	0	239	53
Profit/loss before tax	**60**	**70**	**469**	**223**	**-32**	**13**	**0**	**0**	**497**	**306**
Tax	-10	-24	-132	-51	1	41			-141	-34
Net profit for the year	**50**	**46**	**337**	**172**	**-31**	**54**	**0**	**0**	**357**	**272**

Financial position by operating segment

SEK M	Corporate Finance 2016	Corporate Finance 2015	Asset Management and Banking 2016	Asset Management and Banking 2015	Other 2016	Other 2015	Eliminations 2016	Eliminations 2015	Group 2016	Group 2015
Assets										
Non-current assets										
Intangible assets	62	61	300	252	50	50			412	363
Tangible assets	11	12	14	11	1	0			26	24
Investments in group companies	0	0	0	0	813	770	-813	-770	0	0
Investments in associated companies			51	1	1	26			51	27
Financial assets available for sale			45	0					45	0
Financial assets at fair value through profit or loss	0	0	91	29	246	245			337	274
Long-term loan receivables			756	248					756	248
Deferred tax assets	1	1	28	39	68	76		-8	97	108
Non-current receivables from group companies			0	0			0	0		
Other non-current receivables	5	5	15	0	0	0			19	5
	79	**79**	**1,300**	**580**	**1,178**	**1,167**	**-813**	**-778**	**1,744**	**1,048**
Current assets										
Accounts receivable	125	110	144	146					268	256
Receivables from group companies	7	28	2	2	51	135	-61	-165	0	0
Current loan receivables			577	542					577	542
Tax assets	12	4	4	1	0	0			16	6
Other receivables	6	10	13	24	8	9			27	42
Prepaid expenses and accrued income	12	28	164	112	6	5			182	145
Derivatives			11	4					11	4
Financial assets at fair value through profit or loss			48	48	29	66			77	114
Cash and cash equivalents	237	220	2,408	2,513	105	120			2,750	2,854
	399	**400**	**3,370**	**3,392**	**199**	**336**	**-61**	**-165**	**3,907**	**3,963**
Total assets	**478**	**480**	**4,670**	**3,973**	**1,377**	**1,502**	**-874**	**-944**	**5,651**	**5,011**
EQUITY AND LIABILITIES										
Equity attributable to shareholders of the Parent Company	254	213	859	620	1,263	1,256	-813	-770	1,563	1,319
Non-controlling interests	27	43	139	75	0	0			167	117
Total equity	**281**	**256**	**998**	**695**	**1,263**	**1,256**	**-813**	**-770**	**1,730**	**1,436**
Liabilities										
Non-current liabilities										
Borrowings	0	0							0	0
Long-term loan liabilities						200			0	200
Non-current liabilities to group companies	0	0					0	0	0	0
Deferred tax liabilities		8	23	10	11	11		-8	34	21
Other provisions	1	1	3	2		25			3	28
	1	**9**	**25**	**12**	**11**	**236**	**0**	**-8**	**37**	**248**
Current liabilities										
Borrowings			260	50					260	50
Current liabilities	0	0	2,606	2,577	200				2,806	2,577
Derivatives			7	4					7	4
Accounts payable	30	27	170	122	7	3			207	153
Liabilities to group companies	3	10	198	182	-140	-28	-61	-164	0	0
Current tax liabilities	20	23	51	33	8	9			79	65
Other liabilities	29	21	21	11	5	11		-2	54	41
Accrued expenses and deferred income	114	134	332	287	24	16			469	436
	196	**215**	**3,646**	**3,266**	**103**	**11**	**-61**	**-165**	**3,884**	**3,326**
Total liabilities	**197**	**224**	**3,672**	**3,278**	**114**	**247**	**-61**	**-174**	**3,921**	**3,575**
Total equity and liabilities	**478**	**480**	**4,670**	**3,973**	**1,377**	**1,502**	**-874**	**-944**	**5,651**	**5,011**

Cash flow by operating segment

SEK M	Corporate Finance 2016	Corporate Finance 2015	Asset Management and Banking 2016	Asset Management and Banking 2015	Other 2016	Other 2015	Group 2016	Group 2015
Profit/loss before tax	60	70	469	223	-32	13	497	306
Other financial items	-1	-5	-216	-2	-10	-31	-227	-38
Depreciation and amortisation	4	4	13	16	0	0	18	20
Other items not affecting cash flow	31	35	12	7	-22	-25	21	17
Paid income tax	-34	-41	-90	-15	-1	-2	-126	-58
Change in operating capital employed	-35	19	-395	149	109	135	-321	302
Cash flow from operating activities	**26**	**82**	**-206**	**377**	**43**	**90**	**-137**	**549**
Cash flow from tangible and intangible non-current assets	-2	-5	-49	-19	0	0	-52	-24
Acquisition of subsidiaries, net of cash and cash equivalents	0	-	-14	0	-43	-2	-57	-1
Cash flow from other financial assets	13	-7	96	-48	55	18	164	-38
Cash flow from investing activities	**11**	**1**	**33**	**-67**	**11**	**16**	**55**	**-50**
Net borrowings, amortisation of loans	0	0	-	-	-	-	0	0
Re-purchase of share warrants, new share issue, dividends, contributions from, and payments to, non-controlling interests	-26	-19	-30	-22	-70	-47	-126	-88
Cash flow from financing activities	**-26**	**-19**	**-30**	**-22**	**-70**	**-47**	**-126**	**-88**
Cash flow for the year	**11**	**65**	**-203**	**288**	**-16**	**58**	**-208**	**411**

Disclosures by geographical market

SEK M	Total sales to external customers * 2016	Total sales to external customers * 2015	Total assets 2016	Total assets 2015	Non-current assets ** 2016	Non-current assets ** 2015
Sweden	981	912	2,202	1,943	838	508
Luxembourg	79	78	1,534	1,652	88	35
Germany	272	231	309	238	127	47
France	244	270	269	190	64	23
Other countries	432	363	769	488	146	53
Non-current assets not specified by country **	–	–	567	500	479	382
Total	**2,007**	**1,853**	**5,651**	**5,011**	**1,744**	**1,048**

* Based on the location of sales outlets and essentially corresponding to customers' geographical location.

** Financial instruments and deferred tax assets are not specified by country. Instead, these items are recognised on the line "Non-current assets not specified by country".

NOTE 6 NET SALES

SEK M	2016	2015
Fund and Asset Management income	1,048	889
Brokerage income, Corporate Finance	639	673
Income from card operations	280	254
Asset Management net financial income/expense (see below)	29	20
Other income	12	16
	2,007	**1,853**

Specification of net financial income/expense in Asset Management and Banking

SEK M	2016	2015
Interest income		
Interest income on bank balances	4	1
Interest income on loan receivables	28	18
Other interest income	3	0
Other financial income		
Coupon, treasury	0	0
Capital gains on bonds in treasury	0	3
	35	**22**
Interest expenses		
Interest expenses on deposits from credit institutions	-4	-1
Interest expenses on other deposits	-1	0
Other interest expenses	0	0
Other financial expenses		
Capital loss on bonds in treasury	0	0
	-6	**-2**
Total net financial income/expense	**29**	**20**

NOTE 7 OTHER OPERATING INCOME

SEK M	2016	2015
Share of profit from associated companies	-1	5
Capital gain on operating property development project	6	4
Compensation for litigation according to court verdict	6	-
Other	8	3
	20	**13**

NOTE 8 OTHER EXTERNAL COSTS

Compensation of auditors

SEK M	2016	2015
PwC		
Audit assignment *	10	9
Audit activities other than audit assignment	0	0
Tax advisory	0	0
Other services	5	1
	16	**9**
Other audit firms		
Audit assignment	1	0
Audit activities other than audit assignment	0	0
Tax advisory	0	0
Other services **	1	0
	2	**1**
Total remuneration to auditors	**18**	**10**

* Audit assignment means fees for the statutory audit, i.e. work necessary to present the Audit Report, and audit-related advisory services rendered coincident with the audit assignment.

** Other services mainly relate to advisory and audit services in connection with the company's listing on Nasdaq Stockholm Mid Cap segment.

NOTE 9 DEPRECIATION/AMORTISATION

SEK M	2016	2015
Depreciation of tangible assets, Note 19	9	8
Amortisation of non-acquisition-related intangible assets, Note 18	4	4
Amortisation of acquisition-related intangible assets, Note 18	4	7
	18	**20**

Amortization of acquisition-related intangible assets for the year is attributable to portfolio management systems, customer relationships and distribution channels identified in connection with the acquisitions of IPM Informed Portfolio Management AB and Catella Asset Management AS (previously also Catella Fondförvaltning AB).

NOTE 10 PERSONNEL

Employee benefits

SEK M	2016	2015
Salaries and other compensation	634	574
Social security expenses	136	130
Pension costs defined contribution pension plans	51	46
Pension costs defined benefit pension plans	0	0
	821	**750**

Salaries and other benefits

SEK M	2016	2015
Boards of Directors and Presidents *	119	108
Other employees *	515	466
	634	**574**
* of which bonus	113	72

Apart from the aforementioned compensation, which was an expense for Catella in 2016, earnings attributable to partners in subsidiaries in which they work are recognized as a personnel cost in accordance with applicable accounting policies. This cost amounts to SEK 35 M (46).

Average no. of employees (full-time equivalents)

	2016		2015	
Average	Total	of which women	Total	of which women
Sweden—parent company	13	3	10	4
Sweden—subsidiaries	157	56	154	51
Norway	3	1	0	0
Denmark	13	3	14	2
Finland	36	13	39	12
Baltics	13	5	11	4
France	69	35	57	33
Germany	109	41	86	27
Luxembourg	148	52	132	52
Spain	27	8	23	5
Total	**588**	**217**	**526**	**190**

As of 31 December 2016, the number of Board members and Presidents totaled 177 (177), of whom 18 (20) were women. In several cases, these individuals are one and the same person, as such an individual may hold multiple directorships.

NOTE 11 COMPENSATION OF THE BOARD OF DIRECTORS AND SENIOR MANGERS

Principles

Directors' fees are paid to the Chairman of the Board and Board members in accordance with the resolution of the Annual General Meeting. The following guidelines for compensation of senior managers were adopted by the Annual General Meeting 2016:

These guidelines relate to remuneration and other employment terms for the individuals, who during the period the guidelines apply, are members of Catella's Group Management, collectively termed "senior managers" below. The guidelines apply for agreements entered after the AGM resolution, and for amendments to existing agreements after this date. The Board of Directors is entitled to depart from these guidelines, if there are special reasons for this in an individual case. The guidelines should be subject to annual review.

Remuneration to the Chief Executive Officer and other members of group management normally consist of basic salary, variable salary, as well as other benefits and pension. Total compensation should be on market terms and competitive, and be in relation to responsibilities and authority. Variable salary should be based on results achieved in relation to individually defined qualitative and quantitative targets, and should not be possible to exceed basic salary. On termination of employment contract by the company, dismissal pay and severance pay should not exceed a total of 12 months' salary. Pension benefits should be defined contribution. The Board may diverge from these guidelines only in special circumstances.

Board of Directors and senior managers

For a presentation of the Board of Directors and Group Management, see the section on the Board of Directors, Auditors and Group Management.

During the year, the composition of the Board of Directors was unchanged, with Johan Claesson serving as Chairman of the Board, and Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as ordinary Board members.

Group Management was unchanged in the year, with Knut Pedersen as CEO and President, Johan Nordenfalk as COO and Marcus Holmstrand as CFO. Board fees, approved by the AGM on 30 May 2016, total SEK 550,000 (500,000) for the Chairman and SEK 330,000 (300,000) each for other Board members. In addition to fees approved by the AGM, Board members are entitled to invoice their Board fee through privately owned companies and are then permitted to include social security expenses that would have been payable by Catella AB had the Board fee been paid directly to the Board member. In these cases, Board fees correspond to approved fees, plus invoiced social security expenses.

Senior managers' variable compensation and other employment terms in 2016

The Chief Executive Officer and other senior managers are entitled to receive performance-based bonuses. The bonus entitlement and calculation basis for the bonus are determined and reviewed every year by the Board. Bonuses are paid at an amount of a maximum of 12 months' salary.

In addition to statutory pension and insurance benefits, the company should provision an amount corresponding to up to 30% of the basic salary of senior managers for the occupational pension solution designated by the employee each year. Senior managers are entitled to 30 days of holiday per year.
A mutual period of notice of 12 months with no severance pay applies between the company and the Chief Executive Officer.

A period of notice of six months applies between the company and other senior managers if employment is terminated by executives and a period of notice of 12 months if the company terminates employment.

Variable remuneration to the CEO was subject to the discretion of the Board of Directors in 2016, which was not in accordance with the resolution of the AGM. In accordance with the guidelines for remuneration to senior executives, the Board of Directors is able to diverge from the guidelines in individual cases where special circumstances apply. Against the background of the organisational changes Catella has undergone, the Board of Directors decided that the CEO should be entitled to a discretionary variable remuneration for the operational year 2016. The Board of Directors' assessment in connection with the decision was that qualitative targets for 2016 would improve control and thereby ensure the focus on the desired change work in the Group.

Share-based incentive programme

See Note 12, Share-based payment.

Compensation and other benefits in 2015

Tkr	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension cost	Other compensation	Total
Chairman of the Board						
Johan Claesson	517					517
Other Board members						
Johan Damne	310					310
Joachim Gahm*	417					417
Anna Ramel*	417					417
Jan Roxendal*	417					417
Total compensation to board members	**2,078**	**-**	**-**	**-**	**-**	**2,078**
Chief Executive Officer						
Knut Pedersen	3,491	2,663	162	1,057		7,373
Övriga ledande befattningshavare**	3,602	2,435	19	892		6,948
Total compensation to CEO and other members of Group management	**7,093**	**5,098**	**181**	**1,949**	**-**	**14,321**

* Relates to invoiced amounts, for more information see the "Board of Directors and senior managers" heading above.
** Other senior managers means Johan Nordenfalk (COO) and Marcus Holmstrand (CFO).

Compensation and other benefits in 2015

Tkr	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension cost	Other compensation	Total
Chairman of the Board						
Johan Claesson	500					500
Other Board members						0
Johan Damne	300					300
Joachim Gahm*	394					394
Anna Ramel**	347					347
Jan Roxendal*	394					394
Total compensation to board members	**1,936**	**-**	**-**	**-**	**-**	**1,936**
Chief Executive Officer						
Knut Pedersen	2,935	2,283	203	928		6,349
Övriga ledande befattningshavare***	4,050	2,250	172	759		7,231
Total compensation to CEO and other members of Group management	**6,985**	**4,533**	**375**	**1,687**	**-**	**13,580**

* Invoiced amounts, for more information see the "Board of Directors and senior managers" heading above.
** A Board member has invoiced Directors' fees from a proprietary company from the second half-year 2015, for more information see the "Board of Directors and senior managers" heading above.
*** Other senior managers means Johan Nordenfalk (COO) and Marcus Holmstrand from September 2015 when he was appointed CFO and Ando Wikström (CFO) up until and including August 2015 when he left Group management.

Shareholdings and other holdings

The Board of Directors' and Group Management's share and warrant holdings in Catella AB were as follows as of 31 December 2016 and 2015 respectively*:

	Class A shares		Class B shares		Options	
No.	2016	2015	2016	2015	2016	2015
Board of Directors						
Johan Claesson, Chairman of the Board (direct and indirect shareholdings)	1,087,437	1,087,437	39,694,718	39,694,718	-	-
Johan Damne, Board member	-	-	150,000	150,000	-	-
Jochim Gahm, Board member	-	-	-	-	-	-
Anna Ramel, Board member	-	-	-	-	-	-
Jan Roxendal, Board member	-	-	109,554	94,554	-	-
Management						
Knut Pedersen, President and CEO	-	-	-	-	5,000,000	5,000,000
Johan Nordenfalk, Chief Operational Officer	-	-	120,000	-	300,000	420,000
Marcus Holmstrand, CFO	-	-	4,000	4,000	300,000	300,000
Total holdings	**1,087,437**	**1,087,437**	**40,078,272**	**39,943,272**	**5,600,000**	**5,720,000**

* Information for senior managers at the end of each financial year.

NOTE 12 SHARE BASED INCENTIVES

As of 31 December 2016, the Group had 7,000,000 (17,074,000) outstanding warrants, conferring entitlement to subscribe for 7,000,000 new class B shares of Catella AB (publ). Of the total number of outstanding warrants, 200,000 (9,014,000) are held in treasury by one of the Group's subsidiaries, Aveca AB.

All warrants, apart from those held in treasury, are held by senior managers and other key staff of the Group. The warrants were granted on market terms, based on valuation in accordance with a customary valuation model (Black & Scholes). The Group does not have any legal or informal commitment to repurchase or settle the warrants for cash. However, according to the terms and conditions of the options, Catella is entitled to re-purchase the warrants from the option-holder if he or she is no longer employed by the Group.

In 2016, 1,440,000 warrants were repurchased at market value from employees for a total purchase price of SEK 11.9 M. In the Consolidated Accounts, the repurchase of share warrants is reported under other contributed capital to the extent it consists of non-restricted equity, and the remainder against retained earnings. Furthermore, in 2016 9,954,000 warrants expired without being utilized, all of which were held in treasury. In addition, 120,000 warrants were exercised to subscribe for the same number of new shares at a price of SEK 11 per share, and 300,000 warrants held in treasury were sold to a key member of staff for a purchase price of SEK 3.1 M.

The issue price will be adjusted in the event of a decision on potential future dividends to shareholders, together with other dividends paid during the same financial year exceeding 8 (8) % of the average price of the share over a period of 25 trading days immediately prior to the day on which the Board of Catella AB (publ) announces its intention to present such a dividend proposal to the Annual General Meeting.

Given an exercise of issued warrants, ownership structure would be affected by a dilution effect at each point. As of 31 December 2016, outstanding warrants imply a dilution effect of 7.9% (17.3) of the capital and 7.1% (15.7) of the votes.

Change in the number of outstanding warrants:

No.	2016	2015
Opening balance as of 1 January	17,074,000	36,847,000
Newly issued	-	-
Exercise of options to subscribe for new shares	-120,000	-30,000
Expiry of unutilised warrants	-9,954,000	-19,743,000
As of 31 December	**7,000,000**	**17,074,000**
of which held by Catella	**200,000**	**9,014,000**

Outstanding warrants at year-end have the following maturity dates and exercise prices:

Issued in 2010, 2013 and 2014 (exercise price SEK 11.00 per share)

Year	Share of total outstanding share warrants, %	Total no. of outstanding share warrants	of which held by Catella
2018	33	2,333,333	66,667
2019	33	2,333,333	66,666
2020	33	2,333,334	66,667
Total	**100**	**7,000,000**	**200,000**

NOTE 13 OTHER OPERATING EXPENSES

SEK M	2016	2015
Impairment of accounts receivable	-7	-2
Recovered bad debt losses	1	2
Impairment of loan receivables	-2	-2
Recovered loan losses	0	1
Expenses for fraud on credit cards issued	-4	-5
Other operating expenses	-2	-2
	-14	**-8**

NOTE 14 FINANCIAL ITEMS

SEK M	2016	2015
Interest income		
Interest income on bank balances	0	0
Interest income on financial assets at fair value through profit or loss	22	25
Interest income on loan receivables	0	0
Other interest income	1	1
	24	**26**
Interest expenses		
Interest expenses to credit institutions	-2	0
Interest expenses on bond loan	-9	-10
Other interest expenses	0	-2
	-11	**-12**
Other financial income		
Capital gains on group companies	–	6
Dividend income on financial assets at fair value through profit or loss	0	0
Fair value gains on financial assets at fair value through profit or loss	10	22
Capital gains on financial assets at fair value through profit or loss	17	12
Capital gains on financial assets available for sale *	224	–
Exchange rate gains	9	1
	260	**41**
Other financial expenses		
Fair value loss on financial assets at fair value through profit or loss	-16	0
Capital losses on financial assets at fair value through profit or loss	-12	-
Issue and loan guarantee expenses	-1	0
Exchange rate losses	-5	-2
	-34	**-3**

* Relates to non-recurring income in connection with Visa Inc.'s acquisition of Visa Europe

NOTE 15 TAXES

SEK M	2016	2015
Current tax:		
Current tax on profit/loss for the year	-121	-72
Adjustments relating to previous years	1	0
Total current tax	**-119**	**-72**
Deferred tax:		
Origination and reversal of temporary differences	-22	38
Effect of change in tax rates	0	0
Total deferred tax	**-22**	**38**
Income tax	**-141**	**-34**

Income tax on the Group's profit differs from the theoretical amount that would have resulted from the use of a weighted average tax rate in the consolidated companies, as follows:

SEK M	2016	2015
Profit/loss before tax	497	306
Income tax calculated at domestic tax rates applicable to profit in the respective countries	-135	-75
Tax effects of:		
Previously not recognized loss carry forwards	-	24
Utilized loss carry forwards, previously not recognized	16	22
Tax losses for which no deferred tax asset was recognised	-16	-3
Effect from temporary differences with non-recognized deferred tax asset	1	7
Effect of change in tax rates	-	0
Non-taxable capital gains	-	3
Other non-deductible/non-taxable items	-7	-11
Wealth tax	-1	-2
Adjustments relating to previous years	1	0
Tax expense	**-141**	**-34**

Deferred tax assets and tax liabilities are allocated as follows:

SEK M	2016	2015
Deferred tax assets		
Estimated to be utilised after more than 12 months	85	81
estimated to be utilised within 12 months	11	27
Net recognised against deferred tax liabilities	0	0
	97	**108**
Deferred tax liabilities		
to be paid after 12 months	-33	-19
to be paid within 12 months	-1	-3
Net recognised against deferred tax assets	0	0
	-34	**-21**
Deferred tax assets/liabilities (net)	**63**	**87**

SEK M	2016 31 Dec	2015 31 Dec
Deferred tax assets		
Defined benefit pension plans	1	1
Future deductible expenses	29	21
Tax depreciation	0	0
Tax deficit	67	86
Net recognised	0	0
Total	**97**	**108**
Deferred tax liabilities		
Capital gains	0	0
Fair value gains	16	3
Intangible assets	15	15
Un-taxed reserves	3	4
Net recognised	0	0
Total	**34**	**21**

According to IAS 12, "Income Taxes", deferred tax assets relating to tax loss carry-forwards are recognised to the extent it is probable that future taxable profits will be available. According to this standard, Catella recognises a deferred tax asset of SEK 67 M (86), which is based on a judgement of the Group's future utilisation of tax loss carry-forwards in the legal entities holding the loss carry-forwards. The tax income that arises on first-time reporting of new or already existing saved deficits as deferred tax assets has no impact on the Group's liquidity. The Group has total loss carry-forwards amounting to SEK 645 M. Loss carry-forwards for which no deferred tax asset is recognized in the Consolidated Balance Sheet amount to SEK 337 M. The loss carry-forwards mainly relate to operations in Sweden and have an indefinite useful life.

Tax relating to components in other comprehensive income amounts to SEK 1.4 M (0.0) for the financial year 2016. The accumulated tax effect in other comprehensive income amounts to SEK 1.5 M (0.1) at year-end.

NOTE 16 EARNINGS PER SHARE

(a) Before dilution

Earnings per share before dilution are computed by dividing the profit attributable to the Parent Company's shareholders by a weighted average number of outstanding ordinary shares in the period.

SEK M	2016	2015
Profit/loss	357	272
Profit/loss attributable to the Parent Company shareholders	272	243
Profit/loss for calculation of earnings per share before dilution	**272**	**243**
Weighted average number of ordinary shares	**81,810,764**	**81,712,956**
Earnings per share, SEK	**3.32**	**2.97**

(b) After dilution

For the computation of earnings per share after dilution, the weighted average number of ordinary shares outstanding is adjusted for the dilution effect of all potential ordinary shares. The Parent Company has issued share warrants that could result in ordinary shares. For warrants, a calculation is performed of the number of shares that could have been purchased at fair value (calculated as the average market price of the Parent Company's shares for the year) for an amount corresponding to the exercise price of the subscription rights linked to the outstanding share warrants. The total number of shares computed as described below is compared with the number of shares that would have been issued under the assumption that the warrants were exercised.

The dilution effect in 2016 was 8.5% (12.8).

SEK M	2016	2015
Profit/loss	357	272
Profit/loss attributable to the Parent Company shareholders	272	243
Profit for calculation of earnings per share after dilution	**272**	**243**
Weighted average number of ordinary shares	81,810,764	81,712,956
Adjustments for:		
assumed conversion of share warrants	6,964,844	10,458,505
Weighted average number of ordinary shares for computation of earnings per share after dilution	**88,775,608**	**92,171,461**
Earnings per share, SEK	**3.06**	**2.63**

NOTE 17 DIVIDEND

The Board of Directors will propose a dividend to shareholders of SEK 0.80 per share, totalling SEK 65,478,858, to the AGM on 29 May 2017. The record date is 31 May 2017, and the payment date is 5 June 2017. The proposed dividend has not been recognised as a liability in these financial statements. A dividend of SEK 0.60 per share was paid for the financial year 2015.

NOTE 18 INTANGIBLE ASSETS

SEK M	Goodwill	Trademark	Contractual customer relations	Software licenses	Total
As of 1 January 2015					
Net carrying amount	**278**	**50**	**11**	**18**	**356**
Financial year 2015					
Acquired during the year				15	15
Cost in acquired companies	6				6
Disposals					0
Depreciation and amortisation			-6	-6	-12
Exchange rate differences	-3			0	-3
Closing balance	**282**	**50**	**5**	**27**	**363**
As of 31 December 2015					
Cost	282	50	32	121	484
Accumulated amortisation			-26	-94	-121
Net carrying amount	**282**	**50**	**5**	**27**	**363**
Financial year 2016					
Acquired during the year			23	18	42
Cost in acquired companies	8		2	2	12
Disposals					0
Depreciation and amortisation			-2	-6	-8
Exchange rate differences	3		0	1	4
Closing balance	**292**	**50**	**28**	**42**	**412**
As of 31 December 2016					
Cost	292	50	36	144	522
Accumulated amortisation			-8	-102	-109
Net carrying amount	**292**	**50**	**28**	**42**	**412**

Reported goodwill at year-end 2016 relates to the acquisition of the Catella Brand AB group in 2010 (SEK 226 M), the acquisition of Catella Förmögenhetsförvaltning AB in 2011 (SEK 20 M) and the acquisition of IPM Informed Portfolio Management AB in 2014 (SEK 38 M) and the acquisition of Catella Asset Management AS (CAM AS) in 2016 (SEK 8 M). The Catella trademark was valued at SEK 50 M on the acquisition of the Catella Brand AB group. The carrying amount of contracted customer relationships as of 31 December 2016 of SEK 28 M relates to the acquisition of IPM (SEK 3 M) and CAM AS (SEK 2 M) and Catella Real Estate AG's take-over of management of the European Student Housing Fund (SEK 23 M) in 2016. The closing carrying amount of software licenses was SEK 42 M, of which SEK 12 M was acquisition-related assets attributable to IPM and CAM AS. All intangible assets were externally acquired.

Impairment tests of goodwill and other assets with indefinite useful lives

In business combinations, goodwill and other surplus values are allocated to the cash-generating units that are expected to receive future economic benefits, for example in the form of synergies, as a result of the acquired operations. When separate cash-generating units cannot be identified, goodwill and other surplus values are allocated to the lowest level at which the operation is controlled and monitored internally.

Assets with indefinite useful lives are tested annually for impairment. Catella's principle is to conduct impairment tests on assets with indefinite lives in the fourth quarter each year, based on their carrying amounts on 30 September. Catella's assets with indefinite useful lives comprise goodwill and trademark. The impairment test for these assets has been carried out by operating segment, Corporate Finance and Asset Management and Banking, which is consistent with the level at which goodwill and other acquisition-related intangible assets are monitored internally, and in reporting to management and the Board of Directors. Central management and shareholder-related expenses have been allocated to the relevant operating segment on the basis of its estimated share of resources utilised. For assets measured at fair value, no impairment test is conducted since these items are measured separately on each reporting date at market prices according to established principles.

If an impairment test demonstrates that book value exceeds the recoverable amount, impairment is conducted at an amount that corresponds to the difference between book value and recoverable amount. The recoverable amount is the higher of net realisable value and value in use.

The value in use is the present value of estimated future cash flows. Cash flows were measured based on the financial plans prepared in each segment of operation, based on the business plan for the coming financial year that was adopted by Group Management and approved by the Board of Directors. As a rule, these financial plans cover a projection period of five years and include organic sales growth, operating margin trend, as well as the change in operating capital employed. Cash flow, with the exception of the stated projection period, was extrapolated using an assessed growth rate of 2% for both operating segments, which corresponds to the ECB's long-term inflation target within the Eurozone and the Swedish Central Bank's long-term inflation target for Sweden.

The measurement of value in use is based on several assumptions judgements in addition to the growth rate beyond the projection period. The most significant relate to the organic growth rate, the progress of the operating margin, the change in operating capital employed and the relevant discount rate (WACC, weighted average cost of capital), which is used to discount future cash flows.

Tests performed in accordance with above procedure indicates no impairment.

The discount rate (WACC) after tax per operating segment is stated below:

	WACC, %	
	2016	2015
Corporate Finance	12.0	12.0
Asset Management and Banking	12.0	12.0
Other	12.0	12.0

A summary of the allocation of goodwill and trademarks and brands by operating segment follows:

	2016		2015	
SEK M	Goodwill	Trademark *	Goodwill	Trademark *
Corporate Finance	61	-	60	-
Asset Management and Banking	231	-	221	-
Other		50	-	50
	292	50	282	50

* Catella registered trademark

The sensitivity analysis of the computation of value in use coincident with impairment testing has been conducted in the form of a general reduction of 1.0 percentage point in the projection period of organic growth and operating margin, and a general increase in the weighted average cost of capital (WACC) of 1.0 percentage point. The sensitivity analysis indicated no impairment.

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

SEK M	Furniture, fittings and equipment	Total
As of 1 January 2015		
Net carrying amount	**24**	**24**
Financial year 2015		
Acquired during the year	9	9
Disposals	0	0
Depreciation and amortisation	-8	-8
Exchange rate differences	-1	-1
Closing balance	**24**	**24**
As of 31 December 2015		
Cost	113	113
Accumulated depreciation	-89	-89
Net carrying amount	**24**	**24**
Financial year 2016		
Acquired during the year	10	10
Disposals	0	0
Depreciation and amortisation	-9	-9
Exchange rate differences	1	1
Closing balance	**26**	**26**
As of 31 December 2016		
Cost	126	126
Accumulated depreciation	-101	-101
Net carrying amount	**26**	**26**

NOTE 20 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in subsidiaries

A list of the Group's subsidiaries is provided below. All subsidiaries are consolidated in the Group. The stated participating interests correspond to the share of equity and votes. Participating interests in addition to the participation which corresponds to the Group's holdings is for non-controlling interests. Holdings are ordinary shares. None of the Group's subsidiaries have issued preference shares.

Catella owns 40.1% of IPM Informed Portfolio Management BV, a holding that in turn owns 75% of IPM Informed Portfolio Management AB. There is also a direct 20.5% holding in IPM Informed Portfolio Management AB. This means that the total ownership stake in IPM Informed Portfolio Management AB, which is consolidated as a subsidiary, amounts to 50.7%. IPM Informed Portfolio Management BV is not consolidated, as IPM Informed Portfolio Management AB is wholly consolidated including non-controlling interests.

IPM Informed Portfolio Management AB is currently consolidated as a subsidiary of Catella on the basis of Catella's ownership in combination with the terms of a shareholder agreement relating to the subsidiary that can be terminated in November 2017. If the shareholder agreement is not extended, IPM Informed Portfolio Management AB will no longer be consolidated as a subsidiary from that date.

Significant limitations

Several Group companies conduct operations subject to authorisation and regulated by the relevant financial supervisory authority of their country of domicile. This has implications including special requirements on liquidity and capital reserves within each company. Dividends and repayment of loans or advances are only permitted to the extent this is within the standards set by regulatory structures.

Group companies

			31 Dec 2016		31 Dec 2015	
Company	Corp. ID no.	City	Participating interest, %	Total no. of share	Participating interest, %	Total no. of share
Scribona AS**	979460198	Oslo	-	-	100	1
Catella Holding AB*	556064-2018	Stockholm	100	1,000	100	1,000
Catella Bank SA*	B 29962	Luxembourg	100	8,780,000	100	8,780,000
Modern Treuhand SA	B 86166	Luxembourg	100	31,000	100	31,000
IPM Informed Portfolio Management AB*	556561-6041	Stockholm	51	2,253,561	51	2,253,561
European Equity Trance Income Ltd*	44552	Guernsey	100	64	100	64
CCF Stockholm Partners AB	556820-8689	Stockholm	100	10,000	100	10,000
Catella Corporate Finance Stockholm HB	969751-9628	Stockholm	100	-	100	-
Catella Corporate Finance Göteborg HB	969751-9602	Gothenburg	100	-	65	-
Catella Nordiska Fribrev HB	969766-7914	Stockholm	100	-	100	-
Catella Nordic Fixed Income AB*, **	556887-7087	Stockholm	-	-	55	1,111
Catella Kapital & Pension AB*	556886-9019	Stockholm	100	500	100	500
CFA Partners AB*, **	556748-6286	Stockholm	-	-	100	2,000
Catella Brand AB*	556690-0188	Stockholm	100	1,000	100	1,000
Catella Property Fund Management AB*	556660-8369	Stockholm	100	10,000	100	10,000
Catella Real Estate AG*	HRB 169051	Munich	95	2,500,000	95	2,500,000
Catella alpha 1 Gmbh	HRB 220094	Munich	95	25,000	95	25,000
Catella Trust GmbH*	HRB 193208	Munich	100	1	100	1
CT Komplementär GmbH	HRB 228901	Munich	100	1	-	-
Amplion Asset Management Holding AB**	556715-3472	Stockholm	-	-	100	1,000
Catella Corporate Finance AB	556724-4917	Stockholm	100	1,000	100	1,000
Catella Property Oy	669987	Helsinki	100	10,000	100	10,000
Catella Asset Management Oy	2214836-4	Helsinki	100	10,000	100	10,000
Catella Property Norway AS	986032851	Oslo	100	100	100	100
Catella Corporate Finance AS**	886623372	Oslo	-	-	100	58,000
Catella Asset Management AS	917354049	Oslo	51	100	-	-
Elementum Asset Management AS	912800423	Oslo	51	1	-	-
Ambolt Advisors S.á.r.l.	156205	Luxembourg	51	1	-	-
Catella Property GmbH	HRB 106179	Dusseldorf	100	-	100	-
Catella Property Valuation GmbH	HRB 106180	Dusseldorf	100	-	100	-
Living Circle GmbH	HRB 106183	Dusseldorf	100	100,000	100	100,000
Catella Property Residential GmbH	HRB 142101	Dusseldorf	100	-	100	-
Catella Project Management GmbH	HRB 76149	Dusseldorf	100	25,000	100	25,000
Catella Corporate Finance SIA	40003814194	Riga	60	2,850	60	2,850
Catella Corporate Finance Vilnius	300609933	Vilnius	60	100	60	100
OÜ Catella Corporate Finance Tallin	11503508	Tallin	60	1	60	1
Catella Property Benelux SA	BE 0467094788	Brussels	100	300,000	100	300,000
Catella Property Belgium SA	BE 0479980150	Brussels	100	533,023	100	533,023
Catella Property Denmark A/S	17981595	Copenhagen	60	555,556	60	555,556
Catella Investment Management A/S	34226628	Copenhagen	60	500,000	60	500,000
Catella France SAS	B 412670374	Paris	100	2,500	100	2,500
Catella Valuation Advisors SAS	B 435339098	Paris	67	4,127	67	4,127
Catella Property Consultants SAS	B 435339114	Paris	100	4,000	100	4,000
Catella Residential Partners SAS	B 442133922	Paris	66	4,000	66	4,000
Catella Asset Management SAS	B 798456810	Paris	50	200,000	50	200,000
Catella Property Spain S.A.	A 85333342	Madrid	70	60,102	70	60,102
Catella Asset Management Iberia S.L.	B87290813	Madrid	65	3,000	65	3,000
CCF Holding AB	559078-3238	Stockholm	60	10,000	-	-
Catella Corporate Finance Stockholm AB	559054-4234	Stockholm	60	10,000	-	-
CCF Holding Gbg AB	559089-0710	Stockholm	60	10,000	-	-
Catella Corporate Finance Göteborg AB	559084-9104	Stockholm	60	10,000	-	-
CC Intressenter AB	556740-5609	Stockholm	100	1,000	60	1,000
Catella Consumer AB	556654-2261	Stockholm	100	10,000	60	10,000
Catella Property Advisory AB**	556740-5971	Stockholm	-	-	100	1,000
CCF Malmö Intressenter AB	556740-5963	Malmö	60	1,000	60	1,000
Catella Corporate Finance Malmö AB	556740-5666	Malmö	60	1,000	60	1,000
Aveca AB	556646-6313	Stockholm	100	5,000	100	5,000
Aveca Geshäftsführungs GmbH	HRB 106722	Dusseldorf	100	-	100	-
Catella Capital Intressenter AB*, **	556736-7072	Stockholm	-	-	100	1,000,000
Catella Capital AB*	556243-6989	Stockholm	100	221,600	100	221,600
Catella Fondförvaltning AB*	556533-6210	Stockholm	100	50,000	100	50,000
Alletac Shared Services AB*	556543-2118	Stockholm	100	12,000	100	12,000

* Group companies included in Catella's consolidated financial situation, see also Note 40 Consolidated financial situation and capital adequacy.
**Group companies liquidated or merged in 2016.

Summary financial information regarding subsidiaries, with significant non-controlling interests

Total ownership by non-controlling interests amounted to SEK 167 M (117) as of 31 December 2016, of which SEK 141 M (89) relates to the subsidiaries IPM Informed Portfolio Management AB, Catella Property Denmark A/S and Catella Asset Management AS.

Results of operations relating to non-controlling interests amount to SEK 114 M (74) for the financial year 2016, of which SEK 94 M (49) relates to the companies below. The share of profits relating to part-owners, which are active in the subsidiaries, have been recognised as a personnel cost in the Income Statement in accordance with the group's accounting policies.

Summary financial information for each subsidiary with non-controlling interests, and that is material to the group, follows. Information is for amounts before intragroup eliminations.

	IPM Informed Portfolio Management AB (participating interest 51 %)		Catella Nordic Fixed Income AB (participating interest 55 %)		Catella Property Denmark A/S (participating interest 60 %)		Catella Asset Management AS Group (participating interest 51 %)	
Summarised balance sheet	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Non-current assets	109	28	-	-	2	2	12	-
Current assets	282	215	-	31	38	38	12	-
Total assets	**391**	**243**	**-**	**31**	**40**	**40**	**23**	**-**
Non-current liabilities	-3	-4	-	-	-	-	-1	-
Current liabilities	-141	-104	-	0	-17	-20	-2	-
Total liabilities	**-144**	**-107**	**-**	**0**	**-17**	**-20**	**-3**	**-**
Net assets	**247**	**135**	**-**	**31**	**24**	**20**	**20**	**-**
Net assets allocated to non-controlling interest	122	67	-	14	10	8	10	-
Summarised income statement and comprehensive income								
Income	433	218	-	31	49	46	4	-
Net profit for the year	171	60	-	29	23	19	1	-
Total comprehensive income for the year	171	60	-	29	24	19	1	-
Total comprehensive income allocated to non-controlling interest	84	29	-	13	9	7	1	-
Dividend paid to non-controlling interest	29	21	-	-	8	7	-	-
Summarised cash flow								
Cash flow from operating activities	161	99	-	6	29	19	4	-
Cash flow from investing activities	-86	-16	-	21	-	0	-13	-
Cash flow from financing activities	-60	-43	-	-25	-20	-16	18	-
Decrease/increase in cash and cash equivalents	**16**	**40**	**-**	**2**	**10**	**2**	**10**	**-**

Investments in associated companies reported in accordance with the equity method

Through associated company Nordic Seeding GmbH, Catella has investments in property development projects in Germany. The projects are operated by Catella's German subsidiary Catella Project Management GmbH. Nordic Seeding GmbH intends to invest in the earlyphase of projects, where the concept and framework are determined with the aim of subsequently divesting projects and realizing any gains before construction begins and the projects are completed. The investments include the risk that Nordic Seeding GmbH is forced to choose between continuing to invest in late stages of projects, run the projects to completion or leaving the project and losing the invested capital. At year end, Nordic Seeding GmbH had investments in a project in Dusseldorf and a project in Frankfurt. As of 31 December 2016, Catella's investments totalled SEK 51 M, of a total commitment of SEK 86 M, in Nordic Seeding GmbH.

SEK M	2016	2015
As of 1 January	27	2
Investments	25	25
Sales	-	-
Share in profits, see Note 7	-1	5
Dividends paid	-	-5
Exchange rate differences	1	0
Closing book value	**51**	**27**

*No dividends from associated companies were received in 2016 (2015: SEK 5 M)

The assets, liabilities, income and profit/loss of associated companies, all of which are unlisted, are stated below, as well as the Group's participating interest in associated companies' equity including goodwill.

	Associated companies					Group	
	Country of registration	Assets, SEK M	Liabilities, SEK M	Income, SEK M	Profit/loss SEK M	Participating interest, %	Participating interest, SEK M
Nordic Seeding GmbH	Germany	114	0	1	-1	45	51
ANL Kiinteistöt OY	Finland	1	0	1	0	50	1
							51

NOTE 21 DERIVATIVE INSTRUMENTS

	2016		2015	
SEK M	Assets	Liabilities	Assets	Liabilities
Currency forwards	11	7	4	4
	11	**7**	**4**	**4**
Less: long-term portion	–	–	–	–
Short-term portion	**11**	**7**	**4**	**4**

Derivative instruments relate to the subsidiaries Catella Bank and IPM, which regularly enter currency forward contracts and currency swaps for hedging purposes. Normally, these derivative instruments have a term of less than three months. Hedging transactions are of a financial nature, and not recognised as hedges according to IAS 39, Financial Instruments.

NOTE 22 FINANCIAL ASSETS HELD FOR SALE

Financial assets held for sale are attributable to Catella Bank's holding of class C preference shares in Visa Inc. which were received in connection with Visa Inc.'s acquisition of Visa Europe in June 2016. Conversion of preference shares to class A shares will take place when the legal disputes underway against Visa Europe have been resolved. The conversion rate is dependent on the outcome of the legal disputes. The valuation of preference shares takes these legal disputes into consideration.

A minor shareholding in Swift is also classified as financial assets held for sale.

SEK M	2016	2015
Unlisted securities:		
Shares in USA	45	-
equities in Europe	0	0
	45	**0**

SEK M	2016	2015
As of 1 January	0	0
Purchases	-	-
Sales	-	-
Gains and losses recognised through profit or loss	40	
Gains and losses net, entered in other comprehensive	4	-
Exchange rate differences	0	0
As of 31 December	**45**	**0**
Less: long-term portion	-45	0
Short-term portion	**0**	**0**

SEK M	2016	2015
USD	45	-
EUR	0	0
	45	**0**

NOTE 23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the following:

SEK M	2016	2015
Loan portfolios	252	281
Fund investments	102	58
Listed shares and bonds	57	48
Unlisted shares	3	-
Other	1	1
	414	**388**

SEK M	2016	2015
As of 1 January	388	336
Acquisition *	110	95
Avyttringar**	-39	-50
Amortisation	-61	-10
Fair value gains/losses on financial assets at fair value through profit or loss ***	-9	21
Capitalised interest income	12	14
Exchange rate differences	13	-12
As of 31 December	**414**	**388**
Less: long-term portion	-337	-274
Short-term portion	**77**	**114**

Loan portfolios

The loan portfolios comprise securitised European loans with primary exposure in housing. The performance of the loan portfolios is closely monitored and re-measurements are continuously performed. Forecasts are conducted by the French investment advisor Cartesia S.A.S. The book value in Catella's Consolidated Accounts is determined based on the projected discounted cash flows. The portfolios were discounted at discount rates of 4.7%, 6.2% and 11.2% as of 31 December 2016, giving a weighted average discount rate of 8.9% (9.2) for the total loan portfolios. The weighted average duration for the portfolio amounted to 4.8 years (4.8) as of 31 December 2016.

Cash flows mainly comprise interest payments, but also repayments with a projected period up to and including 2028. The expected cash flows for the period amounted to SEK 374 M (424), which are discounted and recognised at SEK 252 M (281).

In December 2015, the issuer of the Gems loan portfolio exercised its clean-up call on Gems. The bond was repaid at nominal amount in March 2016, generating an inflow of EUR 5 M.

Furthermore, in 2016 the underlying parameters for the Lusitano 3 and 5, Pastor 2 and 4, Minotaure and Ludgate loan portfolios changed.

The credit performance of the Lusitano 3 and 5 loan portfolios improved in 2015, implying a positive value adjustment of SEK 6 M.

The credit performance of the Pastor 2 and 4 and Minotaure loan portfolios also improved in 2016, implying positive value adjustments totalling SEK 2 M. However, For the Ludgate loan portfolio certain credit variables are expected to deteriorate, which has implied a negative value adjustment of SEK 1 M.

Overall, these changes and amendments to the remaining portfolios resulted in a positive value adjustment of SEK 7 M (31) in 2016.

No loan portfolio was sold in 2016. In previous years, via subsidiaries, Catella sold the Shield, Memphis and Semper loan portfolios. Through these sales, Catella has repaid its original investment with a good margin.

Summary of Catella's loan portfolios as of 31 December 2016*

SEK M Loan portfolio	Country	Forecast undiscounted cash flow	Share of undiscounted cash flow,%	Forecast discounted cash flow, %	Share of discounted cash flow,%	Discount rate, %	Duration, years
Pastor 2	Spain	48.3	12.9%	41.0	16.5%	6.2%	2.7
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4	Spain	33.6	9.0%	15.2	6.1%	11.2%	7.5
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 3	Portugal	87.1	23.3%	70.2	28.3%	6.2%	3.8
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	102.0	27.3%	59.0	23.7%	11.2%	5.6
Minotaure	France	46.6	12.5%	19.9	8.0%	11.2%	8.0
Ludgate ****	UK	56.2	15.0%	43.1	17.4%	11.2%	2.6
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Sestante 4 A1	Italy	0.0	0.0%	0.0	0.0%	4.7%	0.3
Total cash flow ***		**373.7**	**100.0%**	**248.4**	**100.0%**	**8,9%**	**4.8**
Accrued interest				3.3			
Carrying amount				**251.7**			

* The forecast was produced by investment advisor Cartesia S.A.S.
** These investments were assigned a value of SEK 0.
*** The discount rate recognised in the line "Total cash flow" is the weighted average interest of the total discounted cash flow.
**** Ludgate was revalued during the second quarter of 2014 historically having been assigned a book value of SEK 0.

Summary of Catella's loan portfolios as of 31 December 2015*

SEK M Loan portfolio	Country	Forecast undiscounted cash flow *	Share of undiscounted cash flow,%	Forecast discounted cash flow, %	Share of discounted cash flow,%	Discount rate, %	Duration, years
Pastor 2	Spain	46.2	0.1	35.8	0.1	0.1	3.7
Pastor 3	Spain	-	-	-	-	-	-
Pastor 4	Spain	32.5	0.1	12.7	0.0	0.1	8.3
Pastor 5	Spain	-	-	-	-	-	-
Lusitano 3	Portugal	89.5	0.2	66.5	0.2	0.1	4.6
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	95.4	0.2	48.9	0.2	0.1	6.3
Gems	Germany	45.7	0.1	45.1	0.2	0.1	0.3
Minotaure	France	45.7	0.1	16.2	0.1	0.1	9.1
Ludgate ****	UK	68.4	0.2	51.7	0.2	0.1	2.6
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Sestante 4 A1	Italy	0.5	0.0	0.5	0.0	0.1	0.6
Total cash flow ***		**423.8**	**1.0**	**277.2**	**1.0**	**9,2%**	**4.8**
Accrued interest				3.8			
Carrying amount				**281.0**			

* The forecast was produced by investment advisor Cartesia S.A.S.
** These investments were assigned a value of SEK 0.
*** The discount rate recognised in the line "Total cash flow" is the weighted average interest of the total discounted cash flow.

Actual and forecast cash flows of loan portfolios*

SEK M		Spain				Portugal		Italy	Netherlands		Germany		France	UK			
Loan portfolio		Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Memphis **	Shield **	Gems	Semper **	Minotaure	Ludgate	Outcome	Forecast	Diff
Outcome																	
Q4	2009	4.6	-	-	-	0.4	0.8	-	0.9	1.7	0.2	1.6	2.2	0.0	12.4	7.7	4.7
Q1	2010	3.4	-	-	-	-	-	-	0.8	1.6	0.2	1.5	1.9	0.3	9.5	6.3	3.3
Q2	2010	2.3	-	-	-	0.7	-	-	0.8	1.5	0.2	1.4	2.3	0.1	9.3	15.5	-6.2
Q3	2010	0.6	-	-	-	2.0	-	-	0.8	1.5	0.2	1.4	2.5	0.1	9.1	8.0	1.1
Q4	2010	1.5	-	-	-	-	-	-	0.8	1.5	0.2	1.4	2.1	0.1	7.7	5.9	1.7
Q1	2011	2.8	-	-	-	0.8	-	-	0.8	1.5	0.2	1.3	1.2	0.1	8.6	6.5	2.1
Q2	2011	3.4	-	-	-	4.7	-	0.2	0.8	1.4	0.2	1.4	1.9	0.1	14.3	7.1	7.1
Q3	2011	2.0	-	-	-	3.2	-	0.2	0.8	1.5	0.2	1.5	2.2	0.1	11.8	6.9	4.9
Q4	2011	1.5	-	-	-	2.5	-	0.2	0.9	-	0.3	1.5	1.6	0.1	8.5	7.8	0.6
Q1	2012	2.1	-	-	-	4.3	-	0.2	0.8	-	0.2	1.4	1.7	0.0	10.8	6.9	3.9
Q2	2012	1.5	-	-	-	3.4	-	0.1	-	-	0.2	1.3	1.2	0.0	7.8	8.7	-0.9
Q3	2012	0.8	-	-	-	2.5	-	0.1	-	-	0.1	1.3	0.9	0.0	5.7	7.7	-2.0
Q4	2012	0.1	-	-	-	-	-	0.1	-	-	0.1	1.2	-	0.0	1.5	6.8	-5.3
Q1	2013	0.1	-	-	-	-	-	0.1	-	-	0.1	1.2	-	0.1	1.5	1.5	0.0
Q2	2013	-	-	-	-	-	-	0.1	-	-	0.1	-	-	-	0.2	2.3	-2.1
Q3	2013	0.1	-	-	-	1.7	-	0.1	-	-	0.1	-	-	0.1	2.2	2.6	-0.4
Q4	2013	-	-	-	-	1.0	-	0.1	-	-	0.1	-	-	-	1.1	1.1	0.0
Q1	2014	-	-	-	-	1.6	-	0.1	-	-	0.1	-	-	0.0	1.9	1.0	0.8
Q2	2014	-	-	-	-	0.7	-	0.1	-	-	0.1	-	-	2.6	3.5	0.3	3.3
Q3	2014	-	-	-		2.2	-	0.1	-	-	0.1	-	-	5.2	7.7	5.9	1.8
Q4	2014	0.3	-	-	-	2.2	-	0.1	-	-	0.1	-	-	5.2	7.9	5.7	2.2
Q1	2015	0.0	-	-	-	1.1	-	0.1	-	-	0.1	-	-	4.3	5.6	5.8	-0.2
Q2	2015	0.0	-	-	-	1.0	-	0.1	-	-	0.1	-	-	4.5	5.7	5.9	-0.2
Q3	2015	0.0	-	-	-	0.7	-	0.1	-	-	0.1	-	-	5.1	6.0	6.1	-0.1
Q4	2015	-	-	-	-	1.0	-	0.1	-	-	0.1	-	-	3.1	4.3	5.4	-1.2
Q1	2016	-	-	-	-	1.7	-	0.1	-	-	46.7	-	-	3.9	52.4	51.3	1.1
Q2	2016	0.1	-	-	-	2.0	-	0.1	-	-	-	-	-	4.0	6.2	5.4	0.9
Q3	2016	-	-	-	-	0.9	-	0.1	-	-	-	-	-	3.4	4.5	5.0	-0.5
Q4	2016	-	-	-	-	3.7	-	0.1	-	-	-	-	-	3.4	7.2	5.2	2.1
Total		**27.2**	**0.0**	**0.0**	**0.0**	**45.9**	**0.8**	**2.9**	**8.4**	**12.2**	**50.4**	**19.4**	**21.7**	**45.9**	**234.7**	**212.1**	**22.5**
																Forecast	
Forecast																Year	Acc.
FY	2017	0.1		-		8.6	-	0.0					-	12.4		21.2	21.2
FY	2018	0.1		-		15.4	-						-	11.3		26.9	48.0
FY	2019	48.0		-		20.3	-						-	9.5		77.7	125.7
FY	2020			-		18.4	48.9						-	7.3		74.6	200.4
FY	2021			-		3.1	24.3						-	15.7		43.1	243.5
FY	2022			-		2.8	3.1						-			5.9	249.4
FY	2023			-		2.5	2.3						6.3			11.1	260.6
FY	2024			33.6		2.2	2.1						20.0			57.9	318.5
FY	2025					13.8	1.8						20.3			35.8	354.3
FY	2026						1.5									1.5	355.8
FY	2027						1.3									1.3	357.1
FY	2028						16.7									16.7	373.7
Total		**48.3**	**0.0**	**33.6**	**0.0**	**87.1**	**102.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**46.6**	**56.2**		**373.7**	

* Forecast produced by investment advisor Cartesia S.A.S.

** Shield was sold during Q4 2011, Memphis was sold in Q2 2012 and Semper in Q2 2013.

Method and assumptions for cash flow projections and discount rates

The cash flow for each loan portfolio is presented in the table on page 106 and the discount rates are presented on page 105 by portfolio.

Cash flow projections

The portfolio is measured according to the fair-value method, according to the definition in IFRS. In the absence of a functioning and sufficiently liquid market for essentially all investments, as well as for comparable subordinated investments, the measurement is performed by using the 'mark-to-model' approach. This approach is based on projecting the cash flow including maturity for each investment with market-based credit assumptions. The forecast cash flows were prepared by external investment advisor Cartesia. The credit assumption used by the investment advisor Cartesia is based on historical performance of the individual investments and a broad selection of comparable transactions. In the projected cash flows, an assumption is made of the potential weakening of the credit variables. These do not fully cover the effect of a scenario, with low probability and high potential negative impact, such as the dissolution of the Eurozone, where one of the countries in which EETI has its underlying investments, leaves the European monetary union or similar scenarios. Cartesia believes that this credit assumption is reasonable and equivalent to that applied by other market players. The projected cash flows were prepared by Cartesia using proprietary models. These models have been tested and improved over the years and have not shown any significant discrepancy from models used by other market players. Adjustments of cash flows impact the value and are presented in a sensitivity analysis on page 107 and on Catella's website.

Method for discount rates

The discount rates applied are set internally, and based on a rolling 24-month index of non-investment grade European corporate bonds as underlying assets (iTraxx). The discount rates per portfolio were also determined relative to other assets in the absence of market prices for the assets held by EETI. Each quarter, the Board of EETI evaluates the projected cash flows and its assumptions combined with market pricing of other assets to adjust discount rates over and above variation of the index where necessary. Adjustments of the discount rates impact the value and are recognised in a sensitivity analysis on page 107 and on Catella's website.

Sensitivity analysis for Catella's loan portfolios

The recognized effects below should be viewed as an indication of an isolated change in the stated variable. If more factors differ simultaneously, the impact on earnings may change.

Time call and clean-up call

The description below relates to the large payments at the end of each portfolio's projected cash flow, which is presented in the table on page 106 and on Catella's website.

Time call

A time call is an option held by the issuer entitling the issuer to re-purchase the sub-portfolio at a specific time and at each particular time thereafter. Time call only affects the Lusitano 3 and 5 sub-portfolios. In the projected cash flows for the sub-portfolio Lusitano 5, it is assumed that the issuer will not exercise its time call.

Clean-up call

A clean-up call is an option held by the issuer entitling the issuer to re-purchase the sub-portfolio when the outstanding loans have been repaid and are less than 10% of the issued amount. Since administration of the portfolio is usually not profitable when it is less than 10% of the issued amount, such a design enables the issuer to avoid these extra costs. The design also means that the investor avoids ending up with small, long-term cash flows until the portfolio has been repaid. The clean-up call affects all sub-portfolios.

Other information

The valuation of the loan portfolios is available on Catella's website: www.catella.com.

Value adjustments per portfolio on adjustment of discount rate (SEK M)

	Spain		Portugal		Italy	France	UK	
Discount rate per portfolio	Pastor 2	Pastor 4	Lusitano 3	Lusitano 5	Sestante 4	Minotaure	Ludgate	Total
4.7%	43.1	23.9	73.7	79.8	0.0	32.3	50.0	302.2
6.2%	41.0	21.5	70.2	74.1	0.0	28.8	48.2	283.7
11.2%	36.1	15.2	60.2	59.0	0.0	19.9	43.1	233.6
5.0%	42.2	23.3	72.9	78.5	0.0	31.5	49.6	298.0
7.5%	39.6	19.5	67.3	69.6	0.0	26.1	46.8	268.8
10.0%	37.2	16.4	62.3	62.1	0.0	21.7	44.3	244.0
15.0%	32.9	11.8	54.2	50.2	0.0	15.2	39.9	204.2
Discounted cash flow *	**41.0**	**15.2**	**70.2**	**59.0**	**0.0**	**19.9**	**43.1**	**248.4**

Cash flow per portfolio in relation to discounted value

	Spain		Portugal		Italy	France	UK	
Discount rate per portfolio	Pastor 2	Pastor 4	Lusitano 3	Lusitano 5	Sestante 4	Minotaure	Ludgate	Total
4.7%	1.1x	1.4x	1.2x	1.3x	1.0x	1.4x	1.1x	1.2x
6.2%	1.2x	1.6x	1.2x	1.4x	1.0x	1.6x	1.2x	1.3x
11.2%	1.3x	2.2x	1.4x	1.7x	1.0x	2.3x	1.3x	1.6x
5.0%	1.1x	1.4x	1.2x	1.3x	1.0x	1.5x	1.1x	1.3x
7.5%	1.2x	1.7x	1.3x	1.5x	1.0x	1.8x	1.2x	1.4x
10.0%	1.3x	2.0x	1.4x	1.6x	1.0x	2.1x	1.3x	1.5x
15.0%	1.5x	2.9x	1.6x	2.0x	1.0x	3.1x	1.4x	1.8x
Multiple	**1.2x**	**2.2x**	**1.2x**	**1.7x**	**1.0x**	**2.3x**	**1.3x**	**1.5x**

Cash flow per portfolio in relation to discounted value (SEK M)

	Spain		Portugal		France	UK		
Percentage change in cash flow	Pastor 2	Pastor 4	Lusitano 3	Lusitano 5	Minotaure	Ludgate	Total	Delta
170%	69.6	25.8	119.3	100.2	33.9	73.3	422.2	70%
165%	67.6	25.1	115.8	97.3	32.9	71.2	409.8	65%
160%	65.5	24.3	112.3	94.3	31.9	69.0	397.4	60%
155%	63.5	23.5	108.7	91.4	30.9	66.9	384.9	55%
150%	61.4	22.8	105.2	88.4	29.9	64.7	372.5	50%
145%	59.4	22.0	101.7	85.5	28.9	62.6	360.1	45%
140%	57.4	21.3	98.2	82.5	27.9	60.4	347.7	40%
135%	55.3	20.5	94.7	79.6	26.9	58.2	335.3	35%
130%	53.3	19.7	91.2	76.6	25.9	56.1	322.9	30%
125%	51.2	19.0	87.7	73.7	24.9	53.9	310.4	25%
120%	49.2	18.2	84.2	70.7	23.9	51.8	298.0	20%
115%	47.1	17.5	80.7	67.8	22.9	49.6	285.6	15%
110%	45.1	16.7	77.2	64.8	21.9	47.5	273.2	10%
105%	43.0	16.0	73.7	61.9	20.9	45.3	260.8	5%
100%	**41.0**	**15.2**	**70.2**	**59.0**	**19.9**	**43.1**	**248.4**	**0%**
95%	38.9	14.4	66.7	56.0	18.9	41.0	235.9	-5%
90%	36.9	13.7	63.1	53.1	17.9	38.8	223.5	-10%
85%	34.8	12.9	59.6	50.1	16.9	36.7	211.1	-15%
80%	32.8	12.2	56.1	47.2	15.9	34.5	198.7	-20%
75%	30.7	11.4	52.6	44.2	14.9	32.4	186.3	-25%
70%	28.7	10.6	49.1	41.3	14.0	30.2	173.8	-30%
65%	26.6	9.9	45.6	38.3	13.0	28.0	161.4	-35%
60%	24.6	9.1	42.1	35.4	12.0	25.9	149.0	-40%
55%	22.5	8.4	38.6	32.4	11.0	23.7	136.6	-45%
50%	20.5	7.6	35.1	29.5	10.0	21.6	124.2	-50%
45%	18.4	6.8	31.6	26.5	9.0	19.4	111.8	-55%
40%	16.4	6.1	28.1	23.6	8.0	17.3	99.3	-60%
35%	14.3	5.3	24.6	20.6	7.0	15.1	86.9	-65%
30%	12.3	4.6	21.0	17.7	6.0	12.9	74.5	-70%

Nordic Light Fund

Catella holds units in a Luxembourg-based fund, Nordic Light Fund, which has invested in loan portfolios and is managed by Catella Bank. The loan portfolio comprises loans to SMEs, primarily located in Germany and Spain. The portfolio also includes a diversified pool of loans to SMEs in the Netherlands and Portugal, which has mortgage loans as the underlying collateral. This fund has been fully invested since year-end 2011, and is now repaying cash flows received and realized revenues from its investments to unit holders, through quarterly re-purchases of fund units. In 2016, the fund re-purchased fund units from Catella for a total value of SEK 25 M (21), generating a capital gain of SEK 16 M (11). Additionally, a negative value adjustment of SEK 15 M (11) was made, mainly related to reversal of previous revaluation of sold units in 2016, and to a lesser extent, value adjustments of remaining units. The book value of the holding, and market value as of 31 December 2016, was SEK 14 M (38).

Business-related investments

The business-related investments mainly consist of IPM's and Catella Real Estate's holdings of participations in funds managed in-house. Business-related investments also include holdings of listed and unlisted shares. The book value of the holdings, also market value, was SEK 100 M (21) as of 31 December 2016.

Other securities

Other securities comprise current investments in listed bonds with a book and market value of SEK 48 M (48) as of 31 December 2016.

NOTE 24 ACCOUNTS RECEIVABLE

SEK M	2016	2015
Accounts receivable	276	288
Less: provision for doubtful debt	-8	-32
	268	**256**

The fair value of accounts receivable is as follows:

SEK M	2016	2015
Accounts receivable	268	256
	268	**256**

The age analysis of past due accounts receivable follows:

SEK M	2016	2015
Less than 2 months	54	21
2 to 6 months	2	4
More than 6 months	14	36
	70	**61**

Changes in the reserve for doubtful debts are as follows:

SEK M	2016	2015
As of 1 January	-32	-34
Provision for doubtful debt	-7	-2
Recovered bad debt losses	1	2
Receivables written off during the year that are not recoverable	30	0
Exchange rate differences	0	1
As of 31 December	**-8**	**-32**

Provisions for, and reversal of, reserves for doubtful debt are included in the item "Other external expenses" in the Income Statement. The amounts recognised in the provision for depreciation are usually derecognised when the Group is not expected to be able to recover any further cash and cash equivalents.

The maximum exposure for credit risk on the reporting date is the carrying amount of each category of receivables stated above.

For information on credit quality of accounts receivable, see 'Credit rating of financial assets' in Note 3.

NOTE 25 LOAN RECEIVABLES

SEK M	2016	2015
Loan receivables	1,346	813
Less: provision for doubtful loan receivables	-14	-23
	1,332	**790**
Less: long-term portion	-756	-248
Short-term portion	**577**	**542**

All loan receivables relate to Catella Bank.

The maturities of the Group's long-term loan receivables are as follows:

SEK M	2016	2015
Between 1 and 3 yrs.	219	175
Between 3 and 5 yrs.	517	59
More than 5 yrs.	4	–
Without maturity	15	13
	756	**248**

The fair value of loan receivables is as follows:

SEK M	2016	2015
Loan receivables	1,332	790
	1,332	**790**

Catella Bank also has granted but un-utilized credit facilities to clients of SEK 2,366 M (2,015), see Note 35.

Changes in the reserve for doubtful loan receivables are as follows:

SEK M	2016	2015
As of 1 January	23	26
Provision for doubtful debt	2	2
Receivables written off during the year that are not recoverable	-11	-3
Reversed unutilised amount	0	-1
Exchange rate differences	0	0
As of 31 December	**14**	**23**

The carrying amounts by currency of the Group's loan receivables are as follows:

SEK M	2016	2015
EUR	676	166
USD	44	85
SEK	509	480
GBP	35	35
CHF	62	18
NOK	7	6
DKK	0	0
Other currencies	0	1
	1,332	**790**

For information on the credit quality of accounts receivables, see Credit rating of financial assets in Note 3.

NOTE 26 OTHER NON-CURRENT RECEIVABLES

SEK M	2016	2015
As of 1 January	5	6
Additional receivables	14	0
Repaid receivables	-1	0
Exchange-rate differences	0	0
As of 31 December	**19**	**5**

SEK M	2016	2015
Deferred cash payment from Visa Inc.	14	-
Rent guarantees	4	4
Lease receivable	0	1
Other	0	0
	19	**5**

NOTE 27 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	2016	2015
Accrued interest income	2	1
Accrued management fees and card income	144	94
Other accrued income	0	17
Prepaid rental charges	9	10
Other prepaid expenses	27	23
	182	**145**

NOTE 28 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

SEK M	2016	2015
Catella group excluding Catella Bank	698	831
Catella Bank	2,052	2,022
Client deposit receivables attributable to the asset management and securities operations	42	232
Client deposit liabilities attributable to the asset management and securities operations	-42	-232
Total cash and cash equivalents	**2,750**	**2,854**

Cash and cash equivalents comprise bank balances. Cash and cash equivalents in Catella Bank are not available for withdrawal by the rest of the Catella Group. Cash and cash equivalents include funds deposited in frozen accounts totalling SEK 188 M (166). See also Note 33. Client deposit receivables attributable to the asset management and securities operations were SEK 42 M (232), which were reported net of client deposit liabilities of SEK 42 M (232). The Group has unutilised overdraft facilities of SEK 30 M (32). See Liquidity risk in Note 3.

NOTE 29 EQUITY

Catella AB has chosen to specify equity in accordance with the following components:

- Share capital
- Other contributed capital
- Reserves
- Retained earnings, including net profit for the year

The item share capital includes the registered share capital of the Parent Company. In 2016, share capital increased by SEK 240,000 in tandem with the exercise of 120,000 share warrants for subscribing for the same number of new shares at a price of SEK 11 per share.

Other contributed capital includes the total of the transactions that Catella AB conducted with its shareholders. Transactions with shareholders are primarily share issues at a premium corresponding to the capital received (reduced by transaction costs) in excess of the nominal amount of the issue. Other contributed capital also includes premiums deposited for issued warrants. In 2016, SEK 3 M (3) was deposited for issued warrants. In addition, other contributed capital was reduced to the extent it consisted of non-restricted equity, and the excess portion, against retained earnings through the re-purchase of issued warrants. In 2016, issued warrants totalling SEK 12 M (42) were re-purchased, of which SEK 0 M (26) reduced other contributed capital and SEK 12 M (16) reduced retained earnings.

Reserves comprise the revenue and expenses that, according to certain standards, are to be recognized in other comprehensive income. In Catella's case, reserves comprise translation differences relating to the translation of foreign subsidiaries in accordance with IAS 21 and to a lesser extent fair value changes of financial assets held for sale.

The item "Retained earnings including net profit for the year" corresponds to the total accumulated gains and losses generated in the Group. Retained earnings may also be impacted by the value change of defined benefit pension plans and by transactions with non-controlling interests. In addition, profit brought forward is also reduced by dividends paid to shareholders of the Parent Company. For the financial year 2016, the Board of Directors is proposing a dividend of SEK 0.80 per share, totalling SEK 65.5 M, to be paid to shareholders in June 2017. For the financial year 2015, the Board of Directors decided on a dividend of SEK 0.60 per share, a total of SEK 49.1 M, which was paid in June 2016.

See also Note 52 Equity of Parent Company.

NOTE 30 BORROWINGS AND LOAN LIABILITIES

SEK M	2016	2015
Bank loans for financing operations	260	51
Bond loans	200	200
Deposits from companies	1,811	2,162
Deposits from private clients	796	415
	3,067	**2,827**
Less: long-term portion	0	-200
Short-term portion	**3,066**	**2,627**

Borrowings and loan liabilities essentially relate to Catella Bank.

Maturity dates for the Group's borrowings and loan liabilities are as follows:

SEK M	2016	2015
Less than 6 months	2,554	2,622
Between 6 and 12 months	221	6
Between 1 and 5 yrs.	0	200
More than 5 yrs.	–	–
Without maturity	292	–
	3,067	**2,827**

The fair value of borrowing and loan liabilities are as follows:

SEK M	2016	2015
Borrowing from credit institutions	260	51
Bond loans	200	200
Deposits from companies	1,811	2,162
Deposits from private clients	796	415
	3,067	**2,827**

For information about average loan interest, see the table interest-bearing liabilities and assets for the Group by currency under the heading Interest rate risk in Note 3.

NOTE 31 PENSION PROVISIONS ETC.

The Group has defined benefit pension plans for managers of Catella Bank in Luxembourg. These pension plans are based on the employees' pensionable benefits and length of service. The defined benefit obligation amounts to SEK 6 M (5) as of 31 December 2016. The fair value of the associated assets under management amounts to SEK 3 M (3), and accordingly, the net provision recognized in the Balance Sheet as of 31 December amounts to SEK 3 M (2).

SEK M	Defined benefit pension plans	Earnout acquired company	Other	Total
As of 1 January 2015	2	20	1	23
Additional provisions	1	5		
Value changes recognised in other comprehensive income	0			0
Utilised during the year	0			0
Reversed unutilised amount				0
Exchange rate differences	0		0	0
As of 31 December 2015	**2**	**25**	**1**	**28**
Additional provisions				0
Value changes recognised in other comprehensive income	0			0
Utilised during the year		-25		-25
Reversed unutilised amount				0
Exchange rate differences	0		0	0
As of 31 December 2016	**3**	**0**	**1**	**3**

Defined benefit pension plans are estimated to mature after more than 5 years and other provisions are estimated to mature in 1–3 years.

NOTE 32 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2016	2015
Holiday pay liability	25	20
Accrued personnel costs	56	46
Accrued audit expenses	3	5
Accrued legal expenses	16	6
Accrued bonus	267	233
Accrued interest expenses	0	0
Accrued rental charges	7	23
Accrued commission expenses	73	69
Other accrued expenses	21	34
	469	**436**

NOTE 33 PLEDGED ASSETS

SEK M	2016	2015
Cash and cash equivalents	188	166
Other pledged assets	53	46
	241	**212**

Catella Bank branch office's borrowing is arranged using standard collateral in securities in customary pledge values, which in turn, are received as collateral for credit issued to customers.

Cash and cash equivalents include pledged cash funds. These funds are used as collateral in the Asset Management and Banking operating segment for ongoing transactions. Cash and cash equivalents also include cash funds in accordance with minimum retention requirements of Catella Bank's card operations, funds that are to be made available at all times for regulatory reasons as well as frozen funds for other purposes. See also Note 28.

NOTE 34 CONTINGENT LIABILITIES

SEK M	2016	2015
Client funds managed on behalf of clients	42	232
Other contingent liabilities	20	78
	62	**310**

Client funds relate to assets belonging to customers and managed by Catella Bank branch office. These assets are deposited in separate bank accounts by the branch office under a third-party name. Other contingent liabilities mainly relate to guarantees which were primarily provided for rental contracts with landlords.

Other legal proceedings

Companies in the Group are involved in a small number of disputes or legal proceedings and tax cases that have arisen in daily operations. Risks associated with such events are covered by contractual guarantees, insurance or the requisite reserves. Any liability for damages or other costs associated with such legal proceedings is not deemed to materially affect the Group's business activities or financial position.

NOTE 35 COMMITMENTS

SEK M	2016	2015
Unutilised credit facilities, granted by Catella Bank	2,366	2,015
Investment commitments	48	-
Other commitments	7	2
	2,420	**2,017**

Unutilised credit facilities relate to the credit commitments issued by Catella Bank to its clients. Customers can utilise these facilities under certain circumstances, depending on what collateral they can provide.

Investment commitments mainly relate to associated company Nordic Seeding GmbH.

The Group leases a number of office premises on the basis of non-cancellable operating leases. The lease terms vary between three and ten years and most lease arrangements can be extended on market terms on expiry.

Total future minimum lease payments for non-cancellable operating leases are as follows:

SEK M	2016	2015
Within 1 yr.	59	60
Between 1 and 5 yrs.	118	104
More than 5 yrs.	4	19
	180	**183**

Leasing costs recognised in profit and loss during the year amounted to SEK 66 M (57).

NOTE 36 INTEREST PAID AND RECEIVED

Interest paid and received for the Catella Group in the financial year amounted to the following:

SEK M	2016	2015
Interest received	46	33
Interest paid	-17	-13
Net interest received	**30**	**20**

NOTE 37 ACQUISITION AND DIVESTMENT OF OPERATIONS

Acquisitions in 2016

On 5 September 2016, following approval from the Luxembourg financial supervisory authority, CSSF, Catella acquired 51% of the shares in Catella Asset Management AS (CAM AS). The acquisition provides Catella with a plat form for Property Investment Management on the Norwegian market and management of mezzanine funds in Luxembourg. The establishment in Norway is a step in Catella's expansion in the business area and expands Catella's offering in asset management and management of niche fund products.

CAM AS holds 100% of the shares in advisors and asset management company Elementum Asset Management AS (Elementum) and in Ambolt Advisors S.à.r.l (Ambolt) which acts as advisor to regulated funds. Elementum has 2 employees in Oslo and Ambolt has 1 employee in Luxembourg.

The acquired operations, which form part of Catella's Asset Management and Banking operations, was consolidated as a subsidiary from 9 September 2016. As of 1 September, fair value of acquired net assets in CAM AS was SEK 11 M. Assuming full consolidation of CAM AS as of 1 January 2016, Group income would have amounted to SEK 2,031 M, while profit/loss after tax for the period and comprehensive income for the period would have been SEK 357 M and SEK 395 M respectively. These amounts have been calculated on the basis of the Group's accounting principles and adjusted profit/loss in CAM AS. Profit/loss includes additional amortization which would have been effected if fair value adjustments of intangible assets had been made as of 1 January 2016, alongside the associated tax consequences.

The total purchase consideration for 51% of the shares in CAM AS amounts to SEK 18 M and was financed using proprietary cash funds in the third quarter 2016. In addition, Catella has incurred acquisition-related expenses of SEK 1 M which were charged to operating profit in 2016.

Goodwill of SEK 8 M arising from the acquisition relates to operational expansion, human capital and the synergies that are expected to arise from the coordination of the Group's existing asset management operations. No portion of reported goodwill is expected to be tax deductible.

Fair value of identifiable intangible assets of SEK 4 M (SEK 3 M after latent tax) is attributable to distribution channels in the form of fund platforms and customer relationships. This valuation is preliminary while awaiting final valuation of these assets, which is expected to take place within 12 months of the acquisition date.

SEK M	2016
Acquisition-related intangible assets	4
Other receivables	5
Cash and cash equivalents	6
Deferred tax liabilities	-1
Other liabilities	-3
Fair value of net assets	**11**
Non-controlling interests *	0
Goodwill	8
Fair value, net assets	**18**
Unsettled purchase price	
Cash-settled purchase consideration	**18**
Cash and cash equivalents in acquired subsidiary	-6
Acquisition expenses	1
Change in the Group's cash and cash equivalents on acquisition	**14**

* Relates to non-controlling interests in acquired companies of SEK 9 M less value transfer to non-controlling interests of SEK 9 M in connection with the new share issue in CAM AS.

In 2016, Catella also acquired shares in Catella Corporate Finance Göteborg HB and CC Intressenter AB, the parent company of Catella Consumer AB, from non-controlling holdings, whereupon the companies became wholly-owned subsidiaries at the end of 2016. Furthermore, Catella acquired shares in Catella Nordic Fixed Income AB from non-controlling holdings, whereupon the company was liquidated.

There were no divestments in 2016

Acquisitions in 2015

Catella acquired shares in Catella Corporate Finance Stockholm HB and Catella Nordiska Fribrev HB from non-controlling interests, whereupon the companies became wholly-owned subsidiaries at the end of 2015.

Divestment of Nordic Fixed Income in 2015

After approval from the Swedish Financial Supervisory Authority, Catella sold all the shares of its subsidiary Nordic Fixed Income AB effective 1 October 2015 in accordance with the agreement signed with Arctic Securities AS in the second quarter 2015. This subsidiary, which was part of the Swedish Corporate Finance operation, made a small profit contribution in 2015. The profit from the sale amounted to SEK 5.8 M, and is recognized in the Consolidated Income Statement under other financial income, more information in Note 14.

SEK M	2015
Sales price, net	**48**
Disposed netassets;	
Assets	57
Liabilities	25
	33
Profi/loss from divestment	15
Of which attributable to Non-controlling interests	9
Profit/loss attributable to Parent Company shareholders	**6**
Outgoing cash and cash equivalents	-35
Cash flow effect	**13**

NOTE 38 SUBSEQUENT EVENTS

There were no significant events after the reporting date.

NOTE 39 RELATED PARTY TRANSACTIONS

Related party transactions

Related party transactions with significant influences encompass the Catella Board members and Group Management, including family members, and companies in which these individuals have Board assignments or hold positions as senior managers and/or have significant shareholdings. For senior managers' ownership of Catella and subsidiaries, see Note 11.

There are also some key individuals active in subsidiaries in the Corporate Finance operation, which in some cases are shareholders of these subsidiaries. Special conditions apply to such partnerships. In accordance with the Group's accounting policies, non-controlling interests attributable to these shareholdings are reported as a personnel cost.

Related party transactions

2016

In 2016, Catella completed additional investments totalling SEK 25 M in associated company Nordic Seeding GmbH (name changed from CA Seeding GmbH), where the other owners are the Claesson & Anderzén Group and the management of Catella Project Management GmbH. As of 31 December 2016, Catella had invested SEK 51 M, of which a total commitment of SEK 86 M in Nordic Seeding GmbH.

Furthermore, in 2016 Johan Nordenfalk, COO, utilised 120,000 warrants to subscribe for an equal number of newly issued shares at a price of SEK 11 per share, and 300,000 warrants were sold to a key member of staff for SEK 3.1 M. The acquisition was financed by borrowing from Group company Catella Holding AB on market terms.

2015

120,000 warrants were repurchased at maturity at market value of SEK 0.6 M from Johan Nordenfalk, COO and member of Catella's Group Management, in 2015. 300,000 warrants were also sold for a purchase consideration of SEK 0.9 M to each of Johan Nordenfalk and Marcus Holmstrand, the latter, CFO and member of Catella's Group Management.

Jointly with Catella's principal owner, the Claesson & Anderzén group, Catella founded CA Seeding GmbH (name changed to Nordic Seeding GmbH), which in turn, invests in various property development projects in Germany. These projects are conducted by the subsidiary Catella Project Management GmbH. Via the subsidiary Aveca AB, Catella holds 45% of Nordic Seeding GmbH, the Claesson & Anderzén group holds 40% and the remaining 15% is held by the management of Catella Project Management GmbH. As of 31 December 2015, Catella had invested SEK 26 M in Nordic Seeding GmbH.

NOTE 40 CAPITAL ADEQUACY AND CONSOLIDATED FINANCIAL SITUATION

Catella AB and the subsidiaries that conduct operations under the supervision of Swedish or foreign supervisory authorities comprise a financial corporate Group, a so-called consolidated financial situation. The consolidated financial situation is under the supervision of the Luxembourg supervisory authority, CSSF, from 31 March 2016. Catella Bank S.A. is the reporting and liable institution. Discussions are underway with CSSF regarding reporting and other matters applicable to the consolidated financial situation.

The consolidated financial situation is obliged to adhere to the European Parliament's regulation (EU) 575/32013 (CRR). Those group companies that are included, and not included, in the consolidated financial situation at present, are stated in Note 20 Investments in subsidiaries and associated companies.

According to the Swedish Annual Accounts Act for Credit Institutions and Firms Act, ÅRKL, (1995:1559), consolidated accounts must be prepared for a consolidated financial situation. Catella applies this requirement through the information provided in this Note on a consolidated financial situation's accounts according to ÅRKL. Accounting policies indicated in Note 2 were applied when preparing these accounts that comply with the Swedish Annual Accounts Act. Otherwise, please refer to the Catella's consolidated accounts and Notes 1-39 and Note 42 of these Annual Accounts for other information, comments and analysis. For this reason, no complete annual accounts with supplementary disclosures are prepared for the consolidated financial situation. The following tables present extracts from the accounts of the consolidated financial situation.

Summary Income Statement

SEK M	2016 Jan–Dec	2015 Jan–Dec
Net sales	1,392	1198
Other operating income	11	3
Total income	**1,403**	**1,201**
Direct assigment costs and commission	-379	-317
Income excl. direct assignment costs and commission	**1,024**	**884**
Operating expenses	-819	-687
Operating profit/loss before acquisition-related items	**205**	**196**
Amortisation of acquisition-related intangible assets	-4	-7
Operating profit/loss	**201**	**189**
Financial items—net	253	16
Profit/loss before tax	**454**	**205**
Appropriations	2	-18
Tax	-122	-8
Net profit for the year	**334**	**179**
Profit/loss attributable to:		
Shareholders of the Parent Company	**249**	**150**
Non-controlling interests	**85**	**30**
	334	**179**
Average no. of employees	335	291

Summary financial position

SEK M	2016 31 Dec	2015 31 Dec
Non-current assets	1,672	970
Current assets	3,532	3,610
Total assets	**5,204**	**4,579**
Equity	1,497	1,211
Liabilities	3,707	3,368
Total equity and liabilities	**5,204**	**4,579**

Capital adequacy

The company Catella AB is a parent financial holding company in the Catella Group and accordingly publishes disclosures on capital adequacy for the consolidated financial situation.

SEK M	2016 31 Dec	2015 31 Dec
Common Equity Tier 1 capital	725	645
Additional Tier 1 capital	0	0
Tier 2 capital	0	0
Own funds	**725**	**645**
Total risk-weighted exposure amount	**4,440**	**3,486**
Own funds requirements and buffers		
Own funds requirements Pillar 1	**355**	**279**
of which own funds requirement for credit risk	196	152
of which own funds requirement for market risk	64	49
of which own funds requirement for operational risk	96	77
Own funds requirements Pillar 2	100	94
Institution-specific buffer requirements	129	93
Internal buffer requirement	44	35
Total capital adequacy and buffer requirements	**629**	**501**
Capital surplus after capital and buffer requirements	96	144

	2016 31 Dec	2015 31 Dec
Capital relations, % of total risk-weighted exposure amount		
Common Equity Tier 1 capital ratio	16.3	18.5
Tier 1 capital ratio	16.3	18.5
Total capital ratio	16.3	18.5
Own funds requirements and buffers, % of total risk-weighted exposure amount		
Own funds requirements Pillar 1	8.0	8.0
Own funds requirements Pillar 2	2.3	2.7
Institution-specific buffer requirements	2.9	2.7
of which requirement for capital conservation buffer	2.5	2.5
of which requirement for countercyclical capital buffer	0.4	0
Internal buffer requirement	1.0	1.0
Total capital adequacy and buffer requirements	**14.2**	**14.4**
Capital surplus after capital and buffer requirements	2.2	4.1

Catella AB's consolidated financial situation satisfies the requirements of a minimum level of its own funds.

Reported own funds as of 31 December 2016, of SEK 725 M are not included in the positive profits for the year as they have not been approved by the AGM. This has a negative impact on the aforementioned capital ratios and capital surplus after capital and buffer requirements.

Own funds, SEK M	2016 31 Dec	2015 31 Dec
Common Equity Tier 1 capital		
Share capital and share premium reserve	399	399
Retained earnings and other reserves	1,097	812
Reviewed annual results, net of any foreseeable charge or dividend	-	-
Less:		
Intangible assets	-317	-279
Price adjustments	-27	-32
Deferred tax assets	-67	-76
Net income for the year not yet adopted by the annual general meeting	-334	-179
Other deductions	-27	0
Total Common Equity Tier 1 capital	**725**	**645**
Additional Tier 1 capital	-	-
Tier 2 capital	-	-
Own funds	**725**	**645**

SEK M	2016 31 Dec		2015 31 Dec	
Specification of risk-weighted exposure amounts and own funds requirement Pillar 1	**Risk exp. amount**	**Own funds requirements Pillar 1**	**Risk exp. amount**	**Own funds requirements Pillar 1**
Credit risk standardised approach				
Exposures to institutions	451	36	460	37
Exposures to corporates	852	68	785	63
Retail exposures	123	10	241	19
Exposures secured by mortgages on real property	286	23	60	5
Exposures in default	277	22	253	20
Items associated with particular high risk	134	11	-	-
Exposures in the form of covered bonds	3	0	2	0
Exposures in the form of collective investment undertakings (CIU)	16	1	58	5
Equity exposures	129	10	38	3
Other items	175	14	10	1
	2,446	**196**	**1,906**	**152**
Market risk				
Interest risks	0	0	0	0
Exchange rate risks	795	64	614	49
	795	**64**	**614**	**49**
Operational risk basic approach	**1,199**	**96**	**966**	**77**
Total	**4,440**	**355**	**3,486**	**279**

The CSSF's instructions stipulate that a report on the evaluation of current and future risks, as well as the capital and liquidity situation, ICLAAP, should be presented to the authority at least once yearly. On 3 November 2016, the Board of Directors adopted the updated ICLAAP for the consolidated financial situation.

NOTE 41 APPLICATION OF KEY PERFORMANCE INDICATORS NOT DEFINED BY IFRS, AND TERMS AND EXCHANGE RATES

The Consolidated Accounts of Catella are prepared in accordance with IFRS. See Note 2 for more information regarding accounting principles. IFRS defines only a limited number of performance measures. From the second quarter 2016, Catella applies the European Securities and Markets Authority's (ESMA) new guidelines for alternative performance measures. In summary, an alternative performance measure is a financial measure of historical or future profit progress, financial position or cash flow not defined by or specified under IFRS. In order to assist corporate management and other stakeholders in their analysis of Group progress, Catella presents certain performance measures not defined under IFRS. Corporate management considers that this information facilitates the analysis of the Group's performance. This additional information is complementary to the information provided by IFRS and does not replace performance measures defined in IFRS. Catella's definitions of measures not defined under IFRS may differ from other companies' definitions. All of Catella's define-tions are presented below. The calculation of all performance measures corresponds to items in the Income Statement and Balance Sheet.

Definitions

Non-IFRS performance measures	Description	Reason for using the measure
Equity per share	Equity at the end of the period divided by the number of shares at the end of the period	Provides investors with a view of equity as represented by a single share.
Equity per share attributable to parent company shareholders	Equity attributable to parent company shareholders divided by the number of shares at the end of the period.	Provides investors with a view of equity attributable to parent company shareholders as represented by a single share
Earnings per share attributable to parent company shareholders before dilution	Profit for the year attributable to parent company shareholders divided by the average number of shares in the year	Provides investors with a view of profit attributable to parent company shareholders before dilution as represented by a single share.
Earnings per share attributable to parent company shareholders after dilution	Profit for the year attributable to parent company shareholders divided by the average number of shares considering outstanding warrants (excluding warrants held in treasury) and any newly issued shares in the year.	Provides investors with a view of profit attributable to parent company shareholders after dilution as represented by a single share.
Return on equity *	Total profit in the period for the most recent four quarters divided by average equity attributable to parent company shareholders in the most recent five quarters.	The company considers that the performance measure provides investors with a better understanding of return on equity attributable to parent company shareholders.
Operating margin	Operating profit excluding amortization of acquisition-related intangible assets divided by total income for the period.	Provides investors with a view of the company's profitability.
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	Earnings Before Interest, Taxes, Depreciation and Amortization	Provides investors with a view of the company's profitability.
Equity/assets ratio	Equity divided by total assets.	The performance indicator is used because Catella considers it relevant to investors and other stakeholders wanting to evaluate Catella's financial stability and long-term viability.
Interest coverage ratio	Profit before tax plus reversals of interest expenses and adjustments to changes in fair value of financial assets, divided by interest expenses	Provides investors with a view of the company's ability to cover its interest expenses.
Capital employed	Non-interest bearing fixed and current assets less non-interest bearing non-current and current liabilities.	The performance indicator illustrates the company's capital employed.
Net debt/Net cash	Net of interest-bearing provisions and liabilities less interest-bearing financial assets including cash and cash equivalents and investments in loan portfolios. If the amount is negative, it is designated as net cash.	The performance indicator illustrates the company's ability to repay interest-bearing liabilities using interest-bearing assets including cash and cash equivalents.
Cash flow per share	Cash flow for the year divided by the number of shares at the end of the period.	Provides investors with a view of cash flow as represented by one share.
Dividend per share	Dividend divided by the number of shares at the end of the period.	Provides investors with a view of the company's dividend over time.
Dividend yield, %	Dividend per share divided by the share price at the end of the period.	Provides investors with a view of dividend for the year in relation to the share price.
Profit margin	Profit for the period divided by total income for the period.	The measure illustrates profitability regardless of the rate of corporation tax.
Price/Earnings (P/E)	Market capitalization for all shares at the end of the period divided by profit for the year.	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market.
Price/Book (P/B)	Market capitalisation of all shares at the end of the period divided by equity.	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market.

Non-IFRS performance measures	Description	Reason for using the measure
EV/EBITDA	Enterprise Value divided by EBITDA	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market
Number of employees at the end of the period	Number of employees at the end of the period expressed as full-time positions.	Provides investors with a view of the number of employees in the company over time.
Average number of employees	Average number of employees at the end of the four quarters of the financial year	Provides investors with a view of the average number of employees in the company in the period.
Property transaction volumes in the period	Property transaction volumes in the period constitutes the value of underlying properties at the transaction dates.	An element of Catella's income in Corporate Finance is agreed with customers on the basis of the underlying property value of the relevant assignments. Provides investors with a view of what drives parts of the income.
Assets under management at year end	Assets under management constitutes the value of Catella's customers' deposited/invested capital.	An element of Catella's income in Asset Management and Banking is agreed with customers on the basis of the value of the underlying invested capital. Provides investors with a view of what drives parts of the income.
Card and payment volumes	Card and payment volumes are the value of the underlying card transactions processed by Catella.	Card and payment volumes are a value driver for Catella's income in Card & Payment Solutions. Provides investors with a view of what drives an element of Catella's income.

* See below for basis of calculation

Calculation of return on equity

GROUP	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun	2015 Jan-Mar	2014 Oct-Dec	2014 Jul-Sep	2014 Apr-Jun	2014 Jan-Mar	2013 Oct-Dec	2013 Jul-Sep	2013 Apr-Jun	2013 Jan-Mar
Net profit/loss for the period, SEK M *	37	35	182	17	123	37	48	35	96	21	85	15	-4	10	11	-39
Equity, SEK M *	1563	1534	1484	1333	1319	1232	1177	1151	1164	1041	1027	920	904	888	887	844
Return on equity, %	19	26	27	18	20	19	18	22	21	12	11	4				

CORPORATE FINANCE	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun	2015 Jan-Mar	2014 Oct-Dec	2014 Jul-Sep	2014 Apr-Jun	2014 Jan-Mar	2013 Oct-Dec	2013 Jul-Sep	2013 Apr-Jun	2013 Jan-Mar
Net profit/loss for the period, SEK M *	11	11	36	-8	32	13	16	-15	42	5	16	-9	4	17	3	-23
Equity, SEK M *	254	237	222	206	213	184	171	187	206	144	143	138	287	284	272	267
Return on equity, %	22	33	37	28	24	32	28	30	30	8	13	6				

ASSET MANAGEMENT AND BANKING	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun	2015 Jan-Mar	2014 Oct-Dec	2014 Jul-Sep	2014 Apr-Jun	2014 Jan-Mar	2013 Oct-Dec	2013 Jul-Sep	2013 Apr-Jun	2013 Jan-Mar
Net profit/loss for the period, SEK M *	43	27	158	24	68	12	18	44	26	5	20	19	-8	-5	11	-2
Equity, SEK M *	859	855	788	648	620	685	660	676	639	651	575	545	436	473	481	480
Return on equity, %	33	39	39	19	22	15	15	15	12	7	5	4				

** Attributable to shareholders of the Parent Company.*

Terms

Borrowing
Loans from credit institutions.

Debt
Loans from non-credit institutions.

WACC
Weighted Average Cost of Capital

EV
Enterprise Value

Exchange rates
The average exchange rates of the Group's currencies in relation to the SEK on the reporting date were as follows:

Exchange rates 2016

Currency	Average rate	Closing day rate
DKK	1.272	1.287
EUR	9.470	9.567
GBP	11.566	11.179
NOK	1.020	1.054
USD	8.561	9.097

Exchange rates 2015

Currency	Average rate	Closing day rate
DKK	1.254	1.224
EUR	9.356	9.135
GBP	12.896	12.379
NOK	1.047	0.956
USD	8.435	8.352

Parent Company Income Statement

SEK M	Note	2016 Jan–Dec	2015 Jan–Dec
Net sales		9.1	5.1
Other operating income		0.0	0.0
		9.2	**5.1**
Other external expenses	43	-29.7	-14.0
Personnel costs	44	-30.4	-20.8
Depreciation and amortisation		0.0	0.0
Other operating expenses		0.0	0.0
Operating profit/loss		**-51.0**	**-29.8**
Profit/loss from participations in group companies	45	0.3	-2.3
Interest income and similar profit/loss items	46	6.7	8.9
Interest expenses and similar profit/loss items	47	-9.9	-10.7
Financial items		-3.0	-4.1
Profit/loss before tax		**-54.0**	**-33.9**
Appropriations	48	39.0	29.4
Tax on profit/loss for the year	49	0.0	0.4
Net profit for the year		**-15.0**	**-4.1**

Parent Company Statement of Comprehensive Income

SEK M	Note	2016 Jan–Dec	2015 Jan–Dec
Net profit for the year		-15.0	-4.1
Other comprehensive income			
Other comprehensive income for the year, net of tax		0.0	0.0
Total comprehensive income for the year		**-15.0**	**-4.1**

Parent Company Cash Flow Statement

SEK M	Note	2016 Jan–Dec	2015 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		-54.0	-33.9
Adjustments for non-cash items:			
Depreciation and amortisation		0.0	0.0
Impairment of shares in subsidiaries	45	-	2.3
Financial items		-6.0	-8.3
Cash flow from operating activities before changes in working capital		**-59.9**	**-39.8**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating		61.1	15.1
Increase (+) / decrease (–) in operating liabilities		11.4	1.5
Cash flow from operating activities		**12.6**	**-23.3**
Cash flow from investing activities			
Investment in tangible assets		-	-0.1
Investments in subsidiaries		-	-12.1
Cash flow from investing activities		**0.0**	**-12.1**
Cash flow from financing activities			
Group contribution received		29.4	49.0
Dividend from subsidiaries		5.7	-
New share issue		1.3	0.3
Dividend		-49.1	-16.3
Cash flow from financing activities		**-12.7**	**33.0**
Cash flow for the year		**-0.1**	**-2.4**
Cash and cash equivalents at beginning of year		31.3	33.8
Exchange rate differences in cash and cash equivalents		-	-
Cash and cash equivalents at end of year		**31.3**	**31.3**

Parent Company Balance Sheet

SEK M	Note	2016 31 Dec	2015 31 Dec
Assets			
Non-current assets			
Tangible assets		0.1	0.1
Participations in Group companies	50	519.1	523.2
Deferred tax assets	51	18.9	18.9
		538.1	**542.2**
Current assets			
Receivables from group companies		164.9	212.6
Tax assets		0.0	0.1
Other current receivables		3.4	2.6
Prepaid expenses and accrued income		2.5	2.1
Cash and cash equivalents		31.3	31.3
		202.0	**248.7**
Total assets		**740.1**	**790.8**
EQUITY AND LIABILITIES			
Equity	52		
Restricted equity			
Share capital		163.7	163.5
Statutory reserve		249.9	249.9
		413.6	**413.3**
Non-restricted equity			
Share premium reserve		50.9	49.8
Retained earnings		69.5	122.7
Net profit for the year		-15.0	-4.1
		105.4	**168.5**
Total equity		**519.0**	**581.8**
Liabilities			
Long-term loan liabilities	53	–	199.0
		0.0	**199.0**
Current liabilities			
Accounts payable		6.3	2.7
Liabilities to group companies		0.2	0.1
Tax liabilities		-	-
Other current liabilities	53	200.0	0.3
Accrued expenses and deferred income	54	14.6	7.0
		221.0	**10.1**
Total liabilities		**221.0**	**209.0**
Total equity and liabilities		**740.1**	**790.8**

Parent Company Statement of Changes in Equity

SEK M	Note 53	Share capital (Restricted equity)	Statutory reserve (Restricted equity)	Share premium reserve (Non-restricted equity)	Retained earnings (Non-restricted equity)	Net profit for the year	Total equity
Equity 1 January 2015		163.4	249.9	49.6	121.5	17.6	601.9
Appropriation of profits					17.6	-17.6	0.0
Dividend					-16.3		-16.3
Total comprehensive income for the year, January - December 2015							
Net profit for the year						-4.1	-4.1
Other comprehensive income, net of tax						0.0	0.0
Total comprehensive income for the year						**-4.1**	**-4.1**
New share issue		0.1		0.3			0.3
Equity 31 December 2015		**163.5**	**249.9**	**49.8**	**122.7**	**-4.1**	**581.8**
Appropriation of profits					-4.1	4.1	0.0
Dividend					-49.1		-49.1
Total comprehensive income for the year, January - December 2016							
Net profit for the year						-15.0	-15.0
Other comprehensive income, net of tax						0.0	0.0
Total comprehensive income for the year						**-15.0**	**-15.0**
New share issue		0.2		1.1			1.3
Equity 31 December 2016		**163.7**	**249.9**	**50.9**	**69.5**	**-15.0**	**519.0**

Parent Company Notes

NOTE 42 PARENT COMPANY ACCOUNTING POLICIES

The Parent Company's financial statements were prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 Accounting for legal entities. Accordingly, the Parent Company applies the same accounting policies as the Group wherever applicable, except for the cases stated below.

The Parent Company utilises the terms Balance sheet and Cash flow statement for the statements that the Group names statement of financial position and statement of Cash flows respectively. The Parent Company's income statement and Balance sheet have been prepared in accordance with the presentation format stipulated in the Swedish Annual Accounts Act, while the statement of comprehensive income, statement of changes in equity and the cash flow statement are based on IAS 1 Presentation of financial statements and IAS 7 Statement of Cash flows respectively.

Participations in Group companies

The Parent Company recognises all of its holdings in Group companies at cost less deductions for any accumulated impairment.

Group contributions

Group contributions received as well as paid are recognised as an appropriation in the Income Statement.

Shareholder contribution

Shareholder contributions from the Parent Company to group companies are recognised as an increase in the participations in group companies' item in the Balance Sheet. An impairment test on these participations is conducted subsequently.

Lease arrangements

The Parent Company reports all lease arrangements as operating leases.

Financial instruments

Considering the relationship between accounting and taxation, financial assets or liabilities are not reported at fair value. Financial non-current assets are recognised at cost less potential impairment and financial current assets are recognised according to the principle of lower of cost or market. Financial liabilities are recognised at cost.

In addition, the Parent Company applies the exemption in RFR 2 for not applying the rules of IAS 39 for financial guarantees relating to guarantee agreements in favour of subsidiaries and associated companies. In these cases, the rules of IAS 37 are applied, which imply that financial guarantee agreement should be reported as a provision in the Balance Sheet when Catella has a legal or informal commitment resulting from a previous event, and it is likely that an outflow of resources will be necessary to settle this commitment. In addition, a reliable measurement of the value of the commitment must be possible.

NOTE 43 OTHER EXTERNAL EXPENSES

Remuneration of auditors

SEK M	2016	2015
PwC		
Audit assignment *	0.6	0.6
Audit activities other than audit assignment	-	-
Tax advisory	-	-
Other services	5.5	0.3
Total	**6.0**	**0.8**

Operating leases including rent

SEK M	2016	2015
Expense for the year for operating lease arrangements including rent amount to	2.1	1.7

Future lease payments for non-cancellable operating leases with remaining durations exceeding one year are allocated as follows:		
Due for payment within one year	2.4	2.0
Due for payment after more than one year but less than five years	1.1	3.0
Due for payment after more than five years	-	-
Total	**3.5**	**5.0**

- Audit assignments mean fees for statutory auditing as required to publish the Audit Report, and audit advice provided in connection with the audit assignment.
- **Other services mainly relate to fees for advice in connection with listing on Nasdaq Stockholm Mid Cap segment.

NOTE 44 PERSONNEL

Salaries, other compensation and social security expenses

	2016		2015	
SEK M	Salaries and other compensation (of which bonus)	Social security contributions (of which pension costs)	Salaries and other compensation (of which bonus)	Social security contributions (of which pension costs)
Board of Directors	2.1	0.3	1.9	0.4
	(0,0)	(0,0)	(0,0)	(0,0)
Chief Executive Officer	4.1	2.2	3.4	1.9
	(1,8)	(0,9)	(1,5)	(0,8)
Other employees, Sweden	12.9	6.0	7.2	3.6
	(5,6)	(1,9)	(1,9)	(1,3)
Total	**19.1**	**8.4**	**12.6**	**5.9**
	(7,3)	**(2,7)**	**(3,4)**	**(2,0)**

There were no pension commitments for the Chief Executive Officer or senior managers. For more information about compensation of the Board and Chief Executive Officer, see Note 11

Average number of full-time employees

	2016		2015	
SEK M	Total	of which women	Total	of which women
CEO and senior managers	2	-	1	-
Other employees	7	3	6	3
Total	**9**	**3**	**7**	**3**

NOTE 45 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

SEK M	2016	2015
Results from liquidation of subsidiaries	0.3	-
Impairment of shares in subsidiaries	-	-2.3
Total	**0.3**	**-2.3**

NOTE 46 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2016	2015
Interest	6.6	8.9
Exchange rate gains	0.1	-
Total	**6.7**	**8.9**

SEK 6.7 M (8.9) of interest income and similar profit/loss items are intragroup.

NOTE 47 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2016	2015
Interest	-9.3	-10.0
Loan arrangement expenses	-0.7	-0.7
Exchange rate losses	-	-
Total	**-9.9**	**-10.7**

SEK 0.0 M (0.0) of interest expenses and similar profit/loss are intragroup.

NOTE 48 APPROPRIATIONS

SEK M	2016	2015
Group contribution received	39.0	29.4
Total	**39.0**	**29.4**

NOTE 49 TAX ON NET PROFIT/LOSS FOR THE YEAR

SEK M	2016	2015
Deferred tax expense/ income relating to tax losses carryforwards	-	-
Deferred tax expense/ income relating to timing differences	-	0.4
Total	**0.0**	**0.4**

Taxable earnings for the year amounted to SEK 0.0 M (0.8), of which SEK 39.0 M (29.4) relates to taxable income from subsidiary Catella Fondförvaltning AB. The Parent Company has total loss carry-forwards of SEK 96 M (84). In accordance with the Swedish Accounting Standards Board's general pronouncement on taxation of income (BFNAR 2001:1) a deferred tax asset attributable to these loss carry-forwards of SEK 18.0 M (18.5) was recognised in the company's Balance Sheet. The amounts are based on a judgement of the company's future utilisation of tax-deductible losses. The loss carry-forwards have an unlimited useful life. For more information, see Note 51.

NOTE 50 PARTICIPATIONS IN GROUP COMPANIES

				Carrying amount, SEK M	
Company	Share of equity,%	Share of vote,%	No. of participations	2016	2015
Catella Holding AB	100%	100%	1,000	519.1	519.1
Scribona AS	-	-	-	-	4.1
Total				**519.1**	**523.2**

Subsidiary Scribona AS was liquidated and its assets transferred to the parent company in August 2016.

Subsidiary corporate identity numbers and registered offices:

Company	Corp. ID no.	City
Catella Holding AB	556064-2018	Stockholm
Scribona AS	979,460,198	Oslo

Participations in Group companies	2016	2015
Opening book value	523.2	519.1
New share issue	-	12.1
Anticipated dividends	-	-5.7
Shareholders' contribution paid	-	-
Impairment losses	-	-2.3
Liquidation	-4.1	-
Closing book value	**519.1**	**523.2**

Impairment is stated in Note 45 Profit/loss from participations in Group companies.

NOTE 51 DEFERRED TAX ASSETS

Deferred tax assets relate primarily to the valuation of the company's tax-deductible losses expected to be offset against surpluses in future taxation. A smaller portion of the deferred tax asset relates to temporary difference for variable salaries. See also Note 49.

Company	2016	2015
Opening book value	18.9	18.5
Deficit utilised in the year	-	-0.2
Value change from revised assessment of tax loss carryforwards	-0.5	0.2
Value change from additional timing differences	0.5	0.4
Closing book value	**18.9**	**18.9**

NOTE 52 EQUITY

As of 31 December 2016, the share capital amounted to SEK 163.7 M (163.5) divided between 81,848,572 (81,728,572) shares. The quotient value per share is 2. The share capital is divided between two share classes with different voting rights: 2,530,555 Class A shares with five votes per share, and 79,318,017 Class B shares with one vote per share. There are no other differences between the share classes.

The Articles of Association include the right for holders of Class A shares to convert these shares to the same number of Class B shares. No Class A shares were converted to Class B shares in 2016. As of 31 December 2016, the parent company had a total of 7,000,000 outstanding warrants (17,074,000), as described in more detail in Note 12.

The Board is not authorised to re-purchase or issue shares. No treasury shares were held by the company itself or its subsidiaries.

Shareholders with more than 10% of the votes

The principal shareholder on 31 December 2016 was the Claesson & Anderzén Group (with related parties) with 49.8% (49.9) of the capital and 49.1% (49.1) of the votes, followed by Bure Equity AB (publ) with 10.7% (10.8) of the capital and 11.1% (11.1) of the votes.

Dividend

The Board of Directors is proposing a dividend of SEK 0.80 per Class A and B share is paid to shareholders for the financial year 2016. A dividend of SEK 0.60 per Class A and B share was paid to shareholders for the financial year 2015.

Restricted reserves

Restricted reserves may not be reduced through dividends.

Statutory reserve

The purpose of the statutory reserve is to save a portion of net profit that is not utilised to cover losses brought forward. Amounts contributed to the share premium reserve prior to 1 January 2006 were transferred to, and are included in, the statutory reserve. Share premium reserves arising after 1 January 2006 are recognised as non-restricted equity in the Parent Company.

Non-restricted equity

The following reserves, combined with net profit for the year, comprise non-restricted equity, meaning the amount available as dividends to shareholders.

Share premium reserve

When shares are issued at a premium, meaning that a price is to be paid for the shares that exceeds the quotient value of the share, an amount corresponding to the amount received in excess of the quotient value must be transferred to the share premium reserve. Amounts transferred to the share premium reserve from 1 January 2006 are included in non-restricted equity.

Retained earnings

Retained earnings comprises profit carried forward from the preceding year and profit after dividends paid for the year.

NOTE 53 LOAN LIABILITIES

SEK M	2016	2015
Bond loans	199.6	199.0
	199.6	**199.0**
Less: long-term portion	-	-199.0
Short-term portion	**199.6**	**0.0**

In September 2012, Catella AB (publ) issued a five-year unsecured bond of SEK 200 M. This bond has a nominal amount of SEK 300 M and accrues variable interest at 3-month Stibor plus 500 basis points. Funding is conditional on the satisfaction of two covenants based on financial position and liquidity, namely: Group equity must not fall below SEK 800 M, and the Parent Company's cash and cash equivalents may not fall below 7% of outstanding borrowing. These covenants were satisfied in the year and as of 31 December 2015. The bond was listed on Nasdaq Stockholm in July 2013.

NOTE 54 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2016	2015
Holiday pay liability	1.2	0.7
Accrued salaries	8.8	3.3
Social security expenses	3.2	1.4
Accrued interest expenses	0.3	0.3
Accrued audit fees	0.2	0.2
Accrued directors' fees	0.4	0.4
Other items	0.5	0.8
Total	**14.6**	**7.0**

NOTE 55 PLEDGED ASSETS AND CONTINGENT LIABILITIES

As of 31 December 2016, there were no pledged assets or contingent liabilities.

NOTE 56 RELATED PARTY TRANSACTIONS

The Parent Company has a close relationship with its subsidiaries. Transactions between the Parent Company and subsidiaries are priced on commercial terms. In 2016, several transactions took place between the Parent Company and subsidiaries. Catella AB (publ) has rendered a number of intragroup services to most subsidiaries, at market price and the Parent Company continues to provide funding on market terms to its subsidiary Catella Holding AB. In addition, the Parent Company received Group contributions from the subsidiary Catella Fondförvaltning AB.

For benefits for senior managers, see the information presented for the Group in Note 11 of the consolidated accounts and Note 44.

For pledged assets and contingent liabilities in favour of subsidiaries, see the information presented on pledged assets and contingent liabilities with the Balance Sheet and in Note 55.

NOTE 57 FINANCIAL RISK MANAGEMENT

The Parent Company applies IAS 39 financial instruments: Recognition and Measurement, with the exceptions stated in Note 42. Catella AB (publ) is a holding company for the Group, where Group Management and other central Group functions are gathered. The Parent Company's assets largely comprise shares in subsidiaries and receivables from Group subsidiaries. The Parent Company has no investments in derivative instruments or other financial instruments. The Parent Company has also arranged SEK-denominated loan finance at variable interest to finance its own business operations. In view of this, the legal entity Catella AB (publ) primarily has exposure to interest risk and liquidity risk, while its exposure to other financial risks, such as credit risk, currency risk and market risk, etc. is limited.

Interest risk

Interest risk is the risk that the Parent Company's net profit/loss is affected as a result of variations in general interest rate levels. The Parent Company continuously analyses and monitors its interest risk exposure.

Liquidity risk

Liquidity risk is the risk that within a defined period, Catella AB (publ) is unable to re-finance its existing assets, or is unable to satisfy increased needs for liquidity. Liquidity risk also includes the risk that the Parent Company is compelled to borrow at unfavourable interest, or must sell assets at a loss to be able to fulfil its payment obligations. The Parent Company continuously analyses and monitors its liquidity risk exposure. When required, the Parent Company may utilize subsidiaries' surplus liquidity via internal loans. Intragroup loans have no predetermined maturity date.

Currency risk

There were no receivables or liabilities in foreign currency as of 31 December 2016.

For more information on financial risks for the Group, which are also indirectly applicable to the Parent Company, see Note 3.

NOTE 58 SUBSEQUENT EVENTS

There were no significant events after the reporting date.

NOTE 59 PROPOSED APPROPRIATION OF PROFIT

The following non-restricted reserves and earnings in the Parent Company are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	50,912,148
Retained earnings	69,526,163
Net profit for the year	-14,990,061
	105,448,250

The Board of Directors and Chief Executive Officer propose that funds are allocated as follows:

SEK	
dividend paid to shareholders, 0,80 per share, in total	65,478,858
carried forward (of which 39 969 392 allocated to share premium reserve)	39,969,392
	105,448,250

Proposed payment of dividends on 5 June 2017.

The Group has no outstanding share warrants, which may be exercised for new class B shares of Catella AB in the period between the signing of these annual accounts, and the record date of 31 May 2017.

The Board of Directors and Chief Executive Officer declare that these Annual Accounts have been prepared in accordance with generally accepted accounting policies in Sweden and that the Consolidated Accounts has been prepared in accordance with the international accounting standards IFRS as endorsed by the EU. The Annual Accounts and the Consolidated Accounts give a true and fair view of the Parent Company's and the Group's financial position and results of operations. The Board of Director's Report of the Parent Company and the Group provide a fair overview of the performance of the Parent Company's and the Group's operations, financial position and results of operations, and describe the material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Parent Company's and the Group's income statements and Balance sheets will be subject to adoption at the Annual General Meeting on 29 May 2017.

As stated above, the Annual Accounts and the Consolidated Accounts were approved for issue by the Board and Chief Executive Officer.

Stockholm, Sweden, 28 April 2017.

Johan Claesson
Chairman of the Board

Johan Damne
Board member

Joachim Gahm
Board member

Anna Ramel
Board member

Jan Roxendal
Board member

Knut Pedersen
Chief Executive Officer

Our Audit Report was presented on 28 April 2017

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant

Audit Report

To the Annual General Meeting of Catella AB (publ)
Corporate identity number 556079-1419

Report on the annual accounts and consolidated accounts

We have audited the Annual Accounts and the Consolidated Accounts of Catella AB for 2016. The company's Annual Accounts and Consolidated Accounts are included in the printed version of this document on pages 71–122.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory board of director´s report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for our statements

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Our audit approach

Scope and focus of the audit

We prepared our audit by defining materiality and evaluating the risk of material misstatement in financial reporting. We focused on areas where the Managing Director and Board of Directors have made subjective judgments, such as key accounting estimates on the basis of assumptions and forecasts, which are by their nature uncertain. Like for all audits, we also considered the risk of the Board of Directors and the Managing Director overriding internal control, and factors such as whether there is any evidence for systematic departures that have given rise to material misstatement resulting from fraud. We adjusted our audit of Catella to conduct an expedient examination in order to comment on the financial statements as a whole, with consideration given to the Group structure, accounting procedures and controls, and the sector in which the Group is active.

Our audit includes

- For the largest reporting units in Sweden, the Baltics, Denmark, Finland, France, Luxembourg and Germany including the parent company and consolidation, we have examined the annual financial statements, reviewed the interim report as of 30 September and evaluated key factors for financial reporting on the basis of Catella's framework; and
- For other units, we have completed analytical examinations in connection with auditing consolidation and the statutory audit. In most cases, the statutory audit has been completed before the audit report for the Group has been signed.

In addition to the information outlined above, the Auditor in Charge and member of the Group Audit team visited operations in Norway, Germany and Luxembourg in the year with the aim of gaining a better understanding of operations on the different national markets, as well as routines and controls in order to evaluate compliance with Catella's framework for internal control and to complete a summary review of financial reporting on the basis of the Group's accounting principles

As Catella pursues broad-based operations on several national markets, we have adapted our audit of Catella accordingly. We focused especially on areas where the Managing Director and Board of Directors have made subjective judgments, such as key accounting estimates made on the basis of assumptions and forecasts regarding future events, which are of an uncertain nature. This mainly relates to the valuation of the securitized loan portfolios and Nordic Light Fund, accounting of class C preference shares received in Visa Inc in connection with Visa Inc's acquisition of Visa Europe in June 2016, and income in the Corporate Finance operating segment. These areas, as well as salaries and other personnel-related costs are described in more detail below in the 'Key audit matters' section. Furthermore, in December 2016, Catella AB was listed on Nasdaq Stockholm in the Mid Cap segment. Questions and audit matters relating to this are also the subject of a special focus in our audit, without constituting a key audit matter.

Materiality

The scope and focus of the audit was influenced by our assessment of materiality. An audit is designed to achieve reasonable assurance regarding whether the financial statements contain any material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts. On the basis of our professional assessment, we determined specific quantitative materiality factors, including for financial reporting as a whole. With the help of these and alongside qualitative considerations, we determined the scope and focus of the audit and the character, timing and extent of our audit measures, as well as assessing the effect of individual and aggregate misstatements on the financial statements as a whole.

Key Audit Matters

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

Key audit matter	How our audit examined the key audit matter
Valuation of class C preference shares in Visa *We refer to the Directors' Report and Note 22 Financial assets held for sale.* The single largest transaction in Catella's financial reporting 2016 relates to accounting of the Visa transaction which provided a total profit effect of SEK 224 m. In connection with this transaction, Catella received class C preference shares in Visa Inc in conjunction with Visa Inc's acquisition of Visa Europe in June 2016. These shares are classified as Financial instruments held for sale according to IAS 39, with the value change reported in other comprehensive income. The conversion rate is dependent on the outcome of legal disputes currently underway against Visa Europe, where the outcome is uncertain. This implies a significant uncertainty relating to fair value and estimated future cash flows. Furthermore, the preference shares and associated financial instruments are not traded on a market place.	Alongside our IFRS accounting specialists, we have examined the circumstances and terms relating to Catella's sale of its membership in Visa Europe. We have assessed Catella's accounting of this transaction on the basis of our knowledge of IFRS and assessment of similar transactions on the market. Furthermore, we have tallied and examined the company's accounting in relation to agreements and external confirmation. On the basis of our examination, there is nothing to indicate that Catella's assumptions are not sound and within reasonable intervals.

Valuation of securitized loan portfolio and Nordic Light Fund

We refer to Notes 3 Financial risk management, 4 Critical estimates and judgments, 23 Financial assets at fair value through profit or loss

As of 31 December 2016, the value of Catella's securitized loan portfolios amounts to SEK 252 m and the value of units in Nordic Light Fund SEK 14 m. Nordic Light Fund is a fund product containing securitized loan portfolios. The holdings in securitized loan portfolios and Nordic Light Fund constitute a significant part of the Catella Group's Balance Sheet.

Catella's securitized loan portfolios and Nordic Light Fund are financial assets recognized at fair value including value changes in the Income Statement.

Assets are classified as current assets to the extent that relates to the coming 12-month forecast cash flows, while the remaining portion of loan portfolios are reported as fixed assets. In accordance with IFRS 7, assets are classified at level III, i.e. specific measurement techniques are applied where several key input data are not based on observable market information.

Accordingly, the valuation of Catella's loan portfolios is based on a large number of parameters including estimated future discounted cash flows. The valuation model for the portfolios is complex. The market for these loan portfolios, subordinated securities with collateral in the form of assets, is by its nature illiquid. Accordingly, a high proportion of Catella's investments are illiquid. As a result, Catella's valuation model includes a number of parameters that comprise non-observable market data, which engenders significant uncertainty. Changes in the assessments that underlie the chosen parameters could result in changes to the fair value of Catella's loan portfolios in the consolidated Income Statement and Statement of Financial Position, and such changes could be significant. It is not possible to quantify the probability in the event that assumptions made prove inaccurate and would thereby imply an inaccurate valuation of the portfolio.

With regard to discount rates, Catella determines the discount rates for the securitized loan portfolios internally, proceeding from a rolling 24-month index based on underlying assets comprising noninvestment grade European corporate bonds (iTraxx). The discount rates per portfolio have also been determined relative to other assets in the absence of market prices of the assets that EETI holds. Each quarter, the Board of EETI evaluates forecast cash flows and assumptions in combination with market pricing of other assets, in order to make potential adjustments to discount rates in addition to index variations.

The reporting of loan portfolios is based on management's assessment of future cash flows and selected discount rates. Management has appointed an external advisor, Cartesia, to prepare forecasts of future cash flows for the various portfolios. Fair value measurement for this type of portfolio is based on assumptions regarding future progress, as there is no active market for trading in these instruments. These assessments include a significant element of subjectivity.

We have relied on PwC's valuation experts in our examination of the valuation of Catella's loan portfolios. Our examination has also ensured that the model used complies with IFRS.

We have carried out spot tests on selected portfolios and obtained explanations and supporting data for the parameters and input data used for forecast future cash flows. Our examination has focused on key parameters of greatest significance and materiality for valuation and value growth. Furthermore, wherever possible, we have compared the outcome with current and similar portfolio transactions on the market and, for certain market data, ensured that the input data used in the models corresponds to official data and macroeconomic statistics in the relevant countries. We have also examined, compared and evaluated historical data and forecasts to assess the forecast accuracy relating to the portfolios.

Furthermore, we have examined and evaluated management's assumptions regarding the discount rate. As Catella has chosen to determine discount rates proceeding from a rolling 24-month index based on underlying assets comprising noninvestment grade European corporate bonds (iTraxx), we have examined the correlation with variation against this official index. We have evaluated the information presented in Catella's Annual Report to ensure that external parties receive complete information regarding how valuations have been performed.

The valuation of securitized loan portfolios is associated with uncertainty by definition. On the basis of our examination, there are no significant indications that the assumptions used are not within a reasonable interval.

Income in the Corporate Finance operating segment

We refer to the following Notes: 4 Critical estimates and judgments, 6 Net sales, 23 Accounts receivable and 26 Prepaid expenses and accrued income

A large proportion of Catella's income, corresponding to just over 32% of total net sales for 2016, is provided by brokerage income in the Corporate Finance operations. These are recognized when services have been delivered and provided there is no remaining binding commitment under contracts. This implies estimates, particularly in connection with year-end reports, that involve an element of subjectivity in relation to which projects have been completed and can be invoiced to customers.

This is the reason for making this one of our focus areas, as a difference may arise when Catella provides services to customers and when income is recognized on the basis of accruals. The timing of when services are judged to be completed on behalf of customers, and income is recognized, is dependent on the structure of the contracts entered into. These contracts may be complex and customer specific, which increases complexity further. As there is a manual element in invoicing routines, this increases the risk of errors occurring. Operational managers are responsible for the supporting documentation relating to invoices, while it is the accounts department, which has less detailed knowledge of the applicable agreements, that carries out the actual invoicing process.

As not all income raised has been invoiced as of each reporting date, and is recognized as accrued income, this means that a subjective judgment needs to be made whether the accrued income is in accordance with applicable agreements and can thus be invoiced to customers. The same subjective judgment also applies to invoiced income, as Catella is required to assess the risk of customer credit losses occurring on the relevant reporting date, and make adequate provisions for the potential risk that payment is not received.

Our audit of the Corporate Finance operations' income is based on an assessment of internal control and evaluation of income from key projects as well as other analytical measures.

We have charted the processes relating to revenue recognition and the assessment of accrued income and customer receivables, and have tested estimated key controls on this basis. We have also carried out spot checks of selected customer income against agreements, on the basis that income has been recognized at correct amounts in the right period. This testing also included accrued income.

We have also evaluated Catella's provisions for potential customer losses based on the overall maturity structure of customer receivables, and on the basis of Catella's provisioning policy. We have also discussed receivables due in relation to materiality considerations individually with Catella in order to assess whether provisions have been correctly reported on the basis of the assessed risk that payment is not received.

As a result of our examination, we have not reported any significant observations to the Audit Committee.

Salary and other personnel-related expenses

We refer to the following Notes: 10 Personnel, 11 Compensation of the Board of Directors and senior managers, 12 Share based incentives and 32 Accrued expenses and deferred income

One of the most significant cost items in Catella's consolidated Income Statement relates to salary, which totalled SEK 821 m in 2016. The associated expenses comprise salary and other remuneration including bonuses, as well as directly attributable tax payments and social security expenses. The risk relates to the completeness of these items as well as the accuracy of calculation, correct accruals and correct valuation. There is also an inherent complexity in pay roll processing as various personnel groups are covered by different types of employment contracts and collective agreements, which in turn imply differences in terms of how salary, other remuneration and benefits are calculated. Furthermore, remuneration in Catella AB and the subsidiaries that carry out operations under Swedish or foreign supervisory authorities are subject to regulation. This means that rules and stipulations limit payment of maximum variable remuneration, and how such variable remuneration is distributed over time. This is also judged to increase the complexity and inherent risk of error in pay roll management.

Our audit focuses on the processes and routines in place for accurately calculating, verifying and reconciling salary and other remuneration to be paid. The testing of controls we have completed has been carried out in the form of spot checks.

We have tallied significant accrued expenses and/or provisions relating to areas such as holiday pay, salary liabilities, taxes, social security expenses against information from pay roll systems and management's calculations as well as spot checks against agreements. We have also examined personnel expenses through analytical measures of changes to costs recognized in the Income Statement, accrued expenses and provisions on the basis of our expertise.

For Catella's operating under supervision, we have examined compliance with remuneration policies and that these are in line with the applicable regulatory frameworks.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-70. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility

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

For a more detailed description of our responsibility for the audit of the annual accounts and consolidated financial statements, see the Supervisory Board of Public Accountants’ website:
www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This document is part of the Audit Report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the Annual Accounts and Consolidated Accounts, we have examined the proposed appropriations of the company’s profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Catella AB for the year 2016

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory board of director´s report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for our statements

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer

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

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

Auditor’s responsibility

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

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

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

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

For a more detailed description of our responsibility for the audit of the administration, see the Supervisory Board of Public Accountants’ website:
www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This document is part of the Audit Report.

Stockholm, Sweden, 28 April 2016

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant

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