ANNUAL REPORT
PARETO BANK

Pareto bank

Pareto bank

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NORWAY'S LEADING PROJECT BANK

Pareto Bank continued to consolidate its position as Norway's leading project bank in its eighth year of operations. We have carved out a strong position as a source of finance for real estate projects and are a key player in the Norwegian market for shipping and offshore investment projects. In addition, the bank offers various corporate and securities financing products.

In meeting the needs of our customers we are aided by our expertise, efficient decision-making processes and a high degree of flexibility.

In pursuit of our aim of enhancing shareholder value through continued growth within our markets, the bank proceeded with an NOK 150 million private placement of equity capital in February 2016. Moreover, the board of directors have adopted a resolution to apply for the Pareto Bank share to be accepted for listing on Oslo Axess by 30 June of 2016. This will improve the visibility of the share and extend the pool of potential investors, while access to an efficient trading platform will promote share liquidity.

DELIVERING HEALTHY RETURNS FOR SHAREHOLDERS

Good banking practices and a thorough understanding of the markets we serve, combined with efficiency of operations, have enabled the bank to deliver steadily improving results. In the last three years, our post-tax profits have risen from approximately NOK 110 million in 2013 to just over NOK 166 million in 2015. During the same period our post-tax return on equity grew from 12.7 per cent to 14.8 per cent.

Profit growth is an important goal for Pareto Bank at this stage in its development and will be for the coming years. Our target is a dividend level of between 30 and 50 per cent, although this will clearly be contingent upon the ability of the bank to achieve profitable growth and the level of financial strength required by the authorities.

ATTRACTIVE NICHE MARKETS

The bank's three primary areas of business each represent attractive niche markets with substantial opportunities for growth. At the time of writing at the outset of 2016, competing banks appear to be reducing their lending levels, and margins taken in these three sectors are good. In addition, the ability to make rapid credit decisions will often be imperative, making an efficient operator like Pareto Bank an attractive partner.

The bank holds a strong position in the real estate development market in the Oslo area. With over 200 active customers, this sector contributed 66 per cent of total interest income in 2015, and accounted for 55 per cent of total lending.

In the market for securities financing, the close ties between the bank and the Pareto group represent a substantial competitive advantage. During 2015, we provided over 350 financially sound customers with a broad range of securities-financing products and investment services. In addition, we are boosting our efforts to provide financing to small and medium-sized companies and their owners.

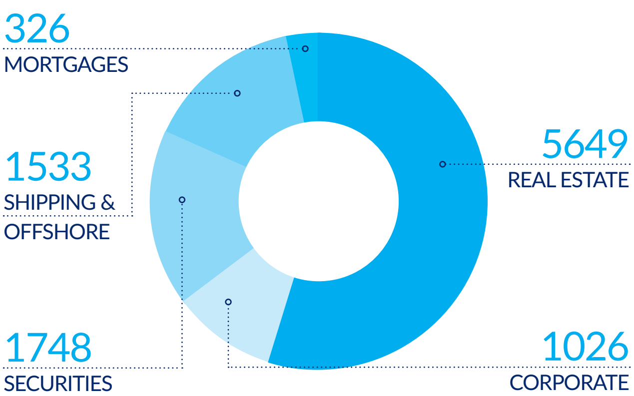
The bank is steadily building a diversified portfolio in the shipping and offshore sectors. At year-end, this portfolio comprised 24 loans distributed among 36 different vessels, of which only three are operating in the offshore sector. The average size of these loans was $7.1 million, the largest commitment being $12.1 million.

AN EFFICIENT ORGANISATION

With a team numbering just 33 people, Pareto Bank is a small player with short decision-making chains and an efficient credit process. We maintain close contact with our customers and are available to them when and as needed. Our business oriented culture is based on providing profitability for both the bank and its customers at all times.

TOTAL CREDIT EXPOSURE NOK 10 282 MILLION

By sector *(all figures in NOK million)*



Pareto bank

DIRECTORS' REPORT

THE BUSINESS IN 2015

Pareto Bank continued to show increasingly strong profits in its eight year of operation. Post-tax profits in 2015 amounted to NOK 166.4 (NOK 154.2 million in 2014). This corresponded to a post-tax return on equity of 14.8 per cent (15.6 per cent).

Increased credit margins on a higher volume of credit contributed to a sound rise in the bank's net interest income in 2015. Profits were reduced as a consequence of losses on the bank's holdings of securities and write-downs on loans. The bank recorded individual write-downs of NOK 17.6 million (NOK 0.0) and increased collective write-downs by NOK 14.00 million (NOK 8 million).

The total assets of the bank stood at NOK 11.1 billion (NOK 11.3 billion) at year-end 2015. Lending to customers increased solidly throughout the year, standing at NOK 7.9 billion (NOK 7.2 billion) at year-end.

The common equity Tier 1 capital ratio (CET1) at year-end 2015 was 13.22 per cent (12.13 per cent), while the primary capital ratio stood at 16.74 per cent (15.89 per cent). The bank has performed a risk and capital adequacy assessment process (ICAAP) and this has been assessed by Finanstilsynet (Financial Supervisory Authority of Norway). Finanstilsynet's expectation is that Pareto Bank should target a common equity Tier 1 capital ratio of at least 15.0 per cent by the end of 2016. Finanstilsynet has also given notice that it will conduct a formal SREP evaluation during the course of 2016 based on the submitted ICAAP and on the basis of its findings impose an individual Pillar 2 capital add-on. The Board of Directors is expecting the Pillar 2 add-on to lie within a common equity Tier 1 capital ratio of 15 per cent.

The Board of Directors of the bank has adopted a resolution to proceed with an equity capital issue of NOK 150 million. The background for the issue is to ensure that profitable growth in lending continues and that the bank's target dividend policy is achieved. Increasing the equity of the bank will ensure that it meets the requirements imposed by Finanstilsynet of a common equity Tier 1 capital ratio of at least 15.0 per cent. In addition, the issue will enable the bank to pursue further profitable growth in lending in a market characterised by reduced access to credit, improved credit margins and an attractive level of risk.

One of Pareto Bank's goals is to provide its shareholders with a competitive overall return on invested capital in the form of dividend pay-outs and share price increases. The long-term ambition of the bank is to pay out dividends of between 30 and 50 per cent of post-tax profits. However, at the present time Pareto Bank is continuing to pursue increased lending and higher profits while capital requirements have become stricter. The Board of Directors has therefore resolved that no dividend should be paid out for 2015.

The Board of Directors has adopted a resolution to apply for the Pareto Bank share to be accepted for listing on Oslo Axess/Oslo Børs by 30 June 2016.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

THE ANNUAL FINANCIAL STATEMENTS

Net interest income
Net interest income totalled NOK 333.0 (NOK 277.1 million). This increase came about as a consequence of an improved credit margin, lower borrowing costs and a higher volume of lending. The bank brought down its borrowing costs in 2015 by reducing interest rates on deposits and lowering credit premiums on issued securities.

The net interest margin between lending and deposits in 2015 was 4.94 per cent, as compared with 4.20 per cent in 2014, which corresponds to an increase of 0.74 percentage points.

The fee of NOK 5.4 million (NOK 5.4 million) payable to the Norwegian Banks' Guarantee Fund was charged to net interest income for 2015.

The Board of Directors is of the view that net interest income will improve in 2016 as a result of a growth in loan volume, but that downward pressure will be exerted on credit margins as a consequence of higher borrowing costs and increased credit premiums on issued securities and somewhat higher premiums on fixed rate deposits.

Other income
Other income recorded in 2015 amounted to NOK 12.4 million (NOK 20.0 million).

Net commission income and income from banking services developed positively, amounting to NOK 14.6 million (NOK 10.1 million). Of this, guarantee commissions accounted for NOK 10.4 million (NOK 7.0 million).

The reduction in other income is related to capital losses on the bank's portfolio of financial instruments. Although the bank has largely neutralised all interest rate and currency risk, it is exposed to changes in credit premiums on its portfolio of interest-bearing securities, units in mutual funds, issued securities and fixed rate deposits. The principle of valuing financial instruments at fair value entails that the results reported by the bank may vary considerably.

Net losses on financial instruments in 2015 amounted to NOK 2.3 million (a gain of NOK 9.8 million). These losses were due to higher credit premiums on the bank's holdings of bonds. During 2015 the bank recorded net losses on its holdings of securities in the total amount of NOK 49.3 million. At the same time, the bank recorded net gains on its own debt of NOK 24.9 million and net gains on its investment portfolio of NOK 12.7 million.

Operating costs
Operating costs in 2015 amounted to NOK 82.7 million (NOK 79.8 million). This made for a cost/income ratio in 2015 of 23.9 per cent (26.9 per cent).

Salaries and other personnel costs account for the largest proportion of the overall operating costs of the bank, amounting to NOK 53.0 (NOK 54.4 million). This includes a provision for profit sharing with personnel in the amount of NOK 10.8 million (NOK 17.4 million). The scheme is performance-based and the variable remuneration is paid out in the form of shares in Pareto Bank. Adjusted for the provision for profit sharing, the cost percentage would be 20.8 per cent (21.0 per cent).

Administrative costs amounted to NOK 15.0 million (NOK 14.5 million) and consisted largely of IT and marketing costs. Other operating costs came to NOK 10.1 million (NOK 7.2 million).

The Directors are expecting a modest increase in costs in 2016 as a consequence of the hiring of new personnel.

LOSSES AND NON-PERFORMANCE

Non-performing credit commitments stood at NOK 143.5 million at year-end (NOK 0.0 million), spread across five credit commitments. Four of these are property commitments with an amount outstanding of NOK 90.8 million. In the assessment of the bank these credit commitments are well secured and not impaired and accordingly no individual write-downs have been performed with respect to the commitments.

The fifth credit commitment is in the shipping sector and involves an amount outstanding of NOK 52.8 million. An individual write-down of NOK 17.6 million been performed in respect of this commitment, as a consequence of which the net amount outstanding is NOK 35.2 million. The background to this write-down is the recent very substantial reduction in value recorded in the dry-bulk sector.

Net non-performing credit commitments amounted to NOK 126.0 million, which corresponded to 1.58 per cent of gross lending (0.00 per cent) at year-end.

The bank increased its collective write-downs in 2015 by NOK 14.0 million to NOK 40.7 million, equivalent to 0.51 per cent of gross lending. This was largely in response to a reduction in ship values within individual sectors. No objective events necessitating write-downs in other parts of the credit portfolios of the bank have occurred.

Net write-downs and losses in 2015 amounted to NOK 31.6 million (NOK 7.9 million).

PROFIT FOR THE YEAR

The pre-tax profit for 2015 amounted to NOK 231.1 million (NOK 209.4 million). The profit after taxes was NOK 166.4 (NOK 154.2 million).

The tax cost came to NOK 64.6 million, while taxes payable amounted to NOK 57.6 million (NOK 83.4 million). The bank has negative temporary differences of NOK 100.7 (NOK 119.2), and at year-end deferred tax assets stood at NOK 25.2 million (NOK 32.2 million). The negative temporary differences relate primarily to net gains/(losses) on the bank's holdings of derivatives and securities.

The change in the rate of corporation tax from 27 per cent to 25 per cent in 2016 resulted in a reduction in the value of the deferred tax assets of the bank and increased the tax cost for 2015 by NOK 2.0 million.

BALANCE SHEET

At year-end 2014, the bank held total assets of NOK 11,140 million (NOK 11,340 million).

Net loans to customers amounted to NOK 7, 931 million (NOK 7,207 million), while undrawn credit lines and guarantees amounted to NOK 2,351 million (NOK 1,779 million). The credit portfolio contains a high proportion of short-term credits, which means that the rate of redemption on the portfolio of loans is naturally high. Activity levels were very satisfactory, and credit lines amounting to NOK 9,320 million (NOK 6,682 million) were granted during the course of 2015.

At year-end, loans, undrawn credit lines and guarantees were composed of 54.9 per cent (56.2 per cent) for real estate financing, 3.2 per cent (5.3 per cent) for mortgages, 27.0 per cent (26.3 per cent) for company and securities financing and 14.9 per cent (12.3 per cent) for shipping and offshore financing.

At year-end 2015, deposits stood at NOK 6,455 million (NOK 7,348 million), a reduction of NOK 892 on the figure reported one year earlier. The bank had targeted a reduction in deposits, since the bank was able to obtain financing at a more reasonable rate in the securities market at the same time as the deposit-to-lending ratio had been excessive due to high surplus liquidity. The proportion of fixed-rate deposits at year-end stood at 21.1 per cent of total deposits, as compared with 39.3 per cent at year-end 2014. The target deposit-to-lending ratio is in the region of 80 per cent, and at year-end 2015 this ratio stood at 81.4 per cent (102.0 per cent).

Net outstanding securities debt at year-end 2015 was NOK 3,018 million (NOK 2,351 million). Demand for the bank's securities loans increased during 2015, a situation that enabled the bank to issue large amounts at lower premiums relative to other similarly sized savings banks. Credit premiums on bank bonds increased sharply post-summer 2015 and the credit premiums on the bank's bonds rose by approximately 80-100 basis points. This is generally the case for the market as a whole. The increase in the credit premiums of niche banks and smaller banks was somewhat sharper than was the case for the larger banks. During 2015, the bank issued and extended existing bonds and certificates by a total of NOK 1,390 million.

At year-end, the bank held surplus liquidity amounting to NOK 3,141 million (NOK 4,048). This is primarily invested in interest-bearing securities, or is on deposit with large Norwegian banks and Norges Bank. Securities investments are in sovereign and municipal bonds, covered bonds, banks and other investment-grade bonds. Credit premiums in all sectors rose in the second half of 2015 as a consequence of low levels of liquidity and negative macroeconomic views, resulting in a drop in the value of the portfolio and a capital loss for 2015 of in total NOK 49.3 million.

The bank may also invest in fixed-income funds and individual bonds with credit ratings below investment-grade and a minimum credit rating of B in a separate investment portfolio. During the second quarter of 2015 the bank sold off the bulk of its mutual fund units and its holding of bonds in this portfolio at a total profit of NOK 12.7 million. At year-end, the bank had no investments in this portfolio.

DISTRIBUTIONS

One of Pareto Bank's goals is to provide its shareholders with a competitive overall return on invested capital in the form of dividend pay-outs and share price increases. The long-term ambition of Pareto Bank is to declare dividends of between 30 and 50 per cent of post-tax profits. Since operations started in 2008, the bank has paid out total dividends of NOK 3.74.

At the present time Pareto Bank continues to be in a growth phase, pursuing increased lending and higher profits, while capital requirements have become stricter. The Board of Directors has therefore resolved that no dividend should be paid out for 2015.

The profit for the year was NOK 166.4 million. The sum of NOK 145.6 million will be transferred to other equity, in addition to which the unrealised gains reserve will be reduced by NOK 11.2 million. The total equity of the bank stands at NOK 1,191.2 million, of which retained earnings amount to NOK 455.7 million.

SHAREHOLDERS

The Board of Directors of the bank has adopted a resolution to proceed with an equity capital issue of NOK 150 million. The background for the issue is to ensure that profitable growth in lending continues and that the bank's target dividend policy is achieved. Increasing the equity of the bank will ensure that it meets the requirements imposed by Finanstilsynet of a common equity Tier 1 capital ratio of at least 15.0 per cent. In addition, the issue will enable the bank to pursue further profitable growth in lending in a market characterised by reduced access to credit, improved credit margins and an attractive level of risk.

The Directors have also resolved to apply for listing of the bank's share on Oslo Axess/Oslo Børs by 30 June 2016.

The General Meeting held on 26 March 2015 adopted a resolution to split the Pareto Bank share. Each share with a nominal value of NOK 600 was split into 50 new shares with a nominal value of NOK 12.00 on 30 April 2015. With this, the number of shares in the bank was increased from 850,000 to 42,500,000.

The number of shares traded in 2015 totalled 5,699,305, which corresponds to 13.4 per cent of the total shares in issue. The share was traded at prices of between NOK 24.00 and NOK 33.50.

(NOK)	**2015**	**2014**
Earnings per share after tax	3.92	3.63
Dividend per share	0.00	0.60
Book value of equity per share	28.0	24.7
P/E	**7.0**	**7.0**
P/BV	**0.97**	**1.01**
Dividend yield	0.0 %	2.4 %
Share price	27.25	25.00
No. of shares	42,500,000	42,500,000

At year-end, the bank had 343 shareholders. The share capital was NOK 510 million divided into 42,500,000 shares with a nominal value of NOK 12.00 each.

Senior employees of Pareto Bank own 678,300 shares, equivalent to 1.6 per cent of all shares in issue, directly or through limited companies owned by the employees in question.

ACCOUNTING PRINCIPLES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and associated interpretations as adopted by the European Union and in force at 31 December 2015, as well as the additional Norwegian information requirements that follow from the Norwegian Accounting Act, including the Regulations Governing the Annual Financial Statements of Banks, Finance Houses etc. at 31 December 2015.

These accounting principles are in accordance with all International Financial Reporting Standards in force at 31 December 2015.

FINANCIAL POSITION AND CAPITAL REQUIREMENTS

The common equity Tier 1 capital and subordinated capital stood at NOK 1,165.3 million (NOK 999.9 million) and NOK 1,475.3 million (NOK 1,309.9 million), respectively, at year-end 2015. This made for a common equity Tier 1 capital ratio of 13.22 per cent calculated according to the standard method and a capital adequacy of 16.74 per cent.

At year-end 2015, book equity stood at NOK 1,191.2 million, equivalent to 10.7 per cent (9.3 per cent) of the total assets of the bank. while the subordinated capital amounted to NOK 1,309.9 million (NOK 1,105.3 million). This made for a capital ratio of 15.9 per cent (14.65 per cent) and a surplus of subordinated capital of NOK 650.6 million, calculated using the standard method. The common equity Tier 1 ratio was 12.13 per cent.

In June of 2015, the Norwegian Ministry of Finance raised the counter-cyclical capital buffer requirement by 0.5 to 1.5 percentage points, effective from 30 June 2016. In addition, Finanstilsynet issued a circular outlining its assessment of risk and the capital requirements applicable to banks. According to the circular, the Pillar 2 capital requirement must be fulfilled with common equity Tier 1 capital. The Pillar 2 capital requirement cannot be fulfilled with buffer capital.

The bank has performed a risk and capital assessment process (ICAAP) and this has been assessed by Finanstilsynet (Financial Supervisory Authority of Norway). Finanstilsynet's expectation is that Pareto Bank should aim to achieve a common equity Tier 1 capital ratio of at least 15.0 per cent by the end of 2016. Finanstilsynet has also given notice that it will conduct a formal SREP evaluation during the course of 2016 based on the submitted ICAAP and on the basis of its findings impose an individual Pillar 2 capital add-on. The Board of Directors is expecting the Pillar 2 add-on to lie within a common equity Tier 1 capital ratio of 15.0 per cent.

RISK

Pareto Bank takes a proactive stance on the management, control and monitoring of the overall risk of the bank. The Directors note that there were no deviations, losses or events of significance in this regard in 2015 and that the bank's management of risk and its internal control procedures are satisfactory. The Board of Directors reviews the bank's guidelines, governing documentation, risk profile and internal control procedures at least once a year.

Pareto Bank has a Risk Committee comprising members of the Board of Directors in accordance with Section 2-9 b of the Financial Institutions Act. The Committee met once during 2015.

The main areas of risk faced by the bank are:

Credit risk: Credit risk is the most substantial risk that Pareto Bank seeks to manage. Credit risk is the risk that a borrowing or guarantee commitment will be defaulted upon and that a customer will fail to fulfil the commitments agreed with the bank. The credit risk of the bank is influenced by general economic conditions and the skill of the bank in granting and following up on commitments.

Pareto Bank actively seeks to diversify its portfolio of loans and has requirements and metrics in place governing the exposure of the portfolio in terms of industry, collateral and the size of individual commitments. The bank endeavours to diversify across business sectors and to avoid risk in industries in which it has insufficient expertise or is uncertain about general levels of risk.

The bank has always stressed the importance of establishing credit management systems that ensure a satisfactory level of reporting. In the area of securities in particular, emphasis is placed on ensuring that access to information and control procedures are satisfactory and are automated to the greatest extent possible.

Credit policy and credit management documents are evaluated by the Board of Directors at least once a year.

A risk classification system has been compiled to enable credit risk to be managed in line with the bank's credit policy. This forms the basis for the bank's pricing model, which is designed to ensure that risk is correctly priced in terms of a debtor's debt-servicing and repayment ability, collateral in place for the commitment and the applicable capital requirements.

Liquidity risk: Pareto Bank's goal is to maintain a moderate level of liquidity risk, in both the short and the long term. A further goal of the bank is to ensure that it at all times has an adequate liquidity buffer in place, the size of the buffer being determined by the bank's growth and balance sheet structure. The deposit mix of the bank and ability to issue securities may vary more than will be the case for an average Norwegian bank. For this reason Pareto Bank needs to maintain a somewhat higher level of surplus liquidity than the average Norwegian bank.

Pareto Bank's policy is to have a robust liquidity management system in place based on guidelines adopted by the Board of Directors. The bank has defined limits and principles for managing its liquidity risk. In addition, forecasts and contingency plans have been drawn up for use in the event of a liquidity crisis. A policy document has been drafted defining levels of liquidity risk tolerance and limits in accordance with guidelines issued by Finanstilsynet.

Market risk: Pareto Bank does not trade for its own account on the fixed income and currency markets and, insofar as this is possible, continuously manages any exposure that occurs. All items on and off the balance sheet and the associated income and expense items are identified, which entails that the exposure of the bank will be limited. Exposure must at all times lie within the limits and powers granted by the Board of Directors.

The bank has internal limits in place governing overall interest rate risk in Norwegian kroner and foreign currency and measures this risk within defined maturity intervals and from the total of pairs of proximate maturity intervals on a continuous basis. The limit is in force on a continuous basis and encompasses all maturities, all financial instruments and all currencies.

The bank measures currency risk as the net position of the bank in an individual currency. In addition, the bank measures the total of net positions in each individual currency as a gross value without netting between currencies. The net positions are converted to Norwegian kroner. The bank stress tests the currency positions by analysing the impact on the income statement of a market change of 10 percentage points for each individual currency and for all currencies overall.

The bank will be exposed to the risk of changes in the market value of its portfolio of bonds, certificates and mutual funds as a consequence of general changes in credit spreads. The bank uses a methodology based on Finanstilsynet's Module for Market and Credit Risk for monitoring and managing the credit spread risk. Risk must be moderately diversified. Limits and guidelines have been put in place to ensure that the portfolio is diversified in terms of individual issuers, individual sectors and geographical areas. The market risk in the portfolio must be moderate and its market liquidity must be high. Limits and guidelines on liquidity risk are in place. Most of the portfolio must be highly liquid, with a limited difference between bid and ask prices and a large depth of market in relation to the bank's exposure.

Operational risk: The bank reduces operational risk by means of efficient management and supervision in the form of effective control mechanisms, a well-established set of procedures and a dedicated compliance function.

Other risk factors: The bank continuously assesses changes and requirements with which it is faced that might influence developments in profits and its balance sheet.

Pareto bank

SOCIAL RESPONSIBILITY

The Board of Directors has put policies in place governing ethics, social responsibility and conflict-of-interest. The document summarises the bank's overarching values and lays the foundations for the operational procedures governing this work within the bank.

Going forward, the bank wishes to strengthen its work on developing procedures and guidelines with a view to increasing awareness of the bank's role in terms of social responsibility.

HUMAN RIGHTS

The operations of the bank are conducted in Norway and accordingly the bank does not encounter major human rights challenges in its day-to-day business activities. In its choice of products and suppliers, the bank endeavours to promote support and respect for universally recognised human rights.

EMPLOYEE RIGHTS AND SOCIAL CONDITIONS

The personnel of the bank are its most important resource. A sense of well-being at work helps the individual member of staff to give of her or his best. With the aid of targeted Health, Safety and Environment programmes and expertise building, the bank seeks to develop its personnel and to play a part in ensuring that the bank continues to be a fulfilling and attractive place to work.

Developments within the financial services industry are imposing increasingly tougher demands on the expertise and competence of the bank's personnel. The bank therefore maintains a focus on continuing professional development and competence-building measures.

THE EXTERNAL ENVIRONMENT

Apart from its own consumption of paper, energy and its waste products the bank does not pollute the external environment. The bank wishes to act responsibly in relation to the climate and environment in areas in which it is able to make an impact.

CORRUPTION

The bank's policy governing ethics, social responsibility and conflict-of-interest regulate factors designed to strengthen the independence and integrity of the bank. In addition, the bank has guidelines in place to counteract corruption, money laundering and businesses that do not operate within generally accepted business practice.

ORGANISATION

Pareto Bank is a Norwegian commercial bank headquartered at Dronning Mauds gt. 3 in Oslo, from where its banking operations are conducted. Pareto Bank is considered to be a good workplace with a high ethical standard and an atmosphere of mutual respect amongst employees. The bank has dedicated ethical guidelines applicable to all employees and officers. These guidelines cover issues such as confidentiality, disqualification, gifts and favours, and trading in financial instruments. Pareto Bank is a workplace at which equality between men and women is practised. At year-end, the bank had 33 permanent employees: 22 men and 11 women. In the view of the Board, gender equality within the bank is such that there is no need to implement special measures. The bank has an HSE officer.

The working environment is considered to be good. Absence due to illness in 2015 was low, totalling 92 days, equivalent to 1.33 per cent. No accidents or injuries were registered in 2015.

The bank has established incentive schemes for its employees. These include a scheme under which employees may purchase Pareto Bank shares with a subsidy of NOK 1,500 per employee per year. In 2015, 22 employees opted to take advantage of this scheme.

Pareto Bank also operates a profit-sharing scheme based on reported post-tax profits and return on equity after tax. Profit-sharing applies if the bank delivers a return on equity after tax in excess of a strike point fixed annually by the bank's Board of Directors. For 2015, the Directors fixed a strike point of 6.5 per cent. A share of profits over and above a 6.5 per cent return on equity is distributed to the bank's employees as a variable benefit.

The Board of Directors adopted a decision to allocate NOK 10.8 million, including employer's tax and holiday pay, to cover this commitment in 2015. Parts of the provision are contingent upon developments in the performance of the bank in the period 2016 to 2019, and may be taken back. The Board values work well done in the form of target achievement, quality and hard work. The variable benefit will be paid out in the form of shares.

The bank has a Remunerations Committee made up of members the Board of Directors in accordance with the provisions of the Regulations on Remuneration Schemes of 1 December 2010. The remit of the Committee is to ensure that the remuneration scheme operated by the bank serves to promote and incentivise good management of the bank's risk to counteract excessive risk-taking, and to avoid conflicts-of-interest. The Committee was convened to three meetings during 2015.

The Board of Directors wishes to take this opportunity to thank the personnel of the bank for their outstanding efforts in 2015.

The bank's Supervisory Board and Control Committee have been dissolved with effect from 1 January 2016 in accordance with the provisions of the Act on Financial Undertakings and Financial Groups, which entered into force on 1 January 2016. The changes will result in the streamlining of the organisation, clarifying the respective responsibilities of the corporate bodies of Pareto Bank. The proposal must be viewed against the backdrop of the new requirements governing board committees and control functions, including internal audit and compliance functions.

THE BOARD OF DIRECTORS

The directors of the bank are Finn Øystein Bergh (Chairman), Brita Eilertsen (Deputy Chairman), Camilla Wahl, Carl Erik Steen and Lena Krog (employee-elected). The Board is composed of two men and three women.

The Board of Directors of the bank convened on 22 occasions during 2015, ten of these meetings being extraordinary board meetings called to consider major credit commitments. At its regular meetings, the Board of Directors considered matters such as the bank's business plan, risk management and internal control procedures, approval of various guidelines, procedures and instructions and the financial development of the bank.

The Board of Directors wishes to take this opportunity to thank former Deputy Chairman of the Board Tormod Schartum for his unstinting efforts in this office.

CORPORATE GOVERNANCE

The Board of Directors of the bank follows the Norwegian Code of Practice for Corporate Governance in so far as this is applicable. The Board has adopted guidelines aimed at promoting the goal of achieving efficient management of the bank to the benefit of the shareholders and stakeholders over the long term. These guidelines clarify the allocation of roles between shareholders, the Board of Directors and the management of the bank, supplementing the applicable legislation and defining the basis for the way in which the bank's goals are defined, attained and monitored. The Board also conducts an annual review of its work and working methods.

GOING CONCERN ASSUMPTION

The going concern assumption has been applied in the preparation of the annual financial statements for 2015. The Board confirms that this assumption is applicable. In the assessment of the Board of Directors, the submitted financial statements, comprising the income statement, balance sheet and associated notes, provide a full picture of the operations and position of the company at year-end. No events of significance have occurred that would impact upon the reported profit and the evaluations that had been performed. Moreover, nothing has occurred since the reporting date that would be of significance in assessing the company.

OUTLOOK

The uncertainty attaching to developments in the Norwegian economy has increased recently as a consequence of the fall in the price of oil. The effects of this have been especially marked in the offshore industry. Low demand from China and uncertainty about developments in the Chinese economy and the world economy as a whole are having a negative impact on a number of shipping sectors.

The aggregate effect of this could potentially have a negative impact on other markets in which the bank has exposure. On the other hand: a difficult market will normally mean reduced availability of credit, higher credit margins and access to attractive risk. Pareto Bank is expecting to continue to have extensive access to opportunities and to achieve satisfactory credit margins and borrowing structures within its three niche markets in 2016.

31 December 2015/4 February 2016
The Board of Directors of Pareto Bank ASA

Finn Øystein Bergh
Finn Øystein Bergh
Chairman

Brita Eilertsen
Brita Eilertsen
Deputy Chairwoman

Carl Erik Steen

Camilla Wahl
Camilla Wahl

Lena Krog
Lena Krog

INCOME STATEMENT

(NOK '000)	Note	2015	2014
Interest income and similar income		553 039	552 753
Interest expense and similar expense		220 066	275 636
Net interest income	**5**	**332 973**	**277 117**
Commission income & income from banking services		15 105	10 960
Commission expenses & banking service expenses		470	847
Net gains(losses) on fin. instruments at fair value	3,6,7	-2 288	9 840
Other operating income		56	80
Net other operating income	**6**	**12 404**	**20 033**
Total net income		**345 377**	**297 150**
Salaries & other personnel expenses	8,9,10,36	53 033	54 422
Administrative expenses		14 987	14 549
Ordinary depreciation & amortisation	20,21	4 568	3 695
Other operating expenses		10 098	7 151
Total operating expenses before write-downs & losses	**8**	**82 685**	**79 818**
Operating profit before write-downs and losses		**262 692**	**217 331**
Write-downs and losses on loans & guarantees	3,12	31 635	7 899
Operating profit		231 057	209 433
Taxes	11	64 645	55 215
Post-tax profit		**166 413**	**154 218**
Other income & expense		0	0
Total comprehensive income for the period		**166 413**	**154 218**
Earnings per share, ordinary and diluted (NOK)		3,92	3,63

Pareto bank

BALANCE SHEET

(NOK '000)	Note	31.12.2015	31.12.2014
Cash and balances at central banks	14	459 229	215 522
Loans to and claims on credit institutions	14,16,17,18,30	362 528	232 981
Net lending to customers	12,13,14,15,16,17,18,30	7 930 634	7 206 847
Certificates and bonds	14,15,16,19,30	2 318 758	3 379 970
Shares, fund units and other securities	14,15,16,19	8 010	219 163
Financial derivatives	14,15,26,27	7 658	27 858
Intangible assets	20	25 884	24 850
Deferred tax assets	11	25 174	32 171
PP&E	21	785	309
Other assets		1 001	108
Pre-paid costs and accrued income		346	214
Assets		**11 140 008**	**11 339 992**

(NOK '000)		31.12.2015	31.12.2014
Deposits by credit institutions	14,16	398	1 577
Deposits by customers	14,15,16,22	6 454 925	7 347 522
Debt created by issuance of securities	14,15,16,23	3 017 509	2 351 022
Financial derivatives	14,15,26,27	83 346	149 116
Tax payable	11	57 647	83 434
Other liabilities	25	6 987	23 966
Accrued costs and pre-paid income	25	18 680	24 190
Subordinated loan capital	14,16,24	309 348	308 910
Liabilities		**9 948 840**	**10 289 737**
Paid-in capital	37	735 469	735 469
Other equity		455 699	314 787
Equity	**29**	**1 191 168**	**1 050 255**
Liabilities and equity		**11 140 008**	**11 339 992**
Contingencies	**17,18,28**	**476 848**	**289 016**

31 December 2015 / 2 February 2016

The Board of Directors of Pareto Bank ASA

Finn Øystein Bergh
Chairman

Brita Eilertsen
Deputy Chairwoman

Carl Erik Steen

Camilla Wahl

Lena Krog

STATEMENT OF CHANGES IN EQUITY

(NOK '000)	Share capital	Share premium	Total paid-in capital	Reserve, unrealised gains	Other equity	Total other equity	Total equity
Equity at 31.12.2013	**508 170**	**224 376**	**732 546**	**7 310**	**178 758**	**186 068**	**918 614**
Sale of own shares	1 830	1 093	2 923	0	0	0	2 923
Dividend paid out for 2013	0	0	0	0	-25 500	-25 500	-25 500
Total transactions with shareholders	1 830	1 093	2 923	0	-25 500	-25 500	-22 577
Equity at 31.12.2014	**510 000**	**225 469**	**735 469**	**15 932**	**298 854**	**314 786**	**1 050 255**
Dividend paid out for 2014	0	0	0	0	-25 500	-25 500	-25 500
Total comprehensive income for period	0	0	0	-11 180	177 593	166 413	166 413
Equity at 31.12.2015	**510 000**	**225 469**	**735 469**	**4 752**	**450 946**	**455 699**	**1 191 168**

CASH FLOW STATEMENT

(NOK '000)	2015	2014
Interest paid by central banks and credit institutions	8 180	7 051
Receipts/payments of deposits by customers	-892 597	1 242 959
Interest paid on deposits by customers	-167 022	-183 675
Receipts/payments on loans to customers	-754 935	-53 741
Interest received on loans to customers	491 749	491 004
Receipts/payments of deposits by credit institutions	-1 179	-10 133
Interest paid on deposits by credit institutions	-974	-436
Receipts/payments on certificates and bonds	1 106 428	-2 283 633
Interest received on certificates and bonds	50 737	54 493
Receipts/payments on shares, mutual fund units and other securities	211 153	-230 547
Receipts/payments on securities debt	666 487	840 391
Interest paid on securities debt	-71 663	-74 455
Receipts/payments on financial derivatives	-72 654	166 293
Commission received	15 105	10 960
Commission paid	-470	-847
Payments for operations	-81 646	-56 587
Tax paid	-83 434	-54 214
Net cash flow from operating activities	**423 264**	**-135 116**
Paid for purchases of PP&E	-646	-37
Received on sale of PP&E	6	0
Paid for purchases of intangible assets	-5 403	-4 514
Net cash flow from investing activities	**-6 043**	**-4 551**
Received on sales of own shares	0	2 882
Paid on repayment of subordinated loan capital	0	-124 000
Payment received of subordinated loan capital	0	200 000
Interest paid, subordinated loan capital	-15 980	-16 870
Dividend paid	-25 500	-25 500
Net cash flow from financing activities	**-41 480**	**36 512**
Net change in cash and cash equivalents	375 741	-103 155
Holdings of cash and cash equivalents at 1 Jan.	443 328	546 482
Holdings of cash and cash equivalents	**819 069**	**443 328**

Cash and cash equivalents are defined as claims on credit institutions and central banks without agreed maturities or periods of notice.

Pareto bank

NOTE 1: GENERAL INFORMATION

Pareto Bank ASA is a Norwegian commercial bank headquartered at Dronning Mauds gt. 3 in Oslo. The annual financial statements were adopted by the Board of Directors on 4 February 2016.

NOTE 2: SUMMARY OF KEY ACCOUNTING PRINCIPLES

The following contains a description of key accounting principles applied in the preparation of the annual financial statements. These principles have been applied consistently in all the periods presented, except as otherwise specified.

2.1 Framework for the presentation of the accounts

The annual financial statements were prepared in accordance with International Financial Reporting Standards and associated interpretations as adopted by the European Union and in force as at 31 December 2015, as well as the additional Norwegian information requirements that follow from the provisions of the Norwegian Accounting Act, including the Regulations Governing the Annual Financial Statements of Banks, Finance Houses etc. applicable as at 31 December 2015.

The accounts were prepared on the basis of the historical cost principle, subject to the following modifications: financial assets and financial liabilities (including financial derivatives) at fair value through profit or loss.
The preparation of accounts in accordance with IFRS requires the use of estimates. Moreover, the application of the accounting principles of the company require management to exercise judgement. Areas involving a high degree of discretionary assessments of this nature, a high degree of complexity, or areas in which assumptions and estimates are of significance to the consolidated accounts are described in Note 3.

New and amended standards applied by the bank in 2015

No new or amended standards or interpretations of significance were applied by the bank in 2015.

Standards, amendments and interpretations of existing standards that have not yet come into force where the bank has decided against early adoption.

A number of new standards and amendments to standards and interpretations are mandatory for future annual financial statements. The most significant of the standards, amendments and interpretations that the bank has decided against early adoption of are discussed below.

IFRS 9 Financial instruments addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces those parts of IAS 39 that address corresponding issues. IFRS 9 establishes three primary measurement categories for financial assets: fair value through other comprehensive income, fair value through profit or loss, and amortised cost. The measurement category is determined at the initial recording of the asset. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the individual financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The bank has yet to assess the full impact of IFRS 9.

IFRS 15 Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The standard will not have a significant effect on the financial statements of the bank.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the bank.

2.2 Translation of transactions in foreign currencies

The financial statements are presented in Norwegian kroner (NOK), which is also the functional currency of the bank. Monetary items in foreign currencies are translated at the rate of exchange applicable on the balance sheet date. Changes in value as a consequence of changes in the rate of exchange between the transaction date and the balance sheet date are recognised in the income statement.

2.3 Repurchase agreements

The purchase of securities subject to an agreement on repurchase is classified as loans to and claims on customers. The difference between the purchase and sales price is accrued as interest income.

2.4 Financial instruments

Financial assets and liabilities are recorded in the balance sheet at the point at which Pareto Bank becomes party to the contractual terms attaching to the instrument. Regular purchases and sales of investments are recognised in the accounts on the trade date. Financial assets are removed from the balance sheet when the rights to receive cash flows from the investment cease or when these rights are transferred and Pareto Bank has largely transferred the risk and the entire potential for gain associated with ownership. Financial liabilities are derecognised at the point at which the rights to the contractual conditions have been fulfilled, cancelled or expired.

Classification
On initial recognition, financial instruments are classified in one of the following categories:

Financial assets:
- Financial assets at fair value through profit or loss.
- Lending and receivables recognised at amortised cost.

Financial liabilities:
- Financial liabilities designated to be measured at fair value, with value changes recognised in profit or loss.
- Other financial liabilities recognised at amortised cost.

Financial assets and liabilities at fair value through profit or loss:
Within this category, it may be mandatory that attribution should be, or the entity may designate that measurement should be, at fair value, with value changes recognised in profit or loss. The first category encompasses the financial derivatives of the bank, unless they form part of a hedge. The second category encompasses certificates and bonds, lending to and deposits by customers and credit institutions at fixed rates of interest, as well as debt created by the issuance of securities. After 1 January 2014, only debt securities in issue with fixed rates of interest will be classified in this category. Financial instruments are classified in the category of designated to be measured at fair value, with value changes recognised in profit and loss for the purpose of substantially reducing inconsistency in measurement (accounting mismatch). The chief reason that an accounting mismatch might otherwise occur is that all financial derivatives are required to be measured at fair value and that these are extensively used in the financial hedging of market risk.

Loans and receivables recorded at amortised cost:
Loans and receivables are financial assets that are not derivatives and have fixed or determinable payments, and are not traded on an active market. This category encompasses loans and receivables as well as bonds that are not defined as assets valued at fair value through profit or loss.

Other financial liabilities recognised at amortised cost:
This category encompasses deposits by customers and credit institutions without locked-in interest rates and other financial liabilities, that are not specified as liabilities valued at fair value through profit or loss.

Measurement
All financial assets that are not recognised at fair value through profit or loss are initially recognised in the balance sheet at fair value with the addition of transaction costs. Other liabilities recognised at amortised cost are initially recognised in the balance sheet at fair value less transaction costs. Financial assets and liabilities recognised at fair value through profit or loss are recognised at the time of acquisition at fair value and transaction costs are recognised in the income statement. Financial assets and liabilities at fair value through profit or loss are measured in subsequent periods at fair value. Loans and receivables and other financial commitments are measured at amortised cost using the effective interest method.

Fair value measurement:
Fair value is the amount for which an asset can be exchanged or a liability can be settled in a transaction between independent parties. The going concern assumption is applied in the calculation and a provision for the credit risk associated with the instrument is included in the valuation.

In the case of financial instruments where a corresponding market risk can be shown to be present to a sufficient degree of probability, middle rates on the balance sheet date are applied. Other financial assets and liabilities are valued at purchase and sales prices, respectively. In the case of financial instruments where it is possible to obtain externally observable prices, rates or volatilities and where these prices represent actual and frequent market transactions, the quoted price obtained from either an exchange or a broker will be applied. In so far as no quoted prices for the instrument are obtainable, the instrument will be decomposed and valued on the basis of the prices of the individual components. This applies to the majority of derivatives such as forward exchange contracts and interest rate swaps, as well as to certificates and bonds.

In the case of other financial instruments such as deposits and loans by customers and credit institutions with locked-in rates, contractual cash flows are determined, discounted by the market rate including a credit risk margin as at the reporting date.

Amortised cost measurement
Financial instruments that are not measured at fair value are measured at amortised cost and income is calculated using the effective rate of interest of the instrument (internal rate of return). The internal rate of return is determined by discounting contractual cash flows within the anticipated term. The cash flow includes arrangement fees and direct transaction costs not payable by the customer, as well as any residual value at the end of the anticipated term. Amortised cost is the present value of these cash flows discounted at the internal rate of return.

Writing down of financial assets
If objective evidence of the impairment of loans can be identified, the write-down on loans is calculated as the difference between the accounting value in the balance sheet and the present value of estimated future cash flows discounted by the internal rate of return of the asset. The internal rate of return applied is the internal rate of return of the asset before objective evidence of impairment is identified. Objective evidence of impairment includes significant financial problems on the part of a debtor, payment default or other material breaches of contract, circumstances in which it is viewed as likely that a debtor will commence upon debt restructuring negotiations or where other material circumstances have occurred. Writing down reduces the value of the loan as recorded in the balance sheet and the changes in estimated value during the period are recognised in the income statement in the item "Losses on loans and guarantees etc.". Interest calculated using the internal rate of return on the written down value of the asset is included in the item "Net interest income". Loans are also valued collectively. If objective evidence exists of the impairment of a group of loans, a write-down must be calculated.

Presentation in the balance sheet and income statement
Loans and receivables
Loans and receivables are recognised in the balance sheet, depending on counterparty, either as loans to and receivables from credit institutions or loans to and receivables from customers, without regard to the principle of valuation applied. Interest received on financial instruments classified as loans is included in "Interest income and similar income". Changes in value that can be related to the writing down of loans are recorded in the item "Losses on loans & guarantees etc.". Other changes in value on loans with locked-in rates that are valued at fair value are recorded in the item "Net gains/(losses) on financial instruments at fair value".

Certificates, bonds and other securities with fixed returns
This category includes securities designated to be measured at fair value through profit or loss. Interest income is recognised in the item "Interest income and similar income". Other changes in value are recorded in the item "Net gains/(losses) on financial instruments at fair value".

Financial derivatives
Financial derivatives are valued at fair value through profit or loss and presented as an asset if the value is positive and as a liability if the value is negative. Interest income and expense on financial derivatives and changes in value are recorded in “Net gains/(losses) on financial instruments at fair value”.

Deposits by credit institutions and deposits by customers
Debt to credit institutions and customers is recognised, depending on counterparty, either as a deposit by a credit institution or a deposit by a customer, without regard to the principle of valuation applied. Interest expense is included in “Interest expense and similar expense”. Other changes in value are recorded in the item “Net gains/(losses) on financial instruments at fair value”.

Debt created by issuance of securities
This category includes debt established by the issuance of securities designated to be measured at fair value through profit or loss. Interest expense is included in “Interest expense and similar expense”. Other changes in value are recorded in the item “Net gains/(losses) on financial instruments at fair value”.

Issued financial guarantees
Contracts which entail that the bank is required to remunerate a loss to the holder as a consequence of the failure of a specific debtor to pay an amount outstanding in accordance with the terms attaching to an instrument of debt are classified as issued financial guarantees. Commission income is recorded over the term of the guarantee in the item “Commission income and income from banking services”. Changes in value as a consequence of credit commitments that have been written down are recorded in “Losses on loans and guarantees etc.”. Other changes in the value of issued financial guarantees are recognised in the balance sheet in the item “Provisions for liabilities”.

Derivatives and hedging
Derivatives are recognised in the balance sheet at fair value at the time the derivative contract is entered into and thereafter at fair value. The recording of the associated gains and losses will depend on whether the derivative is nominated as a hedging instrument and, if applicable, the type of hedge. The bank has earmarked certain derivatives as hedges of the fair value of fixed income bonds (value hedging).

When establishing a hedge, the bank documents the relationship between the hedging instruments and the hedged items, as well as the purpose of managing the risk and the strategy underlying the various hedging transactions. The bank also documents its assessment of whether the derivatives used are sufficiently efficient in hedging changes in the fair value linked to the hedged items. Assessments of this nature are documented both when the hedge is entered into and continuously during the hedging period.

Changes in the fair value of derivatives that are earmarked and qualify for hedging fair value and that are effective, are recorded in the income statement together with changes in the fair value associated with the hedged risk of the hedged item in “Net gains/(losses) on financial instruments at fair value”.

2.5 Net presentation of financial assets and liabilities
Financial assets and liabilities are presented net in the balance sheet only where an unconditional and legally-enforceable right of set-off exists and the intention is to effect net settlement or to realise the asset and the same time settle the liability.

2.6 Accrual of interest and charges
Interest and commission is recognised in the income statement as it is earned as income or accrues as expense. Charges that are direct payment for services rendered are taken to income when they are paid. Arrangement fees are included in the cash flows when calculating amortised costs and recognised as income in the item “Interest income and similar income” using the internal rate of return method. Charges included in the setting up of financial guarantees are included in the valuation of the guarantee and recognised as income over the term of the guarantee in the item “Changes in value and gains/losses on financial instruments”.

2.7 Recognition of interest
Interest income is recognised using the internal rate of return method. This involves recognising nominal interest with the addition of the amortisation of arrangement fees less direct arrangement costs. The recognition of interest by the internal rate of return method is used both for balance sheet items valued at amortised cost and for balance sheet items valued at fair value through profit or loss. Interest income on written down credit commitments is calculated as the internal rate of return on the written down value.

2.8 Tangible fixed assets
Material assets are classified as tangible fixed assets and valued at acquisition cost less accumulated depreciation and write-downs. Acquisition cost includes expenses related directly to the acquisition. Repairs and maintenance are expensed on an ongoing basis in the income statement. Tangible fixed assets are depreciated on a straight-line basis over their expected useful life. Fixtures and fittings etc. are depreciated over a period of 2 – 5 years and computer equipment over a period of 2 – 3 years. The residual values and useful lives of the assets are assessed on an annual basis and adjusted as necessary. The need for write-downs is also assessed on a regular basis.

2.9 Intangible assets
Purchased software/licences and the bank’s connection to the Norwegian infrastructure for payment transfer are classified as intangible assets and recognised in the balance sheet at acquisition cost with the addition of the expenses required to make the software ready for use. These are amortised in line with the duration of the contracts and the expected economic life of the asset. The development of software is recorded in the balance sheet and, where the value is assessed as substantial and is expected to have lasting value, it is amortised over the course of its estimated useful life. The residual values and useful lives of the assets are assessed on an annual basis and adjusted as necessary. The need for write-downs is also assessed on a regular basis.

2.10 Pensions
The bank has a defined contribution pension scheme for its employees and the scheme is managed by a life assurance company. The bank pays an annual contribution to the group pension savings scheme of the individual employee of 5 per cent in the case of salary rates of between 1 and 6 G (G = the basic National Insurance amount) and 8 per cent in the case of salary rates of between 6 and 12 G. The bank has no further commitments beyond the payment of the annual contribution. Premium including employer’s tax is taken to expense directly.

2.11 Taxes

The year's tax cost comprises taxes payable for the financial year as well as changes in deferred tax on temporary differences. Temporary differences are the differences between the accounting and tax values of balance sheet items. Deferred tax is determined using the tax rates and tax rules applicable on the reporting date and that it is assumed will be applied when the deferred tax asset is realised or when the deferred tax is settled. Deferred tax asset is recognised in the balance sheet in so far as it is probable that it can be charged to future taxable income.

2.12 Dividend

Proposed dividend remains part of equity capital until a decision on the payment of a dividend has been adopted by the general meeting. Proposed dividend is not included in the calculation of capital adequacy.

2.13 Contracts of lease

Contracts of lease where a significant portion of the risk and return relating to ownership remain with the lessor are classified as operating leases. Pareto Bank has only operating leases. Leasing costs are expensed on a straight-line basis over the term of the lease.

2.14 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct method.

2.15 Events since the reporting date

Information that comes to light after the balance sheet date about the financial position of the company on the balance sheet date will form part of the basis for assessing the accounting estimates in the financial statements and will accordingly be taken into account in the annual financial statements. Events that do not affect the financial position of the company on the balance sheet date, but that will affect the financial position of the company in the future, are disclosed where significant. The financial statements of the bank will to some extent be based on estimates and discretionary assessments. These are based on historical experience and expectations of future events viewed as likely as at the balance sheet date. The accounting estimates will rarely accord entirely with the final outcome and represent a risk of future, substantial changes in the values of financial instruments and intangible assets recorded in the balance sheet.

NOTE 3: ACCOUNTING ESTIMATES AND DISCRETIONARY ASSESSMENTS

The use of estimates

The presentation of the accounts will to some extent be based on estimates and discretionary assessments. These are based on historical experience and expectations concerning future events viewed as likely on the balance sheet date. The accounting estimates will rarely accord entirely with the final outcome and represent a risk of future, substantial changes in the value of financial instruments and intangible assets recorded in the balance sheet.

Fair value measurement

Fair value is the amount for which an asset can be exchanged or a liability can be settled in a transaction between independent parties. The fair value of financial instruments that are not traded in an active market is determined by means of valuation techniques. The bank values and applies methods and assumptions that are as far as possible based on the market conditions prevailing on the balance sheet date. This applies to the bank's holdings of certificates and bonds, financial derivatives and deposits and loans with locked-in interest rates. The methods and assumptions applied in the calculation of fair value are also described in the bank's accounting principles and in Note 15 to the annual financial statements.

The writing down of financial assets

If objective evidence of the impairment of loans can be identified, the write-down on loans is calculated as the difference between the accounting value in the balance sheet and the present value of estimated future cash flows discounted by the internal rate of return of the asset. The internal rate of return applied is the internal rate of return of the asset before objective evidence of impairment is identified. Objective evidence of impairment includes significant financial problems on the part of a debtor, payment default or other material breaches of contract, circumstances in which it is viewed as likely that a debtor will commence upon debt restructuring negotiations or where other material circumstances have occurred.

Objective evidence of reductions in value in groups of loans has been observed, which has resulted in write-downs. This implies that assessment are performed on the basis of approaches and historical material relating both to the individual commitment and to macro-economic conditions and expectations thereof.

Reference is also made to the bank's accounting principles.

Intangible assets and tangible fixed assets

The residual value and useful lives of the assets are assessed annually and adjusted as necessary. The need for write-downs is also assessed on a regular basis.

Other circumstances

The bank is not involved in any legal disputes.

NOTE 4: MARKET SEGMENTS

In light of the size and areas of business of the bank, all credit activities are concentrated in a single credit area. Pareto Bank values its credit activities as a single business area.

Pareto bank

NOTE 5: NET INTEREST INCOME

(NOK '000)	2015	2014
Interest income and similar income on loans to and claims on central banks, amortised cost	608	61
Interest income and similar income on loans to and claims on credit institutions, amortised cost	5 085	6 990
Interest income and similar income on loans to and claims on customers, fair value	606	1 271
Interest income and similar income on loans to and claims on customers, amortised cost	434 484	435 011
Interest income and similar income on bonds and certificates, fair value	52 239	47 392
Interest income and similar income on bonds and certificates, amortised cost	0	8 854
Arrangement fees etc.	40 632	35 498
Commission income etc.	19 383	17 677
Other interest income and similar income	3	0
Interest income and similar income	**553 039**	**552 753**
Interest expense and similar expense on debt to financial institutions, fair value	457	0
Interest expense and similar expense on debt to financial institutions, amortised cost	737	437
Interest expense and similar expense on deposits by customers, fair value	45 150	105 205
Interest expense and similar expense on deposits by customers, amortised cost	78 408	73 530
Interest expense and similar expense on securities debt, fair value	37 994	55 563
Interest expense and similar expense on securities debt, amortised cost	35 380	17 406
Interest expense and similar expense on subordinated loan capital, amortised cost	16 336	17 912
Fee to Norwegian Banks' Guarantee Fund	5 420	5 366
Other interest expense and similar expense, amortised cost	182	217
Interest expense and similar expense	**220 066**	**275 636**
Net interest and credit commission income	**332 973**	**277 117**

NOTE 6: NET OTHER OPERATING INCOME

(NOK '000)	2015	2014
Commission income from payment transfers	577	543
Commission income from guarantees	10 432	6 972
Commission income from conditional subscriptions	118	1 280
Commission income from investment services	2 191	1 530
Inter-bank commissions	27	30
Commission income from other banking services	1 761	605
Commission income and income from banking services	**15 105**	**10 960**
Commission expense on payment transfers	463	462
Inter-bank commissions	7	8
Commission expense on banking services	0	377
Commission expense and banking service expenses	**470**	**847**
Net gains/(losses) on financial instruments at fair value	**-2 288**	**9 840**
Other operating income	**56**	**80**
Net other operating income	**12 404**	**20 033**

NOTE 7: NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE

(NOK '000)	2015	2014
Net gains/(losses) on foreign exchange	-1 312	84 807
Net gains/(losses) on currency derivatives	11 735	-71 604
Net gains/(losses) on money market derivatives	-5 095	-995
Net gains/(losses) on financial instruments, trading	**5 327**	**12 209**
Net gains/(losses) on loans to customers	-139	-5
Net gains/(losses) on bonds and certificates	-47 279	9 779
Net gains/(losses) on shares and fund units	4 522	-4 509
Net gains/(losses) on securities debt	16 916	3 296
Net gains/(losses) on deposits by customers	8 014	-9 102
Net gains/(losses) on financial instruments at fair value	**-17 965**	**-541**
Net gains/(losses) on derivatives, hedging	-5 320	-32 851
Net gains/(losses) on bonds, hedged	15 669	31 023
Net gains/(losses) on hedged items	**10 349**	**-1 828**
Net gains/(losses) on financial instruments at fair value	**-2 288**	**9 840**

NOTE 8: OPERATING COSTS

(NOK '000)	2015	2014
Ordinary pay costs	31 522	27 412
Provision for profit sharing	10 773	17 400
Fees, elected officers	1 203	1 264
Pension costs	2 508	2 248
Employer's National Insurance contribution	5 006	4 468
Other personnel costs	2 022	1 632
Salaries and other personnel expenses	**53 033**	**54 423**
IT costs	10 642	10 212
Office supplies, postage etc.	1 223	843
Sales, entertainment expenses and marketing	2 046	2 123
Other administrative expenses	1 075	1 372
Administrative expenses	**14 987**	**14 549**
Rent and other operating costs, leased premises	3 346	2 876
Fees auditing, consultancy and legal advice	5 173	2 767
Membership subscriptions	919	831
Insurance cover	406	396
Sundry operating costs	253	281
Other operating costsr	**10 098**	**7 151**
Depreciation, amortisation etc. on property, plant and equipment and intangible assets	**4 568**	**3 695**
Total operating costs	**82 685**	**79 818**

Pareto bank

NOTE 9: PENSION COSTS

Pareto Bank is required to have an occupational pension scheme pursuant to the Act concerning occupational pension schemes and has a scheme that complies with the provisions of the Act. The bank has a defined contribution pension scheme for all employees, which is managed by life assurance company Storebrand Livsforsikring AS. The pension benefits provided are retirement, disability, spouse and child cover. Cover for continuing premium payments to the retirement scheme in the event of disability has been arranged and 30 years' service is required in order to qualify for full benefits.

The pensionable income is the employee's annual salary including fixed benefits, with annual payments of 5 per cent of pensionable income for salaries of between 1 G and 6 G and of 8 per cent for salaries of 6 G and 12 G, G being equal to the basic payment under the Norwegian National Insurance scheme. The retirement age is 67.

Disability cover has also been taken out in the form of a group disability annuity for salaries exceeding 12 G. The pensionable income is salary in excess of 12 G. Cover for continuing premium payments to the retirement scheme in the event of disability has been arranged. 30 years' service is required in order to qualify for full benefits. The disability pension is 45 per cent of salaries in excess of 12 G.

The bank has no pension commitments beyond the payment of the annual premiums on the above schemes.

(NOK '000)	**2015**	**2014**
Pension cost, defined contribution scheme	2 242	2 055
Pension cost, annuity	266	192
Pension cost	**2 508**	**2 248**

NOTE 10: NUMBER OF EMPLOYEES AND FULL-TIME EQUIVALENTS

	2015	**2014**
Number of employees as at 31 Dec.	33,0	28,0
Number of full-time equivalents as at 31 Dec.	33,0	29,0
Average number of employees	29,6	28,0
Average number of full-time equivalents	30,0	27,5

Pareto bank

NOTE 11: TAX COSTS

(NOK '000)

Temporary differences	2015	2014
Intangible assets	2 052	1 770
Loans to customers	198	336
Certificates and bonds	6 311	21 489
Derivatives	7 097	19 626
Positive temporary differences	**15 658**	**43 222**
Tangible fixed assets	-292	-398
Certificates and bonds	-23 495	-4 887
Certificates and bonds – own issue	-3 492	-24 451
Customer deposits	-4 907	-12 921
Shares, fund units and other securities	0	-7 081
Derivatives	-84 167	-112 637
Negative temporary differences and carry-forward loss	**-116 353**	**-162 375**
Basis for deferred tax in balance sheet	**-100 695**	**-119 153**
Deferred tax/tax asset	**-25 174**	**-32 171**

Basis for tax cost, change in deferred tax and tax payable		
Profit before taxes	231 057	209 433
Permanent differences	908	1 089
Basis for year's tax cost	**231 965**	**210 522**
Change in differences included in basis for deferred tax	-18 458	104 517
Basis for tax payable in income statement	**213 507**	**315 039**
Group contribution paid	0	-6 023
Taxable income (basis for tax payable in balance sheet)	**213 507**	**309 016**

Breakdown of tax cost		
Tax payable (27% of basis for tax payable in income statement)	57 647	85 060
Change in deferred tax/tax asset	6 998	-28 220
Excess/insufficient provision for tax preceding year	0	0
Tax cost (27% of basis for year's tax cost)	**64 645**	**56 841**

Tax payable in balance sheet		
Tax payable on year's profit	57 647	85 060
Tax effect of group contribution	0	-1 626
Tax payable in balance sheet	**57 647**	**83 434**

Pareto bank

NOTE 12: WRITE-DOWNS AND LOSSES

(NOK '000)	2015	2014
Cost of losses in period		
Change in individual write-downs	17 597	-800
Change in collective write-downs	14 000	8 000
Actual losses charged to previous write-downs	0	212
Actual losses without previous write-downs	38	486
Recoveries on past actual losses	0	0
Change in specified provisions for guarantee liability	0	0
Write-downs and losses on loans and guarantees	**31 635**	**7 899**
Individual write-downs		
Individual write-downs 1 Jan.	0	800
- Actual losses charged to previous write-downs	0	-212
+ Increase individual write-downs	0	0
+ New individual write-downs	17 597	0
- Reversed write-downs	0	-588
Individual write-downs 31 Dec.	**17 597**	**0**
Collective write-downs		
Collective write-downs 1 Jan.	26 700	18 700
+ Change in collective write-downs in period	14 000	8 000
Collective write-downs 31 Dec.	**40 700**	**26 700**

NOTE 13: NON-PERFORMING AND IMPAIRED COMMITMENTS

(NOK '000)	31.12.2015	31.12.2014
Non-performing commitments		
Gross non-performing commitments	143 549	0
Individual write-downs	17 597	0
Net non-performing commitments	125 952	0
Provision ratio	12,26 %	0,00 %
Non-performing commitments as % of gross lending	**1,58 %**	**0,00 %**

Non-performing commitments are commitments where the customer has failed to pay instalments payable on loan within 90 days after the due date, or when amounts overdrawn on credit lines are not redeemed as agreed within 90 days after credit line was overdrawn.

Other impaired commitments		
Other impaired commitments	0	0
Individual write-downs	0	0
Net impaired commitments	0	0
Provision ratio	0,00 %	0,00 %
Other impaired commitments as % of gross lending	**0,0 %**	**0,0 %**

Other impaired commitments are commitments that are not non-performing in accordance with the above definition, but where a write-down has been performed.

NOTE 14: CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 Dec. 2015 (NOK '000)	Financial instruments at fair value through profit or loss	Financial derivates used for hedging purposes	Financial derivates valued at amortised cost	**Financial instruments**
Cash and balances at central banks	0	0	459 229	**459 229**
Loans and advances to credit institutions	0	0	362 528	**362 528**
Lending to customers	11 809	0	7 918 825	**7 930 634**
Certificates and bonds	2 318 758	0	0	**2 318 758**
Shares, fund units and other securities	8 010	0	0	**8 010**
Financial derivatives	7 658	0	0	**7 658**
Assets	**2 346 235**	**0**	**8 740 582**	**11 086 817**
Deposits by credit institutions	0	0	398	**398**
Deposits by and debt to customers	1 360 247	0	5 094 678	**6 454 925**
Debt created by issuance of securities	1 003 904	0	2 013 605	**3 017 509**
Financial derivatives	83 346	0	0	**83 346**
Subordinated loan capital	0	0	309 348	**309 348**
Liabilities	**2 447 497**	**0**	**7 418 028**	**9 865 526**

At 31 Dec. 2014 (NOK '000)	Financial instruments at fair value through profit or loss	Financial derivates used for hedging purposes	Financial derivates valued at amortised cost	**Financial instruments**
Cash and balances at central banks	0	0	215 522	**215 522**
Loans and advances to credit institutions	0	0	232 981	**232 981**
Lending to customers	15 529	0	7 191 318	**7 206 847**
Certificates and bonds	3 223 192	0	156 778	**3 379 970**
Shares, fund units and other securities	219 163	0	0	**219 163**
Financial derivatives	27 272	586	0	**27 858**
Assets	**3 485 155**	**586**	**7 796 599**	**11 282 341**
Deposits by credit institutions	0	0	1 577	**1 577**
Deposits by and debt to customers	2 886 388	0	4 461 134	**7 347 522**
Debt created by issuance of securities	1 312 626	0	1 038 396	**2 351 022**
Financial derivatives	149 116	0	0	**149 116**
Subordinated loan capital	0	0	308 910	**308 910**
Liabilities	**4 348 130**	**0**	**5 810 017**	**10 158 147**

NOTE 15: FINANCIAL INSTRUMENTS AT FAIR VALUE

Classification of valuation based on the reliability of the information used

At 31 Dec. 2015 (NOK '000)	Level 1	Level 2	Level 3	Financial instruments
Lending to customers	0	0	11 809	**11 809**
Certificates and bonds	0	2 318 758	0	**2 318 758**
Shares and units in mutual funds	0	0	8 010	**8 010**
Financial derivatives	0	7 658	0	**7 658**
Assets	**0**	**2 326 416**	**19 819**	**2 346 235**
Deposits by credit institutions	0	0	0	**0**
Deposits by customers	0	0	1 360 247	**1 360 247**
Debt created by issuance of securities	0	1 003 904	0	**1 003 904**
Financial derivatives	0	83 346	0	**83 346**
Liabilities	**0**	**1 087 250**	**1 360 247**	**2 447 497**

Classification of valuation based on the reliability of the information used

At 31 Dec. 2014 (NOK '000)	Level 1	Level 2	Level 3	Financial instruments
Lending to customers	0	0	15 529	**15 529**
Certificates and bonds	0	3 223 192	0	**3 223 192**
Shares and units in funds	0	215 158	4 005	**219 163**
Financial derivatives	0	27 858	0	**27 858**
Assets	**0**	**3 466 208**	**19 534**	**3 485 741**
Deposits by credit institutions	0	0	0	**0**
Deposits by customers	0	0	2 886 388	**2 886 388**
Debt created by issuance of securities	0	1 312 626	0	**1 312 626**
Financial derivatives	0	149 116	0	**149 116**
Liabilities	**0**	**1 461 742**	**2 886 388**	**4 348 129**

NOTE 15: FINANCIAL INSTRUMENTS AT FAIR VALUE, CONTINUED...

There was no movement between levels 1 and 2 during the periods.

Financial instruments valued at fair value are valued using a fair-value hierarchy that reflects the reliability of the information used based on the following levels:

Level 1: Market price (non-adjusted) quoted in an active market for identical assets or liabilities.
Level 2: Market price that is not quoted but that is observable for assets or liabilities either directly or indirectly (for example in the form of prices).
Level 3: Information that is not based on observable market data.

Method for calculating the fair value of financial instruments for financial instruments valued at fair value:

Loans and advances to credit institutions: The bank calculates contractual cash flows discounted by the market rate of return, including a credit premium at the balance sheet date. The credit premium is obtained from independent brokers in major financial institutions.

Certificates and bonds: The bank obtains market prices and credit spreads from independent brokers from major financial institutions in order to calculate fair value.

Units in mutual funds: The bank obtains the market value of fund units from the individual fund manager.

Deposits by customers, financial institutions and debt created by issuance of securities: The bank calculates contractual cash flows discounted by the market rate of return with the addition of the estimated credit spreads of the bank in deposit and security markets on the balance sheet date.

Financial derivatives: The fair value of financial derivatives is calculated on the basis of discounted cash flows based on foreign exchange rates and current yield curves on the balance sheet date.

See also the description provided in Note 2: Accounting principles.

NOTE 15: FINANCIAL INSTRUMENTS AT FAIR VALUE, CONTINUED...

Changes in financial instruments Level 3
At 31 Dec. 2015

(NOK '000)	Loans to and claims on customers	Deposits by and dept to customers	Total assets	Financial instruments	Total debt
Balance sheet at 1 Jan. 2015	15 529	4 005	**19 534**	2 886 388	**2 886 388**
Gains/(losses) in IS in item for net gain/losses on financial instruments at fair value	-139	0	**-139**	-9 102	**-9 102**
Payments to and from counterparties	-3 581	4 005	**424**	-1 517 039	**-1 517 039**
Balance sheet at 31 Dec. 2015	**11 809**	**8 010**	**19 819**	**1 360 247**	**1 360 247**
Total gains/losses for period for financial instruments retained on balance sheet date are recorded in net gains/losses on financial instruments at fair value	-139	0	**-139**	8 014	**8 014**

Changes in financial instruments Level 3
At 31 Dec. 2014

(NOK '000)	Loans to and claims on customers	Deposits by and dept to customers	Total assets	Financial instruments	Total debt
Balance sheet at 31 Dec. 2014	19 815	5	**19 820**	3 097 535	**3 097 535**
Gains/(losses) in IS in item for net gain/losses on financial instruments at fair value	-5	0	**-5**	-9 102	**-9 102**
Payments to and from counterparties	-4 281	4 000	**-281**	-202 045	**-202 045**
Balance sheet at 31 Dec. 2014	**15 529**	**4 005**	**19 534**	**2 886 388**	**2 886 388**
Total gains/losses for period for financial instruments retained on balance sheet date are recorded in net gains/losses on financial instruments at fair value	-5	0	**-5**	-9 102	**-9 102**

Sensitivity analysis, Level 3

	Balance sheet value 31 Dec. 2015	Effect of assumptions
Loans to and claims on customers	11 809	10
Deposits by and debt to customers	1 360 247	1 319

	Balance sheet value 31 Dec. 2014	Effect of assumptions
Loans to and claims on customers	15 529	23
Deposits by and debt to customers	2 886 388	1 549

To show the sensitivity of deposits by and debt to customers,
a change of 10 basis points has been applied to the credit spread/discount rate.

NOTE 16: THE FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST

(NOK '000)	31 Dec. 2015 Balance sheet value	Fair value	31 Dec. 2014 Balance sheet value	Fair value
Certificates and bonds	0	0	156 778	164 718
Assets	**0**	**0**	**156 778**	**164 718**
Debt created by issuance of securities	2 013 605	1 994 816	1 038 396	1 058 224
Subordinated loan capital	309 348	305 623	308 193	312 810
Liabilities	**2 322 953**	**2 300 439**	**1 346 589**	**1 371 034**

The method used for calculating the fair value of financial instruments at amortised cost
Valuation is performed on the basis of the properties and values of the individual instruments on the balance sheet date. The values are calculated on the basis of prices quoted on active markets where such information is available, internal models that calculate the theoretical value when no active market is available, or by comparing the prices of instruments in the portfolio in relation to the last available transaction prices. Valuation is performed on the basis of the properties and values of the individual instruments on the balance sheet date.

These valuations will not always provide values that accord with the market's valuation of the same instruments. Such variations may be due, inter alia, to different perceptions of market prospects, market conditions, risk factors and required rate of return, as well as to variations in the availability of precise information.

Certificates and bonds
The bank obtains market values from the Bloomberg information system and prices and credit matrices from independent brokers in major financial institutions in order to calculate fair value.

Subordinated loan capital
The fair value of subordinated loan capital is fixed at the estimated realisation value based on past realisations and estimates from independent brokers in major financial institutions.

Certificates, bonds and subordinated loan capital valued at amortised cost are classified as financial instruments in Level 2.

In the case of the balance sheet items cash and claims on central banks, loans to and claims on credit institutions, loans to customers, deposits by credit institutions, deposits by customers, the balance sheet value is approximately equal to fair value.

NOTE 17: CREDIT COMMITMENTS BY CUSTOMER GROUP

	Loans		Guarantees		Undrawn credit lines	
(NOK '000)	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Private customers	430 686	598 104	1 501	1 936	328 256	323 210
Agriculture, forestry and fisheries	101	579	0	0	5 899	5 421
Industry	26 469	75 467	600	700	14 766	23 930
Building and construction	1 705 428	1 528 506	80 612	95 131	377 118	212 539
Retail	8 771	79 005	196	196	15 337	11 050
Transport and storage	672 069	289 409	0	0	5 898	5 000
Accommodation and hospitality	11 750	0	0	0	0	0
Information and communication	515	115 145	1 656	1 656	25 485	15 855
Finance and insurance	959 136	748 030	4 820	5 801	200 166	243 454
Sales and management of real property	3 023 908	2 857 719	253 631	157 081	765 446	501 448
Professional, scientific and technical services	394 797	320 139	15 201	16 165	58 264	70 769
Commercial services	137 719	216 749	2 050	10 350	30 671	27 623
Health, social services and entertainment	9 584	9 383	0	0	2 416	3 617
Arts, entertainment and recreation	0	0	0	0	1 000	0
Foreign	587 262	370 895	116 581	0	43 326	46 875
Total customers, principal	**7 968 195**	**7 209 130**	**476 848**	**289 016**	**1 874 048**	**1 490 790**
Accrued interest and amortisation	20 539	24 080	0	0	0	0
Write-downs	-58 297	-26 700	0	0	0	0
Adjustment to fair value	198	336	0	0	0	0
Total customers	**7 930 634**	**7 206 847**	**476 848**	**289 016**	**1 874 048**	**1 490 790**
Credit institutions, principal	359 840	227 805	0	0	0	0
Accrued interest and amortisation	2 688	5 176	0	0	0	0
Adjustment to fair value	0	0	0	0	0	0
Total credit institutions	**362 528**	**232 981**	**0**	**0**	**0**	**0**
Total customers and credit institutions	**8 293 162**	**7 439 827**	**476 848**	**289 016**	**1 874 048**	**1 490 790**

The above divisions are based on Statistics Norway's sector and industry categories using the primary business of the customers.

NOTE 18: CREDIT COMMITMENTS BY GEOGRAPHICAL LOCATION

	Loans		Guarantees		Undrawn credit lines	
(NOK '000)	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Eastern Norway	1 629 279	1 390 040	41 649	15 178	427 330	233 651
Oslo	4 988 220	4 630 600	296 765	245 509	1 034 570	844 132
Southern Norway	281 064	389 061	10 450	26 265	125 082	156 128
Western Norway	141 828	197 746	1 620	2 064	125 180	147 937
Northern and Central Norway	340 542	230 789	9 782	0	118 559	61 567
Foreign	587 262	370 895	116 581	0	43 326	47 375
Total customers, principal after individual write-downs	**7 968 194**	**7 209 130**	**476 848**	**289 016**	**1 874 048**	**1 490 790**
Accrued interest and amortisation	20 539	24 080	0	0	0	0
Write-downs	-58 297	-26 700	0	0	0	0
Adjustment to fair value	198	336	0	0	0	0
Total customers	**7 930 634**	**7 206 847**	**476 848**	**289 016**	**1 874 048**	**1 490 790**
Credit institutions, principal	359 840	227 805	0	0	0	0
Accrued interest and amortisation	2 688	5 176	0	0	0	0
Adjustment to fair value	0	0	0	0	0	0
Total credit institutions	**362 528**	**232 981**	**0**	**0**	**0**	**0**
Total customers and credit institutions	**8 293 162**	**7 439 827**	**476 848**	**289 016**	**1 874 048**	**1 490 790**

NOTE 19: CERTIFICATES AND BONDS

(NOK '000)	**31.12.2015**	**31.12.2014**
Certificates (cost price), quoted	0	548 827
Accrued interest and amortisation	0	0
Adjustment to fair value	0	73
Certificates at fair value	**0**	**548 900**
Average duration	0,00	0,21
Average effective rate of interest	0,00 %	1,20 %
Bonds (cost price), quoted	2 329 640	2 653 642
Accrued interest and amortisation	9 040	10 308
Adjustment to fair value	-19 923	10 341
Bonds at fair value	**2 318 758**	**2 674 291**
Average duration	3,45	0,45
Average effective rate of interest	0,94 %	1,46 %
Bonds (cost price), quoted	0	156 544
Accrued interest and amortisation	0	235
Bonds, amortised cost	**0**	**156 779**
Average duration	0,00	1,99
Average effective rate of interest	0,00 %	4,84 %
Total certificates and bonds	**2 318 758**	**3 379 970**

NOTE 20: OTHER INTANGIBLE ASSETS

(NOK '000)	**2015**	**2014**
Purchase cost 1 Jan.	46 178	41 664
Acquisitions during year	5 403	4 514
Disposals during year	0	0
Purchase cost 31 Dec.	51 581	46 178
Accumulated amortisation 1 Jan.	-21 328	-17 890
Year's write-downs	0	0
Year's amortisations	-4 369	-3 438
Accumulated amortisations 31 Dec.	-25 697	-21 328
Book value 31 Dec.	**25 884**	**24 850**
Economic life	1-5 years	1-5 years
Amortisation plan	Straight line	Straight line

Other intangible assets consist of software licences and the affiliation charge payable to Finance Norway for access to the banks' infrastructure for payment transfers. The affiliation charge for access to the banks' infrastructure in the amount of NOK 15.5 million is not amortised.

NOTE 21: TANGIBLE FIXED ASSETS

(NOK '000)	**2015**	**2014**
Purchase cost 1 Jan.	3 126	3 090
Acquisitions during year	669	37
Disposals during year	0	0
Purchase cost 31 Dec.	3 795	3 126
Accumulated amortisation 1 Jan.	-2 818	-2 560
Year's write-downs	6	0
Year's amortisations	-198	-257
Accumulated amortisations 31 Dec.	-3 010	-2 818
Book value 31 Dec.	**785**	**309**
Economic life	1-5 years	1-5 years
Amortisation plan	Straight line	Straight line

The property, plant and equipment of the bank comprises fixtures and equipment and office machines.
The bank has not mortgaged or accepted other restrictions on its right to dispose its property, plant and equipment.

NOTE 22: DEPOSITS BY CUSTOMER GROUPS

(NOK '000)	31.12.2015	31.12.2014
Deposits by customer groups		
Private customers	2 047 047	2 257 450
Agriculture, forestry and fisheries	25 397	24 054
Mining and extraction	48	35
Industry	47 661	18 980
Electricity, gas, steam and hot water supplies	52 237	285 819
Water supply, sewage and refuse business	1	5
Building and construction	160 636	164 735
Retail, motor vehicle repairs	88 445	162 231
Transport and storage	221 068	131 865
Accommodation and hospitality	21 179	18 494
Information and communication	85 208	70 155
Finance and insurance	1 137 088	1 422 996
Sales and management of real property	1 410 918	1 487 987
Professional, scientific and technical services	400 061	438 025
Commercial services	130 487	185 868
Public administration and defence, and social security schemes subject to public administration	35 973	36 966
Education	14 045	0
Health and social services	51 472	0
Cultural activities, entertainment and leisure activities	30 327	0
Other services	256 152	367 453
Foreign	218 351	201 800
Total customers, principal	6 433 800	7 274 918
Accrued interest	16 219	59 683
Adjustment to fair value	4 907	12 921
Customer deposits	**6 454 925**	**7 347 522**

The above divisions are based on Statistics Norway's sector and industry categories using the primary business of the customers.

Customer deposits by geographical location

(NOK '000)	31.12.2015	31.12.2014
Eastern Norway	1 503 722	1 574 110
Oslo	3 824 684	4 333 183
Southern Norway	333 169	247 269
Western Norway	385 014	665 392
Northern and Central Norway	168 860	183 212
Foreign	218 351	271 752
Total customers, principal	6 433 800	7 274 918
Accrued interest	16 219	59 683
Adjustment to fair value	4 907	12 921
Customer deposits	**6 454 925**	**7 347 522**

NOTE 23: DEBT CREATED BY ISSUANCE OF SECURITIES

(NOK '000)	31.12.2015	31.12.2014
Certificate debt, nominal value	670 000	0
-own non-amortised certificates, nominal value	0	0
Accrued interest	1 980	0
Adjustment to fair value	-55	0
Total certificate debt	**671 925**	**0**
Bond debt, nominal value	2 820 000	2 918 514
-own non-amortised bonds, nominal value	-488 000	-592 123
Accrued interest	11 499	11 769
Adjustment to fair value	2 085	12 862
Total bond debt	**2 345 584**	**2 351 022**
Debt created by issuance of securities	**3 017 509**	**2 351 022**

The bank issues securities to finance its business.

Loans issued 31 December 2015

(NOK '000)	Type	Currency	Nom. value	Term	Yield
NO0010734452	Certificate FRN	NOK	500 000	13.04.2015 - 13.04.2016	3 mnd NIBOR + 0,40 %-points
NO0010753148	Certificate	NOK	170 000	01.12.2015 - 20.05.2016	2,10 %
NO0010702897	Bond 14/18 FRN	NOK	500 000	30.01.2014 - 30.01.2018	3 mnd NIBOR + 1,35 %-points
NO0010722796	Bond 14/17 FRN	NOK	500 000	04.11.2014 - 03.11.2017	3 mnd NIBOR + 0,70 %-points
NO0010722804	Bond 14/19 FRN	NOK	200 000	04.11.2014 - 04.11.2019	3 mnd NIBOR + 1,00 %-points
NO0010747389	Bond 15/18 FRN	NOK	320 000	12.10.2015 - 12.10.2018	3 mnd NIBOR + 1,37 %-points
NO0010669641	Bond 13/17 FRN	NOK	500 000	09.01.2013 - 09.01.2017	3 mnd NIBOR + 1,85 %-points
NO0010691025	Bond 13/16 FRN	NOK	500 000	02.10.2013 - 03.10.2016	3 mnd NIBOR + 1,20 %-points

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NOTE 24: SUBORDINATED LOAN CAPITAL

(NOK '000)	31.12.2015	31.12.2014
Hybrid Tier 1 bonds, nominal value	160 000	160 000
Accrued interest	262	284
Amortisations	-1 038	-1 574
Total hybrid Tier 1 bonds	159 223	158 710
Subordinated Tier 2 bond loan, nominal value	150 000	150 000
Accrued interest	375	434
Amortisations	-250	-233
Total subordinated Tier 2 bond loans	150 125	150 200
Total subordinated loan capital	**309 348**	**308 910**

Pareto Bank has issued two perpetual hybrid Tier 1 bond loans in the total amount of NOK 160 million. One loan is for NOK 110 million and was issued on 29 March 2012 with an interest rate of 3-month NIBOR + 600 bp. The second loan was issued on 9 September 2014 in the amount of NOK 50 million with an interest rate of 3-month NIBOR + 370 bp. Both loans are perpetual with the right for the issuer to redeem the loans 5 years after the date of issue, with no incentive to repay.

The bank has also issued a subordinated Tier 2 bond loan in the total amount of NOK 150 million. The loan was issued on 3 September 2014 with a rate of interest of 3-month NIBOR + 195 bp. The loan has a term of 10 years with the right to redeem 5 years after the issue date.

The issuer also has the right to redeem the loans in the event of the introduction by the authorities of changes that impact on the extent to which capital of this type can be counted as core capital or supplementary capital.

NOTE 25: OTHER LIABILITIES AND ACCRUED COSTS

(NOK '000)	31.12.2015	31.12.2014
Payment transfer services	3 033	76
Trade payables	1 745	1 521
Tax withholdings	2 050	1 748
VAT payable	158	17
Balances, credit customers	0	20 602
Other liabilities	**6 987**	**23 966**
Holiday pay, Employer's NI contributions and salaries	17 329	23 220
Other accrued costs	1 351	970
Accrued costs	**18 680**	**24 190**

NOTE 26: FINANCIAL DERIVATIVES

Pareto Bank uses derivatives in order to reduce the interest rate and foreign exchange risk that occurs in the course of the ordinary business activities of the bank. This includes in particular the interest rate risk associated with long-term borrowing and lending. These derivatives take the form of swaps and FRAs and forward exchange contracts, as well as combinations thereof.

Interest-rate swaps: Agreements whereby two parties swap cash flows for an agreed amount over an agreed period of time. Thus the bank switches from a fixed to a variable rate of interest or from a variable to a fixed rate. The agreements are normally customised and are traded off-exchange.

Forward exchange contract: Agreement to purchase or sell interest rate terms at a specific time in the future at a pre-agreed price. The agreements are customised and are traded off-exchange.

The overview below shows the nominal values of the financial derivatives according to type of derivative, as well as positive and negative market values. Positive market values are recognised in the balance sheet as assets, while negative market values are charged as debt. For further details of the valuation of financial derivatives, see Note 2 and Note 13.

At 31.12.2015

(NOK '000)	**Nominal values**	**Positive market values**	**Negative market values**
Interest rate-related contracts			
Interest rate swaps	1 780 425	7 562	27 246
Total interest rate-related contracts	**1 780 425**	**7 562**	**27 246**
Currency-related contracts			
Forward exchange agreements	2 068 586	96	57 039
Total currency-related contracts	**2 068 586**	**96**	**57 039**
Financial derivatives	**3 849 011**	**7 658**	**84 285**

At 31.12.2014

(NOK '000)	**Nominal values**	**Positive market values**	**Negative market values**
Interest rate-related contracts			
Interest rate swaps	2 681 399	25 345	72 915
FRAs	0	0	0
Total interest rate-related contracts	**2 681 399**	**25 345**	**72 915**
Currency-related contracts			
Forward exchange agreements	1 521 941	2 513	76 201
Total currency-related contracts	**1 521 941**	**2 513**	**76 201**
Financial derivatives	**4 203 340**	**27 858**	**149 116**

NOTE 27: NET SETTLEMENT FINANCIAL INSTRUMENTS

At 31.12.2015

Assets

(NOK '000)	Gross financial assets in BS	Gross debt presented net	Net financial assets in BS	Related amounts not presented net: Financial instruments	Collateral in cash (received)	Net amount
Derivatives	7 658	0	7 658	-7 658	0	0
Total	**7 658**	**0**	**7 658**	**-7 658**	**0**	**0**

Liabilities

(NOK '000)	Gross financial liabilities in BS	Gross debt presented net	Net financial liabilities	Related amounts not presented net: Financial instruments	Collateral in cash (paid)	Net amount
Derivatives	83 346	0	83 346	-7 658	-68 836	6 852
Total	**83 346**	**0**	**83 346**	**-7 658**	**-68 836**	**6 852**

At 31.12.2014

Assets

(NOK '000)	Gross financial assets in BS	Gross debt presented net	Net financial assets in BS	Related amounts not presented net: Financial instruments	Collateral in cash (received)	Net amount
Derivatives	27 858	0	27 858	-27 159	699	0
Total	**27 858**	**0**	**27 858**	**-27 159**	**699**	**0**

Liabilities

(NOK '000)	Gross financial liabilities in BS	Gross debt presented net	Net financial liabilities	Related amounts not presented net: Financial instruments	Collateral in cash (paid)	Net amount
Derivatives	149 116	0	149 116	-27 159	-121 956	0
Total	**149 116**	**0**	**149 116**	**-27 159**	**-121 956**	0

NOTE 28: FINANCIAL GUARANTEES AND PLEDGES ETC.

(NOK '000)	31.12.2015	31.12.2014
Guarantees		
Contract guarantees	122 725	139 849
Payment guarantees	354 124	149 167
Total guarantee liability	**476 848**	**289 016**
Pledges		
Securities pledged to Norges Bank, nominal principal	250 000	0
Total pledges	**250 000**	**0**

NOTE 29: RISK MANAGEMENT AND CAPITAL ADEQUACY

The overarching objective of the bank with regard to risk and risk tolerance is that this should be moderate and concentrated around the primary business areas of the bank on the credit side. Risk relating to other business activities in the short and medium term largely derives from the credit activities of the bank, including its borrowing activities. In addition to credit risk, this relates to limits on interest-rate, foreign exchange and liquidity exposure. In these areas, the bank will have absolute targets for risk and risk tolerance.

The capital adequacy regulations provided for in Basel II are based on three "pillars". Pillar 1 stipulates minimum capital adequacy requirements, while Pillar 2 concerns the bank's assessments of its overall capital requirements and supervisory review. Pillar 3 concerns the financial disclosure requirements to which the bank is subject.

Pillar 1 – Minimum capital adequacy requirements
Pillar 1 encompasses capital requirements relating to credit risk, market risk and operational risk. Pareto Bank applies the standardised approach. The minimum capital adequacy requirement in accordance with Pillar 1 is 8 per cent, of which core capital must constitute at least half.

Credit risk:
Credit risk represents the greatest risk for the bank and relates primarily to all lending to and claims on customers and financial institutions as well as to holdings of securities. Under Pillar 1, these are divided into categories and the capital requirement is calculated on the basis of commitment amount, type of collateral/amount and the status of the commitment/counterparty using standardised risk weightings.

Operational risk:
Pareto Bank has chosen to apply the basic approach under Pillar 1 for calculating operational risk. This applies a capital requirement of 15 per cent of the annual revenue reported in the last three years.

Market risk:
The market risk of the bank is modest and is calculated using the standardised approach in Pillar 1.

Pareto bank

NOTE 29: RISK MANAGEMENT AND CAPITAL ADEQUACY, CONTINUED...

Pillar 1 capital adequacy

(NOK '000)	**31.12.2015**	**31.12.2014**
Subordinated capital		
Equity	1 191 168	1 050 255
Dividend	0	-25 500
Less other tangible assets	-25 884	-24 850
Total CET1	**1 165 284**	**999 905**
Subordinated loan capital (Tier 1)	160 000	160 000
Total Tier 1 capital	**1 325 284**	**1 159 905**
Subordinated loan capital (Tier 2)	150 000	150 000
Total capital	**1 475 284**	**1 309 905**
Minimum requirements subordinated capital		
Local and regional authorities (incl. municipalities)	4 316	719
Institutions	15 135	28 489
Enterprises	492 117	537 816
Commitments secured by mortgages on property	134 888	18 163
Commitments that have come due	7 183	0
Covered bonds	8 562	11 069
Units in mutual funds	0	17 213
Other commitments	12 010	19 965
Capital requirements credit risk standard approach (SA)	674 212	633 434
Capital requirements for operational risk	35 585	28 025
Deduction of write-downs of groups of loans and provisions for guarantee commitments	-4 664	-2 136
Minimum requirements total capital	**705 133**	**659 323**
Surplus of total capital	**770 151**	**650 582**
Capital adequacy ratio	**16,74 %**	**15,89 %**
Tier 1 capital ratio	**15,04 %**	**14,07 %**
Common equity Tier 1 ratio	**13,22 %**	**12,13 %**
Calculation base	**8 814 158**	**8 241 543**

NOTE 29: RISK MANAGEMENT AND CAPITAL ADEQUACY, CONTINUED...

Pillar 2 – Assessment of overall capital requirement and supervisory review
Pillar 2 requires the bank to conduct analyses of the risk profile and capital requirements of its business as a whole in order to assess whether the chosen risk profile and activity accords with the financial strength of the bank. This involves assessing the capital requirement and the level of the capital requirement to determine risk that is not taken into account in Pillar 1, including capital required for future growth according to the bank's business and risk profile.

Sensitivity tests and future scenarios relating to serious economic downturns
A stress test has been performed based on a serious economic downturn and major credit losses over a three-year period. A credit loss of 10 per cent over the course of the period was assumed, of which 5 per cent in year 1 and 15 per cent in both years 2 and 3. A further assumption was that the debt and equity capital market was closed throughout the period, combined with extensive withdrawals of deposits.

The analysis reveals that, notwithstanding this scenario, the capital situation of the bank would continue to be satisfactory, with a common equity Tier 1 ratio of 14.6 per cent at the lowest point. This exceeds the requirements of the authorities, including capital buffers and the Pillar 2 capital add-on. This can be attributed to the large surplus of liquid assets and the high rate of loan redemption, both of which factors give the bank considerable freedom of action and the ability to put in place a number of measures at short notice in order to reduce the calculation base.

Reverse stress test
Based on the stress test that was conducted, a calculation was performed to determine what scope of credit losses the bank could take before it expended in the 2.5 per cent capital conservation buffer and ending up below the 11.50 per cent in common equity Tier 1 ratio stipulated by the authorities.

In a test of this nature the bank would have to withstand a credit loss of 9.5 per cent of the opening balance for gross lending in year 1 before it would fall below a common equity Tier 1 ratio of 11.50 per cent. In years 2 and 3 credit losses would, correspondingly, increase to 3.0 per cent of the opening balance for gross lending each year. This entails losses of up to 25 per cent for the bank's portfolio of loans on commercial property and shipping and 17.3 per cent on the remaining property portfolio over a three-year period.

Pillar 3 – Disclosure requirements with regard to financial information
Pillar 3 requires the disclosure of financial information on the Internet covering the bank's adjustment to and fulfilment of the capital requirement regulations. See www.paretobank.no.

Management control and interventions
All areas of risk have been reviewed with the Board of Directors of the bank and limits on risk have been determined and fixed at an appropriate level in light of the strategy/areas of business of the bank. The Directors receive monthly reports on compliance with regulatory requirements and internal limits.

This also involves continuous reporting on market risk and liquidity risk for control purposes. The bank's management group, Price and Balance Sheet Committee meet regularly in order to analyse and discuss market perspectives, activities and risk levels.

The management also receives daily reports on payment discrepancies, defaults and breaches of borrowing conditions. The Credit Committee of the bank meets at regular intervals and otherwise as required.

Pareto bank

NOTE 30: CREDIT RISK

Managing credit risk
Of the various types of risk, credit risk is of the greatest importance to Pareto Bank. Credit risk is the risk to a bank that a lending or guarantee commitment will be defaulted upon and that the customer will fail to meet the commitments that have been agreed with the bank. The credit risk borne by the bank is affected by general developments in the economy and the skill of the bank in its granting and following up of commitments.

Pareto Bank takes a pro-active approach to the diversification of its lending portfolio in terms of industry, collateral and the size of the individual commitment. The bank aims to diversify between the various sectors and to avoid risk in sectors in which the bank does not have sufficient expertise or is uncertain about the general level of risk associated with a sector in the future.

The bank has made a particular point of putting in place credit management systems that safeguard an appropriate level of reporting. Within the area of securities in particular, emphasis has been placed on ensuring that the availability of information and control are satisfactory and are automated to the extent possible.

The residual risk that collateral will prove less effective than anticipated forms a natural part of the credit assessments performed by the bank, both at the time of granting of a loan and in the ongoing follow-up. This is handled by appropriately low loan-to-value ratios on collateral and assessing the liquidity of the collateral. Even so, it will always be assumed that the debtor has a satisfactory debt-servicing ability and this too will be stress tested against various scenarios, e.g. unemployment, higher interest rates and reductions in rental income.

Where the bank holds collateral in the form of securities of various kinds, the counterparty/credit risk associated with the individual loan will be assessed. All loans are credit approved individually in advance by the relevant decision-making body. Moreover, there is continuous monitoring and the credit risk attaching to counterparties and the associated loan-to-value ratios are assessed at least once a year. The same applies to counterparty/credit risk associated with issues of bonds and certificates in which the bank itself invests. In addition to the bank's own credit assessment processes, the rating of the counterparty will also be considered, the requirement being that the individual papers/counterparties in the liquidity portfolio of the bank must be of investment grade.

The Credit Handbook, including the Credit Policy and the Credit Management Memo provide guidelines and limits with respect to all credit provision/exposure. One key principle is that a debtor must be sound, have an acceptable cash flow and preferably pledge security of stable value. In addition, the bank must know its customers well. All commitments and counterparties must be viewed a minimum of once every year. According to the credit policy of the bank, all commitments must be secured in full by mortgages on property, securities or some other qualified form of collateral. All commitments are stress-tested when an agreement is concluded as well as during the annual commitment review in order to assess the robustness of the individual commitment in a worst-case scenario, both in relation to debt-servicing ability and in relation to the value of the collateral held by the bank.

In relative terms, the bank holds a limited number of credit commitments. However, these will be consistently somewhat larger than those of other more established banks. For this reason, the bank is considered to have greater exposure to large individual losses than losses that come about as a consequence of a general economic downturn or a downturn in specific industries/types of collateral.

Risk classification system
Risk classification is intended to provide the basis for the uniform assessment of the risk taken on by the bank in connection with lending, credits and guarantees and its own investments in securities. This model also provides the basis for the pricing of the risk associated with commitments. Each commitment is classified when granted and in connection with reviews, or in the event of known changes to the commitment or to the value of the collateral.

Risk classification is performed in two dimensions: the debtor dimension and the collateral dimension. In the debtor dimension, the repayment ability of the customer is assessed, i.e. the cash flow of the customer and the quality of this cash flow, as well as the customer's financial strength. In the collateral dimension, the bank assesses the quality of the collateral, its liquidity and its ability to withstand fluctuations in market value over time. Classifications range from A to E in each of the dimensions. This provides a risk matrix comprising up to 25 risk classes, which are in turn grouped as follows:

Risk groups

No/very little risk	AA, AB, BA
Little risk	AC, BB, CA
Moderate risk	AD, BC, CB, DA
Some risk	AE, BD, CC, DB, EA
High risk	BE, CD, DC, EB
Very high risk	CE, DD, EC
Impaired	ED, DE, EE

NOTE 30: CREDIT RISK, CONTINUED...

The tables below present the bank's credit commitments, loans to credit institutions and investments in certificates and bonds categorised by risk group and by the primary collateral furnished. The tables also show maximum credit exposure. Maximum credit exposure on financial derivatives is discussed in Note 26.

Reference is made to Note 27. Reference is made to Note 30 and the capital requirement applicable to the bank's credit risk.

Customers: Credit commitments by risk group:

(NOK '000)	Loans	Guarantees	Unused credit limits	Total credit exposure 31.12.2015	31.12.2014
No/very little risk	3 297 277	139 584	1 130 729	4 567 590	4 448 081
Little risk	3 328 007	228 020	709 054	4 265 080	3 370 761
Moderate risk	968 678	92 878	32 353	1 093 909	871 207
Some risk	319 460	16 366	1 912	337 738	296 137
High risk	0	0	0	0	0
Very high risk	54 773	0	0	54 773	2 750
Value changes, accr. interest, write-downs and amortisation	-37 560	0	0	-37 560	-2 283
Loans to and claims on customers principal	**7 930 634**	**476 848**	**1 874 048**	**10 281 530**	**8 986 653**

Customers: Credit commitments by primary collateral/exposure: [1)]

(NOK '000)	Loans	Guarantees	Unused credit-limits	Total credit exposure 31.12.2015	31.12.2014
Shares and mutual fund units	1 068 406	2 050	932 256	2 002 712	1 531 164
Bonds	159 309	0	110 212	269 521	295 820
Commercial property – Offices	567 947	0	78 241	646 188	402 912
Commercial property – Storage/multipurpose	355 744	13 800	64 960	434 504	626 152
Commercial property – Retail premises	445 122	600	1 550	447 272	348 799
Commercial property – Housing	2 178 698	189 137	581 968	2 949 803	2 524 642
Commercial property – Land	1 108 068	0	62 214	1 170 283	1 094 646
Commercial property – Other	194 950	94 483	0	289 433	204 637
Maritime sector	1 520 919	116 581	898	1 638 398	1 102 812
Housing mortgages/credits	229 090	0	41 749	270 839	468 248
Cash deposit	0	57 770	0	57 770	59 036
Unsecured	1 625	0	0	1 625	3
Other	138 316	2 428	0	140 744	330 066
Value changes, accr. interest, write-downs and amortisation	-37 560	0	0	-37 560	-2 283
Loans to and claims on customers principal	**7 930 634**	**476 848**	**1 874 048**	**10 281 530**	**8 986 653**

1) With the exception of ordinary housing mortgages/credits, the collateral structure of most commitments will normally be made up of multiple elements. These might comprise various types of collateral security, such as real property, securities, sureties and cash deposits etc.

NOTE 30: CREDIT RISK, CONTINUED...

Credit institutions: Rating

(NOK '000)	31.12.2015	31.12.2014
External rating S&P, AA-/A-1+	26 217	38 247
Eksternal rating S&P, A+ /A-1+	304 910	186 668
Eksternal rating S&P, A /A-1	31 401	8 066
Loans to and claims on credit institutions	**362 528**	**232 981**

Certificates and bonds: Classification of issuers by sector

(NOK '000)	31.12.2015	31.12.2014
Central government	279 385	690 848
Local authority	415 858	77 371
Credit institution	1 205 646	1 630 674
Bank	417 869	961 633
Maritime sector	0	19 443
Certificates and bonds	**2 318 758**	**3 379 970**

Certificates and bonds: Classification of issuers by rating

(NOK '000)	31.12.2015	31.12.2014
AAA	1 441 502	2 187 756
AA-/AA/AA+	373 287	382 557
A-/A/A+	49 659	151 156
BBB-/BBB/BBB+	454 309	482 280
BB	0	176 221
Certificates and bonds	**2 318 758**	**3 379 970**

Where issuers have no official rating, a "shadow rating" provided by DNB or Nordea will be applied.

NOTE 31: INTEREST RATE RISK

Managing interest rate risk

Interest rate risk occurs for the bank as a consequence of changes in the underlying market rates of interest, and relates to differences in the interest payment dates for the bank's financial instruments. The policy of Pareto Bank is not to take positions of its own in the money market. The bank will be exposed to interest rate risk in its borrowing and lending business, but will in so far as this is possible seek to identify this risk.

The bank measures interest rate risk as the overall economic consequences of a parallel shift in the yield curve of two percentage points. All items sensitive to interest rate changes, on and off the balance sheet, are included in this calculation. The consequences are expressed as a change in the present value of future cash flows following the interest rate change. The economic consequences are calculated for a specific number of different maturities in order to illustrate the interest rates to which the bank is exposed. Interest rate risk relating to foreign currency is shown provisionally as an aggregated value according to currency type.

The bank also measures the total interest rate risk for paired adjacent maturity ranges. Limits for each individual maturity range are intended to limit the scope for taking yield-curve risk. In addition to the methodical calculation of interest rate risk, interest rate positions are also stress tested for parallel shifts in the yield curves.

The bank has internal limits on overall interest rate risk in Norwegian kroner and foreign currency and measures this within defined maturity ranges and using the total of pairs of proximate maturity ranges. The limit applies continuously and encompasses all maturities, all financial instruments and all currencies.

The interest rate positions of the bank reported daily to the management of the bank and monthly to the Board of Directors of the bank.

The calculation below was performed on the basis of positions and market rates of interest at 31 December. All financial instruments with locked-in rates of interest are valued at fair value, and the table shows accounting changes in pre-tax profit by agreed interest rate lock-in period of the items distributed by currency type in the event of a 1 per cent parallel shift in market rates of interest.

Interest rate risk at 31.12.2015

(NOK '000)	Up to 3 months	From 3 months up to 6 months	From 6 months up to 9 months	From 9 months up to 12 months	Over 12 months	Total
NOK	612	1 501	-367	123	-266	1 604
USD	-2 694	0	0	0	0	-2 693
EUR	-307	-192	0	0	0	-499
SEK	-46	0	0	0	0	-46
Total	**-2 434**	**1 309**	**-367**	**123**	**-266**	**-1 635**

Interest rate risk at 31.12.2014

(NOK '000)	Up to 3 months	From 3 months up to 6 months	From 6 months up to 9 months	From 9 months up to 12 months	Over 12 months	Total
NOK	-669	1 488	-225	-1 371	1 061	283
USD	-768	-104	0	0	0	-871
EUR	-20	-318	0	0	0	-338
SEK	-16	0	0	0	0	-16
Total	**-1 473**	**1 067**	**-225**	**-1 371**	**1 061**	**-941**

NOTE 32: FOREIGN EXCHANGE RISK

Managing foreign exchange risk
The risk of potential losses in the form of a reduction in market value as a consequence of changes in foreign exchange rates.

Pareto Bank does not take positions of its own in the foreign exchange market and must continuously and to the greatest extent possible identify risk exposure that has occurred. All items on and off the balance sheet and the associated income and expense items are identified. This entails that the exposure of the bank on the foreign exchange market will generally be limited. Exposure must lie within the limits and authorisations determined by the Board of Directors.

The bank measures foreign exchange risk as the net position of the bank in the individual currency. In addition, the bank measures the total of its net positions in each currency as a gross value, without netting between currencies. The net positions are translated to Norwegian kroner.

The bank stress tests the currency positions by analysing the effect on pre-tax profits of a market change of 10 percentage points for the largest permitted net position in an individual currency and the aggregated net position for all currencies.

The currency positions of the bank are reported daily to the management of the bank and monthly to the Board of Directors of the bank.

The calculation below was performed on the basis of positions and foreign exchange rates at 31 December at fair value. The table shows distribution by currency type in the event of a 10 per cent shift in foreign exchange rates.

(NOK ‘000)	**Assets**	**Liabilites**	**Financial derivatives**	**Net currency exposure**	**% change in result**
Foreign exchange risk at 31.12.2015:					
USD	1 882 086	-386 359	-1 500 449	-4 723	-472
EUR	374 245	-96 532	-275 906	1 807	181
CHF	0	0	0	0	0
SEK	142 740	-6 103	-135 998	639	64
GBP	774	-640	0	134	13
Total	**2 399 845**	**-489 634**	**-1 912 354**	**-2 143**	**-214**
Foreign exchange risk at 31.12.2014:					
USD	1 408 768	-459 923	-947 916	929	93
EUR	284 310	-64 010	-218 971	1 329	133
CHF	0	0	0	0	0
SEK	119 768	-90 783	-28 314	672	67
GBP	996	-995	0	1	0
Total	**1 813 844**	**-615 711**	**-1 195 201**	**2 931**	**293**

NOTE 33: LIQUIDITY RISK

Managing liquidity risk
The aim of Pareto Bank is to maintain a low to moderate level of liquidity risk over both the short and the long term. A further goal is for the bank to at all times maintain an appropriate liquidity buffer. The deposit mix of the bank and its ability to issues securities may vary more than in the case of an average Norwegian bank. As a consequence, the bank should have a higher ratio of deposits to loans and maintain a somewhat higher liquidity buffer than the average Norwegian bank. The size of the liquidity buffer is a function of the forecast growth in lending and the structure of the balance sheet. The buffer consists of deposits with other banks and investment-grade securities, the size of which is determined by the bank's development and the structure of its balance sheet.

The quantitative assessment of the liquidity risk level of the bank in the short-term is performed by calculating the liquidity gap and LCR of the bank on a daily basis. The gap, which is the difference between the bank's surplus liquidity and an estimated liquidity requirement, must be positive in the current month and for the next three months and must normally be positive for a full twelve months. The LCR of the bank measures whether the bank's liquidity buffer is adequate and of sufficient quality to cover a net cash outflow during a stress period of 30 days. It must be at least 80 per cent by the end of 2015 and at least 100 per cent by the end of 2016. For the longer term, the assessment is performed on the basis of three liquidity indicators, including Finanstilsynet's liquidity indicators 1 and 2. As a supplement to the quantitative assessment, a discretionary assessment is performed of other factors affecting the level of liquidity risk of the bank.

At 31 December 2015, the positive liquidity gap of the bank was NOK 1,601 million (NOK 2,396 million). LCR was 188 per cent (162 per cent). Finanstilsynet's liquidity indicator 1 was 123 per cent (145 per cent) and liquidity indicator 2 was 138 per cent (154 per cent).

The ratio of deposits to loans was 81.4 per cent (102.00 per cent) at year-end 2015.

The policy is that the bank should have a robust liquidity management regime based on guidelines adopted by the Board of Directors. The bank has drawn up limits and principles for managing liquidity risk. In addition, forecasts and contingency plans have been formulated for possible liquidity crises. A policy document has been drafted defining liquidity risk tolerance and limits reflecting guidelines issued by Finanstilsynet.

The liquidity situation of the bank is reported daily to the management of the bank and monthly to the Board of Directors of the bank.

The calculation was performed on the basis of the remaining contract terms of liability items and commitments as at 31 December.

(NOK '000)

Maturities, liquidity items as at 31.12.2015	Undefined	Up to 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Over 5 years	Total
Cash and claims on central banks	0	459 229	0	0	0	0	**459 229**
Loans to and claims on credit insts	0	362 528	0	0	0	0	**362 528**
Loans to customers	0	4 342 972	652 782	1 812 111	1 292 155	29 843	**8 129 863**
Certificates and bonds	0	4 290	52 495	265 382	2 091 794	368 919	**2 782 881**
Shares, fund units and other securities	8 010	0	0	0	0	0	**8 010**
Total assets	**8 010**	**5 169 019**	**705 277**	**2 077 493**	**3 383 949**	**398 762**	**11 742 511**
Deposits by credit institutions	0	398	0	0	0	0	**398**
Deposits by and debt to customers	0	5 173 838	198 652	686 888	435 960	0	**6 495 338**
Debt created by issuance of securities	0	47 808	15 270	1 334 634	2 109 076	0	**3 506 788**
Subordinated loan capital	0	0	15 039	26 974	353 219	0	**395 232**
Total liabilities	**0**	**5 222 043**	**228 961**	**2 048 496**	**2 898 255**	**0**	**10 397 755**
Total financial derivatives, net settlement	**0**	**-43 415**	**-14 632**	**-32 866**	**-14 361**	**92**	**-105 182**
Total maturities of liquidity items	**8 010**	**-96 439**	**461 684**	**-3 869**	**471 332**	**398 855**	**1 239 573**

NOTE 33: LIQUIDITY RISK, CONTINUED...

(NOK '000)

Maturities, liquidity items as at 31.12.2014	Undefined	Up to 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Over 5 years	Total
Cash and claims on central banks	0	215 522	0	0	0	0	**215 522**
Loans to and claims on credit insts	0	232 981	0	0	0	0	**232 981**
Loans to customers	0	4 068 111	597 270	1 637 883	1 058 103	77 802	**7 439 169**
Certificates and bonds	0	225 570	599 103	254 190	2 155 146	973 946	**4 207 955**
Shares, fund units and other securities	219 163	0	0	0	0	0	**219 163**
Total assets	**219 163**	**4 742 184**	**1 196 373**	**1 892 073**	**3 213 249**	**1 051 748**	**12 314 790**
Deposits by credit institutions	0	1 577	0	0	0	0	**1 577**
Deposits by and debt to customers	0	3 895 192	1 954 652	1 131 044	402 268	0	**7 383 156**
Debt created by issuance of securities	0	50 182	36 516	788 135	2 602 218	0	**3 477 051**
Subordinated loan capital	0	0	16 305	29 991	384 089	0	**430 385**
Total liabilities	**0**	**3 946 950**	**2 007 473**	**1 949 170**	**3 388 575**	**0**	**11 292 169**
Total financial derivatives, net settlement	**0**	**-46 972**	**-31 666**	**-31 647**	**-18 639**	**-1 416**	**-130 340**
Total maturities of liquidity items	**219 163**	**748 262**	**-842 766**	**-88 745**	**-193 965**	**1 050 332**	**892 281**

The residual term of assets and liabilities shows the remaining term of interest-bearing assets and liabilities, including stipulated interest. Subordinated loan capital is classified in accordance with the first right to redemption of the issuer.

NOTE 34: OTHER RISK FACTORS

Managing commercial and strategic risk
Competition, products and the expectations of customers will change over time and are difficult to value and estimate. This offers both opportunities and threats in relation to the plans that have been laid and budgets/forecasts will understandably be characterised by an element of inherent uncertainty.

Sensitivity analyses have been performed in order to assess capital needs over and above Pillar 1 for those factors that will have the greatest impact on the development of the profits of the bank and the main changes in terms of borrowing costs, changes in interest rate margins on lending and changes in lending volume. In addition, other factors may impact on the profits reported by the bank, such as a shortfall in other revenues, higher-than-anticipated costs and the like.

Managing operational risk
The operational risk of the bank occurs as a consequence of systemic faults or control faults, as a consequence of which the management of the bank is prevented from monitoring or controlling other risks or where the normal processing of transactions is obstructed. Moreover, there is the risk associated with errors in economic reporting resulting in an unsound basis for decision-making, both internally and externally. This type of risk also encompasses administrative risk, i.e. that the day-to-day operations of the bank do not function properly.

The bank reduces operational risk through prudent management and supervision by establishing efficient control procedures, a well-established set of routines, a compliance function, as well as insurance cover against attempts at defrauding the bank.

Managing other identified forms of risk
Other risk includes changes in operating conditions, new regulations that might impact upon the costs and revenues and competitive situation of the bank. This includes unintended risk exposure as a consequence of weaknesses in the risk management and control systems of the bank. Moreover, there may be other factors of which the bank is not at present aware or that it might face in the future.

NOTE 35: OTHER COMMITMENTS

Pareto AS
Pareto Bank has an agreement with Pareto AS to lease premises at Dronning Mauds gt. 3. The agreement is in force until 2020 and the rent payable at present is NOK 1.9 million per annum. The rent is adjusted in line with changes in the Consumer Price Index.

Evry ASA
In December 2012, the bank signed a five-year agreement with Evry ASA for the delivery and operation of the bank's IT solutions. Evry ASA has supplied a full portfolio of solutions, including bank office equipment, online banking, anti-money-laundering and card services. In addition, Evry ASA will provide operating services. The amount payable under the contract is between NOK 30 and 40 million, depending on the development of the bank during the term of the contract.

NOTE 36: REMUNERATIONS ETC.

The Board of Directors gives the following declaration concerning the fixing of pay and other remunerations to senior personnel etc. in accordance with the provisions of section 6-16a of the Public Limited Companies Act (Norway):

Remuneration paid to the Chief Executive Officer
The Supervisory Board fixed the salary payable to the CEO at a meeting on 21 March 2015 at the sum of NOK 2,415,000. The individual remunerations etc. paid in 2015 are detailed below.

Advisory guidelines for the forthcoming accounting year
Pareto Bank's guidelines for determining the remuneration of the Chief Executive Officer and other members of the management team serve to support the strategy of the bank. The Board has appointed a Remunerations Committee, which makes recommendations to the Board on issues of remuneration in accordance with the Regulations on Remuneration Schemes at Financial Institutions etc.

The assessment of the Board is that the CEO should have a salary and other terms that are competitive. The remuneration and terms should not be such that they are likely to harm the reputation of Pareto Bank.

The CEO fixes the remuneration payable to senior employees of the bank in consultation with the Chairman of the Board. Pareto Bank is a boutique investment bank and needs employees with a high level of specialist expertise. Salaries must therefore set at a level that is competitive in terms of the bank's main areas of focus. The salaries paid must enable Pareto Bank to attract and retain senior personnel with the required expertise and experience.

Payments in kind may be offered to senior personnel in so far as the benefit in question is relevant in relation to the function of the employee within the bank or reflects general practice in the market. Benefits of this nature must not be disproportionate to the basic salary of the employee.

Variable remunerations may be paid to senior personnel in accordance with the Regulations on Remuneration Schemes at Financial Institutions etc. based on their performance and a discretionary assessment. The arrangement must be performance-related without being risk-enhancing and must not be such that it is likely to harm the reputation of Pareto Bank.

Pension benefits and any agreements on severance pay must be considered against the background of other remunerations paid. Pension schemes and severance pay arrangements must not in their individual components or totality be such that they are likely to harm the reputation of Pareto Bank. Senior employees are members of the general pension scheme for employees of Pareto Bank ASA. The retirement age is 67 years.

Guidelines governing shares, warrants, options etc. in the forthcoming financial year
It is desirable for the Chief Executive Officer, senior personnel and other employees to own shares in the bank. As are other employees, the CEO and senior personnel are eligible to participate in a share-purchase program for employees. A profit-sharing scheme will apply to all employees in 2016. The scheme is performance-based and the remuneration paid out is variable, generally taking the form of Pareto Bank shares.

The terms of the Chairman of the Board
The Chairman of the Board of Pareto Bank, Finn Øystein Bergh, received total remuneration of NOK 150,000 in 2015.

NOTE 36: REMUNERATIONS ETC., CONTINUED...

Remunerations etc. in 2015

(NOK '000)	Fixed salary 31.12.15	Salary paid	Bonus paid	Other remuneration	**Total remuneration**	Pension cost	Loans at 31.12.15	No. of shares [1]
Management:								
Tiril Haug Villum, CEO	2 415	2 638	1 270	99	4 008	69	2 526	195 650
Ole Tandberg, Deputy CEO	1 885	1 977	994	34	3 005	69	0	193 850
Sven Erik Klepp, Director Real Estate	1 875	1 964	987	43	2 994	72	3 856	172 550
Per Ø. Schiong, Director Credit	2 415	2 488	1 074	90	3 651	69	0	36 500
Erik Skarbøvik, Director Securities & Corporates	1 700	1 716	838	45	2 598	69	0	55 350
Erling Mork, CFO	1 315	1 380	697	18	2 094	68	0	24 400
Total, Management	**11 605**	**12 163**	**5 859**	**328**	**18 351**	**416**	**6 382**	**678 300**

(NOK '000)	Fee paid	Salary paid	Bonus paid	Other remuneration	**Total remuneration**	Pension cost	Loans at 31.12.15	No. of shares [1]
Board of Directors:								
Finn Øystein Bergh, Chairman	150	0	0	0	150	0	0	4 500
Tormod Schartum, Deputy Chairman (1.1 - 10.03.2015)	56	0	0	0	56	0	0	826 500
Brita Eilertsen, Board member	276	0	0	0	276	0	0	0
Kristin Ekvold, Board member (1.1 - 10.03.2015), Deputy board member (11.03 -31.12.2015)	44	0	0	0	44	0	0	0
Camilla Wahl, Board member (11.03 - 31.12.2015)	181	0	0	0	181	0	0	0
Carl Erik Steen, Board member (11.03 - 31.12.2015)	181	0	0	0	181	0	0	0
Bo W. Kielland, Employee elected board member (1.1 - 10.03.2015)	0	797	605	6	1 408	28	0	8 450
Lena Krog, Employee elected board member (11.03 - 31.12.2015)	0	1 038	493	11	1 542	62	2 000	16 700
Per K. Spone, Deputy board member (11.03 - 31.12.2015)	45	0	0	0	45			0
Erik Braathen, Deputy board member (1.1 - 10.03.2015)	8	0	0	0	8	0	0	0
Svein Jansen, Employee elected deputy board member	0	1 056	514	10	1 580	64	4 377	4 950
Total, Board of Directors	**941**	**2 891**	**1 611**	**28**	**5 471**	**154**	**6 377**	**861 100**

1) Shares owned directly or via limited companies in which the persons in question have a controlling interest.

Pareto bank

NOTE 36: REMUNERATIONS ETC., CONTINUED...

(NOK ‘000)	Fee paid	Salary paid	Bonus paid	Other remuneration	**Total remuneration**	Pension cost	Loans at 31.12.15	No. of shares [1]
Control Committee:								
Erik Thrane, Chairman	110	0	0	0	110	0	0	0
Paul Bellamy, Member	55	0	0	0	55	0	0	0
Finn-Erik Bjerke, Member	55	0	0	0	55	0	0	0
Leiv Lageraaen, Deputy member	15	0	0	0	15	0	0	0
Total, Control Committee	**235**	**0**	**0**	**0**	**235**	**0**	**0**	**0**

1) Shares owned directly or via limited companies in which the persons in question has a controlling interest.

Auditor:	**31.12.2015**	**31.12.2014**
Statutory audit	600	730
Other assurance engagements	75	81
Tax advice	15	36
Other non-audit services	0	0
Total fee to elected auditor including VAT	**690**	**847**

Loans to employees and Directors as at 31 December 2015 amounted to NOK 56.0 million. Loans to employees lie within the limits and terms applicable to ordinary loans to customers and collateral has been furnished for these loans in accordance with the requirements provided for in Section 2-15 of the Financial Institutions Act (Norway). The interest rate payable on the loans has been the standard rate for taxation of loans granted in employer/employee relationships as applicable from time to time.

NOTE 36: REMUNERATIONS ETC., CONTINUED...

Remunerations etc. in 2014

(NOK '000)	Fixed salary 31.12.14	Salary paid	Bonus paid	Other remuneration	**Total remuneration**	Pension cost	Loans at 31.12.14	No. of shares [1]
Management:								
Tiril Haug Villum, CEO	2 380	2 441	828	96	3 365	213	6 000	173 350
Ole Tandberg, Deputy CEO	1 865	1 899	669	36	2 604	122	6 357	176 100
Sven Erik Klepp, Director Real Estate	1 855	1 868	658	38	2 563	119	5 400	200 100
Per Ø. Schiong, Director Credit	2 020	2 069	722	38	2 829	125	4 000	27 500
Erik Skarbøvik, Director Securities & Corporates	1 566	1 573	553	28	2 154	109	5 000	38 900
Erling Mork, CFO	1 300	1 326	475	20	1 821	102	3 493	15 100
Total, Management	**10 985**	**11 148**	**3 905**	**256**	**15 310**	**789**	**30 250**	**631 050**

(NOK '000)	Fee paid	Salary paid	Bonus paid	Other remuneration	**Total remuneration**	Pension cost	Loans at 31.12.14	No. of shares [1]
Board of Directors:								
Finn Øystein Bergh, (from 01.05.2014)	123	0	0	0	123	0	0	3 000
Bjarne Borgersen, Chairman (to 01.05.2014)	120	0	0	0	120	0	0	50 000
Tormod Schartum, Deputy Chairman	310	0	0	0	310	0	0	852 000
Brita Eilertsen, Board member	225	0	0	0	225	0	0	0
Kristin Ekvold, Board member	107	0	0	0	107	0	0	0
Bo W. Kielland, Employee elected board member	34	1 228	400	20	1 683	94	5 367	26 750
Erik Braathen, Deputy board member	0	0	0	0	0	0	0	1 109 350
Mette Andersen, Deputy board member	8	0	0	0	8	0	0	0
Svein Jansen, Employee elected deputy board member	23	1 040	286	13	1 362	81	4 638	2 450
Total, Board of Directors	**826**	**2 269**	**686**	**33**	**3 814**	**176**	**10 005**	**2 043 550**

(NOK '000)	Fee paid	Salary paid	Bonus paid	Other remuneration	**Total remuneration**	Pension cost	Loans at 31.12.14	No. of shares [1]
Control Committee:								
Erik Thrane, Chairman	110	0	0	0	110	0	0	0
Paul Bellamy, Member	55	0	0	0	55	0	0	0
Finn-Erik Bjerke, Member	55	0	0	0	55	0	0	0
Leiv Lageraaen, Deputy member	8	0	0	0	8	0	0	0
Total, Control Committee	**228**	**0**	**0**	**0**	**228**	**0**	**0**	**0**

1) Shares owned directly or via limited companies in which the persons in question has a controlling interest.

Auditor

	31.12.2014	**31.12.2013**
Statutory audit	730	600
Other assurance engagements	81	97
Tax advice	36	0
Other non-audit services	0	0
Total fee to elected auditor including VAT	**847**	**697**

NOTE 37: SHAREHOLDERS

Shareholders at 31 December 2015

Name	Shareholding	Percentage stake
Pareto AS	6 375 000	15,00 %
Societe Generale SS (nom.)	3 700 000	8,71 %
Perestroika AS	3 581 400	8,43 %
Indigo Invest AS	3 328 000	7,83 %
Geveran Trading Co Ltd.	2 110 000	4,96 %
Pecunia Forvaltning AS	1 434 600	3,38 %
Tonsenhagen Forretningssentrum AS	1 147 100	2,70 %
Larre Eiendom 2 AS	925 300	2,18 %
Tove Reistads Stiftelse	850 000	2,00 %
Eiendomsutvikling Kristiansand AS	801 000	1,88 %
Verdipapirfondet Pareto Investment Fund	722 600	1,70 %
Artel Holding AS	684 000	1,61 %
Profond AS	599 500	1,41 %
Verdipapirfondet Landkreditt Utbytte	590 600	1,39 %
GH Holding AS	570 000	1,34 %
Castel AS	524 100	1,23 %
Kolberg Motors AS	507 500	1,19 %
Holta Invest AS	500 650	1,18 %
Ola Rustad AS	425 000	1,00 %
Belvedere AS	401 500	0,94 %
Andre	12 722 150	29,93 %
Total	**42 500 000**	**100,00 %**

At 31 December 2015, the share capital of Pareto Bank totalled NOK 510,000,000 divided into 42,500,000 shares with a nominal value of NOK 12 each. The bank had 343 shareholders at that date. All shares carry equal voting rights.

Senior employees of Pareto Bank ASA and senior employees of the Pareto Group owned 678,000 shares, equivalent to 1.60 per cent of the shares, directly or via limited companies in which the persons in question had a controlling interest.

NOTE 37: SHAREHOLDERS, CONTINUED...

Shareholders at 31 December 2014

Name	Shareholding	Percentage stake
Pareto AS	6 375 000	15,00 %
Societe Generalt SS S/A (NOM)	3 700 000	8,71 %
Geveran Trading Co Ltd.	3 410 000	8,02 %
Perestroika AS	3 331 400	7,84 %
Indigo Invest AS	3 328 000	7,83 %
Pecunia Forvaltning AS	1 434 600	3,38 %
Tonsenhagen Forretningssentrum AS	1 147 100	2,70 %
Ojada AS	1 109 350	2,61 %
Larre Eiendom 2 AS	925 300	2,18 %
Tove Reistads Stiftelse	850 000	2,00 %
Eiendomsutvikling Kristiansand AS	801 000	1,88 %
Artel Holding AS	684 000	1,61 %
Profond AS	599 500	1,41 %
Kolberg Motors AS	507 500	1,19 %
Castel AS	503 750	1,19 %
Ola Rustad AS	425 000	1,00 %
Sempra AS	324 500	0,76 %
G.H. Eiendom AS	320 000	0,75 %
Clipper AS	310 000	0,73 %
Belvedere AS	301 500	0,71 %
Andre	12 112 500	28,50 %
Total	**42 500 000**	**100,00 %**

NOTE 38: EVENTS AFTER THE BALANCE SHEET DATE AND CONTINGENT OUTCOMES

Events after the balance sheet date
There have been no significant events that would impact upon profits and the valuations performed.

Contingent outcomes
Pareto Bank is not a party in any legal action nor is the bank aware of any ongoing legal action

Til generalforsamlingen i Pareto Bank ASA

Revisors beretning

Uttalelse om årsregnskapet

Vi har revidert årsregnskapet for Pareto Bank ASA. Årsregnskapet består av balanse per 31. desembe 2015, resultatregnskap, endringer i egenkapitalen og kontantstrøm for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med International Financial Reporting Standards som fastsatt av EU, og for slik intern kontroll som styret og daglig leder finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Revisors oppgaver og plikter

Vår oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi ha gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Revisjonsstandardene krever at vi etterlever etiske krav og planlegger og gjennomfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for selskapets utarbeidelse av et årsregnskap som gir et rettvisende bilde. Formålet er å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttryk for en mening om effektiviteten av selskapets interne kontroll. En revisjon omfatter også en vurderin av om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene utarbeidet av ledelsen er rimelige, samt en vurdering av den samlede presentasjonen av årsregnskapet.

Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Konklusjon

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde a den finansielle stillingen til Pareto Bank ASA per 31. desember 2015, og av resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.

Uttalelse om øvrige forhold

Konklusjon om årsberetningen og om redegjørelse om samfunnsansvar

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen og i redegjørelsen om samfunnsansvar om årsregnskapet, forutsetningen om for drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og er i samsva lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har fun nødvendig i henhold til internasjonal standard for attestasjonsoppdrag ISAE 3000 "Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon", mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 4. februar 2016
PricewaterhouseCoopers AS

Ola Anfinsen

Ola Anfinsen
Statsautorisert revisor

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