
PARETO BANK

Financial Results

Fourth Quarter 2015

 Pareto bank

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PARETO BANK AT A GLANCE

Pareto bank



Established in January 2008

A leading niche player within project financing: fast, flexible and professional

Focus on financing of real estate, securities & corporates as well as shipping & offshore

Total assets of NOK 11,140m at the end of 2015




To be listed on Oslo Børs / Oslo Axess by the end of Q2-16

Pareto AS largest shareholder with 15% ownership

Employees & mgmt. in PARB and top mgmt. in the Pareto Group own ~2.5% (~NOK 27.1m) *

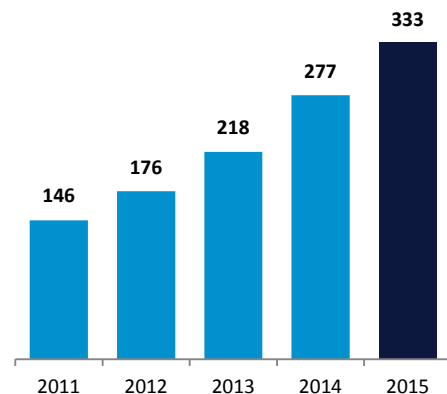
Current market capitalization of approximately NOK 1,100m *

NORWAY'S LEADING PROJECT BANK

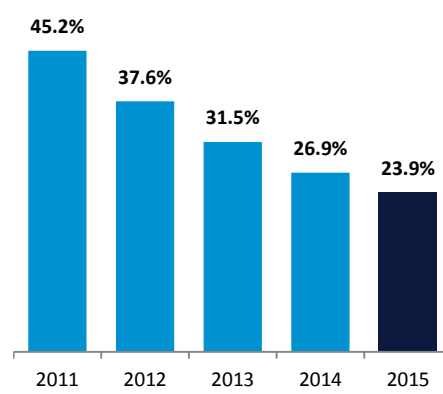
BUSINESS AREAS	PROJECTS / CREDITS	AREA EXPOSURE	AVG. PRINCIPAL
Real estate 	<ol style="list-style-type: none">1. Construction financing2. Project financing3. Commercial property financing	58 %	NOKm 25-50
Securities & Corporates 	<ol style="list-style-type: none">1. Securities financing2. Bridge financing3. M&A financing	27 %	NOKm 5-30
Shipping & offshore 	<ol style="list-style-type: none">1. Shipping projects2. Offshore projects3. Medium sized shipowners	15 %	USDm 5-10

SOLID FOUNDATION AND STRONG PERFORMANCE

Net interest income (NOKm)

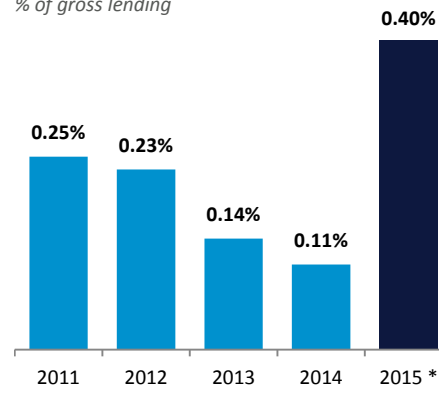


Cost/income ratio

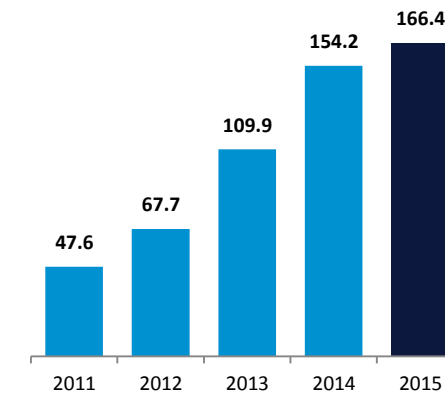


Loss ratio

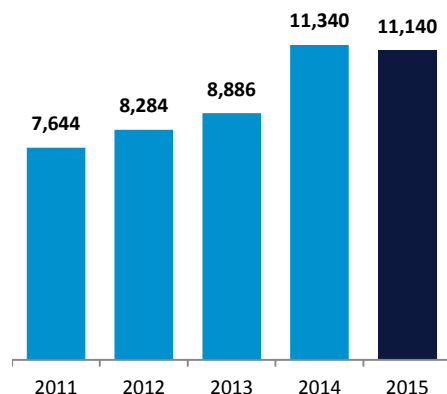
% of gross lending



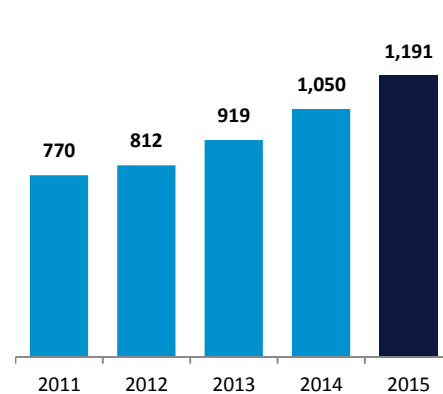
Result after tax (NOKm)



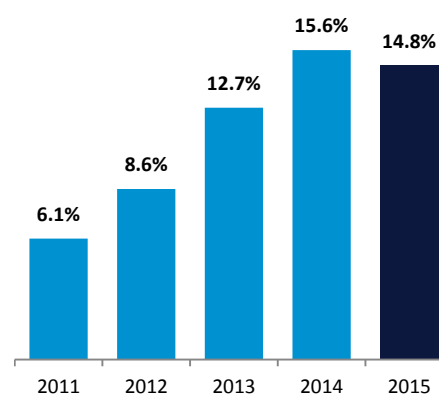
Total assets (NOKm)



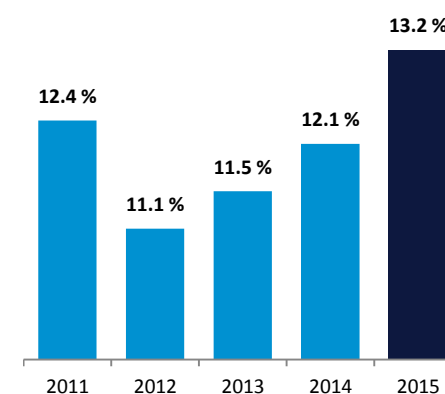
Total Equity (NOKm)



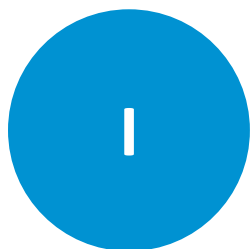
Return on Equity (after tax)



CET1 ratio **

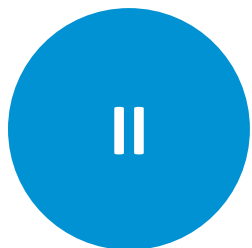


A DIFFERENT BANK



FAST MOVER

- Compact organization with 33 employees
- Short decision lines, no bureaucracy and an efficient credit decision process
- Frequent credit committee meetings facilitates fast time to market



FLEXIBLE

- Solution oriented
- 80% of the employees work with customers on a day to day basis
- High level of service - open 24/7

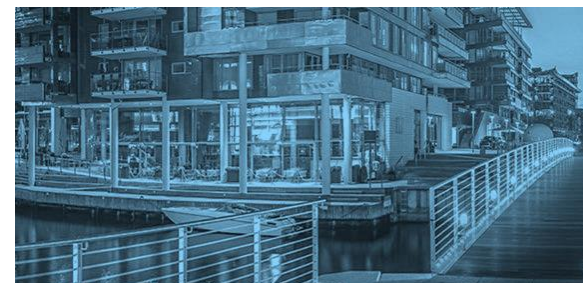


PROFESSIONAL

- Commercially oriented culture
- Customer profitability is a strategic cornerstone:
all loans shall be profitable from day one
- We do not compete on price, we add value through professionalism, efficient decision-making and a solution oriented mind-set

FINANCIAL TARGETS **AND** DIVIDEND POLICY

	31.12.2015 STATUS	31.12.2016 TARGET
ROE	14.8%	> 15.0%
CET1 RATIO	13.2%	15.0% *
PAYOUT POLICY	0.0%	30-50% **
LENDING GROWTH	NOK 724m	NOK 800m

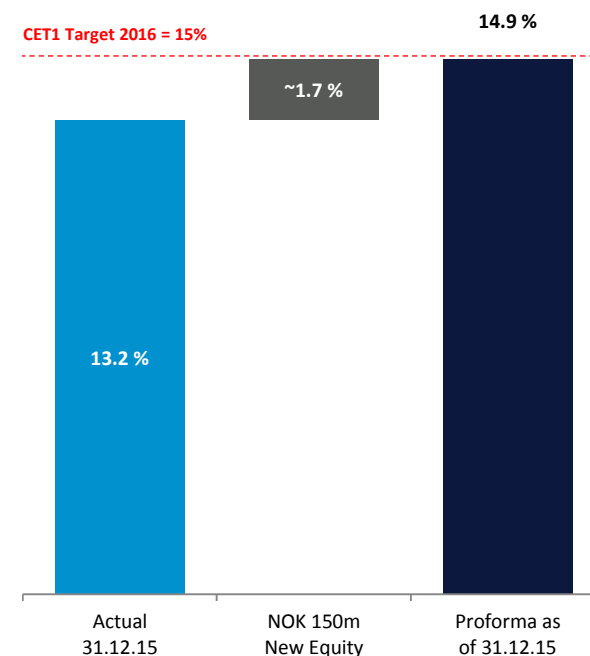


PRIVATE PLACEMENT **ALLOWS FOR PROFITABLE GROWTH**

Key initiatives to strengthen the bank's future

I	CONTINUOUSLY IMPROVED PROFITABILITY	<ul style="list-style-type: none"> Improved net interest margin from 2.82% in Q4-12 to 5.12% in Q4-15 Cost/Income ratio from 45% in 2011 to 24% in 2015
II	EXPLOIT ATTRACTIVE MARKET DEVELOPMENT	<ul style="list-style-type: none"> Reduced credit supply Improved margins Attractive business opportunities
III	DYNAMIC BALANCE SHEET OPTIMIZATION	<ul style="list-style-type: none"> High redemption rate gives flexibility with respect to portfolio size and composition Continuous optimization of size and composition of total liquidity
IV	NEW EQUITY ISSUE	<ul style="list-style-type: none"> Strengthen equity through private placement of NOK 150m + rep. Strengthen CET1 from 13.2% to 14.9% Ability to increase commitment size

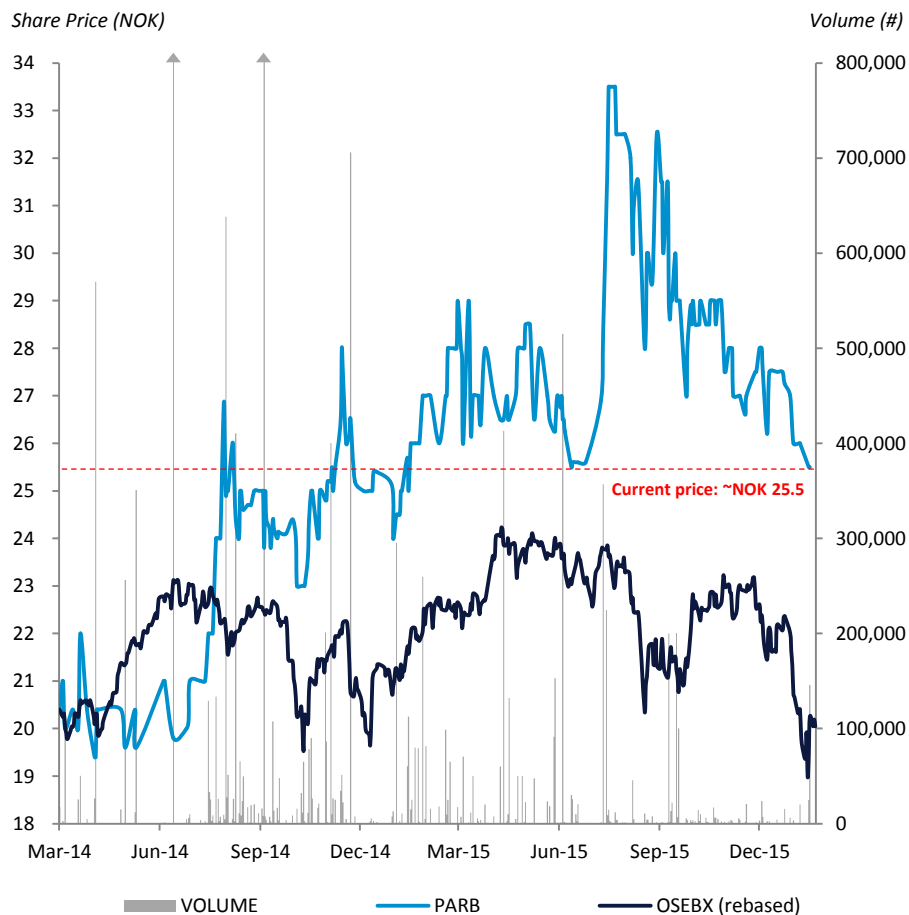
CET1 ratio development



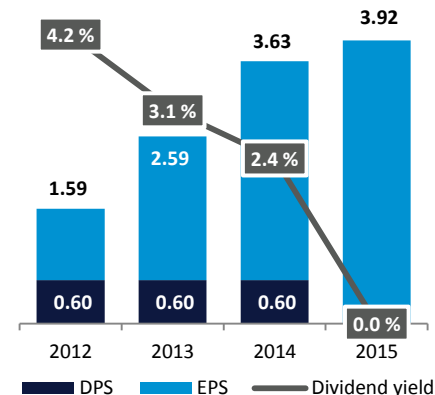
Strengthened CET1 through the described transactions allows for continued **profitable growth** and **targeted dividend policy** going forward

THE SHARE *

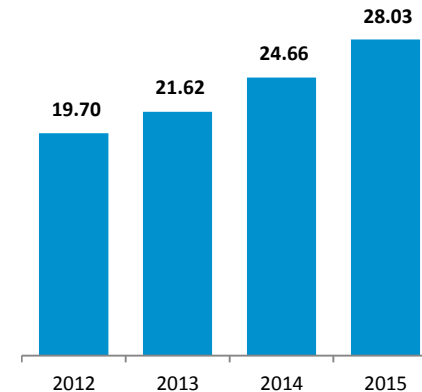
Share price development since registration on NOTC in March 2014



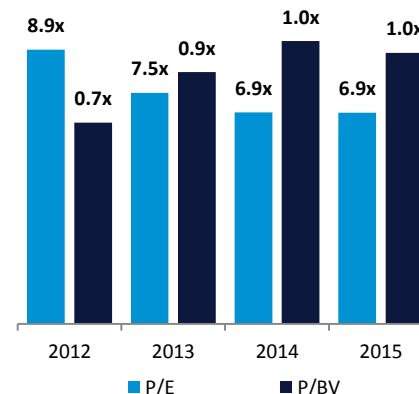
EPS, DPS (NOK) & Dividend Yield



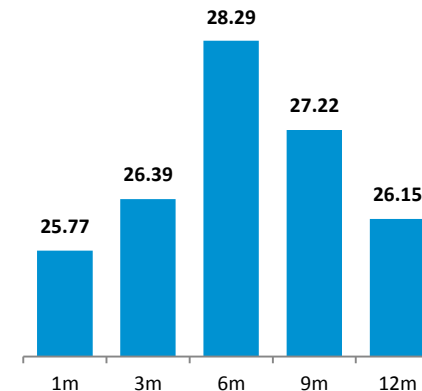
Book equity per share (NOK)



Valuation multiples



Historical VWAP (NOK)



LARGEST SHAREHOLDERS AS OF 25.01.2016

#	Investor	Type	25.01.2016	
			# of shares	% total
1	PARETO AS	Company	6,375,000	15.00%
2	SOCIETE GENERALE SS PARIS	Nominee	3,700,000	8.71%
3	PERESTROIKA AS	Company	3,581,400	8.43%
4	INDIGO INVEST	Company	3,328,000	7.83%
5	GEVERAN TRADING CO LTD	Company	2,110,000	4.96%
6	PECUNIA FORVALTNING AS	Company	1,434,600	3.38%
7	TONSENHAGEN FORRETNINGSSENTRUM 2 A	Company	1,147,100	2.70%
8	LARRE EIENDOM 2 AS	Company	925,300	2.18%
9	TOVE REISTADS STIFTELSE	Company	850,000	2.00%
10	EIENDOMSUTVIKLING KRISTIANSAND AS	Company	801,000	1.88%
11	VERDIPAPIRFONDET PARETO INVESTMENT	Company	740,200	1.74%
12	ARTEL HOLDING A/S	Company	684,000	1.61%
13	PROFOND AS	Company	599,500	1.41%
14	LANDKREDITT UTBYTTE	Company	590,600	1.39%
15	GH HOLDING AS	Company	570,000	1.34%
16	CASTEL AS	Company	524,100	1.23%
17	KOLBERG MOTORS AS	Company	507,500	1.19%
18	HOLTA INVEST AS	Company	500,650	1.18%
19	OLA RUSTAD A.S	Company	425,000	1.00%
20	BELVEDERE AS	Company	401,500	0.94%
21	FLISA EIENDOMSINVEST AS	Company	374,350	0.88%
22	HUSHOVD THOR	Private investor	329,550	0.78%
23	SEMPRA AS	Company	324,500	0.76%
24	CLIPPER A/S	Company	310,000	0.73%
25	OSCAR FINANS AS	Company	300,000	0.71%
26	MELUM MØLLE AS	Company	275,500	0.65%
27	ALCIDES HOLDING AS	Company	255,000	0.60%
28	JAKOBSEN & SØNNER AS	Company	255,000	0.60%
29	STENBERG FINANS AS	Company	255,000	0.60%
30	CONCITO AS	Company	250,000	0.59%
Sum TOP 30			32,724,350	77.00 %
Other shareholders			9,775,650	23.00 %
Total			42,500,000	100.00 %

- As of 18th January 2016, the Company had 42,500,000 shares outstanding
- One class of shares where one share carry one voting right
- Diversified investor base with approximately 344 shareholders
- Pareto AS owns 15% of the bank
- ~57% and ~77% of the shares are held by top-10 and top-30 investors, respectively
- Employees & management in PARB and top management in the Pareto Group own ~2.5% (~NOK 27.1m) *
- All employees are covered by an annual bonus compensation scheme settled in Pareto Bank shares
- For 2015 the net bonus scheme cost is estimated to ~NOK 4.2m (gross ~NOK 10.8m)
- The bonus shares will be issued in Q1-16 and independently of the proposed equity issue

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PORTFOLIO COMPOSITION | OVERVIEW*

MAIN BUSINESS AREAS

Real estate

Real estate financing focused on residential property construction in the greater Oslo region

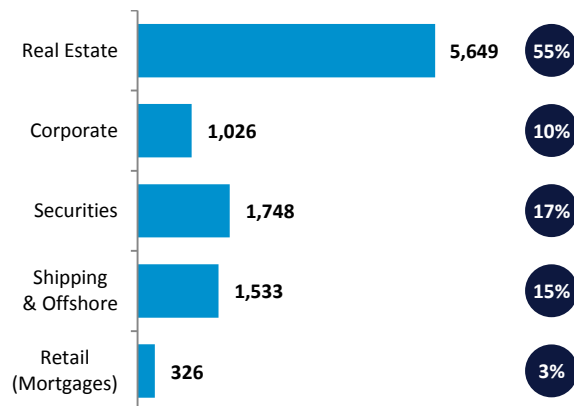
Securities & Corporate

A full scale provider of corporate & securities financing including investment services

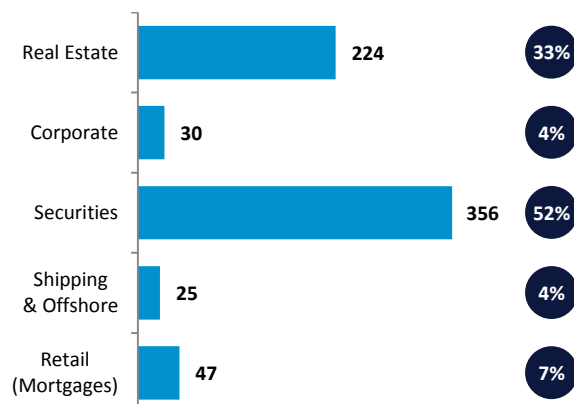
Shipping & offshore

Gradually building a diversified shipping and offshore portfolio

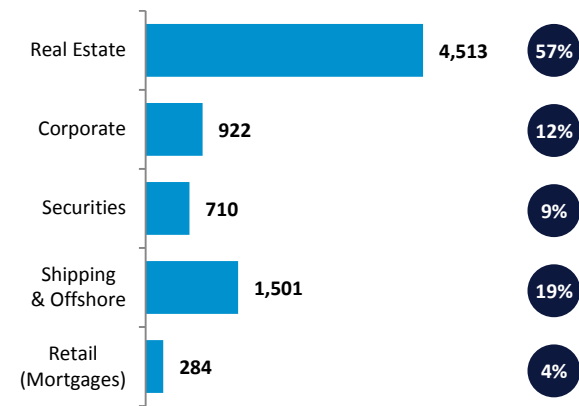
Total credit exposure (NOKm) $\Sigma = \text{NOK } 10,282\text{m}$



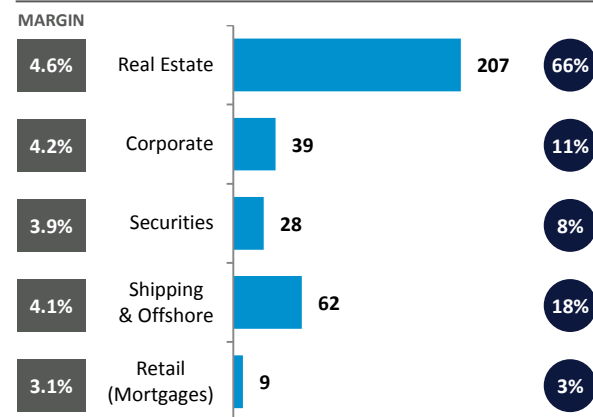
Number of active clients $\Sigma = \# 682$



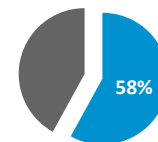
Total lending (NOKm) $\Sigma = \text{NOK } 7,931\text{m}$



Interest contribution (NOKm) ** $\Sigma = \text{NOK } 344\text{m}$

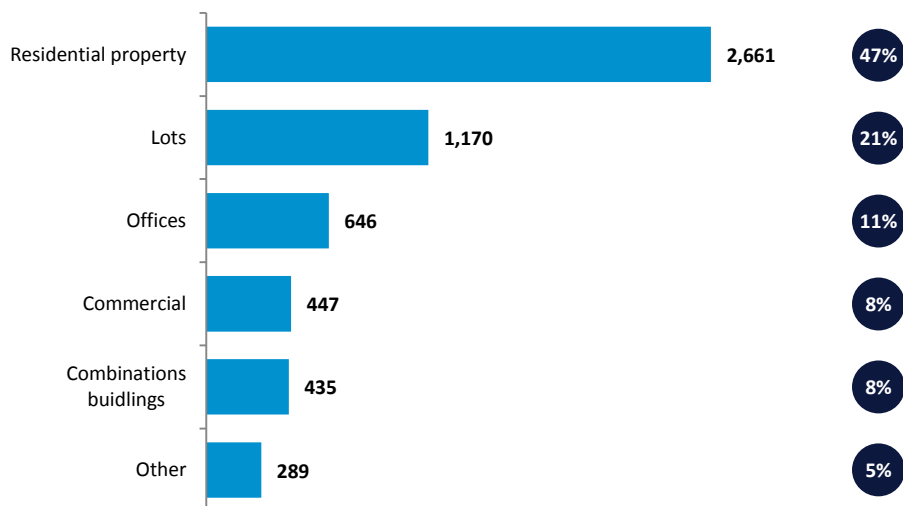


REAL ESTATE (I) | STRONG MARKET POSITION *



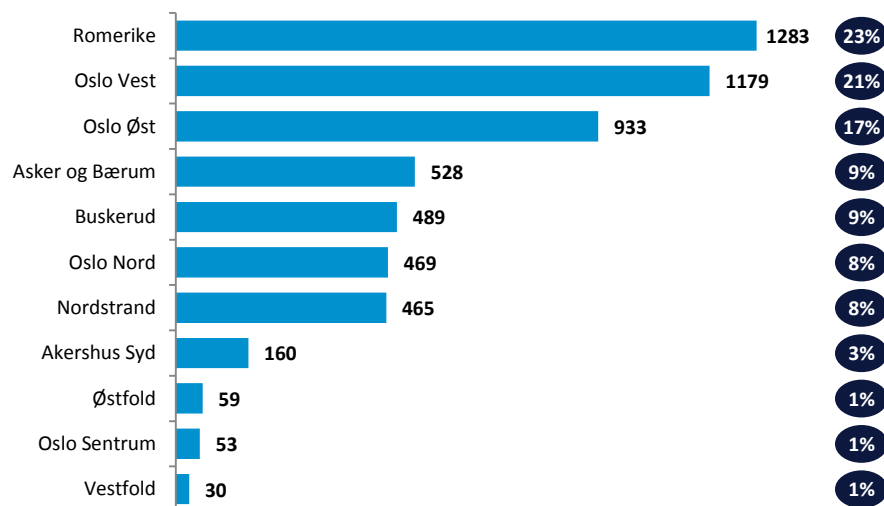
Total Real Estate credit exposure (NOKm)

Σ = NOK 5,649m

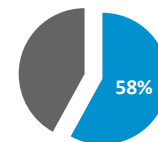


Geographical Real Estate exposure (NOKm)

Σ = NOK 5,649m



- Strong market position within residential property construction in the Oslo region
- Primarily financing of regulated lots with a potential for property development; 115 development projects of which 82 are small town houses
- A typical project is composed of lot financing and a building construction facility in the range of NOK 10 - 50m for the construction of 4 - 8 homes in the greater Oslo area
- Financing of projects for renovation and conversion of commercial property to residential units

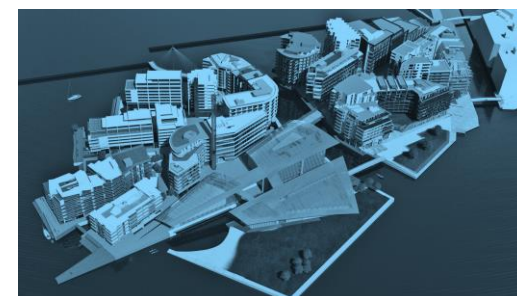


Real Estate portfolio policy

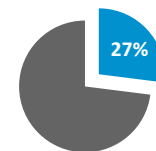
- The bank requires on average 20% to 40% equity to finance a property lot purchase
- Primarily financing of regulated lots purchased for development with a clear exit strategy
- The developer must demonstrate the ability to successfully complete projects and have experience with residential development
- Projects stress tested: if the price of unsold units falls by 50% compared to pre-sold units, the sales amount must still be sufficient to cover the bank credit
- Primarily financing of projects in the Oslo region and other well-functioning and liquid markets

Real Estate portfolio management

- In house regulatory skills of the housing market is essential for a good credit decision process
- Tight project management from the bank through the whole project
- External third party professional building inspectors are working on behalf of the bank to follow up every project on a monthly basis
- Primarily turnkey projects to minimise cost overruns

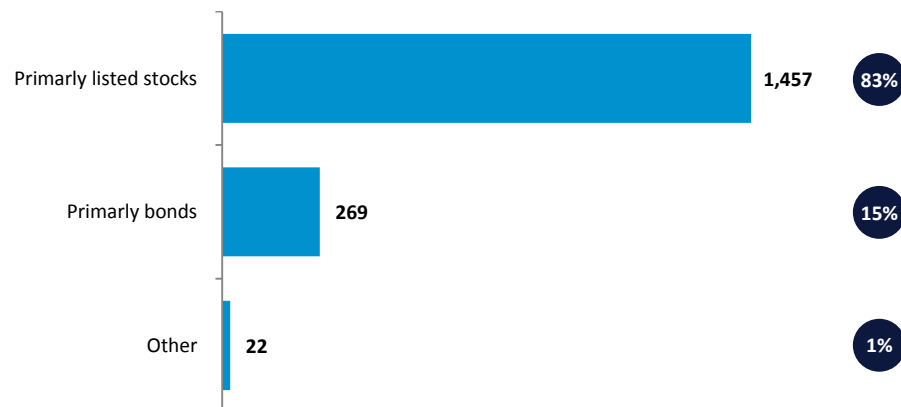


SECURITIES & CORPORATES (I) | SOLID CLIENTS *



Total securities exposure (NOKm)

Σ = NOK 1,748m

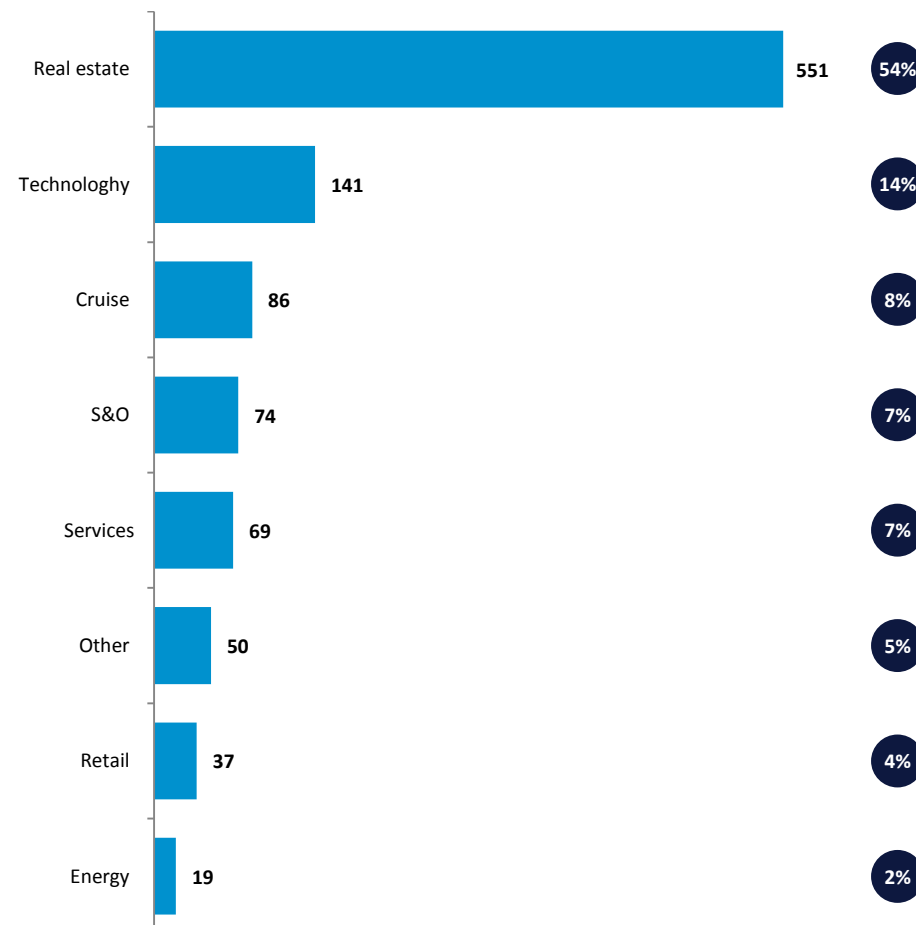


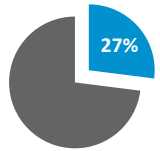
Key comments

- A dedicated and highly skilled team of 3 FTE in addition to the head of securities & corporates
- The main rationale is to take advantage of the opportunities afforded by the bank's link to the Pareto group
- Wide range of securities financing products and investment services
- Customized and flexible financing solutions for corporates

Total corporate finance exposure by industry (NOKm) **

Σ = NOK 1,026m





Securities financing

Overview

- Total exposure of NOK 1,747.9m
- 356 customers of which only 26 have a credit facility of above NOK 10m
- Real time follow-up and any breach of margin call / LTV limit must be repaired by the end of next day

Standard products

- Financing of stocks primarily on Oslo Stock Exchange with a LTV / Leverage of 0% to 80%
- Financing of short trades on Oslo Stock Exchange
- Financing of high yield bonds mainly arranged by Pareto Securities with a LTV/leverage of around 50%
- Financing of funds (stocks, bonds etc.)

Other more specialized products

- Forwards, total return swaps
- Guarantees in favour of Oslo Stock Exchange for companies in a mandatory offer position

Corporate financing

Overview

- Total exposure of NOK 1,025.8m
- 30 customers with credit facilities/guarantees in the range of NOK 1m to NOK 200m
- Exposure to a variety of industries

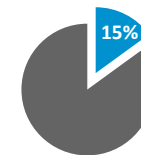
Standard products

- Various forms of bridge financing in connection with investments and issues
- M&A financing
- Financing of investments with guarantees from wealthy owners

Time is everything

- Our value proposition lies in the transaction phase of an investment
- Our clients need a professional and dedicated credit team that efficiently can structure a tailor made financing for a specific project

SHIPPING & OFFSHORE (I) | DIVERSIFIED LOANS *

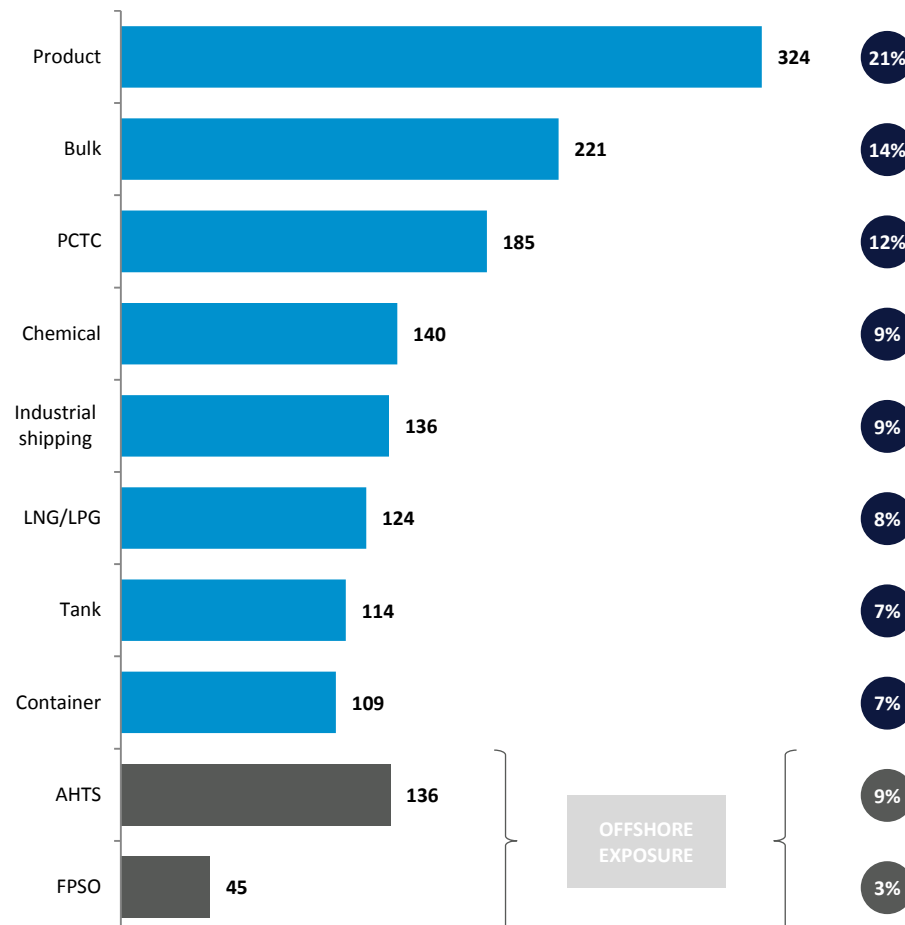


Key comments

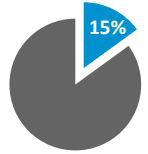
- 24 loans financing a total of 36 vessels
- Only 3 loans towards the offshore sector: approximately ~1.8% of total credit exposure
- Sole lender in all but 3 loans which are syndicate or club deals
- Average loan size USD 7.1m
- Largest exposure is USD 12.1m
- 7 new projects in 2015 within a variety of segments
- A dedicated and highly skilled team of 3 FTE in addition to the head of S&O are responsible for the segment
- Opportunistic approach to future growth in the S&O segment on a case-by-case basis

Total S&O credit exposure (NOKm)

Σ = NOK 1,533m



SHIPPING & OFFSHORE (II) | MGMT. & TERMS



S&O portfolio policy

- Minimum equity of 30%, but normally in the range of 40% to 50%
- Clients should be based in Norway and have extensive experience and expertise in operations and maintenance
- The portfolio should be diversified and a single segment will normally not exceed 25% of the total S&O exposure over time
- Projects should have a high quality charterer with transparent books
- Ships built in renowned shipyards, with liquid second-hand markets and well-proven designs

S&O portfolio management

- Thorough decision making process: All loans approved by the BoD
- External specialists used as consultants for credit analysis
- Equity analysts and specialists in the Pareto Group are good sources of info
- Use of expertise from partners regarding valuations, marine insurance and technical assessments
- Individual valuations obtained from independent and reputable shipbrokers every third month
- Continuously monitoring real time vessel values via VesselsValue.com
- Tight covenants are essential: Each loan is assessed on a quarterly basis by "loan-to-value" (LTV) and "minimum cash"
- Immediate measures upon breach



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2015 ANOTHER SOLID YEAR

Key figures 31.12.2015

I

NET
INCOME

NOK 345.4m
(NOK 297.1m)

II

RETURN ON
EQUITY

14.8 %
(15.6 %)

III

COST / INCOME
RATIO

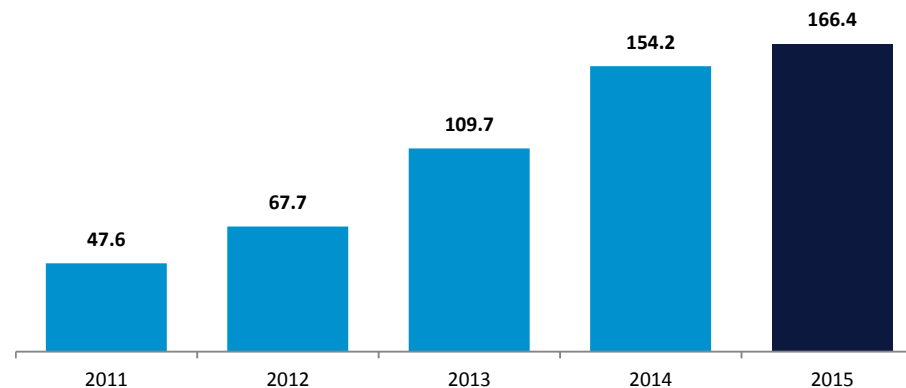
23.9 %
(26.9 %)

IV

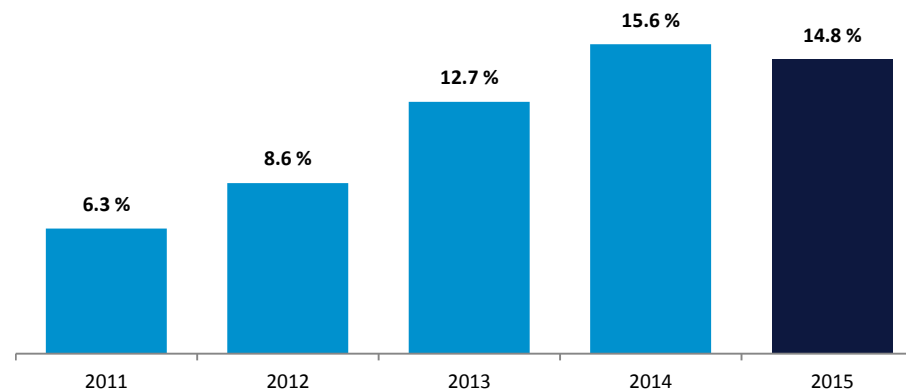
CET1
RATIO

13.2 %
(12.1 %)

Result after tax (NOKm)



Return on Equity



FOURTH QUARTER HIGHLIGHTS

Key figures 31.12.2015

I

NET
INCOME

NOK 86.6m
(NOK 67.3m)

II

RETURN ON
EQUITY

8.3 %
(9.5 %)

III

COST / INCOME
RATIO

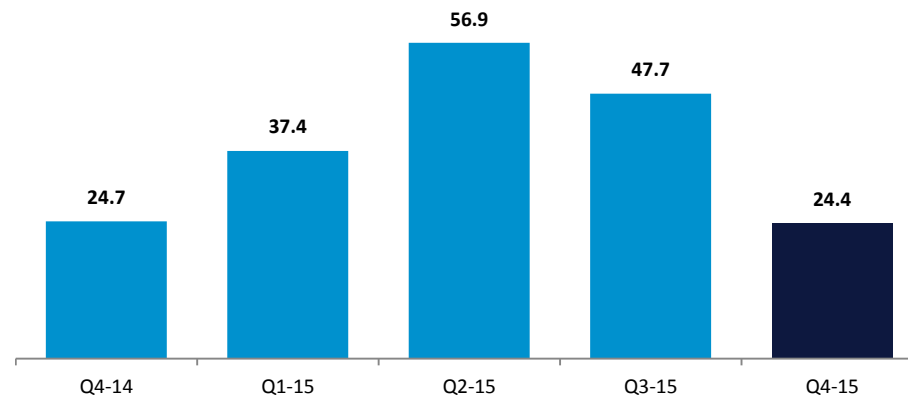
26.2 %
(49.4 %)

IV

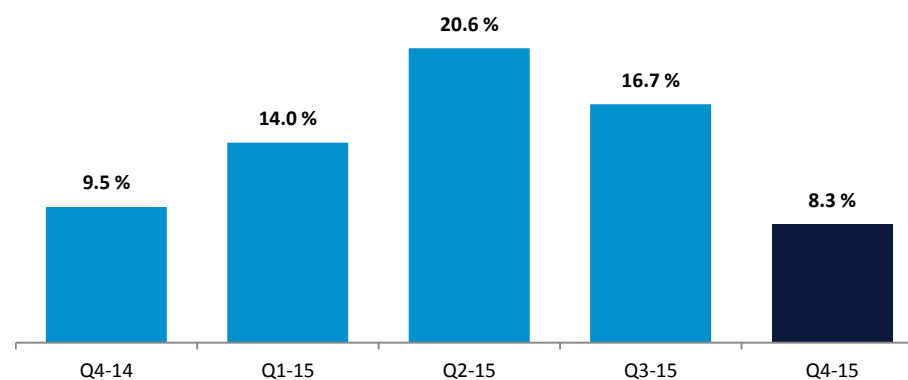
CET1
RATIO

13.2 %
(12.1 %)

Result after tax (NOKm)



Return on Equity



ANNUAL INCOME STATEMENT

P&L (NOKm)

	Q4-15	Q4-14	2015	2014
Interest receivable and similar income	140.7	148.2	553.0	552.8
Interest payable and similar costs	48.7	71.8	220.1	275.6
Net interest income	92.0	76.4	333.0	277.1
Commissions and income from banking services	5.2	2.8	15.1	11.0
Commissions payable and costs for banking services	0.2	0.1	0.5	0.8
Net gain / loss on financial instruments at fair value	-10.4	-11.7	-2.3	9.8
Other operating income	0.0	0.0	0.1	0.1
Total other operating income	-5.4	-9.1	12.4	20.0
Total net income	86.6	67.3	345.4	297.2
Salaries, pensions and personnel expenses	14.7	26.5	53.0	54.4
General administration expenses	4.1	4.0	15.0	14.5
Ordinary depreciation	1.2	1.0	4.6	3.7
Other operating expenses	2.7	1.7	10.1	7.2
Total other operating expenses	22.7	33.3	82.7	79.8
Operating result before losses / write-downs / reversals on loans and guarantees	63.9	34.0	262.7	217.3
Losses / write-downs / reversals on loans and guarantees	27.6	2.5	31.6	7.9
Operating result before tax	36.3	31.6	231.1	209.4
Tax payable	11.9	6.8	64.6	55.2
Result after tax	24.4	24.7	166.4	154.2
<i>Earnings per share (NOK)</i>	0.57	0.58	3.92	3.63

Key comments

- The principle of assessing financial instruments at fair value may cause profits to fluctuate between quarters
- For Q4-15, total net losses were NOK 10.4m (NOK 11.7m)
- The bank made write-downs totaling NOK 27.6m (NOK 2.5m) in Q4-15
 - NOK 10.0m in group provisions
 - NOK 17.6m in individual provisions relating to one specific loan within the shipping segment
- NOK 2.8m was allocated for profit sharing with employees for the Q4-15 and NOK 10.8m for 2015, whereas a profit share of NOK 17.4m for 2014 was charged in its entirety to Q4-14

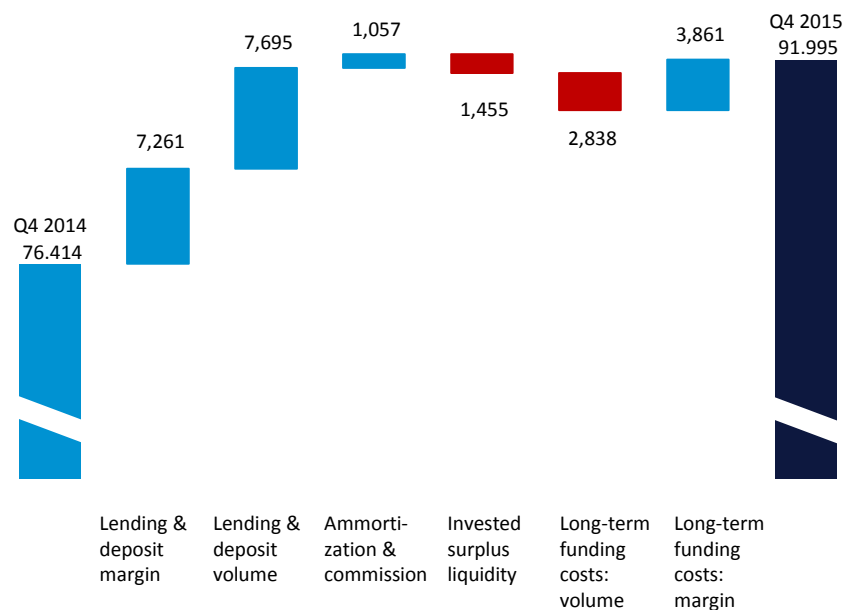
QUARTERLY INCOME STATEMENT

P&L (NOKm)

	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Interest receivable and similar income	140.7	137.4	136.6	138.3	148.2
Interest payable and similar costs	48.7	51.3	57.1	62.9	71.8
Net interest income	92.0	86.1	79.5	75.4	76.4
Commissions and income from banking services	5.2	3.2	3.4	3.4	2.8
Commissions payable and costs for banking services	0.1	0.1	0.1	0.1	0.1
Net gain / loss on financial instruments at fair value	-10.4	-2.8	13.5	-7.1	-11.7
Other operating income	0.0	0.0	0.0	0.1	0.0
Total other operating income	-5.4	-5.4	-5.4	-5.4	-9.1
Total net income	86.6	86.3	101.1	71.3	67.3
Salaries, pensions and personnel expenses	14.7	14.1	13.2	11.1	26.5
General administration expenses	4.1	3.4	3.8	3.7	4.0
Ordinary depreciation	1.2	1.2	1.1	1.0	1.0
Other operating expenses	2.7	2.3	2.9	2.2	1.7
Total other operating expenses	22.7	20.9	21.0	18.0	33.3
Operating result before losses / write-downs / reversals on loans and guarantees	63.9	65.4	80.0	53.4	34.0
Losses / write-downs / reversals on loans and guarantees	27.6	0.0	2.0	2.0	2.5
Operating result before tax	36.3	65.4	78.0	51.3	31.6
Tax payable	11.9	17.7	21.1	13.9	6.8
Result after tax	24.4	47.7	56.9	37.4	24.7
<i>Earnings per share (NOK)</i>	0.57	1.12	1.34	0.88	0.58

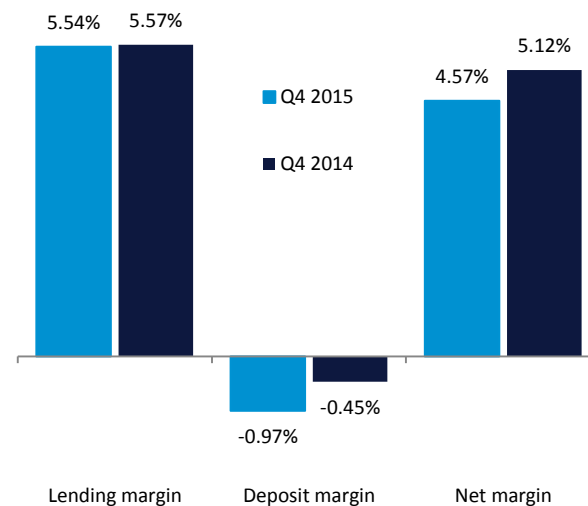
GROWING NET INTEREST INCOME

Net interest income (NOKm)



- Increased net interest income largely due to increased lending and improvement in net margins
- Stricter liquidity requirements mean lower returns on surplus liquidity
- The bank has seen improved long-term funding costs but increased credit spreads in the fourth quarter could reverse the trend

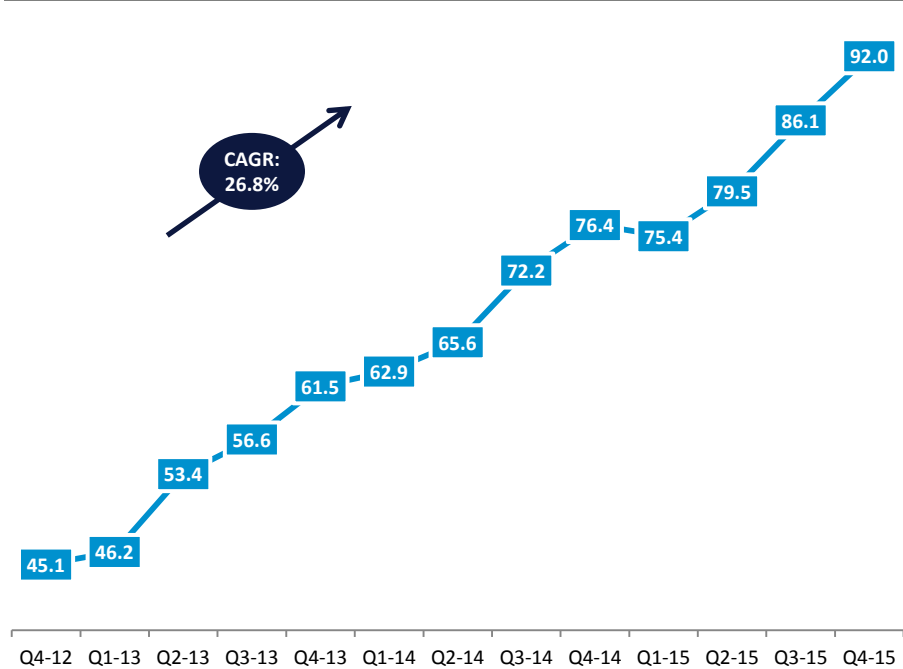
Net interest margins



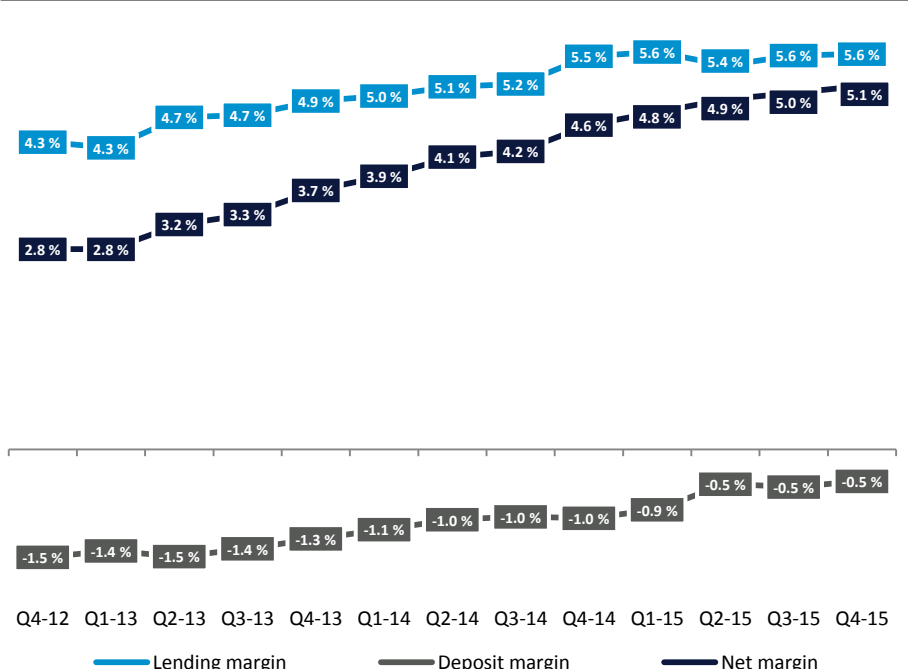
- Net interest margin between deposits and loans increased by 0.54 percentage points over the last 12 months
- Reduced interest rates on deposits
- Lower credit spreads on new and renewed fixed-rate deposits
- Higher margins on new credits and changes in portfolio composition

CONTINUOUSLY IMPROVING OPERATIONAL FIGURES (I)

Volume increase: Growing net interest income (NOKm)



Active repricing: Improving net interest margins (vs. 3M NIBOR)



Increased
lending volumes

Gradual shift in
underlying loan
portfolio composition

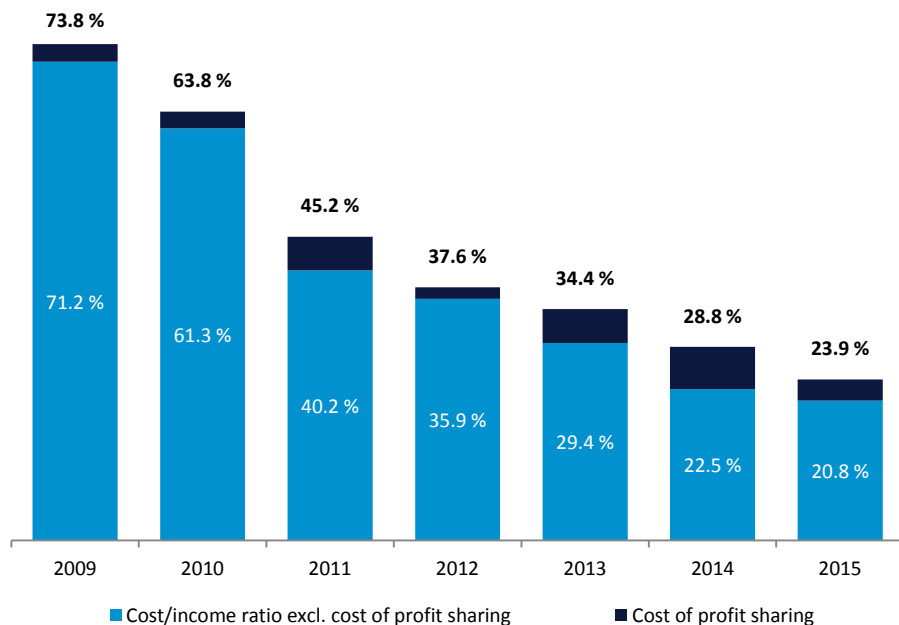
Improved
net margin

Reduced interest
rates on deposits

Higher lending
margins on new loans

CONTINUOUSLY IMPROVING OPERATIONAL FIGURES (II)

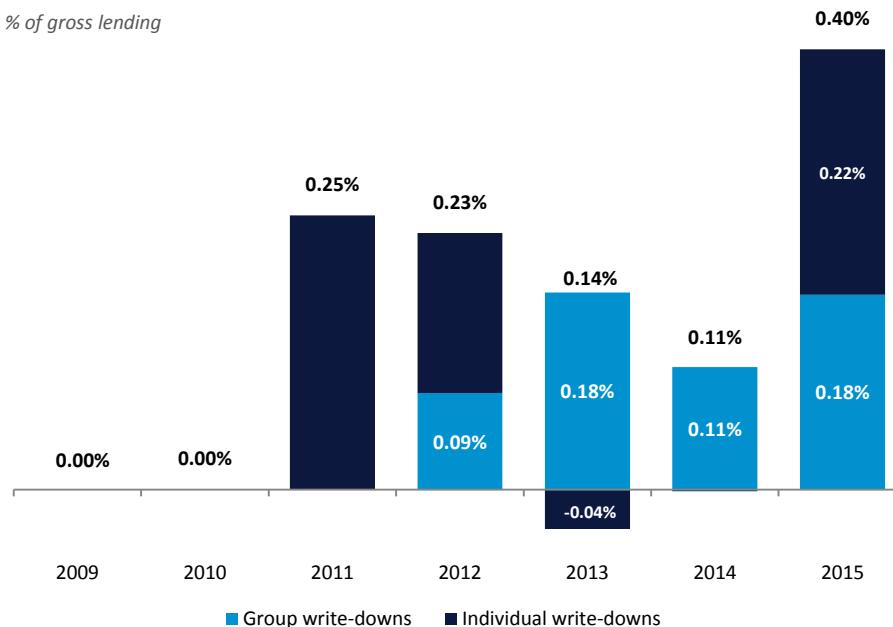
Stabilizing cost/income ratio



- Steadily declining cost / income ratio due to economies of scale as well as increasing operational efficiency
- Improved cost / income ratio in 2015 despite slight nominal cost increase compared to 2014 due to four new FTEs

Comfortable loss ratio

% of gross lending



- Strict credit policies facilitate comfortable loss ratio
- NOK 38.3m and NOK 40.7m in individual and group write-downs since inception – only NOK 20.5m in realized individual losses
- Increased loss ratio in 2015 mainly due to an individual write-down of one specific loan within shipping (+ 0.22% of gross lending)

STRONG BALANCE SHEET

BS (NOKm)

	2015	2014	2013	2012	2011
Cash and deposits with central banks	459.2	215.5	100.1	100.1	0.2
Lending to and deposits with credit institutions	362.5	233.0	451.4	164.0	364.6
Net lending to customers	7,930.6	7,206.8	7,161.9	6,734.2	5,472.8
Commercial paper and bonds	2,318.8	3,380.0	1,100.1	1,062.3	1,709.9
Shares and other securities	8.0	219.2	0.0	51.7	0.0
Financial derivatives	7.7	27.9	31.3	54.9	68.0
Intangible assets	25.9	24.9	23.8	26.3	26.2
Fixed assets	0.8	0.3	0.5	0.8	1.1
Other assets	26.2	32.3	20.6	89.1	0.6
Prepaid costs and retained earnings	0.3	0.2	0.1	0.1	0.2
Total assets	11,140.0	11,340.0	8,889.8	8,283.4	7,643.7
Deposits from credit institutions	0.4	1.6	13.1	200.7	402.4
Deposits from customers	6,454.9	7,347.5	6,110.1	5,371.1	4,942.0
Senior securities issued	3,017.5	2,351.0	2,513.4	1,584.5	1,303.4
Financial derivatives	83.3	149.1	26.8	11.7	39.1
Other liabilities	64.6	107.4	57.2	60.6	48.2
Accrued costs and prepaid income	18.7	24.2	116.7	9.9	14.6
Subordinated loan capital	309.3	308.9	233.8	233.1	124.3
Total liabilities	9,948.8	10,289.7	7,971.2	7,471.6	6,874.1
Equity	735.5	735.5	732.5	735.5	735.5
Other equity	455.7	314.8	186.1	76.3	34.2
Total equity	1,193.2	1,050.3	918.6	811.8	769.6
Total liabilities and equity	11,140.0	11,340.0	8,889.8	8,283.4	7643.7

Key comments

- High turnover rate: approximately 30% of the loan portfolio matures within a year
- Continuous optimization of the size and composition of surplus liquidity
- A deposit portfolio diversified by time, size and customer
- A comfortable deposit-to-loan ratio of 81%

QUARTERLY BALANCE SHEET

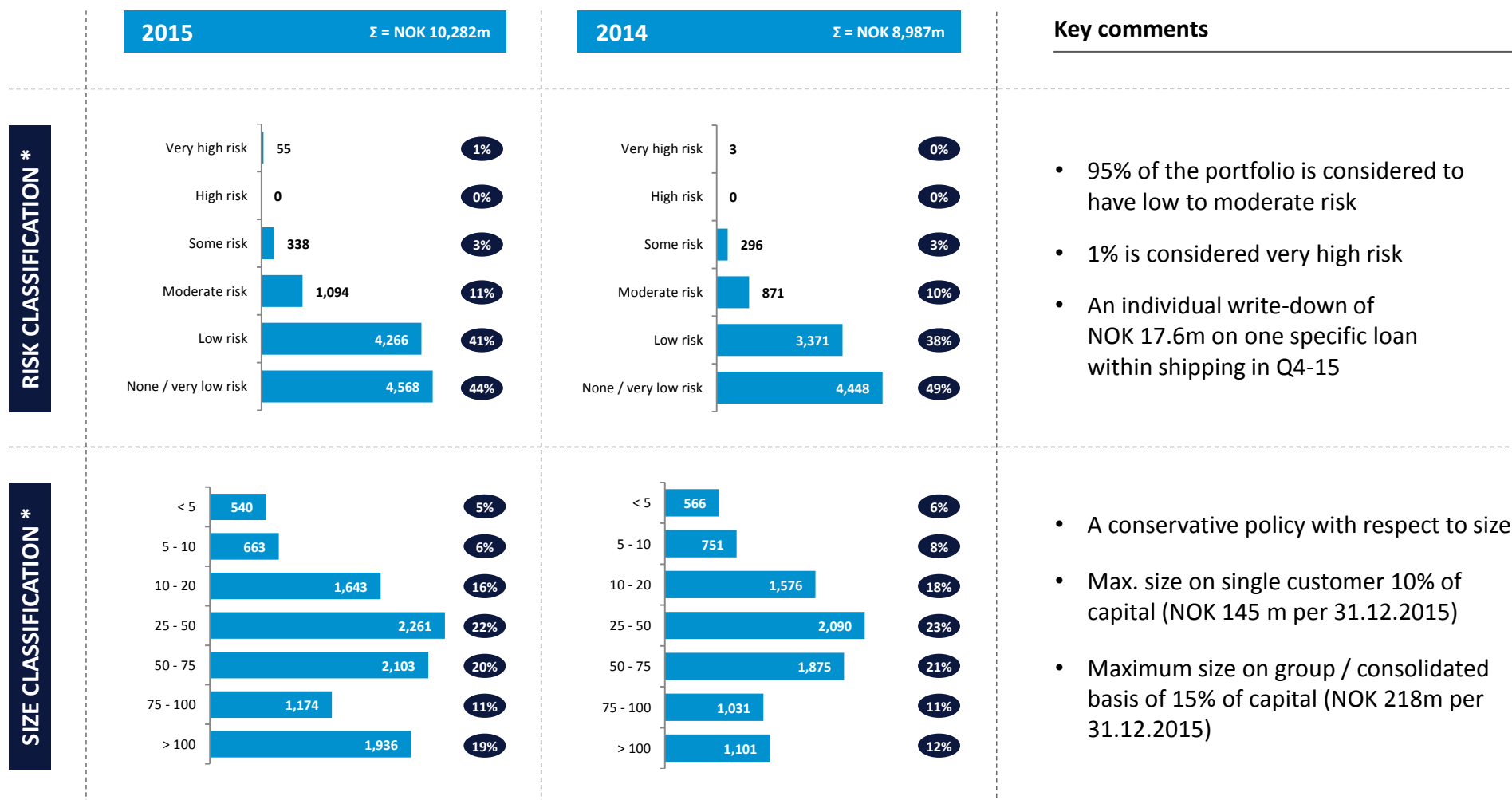
BS (NOKm)

	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Cash and deposits with central banks	459.2	228.3	544.2	60.7	215.5
Lending to and deposits with credit institutions	362.5	298.6	292.9	406.9	233.0
Net lending to customers	7,930.6	7,486.8	7,569.2	6,842.5	7,206.8
Commercial paper and bonds	2,318.8	2,774.3	2,561.5	3,057.4	3,380.0
Shares and other securities	8.0	8.0	8.0	218.9	219.2
Financial derivatives	7.7	12.9	26.9	27.9	27.9
Intangible assets	25.9	26.0	26.5	26.8	24.9
Fixed assets	0.8	0.2	0.2	0.3	0.3
Other assets	26.2	33.0	36.6	33.5	32.3
Prepaid costs and retained earnings	0.3	1.7	1.5	3.1	0.2
Total assets	11,140.0	10,869.7	11,067.5	10,678.0	11,340.0
Deposits from credit institutions	0.4	0.2	14.6	0.2	1.6
Deposits from customers	6,454.9	6,430.8	6,857.0	6,702.2	7,347.5
Senior securities issued	3,017.5	2,713.6	2,635.5	2,378.9	2,351.0
Financial derivatives	83.3	73.1	39.1	101.8	149.1
Other liabilities	64.6	158.5	76.9	83.5	107.4
Accrued costs and prepaid income	18.7	17.6	16.2	14.8	24.2
Subordinated loan capital	309.3	309.2	309.1	309.0	308.9
Total liabilities	9,948.8	9,702.9	9,948.5	9,590.3	10,289.7
Equity	735.5	735.5	735.5	735.5	735.5
Other equity	455.7	431.3	383.6	352.2	314.8
Total equity	1,193.2	1,116.7	1,119.0	1,087.7	1,050.3
Total liabilities and equity	11,140.0	10,869.7	11,067.5	10,678.0	11,340.0

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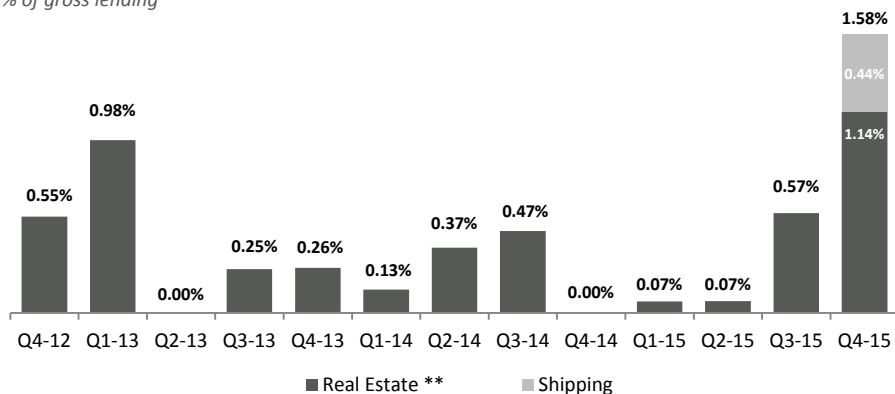
COMMITMENTS BY SIZE & RISK CLASSIFICATION



LOAN PORTFOLIO QUALITY

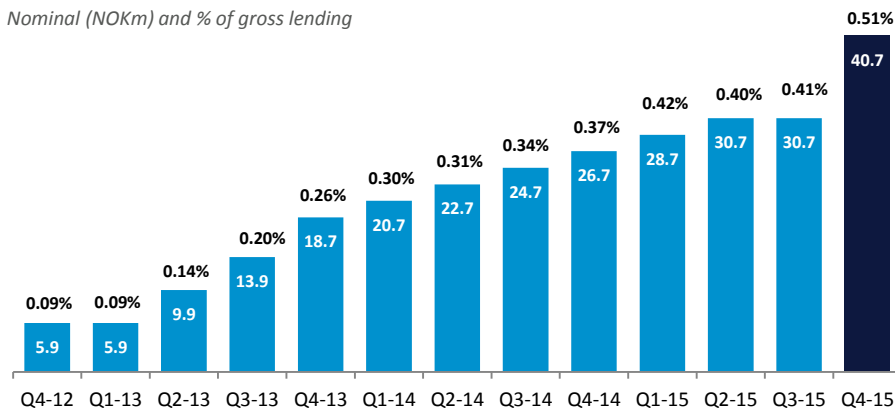
Net non-performing and impaired loans *

% of gross lending



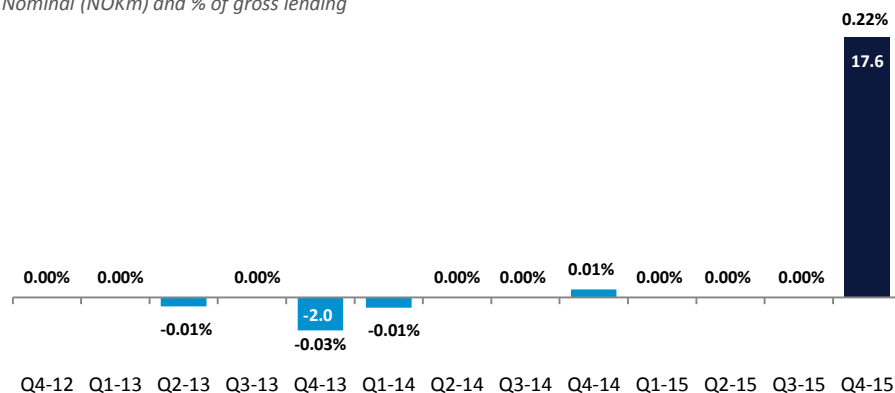
Group provisions

Nominal (NOKm) and % of gross lending



Individual losses/write-downs/reversals on loans & guarantees

Nominal (NOKm) and % of gross lending



Group losses/write-downs/reversals on loans

Nominal (NOKm) and % of gross lending

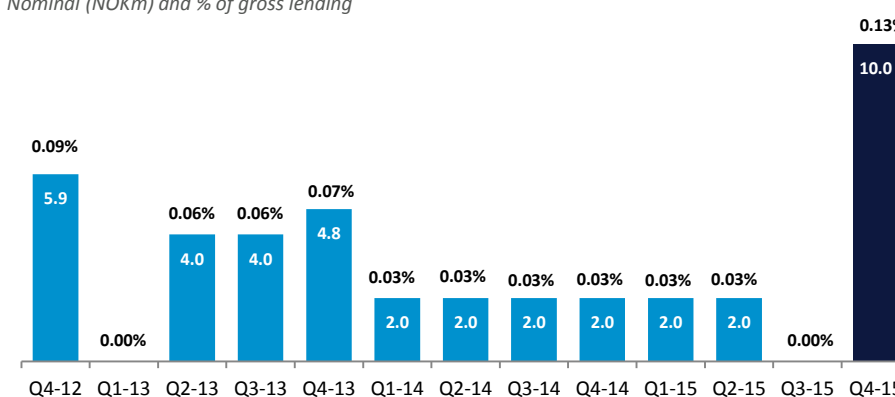


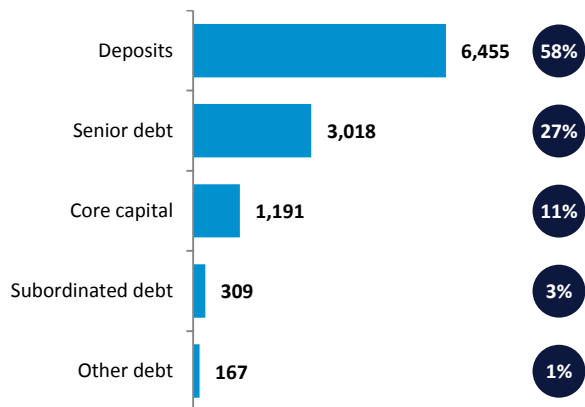
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FUNDING (1) | OVERVIEW *

Sources (NOKm)

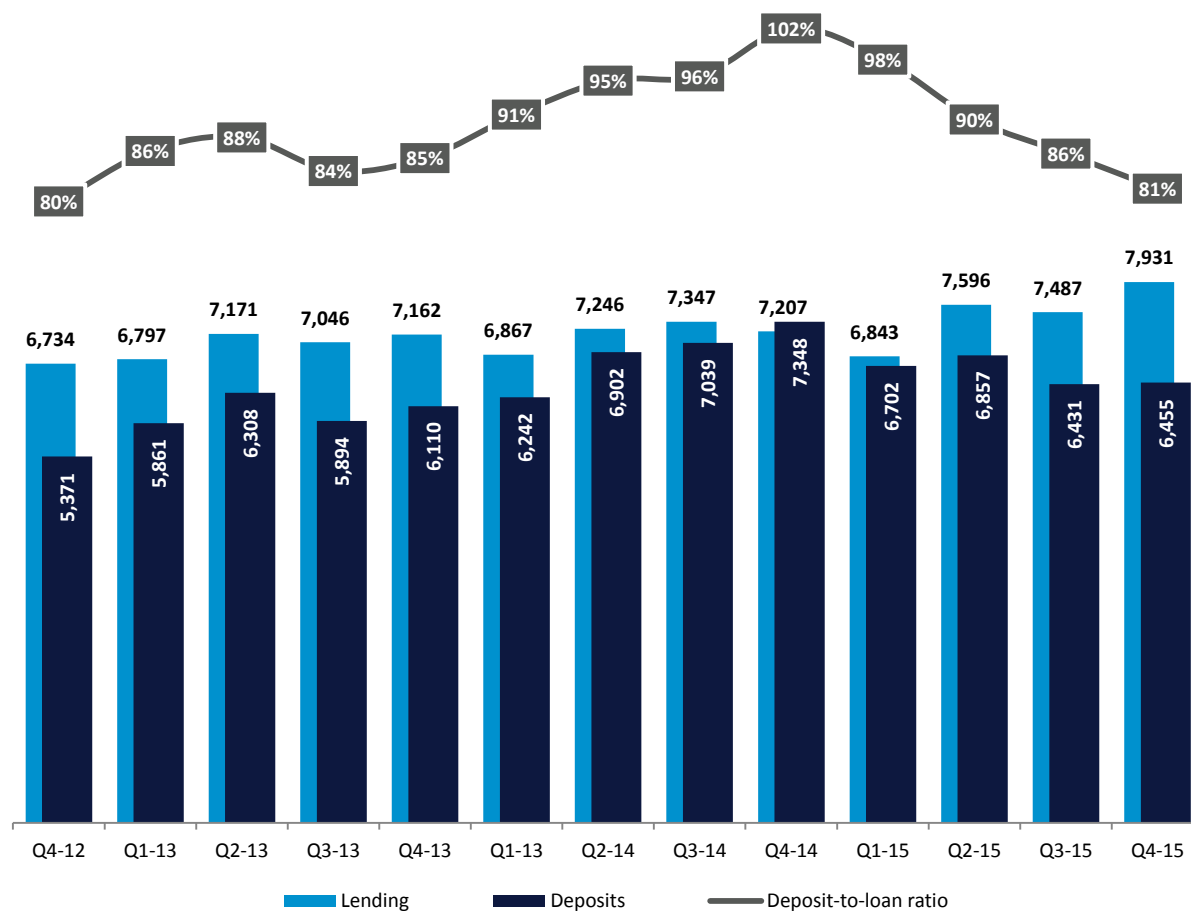
Σ = NOK 11,140m



Key ratios

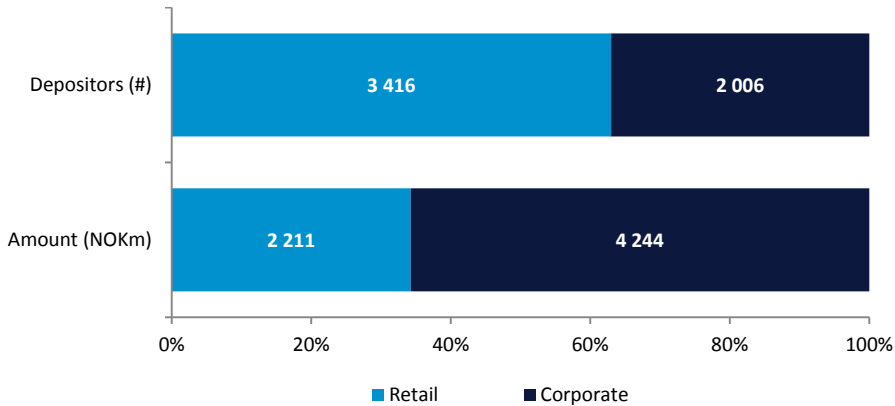
Deposits with liquidity restrictions	39 %
Corporate deposits	66 %
Deposit-to-loan ratio	81 %
Long-term NFSA liquidity ratio	123 %
LCR	188 %

Historical development in deposits vs. lending (NOKm)

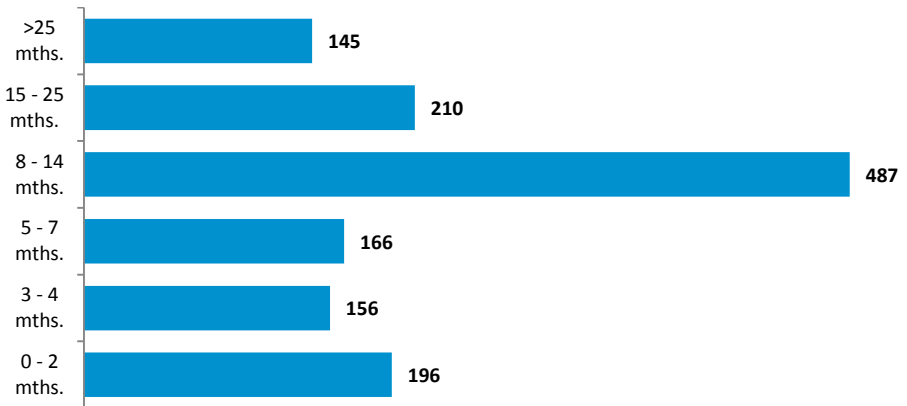


FUNDING (II) | CUSTOMER DEPOSITS *

Deposit allocation

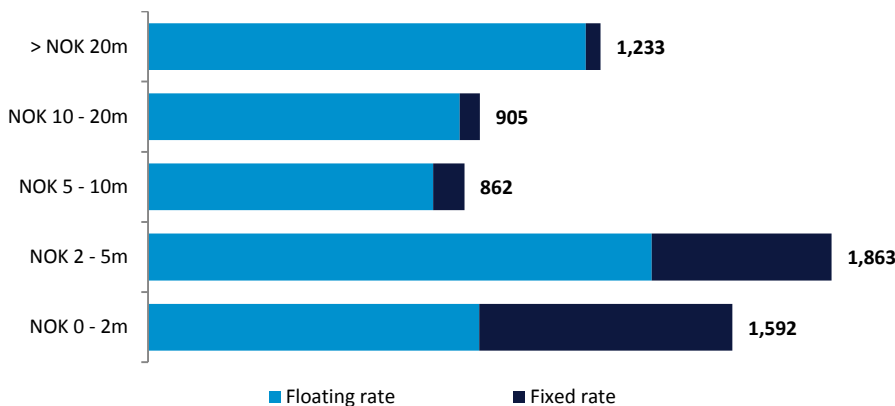


Fixed rate deposits (NOKm) - time to maturity (months) $\Sigma = \text{NOK } 1,360\text{m}$

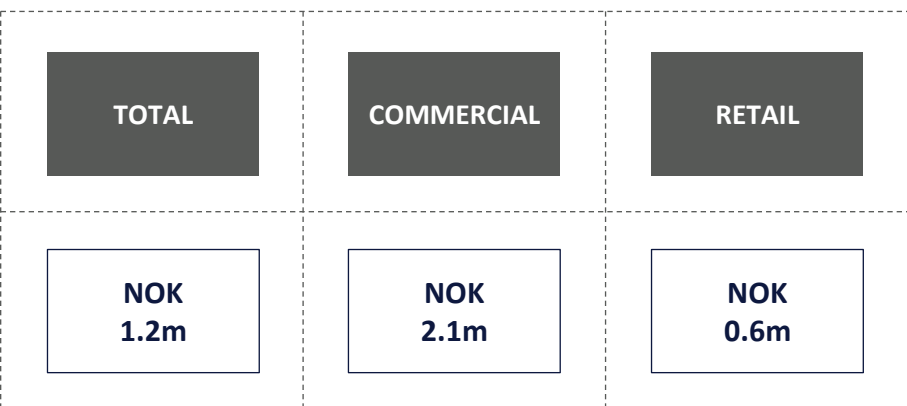


Deposits by size (NOKm)

$\Sigma = \text{NOK } 6,455\text{m}$

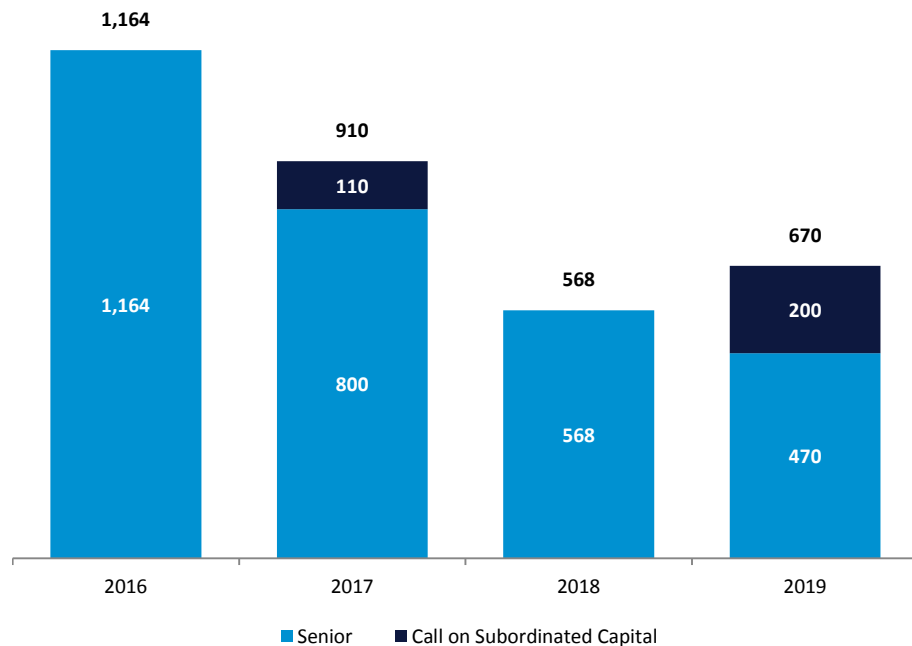


Average deposit per customer (NOK)



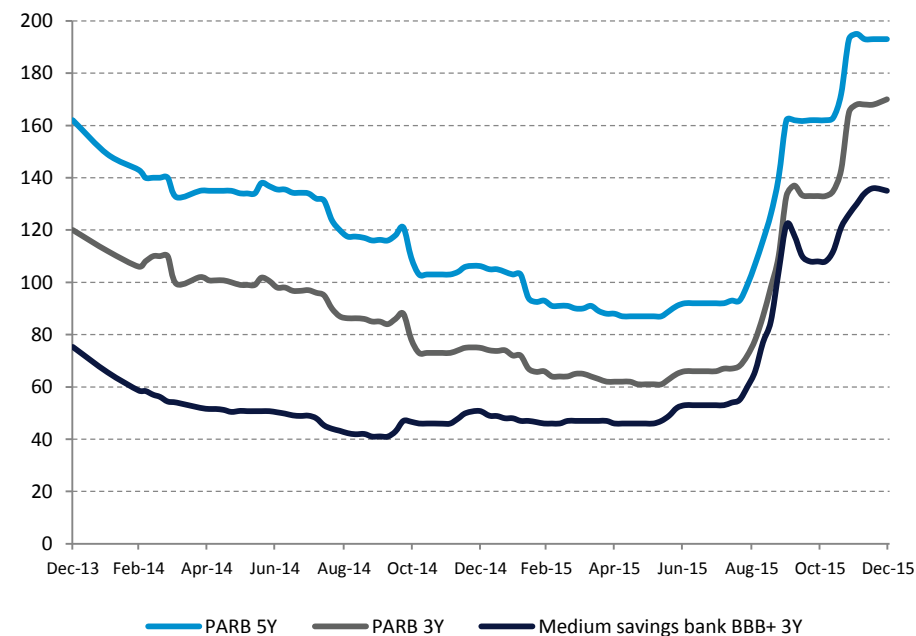
FUNDING (III) | MARKET FUNDING

Market funding maturities - net of own holdings (NOKm)



- PARB has issued two certificates and six senior unsecured bonds
- Subordinated capital includes one T2 bond and two perpetual AT1 bonds with five year calls
- The bonds are listed on Nordic ABM and the Oslo Stock Exchange

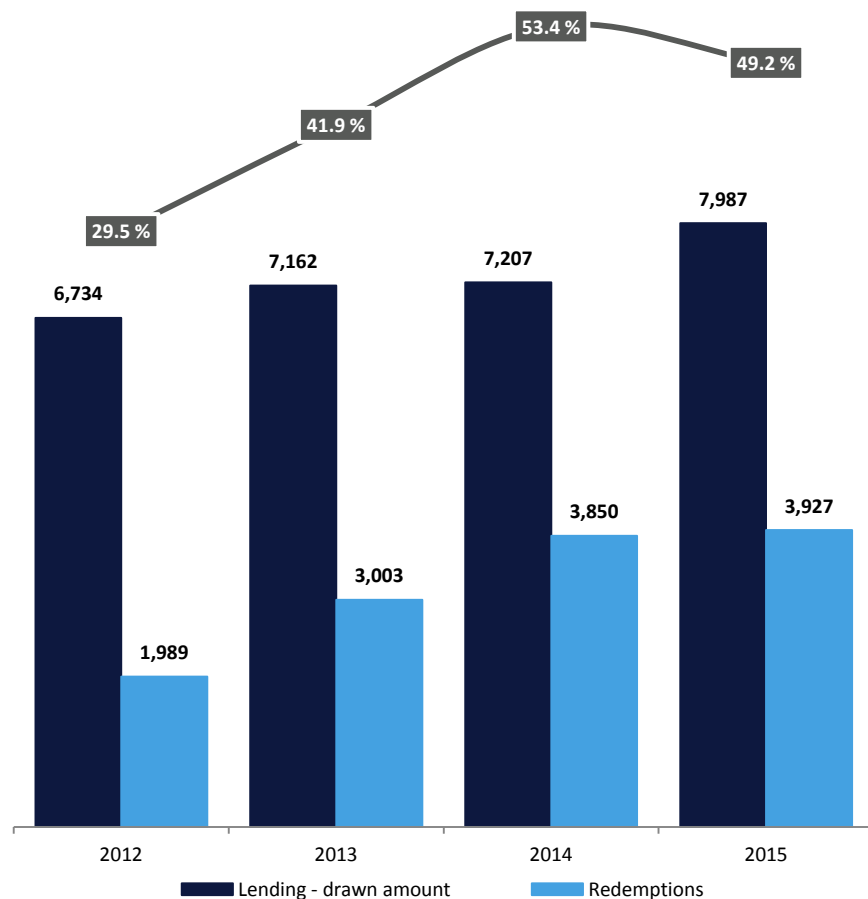
Credit spreads (bps)



- Credit spreads on senior financials rose considerably during the third and fourth quarter of 2015
- Pareto Bank's focus is on continuously improving investor relations through transparent pricing and providing liquidity by market making

A HIGH REDEMPTION RATE GIVES FLEXIBILITY

Loans (drawn amount) and redemptions per year (NOKm)



Key comments

A high share of project loans with relatively short maturity results in a high natural redemption rate which again grants PARB the following abilities:



Comply quickly with new capital requirements



Shift risk quickly from one segment to another



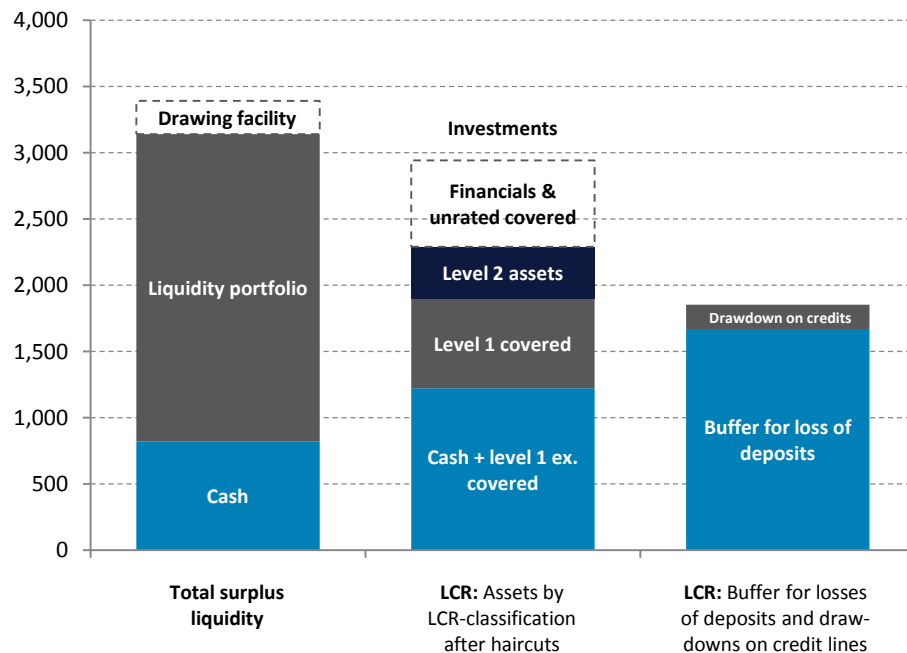
Always be open for new business



Somewhat more challenging to maintain growth

SURPLUS LIQUIDITY*

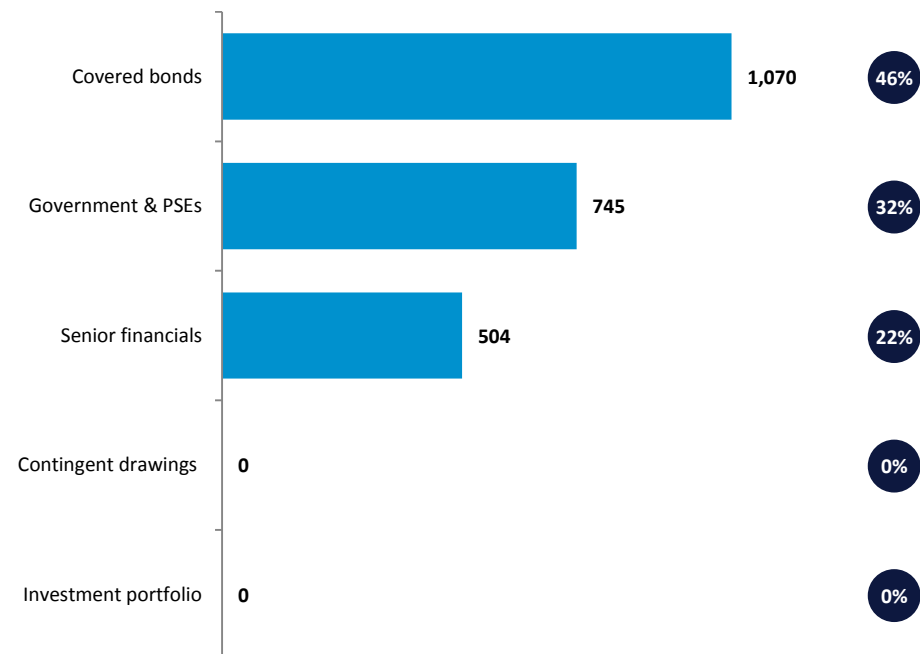
Comfortable liquidity buffer (NOKm)



- The bank's liquidity is comprised of cash and highly liquid bonds
- Cash holding is kept high to cover short-term liquidity needs
- The bonds portfolio is fully LCR-compliant with a high share of state, municipalities and highly liquid covered bonds

Bond portfolio (NOKm)

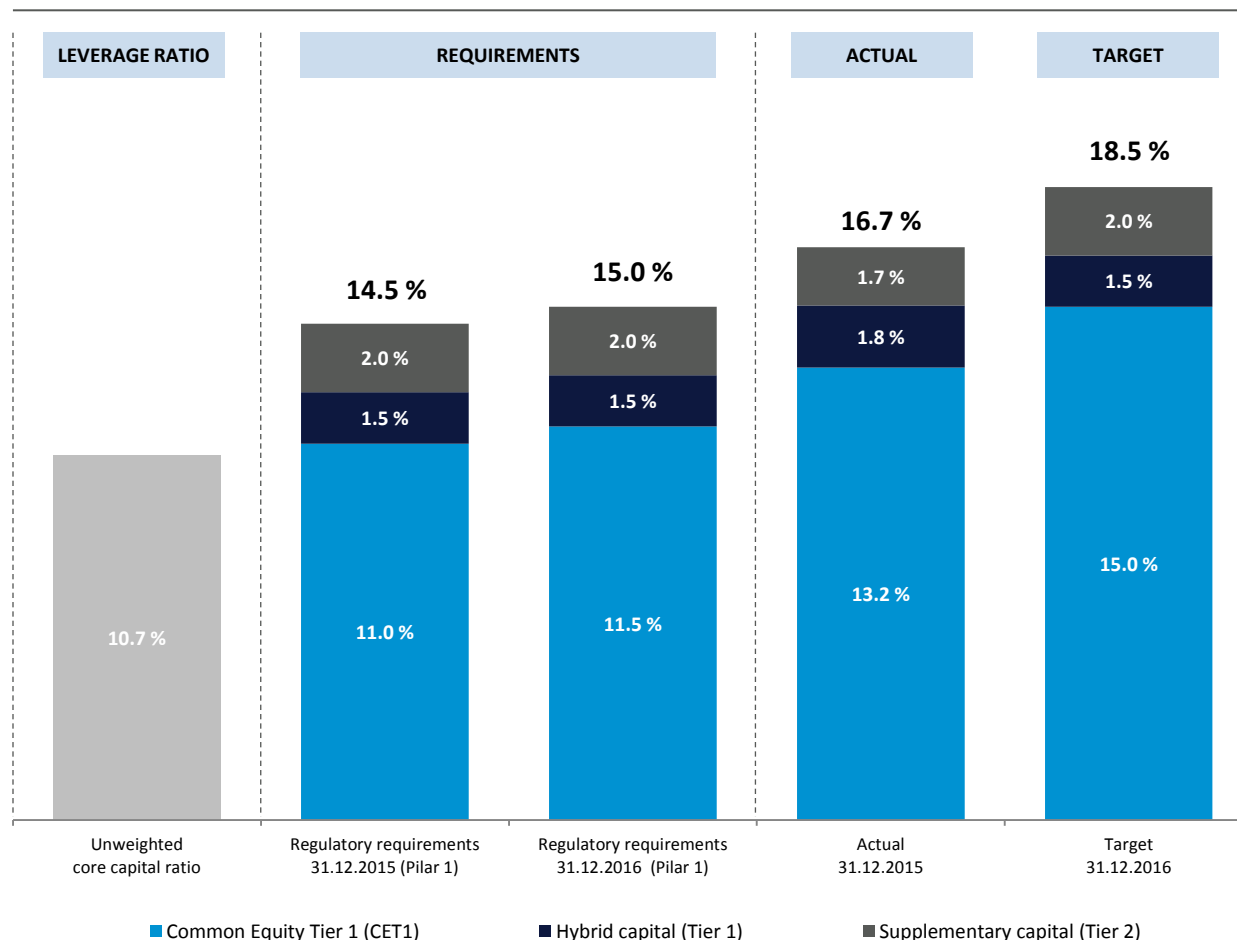
Σ = NOK 2,319m



- Mainly comprised of AAA securities
- Investment portfolio (max limit NOK 500m - not utilized)
- Portfolio of contingent drawings (max limit NOK 100m - not utilized)

FINANCIAL STRENGTH AND CAPITAL TARGETS

Pareto Bank capital ratios, requirements and targets *

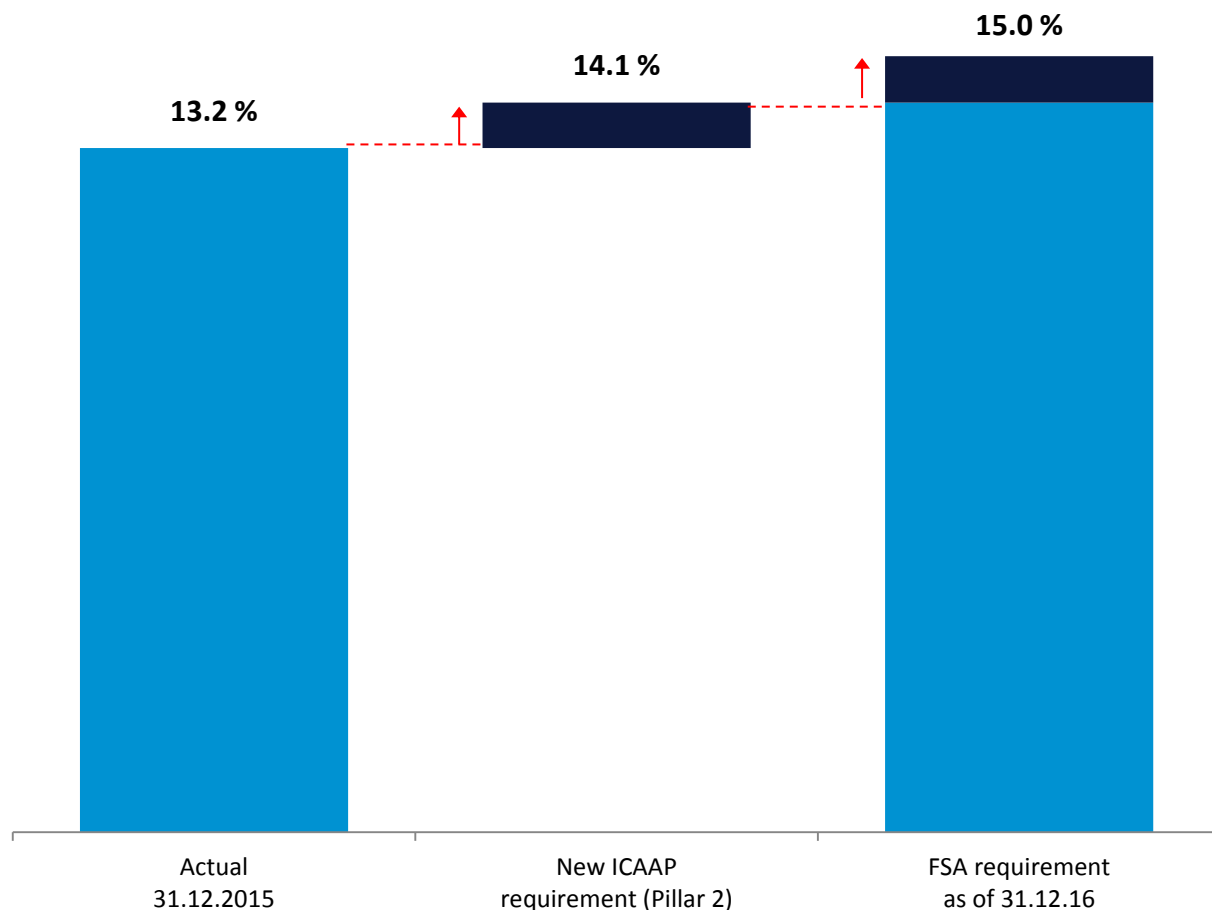


Key comments

- The bank's capital target for CET1 is 15 % by end-of-year 2016
- This includes fulfilment of Pillar 2 and an increased countercyclical buffer requirement, as well as a buffer against changes in the bank's risk weighted assets or capital base
- The bank's Pillar 2 assessment and capital targets have been reviewed by the NFSA. The bank has not however been through a formal SREP process.
- The long term ambition is to pay a dividend of 30 - 50% of the bank's result after tax
- Prospects for profitable growth will normally mean a payout ratio in the low end

PILAR II LEADS TO INCREASED CET1 TARGET

Pareto Bank CET1 ratios *



Key comments

- Pareto Bank has carried out and reviewed its ICAAP analysis for 2016
- The analysis has been carried out in cooperation with the FSA
- The analysis concluded a capital requirement of 14.1%
- Including buffers, the FSA requires the bank to have a CET1 ratio of 15.0% at the end of 2016
- Pareto Bank will meet the requirement through a combination of new equity and retained profits
- The NOK 150m equity offering will increase the proforma 31.12.15 CET1 to 14.9%

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AMBITIONS FOR 2015 **HAVE BEEN REACHED**

I

Return on equity (ROE) after tax of ~15 %

II

Net lending growth of NOK 800m

III

Improved net interest margin

IV

Strengthened team in real estate and shipping



PORTFOLIO GOALS FOR 2016

BUSINESS AREAS	MARKET	STATUS	GROWTH TARGETS
Real estate 	<p>Signs of margin pressure and increased risk-taking, but still good deal flow</p>	<p>High natural repayment rate on loans gives moderate growth</p>	<p>Net growth of approximately NOK 200-300m</p>
Securities & Corporates 	<p>Potential customized corporate financing</p>	<p>Stronger focus on corporate financing</p>	<p>Net growth of approximately NOK 200-300m</p>
Shipping & offshore 	<p>Lack of project lending - high level of uncertainty in the market</p>	<p>Gradually developing a diversified portfolio</p>	<p>Net growth of approximately NOK 300-400m</p>

FINANCIAL TARGETS FOR 2016

PROFITABLE GROWTH	10.0%	Attractive niche market development with reduced credit supply and improved margins
RETURN ON EQUITY	> 15.0%	Cost effective and commercially oriented bank
CAPITAL ADEQUACY	15.0%	CET1 capital in line with NFSA requirements
DIVIDEND POLICY	30-50%	The actual payout ratio will depend on the growth potential within the bank's market

- Reduced credit supply from key competitors
- Continued attractive margins and business opportunities in target segments
- A scalable business model that makes further profitable growth possible
- ROE on new business significantly above ROE target
- 80 % of the bank's employees work with customers
- Customer profitability is a cornerstone: all loans shall be profitable from day one
- A fast mover with short decision lines, no bureaucracy and an efficient credit decision process
- Strong long-term credit performance due to a centralized credit decision process, tight covenant setting and a culture for day-to-day follow-up of customers

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SUMMARY

Pareto bank

1

Solid performance in 2015 with attractive ROE

2

Attractive opportunities for loan growth in 2016

3

Norwegian FSA requires strengthened CET1

4

Equity issue of NOK 150m to strengthen CET1, establish platform for continued growth and a normalized dividend policy

5

High ambitions for 2016 and onwards