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# **PARETO BANK**

## **Financial Results**

**First Quarter 2016**

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 Pareto bank

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# PARETO BANK AT A GLANCE

Pareto bank



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

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

3 Return on Equity 15.1% at the end of Q1-16

4 Lending growth NOK 437m and total assets of NOK 12,876m at the end of Q1-16



5 Private offerings completed raising NOK 203m in new equity capital

6 Applied to be listed on Oslo Axess by the end of Q2-16

7 Pareto AS largest shareholder owns 15.2%; employees and Pareto Group mgmt own ~2.9% \*

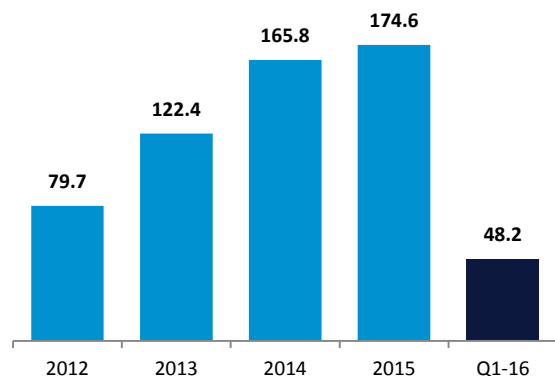
8 Current market capitalization of approximately NOK 1,559m \*

# NORWAY'S LEADING PROJECT BANK

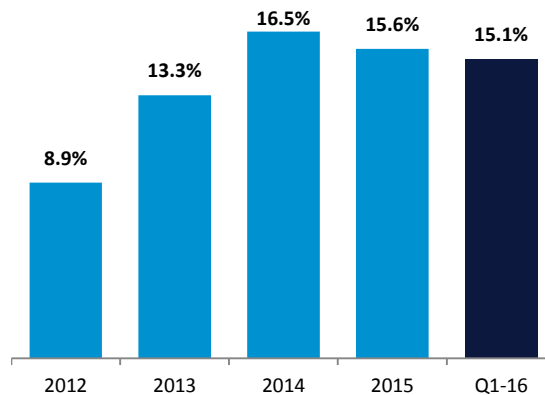
BUSINESS AREAS	PROJECTS / CREDITS	AREA EXPOSURE	AVG. PRINCIPAL
<b>Real estate</b> 	<ol style="list-style-type: none"><li>1. Construction financing</li><li>2. Project financing</li><li>3. Commercial property financing</li></ol>	<b>57 %</b>	<b>NOKm 25-50</b>
<b>Securities &amp; Corporates</b> 	<ol style="list-style-type: none"><li>1. Securities financing</li><li>2. Bridge financing</li><li>3. M&amp;A financing</li></ol>	<b>27 %</b>	<b>NOKm 5-30</b>
<b>Shipping &amp; offshore</b> 	<ol style="list-style-type: none"><li>1. Shipping projects</li><li>2. Offshore projects</li><li>3. Medium sized shipowners</li></ol>	<b>13 %</b>	<b>USDm 5-10</b>

# SOLID FOUNDATION AND STRONG PERFORMANCE

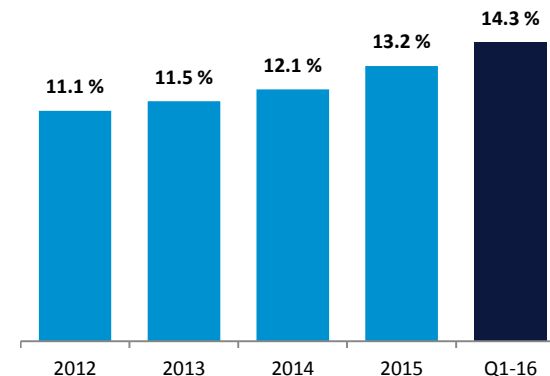
Result after tax (NOKm)



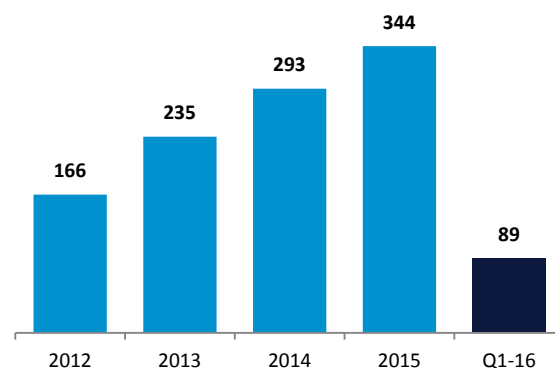
Return on Equity (after tax)



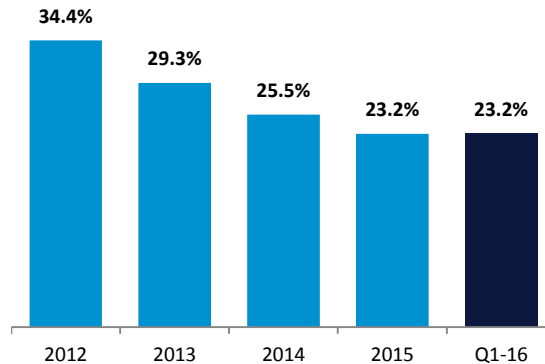
CET1 ratio \*\*



Net interest income (NOKm)

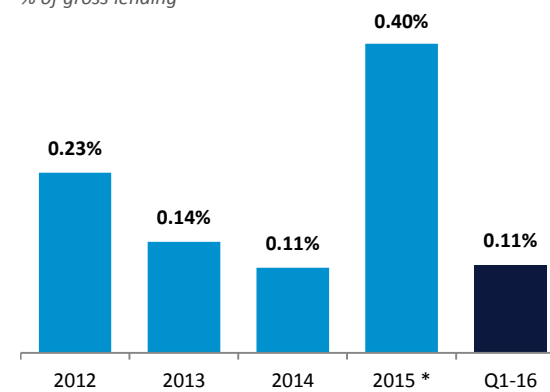


Cost/income ratio



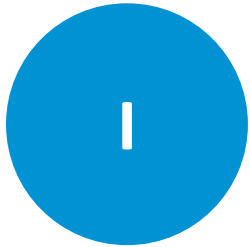
Loss ratio

% of gross lending



# A DIFFERENT BANK

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## 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

# SUCCESSFUL EQUITY ISSUES

1

## PRIVATE PLACEMENT

NOK 150m

2

## REPAIR OFFERING

NOK 47m

3

## EMPLOYEE ISSUE & BONUS SHARE ISSUE

NOK 2m + NOK 4m

4

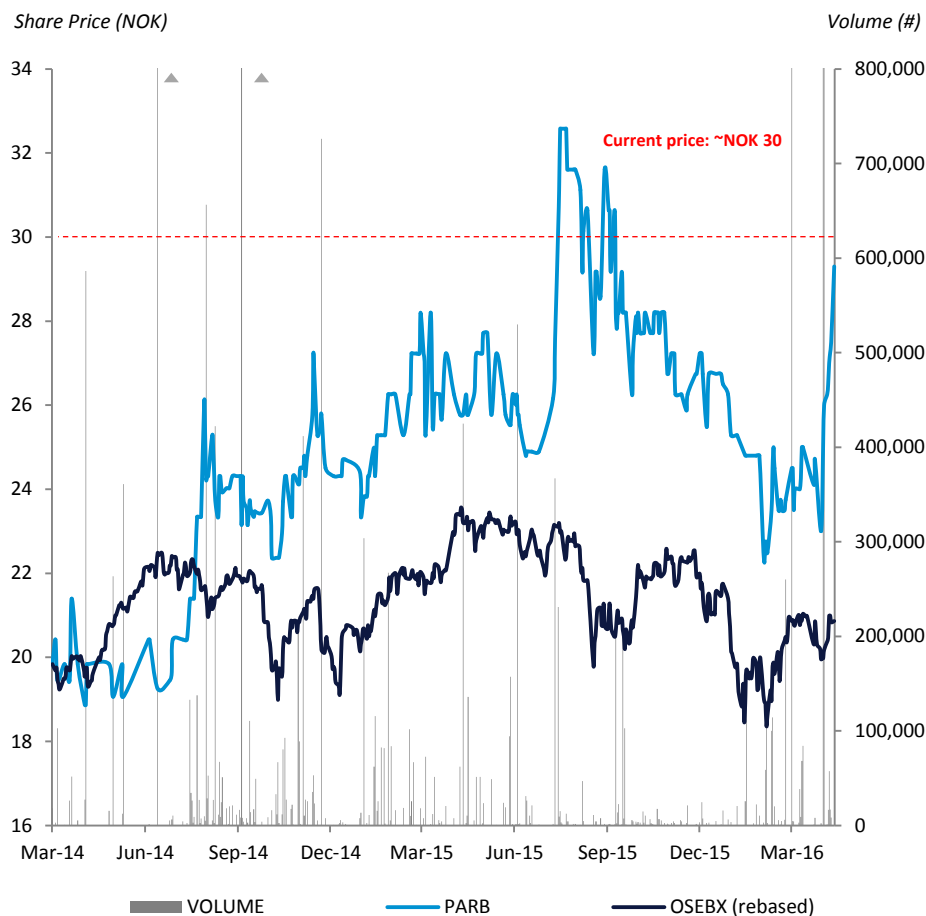
## EXCHANGE LISTING

Oslo Axess

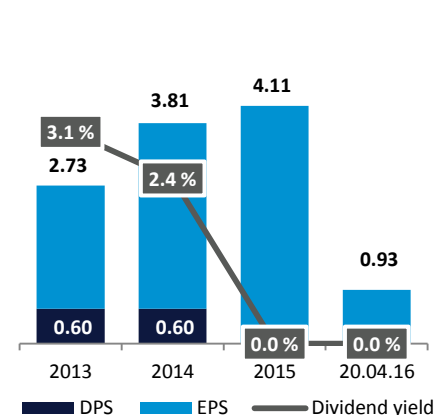
- The bank has successfully raised in total NOK 203m in equity capital through four issues.
- The objective of the planned capital increase was to strengthen the bank's CET1 capital in line with the Norwegian FSA requirements and thus establish a financial platform for continued profitable growth
- New capital allows Pareto Bank to take advantage of significant business opportunities with attractive margins
- Return on Equity on new business significantly above ROE target of >15%
- The bank has applied on April 20th for listing of the company's shares on Oslo Axess by the end of Q2-16

# THE SHARE \*

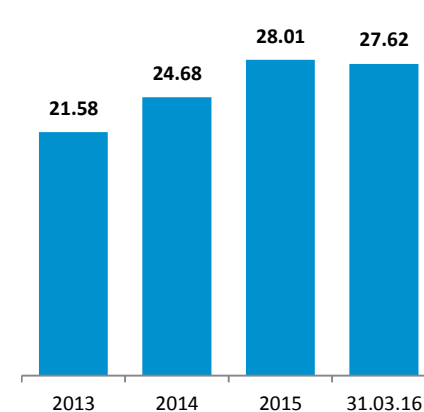
## Share price development since registration on NOTC in March 2014



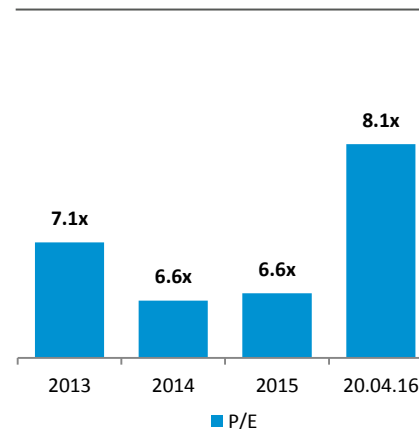
## EPS, DPS (NOK) & Dividend Yield



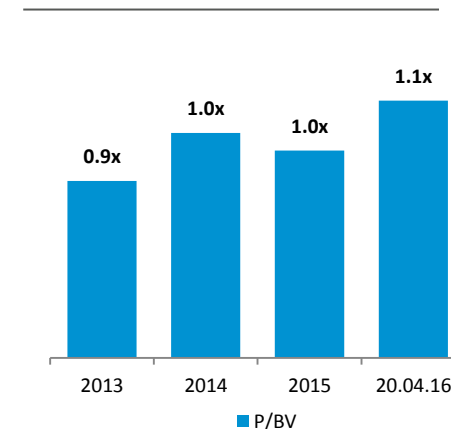
## Book equity per share (NOK)



## Price / Earnings



## Price / Book



# LARGEST SHAREHOLDERS AS OF 20.04.2016

#	Investor	Country	Type	20.04.2016	
				# of shares	% total
1	Pareto AS	NOR	Company	7,886,940	15.18%
2	Arne Helge Fredly	LUX	Private Investor	5,069,818	9.76%
3	Pecunia Forvaltning AS	NOR	Company	4,753,305	9.15%
4	Indigo Invest AS	NOR	Company	3,874,321	7.46%
5	Saga Tankers ASA	NOR	Company	3,405,580	6.56%
6	Perestroika AS	NOR	Company	2,336,639	4.50%
7	Verdipapirfondet Pareto Investment Fund	NOR	Company	1,028,809	1.98%
8	Eiendomsutvikling Kristiansand AS	NOR	Company	961,000	1.85%
9	Kolberg Motors AS	NOR	Company	847,862	1.63%
10	Artel Holding AS	NOR	Company	796,326	1.53%
11	Verdipapirfondet Landkreditt Utbytte	NOR	Company	750,000	1.44%
12	Profond AS	NOR	Company	741,681	1.43%
13	Castel AS	NOR	Company	609,768	1.17%
14	Belvedere AS	NOR	Company	574,045	1.10%
15	GH Holding AS	NOR	Company	570,000	1.10%
16	Tove Reistads Stiftelse	NOR	Company	550,000	1.06%
17	Larre Eiendom 2 AS	NOR	Company	519,420	1.00%
18	Ola Rustad AS	NOR	Company	518,023	1.00%
19	Thor Hushovd	MCO	Private Investor	450,000	0.87%
20	Hawk Invest AS	NOR	Company	434,174	0.84%
<b>Sum TOP 30</b>				<b>36,677,711</b>	<b>70.60%</b>
<b>Other shareholders</b>				<b>15,275,311</b>	<b>29.40%</b>
<b>Total</b>				<b>51,953,022</b>	<b>100.00%</b>

- As of 18 January 2016, the Company had 51,953,022 shares outstanding
- One class of shares where one share carry one voting right
- Diversified investor base with approximately 360 shareholders
- Pareto AS owns 15.2% of the bank
- ~60% 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 ~2.9% (~NOK 45.7m) \*
- All employees are covered by an annual bonus compensation scheme settled in Pareto Bank shares
- For 2015 the net bonus scheme cost is was ~NOK 4.2m (gross ~NOK 10.8m)

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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*

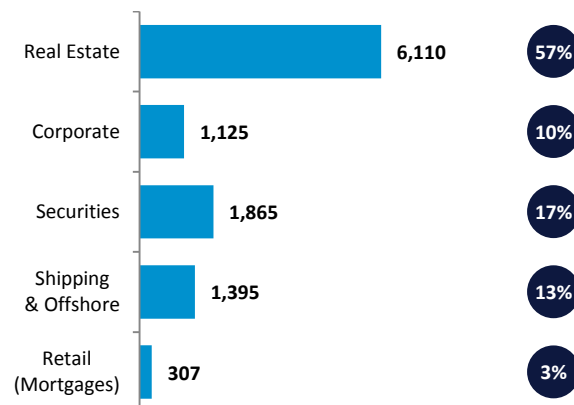
### Securities & Corporates

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

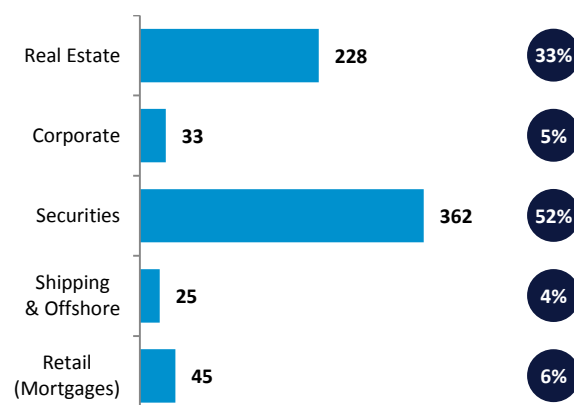
### Shipping & offshore

*Gradually building a diversified shipping and offshore portfolio*

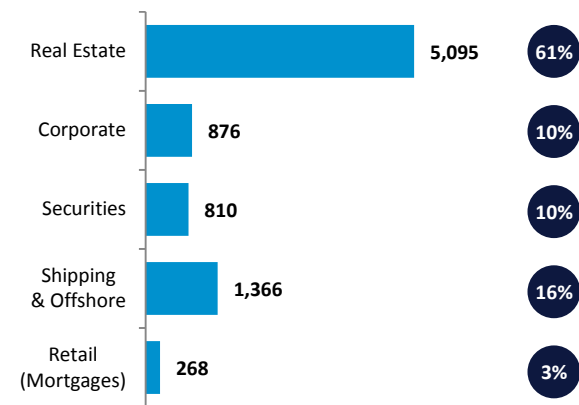
## Gross credit exposure (NOKm) $\Sigma = \text{NOK } 10,801\text{m}$



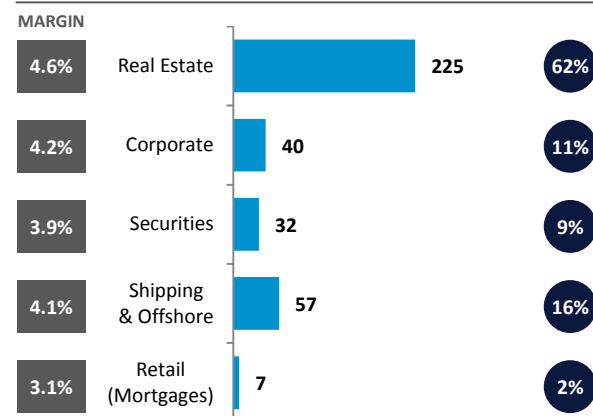
## Number of active clients $\Sigma = \# 693$



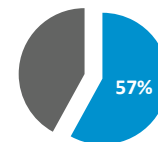
## Gross total lending (NOKm) $\Sigma = \text{NOK } 8,415\text{m}$



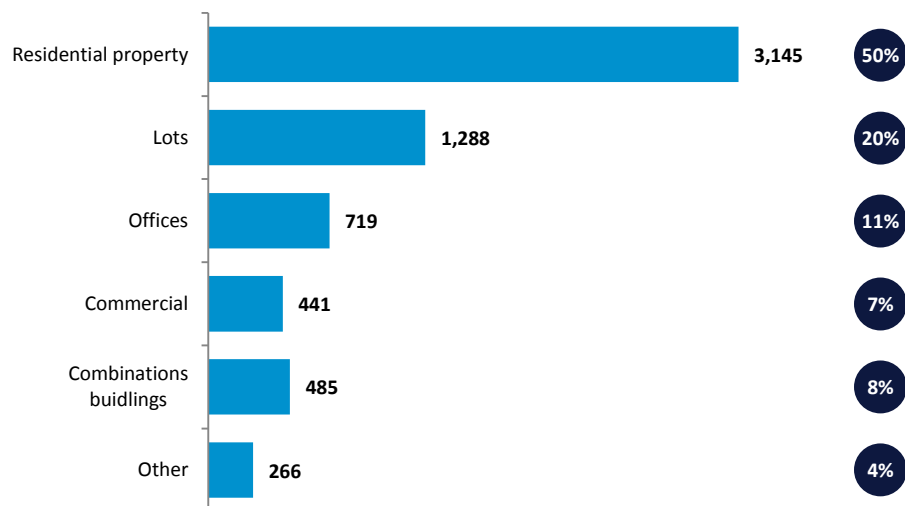
## Interest contribution (NOKm) \*\* $\Sigma = \text{NOK } 361\text{m}$



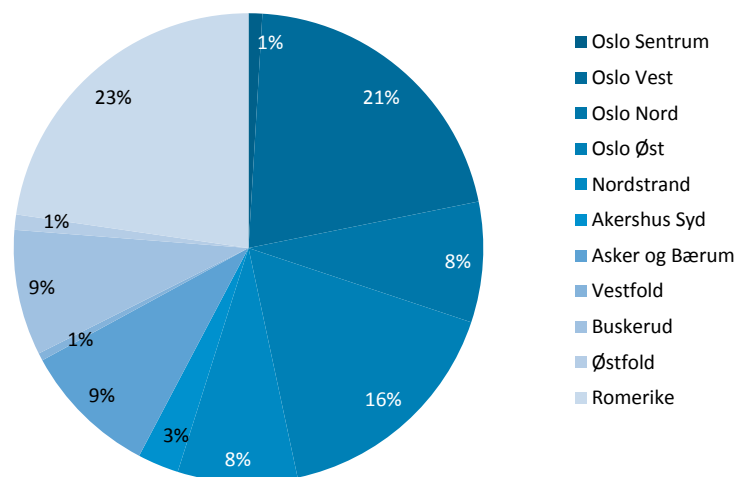
# REAL ESTATE (I) | STRONG MARKET POSITION



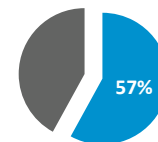
Real Estate credit exposure by collateral (NOKm) \* Σ = NOK 6,343m



Geographical Real Estate exposure (NOKm) \*\*



- 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

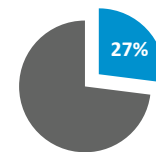
- The bank requires on average 20% to 40% equity to finance a property lot purchase
- Primarily financing of regulated lots purchased for development with a clear exit strategy
- The developer must demonstrate the ability to successfully complete projects and have experience with residential development
- 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 entire project
- External third-party professional building inspectors work on behalf of the bank to follow up every project on a monthly basis
- Primarily turnkey projects to minimise cost overruns

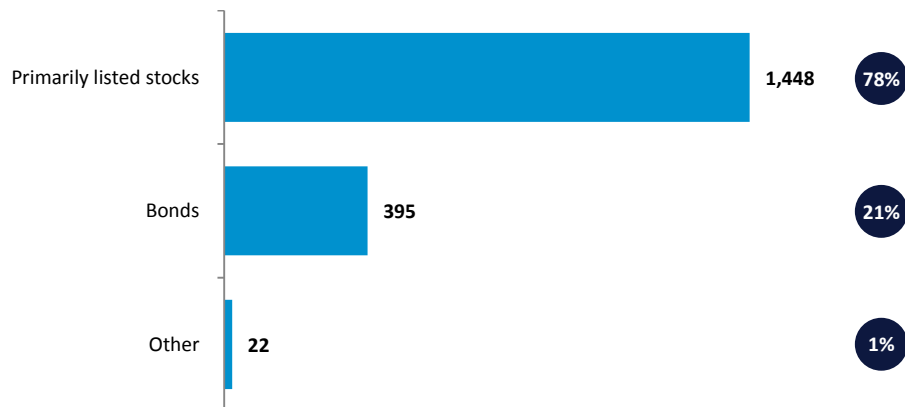


# SECURITIES & CORPORATES (I) | TRANSACTIONS \*



## Total securities exposure (NOKm)

Σ = NOK 1,865m

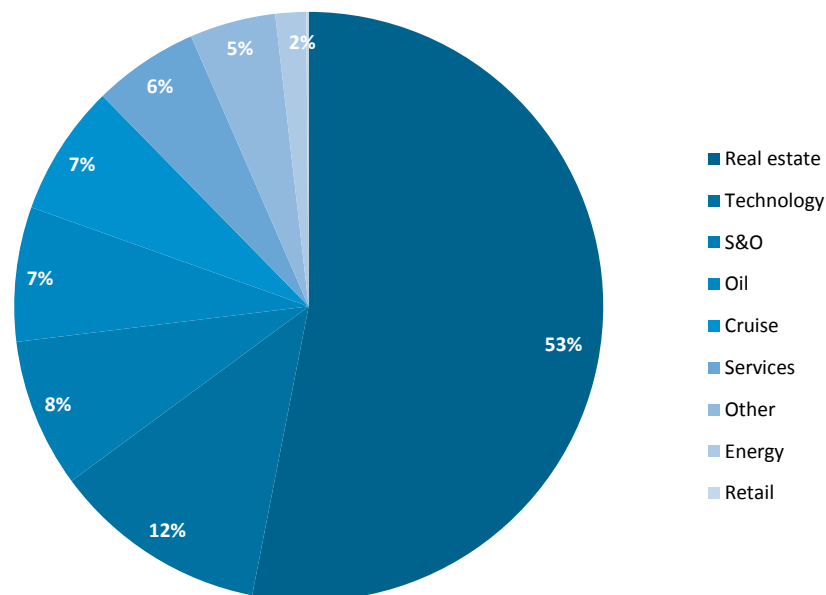


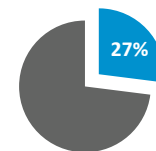
## Key comments

- A dedicated and highly skilled team of 3 FTE's 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 1,125m





## Securities financing

### Overview

- Total exposure of NOK 1,865m
- 362 customers of which only 45 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 1,125m
- 33 customers with credit facilities/guarantees in the range of NOK 1m to NOK 200m
- Exposure to a variety of industries

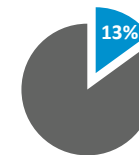
### Standard products

- Various forms of bridge financing in connection with investments and issues
- M&A financing
- Financing of investments with guarantees from financially sound 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 tailor-made financing for a specific project

# SHIPPING & OFFSHORE (I) | DIVERSIFIED LOANS \*

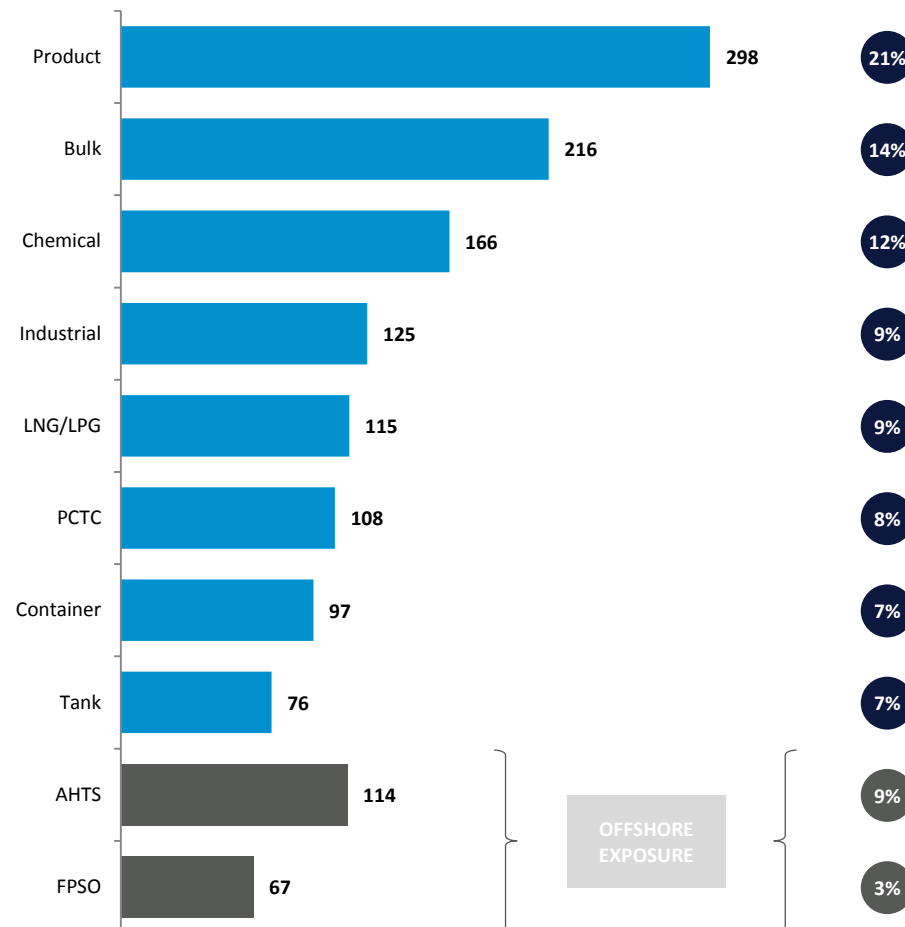


## Key comments

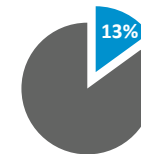
- 23 loans financing a total of 34 vessels
- Largest exposure is USD 13.1m; average size USD 7.0m
- Weighted average loan to value (LTV) is 65 %
- At origination only one loan has been approved with a LTV above 60 % (albeit with guarantees)
- Currently 8 loans have a LTV above 70 % based on updated valuations as of 31.03.2016. Including guarantees from owners/additional security/uncalled capital the number of loans above 70 % LTV drops to 3
- Only 3 loans and one guarantee towards the offshore sector: approx. 1.7% of total credit exposure
- 1 new project in 2016
- A dedicated and highly skilled team of 3 FTE's in addition to the head of S&O are responsible for the segment.

## Total S&O credit exposure (NOKm)

Σ = NOK 1,383m



# SHIPPING & OFFSHORE (II) | 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
- Projects should have a high quality charterer with transparent books
- Ships built in renowned shipyards, with liquid second-hand markets and well-proven designs
- The portfolio should be diversified and a single segment will normally not exceed 25% of the total S&O exposure over time

## 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 information sources
- 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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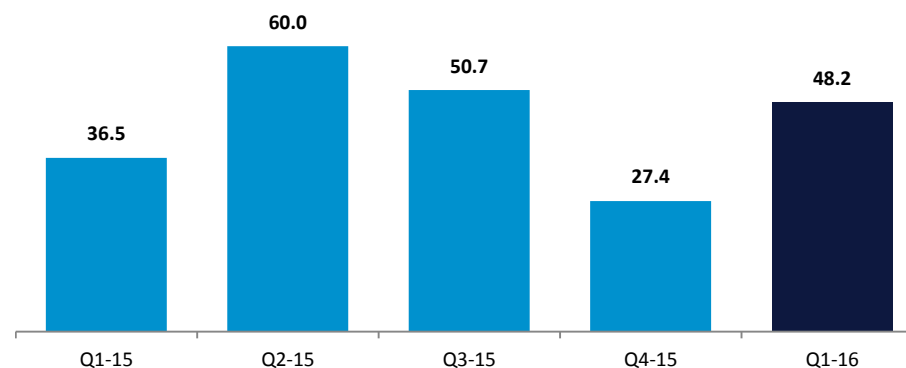
**6 AMBITIONS FOR 2016**

# FIRST QUARTER HIGHLIGHTS

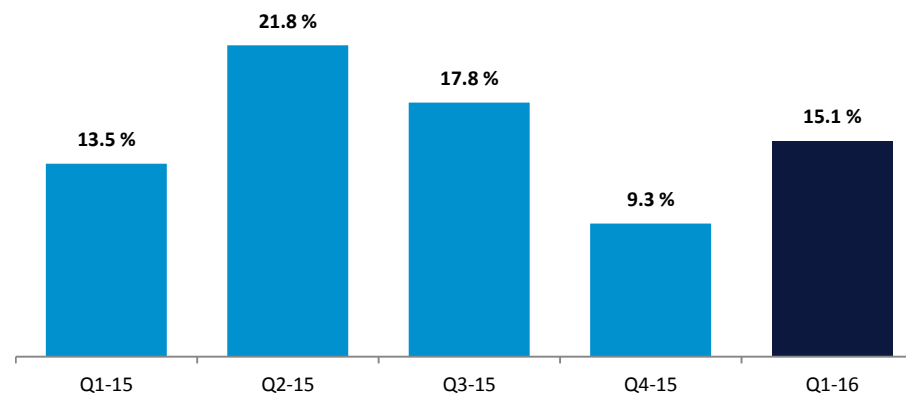
## Key figures 31.03.2016

I	PROFIT AFTER TAX	<b>NOK 48.2m</b> (NOK 36.5m)
II	NET INCOME	<b>NOK 89.3m</b> (NOK 74.2m)
III	RETURN ON EQUITY	<b>15.1%</b> (13.5%)
IV	COST / INCOME RATIO	<b>23.2%</b> (25.7%)
V	CET1 RATIO	<b>14.3%</b> (12.3%)

## Profit after tax (NOKm)



## Return on Equity



# QUARTERLY INCOME STATEMENT

## P&L (NOKm)

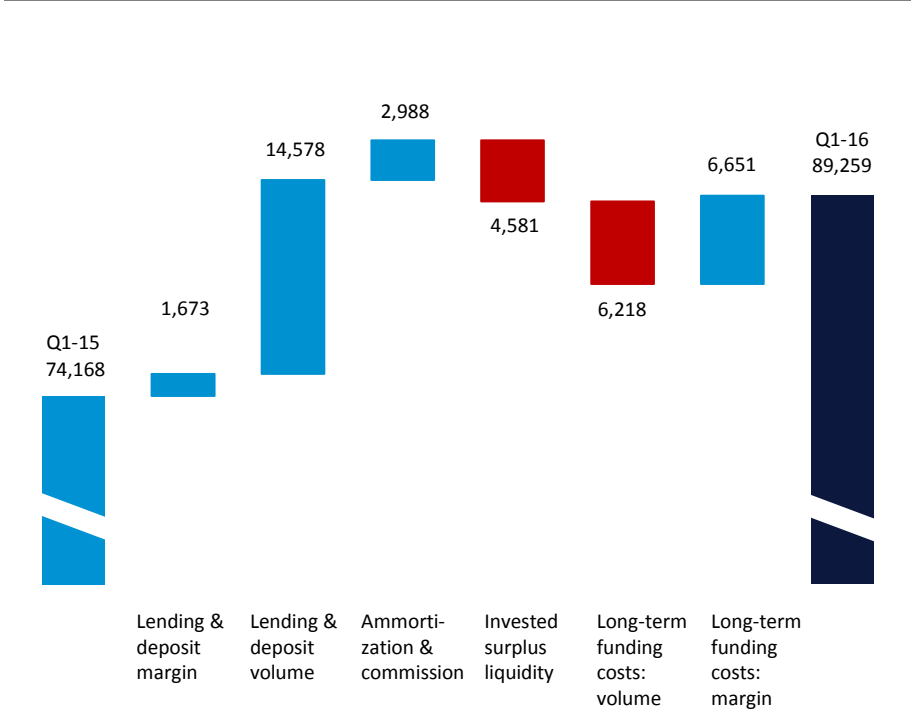
	Q1-16	Q1-15	2015	2014
Net Interest income	89.3	74.2	344.3	287.9
Total other operating income	6.7	-4.0	12.4	20.0
<b>Total net income</b>	<b>96.0</b>	<b>70.1</b>	<b>356.7</b>	<b>307.9</b>
<b>Total other operating expenses</b>	<b>22.3</b>	<b>18.0</b>	<b>83.0</b>	<b>79.8</b>
Operating result before losses / write-downs	73.7	52.1	273.7	228.1
Losses / write-downs on loans	9.5	2.0	31.6	7.9
<b>Operating result before tax</b>	<b>64.2</b>	<b>50.1</b>	<b>242.0</b>	<b>220.2</b>
tax payable	16.1	13.6	67.7	58.2
<b>Result after tax</b>	<b>48.2</b>	<b>36.5</b>	<b>174.3</b>	<b>162.0</b>
<i>Earnings per share (NOK)</i>	<i>0.93</i>	<i>0.86</i>	<i>4.10</i>	<i>3.81</i>

## Key comments

- Change in accounting principles in Q1-16:
  - Fee to Norwegian Banks' Guarantee Fund for 2016 of NOK 5.7m was charged in Q1-16
  - Tier 1 Hybrid loan capital classified as equity and interest expenses will hereafter be charged to equity
- The principle of assessing financial instruments at fair value may cause profits to fluctuate between quarters
- For Q1-16, total net gains were NOK 3.9m (NOK -7.4m)
- The bank made write-downs totaling NOK 9.5m (NOK 2.0m) in Q1-16
  - NOK 9.5m in individual provisions relating primarily to one loan within the shipping segment
- NOK 3.0m (NOKm 1.5) was allocated for profit sharing with employees

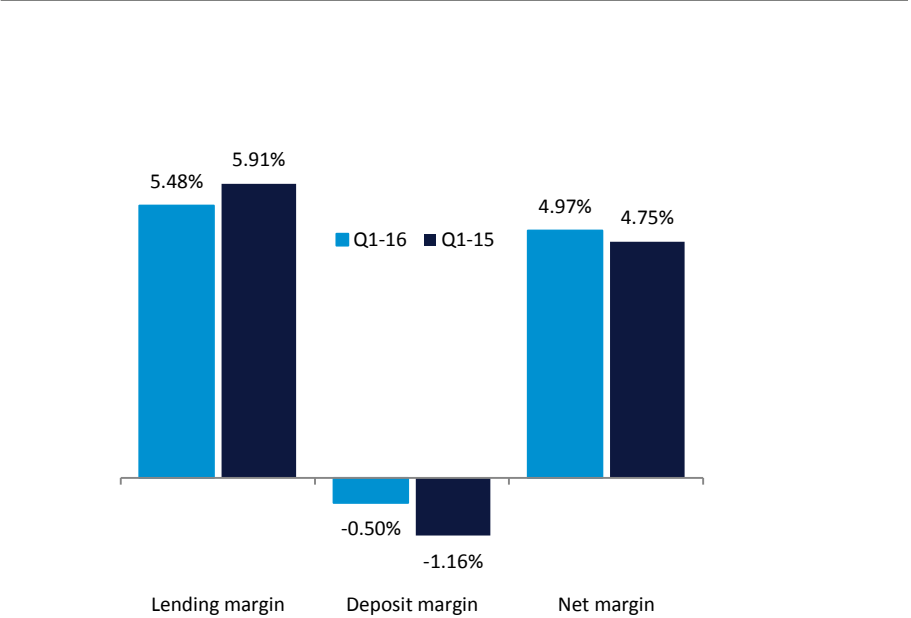
# GROWING NET INTEREST INCOME

Net interest income (NOKm)



- Increased net interest income largely due to increased lending and improved net margin
- Stricter liquidity requirements mean lower returns on surplus liquidity
- Improved long-term funding costs but increased credit spreads could reverse this trend

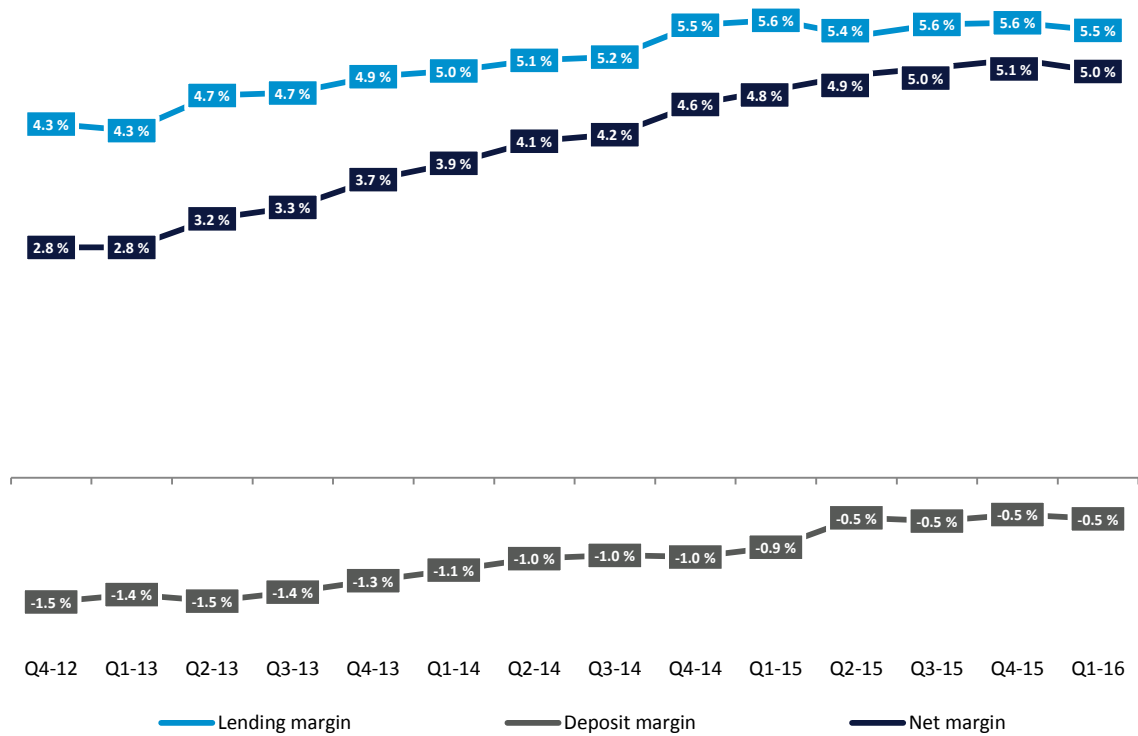
Net interest margins



- Net interest margin between deposits and loans increased by 0.22 percentage points over the last 12 months
- Reduced interest rates on deposits
- Lower credit spreads on new and renewed fixed-rate deposits

# CONTINUOUSLY IMPROVING OPERATIONAL FIGURES

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



## Key comments

- Increased lending volume
- Gradual shift in underlying loan portfolio composition
- Improved net margin
- Reduced interest rates on deposits
- High lending margin on new loans

# STRONG BALANCE SHEET

## BS (NOKm)

(NOK 1,000)	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
Cash and deposits with central banks	57.0	459.2	228.3	544.2	60.7
Lending to and deposits with credit institutions	796.0	362.5	298.6	292.9	406.9
Net lending to customers	8,368.0	7,930.6	7,486.8	7,569.2	6,842.5
Commercial paper and bonds	3,515.4	2,318.8	2,774.3	2,561.5	3,057.4
Shares and other securities	8.1	8.0	8.0	8.0	218.9
Financial derivatives	73.9	7.7	12.9	26.9	27.9
Intangible assets	25.4	25.9	26.0	26.5	26.8
Deferred tax assets	25.2	25.2	32.2	32.2	32.2
Fixed assets	0.8	0.8	0.2	0.2	0.3
Other assets	1.8	1.0	0.8	4.5	1.4
Prepaid costs and retained earnings	4.2	0.3	1.7	1.5	3.1
<b>Total assets</b>	<b>12,875.7</b>	<b>11,140.0</b>	<b>10,869.7</b>	<b>11,067.5</b>	<b>10,678.0</b>
Deposits from credit institutions	33.7	0.4	0.2	14.6	0.2
Deposits from customers	6,949.2	6,454.9	6,430.8	6,857.0	6,702.2
Senior securities issued	4,004.4	3,017.5	2,713.6	2,635.5	2,378.9
Financial derivatives	37.6	83.3	73.1	39.1	101.8
Payable taxes	71.3	58.0	85.0	67.3	69.0
Other liabilities	19.8	7.0	73.8	10.0	17.4
Accrued costs and prepaid income	14.8	18.7	17.6	16.2	14.8
Subordinated loan capital	150.2	150.1	150.1	150.3	150.2
<b>Total liabilities</b>	<b>11,280.9</b>	<b>9,790.0</b>	<b>9,544.2</b>	<b>9,790.1</b>	<b>9,434.5</b>
Equity	623.4	510.0	510.0	510.0	510.0
Other equity	811.3	680.0	655.5	607.5	573.5
Tier 1 Hybrid loan capital	160.0	160.0	160.0	160.0	160.0
<b>Total equity</b>	<b>1,594.8</b>	<b>1,350.0</b>	<b>1,325.5</b>	<b>1,277.5</b>	<b>1,243.5</b>
<b>Total liabilities and equity</b>	<b>12,875.7</b>	<b>11,140.0</b>	<b>10,869.7</b>	<b>11,067.5</b>	<b>10,678.0</b>

## 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 83%
- Change in accounting principles. Tier 1 Hybrid loan capital classified from subordinated loan capital to equity.

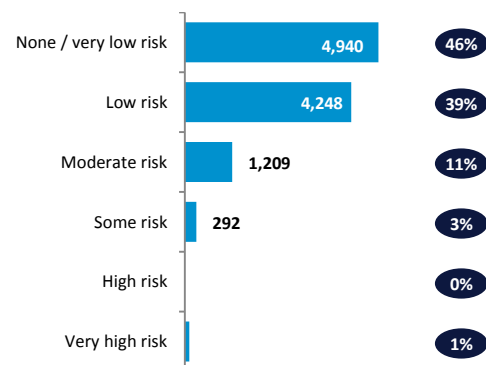
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# COMMITMENTS BY RISK CLASSIFICATION \*

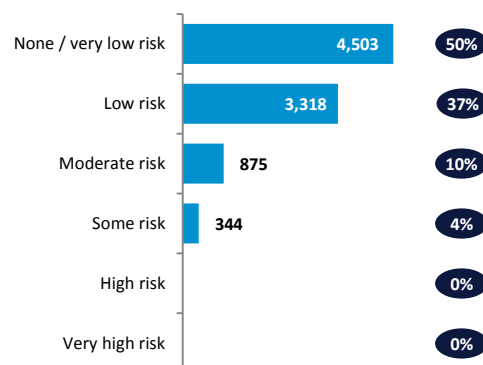
Q1-16

Σ = NOK 10,754m



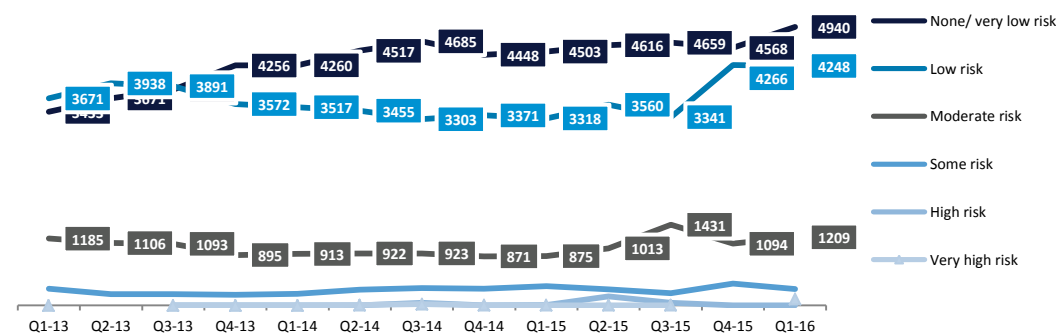
Q1-15

Σ = NOK 9,043m



## Key comments

- 85% of the portfolio is considered to have low to moderate risk
- 1% is considered very high risk
- Individual write-downs of NOK 25.0m primarily on two specific shipping loans in Q4-15 and Q1-16



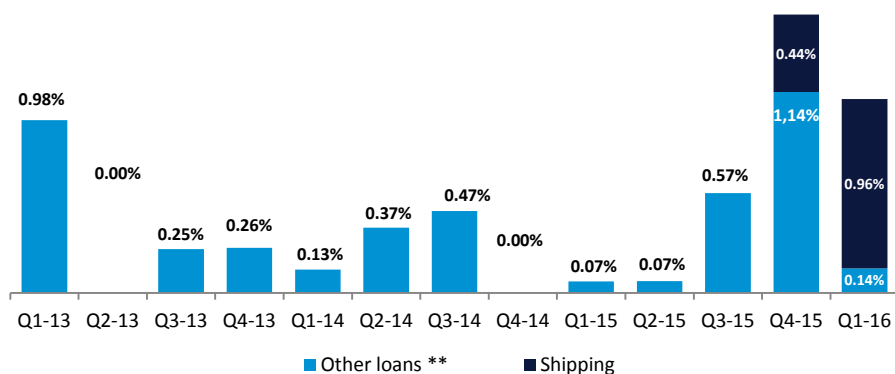
# COMMITMENTS BY SIZE \*



# LOAN PORTFOLIO QUALITY

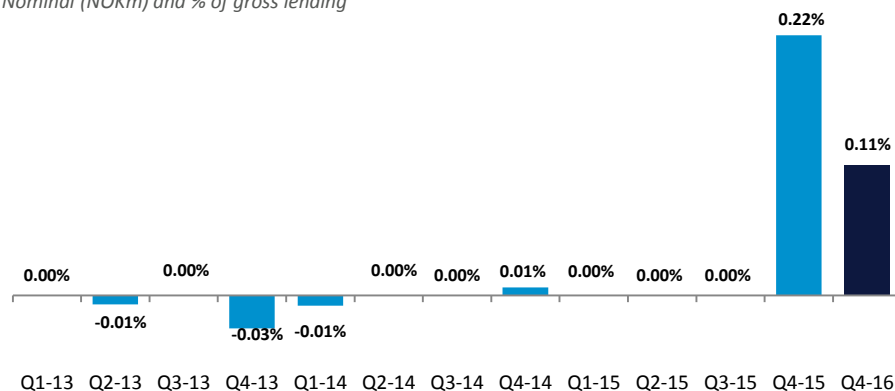
## Net non-performing and impaired loans \*

% of gross lending



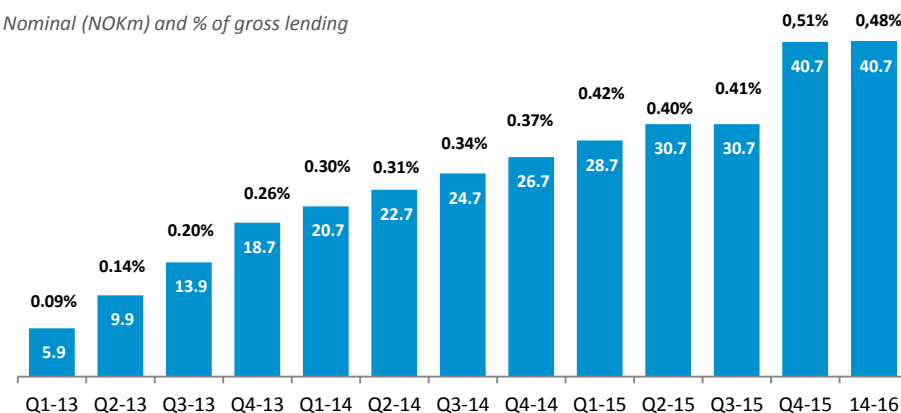
## Individual losses/write-downs/reversals on loans & guarantees

Nominal (NOKm) and % of gross lending



## Group provisions

Nominal (NOKm) and % of gross lending



- Net non-performing loans were reduced from NOK 126m (1.58% of gross lending) by the end of Q4-15 to NOK 12m (0.14%) by the end of Q1-16
- Two impaired shipping loans of net NOK 80.8m (0.96%) by the end of Q1-16
- These two loans are performing loans with total write-downs of USD 3m/NOK 25m (Q4-15 USD 2m, Q1-16 USD 1m)
- Group provisions unchanged at NOK 40.7m or 0.48% of gross lending by the end of Q1-16

# COMMENTS ON IMPAIRED LOANS

---

*“Impaired loans” are performing loans with write-downs.*

## **Shipping Loan 1 (Supramax bulkship)**

### **Write-down of MUSD 2 in Q4-15**

- During Q1 -16 the bank initiated a process to find new owners as the current owners were not in a position to financially support the investment.
- The bank contacted a number of Norwegian ship owners and investors, and after negotiations came to an agreement with a group of new owners.
- The new owners have contributed with new working capital and capital for docking in 2017.
- The ship was handed over to the new owners on the 4<sup>th</sup> of April.
- Updated valuations indicate that the ship value is above the current outstanding loan amount after write downs.

## **Shipping Loan 2 (Panamax bulkship)**

### **Write-down of MUSD 1 in Q1-16**

- During Q1 -16 the negotiations with existing owners did not move forward, and the bank initiated a process to find new owners for the ship.
- In February the bank entered into a long term agreement with a financially solid ship owner.
- The ship was handed over end March.
- The final outcome of this project is dependent on the future market value of the ship.
- Updated valuations indicate that the ship value is above the current outstanding loan amount after write downs.

## **Market comment**

The Baltic Dry Index hit historical low levels in February 2016. Since the restructurings described above, the Baltic Dry Index has increased by more than 100 %, but high market volatility is expected going forward .

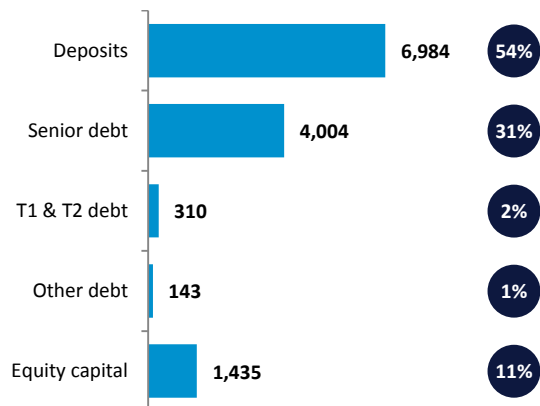
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# FUNDING (1) | OVERVIEW \*

## Sources (NOKm)

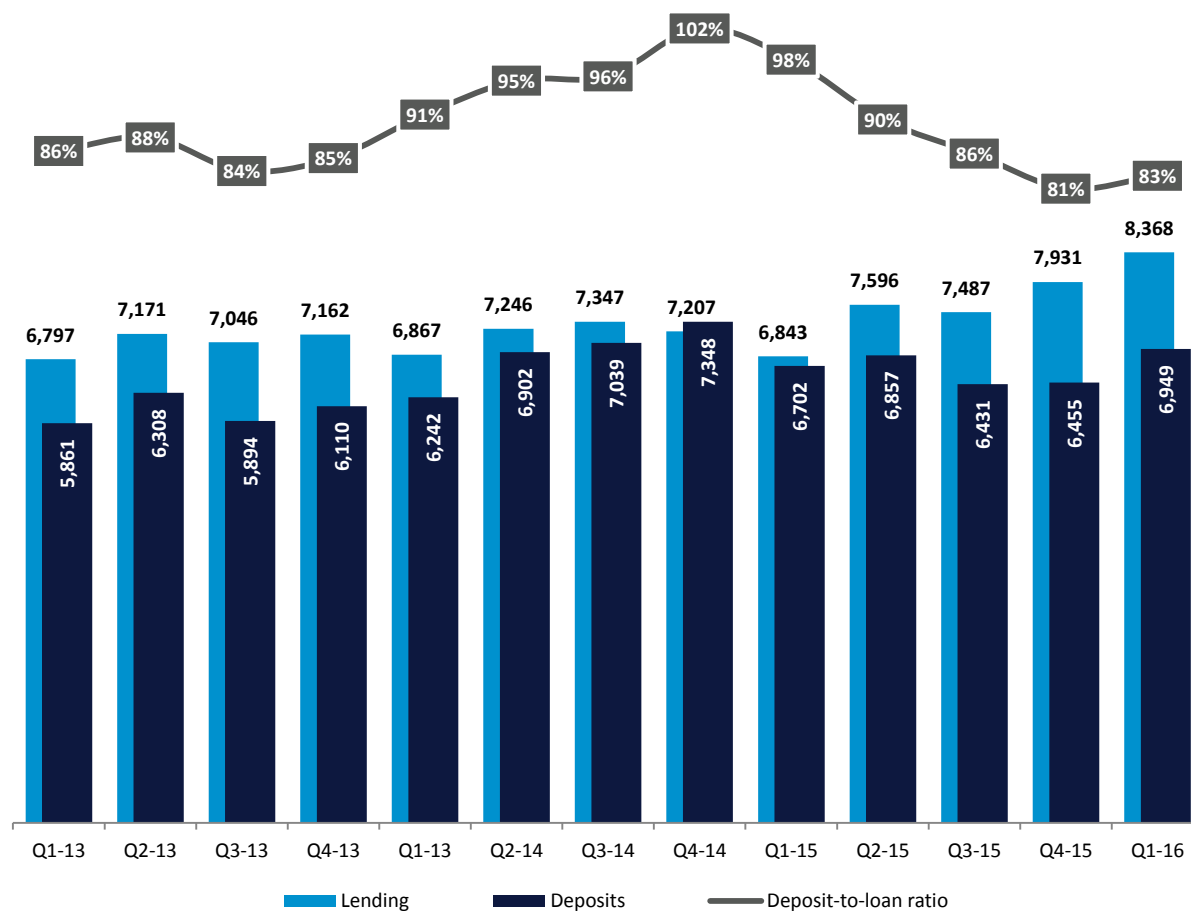
Σ = NOK 12,876m



## Key ratios

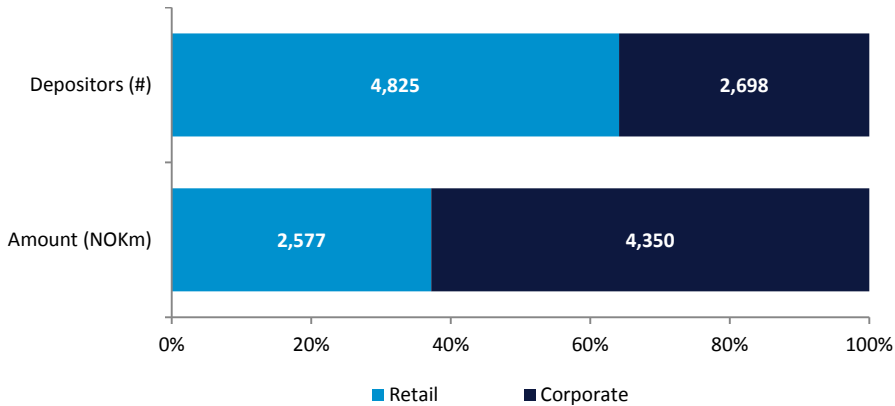
Deposits with liquidity restrictions	46 %
Corporate deposits	63 %
Deposit-to-loan ratio	83 %
Long-term NFSA liquidity ratio	128 %
LCR	250%

## Historical development in deposits vs. lending (NOKm)

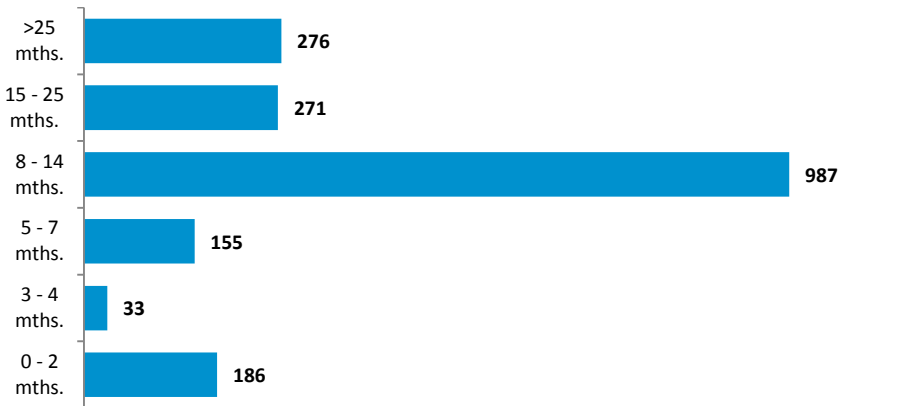


# FUNDING (II) | CUSTOMER DEPOSITS \*

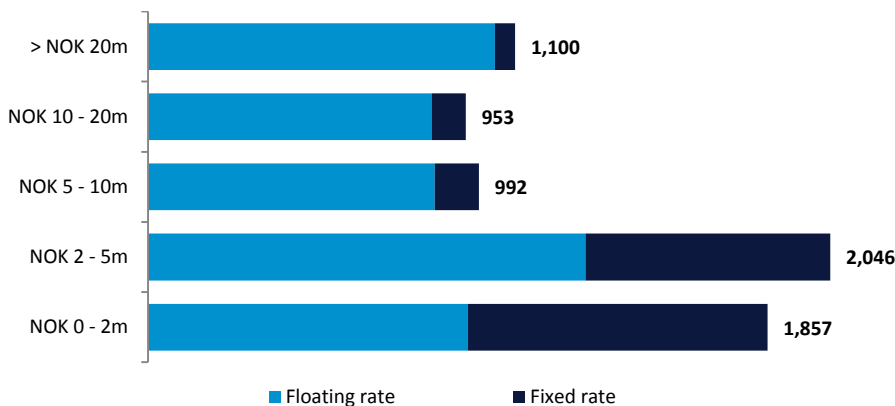
## Deposit allocation



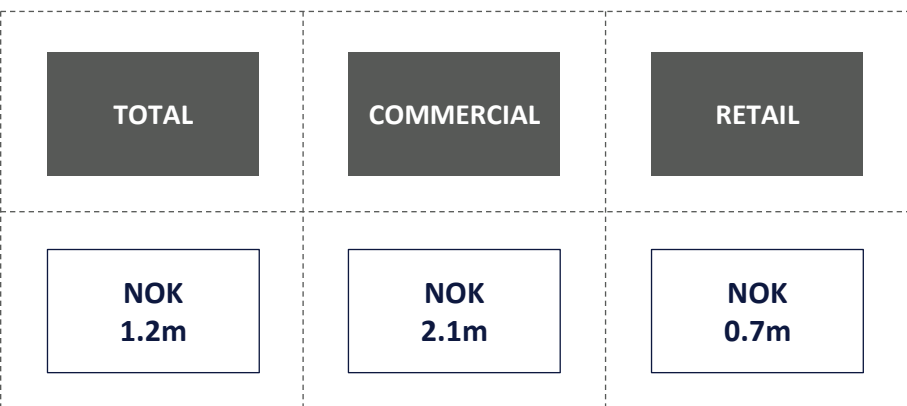
## Fixed rate deposits (NOKm) - time to maturity (months) $\Sigma = \text{NOK } 1,908\text{m}$



## Deposits by size (NOKm) $\Sigma = \text{NOK } 6,949\text{m}$

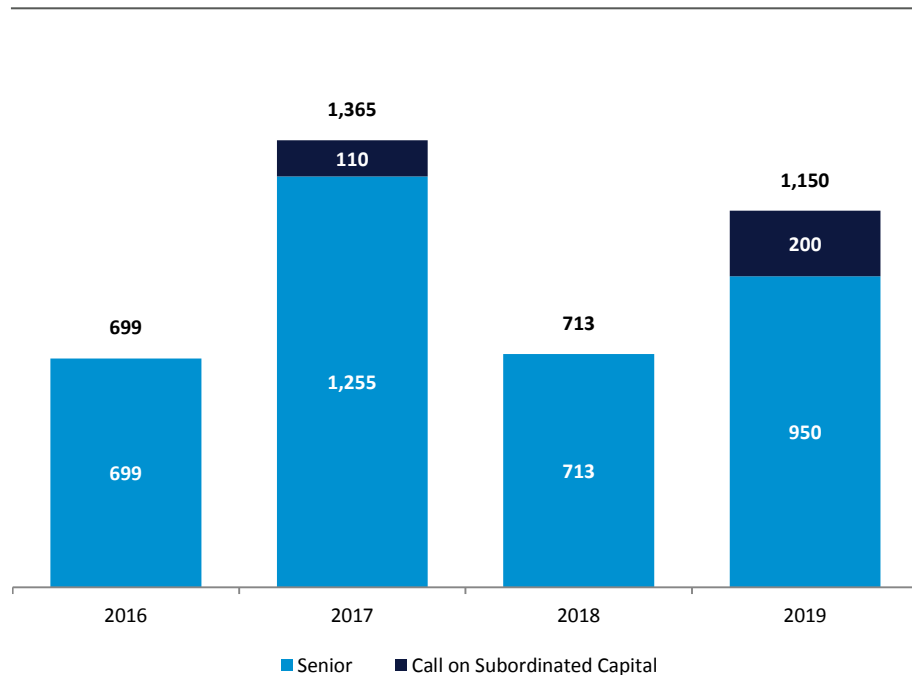


## Average deposit per customer (NOK)



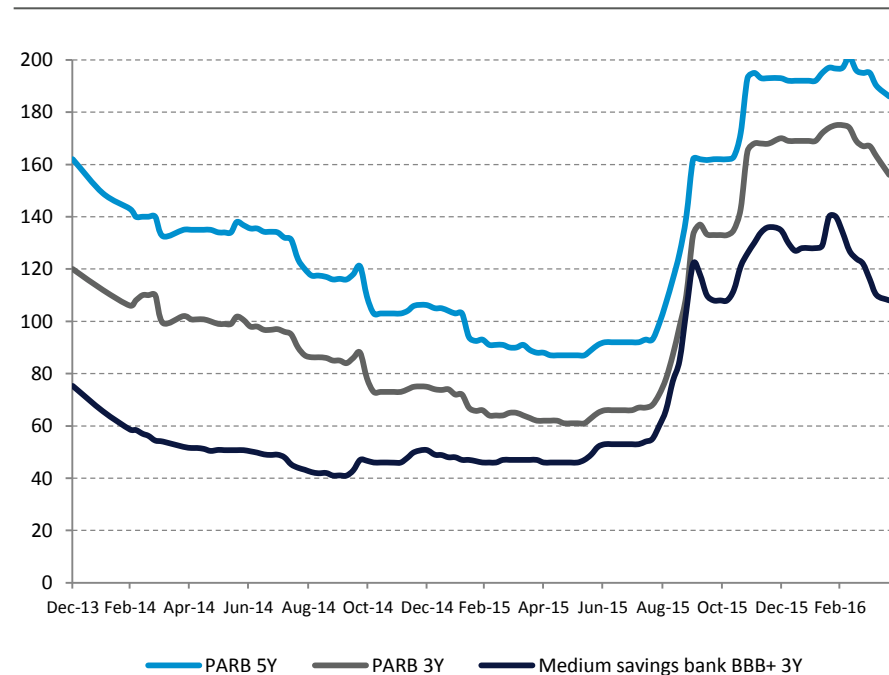
# FUNDING (III) | MARKET FUNDING \*

Market funding maturities - net of own holdings (NOKm)



- Pareto Bank has issued two certificates and seven senior unsecured bonds as of 20 April 2016
- 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

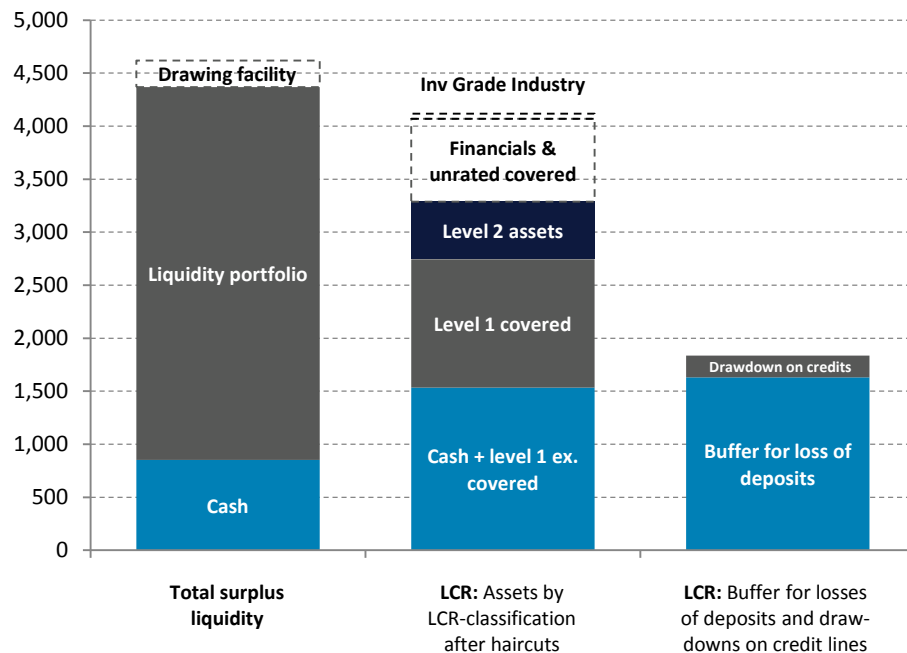
Credit spreads (bps)



- Credit spreads increase during the second half of 2015 has been partially reversed
- Pareto Bank's focus is on continuously improving investor relations through transparent pricing and providing liquidity by market making

# SURPLUS LIQUIDITY \*

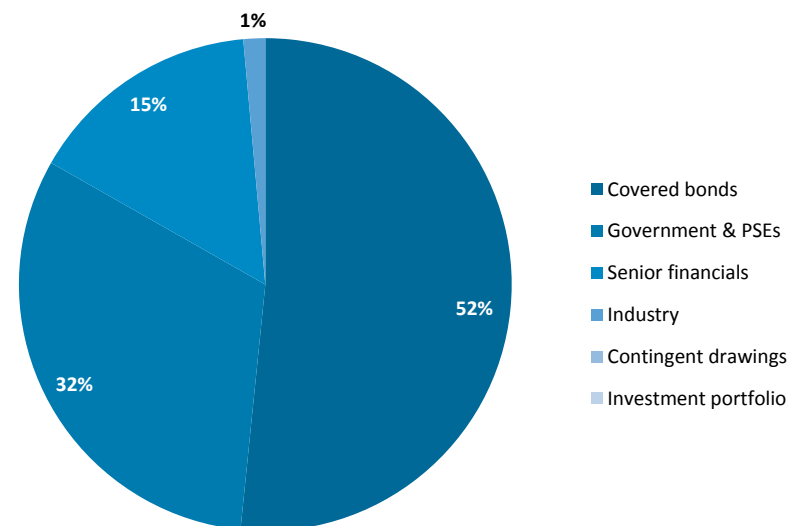
## Comfortable liquidity buffer (NOKm)



- 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)

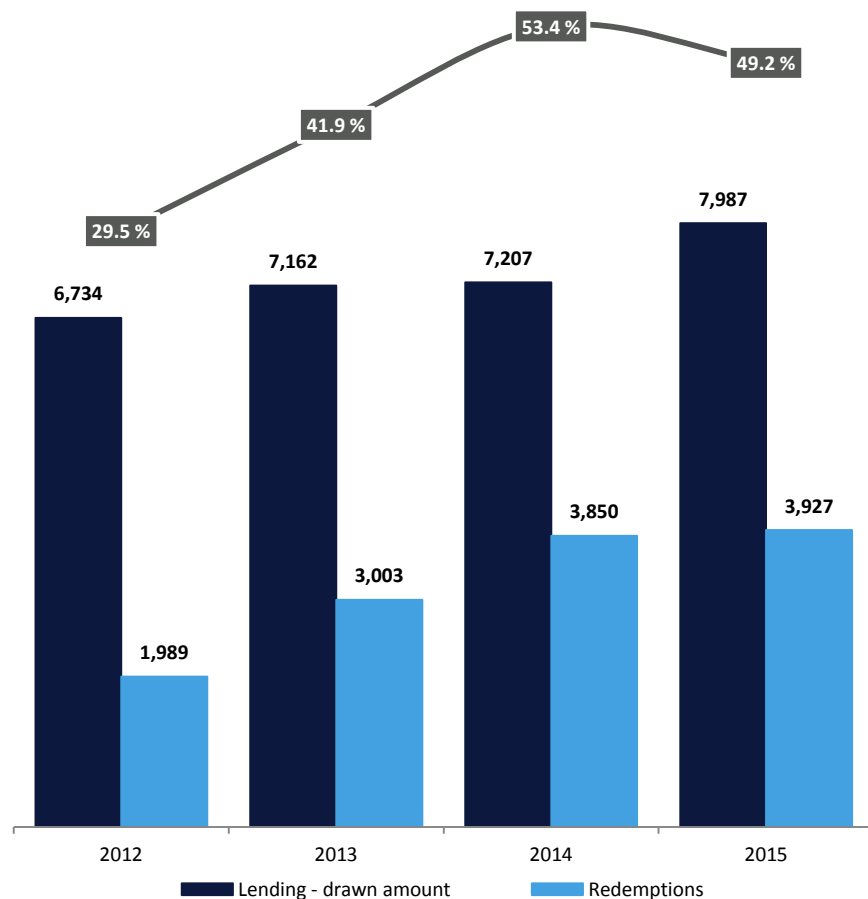
Σ = NOK 3,516m



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

# 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 the bank the following abilities:*



*Comply quickly with new capital requirements*



*Shift risk quickly from one segment to another*



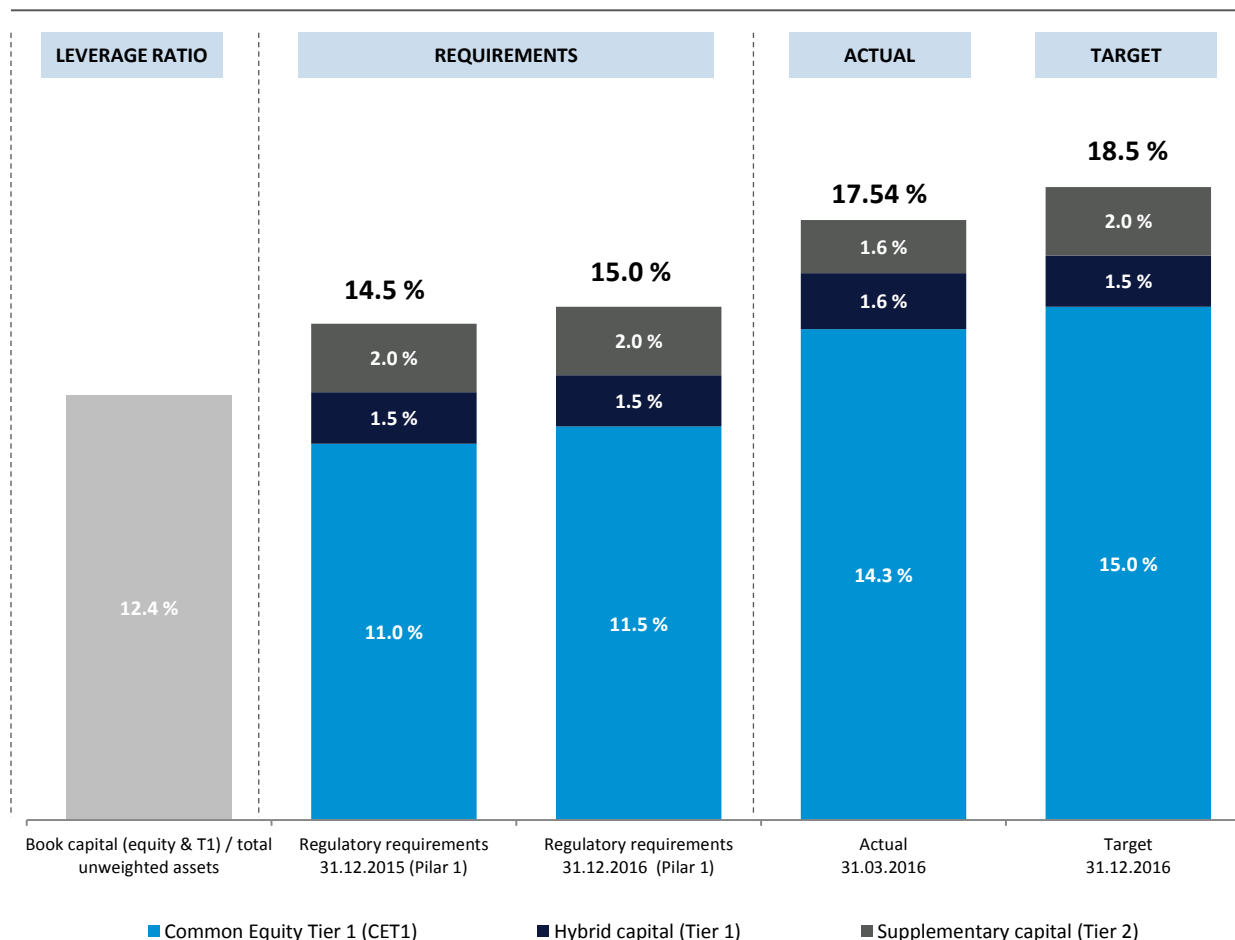
*Always be open for new business*



*Somewhat more challenging to maintain growth*

# FINANCIAL STRENGTH AND CAPITAL TARGETS

Pareto Bank capital ratios, requirements and targets \*

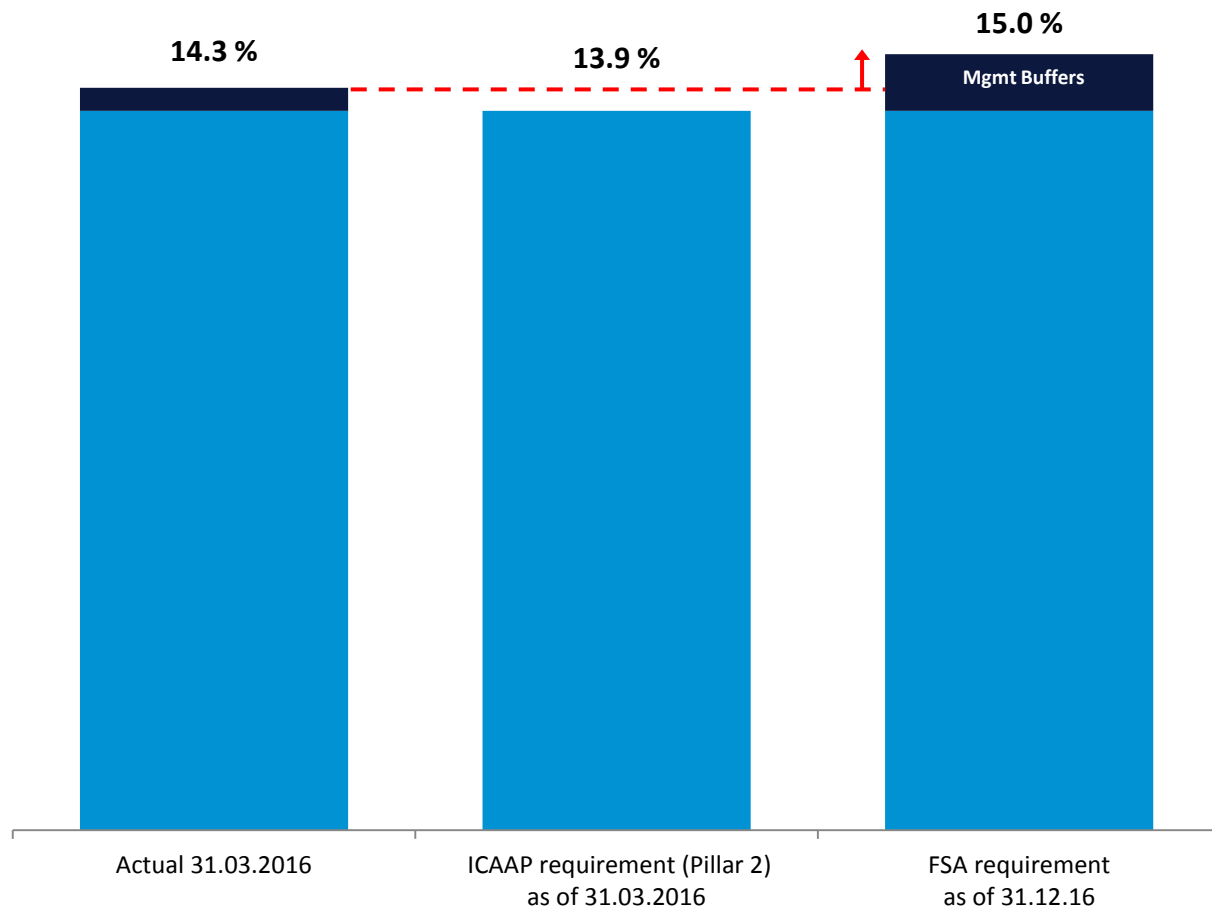


## Key comments

- 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 Norwegian FSA. 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 13.9% as of 31.03.2016
- 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 retained profits and moderate lending growth

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# FINANCIAL TARGETS **AND** DIVIDEND POLICY

	31.03.2016 STATUS	31.12.2016 TARGET	
ROE	15.1%	> 15.0%	Cost effective and commercially oriented bank
CAPITAL ADEQUACY	14.3%	15.0% *	CET1 capital in line with NFSA requirements
DIVIDEND POLICY	30-50% **	30-50% **	The actual payout ratio will depend on the growth potential within the bank's market
LENDING GROWTH	NOK 437m	NOK 800m	Attractive niche market development with reduced credit supply and improved margins

# PORTFOLIO GOALS FOR 2016

BUSINESS AREAS	MARKET	STATUS	GROWTH TARGETS
<b>Real estate</b> 	<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 300-400m</p>
<b>Securities &amp; Corporates</b> 	<p>Potential customized corporate financing</p>	<p>Stronger focus on corporate financing</p>	<p>Net growth of approximately NOK 200-300m</p>
<b>Shipping &amp; offshore</b> 	<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 200m</p>

 Pareto bank