



PARETO BANK

Financial Results

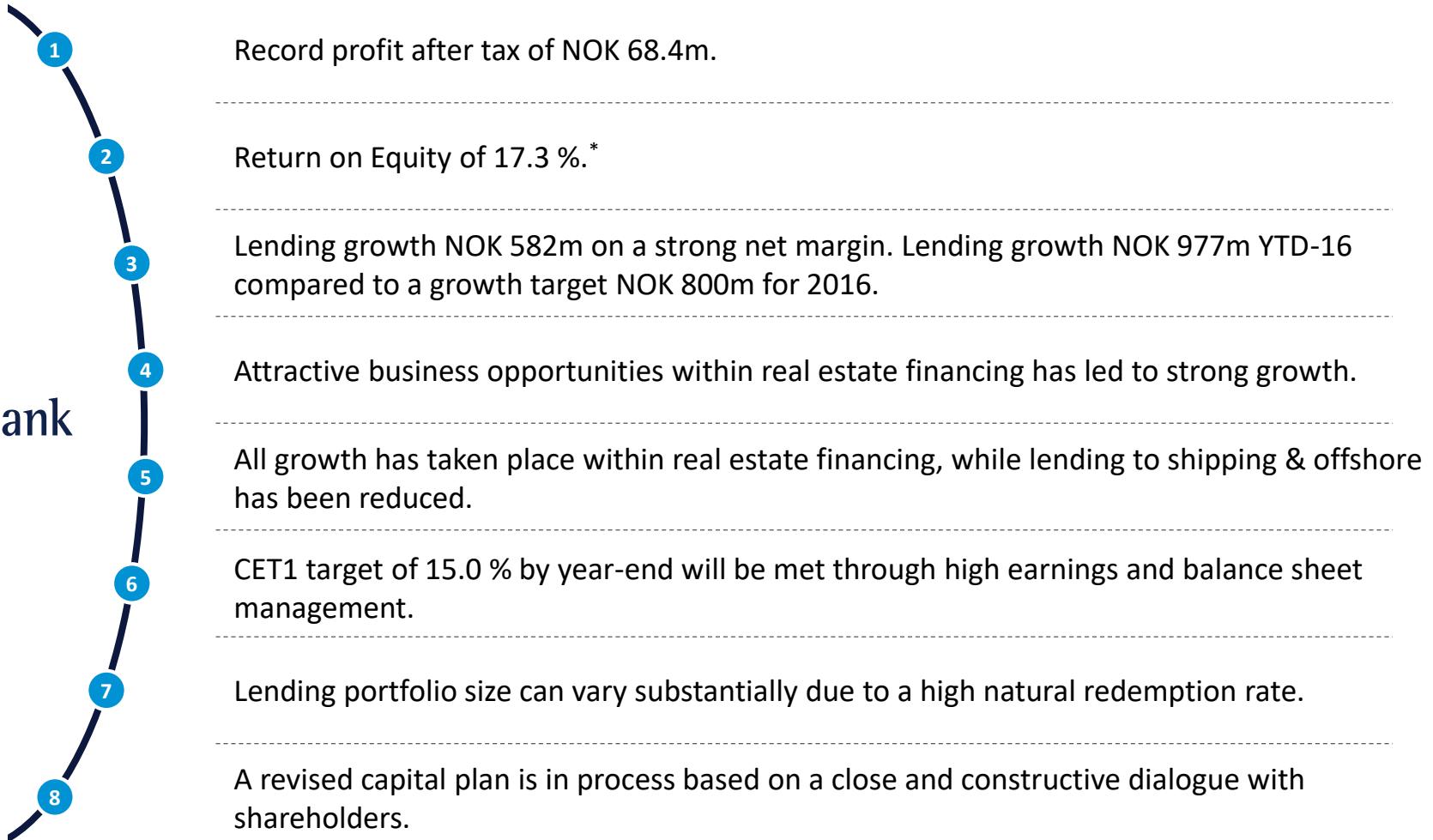
Third Quarter 2016

TABLE OF CONTENTS

- 1 PARETO BANK AT A GLANCE**
- 2 BUSINESS AREAS**
- 3 FINANCIAL HIGHLIGHTS**
- 4 CREDIT RISK**
- 5 FUNDING AND CAPITAL**
- 6 AMBITIONS FOR 2016**

THIRD QUARTER HIGHLIGHTS

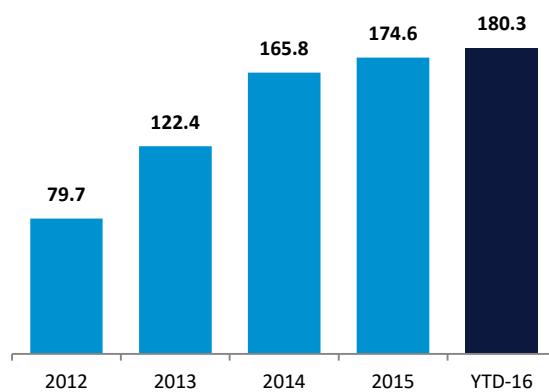
Pareto bank



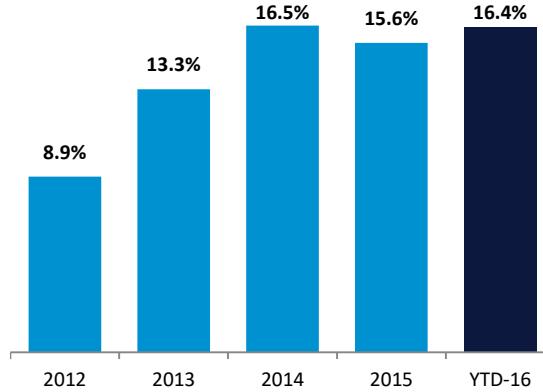
- 1 Record profit after tax of NOK 68.4m.
- 2 Return on Equity of 17.3 %. *
- 3 Lending growth NOK 582m on a strong net margin. Lending growth NOK 977m YTD-16 compared to a growth target NOK 800m for 2016.
- 4 Attractive business opportunities within real estate financing has led to strong growth.
- 5 All growth has taken place within real estate financing, while lending to shipping & offshore has been reduced.
- 6 CET1 target of 15.0 % by year-end will be met through high earnings and balance sheet management.
- 7 Lending portfolio size can vary substantially due to a high natural redemption rate.
- 8 A revised capital plan is in process based on a close and constructive dialogue with shareholders.

SOLID FOUNDATION AND STRONG PERFORMANCE

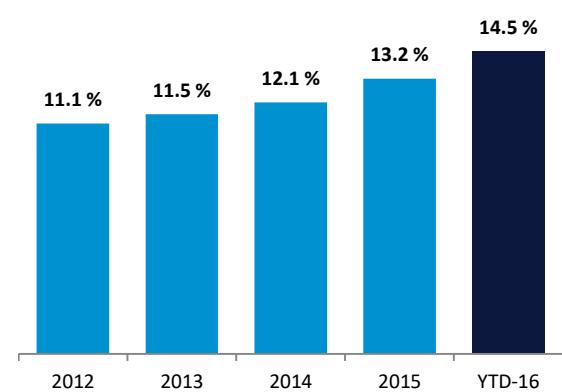
Result after tax (NOKm)



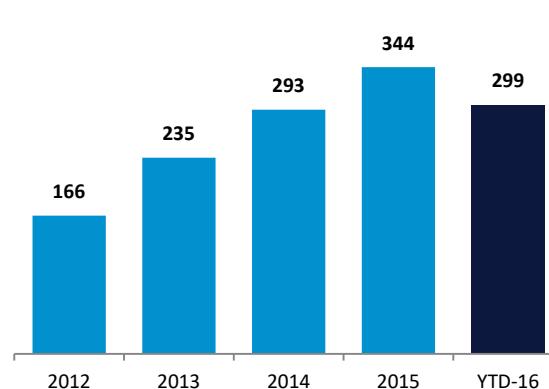
Return on Equity *



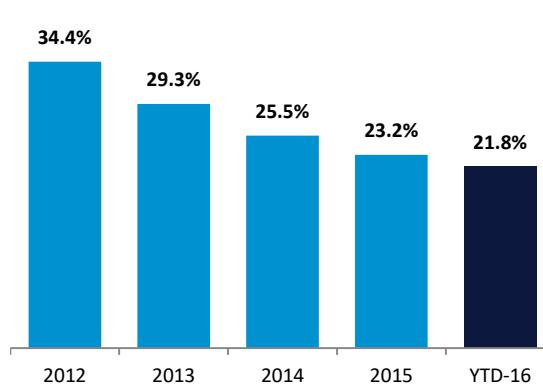
CET1 ratio **



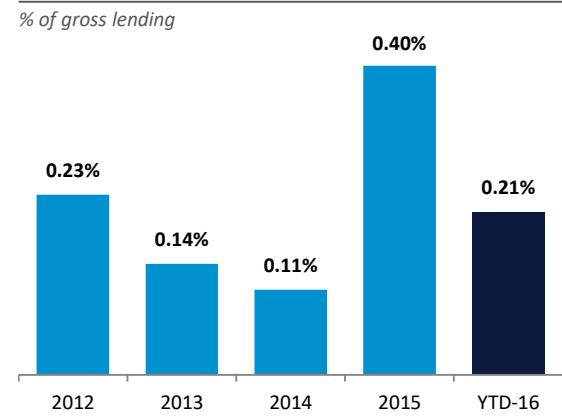
Net interest income (NOKm)



Cost/income ratio



Loss ratio

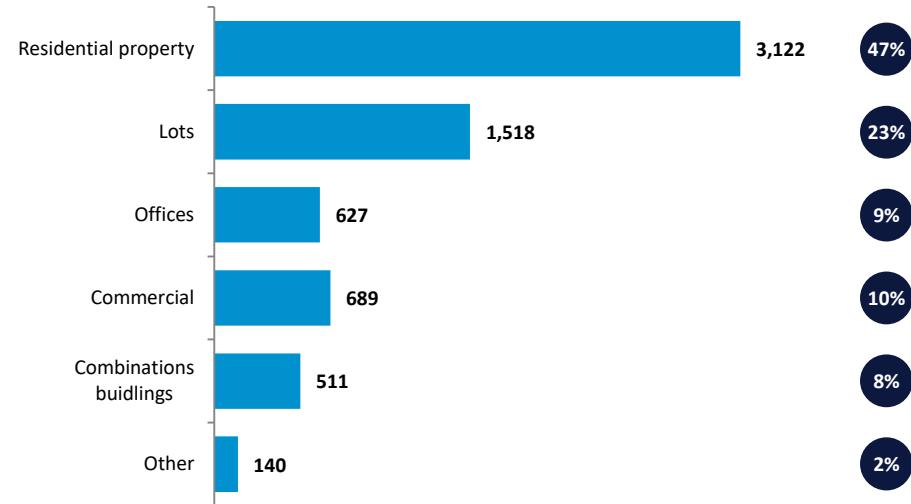


NORWAY'S LEADING PROJECT BANK

BUSINESS AREAS	PROJECTS / CREDITS	AREA EXPOSURE	AVG. PRINCIPAL
Real estate	 <ul style="list-style-type: none">1. Construction financing2. Project financing3. Commercial property financing	58 %	NOKm 25-50
Securities & Corporates	 <ul style="list-style-type: none">1. Securities financing2. Bridge financing3. M&A financing	27 %	NOKm 5-30
Shipping & Offshore	 <ul style="list-style-type: none">1. Shipping projects2. Norwegian ship owners3. Family offices	12 %	USDm 5-10

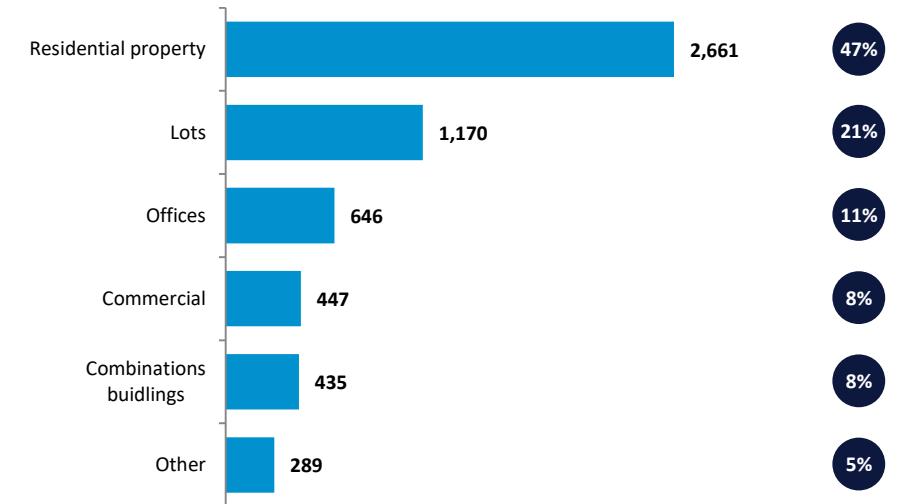
REAL ESTATE | ATTRACTIVE BUSINESS OPPORTUNITIES

Q3-16: Real Estate credit exposure (NOKm)



Σ = NOK 6,607m

Q4-15: Real Estate credit exposure (NOKm)



Σ = NOK 5,649m

- Attractive business opportunities within residential property development due to historically low interest rates and a strong demand for housing in the Oslo area
- The bank's market risk is softened by a high demand for housing: projects are quickly sold
- High focus on cash covenants to prepare for a potential negative market development

SHIPPING & OFFSHORE | REVISION OF STRATEGY

Status

- Total credit exposure within Shipping & Offshore has been reduced by NOK 189m from NOK 1,533m (15 % of total exposure) in Q4-15 to NOK 1,344m (12 % of total exposure) in Q3-16
- Exposure to the offshore segments is 1.3 % of total credit exposure
- Three new loans have been granted in 2016 towards solid industrial Norwegian clients
- There is currently little competition from other shipping and offshore banks
- Several shipping markets and most offshore markets are currently at a low point and visibility is poor going forward

Revision of strategy

- Management has a critical eye on the bank's shipping & offshore lending activities
- Current strategy is under revision given the negative market outlook in general, the bank's recent experiences and close dialogues with key shareholders
- The strategy revision will be completed by Q1-17
- A more restrictive credit policy already applies and will apply going forward
- Main focus is primarily on Norwegian ship owners and family offices

CORPORATE FINANCING | AN OPPORTUNITY

Ambition

- Pareto Bank will become a leading provider of tailor-made and transaction based financing solutions to investors/owners/family offices and small and medium-sized enterprises (SMEs)

What we do

- Bridge financing to wealthy investors, owners, family offices with a specific investment opportunity or funding gap
- M&A and LBO financing to Norwegian small and medium-sized enterprises (SMEs)

Value Proposition: Access to capital and liquidity. Fast.

- Our value proposition lies in the transaction phase of an investment
- We offer a professional and dedicated credit team that quickly and efficiently structures tailor-made financing of specific projects and transactions

The Market: Large and with limited competition

- Tailor-made bridge financing to Norwegian investors is not a focus area for banks
- This is a niche product that represents an opportunity for Pareto Bank with a pure transaction/project focus
- The larger banks allocate capital to private customers and large corporates and transactions
- SMEs represent 99 % of all Norwegian enterprises, but receive little or no attention with regards to transactions from NOK 20 to 200m
- The bond market is no real alternative as the amounts are too small. Transactions are often too large and too complex for local savings banks.

Én av tre søker merker bankenes innstramming

Data fra Norges Bank og Virke viser at bankene har blitt strengere med å gi lån til norske bedrifter. Mandag har Monica Mæland kalt inn til hastemøte.



MONICA MÆLAND: Næringsminister Monica Mæland har møtt inn til et møte om kapitalstrømmer fra bankene. Under møtet ble det også uttalt at det er etterspørsel etter lån fra bedriftene.

Source: E24



- Det er stor frustrasjon hos flere av medlemsbedriftene, sier administrerende direktør Morten Berge i Bedriftsforbundet. Foto: Aleksander Nordahl

Finans Bank

Frykter kapitaltørke

Bedrifter med inntil ti ansatte opplever oftest stengt dør hos bankene. - Mange frykter kapitaltørke i løpet av kort tid, sier leder Morten Berge i Bedriftsforbundet.

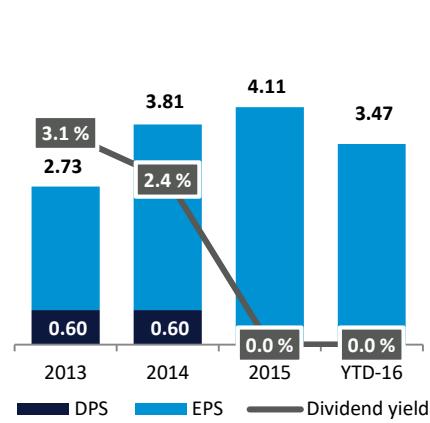
Source: DN

THE SHARE *

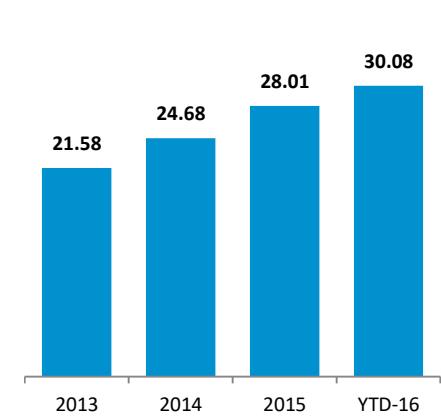
Share price development since registration on NOTC in March 2014



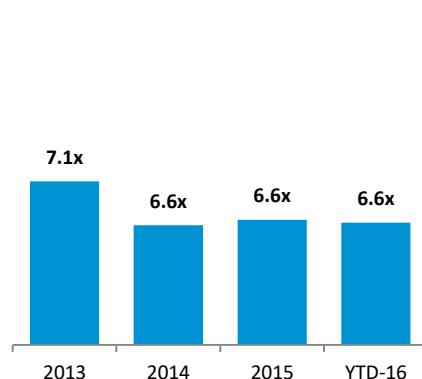
EPS, DPS (NOK) & Dividend Yield



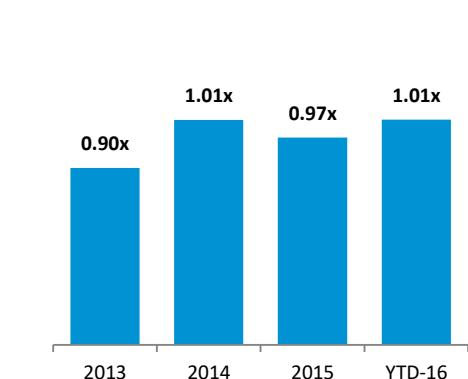
Book equity per share (NOK)



Price / Earnings



Price / Book



LARGEST SHAREHOLDERS AS OF 16.10.2016

#	Investor	Country	Type	16.10.2016	
				# of shares	% total
1	Pareto AS	NOR	Corporate	7,886,940	15.18%
2	Pecunia Forvaltning AS	NOR	Corporate	5,195,302	10.00%
3	Arne Helge Fredly	LUX	Private investor	4,000,000	7.70%
4	Indigo Invest AS	NOR	Corporate	3,874,321	7.46%
5	Saga Tankers ASA	NOR	Corporate	3,255,990	6.27%
6	Perestroika AS	NOR	Corporate	2,336,639	4.50%
7	Verdipapirfondet Pareto Investment Fund	NOR	Corporate	1,099,022	2.12%
8	Kolberg Motors AS	NOR	Corporate	1,000,000	1.92%
9	GH Holding AS	NOR	Corporate	888,073	1.71%
10	Verdipapirfondet Landkredit Utbytte	NOR	Corporate	800,000	1.54%
11	Artel Holding AS	NOR	Corporate	796,326	1.53%
12	Profond AS	NOR	Corporate	727,287	1.40%
13	Castel AS	NOR	Corporate	609,768	1.17%
14	Belvedere AS	NOR	Corporate	574,045	1.10%
15	Apollo Asset Ltd.	GIB	Corporate	564,642	1.09%
16	Uthalden AS	NOR	Corporate	537,667	1.03%
17	Centennial AS	NOR	Corporate	522,591	1.01%
18	Ola Rustad AS	NOR	Corporate	518,023	1.00%
19	Apollo Asset Management Ltd.	CYM	Corporate	500,000	0.96%
20	Eiendomsutvikling Kristiansand AS	NOR	Corporate	458,909	0.88%
Sum TOP 20				36,145,545	69.57%
Other shareholders				15,807,477	30.43%
Total				51,953,022	100.00%

- The Company has 51,953,022 shares outstanding
- One class of shares where one share carries one voting right
- Diversified investor base with 582 shareholders
- ~58% and ~70% of the shares are held by top-10 and top-20 investors, respectively
- Employees & management in Pareto Bank and top management in the Pareto Group own ~2.6% (~NOK 41.7m) *
- All employees are covered by an annual bonus compensation scheme settled in Pareto Bank shares
- For 2015 the net bonus scheme cost was ~NOK 4.2m (gross ~NOK 10.8m)

TABLE OF CONTENTS

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- 2 BUSINESS AREAS**
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- 4 CREDIT RISK**
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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

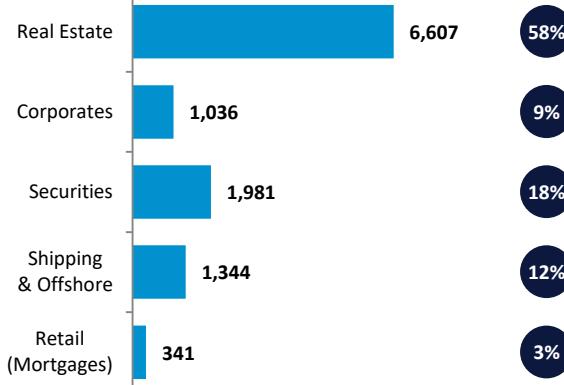
A full scale provider of securities & corporate financing including investment services

Shipping & Offshore

Gradually building a diversified shipping and offshore portfolio

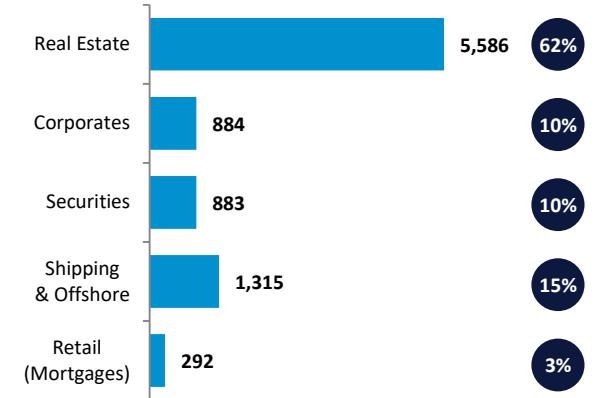
Gross credit exposure (NOKm)

$\Sigma = \text{NOK } 11,309\text{m}$



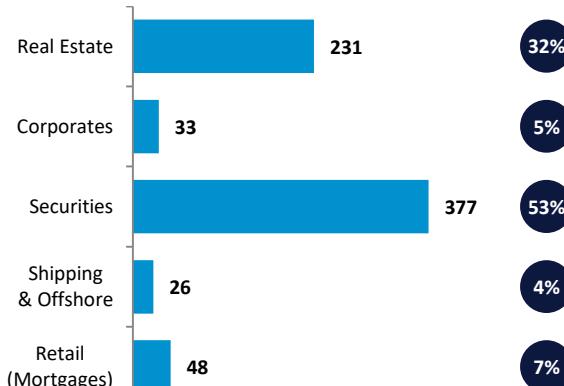
Gross total lending (NOKm)

$\Sigma = \text{NOK } 8,960\text{m}$



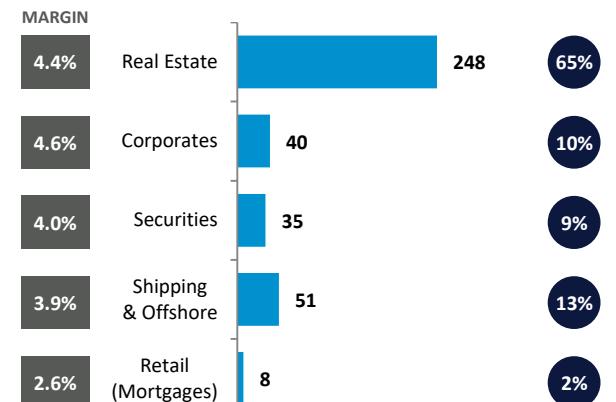
Number of active clients

$\Sigma = \# 715$

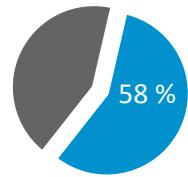


Interest contribution (NOKm) **

$\Sigma = \text{NOK } 382\text{m}$

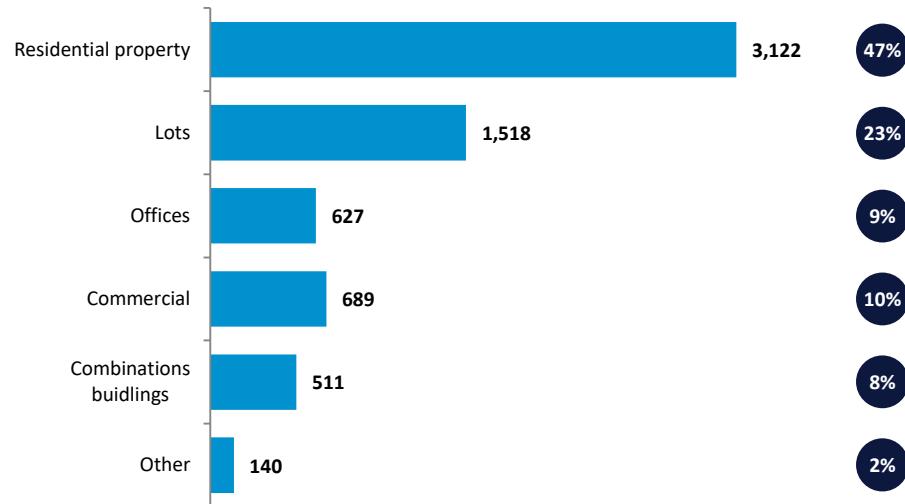


REAL ESTATE (I) | STRONG MARKET POSITION *

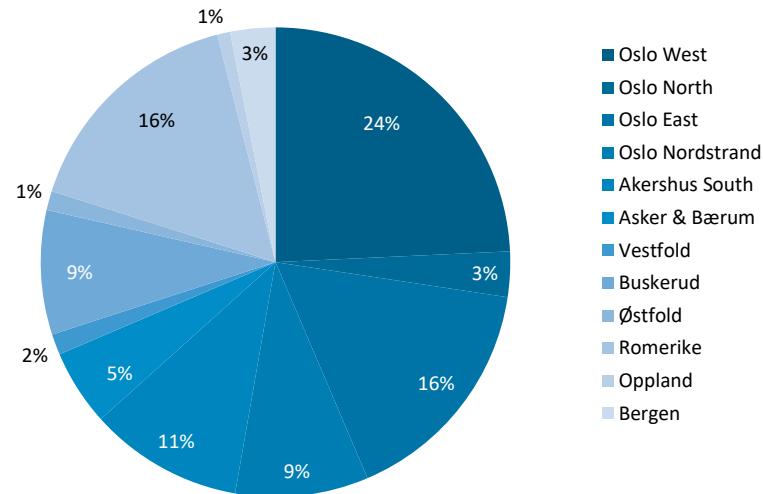


Real Estate credit exposure (NOKm)

$\Sigma = \text{NOK } 6,607\text{m}$

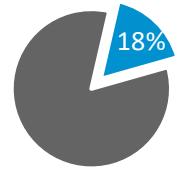


Geographical residential property exposure (NOKm) **

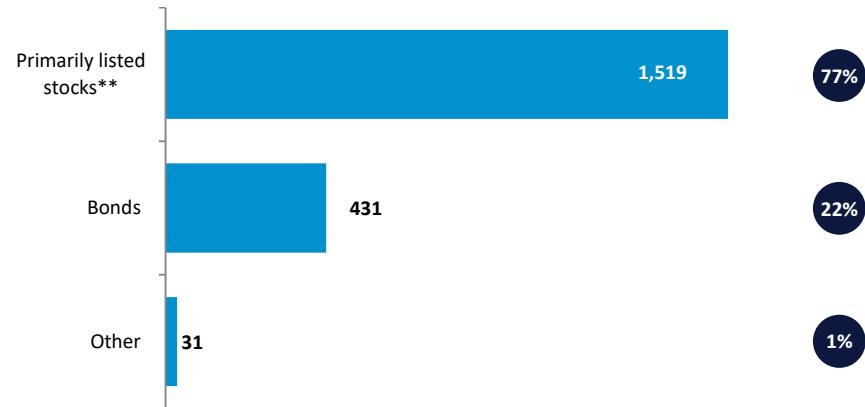


- Strong market position within residential property construction in the Oslo region
- Primarily financing of regulated lots with a potential for property development
- A typical project is composed of lot financing and a building construction facility in the range of NOK 30 - 80m
- Financing of projects for renovation and conversion of commercial property to residential units

SECURITIES FINANCING *



Total securities exposure (NOKm)



Key comments

- A dedicated and highly skilled team of 4 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

Securities financing

Overview

- Total exposure of NOK 1,981m
- 377 customers of which only 48 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

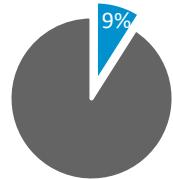
Standard products

- 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.)

Specialized products

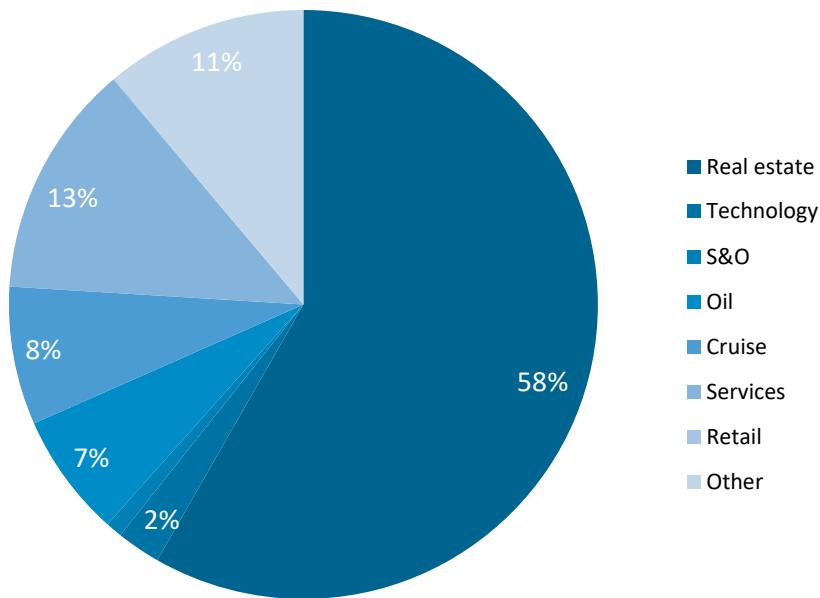
- Forwards, total return swaps
- Guarantees in favour of Oslo Stock Exchange for companies in a mandatory offer position

CORPORATE FINANCING *



Total corporate finance exposure by industry (NOKm)

Σ = NOK 1,036m



Corporate financing

Overview

- Total exposure of NOK 1,036m
- 33 customers with credit facilities/guarantees in the range of NOK 1m to NOK 212m
- Exposure to a variety of industries

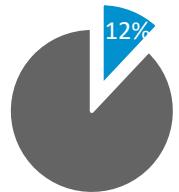
Products

- 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 can efficiently structure tailor-made financing for a specific project

SHIPPING & OFFSHORE (I) | DIVERSIFIED LOANS *



Key comments

- 25 loans financing a total of 36 vessels
- Largest exposure is USD 12.6m; average size USD 6.5m
- At origination only one loan has been approved with a LTV above 60% (albeit with guarantees)
- Currently 10 loans have a LTV above 70 % based on updated valuations as of 30.09.2016: including guarantees from owners/additional security/uncalled capital the number of loans above 70 % LTV drops to 6
- Only 3 loans and one guarantee towards the offshore sector: approx. 1.3 % of total credit exposure
- 3 new loans 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)

$\Sigma = \text{NOK } 1,344\text{m}$

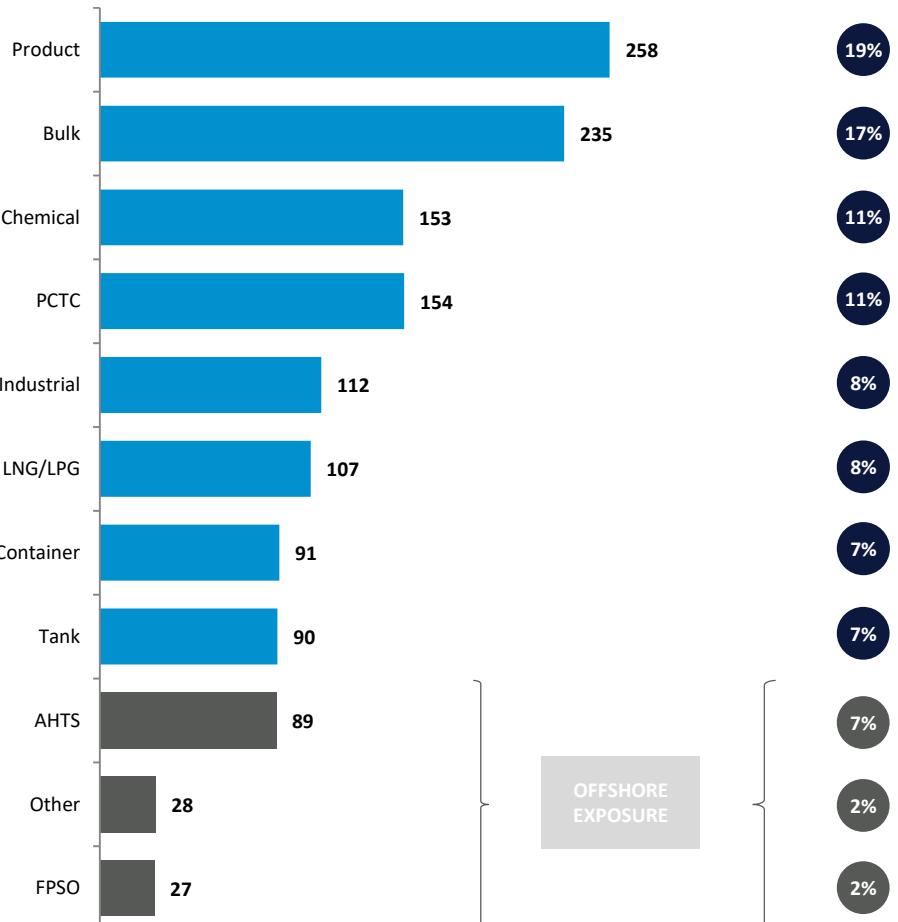
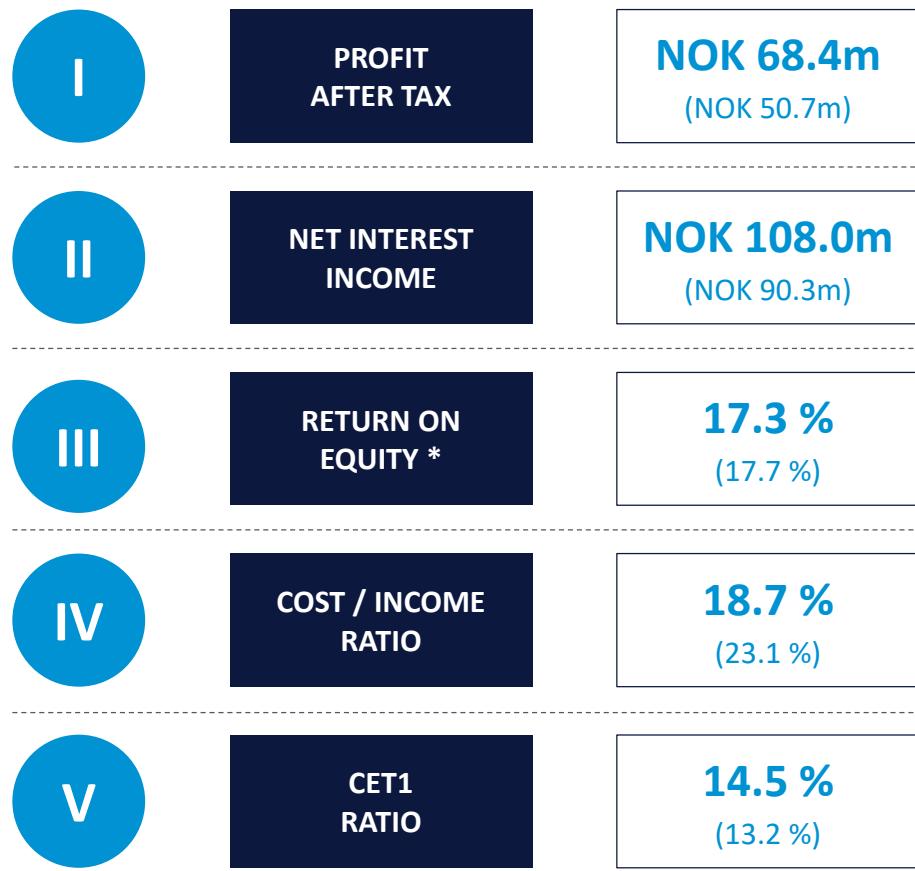


TABLE OF CONTENTS

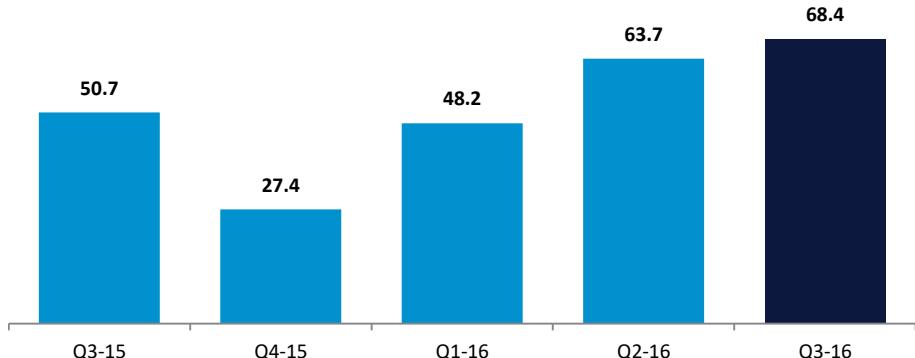
- 1 PARETO BANK AT A GLANCE**
- 2 BUSINESS AREAS**
- 3 FINANCIAL HIGHLIGHTS**
- 4 CREDIT RISK**
- 5 FUNDING AND CAPITAL**
- 6 AMBITIONS FOR 2016**

THIRD QUARTER HIGHLIGHTS

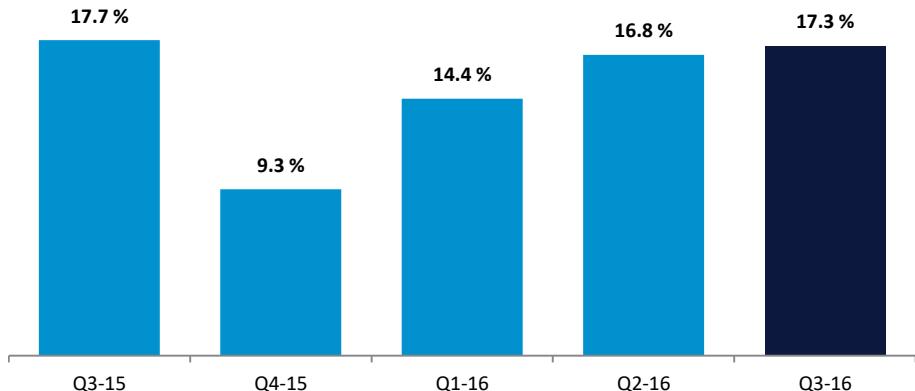
Key figures Q3-16



Profit after tax (NOKm)



Return on Equity *



QUARTERLY INCOME STATEMENT

P&L (NOKm)

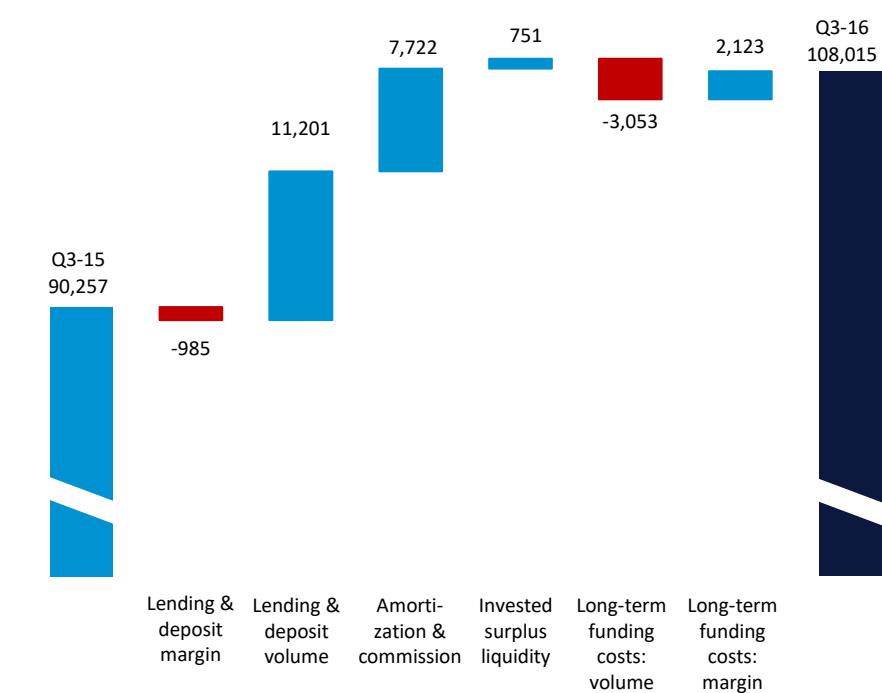
	Q3-16	Q3-15	1.1-30.09 2016	1.1-30.09 2015	2015
Net Interest income	108.0	90.3	298.6	248.2	344.3
Total other operating income	13.3	0.3	33.0	17.8	12.4
Total net income	121.3	90.5	331.6	265.9	356.7
Total other operating expenses	22.7	21.0	72.4	60.0	82.7
Operating result before losses / write-downs	98.6	69.5	259.2	206.0	274.0
Losses / write-downs on loans	7.4	0.0	18.8	4.0	31.6
Operating result before tax	91.2	69.5	240.3	201.9	242.3
Tax payable	22.8	18.9	60.1	54.7	67.7
Result after tax	68.4	50.7	180.3	147.2	174.6
<i>Earnings per share (NOK)</i>	1.32	1.19	3.47	3.46	4.11

Key comments

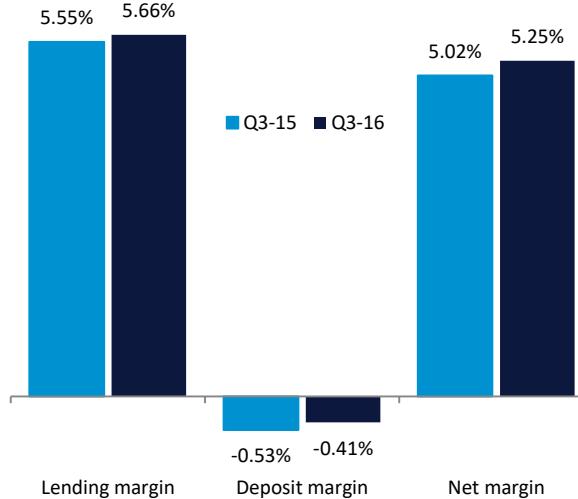
- The principle of assessing financial instruments at fair value may cause profits to fluctuate between quarters
- For Q3-16 total net gains were NOK 10.2m (NOK -2.8m)
- The bank made net write-downs totaling NOK 7.4m (NOK 0.0) in Q3-16
- Of total net write-downs NOK 2.0m where group provisions relating primarily to the shipping portfolio
- NOK 4.2m (NOK 3.5m) was allocated for profit sharing with employees

GROWING NET INTEREST INCOME

Net interest income (NOK 1,000)



Net interest margins (vs. 3M NIBOR) *

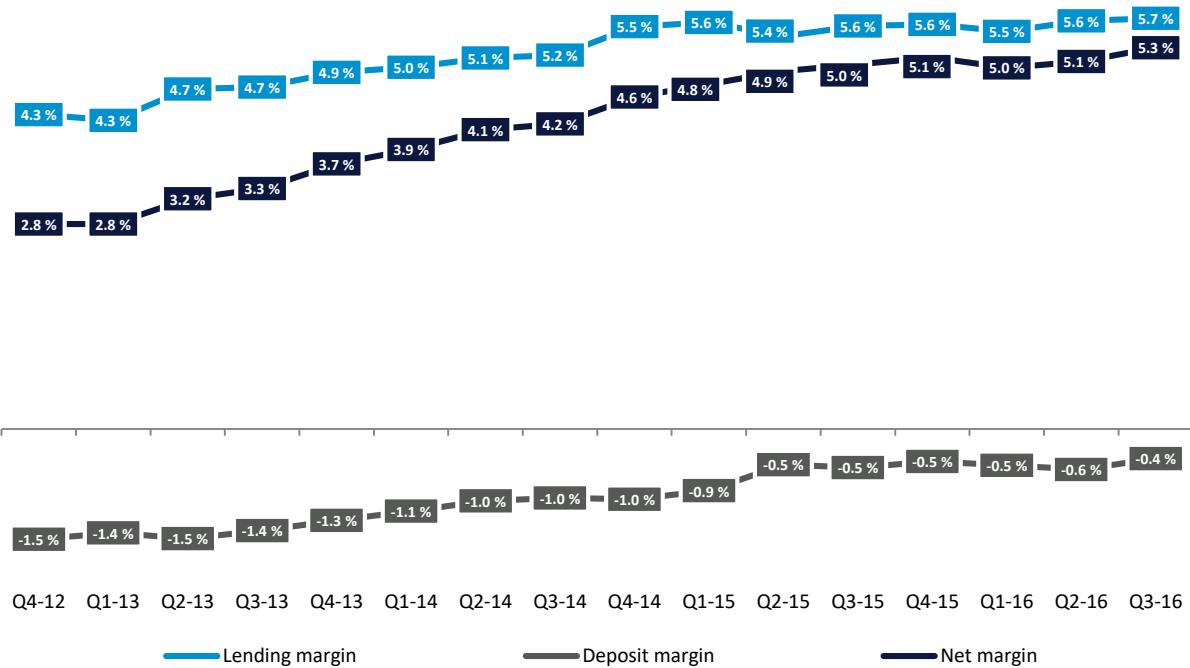


- Increased net interest income due to increased lending and higher amortizations & commissions
- Increased surplus liquidity income
- Increased lending in securities market

- Net interest margin increased by 0.23 percentage points over the last 12 months
- Improved deposit margin by 0.12 percentage points
- Improved lending margin by 0.11 percentage points

CONTINUOUSLY IMPROVING OPERATIONAL FIGURES

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



Key comments

- Strong growth on a increasing net margin
- Unusually high NIBOR rates affect lending and deposit margins
- Improved margin on fixed-rate deposits
- Increased volume of low-margin deposits

STRONG BALANCE SHEET

BS (NOKm)

	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Cash and deposits with central banks	57.0	752.0	57.0	459.2	228.3
Lending to and deposits with credit institutions	1,036.5	202.5	796.0	362.5	298.6
Net lending to customers	8,907.5	8,325.5	8,368.0	7,930.6	7,486.8
Commercial paper and bonds	3,525.1	3,506.1	3,515.4	2,318.8	2,774.3
Shares and other securities	18.2	18.2	8.1	8.0	8.0
Financial derivatives	46.3	13.9	73.9	7.7	12.9
Intangible assets	23.9	24.7	25.4	25.9	26.0
Deferred tax assets	25.2	25.2	25.2	25.2	32.2
Fixed assets	0.8	0.8	0.8	0.8	0.2
Other assets	0.5	1.3	1.8	1.0	0.8
Prepaid costs and retained earnings	2.4	2.8	4.2	0.3	1.7
Total assets	13,643.3	12,873.0	12,875.7	11,140.0	10,869.7
Deposits from credit institutions	128.3	0.2	33.7	0.4	0.2
Deposits from customers	7,631.4	7,429.0	6,949.2	6,454.9	6,430.8
Senior securities issued	3,867.8	3,529.1	4,004.4	3,017.5	2,713.6
Financial derivatives	28.2	51.2	37.6	83.3	73.1
Payable taxes	56.4	34.3	71.3	57.6	84.7
Other liabilities	39.1	9.1	19.8	7.0	74.2
Accrued costs and prepaid income	18.9	13.5	14.8	18.7	17.6
Subordinated loan capital	150.2	150.2	150.2	150.1	150.1
Total liabilities	11,920.4	11,216.6	11,280.9	9,789.6	9,544.2
Equity	623.4	623.4	623.4	510.0	510.0
Other equity	939.5	873.0	811.3	680.4	655.5
Tier 1 Hybrid loan capital	160.0	160.0	160.0	160.0	160.0
Total equity	1,722.9	1,656.4	1,594.8	1,350.4	1,325.5
Total liabilities and equity	13,643.3	12,873.0	12,875.7	11,140.0	10,869.7

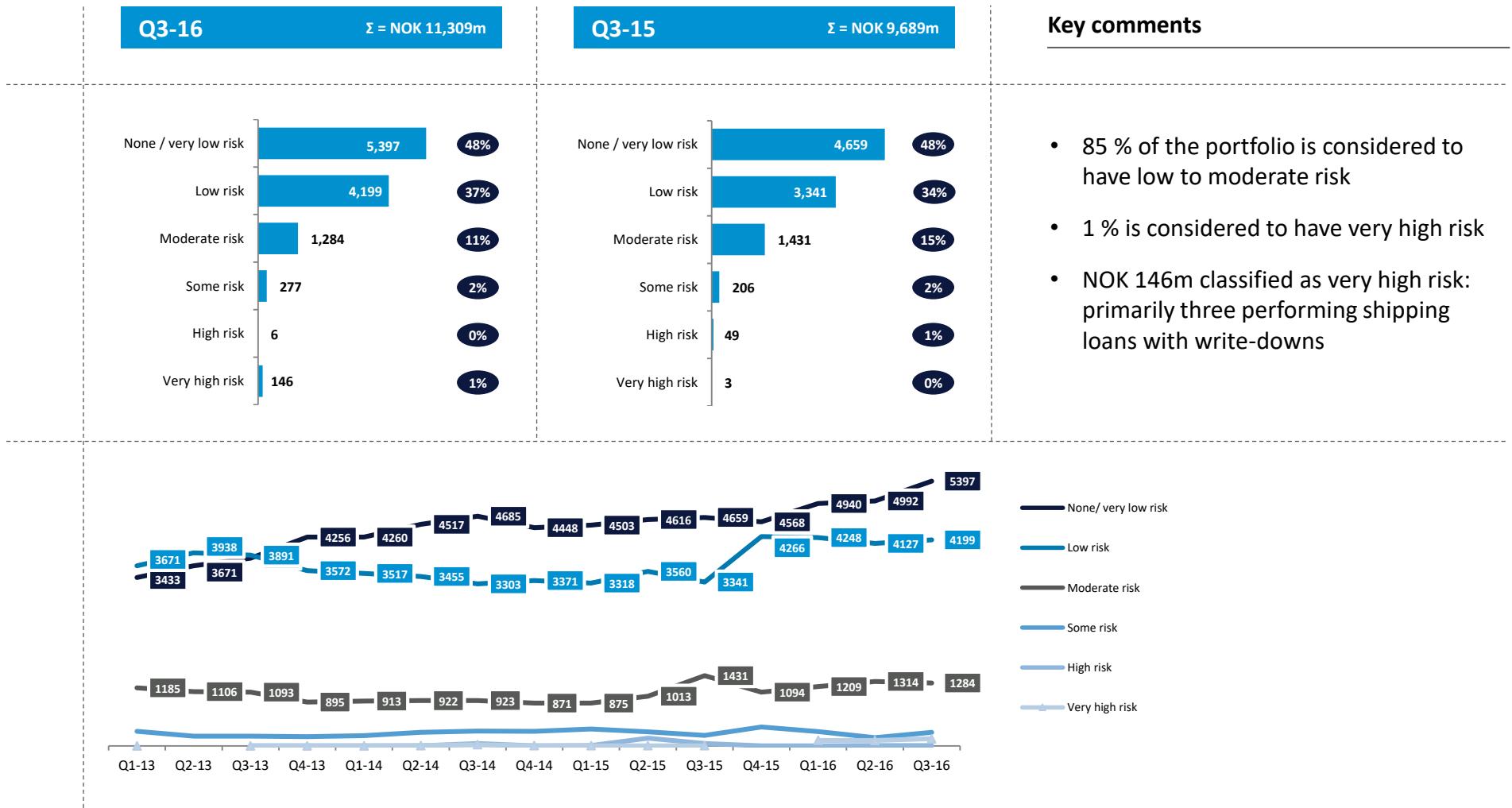
Key comments

- High turnover rate: approximately 30% of the loan portfolio matures within a year
- Surplus liquidity constantly managed to meet the bank's needs
- A deposit portfolio diversified by time, size and customer
- A comfortable deposit-to-loan ratio of 86 %
- Change in accounting principles in Q1-16: tier 1 hybrid loan capital classification changed from subordinated loan capital to equity

TABLE OF CONTENTS

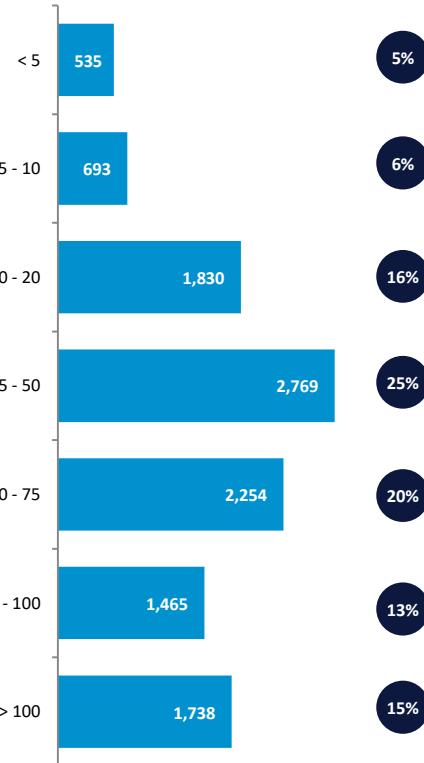
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- 2 BUSINESS AREAS**
- 3 FINANCIAL HIGHLIGHTS**
- 4 CREDIT RISK**
- 5 FUNDING AND CAPITAL**
- 6 AMBITIONS FOR 2016**

COMMITMENTS BY RISK CLASSIFICATION

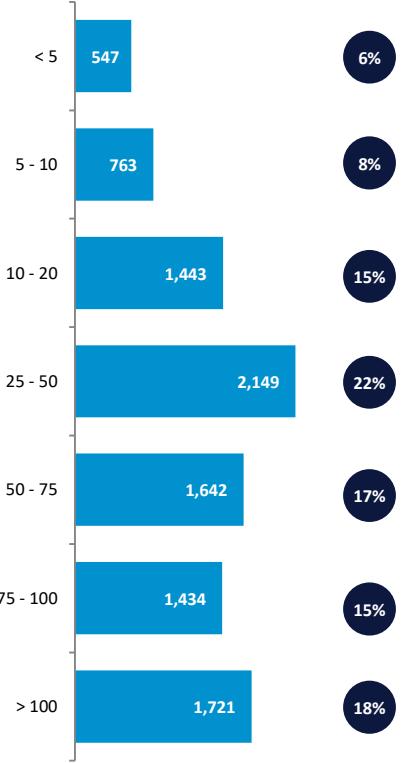


COMMITMENTS BY SIZE

Q3-16 $\Sigma = \text{NOK } 11,309\text{m}$



Q3-15 $\Sigma = \text{NOK } 9,699\text{m}$

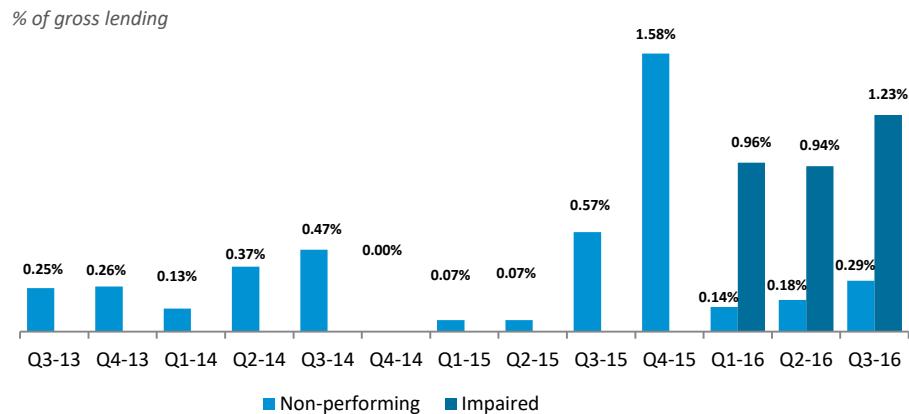


Key comments

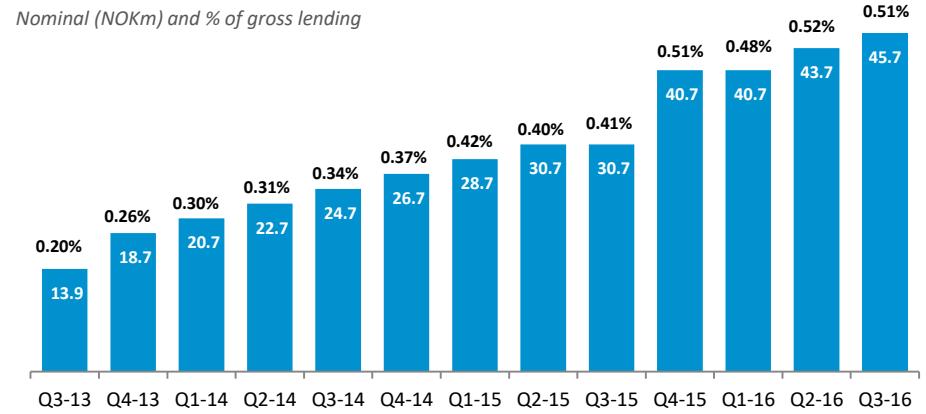
- A conservative policy with respect to size
- Maximum size on a single customer 10 % of total capital (NOK 170m)
- Maximum size on group / consolidated basis of 15 % of total capital (NOK 256m)

LOAN PORTFOLIO QUALITY

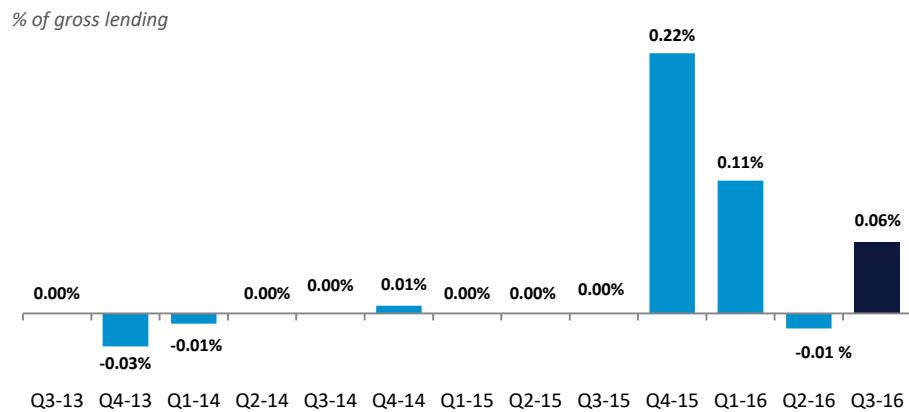
Net non-performing and impaired loans *



Cumulative group provisions



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



- Net non-performing loans were reduced from NOK 126m (1.58 % of gross lending) by the end of Q4-15 to NOK 26 (0.29 %) by the end of Q3-16
- Three impaired shipping loans of net NOK 111m (1.23 %) by the end of Q3-16
- These three loans are performing loans with total write-downs of USD 3.6m/NOK 29m (Q4-15 USD 2m, Q1-16 USD 1m and Q3-16 USD 0.6)
- Group provisions increased with NOK 2m to NOK 45.7m or 0.51 % of gross lending by the end of Q3-16

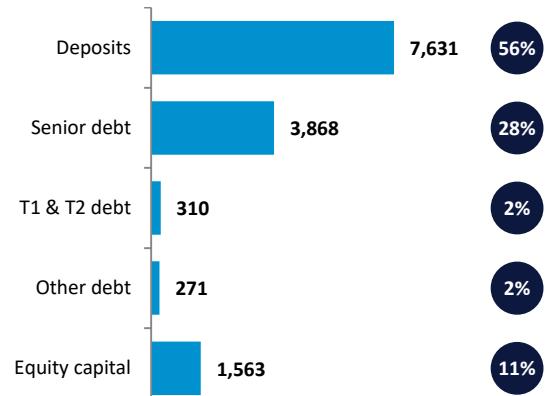
TABLE OF CONTENTS

- 1 PARETO BANK AT A GLANCE**
- 2 BUSINESS AREAS**
- 3 FINANCIAL HIGHLIGHTS**
- 4 CREDIT RISK**
- 5 FUNDING AND CAPITAL**
- 6 AMBITIONS FOR 2016**

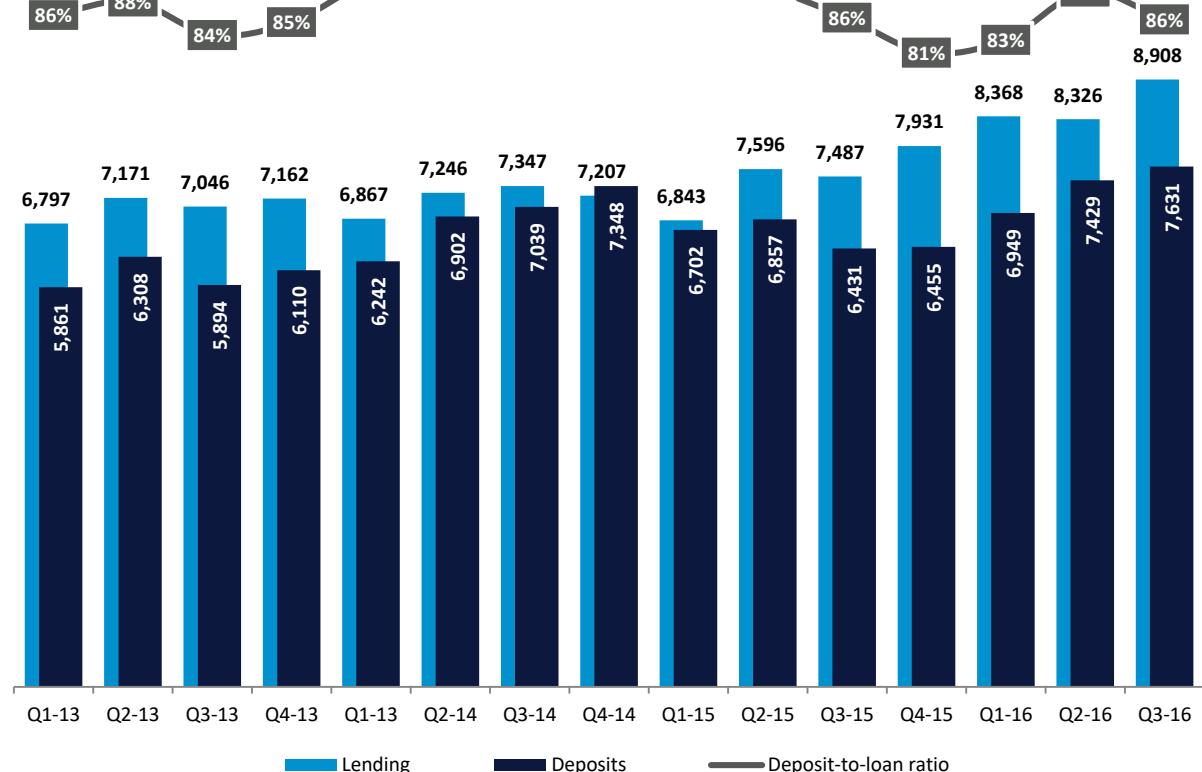
FUNDING (I) | OVERVIEW *

Sources (NOKm)

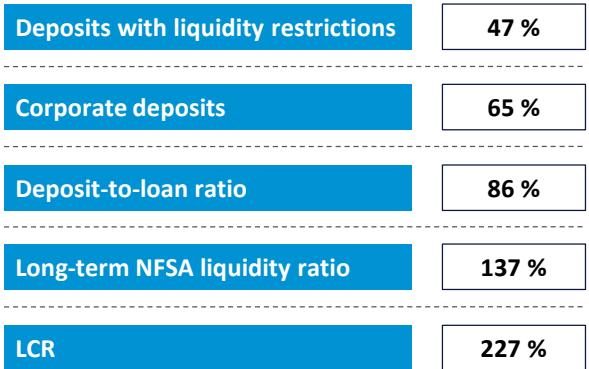
$\Sigma = \text{NOK } 13,643\text{m}$



Historical development in deposits vs. lending (NOKm)

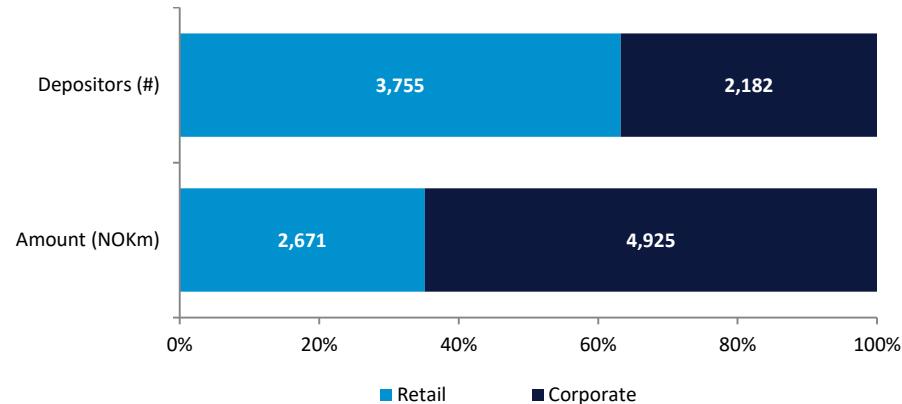


Key ratios

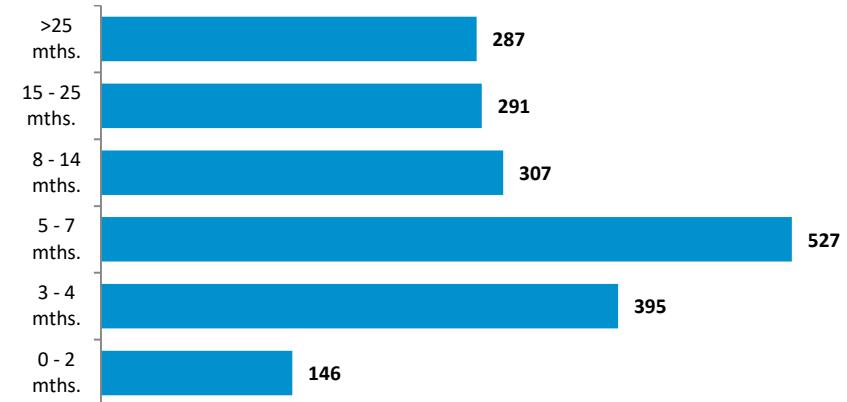


FUNDING (II) | CUSTOMER DEPOSITS *

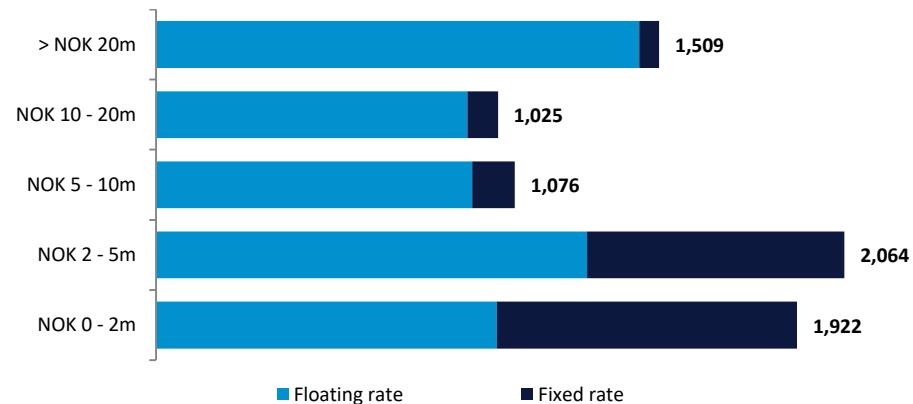
Deposit allocation



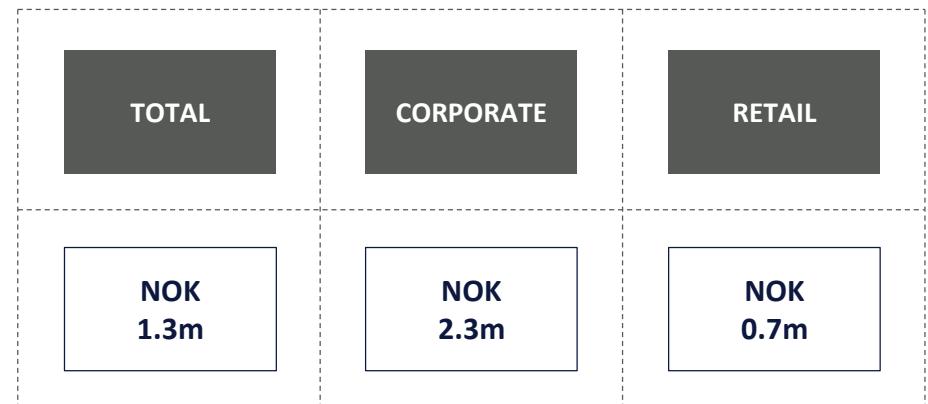
Fixed rate deposits (NOKm) - time to maturity (months) Σ = NOK 1,952m



Deposits by size (NOKm)

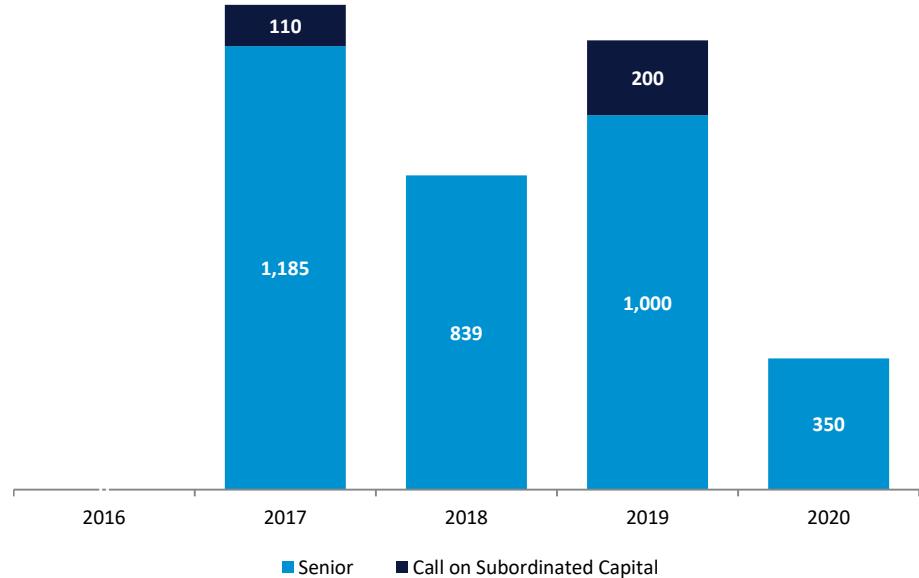


Average deposit per customer (NOK)

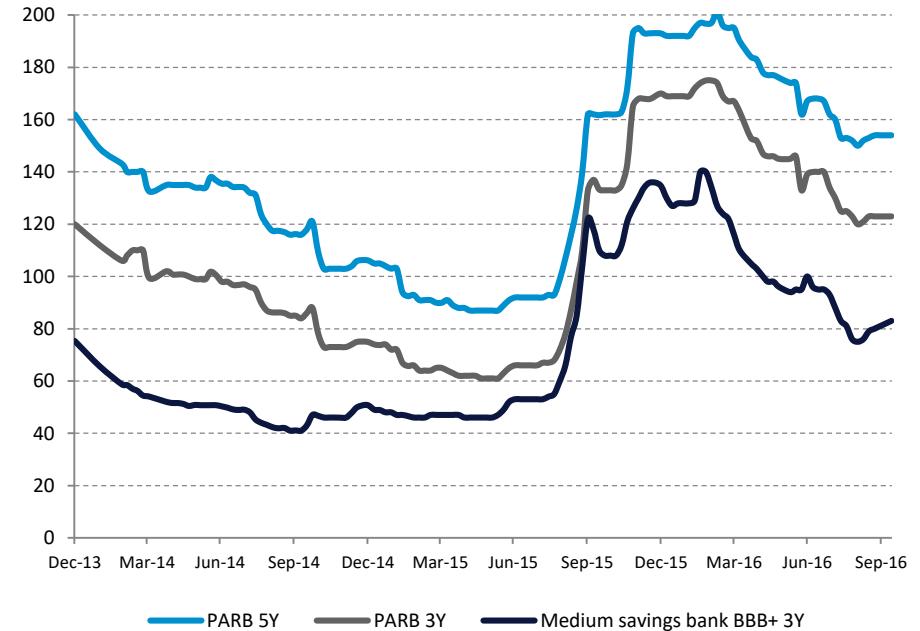


FUNDING (III) | MARKET FUNDING *

Market funding maturities - net of own holdings (NOKm)



Credit spreads (bps)

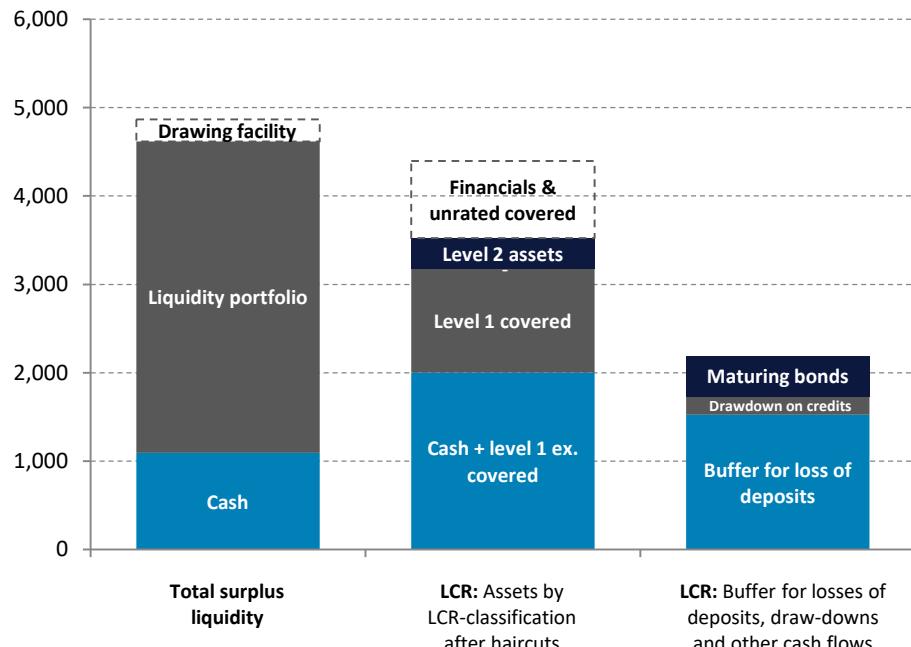


- The bank has eight loans outstanding. The senior bond PARB13 PRO matured on 3 October 2016
- Subordinated capital includes one tier 2 bond and two perpetual tier 1 bonds with five year calls
- The bonds are listed on Nordic ABM and the Oslo Stock Exchange

- The bank issues target spreads on a regular basis
- Senior finance spreads have leveled out after the summer
- Pareto Bank's focus is on continuously improving investor relations through transparent pricing and providing liquidity by market making

SURPLUS LIQUIDITY *

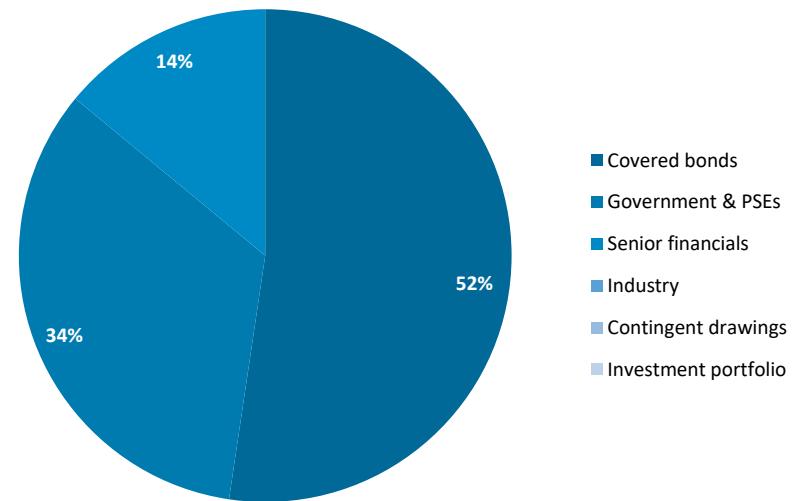
Comfortable liquidity buffer (NOKm)



- The bank's liquidity is comprised of cash and highly liquid bonds
- Liquidity held to meet future bond maturities and short-term lending growth
- The bonds portfolio is fully LCR-compliant with a high share of state, municipalities and highly liquid covered bonds

Bond portfolio (NOKm)

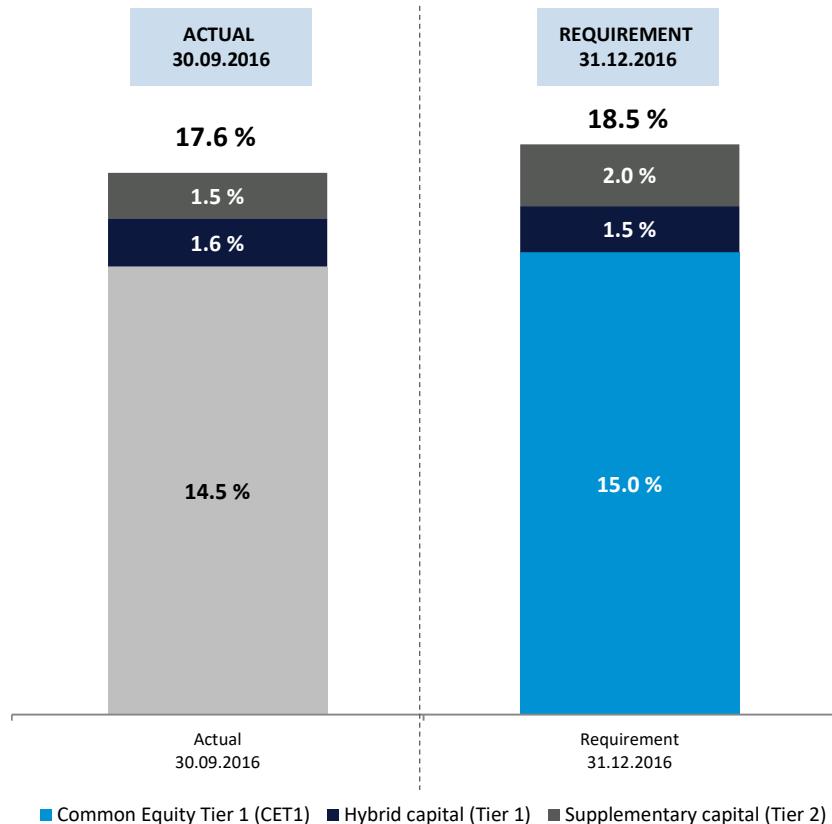
$\Sigma = \text{NOK } 3,525\text{m}$



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

CAPITAL RATIOS AND REQUIREMENTS

Pareto Bank capital ratios and requirements *



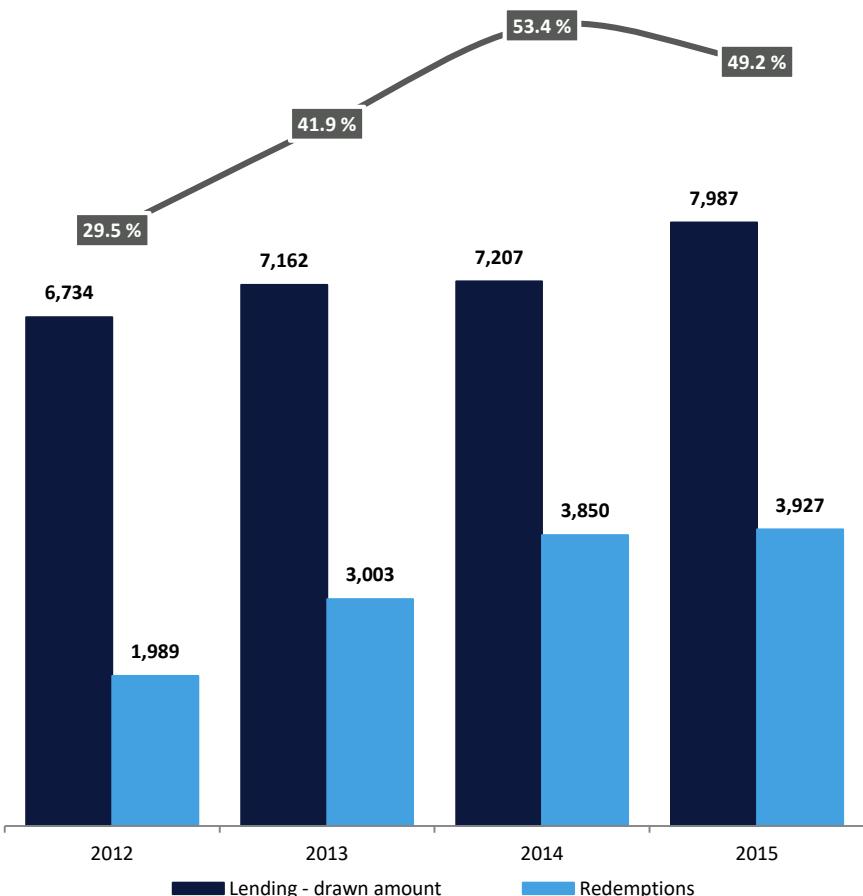
As of 30.09.2016 the CET1 requirement (Pillar 1) plus Pillar 2 requirement was 13.9 %

Key comments

- The bank's total capital requirement is 18.5 % by end-of-year 2016
- The bank's CET1 requirement is 15.0 % by end-of-year 2016
- CET1 requirement will be met through high earnings and balance sheet management
- Portfolio size can vary substantially due to a high natural redemption rate and lending growth combined with large commitment size
- A revised capital plan is in process based on a close and constructive dialogue with shareholders, that are positive to the bank's future growth and development

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

Historically redemptions have amounted to NOK 800m to NOK 1.000m per quarter.

TABLE OF CONTENTS

- 1 PARETO BANK AT A GLANCE**
- 2 BUSINESS AREAS**
- 3 FINANCIAL HIGHLIGHTS**
- 4 CREDIT RISK**
- 5 FUNDING AND CAPITAL**
- 6 AMBITIONS FOR 2016**

FINANCIAL TARGETS AND DIVIDEND POLICY

	30.09.2016 STATUS	31.12.2016 TARGET	
ROE	16.4 %	> 15.0 % *	Cost effective and commercially oriented bank
CAPITAL ADEQUACY	14.5 %	15.0 % **	High earnings, balance sheet management and a high natural redemption rate
DIVIDEND POLICY	30-50 %	30-50 % ***	The actual payout ratio will depend on the growth potential within the bank's market
LENDING GROWTH	NOK 977m	NOK 800m	Attractive growth in residential property development on a strong net margin

Note(*): Profit after tax excluding tier 1 interest costs after tax over average core equity tier 1 capital including retained earnings for the period.

Note(**): in line with requirements from the NFSA || Note(***): the actual dividend payout ratio will depend on the potential presence of profitable growth in the future

 Pareto bank