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# **PARETO BANK**

## **Financial Results**

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**Fourth Quarter 2016**

**Pareto bank**  
Prosjektbanken

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# FOURTH QUARTER HIGHLIGHTS

Pareto bank



Profit after tax of NOK 67.1m (NOK 27.4m) in Q4-16

Profit after tax of NOK 247.3m (NOK 174.6m) in 2016

Return on Equity of 15.3 % (8.6 %) in Q4-16\*

Return on Equity of 15.9 % (14.8 %) in 2016\*

Attractive business opportunities within real estate financing has led to strong growth

Significantly strengthened CET1 capital ratio of 17.2 % (13.2 %) by end-of-year

# ON TARGET IN 2016

	31.12.2016 STATUS	31.12.2016 TARGET	
LENDING GROWTH	NOK 823m	NOK 800m	Attractive growth in residential property development with strong net interest margin
ROE	15.9 %	> 15.0 % *	High margins and cost efficiency yield high returns
CAPITAL ADEQUACY	17.2 %	15.0 % **	High earnings, balance sheet management and two equity issues ensure solidity
DIVIDEND POLICY	23.7 %	30-50 %	The payout ratio will depend on the growth potential within the bank's market

Note(\*): Profit after tax excluding tier 1 interest costs after tax divided by average common equity tier 1 capital including retained earnings for the period

Note(\*\*): In line with requirements from the NFSAs

# EQUITY ISSUES AND EXCHANGE LISTINGS

1

## PRIVATE PLACEMENT

NOK 203m

March 2016

2

## EXCHANGE LISTING

Oslo Axess

May 2016

- Significantly strengthened capital base through equity issues in 2016
- Increased solidity gives flexibility to grow profitably while exceeding capital requirements by a reasonable margin
- Strengthened capital base gives flexibility to increase maximum commitment size
- The bank continues to take advantage of significant business opportunities with attractive margins within its niche markets
- Return on Equity on new business significantly above target
- Exchange listing increases liquidity and visibility of the bank's share

3

## RIGHTS ISSUE

NOK 200m

December 2016

4

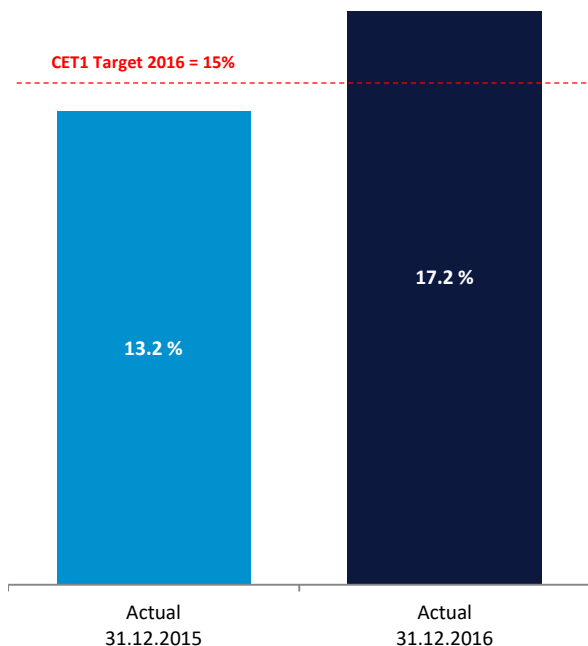
## EXCHANGE LISTING

Oslo Børs

December 2016

# SIGNIFICANTLY STRENGTHENED CET1 CAPITAL

## CET1 ratio development



Strengthened CET1 through equity issues  
allows profitable growth

## Key comments on capital

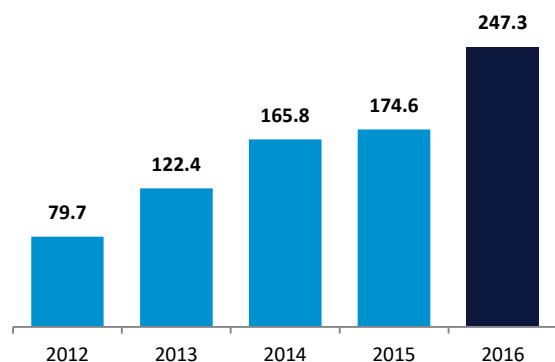
- The NFSA has required that the bank meet a minimum CET1 ratio of 15.0 % by year-end 2016, and the bank has significantly exceeded this requirement
- The countercyclical capital buffer has been increased by the Ministry of Finance from 0.5 % to 2.0 % by year-end 2017
- The bank increases its minimum CET1 target accordingly to 15.5 %
- The bank's ICAAP for 2017 concludes with a minimum CET1 ratio of 14.8 %, including a Pillar 2 requirement of 2.3 % and a management buffer of 0.5 %
- The bank's Pillar 2 and total capital requirements are expected to be reviewed by the NFSA in a formal SREP evaluation during 2017

## Key comments on dividend

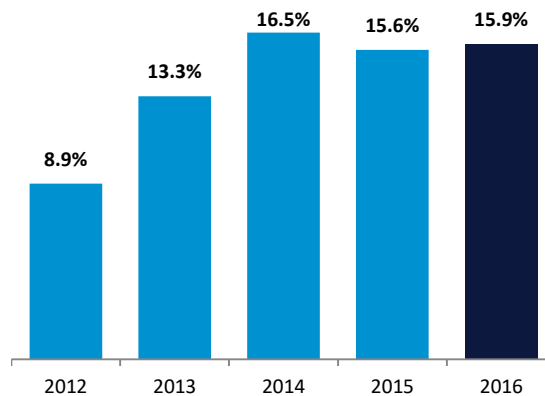
- The bank's dividend policy is to pay out from 30 % to 50 % depending on the growth potential in its markets
- The Board of Directors has suggested a pay-out ratio of 23.7 % or NOK 1,00 per share for 2016

# SOLID FOUNDATION AND STRONG PERFORMANCE

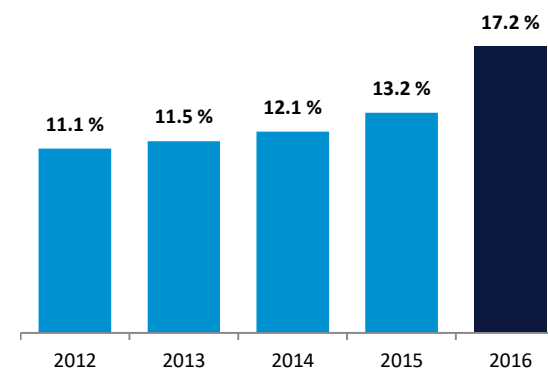
Result after tax (NOKm)



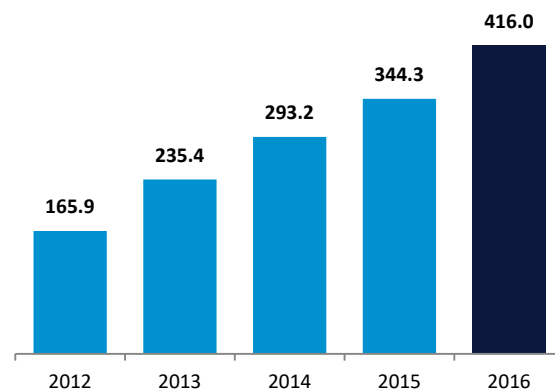
Return on Equity \*



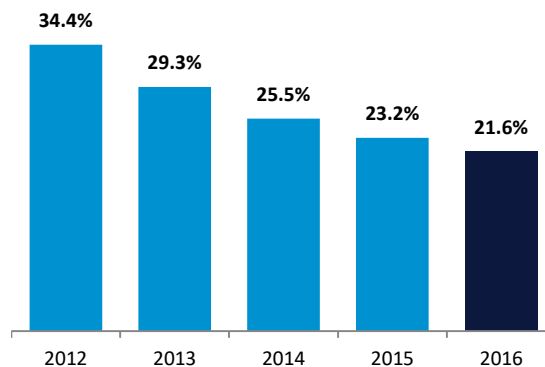
CET1 ratio \*\*



Net interest income (NOKm)

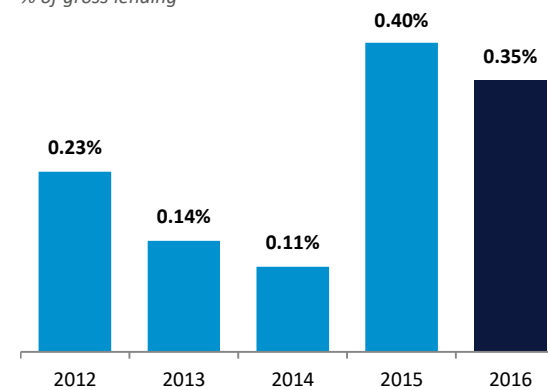


Cost/income ratio



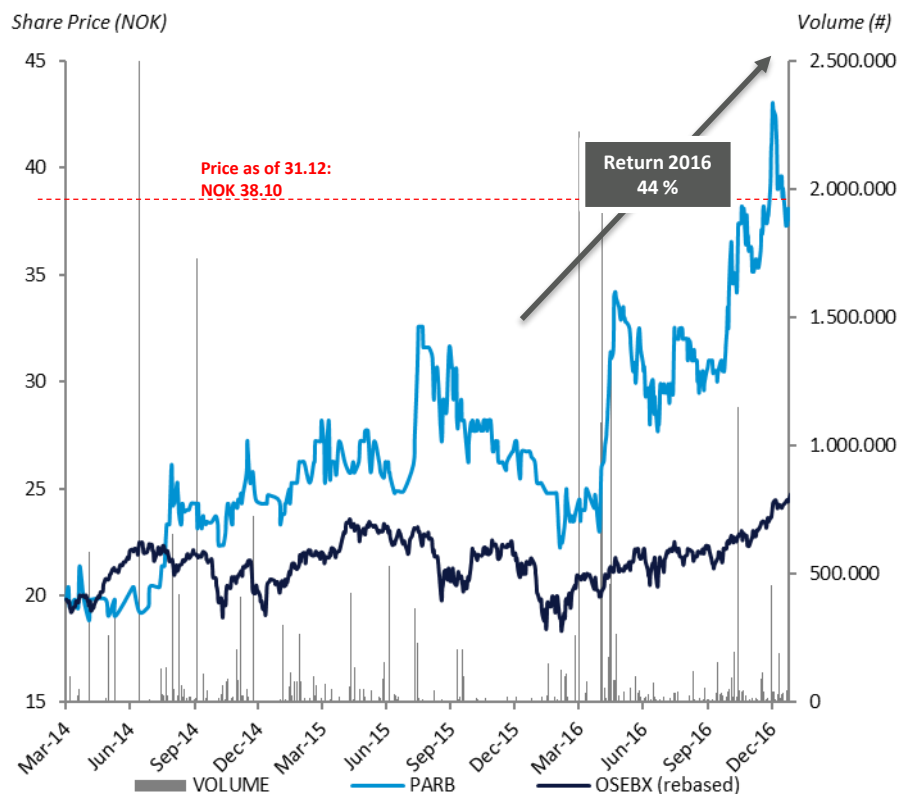
Loss ratio

% of gross lending

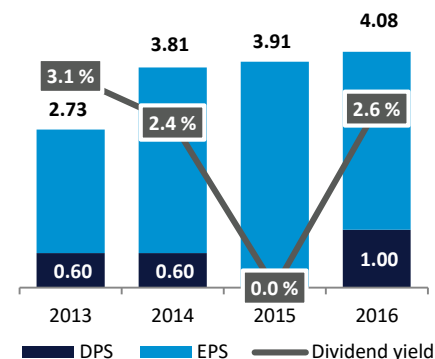


# THE SHARE \*

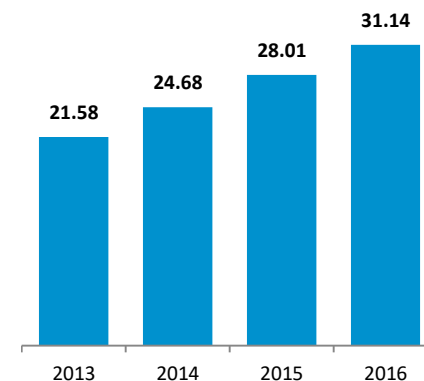
## Share price development since March 2014\*\*



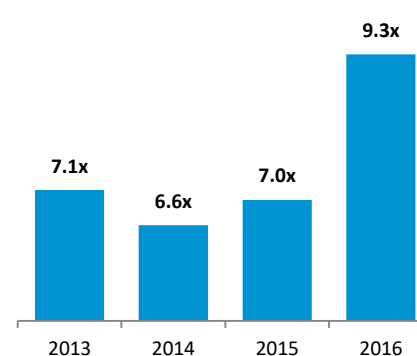
## EPS, DPS (NOK) & Dividend Yield



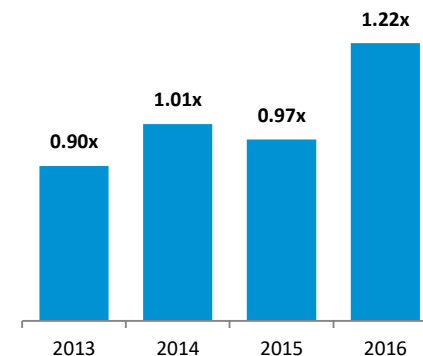
## Book equity per share (NOK)



## Price / Earnings



## Price / Book





# LARGEST SHAREHOLDERS AS OF 31.12.2016

#	Investor	Country	Type	31.12.2016	
				# of shares	% total
1	Pareto AS	NOR	Corporate	8,921,873	15.22%
2	Pecunia Forvaltning AS	NOR	Corporate	5,861,859	10.00%
3	Saga Tankers ASA	NOR	Corporate	4,989,516	8.51%
4	Arne Helge Fredly	LUX	Private	4,524,885	7.72%
5	Indigo Invest AS	NOR	Corporate	4,382,711	7.48%
6	Perestroika AS	NOR	Corporate	2,636,429	4.50%
7	Verdipapirfondet Pareto Investment Fund	NOR	Corporate	2,262,440	3.86%
8	Kolberg Motors AS	NOR	Corporate	1,131,220	1.93%
9	GH Holding AS	NOR	Corporate	1,002,012	1.71%
10	Artel Holding AS	NOR	Corporate	900,820	1.54%
11	Verdipapirfondet Landkreditt Utbytte	NOR	Corporate	856,485	1.46%
12	Castel AS	NOR	Corporate	689,779	1.18%
13	Centennial AS	NOR	Corporate	616,163	1.05%
14	Ola Rustad AS	NOR	Corporate	585,996	1.00%
15	Belvedere AS	NOR	Corporate	584,368	1.00%
16	Profond AS	NOR	Corporate	559,597	0.95%
17	Uthalden AS	NOR	Corporate	551,657	0.94%
18	Eiendomsutvikling Kristiansand AS	NOR	Corporate	519,125	0.89%
19	Thabo Energy AS	NOR	Corporate	452,486	0.77%
20	Clipper AS	NOR	Corporate	433,845	0.74%
<b>Sum TOP 20</b>				<b>42,463,266</b>	<b>72.44%</b>
<b>Other shareholders</b>				<b>16,156,422</b>	<b>27.56%</b>
<b>Total</b>				<b>58,619,688</b>	<b>100.00%</b>

- The Company has 58.619.688 shares outstanding
- One class of shares where one share carries one voting right
- Diversified investor base with 706 shareholders
- ~62% and ~72% 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 2.52% (~NOK 56.4)\*
- All employees are covered by an annual bonus compensation scheme settled in Pareto Bank shares

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# 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>63 %</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>25 %</b>	<b>NOKm 5-30</b>
<b>Shipping &amp; Offshore</b> 	<ol style="list-style-type: none"> <li>1. Norwegian ship owners</li> <li>2. Family offices</li> <li>3. Shipping projects</li> </ol>	<b>12 %</b>	<b>USDm 5-10</b>

# PORTFOLIO COMPOSITION | OVERVIEW\*

## MAIN BUSINESS AREAS

### Real estate

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

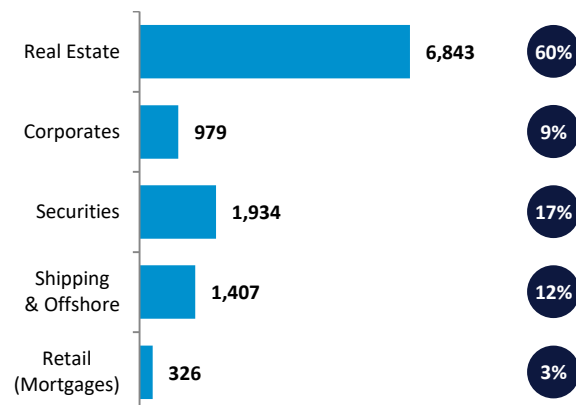
### Securities & Corporates

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

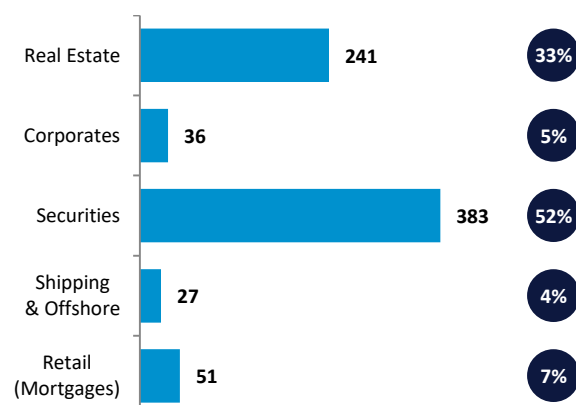
### Shipping & Offshore

*Gradually building a diversified shipping and offshore portfolio*

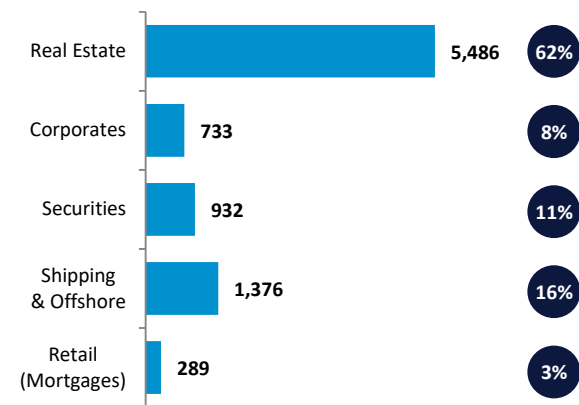
## Gross credit exposure (NOKm) $\Sigma = \text{NOK } 11,488\text{m}$



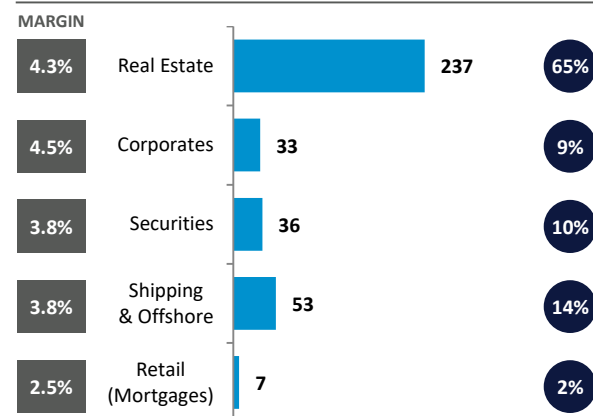
## Number of active clients $\Sigma = \# 738$



## Gross total lending (NOKm) $\Sigma = \text{NOK } 8,816\text{m}$



## Interest contribution (NOKm) \*\* $\Sigma = \text{NOK } 366\text{m}$



# SHIPPING & OFFSHORE | REVISED POLICY & STRATEGY

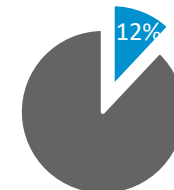
## Policy and strategy

- The bank continues its focus on the strong Norwegian shipping & offshore industry after having considered several strategic alternatives
- A more restrictive credit policy already applies and will apply going forward
- Maximum credit exposure within shipping & offshore is 15 % (previous credit policy 25 %) of the bank's total credit exposure
- The portfolio should be diversified and a single segment should normally not exceed 25 % of the total shipping & offshore exposure
- Main focus is Norwegian clients, high quality charterers with transparent books and liquid second-hand tonnage
- Minimum equity of 45 % (previous credit policy 30 %)

## Status

- There is currently little competition from other shipping and offshore banks and credit margins are high
- Several shipping markets and most offshore markets are currently at a low point
- Total credit exposure within Shipping & Offshore has been reduced by NOK 129m from NOK 1,533m (15 % of total exposure) in Q4-15 to NOK 1,407m (12 % of total exposure) in Q4-16
- 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

# SHIPPING & OFFSHORE | DIVERSIFIED LOANS \*

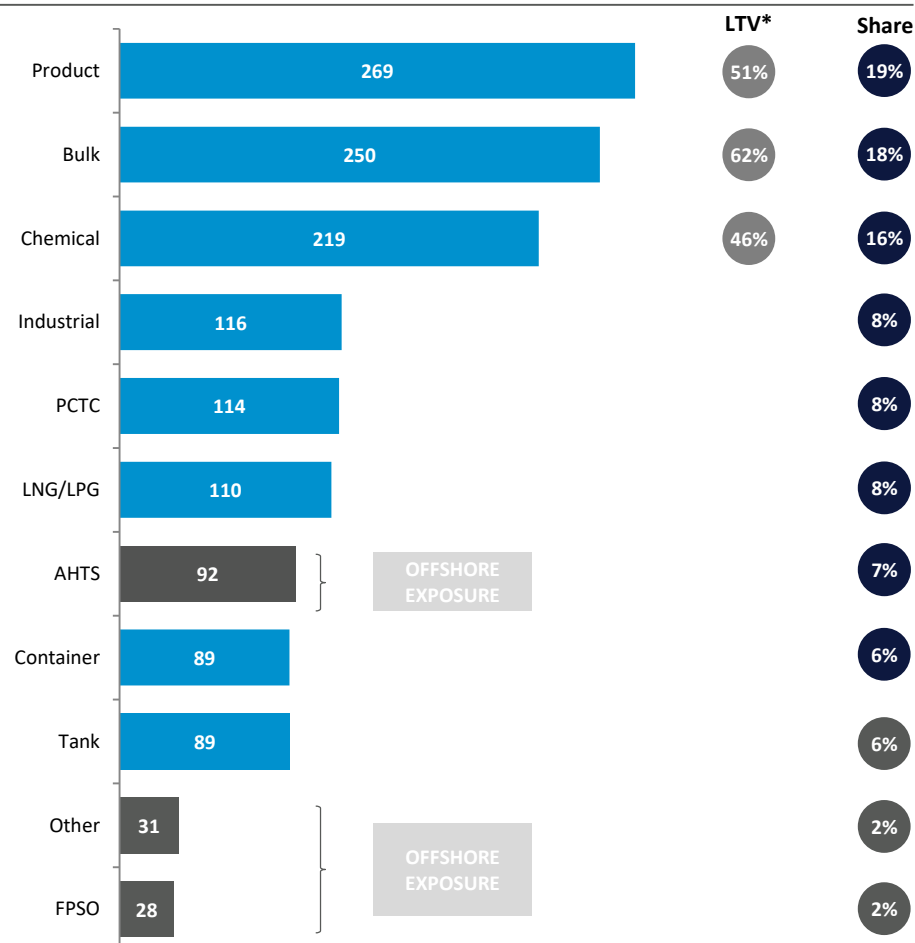


## Key comments

- 3 new loans in 2016
- 25 loans and one guarantee, financing a total of 39 vessels
- Largest exposure is USD 12.3m; average size USD 6.3m
- At origination only one loan has been approved with a LTV above 60% (albeit with guarantees)
- Only 3 loans and one guarantee towards the offshore sector: approximately 1.3 % of total credit exposure
- Loans towards AHTS have been reduced by USD 3.5m/NOK 30.3m in January 2017
- Loan to LNG sector of USD 6.9m/NOK 59.6m prepaid in full in January 2017
- 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 & Loan to value (NOKm)\*

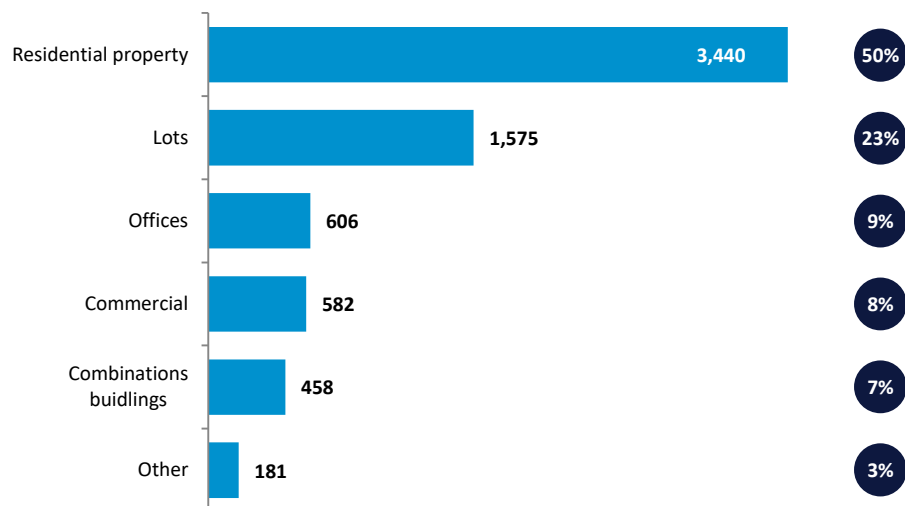
Σ = NOK 1,407m



# REAL ESTATE | ATTRACTIVE BUSINESS OPPORTUNITIES

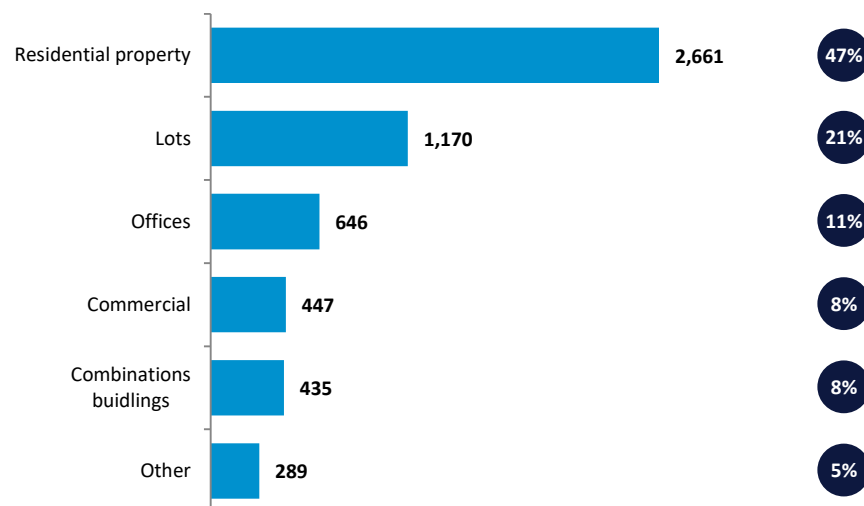
Q4-16: Real Estate credit exposure (NOKm)

Σ = NOK 6,843m



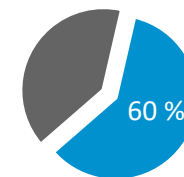
Q4-15: Real Estate credit exposure (NOKm)

Σ = NOK 5,649m



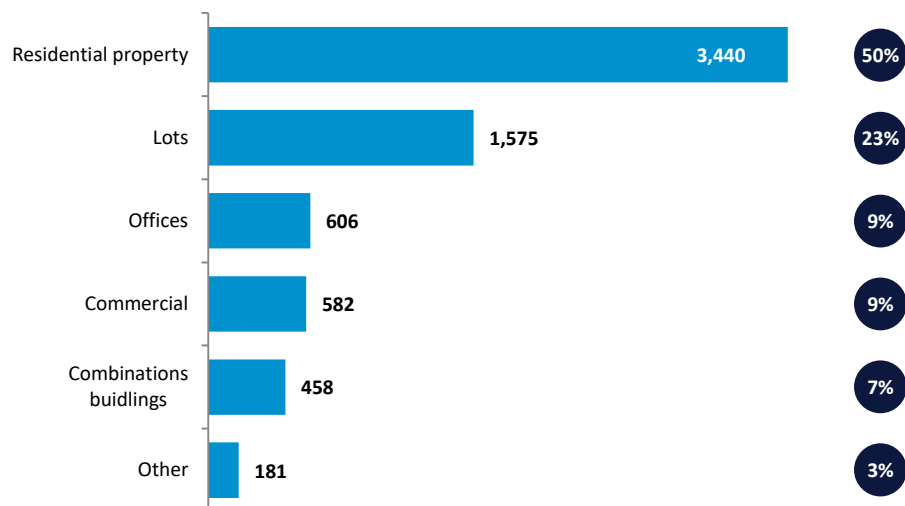
- Business opportunities within residential property development are still attractive due to historically low interest rates and a strong demand for housing in the Oslo area
- Recent strong growth in property prices increases concern of a market correction
- The bank does not see a substantial drop in Oslo property prices in the near term due to the current imbalance of supply and demand
- Market risk is reduced by a high level of presale in a strong Oslo market
- More restrictive when it comes to financing of residential property development projects with an exit long term

# REAL ESTATE | STRONG MARKET POSITION \*

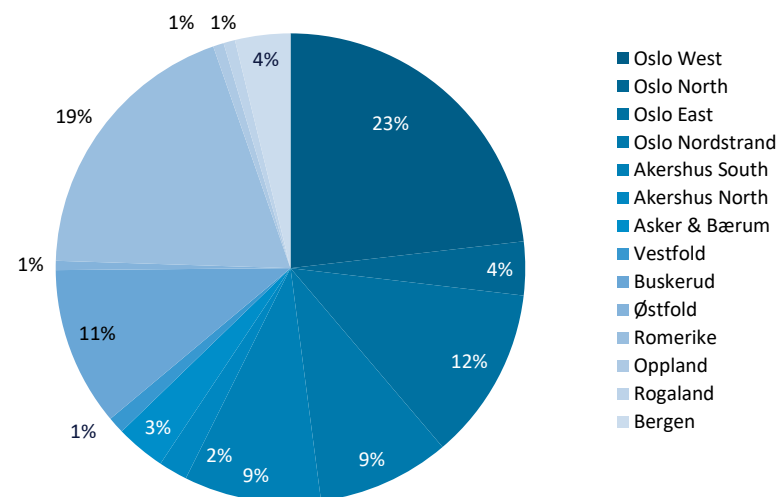


## Real Estate credit exposure (NOKm)

Σ = NOK 6,843m



## Geographical residential property exposure (NOKm) \*\*



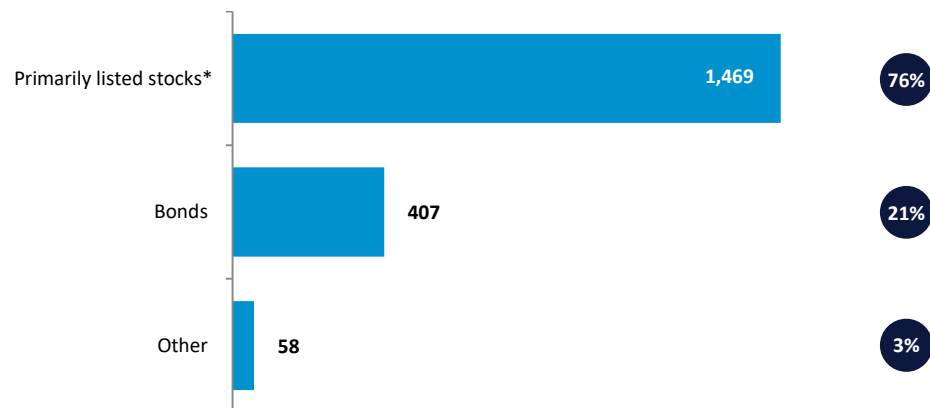
- Strong market position within residential property construction in the Oslo region
- Primarily financing of regulated lots with a potential for property development
- A typical project is composed of lot financing and a building construction facility in the range of NOK 30 - 80m
- Financing of projects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



# SECURITIES | RENEGOTIATION OF AGREEMENT

## Q4-16: Total securities exposure (NOKm)

Σ = NOK 1,934m

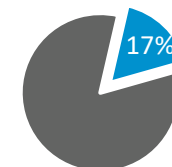


## Key comments

- Pareto Securities has informed the bank that their Swedish subsidiary is expanding its current securities financing services into the Norwegian retail market offering standardised securities financing
- The bank will continue its focus on customized financing solutions alone and in cooperation with Pareto Securities
- The bank's cooperation agreement with Pareto Securities will be renegotiated

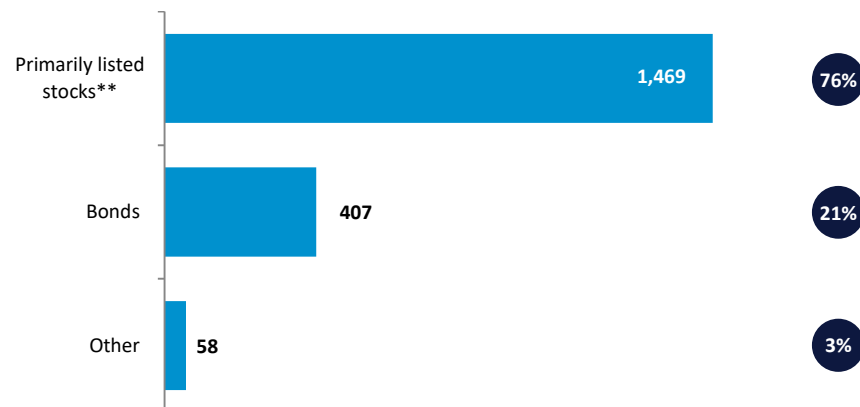
## Consequences

- Pareto Securities' expansion will impact the bank's securities financing exposure and the volume is expected to decrease with approximately NOK 200 - 400m in 2017
- Pareto Bank currently has over 380 clients within securities financing and more than 300 of these have a credit facility below MNOK 10
- It is expected that Pareto Securities will primarily target retail clients



## Total securities exposure (NOKm)

Σ = NOK 1,934m



## Key comments

- A dedicated and highly skilled team of 4 FTE's in addition to the head of securities & corporates
- Wide range of securities financing products and investment services
- Customized and flexible financing solutions

## Securities financing

### Overview

- Total exposure of NOK 1,934m
- 383 customers of which 46 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

# CORPORATES | A MARKET WITH OPPORTUNITIES

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## 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 (SME's).

## Value Proposition: Access to capital and liquidity. Fast.

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

The larger banks allocate capital to private customers and large corporates and transactions, and the bond market is no real alternative to SME's as the amounts are too small. Transactions are often too large and too complex for local savings banks.

## Products

### BRIDGE LOANS

Bridging of liquidity for clients who have both bought and sold assets, but not timed the cash-flow.

### INVESTMENT LOANS

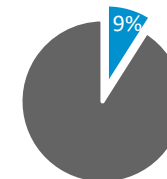
Financing of equity for a client who backs the investment with a guarantee from a financially solid mother company.

### M&A FINANCING

Traditional M&A and LBO financing to Norwegian small and medium-sized enterprises (SME's)

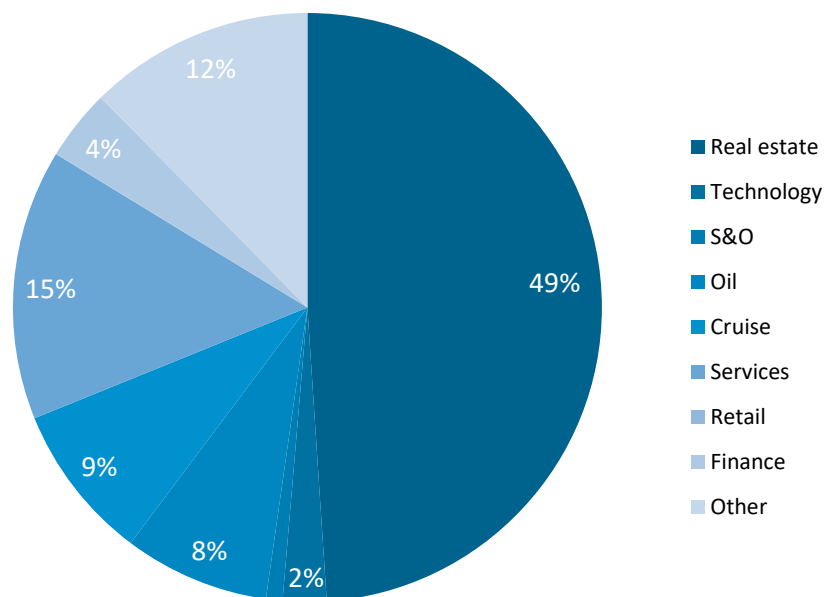
### WORKING CAPITAL FACILITIES

Working capital facilities, but normally short term in combination with a bridge financing.



## Total corporate finance exposure by industry (NOKm)

Σ = NOK 979m



## Corporate financing

### Overview

- Total exposure of NOK 979m
- 36 customers with credit facilities/guarantees in the range of NOK 0.2m to NOK 145m
- 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

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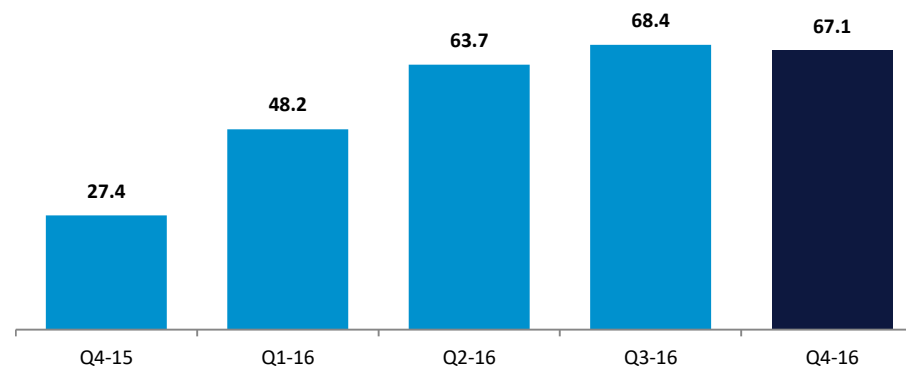
**6 AMBITIONS FOR 2017**

# FOURTH QUARTER HIGHLIGHTS

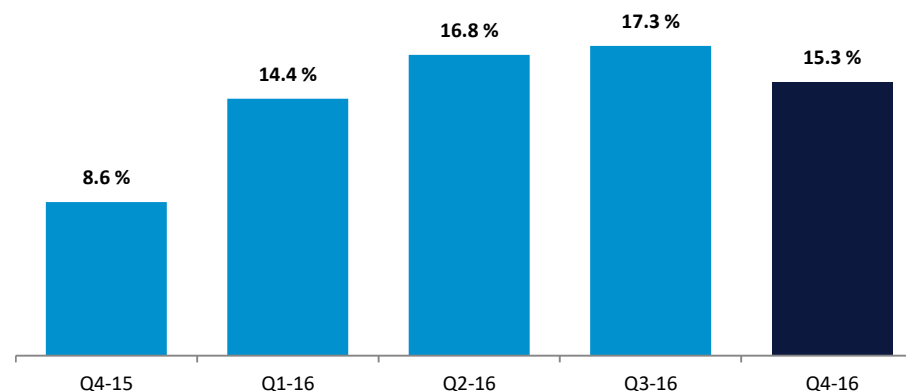
## Key figures Q4-16

I	PROFIT AFTER TAX	NOK 67.1m (NOK 27.4m)
II	NET INTEREST INCOME	NOK 117.3m (NOK 96.1m)
III	RETURN ON EQUITY *	15.3 % (8.6 %)
IV	COST / INCOME RATIO	20.9 % (25.1 %)
V	CET1 RATIO	17.2 % (13.2 %)

## Profit after tax (NOKm)



## Return on Equity \*



# QUARTERLY INCOME STATEMENT

## P&L (NOKm)

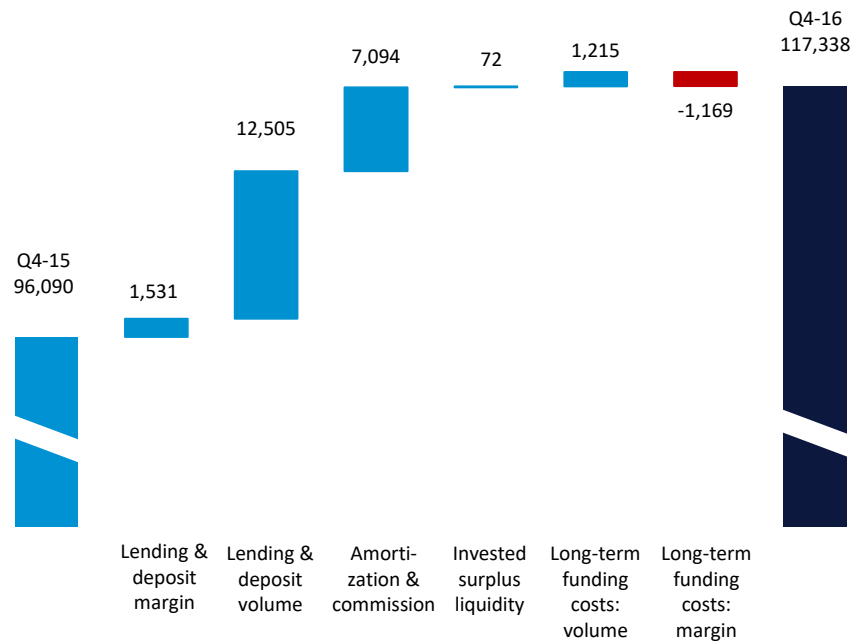
	Q4-16	Q4-15	2016	2015
Net Interest income	117.3	96.1	415.9	344.3
Total other operating income	9.0	-5.4	42.0	12.4
<b>Total net income</b>	<b>126.4</b>	<b>90.7</b>	<b>457.9</b>	<b>356.7</b>
<b>Total other operating expenses</b>	<b>26.4</b>	<b>22.7</b>	<b>98.8</b>	<b>82.7</b>
Operating result before losses / write-downs	100.0	68.0	359.1	274.0
Losses / write-downs on loans	11.8	27.6	30.7	31.6
<b>Operating result before tax</b>	<b>88.1</b>	<b>40.4</b>	<b>328.5</b>	<b>242.3</b>
Tax payable	21.1	13.0	81.2	67.7
<b>Result after tax</b>	<b>67.1</b>	<b>27.4</b>	<b>247.3</b>	<b>174.6</b>
<i>Earnings per share (NOK)</i>	<i>1.11</i>	<i>0.60</i>	<i>4.08</i>	<i>3.91</i>

## Key comments

- The principle of assessing financial instruments at fair value may cause profits to fluctuate between quarters
- For Q4-16 total net gains were NOK 2.7m (NOK -10.4m)
- Net write-downs totaling NOK 11.8m (NOK 27.6) in Q4-16
- NOK 5.5m (NOK 2.8m) was allocated for profit sharing with employees

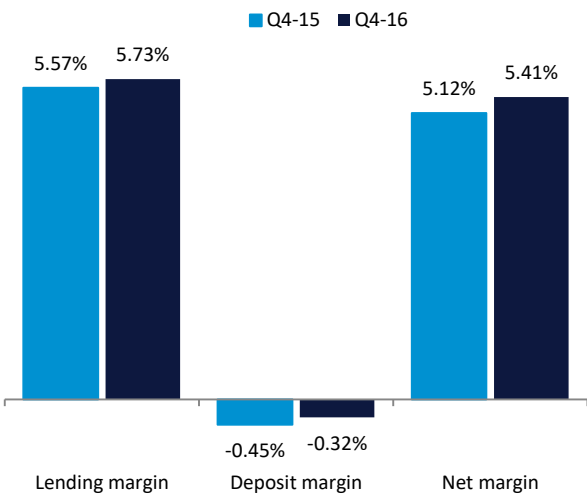
# GROWING NET INTEREST INCOME

Net interest income (NOK 1,000)



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

Net interest margins (vs. 3M NIBOR) \*

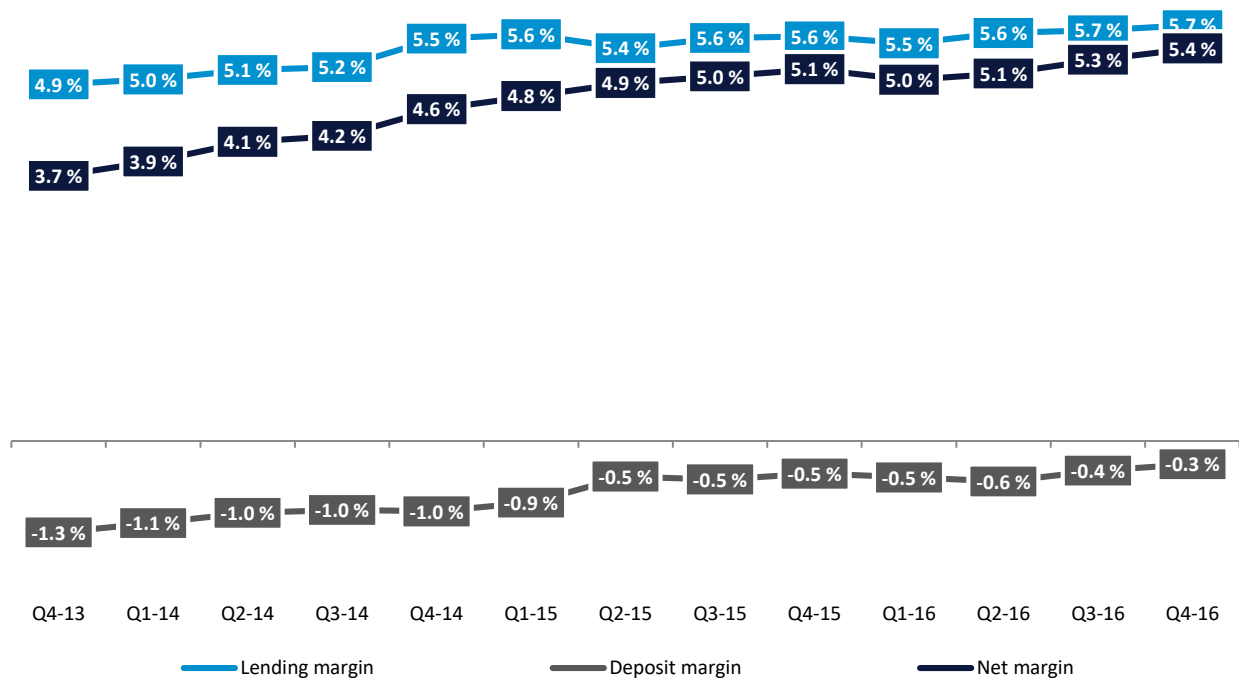


- Net interest margin increased by 0.29 percentage points over the last 12 months
- Improved deposit margin by 0.14 percentage points
- Improved lending margin by 0.15 percentage points



# CONTINUOUSLY IMPROVING OPERATIONAL FIGURES

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



## Key comments

- Strong growth on an improved net margin
- Improved margin on fixed-rate deposits
- Increased volume of low-margin deposits

# STRONG BALANCE SHEET

## BS (NOKm)

	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15
Cash and deposits with central banks	57.1	57.0	752.0	57.0	459.2
Lending to and deposits with credit insti	747.3	1,036.5	202.5	796.0	362.5
Net lending to customers	8,753.8	8,907.5	8,325.5	8,368.0	7,930.6
Commercial paper and bonds	3,315.1	3,525.1	3,506.1	3,515.4	2,318.8
Shares and other securities	0.0	18.2	18.2	8.1	8.0
Shareholdings in associated companies	14.7	-	-	-	-
Financial derivatives	12.7	46.3	13.9	73.9	7.7
Intangible assets	24.9	23.9	24.7	25.4	25.9
Deferred tax assets	12.0	25.2	25.2	25.2	25.2
Fixed assets	0.7	0.8	0.8	0.8	0.8
Other assets	0.9	0.5	1.3	1.8	1.0
Prepaid costs and retained earnings	1.6	2.4	2.8	4.2	0.3
<b>Total assets</b>	<b>12,940.8</b>	<b>13,643.3</b>	<b>12,873.0</b>	<b>12,875.7</b>	<b>11,140.0</b>
Deposits from credit institutions	4.1	128.3	0.2	33.7	0.4
Deposits from customers	7,646.8	7,631.4	7,429.0	6,949.2	6,454.9
Senior securities issued	2,885.5	3,867.8	3,529.1	4,004.4	3,017.5
Financial derivatives	55.8	28.2	51.2	37.6	83.3
Payable taxes	63.2	56.4	34.3	71.3	57.6
Other liabilities	5.7	39.1	9.1	19.8	7.0
Accrued costs and prepaid income	24.2	18.9	13.5	14.8	18.7
Subordinated loan capital	270.2	150.2	150.2	150.2	150.1
<b>Total liabilities</b>	<b>10,955.6</b>	<b>11,920.4</b>	<b>11,216.6</b>	<b>11,281.0</b>	<b>9,789.5</b>
Equity	703.4	623.4	623.4	623.4	510.0
Other equity	1,121.7	939.5	873.0	811.3	680.4
Tier 1 Hybrid loan capital	160.0	160.0	160.0	160.0	160.0
<b>Total equity</b>	<b>1,985.2</b>	<b>1,722.9</b>	<b>1,656.4</b>	<b>1,594.7</b>	<b>1,350.4</b>
<b>Total liabilities and equity</b>	<b>12,940.8</b>	<b>13,643.3</b>	<b>12,873.0</b>	<b>12,875.7</b>	<b>11,140.0</b>

## 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 87 %
- Change in accounting principles in Q1-16: tier 1 hybrid loan capital classification changed from subordinated loan capital to equity

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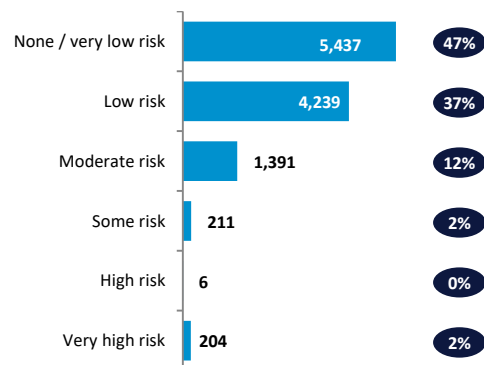
# COMMITMENTS BY SIZE



# COMMITMENTS BY RISK CLASSIFICATION

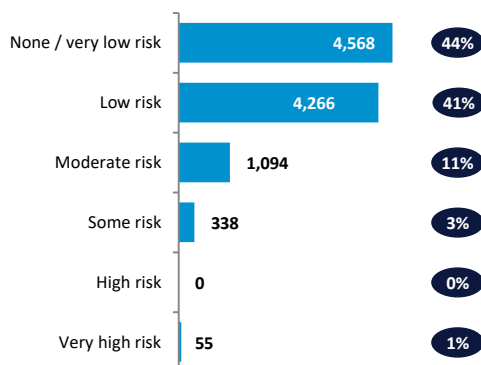
Q4-16

Σ = NOK 11,488m



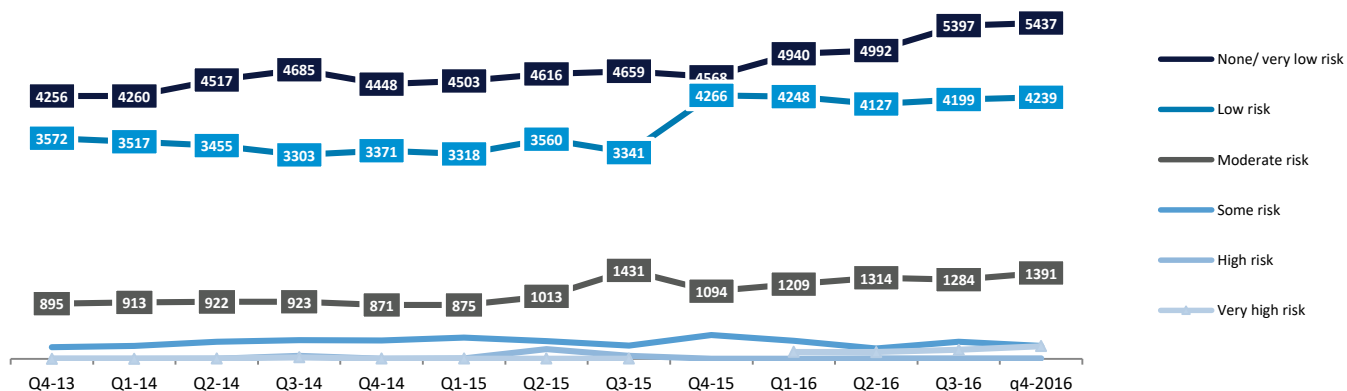
Q4-15

Σ = NOK 10,320m



## Key comments

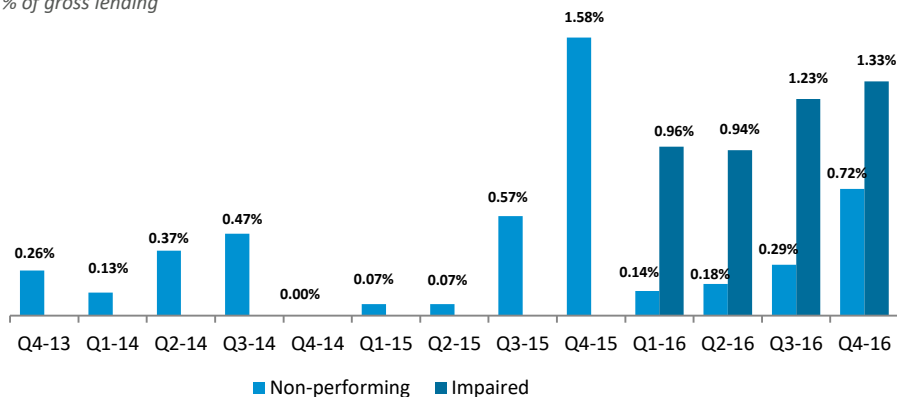
- 84 % of the portfolio is considered to have low to none/very low risk risk
- 2 % is considered to have very high risk
- NOK 204m classified as very high risk: primarily four performing shipping loans with write-downs



# LOAN PORTFOLIO QUALITY

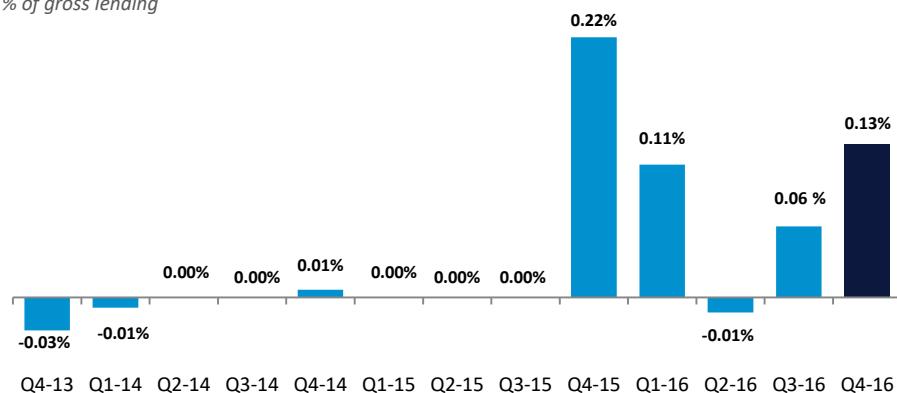
## Net non-performing and impaired loans \*

% of gross lending



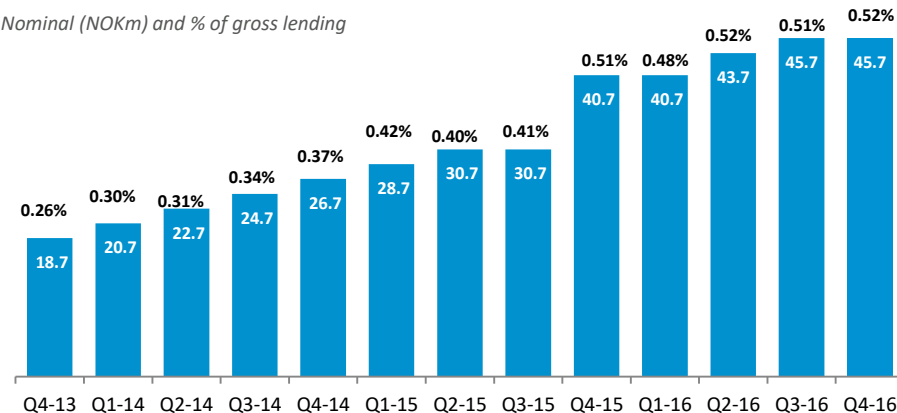
## Individual losses/write-downs/reversals on loans & guarantees

% of gross lending



## Cumulative group provisions

Nominal (NOKm) and % of gross lending



- Net non-performing loans reduced from NOK 126m (1.58 % of gross lending) by the end of Q4-15 to NOK 63 (0.72 %) by the end of Q4-16
- Three shipping loans of net NOK 118m (1.33 %) were impaired at the end of Q4-16. These loans are currently performing. They have been written down in total USD 3.1m/NOK 28.2m.
- Group provisions were unchanged at NOK 45.7m or 0.52 % of gross lending by the end of Q4-16

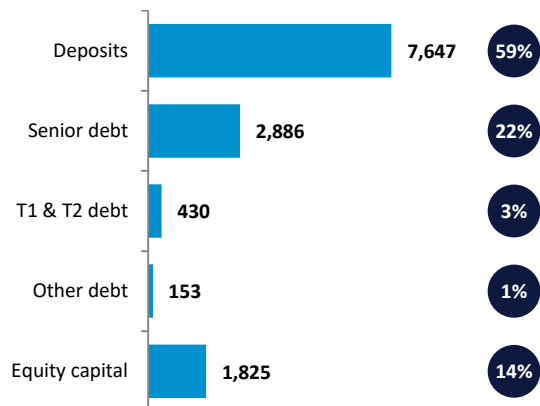
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# FUNDING | OVERVIEW \*

## Sources (NOKm)

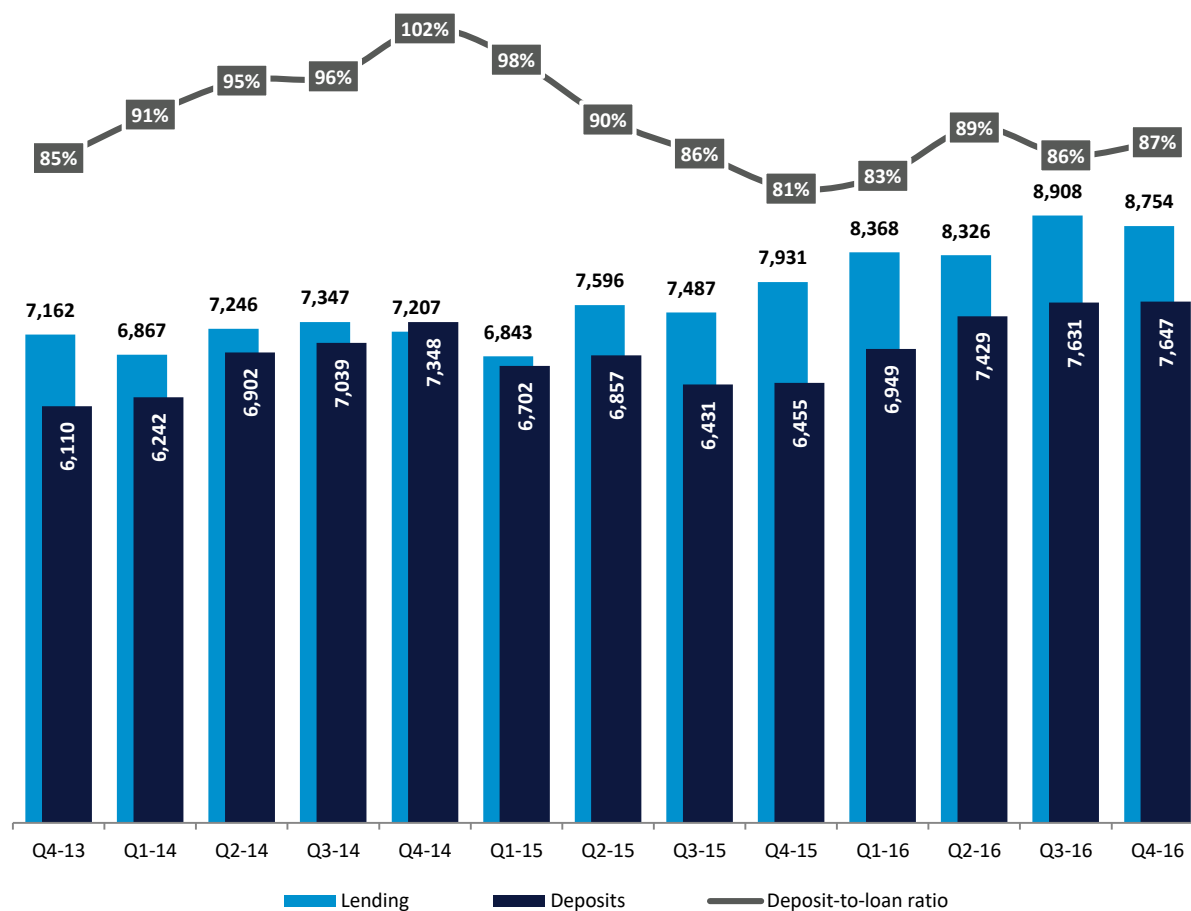
Σ = NOK 12,941m



## Key ratios

Deposits with liquidity restrictions	45 %
Corporate deposits	65 %
Deposit-to-loan ratio	87 %
Long-term NFSA liquidity ratio	138 %
LCR	260 %

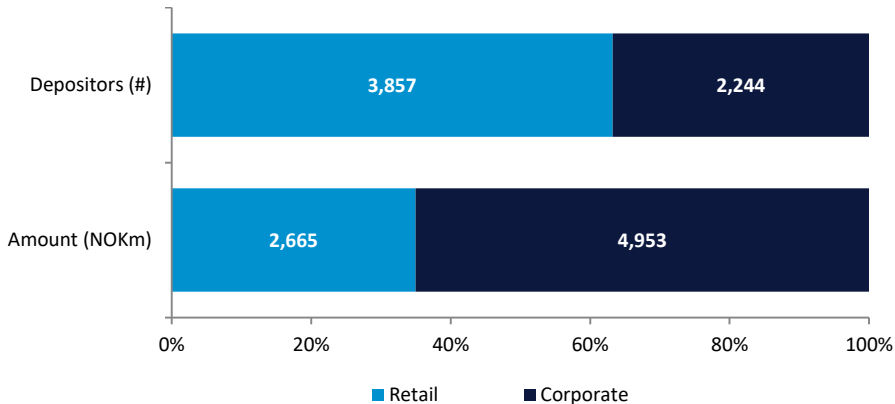
## Historical development in deposits vs. lending (NOKm)



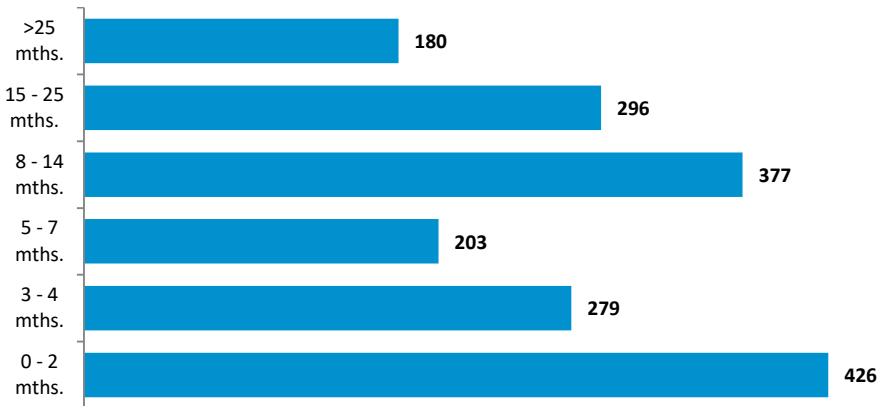


# FUNDING | CUSTOMER DEPOSITS \*

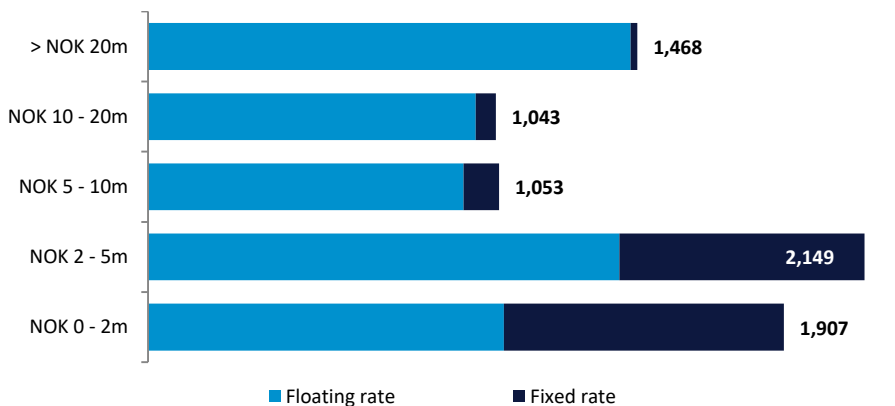
## Deposit allocation



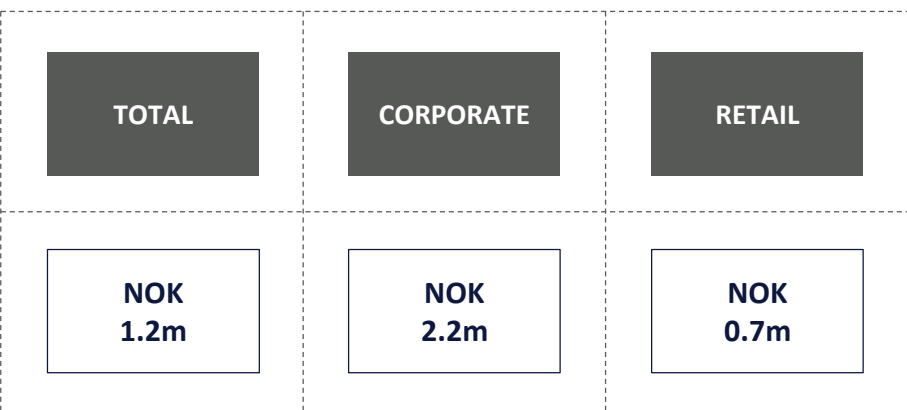
## Fixed rate deposits (NOKm) - time to maturity (months) $\Sigma = \text{NOK } 1,761\text{m}$



## Deposits by size (NOKm) $\Sigma = \text{NOK } 7,618\text{m}$

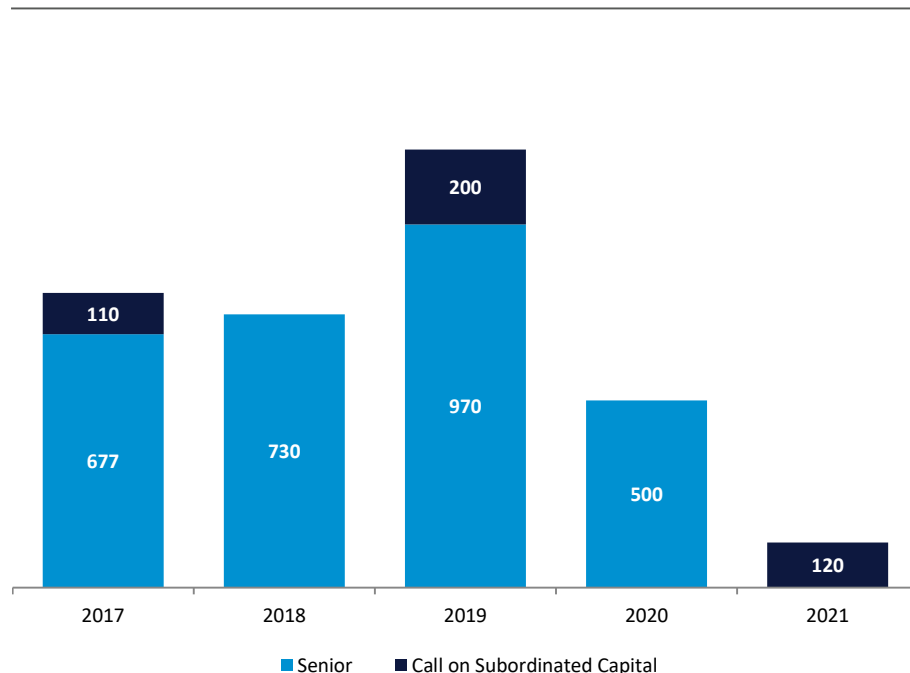


## Average deposit per customer (NOK)



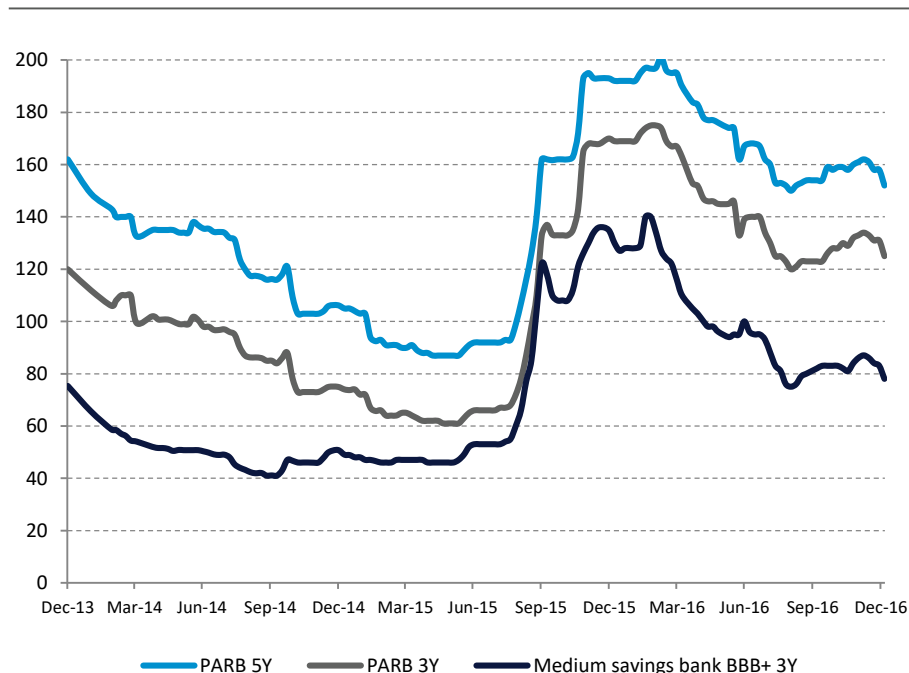
# FUNDING | MARKET FUNDING \*

Market funding maturities - net of own holdings (NOKm)



- The bank has eight loans outstanding. NOK 232m matures in January and February
- Issued NOK 120m in new T2 bond with call in December 2021; will call NOK 110m T1 bond in March 2017
- The bonds are listed on Nordic ABM and the Oslo Stock Exchange

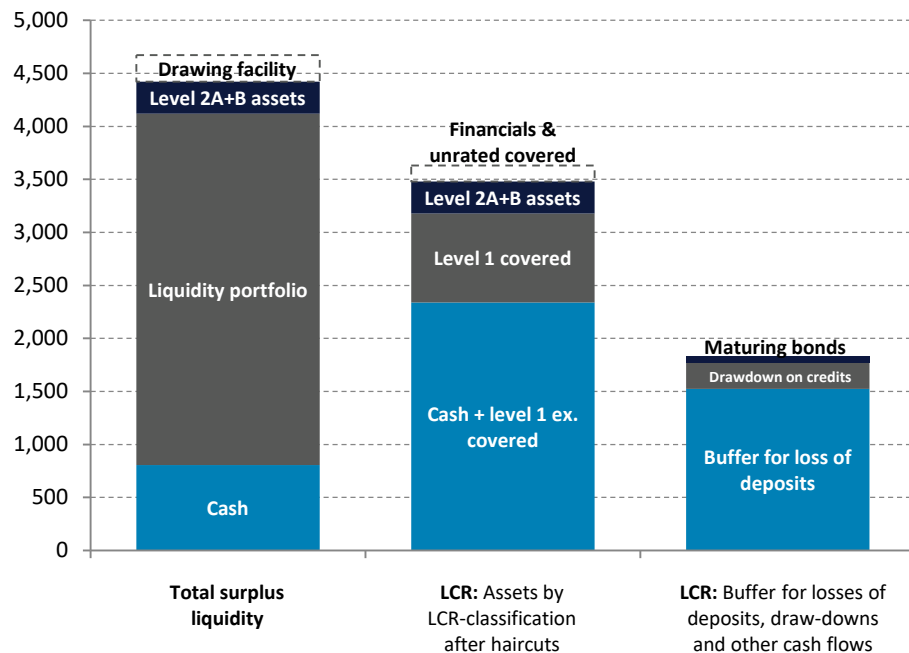
Credit spreads (bps)



- The bank sends out target bid/offer spreads to brokers regularly
- Senior finance spreads have ended the quarter on a positive note
- Pareto Bank's focus is on continuously improving investor relations through transparent pricing and providing liquidity by market making

# SURPLUS LIQUIDITY \*

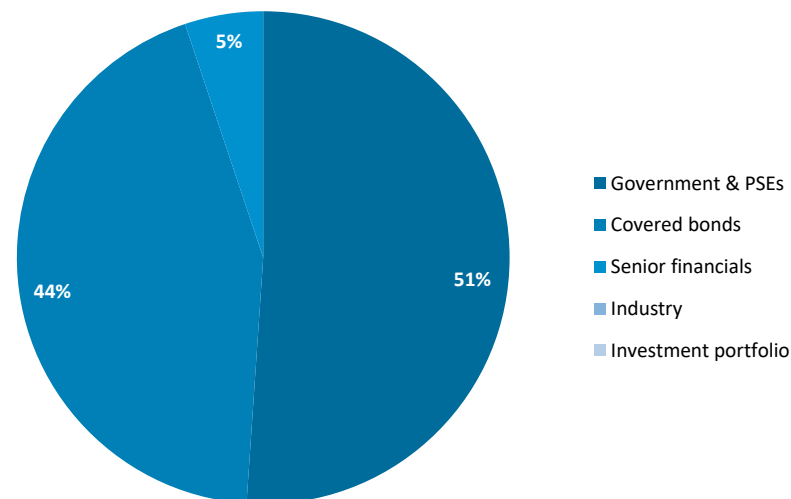
## Comfortable liquidity buffer (NOKm)



- 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 bank has a naturally high LCR due to a high share of deposits in other banks and government debt

## Bond portfolio (NOKm)

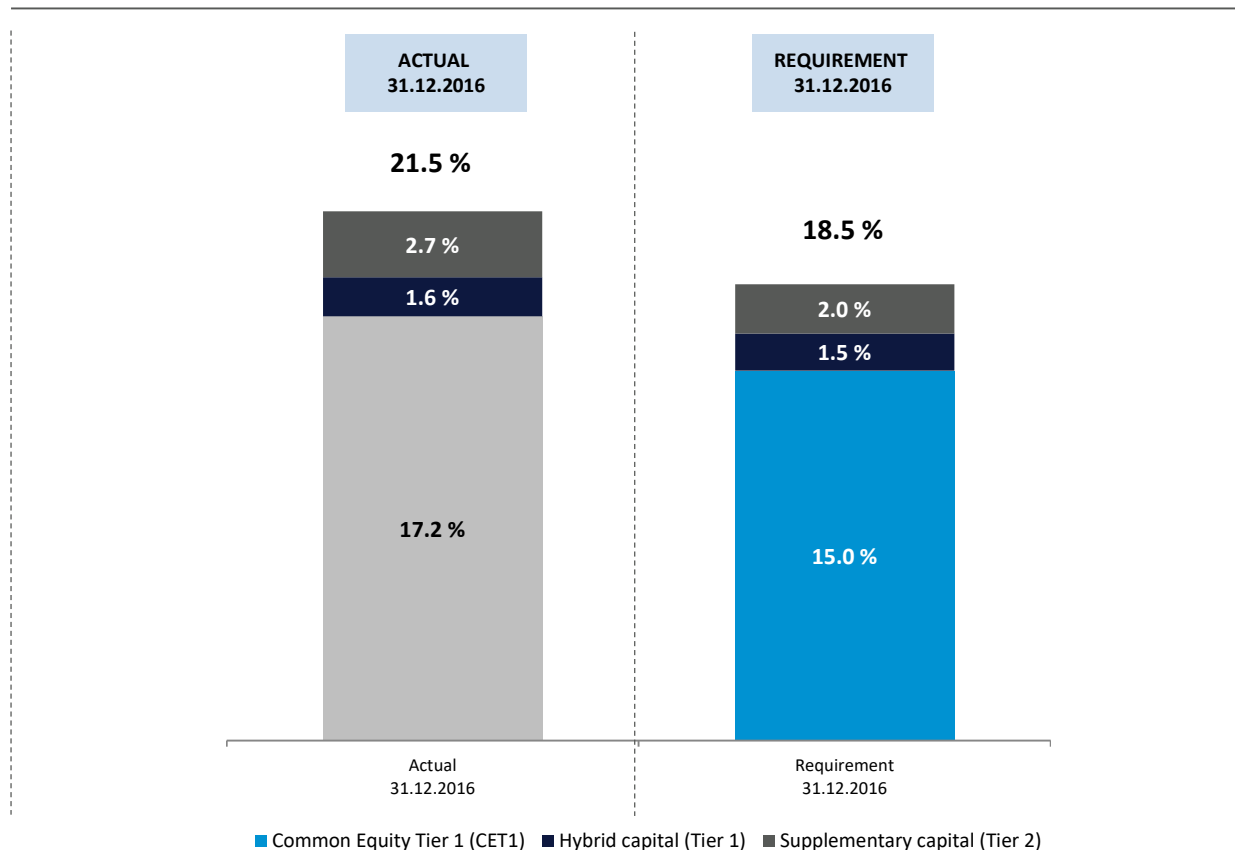
Σ = NOK 3,315m



- Increased share of government & PSEs from 34 % to 51 % aims to reduce credit spread risk and increase short-term liquidity
- Reduction in volume and duration of senior financials
- Investment portfolio (max limit NOK 500m - not utilized)

# CAPITAL RATIOS AND REQUIREMENTS

## Pareto Bank capital ratios and requirements \*



As of 31.12.2016 the CET1 requirement (Pillar 1) plus Pillar 2 requirement was 13.6 %

## Key comments

- Rights issue of MNOK 200 in December 2016 has strengthened the bank's CET1 capital significantly
- The bank's CET1 and total capital requirements are 15.0 % and 18.5 % respectively by end-of-year 2016
- Increase in countercyclical capital buffer from 1.5 % to 2.0 % by end-of-year 2017 increases minimum requirements to 15.5 % and 19 %
- The minimum requirements are met by a reasonable margin
- The bank issued MNOK 120 in a new Tier 2 bond in December with a maturity in 2026 and a call date in 2021
- The tier 2 bond was issued with a spread of +290 bps over 3M Nibor, and together with the rights issue this ensures that the bank meets its total capital requirements

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# FINANCIAL TARGETS FOR 2017

PROFITABLE GROWTH	10.0%	Attractive niche market development and continued opportunities within residential property
RETURN ON EQUITY	> 13.0%	Cost effective and commercially oriented bank
CAPITAL ADEQUACY	15.5 % *	CET1 ratio well above NFSA requirements
DIVIDEND POLICY	30 - 50 %	The payout ratio will depend on the growth potential within the bank's market

# PORTFOLIO GOALS FOR 2017

BUSINESS AREAS	MARKET	STATUS	GROWTH TARGETS
<b>Real estate</b> 	<p>Signs of margin pressure and increased risk-taking</p>	<p>Still strong deal flow High natural repayment rate on loans</p>	<p>Net growth of approximately NOK 600m</p>
<b>Securities &amp; Corporates</b> 	<p>Limited competition within corporate financing</p>	<p>Potential within corporate financing, but decline in securities financing</p>	<p>Net growth of approximately Securities: - NOK 300m Corporates: + NOK 500m</p>
<b>Shipping &amp; offshore</b> 	<p>Little competition and several markets at a low point</p>	<p>A more restrictive credit policy and focus on Norwegian clients</p>	<p>Net growth of approximately NOK 200m</p>

 Pareto bank