



PARETO BANK

Financial Results

First Quarter 2019

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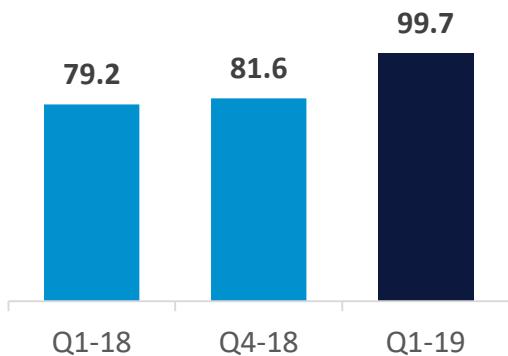
FIRST QUARTER 2019 HIGHLIGHTS

- 1 Profit after tax NOK 99.7m (NOK 79.2m).
- 2 Return on equity after tax 16.6 % (15.2 %).
- 3 Strong net interest income of NOK 162.6m (NOK 129.1m).
- 4 Diversified net lending growth of NOK 412m (NOK 618m) and continued strong activity in Q2-19.

KEY FIGURES

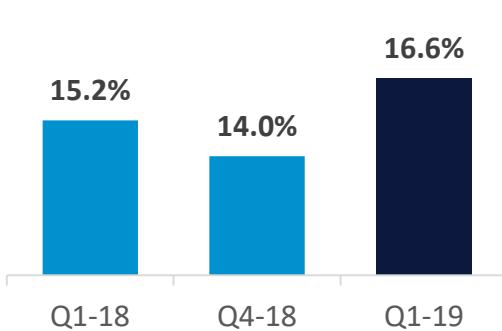
Profit after tax

NOKm



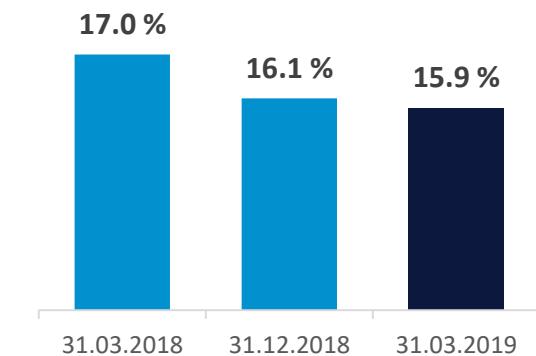
Return on Equity

Excluding AT1 capital and interest



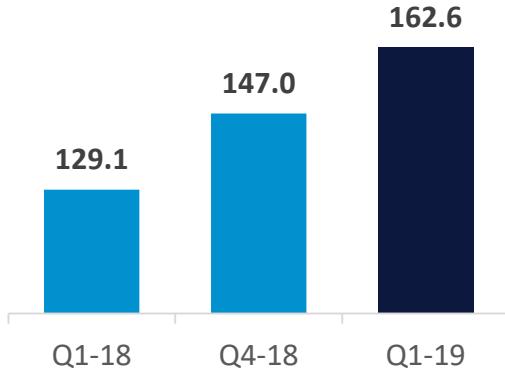
CET1 ratio

Standard model

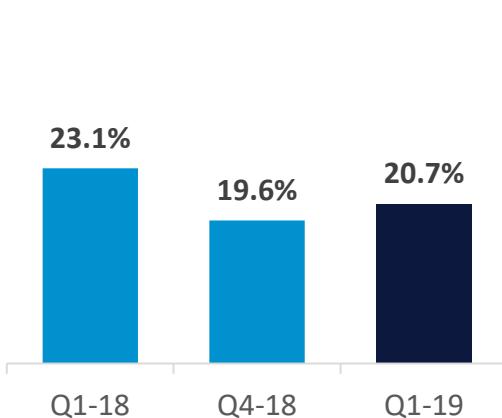


Net interest income (NOKm)

NOKm

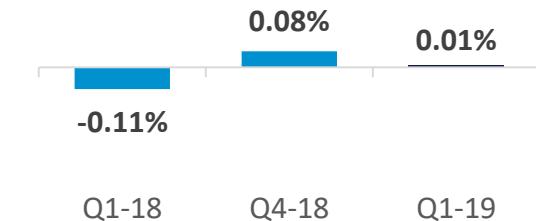


Cost/income ratio



Loss ratio

Quarterly write-downs and losses over average net loans



STATUS FINANCIAL AMBITIONS

	Q1-19 STATUS	2019 AMBITION	
ROE	16.6 %	15.0 %	Profitability comes first! Cost-effective and commercially-oriented bank.
LENDING GROWTH	NOK 412m	NOK 1,000m - 2,000m	Diversified growth. A highly skilled team and a strong market position.
CAPITAL ADEQUACY	15.9 %	16.2 % *	Combining solidity with good capital management.
DIVIDEND POLICY		0 - 50 %	A dividend policy that allows for flexibility.

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INCOME STATEMENT

P&L (NOKm)

	Q1-19	Q1-18	2018
Net Interest income	162.6	129.1	554.4
Total other operating income	6.2	4.9	8.8
Total net income	168.8	134.0	563.2
 Total other operating expenses	 35.0	 31.0	 119.9
Operating result before losses / write-downs	133.9	103.0	443.3
Losses / write-downs on loans	1.0	-2.7	4.6
Operating result before tax	132.9	105.6	438.7
 Tax payable	 33.2	 26.4	 108.0
Profit for the period	99.7	79.2	330.8
 <i>Earnings per share (NOK)</i>	 1.67	 1.34	 5.55
<i>Return on equity</i>	16.6%	15.2%	15.0%
<i>Cost income ratio</i>	20.7%	23.1%	21.3%

Increased average lending volume throughout the quarter, full effect of repricing in previous quarter and fee income resulted in record net interest income.

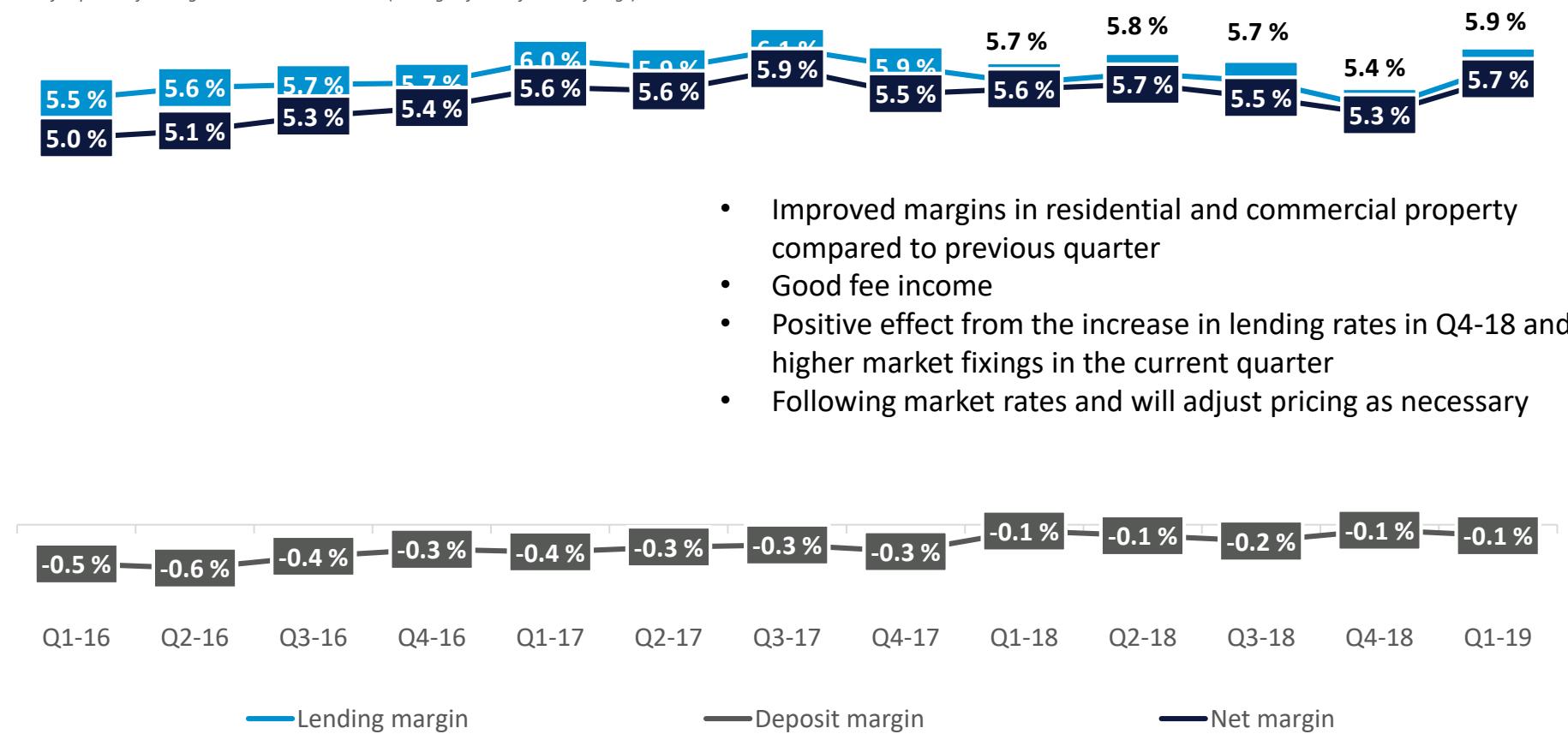
Net gain on financial instruments NOK 4.4m (NOK 1.6m) due to positive bond markets.

Marginal cost increases due to hiring and increased activity in IT and marketing.

DEVELOPMENT IN MARGINS

Net interest margins

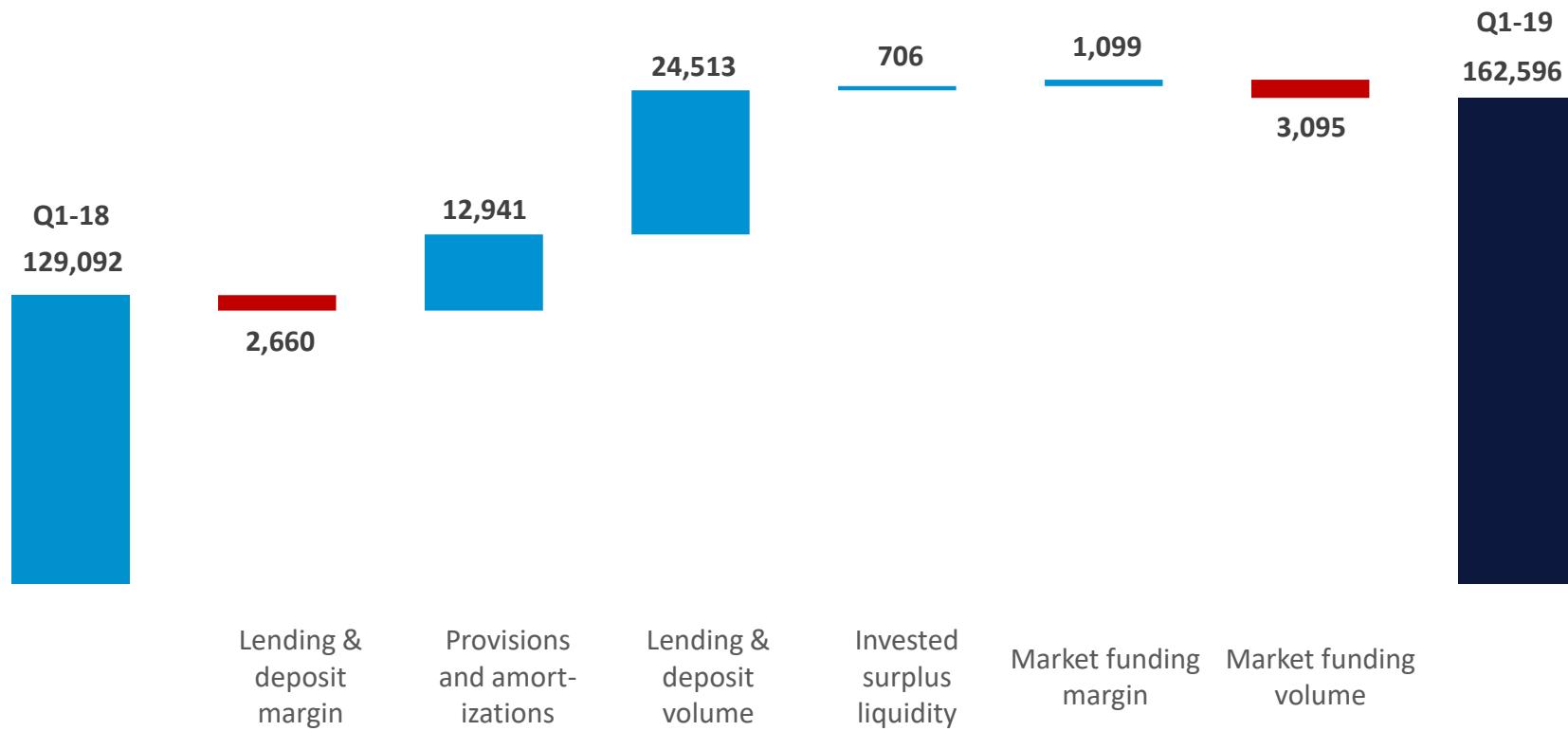
Percent interest income including amortizations and fees over 3M Nibor;
Cost of deposits of average volumes over 3M Nibor (average of end-of-month fixings)



CHANGE IN NET INTEREST INCOME

Net interest income

Changes in net interest income over 3M Nibor
NOK 1,000



QUALITY OF LOAN PORTFOLIO

Write-downs & losses according to IFRS 9

NOKm

Write-downs & losses: 59.7

Write-downs & losses: 60.7

25.0

5.8

28.9

24.9

8.5

27.3

■ Stage 3
■ Stage 2
■ Stage 1

31.12.2018

31.03.2019

Write-downs, losses & reversals on loans & guarantees

NOKm

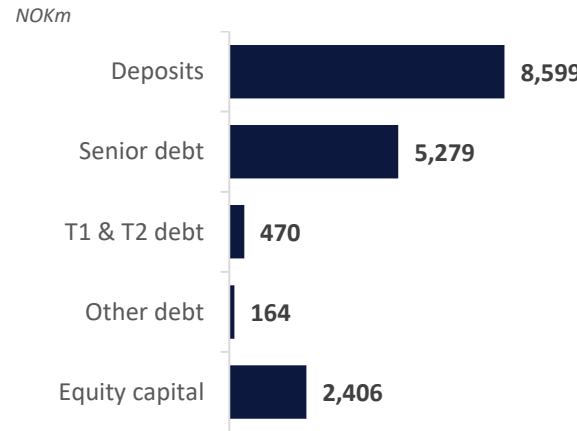
IAS 39

IFRS 9



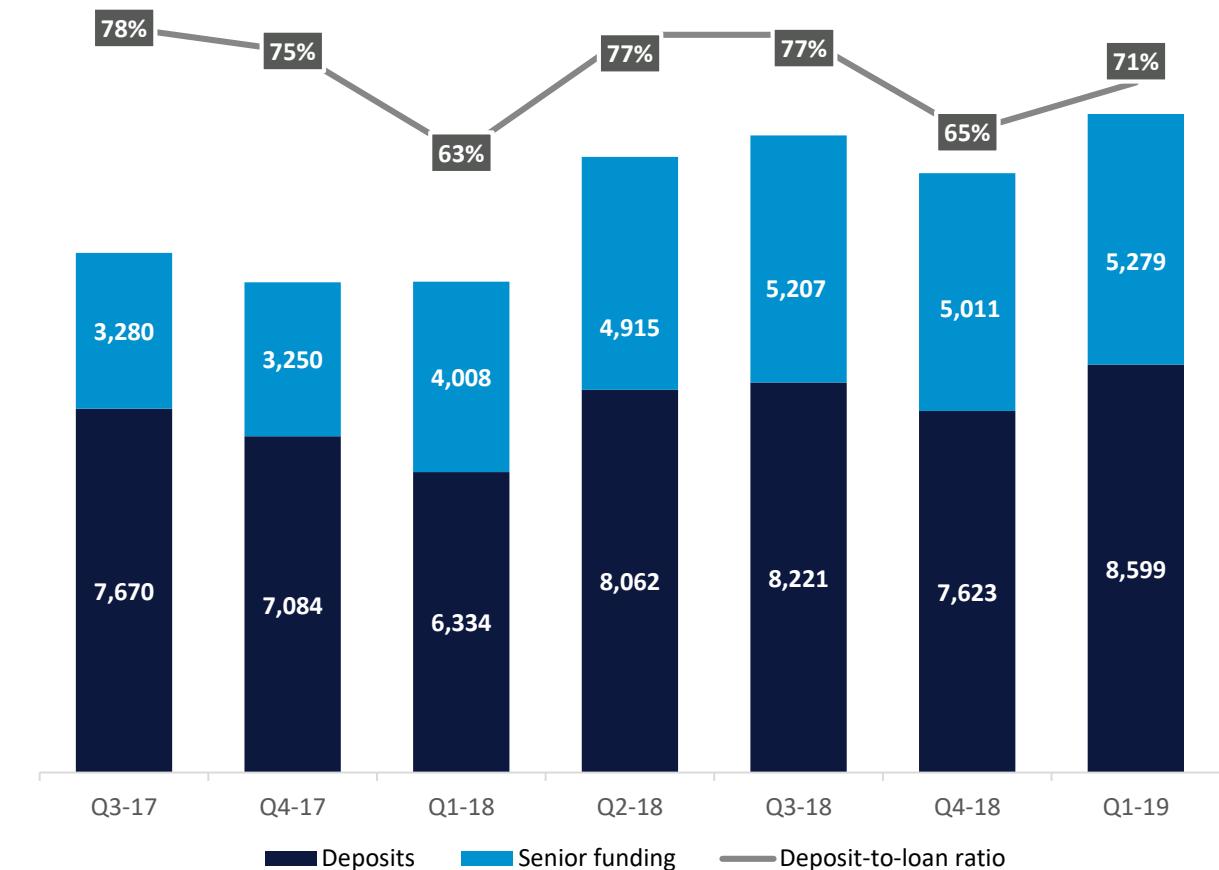
FUNDING

Sources

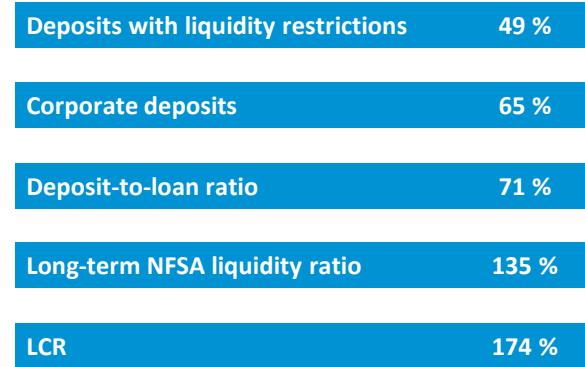


Deposits & senior debt

NOKm,
Percent customer deposits of net lending to customers

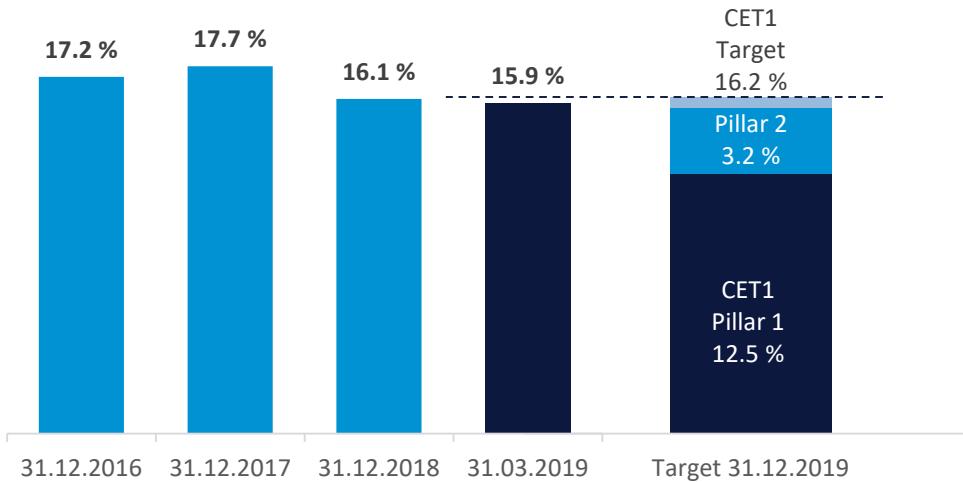


Key ratios



CAPITAL

Core equity tier 1 ratio (CET1 ratio)



Key comments on capital

- CET1 target increasing from 15.7 % in 2018 to 16.2 % as of the end of 2019.
- The bank's management buffer is 0.5 %. The bank will evaluate this level if there are changes to the bank's business, market expectations or regulatory practice.
- The bank will undergo a review of its pillar 2 requirement (SREP) in 2020.
- A strong leverage ratio well above the minimum requirement.

Leverage ratio

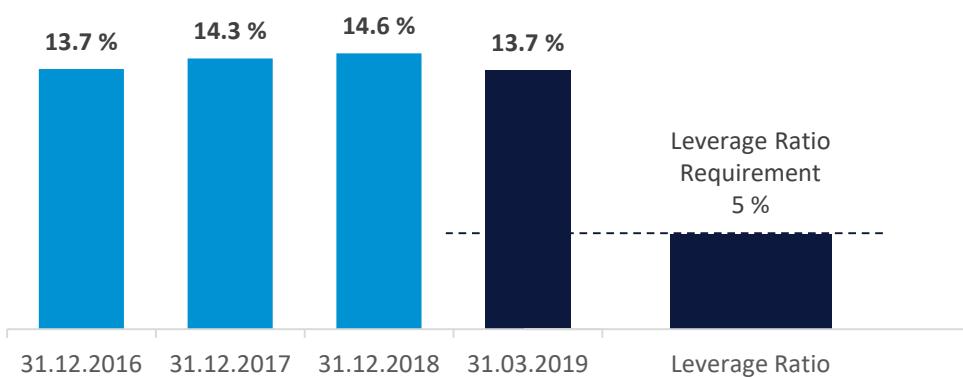


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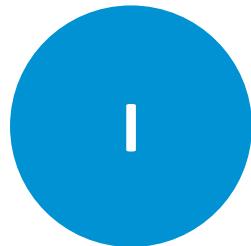
1 AMBITIONS & HIGHLIGHTS

2 FINANCIALS

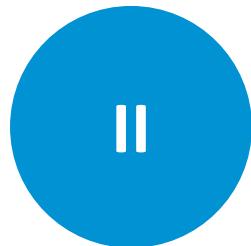
3 BUSINESS AREAS

4 PROFITABLE GROWTH

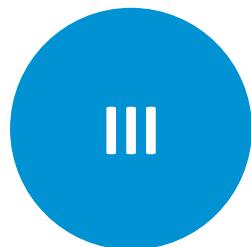
NICHE PLAYER



- Reliably indicate how we can meet customer needs
- An efficient credit process
- Decision-making without unnecessary bureaucracy



- We understand our customers' businesses and provide tailor-made solutions
- Always available with a fixed point of contact throughout the credit process
- Customer-driven: 80 % of our employees work with clients



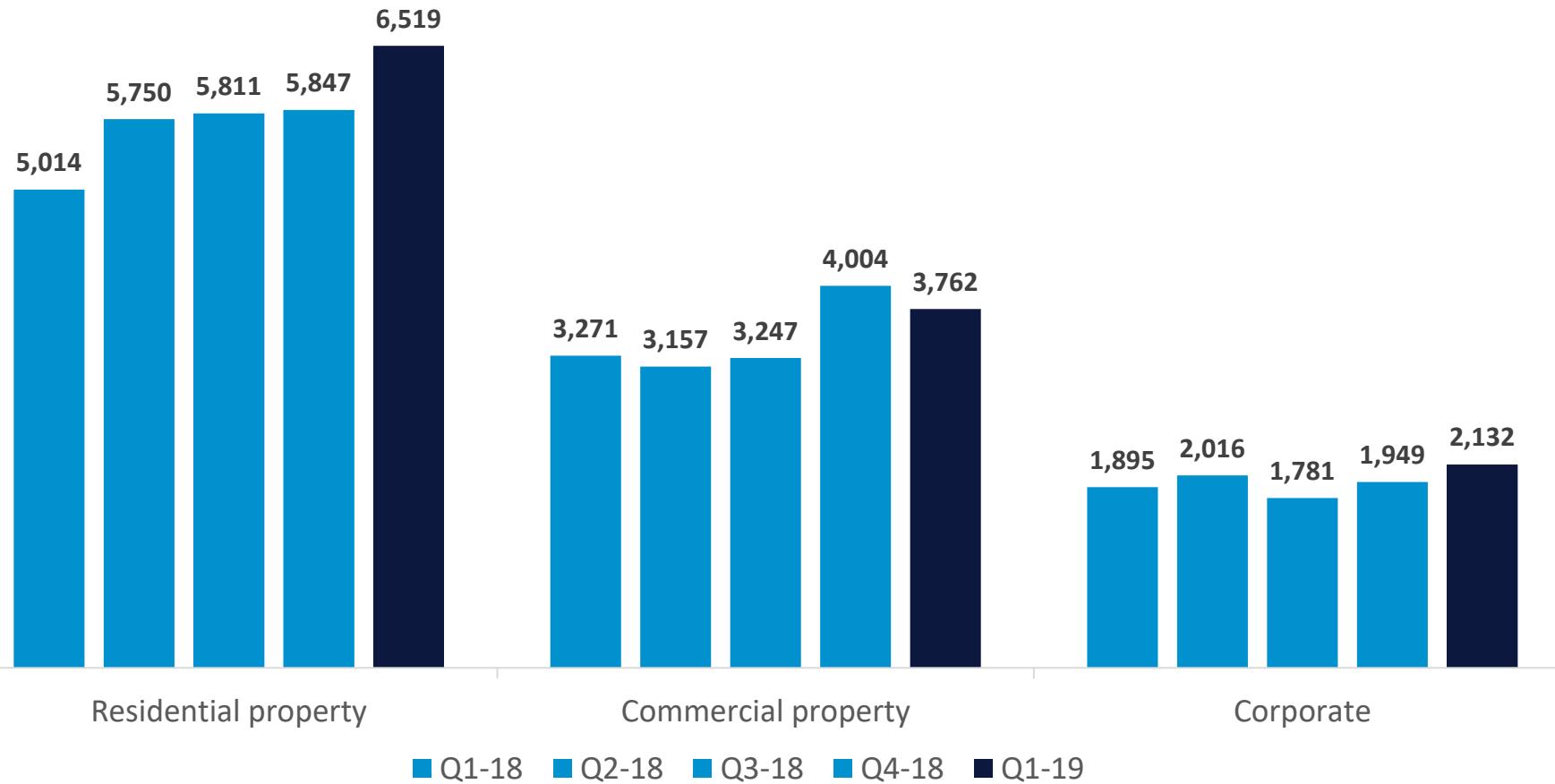
- Highly competent banking specialists with extensive knowledge of Norwegian business
- Generate value by delivering tailor-made solutions fast
- Our prices reflect our expertise

FINANCING FOR MEDIUM-SIZED ENTERPRISES

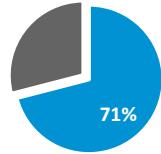
BUSINESS AREAS	FOCUS	CREDITS	EXPOSURE	SWEET SPOT
Real estate	The specialized real estate developer bank for Eastern Norway and larger Norwegian cities.	Land acquisition financing Building construction facilities Commercial property financing	NOKm 10,281 71 %	NOKm 50-100
Corporate	Positioning Pareto Bank as a provider of tailor-made financing solutions to medium-sized enterprises.	M&A loans Bridge loans Investment loans Working capital facilities	NOKm 2,132 15 %	NOKm 20-50
Shipping & offshore	Norwegian ship owners, family offices and the investment project market.	First priority lien financing of vessels	NOKm 736 5 %	USDm 10-20
Securities	A range of customized securities financing products.	Securities financing	NOKm 1,087 8 %	NOKm 5

LENDING PER BUSINESS AREA

NOKm gross exposure



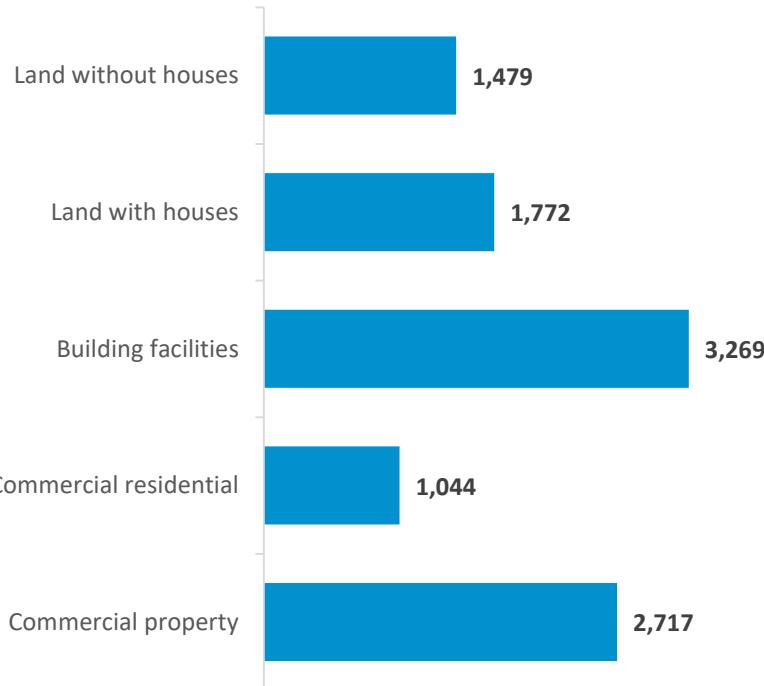
REAL ESTATE | CONTINUED HIGH ACTIVITY



Real estate credit exposure

Σ = NOK 10,281m

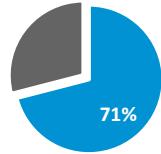
NOKm of gross exposure



Key comments

- Growth in credit exposure of NOK 430m in Q1-19.
- The specialized real estate developer bank for Eastern Norway and larger Norwegian cities.
- Increased sales effort and strengthened competitive position within commercial property financing working together with Eiendomskreditt AS.
- Diversification through an increased share of commercial property loans with longer maturities.
- Activity in commercial property and the newbuild market holding strong in first half of 2019.

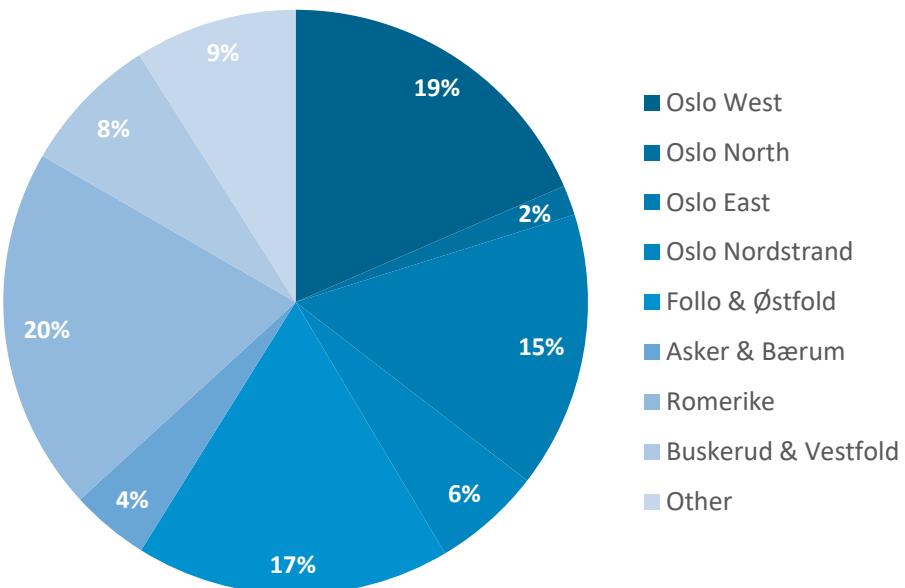
REAL ESTATE | RESIDENTIAL PROPERTY EXPOSURE



Geographical residential property exposure (NOKm)

$\Sigma = \text{NOK } 6,519\text{m}$

NOKm of gross exposure



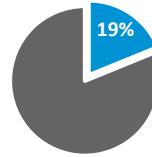
Largest areas:

Oslo	41 %
Romerike	20 %
Follo & Østfold	17 %

Policy

- Presale requirement: if the price of unsold units falls by 50 % compared to the price of presold units, the remaining sales must still be sufficient to cover the bank credit.
- Presale quality: end-users are assessed and qualified.
- Liquidity: tight covenant setting with respect to working capital, liquidity buffers, liquidity reporting.
- Equity: 20 % to 40 % equity contribution requirement for land acquisition financing.
- Semi-annual stress testing against a drop in housing prices.
- Geography: Oslo, Eastern Norway and larger Norwegian cities.

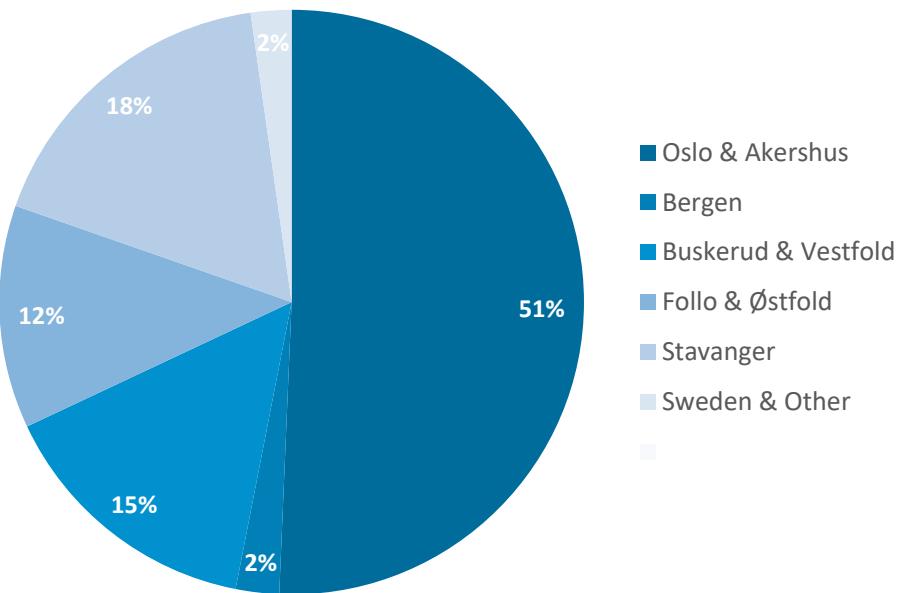
REAL ESTATE | COMMERCIAL PROPERTY EXPOSURE



Geographical commercial property exposure (NOKm)

$\Sigma = \text{NOK } 2,717\text{m}$

NOKm of gross exposure



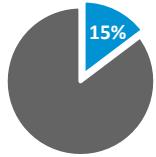
Key comments

- Average commitment size NOK 37m, average maturity 2 years, average loan to value (LTV) 70 %.
- Attractive model: Eiendomskreditt first priority lien max 55 % LTV and Pareto Bank second priority lien max 80 %.
- Bridge loans with clear exits and commercial property development loans.

Policy

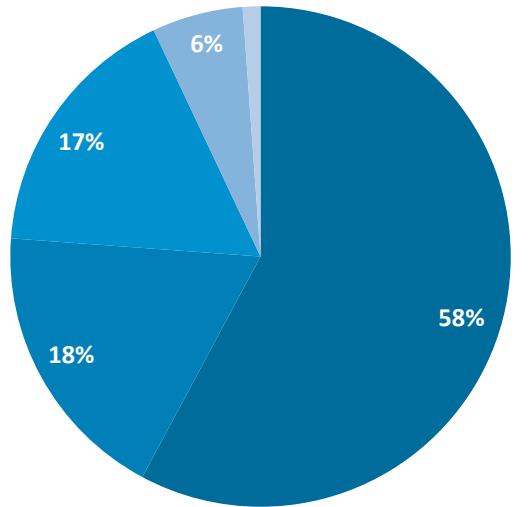
- Equity: 20 % to 40 % equity contribution.
- Market valuations: Own assessment and third party.
- Risk analysis with focus on tenants, tenant structure, weighted maturity of leases, vacancy, alternative use, residual value, micro market.
- Tight covenant setting: LTV, liquidity, account holdings, cross default with first priority lien, change of owner.
- Geography: Oslo, Eastern Norway and larger Norwegian cities.

CORPORATE | INCREASING DEAL FLOW



Corporate financing exposure (NOKm)

Σ = NOK 2,112m



■ Investment loans ■ Working capital facilities
■ M&A financing ■ Guarantees
■ Bridge loan

Key comments

- Positioning Pareto Bank as a provider of tailor-made financing solutions to medium-sized enterprises.
- Deal flow increasing as awareness of Pareto Bank as a financial solution provider for medium-sized businesses improves.

Policy

- Medium-sized corporate transactions (M&A, MBO, LBO).
- A conservative approach to leverage and strict financial covenants.
- Tenor varies depending on product, and within M&A financing average tenor is 3 to 5 years.

CORPORATES | RECEIVABLES FINANCING

Fleksibel driftskreditt is a credit facility based on receivables as collateral with a 100 % digital web-based platform and on-boarding process.

Pilot testing continues: Full integration with all leading cloud based accounting systems and full integration of the bank's credit rating model with customer accounting systems.

Working on potential partnerships in order to increase distribution capacity.

Digital and traditional marketing to increase in the second half of 2019.



EASY TO USE

Online application and on-boarding process.
No need to change bank.

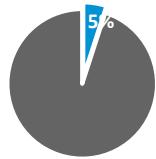
FLEXIBLE

Credit facility for financing of receivables.
Updates in real time.

TRANSPARENT PRICING

No hidden fees.
Interest on drawn amounts only.

SHIPPING & OFFSHORE | CAREFUL GROWTH



Status

- 16 customers and a total of 24 vessels
- Largest exposure is USD 11.7m and average commitment size is USD 5.1m

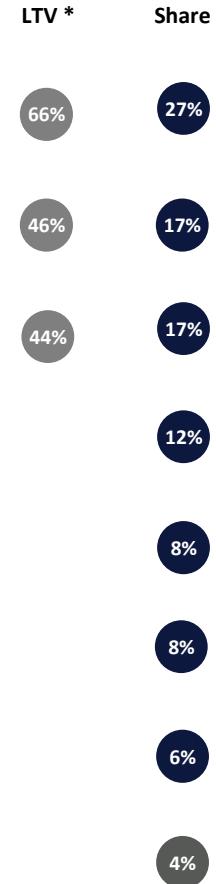
Policy

- Target LTV of 50 % and increased profitability.
- Norwegian ship owners, majority shareholders and family offices.
- Strong balance sheets and high-quality counterparties.
- Tonnage with liquid second-hand markets and well-proven designs.
- A diversified portfolio where a single segment will normally not exceed 25% of the total S&O exposure.
- Maximum S&O exposure is 15 % of the bank's total credit exposure.

Shipping & Offshore credit exposure & loan to value

NOKm

$\Sigma = \text{NOK } 736\text{m}$



OFFSHORE
EXPOSURE

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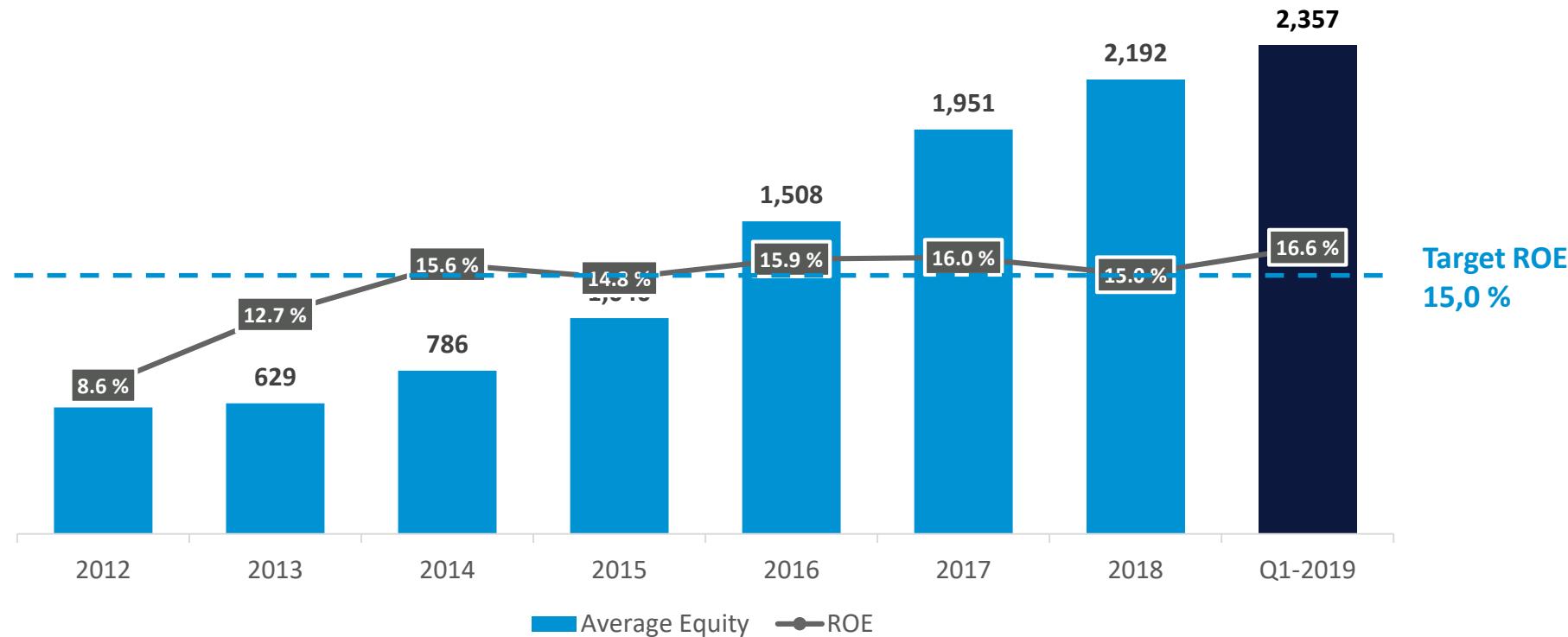
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LONG-TERM GROWTH AND PROFITABILITY

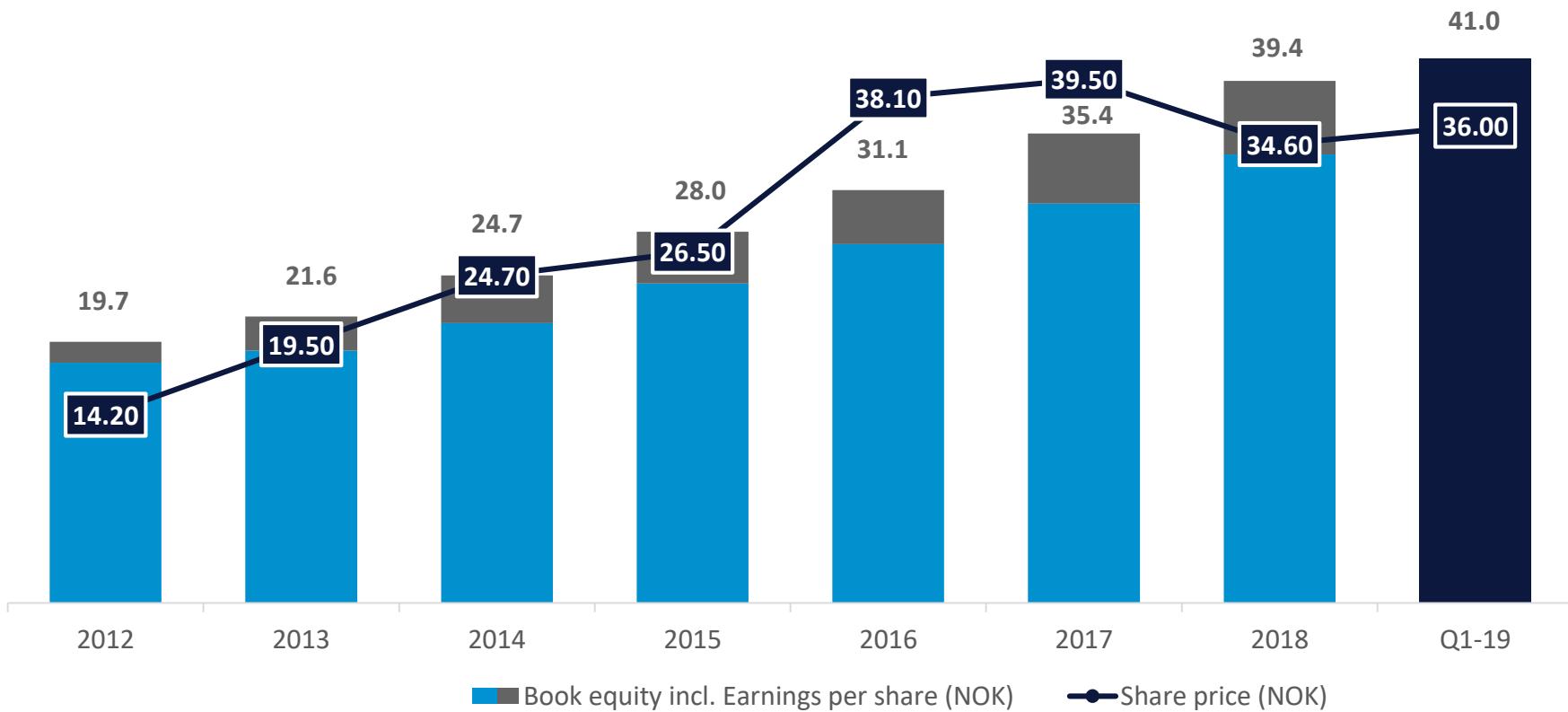
Return on Equity

NOKm
Average Equity not including outstanding AT1 capital



CONSISTENT VALUE CREATION

NOK



APPENDIX

LARGEST SHAREHOLDERS AS OF 31 MARCH 2019

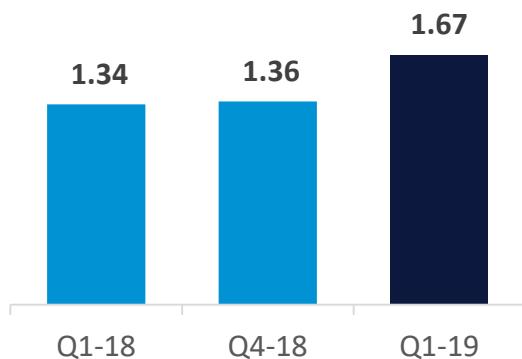
#	Investor		31 March 2019
		# of shares	% total
1	Pareto AS	9,675,873	16.51 %
2	Pecunia Forvaltning AS	5,900,000	10.06 %
3	AF Capital Management AS	5,861,968	10.00 %
4	K11 Investor AS	2,191,356	3.74 %
5	Rune Bentsen AS	2,191,355	3.74 %
6	Verdipapirfondet Landkredit Utbytte	2,000,000	3.41 %
7	Hjellegjerde Invest AS	1,900,000	3.24 %
8	Kolberg Motors AS	1,360,000	2.32 %
9	Svemorka Holding AS	1,300,000	2.22 %
10	Dragesund Invest AS	1,067,231	1.82 %
11	Artel AS	900,820	1.54 %
12	Holberg Norge	900,000	1.54 %
13	Verdipapirfondet Fondsfinans Norge	875,000	1.49 %
14	Pactum AS	775,000	1.32 %
15	Castel AS	689,779	1.18 %
16	Bergen Kommunale Pensjonskasse	683,645	1.17 %
17	Hausta Investor AS	600,000	1.02 %
18	MH Capital AS	500,000	0.85 %
19	Wenaasgruppen AS	500,000	0.85 %
20	Belvedere AS	474,999	0.81 %
Sum TOP 20		40,347,026	68.83 %
Other shareholders		18,272,662	31.17 %
Total		58,619,688	100.00 %

- The Company has 58,619,688 shares outstanding
- One class of shares where each share carries one voting right
- Diversified investor base with 953 shareholders
- The top 10 and 20 investors hold 57 % and 69 % of the shares respectively
- Employees in Pareto Bank own 1.8 %
- Top management in the Pareto Group owns 3.3 %
- All employees are covered by an annual bonus compensation scheme settled in Pareto Bank shares

THE SHARE

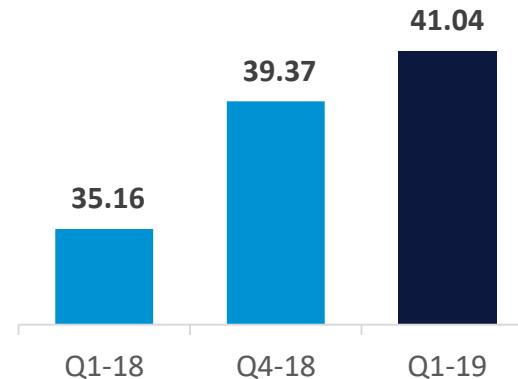
Earnings per share

NOK



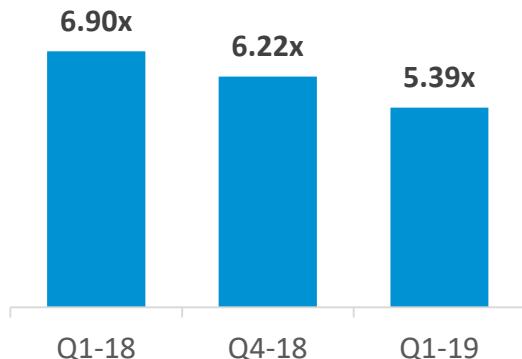
Book equity per share

NOK



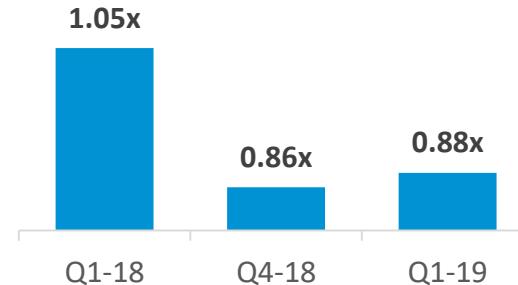
Price / Earnings

NOK, Share price 36.00



Price / Book

NOK, Share price 36.00



QUARTERLY INCOME STATEMENT

P&L (NOKm)

	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Net Interest income	162.6	147.0	138.8	139.4	129.1
Total other operating income	6.2	-3.3	-1.4	8.6	4.9
Total net income	168.8	143.7	137.5	148.0	134.0
Total other operating expenses	35.0	28.2	31.1	29.6	31.0
Operating result before losses / write-downs	133.9	115.5	106.4	118.4	103.0
Losses / write-downs on loans	1.0	9.0	4.0	-5.9	-2.7
Operating result before tax	132.9	106.5	102.4	124.2	105.6
Tax payable	33.2	24.9	25.6	31.1	26.4
Profit for the period	99.7	81.6	76.8	93.2	79.2
<i>Earnings per share (NOK)</i>	1.67	1.36	1.28	1.57	1.34
<i>Return on equity</i>	16.6%	14.0%	13.7%	17.5%	15.2%
<i>Cost income ratio</i>	20.7%	19.6%	22.6%	20.0%	23.1%

QUARTERLY BALANCE SHEET

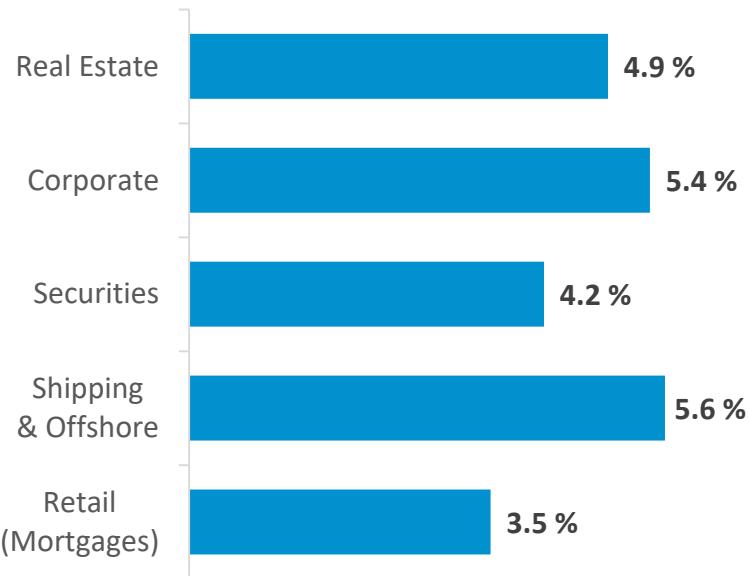
BS (NOKm)

	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Loans to credit institutions	951	320	1,295	1,136	405
Loans to customers	12,065	11,653	10,690	10,489	10,066
Bonds and other securities	3,797	3,537	4,220	4,031	2,844
Shareholdings in associated companies	37	37	35	35	37
Other assets	69	60	80	62	82
Total assets	16,919	15,607	16,319	15,753	13,434
Deposits from customers and institutions	8,612	7,623	8,258	8,069	6,795
Senior securities issued	5,279	5,011	5,207	4,915	4,008
Other liabilities	152	195	156	146	249
Tier 2 subordinated securities issued	270	270	270	270	270
Additional tier 1 capital	200	200	200	200	50
Other equity	2,406	2,308	2,228	2,153	2,061
Total liabilities and equity	16,919	15,607	16,319	15,753	13,434

MARGINS AND INTEREST CONTRIBUTION

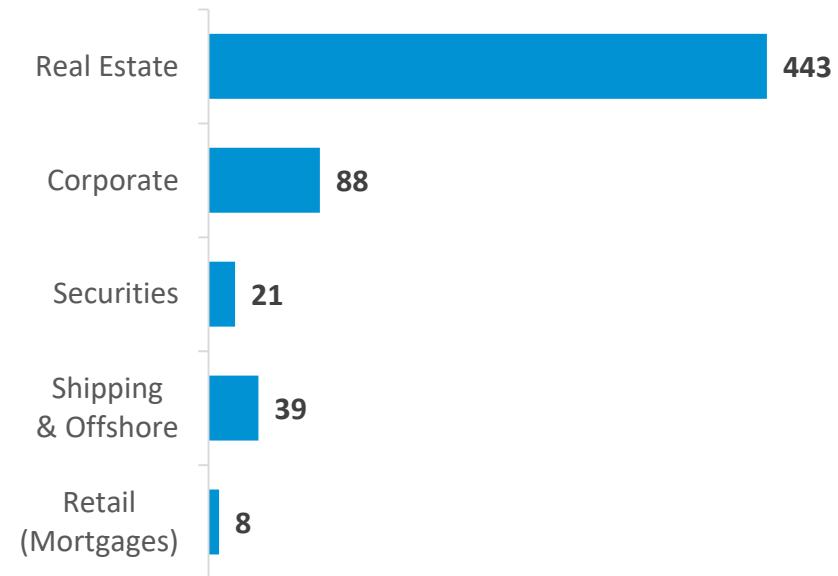
Margins per business area

Estimated annualized margins including commissions, excluding font and back-end fees over 3M Nibor or similar rate



Interest contribution per business area

NOKm, estimated interest contribution including commissions, excluding font and back-end fees over 3M Nibor or similar rate

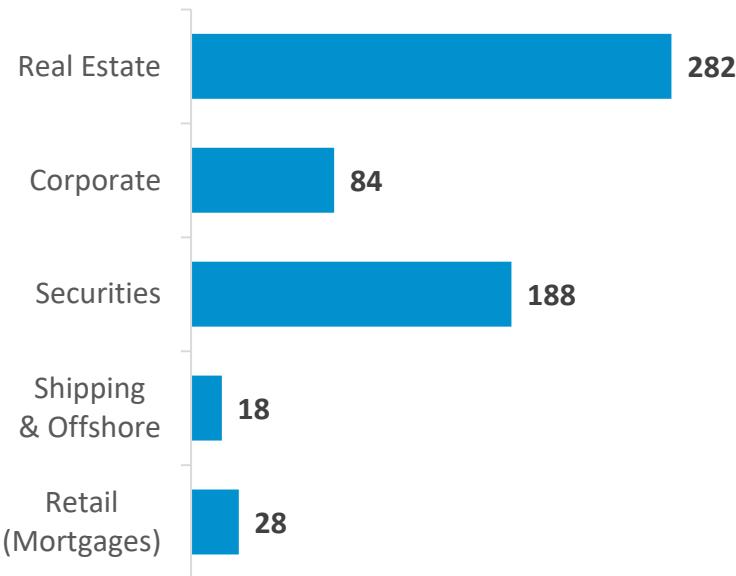


Note segment margins are estimated on the basis of terms of existing loans and will therefore differ from reported total lending margins.

Based on terms and 3M NIBOR as of 31.03.2019

NUMBER OF CUSTOMERS

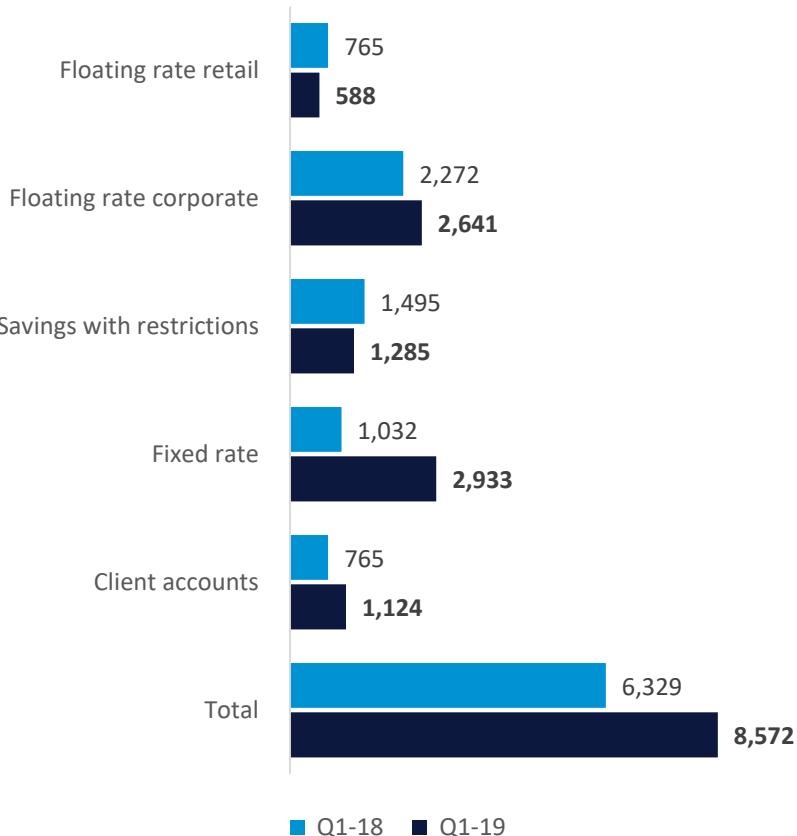
Number of customers per business area



CUSTOMER DEPOSITS

Deposits by product

NOKm



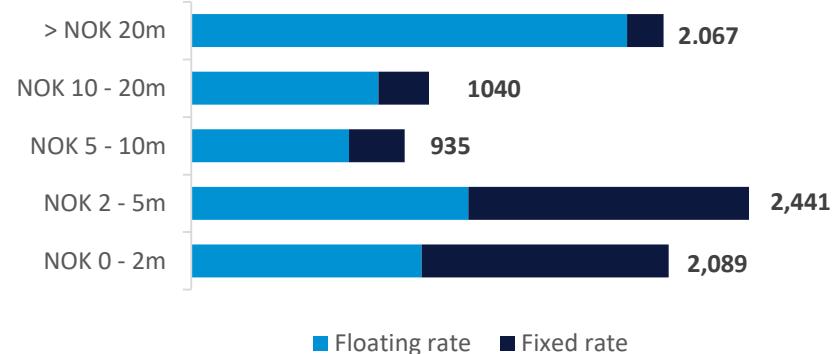
Deposits by type

NOKm



Deposits by size

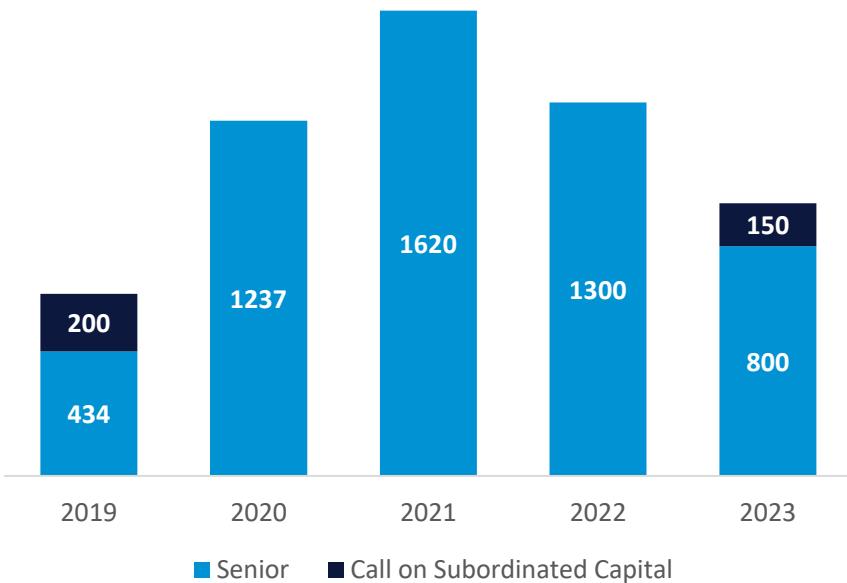
NOKm



MARKET FUNDING

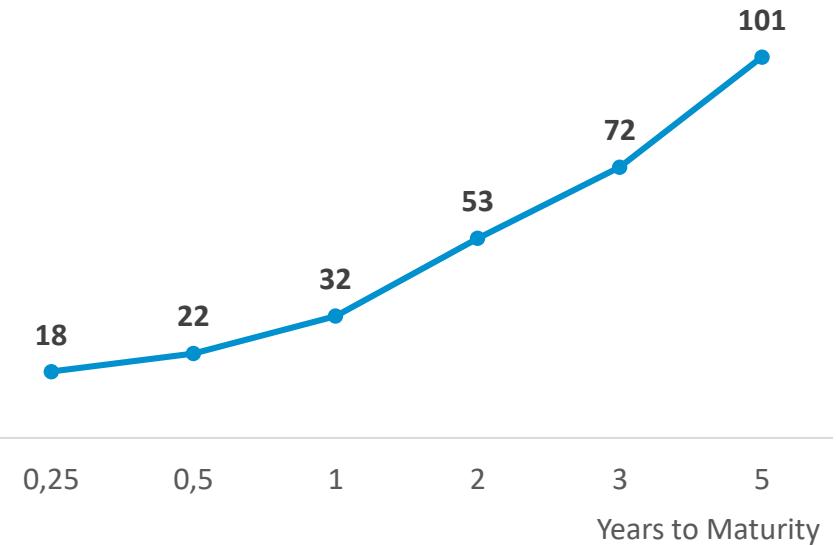
Market funding maturities

NOKm, net of own holdings



Credit spreads

Basis points over 3M Nibor

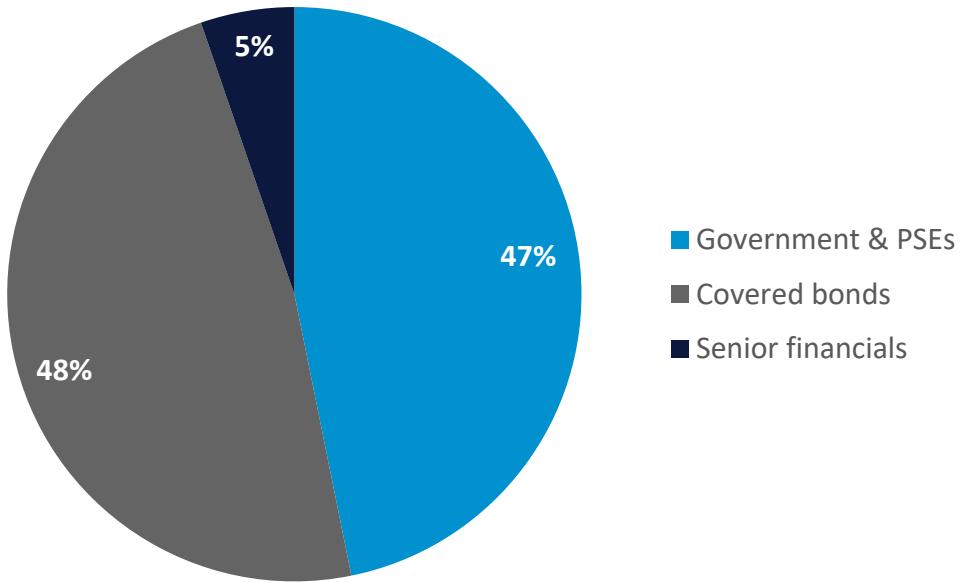


Source: Nordic Bond Pricing

SURPLUS LIQUIDITY

Bond portfolio

Market value of bonds and funds comprising surplus liquidity



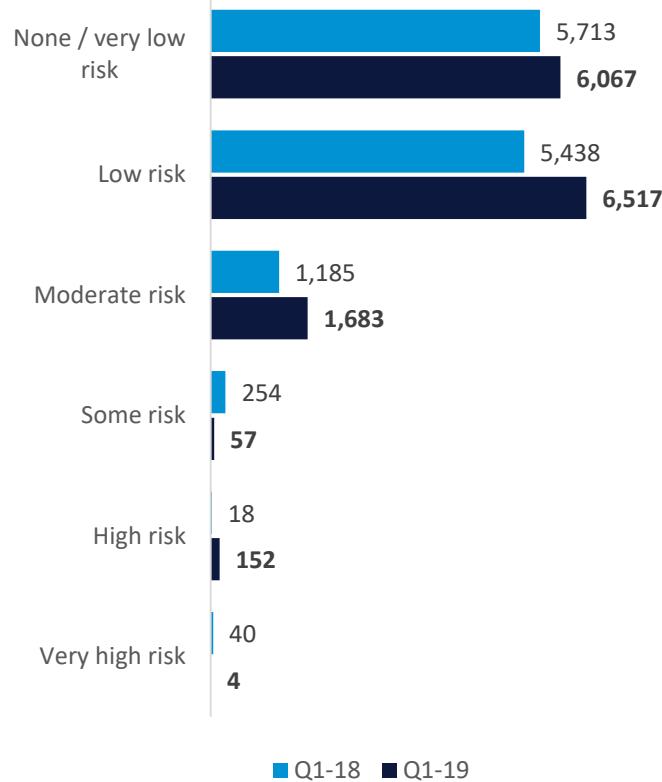
Key comments

- The bank's liquidity is comprised of cash and highly liquid bonds
- High share of government & PSEs to reduce credit spread risk and increase short-term liquidity
- Large share of covered bonds, mainly short to medium maturities
- The bank redeemed its investment in high-yield bond funds during Q1-19, and currently has no funds in its investment portfolio

COMMITMENTS BY RISK CLASSIFICATION

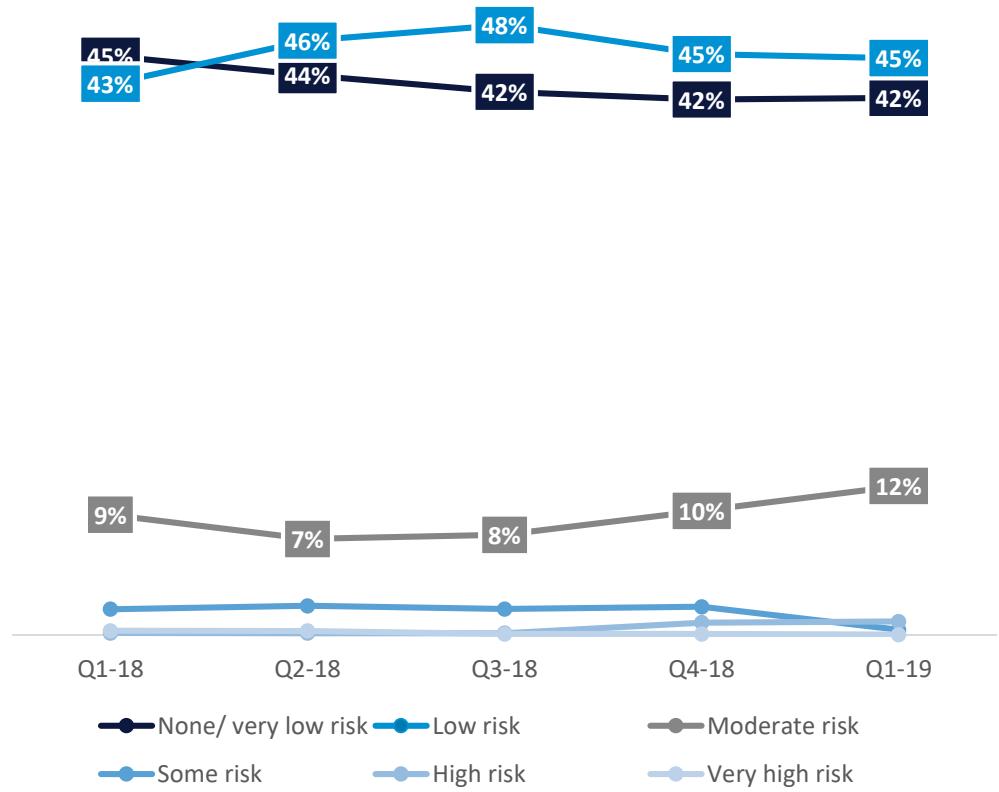
Risk classification

NOKm



Historical risk classification

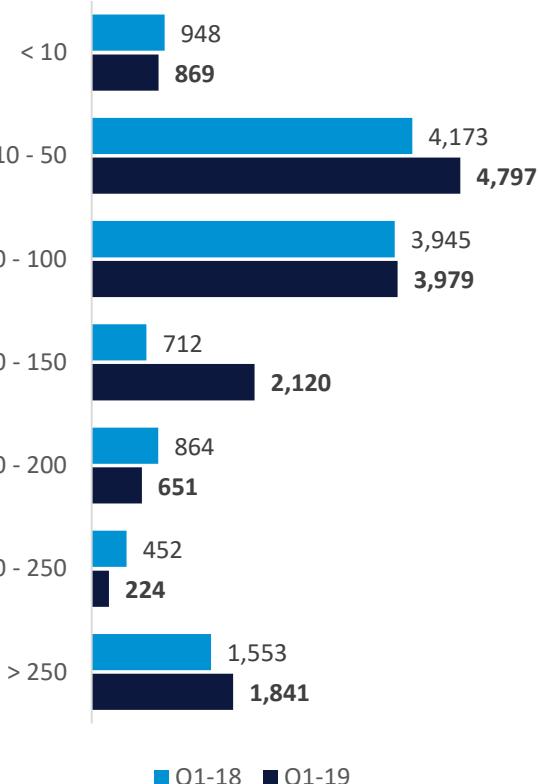
NOKm



COMMITMENTS BY SIZE

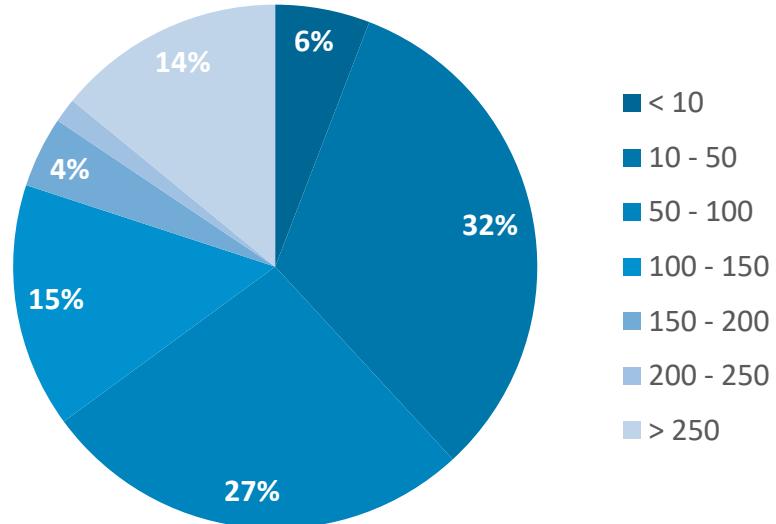
Commitment size per customer

NOKm



Distribution of commitments by size

Percent of NOKm



- Maximum size on a single customer 10 % of total capital (NOK 277m)
- Maximum size on group / consolidated basis 15 % of total capital (NOK 415m)

 Pareto bank