
PARETO BANK

Den store selskapskvelden – SMB

6. juni 2017

PARETO BANK AT A GLANCE

Pareto bank



1 A leading niche player within project financing: fast, flexible and with an entrepreneurial spirit.

2 Focus on financing of real estate, corporates & securities and shipping & offshore.

3 A core part of the business is financing of residential property development.

4 Expansion into corporate financing of SME's and maintenance of position within shipping & offshore.

5 Total lending of NOK 8,754m and total assets of NOK 12,941m by the end of Q4-16.

6 Profitable and cost efficient with profits after tax of NOK 247m and ROE 15.9 % for 2016.




7 Equity issues in 2016 established a financial platform for continued profitable growth.

8 Market capitalization NOK 2,004m. *

OUR HISTORY



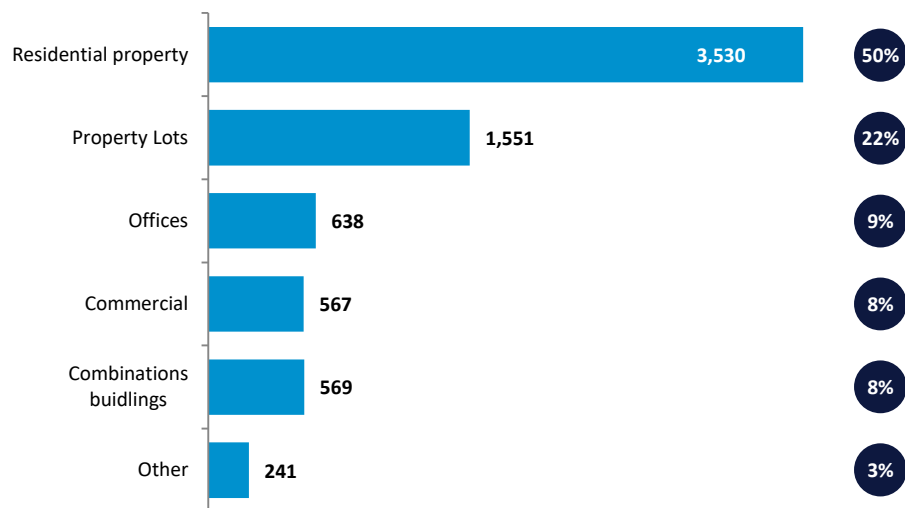
NORWAY'S LEADING PROJECT BANK

BUSINESS AREAS	PROJECTS / CREDITS	AREA EXPOSURE	AVG. PRINCIPAL
<p>Real estate</p> 	<p>Property lot financing Building construction facilities Commercial property financing</p>	<p>62 %</p>	<p>NOK 25-50m</p>
<p>Corporates & Securities</p> 	<p>Bridge loans Investment loans M&A loans Securities financing</p>	<p>24 %</p>	<p>NOK 5-30m</p>
<p>Shipping & Offshore</p> 	<p>Ship owners Family offices Shipping and offshore projects</p>	<p>11 %</p>	<p>USD 5-10m</p>

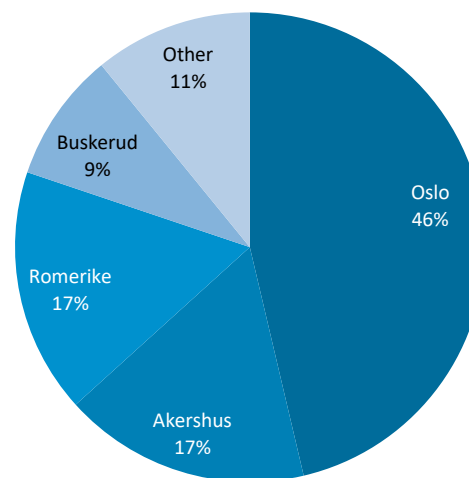
REAL ESTATE | STRONG MARKET POSITION

Real Estate credit exposure (NOKm)

Σ = NOK 7,095m *



Geographical residential property exposure (NOKm) **



Status

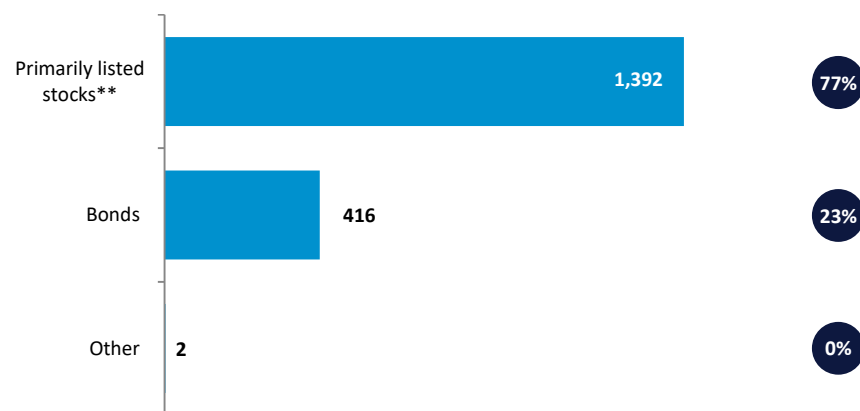
- Strong market position within financing of residential property development in the Oslo region
- Typically financing of regulated property and building construction in the range of NOK 30 - 80m
- On average 20 % to 40 % equity requirement on regulated property
- Building construction facilities have a number of conditions precedents; market risk is reduced by requiring a high level of presale
- Also financing of conversion projects, renovation projects, commercial property and the like

CORPORATES & SECURITIES | CUSTOMIZED SOLUTIONS

Securities financing

Total securities exposure (NOKm)

Σ = NOK 1,810m *



- Financing of stocks, short trades, high yield bonds and funds
- LTV / leverage of 0 % to 80 % on exchange listed stocks
- Leverage of high-yield bond portfolios of about 50 % in addition to portfolio requirements
- Forwards, total return swaps and guarantees in favour of Oslo Stock Exchange for companies in a mandatory offer position

Corporate financing

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.

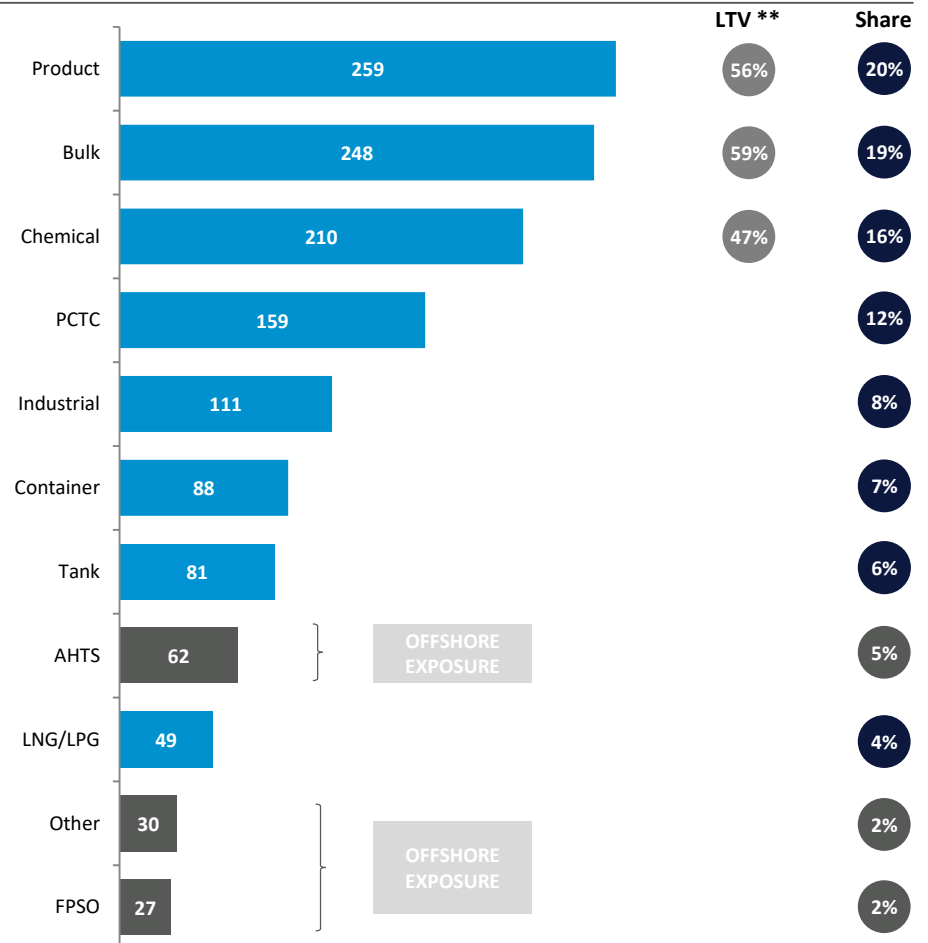
SHIPPING & OFFSHORE | DIVERSIFIED PORTFOLIO

Status

- The bank carefully maintains its exposure to the strong Norwegian shipping and offshore sector within 15 % of the bank's total credit exposure
- The bank has a strong competitive position in markets that are making a gradual recovery
- 25 loans with average size of USD 6.0m
- Clients should be based in Norway and have extensive experience and expertise in operations and maintenance
- Minimum equity of 45 %
- High quality charterers and tonnage with liquid second-hand markets and well-proven designs

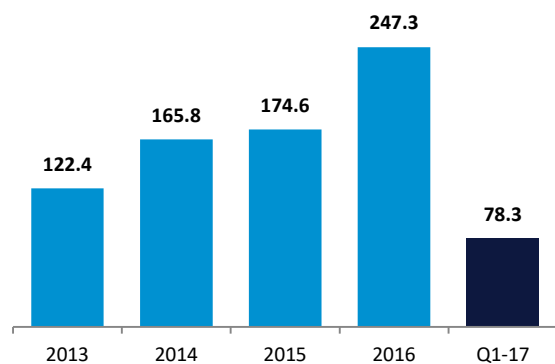
Total S&O credit exposure & Loan to value (NOKm)

Σ = NOK 1,323m *

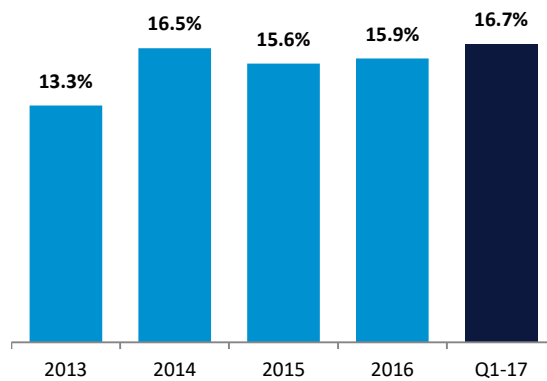


SOLID FOUNDATION AND STRONG PERFORMANCE

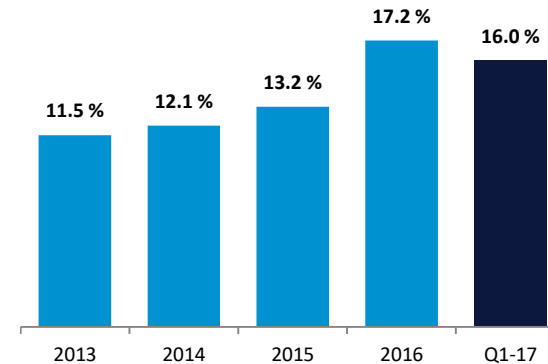
Result after tax (NOKm)



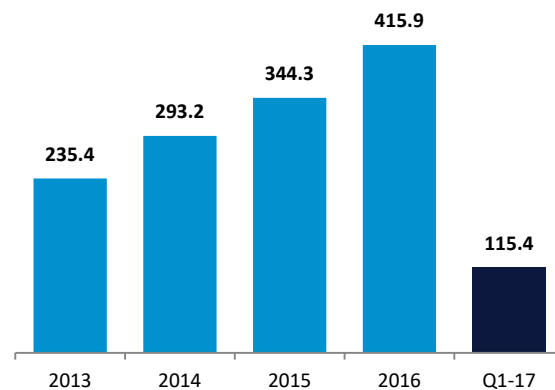
Return on Equity *



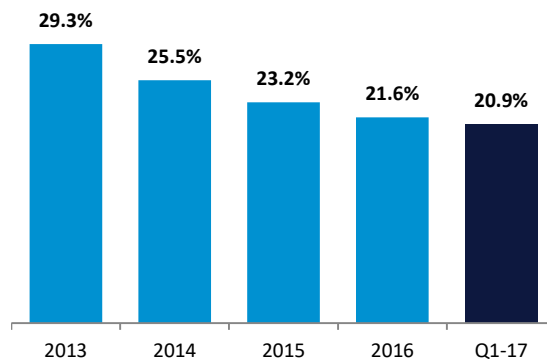
CET1 ratio **



Net interest income (NOKm)

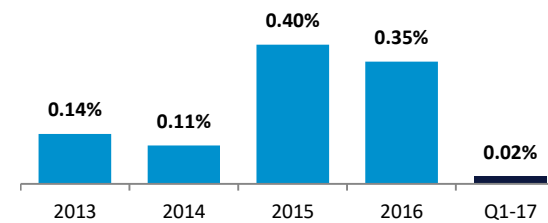


Cost/income ratio



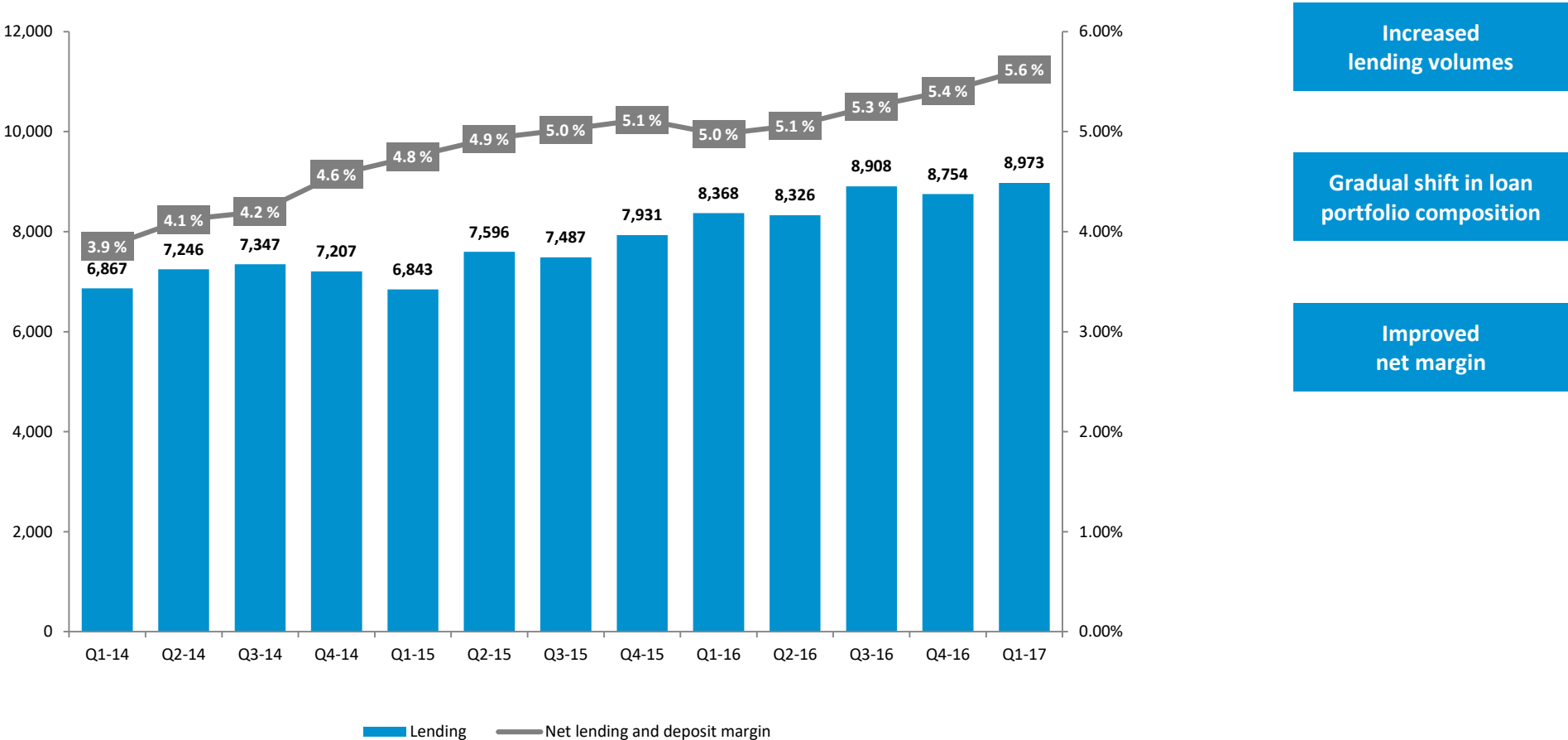
Loss ratio

% of gross lending



LENDING GROWTH AT INCREASED MARGINS

Historical development in lending (NOKm) and margins (vs. 3M NIBOR)

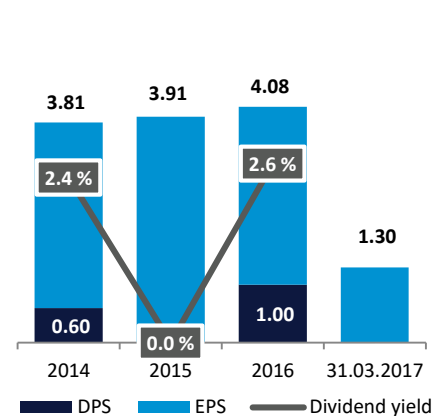


THE SHARE *

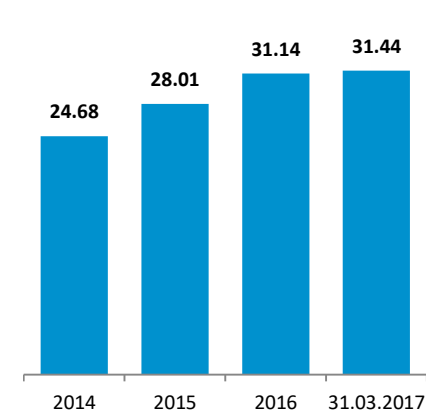
Share price development since March 2014**



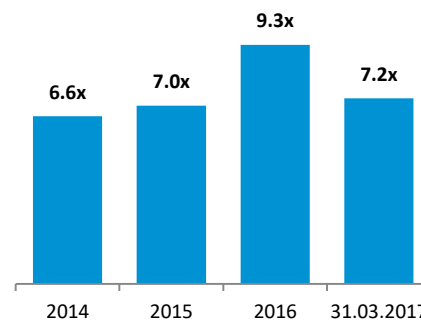
EPS, DPS (NOK) & Dividend Yield



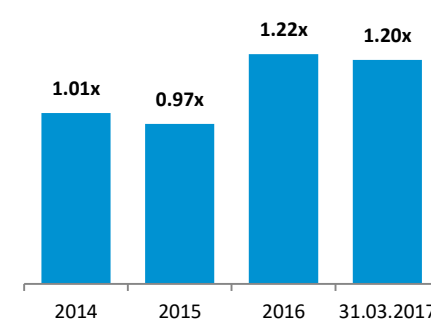
Book equity per share (NOK)



Price / Earnings



Price / Book



PROFITABLE GROWTH

	31.03.2017 STATUS	31.12.2017 TARGET	
LENDING GROWTH	NOK 220m	~NOK 1,000m	Continued growth in residential property development
ROE	16.7 %	> 13.0 % *	Lending growth on high margins and cost efficiency yield high returns
CAPITAL ADEQUACY	16.0 %	15.5 % **	High earnings, balance sheet management and two equity issues ensure solidity
DIVIDEND POLICY	30-50 %	30-50 %	The payout ratio will depend on the growth potential within the bank's market

VEDLEGG

QUARTERLY INCOME STATEMENT

P&L (NOKm)

	Q1-17	Q1-16	2016
Net Interest income	115.4	89.3	415.9
Total other operating income	18.9	6.7	42.0
Total net income	134.3	96.0	457.9
Total other operating expenses	28.0	22.3	98.8
Operating result before losses / write-downs	106.2	73.7	359.1
Losses / write-downs on loans	1.8	9.5	30.7
Operating result before tax	104.5	64.2	328.5
Tax payable	26.1	16.1	81.2
Result after tax	78.3	48.2	247.3
<i>Earnings per share (NOK)</i>	<i>1.30</i>	<i>0.93</i>	<i>4.08</i>

Key comments

- The principle of assessing financial instruments at fair value may cause profits to fluctuate between quarters.
- For Q1-17 total net gains were NOK 14.3m (NOK 3.9m).
- The fee for The Norwegian Banks' Guarantee Fund for 2016 was charged wholly in Q1-16, while it will be distributed over the accounting year for 2017. The fee for 2017 was NOK 5.7m (NOK 5.7m).
- NOK 3.8m (NOK 3.0m) was allocated for profit sharing with employees. Personal costs were up in Q1-17 due to severance pay and an increased payroll tax.
- Net write-downs totaling NOK 1.8m (NOK 9.5) in Q1-17.
- The bank will publish information in coming quarterly reports concerning asset classification and loss provisioning under IFRS 9.

STRONG BALANCE SHEET

BS (NOKm)

	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16
Cash and deposits with central banks	57.1	57.1	57.0	752.0	57.0
Lending to and deposits with credit insti	827.4	747.3	1,036.5	202.5	796.0
Net lending to customers	8,973.4	8,753.8	8,907.5	8,325.5	8,368.0
Commercial paper and bonds	4,093.9	3,315.1	3,525.1	3,506.1	3,515.4
Shares and other securities	0.0	0.0	18.2	18.2	8.1
Shareholdings in associated companies	40.3	14.7	-	-	-
Financial derivatives	11.9	12.7	46.3	13.9	73.9
Intangible assets	24.5	24.9	23.9	24.7	25.4
Deferred tax assets	12.0	12.0	25.2	25.2	25.2
Fixed assets	0.7	0.7	0.8	0.8	0.8
Other assets	1.3	0.9	0.5	1.3	1.8
Prepaid costs and retained earnings	8.4	1.6	2.4	2.8	4.2
Total assets	14,050.9	12,940.8	13,643.3	12,873.0	12,875.7
Deposits from credit institutions	307.6	4.1	128.3	0.2	33.7
Deposits from customers	8,524.8	7,646.8	7,631.4	7,429.0	6,949.2
Senior securities issued	2,762.9	2,885.5	3,867.8	3,529.1	4,004.4
Financial derivatives	42.4	55.8	28.2	51.2	37.6
Payable taxes	61.8	63.2	56.4	34.3	71.3
Other liabilities	167.4	5.7	39.1	9.1	19.8
Accrued costs and prepaid income	20.8	24.2	18.9	13.5	14.8
Subordinated loan capital	270.2	270.2	150.2	150.2	150.2
Total liabilities	12,157.9	10,955.6	11,920.4	11,216.6	11,281.0
Equity	703.4	703.4	623.4	623.4	623.4
Other equity	1,139.6	1,121.7	939.5	873.0	811.3
Tier 1 Hybrid loan capital	50.0	160.0	160.0	160.0	160.0
Total equity	1,893.0	1,985.2	1,722.9	1,656.4	1,594.7
Total liabilities and equity	14,050.9	12,940.8	13,643.3	12,873.0	12,875.7

Key comments

- High turnover rate: approximately 30% of the loan portfolio matures within a year
- High deposit volume and surplus liquidity, focus on reducing liabilities and excess liquidity
- Deposits composed of retail, business and client funds
- The bank will publish information in coming quarterly reports concerning asset classification and loss provisioning under IFRS 9

LARGEST SHAREHOLDERS AS OF 10.04.2017

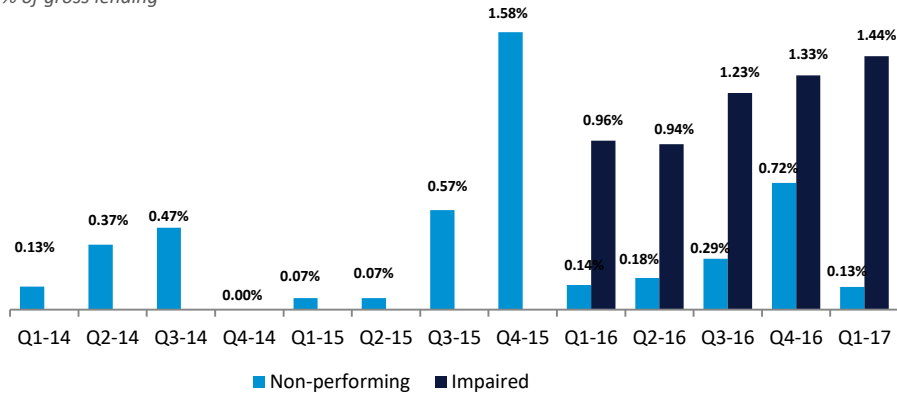
#	Investor	10 April 2017	
		# of shares	% total
1	Pareto AS	8,921,873	15.22 %
2	Pecunia Forvaltning AS	5,861,859	10.00 %
3	Saga Tankers ASA	5,052,547	8.62 %
4	Apollo Capital Management	4,875,998	8.32 %
5	Indigo Invest AS	4,382,711	7.48 %
6	Perestroika AS	2,559,666	4.37 %
7	Verdipapirfondet Pareto Investment Fund	2,262,440	3.86 %
8	Kolberg Motors AS	1,131,220	1.93 %
9	GH Holding AS	1,002,012	1.71 %
10	Artel Holding AS	900,820	1.54 %
11	Verdipapirfondet Landkreditt Utbytte	900,000	1.54 %
12	Castel AS	689,779	1.18 %
13	Centennial AS	616,163	1.05 %
14	Ola Rustad AS	585,996	1.00 %
15	Uthalden AS	561,657	0.96 %
16	Eiendomsutvikling Kristiansand AS	519,125	0.89 %
17	Svemorka Holding AS	500,000	0.85 %
18	Profond AS	459,597	0.78 %
19	Thabo Energy AS	452,486	0.77 %
20	AS Clipper	433,845	0.74 %
Sum TOP 20		42,669,794	72.79 %
Other shareholders		15,949,894	27.21 %
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 719 shareholders
- The top 10 and 20 investors hold 63 % and 73 % of the shares, respectively
- Employees and management in Pareto Bank and top management in the Pareto Group own 2.84 %
- All employees are covered by an annual bonus compensation scheme settled in Pareto Bank shares

LOAN PORTFOLIO QUALITY

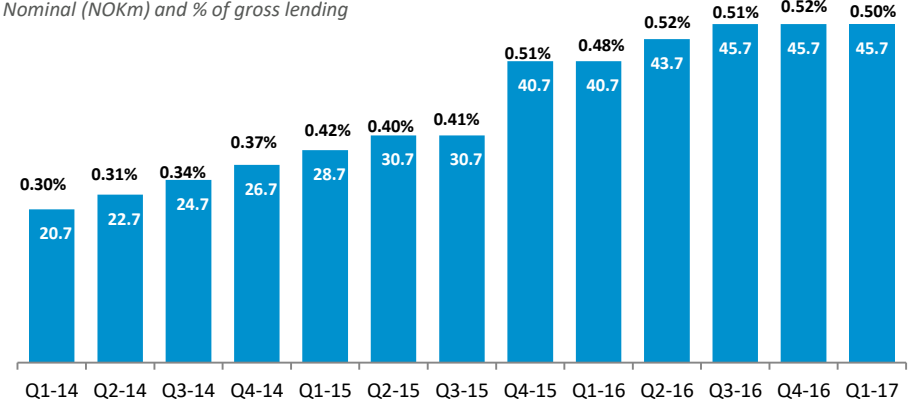
Net non-performing and impaired loans *

% of gross lending



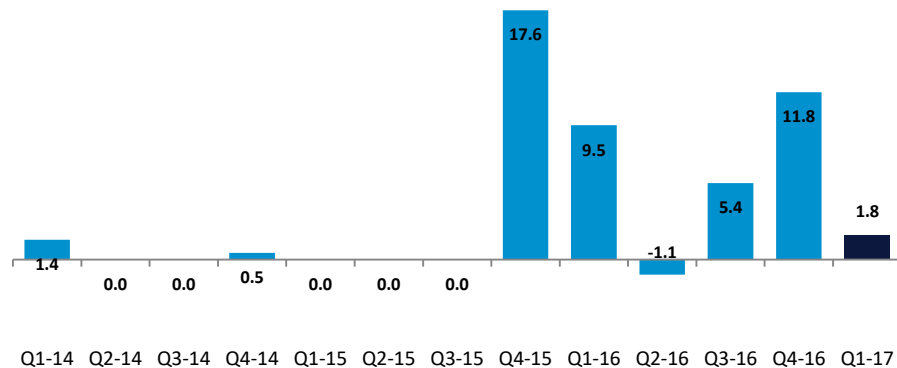
Cumulative group provisions

Nominal (NOKm) and % of gross lending



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

Nominal (NOKm)

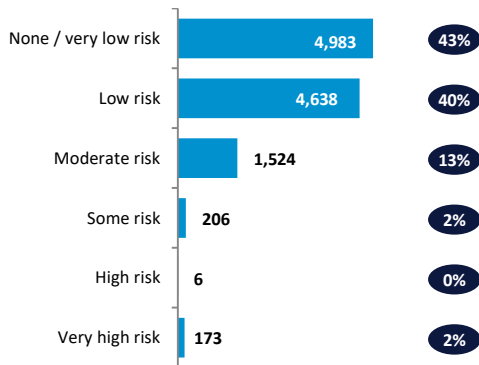


- Net non-performing loans NOK 12m (0.13 %) by the end of Q1-17.
- Four shipping & offshore loans of net NOK 130m (1.44 %) were impaired by the end of Q1-17. These loans are currently performing. They have been written down with in total USD 4.4m/NOK 36.7m.
- Group provisions were unchanged at NOK 45.7m or 0.50 % of gross lending by the end of Q1-17.

COMMITMENTS BY RISK CLASSIFICATION

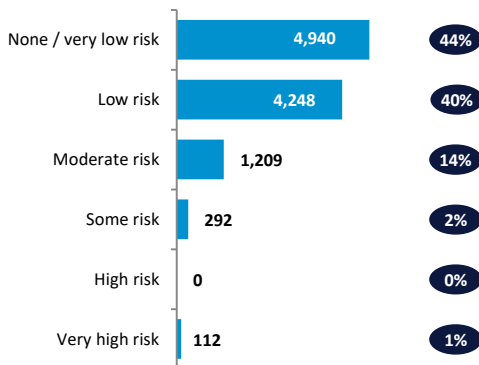
Q1-17

Σ = NOK 11,529m



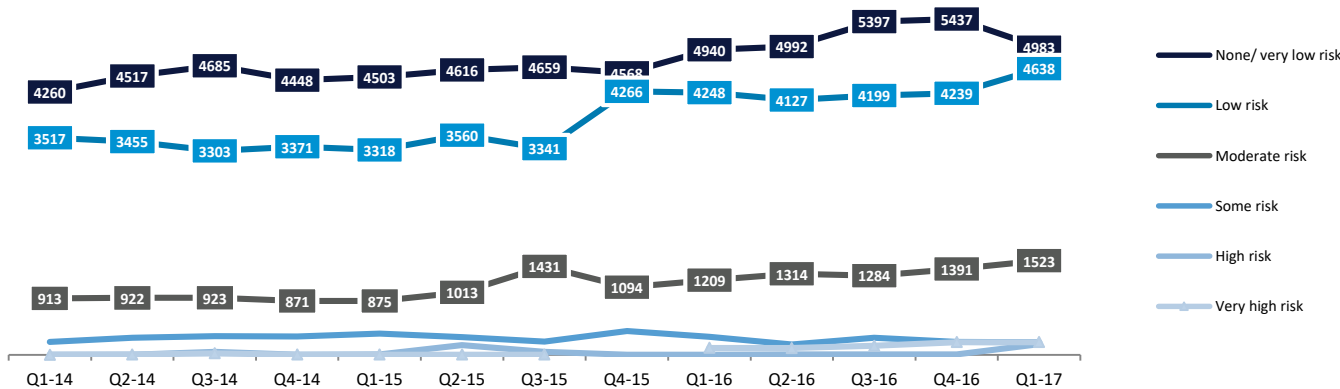
Q1-16

Σ = NOK 10,801m



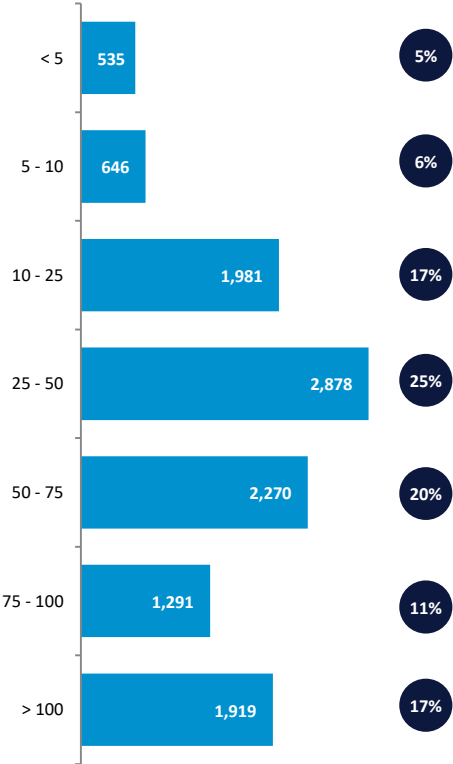
Key comments

- 83 % of the portfolio is considered to have low to none/very low risk risk
- 2 % is considered to have very high risk
- NOK 173m classified as very high risk: primarily four performing shipping loans with write-downs

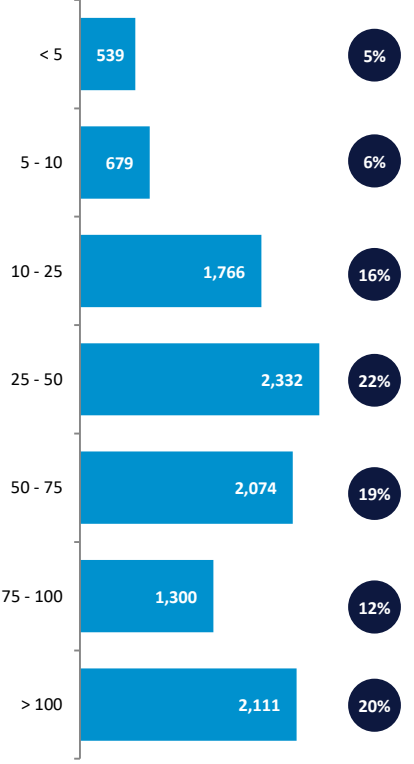


COMMITMENTS BY SIZE

Q1-17 $\Sigma = \text{NOK } 11,529\text{m}$



Q1-16 $\Sigma = \text{NOK } 10,801\text{m}$



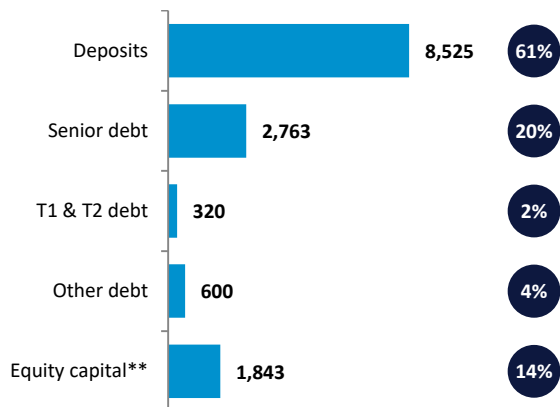
Key comments

- A conservative policy with respect to size
- Maximum size on a single customer 10 % of total capital (NOK 206m)
- Maximum size on group / consolidated basis 15 % of total capital (NOK 309m)

FUNDING | OVERVIEW*

Sources (NOKm)

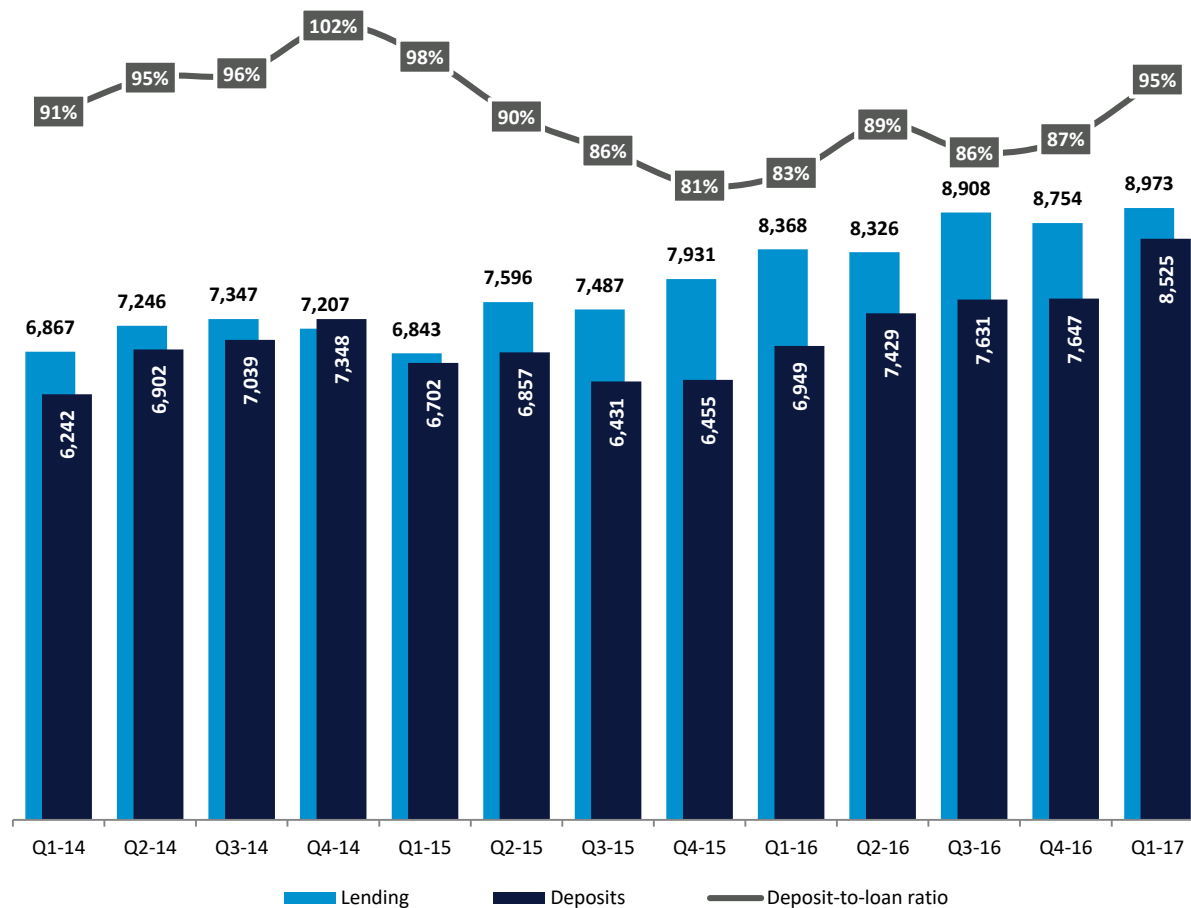
Σ = NOK 14,051m



Key ratios

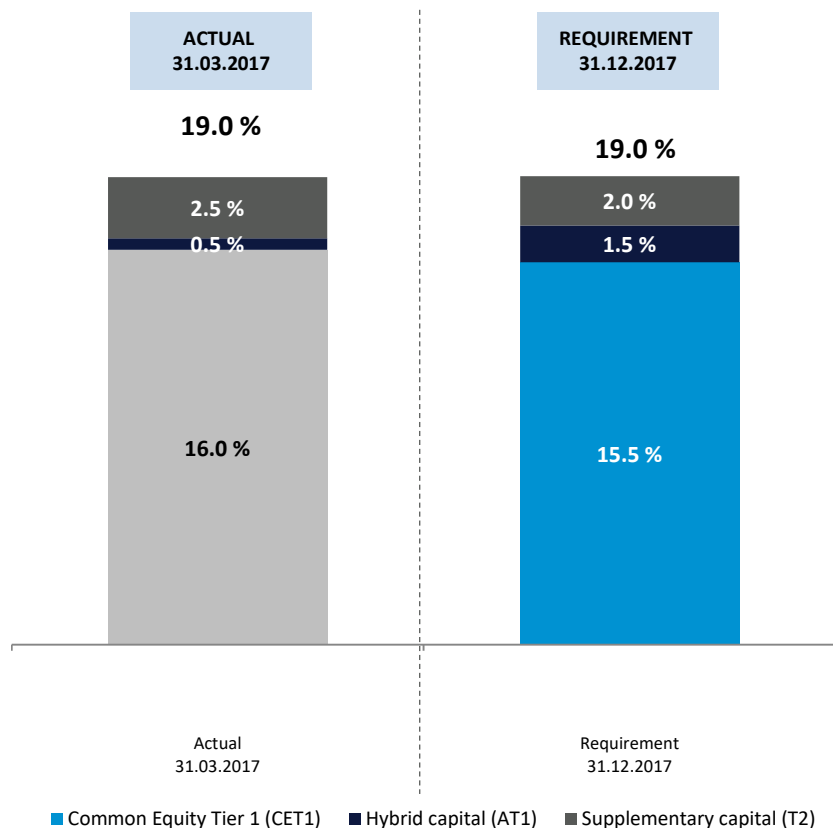
Deposits with liquidity restrictions	46 %
Corporate deposits	71 %
Deposit-to-loan ratio	95 %
Long-term NFSA liquidity ratio	142 %
LCR	255 %

Historical development in deposits vs. lending (NOKm)



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 called NOK 110m in an Additional Tier 1 bond in March
- The bank's CET1 and total capital requirements are 15.5 % and 19.0 % respectively by end-of-year 2017, including the increase in the countercyclical capital buffer
- The minimum requirements are met by a reasonable margin, giving room for growth
- Capital ratios do not include retained earnings for the first quarter as the accounts were not audited. Future quarterly reports will be audited and capital ratios will include retained earnings excluding estimated dividends.

Pareto bank