



PARETO BANK

**Financial Results
First Quarter 2015**

Pareto bank

- 1 FINANCIAL STATEMENT**
- 2 LENDING AND CREDIT RISK**
- 3 FUNDING AND LIQUIDITY RISK**

FIRST QUARTER 2015

Profit after write-downs and tax

MNOK 37.4 (MNOK 42.8)

Return on equity after tax

14.0% (18.2%)

Cost/income ratio

25.2% (20.6%)

Common Equity Tier 1 ratio (standard method)

12.31% (11.45%)

HIGHLIGHTS FIRST QUARTER 2015

STABLE NET INTEREST INCOME

Net interest margin improved as a result of lower interest rates on deposits and a reduced credit premium on issued securities. Lending volumes decreased as a result of a high natural redemption rate in the real estate financing portfolio. Lending volumes will potentially fluctuate significantly throughout the year.

FALL IN MARK-TO-MARKET VALUATIONS

Rising credit premiums on the bonds in the bank's liquidity portfolio had an adverse effect, primarily on covered bonds. However, the principle of assessing financial instruments at fair value means that the bank's results may vary significantly between quarters.

STABLE OPERATING COSTS

Provision for profit sharing ahead will be done throughout the year. The bank will increase its net number of employees by three in 2015 to help improve lending capacity.

HIGH CREDIT QUALITY

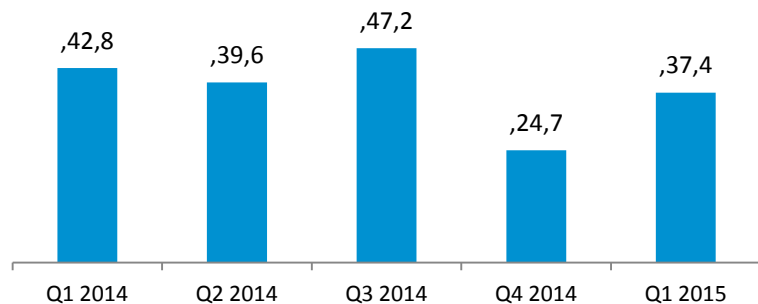
Low rate of non-performing loans and no individual impairments. Collective write-downs are systematically increased by NOK 2 million to NOK 28.7 equivalent to 0.42% of gross loans.

STRENGTHENED CORE CAPITAL RATIO

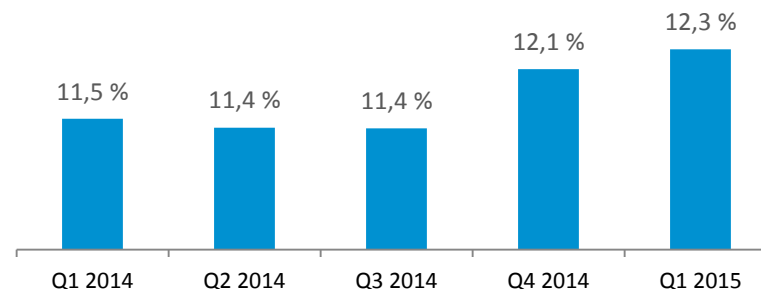
Capital ratio strengthened to 16.13% as a result of a lower lending volumes. Core capital ratio increased to 12.31% (interim results not included).

HISTORICAL DEVELOPMENT OF KEY FIGURES

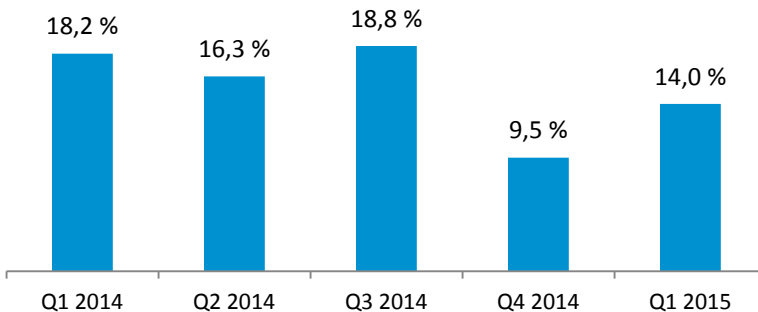
Post-tax operating profit (NOK million)



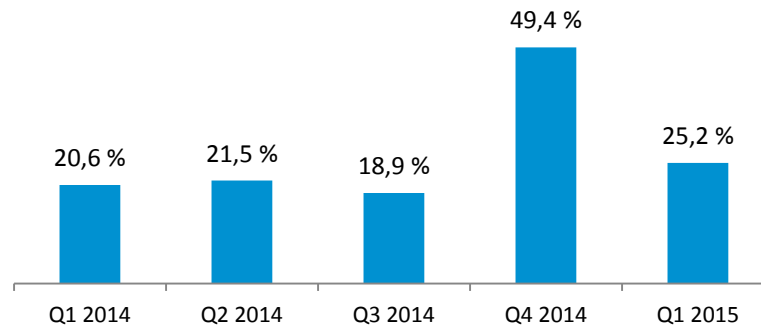
Core capital ratio



Return on equity (after tax)

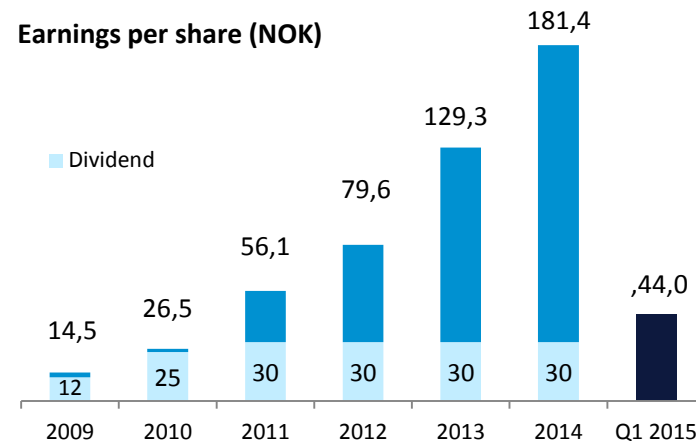


Cost/income ratio (%)



KEY STOCK RATIOS

(NOK)	Q1 2015	2014	2013	2012	2011	2010
Earnings per share after tax	44.0	181.4	129.3	79.6	56.1	26.5
Dividend per share	0.0	30.0	30.0	30.0	30.0	25.0
Payout ratio	0.0	16.8%	23.2%	37.7%	53.5%	94.3%
Dividend yield	0.0	2.4%	3.1%	4.2%		
Book equity per share	1,279.6	1,233.2	1,081.1	985.1	935.5	904.5
P/E	7.7x	7.0x	7.5x	8.9x		
P/BV	1.05x	1.01x	0.90x	0.72x		
Share price	1,350	1,250	975	710		
Number of shares	850,000	850,000	850,000	850,000	850,000	850,000



The Pareto Bank shares were listed on NOTC (an off-exchange listing) 7 March 2014

The General Meeting held the 26th of March 2015 decided to undertake a split of the Pareto Bank share. Each share has a nominal value of NOK 600 and will be split into 50 new shares, each with the nominal value of NOK 12.00. The split will be carried out as soon the Norwegian FSA has given its approval.

LARGEST SHAREHOLDERS 31.03.2015

Name	Holding	Share
Pareto AS	127,500	15.00%
Swedbank AS (nom.)	74,000	8.71%
Perestroika AS	71,628	8.43%
Geveran Trading Co Ltd.	68,200	8.02%
Indigo Invest AS	66,560	7.83%
Pecunia Forvaltning AS	28,692	3.38%
Tonsenhagen Forretningssentrum AS	22,942	2.70%
Larre Eiendom 2 AS	18,506	2.18%
Tove Reistads Stiftelse	17,000	2.00%
Eiendomsutvikling Kristiansand AS	16,020	1.88%
Artel Holding AS	13,680	1.61%
Profond AS	11,990	1.41%
Ojada AS	10,759	1.27%
Kolberg Motors AS	10,150	1.19%
Castel AS	10,075	1.19%
Ola Rustad AS	8,500	1.00%
Verdipapirfondet Landkreditt Utbytte	8,402	0.99%
Sempra AS	6,490	0.76%
G.H. Eiendom AS	6,400	0.75%
Clipper AS	6,200	0.73%
Other	246,306	28.98%
Sum	850,000	100.00%

- A total of 322 shareholders.
- Top level managers in the Pareto group own 34,552 shares or 4.07% of the bank shares.
- 850,000 shares with face value of NOK 600.
- In the third quarter of 2014, a total of 79,528 shares, or 9.4% of the shares were traded.
- Shares have been traded at prices from NOK 1,300 to NOK 1,450.

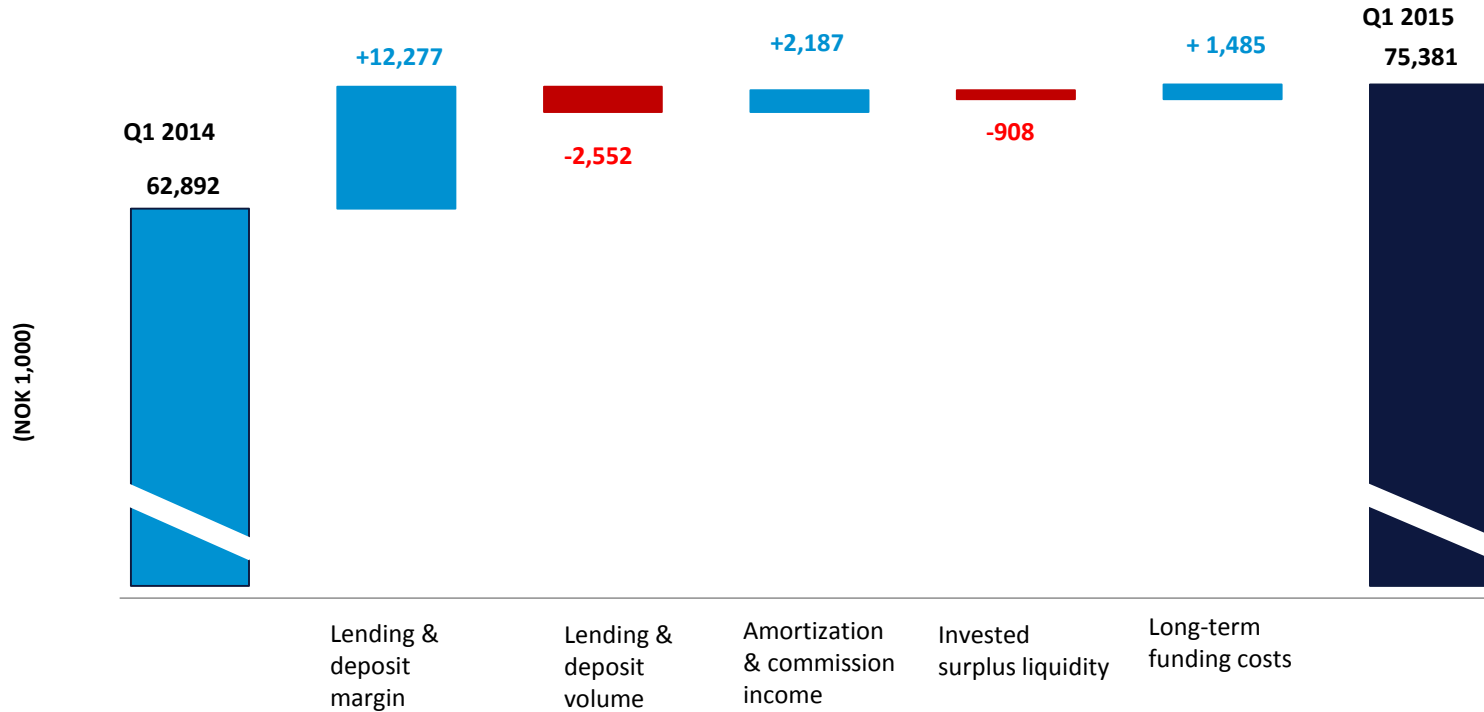
INCOME STATEMENT

(NOK 1,000)	Q1 2015	Q1 2014	2014
Net interest income	75,381	62,892	277,117
Net gain/(losses) on financial instruments	-7,411	10,371	9,840
Net other operating income	3,379	2,522	10,193
Total net income	71,349	75,786	297,150
Total operating expenses	17,990	15,617	79,818
Operating profit before impairment losses	53,359	60,169	217,331
Impairment losses on loans and guarantees	2,038	1,412	7,899
Operating profit before tax	51,321	58,756	209,433
Taxes	13,908	15,982	55,215
Profit for the period	37,413	42,775	154,218

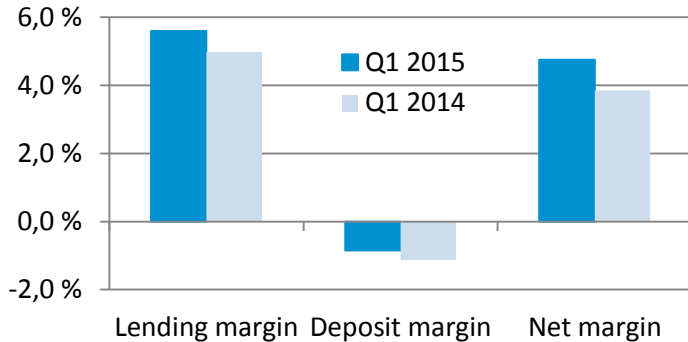
The principle of assessing financial instruments at fair value means that the bank's results may vary significantly between quarters.

The bank has previously allocated the cost of profit sharing with employees entirely in the fourth quarter. As of 2015 this provision is made throughout the year. NOK 1.5 million was allocated for the first quarter.

CHANGE IN NET INTEREST INCOME FIRST QUARTER



REPRICING OF LOANS AND DEPOSITS IMPROVES NET INTEREST MARGINS

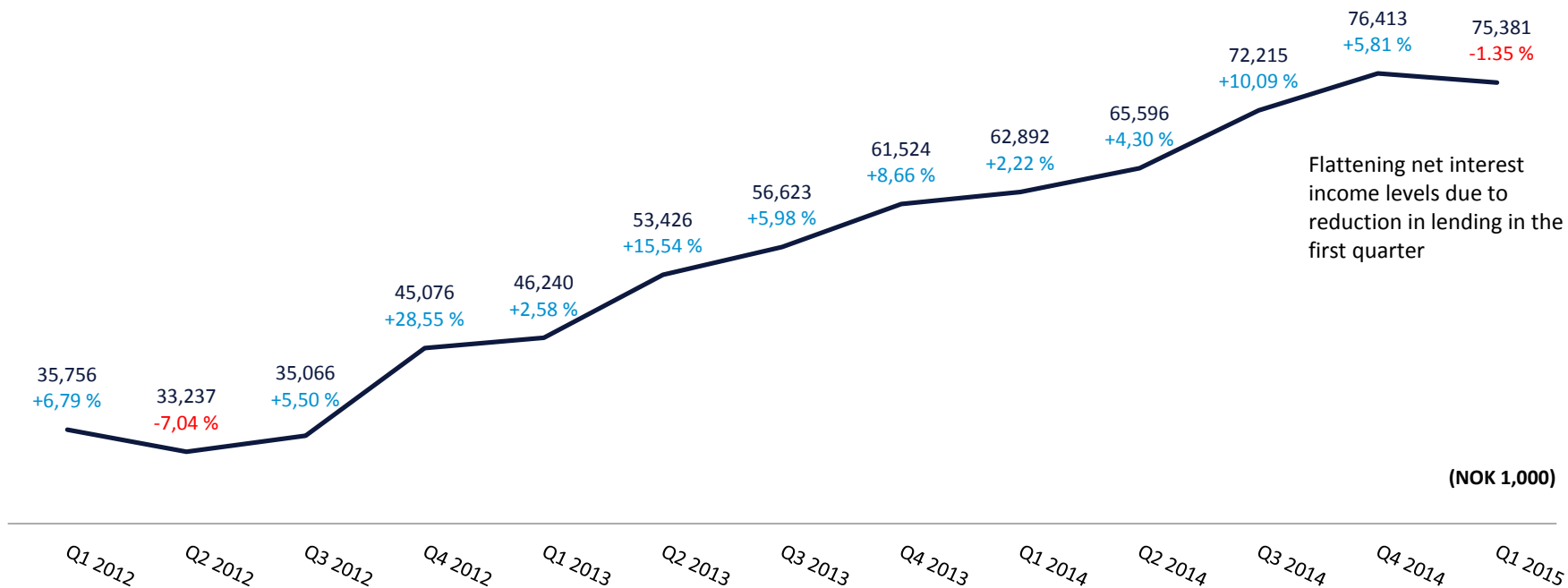


Net interest margin between deposits and loans increased by 0.90 percentage points over the last 12 months due to:

- Higher margins on new credits and changes in the composition of the loan portfolio
- Repricing of deposits
- Lower credit spreads on renewals of fixed-rate deposits and on new fixed-term deposits

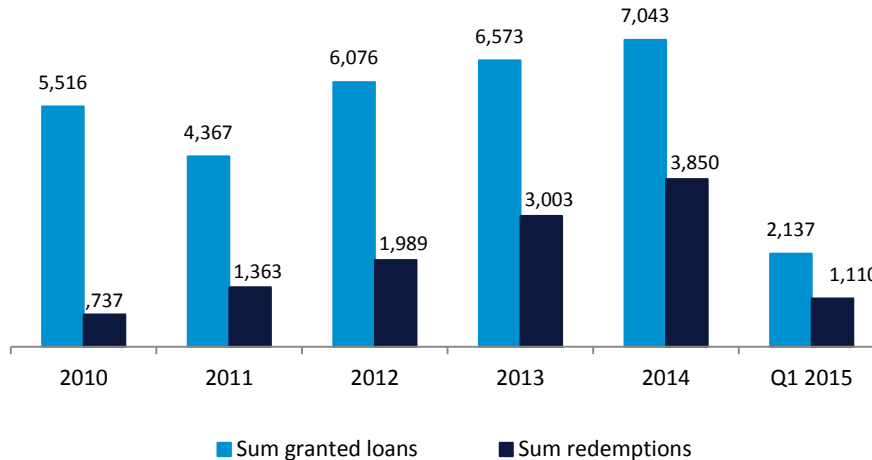
Margin over 3M NIBOR (NOK million)	1st quarter 2015	1st quarter 2014	Change
Average lending	6,980	7,006	-26
Average deposits	7,112	6,058	1,054
Lending margin	5.60%	4.98%	0.62%
Deposit margin	-0.85%	-1.13%	0.28%
Net margin	4.75%	3.85%	0.90%

HISTORICAL TREND NET INTEREST INCOME



HIGH REPAYMENT RATE IN THE LENDING PORTFOLIO

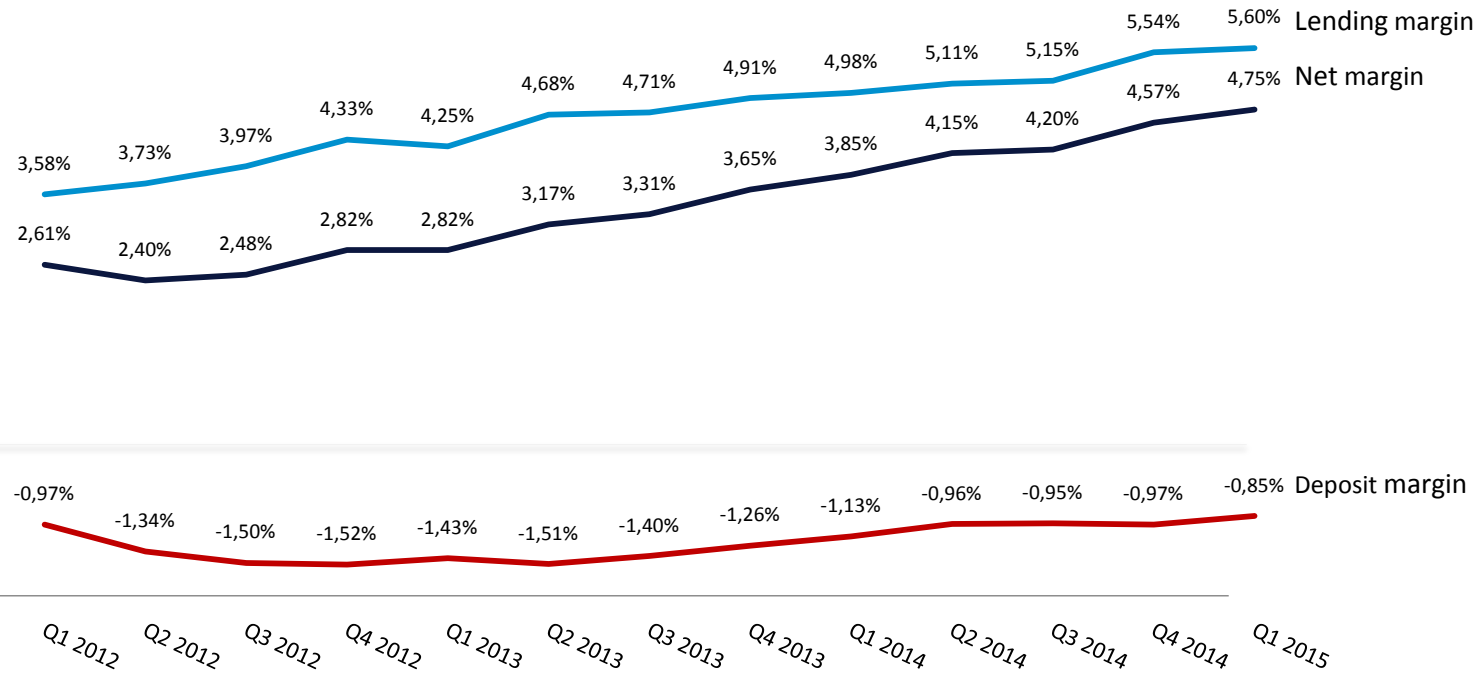
Ratio between granted loans and redemptions (NOK million)



- A high share of short project financing credits result in a high natural redemption rate in the lending portfolio.
- Loans amounting to more than NOK 2.0 billion were granted in the first quarter.
- Total credit exposure is therefore at the same level as it was at year-end 2014.
- Granted credit lines will be drawn up gradually going forward with an expected lending growth in the second quarter.
- A high repayment rate means that the lending volume can vary significantly between quarters.

HISTORICAL TREND MARGINS

Margins over 3 month NIBOR



NON-PERFORMING AND IMPAIRED COMMITMENTS

Non-performing commitments

(NOK 1,000)	31.03.2015	31.03.2014	31.12.2014
Gross non-performing commitments	4,536	9,078	0
Individual write-downs	0	0	0
Net non-performing commitments	4,536	9,078	0
Write-down degree	0.00%	0.00%	0.00%
Non-performing commitments as % of total lending	0.07%	0.13%	0.00%

Other impaired commitments

(NOK 1,000)	31.03.2015	31.03.2014	31.12.2014
Other impaired commitments	0	0	0
Individual write-downs	0	0	0
Net impaired commitments	0	0	0
Write-down degree	0.00%	0.00%	0.00%
Other impaired commitments as % of total lending	0.0%	0.0%	0.0%

- The bank's current portfolio of non-performing loans are sufficiently secured and there not considered impaired.
- No individual writedowns.
- Group write-downs increased by NOK 2.0 million in first quarter.
- Aggregate volume of write-downs at quarter-end amounted to NOK 28.7 million corresponding to 0.42% of gross lending.

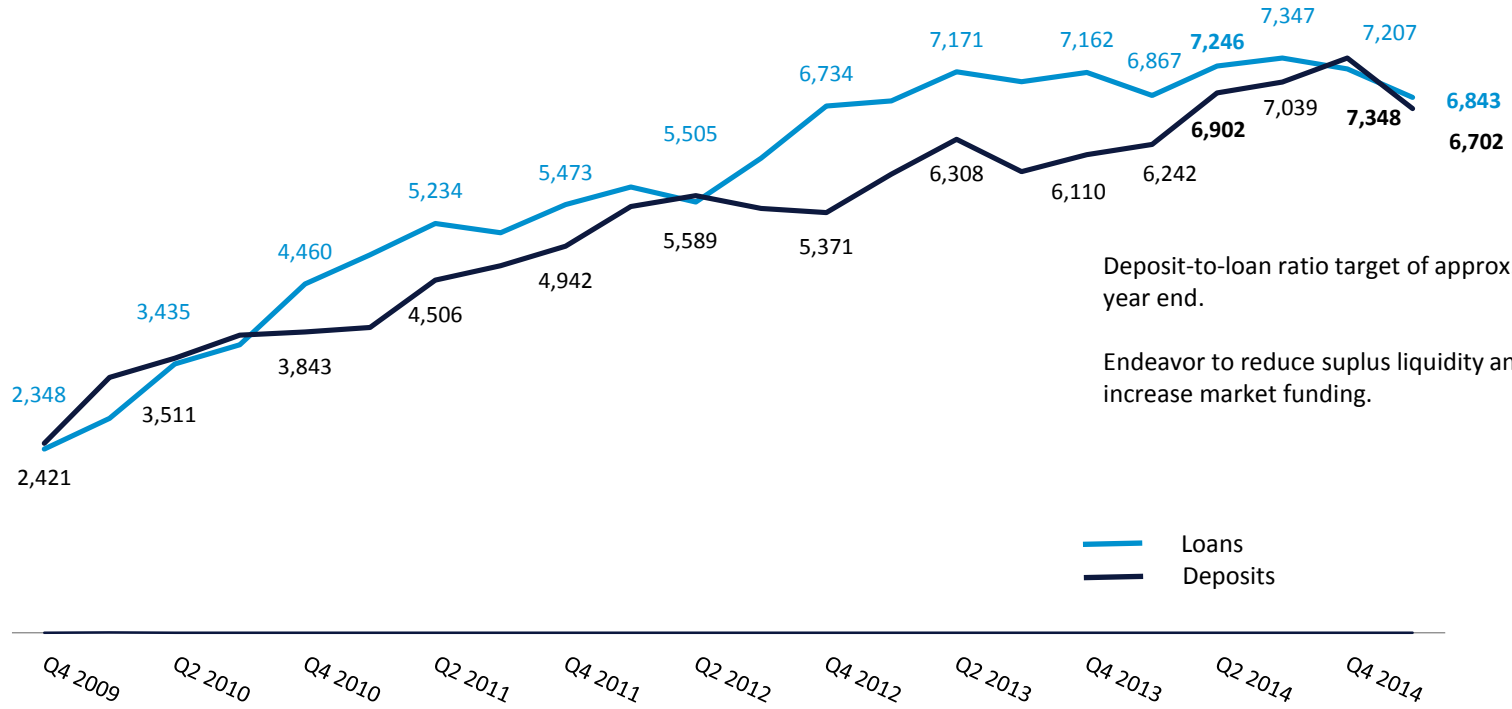
QUARTERLY PROFIT TRENDS

(NOK 1,000)	1st quarter 2015	4th quarter 2014	3rd quarter 2014	2nd quarter 2014	1st quarter 2014
Net interest income	75,381	76,413	72,215	65,596	62,892
Net other operating income	-4,032	-9,116	10,099	6,157	12,893
Total net income	71,349	67,297	82,313	71,754	75,786
Total operating expenses	17,990	33,252	15,523	15,426	15,617
Profit before losses on loans and guarantees	53,359	34,044	66,791	56,327	60,169
Losses on loans and guarantees	2,038	2,486	2,000	2,000	1,412
Pre-tax profit	51,321	31,558	64,791	54,327	58,756
Taxes	13,908	6,833	17,623	14,777	15,982
Profit for the period	37,413	24,726	47,168	39,550	42,775

The principle of assessing financial instruments at fair value means that the bank's results may vary significantly between quarters.

The bank has previously allocated the cost of profit sharing with employees entirely in the fourth quarter. As of 2015 this provision is made throughout the year. NOK 1.5 million was allocated for the first quarter.

HISTORICAL TREND LOANS AND DEPOSITS



Deposit-to-loan ratio target of approx. 80% at year end.

Endeavor to reduce surplus liquidity and increase market funding.

Loans
Deposits

ASSETS

(NOK 1,000)	31.03.2015	31.12.2014	30.09.2014	30.06.2014	31.03.2014
Cash and deposits with central banks	60,688	215,522	50,366	200,097	67
Lending to and deposits with credit institutions	406,934	232,981	617,748	185,905	896,896
Net lending to customers	6,842,504	7,206,847	7,346,889	7,245,771	6,866,858
Commercial paper and bonds	3,057,427	3,379,970	2,650,149	2,119,878	1,721,290
Shares and other securities	218,883	219,163	309,283	305,953	0
Financial derivatives	27,871	27,858	19,027	13,232	40,598
Intangible assets	26,789	24,850	24,048	22,678	23,272
Fixed assets	259	309	323	372	450
Other assets	33,543	32,279	1,565	4,597	4,079
Prepaid costs and retained earnings	3,106	214	1,037	1,529	2,323
Total assets	10,678,004	11,339,992	11,020,435	10,100,013	9 555 832

Net loans to customers fell by NOK 364 million in the first quarter of 2015.

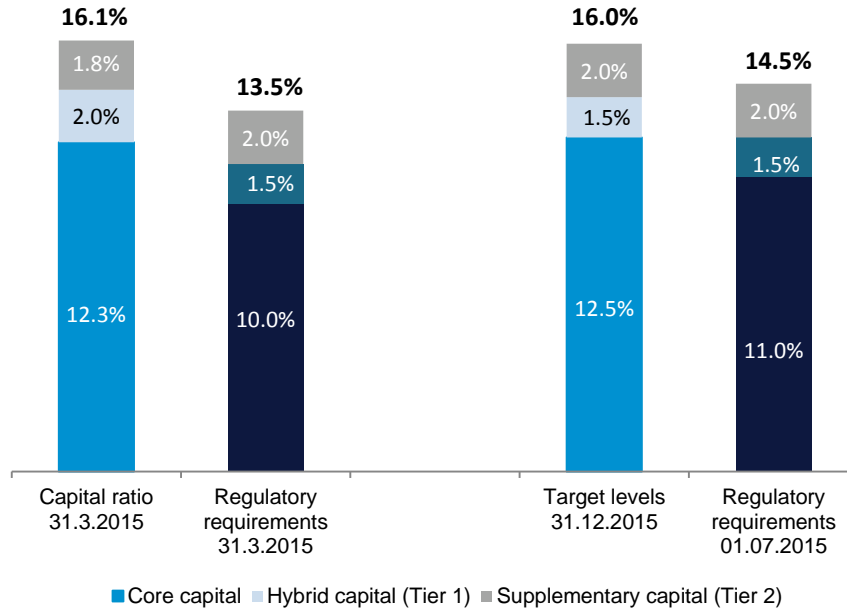
High turnover rate: approximately 30% of the loan portfolio matures within a year.

LIABILITIES AND EQUITY

(NOK 1 000)	31.03.2015	31.12.2014	30.09.2014	30.06.2014	31.03.2014
Deposits from credit institutions	169	1,577	153	89	26,646
Deposits from customers	6,702,173	7,347,522	7,038,601	6,902,028	6,241,989
Senior securities issued	2,378,942	2,351,022	2,412,371	1,856,752	1,974,196
Financial derivatives	101,830	149,116	72,943	37,658	18,984
Other liabilities	83,457	107,400	150,926	80,642	84,497
Accrued costs and prepaid income	14,779	24,190	11,147	10,273	11,151
Subordinated loan capital	308,986	308,910	308,764	234,209	234,059
Total liabilities	9,590,335	10,289,737	9,994,906	9,121,651	8,591,521
Equity	735,469	735,469	735,469	735,469	735,469
Other equity	352,200	314,787	290,061	242,893	228,843
Total equity	1,087,668	1,050,255	1,025,529	978,362	964,312
Total liabilities and equity	10,678,004	11,339,992	11,020,435	10,100,013	9,555,832

Customer deposits fell by NOK 645 million in the first quarter of 2015.

ADAPTING TO NEW CAPITAL REQUIREMENTS



As of 31.12.15, the Bank has a target core capital ratio of 12.5%.

The bank has met the increased capital requirements by making conservative dividend payments and by moderating lending growth.

Profits have improved through an increase in net interest income and low cost levels. This makes it possible to build common equity and in time increase dividend payments to about 50% of the bank's profit after tax.

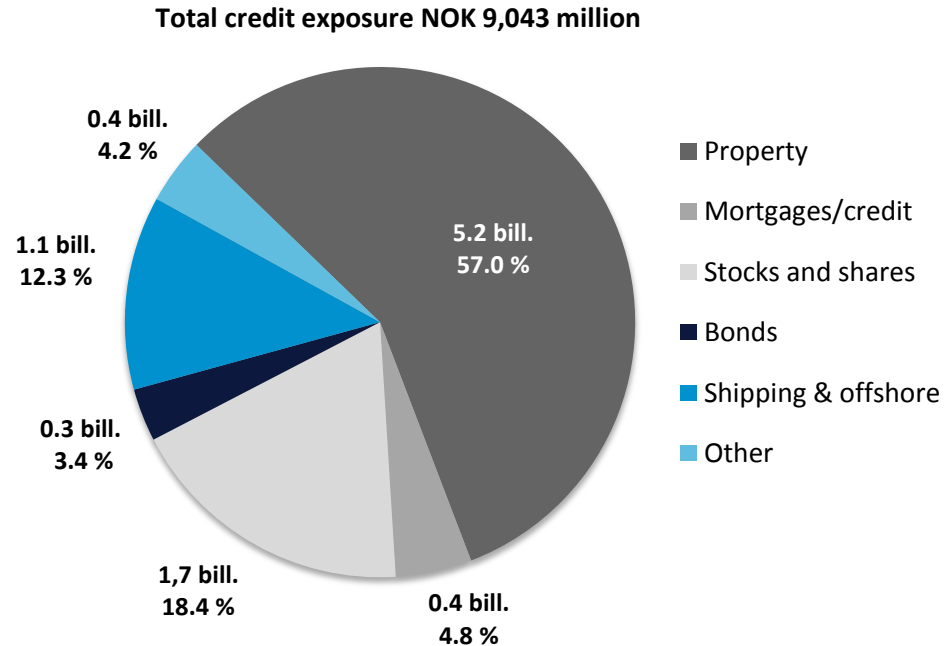
Pareto Bank operates at target levels ranging from 0.5 to 1.0 percentage points above the current regulatory requirements for Common Equity Tier 1 (CET1) and Total Capital ratios.

The calculation base for credit risk is based on the standard method and not the IRB approach.

- 1 FINANCIAL STATEMENT**
- 2 LENDING AND CREDIT RISK**
- 3 FUNDING AND LIQUIDITY**

A NICHE PLAYER WITH FOCUS ON REAL ESTATE FINANCING, SECURITIES FINANCING, SHIPPING AND OFFSHORE FINANCING

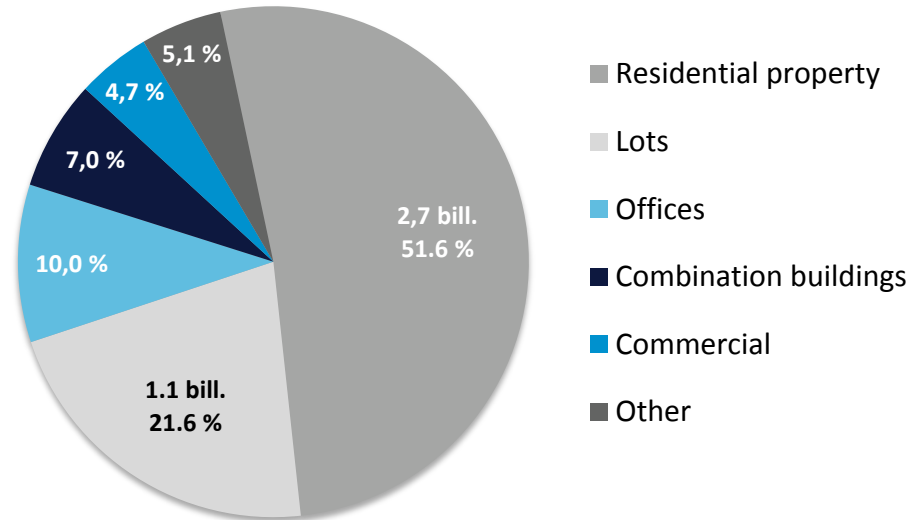
1. Real estate financing focused on residential property construction in the Oslo region
2. A full scale provider of securities financing including investment services
3. Gradually building a diversified shipping and offshore portfolio



A STRONG MARKET POSITION WITHIN RESIDENTIAL PROPERTY CONSTRUCTION IN THE OSLO REGION

- Primarily financing of regulated lots with a potential for property development
- Financing of residential and commercial property construction
- Financing of projects for renovation and conversion of commercial property to residential units
- A typical project is composed of lot financing and a building construction facility in the range of MNOK 10 - 50 for the construction of 4 - 8 homes in the greater Oslo area

Property credit exposure NOK 5,154 million



TERMS OF REAL ESTATE FINANCING

FINANCING OF RESIDENTIAL DEVELOPMENT

- The bank requires on average 20% to 40% equity to finance a property lot purchase.
- Primarily financing of regulated lots purchased for development with a clear exit strategy.
- The developer must demonstrate the ability to successfully complete projects and have experience with residential development.
- Projects stress tested: if the price of unsold units falls by 50% compared to pre-sold units, the sales amount must still be sufficient to cover the bank credit.
- Primarily financing of projects in the Oslo region and other well-functioning and liquid markets.

FINANCING OF COMMERCIAL PROPERTY

- The bank requires equity of 20% to 40%.
- Long leases with financially sound tenants.
- Primarily financing of properties in the Oslo region and other well-functioning and liquid markets.

A FULL SCALE PROVIDER OF SECURITIES FINANCING

STANDARD PRODUCTS

- Financing of stocks on Oslo Stock Exchange with a LTV/leverage of 0% to 80%
- Financing of short trades on Oslo Stock Exchange
- Financing of high yield bonds mainly arranged by Pareto Securities with a LTV/leverage of around 50%
- Financing of funds (stocks, bonds etc.)

OTHER MORE SPECIALIZED PRODUCTS:

- Forwards
- Total return swaps
- Guarantees in favor of Oslo Stock Exchange for companies in a mandatory offer position

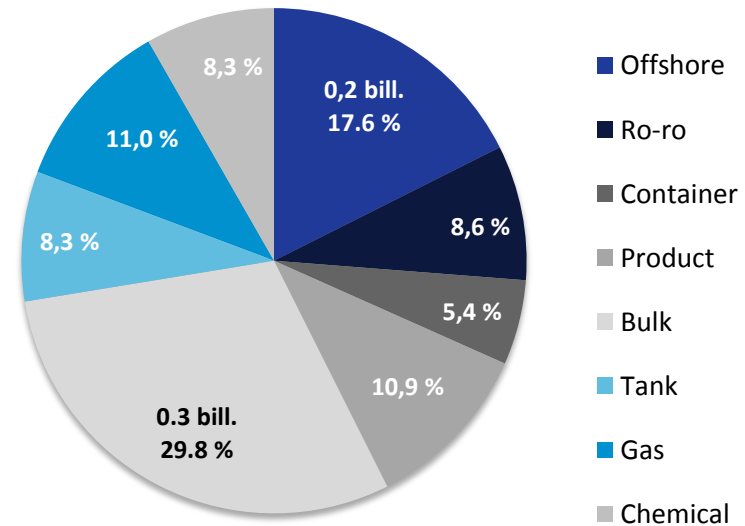
INCREASED FOCUS ON FINANCING CORPORATE PROJECTS IN COOPERATION WITH PARETO SECURITIES:

- Bridge financing to customers in the process of issuing market debt
- Bridge and long term financing to private equity firms
- Bridge financing to investors taking part in an equity issue

BUILDING A WELL-DIVERSIFIED PORTFOLIO IN SHIPPING AND OFFSHORE

- 18 loans financing a total of 27 vessels
- Pareto Bank is the direct lender in all but 3 loans. These are syndicates or club deals
- 17 loans with 1st priority pledge in tonnage
- 1 loan where the bank has 2. priority mortgages where the borrower is a solid ship owner offering their balance as collateral
- Average loan size is USD 7.5 million
- Largest loan is USD 14.7 million

Credit exposure NOK 1,112 million



TERMS OF SHIPPING & OFFSHORE FINANCING

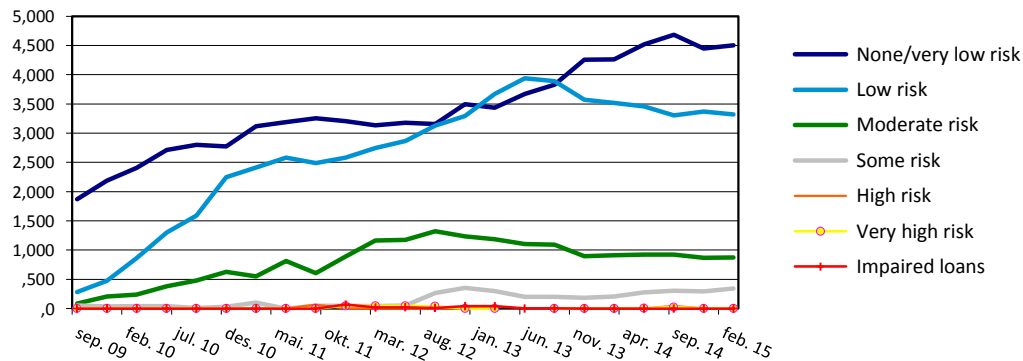
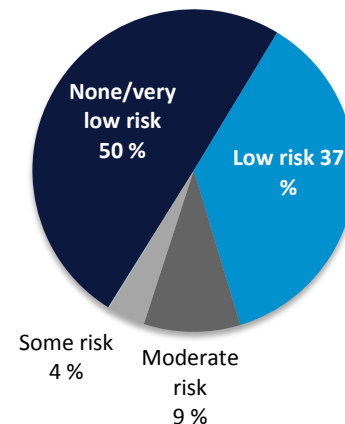
- Our clients are long-term owners with extensive experience and expertise in operations and maintenance.
- The project should as a rule have Norwegian ownership or Norwegian management
- The client should be a high quality charterer with transparent books and a diversified cash flow
- Objects built in renowned shipyards, with liquid second-hand markets and well-proven designs
- Equity requirement of 60% to 30%
- Individual commitment size USD 5 million to USD 20 million

MORE ON THE SHIPPING & OFFSHORE PORTFOLIO

- The portfolio is diversified, and a single segment will not normally exceed 25% of the total exposure.
- The number of engagements is currently relatively modest, and all commitments are followed up individually in lieu of an aggregated stress test. Each engagement is assessed by "loan-to-value" and "minimum cash".
- The bank uses expertise from partners regarding issues such as valuations, marine insurance and technical assessments.
- Individual valuations are obtained from two independent and reputable shipbrokers every third or sixth month, and the value estimates are stress-tested against tight "loan to value" clauses. Immediate measures are taken upon covenant violations.
- The bank normally has strict liquidity requirements, and follows these up closely.
- Watch list for commitments with negative developments. This is actively used for monitoring commitments in an early phase.

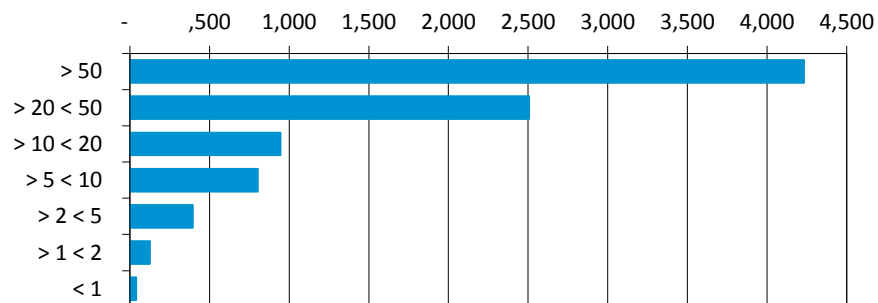
COMMITMENTS BY RISK CLASSIFICATION

(NOK million)	Credit exposure		
	31.03.2015	31.03.2014	31.12.2014
None/very low risk	4,503	4,260	4,448
Low risk	3,318	3,517	3,371
Moderate risk	875	913	871
Some risk	344	207	296
High risk	5	0	0
Very high risk	3	0	3
Impaired loans	0	0	0
Accrued interest and amortisation	-4	2	-3
Total exposure	9,043	8,898	8,986



COMMITMENTS BY SIZE

(NOK million)	Credit exposure		
	31.03.2015	31.03.2014	31.12.2014
> 50	4,233	3,631	4,007
>20 <50	2,506	2,932	2,676
>10 <20	945	1,070	990
>5 <10	803	691	751
>2 <5	395	426	406
>1 <2	125	113	120
<1	39	35	40
Accrued interest and amortisation	-4	2	-3
Total exposure	9,043	8,898	8,986



TOTAL CREDIT EXPOSURE

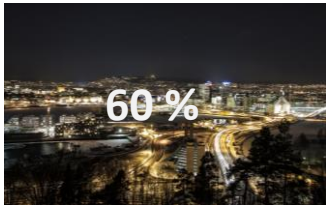
(NOK million)	Lending	Guarantees	Undrawn credit lines	Total credit exposure		
				31.03.2015	31.03.2014	31.12.2014
Real estate financing long-term	1,344.9	39.4	53.0	1,437.3	1,875.2	1,520.4
Real estate project financing	2,630.5	260.5	700.5	3,591.5	3,445.6	3,531.6
Securities financing	740.6	27.7	1,030.7	1,799.1	1,704.7	1,698.2
Shipping & Offshore financing	1,111.7	0.0	0.0	1,111.7	744.5	1,102.8
Corporate financing	630.0	4.5	30.8	665.3	579.0	662.4
Retail financing	384.6	5.6	52.4	442.6	547.4	474.1
Total exposure	6,842.5	337.6	1,867.5	9,043.4	8,898.4	8,986.8

INTEREST MARGIN BY SEGMENT 31.03.2015

Segment (NOK million)	No. of clients	Lending	Allocation / guarantee amount	Unused guarantees	Interest contribution	Interest margin
Securities financing	347	740.5	1,798.9	1,058.4	29.4	3.97%
Corporate financing	23	629.5	664.8	35.3	27.5	4.37%
Real estate project financing	211	3,976.3	5,025.3	1,049.1	183.0	4.60%
Shipping & Offshore financing	18	1,111.7	1,111.7	-	47.5	4.28%
Retail financing	70	384.6	442.6	58.0	9.6	2.50%
Sum	669	6,842.5	9,043.4	2,200.8	297.0	4.34%

Interest contributions and interest margin per segment excluding front-end fees.
Average cost of funds of 2.11% as per 31.3.15.

GOALS FOR 2015



DNB, Nordea,
Handelsbanken.

Signs of margin
pressure and increased
risk-taking, but still
good deal flow.

High natural repayment
rate on project lending.

Net growth
approx. NOK
200 million



Brokers, DNB,
Nordea and SEB.

Potential for
customized corporate
financing.

Stronger focus on
corporate financing.

Net growth
ca. NOK 200
million



ABN Amro, DVB,
savings and loans
banks.

Market for project
lending and lending to
small shipowners is
undersupplied.

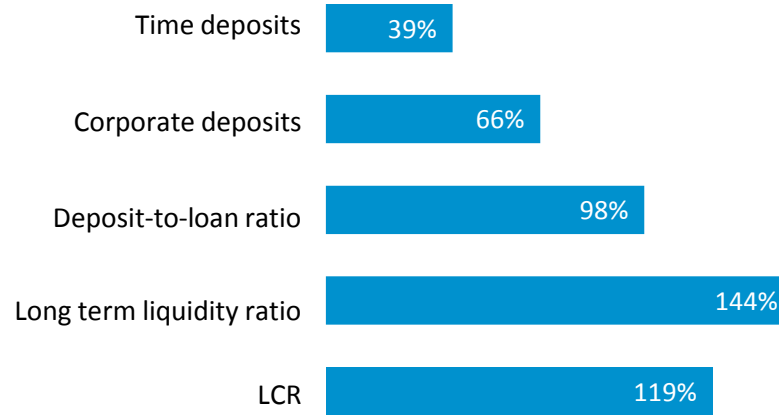
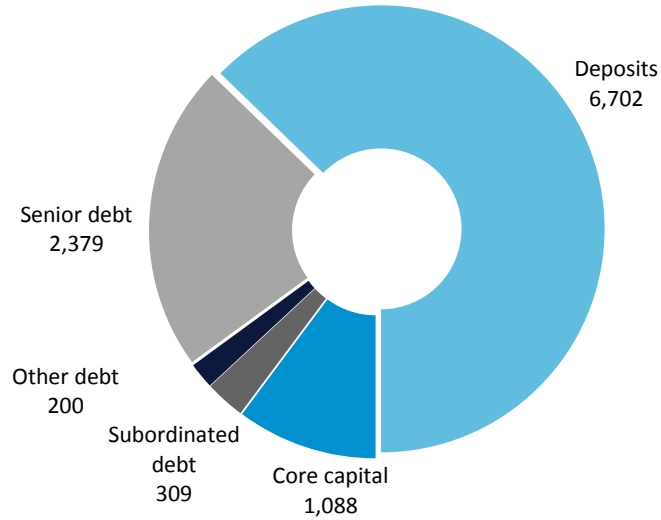
Gradually developing a
diversified portfolio.

Net growth
ca. NOK 350
million

- 1 FINANSIELL INFORMASJON**
- 2 UTLÅN OG KREDITTRISIKO**
- 3 FUNDING AND LIQUIDITY RISK**

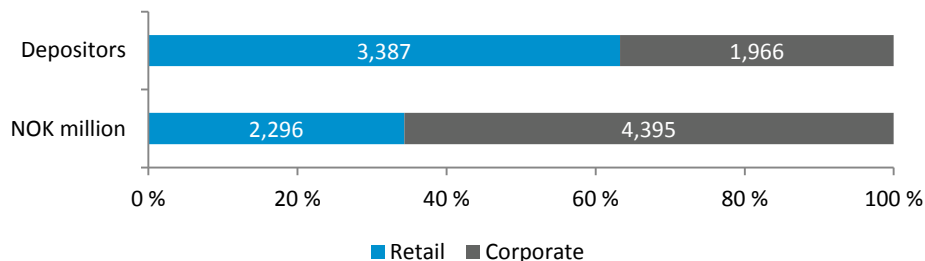
FUNDING SOURCES

Funding sources NOK 10,678 million

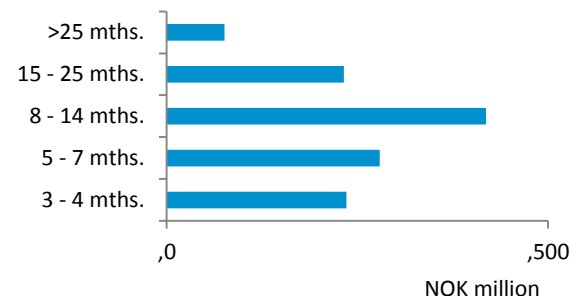


CUSTOMER DEPOSITS

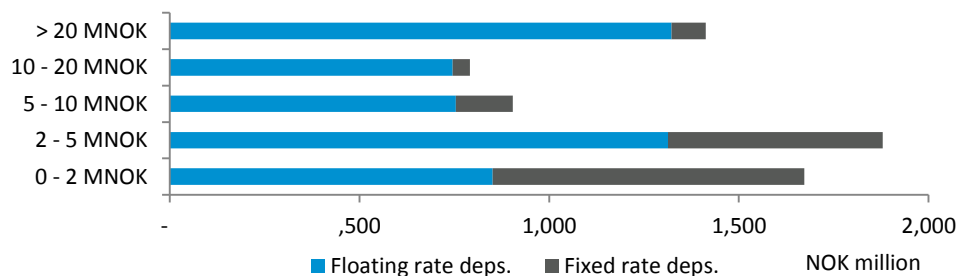
Deposit allocation



Fixed rate deposits – time to maturity



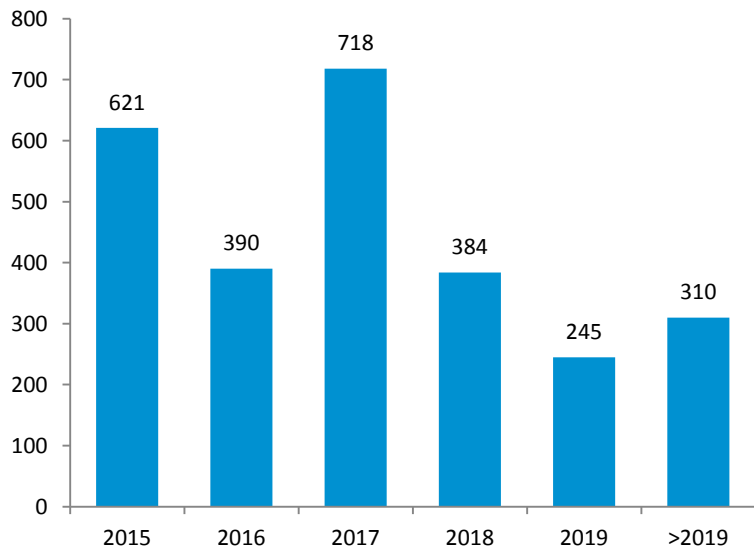
Deposits by size



Average deposit per customer (NOK)

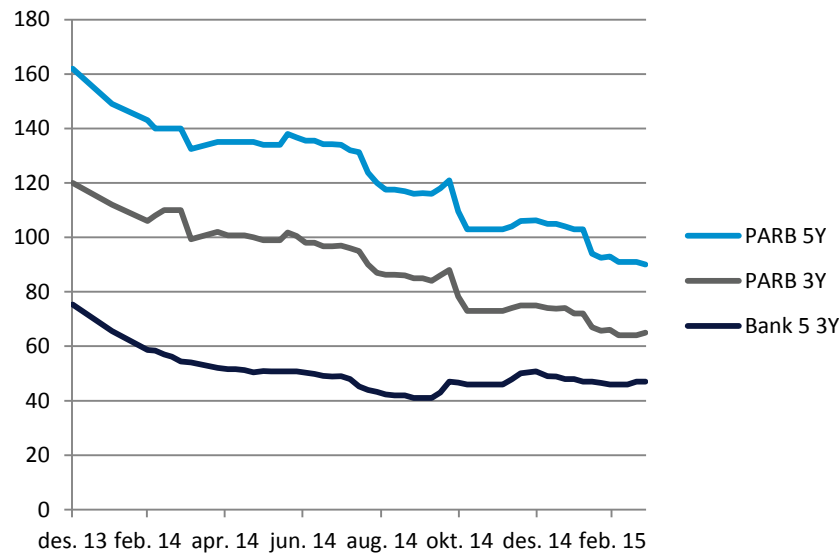
Total	1.2 mill.
Commercial	2.2 mill.
Retail	0.7 mill.

MARKET FUNDING



Market funding maturity profile (NOK million)

Pareto Bank has as per 31.3.2015 issued 7 senior unsecured bonds, a subordinated loan and two subordinated bonds. The bonds are listed on Nordic ABM and the Oslo Stock Exchange.

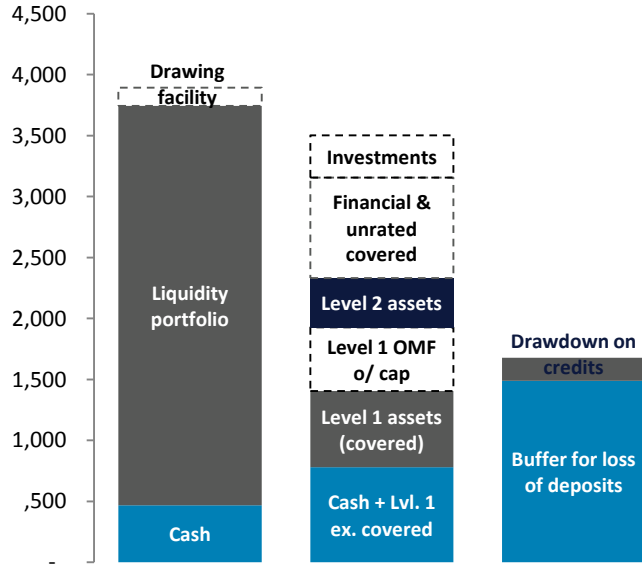


Lower credit margins

The bank pays an increasingly lower credit spread over NIBOR on its market funding. More transparent pricing and more interest from the market allows the bank to better utilize securities financing.

(Source: Nordic Bond Pricing)

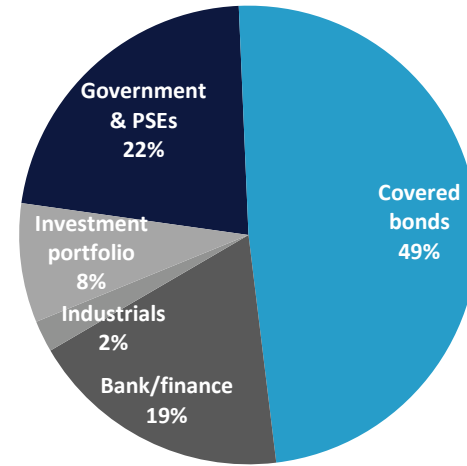
SURPLUS LIQUIDITY



Surplus liquidity after hair cuts

Liquidity requirement: Buffer for losses of deposits and drawdowns on credit lines

LCR: Assets by LCR-classification after haircuts



The bond portfolio consists of a liquidity portfolio of mainly AAA securities, an investment portfolio (maximum limit NOK 420 million) and a portfolio of contingent drawings (maximum limit of NOK 100 million)

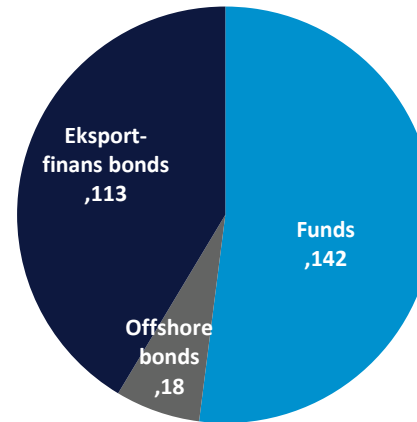
INVESTMENT PORTFOLIO

- Investment mandate set by the bank's board
- Composed of investments in bonds and bond funds
- Portfolio size limited to NOK 500 million
- The overall portfolio size NOK 274 million

- Short-term investments with minimum rating BB- make up for lower than expected lending activity
- Long-term investments are made in line with ordinary lending and have a rating B flat or better
- Long-term investments may not exceed NOK 100 million

- Investments are monitored continuously by the bank's credit department in cooperation with the Treasury

Market value NOK 274 million



 Pareto bank