

PARETO BANK

Financial Results – Fourth Quarter 2022



Highlights

15 Years of History

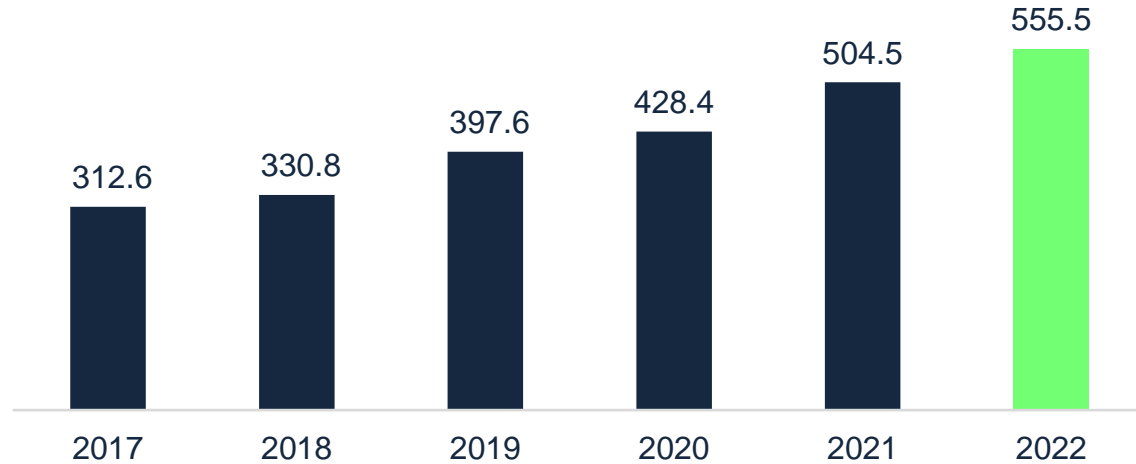
Financials

Business Areas

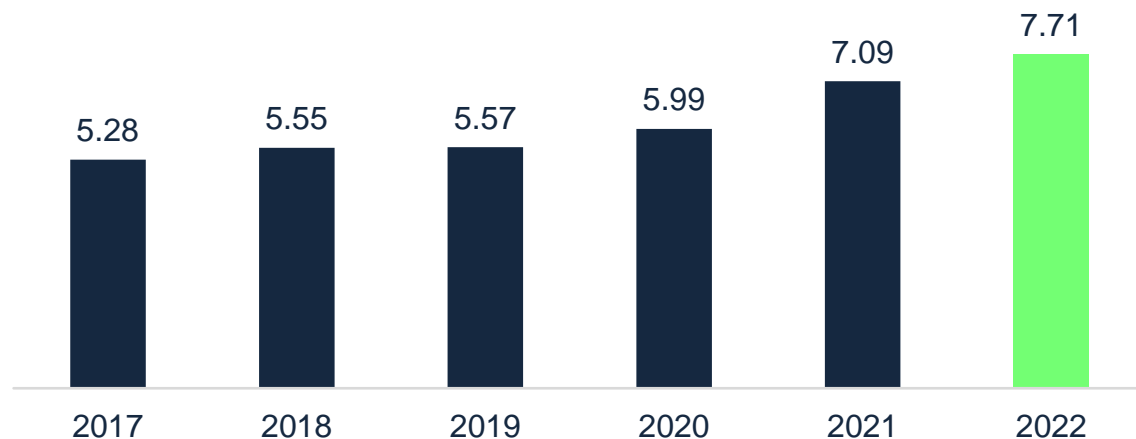
Outlook & Ambitions

BEATING PROFITABILITY AMBITION IN 2022

Profit after tax (NOKm)



Earnings per share (NOK)

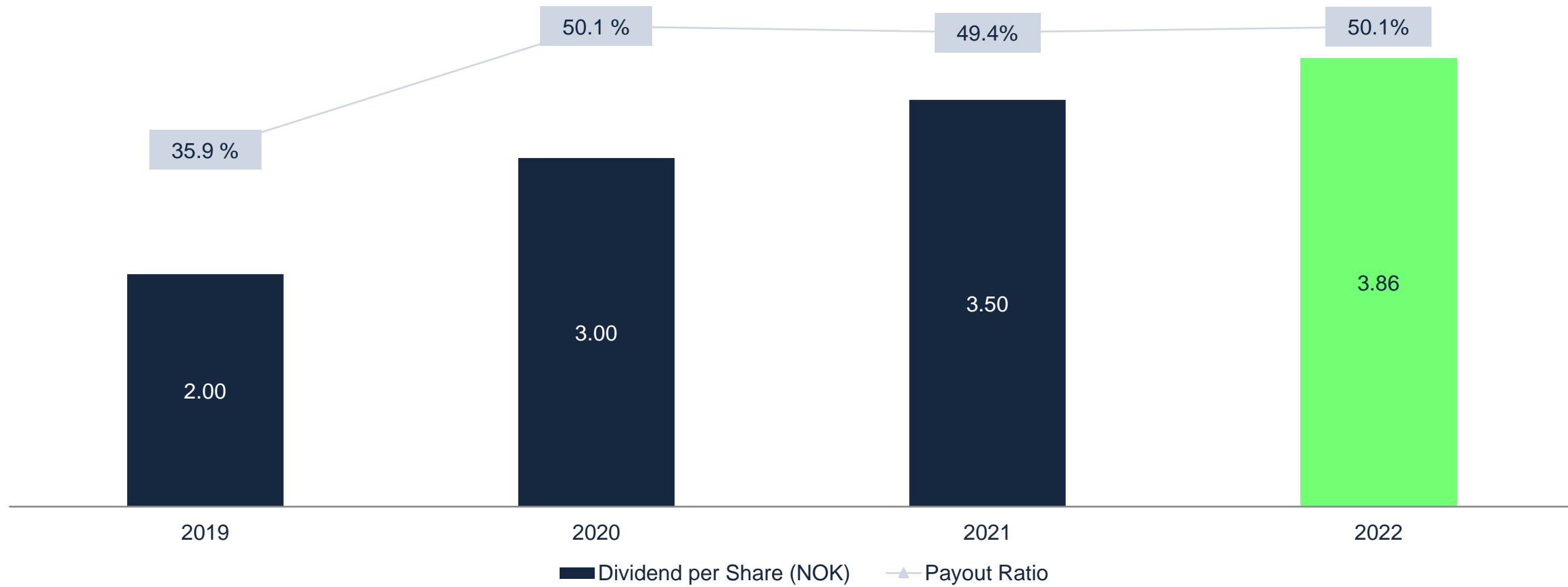


Comments

- Return on equity after tax at 14.6 %, exceeding long-term ambition.
- Strong lending growth of NOK 1,540m (NOK 1,144m).
- Diversifying lending portfolio by strengthening foothold in both corporate and ship financing. Continued growth in financing of real estate.
- Maintaining net interest margin through repricing. Unweighted net interest margin increased to 6.1 % (5.7%).
- Moderate impairments and losses of NOK 45.0m.

DIVIDEND FOR 2022

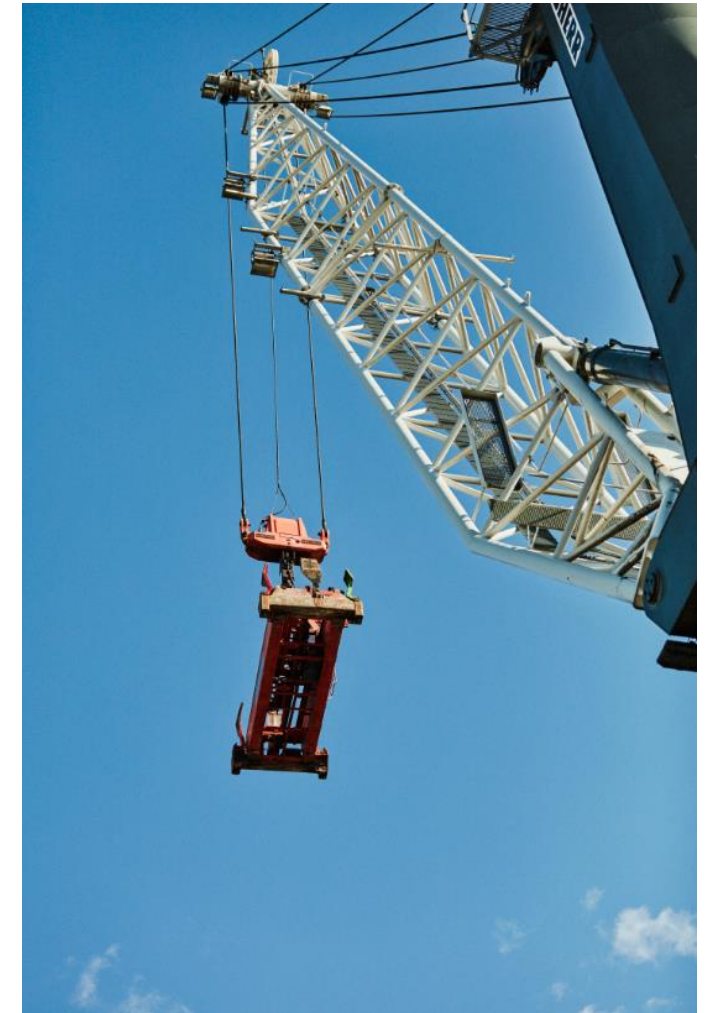
Proposed dividend of NOK 3.86 per share



FOURTH QUARTER 2022

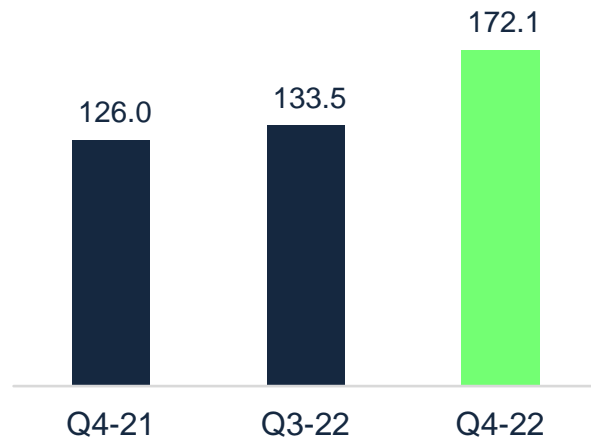
Highlights

- Profit after tax NOK 172.1m (NOK 126.0m in Q4-21).
- Return on equity after tax 17.4 % (13.5 %).
- Record-high net interest income NOK 253.5m (NOK 214.5m).
- Lending to customers grew by NOK 421m to NOK 17,346m and came within residential and commercial property financing.
- Stable credit quality and no material change in impairments and losses (11.1m in Q4-21).

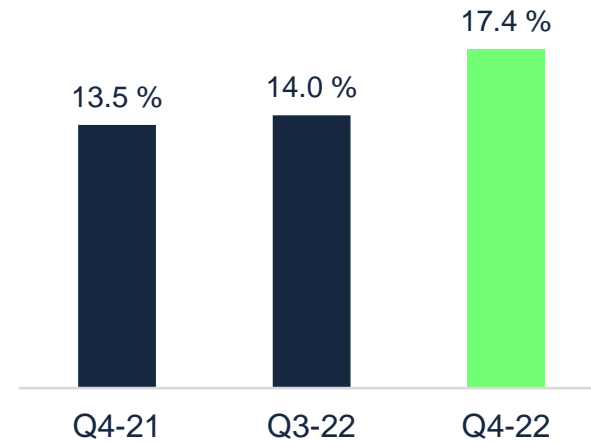


KEY FIGURES

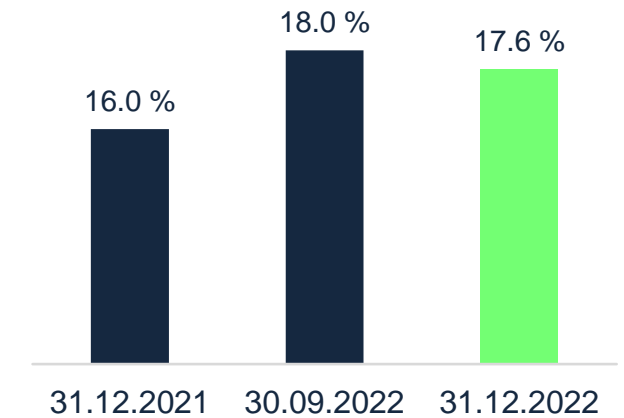
Profit after tax (NOKm)



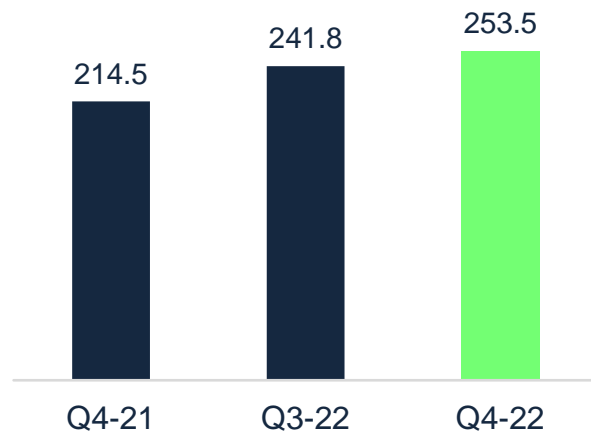
Return on Equity *



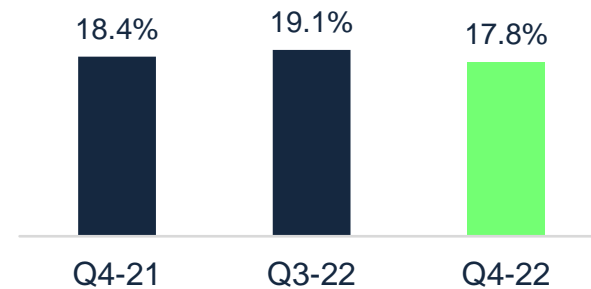
CET1 ratio



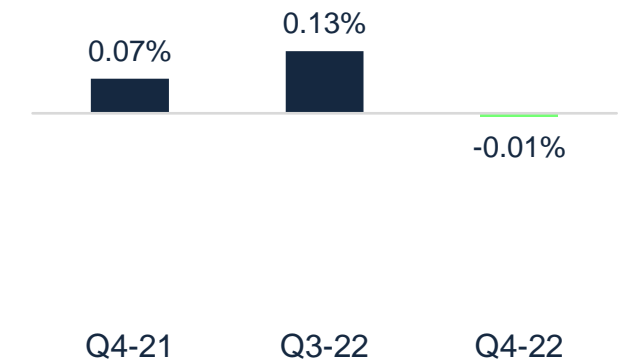
Net interest income (NOKm)



Cost/Income ratio



Loss ratio **



Highlights

15 Years of History

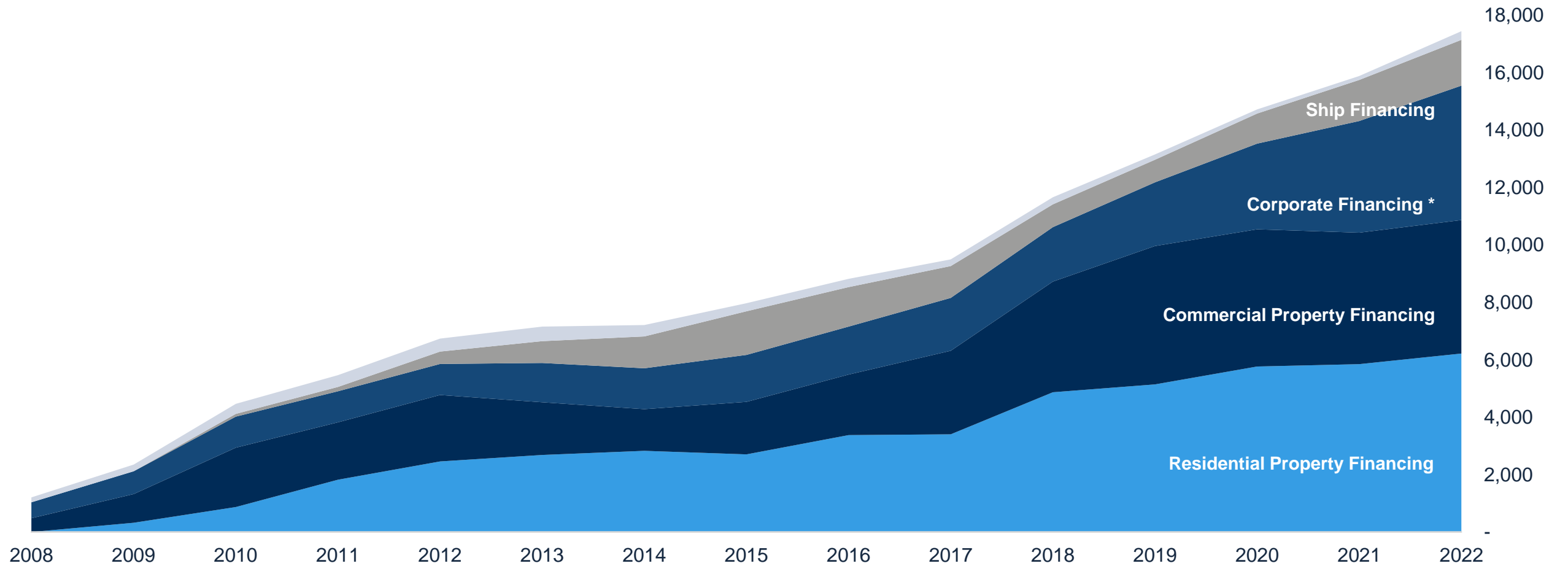
Financials

Business Areas

Outlook & Ambitions

LENDING GROWTH

Per business area (NOKm)



15 YEARS OF SUCCESS

Historical milestones

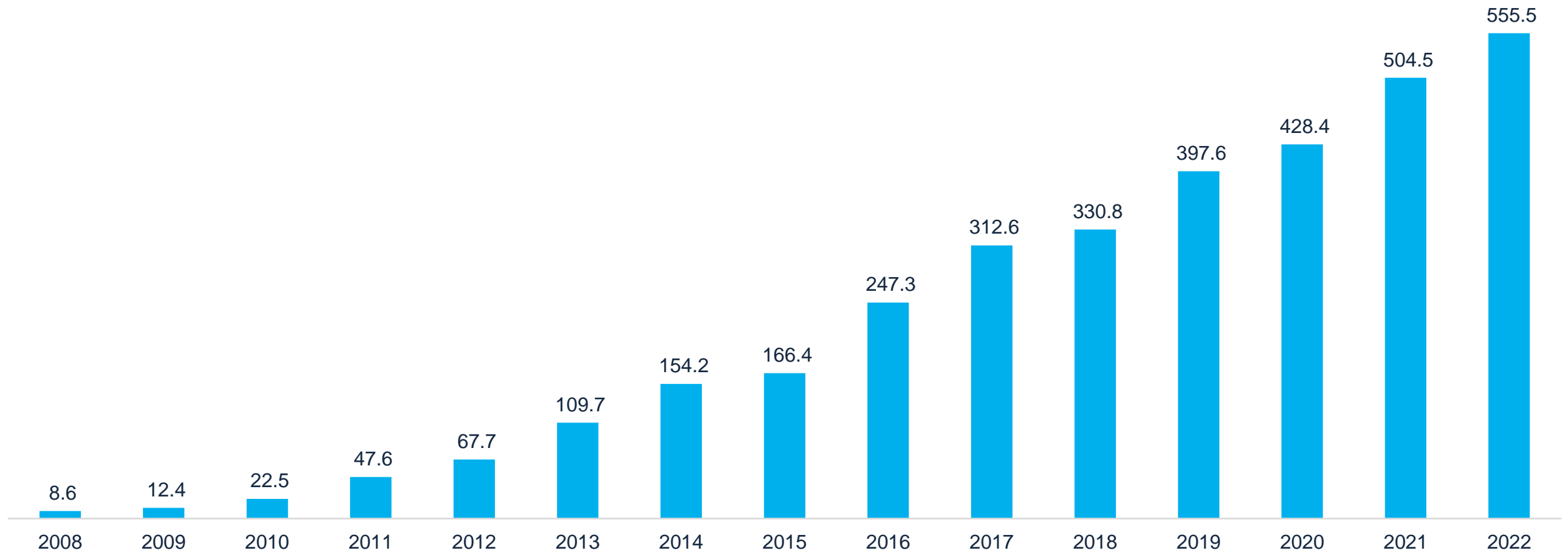
- 2007: **Banking license** and equity issue NOK 750m.
- 2008: **Financing of housing projects** has been an area of focus since the start.
- 2011: Entry into the market for **ship financing**.
- 2015: Introduction of a long-term model for **profit sharing** based on return on equity and co-ownership.
- 2016: Strengthened initiative in **corporate financing**.
- 2016: Listed on the **Oslo Stock Exchange**. **Equity issues** of a total of NOK 350m.
- 2017: Increased focus on **commercial property financing** through cooperation with Eiendoms kreditt.
- 2019: **Equity issue** of NOK 400m.
- 2022: Scope assignment of a first time **issuer rating** of BBB with stable outlook.

Critical success factors

- A specialized, **customer-driven team** with a high level of competence and a **strong credit culture**.
- A unique corporate **culture** expressed through five culture codes and an activated underlying **purpose**.
- A **living strategy** anchored in every employee.
- A highly experienced and stable **executive team** since start-up.
- A stable, long-term **shareholder structure**.

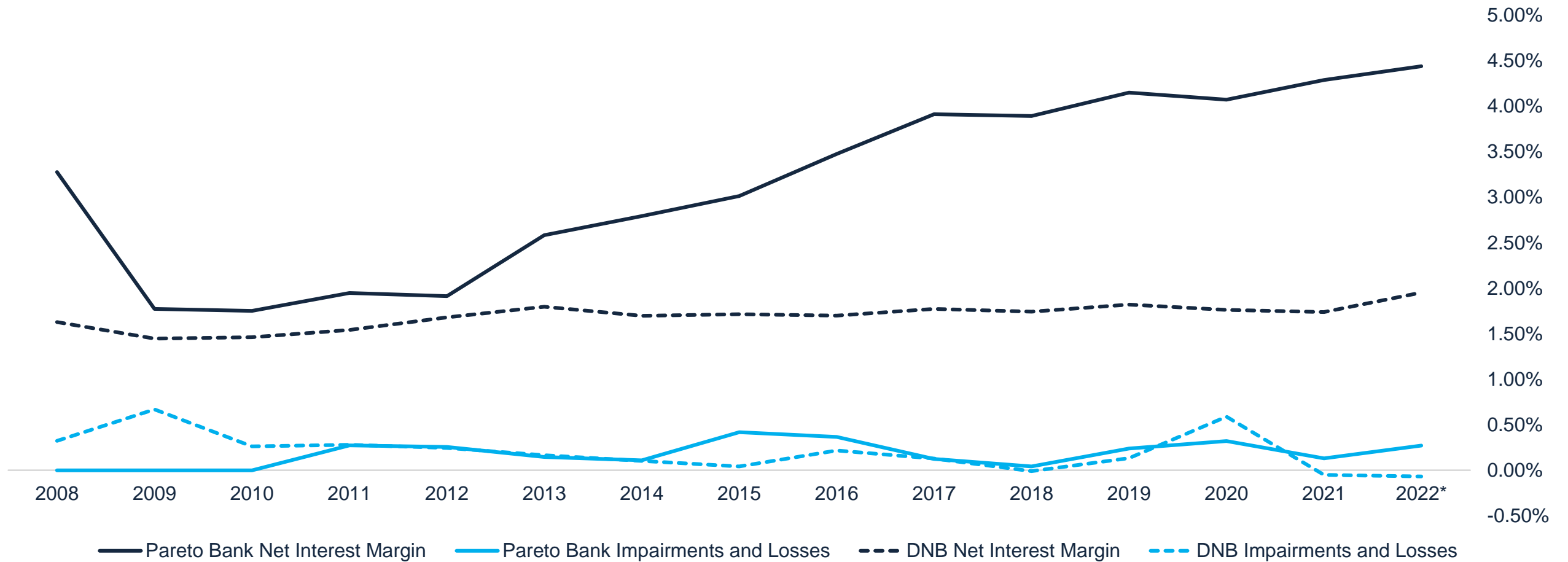
ANNUAL PROFITS

Profit after tax (NOKm)



NET INTEREST RATE MARGIN

Comparison between Pareto Bank and DNB



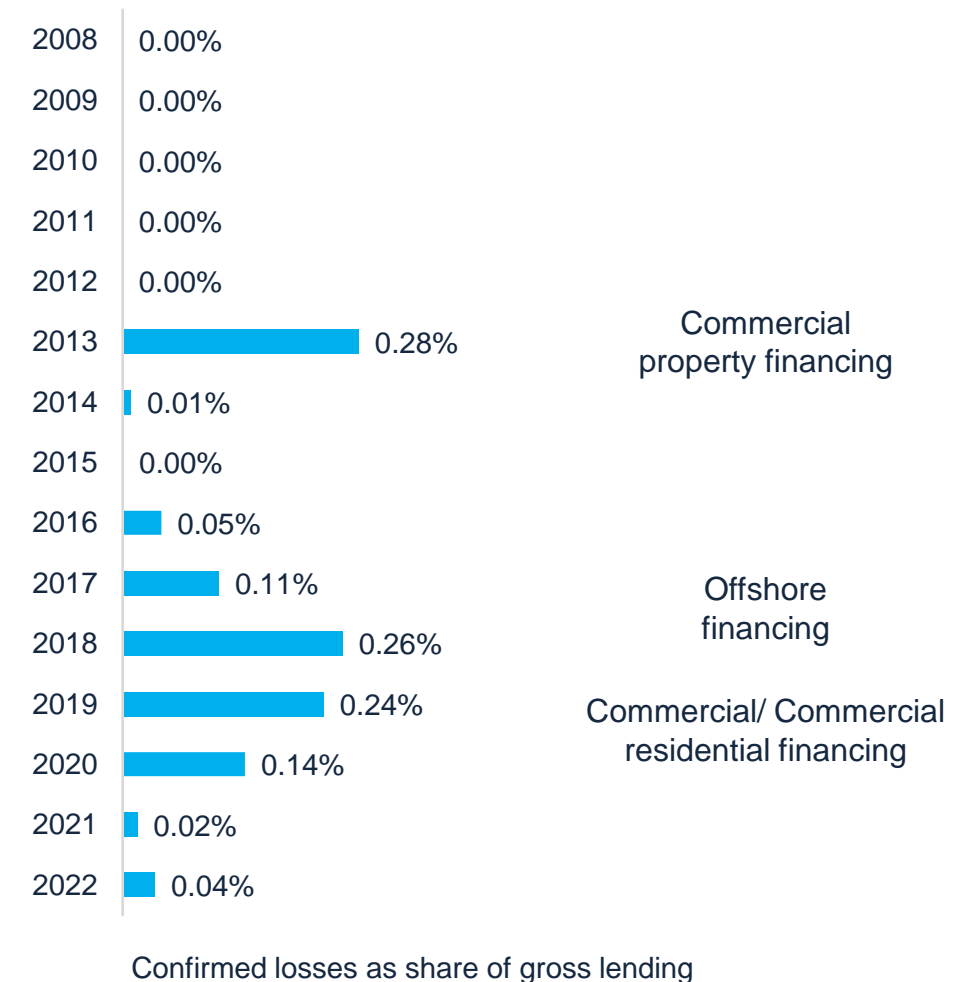
*) DNB Net Interest Margin and Impairments and Losses for 2022 are YTD per Q3-22.

Net Interest Rate Margin is defined as net interest income divided by sum of average interest-bearing assets.

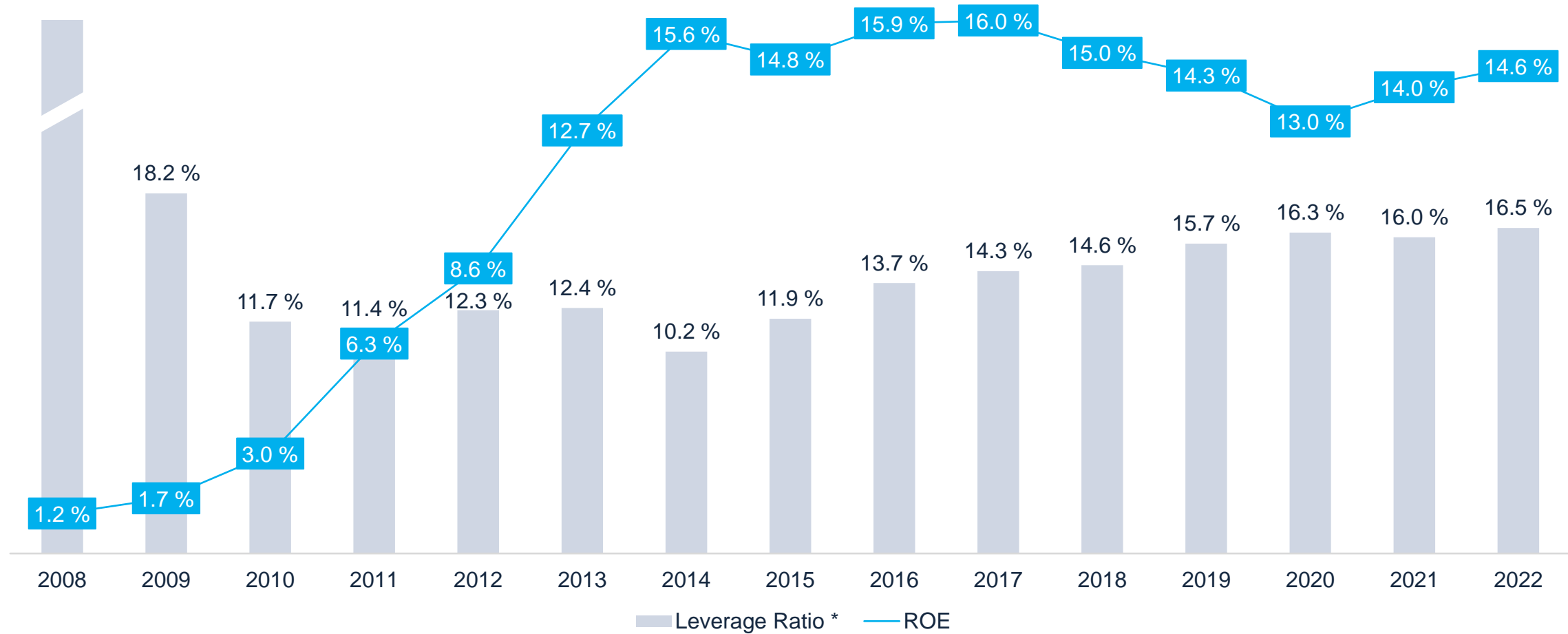
Sources: Pareto Securities, Pareto Bank.

PROVEN TRACK RECORD FOR CREDIT QUALITY

- No losses from 2008 to 2012.
- Total confirmed losses limited to NOK 127.9m for a handful of commitments during 15 years of operation.
- Accumulated lending amounted to approx. NOK 100 billion during the past 15 years. Total confirmed losses make up about 0.12 % of accumulated lending.
- Average ratio of annual confirmed losses to gross lending is 0.08 % per year.

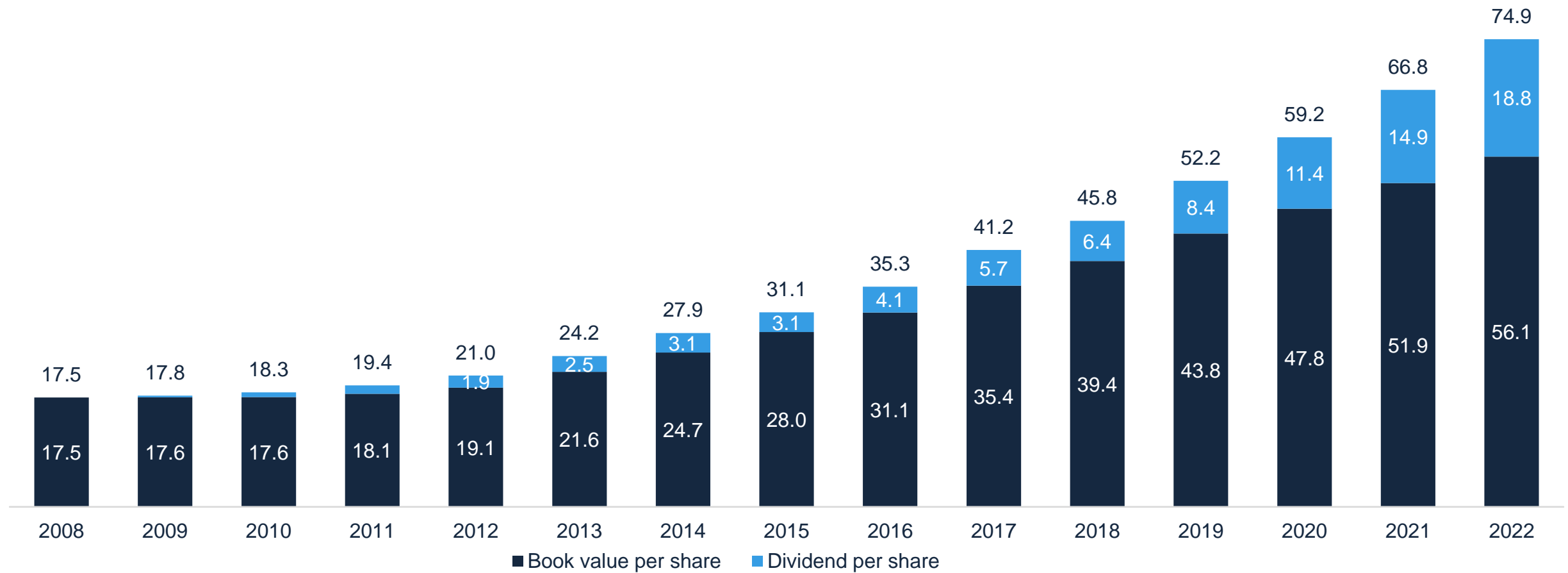


ROE AND LEVERAGE RATIO



BOOK VALUE AND DIVIDEND PER SHARE

Cumulative since 2008 (NOK)



Highlights

15 Years of History

Financials

Business Areas

Outlook & Ambitions

INCOME STATEMENT

P&L (NOKm)

	Q4-22	Q4-21	2022	2021
Net interest income	253.5	214.5	928.6	838.3
Net other operating income	20.7	3.0	36.7	12.3
Total net income	274.2	217.6	965.3	850.7
Total operating expenses	48.9	40.1	186.5	162.4
Operating profit before impairments and losses	225.3	177.5	778.8	688.3
Impairments and losses on loans and guarantees	-1.2	11.1	45.0	20.1
Pre-tax operating profit	226.5	166.4	733.8	668.2
Tax expense	54.3	40.4	178.3	163.6
Profit for the period	172.1	126.0	555.5	504.5
Earnings per share (NOK)	2.39	1.77	7.71	7.09
Return on equity	17.4 %	13.5 %	14.6 %	14.0 %
Cost/income ratio	17.8 %	18.4 %	19.3 %	19.1 %

Interest income supported by lending growth and increase in lending rates.

Increase in interest costs. Focus on building deposit volume. Increased rates on fixed rate deposits and campaign products. New bond issued to meet lending growth.

Positive valuation of financial instruments due primarily to lower bond spreads. Income from currency swaps contributed as well.

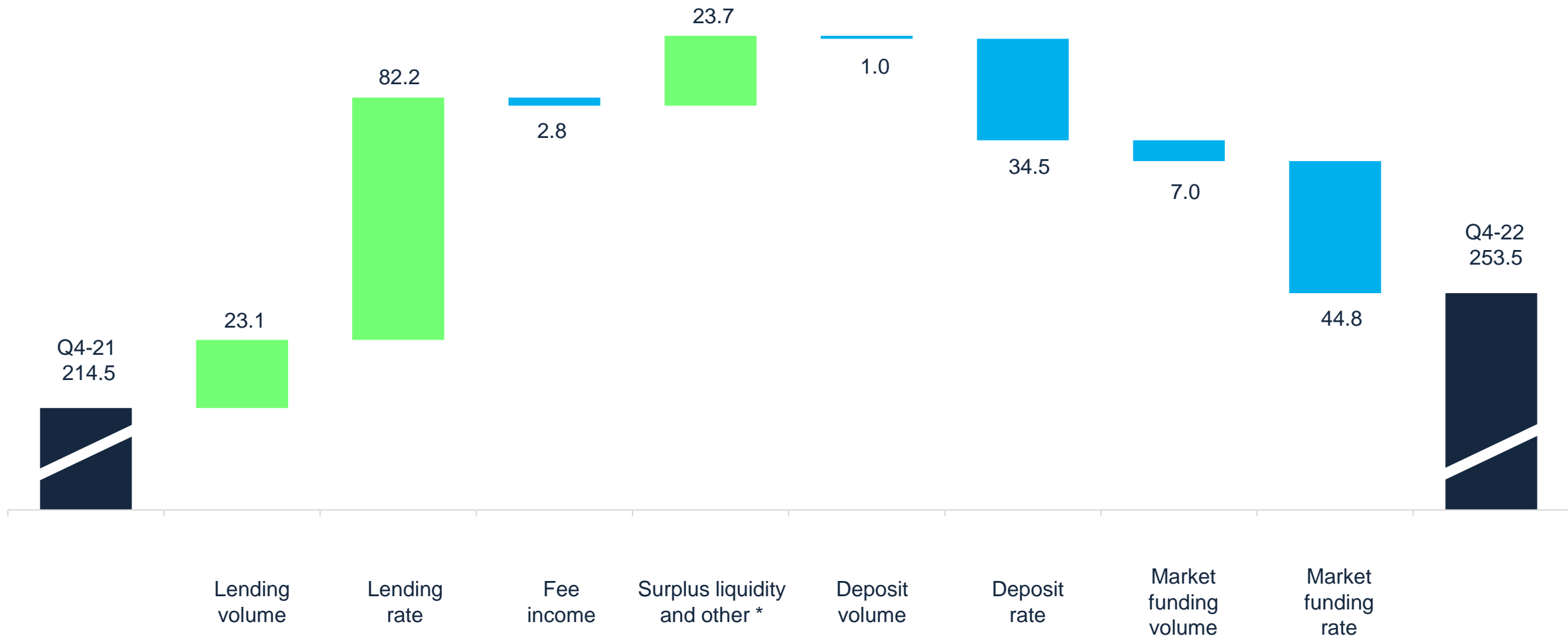
Cost increase over 2021 as expected. Set off NOK 11.0m (NOK 7.3m) for employee bonus in Q4-22.

No material change in impairments and losses.

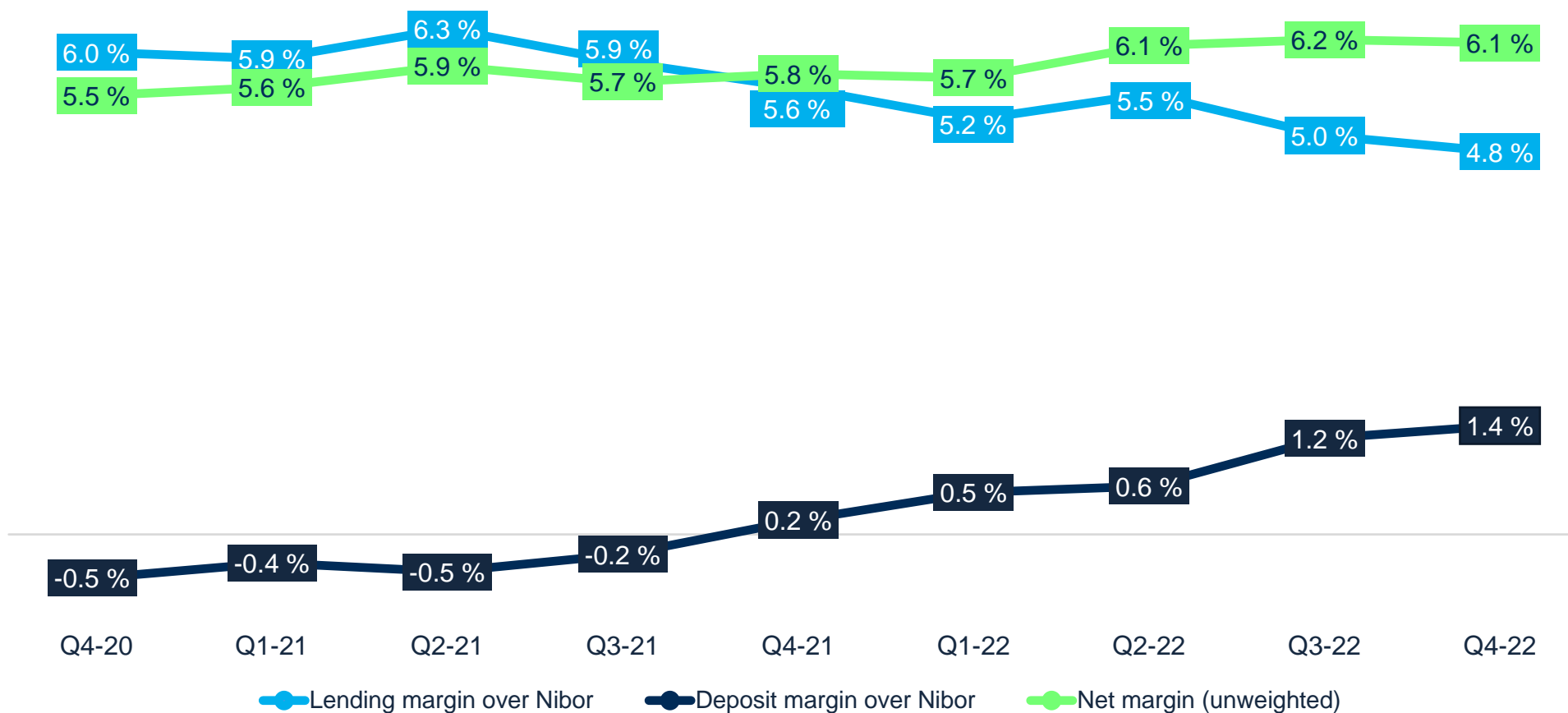
QUARTERLY CHANGE IN NET INTEREST INCOME (NOKm)



ANNUAL CHANGE IN NET INTEREST INCOME (NOKm)



NET INTEREST MARGIN

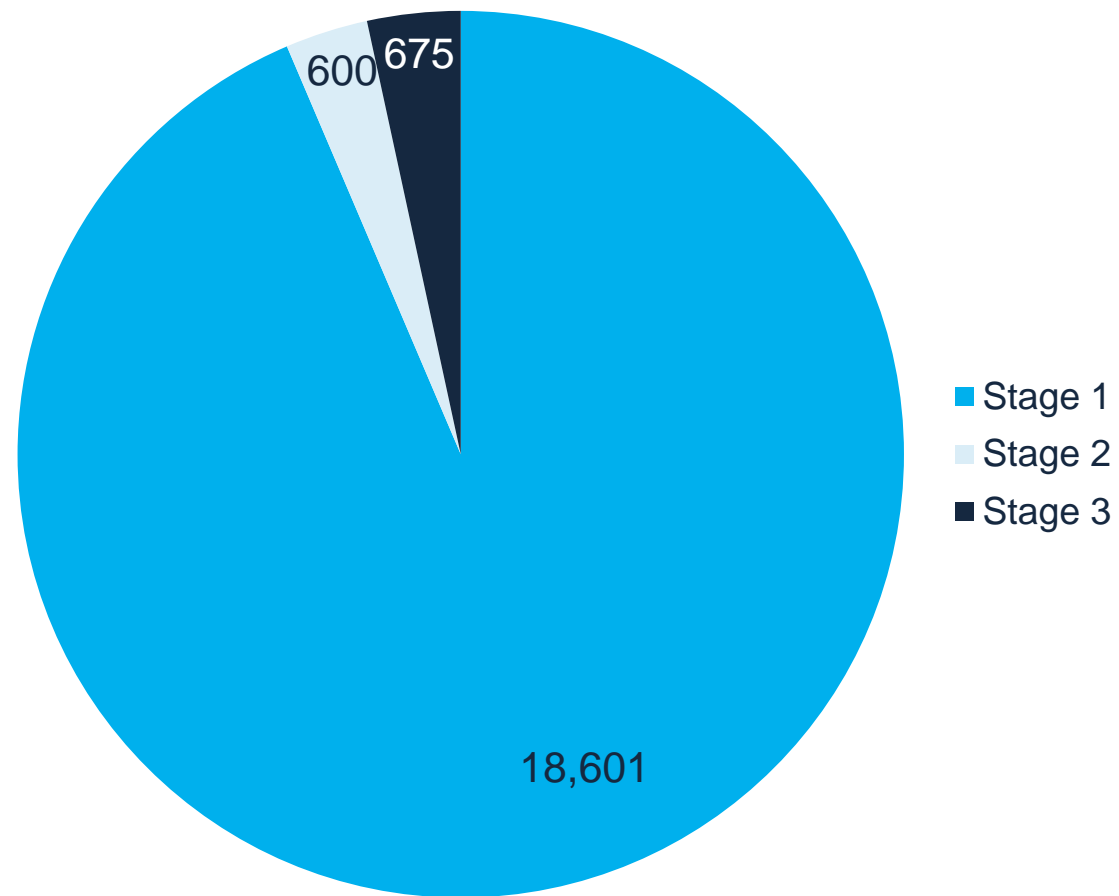


Comments

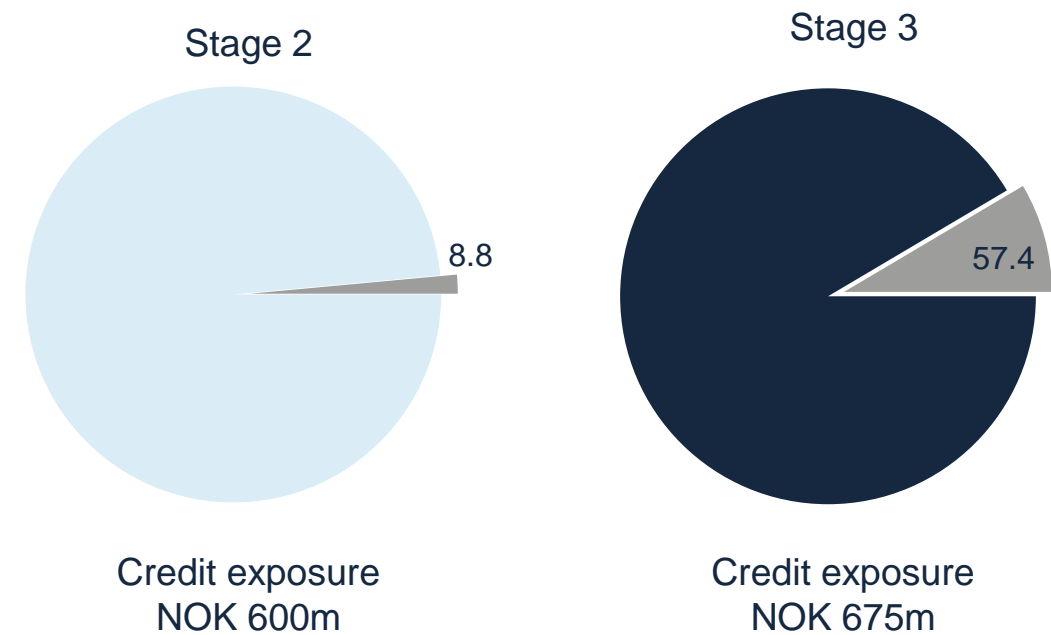
- Rate increases in September (0.5 pp), October (0.5 pp) and November (0.25 pp) supported lending margin.
- Average market rates increased by 0.97 pp from Q3-22 to Q4-22, but fell towards the end of the year.
- Lending rates increased by 0.76 pp quarter to quarter. Deposit rates increased 0.81 pp.
- Continued strong unweighted net interest margin.
- New rate increase (0.25 pp) took effect January 4, 2023.

STABLE CREDIT QUALITY

Credit exposure by IFRS9 stage (NOKm)



Accumulated impairments for stage 2 & 3 (NOKm)

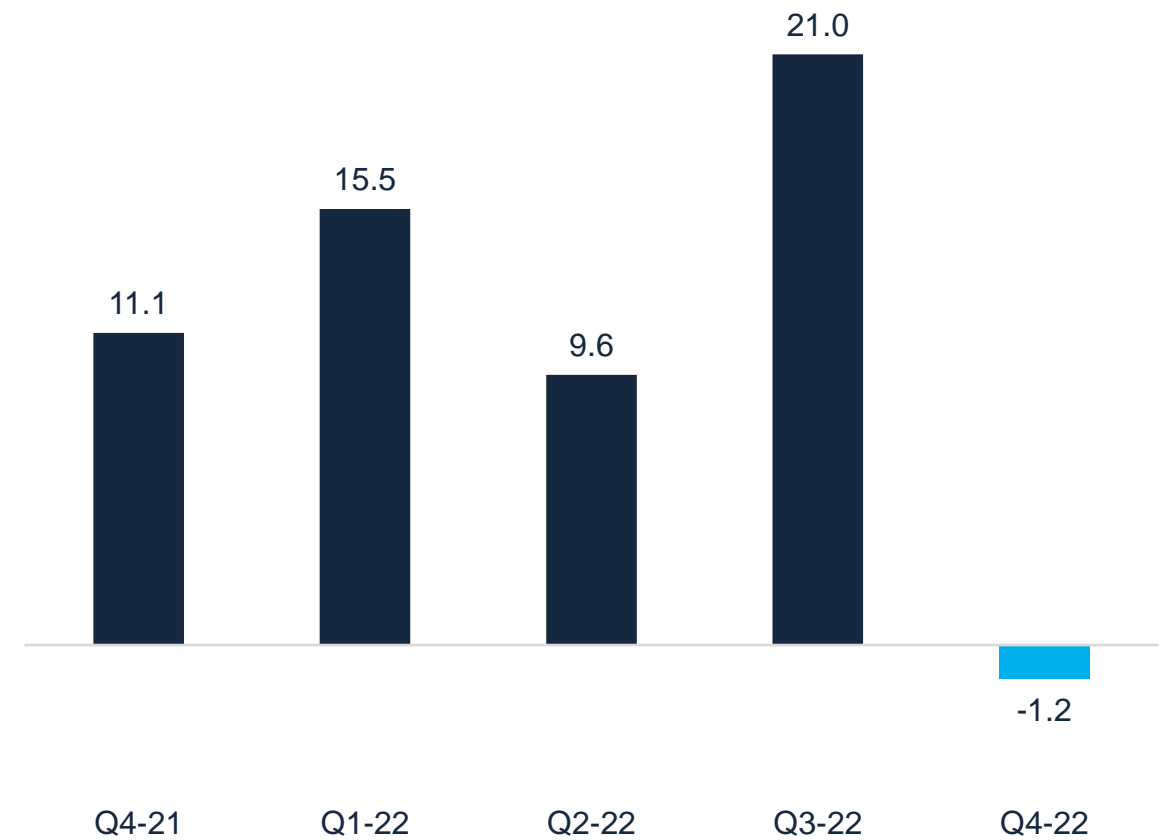


UNCHANGED IMPAIRMENTS

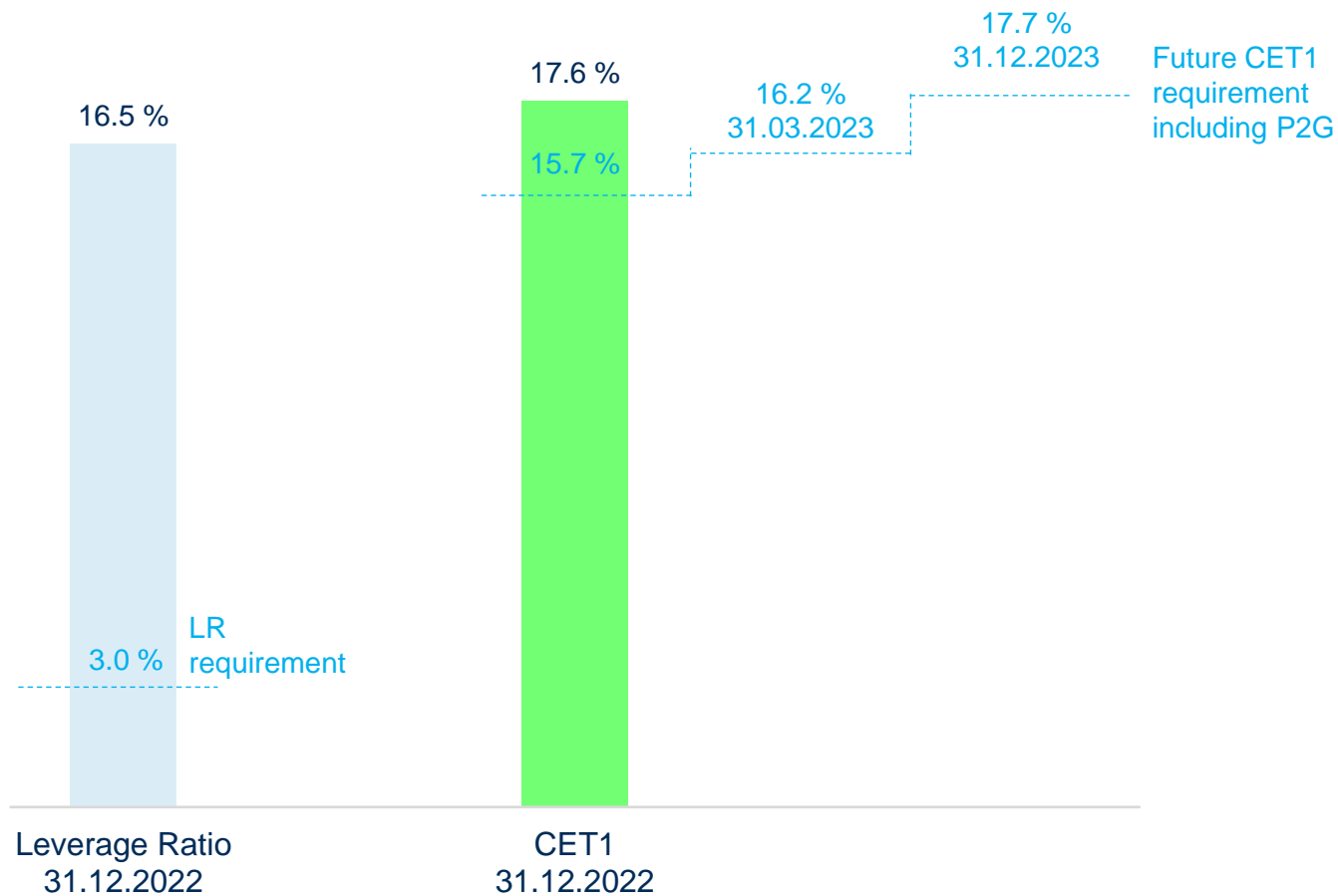
Impairments and losses (NOKm)

	Q4-22	2022
Stage 1	2.1	24.1
Stage 2	-5.7	-3.4
Stage 3	1.7	24.4
Confirmed losses	0.7	6.7
Total impairments and losses	-1.2	45.0

Impairments and losses (NOKm)



SOLIDITY AND CAPITAL REQUIREMENTS



- Leverage ratio of 16.5 %, far above minimum requirement.
- Systemic risk buffer increase of 1.5 pp delayed to year-end 2023.
- Expecting a revised Pillar 2 requirement including P2G for Pareto Bank in 2023.
- Estimated target CET1 year-end 2023 is 17.7 %, depending on pillar 2 and P2G.

Highlights

15 Years of History

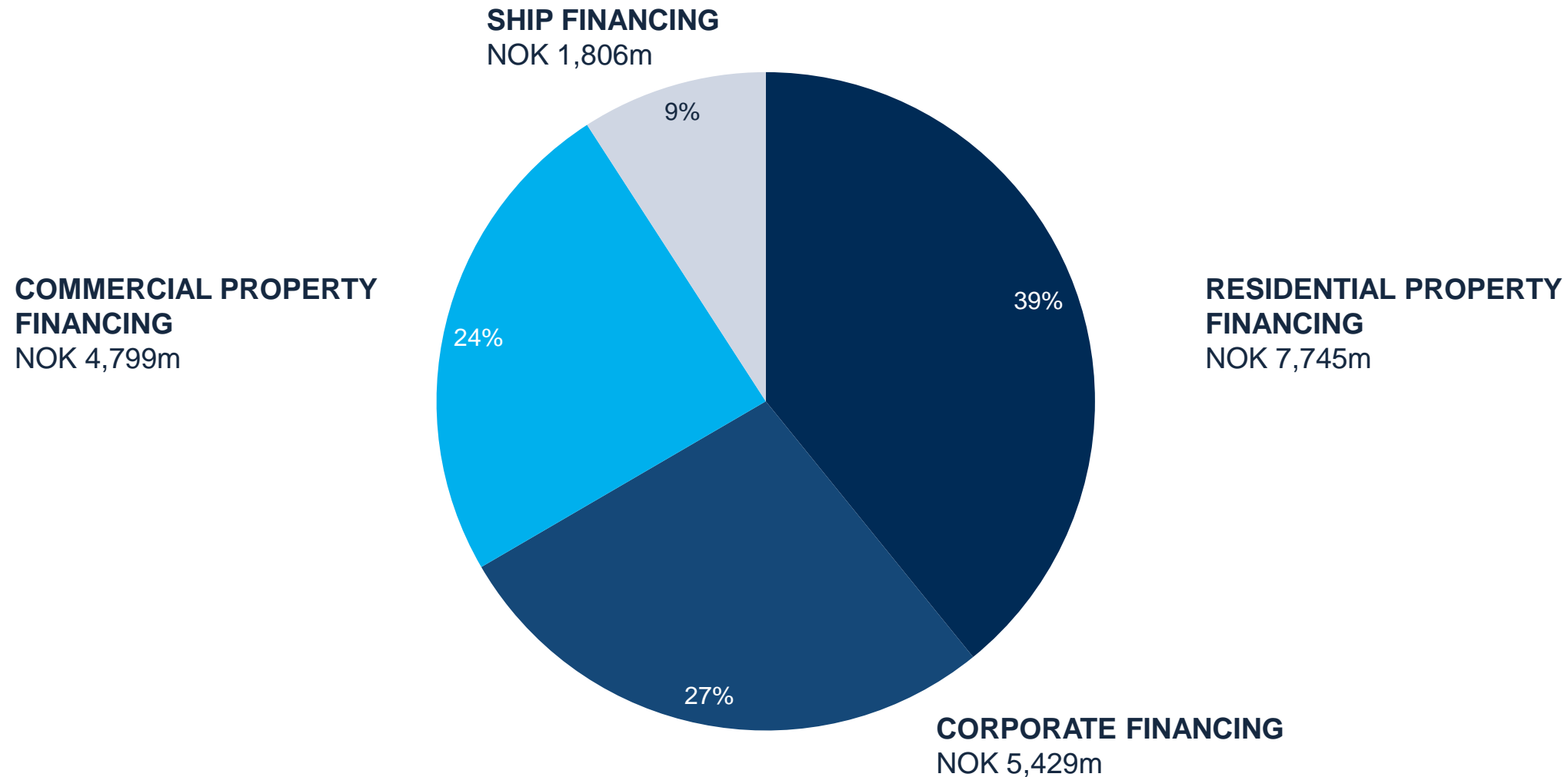
Financials

Business Areas

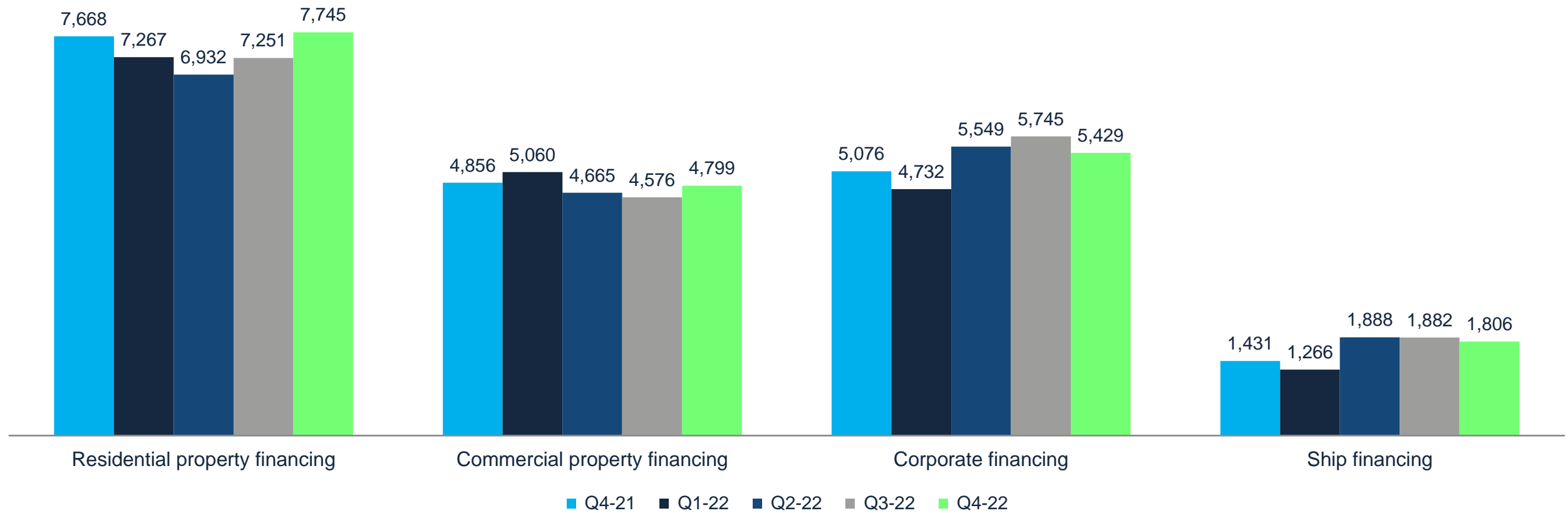
Outlook & Ambitions

A NICHE PLAYER FINANCING MEDIUM-SIZED ENTERPRISES

Exposure (NOKm)



QUARTERLY EXPOSURE PER BUSINESS AREA (NOKm)



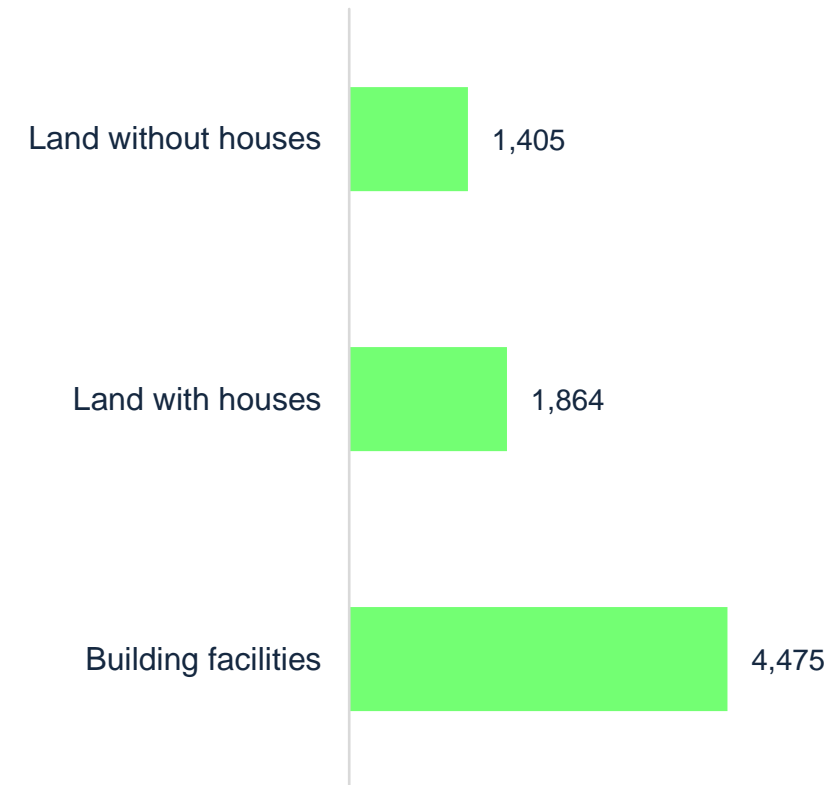
RESIDENTIAL PROPERTY FINANCING

Credit update

- The specialized real estate developer bank for Eastern Norway and larger Norwegian cities.
- 165 customers with average commitment of NOK 47m.
- 36 % residential exposure in Oslo and 37 % in Viken.
- Equity contribution of minimum 25 % on land financing.
- Binding sales contracts, documentation of buyers' financing and a residual exposure of maximum 50 % to unsold units are conditions precedent for granting building facilities.
- Extra follow-up on a small number of ongoing projects due to delays and/or cost overruns. Frequent customer reporting and third-party control and reporting.

Residential property exposure (NOKm)

Total NOK 7,745m



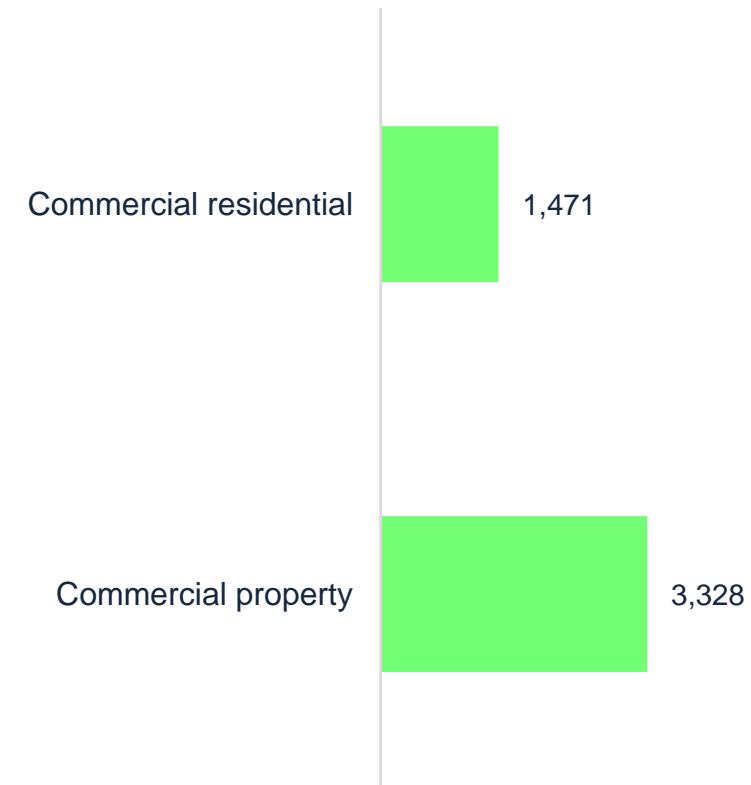
COMMERCIAL PROPERTY FINANCING

Credit update

- Financing of cash flow based commercial property and development.
- 87 % of commercial property exposure is cash-flow based.
- 94 customers with average commitment of NOK 51m.
- 41 % commercial property exposure in Oslo and 19 % in Vestland.
- Conservative approach to property values. Equity contribution at least 20 %, and normally higher while valuation is uncertain.
- More moderate loan-to-value at drawdown of new credits due to entry point at the higher end of the cycle.
- Stable credit quality.

Commercial property exposure (NOKm)

Total NOK 4,799m

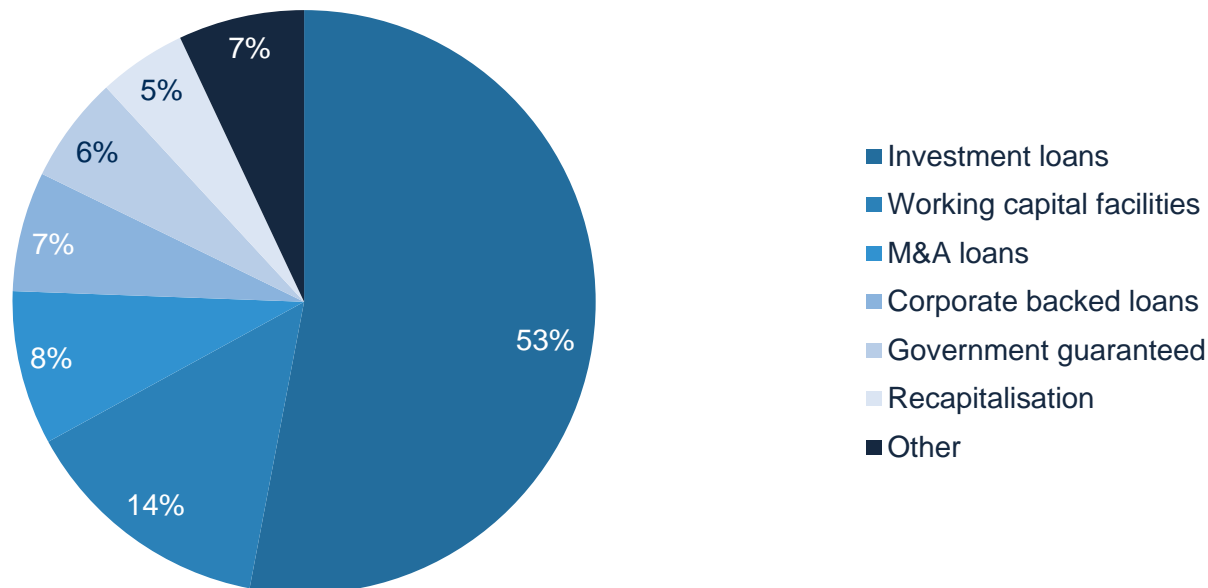


CORPORATE FINANCING

Diversified exposure

Total NOK 5,429m

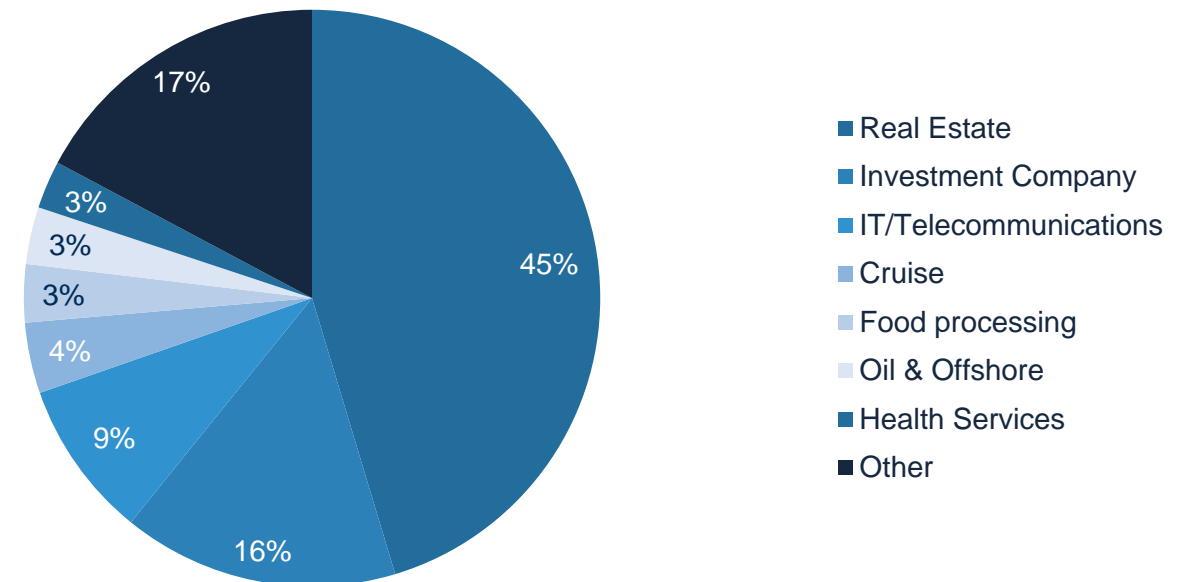
- Tailor-made financing solutions to medium-sized enterprises.
- 124 consolidated corporate customers with average commitment of NOK 43m.



Credit update

Total NOK 5,429m

- Conservative credit practice still in place.
- Follow-up on a small number of customers that are affected by lower demand as well as increases in operational costs and interest rates.



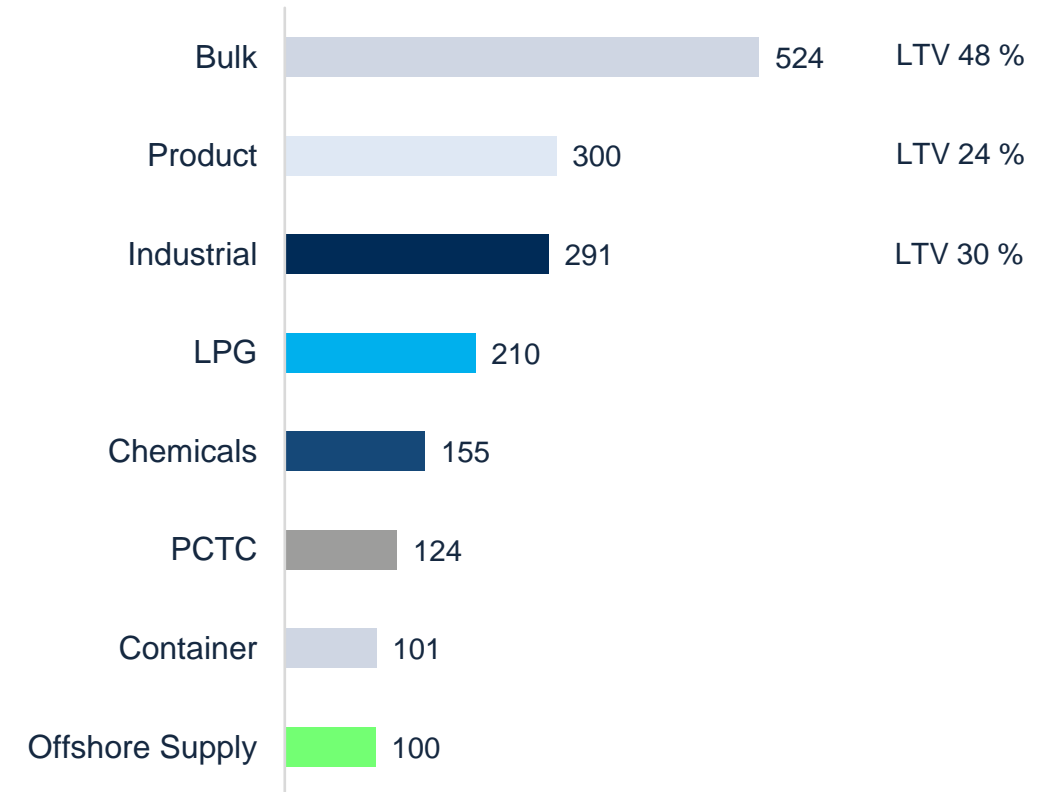
SHIP FINANCING

Credit update

- Focus on medium-sized shipowners, family offices and the investment project market.
- Corporate loans make up 45 % of the exposure, the remaining 55 % are loans to investment projects.
- 21 customers* and 48 vessels.
- Average commitment size USD 8.7m with largest exposure USD 24.6m.
- Average weighted LTV of the portfolio is 38 %.
- Re-entry in offshore market in Q3-22 based on a selective strategy. Attractive opportunities in the offshore space with low risk and high profitability as many banks are still reducing or exiting offshore lending.
- Stable credit quality.

Exposure (NOKm)

Total NOK 1,806m



Highlights

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MARKET OUTLOOK

Real estate

Residential property

Project profitability hurt by material and labour shortages, cost inflation and interest rate hikes.

Housing demand has softened due to lower household disposable income.

Lower project activity expected in 2023.

Loan redemptions may be delayed due to more challenging project execution.

Commercial property

Increase in long-term interest rates has resulted in higher yields and lower property values. Valuation continues to be uncertain.

Inflation, rising interest rates and an economic downturn will reduce future demand for office space. Lower purchasing power may have a negative effect on the logistics market in the long term.



Flat lending volume in 2023 due to lower project activity and redemptions.

MARKET OUTLOOK

Corporate

Corporate profitability under pressure due to increases in interest rates and prices.

A number of enterprises are postponing investments due to rising costs and uncertain demand.

In general, slightly lower corporate credit demand expected in 2023.

Pareto Bank is a small player within the corporate lending space. Growth opportunities are good and a steady deal flow is expected.



Good long-term deal flow. Continued growth in 2023.

MARKET OUTLOOK

Shipping and offshore

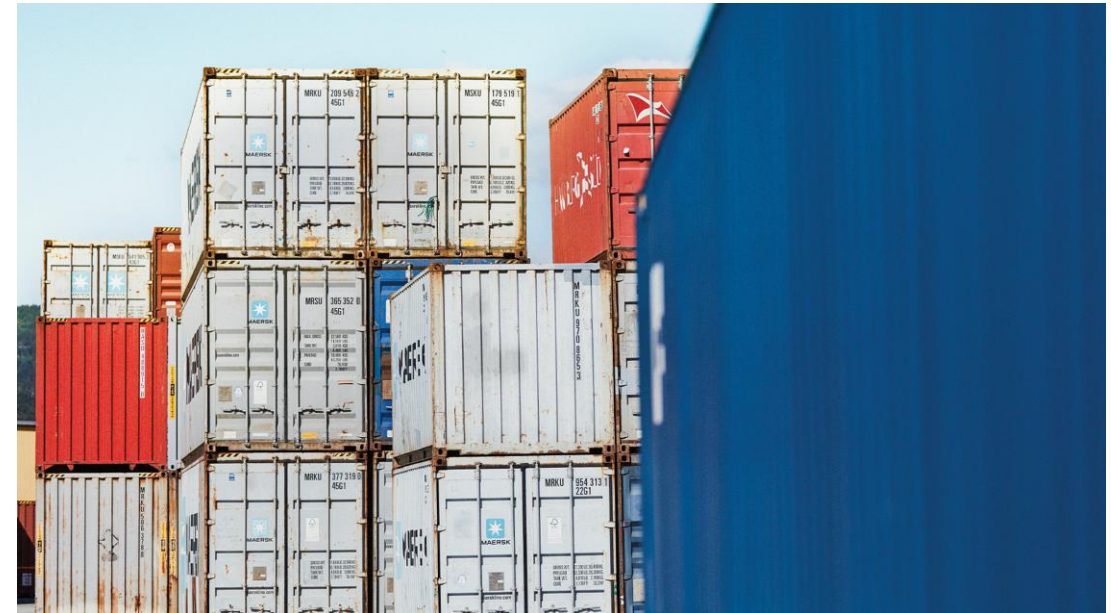
Dry bulk demand continued to stay soft in H2-22. Future demand is uncertain. A small growth in supply is expected.

The tanker markets have seen a rebound in 2022 supported by increased demand for oil products and longer transportation distances. 2023 looks strong with record low order books and fleet growth.

The container markets have softened significantly in H2-22 mainly explained by weaker volume growth and easing of congestion. Rates are expected to decline due to demand weakening, less congestion and accelerating fleet growth.

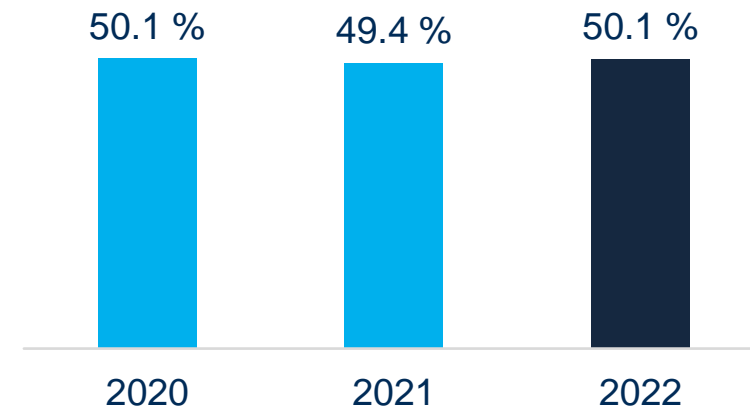
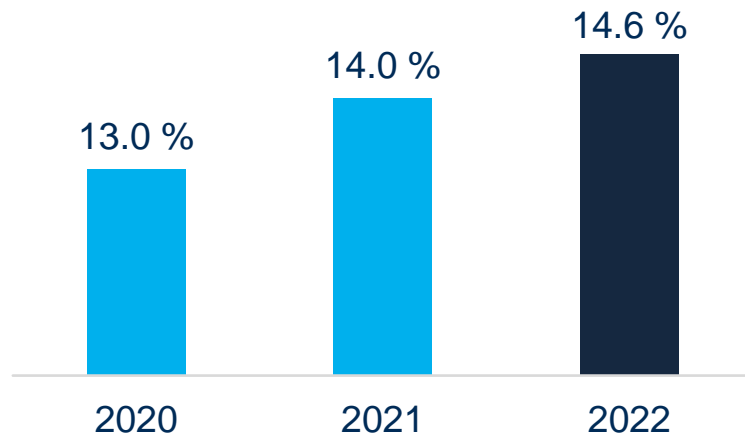
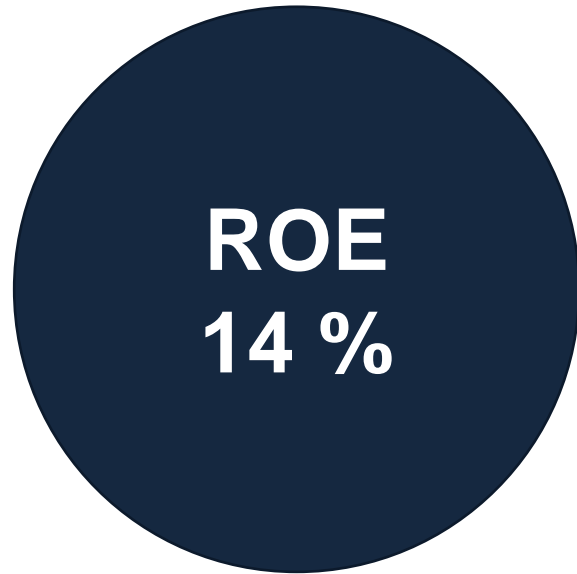
For other shipping segments, lower global economic growth will have a negative impact on demand. Downside is limited by low supply growth.

2022 has been a turning point for offshore supply demand, utilization and day rates. Demand has been supported by increased attention to energy security and growth in the offshore wind sector. Good demand and limited fleet growth is expected in 2023.



Deal flow is expected to be modest in shipping and strong in offshore. Steady lending growth in 2023.

LONG-TERM AMBITIONS



APPENDIX

LARGEST SHAREHOLDERS

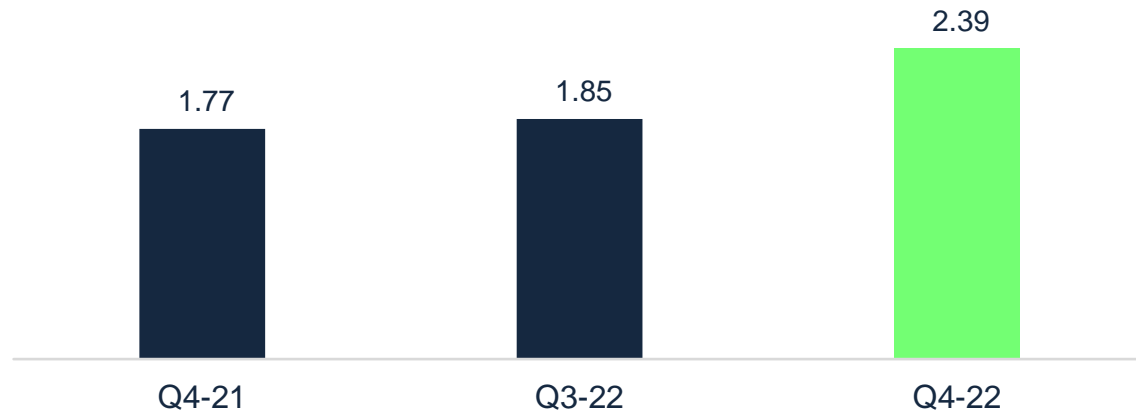
31 December 2022

	Name	Shares	% total
1	Pareto AS	13,970,346	20.00 %
2	Société Générale	6,943,049	9.94 %
3	Hjellegjerde Invest AS	3,460,000	4.95 %
4	Landkreditt Utbytte	1,955,480	2.80 %
5	Svemorka Holding AS	1,928,683	2.76 %
6	Rune Bentsen AS	1,850,000	2.65 %
7	Kolberg Motors AS	1,845,491	2.64 %
8	Salt Value AS	1,812,309	2.59 %
9	Verdipapirfondet Holberg Norge	1,725,000	2.47 %
10	Awc AS	1,300,000	1.86 %
11	Dragesund Invest AS	1,146,564	1.64 %
12	OM Holding AS	1,120,351	1.60 %
13	K11 Investor AS	1,000,000	1.43 %
14	Lombard Int Assurance S.A.	945,238	1.35 %
15	AS Audley	900,820	1.29 %
16	Profond AS	845,374	1.21 %
17	Catilina Invest AS	749,069	1.07 %
18	Hausta Investor AS	727,800	1.04 %
19	Castel AS	644,715	0.92 %
20	Wenaasgruppen AS	551,000	0.79 %
	Sum TOP 20	45,421,289	65.03 %
	Other shareholders	24,430,441	34.97 %
	Total	69,851,730	100.00 %

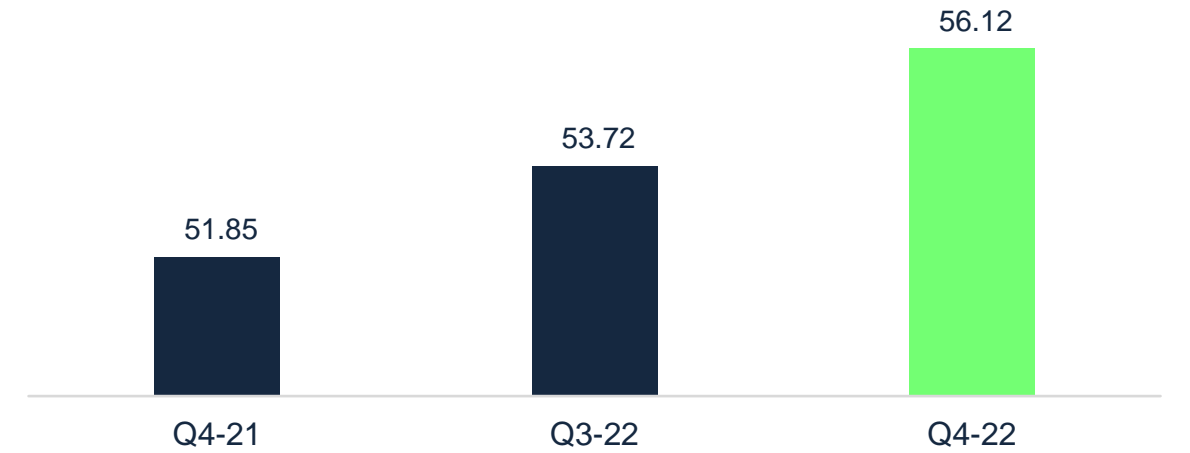
- The Company has 69,851,730 shares outstanding. One class of shares where each share carries one voting right.
- Diversified investor base with 3,328 shareholders.
- The Top 10 and 20 investors hold 53 % and 65 % of the shares respectively.
- Employees in Pareto Bank own 1.7 %.
- Top Management in the Pareto Group owns 3.0 %.
- All employees are covered by an annual bonus compensation scheme settled primarily in Pareto Bank shares.

THE SHARE

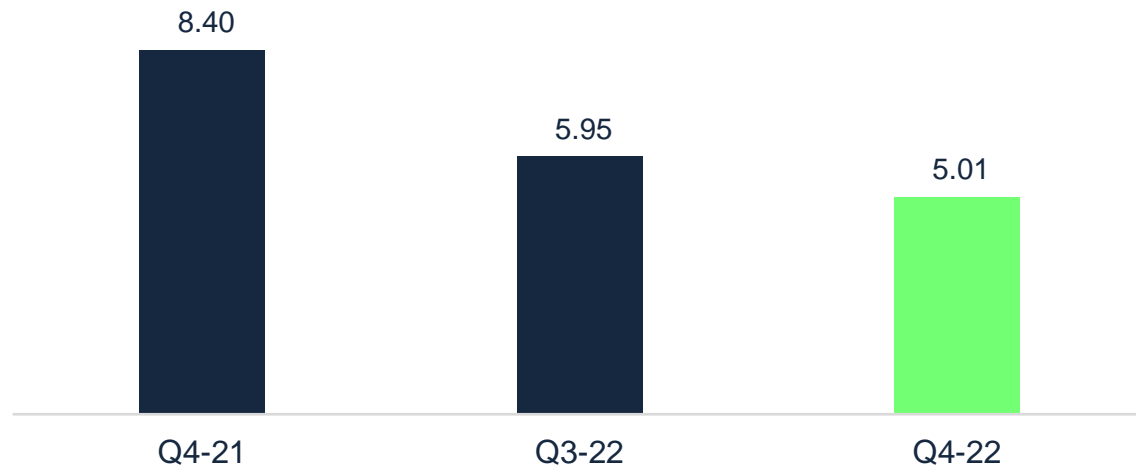
Earnings per share (NOK)



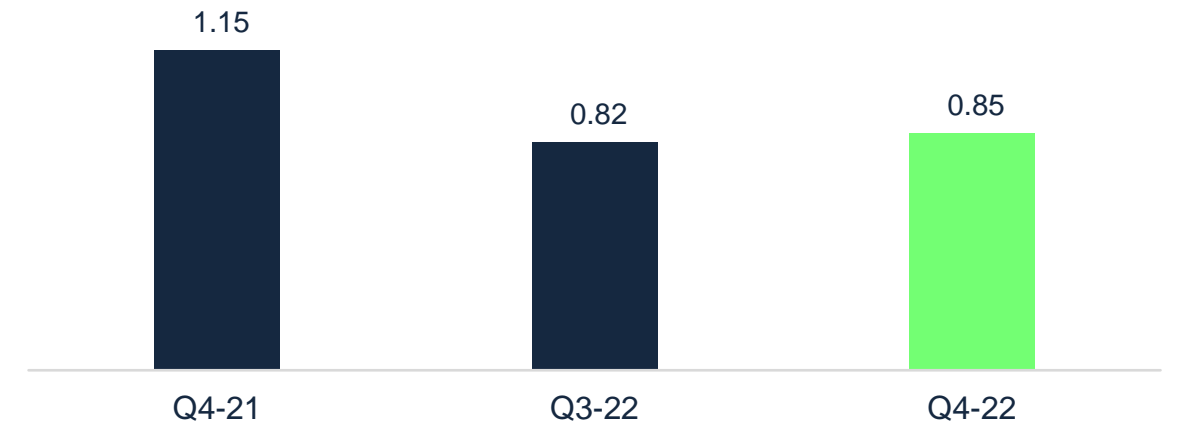
Book value per share (NOK)



Price / Earnings



Price / Book



QUARTERLY INCOME STATEMENT

P&L (NOKm)

	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21
Net interest income	253.5	241.8	225.8	207.5	214.5
Net other operating income	20.7	2.3	5.4	8.2	3.0
Total net income	274.2	244.2	231.2	215.7	217.6
Total operating expenses	48.9	46.7	45.6	45.3	40.1
Operating profit before impairments and losses	225.3	197.5	185.6	170.4	177.5
Impairments and losses on loans and guarantees	-1.2	21.0	9.6	15.5	11.1
Pre-tax operating profit	226.5	176.5	175.9	154.9	166.4
Tax expense	54.3	43.0	42.9	38.1	40.4
Profit for the period	172.1	133.5	133.0	116.9	126.0
Earnings per share (NOK)	2.39	1.85	1.84	1.64	1.77
Return on equity	17.4 %	14.0 %	14.5 %	12.8 %	13.5 %
Cost/income ratio	17.8 %	19.1 %	19.7 %	21.0 %	18.4 %

QUARTERLY BALANCE SHEET

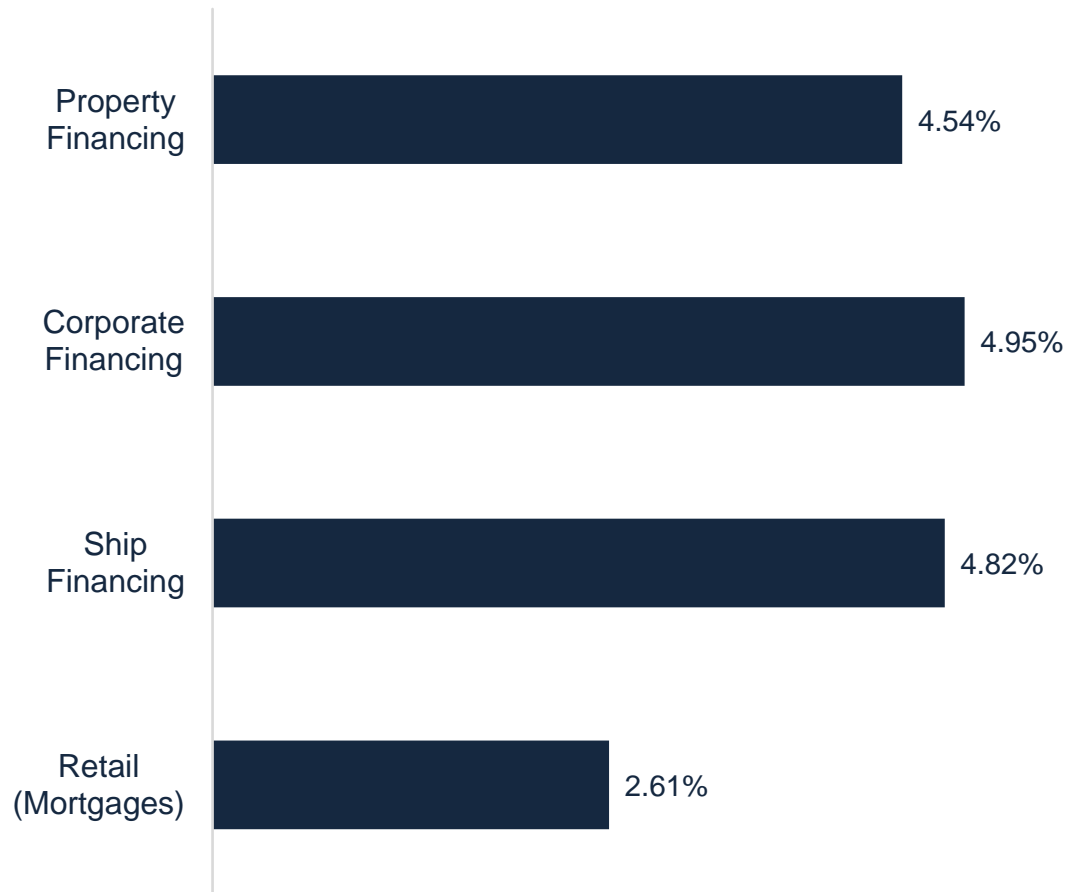
(NOKm)

	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21
Loans to credit institutions	747	982	1,676	1,840	907
Loans to customers	17,346	16,925	16,109	15,644	15,805
Bonds and other securities	4,007	3,710	3,711	3,795	3,106
Shareholdings in associated companies	23	23	23	24	23
Other assets	173	130	121	159	144
Total assets	22,296	21,770	21,639	21,462	19,985
Deposits from customers and institutions	10,131	10,450	10,342	9,941	9,515
Senior securities issued	7,183	6,399	6,561	6,754	6,038
Other liabilities	341	447	395	554	340
Tier 2 subordinated securities issued	421	420	420	420	270
Additional tier 1 capital	300	300	300	300	200
Other equity	3,920	3,752	3,620	3,491	3,622
Total liabilities and equity	22,296	21,770	21,639	21,462	19,985

MARGINS AND INTEREST CONTRIBUTION

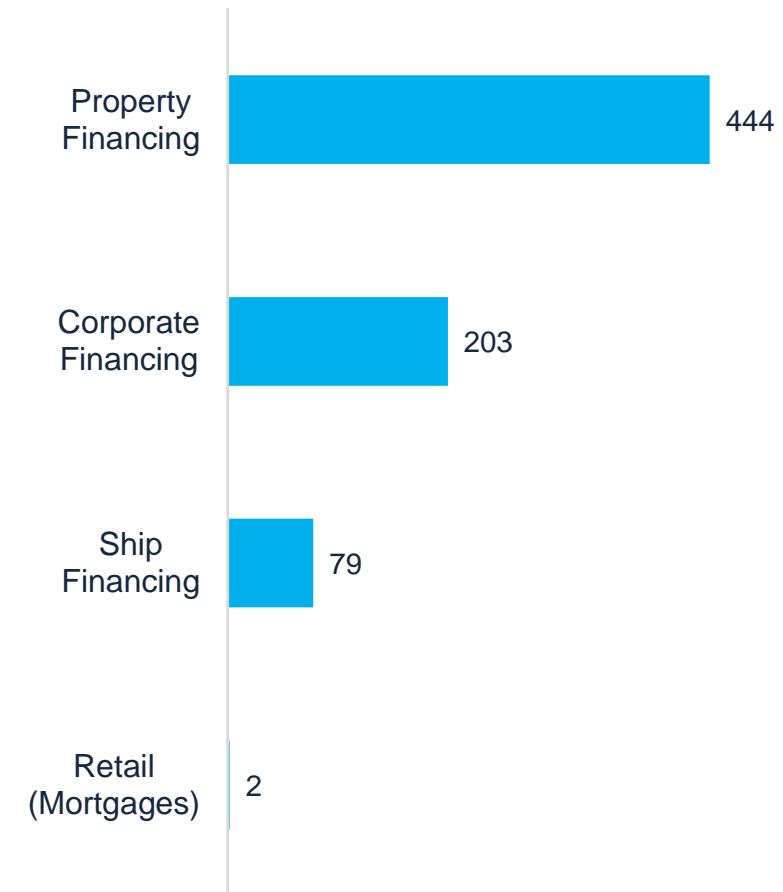
Margins per business area

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



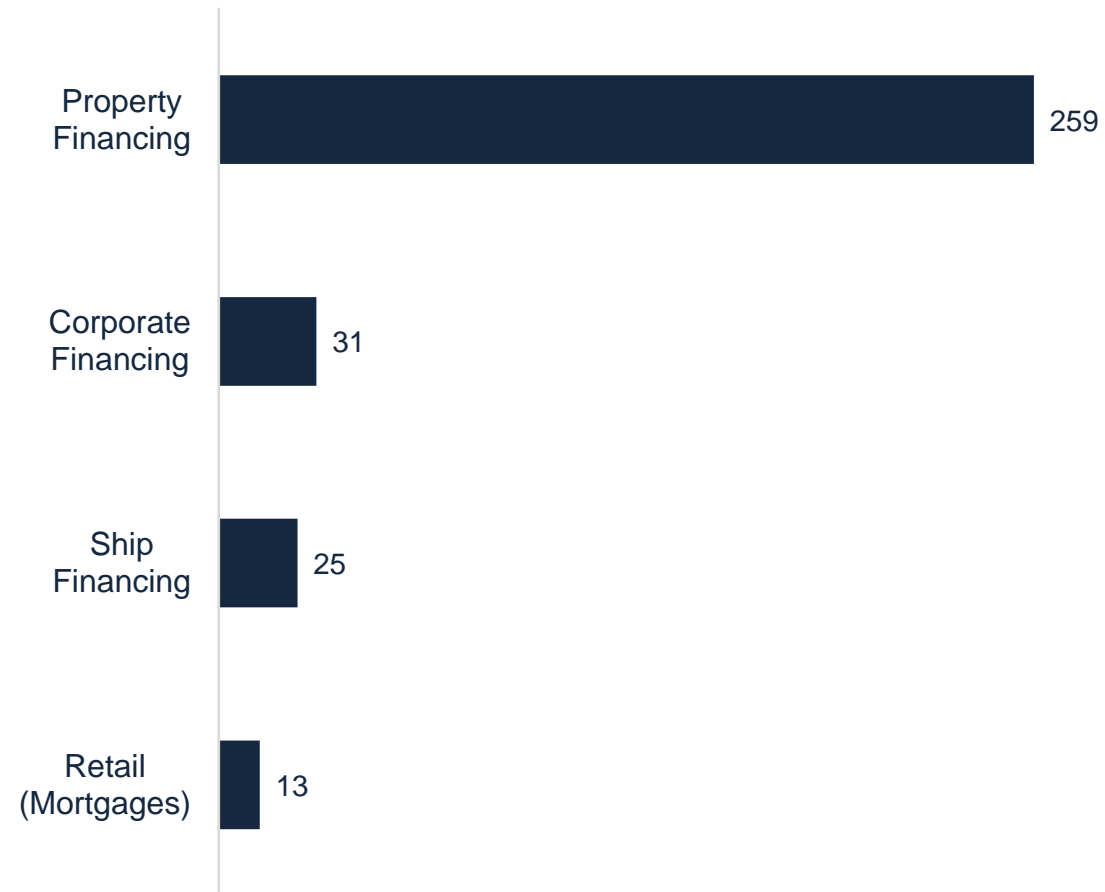
Interest contribution per business area

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



NUMBER OF CUSTOMERS

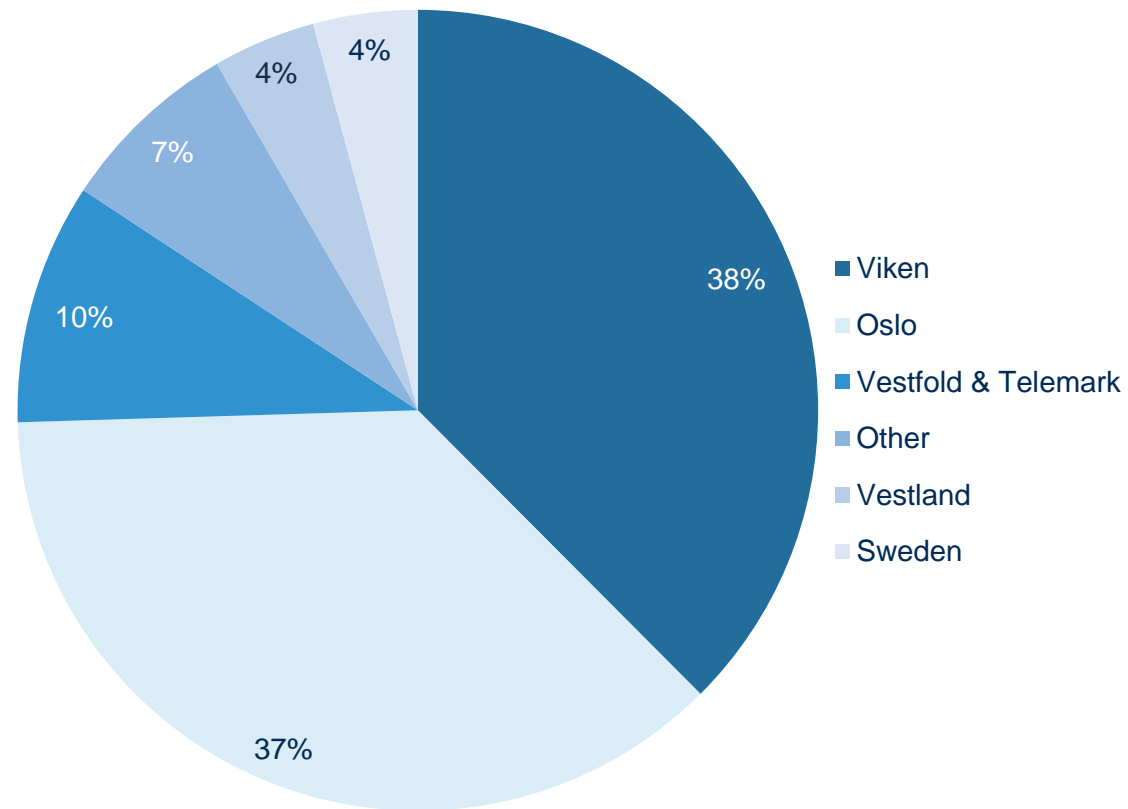
Per business area



REAL ESTATE FINANCING EXPOSURE

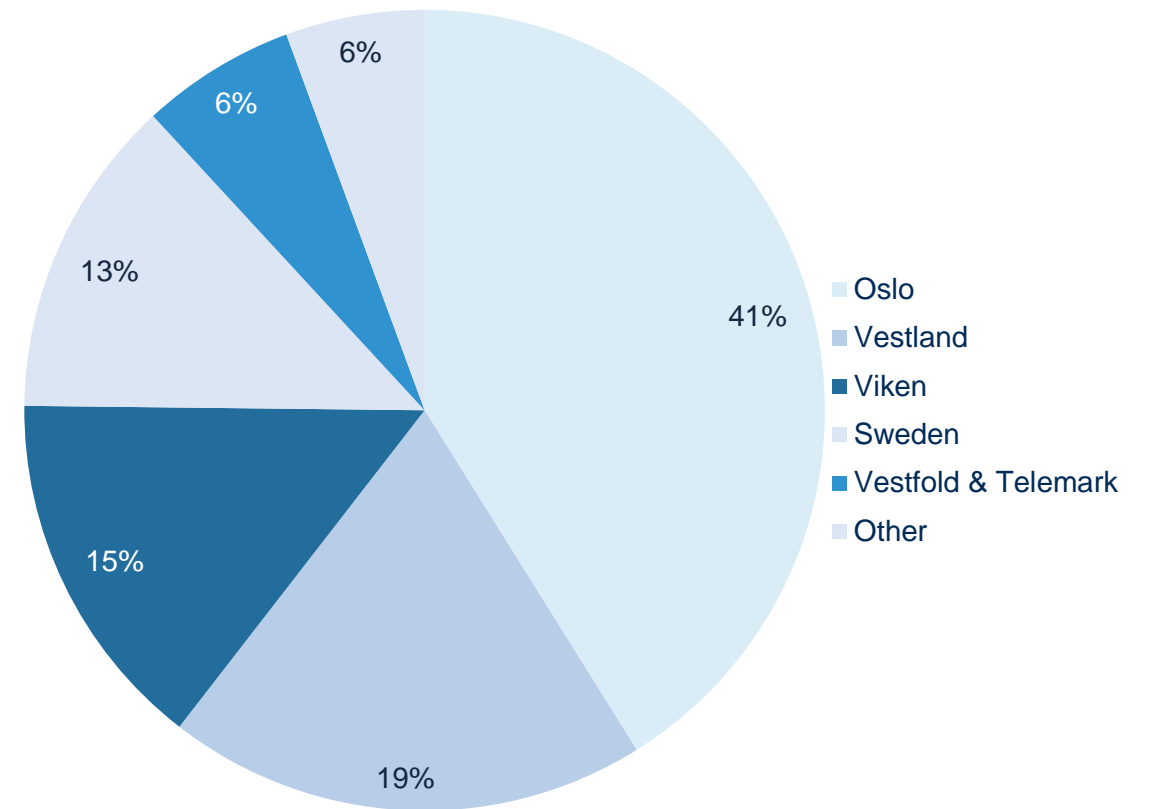
Geographical residential property exposure

Total NOK 9,215m*



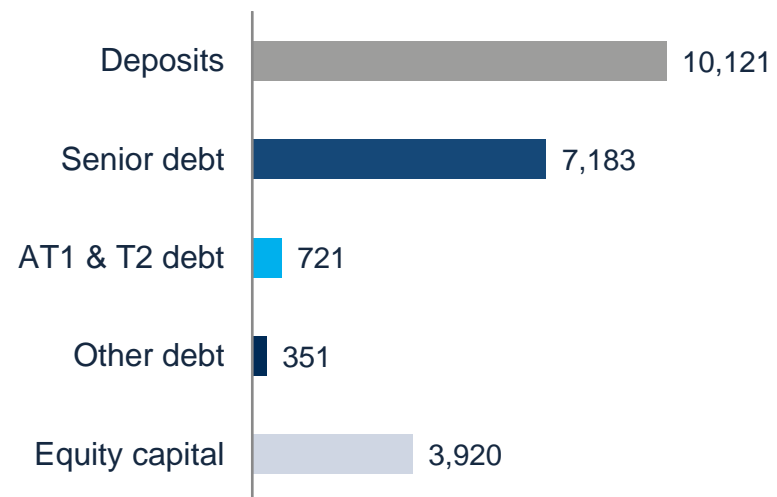
Geographical commercial property exposure

Total NOK 3,328m*



FUNDING

Sources (NOKm)

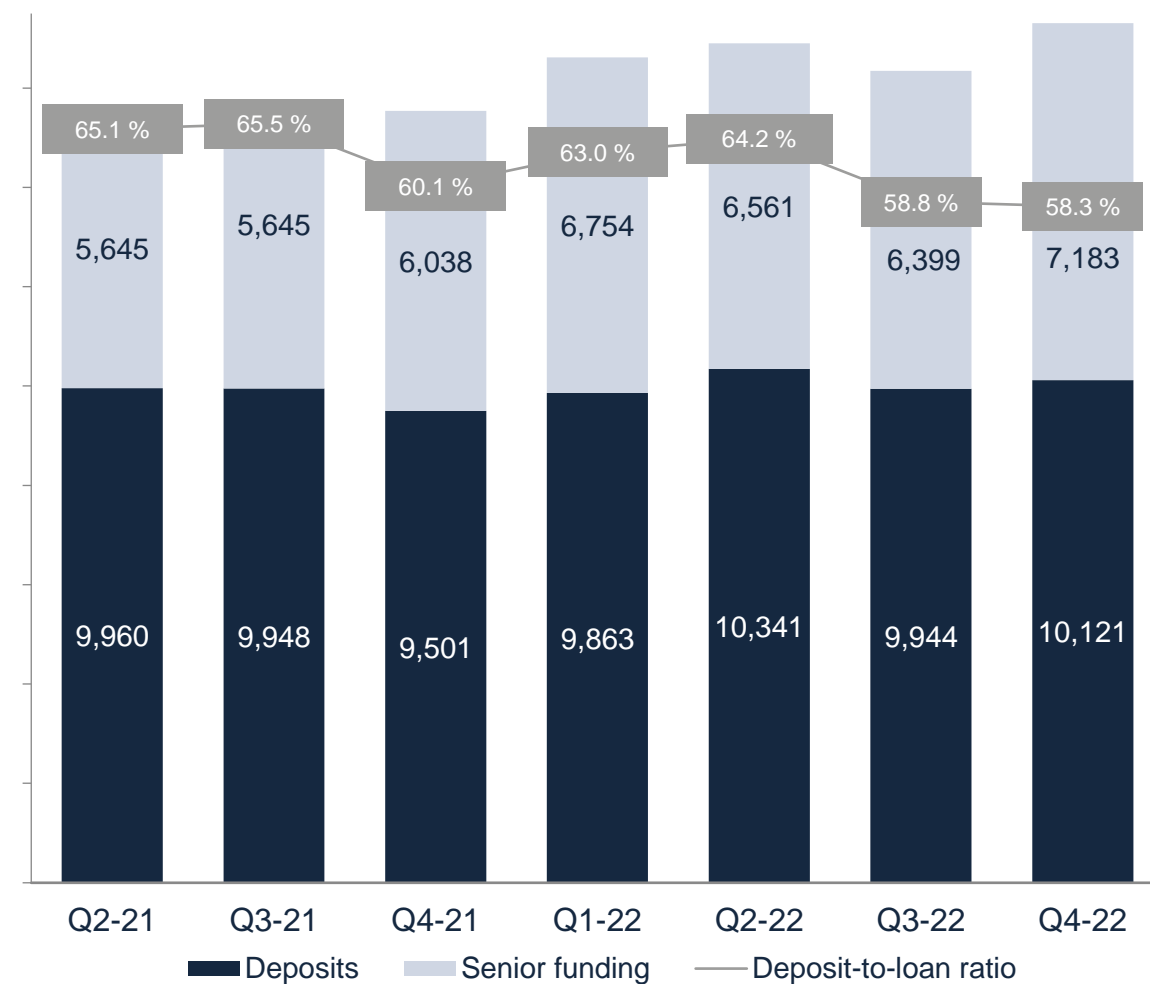


Key ratios

Deposits with liquidity restrictions	53 %
Corporate deposits	71 %
Deposit-to-loan ratio	58 %
NSFR	147 %
LCR	238 %

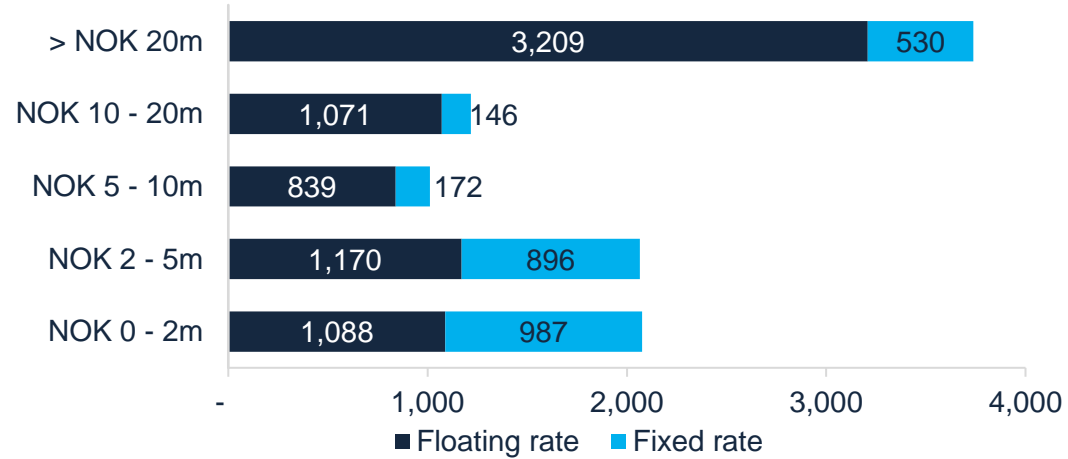
Deposits & senior debt

NOKm,
Percent customer deposits of net lending to customers

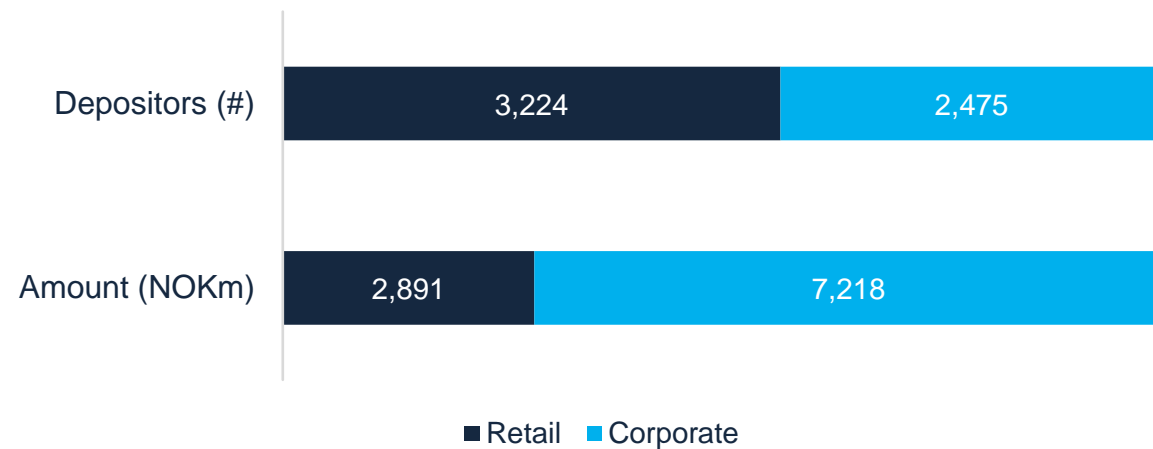


CUSTOMER DEPOSITS

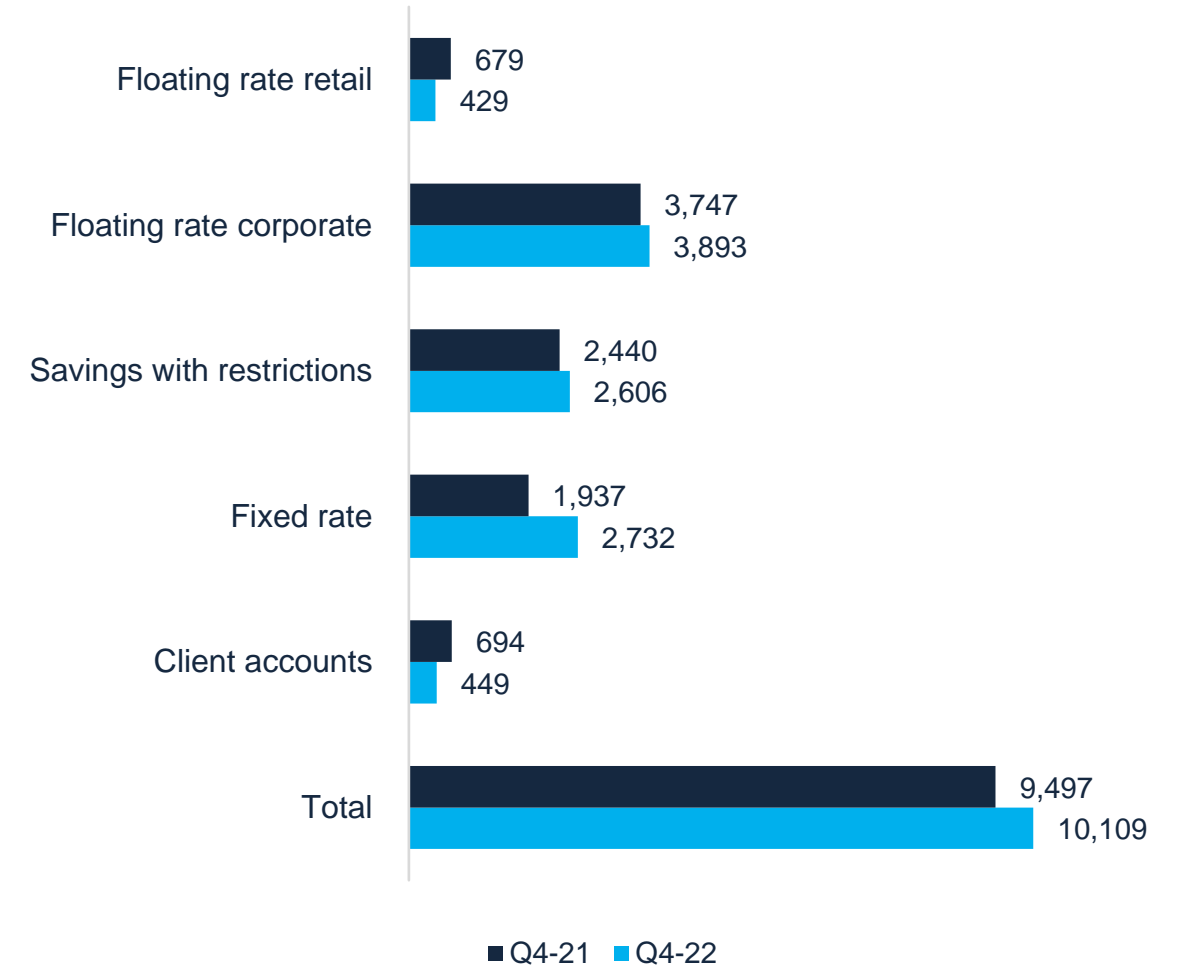
Deposits by size (NOKm)



Deposits by type (NOKm)

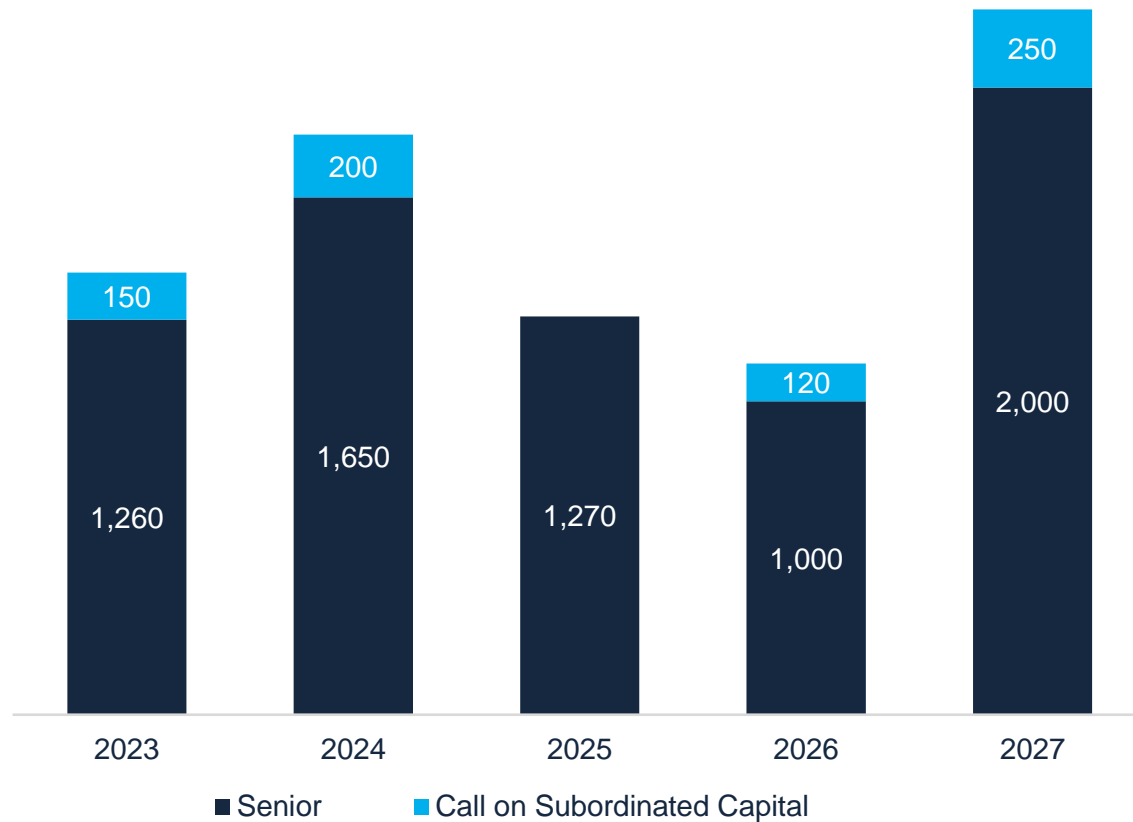


Deposits by product (NOKm)

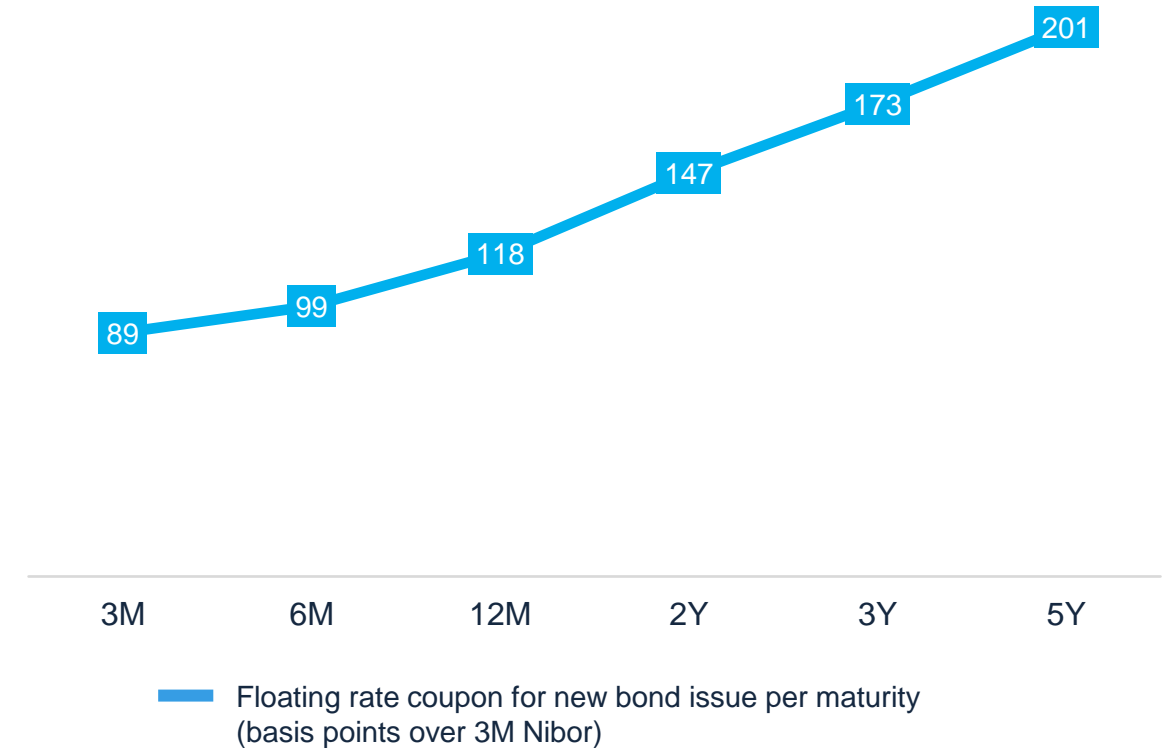


MARKET FUNDING

Market funding maturities (NOKm) *

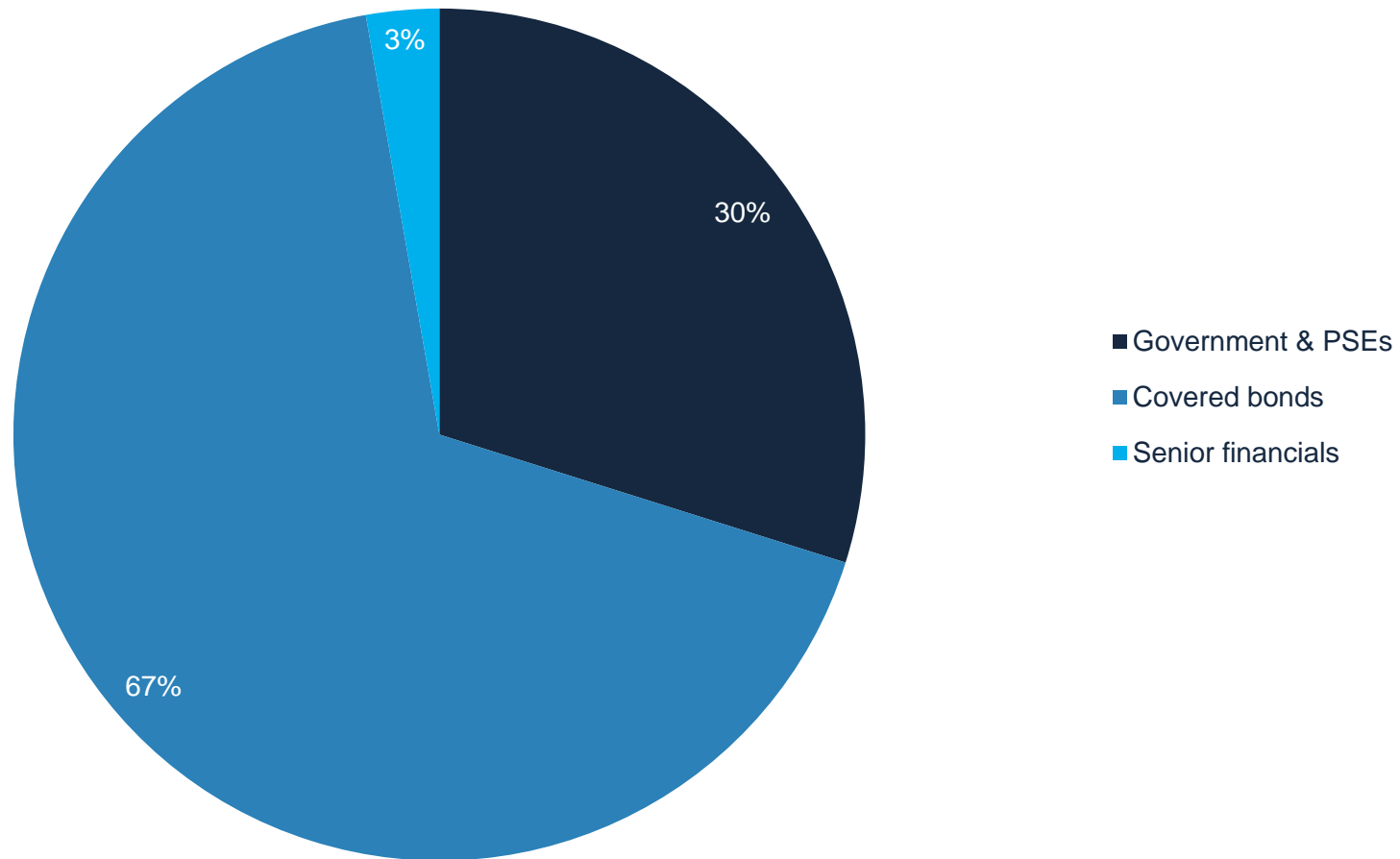


Cost of new market funding



SURPLUS LIQUIDITY

Bond portfolio

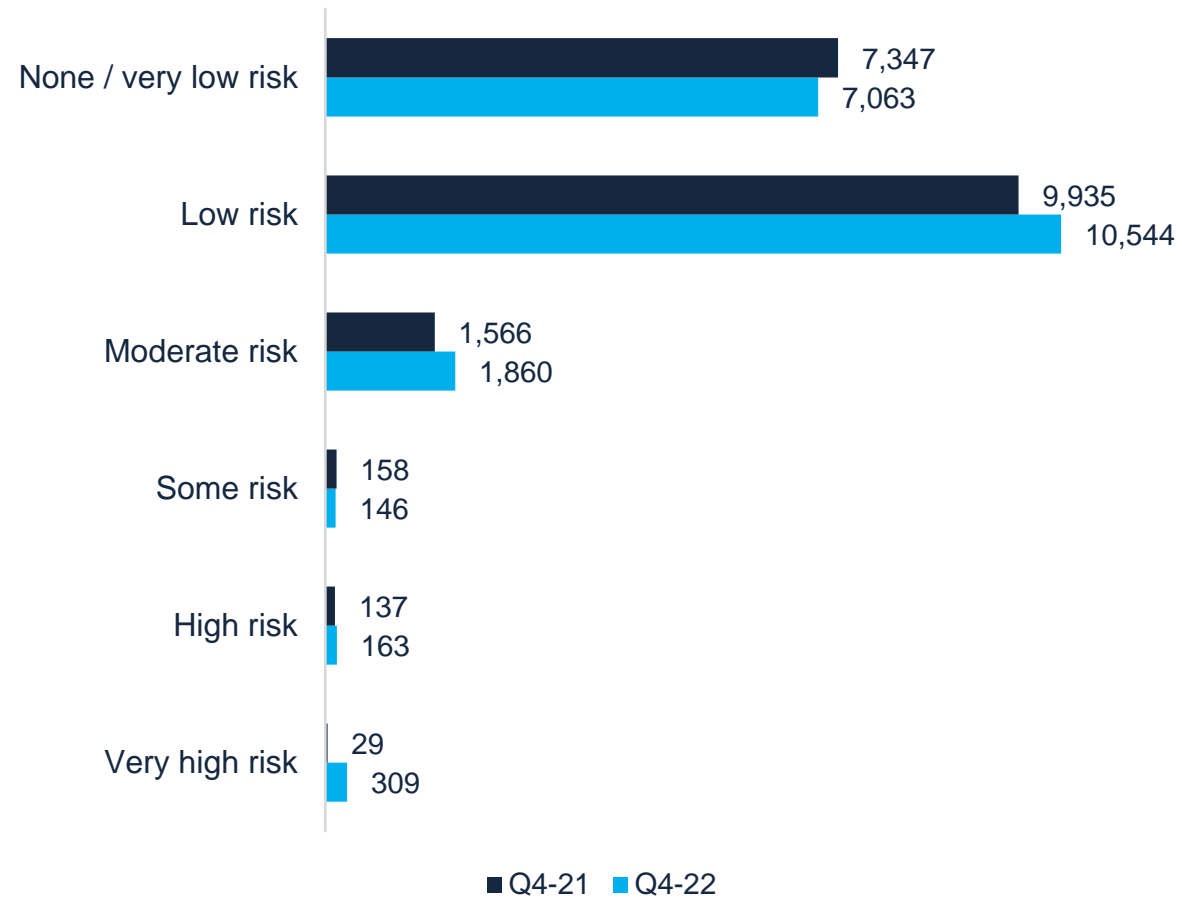


Comments

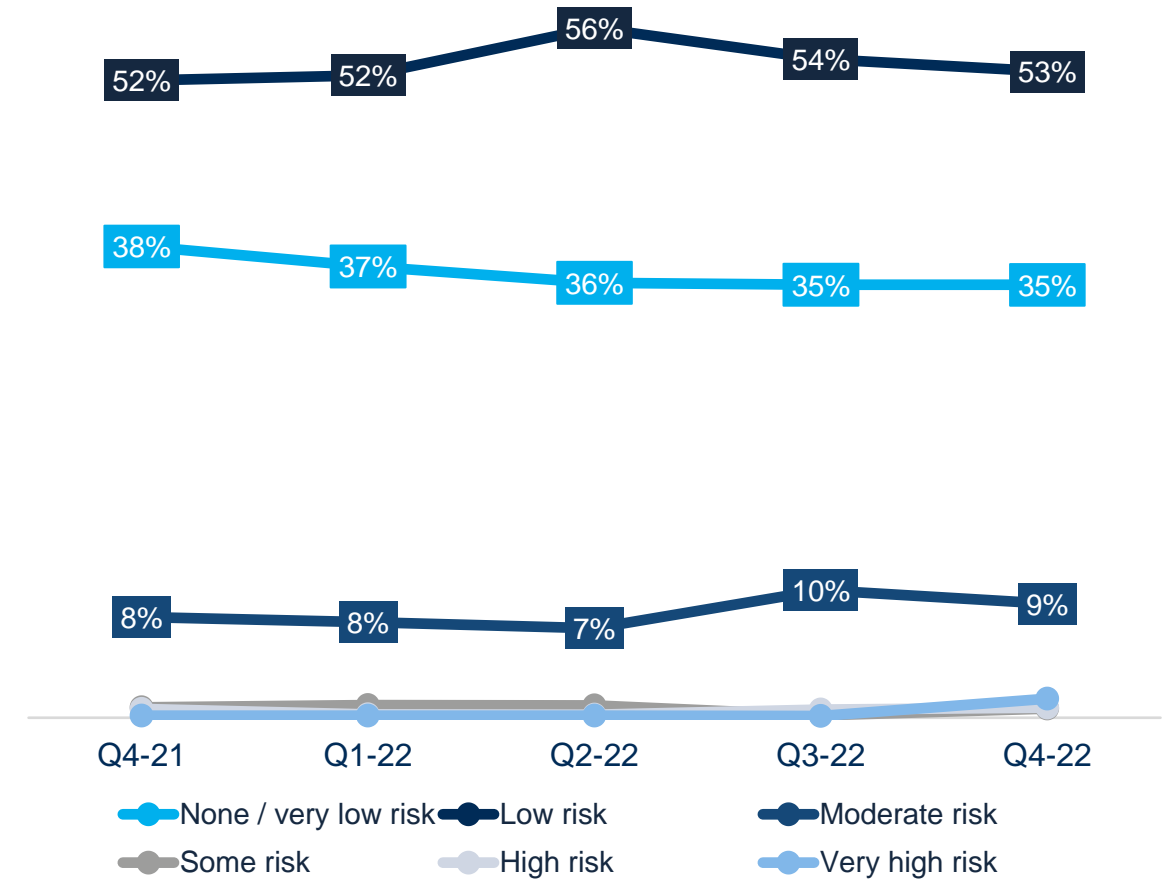
- Liquidity is comprised of cash and highly liquid bonds.
- High share of government & PSE's to reduce credit spread risk and increase short-term liquidity.
- Large share of covered bonds, mainly short to medium maturities.

COMMITMENTS BY RISK CLASSIFICATION

Risk classification (NOKm)

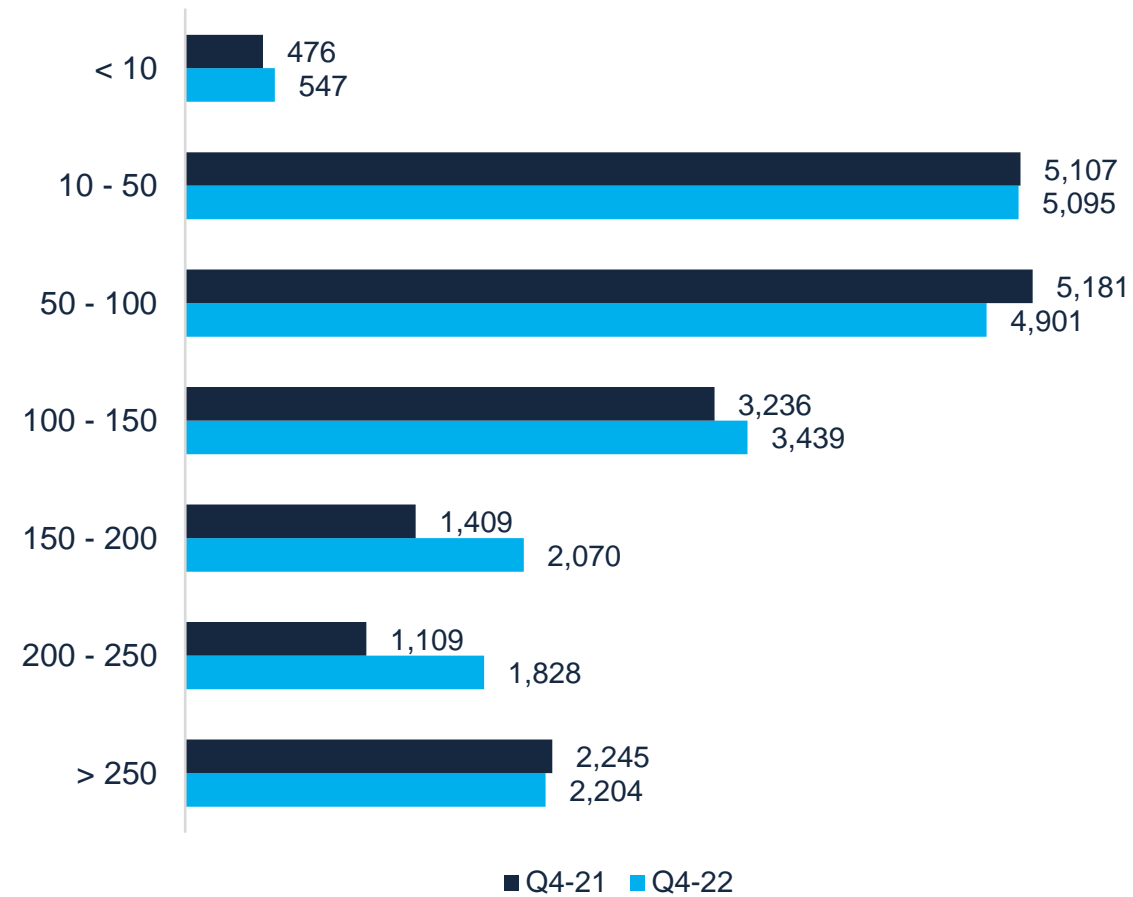


Historical risk classification

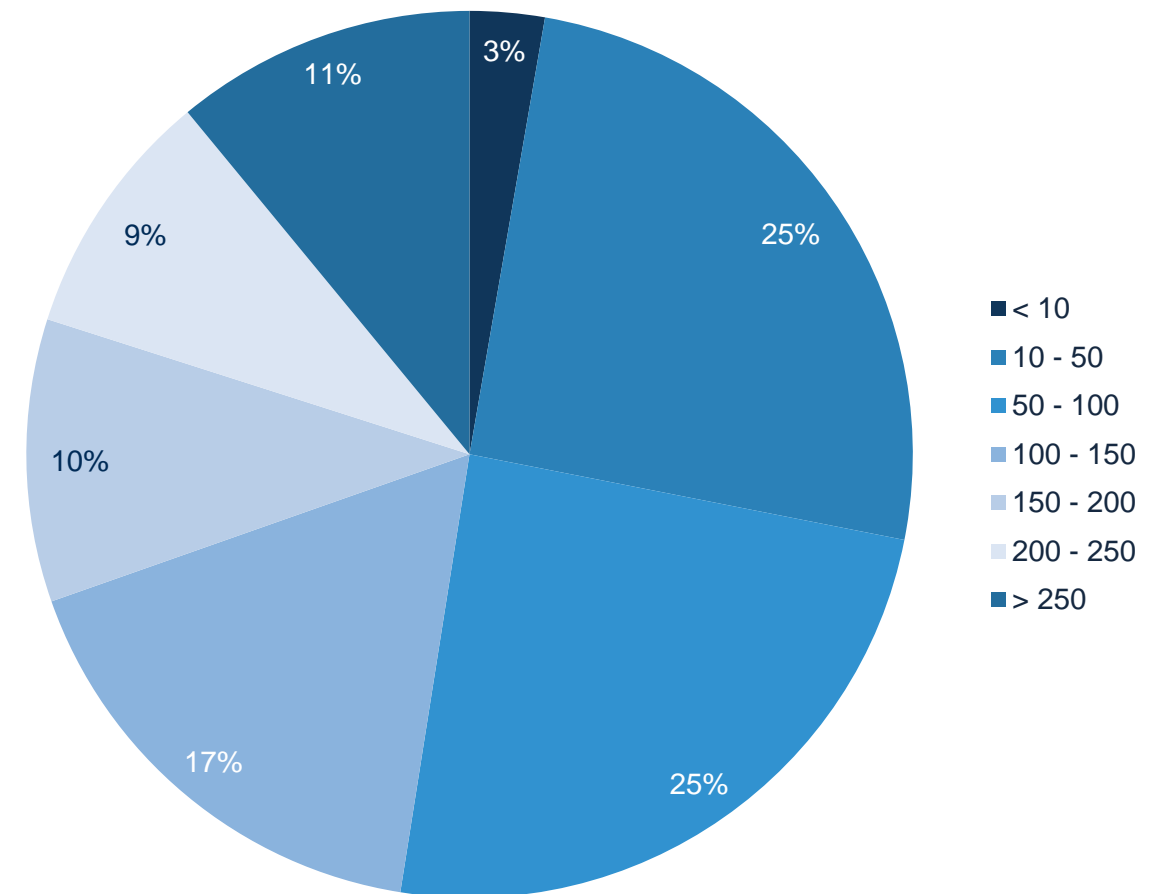


COMMITMENTS BY SIZE

Commitment size per customer (NOKm)



Distribution of commitments by size (NOKm)



Pareto bank | 75år