

PARETO BANK

Financial Results – First Quarter 2024



 Pareto bank

Highlights

Financials

Business Area Update & Outlook

FIRST QUARTER 2024

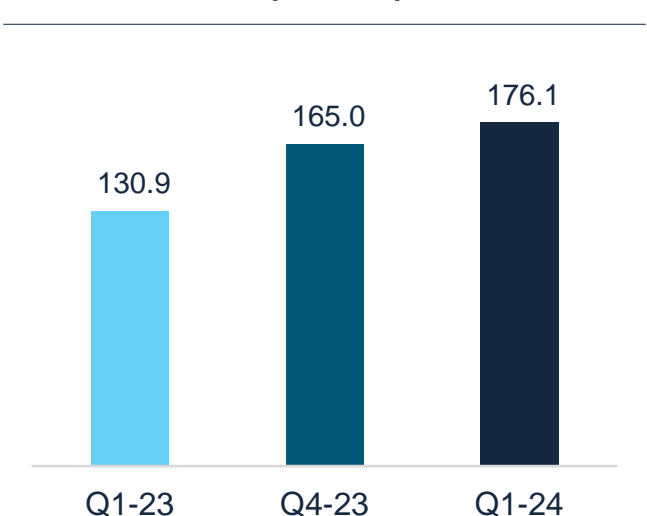
Highlights

- Profit after tax NOK 176.1m (NOK 130.9m in Q1-23).
- Return on equity after tax 14.3 % (13.0 %).
- Maintaining a strong net interest income of NOK 299.8m (NOK 262.5m).
- Lending to customers grew by NOK 410m to NOK 18,928. Growth within offshore financing, commercial residential and commercial property financing. Growth came late in the quarter.
- Total impairments of NOK 15.3m (NOK 36.4m), primarily linked to a small number of commitments within financing of residential property and corporate financing.

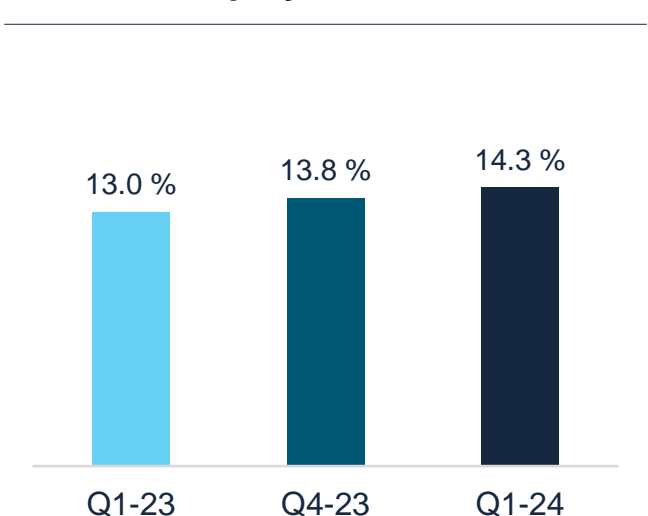


KEY FIGURES

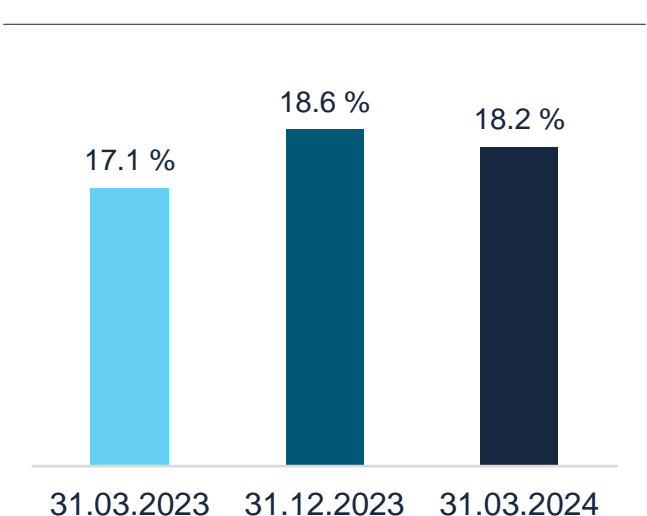
Profit after tax (NOKm)



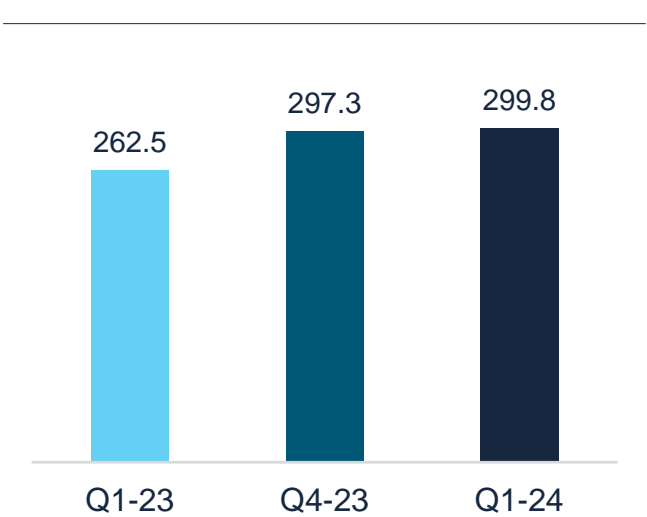
Return on Equity *



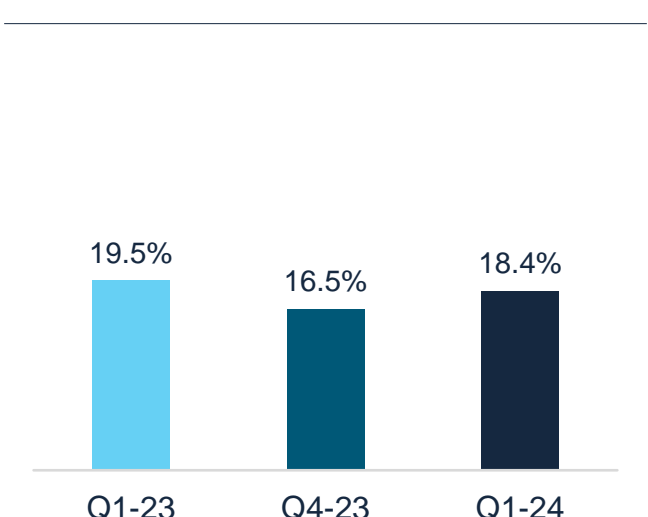
CET1 ratio



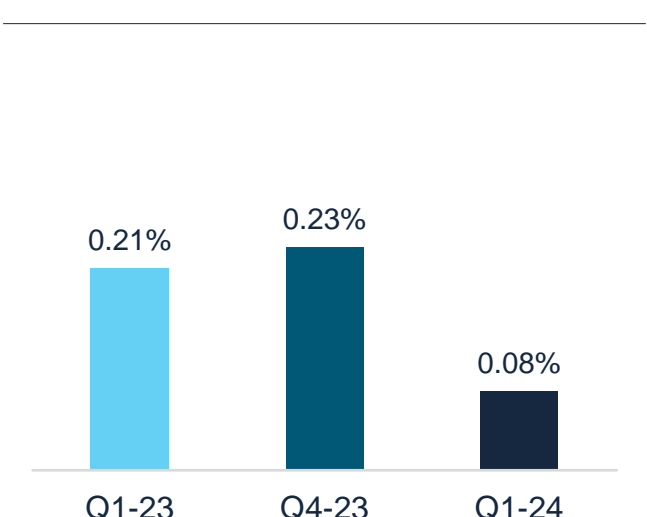
Net interest income (NOKm)



Cost/Income ratio



Loss ratio **



*) Excluding AT1 hybrid bonds and corresponding interest costs.
**) Quarterly impairments over average net loans.

Highlights

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INCOME STATEMENT

P&L (NOKm)

	Q1-24	Q1-23	2023	2022
Net interest income	299.8	262.5	1,112.6	928.6
Net other operating income	2.4	-3.0	6.7	36.7
Total net income	302.2	259.5	1,119.4	965.3
Total operating expenses	55.6	50.5	203.5	186.5
Operating profit before impairments and losses	246.6	209.0	915.9	778.8
Impairments and losses on loans and guarantees	15.3	36.4	121.7	45.0
Pre-tax operating profit	231.3	172.7	794.2	733.8
Tax expense	55.2	41.8	188.7	178.3
Profit for the period	176.1	130.9	605.5	555.5
Earnings per share (NOK)	2.15	1.79	7.38	7.71
Return on equity	14.3 %	13.0 %	13.8 %	14.6 %
Cost/income ratio	18.4 %	19.5 %	18.2 %	19.3 %

Lending margins and fees were stable throughout the quarter. Interest rate hike in mid-January.

Volume growth came late in the quarter.

Growth in corporate floating rate and retail fixed-rate deposits.

Cost increase due to growth in number of employees and NOK 9.7m (NOK 6.8m) accrued for employee bonus.

Individual impairments on a small number of loans on principle and interest income.

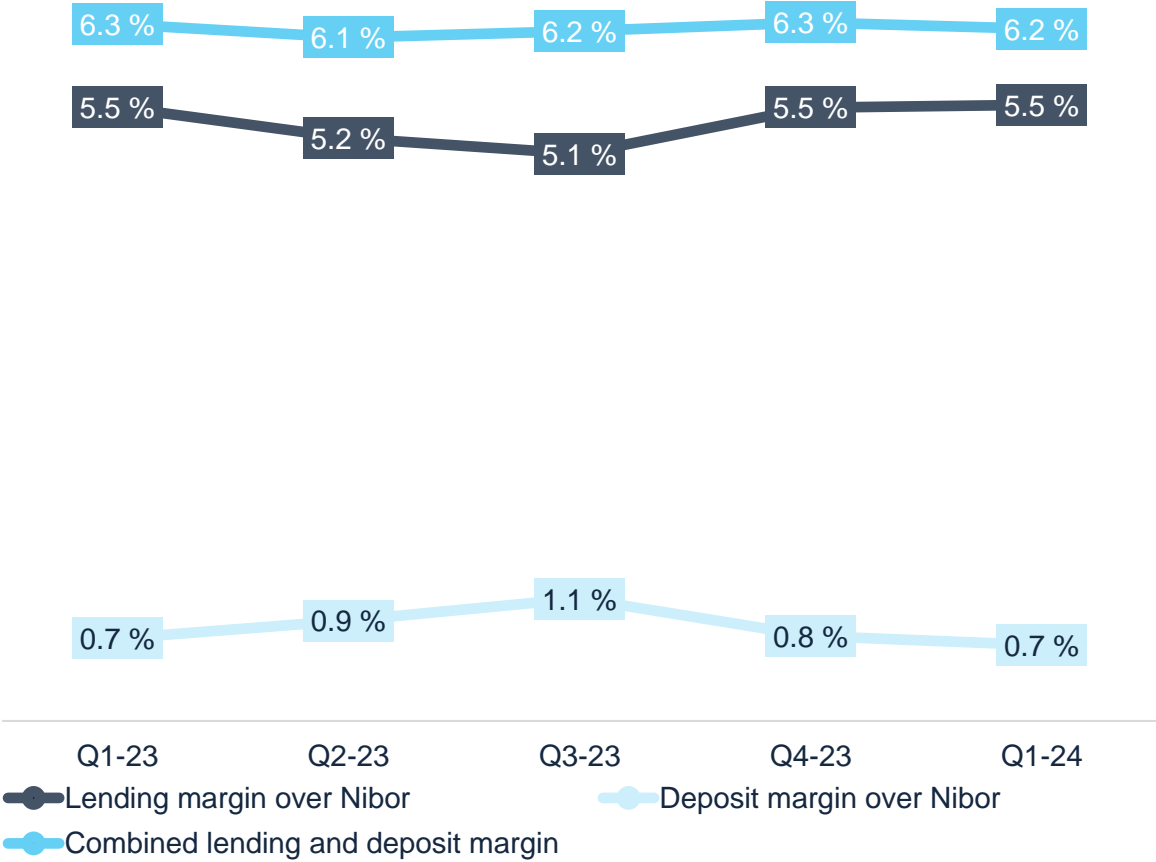
CHANGE IN QUARTERLY NET INTEREST INCOME (NOKm)



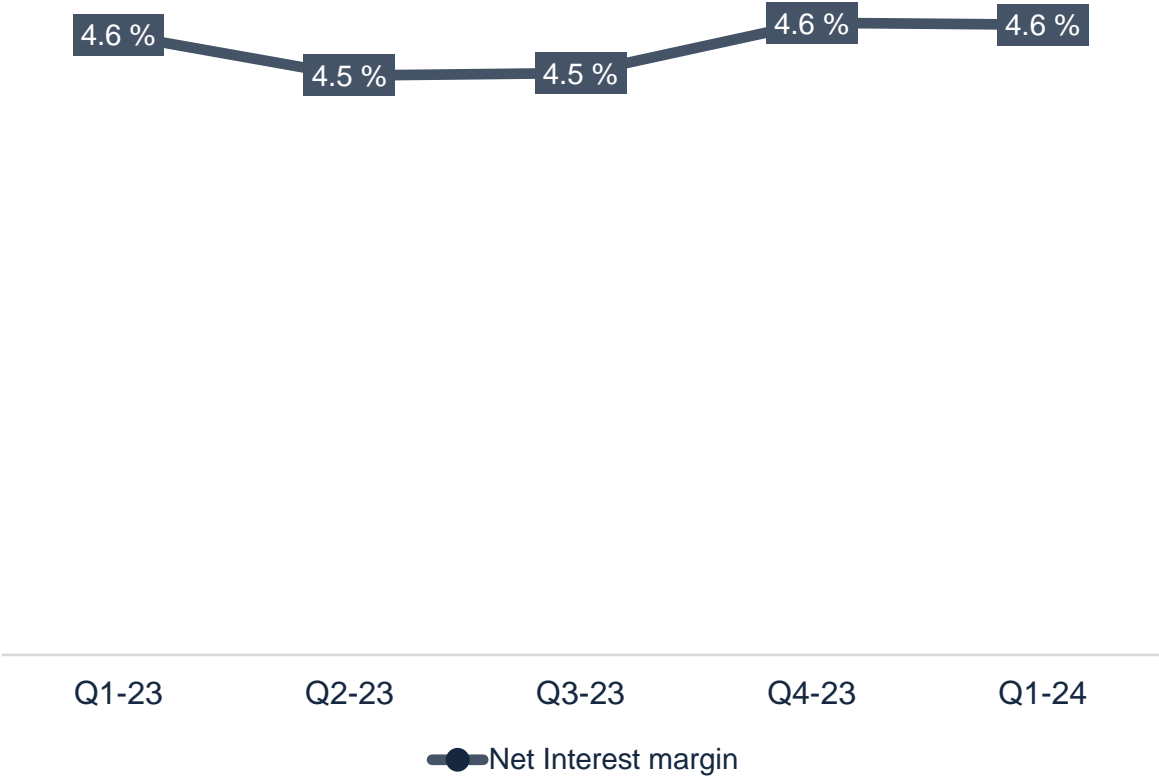
*) Other net interest income includes fee paid to Norwegian Banks' Guarantee Fund.

INTEREST MARGINS

Lending and deposit margin



Net interest margin



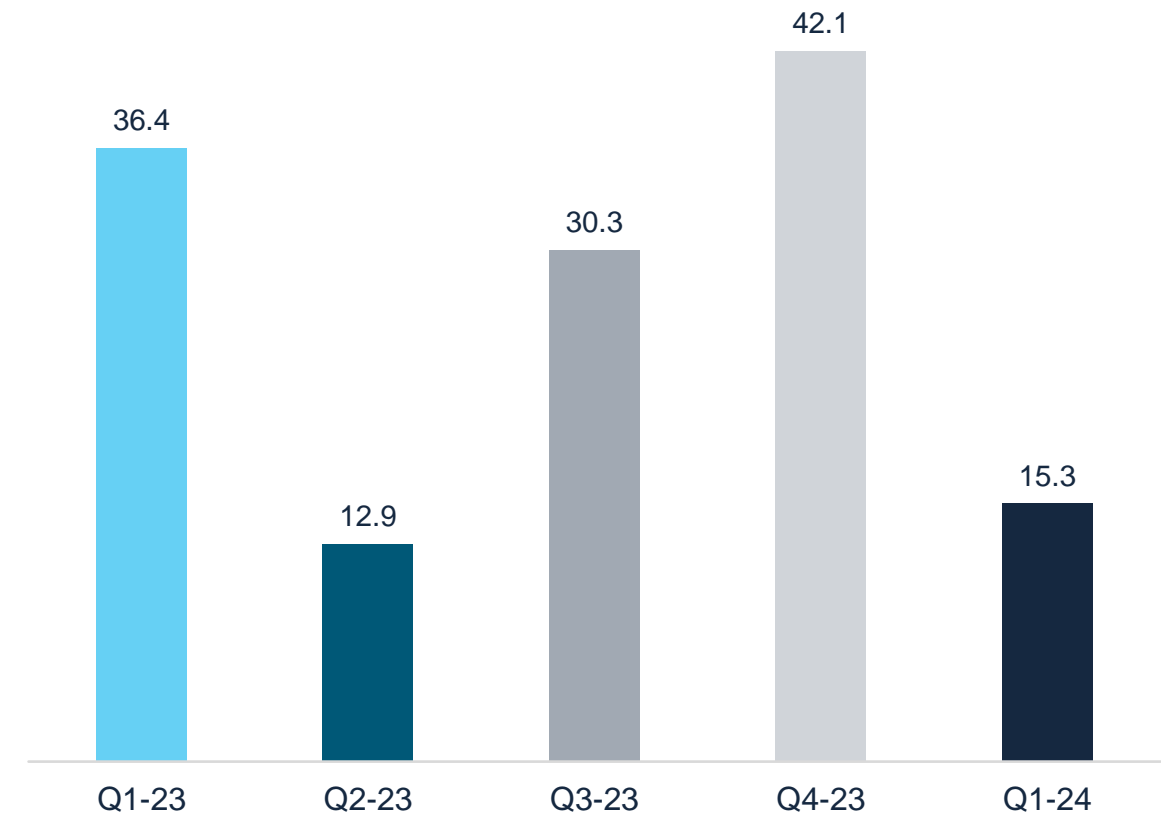
QUARTERLY CHANGE IN IMPAIRMENTS

Impairments (NOKm)

	Q1-24	Q4-23
Stage 1	8.3	12.2
Stage 2	-8.7	0.9
Stage 3	15.7	-21.2
Write-offs	0	50.2
Total impairments	15.3	42.1

- Stage 1 impairments due to lending volume growth.
- Adjustment of macroeconomic scenarios increased model-based impairments by NOK 1m.
- Migration from stage 2 to stage 1 and stage 3.
- Individual impairments in stage 3 of NOK 15.7m include NOK 5m in impairment of interest rate income.
- Moderate impairments in Q1-24. Impairments might be higher than they have been historically in the coming periods, given the significantly higher level of interest rates.

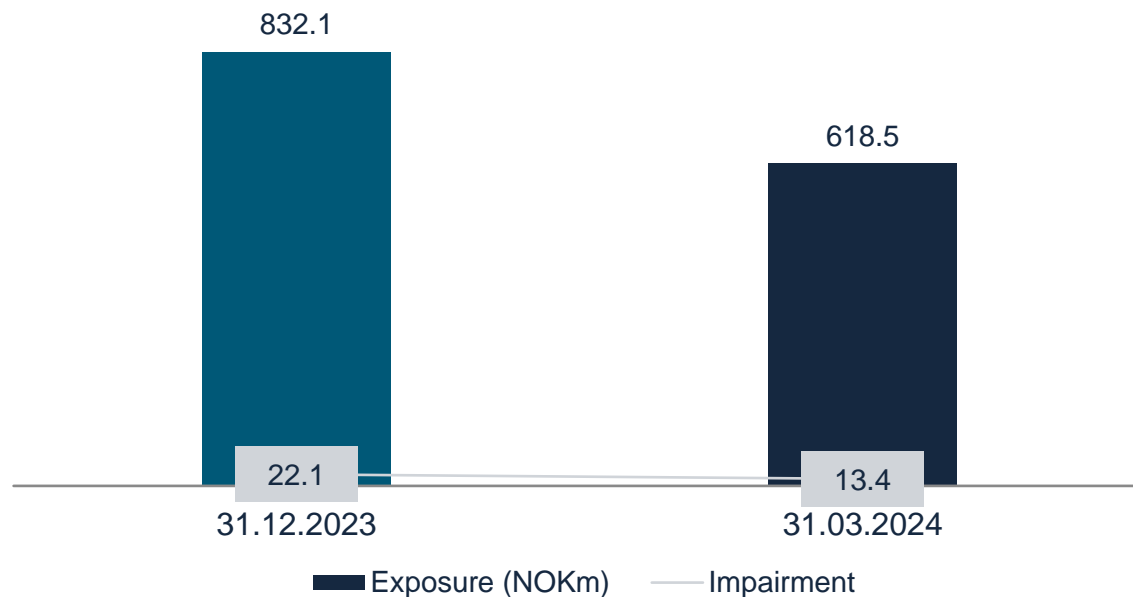
Impairments (NOKm)



CHANGES IN STAGE 2 & 3

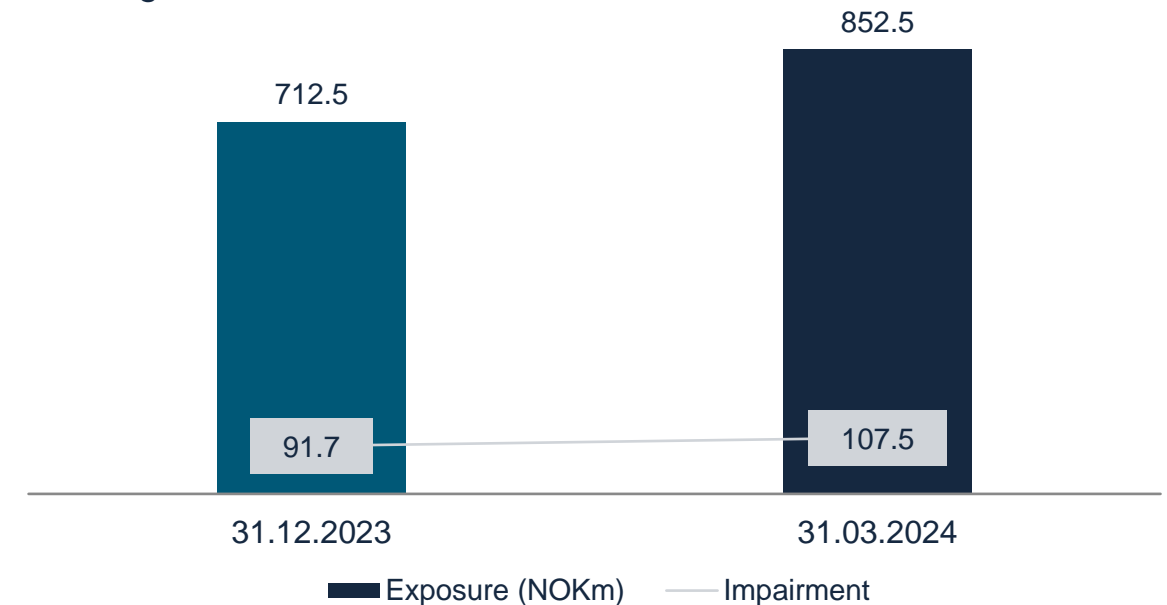
Stage 2

- Commitments on watch list, under forbearance or where there has otherwise been a material increase in risk.
- Model-based impairments.
- Several commitments migrated to stage 1.
- A small number of impaired commitments were moved to stage 3.



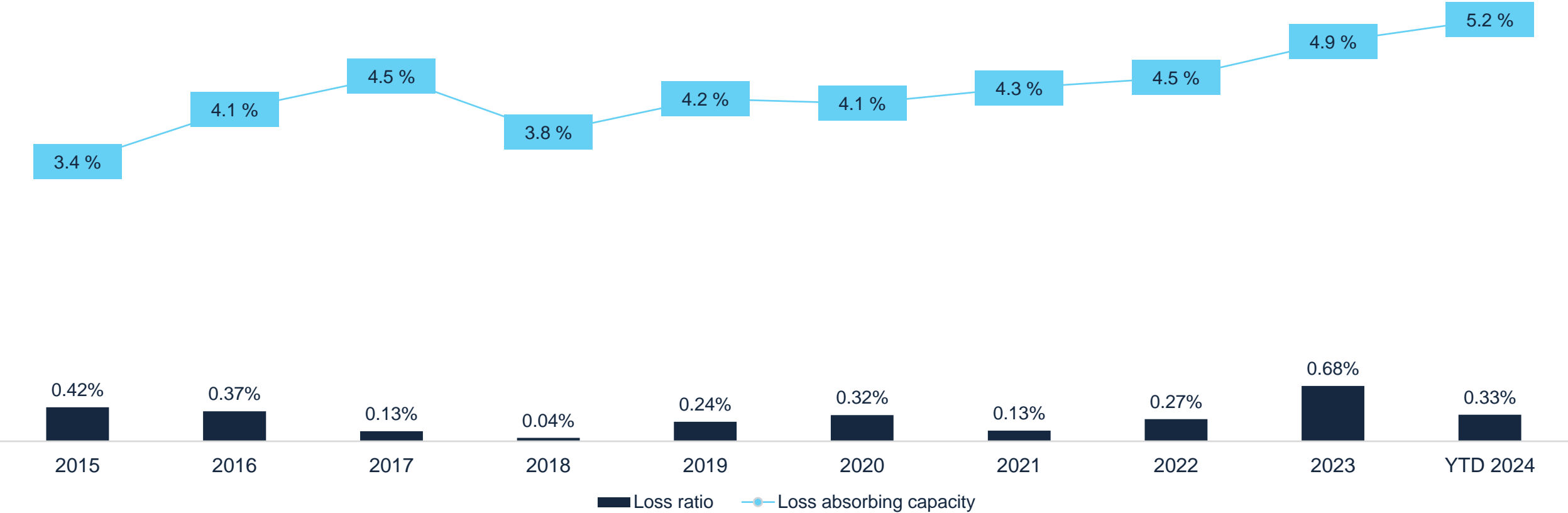
Stage 3

- Commitments which are more than 90 days past due, where the debtor is considered unlikely to pay, or where there is objective evidence of a future loss.
- A limited number of commitments in residential property financing and corporate financing. Increase due to migration of a small number of commitments.
- Commitments which are no longer impaired were moved to stage 1 or stage 2.



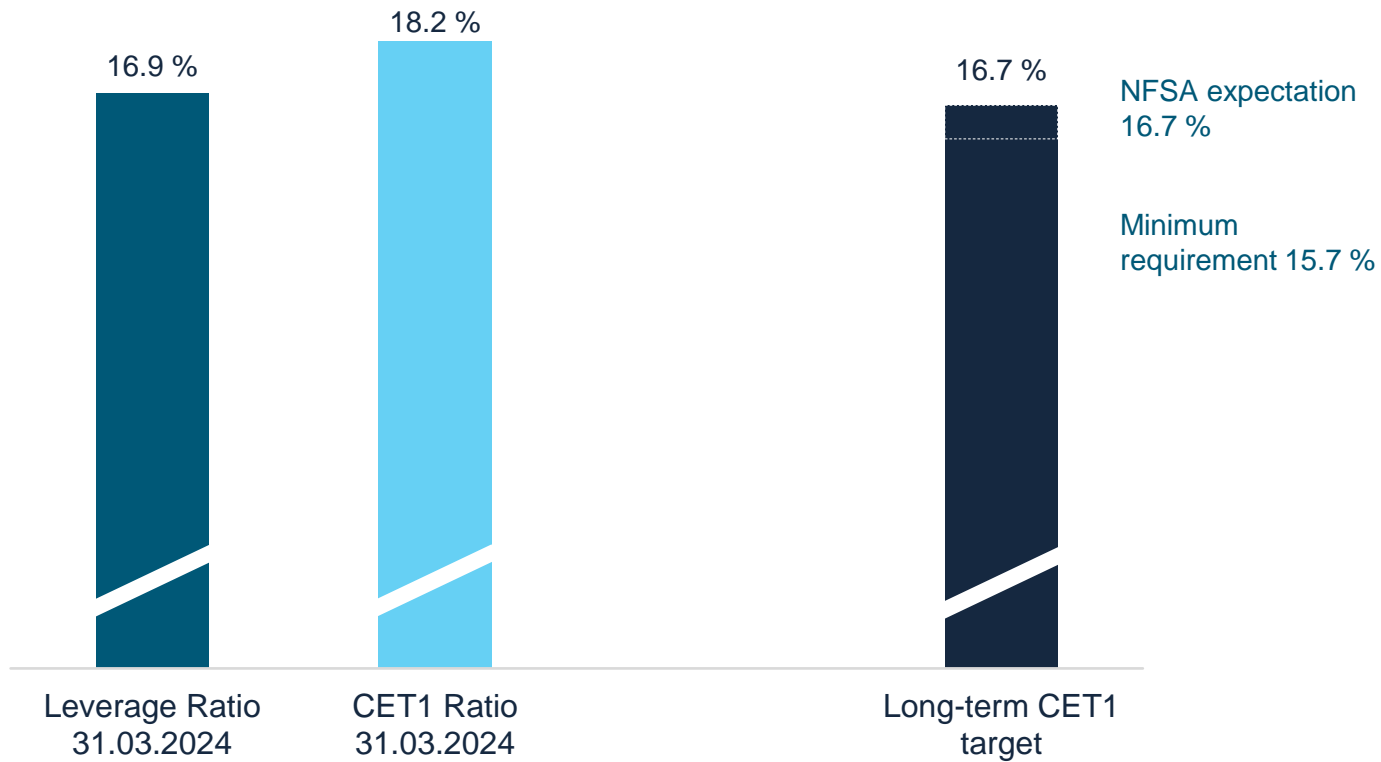
PROFITABILITY PROTECTS AGAINST LOSSES

Steadily increasing loss absorbing capacity



Loan loss absorbing capacity: annualized profit excluding impairments and losses over gross lending.
Loss ratio: annualized impairments and losses over net lending.

SOLIDITY AND CAPITAL REQUIREMENTS



- Long-term capital target is a CET1 ratio of at least 16.7 %.
- Pareto Bank will hold a buffer above this target.

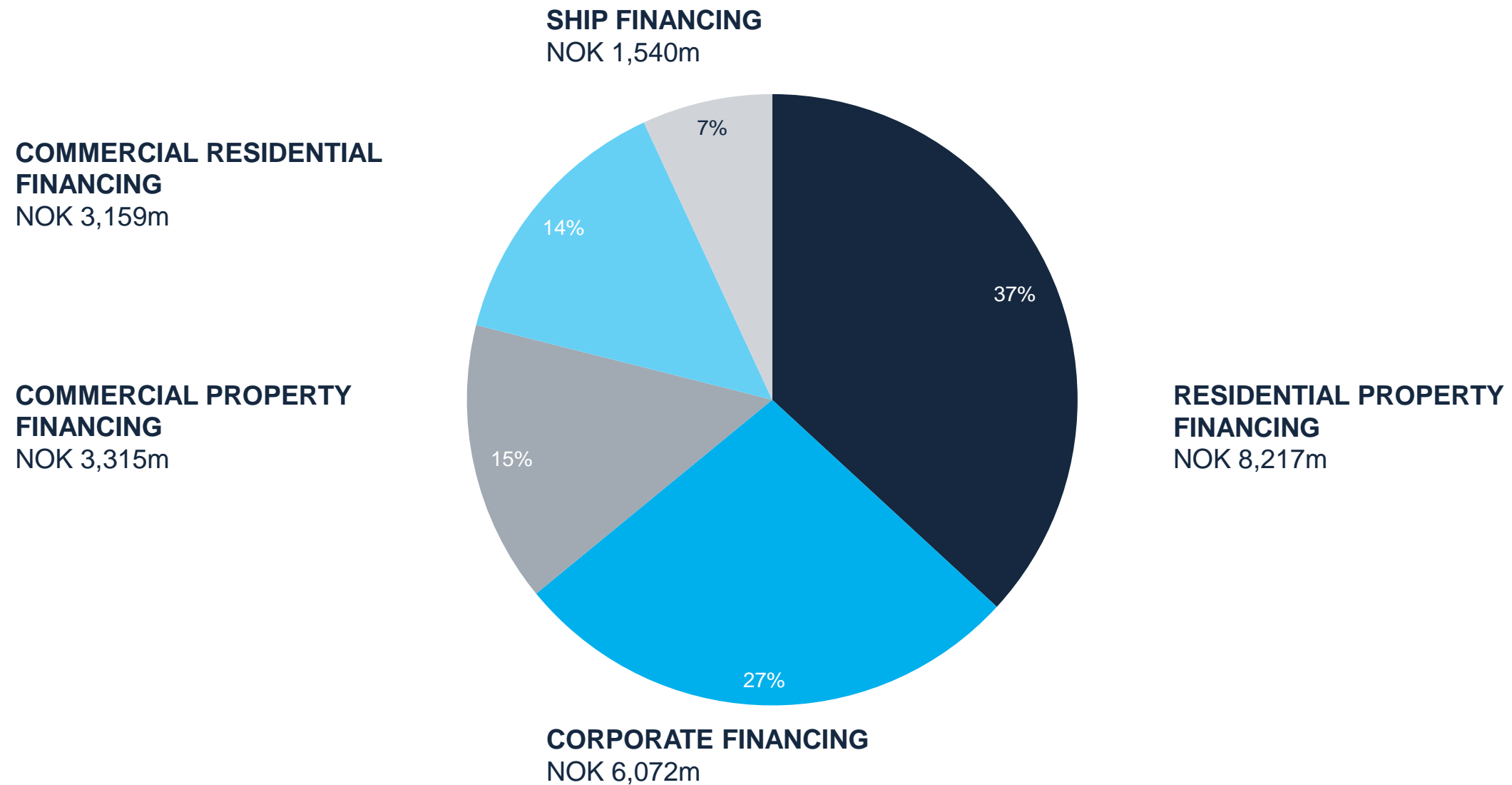
Highlights

Financials

Business Area Update & Outlook

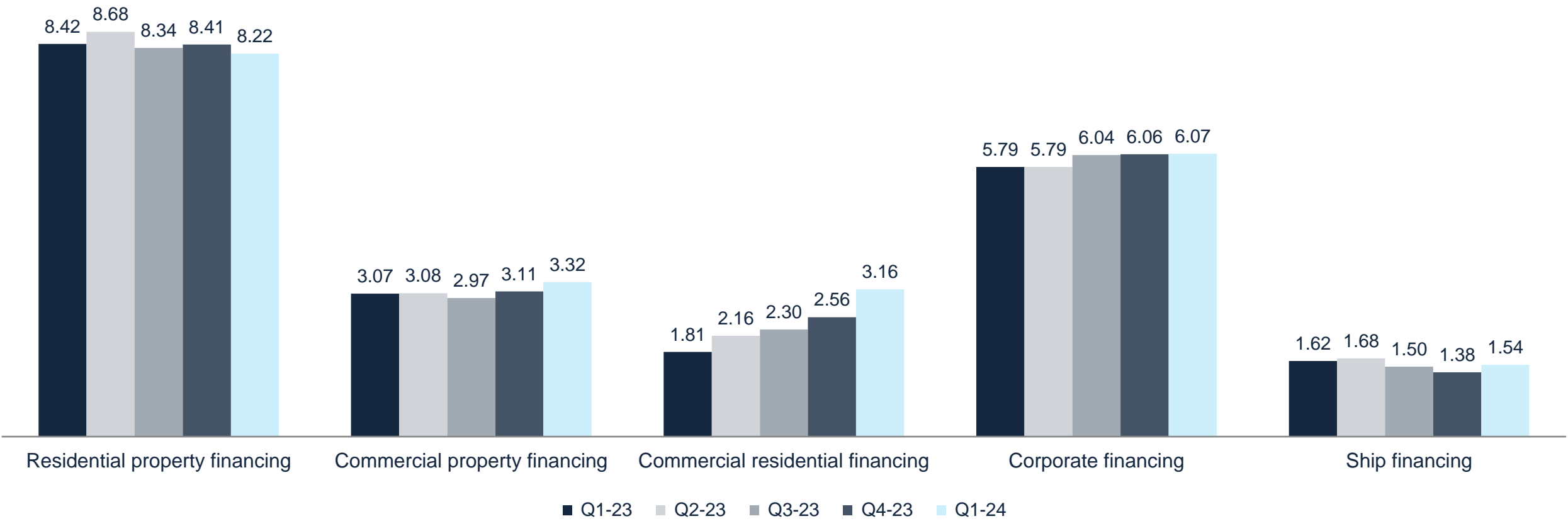
A NICHE PLAYER FINANCING MEDIUM-SIZED ENTERPRISES

Exposure (NOKm)



QUARTERLY EXPOSURE PER BUSINESS AREA

(NOKb)



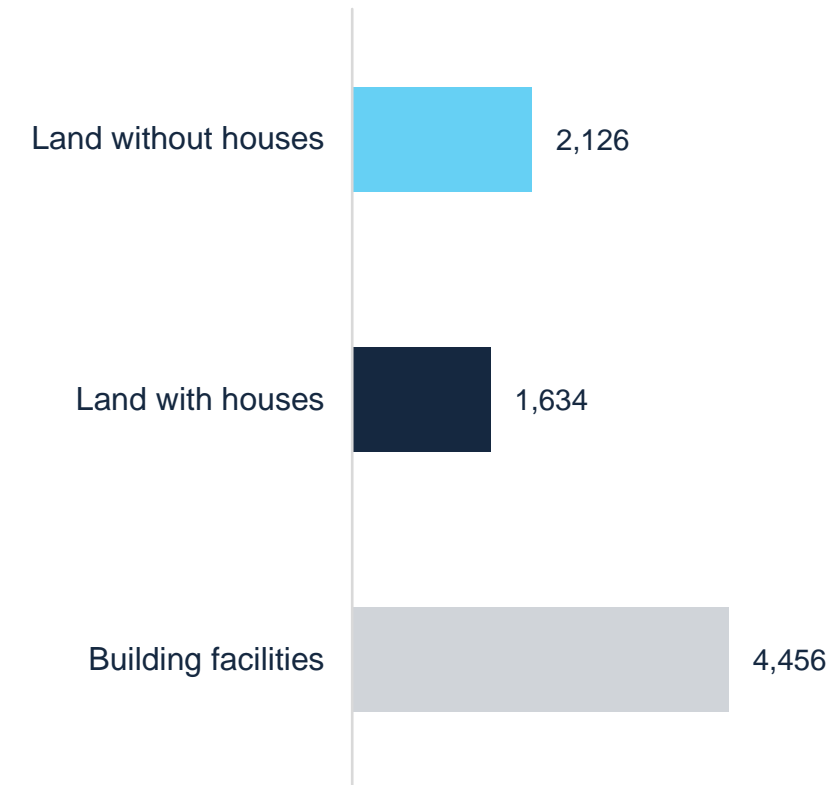
RESIDENTIAL PROPERTY FINANCING

Credit update

- The specialized real estate developer bank for Eastern Norway and larger Norwegian cities.
- Equity contribution of minimum 25 % on land financing.
- Thorough analysis of all relevant risk factors focusing on contractor, market and liquidity. Residual exposure of maximum 50 % to unsold units.
- In general, increased contractor risk due to inflation and lower activity.
- Close follow-up of a small number of projects (in stage 2 or 3) that have been affected by inflation, high financing costs and unsold units.
- Frequent customer dialogue and reporting, as well as third-party monitoring.
- Exposure down NOK 192m in Q1-24.

Residential property exposure (NOKm)

Total NOK 8,217m



MARKET OUTLOOK

Residential property

Uncertain development in financing demand short term.

A selective market where it is still difficult to meet pre-sale requirements. Easier for affordable housing in the outskirts of Oslo.

Some signs of a more positive market sentiment. Sales in on-going projects picking up.

Activity, sales and demand for financing will gradually improve. Unemployment is low. Population growth has picked up. The interest rate has peaked.



Flat volume in Q2-24 due to low new-build activity and a selective credit practice. Expecting a rebound in the longer term.

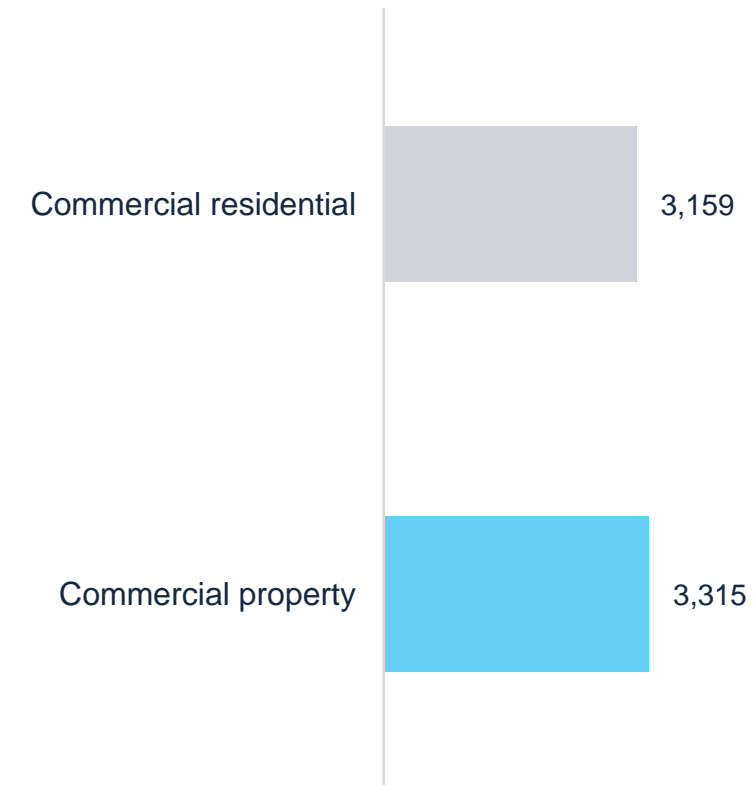
COMMERCIAL RESIDENTIAL & PROPERTY FINANCING

Credit update

Commercial res. & prop. exposure (NOKm)

Total NOK 6,474m

- Commercial residential includes financing of housing for rent, while commercial property is financing of non-residential commercial property (office, logistics, retail, etc.).
- Exposure growth of NOK 597m within commercial residential property in Q1-24. Financing of acquired units for sale or rental and some unsold units in new-build projects.
- Exposure growth of NOK 201m within commercial property in Q1-24.



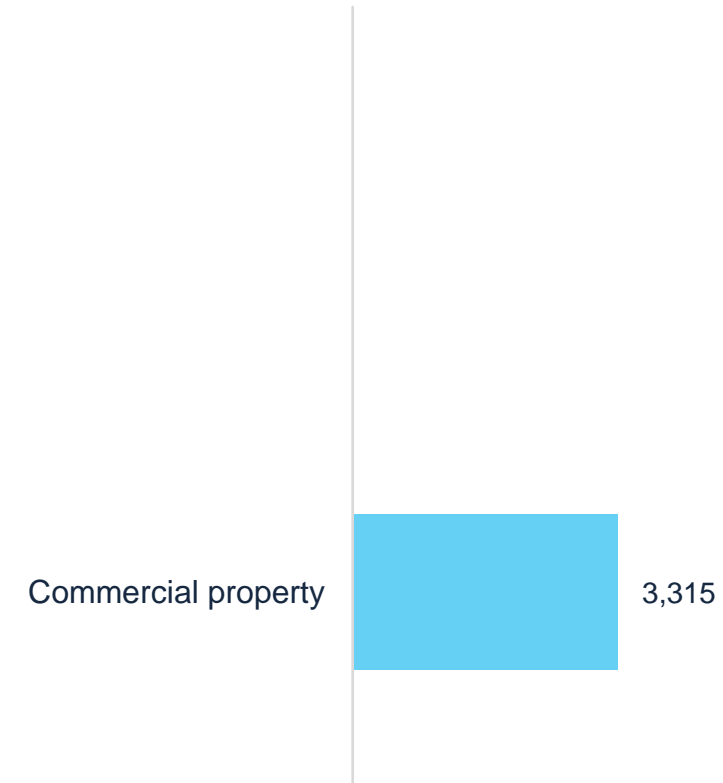
COMMERCIAL PROPERTY FINANCING

Credit update

Commercial property exposure (NOKm)

Total NOK 3,315m

- Financing of cash-flow based commercial property and development.
- Equity contribution depending on underlying risk factors and entry point of the market cycle. More conservative credit practice applied.
- Property valuations are based on both external and internal assessments and on different valuation methods.
- Second priority financing amounts to approximately NOK 2.0 billion. Normally share pledge and guarantees in addition to property pledge.
- Follow-up of a limited number of customers (in stage 2 and 3) due to a more demanding liquidity situation.

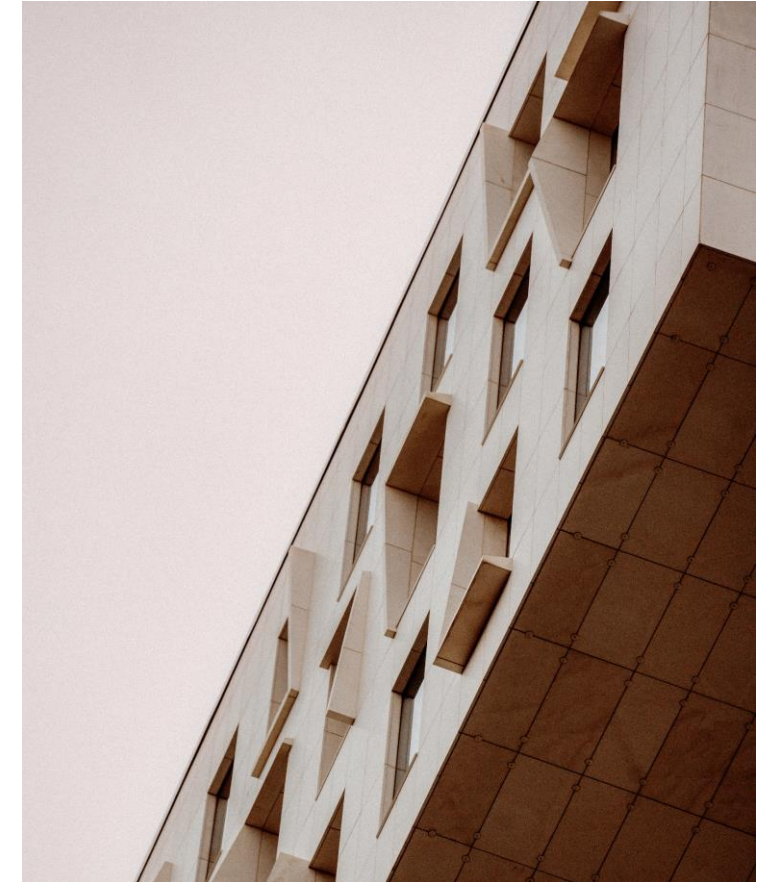


MARKET OUTLOOK

Commercial property

Activity in the transaction market is expected to pick up towards the end of 2024.

Commercial property prices have fallen during 2023 and are expected to fall somewhat further due to a moderate increase in yields. Continued growth in rental income may compensate for the price fall.



**Continued low risk appetite,
and cautious growth in Q2-24.**

NEXT STEP IN SWEDEN

Solid track record

- Ten years of experience in financing real estate projects for both Norwegian and Swedish customers in Sweden.
- Increase in activity, focus and dedication of employee resources during the past five years.
- Large network of clients and partners.
- Approx. 35 loans paid out with total exposure of approximately SEK 3.2 billion.

Rationale for the Swedish market

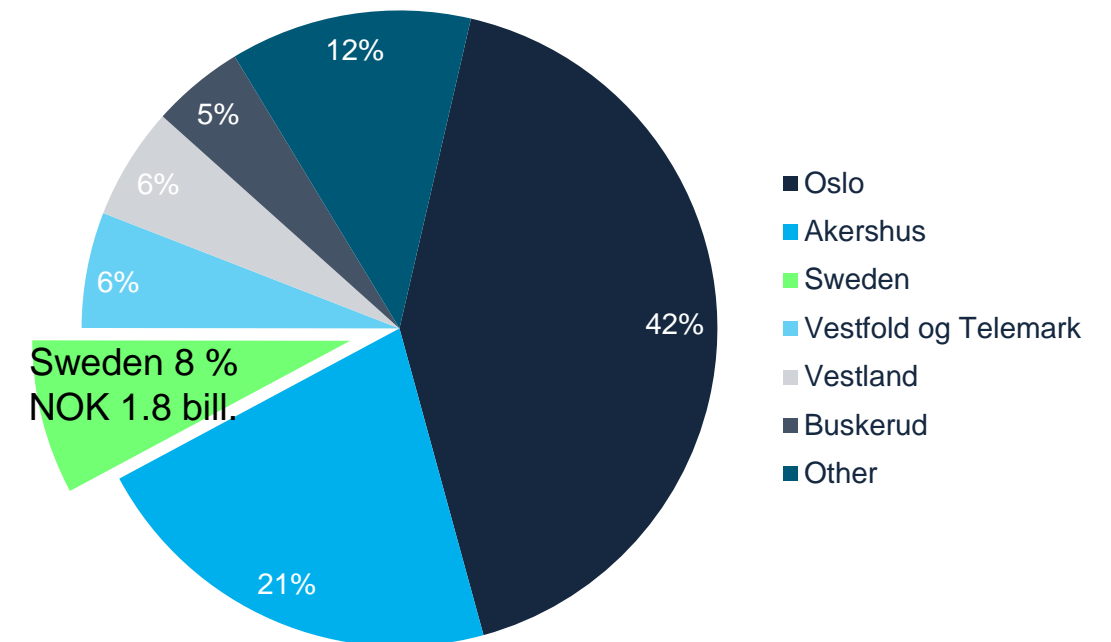
- Attractive niche of medium-sized customers.
- The four dominant Swedish banks finance larger customers, while smaller institutions service SME's. Pareto Bank can provide specialized and tailor-made financing within real estate.
- Favourable risk/reward with attractive LTV's and high lending margins and fees.
- Strict credit parameters and strong underwriting standards.
- ROE above ambition of 15 %.

Long-term goal

- To build a diversified, robust and profitable loan portfolio in Sweden.
- An application for branch establishment has been submitted to the Norwegian and Swedish FSA.

Geographical exposure (NOKm)

Total NOK 22,453m

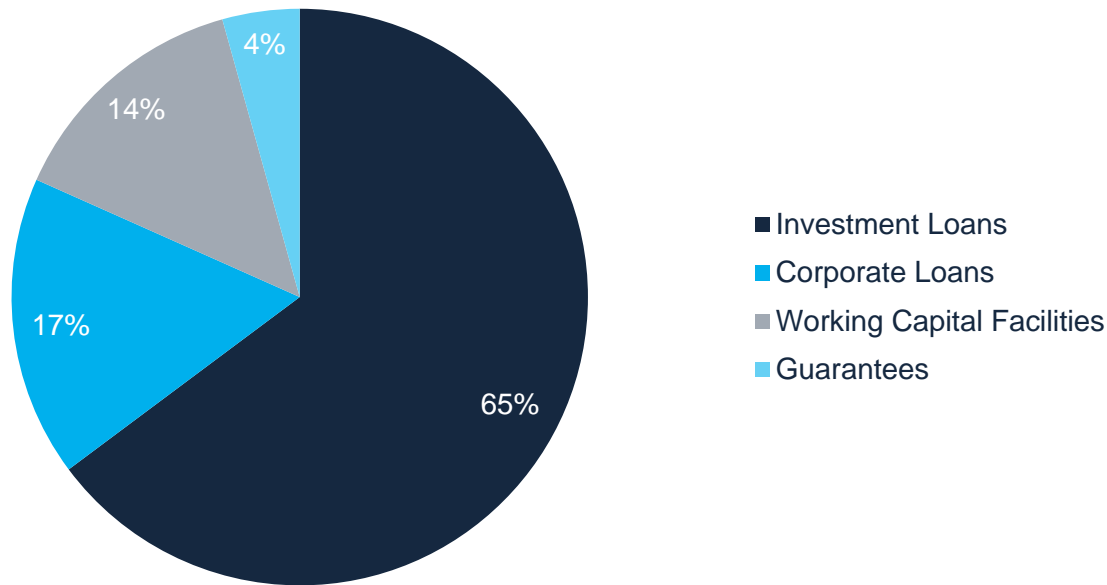


CORPORATE FINANCING

Exposure (NOKm)

Total NOK 6,072m

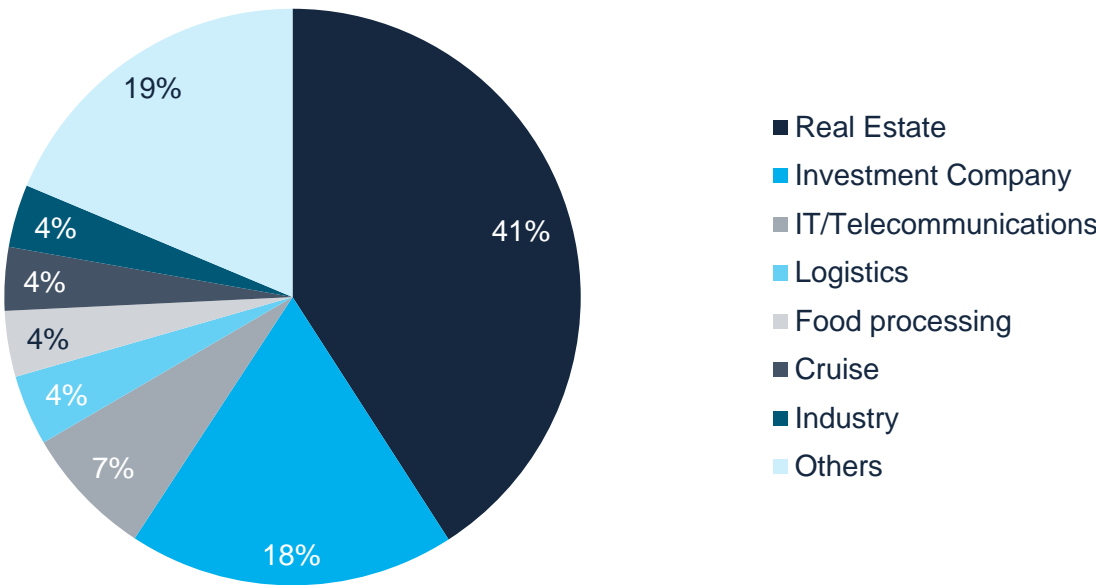
- Tailor-made financing solutions to medium-sized enterprises.



Credit update

Total NOK 6,072m

- Roughly unchanged exposure in Q1-24.
- Follow-up of a small number of customers (in stage 2 and 3) that are affected by lower demand, higher operational costs and increased financing costs.



MARKET OUTLOOK

Corporate

Good long-term growth prospects.

A specialized, customer-driven and experienced team with strong track record makes Pareto Bank an attractive partner for medium-sized businesses.

Strengthened brand awareness. Still a small player in the large space for corporate lending.

Differences in activity and profitability across industries. Corporate profitability is in general under pressure and thus a selective credit practice is continued.

Strong deal flow in Q1-24, and this is expected to persist.



Good deal flow. Moderate growth expected in Q2-24.

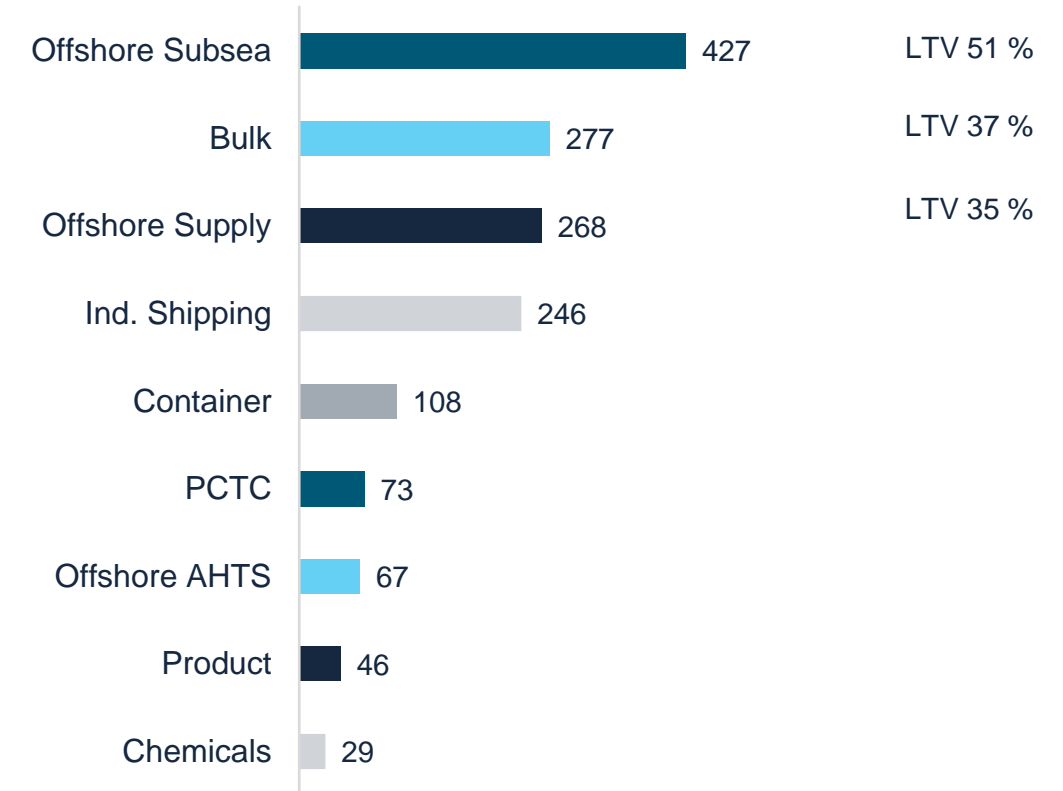
SHIP FINANCING

Credit update

- Conservative approach focusing on corporate customers with solid balance sheets, modern high-quality assets and equity contribution of minimum 45 %.
- Targeted customers are reputable Norwegian shipowners, family offices and the investment project market.
- Corporate loans make up 66 % of the exposure and loans to investment projects 34 %.
- Average commitment size USD 10.2m and largest exposure of USD 25.0m.
- Stable credit quality with an average weighted LTV of 41 %.
- Steep repayment profiles on loans.
- Exposure growth of NOK 163m in Q1-24.

Exposure (NOKm)

Total NOK 1,540m



MARKET OUTLOOK

Shipping and offshore

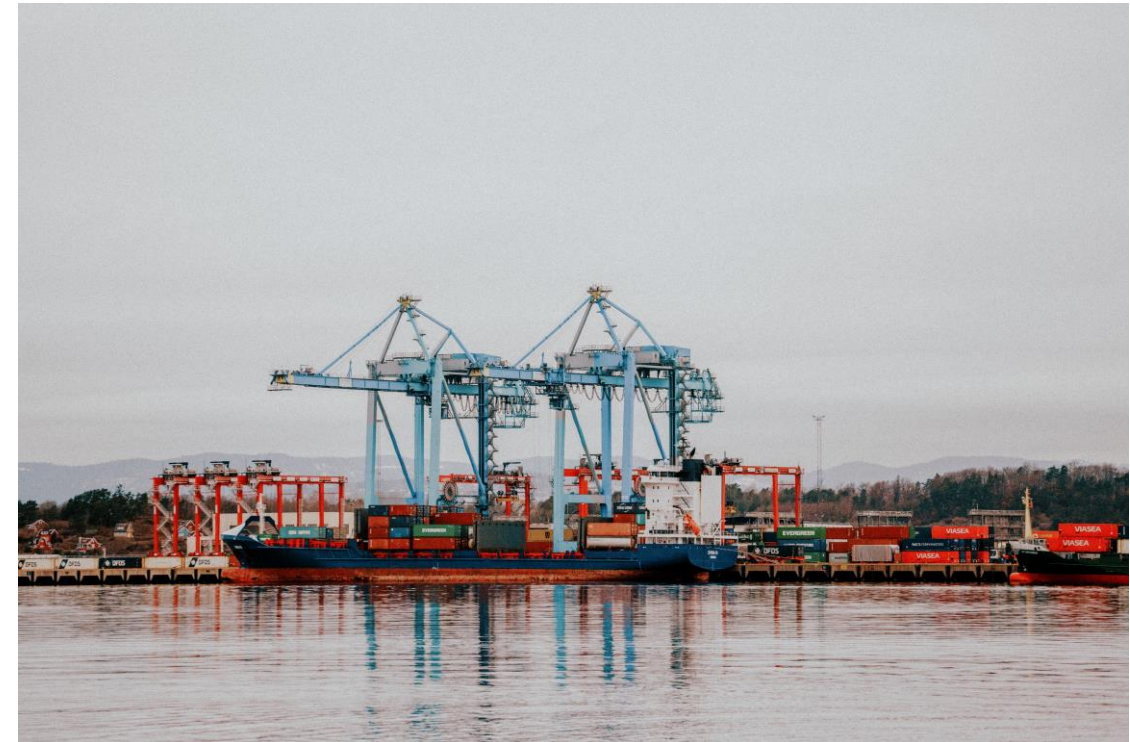
Conflicts in the Middle East region and disruption in the Suez canal have increased sailing distances and rate levels for several shipping segments during the last quarter. Reversal of the disruption will affect rates negatively.

Moderate positive outlook for the dry bulk market due to low supply growth. Uncertain development in demand due to softer Chinese imports and lower global economic growth.

Strong tanker markets backed by low order books, continued strong end-user demand and increased trade growth.

Soft outlook in the container market due to continued high supply growth.

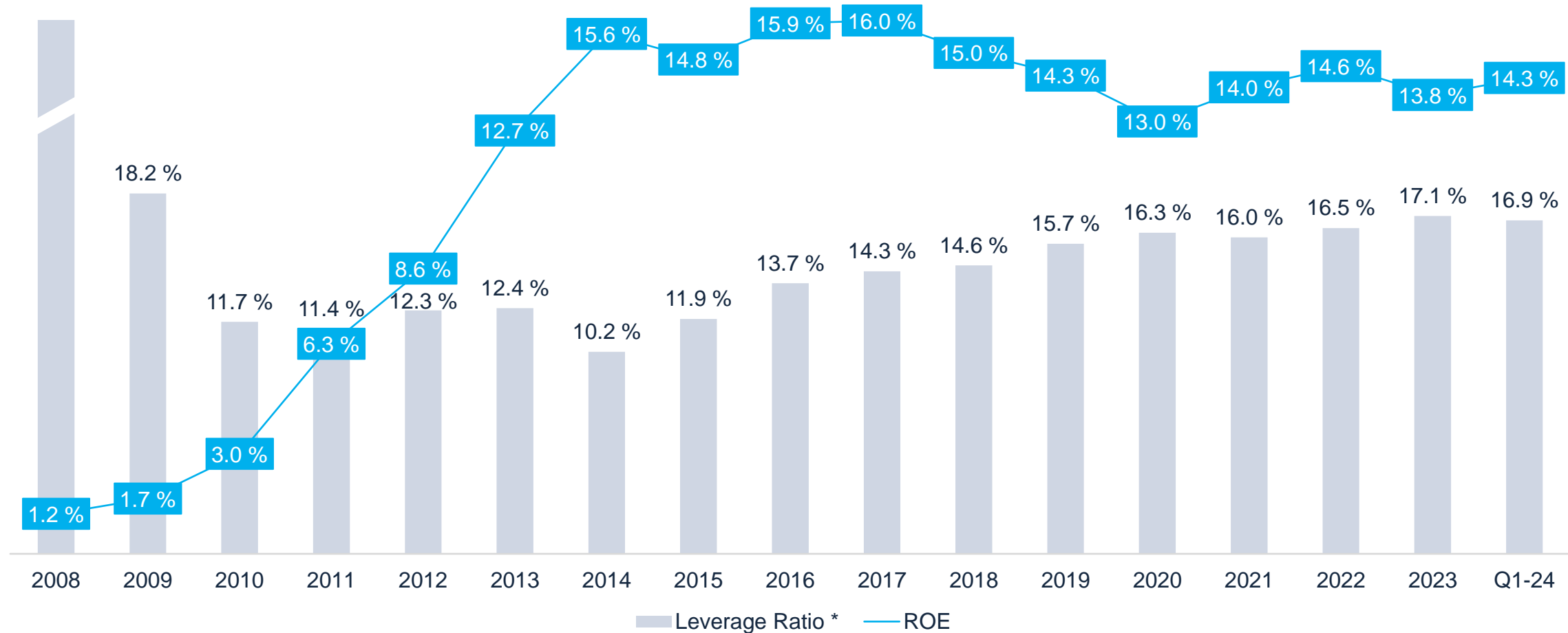
Robust demand outlook for the offshore markets supported by strong increase in E&P spending and limited fleet growth.



Moderate growth in Q2-24, mainly within offshore segments.

ROE AND LEVERAGE RATIO

Profitability with increasing solidity



APPENDIX

LARGEST SHAREHOLDERS

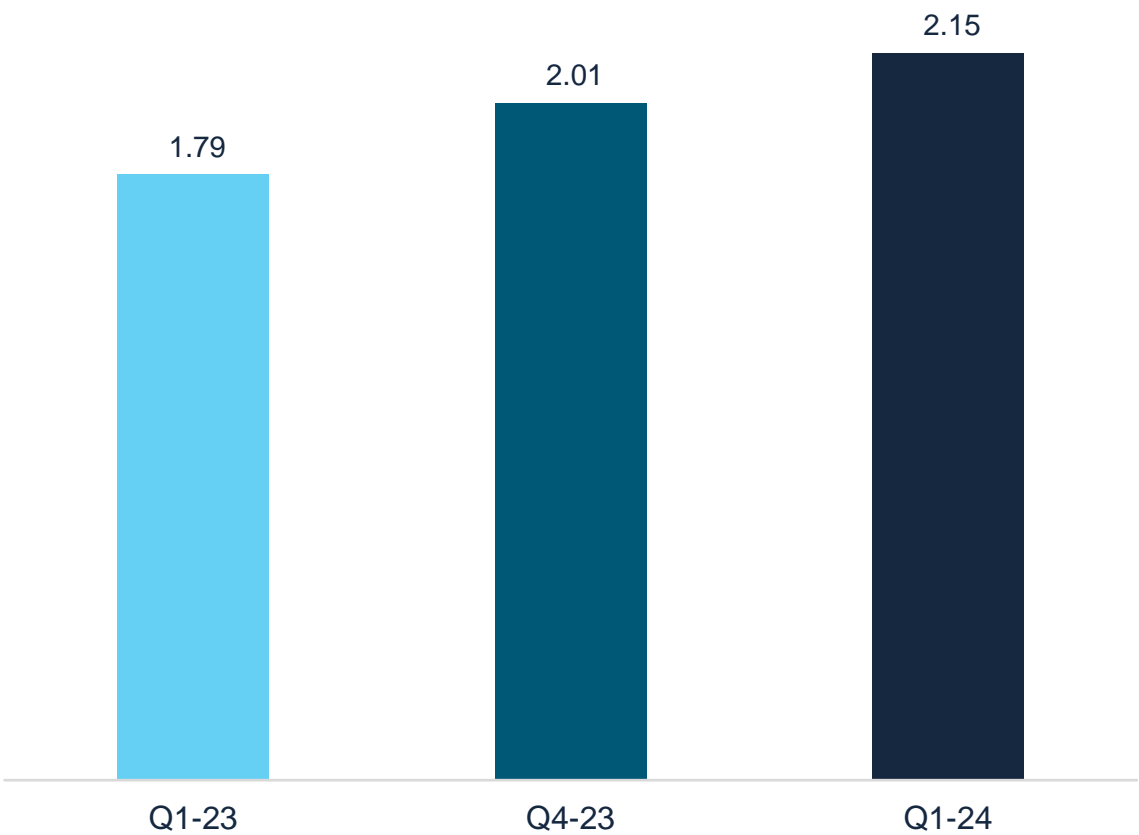
31 March 2024

	Name	Shares	% Total
1	Pareto AS	15,356,484	20.00 %
2	Société Générale	6,943,049	9.04 %
3	Hjellegjerde Invest AS	3,803,301	4.95 %
4	AWC AS	3,554,577	4.63 %
5	Verdipapirfondet Holberg Norge	2,227,309	2.90 %
6	Salt Value AS	2,176,207	2.83 %
7	Landkreditt Utbytte	2,077,835	2.71 %
8	Rune Bentsen AS	2,074,377	2.70 %
9	Kolberg Motors AS	1,938,942	2.53 %
10	Dragesund Invest AS	1,257,327	1.64 %
11	OM Holding AS	1,231,512	1.60 %
12	Catilina Invest AS	1,134,950	1.48 %
13	AS Audley	929,252	1.21 %
14	Lombard Int Assurance S.A.	900,820	1.17 %
15	Holmen Spesialfond	783,331	1.02 %
16	Stenshagen Invest AS	751,526	0.98 %
17	K11 Investor AS	750,000	0.98 %
18	Profond AS	741,890	0.97 %
19	Verdipapirfondet Fondsfinans Norge	725,000	0.94 %
20	Castel AS	708,684	0.92 %
	Sum TOP 20	50,066,373	65.21 %
	Other shareholders	26,716,050	34.79 %
	Total	76,782,423	100.00 %

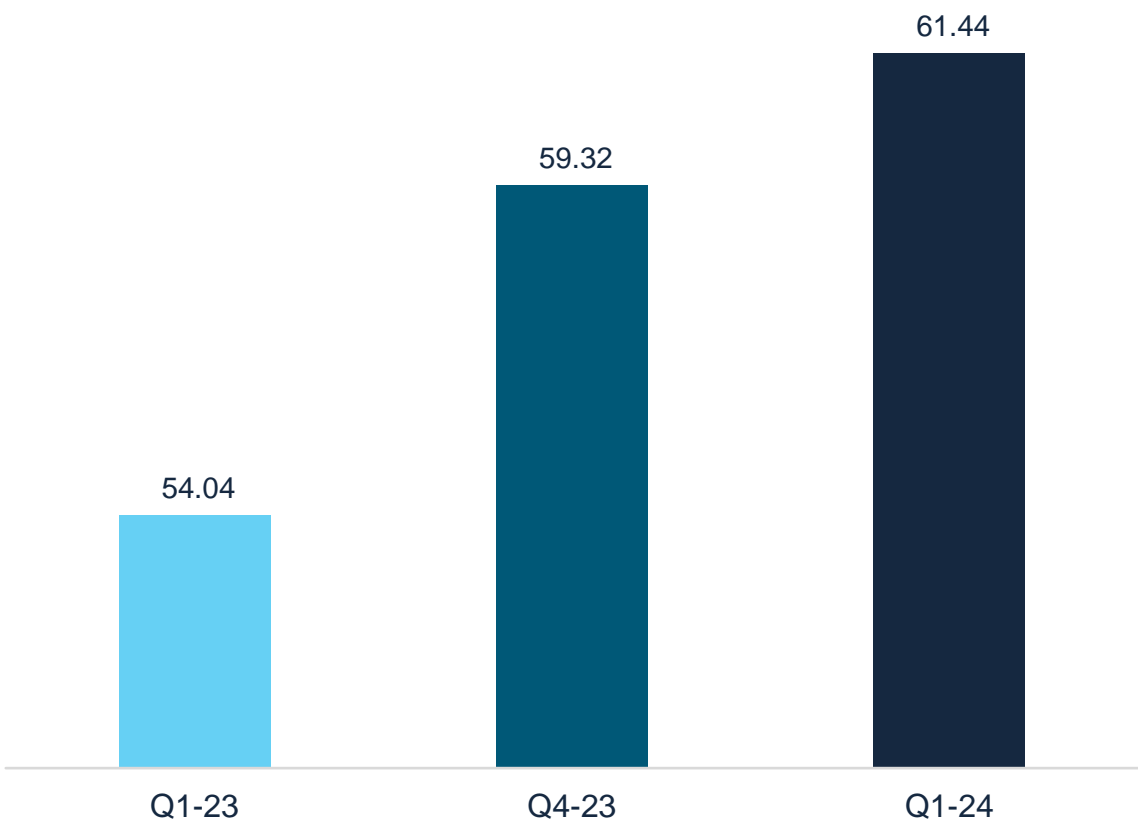
- The Company has 76,782,423 shares outstanding. One class of shares where each share carries one voting right.
- Diversified investor base with 3,590 shareholders.
- The Top 10 and 20 investors hold 54 % and 65 % of the shares respectively.
- Employees in Pareto Bank own 1.6 %.
- Top management and owners in the Pareto Group own 3.1 %.
- 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)



QUARTERLY INCOME STATEMENT

P&L (NOKm)

	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23
Net interest income	299.8	297.3	281.3	271.5	262.5
Net other operating income	2.4	12.1	3.0	-5.4	-3.0
Total net income	302.2	309.4	284.3	266.1	259.5
Total operating expenses	55.6	51.1	50.4	51.4	50.5
Operating profit before impairments and losses	246.6	258.3	233.9	214.7	209.0
Impairments and losses on loans and guarantees	15.3	42.1	30.3	12.9	36.4
Pre-tax operating profit	231.3	216.2	203.6	201.8	172.7
Tax expense	55.2	51.2	48.4	47.4	41.8
Profit for the period	176.1	165.0	155.2	154.4	130.9
Earnings per share (NOK)	2.15	2.01	1.89	2.03	1.79
Return on equity	14.3 %	13.8 %	13.9 %	14.8 %	13.0 %
Cost/income ratio	18.4 %	16.5 %	17.7 %	19.3 %	19.5 %

QUARTERLY BALANCE SHEET

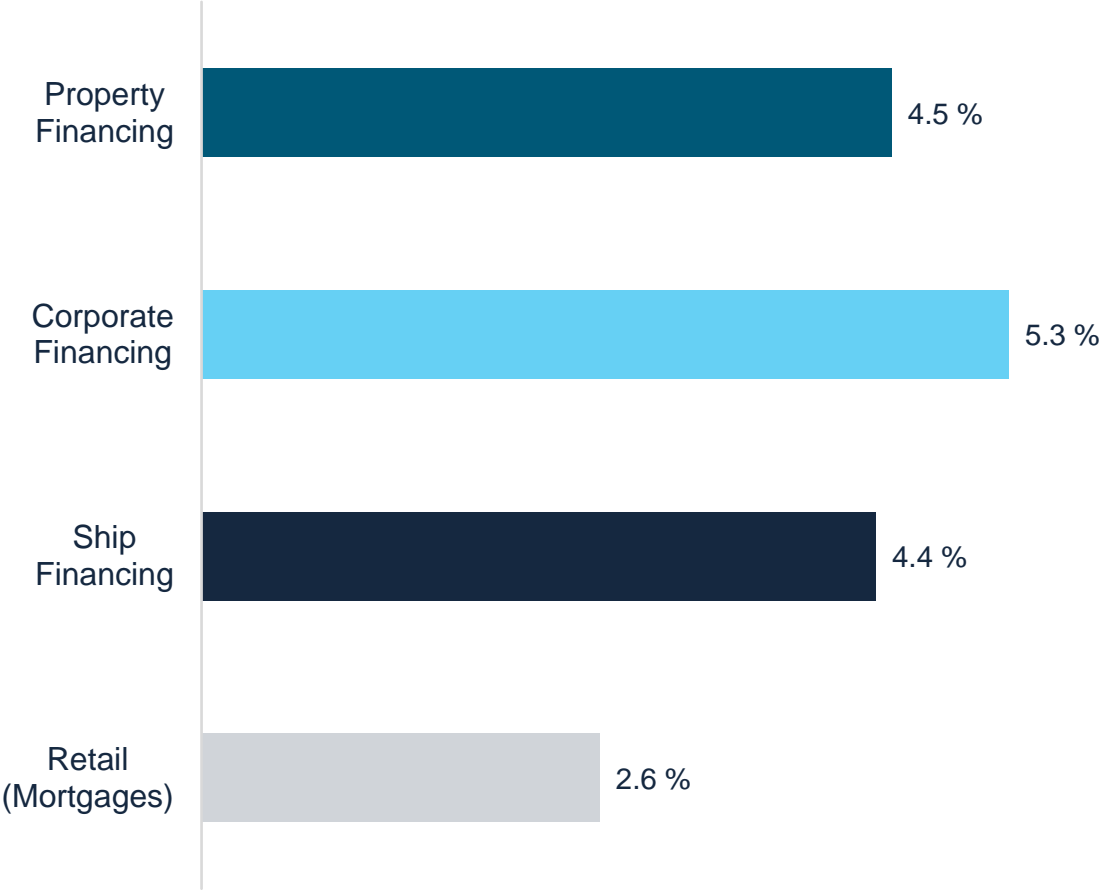
(NOKm)

	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23
Loans to credit institutions	1,174	1,651	2,498	2,001	2,230
Loans to customers	18,928	18,518	18,260	18,344	17,707
Bonds and other securities	5,923	5,422	4,245	3,882	3,952
Shareholdings in associated companies	22	22	23	23	23
Other assets	172	234	164	218	157
Total assets	26,219	25,847	25,189	24,468	24,069
Deposits from customers and institutions	12,392	12,023	11,481	11,193	10,777
Senior securities issued	7,570	7,756	7,718	7,877	7,918
Other liabilities	391	363	437	331	627
Tier 2 subordinated securities issued	699	699	699	699	421
Additional tier 1 capital	450	450	450	450	551
Other equity	4,717	4,555	4,404	3,918	3,775
Total liabilities and equity	26,219	25,847	25,189	24,468	24,069

MARGINS AND INTEREST CONTRIBUTION

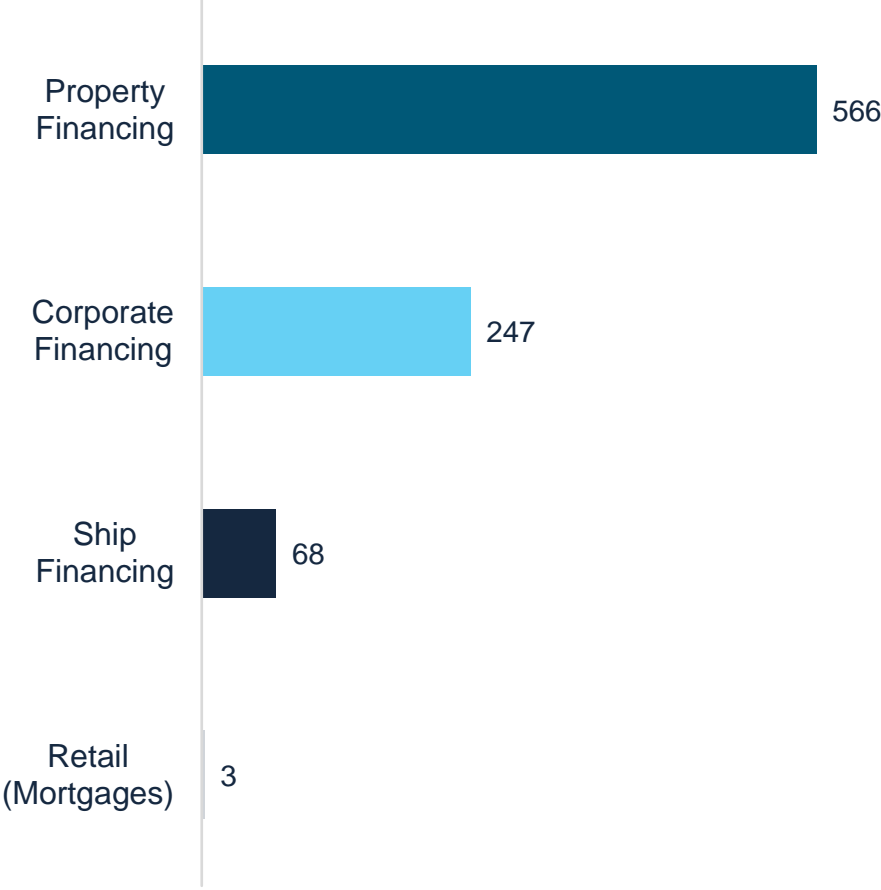
Margins per business area

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.

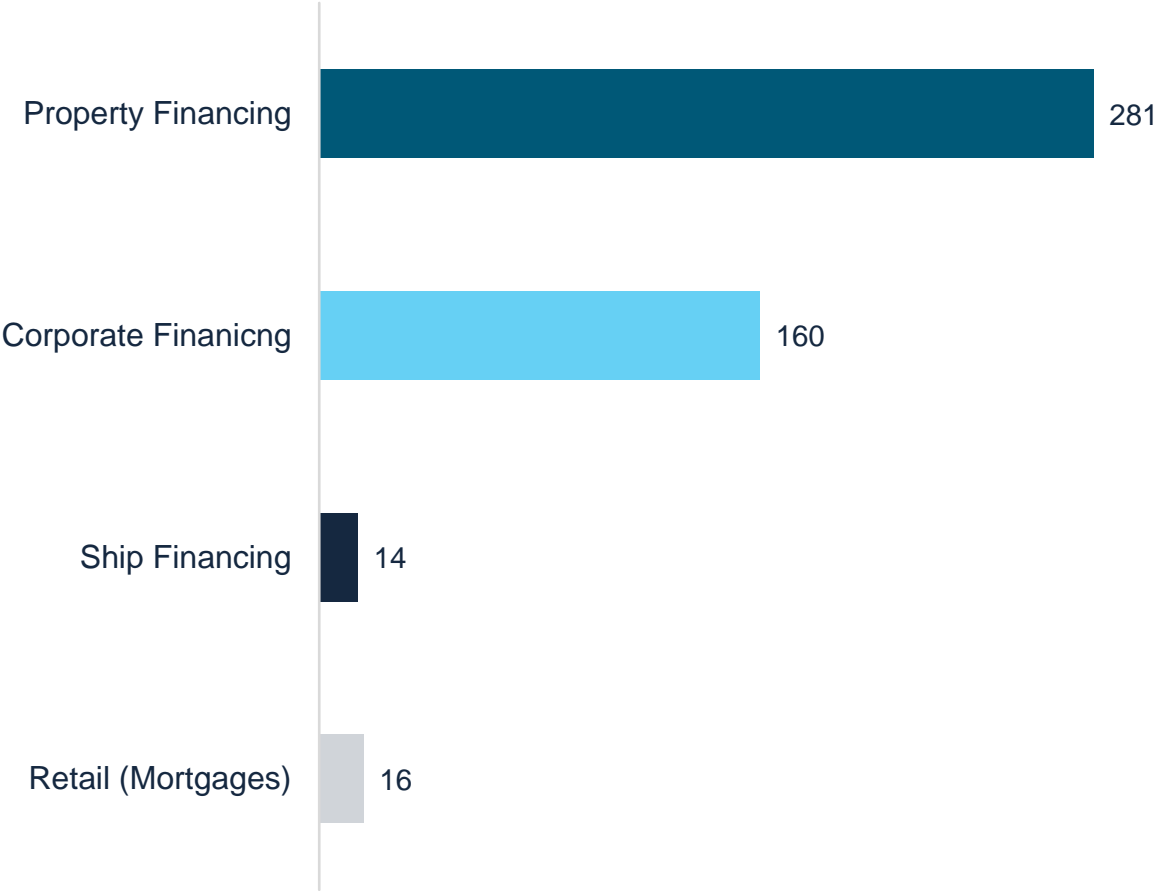


Note segment margins are estimated on the basis of terms of existing loans and will therefore differ from reported total lending margins. Loans granted under the state guaranteed SMB loan program and employee mortgages are excluded from this analysis.

Based on terms and 3M NIBOR as of 31.03.2024. Fixing in arrears for SOFR rates are estimated.

NUMBER OF CUSTOMERS

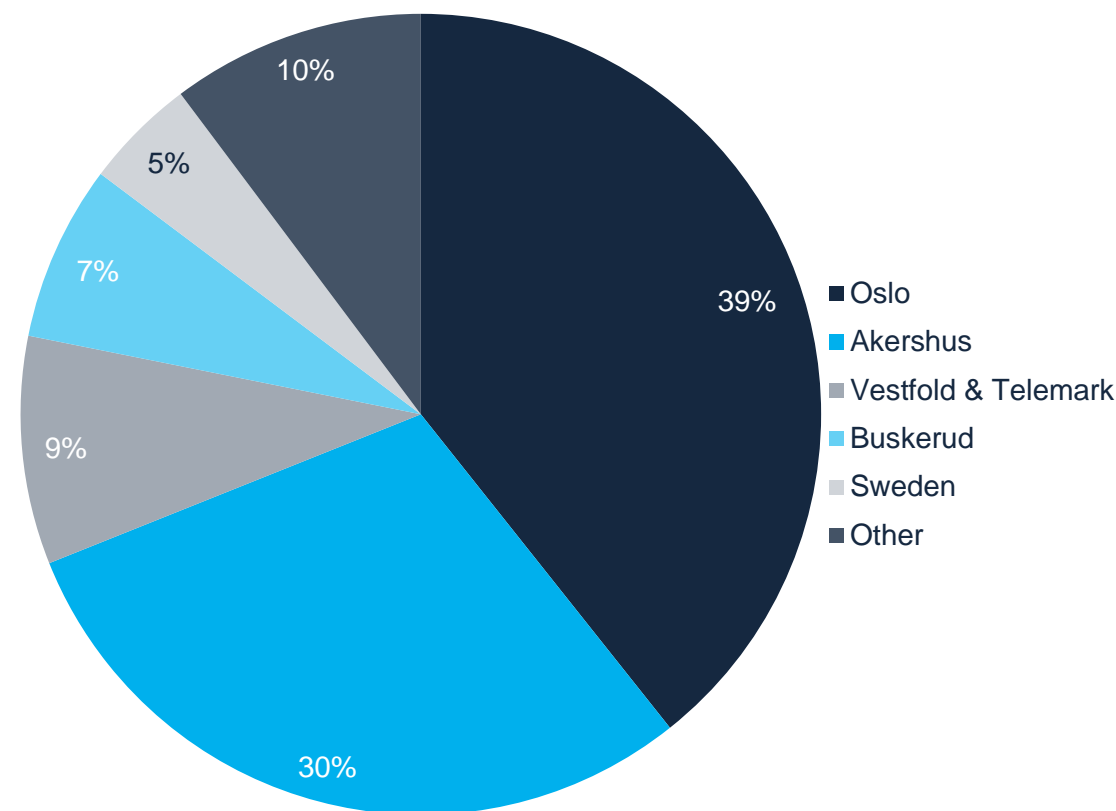
Per business area



REAL ESTATE FINANCING EXPOSURE

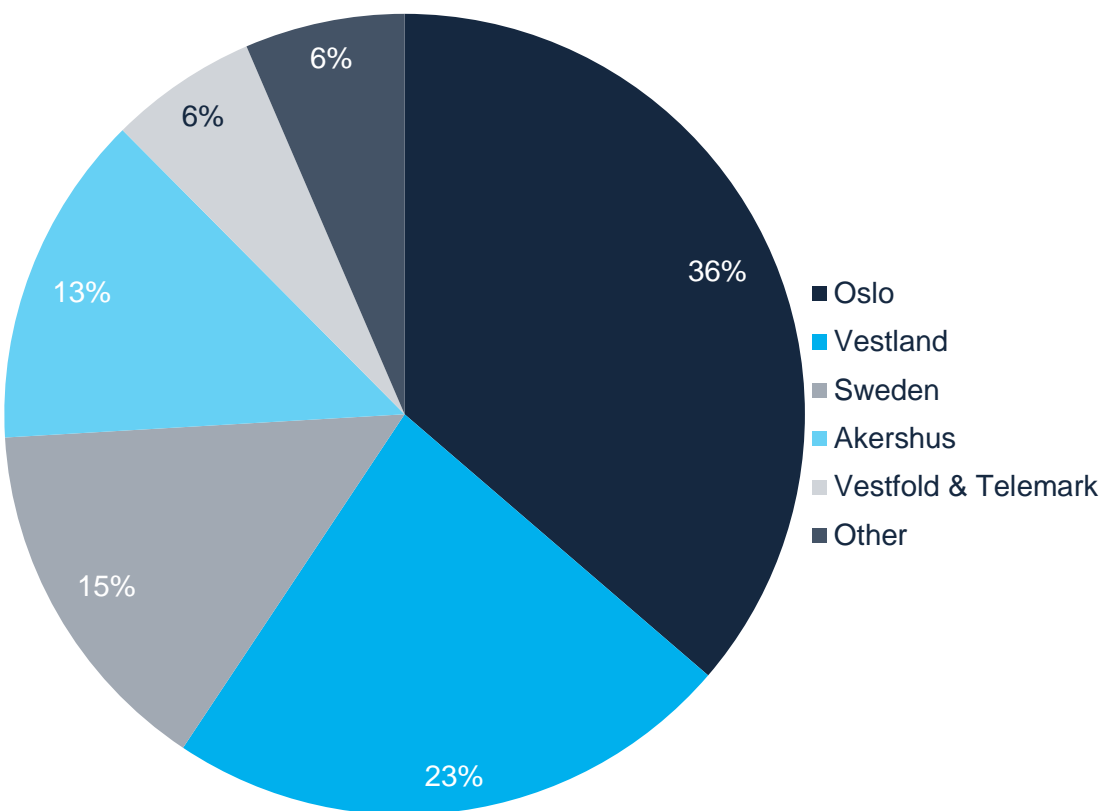
Geographical residential property exposure

Total NOK 11,376m*



Geographical commercial property exposure

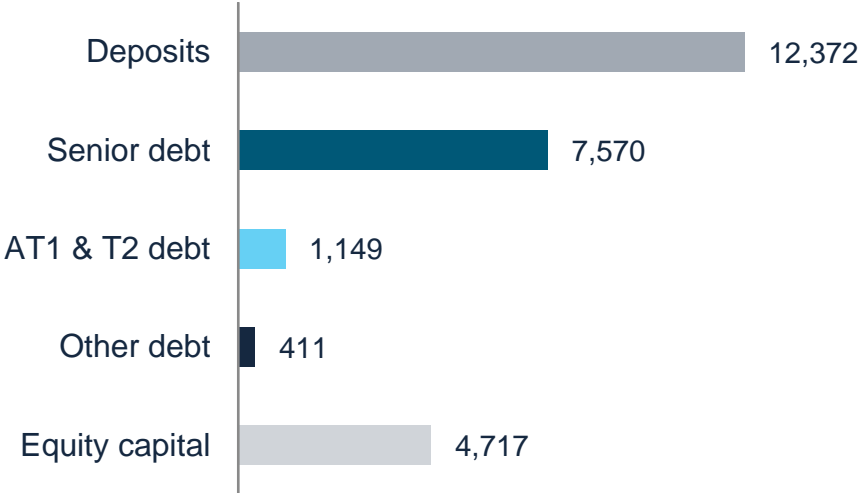
Total NOK 3,315m*



*) Residential property includes land, building facilities and commercial residential real estate. Commercial property includes only commercial real estate.

FUNDING

Sources (NOKm)

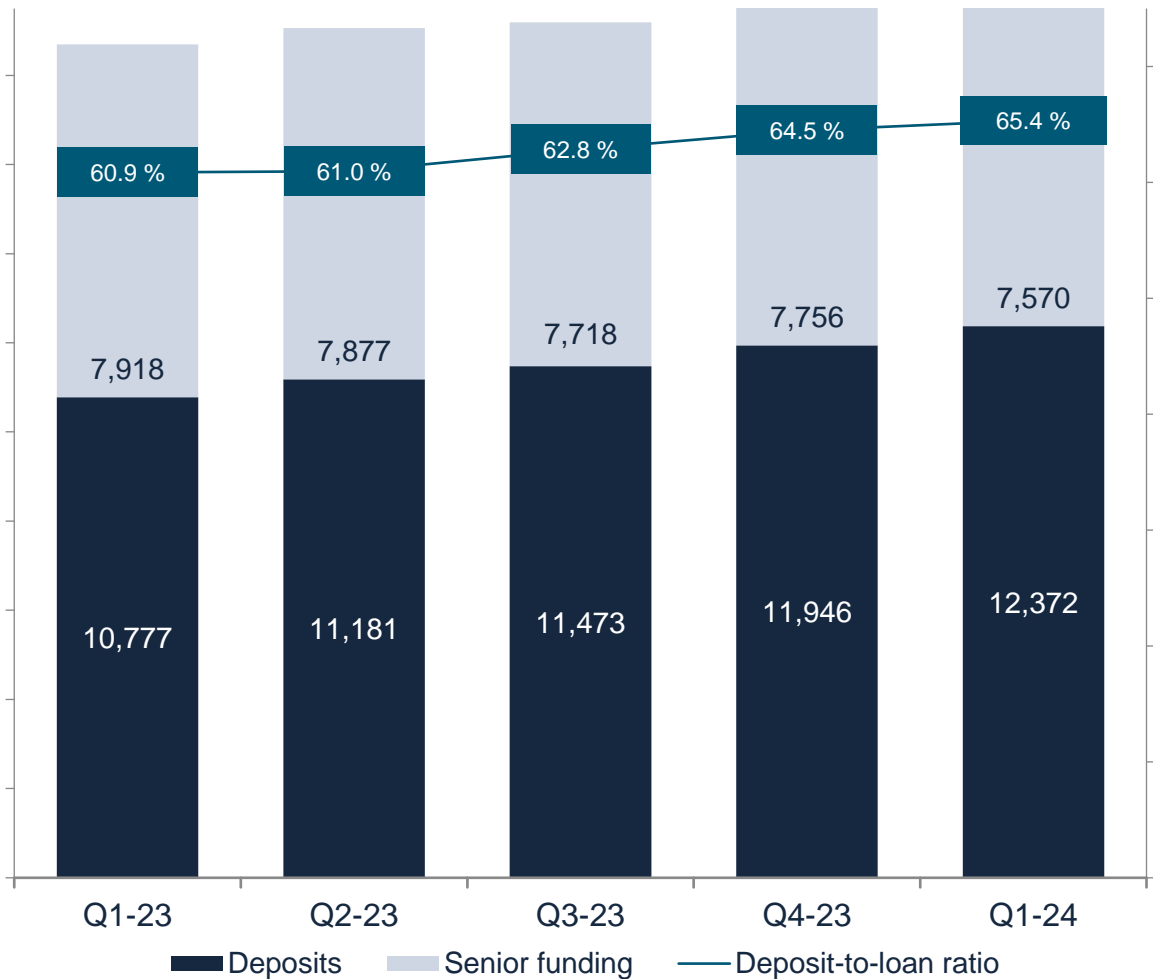


Key funding and liquidity ratios

- Deposits with liquidity restrictions 72 %
- Corporate deposits 57 %
- Deposit-to-loan ratio 65 %
- Liquidity Coverage Ratio 281 %
- Net Stable Funding Ratio 136 %

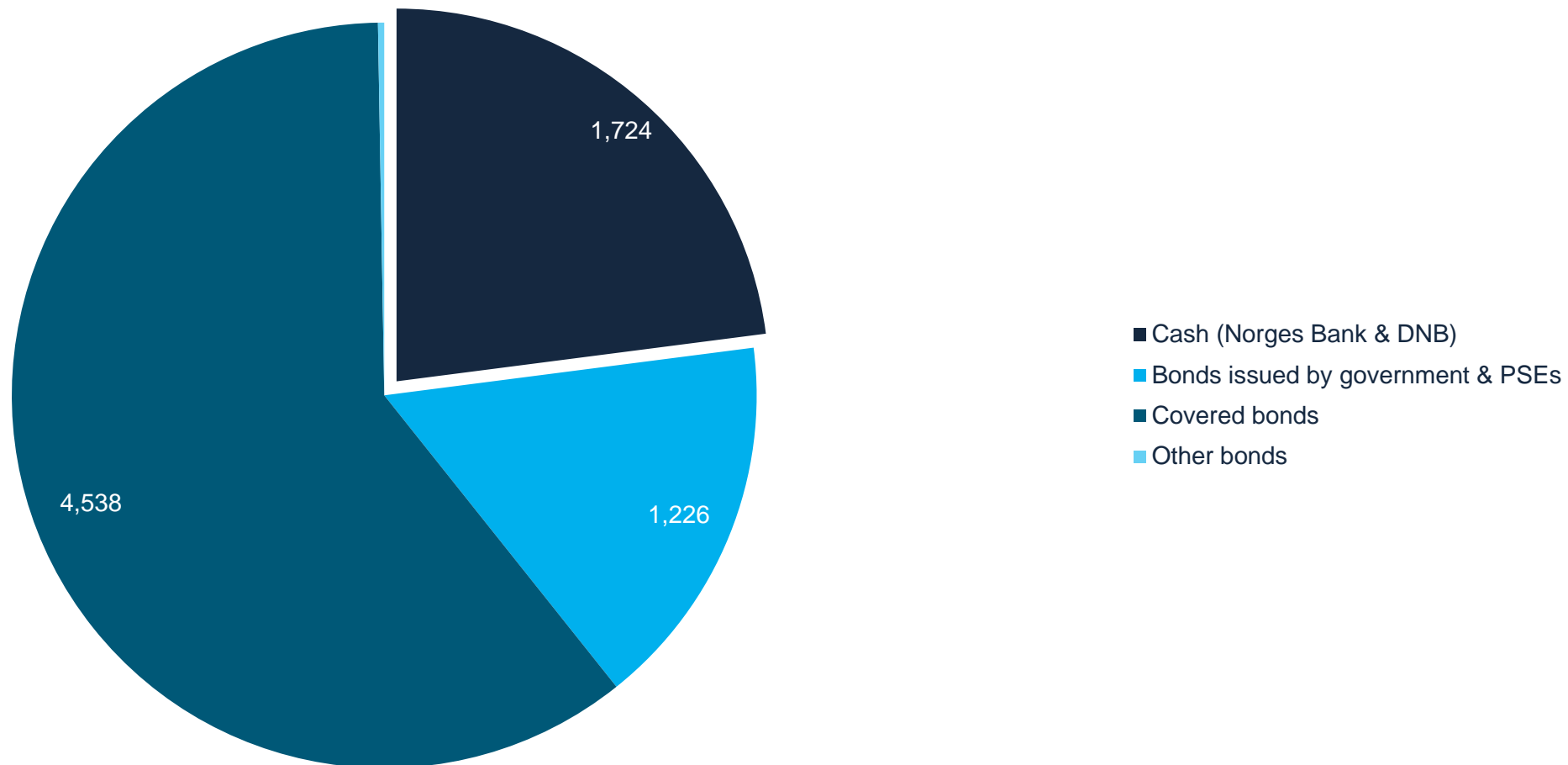
Deposits & senior debt

NOKm,
Percent customer deposits of net lending to customers



LIQUIDITY BUFFER

Low credit and market risk (NOKm)

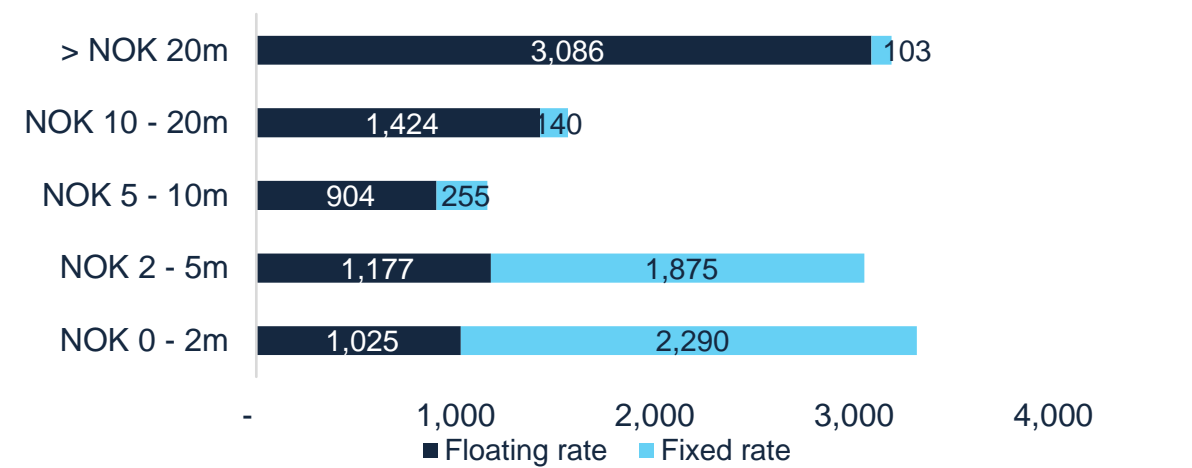


Comments

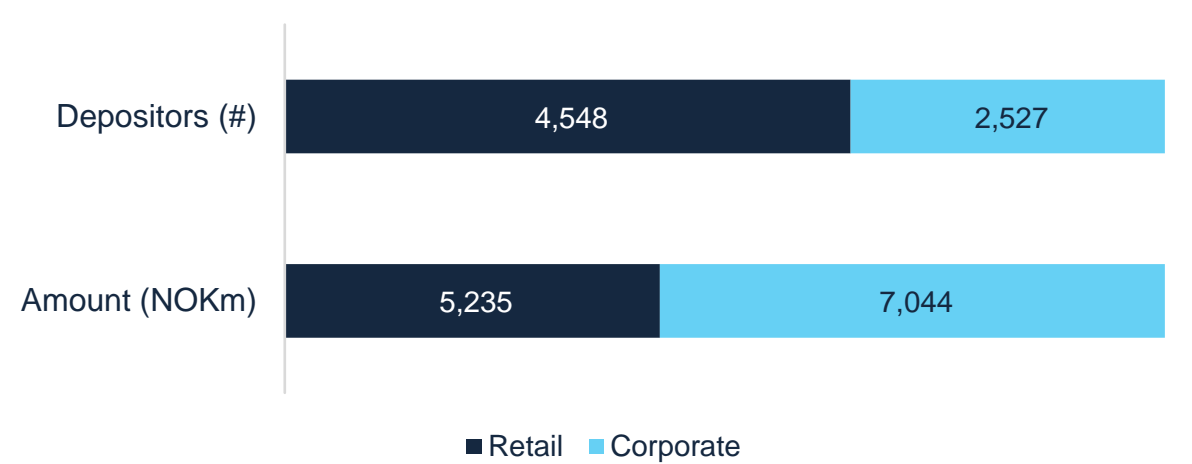
- Cash on hand.
- Highly liquid bonds.
- Low credit risk.
- No interest rate or foreign exchange risk.
- Access to central bank facilities and repo market.
- Marked to market.
- Assets qualify for LCR portfolio.

CUSTOMER DEPOSITS

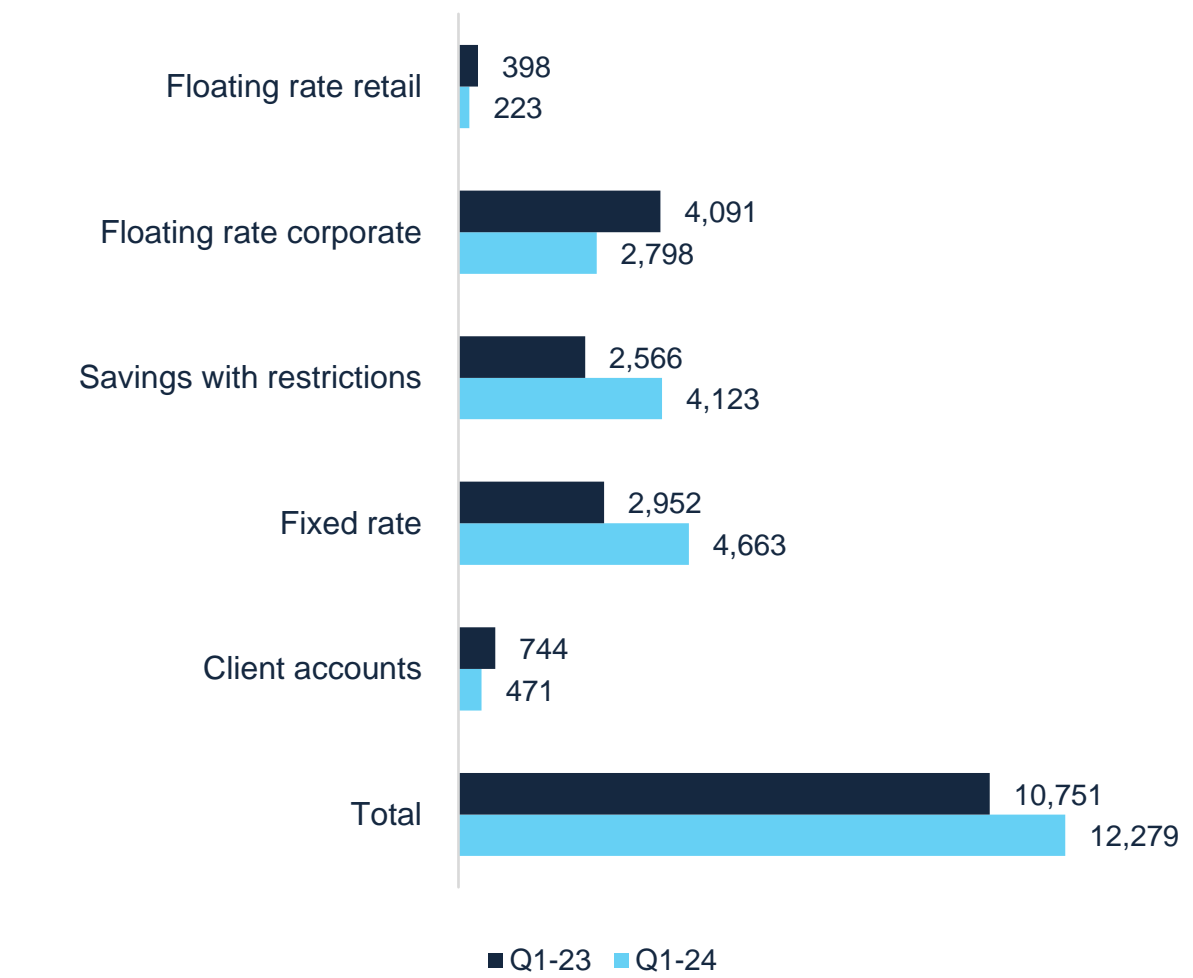
Deposits by size (NOKm)



Deposits by type (NOKm)

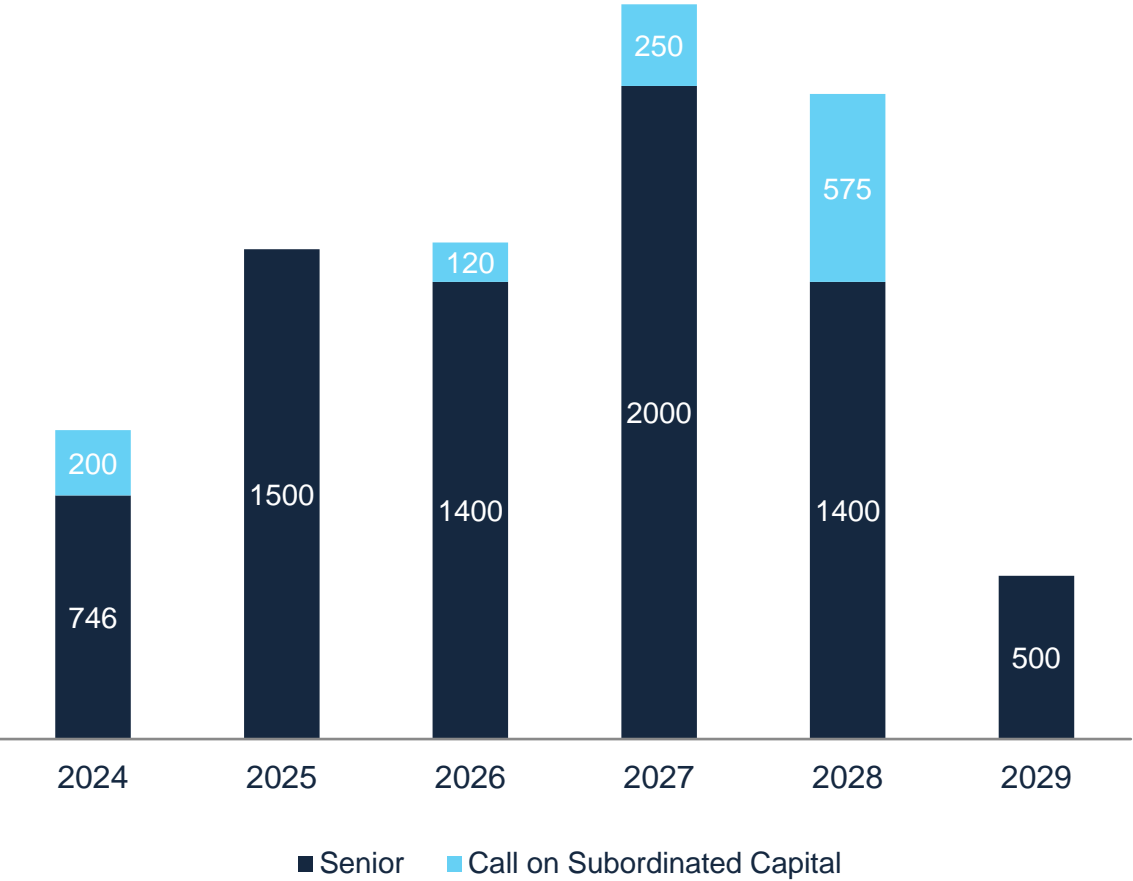


Deposits by product (NOKm)

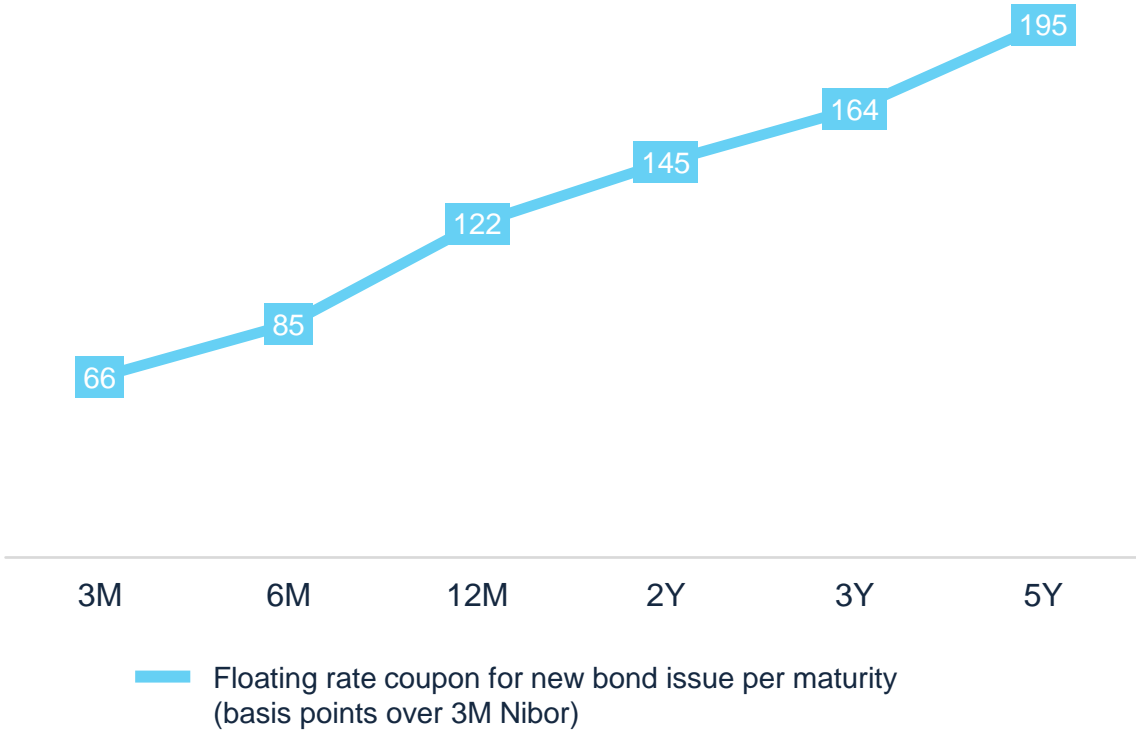


MARKET FUNDING

Market funding maturities (NOKm) *

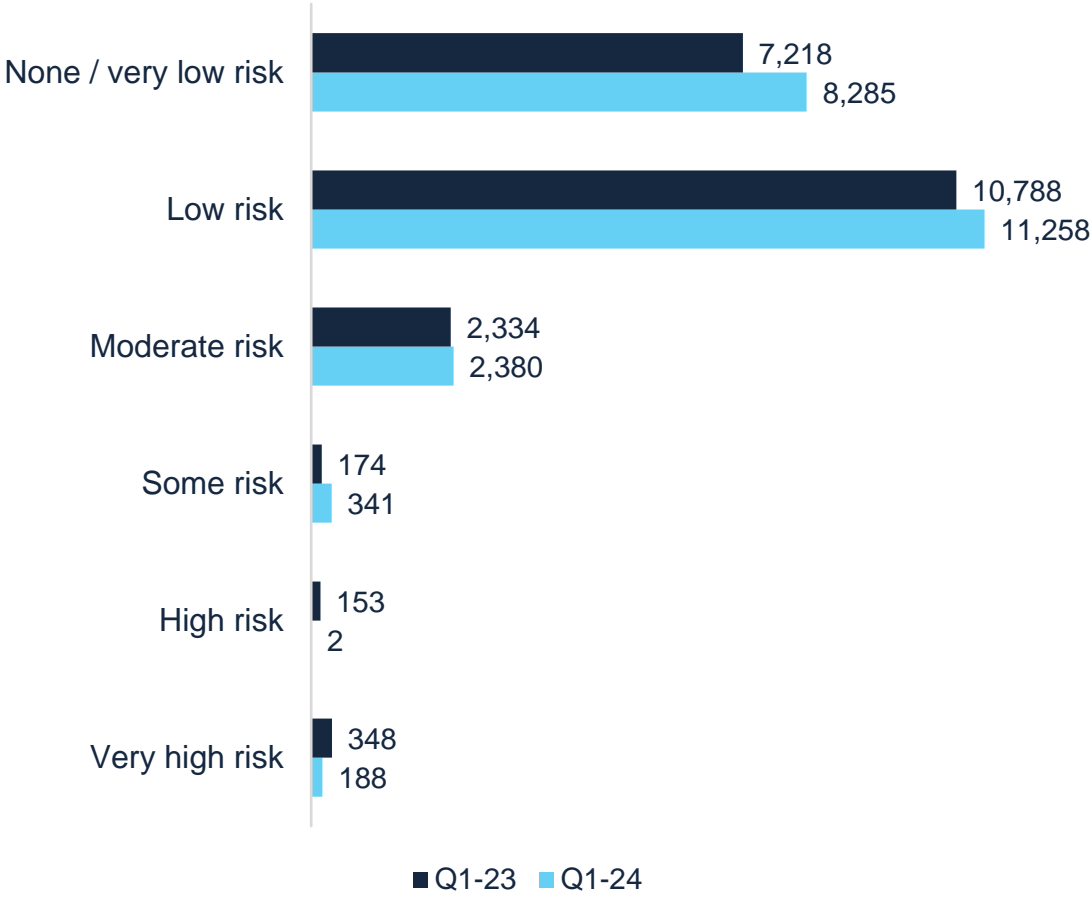


Cost of new market funding

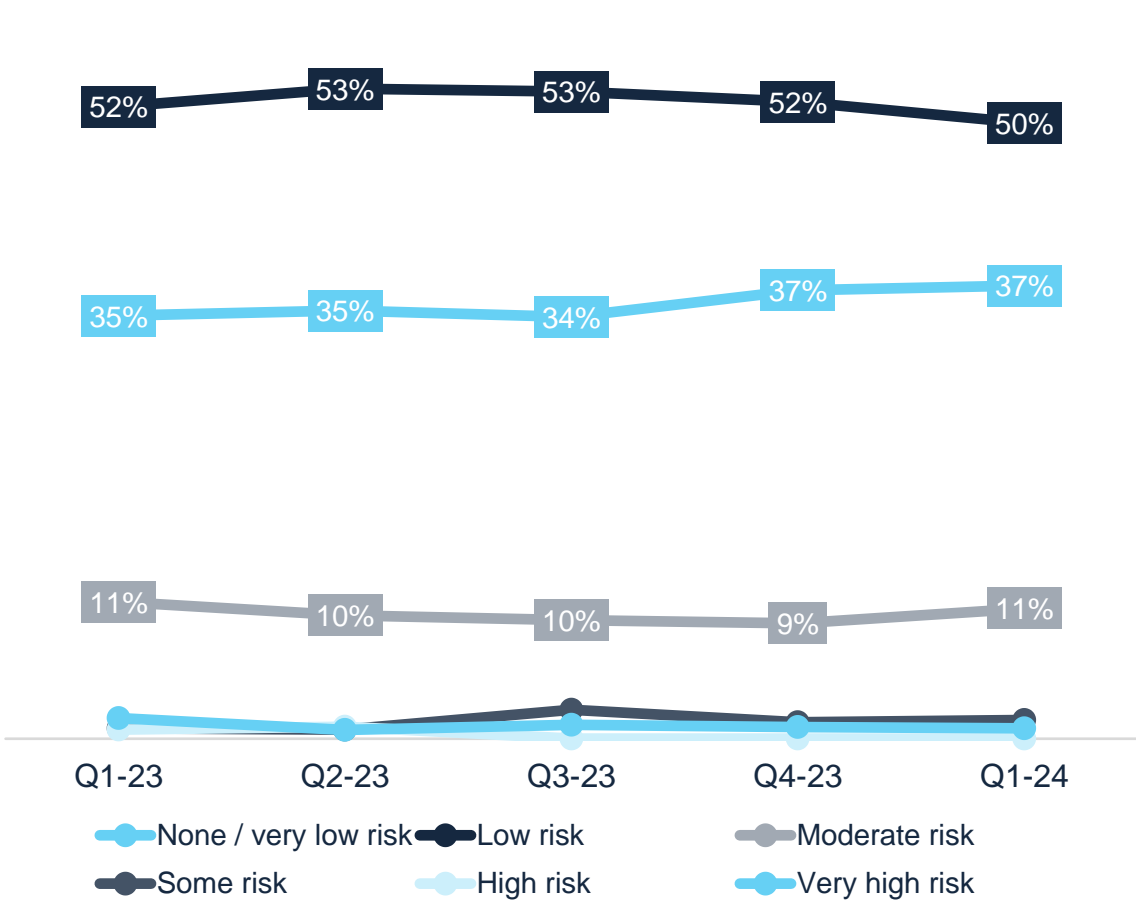


COMMITMENTS BY RISK CLASSIFICATION

Risk classification (NOKm)

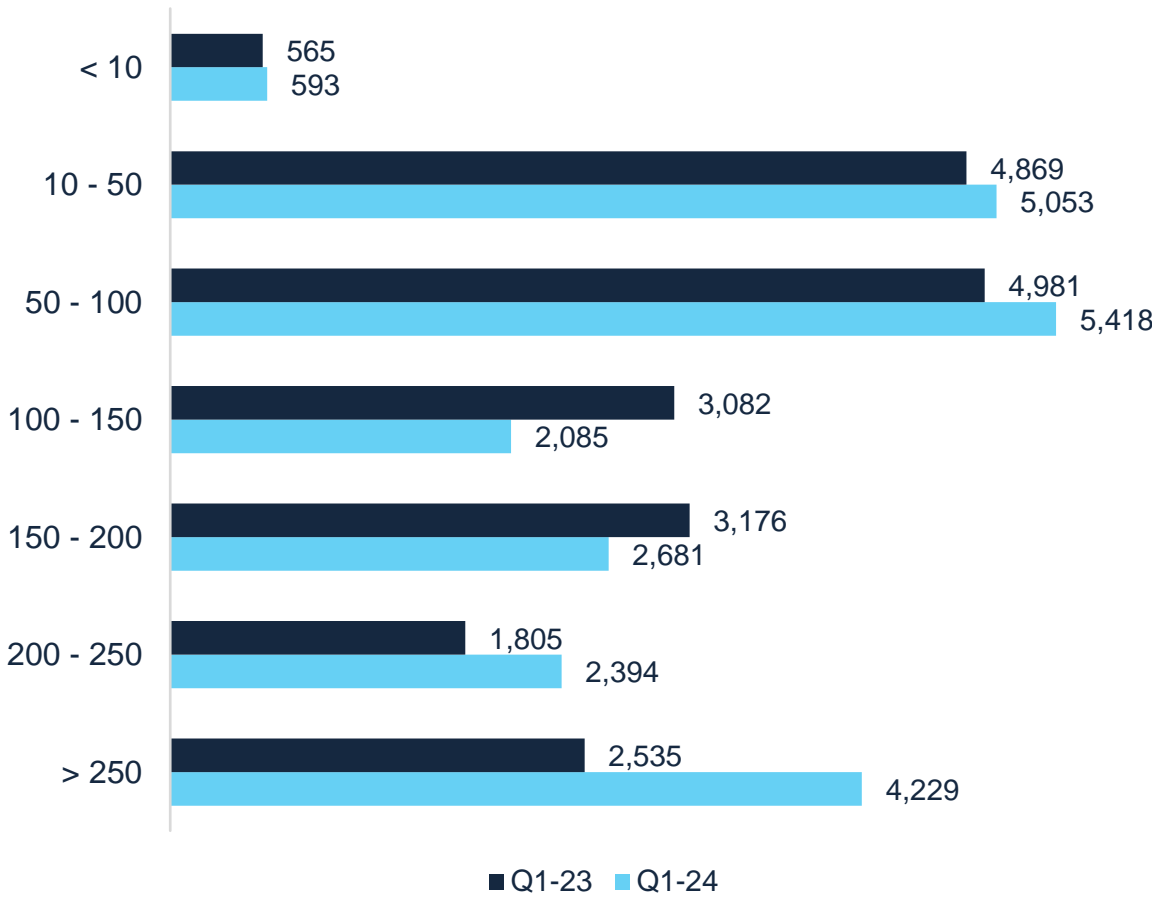


Historical risk classification

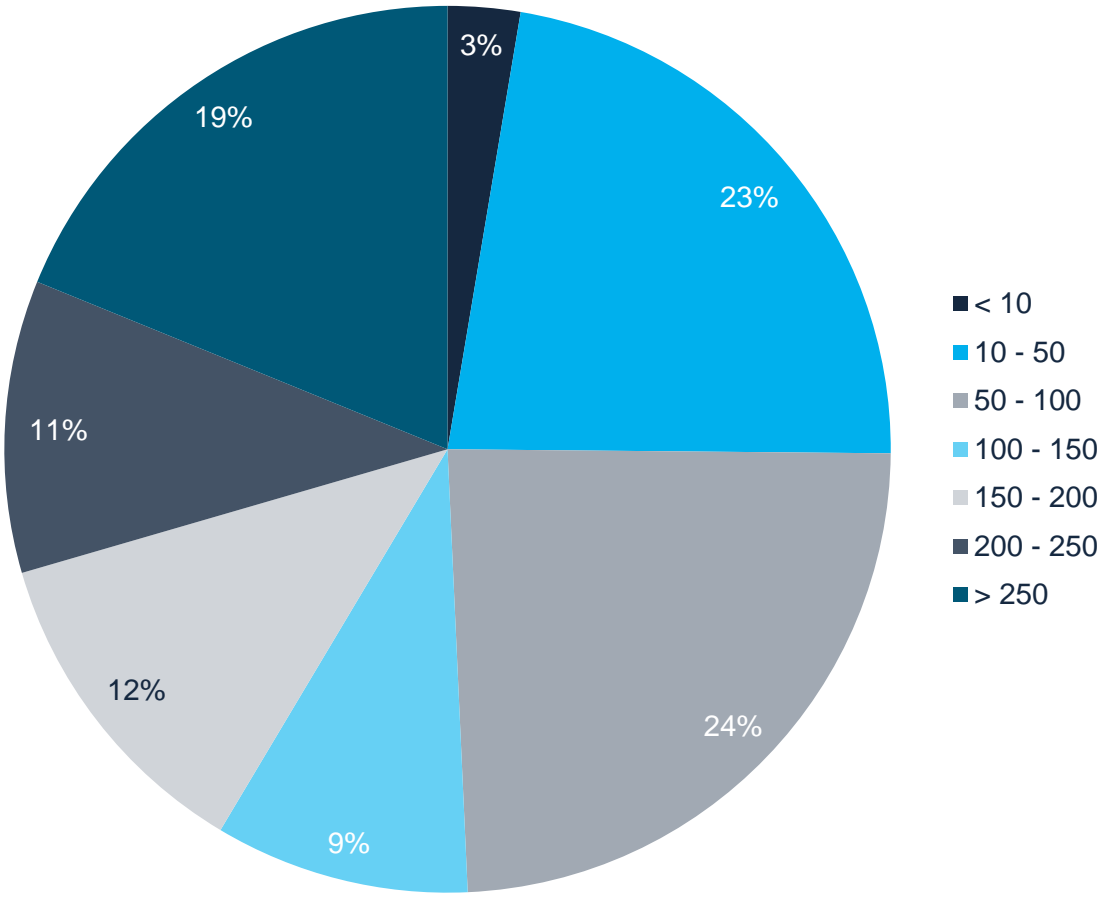


COMMITMENTS BY SIZE

Commitment size per customer (NOKm)



Distribution of commitments by size (NOKm)



 Pareto bank