

 Pareto

Pareto Annual Report 2021

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*Investments in shares, funds and other financial instruments and projects and individual assets will always involve a certain degree of uncertainty about future returns. Neither target returns nor historical returns provide a reliable indicator of future returns. Returns on investments depend on general developments in the market for securities, physical assets and foreign currencies, the risk profile of the investment, the associated expenses (including the costs of subscription, management and redemption) and the skilfulness of the fund manager/management, as well as on any changes in the applicable tax regulations and other framework conditions. Returns may be negative as a consequence of capital losses, reductions in value and/or losses. Returns on shipping projects are stated in the currency of the project and returns in NOK will accordingly vary in line with fluctuations in the foreign exchange market. All information on, and assessments of, external conditions in this report are based on our own best estimates and on sources that we regard as credible and reliable. Nevertheless, Pareto cannot guarantee that the information is correct.*

# THIS IS THE PARETO GROUP

*Pareto is a leading, independent operator in the Nordic market for financial services. The company has offices in Oslo, Stavanger, Trondheim, Kristiansand, Stockholm, Malmö, Helsinki, Copenhagen, London, Aberdeen, Zürich, Frankfurt, Singapore, Perth, New York and Houston. Pareto was founded in late 1985 and has since grown into a corporate group offering a wide array of products. The group has 1 074 employees and shareholders' equity of some NOK 3.8 billion.*

## BUSINESS SECTORS

Through its subsidiaries, Pareto offers a broad range of services: brokerage of equities, bonds and partnership interests, facilitation of equity and debt capital issues, and direct investments. The group also provides project financing, business management services, valuations, financial advisory services, asset management services, and insurance and real estate brokerage services. Pareto's ship brokerage business is involved in chartering and broking tanker and dry bulk tonnage and drilling rigs, as well as providing technical management services to the maritime market. In certain areas of business, the group works closely with Pareto Bank, in which Pareto is the largest shareholder.

## DIVERSITY AND A STRONG LOCAL PRESENCE

The broad scope of Pareto's product range has provided the foundations for the group to grow and prosper and has given our clients a balanced and diversified product portfolio offering sound, long-term returns. Pareto's long-standing engagement with local markets and companies has equipped us with experience and skills, enabling us to treat each client individually and to safeguard and promote our clients' interests in the best way possible.

Pareto prioritises organic growth and the development of in-house competence. Acquisitions, mergers and collaborations are continuously under consideration, with the aim of complementing and developing the company still further.

## PARETO'S GOALS AND STRATEGIES

Pareto's goal is to be the preferred Nordic supplier of financial services, based on a thorough and detailed knowledge of social conditions, industries and individual companies. Our aim is to create sound financial solutions for business and industry and to secure high returns for our clients. Pareto's strategy is based on maintaining our focus, in-depth knowledge, experience and long-term client relationships.

We are committed to continuous development and improvement. We invest our knowledge and financial resources for the long haul. We demand responsibility, integrity and a high ethical standard of our employees. Pareto is an independent operator and our aim is that our approach should always be innovative, creative and different.

## The Pareto Group - what we do

Securities brokerage / capital raising / project financing	Ship / offshore brokerage	Asset management / investment advisory services	Banking / insurance / real estate brokerage
Pareto Securities	Pareto Shipbrokers	Pareto Asset Management	Pareto Bank
	Pareto Offshore	Pareto Wealth Management	Pareto Forsikringsmegling
	Pareto Dry Cargo	Pareto Business Management	Eiendomsmegler Krogsvæn
	P.F. Bassøe	Pareto Alternative Investments	
		Enter Fonder	

# THE PARETO GROUP IN 2021

## ALL-TIME HIGH

The introduction of safe and effective vaccines boosted investor and consumer optimism and confidence. This, combined with monetary and fiscal stimulus, helped the global economy emerge out of the stagnation caused by the COVID-19 pandemic. A range of markets, from stocks to real estate, saw record-high levels during the year and a record amount of capital raising and deal-making occurred as the M&A market continued its recovery in 2021 after the COVID-19 slowdown in 2020.

The Pareto group also set records in 2021 and ended the year at an all-time high with consolidated revenues amounting to NOK 5.3 billion (2020: 3.7 billion). Operating profit totalled NOK 2.0 billion (1.1 billion) and pretax profit was NOK 2.0 billion (1.1 billion). Profit for the year amounted to NOK 1 571 million (825 million).

Activity and productivity levels were high and the results for the group must be described as very satisfactory. At yearend, consolidated book equity amounted to NOK 3.8 billion and the personnel count stood at 1 074.

## SECURITIES BROKERAGE, CAPITAL RAISING AND PROJECT FINANCING

The majority of the group's revenue comes from financial advisory, securities brokerage and project financing in Pareto Securities, which in 2021 registered revenues of approximately NOK 3.7 billion and a profit before tax of NOK 1 589 million.

Pareto Securities was involved in 144 equity capital market transactions in 2021 with a combined value of nearly EUR 7 billion. Activity levels were high in many sectors, including TMT, industrials, health care, seafood, financials, E&P, consumer and shipping. Pareto Securities advised on a total of 26 IPOs and listings. Pareto Securities also acted as adviser on several large and prominent M&A transactions in 2021, including the sale of Boreal Holding to Vauban Infrastructure Partners and the sale of Malorama to Mestergruppen.

On the DCM side Pareto Securities was involved in 115 transactions raising EUR 7.8 billion during 2021. Pareto

Securities arranged bonds for a wide range of different industries, leading to a diversified revenue base.

The Project Finance division had a very strong year, with high levels of activity in both real estate and shipping/offshore. The division was involved in property-related transactions with a total value of over NOK 26 billion, and in shipping/offshore-related transactions with a value of over NOK 5.2 billion.

## ASSET MANAGEMENT

For Pareto Asset Management, the second year of the pandemic became a year of strong growth. Through a combination of market tailwinds, excess return in our larger mandates and successful sales efforts, assets under management including subsidiary Enter Fonder AB increased by NOK 21 billion to NOK 79 billion.

Yet again, our top return was recorded by Enter Småbolagsfond, a Swedish small-cap stock fund, which returned an impressive 48.7 per cent to its share class A unitholders – following two years of similar returns or better.

With the strong AUM growth and fund returns triggering performance fees, the year turned out to produce record-high consolidated earnings for Pareto Asset Management.

Pareto Alternative Investments reported an increase in assets under management and solid performance in most funds and discretionary mandates. At year end, the firm managed NOK 25 billion allocated to real estate, credit and infrastructure investments.

Pareto Wealth Management provides investment advice and wealth management for companies and high-net-worth individuals. Assets under management increased by approximately NOK 5 billion during 2021 to a new record-high of NOK 25.3 billion.

In total, operating revenues from asset management operations amounted to NOK 818 million and the profit before tax was NOK 254 million. Net assets under management for these companies (after elimination of internal volume) amounted to NOK 124 billion at yearend.

### SHIP/RIG, REAL ESTATE AND INSURANCE BROKERAGE

The offshore and renewable energy markets were still challenging in 2021, but the second half of 2021 showed improvements in both markets. We also experienced increased activity in the sale and purchase segments across vessel classes. Pareto Shipbrokers AS and its subsidiary Pareto Shipbrokers Ltd succeeded in reporting increased revenues and satisfactory profits.

2021 turned out to be the comeback year for Pareto Dry Cargo (PDC). Tight supply chains, low order-books and high activity resulted in levels not seen since 2005-2008, across all dry bulk segments. PDC ended the year on a high note with one of the best results since its commencement.

2021 proved to be a rather challenging year for the tanker market. The majority of crude tonnage was forced to operate at sub-zero levels for large parts of the year and the VLCC market, in which P.F. Bassøe operates, was particularly hard hit.

Eiendomsmegler Krogsveen experienced continued tailwind in the residential real estate market in 2021. The zero per cent policy rate, resulting in low mortgage rates, has made a strong impact on the turnover volume in the real estate markets over the last couple of years. Norwegian residential real estate prices were up by 5.3 per cent during 2021 following 8.7 per cent in 2020. Interest rate hikes both in September and December of 2021 have left real estate buyers a bit more cautious going forward. Krogsveen reported high activity and strong results in 2021. The real estate broker sold about 8 400 homes and vacation homes worth NOK 38 billion in 2021.

Pareto Forsikringsmegling delivered stable profits in the face of stiff competition in its market. The company purchased insurance cover on behalf of its clients worth NOK 1.5 billion in 2021.

Revenues from these companies amounted to NOK 807 million. Profits before tax were NOK 79.5 million.

### PARETO BANK

Pareto Bank's post-tax profits ended the year at NOK 504.5 million, up from the NOK 428.4 million reported in the previous year. Profitability, robust credit quality and a positive culture contributed to 2021 being the best year in the bank's history. Return on equity was 14.0. per cent (13.0. per cent) and in line with the bank's long-term ambition. Total lending grew by 1.1 billion and amounted to NOK 15.8 billion at year end. At year end Pareto AS owned 20.0 per cent of Pareto Bank.

### PARETO AS

The Pareto group is a decentralised organisation, operating through several fully independent legal entities. Pareto AS, the parent company, is a holding/investment company that holds shares in subsidiaries, strategic investments and financial investments primarily in the form of equity funds and listed shares.

Profit for the year for the parent company amounted to NOK 987 million (598 million). The profit includes distributions received from the subsidiaries. Retained earnings are applied to strategic investment opportunities or invested in the financial market.

At yearend, equity in the parent company stood at NOK 3.3 billion, up from NOK 2 billion in 2020.

# FINANCIAL MARKETS AND THE ECONOMY IN 2021

*Good news, bad news and real news*

*In 2021, bouncing back from the depths of the pandemic, we got a lot of good news. But not good enough for the stimulative policies to be pulled back. We also got an indisputable reminder of what really drives financial market returns.*

At the outset of 2021, financial markets had shaken off the shock from the outbreak of the pandemic in the winter/spring of 2020. Governments in numerous countries had launched comprehensive countermeasures, with swift interest rate cuts, bond purchases, expansionary fiscal policies and direct support to vulnerable companies and consumers. This had helped calm nerves and build confidence, which in turn had lifted financial markets to new all-time highs.

Not until 2021, however, did these countermeasures begin to take full effect. Meanwhile, a lot of demand had been put on hold due to uncertainty and direct restrictions on the supply side, not least travel, restaurant visits and other services with physical customer contact. With the easing of restrictions, households had significant amounts of cash ready to be spent.

We thus entered 2021 with strong potential demand in the world economy.

And we were yet to worry about Russia and Ukraine.

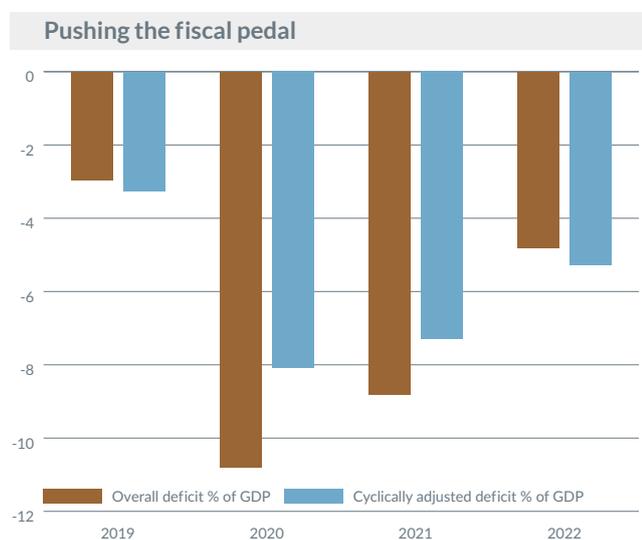
## WAITING FOR TIGHTER POLICIES

Bull markets are said to climb a wall of worry. In 2021,

inflation was a recurring concern. From the beginning of the year, it was clear that record-low interest rates and rapidly increasing money supply could breathe life into inflation. In turn, this would have to be met with higher interest rates, an obvious menace to both the stock and bond markets.

Furthermore, the combination of lockdowns in many countries and significant backlogs also led to bottlenecks in a number of supply chains in many industries. This, too, was obviously driving inflation. Headline inflation rose, while underlying inflation remained relatively calm for a long time. Interest rates nevertheless rose in the first few months of the year. Their rise was not enough to arrest the bull market, but clearly enough for fixed-rate bonds to fall and value stocks to outpace growth stocks – after having delivered better returns than value stocks since 2006.

For months on end, investors kept looking for signs of imminent tightening. All releases from the US Federal Reserve were scrutinised, as were communiques from the European Central Bank and the Bank of England. A change in phrasing might induce temporary market declines, but nothing much was actually done. And stock markets kept rising.



Advanced economies, actual and estimated. Source: IMF



Yield, per cent, 10-year US government bonds. Source: FactSet

Towards the end of the year, many central banks nevertheless initiated a cautious process of tightening. In Norway, we got two interest rate increases, each of a quarter of a percentage point, before the year was through. In the US, the Federal Reserve had clearly communicated that they were ready to begin tapering, which they did in November. All in all, however, modest tightening measures were implemented in 2021.

**COVID-19 AS A MONETARY PARAMETER**

What kept the tightening at bay? Most likely the pandemic. The fight against the pandemic was to have several setbacks, in the form of new virus mutations and new restrictions. Towards the end of the year came the omicron variant, which proved to be much more contagious than previous mutations. Thus, the year ended with new restrictions and partial lockdowns in several countries.

However, these setbacks were not only negative for the financial markets. They may have contributed to prolonging the expansionary economic policies, as they made the recovery somewhat more subdued in the short term and the need for tightening less acute.

After all, it might have looked like a grave mistake if central banks stepped on the brake just as the global economy was thrown into another bout of pandemic distress. And central banks certainly behaved as if this was a central consideration. Bad news on the pandemic thus became good news for investors, at least in the short run. In 2021, this peculiar tug of war balanced in a quite pleasant way.

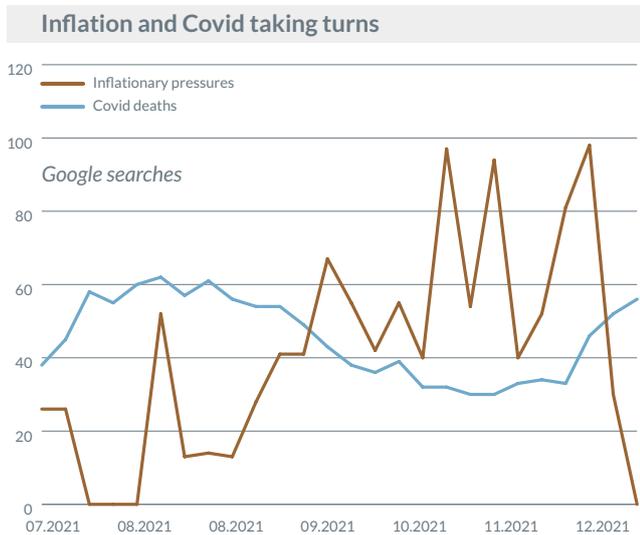
On the other hand, there was an obvious risk of being “behind the curve” – tightening too little, too late. As 2021 drew to a close, current inflation rates reached levels not seen for decades in several countries – with the important US headline inflation ending the year at 7.0 per cent.



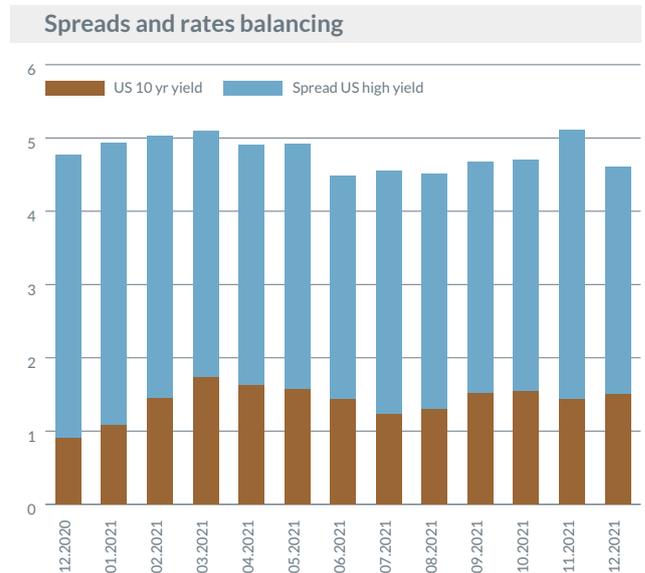
12-month change in the US All Urban Consumers CPI. Source: bls.gov

The yield on US 10-year government bonds, while recording a very modest increase in December (when the Omicron mutation proliferated), rose by 60 basis points during the year, ending just above 1.5%. This hurt global high-yield bonds, vulnerable to such increases because of fixed coupons and long duration. Barclays Global Aggregate, an index of global investment grade bonds, fell by more than 4.7 per cent. Given the sheer size of this market, almost \$5 trillion in the United States alone, 2021 was a dismal year for many investors.

The stock market, however, was exuberant. And, arguably, quite rationally so.

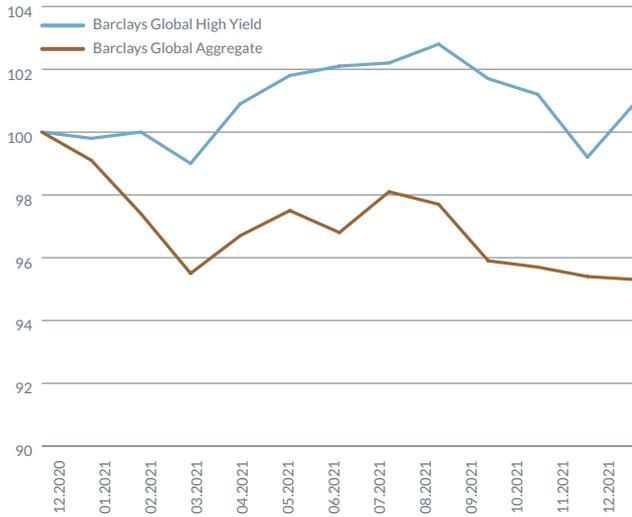


Relative frequency, search terms in Google Trends.



Per cent. Source: FRED, FactSet

### IG bonds falling, HY barely in black



Rebased. Source: FactSet

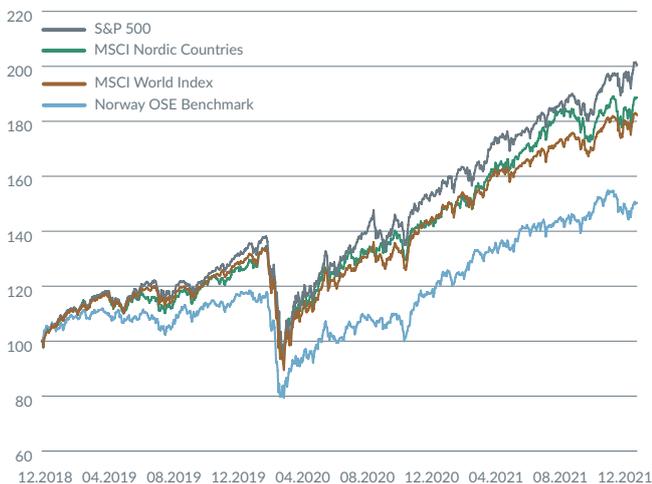
### EARNINGS ON A ROLL

Just look at these figures: The MSCI Nordic countries index rose by 30 per cent in local currency. The S&P 500 was not far behind, at 28.7 per cent. And the Norwegian benchmark index, while reaching a somewhat more modest 23.4 per cent, was certainly on the satisfactory side.

From day to day, markets may record considerable movements on news of new COVID-19 mutations, lockdowns, bottlenecks, inflation rates, or interest rates. For such large returns through the year, on top of what were new all-time highs in many markets at the end of the year before, there must be a more fundamental driver.

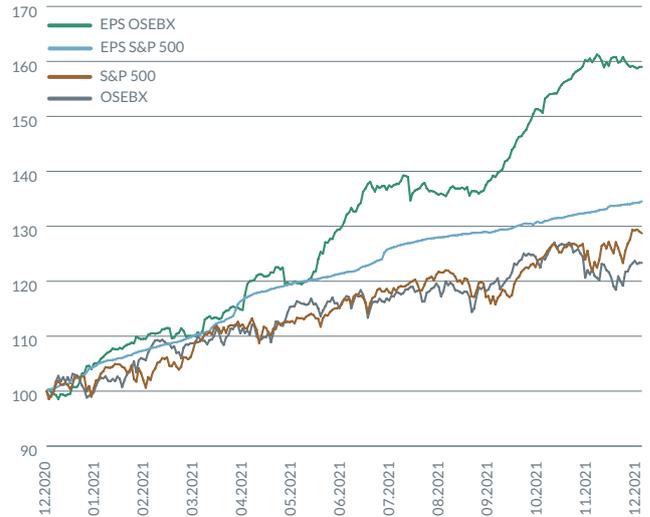
In 2021, as so many times before, this major driver was corporate earnings. Many companies used the low interest rates and their recognition of the crisis to deleverage. They therefore met the recovery in good shape and earnings picked up significantly in 2021. This not only became a significant driver behind the bull market; it contributed to earnings multiples being lower at the end of 2021 than one year before.

### Straight pandemic rebound



Rebased, December 2018 = 100. Source: FactSet

### Stock prices playing EPS catch-up



Total return stock indices in local currency and estimated next 12 months' earnings per share, rebased December 31, 2020 = 100. Source: FactSet

To put it differently: Earnings estimates outpaced stock prices in a number of markets.

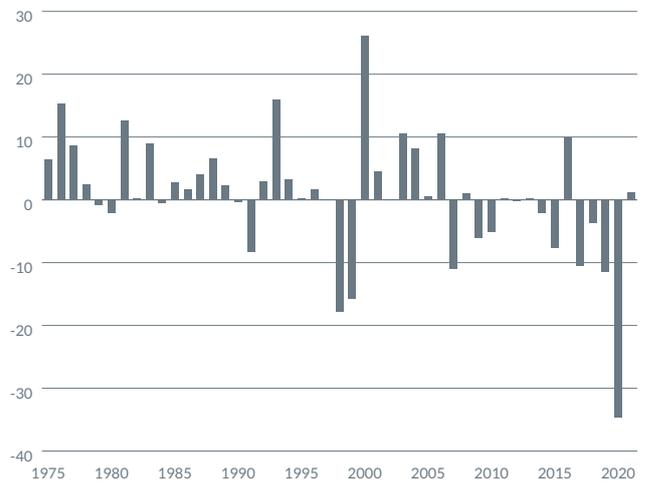
I know, analysts are notoriously optimistic. But this year, they missed the mark from below. Earnings surprises were unusually positive and analysts had to keep adjusting their estimates upwards rather than cutting them.

Actual (coincident) earnings rose even more sharply. For the full year 2021, S&P 500 profits rose by an impressive 68 per cent, according to SP Indices. Most of this figure (95 per cent) is now actuals, not estimates.

Yes, that's operating earnings. If you wonder what it looks like with reported earnings, I can assure you it is not weaker. On the contrary: Reported S&P 500 earnings apparently more than doubled in 2021.

For the Norwegian benchmark index, estimated future earnings per share rose by 59 per cent during the year. Trailing earnings rose by almost twice as much.

### Value neutral



Difference in annual total return, MSCI Value less MSCI Growth, percentage points. Source: MSCI

**THE COMMODITY BOOM**

For Norway, the earnings increase was partly due to a commodity boom that started to accelerate after the pandemic shock in 2020, sending Brent Blend crude oil up from \$23 per barrel at the end of March 2020 to \$78 per barrel at the end of 2021. This sizable increase can probably be ascribed to a combination of fear subsiding and growth picking up.

For other commodities, bottlenecks due to partial lockdowns and supply lags were more important in driving what was to be a commodity boom unparalleled since the temporary spike in the prelude to the global financial crisis. In 2021 alone, the Dow Jones Commodity Index rose a further 29 per cent.

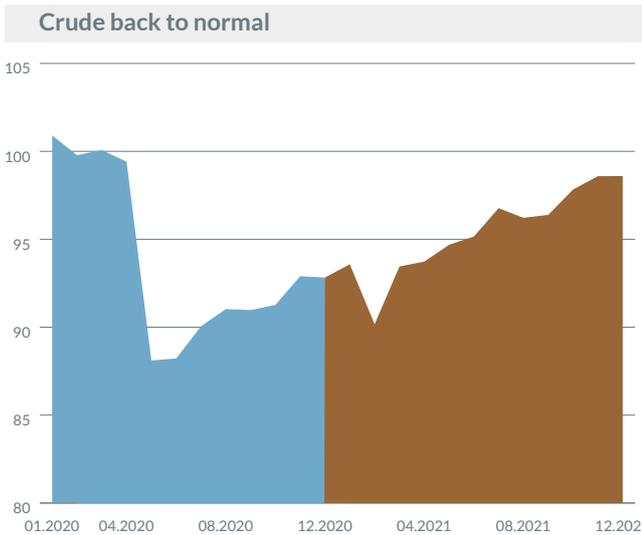
One commodity really stood out: European natural gas. Starting the year at \$17.40 per oil barrel equivalent, it shot above \$155 just before Christmas, before more than halving in the last week of the year. The American market saw no such price movements, a testament to the cost of transporting natural gas across the Atlantic.

Other factors were at play as well. Storage levels were low going into 2021 and it may well be that Russia had limited their spot supplies as a means of softening resistance to the Nord Stream 2 pipeline that would bypass both Ukraine and Poland.

Knowing what was to happen in 2022, one may probably be excused for having harboured such suspicions.

**BEST GROWTH SINCE 1973**

Driving both profits and commodities, of course, was the strong growth in the global economy. Since the expansionary policies had now worked for a while and consumers had, after all, found more to spend money on, growth picked up significantly. Consequently, the world economy went from a sharp decline in 2020 to an exceptional upswing, probably the highest global growth rate since 1973. The latest IMF estimate puts global GDP growth at 5.9 per cent in 2021. The rebound was even stronger in the advanced economies, which are now estimated to have grown by some 5.0 per cent. Historically, growth has been stronger in the developing economies.



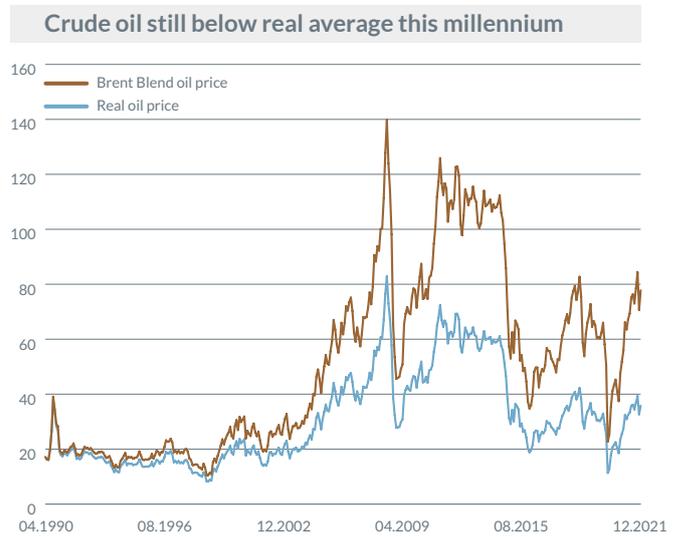
World crude oil and liquid fuels production, million barrels per day. Source: US Energy Information Administration



Brent Blend ICE Near Term NOK/bbl. Source: FactSet

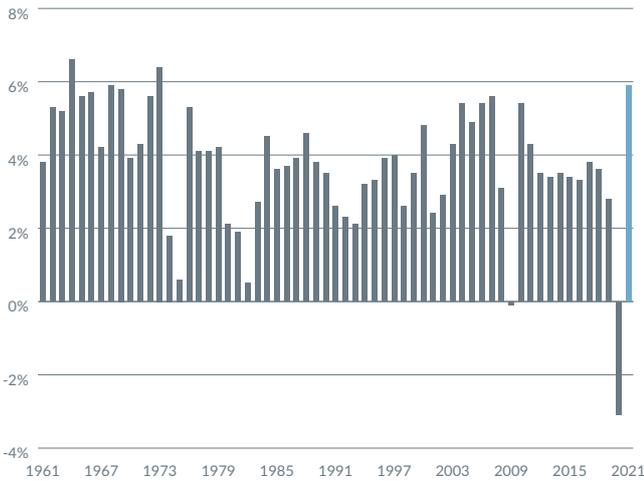


The Dow Jones Commodity Index. Source: FactSet



Brent Blend ICE Near Term \$/bbl. Source: FactSet

### Highest growth in almost half a century



World GDP growth in constant international dollars (chained).  
Source: IMF, World Bank

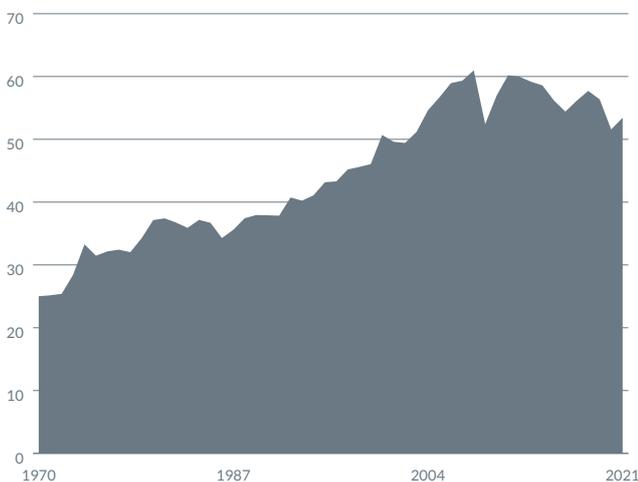
Furthermore, the upswing was well synchronised – or correlated, if you will, reinforcing the original impetus. Trade picked up, despite bottlenecks. As a percentage of global GDP, trade increased for the first time since 2018, although unassumingly so.

Part of the rebound was probably discounted in 2020 – remember, you should not equate growth with contemporaneous stock price appreciation – but there was obviously more to be had in the stock market.

### WHAT ABOUT THE OUTPUT GAP?

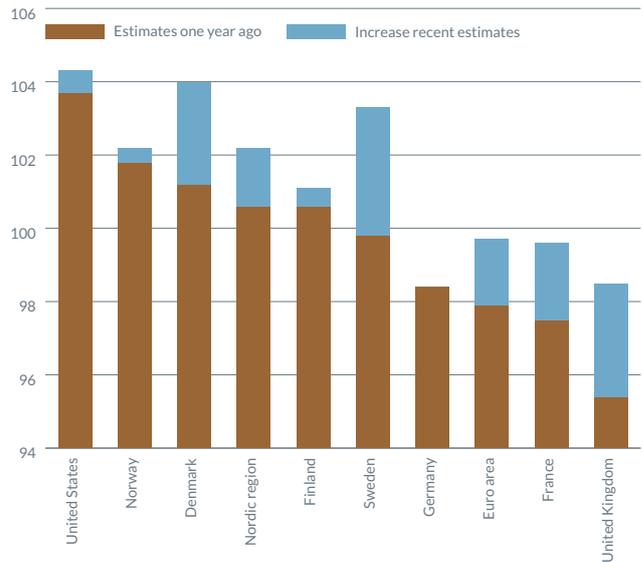
Was, or is, there more to be had in the real economy? Economists often attempt to calculate potential GDP, a theoretical concept showing the maximum sustainable GDP level given present resources (factors of production). I will not attempt such calculations now, but I have a fair guess that many economies are a bit below their potential GDP.

### World trade still struggling



World trade to GDP ratio in per cent. Source: World Bank, IMF, own estimates (2021)

### Somewhat overblown fears



Estimated 2021 GDP in per cent of 2018 GDP.  
Source: IMF, SSB, SCB, Pareto Asset Management

Last year, both the eurozone and the United Kingdom were still below their 2018 GDP levels, despite upward revisions of growth in the interim years.

In the United States, GDP probably exceeded its 2018 level by a wide margin. And many people have not returned to the job market after the pandemic, resulting in an unemployment rate that has once again crept below 4 per cent despite a low labour force participation rate.

Judging from appropriations passed in Congress and the ways in which they are to be implemented, there are still vast amounts of public dollars waiting to be spent. The crucial question, then, is whether this increased demand will be met by sufficiently high supply, or by inflation.

Logically, global supply-side delays should sooner or later give way to actual supply. And the IMF did forecast global growth of 4.4 per cent in 2022 in their latest (January 2022) update. Such high growth presupposes at least some flexibility on the supply side, as did pretty much all fiscal and monetary policies in the advanced economies through most of 2021. Higher inflation was believed to be a primarily temporary phenomenon.

An increasing number of countries reported conspicuously high current inflation rates, however. And while modest tightening measures were actually implemented in 2021, more was in the pipeline. There was an easily observable spectre: If temporarily higher inflation were to persist long enough for inflationary pressures to spiral, we would be entering a different financial paradigm.

Such was the overriding question concerning financial markets at the end of 2021. As yet there seemed to be no definitive answer, no consensus.

## AND THEN ...

The primary purpose of this annual review, of course, is analysing the financial developments of the past year in such a way that we may extract some useful, more general lessons. This is no venue for forecasts or estimates. Consequently, I devote little space to events occurring after New Year's Eve.

However ...

On February 24, 2022, Russia invaded Ukraine. With that, the country crossed a border – literally – that no one thought any European country would cross in modern times. Russia's invasion, a flagrant breach of international law, has created a humanitarian crisis for the civilian population in Ukraine and triggered unusually massive sanctions against Russia from a large number of countries.

Geopolitical unrest always rattles financial markets in the short term. In due time, however, the markets have always been able to shake it off. The question is whether the current situation is so dramatically different that it becomes pointlessly perfunctory to brush it off with a reference to historical figures. The picture is certainly so hazy that a detailed review may soon be outdated.

## A SMALL COUNTRY WITH VITAL COMMODITIES

Some more general reflections are nonetheless warranted. We can start by noting that Russia accounts for about 3 per cent of the world economy, measured in purchasing power-adjusted GDP. This figure is inflated by the relatively low Russian price level. Measured by GDP in current market prices, which better reflects the volume of international trade, the share falls to 1.7 per cent.

Plummeting trade will hurt both exporters and importers. Sanctions will be met with reverse sanctions, and it will not be easier to sell Norwegian salmon there than it has been for the past eight years. For the global economy, however, cutting off parts of Russia's exports may be more important – whether by Western sanctions or Russian attempts to ration critical goods. In addition, there may be indirect effects whereby obstacles in Russian-related supply chains affect price growth in the West and contribute to stronger inflationary pressures.

While potentially critical for the global supply of wheat, due to both Russia and Ukraine being large producers, the war may have a larger impact on the energy market. It has already led to very high oil and gas prices. With the mothballing of the new gas pipeline from Russia, Nord Stream 2, we will have an even tighter energy balance, and with further uncertainty about supply in existing agreements, oil and gas prices may be propped up for years to come.

Whereas, in isolation, this is to Norway's advantage, it is negative for the world economy. However, the contractionary effect is weaker than during previous oil crises, simply because oil accounts for a much smaller share of global GDP.

In conclusion, the political and economic consequences of the invasion and sanctions adopted are obviously uncertain. It still seems fair to say that it will probably hamper growth and fuel inflation, although the perhaps surprisingly subdued market reactions in the West (the Moscow stock exchange plummeted and then closed) might indicate a softer impact.

But let's not get tangled up in financial perspectives. For once, that's really not the most important aspect. Our sympathy goes out to all concerned.

### 2021 in a nutshell

OSEBX	23.4%
S&P 500 return	28.7%
MSCI World net (USD)	21.8%
3-month NIBOR	from 0.49% to 0.95%
10-year Norwegian Treasury	from 0.96% to 1.70%
10-year Swedish Treasury	from 0.03% to 0.23%
10-year US Treasury	from 0.92% to 1.51%
Brent Blend	from USD 51.80 to USD 77.78
USD/NOK	from 8.53 to 8.82
EUR/NOK	from 10.47 to 9.99
USD/SEK	from 8.19 to 9.04
GDP growth, global	5.9%
GDP growth, Norway	3.9%
GDP growth, Sweden	5.2%
GDP growth, Mainland Norway	4.2%

Sources: Oslo Børs, S&P Dow Jones Indices, MSCI, Norges Bank, FactSet, IMF, SSB, SCB, Riksbanken, Pareto.

# PARETO SECURITIES AS

*Pareto Securities is an independent full-service investment bank with a leading position in the Nordic capital markets and a strong international presence and global distribution.*

Headquartered in Oslo, Norway and with 13 offices in ten countries, Pareto Securities raises equity, debt and project finance for a wide range of industries in the international capital markets. Pareto Securities aims to be the preferred Nordic supplier of financial services, providing sound financing solutions and attractive investment opportunities for companies and investors in sectors and industries where our employees have first-hand knowledge and experience. Pareto Securities is a leading investment bank globally within energy, the maritime industry and aquaculture. In recent years the company has especially grown its presence within energy transition, technology and healthcare. Pareto Securities is also a leading player in project financing and the syndication of real estate and vessels in the Nordics.

## **BROKERAGE AND INVESTMENT BANKING SERVICES BACKED UP BY IN-DEPTH RESEARCH**

Pareto Securities provides financial advisory services in connection with corporate financing, mergers and acquisitions (investment banking), project financing and the management of real assets, as well as equity, bond and currency broking services. Pareto Securities believes Nordic companies have the necessary knowledge, support, and entrepreneurship to be frontrunners in the energy transition. We also offer rig brokerage and business management services through subsidiary companies.

## **AN INTERNATIONAL PRESENCE**

Pareto Securities has offices in Norway, Sweden, Finland, Denmark, the United Kingdom, Germany, Switzerland, the United States, Australia and Singapore. The international presence secures our proximity both to the major capital centres of the world and to issuers within our core areas of expertise.

The combination of a local presence and a network of international investor contacts form the foundations for Pareto Securities' placement power in the equity and bond markets.

## **EQUITY AND BOND BROKERAGE SERVICES**

We provide equity and bond broking services from offices in Oslo, Stavanger, Stockholm, Malmö, Helsinki, Copenhagen, Frankfurt, Zürich, Singapore and New York.

### **We offer investors a combination of:**

- Regular dialogue with research analysts and brokers
- Extensive road shows and conferences.

We are a leading player within online trading in the Nordics and provide securities financing.

## **CASE-BASED RESEARCH PRODUCTS**

The bedrock of our research is thorough and detailed knowledge of and a long-term commitment to the industries

we cover. Because of this approach, our research products have become valued by an international community of investors, on both the equity and the debt side.

Our equities research team consists of research analysts in Norway, Sweden and Germany. Our ability to serve our clients depends upon the research team having a thorough understanding of the industries in which they specialise. The reports of our research team are available to all of Pareto Securities' departments and all clients.

The focus of the research department has shifted towards case studies and away from company reporting. This has increased the relevance of the research products to investors. Pareto Securities Equity Research has historically had a focus on industries and sectors where the Nordic countries have had a competitive edge, such as energy, industrials, seafood and transportation. Over the past few years this has evolved, with energy transition, renewables and technology becoming sectors of greater importance across our home countries and globally. In 2021 we initiated coverage of 66 new companies, where renewables and clean tech is the second largest sector covered by the research department.

Our credit research team is present in Norway, Sweden and Germany. This team follows the credit markets where we have issued bonds and compiles credit reports on issuers.

Accurate credit reports ensure that corporate bonds are correctly priced and enable investors to base their investment decisions on sound information. Because credit analysis forms an integral part of the research product, our credit analysts work closely with equity analysts. First-hand knowledge of the ability of a company to raise debt capital is a prerequisite for understanding its chances of success on the stock market.

The research department also serves as a recruitment and training unit in which young talent is schooled in corporate research and finance. After a period of research work these recruits are given the opportunity to transfer to other departments in the same country or to spend time working in an office abroad.

## **CONFERENCES AND ROADSHOWS**

An important aspect of our research work is arranging seminars and field trips for our investors. Conferences and roadshows have to a great extent also in 2021 been held on a digital basis. Every autumn, Pareto Securities hosts a two-day energy conference in Oslo. This event is one of Europe's leading investment forums for energy-related companies. The 2021 hybrid seminar with both physical and virtual attendance attracted a record-high 160 companies presenting and some 3 000 investors and industry professionals participating.

Other notable conferences include our 10th annual Nordic corporate bond conference in Stockholm, a power & renewable energy conference in Oslo, a Nordic TechSaas conference, the North Atlantic Seafood Forum in Bergen, and a healthcare conference in Stockholm.

Pareto Securities hosted in total 18 conferences and 517 roadshows in 2021.

### A COMPREHENSIVE RANGE OF INVESTMENT BANKING SERVICES

Pareto Securities' Investment Banking division holds a leading position in the Nordics. We continuously develop together with our clients. We have acted as manager in more than 500 equity and debt transactions and have raised more than USD 30 billion in equity and debt capital for corporate clients since 2015. Furthermore, our investment banking team has advised on more than 150 private and public sales, acquisitions, and mergers over the same period.

As a full-service investment bank, Pareto Securities offers a complete range of financial services within Equity Capital Markets (ECM), Debt Capital Markets (DCM), Mergers & Acquisitions (M&A) and advisory, as well as project finance and asset syndication. Our presence across Europe, North America, Asia and Oceania provides unique proximity to and knowledge of key industry players and investors.

The investment banking team is made up of more than 130 professionals with background from global capital markets, consultancy, and a variety of industries.

### REAL ESTATE

With over 25 years of experience, Pareto Securities has a long and strong track record in real estate project finance and investment banking, and is active in Norway, Sweden, Denmark and Finland. We raise capital and arrange debt financing for individual real estate projects, as well as arrange complex real estate transactions and club deals. We also act as advisors in corporate finance transactions like mergers, acquisitions, equity issues and block sales. In 2021 we carried out 46 syndicated transactions with a combined property value of over 26 billion. The total value of the real estate portfolio is more than NOK 50 billion.

### SHIPPING

The Project Finance department has long experience of and extensive expertise in syndicating and managing shipping investment projects. Through our subsidiaries Pareto Business Management AS and Pareto Maritime Services AS, we manage 31 projects with 45 vessels at yearend. In 2021 we carried out 24 transactions across most sectors such as tank, chemical, container offshore and bulk.

In recent years, we have been the biggest facilitator in the Norwegian market for project financing in the shipping sector, with a market share above 50 per cent for the last 5 years.

### PARETO BUSINESS MANAGEMENT

Our subsidiary Pareto Business Management AS (PBM) manages the operational and accounting functions of our real estate and shipping/offshore projects. Swedish and

Danish subsidiaries provide corresponding services to project companies in their respective markets. PBM in Norway, Sweden and Denmark have management responsibilities for some 100 investment companies with a combined value of NOK 57 billion. PBM's team is made up of experienced professionals with expertise in the areas of accountancy, financing, taxation, corporate law, and technical management.

### PARETO OFFSHORE AS

Our subsidiary Pareto Offshore provides brokerage and advisory services to the global rig and drilling industry. The firm also undertakes valuations and market updates.

### CURRENCY OPERATIONS

Currency operations form an integral part of our investment services.

### STAFF GROWTH AND RECRUITMENT

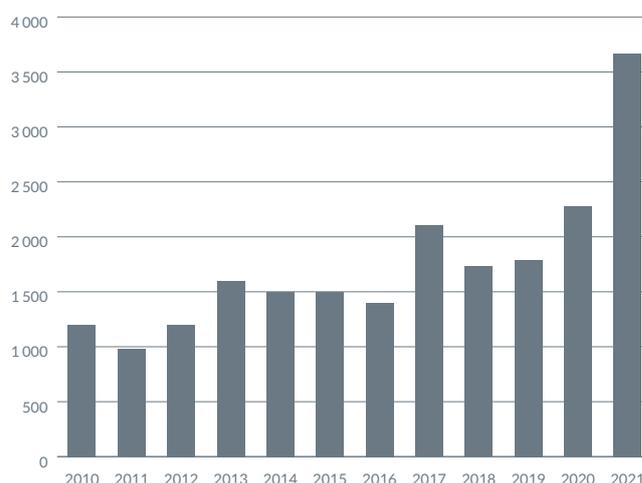
At the outset of the year, the personnel count was 450, compared with 462 at the end of the year. Of these, more than half work outside Norway.

Pareto Securities recruits young talent, mainly through our graduate recruitment programme which focuses on students from the best universities. The company offers new recruits a flat organisational structure, attractive incentive schemes and early responsibilities.

#### Pareto Securities AS

Dronning Mauds gate 3  
P.O. Box 1411 Vika  
Oslo, Norway  
Telephone: +47 22 87 87 00  
Turnover 2021: NOK 3 668 million  
Equity 2021: NOK 766 million  
Number of employees: 462  
CEO: Christian Jomaas  
Christian.jomaas@paretosec.com  
Chairman: Morten Goller  
[www.paretosec.com](http://www.paretosec.com)  
[www.paretosec.no](http://www.paretosec.no)

#### Pareto Securities - operating revenues NOK mill.



# PARETO ASSET MANAGEMENT AS

*Pareto Asset Management is an asset management group with a growing international presence as a Nordic specialist.*

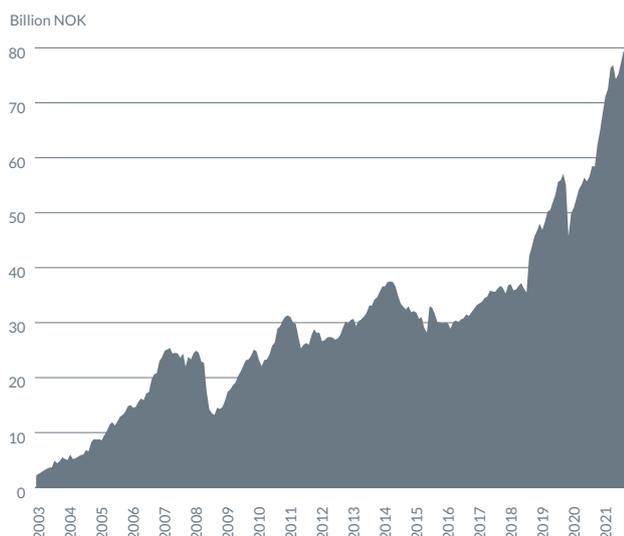
For Pareto Asset Management, the second year of the pandemic became a year of strong growth. Through a combination of market tailwinds, excess return in our larger mandates and successful sales efforts, our combined assets under management (AUM) increased by NOK 21 billion to NOK 79 billion.

This includes our Stockholm-based subsidiary Enter Fonder AB. Enter Fonder is an independent asset manager specialising in Swedish equities and fixed income. It was acquired by Pareto Asset Management three years ago, underscoring our Nordic ambitions and providing added competence in managing Nordic securities.

Including our offices in Stockholm and Frankfurt, the Pareto Asset Management group now has a staff of 68.

Net selling is particularly strong abroad, with international clients primarily invested in our fixed-income products. In 2021, new clients came aboard from Belgium, Finland, France, Germany, Spain and Switzerland.

## Record-high AUM



This year, the hybrid fund Pareto Nordic Return was merged into the equity fund Pareto Investment Fund. Both funds had the same fund managers and fairly overlapping equity portfolios before the merger.

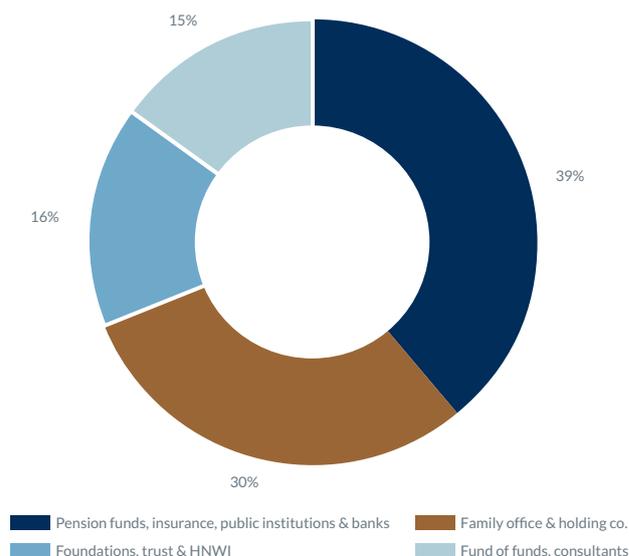
For the third year in a row, the company arranged summer internships for highly competent students. Again, their

primary focus was evaluating sustainability performance in several of our funds. One of the preceding year's summer interns was hired as a full-time equity analyst.

## THE IN-HOUSE ASSET MANAGER

Our services are directed at large and medium-sized enterprises in the private and public sectors, banks, insurance companies, pension schemes, trusts and foundations and high-net-worth individuals. Our core values are trust and quality.

## Client distribution



Taken as a whole, companies and personnel in the Pareto group constitute our biggest "client", accounting for more than NOK 7 billion of the assets under management. Our willingness to invest extensively in our own products underscores our faith in our ability to invest wisely, our approach and our asset management philosophy. It also ensures that our interests are aligned with those of our clients.

## AN EFFICIENT ASSET MANAGEMENT PHILOSOPHY

**Our investment philosophy can be summarised in five bullet points:**

- We are active managers. We seek to generate an attractive risk-adjusted return. For mandates with benchmark indices, this means outperforming the index, which requires independent security selection and a high active share.

- We are company focused. Our concern is the individual security, based on the properties of each company. In fixed income, our returns are primarily harvested from credit spreads rather than interest-rate risk.
- Our approach is fundamental. We look at such aspects as business model, operations, profitability, return on equity and invested capital, management, strategic challenges and, obviously, pricing.
- Our approach is concentrated. Our portfolios contain a limited number of companies, each of which we monitor closely and know well. In fixed income, traditional diversification is more important.
- We have a long-term perspective. Sooner or later, good management, efficient operations and high value creation will be reflected in the price. From a sufficiently long-term perspective, the profitability of the company is more important than key figures at the time of purchase.

### INCREASED EMPHASIS ON SUSTAINABILITY

Across all asset classes and mandates, we place great emphasis on sustainability and integrating ESG considerations in our investment processes. This is a key consideration and a fundamental part of our asset management – and very well suited to an active management philosophy.

Enter Fonder, where this has long been a flagship issue, publishes four sustainability reports a year, describing how exclusions are made and how sustainability risk is included into the investment processes. Pareto Asset Management publishes two semi-annual reports on responsible investments.

In adapting to the European regulation on sustainability-related disclosures in the financial services sector (SFDR), Pareto ESG Global Corporate Bond and Enter Return are classified as Article 9 funds. The former was the first fixed income fund in Sweden and Norway to receive the Nordic Swan Ecolabel.

### STRONG LONG-TERM EXCESS RETURNS

All our equity products, Enter Fonder included, have recorded excess returns relative to their respective benchmark indices or markets since inception or change of manager.

Our very first product, discretionary management of Norwegian equities, now has a track record of more than 26 years. Over these years, an average annual return of 13.1

per cent has compounded to a total return of 2 462 per cent, delivering an excess return of 3.5 percentage points annually and – through the powerful force of compounding – a total excess return of 1 450 percentage points (the 0.5% fee class).

The related portfolio in Pareto Aksje Norge, our largest equity fund, recorded a return in 2021 of 28.0 per cent (share class I), versus 21.1 per cent for the Oslo Børs Mutual Fund Index. Our other Norwegian equity fund, Pareto Investment Fund, also delivered an excess return, as did Pareto Global. Pareto Nordic Equity, on the other hand, having a more defensive portfolio, did not manage to keep up with its Nordic benchmark index this year.

For the third year in a row, our top return was recorded by Enter Småbolagsfond, a Swedish small-cap stock fund, which returned an impressive 48.7 per cent to its share class A unitholders – following 65.5 per cent the preceding year and 49 per cent the year before.

In fixed income, 2021 was notably less dramatic than 2020. With steadily tightening spreads through the first half of the year and an admittedly somewhat bumpier second half, our largest fixed-income fund, Pareto Nordic Corporate Bond, delivered a return of 6.6 per cent (share class B).

The strongest fixed-income AUM growth, in relative terms, was recorded by the crossover fund Pareto Nordic Cross Credit, where AUM now stands in excess of NOK 3 billion. A general observation is that the concept of floating rate notes seems to go down well with international investors in a world of higher inflation and possibly quite a bit higher interest rates.

### Pareto Asset Management AS

Dronning Mauds gate 3  
 P.O. Box 1810 Vika  
 0123 Oslo, Norway  
 Telephone: +47 22 87 87 00  
 Turnover 2021: NOK 689 million  
 Equity 2021: NOK 46 million  
 Number of personnel: 68  
 CEO: Eric von Koss Torkildsen  
 Eric.Torkildsen@paretoam.com  
 Chairman: Rune Selmar  
[paretoam.com](http://paretoam.com)

# PARETO ALTERNATIVE INVESTMENT AS

*Pareto Alternative Investment AS (PAI) is an independent alternative investments fund manager (AIFM). PAI focuses on illiquid investments in real assets across industries including real estate, infrastructure and renewables. At yearend, PAI had assets under management totalling NOK 25 billion.*

The company was founded in 2015. Nevertheless, the business conducted by the firm has a long history in the Pareto group. The primary investment goal is to generate attractive returns through long-term and stable cash flows. The products offered by PAI are comprised of either equity or debt investments.

2021 proved to be a good year for the firm, with an increase in assets under management and solid performance in most funds and discretionary mandates. Net revenues recorded by the company in 2021 amounted to NOK 75 million, up from NOK 67 million in 2020.

The company had a total of ten employees at yearend, one of whom works in the company's branch office in Stockholm.

## CUSTOMERS AND SALES

PAI has maintained its focus on Norwegian institutional investors in recent years. Typical customers include public and private pension funds, life assurance and insurance companies. All funds and mandates are sold directly by the firm's managers. PAI's ambition is to expand its client base over the coming years, not only by growing the individual client segments but also by expanding its presence in the other Nordic countries.

In 2021 PAI established Pareto Eiendomsfelleskap Invest AS, a leveraged feeder fund to the unleveraged master fund Pareto Eiendomsfelleskap IS. The master-fund invests mainly in the logistics/warehouse segment and has an underlying portfolio of NOK 7.6 billion. PAI also transferred its first sustainability-linked real estate credit fund to Luxembourg, Pareto Real Estate Credit Fund SCSp. The transfer allows marketing of the fund to international investors from 2022 and will be the first step for PAI trying to expand its client base to the other Nordic countries.

## RETURNS

Expected returns will depend to a considerable degree on the investment profiles of the fund/mandate and accordingly returns vary widely from product to product. PAI manages funds that invest in both leveraged and unleveraged project companies, as well as more conservative debt mandates. In recent years, returns on investments have been good, especially in real estate, while the credit mandates continue to capture meaningful illiquidity premiums.

In 2021 the unleveraged real estate funds Pareto Eiendomsfelleskap IS and Pareto Eiendomsfelleskap II IS delivered their highest ever annual returns of 19.1 per cent and 10.8 per cent, respectively.

## Pareto Alternative Investments AS

Dronning Mauds gate 3  
P.O. Box 1396 Vika  
0114 Oslo, Norway  
Telephone: +47 22 87 87 00  
Turnover 2021: NOK 75 million  
Equity 2021: NOK 27 million  
Number of employees: 10  
CEO: Johan Anker-Rasch  
johan.anker-rasch@pareto.no  
Chairman: Sigurd Opedal  
[www.paretoai.no](http://www.paretoai.no)

# PARETO WEALTH MANAGEMENT AS

*The company aspires to be in the vanguard of the investment advisory and wealth management sector in Norway.*

## STEERING A STEADY COURSE

Pareto Wealth Management AS is a proficient operator with great expertise in our area of business. Our primary product is investment advice on the selection and composition of mutual fund portfolios and as a supplier of discretionary mandates.

2021 was yet another year with planning affected by the COVID-19 pandemic. We made several internal adjustments regarding customer relations and workplaces. This year, however, nearly all markets performed well. We served our clients both from the office and through digital solutions.

The company set a new record in raising new capital to our investment solutions. Net sales ended at about NOK 900 million. This, combined with positive net returns on the clients' investment portfolios, lead to an increase in total assets under management of some NOK 5 billion. At yearend our total assets under management amounted to NOK 25.3 billion.

The primary target groups for the firm's products – high-net-worth individuals, corporations, and institutions – are followed up by dedicated investment advisors. A large proportion of the firm's personnel work as advisors.

## STRATEGY

Pareto Wealth Management remains true to the strategy of building solid and long-term portfolios for our clients. In addition, we offer individual products and investment projects to a smaller selection of clients more involved in managing their own portfolios. The company's recurring portfolio revenues account for 95 per cent of overall income, covering all fixed expenses. This approach ensures that the long-term interests of the clients and the company are closely aligned.

A substantial portion of our clients' capital is placed in Norwegian and international mutual funds through the firm's carefully selected strategic portfolios or in the form of independent fund solutions. The company also builds bespoke products to suit the needs of larger investors.

We offer a wide range of investment products from external suppliers, both in and outside of Norway. We also work with other Pareto companies in order to take full advantage of the group's expertise, products and steadily expanding network.

This enables us to build a well-balanced investment portfolio for each client, ensuring that Pareto's own products are benchmarked to the competition. Our goal is that the client should always receive the best products available, irrespective of supplier.

The watchwords on the personnel side are expertise and focus. Our employees should be known for having professional expertise in their individual fields, building the loyalty and trust of our clients from the sound investment advice and expertise that we provide. Achieving this requires more than just skilled people – systems and solutions facilitating prudent decisions for the benefit of the client must also be in place.

Our efforts will always be directed at enhancing the quality of our advice and products. Our aim is that the quality of the advisory services and products offered will enhance returns on client funds, thus providing higher earnings also for the company.

## Pareto Wealth Management AS

Dronning Mauds gate 1  
P.O. Box 1418 Vika  
0115 Oslo, Norway  
Telephone: +47 23 23 99 00  
Turnover 2021: NOK 78.7 million  
Equity 2021: NOK 20.6 million  
Number of employees: 33  
CEO: Rune Wassum  
rune.wassum@pareto.no  
Chairman: Kjersti Haugstad Sanstøl  

**pwm.pareto.no**

# PARETO SHIPBROKERS AS

*Pareto Shipbrokers AS (PSAS) offers global brokerage services in the offshore, renewables and telecom markets, serving a wide range of shipowners, charterers, shipyards and operators worldwide. The company operates from three locations – Kristiansand, Norway, Guildford, England and Aberdeen, Scotland.*

PSAS' history dates back to 1912, when the company started out in the lumber and shipbroking business. The company played a central role in establishing and building up many shipping companies in southern Norway in the late 1920s and 1930s. Until the 1980s, the company mainly acted as an exclusive broker for shipping companies located in southern Norway for chartering, contracting newbuilds, and buying and selling tonnage. The company has an unbroken history of shipbroking extending back 110 years. In 2006, the company joined the Pareto group.

Our offshore department was established in the mid-1970s, when the supply vessel sector started to expand. During the years, the offshore brokerage business increased significantly, establishing PSAS as a market leader in this sector.

The core business is brokering of vessel charter contracts between the vessel owners and the operators / oil companies. Long-term contracts have a duration period from one month to several years. Another important segment is spot market contracts, with a duration of 29 days or less. The offshore vessel contracts are mainly for supply vessels, anchor handling vessels and subsea support / installation vessels. Lately we have increased our focus on chartering vessels for the offshore wind energy sector. This includes brokering of maintenance and support vessels, crew change vessels and various service vessels. Another sector with increased activity is brokering of medium to long term contracts for accommodation vessels and rigs, both in the North Sea region and globally. Brokering of newbuilds vessel projects is an important part of our business even in the current challenging market. In addition, there has been increased activity in the sale and purchase of vessels, new and used, during the year. Valuation of individual vessels and fleets are also contributing business areas.

The company is represented in the UK by Pareto Shipbrokers Ltd, a wholly owned subsidiary which is headquartered in Guildford outside of London, with a subsidiary office in Aberdeen. The UK business primarily comprises the broking of offshore units for the oil and gas industry and for the renewable energy sector. Acquisitions and sales of vessels and equipment of all types within the primary area of business also make up an important part of the business concept.

Over the years, PSAS has developed extensive expertise in specification analysis and design of future supply vessels and special units for offshore operations. Working in collaboration with marine architects, designers and shipowners, we have been involved in a range of new vessel projects and contracted a number of newbuilds.

The current COVID-19 situation has had a major impact on almost all markets we operate in. Even though the oil and gas markets improved significantly in the last half of 2021, we have been affected due to uncertainty in these markets. We still experience cancellations and postponements of contracts. In order to mitigate these effects, we have increased our focus on the offshore wind energy market as well as sales and purchase of assets. Another market where we have been a leader is in developing autonomous vessels, which has resulted in numerous newbuilds at Norwegian yards. Looking forward, we are focused on helping the industry develop new concepts for ships with low carbon emission footprint through various technology advancements.

## COLLABORATION

As part of the Pareto group, collaborating with other subsidiaries, PSAS is able to offer package solutions that include buying and selling, full financing of equity and debt, as well as securing employment for vessels and rigs. In addition, we are working closely with international brokers in other regions of the world, enabling PSAS to provide a complete global vessel broker service.

The combined strengths of the PSAS companies make us a significant player in the offshore broking business.

## Pareto Shipbrokers AS

Dronningens gate 3  
4610 Kristiansand, Norway  
Telephone: +47 38 12 31 11  
Turnover 2021: NOK 61 million  
Equity 2021: NOK 23 million  
Number of employees: 24  
CEO: Karsten Christensen  
karsten@pareto-ship.no  
Chairman: John G. Bernander  
[www.pareto-ship.com](http://www.pareto-ship.com)

# PARETO BASSØE SHIPBROKERS AS

*Pareto Bassøe Shipbrokers comprises tanker brokers P.F. Bassøe AS and dry cargo brokers Pareto Dry Cargo AS.*

## **P.F. BASSØE AS**

The main business of shipbrokers P.F. Bassøe is tanker chartering. Our services are rooted in our comprehensive knowledge of the markets in which we operate, and our aim is to deliver added value to our clients by providing accurate and timely information, a high level of service, reliability and creativity. We offer chartering services in most tanker segments. Our client base is international, consisting of shipowners, international oil companies and oil traders.

With clients in all time zones, a substantial part of our work involves ensuring that they are informed of market developments at all times. We also place great importance on monitoring transport assignments after the commercial terms have been agreed. Our operations department is staffed by a highly professional team with experience of working both at sea and in shipowning companies.

In addition to standard chartering services we undertake project-oriented work on long-term charters and freight contracts, as well as customising solutions to the specific requirements of individual clients.

Market research is an essential support service for our clients and for our own brokers. This work involves continuous market monitoring, projections, and in-depth studies of segments and trends within our markets.

## **PARETO DRY CARGO AS**

Pareto Dry Cargo maintains a global network of shipowners and industrial clients. We have a solid foothold in the dry bulk chartering business, with a particular focus on Ultramax, Supramax and Handysize tonnage. In addition to working actively in the spot market, our brokers focus on long-term freight contracts and charters. The company also works closely with industrial clients in the aluminium, cement and grain industries. Project and advisory services are also available.

## **Pareto Bassøe Shipbrokers AS**

Dronning Mauds gate 3  
 P.O. Box 1411 Vika  
 0115 Oslo, Norway  
 Telephone: +47 24 02 81 90 / +47 24 02 81 80  
 Turnover 2021: NOK 30 million  
 Equity 2021: NOK 13 million  
 Number of employees: 8  
 CEO: Hans Martin Lie / Bjørn Erik Løkken  
 dry@pareto.no / crude@pfbassoe.no  
 Chairman: Trine Charlotte Høgås-Ellingsen  
[www.pareto.no](http://www.pareto.no)

# PARETO FORSIKRINGSMEGLING AS

*Pareto Forsikringsmegling AS is an independent advisor and insurance broker offering bespoke non-life, life and pension insurance solutions and general insurance advice. Annually, we purchase insurance cover worth over NOK 1.5 billion on behalf of our clients.*

## **INSURANCE BROKERAGE AND ADVISORY SERVICES**

Pareto Forsikringsmegling offers brokerage and advisory services within non-marine insurance. Our clients are large and medium-sized enterprises in the private and public sectors. In addition, we offer group cover products (affinity) for non-profit organisations, as well as product insurance for the products and services offered by companies.

Drawing on in-depth risk analysis and industry knowledge, we advise our clients on the structure of the risks associated with their business and what we consider to be the correct level of cover. Based on this analysis, we draw up a general policy on insurance and an optimum insurance program.

At the reporting date, the company has 30 employees: 25 in Oslo and 5 in Kristiansand. All our personnel have extensive experience and a high level of expertise in their respective specialist fields. Pareto Forsikringsmegling is a member of the GBN Worldwide network of independent insurance brokers.

## **NON-LIFE INSURANCE**

As a result of the current tougher market, major insurance companies are increasing their commercial insurance pricing. It is therefore important for us to be active in the market in order to limit cost increases for our clients.

The international insurance industry has become more restrictive. Risk appetite has fallen and premiums are increasing for most lines of insurance. We have also experienced that insurance companies have withdrawn from certain segments of the insurance market.

The primary concern of our non-life department is that our clients have the appropriate level of cover. We use risk and vulnerability analyses to alert our clients and make them aware of areas of risk to their property, vehicles, liability and consequential loss. The insurance cover taken out by our brokers on behalf of clients is largely provided by A-rated insurers. As a result, our clients can be confident that the insurers will have the willingness and ability to meet their obligations in the event of a claim.

## **PENSION AND LIFE INSURANCE**

The life and pension department arrange group life and pension insurance cover in cooperation with clients and their employees. The life and pension insurance market is currently characterised by increased premium costs.

We therefore need to actively use our bargaining power with providers in order to avoid cost increases for our clients. The market is well-functioning, with effective competition, and through our work for clients we make it possible for them to secure more favourable terms. Although there are a number of semi-public organisations that still have defined benefit pension schemes, there are fewer projects to replace these with defined contribution pension schemes.

The pension market for the public sector has been influenced by Storebrand re-entering the market. There is still very little activity considering the number of municipalities and public sector entities which have public occupational pension solutions. We expect a significant increase in activity in this market in the coming years.

## **DAMAGE PREVENTION**

As part of our overall range of services, Pareto Forsikringsmegling offers advice on damage prevention. On request, we can act as a collaboration partner in connection with risk analysis and evaluation as well as define assessment measures to improve risk economy. This allows us to reduce risk, claims frequency and secure optimum premium pricing for insurance solutions. Our damage-prevention concept involves both general advice and services specifically related to life and pension insurance and non-life insurance. Our damage-prevention advice encompasses risk assessment and damage prevention analyses related to risk management, safety culture and preparedness.

## **Pareto Forsikringsmegling AS**

Dronning Mauds gate 3  
P.O. Box 1527 Vika  
0117 Oslo, Norway  
Telephone: +47 22 87 87 00  
Turnover 2021: NOK 73 million  
Equity 2021: NOK 26 million  
Number of employees: 30  
CEO: Vegard Mjelva Finsæther  
vmf@pareto.no  
Chairman: Trine Charlotte Høgås-Ellingsen  
[www.pareto.no](http://www.pareto.no)

# EIENDOMSMEGLER KROGSVEEN AS

*Real estate broker Eiendomsmegler Krogsveen AS (Krogsveen) has, since its founding in 1975, primarily operated as an intermediary of residential real estate in the Norwegian market. In 2021, Krogsveen sold 8 400 homes and vacation homes worth NOK 38 billion.*

## HISTORY

Krogsveen has a history that can be traced back to 1975, when Gunnar Krogsveen established his first agent office in Bærum. In 2005, Danske Bank acquired the company from key employees. After more than twelve years of growth and healthy economic development as part of the Danske Bank Group, the company was acquired by Pareto AS in 2018.

## BRAND RECOGNITION

Krogsveen has been a leading innovator in the Norwegian real estate market. Consumers associate Krogsveen with security and trust. Brand surveys rate the company highly for “strong experience and expertise” and indicate that Krogsveen is perceived as the real estate specialist. The green Krogsveen colour has great brand recognition value, and market surveys indicate that the company has attractive housing ads.

## A UNIQUE CUSTOMER EXPERIENCE

Krogsveen has always given priority to providing unique experiences to its customers. During the five past years the company has ranked highest or second highest in customer satisfaction among real estate agents in the Norwegian Customer Barometer. Through its focus on sound advice and personal service for people who are in the market for housing – right from the very first inquiry for a new home through to handing over the keys – a valued relationship is created based on mutual trust. The Krogsveen housing search and match engine has been an important service that has differentiated the company from its competitors.

In order to take care of the longer customer journey associated with moving from one residence to another, Krogsveen offers adjacent services like storing, relocation assistance and cleaning as well as mortgage financing and insurance. Customers value the experience of one seamless journey and the agents appreciate being able to offer this value added service to the customers.

## BUSINESS TODAY

The company currently has 344 employees, most of whom work at one of the company's 53 brokerage offices. The organisation has departments for settlement, finance, marketing, trade and IT, all located in the company's headquarters at Fornebu in Bærum county.

Krogsveen's primary geographic market is Eastern Norway with 37 offices, 13 of which are located in Oslo. Additionally, the company has strong market positions in Western Norway, including the three largest cities Bergen, Stavanger and Ålesund. Furthermore, brokerage offices were established in Trondheim in 2018 and Kristiansand in 2020. Krogsveen has a 7 per cent share of all sales in the residential market for resale in Norway. The company ranks as the fifth largest real estate broker chain in Norway, though the largest bank-independent broker.

The main business is brokerage of resale homes and leisure properties. Krogsveen facilitates sales of new developments of single family homes and condominiums. In the leisure market by the sea, from Oslo to Sørlandet, Krogsveen is among the market leaders.

In recent years, the company has expanded the service range to include rentals, which operates through a separate company – Utleiemegler Krogsveen AS. This company operates from four offices co-located with the sales brokerage business.

## Eiendomsmegler Krogsveen

Martin Linges vei 17  
P.O.Box 1 Fornebu  
1330 Fornebu, Norway  
Telephone: +47 67 52 95 50  
Turnover 2021: NOK 643 million  
Equity 2021: NOK 135 million  
Number of employees: 344  
CEO: Stian Kløfta  
Stian.klofta@krogsveen.no  
Chairman: Leif J. Laugen  
[www.krogsveen.no](http://www.krogsveen.no)

# PARETO BANK ASA

## NORWAY'S LEADING PROJECT BANK

Pareto Bank is a specialised commercial bank whose business is concentrated around real estate financing, corporate financing, and ship financing. Since its inception in 2008, the bank has established itself as a central player in the financing of small and medium-sized enterprises in Southeastern Norway, as well as in larger Norwegian cities. An efficient organisation with a well-established corporate culture and a centralised credit process enables the bank to make credit decisions quickly and precisely, while offering solutions tailor-made to the customers' needs.

## OUTLOOK

Economic growth is expected to continue in 2022, despite uncertainty due to higher interest rates and cost inflation. We expect a moderate price growth in housing prices and continued strong activity in commercial real estate. Lending in real estate is expected to increase, following a strong deal flow at the end of last year. Growth in corporate finance and ship financing is expected to be flat to moderate at the beginning of the year, and then to pick up in the second quarter. We expect net interest income to increase further due to lending growth and higher interest rates on lending.

Capital buffer requirements are set to increase by 2.5 percentage points during 2022, while implementation of CRR2 and the SMB discount phase 2 will lift the bank's common equity Tier 1 capital ratio (CET1) by up to 2.0 percentage points. The bank expects to receive a renewed pillar 2 requirement by the Norwegian FSA at the beginning of 2022.

Profitability and robust credit quality contributed to 2021 being the best year in the bank's history. A positive and supportive culture has ensured a motivated team that has performed impressively despite continued challenging circumstances. Activity is good going into 2022 and the bank's ambition to deliver a return on equity at 14.0 per cent remains unchanged.

## OPERATIONS IN 2021

Pareto Bank had posttax profits in 2021 of NOK 504.5 million (NOK 428.4 million in 2020), corresponding to a return on equity of 14.0 per cent (13.0 per cent), in line with the bank's long-term ambition.

Net interest income increased to NOK 838.3 million (NOK 746.9 million), supported by lending growth, fee income and an improved deposit margin. Lending volume grew by NOK 1 144 million (NOK 1 500 million) to a record-high NOK 15 805 million (NOK 14 661 million). Other income contributed NOK 12.3 million (NOK 7.6 million), for a total income of NOK 850.7 million (NOK 754.5 million).

Total operational costs amounted to NOK 162.4 million (NOK 144.5 million) in 2021, corresponding to a cost/income ratio of 19.2 per cent (19.2 per cent). The cost increase was due to increased sales activity, office rent and profit sharing for the bank's employees.

Impairments amounted to NOK 20.1 million (NOK 44.9 million), corresponding to 0.13 per cent of net lending by yearend. Model-based impairments were partially reversed in 2021.

CET1 at yearend 2021 was 16.0 per cent (16.8 per cent). The bank's leverage ratio was at 16.0 per cent, since the bank's commitments generally have a risk-weight of 100 per cent or more. The minimum requirement for CET1 was 14.2 per cent.

The Board has proposed a dividend of NOK 3.50 per share of 2021 profits, corresponding to a payout ratio of 49.4 per cent and in line with the bank's dividend policy.

Pareto Bank ASA is listed on the Oslo Stock Exchange.

## The largest shareholders of Pareto Bank as of 31 December 2021:

Name	Stake
Pareto AS	20.0%
Société Générale	9.9%
Hjellegerde Invest AS	4.0%
Landkreditt Utbytte	3.6%
Rune Bentsen AS	2.8%
Svemorka Holding AS	2.8%
Kolberg Motors AS	2.5%

*Top management in the Pareto group owns 3.0 per cent of the shares.*

## Pareto Bank ASA

Dronning Mauds gate 3  
P.O. Box 1823 Vika  
0123 Oslo, Norway  
Telephone: +47 24 02 81 20  
Total assets 2021: NOK 19 985 million  
Equity 2021: NOK 3 822 million  
Number of employees: 53  
CEO: Tiril Haug Villum [tiril.villum@paretobank.no](mailto:tiril.villum@paretobank.no)  
Chairman: Åsmund Skår  
[www.paretobank.no](http://www.paretobank.no)

# OPTIMISM AND RESILIENCE

The first Pareto company was founded on 9 December 1985. The company was bought from Oslobanken AS by four employees when the bank was liquidated in 1992/93. Since then, Pareto has not only recorded significant organic growth, but has also moved into new areas of business through acquisitions.

The table below summarises a rich history of innovation, growth and changing conditions, through market rises punctuated by intermittent financial crises. The figures in the table show that the company has developed a robust business model. Pareto has recorded a profit in every single year of its

existence, with most being retained within the company to fuel future growth.

At the same time, the parent company has succeeded in building financial strength and liquidity, giving the company strategically valuable freedom of action and the ability to seize new opportunities as they arise.

A substantial proportion of the company's income has been channelled to the employees and partners. Pareto's success is predicated on its skilled and diligent personnel.

Year	Operating revenues	Profit for the year	Equity	Oslo Børs
1992	40	8	43	-10.0%
1993	90	23	31	64.8%
1994	82	15	37	7.1%
1995	83	22	59	11.6%
1996	160	50	101	32.1%
1997	364	115	170	31.5%
1998	232	46	239	-26.7%
1999	291	71	293	45.5%
2000	548	149	432	-1.7%
2001	507	79	466	-16.6%
2002	458	41	435	-31.1%
2003	517	139	541	48.4%
2004	964	239	725	38.4%
2005	2 044	681	1 412	40.5%
2006	3 277	1 099	2 049	32.4%
2007	3 470	1 126	2 931	11.5%
2008	1 755	2	2 801	-54.1%
2009	1 606	715	3 270	64.8%
2010	1 899	650	3 310	18.3%
2011	1 678	436	3 707	-12.5%
2012	1 869	536	4 147	15.4%
2013	2 485	940	4 970	23.6%
2014	2 512	895	5 908	5.0%
2015	2 038	1 032	5 845	5.9%
2016	1 940	742	6 387	12.1%
2017	2 719	1 071	7 334	19.1%
2018	2 857	662	1 433*	-1.8%
2019	3 010	401	1 716	16.5%
2020	3 679	825	2 335	4.6%
2021	5 292	1 571	3 804	23.4%

Consolidated figures expressed in millions of Norwegian kroner. Oslo Børs stock market returns are based on the Benchmark Index linked backwards to the former Total Index.

\*In 2018, Pareto AS demerged the company's financial investments into the newly formed company, Pareto Invest AS.

# FINANCIAL STATEMENTS 2021

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# THE DIRECTORS' REPORT 2021

## OUR BUSINESS OBJECTIVES

We want to further develop and strengthen Pareto as a financially sound and profitable group of highly focused and independent business units. Our work shall be based on high ethical standards and professionalism, respect and trust of the company's employees, partners, clients, competitors and the public authorities.

## OPERATIONS

The company's business comprises financial advisory services, brokerage in the field of securities, ships, rigs, real estate and insurance, as well as project financing and asset management. The group's business activities are primarily conducted through operating companies Pareto Securities AS and its subsidiaries, Pareto Asset Management AS and its subsidiary Enter Fonder AB, Pareto Alternative Investments AS, Pareto Wealth Management AS, Pareto Shipbrokers AS, Pareto Bassøe Shipbrokers AS, Pareto Forsikringsmegling AS and Eiendomsmegler Krogsveen AS. Pareto AS is the parent company of the group. Pareto's head office is located in Oslo and the subsidiaries have offices in Stavanger, Trondheim, Kristiansand, Stockholm, Malmö, Helsinki, Copenhagen, London, Aberdeen, Frankfurt, Zürich, Singapore, Perth, New York and Houston.

## EARNINGS

Developments in the securities markets have a significant impact, directly and indirectly, on Pareto's income statement. 2021 was an extraordinary year, as monetary and fiscal measures launched to counteract the shock of the corona pandemic took effect and lifted the global economy and financial markets to new heights. This led to high activity and productivity levels for the Pareto group and record-high results. Group revenues surpassed last year's all-time high with an increase of 44 per cent. Group profit also ended at an all-time high with an increase of 90 per cent compared to the year before. The income statement must be described as very satisfactory, both for the group as a whole and for the majority of its business activities.

Group operating revenues in 2021 amounted to NOK 5 292 million, compared with NOK 3 679 million in 2020. Operating profit was NOK 2 015 million, NOK 1 072 million in 2020. Pre-tax profit totalled NOK 2 026 million, NOK 1 069 million in 2020. Profit after tax amounted to NOK 1 571 million in 2021, versus NOK 825 million in 2020.

The financial strength and liquidity of the group are good. Book equity at yearend stood at NOK 3 804 million. Bank deposits totalled NOK 1 874 million.

The parent company's after-tax profit was NOK 987 million, NOK 598 million in 2020. At yearend, equity in the parent company amounted to NOK 3 323 million, up from NOK 1 979 million in 2020.

Pareto's decentralised operating model once again played its part in fostering engagement and commitment among our partners and employees, and in ensuring that attention was focused on maintaining high client activity, sensible cost levels and low risk.

The Board of Directors is very satisfied with the performance of the subsidiaries and will continue the long-term investment strategy of the parent company. Distributions received from the subsidiaries will be applied in the development of new ventures under the group's own umbrella or invested in other well-run companies, primarily in the form of equities.

## PARETO'S STRATEGY

Pareto's strategy is to be a leading, independent Nordic investment company in which the individual subsidiary has a decentralised and focused strategy.

Although priority is given to organic growth and the development of in-house expertise, acquisitions and mergers will be considered if they serve to develop and complement the company and extend the product range. Pareto will cooperate with other companies if appropriate and whenever doing so will offer our clients the best product.

Pareto's aim is to be a preferred provider of financial services, reflecting the company's thorough and detailed knowledge of social conditions, industries and individual companies. The Directors believe that, based on the group's proven ability to adapt and change, Pareto still has considerable potential for improvement and growth. One example of this is provided by the way in which Pareto has used its core expertise in selected industries as a platform for international expansion.

## OUTLOOK

In addition to the company's own efforts and development, Pareto's earnings are affected by the general levels of activity in the financial markets.

The Russian invasion of Ukraine 24 February 2022 has led to market turbulence and soaring energy prices. The effect on the global economy will depend on several factors including length and scope of the conflict and severity of sanctions towards Russia. Financial and economic consequences aside – our sympathy goes to those affected by the conflict.

Over the years the group has expanded internationally and built sources of income – including energy transition and renewables – that offer a greater level of stability. Even so, we remain vulnerable to major, long-term fluctuations in the oil price and to the development of the Scandinavian economies in general.

While fully aware of these challenges, the Directors have a fundamentally optimistic outlook and take a positive view of Pareto's prospects, not only in the coming year but also in the longer term. Pareto has a modest cost structure and a sound balance sheet and is thus well equipped to tackle challenges in the market.

### D&O INSURANCE

The group holds a Directors & Officers insurance. The cover provides board members, the CEO and senior management with insurance against personal liability, for actual or alleged, wrongful acts in managing the company and subsidiaries. The insurance also covers legal expenses.

### KEY RISK FACTORS AND OTHER MATTERS

The group is exposed to market-related risks in respect of own account holdings in securities, counterparty risk, settlement risk, foreign currency risk and litigation risk related to alleged errors in the facilitation of capital raising and project financing projects. The risks relating to the business of the subsidiaries are managed according to the rules of the Companies Act, the Securities Trading Act, the Securities Funds Act and the Risk Management and Internal Control Regulations issued by Finanstilsynet (The Financial Supervisory Authority of Norway).

The working environment in the companies of the group is good. Although COVID-19 restrictions put in place by our government made it necessary to work from home for part of the year, we were able to work from and meet at our offices to a greater extent than the year before.

As restrictions have been lifted, we look forward to working from the office and experiencing the positive energy, community and creativity created when colleagues meet.

Work commitment and productivity were high throughout the year. The level of absence due to sickness in the group is low and no injuries or accidents were reported during the reporting year.

The group practises equality of opportunity between men and women. In its recruitment policy the company makes a deliberate effort to attract the ablest candidates without discriminating on the basis of gender, ethnicity or other factors.

The company is not involved in research and development activities. Except from emissions resulting from travel activities and office use, the group's operations are not such that they pollute the external environment.

The Annual Report and Accounts are rendered on the going-concern assumption, which assumption still applies. The Directors consider that the accounts give a true picture of the Pareto group's assets and liabilities, its financial situation and profits.

The Directors wish to thank our partners and employees for their effort and excellent work in the past year and the group's clients for the trust they have continued to place in us.

Oslo, 28 March 2022

*Sign.*

Svein Støle  
(Chair)

*Sign.*

Bjørn Gabriel Reed

*Sign.*

Christian Jomaas

*Sign.*

Eric von Koss Torkildsen

*Sign.*

Stian Kløfta

*Sign.*

Karsten Christensen

*Sign.*

Vegard Finsæther

*Sign.*

Johan Anker-Rasch

*Sign.*

Rune Wassum

*Sign.*

Trine C. Høgås-Ellingsen  
(CEO)

# INCOME STATEMENT

Parent company (NOK '000)				Group (NOK '000)	
2020	2021		Notes	2021	2020
<b>OPERATING REVENUES</b>					
288	255	Operating revenues	2	5 292 487	3 678 684
<b>288</b>	<b>255</b>	<b>Total operating revenues</b>		<b>5 292 487</b>	<b>3 678 684</b>
<b>OPERATING EXPENSES</b>					
-5 226	-6 564	Personnel costs	3	-2 401 483	-1 766 134
-1 607	-2 247	Sundry other operating costs		-825 788	-791 775
-185	-37	Ordinary depreciation & amortisation	4	-49 745	-48 705
<b>-7 018</b>	<b>-8 847</b>	<b>Total operating expenses</b>		<b>-3 277 016</b>	<b>-2 606 614</b>
<b>-6 730</b>	<b>-8 592</b>	<b>Operating profit/loss</b>		<b>2 015 472</b>	<b>1 072 070</b>
<b>FINANCIAL INCOME/EXPENSES</b>					
123 570	135 537	Financial income		35 102	49 518
494 284	784 207	Share dividends		10 275	27 162
0	0	Adjustments, securities	10	2 577	4 079
6 054	101 818	Share of associated companies	5	101 818	6 054
-79	-101	Interest paid		-9 242	-7 061
0	-220	Other financial expenses		-130 217	-82 771
<b>623 830</b>	<b>1 021 243</b>	<b>Total financial income/expenses</b>		<b>10 314</b>	<b>-3 020</b>
<b>617 100</b>	<b>1 012 651</b>	<b>Income before tax</b>		<b>2 025 786</b>	<b>1 069 050</b>
-19 038	-25 227	Tax expense	13	-454 995	-243 686
<b>598 062</b>	<b>987 423</b>	<b>Profit for year</b>		<b>1 570 791</b>	<b>825 364</b>
		Net profit attributable to owners of parent		1 066 239	572 775
		Net profit attributable to non-controlling interests		504 552	252 589
Allocation of net profit:					
-2 197	-2 010	- Provision for dividend			
-595 865	-985 414	- Transferred to other equity			
<b>-598 062</b>	<b>-987 423</b>	<b>Total allocations</b>			

# BALANCE SHEET

## ASSETS

Parent company (NOK '000)				Group (NOK '000)	
31.12.2020	31.12.2021		Notes	31.12.2021	31.12.2020
<b>FIXED ASSETS</b>					
<b>Intangible assets</b>					
0	0	Goodwill acquired	4	14 681	31 803
0	0	Deferred tax assets	13	63 954	91 058
<b>0</b>	<b>0</b>	<b>Total intangible assets</b>		<b>78 635</b>	<b>122 861</b>
<b>Property, plant &amp; equipment</b>					
794	757	Fixtures, fittings, machinery etc.	4	79 926	66 182
<b>Financial fixed assets</b>					
612 314	587 839	Shares in subsidiaries	5	0	0
38 724	762 306	Shares in associated companies	5	762 306	38 724
291 530	0	Other securities	6	35 651	316 636
0	0	Other non-current receivables	7	298	300
77	77	Premium fund	8	366	377
<b>942 645</b>	<b>1 350 222</b>	<b>Total financial fixed assets</b>		<b>798 620</b>	<b>356 037</b>
<b>943 439</b>	<b>1 350 979</b>	<b>Total fixed assets</b>		<b>957 181</b>	<b>545 080</b>
<b>CURRENT ASSETS</b>					
<b>Receivables</b>					
3 105	2 977	Trade receivables	7	2 268 316	2 226 436
594 076	927 177	Other receivables	9	1 034 772	834 766
<b>597 181</b>	<b>930 153</b>	<b>Total receivables</b>		<b>3 303 089</b>	<b>3 061 202</b>
<b>Investments</b>					
397 532	800 191	Securities	10	3 328 967	684 861
<b>397 532</b>	<b>800 191</b>	<b>Total investments</b>		<b>3 328 967</b>	<b>684 861</b>
70 701	278 492	Bank deposits	11	1 873 697	2 408 549
<b>1 065 414</b>	<b>2 008 837</b>	<b>Total current assets</b>		<b>8 505 753</b>	<b>6 154 612</b>
<b>2 008 852</b>	<b>3 359 816</b>	<b>Total assets</b>		<b>9 462 934</b>	<b>6 699 692</b>

# BALANCE SHEET

## EQUITY AND LIABILITIES

Parent company (NOK '000)			Group (NOK '000)	
31.12.2020	31.12.2021	Notes	31.12.2021	31.12.2020
<b>EQUITY</b>				
<b>Paid-in capital</b>				
6 394	6 394		6 394	6 394
7 096	7 096		0	0
103 464	103 464		103 464	103 464
<b>116 954</b>	<b>116 954</b>		<b>109 858</b>	<b>109 858</b>
<b>Retained earnings</b>				
0	415 595		415 595	0
1 861 701	2 790 597		2 972 073	1 973 490
<b>1 861 701</b>	<b>3 206 192</b>		<b>3 387 668</b>	<b>1 973 490</b>
<b>Non-controlling interests</b>				
			<b>306 132</b>	<b>251 834</b>
<b>1 978 655</b>	<b>3 323 146</b>	12	<b>3 803 658</b>	<b>2 335 182</b>
<b>LIABILITIES</b>				
<b>Provision for commitments</b>				
0	0	8	1 860	2 355
9	11	13	319	252
<b>9</b>	<b>11</b>		<b>2 179</b>	<b>2 607</b>
<b>Non-current liabilities</b>				
0	0		64 706	63 906
0	0		36 868	37 518
<b>0</b>	<b>0</b>		<b>101 574</b>	<b>101 424</b>
<b>Current liabilities</b>				
5 572	4 495	9	4 614 353	3 715 574
19 037	24 438	13	395 002	200 893
5 224	7 334		447 946	253 426
356	392		98 222	90 587
<b>30 188</b>	<b>36 659</b>		<b>5 555 523</b>	<b>4 260 479</b>
<b>30 197</b>	<b>36 670</b>		<b>5 659 276</b>	<b>4 364 510</b>
<b>2 008 852</b>	<b>3 359 816</b>		<b>9 462 934</b>	<b>6 699 692</b>

Oslo, 28 March 2022

Sign. Svein Støle (Chair)	Sign. Bjørn Gabriel Reed	Sign. Christian Jomaas	Sign. Eric von Koss Torkildsen	Sign. Stian Kløfta
Sign. Karsten Christensen	Sign. Vegard Finsæther	Sign. Johan Anker-Rasch	Sign. Rune Wassum	Sign. Trine C. Høgås-Ellingsen (CEO)

# CASH FLOW STATEMENT

Parent company (NOK '000)			Group (NOK '000)	
2020	2021		2021	2020
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
617 100	1 012 651	Ordinary profit before tax expense	2 025 786	1 069 050
-16 113	-19 825	Tax paid in period	-233 715	-154 721
185	37	Ordinary depreciation and amortisation	32 622	31 582
0	0	Securities adjustments	-2 577	-4 079
0	-1	Net change in pensions without cash effect	-484	-454
0	0	Other items without cash effect	811	32 916
-6 054	-101 818	Share of profits of associated company	-101 818	-6 054
-267 556	-332 973	Change in receivables	-241 887	-826 482
2 179	-940	Change in other liability items	906 414	1 102 826
<b>329 740</b>	<b>557 131</b>	<b>Net cash flow from operating activities</b>	<b>2 385 152</b>	<b>1 244 583</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
0	0	Net cash from purchases/disposals/sale of tangible assets	-46 367	-37 326
-390 187	-402 659	Net cash flow, short-term investments	-2 641 529	-388 544
-6 396	-19 362	Payments for purchases of financial fixed assets	-27 129	-12 715
4 627	72 681	Net cash flow, financial fixed assets	45 430	6 249
<b>-391 956</b>	<b>-349 340</b>	<b>Net cash flow from investment activities</b>	<b>-2 669 594</b>	<b>-432 335</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
0	0	Dividend paid	-254 607	-108 626
0	0	Payment purchase of treasury shares	0	0
0	0	Change non-current commitments and liabilities	150	18 984
0	0	Payments of equity to/from minority interests	4 047	31 916
<b>0</b>	<b>0</b>	<b>Net cash flow from financing activities</b>	<b>-250 410</b>	<b>-57 726</b>
-62 216	207 791	Net change in bank deposits	-534 852	754 522
132 917	70 701	Bank deposits in hand at 1 Jan.	2 408 549	1 654 027
<b>70 701</b>	<b>278 492</b>	<b>Bank deposits in hand at 31 Dec.</b>	<b>1 873 697</b>	<b>2 408 549</b>

# NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

## NOTE 1 | General

### Group structure

Pareto AS owns 65.5% of Pareto Securities AS, 87.3% of Pareto Asset management AS, 100% of Pareto Bassøe Shipbrokers AS, 100% of Pareto Shipbrokers AS, 100% of Pareto Wealth Management AS, 100% of Pareto Forsikringsmegling AS, 100% of Pareto Invest AB, 100% of Pareto Alternative Investments AS and 100% of Pareto Bolig AS.

Pareto Securities AS owns 100% of Pareto Securities Pte Ltd, 100% of Pareto Securities Inc., 81.84% of Pareto Securities AB, 72.26% of Aktieinvest FK AB, 72.26% of Deponova AB, 100% of Pareto Securities Oy, 100% of Pareto Securities Ltd, 100% of Pareto Securities Pty Ltd, 100% of Pareto Securities AG, 87.01% of Pareto Offshore AS, 100% of North Atlantic Seafood Forum AS, 100% of Pareto Business Management AS, 100% of Pareto Business Management AB, 100% of Pareto Business Management A/S, 100% of Pareto Maritime Services AS, 100% of Pareto Eiendom AS, 100% Pareto Project AS and 100% of Pareto Investorservice AS.

Pareto Asset Management AS owns 100% of Enter Fonder AB. Pareto Bassøe Shipbrokers AS owns 100% of P.F. Bassøe AS and Pareto Dry Cargo AS.

Pareto Shipbrokers AS owns 100% of Pareto Shipbrokers Ltd. Pareto Bolig AS owns 100% of Eiendomsmegler Krogsveen AS (Krogsveen) and Boligflyt AS. Krogsveen owns 100% of Utleiemegler Krogsveen AS, 100% of Krogsveen Trøndelag AS, 70% of Krogsveen Moss AS, 70% of Krogsveen Sørlandet AS and 100% of Krogsveen Utvikling AS. Boligflyt AS owns 56.3% of KE Forsikring AS.

Pareto Invest AB owns 100% of Enter Asset Management AB (EAM). The two companies have no operations and are under liquidation.

### General info

Pareto AS has been granted an exemption from the provisions in the Norwegian Accounting Act § 3-4 in preparing financial statements and annual report in the Norwegian language.

### Consolidation principles

Investments in subsidiaries are valued at acquisition cost. If impairments are not expected to be temporary, write downs to fair value will be carried out. In the consolidated accounts, the cost price of shares in the subsidiaries is eliminated against the share capital in the subsidiaries at the time of purchase. Inter-company transactions, receivables and debts as of 31 December are eliminated in the consolidated accounts. Exchange differences in connection with the translation of the financial statements of foreign subsidiaries are charged to group equity.

### Accounting policies

The annual financial statements are prepared in accordance with the rules provided for in the Norwegian Accountancy Act.

Income items are recognised as they are earned and when claims for payment arise. Income is recognised at the value of the payment at the time of the transaction.

Assets intended for permanent ownership or use are classified as non-current. Other assets are classified as current assets. Receivables payable within one year are classified as current assets. Corresponding criteria are applied for classifying current and non-current liabilities.

Fixed assets are valued at acquisition cost, but are written down to their real value when a drop in value is not expected to be temporary. Assets with a limited economic life are depreciated systematically. Long-term loans are recorded in the balance sheet at the nominal sum received at the time of the establishment of the loan.

Investments in companies in which the company owns between 20 and 50 per cent and has a significant influence, are reported according to the equity method.

Current assets are valued at whichever is the lower of acquisition cost and fair value. Current liabilities are entered in the balance sheet at the nominal sum received at the time of establishment. Current liabilities are not written up to their fair value as a consequence of changes in interest rates.

Some items are valued according to other principles, as explained below.

Some of the operational subsidiaries are principals in their respective internal partnerships. The accounts for the internal partnerships are incorporated in the principals' accounts, based on gross values. Silent partners' shares of the internal partnerships' profits are debited as personnel costs and other financial expenses, respectively. Debts to silent partners are recorded under other current liabilities.

Provisions for bad debts are based on an assessment of the individual receivable. In addition, a provision is made to cover estimated losses on other trade receivables.

Financial instruments in the trading portfolio that are traded on an efficient market are valued at their fair value as of the balance sheet date. Other financial instruments are valued at whichever is the lower of the average acquisition cost and fair value as of the balance sheet date. Shares are valued in accordance with the policies for valuing portfolios.

The companies in the group put in place a defined contribution pension scheme in 2006. Contribution plans are accrued according to the matching principle.

Tax expense is matched with profit before tax. Tax related to equity transactions is offset against equity. Tax expense consists of tax payable, change in deferred tax and reimbursements pursuant to the Tax Act.

Monetary items in foreign currencies are translated at the rate of exchange applicable on the balance sheet date.

NOK '000

**NOTE 2 | Operating revenues, consolidated**

Operating revenues	2021	2020
Brokerage/Corporate finance	4 392 520	2 969 405
Asset management/Business management	899 967	709 279
<b>Total operating revenues</b>	<b>5 292 487</b>	<b>3 678 684</b>

**NOTE 3 | Salaries, number of employees, remuneration etc.**

	Parent company		Consolidated	
	2021	2020	2021	2020
Wages and salaries, holiday pay, nat. insurance	6 472	5 132	2 325 695	1 697 328
Pensions and other personnel costs	91	94	75 788	68 805
<b>Total</b>	<b>6 564</b>	<b>5 226</b>	<b>2 401 483</b>	<b>1 766 134</b>
Number of man-years	2	2	1 005	981

Paid remuneration to the CEO in 2021 amounted to NOK 2 407, including bonus. Remuneration to the directors of the parent company amounted to NOK 575. A provision of NOK 2 097 has been made for fees for the directors of the group.

Deloitte AS received fees of NOK 180 (2020: 89) for auditing the parent company and NOK 5 677 (2020: 4 927) for the group. Payment for other assurance engagements totalled NOK 13 (2020: 7) for the parent company and NOK 1 974 (2020: 1 850) for the group. Payments to other auditors to the group amount to NOK 77. These figures are exclusive of VAT.

Payments to Deloitte Advokatfirma DA for legal services amount to NOK 0 (2020: 0) for the parent company and NOK 599 (2020: 559) for the group. These figures are exclusive of VAT.

**NOTE 4 | Tangible fixed assets**

	Parent company	Group	
	Fixtures & fittings, IT	Fixtures & fittings, IT	Goodwill
Acquisition cost 01.01.	2 264	200 255	221 674
Additions in year	-	41 670	-
Disposals/sale	-	1 827	-
<b>Acquisition cost 31.12.</b>	<b>2 264</b>	<b>240 098</b>	<b>221 674</b>
Acc. depreciation 01.01.	1 470	134 014	189 871
Disposals/sale	-	6 464	-
Depreciation this year	37	32 622	17 123
<b>Acc. depreciation 31.12.</b>	<b>1 506</b>	<b>160 172</b>	<b>206 994</b>
<b>Book value 31.12.</b>	<b>757</b>	<b>79 926</b>	<b>14 681</b>
Economic life	3-6 years	2-7 years	3-5 years
Depreciation plan	Straight-line	Straight-line	Straight-line

The Pareto group has a lease on the premises at Dronning Mauds gate 1-3, which expires in 2031. The annual rent excluding common expenses was approximately NOK 38.7 million in 2021.

**NOTE 5 | Shares in subsidiaries**

Subsidiary	Office	% stake and votes	Book value 31.12
Pareto Securities AS	Oslo	65.5%	70 340
Pareto Asset Management AS	Oslo	87.3%	24 433
Pareto Bassøe Shipbrokers AS	Oslo	100%	40 600
Pareto Shipbrokers AS	Kristiansand	100%	108 500
Pareto Wealth Management AS	Oslo	100%	64 739
Pareto Forsikringsmegling AS	Oslo	100%	20 423
Pareto Alternative Investments AS	Oslo	100%	75 429
Pareto Invest AB	Stockholm	100%	7 461
Pareto Bolig AS	Oslo	100%	175 914
			587 839

**Shares in associated companies**

Company Office in Pareto's stake	Fondsforvaltning Oslo 35.0%	Odin Marine New York 27.5/50%	Pareto Bank Oslo 20.0%	Total associated companies
Acquisition cost	40 001	30 906	308 114	
Equity at time of acquisition	23 939	10 540	400 810	
Goodwill at time of purchase	16 062	20 366	-92 696	
Opening balance 1 Jan.	7 489	31 236	650 607	689 332
Acquisition in year	-	-	16 584	16 584
Share of year's profit	1 353	2 037	98 256	101 646
Write-down goodwill	-	-	172	172
Dividends received	-1 120	-2 398	-41 911	-45 428
Closing balance 31 Dec.	7 722	30 875	723 709	762 306

Pareto AS increased its ownership in Pareto Bank ASA during 2021 to 20 per cent - the shares were previously booked at acquisition cost but are now reported according to the equity method. The effect of the change in accounting principle is shown in note 12.

**NOTE 6 | Other shares/bonds**

	Acquisition cost	Book value
Other securities, subsidiaries	34 025	35 651
Total other securities, group	34 025	35 651

**NOTE 7 |**

The parent company has granted employees/partners of the subsidiaries interest-bearing loans on which the outstanding balance as of 31 December 2021 is NOK 2 808.

**NOTE 8 | Pensions**

The group has a defined contribution pension scheme as required under the Norwegian Mandatory Occupational Pensions Act. Premium paid in 2021 totalled NOK 30 for the parent company and NOK 9 899 for the group.

One subsidiary has two unfunded pension plans, and the liabilities under these are recognised in the balance sheet as of 31 December 2021 at NOK 1 848 through actuarial valuations based on commonly applied assumptions.

NOK '000

### NOTE 9 |

Receivables from group companies amounted to NOK 927 177 as at 31 December 2021.

Other current liabilities to group companies as at 31 December 2021 amounted to NOK 57.

### NOTE 10 | Securities

	Parent company		Group	
	Acquisition cost	Book value	Acquisition cost	Book value
Shares and partnership interests	550 374	550 374	574 475	577 331
Bonds and certificates			2 188 816	2 185 276
Fixed income funds			293 177	297 736
Equity funds	249 817	249 817	262 988	268 625
<b>Total securities</b>	<b>800 191</b>	<b>800 191</b>	<b>3 319 457</b>	<b>3 328 967</b>

### NOTE 11 | Bank deposits

The parent company has a non-distributable deposit of NOK 209 lodged in an account for tax withholdings. The group's bank deposits include NOK 148 392 in non-distributable accounts, of which NOK 25 655 in accounts for tax withholdings.

Sums lodged in client accounts belonging to clients (client funds) are not recorded in the balance sheets of the companies.

### NOTE 12 | Equity

Parent company	Share capital	Share premium account	Other paid-in equity	Reserve for valuation variations	Other equity	Total
Equity at 1 Jan.	6 394	7 096	103 464		1 861 701	1 978 655
Effect of change in accounting principle				359 077		359 077
Equity at 1 Jan. after change in accounting principle	6 394	7 096	103 464	359 077	1 861 701	2 337 732
Year's profit				56 518	930 905	987 423
Provision for dividends					-2 010	-2 010
<b>Total equity as of 31 Dec.</b>	<b>6 394</b>	<b>7 096</b>	<b>103 464</b>	<b>415 595</b>	<b>2 790 597</b>	<b>3 323 146</b>

Group	Share capital	Other paid-in equity	Reserve for valuation variations	Other reserves	Non-controlling interests	Total
Equity at 1 Jan.	6 394	103 464		1 973 490	251 834	2 335 182
Effect of change in accounting principle			359 077			359 077
Equity at 1 Jan. after change in accounting principle	6 394	103 464	359 077	1 973 490	251 834	2 694 259
Currency translation				-9 910	-6 402	-16 312
Year's profit after tax			56 518	1 009 721	504 552	1 570 791
Provision for dividends				-2 010	-447 118	-449 127
Non-controlling interests				781	3 266	4 047
<b>Total equity as of 31 Dec.</b>	<b>6 394</b>	<b>103 464</b>	<b>415 595</b>	<b>2 972 073</b>	<b>306 132</b>	<b>3 803 658</b>

NOK '000

The share capital as of 31 December is NOK 6 394, divided into 43 795 shares with a nominal value of NOK 146 each.

	Number of shares	Stake and voting %
Svein Støle	35 000	79.9%
Pareto Invest AS / Svein Støle	5 795	13.2%
Svele AS / Svein Støle	3 000	6.9%
	43 795	100.0%

There are three classes of shares. Shares owned by Pareto Invest AS are classified as P-shares and carry a preferential right to dividends. Shares owned by Svele AS are classified as B shares and carry a preferential right to dividends subordinated the P-shares and as determined by the General Meeting.

### NOTE 13 | Taxes

Parent company			Consolidated	
2020	2021		2021	2020
617 100	1 012 651	Profit before income tax	2 025 786	1 069 050
0	0	Group contribution	51 302	45 547
-540 947	-914 890	Permanent differences	-87 313	-65 838
-3	-7	Change in temporary differences	-73 689	128 749
0	0	Change in deficits carried forward	-22 438	-104 615
76 150	97 754	Year's tax base	1 893 647	1 072 894
19 037	24 438	Tax payable	425 900	256 149
0	0	Correction previous year(s)	0	0
0	0	Tax payable, withholding	-30 898	-55 256
19 037	24 438	Total tax payable	395 002	200 893
		<b>Specification of temporary differences</b>		
0	0	Current assets	-14 186	-13 904
56	59	Tangible fixed assets	-15 050	-16 676
-21	-17	Intangible assets	-7 800	-10 488
0	0	Other items	-189 508	-265 853
0	0	Remaining loss for carrying forward	-38 788	-68 444
35	43	Basis for calculating deferred tax benefit/tax	-265 332	-375 365
9	11	22 - 25% deferred tax benefit (-)/tax(+)	-63 635	-90 806
		<b>Year's tax expense</b>		
19 037	24 438	Tax payable	425 900	256 150
0	-25	Tax correction for earlier years	1 113	-14 836
1	2	Change in deferred tax benefit/tax	27 170	2 372
19 038	24 415	Tax expense	454 183	243 686
0	812	Paid with holding tax	812	0
19 038	25 227	Total tax expense	454 995	243 686
3 %	2 %	Effective rate of taxation	22 %	22 %

NOK '000

**NOTE 13 | Taxes, continued**

Parent company			Consolidated	
2020	2021		2021	2020
		<b>Reconciliation from nominal to true tax expense</b>		
154 275	253 163	Anticipated tax expense at nominal rate	470 207	253 635
-135 237	-228 722	Permanent differences	-23 256	-16 494
0	0	Change in tax rates	8 738	8 674
0	-25	Correction previous year(s)	-2 008	-3 212
0	0	Other items	502	1 083
19 038	24 415	Tax expense	454 183	243 686
0	812	Paid withholding tax	812	0
19 038	25 227	Total tax expense	454 995	243 686

**NOTE 14 |**

DNB has provided guarantees for Pareto Securities AS in favour of Norges Bank for the company's participation in the Norwegian security settlement scheme in the amount of NOK 100 000. These guarantees are secured through a first priority factoring charge on the company's receivables and a charge on securities held as current assets.

Pareto Securities AS has, in relation to the granting of a licence to its subsidiary Pareto Securities Pte Ltd, issued an undertaking to the Monetary Authority of Singapore that the company will cover any liability less than SGD 12 million.

Eiendomsmeidler Krogsvæn has pledged receivables and fixed assets, with a value of 61 million, as collateral for bank overdraft facilities.

**NOTE 15 |**

The group is exposed to market related risks in respect of own account holdings in securities, counterparty risk, settlement risk and foreign currency risk.

The financial market risk relating to the business of the subsidiaries is managed according to the rules of the Companies Act, the Securities Trading Act, the Securities Funds Act and the Risk Management and Internal Control Regulations issued by Finanstilsynet (The Financial Supervisory Authority of Norway).

**NOTE 16 | Related-party transactions**

Svein Støle holds the controlling ownership interest in the parent company, Pareto AS. No transactions were conducted with the controlling interest.

Sales of services to other group companies	5 658
Purchases of services from other group companies	6 075

Transactions with related parties are on arm's length prices and terms.

The amounts include costs invoiced by external suppliers passed on between group companies.

To the General Meeting of Pareto AS

## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the financial statements of Pareto AS, which comprise:

- The financial statements of the parent company Pareto AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Pareto AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 1 April 2022  
Deloitte AS

**Roger Furholm**  
State Authorised Public Accountant

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**Roger Furholm**

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