

 Pareto

Pareto Annual Report 2022

# 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 1 056 employees and shareholders' equity of some NOK 4.4 billion.*

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### 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.

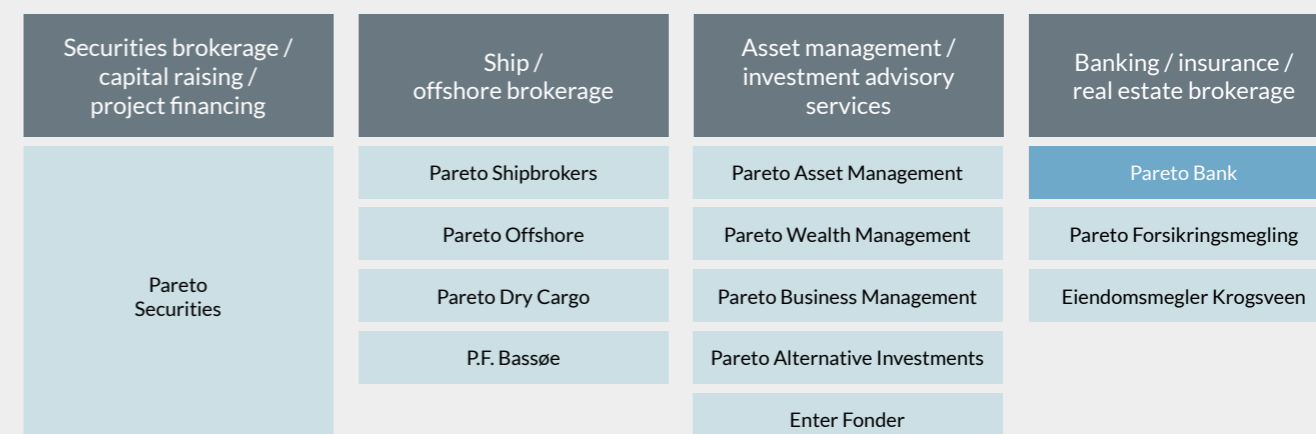
Pareto prioritises organic growth and the development of in-house competence. Acquisitions, mergers and collaborations are continuously under consideration, with the aim of complementing and developing the company still further.

### 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



*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 skillfulness 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.*

# THE PARETO GROUP IN 2022

## A CHALLENGING YET STRONG YEAR

It would have been hard to deliver results in line with 2021 in a normal year, and 2022 turned out to be anything but normal. The Russian invasion of Ukraine, an energy crisis, supply and demand issues related to the COVID-19 pandemic and the war, rising interest rates and increased inflation with subsequent large fluctuations in global financial markets, made for a challenging business year. Even though the results were significantly down compared to the year before, the Pareto group delivered solid results.

Consolidated revenues amounted to NOK 3.5 billion, which is the third best in the history of the group (2021: 5.3 billion). Operating profit totalled NOK 903 million (2 015 million) and pre-tax profit was NOK 989 million (2 026 million). Profit for the year amounted to NOK 828 million (1 571 million).

Activity and productivity levels were high and the results for the group must be described as satisfactory. At yearend, consolidated book equity amounted to NOK 4.4 billion and the personnel count stood at 1 056.

## SECURITIES BROKERAGE, CAPITAL RAISING AND PROJECT FINANCING

The majority of the group's revenues comes from financial advisory, securities brokerage and project financing in Pareto Securities, which in 2022 registered revenues of approximately NOK 2.1 billion and a profit before tax of NOK 604 million.

Pareto Securities was involved in 82 equity capital market transactions in 2022, with a combined value of NOK 45 billion. Activity levels were high in many sectors. Energy & shipping was the largest sector and power, renewables and infrastructure was the second largest sector. Pareto Securities also acted as adviser on several large and prominent M&A transactions in 2022, including transactions for TrønderEnergi, Fortum Varme and Tierklinikk.

On the DCM side Pareto Securities was involved in 62 transactions raising EUR 4.4 billion during 2022. Pareto Securities arranged bonds for a wide range of different industries, leading to a diversified revenue base.

The Project Finance division had a good year. The division was involved in property-related transactions with a total value of approximately NOK 12 billion, and in shipping/offshore-related transactions with a value of NOK 8 billion.

## ASSET MANAGEMENT

In Pareto Asset Management, aggregate excess return was positive in 2022. In part, this may have been due to remarkably different returns for value stocks and growth stocks, with the latter pummelled by the higher interest rates. Our equity funds have an overweight of value stocks.

Our largest equity fund, Pareto Aksje Norge, recorded a positive return of 2.7 per cent (share class I), versus -7.1 per cent for the Oslo Børs Mutual Fund Index. The related discretionary mandate also beat its benchmark. Similarly, Pareto Global I recorded a return of -3.3 per cent, against -8.5 per cent for the MSCI World Index in Norwegian kroner. Both funds also had positive net subscription figures.

Nevertheless, with more demanding financial markets, combined assets under management in Pareto Asset Management and its Swedish subsidiary Enter Fonder fell to the equivalent of NOK 66 billion from NOK 79 billion.

Pareto Alternative Investments established and raised capital for a new AIF-fund, Pareto Solar Fund IS (PSF), during 2022. PSF is Pareto Alternative Investments' first fund within the renewables sector. At yearend, the firm managed NOK 24 billion allocated to real estate, credit and infrastructure investments.

Pareto Wealth Management provides investment advice and wealth management for companies and highnetworth individuals. Despite a challenging market for investments in 2022, the company managed positive net sales of approximately half a billion NOK. Asset under management decreased by 6.3 per cent to NOK 23.7 billion.

In total, operating revenues from asset management operations amounted to NOK 613 million and the profit before tax was NOK 157 million. Net assets under management for these companies (after elimination of internal volume) amounted to NOK 107.5 billion at yearend.

## SHIP/RIG, REAL ESTATE AND INSURANCE BROKERAGE

The offshore and renewable energy markets showed significant improvement in 2022. The demand increase resulted in both increased vessel day rates and utilisation, which in turn improved earnings for all parties. Sale and purchase activity showed good improvement and newbuild projects were also developing across vessel classes. Pareto Shipbrokers AS and its subsidiary Pareto Shipbrokers Ltd. succeeded in reporting increased revenues and profit margins.

Dry bulk rates varied through 2022 but were historically high. For the second year in a row Pareto Dry Cargo delivered one of the best results since its commencement.

2022 saw a record surge in crude and product tanker freight rates. Yet, there was less tonnage in the spot market for normal trading, as all big oil traders have taken several ships on charter. P.F. Bassøe delivered results in line with the year before.

Eiendomsmegler Krogsvæen experienced a more demanding residential property market in 2022. The war in Ukraine, rising prices – especially the price of electricity – and rising interest rates contributed to a major decline in sales volume in 2022. Norwegian housing prices rose at the start of the year but fell sharply through the autumn of 2022 and ended with a slight increase of 1.5 per cent for the year. Krogsvæen reported slightly lower activity and results than in 2021. The estate agent sold around 7 200 homes and holiday homes and for NOK 33 billion in 2022.

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 2.0 billion in 2022.

Revenues from these companies amounted to NOK 797 million. Profits before tax were NOK 65 million.

## PARETO BANK

Pareto Bank's post-tax profits ended the year at NOK 555.5 million, up from the NOK 504.5 million reported in the previous year. Lending growth, stable interest rate margins and moderate impairments contributed to the bank's record profits. Return on equity was 14.6 per cent (14.0 per cent), which exceeded the bank's long-term ambition. Total lending grew by 1.5 billion (1.1 billion) and amounted to NOK 17.3 billion (15.8 billion) at yearend. At yearend Pareto AS owned 20.0 per cent of Pareto Bank ASA.

## 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 699 million (987 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 3.9 billion, up from NOK 3.3 billion in 2021.

by Chief Economist & Strategist Finn Øystein Bergh

# FINANCIAL MARKETS AND THE ECONOMY IN 2022

## Redefining risk

*The past year turned out to be unusually eventful, with outright war, sharply rising interest rates and towering warnings of an imminent recession. It also turned a lot of accepted wisdom on its head.*

Financial analysis is more than a myopic exercise in indicators and percentages. Lest anyone should think otherwise: The defining event of 2022, by far, was the Russian invasion of Ukraine. The financial world lost no time in condemning it as a horrifying act of aggression but, in retrospect, took far longer to realize the financial consequences. One week after the invasion, the S&P 500 was up almost 4%. At the end of the year, it was an altogether different story.

In times of crisis, capital tends to flow towards the US market, generally considered a safe haven. Not so in 2022. With a loss of 18.1%, the S&P 500 stood out in negative terms. The STOXX Europe 600 was down 10.1% and the MSCI Nordic Countries lost 7.9%, while the FTSE 100 returned 0.9% – in the black. The Norway OSE benchmark lost a mere 1.0%.

That was but one of the surprises in 2022.

### ENERGY PRICES SHOOTING UP ...

At the start of the year, all eyes were on inflation figures. The US annual headline inflation had reached 7.0 per cent and there was widespread speculation as to the actions of the US Federal Reserve. Tapering of the quantitative easing measures

had begun, but the Fed funds rate still had a target range of 0-0.25%. It was to remain at that level until the middle of March.

In the meantime, on 24 February, Russia invaded neighbouring Ukraine. Besides the horror and the flagrant breach of international law sending geopolitical shockwaves throughout the world, the invasion impacted financial markets in several ways.

It soon became apparent that Russia would cut its gas supplies to Europe, or imply threats to do so, as a means of forcing major European countries – Germany in particular – to curtail their support to Ukraine. Lower volumes and unscheduled maintenance cuts did not keep Germany from mothballing the planned Nordstream 2 pipeline, whereupon the existing Nordstream 1 pipeline was suddenly destroyed through an explosion in the Baltic Sea.

This pushed European prices on natural gas sky-high, reaching \$400 per barrel of oil equivalent shortly after the invasion and then \$530 per boe in August. As it became clear that Germany had acquired enough natural gas to get through the winter, 2022 ended with natural gas for European delivery at approximately \$140 per boe.

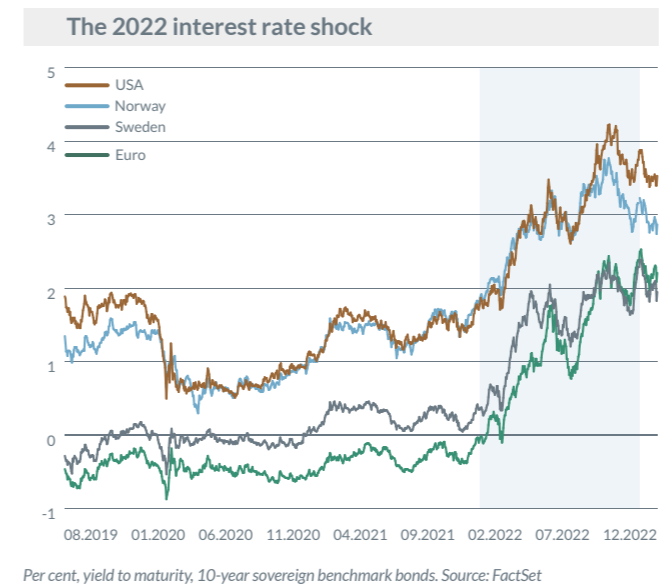
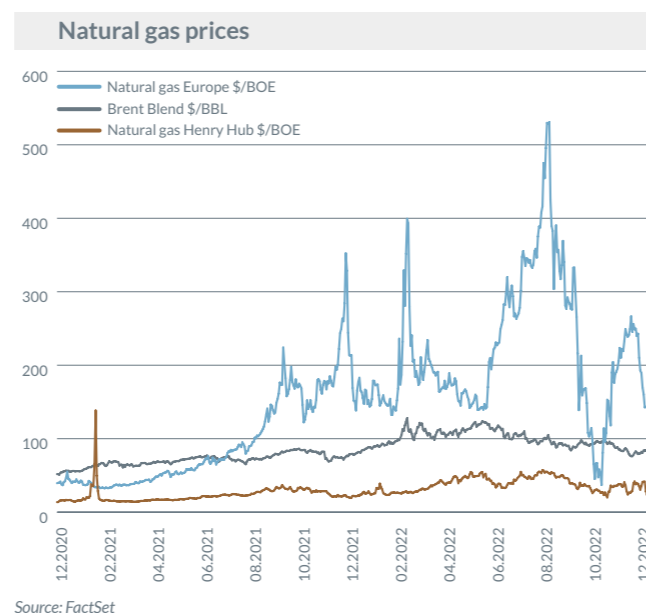
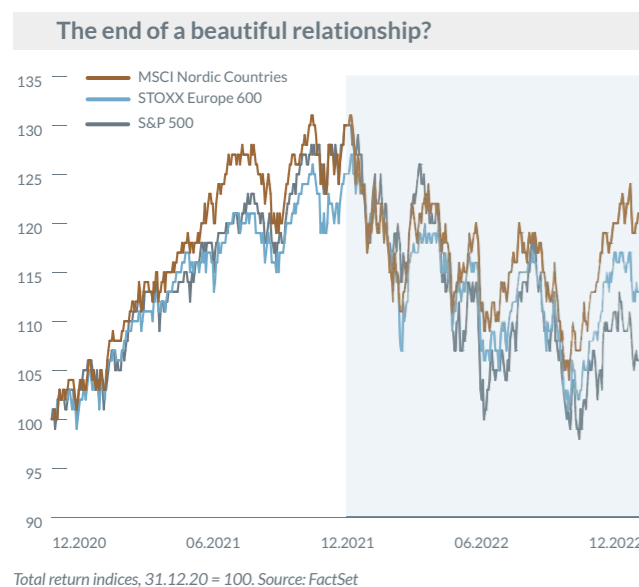
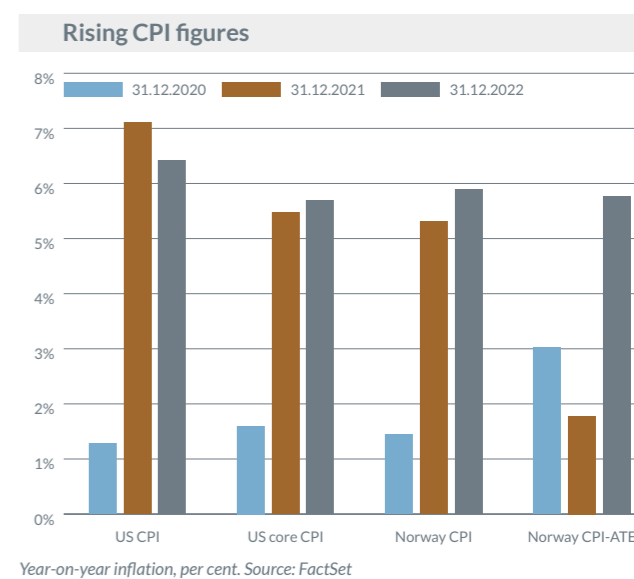
A closer look at natural gas prices reveals that the gas threat was probably prepared months in advance, as reduced volumes had made prices rise from the summer of 2021. Crude oil also became more expensive during this time, but after climbing to almost \$130 per barrel in March, it slowly fell to \$86 before the year was through.

### ... FUELLING INFLATION

Higher gas prices also led to higher electricity prices in Europe, fuelling inflation, while the previous increase in the oil price filtered through to US inflation. In addition, because of the war, shipments of grain and other commodities from Ukraine were cut back or cut completely.

Furthermore, bottlenecks arising from the pandemic had still not been resolved. For much of 2022, China enforced very strict Covid restrictions, impeding shipments from Chinese ports and leading to scarcity of vital components in many products. Commodity prices rose further, peaking in the second half of the year.

As the year came to an end, the Fed funds rate had been hiked by a total of 4.25 percentage points, with hints of more to come. The European Central Bank (ECB), which maintained a negative deposit rate all the way until the end of July, increased its key rates by 3.0 percentage points through the remaining five months.



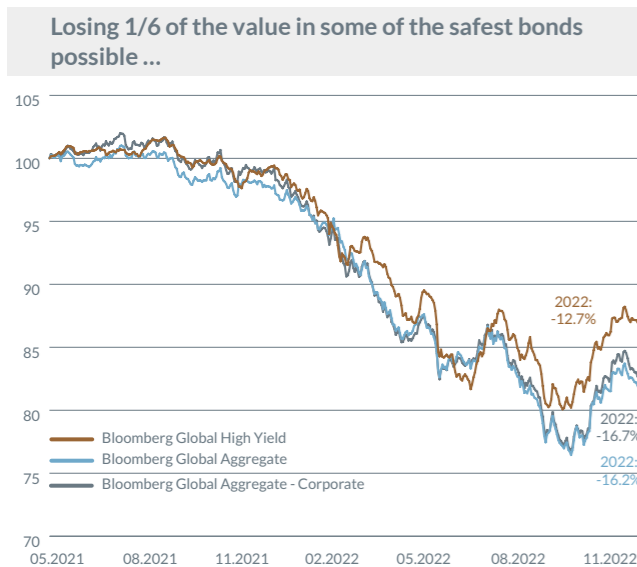
In retrospect, it may seem that all central banks were behind in countering inflation. Inflation figures were high already at the outset of 2022, while interest rates were still low or negative. Through the year, however, they have been falling somewhat – or started to fall – in most economies. The question now is to what extent present inflation will fuel demands for wage

increases. A still strong real economy in both the US and Europe has increased labour market participation and cut unemployment figures. So far, few ripples of the financial markets' anxiety have been visible in the job market.

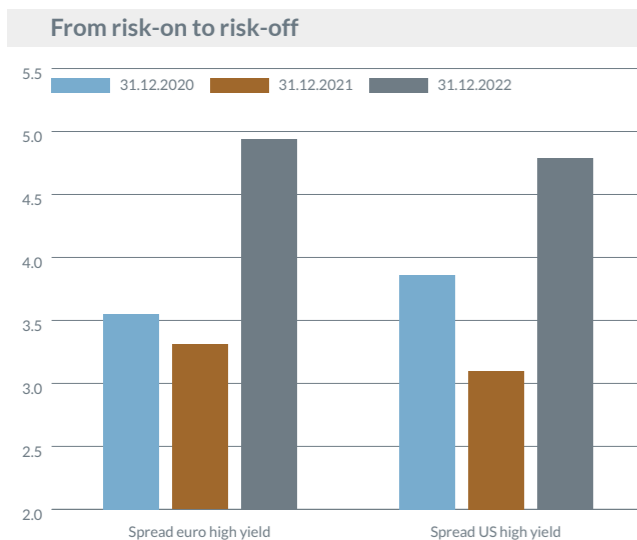
### FLIGHT TO ... SAFETY FROM WHAT?

Another distinguishing feature of financial anxiety is that capital flows towards presumably safer asset classes, like US Treasuries. Not so in 2022, however. The sharply higher interest rates had a devastating impact on global bond markets, dominated by long-duration bonds with fixed coupons. The S&P US Treasury Bond 10+ Year Index, meant to capture the performance of long-dated US government bonds (duration 16.3), fell by a staggering 29.4 per cent.

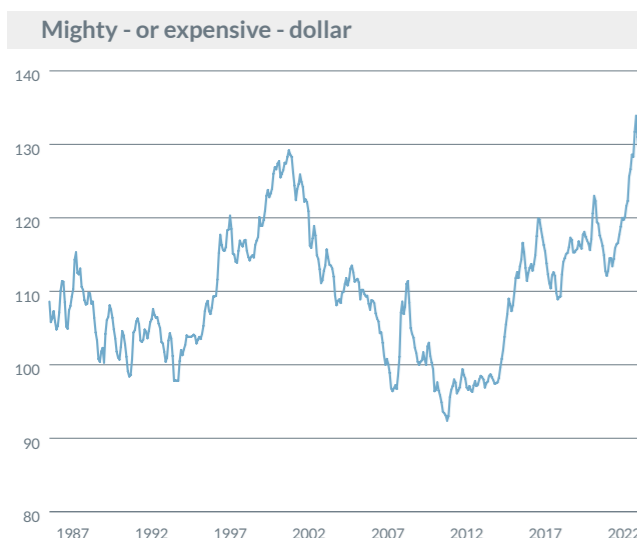




Source: FactSet



Percentage points, high-yield credit spread above Treasury spot curve. Source: FRED, St. Louis Fed.



Real effective exchange rate, US dollar. Source: IMF, FactSet

In the last annual survey by PwC and the Finance Society Norway, half the respondents listed the yield on 10-year government bonds as their preferred choice of risk-free return (or rather source thereof). Similarly, long US Treasuries are often used as a risk-free rate in valuation exercises. In credit terms, these are indeed as close to risk-free as can be had in capital markets. In terms of interest-rate risk, they are not.

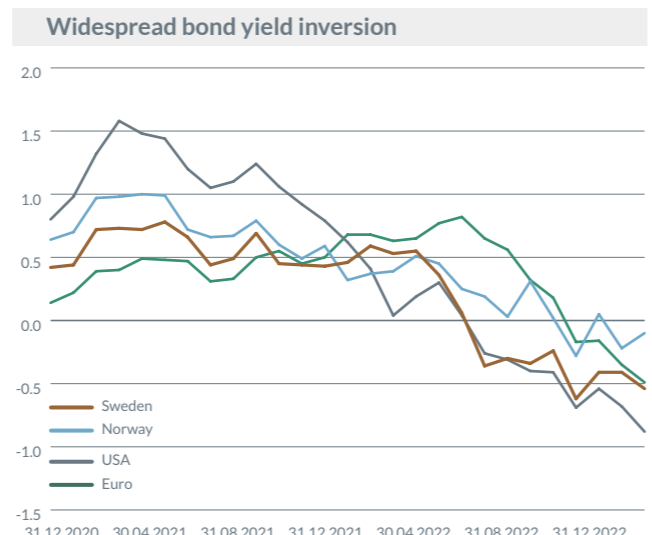
In 2022, interest rate risk dominated credit risk, despite a notable rise in corporate credit spreads. As four decades of mostly expansionary monetary policies came to an end, long US Treasuries lost more money than most stock markets, almost matching the -32.5% of the Nasdaq Composite Index.

In the currency market, though, capital flows conformed to traditional behaviour. The US dollar strengthened against all other currencies, both the euro and in particular smaller currencies like the Swedish krona and the Norwegian krone. The USD/SEK rose by more than 15% in 2022. At the end of the year, the real effective USD exchange rate reached levels not seen for at least 35 years.

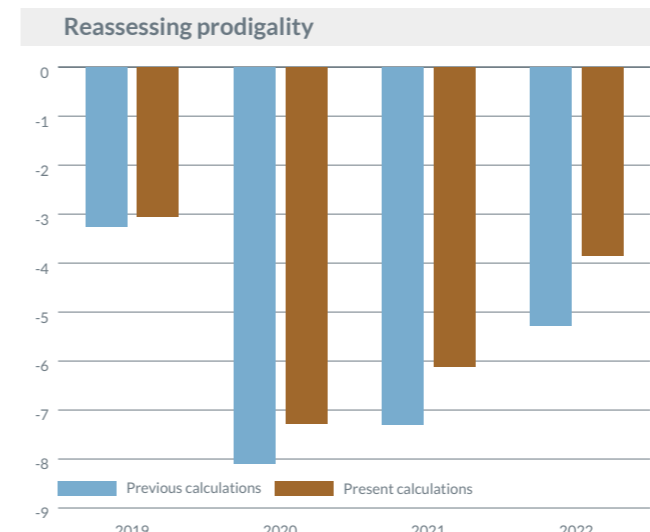
### ... (STILL) WAITING FOR RECESSION

Rising credit spreads was but one sign of a decidedly more risk-off market sentiment. In the US, the term spread – the yield on 10-year Treasuries less the yield on 2-year Treasuries – turned negative in July, with Europe following suit a few months later. This is a classic recession indicator, which few failed to mention. In Google searches, the term “recession” was more than five times as frequent after the invasion as in 2021. In financial media and blog posts alike, recession calls kept coming for both 2022 and 2023.

Indeed, GDP growth estimates were cut across the board, with the IMF slashing growth estimates for 2022 in each of their four updates through the year. So far, however, no recession seemed to materialise. Most advanced economies were remarkably resilient, countering rising interest rates, rising commodity prices, supply chain bottlenecks and shortages in many lines of business.



Term spread: yield on 10-year government bonds less yield on 2-year government bonds. Source: FactSet, Pareto Asset Management



Advanced economies, cyclically adjusted deficit, present estimate and calculations one year ago. Source: IMF

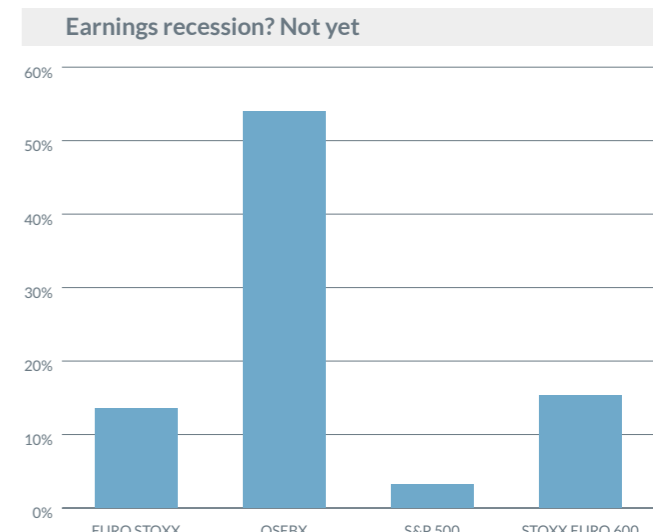
Normally, with monetary policies tightening, there will be pressure towards somewhat more accommodative fiscal policies. As it happens, fiscal policies have been extremely expansionary since the outbreak of the pandemic, although more recent calculations show that the structural deficits were not as large as previously thought. A more accommodative stance is not a given, however. In the US, a fight over the debt ceiling is likely to ensue. In Europe, high debt levels in many countries may square poorly with higher interest rate levels.

On the other hand, further monetary tightening is not a given, either. At the time of writing this, the Silicon Valley Bank collapse has just occurred, producing a major decline in market interest rates. This serves as a reminder that the major market movers in any given year are typically those that were not in the cards at the beginning of the year. Surprises tend to make forecasts obsolete.

### EARNINGS RECESSION?

A particular source of concern has been the concept of earnings recession, generally defined as a large majority of companies experiencing lower earnings than a year ago for at least two consecutive quarters. In 2022, earnings were far from falling into a recession. Instead, estimates for the next 12 months kept rising through the year, especially for the Norwegian OSE benchmark index. This was partly due to the strong earnings of local giant Equinor, on the back of higher gas prices as Norway and Equinor took centre stage in supplying gas to Europe.

In general, despite most companies being negatively affected by higher energy costs, European estimates were strong, increasing by more than US earnings estimates. Furthermore, they weren't missing the mark, at least no more than usual – some concurrent revisions are always to be expected.

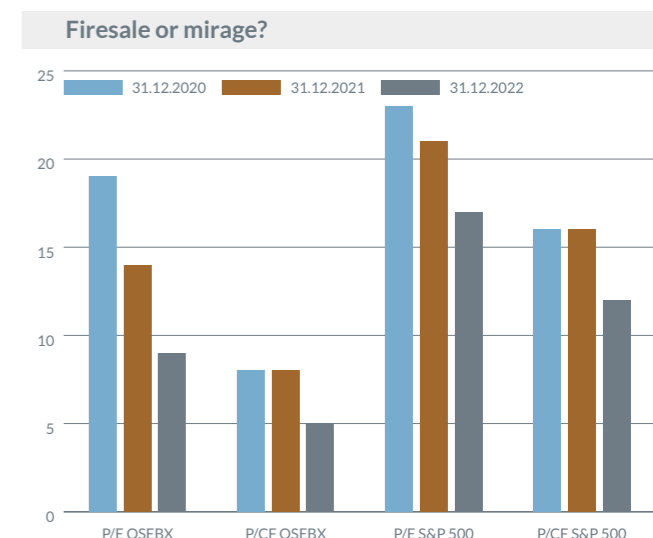


Per cent change in next 12 months EPS estimates through 2022. Source: FactSet

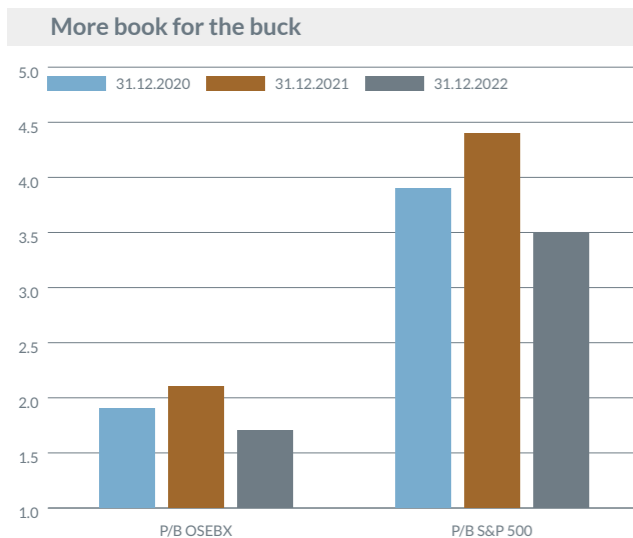
The resilient earnings may come as a surprise. After all, real economic growth did fall in 2022 and there is a strong consensus that it will be lower in 2023, given the moderate success so far in curtailing inflation. And earnings are likely to fall, perhaps sharply, should there be a recession. The aggregate opinion of security analysts, then, a few weeks into 2023, is that we will not have a recession in 2023 either. Conclusions drawn from the bottom-up perspective may differ considerably from those based on a top-down view.

### MUCH LOWER STOCK MARKET PRICING

The combination of lower stock prices and rising earnings meant that pricing in the stock market was notably reduced during 2022. For the S&P 500, forward P/E was reduced by more than 1/5, following a more moderate fall in the preceding year. Similarly, in terms of book values, which fluctuate less than earnings, stocks became cheaper in most markets and segments. In 2022, reversing a trend from previous years, stock investors got more book for the buck.



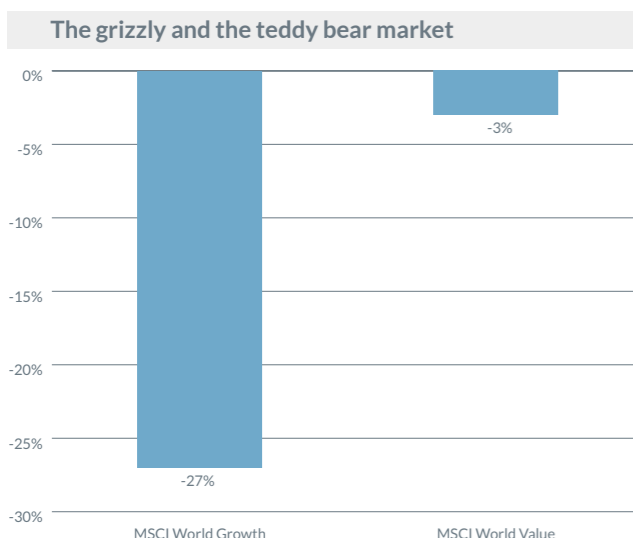
Source: FactSet



Source: FactSet

The pricing changes were strikingly unevenly distributed, as the higher priced stocks experienced large declines while more moderately priced stocks stood firm. The MSCI World Index, which fell by 15.6% in 2022, holds both value stocks and growth stocks, as defined by different multiples. The MSCI World Value Index comprises roughly half of the index, the value part, with the MSCI World Growth Index holding the other half. In 2022, the former hardly budged, falling by a very modest 3%, whereas the latter plummeted by 27%. The record-high difference reflects the vastly different interest rate sensitivities in a year of unusually large interest rate movements.

Some investments were even harder hit. Crypto currencies, which I personally fail to see as a genuine investment, lost 60% or more of their value in 2022. And then, of course, came the much-publicised bankruptcy in the crypto-currency exchange FTX in November 2022. Apparently, this is a matter of more than naiveté or stupidity; a criminal investigation was initiated.



Source: FactSet

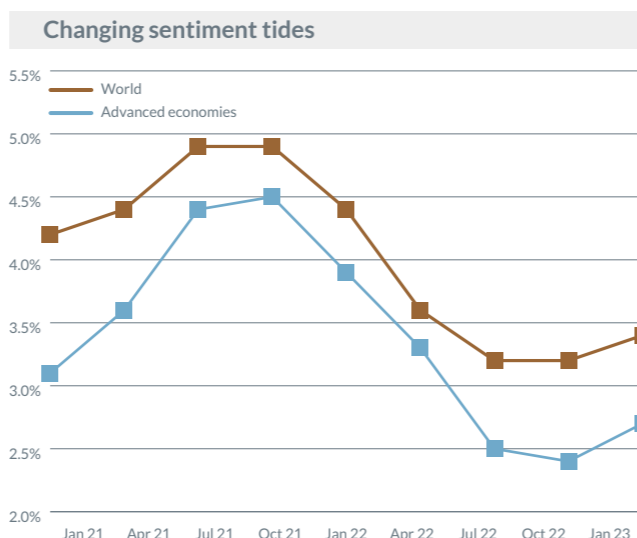


Crypto currencies plummeted in 2022 - if they survived. Source: S&P Dow Jones Indices, FactSet

Either way, an investment with no earnings, no yield, no production – in short, no fundamental return in any form – will logically be more sensitive to interest rate changes. One might surmise that this does not apply to gold, often hailed as a safe haven in times of turmoil. In 2022, however, gold was basically flat, ending just below last year’s final quotation.

#### GROWTH SLOWING DOWN

In its January 2023 update, the International Monetary Fund (IMF) revised its 2023 global growth estimate upwards, to 2.9% from 2.7%, after a number of downward revisions during the past year. This both reflects a somewhat lighter mood and serves as a reminder that economic growth will, after all, be modest or muted in 2023. The impact on financial markets will largely depend on the path of concurrent and expected interest rates.



Per cent, IMF 2022 growth estimates published at different points in time.

Just remember that market movements induced by interest changes are inherently short-term in nature. Here’s an interesting if not overly scientific comparison:

On 15 December 2022, the FOMC increased the lower bound target Fed funds rate to 4.25%. It hit the same level on 17 May 1994. Since then, up to the end of 2022, the S&P 500 has delivered a compound return of 1,378%, corresponding to an annual average return of 9.9%.

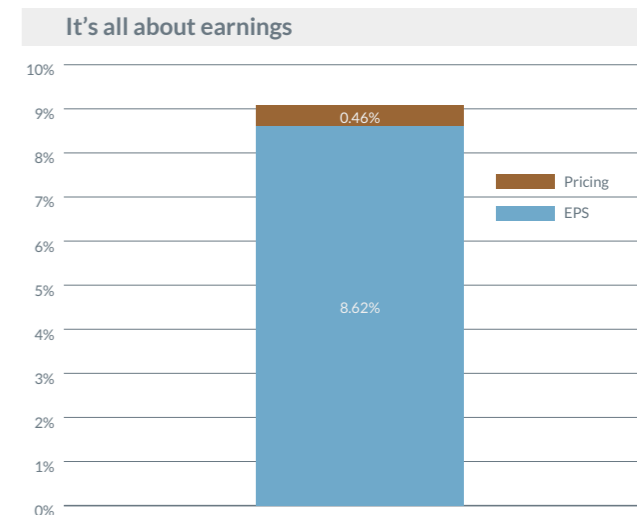
In Norway, the key interest rate ended the year at 2.75%. It was set to 2.5% on 18 September 2003. In the ensuing years, the Norwegian benchmark index has notched up a total return of 681%, corresponding to an annual average return of 11.2%.

Yes, I know – the direction of the interest rate change makes a difference in the short term. Longer-term, however, another factor is far more important: earnings.

#### WHAT REALLY MATTERS

Let’s decompose S&P 500 returns going back to 1871, which is as long-term as it gets in terms of earnings series. Over these more than 150 years, the average annual compound return computes to 9.1 per cent. In real terms, adjusted for US inflation, it is a still impressive 6.9 per cent, despite the downturn in 2022.

Of course, stocks are priced a lot higher than in 1871. According to economist Robert Shiller, whose data I have downloaded, average P/E has doubled, from 11 to 22 (these are historical multiples, not forward-looking). If this had happened in the space of one year, it would – roughly speaking – have doubled that year’s return.



Percentage points, contribution to S&P 500 total return 1871-2022. Source: Robert Shiller, Pareto Asset Management

Over more than 150 years, however, it contributes only 0.46 percentage points to the compound return. Fully 95 per cent of the compound return can be attributed to rising earnings.

These figures convey a clear advice not to get lost in the vast array of indicators and figures available at the touch of a key. If you’re looking for arguments to support your market view, you need not spend a lot of effort searching – whatever your view. There’s always a host of seemingly relevant numbers available. As time goes by, however, their importance dwindles.

Remember: you make money because your investments do.

2022 in a nutshell	
OSEBX	-1.0%
S&P 500 return	-18.1%
MSCI World net (USD)	-18.1%
3-month NIBOR	from 0.95% to 3.26%
10-year Norwegian Treasury	from 1.70% to 3.17%
10-year Swedish Treasury	from 0.21% to 2.39%
10-year US Treasury	from 1.51% to 3.88%
Brent Blend	from USD 77.78 to USD 85.91
USD/NOK	from 8.82 to 9.85
EUR/NOK	from 10.03 to 10.51
USD/SEK	from 9.05 to 10.42
GDP growth, global	3.4%
GDP growth, Norway	3.3%
GDP growth, Sweden	2.6%
GDP growth, Mainland Norway	3.8%

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 12 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, maritime and aquaculture. In recent years the company has especially grown 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 estate and vessels, 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, 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, Germany, and Switzerland. 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 2022 we initiated coverage on 29 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 and the corporate access activity in 2022 can be described by the return of physical events.

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 and was in 2022 held for the 29<sup>th</sup> time. The 2022 physical seminar attracted a record-high 165 companies presenting, with nearly 1 800 investors and industry professionals participating and over 1 200 investor meetings in two days.

Other notable conferences include our 11<sup>th</sup> annual Nordic corporate bond conference in Stockholm, our 24<sup>th</sup> annual Power & Renewable Energy conference in Oslo, the Nordic TechSaas conference held in Stockholm, the North Atlantic Seafood Forum in Bergen, the 13<sup>th</sup> annual Healthcare conference in Stockholm and a Nordic Bond Conference in Germany.

Pareto Securities hosted in total 12 conferences and 461 road shows in 2022.

## 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. 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.

We have acted as manager in more than 560 equity transactions and have raised more than NOK 221 billion in equity for corporate clients since 2015. Furthermore, our investment banking team has advised on more than 40 M&A transactions since 2020, of which half as a sell-side advisor and half as buy-side, merger and independent advisor with a total value of more than NOK 50 billion.

Since 2015 we have completed approximately 500 debt transactions, of which more than 300 bond issues, and raised closed to USD 25 billion in high-yield bonds globally. The investment banking team is made up of more than 145 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 2022 we carried out transactions with a combined property value of 12 billion. The total value of the real estate portfolio is approximately NOK 43 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 33 projects with 45 vessels at yearend. In 2022 we carried out 26 transactions across most sectors such as crude, dry bulk, chemical, product, container offshore and LPG with a total transaction value of NOK 7 billion.

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 59 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

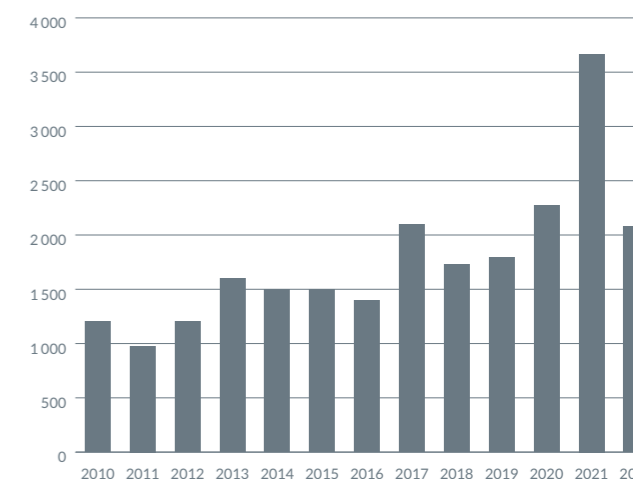
At the outset of the year, the personnel count was 462, compared with 465 at the end of the year. Of these, more than half work outside Norway.

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 2022: NOK 2 080 million  
Equity 2022: NOK 754 million  
Number of employees: 465  
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.*

Due to the nature of its business, Pareto Asset Management is continually exposed to the ebb and flow of financial markets. In 2022, despite plummeting markets, good relative returns in the largest stock funds and strong sales efforts contributed to a positive net subscription in equities, keeping assets under management at NOK 52 billion.

Including our Stockholm-based subsidiary Enter Fonder AB, total AUM reached the equivalent of NOK 66 billion. Enter Fonder is an independent asset manager specialising in Swedish equities and fixed income. It was acquired by Pareto Asset Management four years ago, underscoring our Nordic ambitions and providing added competence in managing Nordic securities.

As of year-end 2022, including our offices in Stockholm and Frankfurt, the Pareto Asset Management group has a staff of 74.

After several years of actively building our sales network in Europe, our client base now comprises investors from a total of eleven European countries.

This year, the management fees in Pareto Aksje Norge A and Pareto Global A were redesigned. They now include a performance fee related to the relative return vs. their respective benchmarks, whereas these funds previously had a variable fee unrelated to their benchmarks.

In addition, Pareto Asset Management discontinued the management of two leveraged feeder funds where a single investor had reached 100 per cent ownership.

For the fourth 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 summer interns was subsequently hired as a full-time analyst, to assume her duties when she graduates in 2023.

## 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.

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 and in 2022 became the first fixed income fund to be awarded the new license approval for the Nordic Swan Ecolabel 2.0.

## 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 27 years. Over these years, an average annual return of 12.7 per cent has compounded to a total return of 2 526 per cent, delivering an excess return of 3.5 percentage points annually and – through the powerful force of compounding – a total excess return of 1 526 percentage points (the 0.5% fee class).

The related portfolio in Pareto Aksje Norge, our largest equity fund, recorded a return in 2022 of 2.7 per cent (share class I), versus -7.1 per cent for the Oslo Børs Mutual Fund Index. Pareto Global I recorded a return of -3.3 per cent, against -8.5 per cent for the MSCI World Index in Norwegian kroner. Both funds also had distinctly positive net subscription figures.

On the other hand, both Pareto Investment Fund and Pareto Nordic Equity, while a lot smaller, had negative excess returns

of almost similar magnitudes. And Enter Småbolagsfond, which delivered an annual average return of more than 54 per cent over the previous three years, lost almost 43 per cent in 2022.

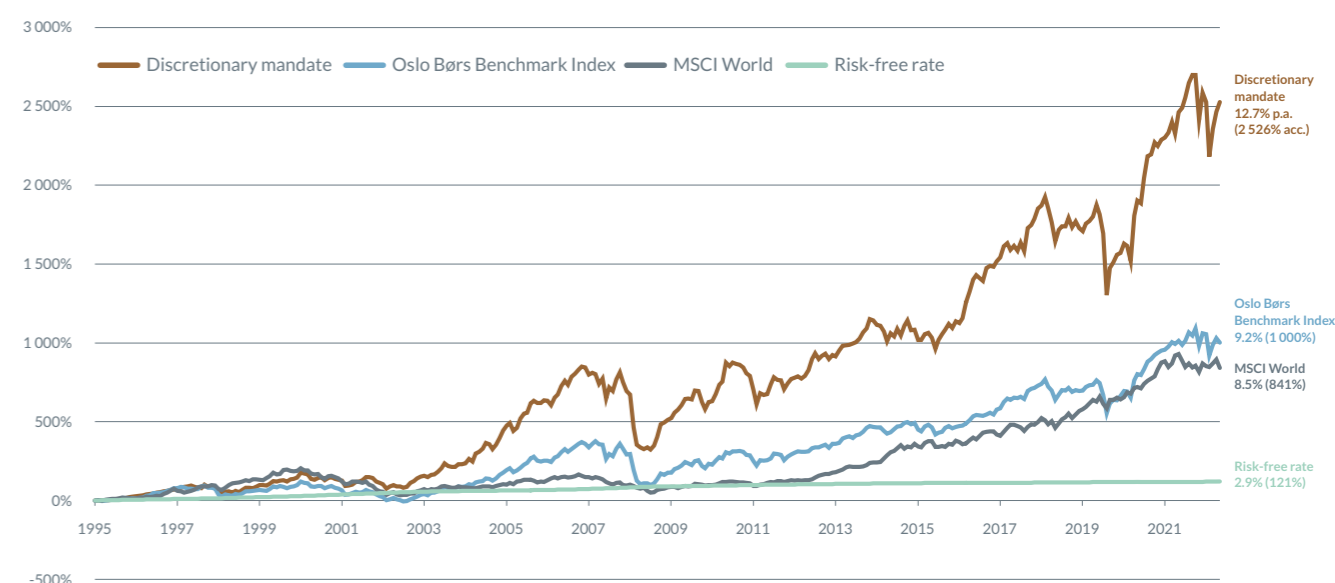
In fixed income, returns were impacted by the increasing interest rates and spread levels. Our largest fixed-income fund, Pareto Nordic Corporate Bond, ended the year just below zero (share class B), after strong headwinds in the first half of the year and a brisk recovery in the second half.

Investment grade funds Pareto Likviditet and Pareto Obligasjon, which due to the rough market were among our best in absolute terms, enjoyed substantial net subscription of NOK 1.2 billion. A new analyst was hired, to assume his duties in January 2023, reflecting our ambitions of increasing efforts in this area.

## Pareto Asset Management AS

Dronning Mauds gate 3  
P.O. Box 1810 Vika  
0123 Oslo, Norway  
Telephone: +47 22 87 87 00  
Turnover 2022: NOK 488 million  
Equity 2022: NOK 38 million  
Number of personnel: 74  
CEO: Eric von Koss Torkildsen  
Eric.Torkildsen@paretoam.com  
Chairman: Rune Selmar  
[paretoam.com](http://paretoam.com)

## Long-term excess return 31 August 1995 – 31 December 2023



\*Before 31.12.01, OSEBX is chained with former TOTX. The graph shows the return from our discretionary Norwegian equity mandate after 0.5 per cent annual management fee. Returns can differ as a result of individual fee structure. Historical returns are no guarantee for future returns, please see disclaimer p. 2.



# 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 24 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.

2022 turned out to be another good year for the firm. Increased inflation and interest rates did hit the financial markets and the real estate sector quite hard this year. Despite challenging markets PAI performed relatively well in most funds and discretionary mandates compared to competitors and other asset classes. Net revenues recorded by the company in 2022 amounted to NOK 71 million, slightly down from NOK 75 million in 2021.

The company had a total of 16 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 2022 PAI established Pareto Solar Fund. The fund will invest in solar plants on roofs of commercial real estate in the Nordics and sell the electricity on long-term contracts to tenants and on the spot market. The fund has a sustainable footprint and is PAI's first product in the growing renewables market.

## 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 2022 the unleveraged real estate funds Pareto Eiendomsfelleskap IS and Pareto Eiendomsfelleskap II IS – our two largest funds – delivered annual returns of -0.6 per cent and -0.9 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 2022: NOK 71 million  
Equity 2022: NOK 27 million  
Number of employees: 16  
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.

2022 was a challenging year. The outbreak of the war in Ukraine and the following increase in inflation and the rise in interest rates affected the market, and at yearend we saw a decline in both the stock market and the bond market. This, of course, affected our customers in a negative sense regarding portfolio values.

Despite the negative market development, we managed positive net sales close to half a billion NOK throughout the year. Unlike earlier periods with similar development, we experienced a high loyalty from our customers and redemptions were significantly less than in previous years. Despite the positive net sales, our total assets under management decreased throughout the year by approximately 6 per cent due to the negative market development, amounting to approximately NOK 23.7 billion by yearend.

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 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 also providing higher earnings 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 2022: NOK 67 million  
Equity 2022: NOK 20 million  
Number of employees: 30  
CEO: Rune Wassum  
rune.wassum@pareto.no  
Chairman: Kjersti Haugstad Sanstøl  
[pwm.pareto.no](http://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, which has established 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. Brokering of newbuild vessel projects is an important part of our business even in the current challenging market. There has been a significant increase in the sale and purchase of vessels, both 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. Currently there are several newbuild projects under development.

In 2022 we have hired new resources in order to further increase focus on the offshore wind and renewable energy market. Another market in which we are heavily involved is developing autonomous vessels, which has resulted in numerous newbuilds at Norwegian yards. Looking forward, we are focused on being a contributing party in developing new concepts for ships with a 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 2022: NOK 94 million  
Equity 2022: NOK 28 million  
Number of employees: 31  
CEO: Karsten Christensen  
karsten@paretoship.no  
Chairman: John G. Bernander  
[www.paretoship.com](http://www.paretoship.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 2022: NOK 35 million  
Equity 2022: NOK 13 million  
Number of employees: 7  
CEO: Hans Martin Lie / Bjørn Erik Løkken  
dry@pareto.no / crude@pfbassoe.no  
Chairman: Petter Dragesund  
[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 2.0 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: 24 in Oslo and 6 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 at Pareto Forsikringsmegling arranges 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 by working with our clients, we make it possible for them to secure more favourable terms. However, although there are a number of semi-public organisations that still have defined benefit pension schemes, there are fewer projects with defined contribution pension schemes to replace these.

The pension market for the public sector has been influenced by Storebrand re-entering the market in 2019, but there is still very little activity, considering the number of municipalities and public sector entities which have government 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 and 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 advisory service 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 2022: NOK 80.5 million  
Equity 2022: NOK 25 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

*Since its founding in 1975, real estate broker Eiendomsmegler Krogsveen AS (Krogsveen) has primarily operated as an intermediary of residential real estate in the Norwegian market. In 2022, Krogsveen sold 7 200 homes and vacation homes worth NOK 33 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 347 employees, most of whom work at one of the company’s 51 brokerage offices. The organisation has departments for settlement, finance, marketing, trade and IT, all located at the company’s headquarters at Fornebu in Bærum county.

Krogsveen’s primary geographic market is Eastern Norway with 36 offices, 12 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. In the leisure market by the sea, from Oslo to Sørlandet, Krogsveen is among the market leaders. The company also facilitates sales of new developments of single-family homes and condominiums.

In recent years, Krogsveen 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  
Norway  
Telephone: +47 67 52 95 50  
Turnover 2022: NOK 588 million  
Equity 2022: NOK 118 million  
Number of employees: 347  
CEO: Stian Kløfta  
Stian.klofta@krogsveen.no  
Chairman: Elin Mack Løvdal  
[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 South-eastern 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 decisions on credit quickly and precisely, while offering customers solutions tailor made to their needs.

## OUTLOOK

Interest rates are expected to peak during 2023. Higher interest rates combined with inflation will affect corporate profitability, and the outlook for economic growth is uncertain. Real estate development is expected to slow down due to increased costs. Valuation in commercial real estate is uncertain. Within property financing the bank expects relatively unchanged volume in 2023. In corporate finance the bank is a small player in a larger space, and growth is expected to continue. Within ship finance the bank expects moderate growth in select segments.

The year 2022 was the best in Pareto Bank's 15 years of history. Profitability exceeded the long-term ambition of 14.0 per cent and the proposed dividend is in line with policy. The bank has throughout the past 15 years built a solid foundation based on close customer relationships and a culture where everyone participates and contributes to success. Despite an uncertain outlook, Pareto Bank is ready to provide financing to medium-sized corporates, their owners, and projects. Moderate lending growth is expected overall in 2023.

## OPERATIONS IN 2022

Pareto Bank had after-tax profits in 2022 of NOK 555.5 million (NOK 504.5 million in 2021), corresponding to a return on equity of 14.6 per cent (14.0 per cent), exceeding the bank's long-term ambition.

Net interest income increased to NOK 928.6 million (NOK 838.3 million), supported by lending growth and rising interest rates. Lending volume grew by NOK 1 540 million (NOK 1 144 million) to a record-high NOK 17 346 million (NOK 15 805 million). Other income contributed NOK 36.7 million (NOK 12.3 million), for a total income of NOK 965.3 million (NOK 850.7 million).

Total operating costs amounted to NOK 186.5 million (NOK 162.4 million) in 2022, corresponding to a cost/income ratio of 19.3 per cent (19.1 per cent). The cost increase was due largely to an increase in the number of employees.

Impairments amounted to NOK 45.0 million (NOK 20.1 million), corresponding to 0.27 per cent of net lending by yearend.

CET1 at yearend 2022 was 17.5 per cent (16.0 per cent). The bank's leverage ratio stood at 16.5 per cent. The minimum requirement for CET1 was 15.2 per cent.

The Board has proposed a dividend of NOK 3.86 per share of 2022 profits, corresponding to a payout ratio of 50.1 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 2022:

Name	Stake
Pareto AS	20.0%
Société Générale	9.9%
Hjellegjerde Invest AS	5.0%
Landkreditt Utbytte	2.8%
Svemorka Holding AS	2.8%
Rune Bentsen AS	2.6%
Salt Value AS	2.6%
Kolberg Motors AS	2.6%
Verdipapirfondet Holberg Norge	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 2022: NOK 22 296 million  
Equity 2022: NOK 4 220 million  
Number of employees: 61  
CEO: Tiril Haug Villum 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%
2022	3 491	828	4 364	-1.0%

*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.*

# THE DIRECTORS' REPORT 2022

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### 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. Although 2022 was a challenging business year with the war in Ukraine, energy shortages, high inflation and increased interest rates, the group delivered a solid profit. Compared to 2021 – a year with extraordinary high activity in the capital markets – group revenues decreased in 2022 but was still third best in the history of the group. The income statement must be described as satisfactory, both for the group as a whole and for the majority of its business activities.

Group operating revenues in 2022 amounted to NOK 3 491 million, compared with NOK 5 292 million in 2021. Operating profit was NOK 903 million, NOK 2 015 million in 2021. Pre-tax profit totalled NOK 989 million, NOK 2 026 million in 2021. Profit after tax amounted to NOK 828 million in 2022, versus NOK 1 571 million in 2021.

The financial strength and liquidity of the group are good. Book equity at year-end stood at NOK 4 364 million. Bank deposits totalled NOK 1 765 million.

The parent company's profit after-tax was NOK 699 million (NOK 987 million in 2021). At year-end 2022, equity in the parent company amounted to NOK 3 916 million, up from NOK 3 323 million in 2021.

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 subsidiaries have 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.

Market volatility due to macroeconomic and geopolitical shocks, is expected to remain high. OECD predicts a slightly better global economic outlook for 2023, but inflation and higher interest rates challenges remain.

The Russian invasion in Ukraine has led to high energy prices, but it has also accelerated the energy transition. Governments across the globe advocate for allocation of investments to companies and infrastructure projects that tackle climate risk, stimulate green innovation, reduce inequality and improve social cohesion. We expect this trend to continue.

# INCOME STATEMENT

Over the years the group has expanded internationally and built multiple 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 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, 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 group companies is good. 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.

Group companies that are subject to the Norwegian Transparency Act (Nw: Åpenhetsloven), will carry out an annual due diligence assessment which will be published on the websites of the individual group companies by 30 June.

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, 12 April 2023

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)

Parent company (NOK '000)			Group (NOK '000)		
2021	2022	Notes	2022	2021	
<b>OPERATING REVENUES</b>					
255	255	Operating revenues	2	3 491 120	5 292 487
<b>255</b>	<b>255</b>	<b>Total operating revenues</b>		<b>3 491 120</b>	<b>5 292 487</b>
<b>OPERATING EXPENSES</b>					
-6 564	-7 066	Personnel costs	3	-1 703 733	-2 401 483
-2 247	-1 464	Sundry other operating costs		-834 925	-825 788
-37	-26	Ordinary depreciation & amortisation	4	-48 981	-49 745
<b>-8 847</b>	<b>-8 556</b>	<b>Total operating expenses</b>		<b>-2 587 639</b>	<b>-3 277 016</b>
<b>-8 592</b>	<b>-8 301</b>	<b>Operating profit/loss</b>		<b>903 481</b>	<b>2 015 472</b>
<b>FINANCIAL INCOME/EXPENSES</b>					
135 537	121 429	Financial income		95 883	35 102
784 207	435 327	Share dividends		40 172	10 275
0	0	Adjustments, securities	5	-6 116	2 577
101 818	114 882	Share of associated companies	6	114 882	101 818
-101	-174	Interest paid		-5 376	-9 242
-220	-2 171	Other financial expenses		-153 526	-130 217
<b>1 021 243</b>	<b>669 293</b>	<b>Total financial income/expenses</b>		<b>85 919</b>	<b>10 314</b>
<b>1 012 651</b>	<b>660 992</b>	<b>Income before tax</b>		<b>989 401</b>	<b>2 025 786</b>
-25 227	38 365	Tax expense	7	-161 269	-454 995
<b>987 423</b>	<b>699 356</b>	<b>Profit for year</b>		<b>828 131</b>	<b>1 570 791</b>
		Net profit attributable to owners of parent		653 712	1 066 239
		Net profit attributable to non-controlling interests		174 419	504 552
<b>Allocation of net profit:</b>					
-2 010	0	- Provision for dividend			
-985 414	-699 356	- Transferred to other equity			
<b>-987 423</b>	<b>-699 356</b>	<b>Total allocations</b>			

## BALANCE SHEET

## ASSETS

Parent company (NOK '000)		Notes	Group (NOK '000)	
31.12.2021	31.12.2022		31.12.2022	31.12.2021
<b>FIXED ASSETS</b>				
<b>Intangible assets</b>				
0	0	4	-2 442	14 681
0	0	7	58 299	63 954
<b>0</b>	<b>0</b>		<b>55 857</b>	<b>78 635</b>
<b>Property, plant &amp; equipment</b>				
757	731	4	70 334	79 926
<b>Financial fixed assets</b>				
587 839	579 832	6	0	0
762 306	825 321	6	825 321	762 306
0	284	8	34 747	35 651
0	0		296	298
77	78	9	349	366
<b>1 350 222</b>	<b>1 405 514</b>		<b>860 713</b>	<b>798 620</b>
<b>1 350 979</b>	<b>1 406 245</b>		<b>986 903</b>	<b>957 181</b>
<b>CURRENT ASSETS</b>				
<b>Receivables</b>				
2 977	17 829	10	2 342 040	2 268 316
927 177	491 481	11	609 257	1 034 772
<b>930 153</b>	<b>509 310</b>		<b>2 951 297</b>	<b>3 303 089</b>
<b>Investments</b>				
800 191	1 838 651	5	3 078 217	3 328 967
<b>800 191</b>	<b>1 838 651</b>		<b>3 078 217</b>	<b>3 328 967</b>
<b>278 492</b>	<b>189 302</b>	12	<b>1 764 667</b>	<b>1 873 697</b>
<b>2 008 837</b>	<b>2 537 263</b>		<b>7 794 181</b>	<b>8 505 753</b>
<b>3 359 816</b>	<b>3 943 508</b>		<b>8 781 084</b>	<b>9 462 934</b>

## BALANCE SHEET

## EQUITY AND LIABILITIES

Parent company (NOK '000)		Notes	Group (NOK '000)	
31.12.2021	31.12.2022		31.12.2022	31.12.2021
<b>EQUITY</b>				
<b>Paid-in capital</b>				
6 394	5 548		5 548	6 394
7 096	7 096		0	0
103 464	0		0	103 464
<b>116 954</b>	<b>12 644</b>		<b>5 548</b>	<b>109 858</b>
<b>Retained earnings</b>				
415 595	475 480		475 480	415 595
2 790 597	3 427 691		3 576 989	2 972 073
<b>3 206 192</b>	<b>3 903 172</b>		<b>4 052 470</b>	<b>3 387 668</b>
<b>Non-controlling interests</b>				
			<b>306 132</b>	<b>251 834</b>
<b>3 323 146</b>	<b>3 915 816</b>	13	<b>4 364 198</b>	<b>3 803 658</b>
<b>LIABILITIES</b>				
<b>Provision for commitments</b>				
0	0	9	1 352	1 860
11	35	7	35	319
<b>11</b>	<b>35</b>		<b>1 387</b>	<b>2 179</b>
<b>Non-current liabilities</b>				
0	0		21 151	64 706
0	0		38 548	36 868
<b>0</b>	<b>0</b>		<b>59 699</b>	<b>101 574</b>
<b>Current liabilities</b>				
4 495	5 586	11	3 863 180	4 614 353
24 438	21 949	7	227 208	395 002
7 334	0		178 337	447 946
392	122		87 075	98 222
<b>36 659</b>	<b>27 657</b>		<b>4 355 800</b>	<b>5 555 523</b>
<b>36 670</b>	<b>27 692</b>		<b>4 416 886</b>	<b>5 659 276</b>
<b>3 359 816</b>	<b>3 943 508</b>		<b>8 781 084</b>	<b>9 462 934</b>

Oslo, 12 April 2023

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)	
2021	2022		2022	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
1 012 651	660 992	Ordinary profit before tax expense	989 401	2 025 786
-19 825	35 900	Tax paid in period	-328 353	-233 715
37	26	Ordinary depreciation and amortisation	31 900	32 622
0	0	Securities adjustments	6 116	-2 577
-1	0	Net change in pensions without cash effect	-491	-484
0	0	Other items without cash effect	33 125	811
-101 818	-114 882	Share of profits of associated company	-114 882	-101 818
-332 973	420 843	Change in receivables	351 791	-241 887
-940	-6 513	Change in other liability items	-762 319	906 414
<b>557 131</b>	<b>996 366</b>	<b>Net cash flow from operating activities</b>	<b>206 287</b>	<b>2 385 152</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
0	0	Net cash from purchases/disposals/sale of tangible assets	-22 308	-46 367
-402 659	-1 038 460	Net cash flow, short-term investments	244 634	-2 641 529
-19 362	7 724	Payments for purchases of financial fixed assets	904	-27 129
72 681	51 867	Net cash flow, financial fixed assets	51 869	45 430
<b>-349 340</b>	<b>-978 869</b>	<b>Net cash flow from investment activities</b>	<b>275 099</b>	<b>-2 669 594</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
0	-2 377	Dividend paid	-445 952	-254 607
0	-104 310	Reduction of share capital	-104 310	0
0	0	Payment purchase of treasury shares	0	0
0	0	Change non-current commitments and liabilities	-41 875	150
0	0	Payments of equity to/from minority interests	1 720	4 047
<b>0</b>	<b>-106 687</b>	<b>Net cash flow from financing activities</b>	<b>-590 416</b>	<b>-250 410</b>
207 791	-89 190	Net change in bank deposits	-109 030	-534 852
70 701	278 492	Bank deposits in hand at 1 Jan.	1 873 697	2 408 549
<b>278 492</b>	<b>189 302</b>	<b>Bank deposits in hand at 31 Dec.</b>	<b>1 764 667</b>	<b>1 873 697</b>

## NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS



## NOTE 1 | General

### Group structure

Pareto AS owns 64.95% 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 Alternative Investments AS and 100% of Pareto Bolig AS.

Pareto Securities AS owns 100% of Pareto Securities Pte Ltd, 100% of Pareto Securities Inc., 84.97% of Pareto Securities AB, 68.54% of Aktieinvest FK AB, 68.54% 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 Krogsvæen AS (Krogsvæen), 100% of Boligflyt AS and 100% of Krogsvæen Utvikling AS. Krogsvæen owns 100% of Utleiemegler Krogsvæen AS, 100% of Krogsvæen Trøndelag AS, 70% of Krogsvæen Moss AS and 70% of Krogsvæen Sørlandet AS. Krogsvæen Utvikling AS owns 56.3% of KE Forsikring AS.

### 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	2022	2021
Brokerage/Corporate finance	2 804 252	4 392 520
Management/Business management	686 869	899 967
<b>Total operating revenues</b>	<b>3 491 120</b>	<b>5 292 487</b>

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

	Parent company		Consolidated	
	2022	2021	2022	2021
Wages and salaries, holiday pay, nat. insurance	6 873	6 472	1 614 655	2 325 695
Pensions and other personnel costs	192	91	89 077	75 788
<b>Total</b>	<b>7 066</b>	<b>6 564</b>	<b>1 703 733</b>	<b>2 401 483</b>
Number of man-years	2	2	1 001	1 005

Paid remuneration to the CEO in 2022 amounted to NOK 3 268, including bonus. Remuneration to the directors of the parent company amounted to NOK 575. A provision of NOK 2 116 has been made for fees for the directors of the group.

Deloitte AS received fees of NOK 243 (2021: 180) for auditing the parent company and NOK 6 107 (2021: 5 677) for the group. Payment for other assurance engagements totalled NOK 0 (2021: 13) for the parent company and NOK 1 800 (2021: 1 974) for the group. Payments to other auditors to the group amount to NOK 89. These figures are exclusive of VAT.

Payments to Deloitte Advokatfirma DA for legal services amount to NOK 0 (2021: 0) for the parent company and NOK 659 (2021: 599) 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	239 946	221 674
Additions in year	-	23 378	-
Disposals/sale	-	12 230	-
<b>Acquisition cost 31.12.</b>	<b>2 264</b>	<b>251 094</b>	<b>221 674</b>
Acc. depreciation 01.01.	1 506	160 027	206 994
Disposals/sale	-	11 168	-
Depreciation this year	26	31 900	17 123
<b>Acc. depreciation 31.12.</b>	<b>1 533</b>	<b>180 760</b>	<b>224 117</b>
Book value 31.12.	731	70 334	-2 442
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 44.5 million in 2022.

NOK '000

**NOTE 5 | Securities**

	Parent company		Group	
	Acquisition cost	Book value	Acquisition cost	Book value
Shares and partnership interests	1 588 834	1 588 834	1 630 892	1 617 994
Bonds and certificates			1 114 320	1 114 819
Fixed income funds			58 896	59 670
Equity funds	249 817	249 817	285 249	285 734
<b>Total securities</b>	<b>1 838 651</b>	<b>1 838 651</b>	<b>3 089 356</b>	<b>3 078 217</b>

**NOTE 6 | Shares in subsidiaries**

Subsidiary	Office	% stake and votes	Book value 31.12
Pareto Securities AS	Oslo	64.95%	69 794
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 Bolig	Oslo	100%	175 914
			<b>579 832</b>

**Shares in associated companies**

Company Office in Pareto's stake	Fondsforvaltning Oslo	Odin Marine New York	Pareto Bank Oslo	Total associated companies
Acquisition cost	40 001	30 906	308 114	
Equity at time of acquisition	23 939	10 540	400 810	
<b>Goodwill at time of purchase</b>	<b>16 062</b>	<b>20 366</b>	<b>-92 696</b>	
Opening balance 1 Jan.	7 722	30 875	723 709	762 306
Acquisition in year	-	-	-	-
Share of year's profit	1 453	4 648	108 616	114 716
Write-down goodwill	-	-	166	166
Dividends received	-1 353	-1 618	-48 896	-51 867
<b>Closing balance 31 Dec.</b>	<b>7 822</b>	<b>33 904</b>	<b>783 594</b>	<b>825 321</b>

NOK '000

**NOTE 7 | Taxes**

Parent company			Consolidated	
2021	2022		2022	2021
1 012 651	660 992	Profit before income tax	989 401	2 025 786
0	0	Group contribution	19 227	51 302
-914 890	-573 096	Permanent differences	-97 629	-87 313
-7	-99	Change in temporary differences	-31 346	-73 689
0	0	Change in deficits carried forward	44 928	-22 438
<b>97 754</b>	<b>87 797</b>	<b>Year's tax base</b>	<b>924 581</b>	<b>1 893 647</b>
24 438	21 949	Tax payable	214 241	425 900
0	0	Correction previous year(s)	0	0
0	0	Tax payable, withholding	12 967	-30 898
<b>24 438</b>	<b>21 949</b>	<b>Total tax payable</b>	<b>227 208</b>	<b>395 002</b>
		<b>Specification of temporary differences</b>		
0	0	Current assets	-6 886	-14 186
59	60	Tangible fixed assets	-12 416	-15 050
-17	-13	Intangible assets	-6 348	-7 800
0	95	Other items	8 806	-189 508
0	0	Remaining loss for carrying forward	-40 372	-38 788
<b>43</b>	<b>142</b>	<b>Basis for calculating deferred tax benefit/tax</b>	<b>-57 216</b>	<b>-265 332</b>
<b>11</b>	<b>35</b>	<b>22 - 25% deferred tax benefit (-)/tax(+)</b>	<b>-58 263</b>	<b>-63 635</b>
		<b>Year's tax expense</b>		
24 438	21 949	Tax payable	214 241	425 900
-25	-64 326	Tax correction for earlier years	-66 200	1 113
2	25	Change in deferred tax benefit/tax	9 241	27 170
<b>24 415</b>	<b>-42 352</b>	<b>Tax expense</b>	<b>157 282</b>	<b>454 183</b>
<b>812</b>	<b>3 987</b>	<b>Paid withholding tax</b>	<b>3 987</b>	<b>812</b>
<b>25 227</b>	<b>-38 365</b>	<b>Total tax expense</b>	<b>161 269</b>	<b>454 995</b>
<b>2 %</b>	<b>-6 %</b>	<b>Effective rate of taxation</b>	<b>16 %</b>	<b>22 %</b>
		<b>Reconciliation from nominal to true tax expense</b>		
253 163	165 248	Anticipated tax expense at nominal rate	233 180	470 207
-228 722	-143 274	Permanent differences	-26 404	-23 256
0	0	Change in tax rates	13 809	8 738
-25	-64 326	Correction previous year(s)	-64 149	-2 008
0	0	Other items	846	502
<b>24 415</b>	<b>-42 352</b>	<b>Tax expense</b>	<b>157 282</b>	<b>454 183</b>
<b>812</b>	<b>3 987</b>	<b>Paid withholding tax</b>	<b>3 987</b>	<b>812</b>
<b>25 227</b>	<b>-38 365</b>	<b>Total tax expense</b>	<b>161 269</b>	<b>454 995</b>

NOK '000

**NOTE 8 | Other shares/bonds**

	Acquisition cost	Book value
Other securities, parent company	284	284
Other securities, subsidiaries	34 745	34 463
<b>Total other securities, group</b>	<b>35 029</b>	<b>34 747</b>

**NOTE 9 | Pensions**

The group has a defined contribution pension scheme as required under the Norwegian Mandatory Occupational Pensions Act. Premium paid in 2022 totalled NOK 70 for the parent company and NOK 13 676 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 2022 at NOK 1 328 through actuarial valuations based on commonly applied assumptions.

**NOTE 10 |**

The parent company has granted employees/partners of the subsidiaries interest-bearing loans on which the outstanding balance as of 31 December 2022 is NOK 14 648.

**NOTE 11 |**

Receivables from group companies amounted to NOK 491 481 as at 31 December 2022.

Other current liabilities to group companies as at 31 December 2022 amounted to NOK 30.

**NOTE 12 | Bank deposits**

The parent company has a non-distributable deposit of NOK 43 lodged in an account for tax withholdings. The group's bank deposits include NOK 301 128 in non-distributable accounts, of which NOK 22 695 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 13 | 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	415 595	2 790 597	3 323 146
Reduction of share capital	-846		-103 464			-104 310
Year's profit				59 885	639 471	699 356
Provision for dividends					-2 377	-2 377
<b>Total equity as of 31 Dec.</b>	<b>5 548</b>	<b>7 096</b>	<b>0</b>	<b>475 480</b>	<b>3 427 691</b>	<b>3 915 816</b>

NOK '000

**NOTE 13 | Equity, continued**

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	415 595	2 972 073	306 132	3 803 658
Reduction of share capital	-846	-103 464				-104 310
Other adjustments				3 838		3 838
Currency translation				12 123	3 879	16 002
Year's profit after tax			59 885	593 827	174 419	828 131
Provision for dividends				-2 377	-182 465	-184 842
Non-controlling interests				-2 495	4 215	1 720
<b>Total equity as of 31 Dec.</b>	<b>5 548</b>	<b>0</b>	<b>475 480</b>	<b>3 576 989</b>	<b>306 180</b>	<b>4 364 198</b>

The share capital as of 31 Dec. is NOK 5 548, divided into 38 000 shares with a nominal value of NOK 146 each.

	Number of shares	Stake and voting %
Svein Støle	35 000	92.1%
Svele AS / Svein Støle	3 000	7.9%
	<b>38 000</b>	<b>100.0%</b>

There are two classes of shares. Shares owned by Svele AS are classified as B shares and carry a preferential right to dividends as determined by the General Meeting.

**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 150 000. 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.

Eiendomsmegler Krogsveen has pledged receivables and fixed assets, with a value of 60 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	6 664
Purchases of services from other group companies	6 999

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 2022, 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 2022, 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 2022, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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 relevant laws and regulations in Norway 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.

Penneo Dokumentnøkkel: EHC6E-LE1E6-87PLU-HBJG7-6AC75-KDD7F

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 statutory 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 and 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.

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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, 12 April 2023  
Deloitte

**Roger Furholm**  
State Authorised Public Accountant

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**Roger Furholm**  
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