

**PARETO SECURITIES AS
GROUP**

**DISCLOSURE OF FINANCIAL INFORMATION
BASEL III – PILLAR 3
31-12-2023**

UPDATED PR 30 APRIL 2024

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1. Introduction

EUs Capital Requirements Regulation “CRR” and Directive IV “CRD IV” (together “Basel III”¹), involving, inter alia, an obligation for Pareto Securities AS (the “Firm”) with subsidiaries to disclose risk management objectives and policies, management of risks, the nature of risk reporting and risk measurement, and financial information concerning capital adequacy pursuant to the requirements under Pillar 3 of the Capital Adequacy Regulations. The articles 431 to 455 of the CRR specify the Pillar 3 requirements.

This Pillar 3 document describes the organisational structure and risk reporting of the Firm, as well as its policies and procedures for the management and control of risk. The approaches used for the calculation of credit risk, market risk and operational risk (Pillar 1) are described in the document. Furthermore, the report includes information about the Firm’s internal capital- and liquidity adequacy process (Pillar 2). This report is intended to complement the financial information and capital adequacy information found in the annual report available on the website:
<https://paretosec.com/our-firm/compliance/financial-information-norway/>

This document is updated annually with data per year end. The information contained in the document has not been audited by the Firm’s auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

2. Overview of the capital adequacy regulations – Basel 3

The objective of the capital adequacy regulations is to strengthen the stability of the financial system through:

- Risk-sensitive capital requirements
- Better risk management and control
- Closer supervision
- More information and transparency to the market

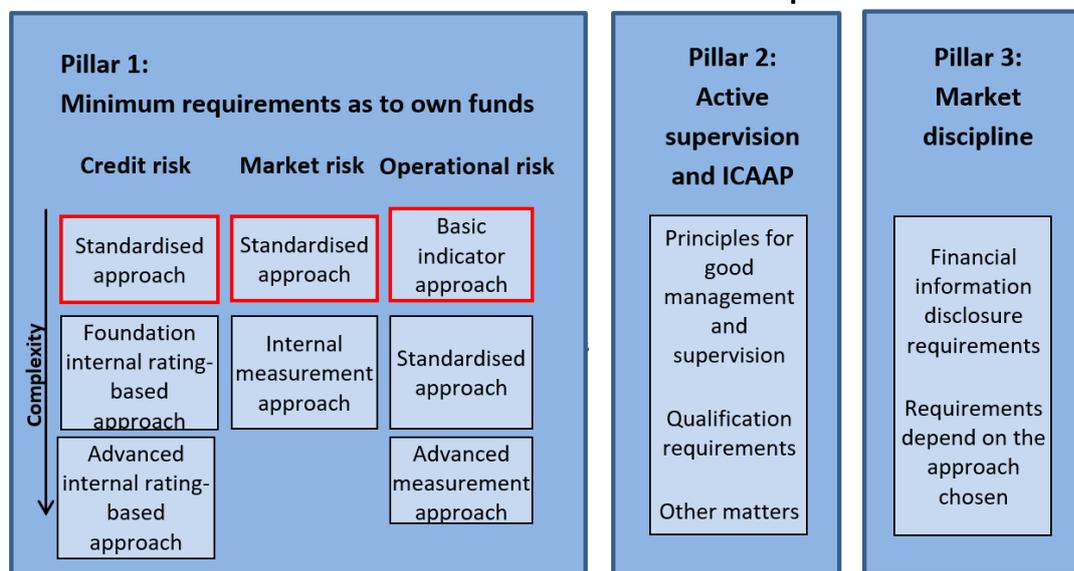
The capital adequacy regulations are made up of three pillars:

- Pillar 1:
Covers the calculation of risk weighted assets for credit- and counterparty risk, market risk and operational risk, capital buffers and minimum requirements as to own funds.
- Pillar 2:
The Firm’s own internal capital adequacy assessment process (“ICAAP”) which covers the consideration of whether additional capital is required over and above the Pillar 1 risk calculations, and the internal liquidity adequacy assessment process (“ILAAP”) covering the Firm’s liquidity and funding risk management framework.

¹ Revised Basel III rules CRR2 and CRD5 are implemented in Norway from 1 June 2022. The changes are not applicable to Norwegian investment firms which still are regulated under CRR/CRD4.

- Pillar 3:
Disclosure of information by firms and covers external communication of risk and capital information by financial institutions as specified in the Basel rules to promote transparency and good risk management.

Chart: Basel 3 – Overview of the pillars



Market discipline

Pillar 1 addresses the regulatory minimum requirements as to capital adequacy. The overall calculation basis is the sum total of the calculation bases for credit risk, market risk and operational risk. The Firm uses the following approaches to determine the calculation basis.

- *Credit risk - the standardised approach:*
The credit risk weighted assets calculation is based on an estimate of the Exposure at Default (EAD) and assesses capital requirements using standard CRR risk weightings based on a detailed classification of asset types.
 - *Counterparty credit risk (CCR) derivatives – the mark to market method (MTM):*
CCR arises from the risk that parties are unable to meet their future payment obligations under certain financial contracts such as derivatives. CCR differs from credit risk, above, in how the EAD is calculated and applies to traded exposures. It arises where a counterparty default may lead to losses of an uncertain nature as they are market driven and is the sum of the current market value of the instrument plus an add-on (dependent on Potential Future Exposure, or PFE) that accounts for the potential change in the value of the contract until a hypothetical default of the counterparty.
 - *Credit valuation adjustment (CVA) - the standardised approach:*
The CVA is the capital charge accounting for potential MTM losses due to the credit quality deterioration of a counterparty (that does not necessarily default). CVA is the difference between the value of a derivative contract with a risk-free counterparty and that of a contract with the actual counterparty. It is a complement to the counterparty credit risk charge, that accounts for the risk of outright default of a counterparty. As for CCR, the standardised approach takes account of the external credit rating of each counterparty, and incorporates the effective maturity and EAD from the CCR calculation.

- *Market risk - the standardised approach:*
Risk weighted assets calculations for market risk assess the losses from movements in the prices of financial assets and liabilities. A calculation is prescribed that depends on the type of contract, the net position at portfolio level, and other inputs that are relevant to the position. For instance, for equity positions a general market risk component captures changes in the market, while specific market risk is calculated based on features of the specific security.
- *Operational risk - the basic indicator approach:*
Capital set aside for operational risk is deemed to cover the losses or costs resulting from human factors, inadequate or failed internal processes and systems, external events as well as legal risk. To assess capital requirements for operational risk, the capital requirement is calculated as a percentage (15 %) of the income, averaged over the last three years.

Pillar 2 addresses the requirements as to the Firm's own process for the assessment of risk and whether additional capital is required over and above the Pillar 1 risk calculations. This includes, *inter alia*, a process for the assessment of overall capital needs in view of the Firm's risk profile, liquidity risk and a strategy for maintaining the needed capital level. In addition, Pillar 2 sets out guidelines for the evaluation process of the supervisory authorities with regard to the Firm's capital and liquidity adequacy assessment process.

The purpose of *Pillar 3* is to contribute to increased market discipline through requirements as to the disclosure of information. The Firm shall publish information concerning its capital level, capital structure and risk exposure that enables the market to better evaluate its risk profile and capitalisation, as well as its risk management and controls. The Pillar 3 framework requires the disclosure of information that supports the determination of capital buffers.

Firms are by regulation required to have capital in the form of two capital buffers² above the Pillar 2 requirement:

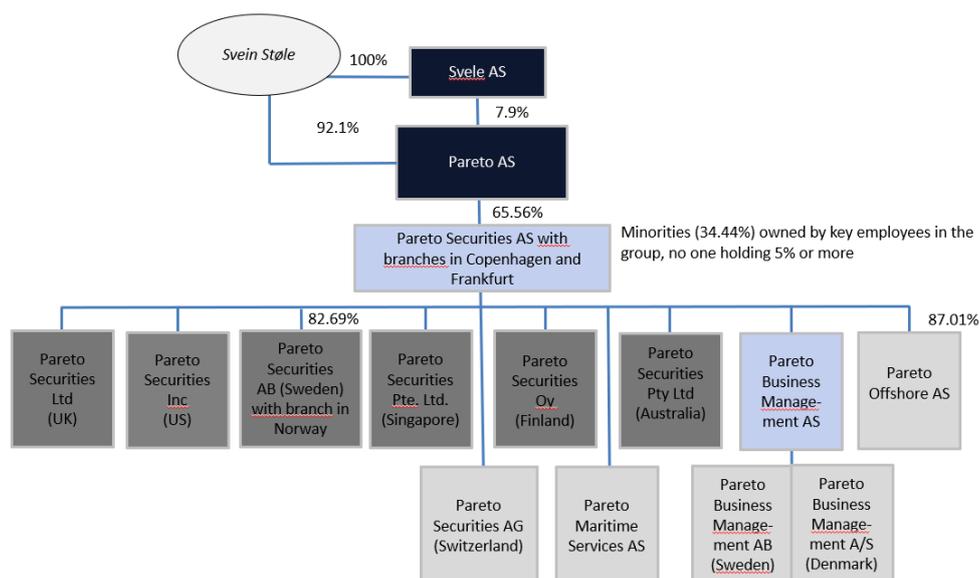
- **Countercyclical Capital Buffer (CCyB):**
CCyB aims to achieve the broader macroprudential goal of protecting the financial sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk.
- **Capital Conservation Buffer (CCB):**
The capital conservation buffer is designed to ensure that the financial sector build up capital buffers outside periods of stress which can be drawn down as losses are incurred. The requirement is based on simple capital conservation rules designed to avoid breaches of minimum capital requirements.

3. Group structure

Pareto Securities is an investment firm under the supervision of the Financial Supervisory Authority of Norway. Pareto Securities with subsidiaries is 65.56 % owned by the parent company Pareto AS, which is 100 % owned (directly and indirectly) by Svein Støle (Norwegian private person). The main focus of the Firm is broking of equity and bonds, Investment Banking and analysis. The ownership and company structure is presented in the chart below and note 7 in the annual report.

² Under Norwegian law, both CCyB and CCB is 2.5 % of the risk weighted exposure amount calculated under Pillar 1. The Firm is currently exempted from the capital buffer the requirements.

Chart: The corporate structure of Pareto Securities AS per 31 December 2023



The group companies are 100% owned unless otherwise stated. Blue companies are regulated by Finanstilsynet (NOR-FSA), Dark grey companies are regulated by the FSA in the company's home country. Pareto Securities also owns 100 per cent of the shares in North Atlantic Seafood Forum AS, Pareto Investorservice AS, Pareto Project AS and Pareto Eiendom AS. The activity in these companies are limited.

3.1 Group structure and consolidation

Pareto Securities' consolidated financial statements comprise the parent company Pareto Securities AS with branches and companies in which Pareto Securities has a controlling interest. Investments in subsidiaries are measured at acquisition cost in the company's financial statement. If impairments are not expected to be temporary, write-downs to fair value will be carried out. Foreign branches are incorporated in the parent company's financial statements based on the same principles as other branches of the company. The acquisition cost of shares in subsidiaries are in the consolidated financial statements eliminated against the equity of the subsidiary at the date of acquisition. Internal transactions between the companies, as well as receivables and payables per 31 December, are eliminated in the consolidated financial statements.

Foreign exchange loss and gains from currency translation of foreign subsidiaries is recorded to equity. See note 14 in the annual report.

The Firm has no ownership stakes in companies, outside the trading book, other than those disclosed below. Aktieinvest FK AB was sold during the year. No other material sale or liquidation has occurred over the past year.

3.2 The companies

3.2.1 Pareto Securities AS ("the Firm")

Pareto Securities is an independent investment firm and offers stock, bond and foreign exchange broking, analysis and offers a complete range of financial services within Investment Banking - Equity Capital Markets (ECM), Debt Capital Markets (DCM), Mergers & Acquisitions (M&A) and advisory, as well as Project Finance and Asset Syndication. The company has its head office in Oslo and has a global presence across North America, Europe, Asia and Oceania, and forms part of the Pareto AS Group. The company is under the supervision of the Norwegian Financial Supervisory Authority.

3.2.2 Pareto Securities AS – branches

The branches in Copenhagen and Frankfurt provides Investment Banking services. The branch in Frankfurt also offers equity and bond broking and is acting as a liquidity provider (“Designated Sponsor”) for equities listed on Xetra trading venue operated by the Frankfurt Stock Exchange (Germany) and Oslo Børs (Norway).

3.2.3 Pareto Securities Ltd

The British investment firm Ocean Equities Ltd. with office in London, was acquired in December 2013 and changed its name to Pareto Securities Ltd. The company is focused on capital raisings assignments. The company is under the supervision of the Financial Conduct Authority in the UK and holds a licence to provide both Investment Banking and broking services.

3.2.4 Pareto Securities Pte Ltd.

The subsidiary in Singapore was established in 2006. The company is focused on capital raise assignments and bond broking. The company is under the supervision of the Monetary Authority of Singapore and holds a licence to provide both Investment Banking and broking services.

3.2.5 Pareto Securities Inc

In 2009, Pareto Securities acquired all shares of the New York-based company Nordic Partners, and renamed it Pareto Securities Inc. The subsidiary has a position as a broker of Norwegian equities and bonds amongst North American institutional investors. The company is working closely with the headquarter in Norway to offer equity and debt financing to North-American issuers. The company is under the supervision of the Securities and Exchange Commission in the US and holds a licence to provide both Investment Banking and broking services.

3.2.6 Pareto Securities AB

In 2011, Pareto Securities acquired the investment firm E.Öhman J:or Fondskommission AB and renamed it Pareto Securities AB. The subsidiary with office in Stockholm, is under the supervision of the Swedish Financial Supervisory Authority and provides services within stock and bond broking and Investment Banking. The company’s main focus is in the areas of broking, raising capital and analysis and the company holds a strong position in the Swedish corporate high yield bond market.

3.2.7 Pareto Securities Oy

In 2012, Pareto Securities acquired the investment firm E.Öhman J:or Fondskommission Finland Oy AB and renamed it Pareto Securities Oy. The subsidiary, which is based in Helsinki, provides services within stock and bond broking and Investment Banking with focus on Finnish clients. The company is under the supervision of the Financial Supervisory Authority of Finland.

3.2.8 Pareto Securities Pty Ltd.

The subsidiary in Australia was established in 2014 and holds a licence as an Australian Financial Services Licensee pursuant to section 913B of the Corporations Act 2001. The company is focused on capital raise assignments on behalf of issuers in the region.

3.2.9 Pareto Securities AG

Pareto Securities AG was established in 2017. The subsidiary, which is based in Zurich, provides services within financial advice with focus on raising capital in Switzerland and is under the supervision of the Financial Supervisory Authority of Switzerland.

3.2.10 Pareto Maritime Services AS

Pareto Maritime Services AS was established in 2011 offers in-house technical expertise and disponent owner/commercial management services in selected shipping projects.

The company’s objective is to provide comprehensive technical support services in shipping-related matters to its clients. It sets out to complement the purchasing process of shipping

projects and, through an established ISO 9001 Quality Management System, provide investor confidence and credibility throughout the lifetime of the projects.

3.2.11 Pareto Offshore AS

The subsidiary Pareto Offshore, which was established in 2004, has its office in Oslo and is a leading provider of offshore rig brokering and advisory services to the global drilling industry and financial community.

3.2.12 Pareto Business Management

Pareto Business Management AS (PBM) was established in 1986 as a project management unit. The company offers a complete range of asset management services within real estate, shipping & offshore.

PBM is involved in and supports the entire lifespan from the initial purchase phase up to the completion of the project when the assets are sold. PBM handles all aspects of daily operations, such as monitoring lease and loan agreements, maintenance supervision, accounting, tax reporting and the provision of advisory services for single-purpose companies set up by the Project Finance division.

Pareto Business Management AB and Pareto Business Management A/S offers the same type of services as PBM.

3.2.13 Other companies

The activity in these companies are of no significance to the Firm's financial position and performance.

3.3 The main services

3.3.1 Broking

Pareto Securities provides stock, bond and foreign exchange broking. Pareto Securities provides investment advice based on thorough analyses. The international presence secures our proximity both to the major capital centers 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 the Firm's placement power in the equity and bond markets. International clients account for a considerable part of the client base, which enables us to place many large and complex projects.

Pareto Securities AS and the subsidiary Pareto Securities AB in Sweden offers services related to securities financing transactions ('SFT') for Norwegian and Swedish clients, please see section 4.3 for further description.

3.3.2 Analysis – equity and fixed income

Fixed Income Research team provides analysis within the primary and secondary markets. For new issues the team provides a credit analysis of the issuer, and maintains post-issue market awareness through regular credit updates. The team offers coverage of companies' complete capital structure, including both equity, debt and convertibles.

Equity Research team covers a broad range of companies and industries, including Power and Renewables, Energy, E&P, Shipping, Aquaculture, Industrials, Financials, Real Estate, Healthcare, TMT and Natural Resources. Pareto Securities has active coverage of most listed companies in Oslo and Stockholm, a large selection of German companies, in addition to the most important international peers within core sectors.

The research product includes fundamental company and industry research, sector research, quarterly updates, monthly model portfolio and daily morning reports.

3.3.3 Investment Banking

The Firm provides advice relating to the raising of equity or debt, IPOs, secondary sales, mergers and demergers, valuations and acquisitions/divestments of businesses or companies. The Firm holds a leading position in the Nordic capital markets and globally in energy sectors.

Investment Banking services are centered around long-term relationships with corporate clients, and based upon a combination of in-depth industry knowledge and strong professional skills. Pareto Securities has in-depth industry knowledge, strong professional expertise and a global presence across Europe, North America, Asia and Oceania.

3.3.4 Project finance

Project finance is a leading arranger of and capital raiser for investment projects, primary within real estate and shipping. Project finance offers everything from single projects to complicated financial solutions. Project finance has a strong position in the Nordic region and acts globally.

The division have three focus areas:

1. **Real estate** - primarily focus on well-structured long lease investments with solid tenants.
2. **Shipping** - structuring and syndication of investment projects.
3. **Project sales** - secures equity in new issues and provides liquidity (second hand trading) for projects arranged by Project finance.

3.4 Limitations as to the transfer of capital or the repayment of debt between group companies

The transfer of capital between the mother company and subsidiaries is not subject to any contractual, private law or other actual limitations. In general, the scope for transferring capital or repaying debt between the companies within the group is governed by the legislation applicable to the industry at any given time.

3.5 Sub-ordinated loans and guarantees with group companies

The Firm 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. The guarantee is included in the capital adequacy reporting (as a credit risk) for the parent company with a risk-weight of 50 % and eliminated on consolidated level.

The Firm have subordinated loans outstanding with subsidiaries as show below.

Company	Currency	Interest rate	Loan amount (thousands)	Issued	Maturity ³
Pareto Securities AB	SEK	Stibor 3M + 2.5 % (Stiborfloor 0)	40 000	24.6.2019	30.6.2029
Pareto Securities Inc.	USD	5 %	3 118	12.6.2009	31.12.2024
Pareto Securities Inc.	USD	5 %	800	2003/-06	31.12.2024

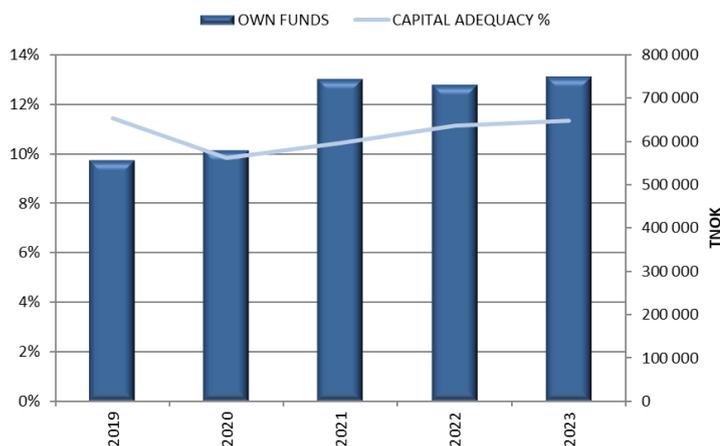
³ The maturity date for USD-loans is automatically extended by another year when there is one year left until maturity.

4. Own funds and capital adequacy – Pillar 1 and scope of consolidation

The Firm's capital adequacy is presented on a consolidated basis and for the parent company Pareto Securities AS. The basis for consolidation is BASEL III. The scope of consolidation is also equal to that used for statutory accounting reporting for the group's activities and all subsidiaries are a part of the Firm's consolidated capital adequacy. All disclosures published for the Firm, the parent company Pareto Securities AS and for subsidiaries are based upon capital adequacy reported to local FSA as of 31 December 2023, unless otherwise stated.

The chart below shows developments in own funds and capital adequacy for the period 2019 to 2023. The figures are on a consolidated basis by applying the regulatory provisions applicable to the relevant period and using filed December reports for each individual year. A specification of own funds and capital adequacy - Pillar 1 – on a consolidated basis and for the parent company Pareto Securities AS as per 31 December 2023 are presented in appendix A.

Chart: Annual capital adequacy and own funds



For subsidiaries of Pareto Securities AS and which are subject to a regulatory framework governing capital adequacy and own funds, the capital adequacy is presented on solo basis in appendix B. Due to differences in capital adequacy regulations, the figures may not be directly comparable.

Subsidiaries which are not subject to a regulatory framework governing capital adequacy are not included in appendix B.

4.1 Summary of regulatory capital requirements

The Firm has limited structural risk on its balance sheet and limited loss potential, compared to banks and investment firms with proprietary trading and/or credit and lending as an important part of their business strategy. The Firm's exposure and capital requirements are primarily related to operational risk and credit risk related to placings of surplus liquidity as bank deposits and covered bonds, and short-term receivables from regular business activities as described in section 4.2 below. It follows from the specification in appendix A that capital requirements relating to operational risk accounts for the main part of the overall capital requirement. Foreign exchange risk is related to the ownership of foreign subsidiaries (balance sheets being in other currencies) and short-term receivables in foreign exchange related to regular business activities.

4.2 General information about credit risk and a specification of credit risk

Credit risk is mainly related to bank deposits with the largest Nordic banks, inter-company balances, short term receivables and settlement of financial transactions. The Firm does not engage in traditional granting of credit or lending to clients with the exception of securities financing transactions (“SFT”) described below. The Firm does not make use of credit derivatives, neither for hedging, for own exposure or on behalf of others. The Firm does not have a credit rating or make use of credit ratings for risk mitigation purposes. The Firm does not accept guarantees as security.

Wrong-way risk is being identified in all credit exposures and are limited in accordance with Board instructions. Wrong-way risk is generally very low.

Settlement risk is handled by way of that the delivery vs payment principle form the basis for settlement of financial instruments or through central securities depositories.

Receivables include balances outstanding from other financial institutions and other companies. Receivables and payables are reported on a gross basis in the balance sheet in accordance with the Regulations on the Financial Statements of Investment Firms in Norway. Trades that are closed at year-end with settlement after year-end are recognised as receivables from clients/receivables from financial institutions and payables to clients/payables to financial institutions. Receivables are carried at fair value at the transaction date. Earned, not paid, fees related to investment banking engagements are included in other receivables. Provisions for bad debt are based on a case-by-case assessment. Actual and anticipated credit losses are non-material and not included herein.

Credit risk related to securities financing transaction

Pareto Securities AS and the subsidiary in Sweden, Pareto Securities AB, assumes credit risk by lending to the public through services related to securities financing transactions (“SFT”). That is securities lending and margin lending transactions for purchasing and borrowing of securities through Pareto Securities, and which is secured by collateral (financial instruments or cash). The actual credit exposure is curtailed by credit evaluation of the client, the collateral furnished by clients and credit limits in accordance with credit policy which is adopted by the board. Financial instruments used as collateral have individual loan-to-value ratios. All credits are approved by a credit committee and controlled real-time through automated credit surveillance systems and by credit risk officers on a daily basis.

- ‘securities lending’ means a transaction by which a counterparty transfers securities subject to a commitment that the borrower will return equivalent securities on a future date or when requested to do so by the transferor, that transaction being considered as securities lending for the counterparty transferring the securities and being considered as securities borrowing for the counterparty to which they are transferred;
- ‘margin lending transaction’ means a transaction in which a counterparty extends credit in connection with the purchase, sale, carrying or trading of securities, but not including other loans that are secured by collateral in the form of securities.

Pareto Securities has more than 1 750 deposit clients which have a credit facility but not all of them represents an actual exposure. Gross exposure (lending) to clients at the end of 2023 is about MSEK 1 500 while the risk-weighted net exposure calculated in accordance with the capital regulation is about MSEK 75. Total risk-adjusted value of available collateral is about MSEK 10 000. Concentration risks are limited and controlled daily, and are not considered material. The Firm holds Pillar 2 capital add-on for credit-related concentration risk calculated in accordance with regulatory methodology.

The utilisation of credit lines (debt-to-asset ratios) are usually low and is currently less than 15 %. Historical losses related to securities financing transactions are low, both compared to gross lending and own funds. Since 2001, credit losses accumulates to less than MSEK 5 and no losses have materialised since 2009. As such, credit risk in connection with SFTs has historically been low.

Equities listed on a regulated market, primary in Oslo, Stockholm and NY, represents more than 90 % of the collateral covering the loan book. Loan-to-value typically range from 45-75 % for collateral listed on regulated markets. Remaining collateral is equities listed on non-regulated markets and high yield bonds. Loan-to-value for these types of collateral are low.

4.3 Specification of counterparty risk OTC derivatives as per 31 December 2023

The mother company and the subsidiary in Sweden, Pareto Securities AB, offers trading for hedging purpose in FX derivatives (volumes are limited). For all FX derivatives contracts the Firm enters into with clients, the market risk is hedged “back-to-back” with large international institutions the Firm have ISDA and CSA agreements with. As such, the Firm has no risk appetite for market risk derivatives. The Firm uses the mark-to-market method to calculate counterparty risk for derivatives. The Firm has entered into netting and off-set agreements and the Firm practices netting with derivatives counterparties where it can be applied. Derivative contracts are mark-to-market daily and collateral is exchanged daily with the counterparties. Collateral comprise of cash on pledged accounts. Market risk may arise if the counterparty defaults on its obligations but collateralisation curtail the risk. The value of the collateral is not dependent of a credit ratings nor the development in market prices.

A credit committee derivatives approves all clients before derivatives trading can commence. Counterparty exposures are also limited through exposure limits, and restrictions to contract types and tenors. The Firm accepts smaller credit lines for the institutional counterparties and selected creditworthy clients. Losses related to the derivatives business are negligible.

Table: Counterparty risk OTC derivatives (Group)

<i>NOK thousands</i>	2023	2022
Exposure value	14 298	10 051
Capital requirement	1 144	804
Gross fair value	67 225	19 127
Net fair value	40 038	18 206

5. Interest rate risk outside the trading book

Interest rate risk is the risk of loss upon changes in the interest rate level, and as a result of the assets and liabilities being subject to different interest rate maturities.

Interest rate risk is measured both on and off balance sheet. In principle, all on and off balance sheet assets and liabilities have variable interest rates and short maturities. Apart from the SFT service, the Firm carries little interest rate risk on and off its balance sheet as a result of no interest-bearing debt and no need for refinancing in the market. The Firm invests surplus liquidity with large Nordic banks to variable interest and short-term in liquid securities; government securities and covered bonds. The Firm has limited exposure to changes in short- and long-term interest rates beyond the effect on surplus liquidity invested.

The SFT service offered (see section 4.2) represents a potential interest rate risk as large parts of lending to clients are financed (borrowed) externally. Given that borrowing and lending have variable interest rates and short maturities, the interest rate risk is considered mostly theoretically. In a situation where financing is gradually reduced, lending can be reduced accordingly.

As the Firm does not conduct liquidity transformation as a business the same way that banks do by borrowing short and lending long term, total interest rate risk outside the trading book is low.

6. Securitisation and rating agencies

The Firm is not engaged in securitization and does not make use of rating agencies for capital adequacy purposes.

7. Internal control and capital assessment process

7.1 Overview of risk management and internal control

The management of the Firm falls under the auspices of the Board of Directors (“the Board”). The Board shall ensure that the activities of the Firm are organised in a prudent manner, including all ongoing management and control. Consequently, it is the responsibility of the Board to make sure that the internal controls of the Firm provide adequate and systematic safeguards against material risks.

The Board has, against this background, prepared a set of instructions and procedures to ensure prudent operation and adequate control of the Firm. All employees are obliged to understand and comply with the applicable internal instructions and procedures.

By internal controls are meant a process, initiated by the Board, and executed by the management and employees, to provide reasonable assurance that objectives will be met within the following areas:

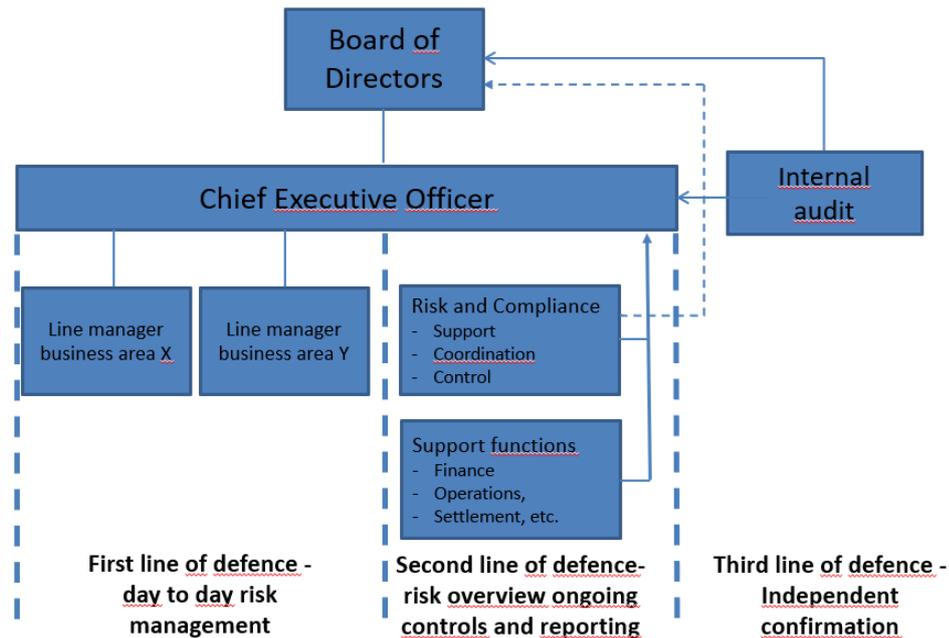
- Compliance with statutes, rules and regulations
- Ensure updated and reliable financial reporting
- Prevent material losses

Risk management measures shall contribute to realise the objectives defined for the Firm by the Board, including effective management systems and internal controls. The implemented control structure is based on an assessment of the Board’s risk appetite and the Firm’s risk exposure. The responsibility for risk management resides at all levels of the Group, from the Board and Chief Executive Officer (“CEO”) down through the organisation to each business manager and employee. These responsibilities are distributed so that risk/return decisions and controls are; taken at the most appropriate level; as close as possible to the business and the risk; and, subject to robust and effective review and control. The responsibility for effective review and control resides at all levels.

The Firm has a Compliance Department as well as a Risk Department, which reports independently of each other to CEO and the Board. CEO, Compliance and Risk reports regularly to the Board in board meetings, or whenever else deemed necessary.

The distribution of responsibilities for risk management and internal controls are based on the principles of the three lines of defence as shown in the chart below. The distribution of responsibilities is made operational through the business concept, objectives and strategies of the Firm, the corporate- and risk culture, authorisations, job descriptions, as well as internal instructions and procedures.

Chart: The three lines of defence for risk management and internal controls



➤ First line of defence

- The first line means that the responsibility for and daily management of risk lies within the business where the risk arises, which means that the risk owners are found in the business. This means that the practical daily risk management is managed primarily within each business area. As the first line of defence, each part of the business bears full responsibility for its risks. With the help of the support functions, the first line of defence performs active risk management.

➤ Second line of defence

- The support functions (compliance and risk) shall assist the Board, CEO and first line with risk management and internal controls, as well as control and review implemented measures. Compliance and risk reports directly to the Board.
- Other support functions shall contribute to the business realising its objectives.

➤ Third line of defence

- The Board needs assurance that risks are managed in an effective manner and in accordance with the guidelines established by the Board.
- Internal audit shall provide the Board with an independent evaluation of established risk management and internal control processes and procedures performed by first and second line, in order to ensure that risk management and internal management and control of the company are appropriate.

At least once annually, the Firm undertake a review of all major risks for all business areas. A systematic review of risks, risk management and internal controls are made to assess if the Firm's risks are handled in a prudent manner. The self-assessments of risks and internal control are conducted in order to identify significant operational risks of the company by way of an identification of key risks, a risk assessment, and an evaluation as to whether established control measures are adequate and work as intended or whether there is a need for additional risk-reducing measures. A summary of the self-assessment is reported to the Board. The report which is subject to audit by

internal audit, provides an overall assessment of the risk situation and the internal control in the Firm.

7.2 Overview of the regulatory framework and assessment of internal capital under Pillar 2

Pillar 2 imposes requirements as to the self-assessment of the Firm's risks and internal capital needs beyond those implied by Pillar 1, under the designation Internal Capital Adequacy Assessment Process ("ICAAP"). Each of the consolidated companies that fall within the scope of the regulatory framework pertaining to capital adequacy prepares an ICAAP in compliance with the requirements, at least annually. Pillar 2 includes the Internal Liquidity Adequacy Assessment Process ("ILAAP") covering the Firm's liquidity and funding risk. ILAAP is described in section 7.3 under liquidity risk.

The purpose of the ICAAP is to ensure that the total own funds of the Firm are commensurate with its overall business strategy, on-going business, risk profile and a strategy for preserving its capital level. The ICAAP also provides a description of methods and controls used by the Firm to manage risk. A further objective is to describe long-term strategy, market factors and stress tests, including severe economic downturn lasting at least three years, that may influence future capital levels and needs. The consolidated capital requirement of the Firm are based on a consolidated assessment of the Firm; i.e. the computed capital requirement for the mother company and each of the subsidiaries, based on a consolidation of total risk exposures of the Firm. The ICAAP is deliberated by senior management and audited by internal audit before it is adopted by the Board. The group's processes with regard to risk and capital management are on an ongoing basis. Improvements to and the development of risk management approaches and controls take place continuously.

Under Pillar 2, the Firm calculates capital for all main types of risk assumed by the Firm through its activities, by way of a three-stage procedure:

- First, the minimum capital requirement is calculated by using the approaches adopted for the calculation of Pillar 1 requirements;
- next, capital is calculated for Pillar 2 by assessing (based on the business strategy, scenario analyses, stresstests etc.) the various types of risk to which the company is or may be exposed to, the costs or earnings effects that may be suffered on the basis thereof, and how much capital these might lay claim to;
- finally, an assessment is made as to whether the Pillar 1 requirement is sufficient to cover risk and the capital needs, or whether the Pillar 2 calculation has uncovered a need for supplementary capital corresponding to all or part of the Pillar 2 calculation.

The Firm's own funds shall be at a level that ensures that the Firm maintains the necessary capital adequacy also in the event of revenue shortfall and/or unexpected loss followed by a long and severe economic downturn. The Firm evaluates its capital requirement on the basis of scenarios covering unfavourable future market developments within credit risk, market risk, operational risk, business risk, concentration risk and other relevant categories of identified risk. The capital supplement under Pillar 2 is principally assessed on the basis of the Firm's risk appetite of various specific risks, scenario-based analysis and stress tests and other events which may influence the earnings and capital base of the Firm.

7.3 Risk categories, management and control

The Firm analysis and evaluates the risk and calculates additional Pillar 2 capital requirement if necessary for the following risk categories:

1. credit- and counterparty risk, including settlement risk;
2. market risk;
3. operational risk;
4. liquidity- and financing risk;
5. concentration risk;
6. business risk, including reputational risk;
7. ownership risk;
8. systemic risk;
9. sustainability;
10. other risk

General observations concerning the Firm

The Firm rely on a sound risk culture throughout the organisation. Risk culture is the set of objectives and practices, shared across the organisation, that drive and govern risk management. The main elements of risk culture at the Firm are broadly aligned with the Financial Stability Board's guidance:

1. Tone from the top: our purpose, value and behaviours, the Firm's global code of conduct, and global induction processes all support the embedding of risk culture and values by setting a consistently clear, shared message to all colleagues;
2. Accountability: key risk frameworks set out clear responsibilities;
3. Effective communications and challenge: clearly defined and independent control functions (second line of defence) and internal audit (third line of defence), enhanced training on risk and citizenship, and channels for escalation and whistle blowing enable the effective control of risks at all levels;
4. Incentives: the global partnership program, and the risk and controls objective within the performance and promotion process has helped to align incentives with a sound risk culture;
5. Consequence: a clear and transparent consequence culture if not aligning with the Firm's risk culture.

The Firm and its employees shall at all times be in compliance with applicable statutes, regulations and rules, and hold the necessary permits from government authorities in Norway and abroad.

The Firm has low fixed costs and has always been profitable. Its operations are not depleting the own funds of the Firm through operating losses. Surplus liquidity relating to the ongoing operating profits of the company is invested in low risk and highly liquid assets such as Norwegian and Swedish government bonds, Swedish covered bonds and deposits with the largest Nordic banks.

The Firm has in general a conservative risk appetite.

The Firm is not involved with traditional banking business such as deposits and lending, or granting of credit to clients. The Firm offers securities financing transactions through securities lending and margin lending transactions in exchange for collateral in the form of securities. This activity is described above.

The Firm does not engage in own-account trading in financial instruments as part of its own asset management or to make profits based on market price movements. The Firm may invest in the trading book to support broking or capital raising assignments. Investments in the trading book are approved by the Chief Executive Officer, have a short time horizon and divested when possible.

Operational risk is a material risk on the part of the Firm and is curtailed through well functioning internal instructions and procedures, employee training and high compliance consciousness. Internal controls and self-assessment are key measures, and are used deliberately to limit the operational risk associated with business activities.

The Firm is owned by key employees (35 %) and one external owner (65 %) with a strong financial position. The Firm is ungeared and has no external borrowings beyond the SFT service. The Firm shall at all times have sufficient cash balances and drawing rights to cover costs related to day-to-day operations and the settlement of financial instruments. An impact on the wider economy/ financial system in the event that the Firm was to fail is considered negligible.

1. Credit- and counterparty risk

Credit- and counterparty risk is the risk of loss as the result of the counterparties and clients of the Firm failing to meet their payment or delivery obligations to the Firm, and collateral not being realisable or having to be realised at a loss. Settlement risk is included in the definition.

The Firm's credit- and counterparty risk is described in sections 4.3 and 4.4 above. Historically, the Firm has only negligible losses related to credit- and counterparty risk including settlement risk, even during periods with high stress, such as the financial crisis in 2008-2009 or the high market volatility during March 2020 because of the oil-price slump and Covid-19.

The Firm's credit- and counterparty risk are considered moderate and the Firm's Pillar 2 capital requirement is not considered higher than the capital requirement calculated under Pillar 1.

As the Pillar 1 capital requirement not sufficiently capture credit-related concentration risk within the SFT portfolio, the Firm holds Pillar 2 capital for credit-related concentration risk linked to the SFT activity. The Pillar 2 add-on is based on relevant regulatory calculation methods.

The Pillar 2 capital constitute about 25 % of the Firm's total Pillar capital.

2. Market risk

Market risk is the risk of loss due to negative changes in market prices as a result of open positions in the fixed-income and equities markets, in foreign exchange or in derivatives.

The Firm has a business model based on client trading, broking and investment banking services. The Firm does not engage in regular proprietary trading, neither in equities, fixed-income, foreign exchange nor derivatives. The Firm may enter into equity or fixed-income positions in its trading book in relation to broking and investment banking assignments (capital raisings). Positions in the trading book have a short time horizon and shall be approved by the Chief Executive Officer in conformity with limits laid down by the Board of Directors. Risk Management is responsible for daily reporting of positions and risks in the trading book and the control of positions being in compliance with approved limits.

Trading limits and actual position taking are low. Market risk constitutes a low risk relative to the Firm's own funds. As of the end of December 2023, the result of a sensitivity analysis for the Firm's equity and fixed-income related risks in the trading portfolio amounted to a negative change in value of less than NOK 3 million. The sensitivity analysis is based on the Firm's equity holdings decline 25% in one day and the Firm's fixed-income holdings being exposed to a parallel shift in the yield curve of 25 basis points. The figure does not include holdings outside the trading portfolio.

The Firm's Pillar 2 capital is higher than the Pillar 1 capital due to that Pillar 2 capital is calculated based on position limits (in accordance with methodology set forth by local FSA), while Pillar 1 capital is calculated on actual positions. Actual positions are usually well below the position limits approved by the Board. As the Pillar 2 methodology assumes a diversified portfolio and liquid instruments, a Pillar 2 capital add-on is calculated for non-diversified portfolios and for illiquid instruments. The Pillar 2 capital constitute about 7 % of the Firm's total Pillar capital.

The Firm does not have equity positions outside the trading book, other than the ownership of subsidiaries. As such, the Firm holds no Pillar 2 capital for positions outside the trading book.

Derivatives positions and short positions are not held in the trading book. See also section 4.4 above.

2.1 Foreign exchange risk

For foreign exchange risk, a distinction is made between operational and structural risk. Operational risk is currency risk that arises in day-to-day business operations through currency or securities transactions with customers. Operational currency risk has short maturities and is typically short term receivables and debt related to settlement of customers financial transactions and Investment Banking services. Structural risk is currency exposure that arises in the balance sheet when parts of the business are operated in countries with another currency. The largest structural currency risk is associated with subsidiaries and branches in other countries. These ownerships are long term and the Firm do not hedge foreign exchange risk related to the ownerships. As a main principle, the Firm assumes no foreign exchange risk in the trading portfolio. Any foreign exchange risk in the trading portfolio is negligible in terms of the size of the balance sheet and own funds.

The Pillar 2 capital for foreign exchange risk is equal to the Pillar 1 capital requirement. The Pillar 2 capital constitute about 14 % of the Firm's total Pillar capital.

3. Operational risk

Operational risk is the risk of loss on the part of the Firm due to inadequate or failed internal processes, staff, systems and external events. The definition includes legal and regulatory risk. Legal and regulatory risk includes, but is not limited to, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. The interpretation, scope and validity of the legal framework governing the supervised entity's operations entail uncertainties that may give rise to significant losses and have a bearing on the entity's legal responsibility and possible liability for indemnification.

Operational risk is controlled and mitigated through sound corporate and risk culture, appropriate internal controls, instructions and proven procedures for key processes in the business, regular training of employees, annual self-assessment of risk and internal control, quality assurance and reporting. The distribution of responsibilities makes first line responsible for identifying, quantifying and preventing operational risk on a daily basis. Incidents are reported on an ongoing basis, analysed and if necessary, new measures are implemented in internal controls, instructions or procedures. The follow-up and control of operational risk falls under the auspices of the risk function and the compliance function which are controlled by internal audit as described in section 7.1.

Operational risk is the Firm's biggest risk, and particularly operational risk related to Investment Banking services is the single largest operational risk. Consequently, the capital requirement for operational risk is relatively higher than for other risk types. Historical losses due to operational risk have however never affected the capital adequacy negatively.

The Firm have a professional liability and crime insurance covering annually up to 700 MNOK per case, while the deductible is 50 MNOK per case.

The Pillar 1 capital requirement for operational risk is regarded sufficient and the Firm does not hold additional Pillar 2 capital for operational risk. The Pillar 2 capital constitute about 54 % of the Firm's total Pillar capital.

4. Liquidity- and financing risk

Liquidity- and financing risk is the risk of economic loss on the part of the Firm as a result of the Firm being unable to meet its ongoing payment obligations and/or to fund increases in its assets without incurring significant additional costs in the form of price reductions on such assets which needs to be realised or in the form of unusually expensive funding.

The Firm fund itself through operations and does not depend on external funding for liabilities recognised on its balance sheet. Surplus liquidity is maintained as capital deposits with the largest Nordic banks, and government bonds and covered bonds with short durations. The Firm is engaged in borrowing and lending as part of its business activity securities financing transactions. The structural liquidity risk is low as both borrowing and lending is short in terms of interest and maturity, and borrowing and lending can be adjusted in relation to each other. The total interest rate exposure of the Firm is predominantly of a short-term nature.

Settlement of financial transaction may from time to time require extra liquidity but maturities are short. The Firm have liquidity drawing rights for the purpose of ensuring timely settlement of financial transactions.

Net interest rate risk is the amount the Firm's total net interest income will change with the next 12 months if interest rates change by one percentage point. It reflects the disparity in items on and off the balance sheet when interest rates pricing periods, volumes or reference price of assets, liabilities and derivatives do not correspond to each other exactly. The Firm do not have significant interest rate risk on or off the balance sheet and the Firm holds no Pillar 2 capital for net interest rate risk.

The Board has adopted instructions and contingency plans with regard to liquidity risk, liquidity strategy and stresstesting. The main part of the liquidity risk is controlled daily and followed-up by treasury departments according to internal instructions.

The liquidity- and financing risk is considered low as the Firm has excess liquidity, main part of the business is not externally financed, interest rates are variable and maturities are short. The Firm holds liquidity reserves in the event of stressed liquidity situations which otherwise could lead to realised liquidity- and financing risk. The liquidity reserves serves as the Pillar 2 capital requirement for liquidity and financing risk.

5. Concentration risk

Concentration risk is the risk of loss arising from a large position or exposure in a single asset or market, dependencies of a counterparty, associated group of counterparties, financial instrument, geographical area and market.

Concentration risk may occur within a single risk category and between risk categories as a result of one or several common underlying risk driver(s), e.g. market risk.

The Firm has Pillar 2 capital for concentration risk related to its SFT services and the trading book as described in *1. Credit risk* and *2. Market risk* above. No other material concentration risk is identified for other risk categories in the Firm.

6. *Business risk, including reputational risk*

Business risk is the risk of unexpected revenue and cost fluctuations in the operations over the coming year, as the result of changes in external factors like the business cycle or client behaviour, i.e. other factors than credit risk, market risk and operational risk. Reputational risk is included in business risk.

Unexpected shortfalls in earnings may be caused by competition factors that result in lower sales, pressure on prices, severe economic downturn in important markets, government regulations or negative media coverage. Losses may be realised if the Firm does not adapt its costs to compensate for shortfall in revenues or unexpected cost increase. Strategic planning, on-hand follow-up of revenues and costs, as well as a low cost based and cost control, are important tools for reducing business risk. The Firm is also highly diversified in terms of revenue sources through a broad product range, industry sectors, clients and geography. The Firm is proven flexible and can swiftly be adapted to changes in market conditions.

The Firm believes that one of the greatest risks it faces comes from the potential loss of its reputation. Reputation risk is the risk that arises from negative perceptions from customers, counterparties (investors) or regulators that adversely affect the Firm's ability to maintain existing or establish new business relationships, resulting in reduced revenues or increased costs. A good reputation (trust) is very important for the business that the Firm conducts and the management and minimization of reputation risk is therefore central to the Firm. Reputation risk has a strong link to operational risk and realized operational risk can seriously impair reputation. Reputation risk is managed through "tone from the top", focus on a healthy corporate and risk culture, ethical guidelines, well-developed and updated instructions, routines, processes and internal control. The measures reflect the Board's very low risk tolerance for reputation risk. Therefore, the Firm strives to maintain a good relationship with its clients by long term thinking, to demonstrate the highest level of integrity in all of its activities, adherence to laws and regulations, and good business practice.

The business risk is prudent managed and the Firm has over a long time proven its abilities to generate revenues and profit, even during periods with severe economic downturn lasting several years, as well as adjusting its business and operations to changing market and regulatory conditions. The Firm believes that through long-term thinking, adherence to laws and regulations, and by having customer and investor interests in focus, and that the Firm managing its reputation risk in a prudent manner.

The Firm does not hold Pillar 2 capital for business risk.

7. *Ownership risk*

Ownership risk is the risk that the Firm incurs losses from ownership stakes in strategically held companies and/or the need to contribute company loans or new equity to such companies.

Subsidiaries are organised in compliance with the provisions of each countries laws and regulations. The most important controls of ownership risk are through board representation, capital planning, general conservative risk appetite in subsidiaries, risk reporting and monitoring. In a number of the companies, group directors are involved in the daily operations through outsourcing of functions. Ownership risk in subsidiaries primarily takes the form of covering operational losses due to shortfall in income.

The mother company has from time to time transferred capital to subsidiaries for the purpose of strengthen the funds due to shortfall of revenues. Capital transfers to subsidiaries have been small

relative to the size of Pareto Securities AS revenues, profit and balance sheet. Capital transfers have in the past not drained Pareto Securities AS own funds.

An overview of subsidiaries and capital is provided in section 3.

The ownership risk is considered low and the Firm has not identified Pillar 2 capital for ownership risk.

8. Systemic risk

Systemic risk is the possibility that an event trigger severe instability or collapse of a significant portion to the financial system which have a severe negative effect on an entire industry or economy. The Firm does not fund itself externally (apart from SFRT described above), has minimal direct exposure to the private housing market and low exposure to the derivatives markets in terms of increased margins and impairment of assets. Surplus liquidity is well diversified in short term placings such as deposits and covered bonds with the largest Nordic banks, and government bonds. Liquidity can easily be re-allocated if required.

The Firm's exposure to systemic risk is considered to be low and the Firm holds no Pillar 2 capital for systemic risk.

9. Sustainability risk (ESG)

Sustainability risk is the risk of impact in areas such as human rights, the environment, climate, corruption and money laundering. Sustainability risk can arise in all parts of the Firm's operations and is the risk of loss or unexpected changes in income and costs in the business as a result of external factors linked to sustainability. The risk includes negative media coverage of the Firm related to the ESG, and that internal and external stakeholders have a negative view of the Firm's handling of sustainability-related matters.

Managing sustainability risks is important from both an economic and legal perspective. As with other operational risks, the responsibility for managing sustainability risks lies where the risk arises. This means that each employee is responsible for identifying and managing sustainability risks within their own area of responsibility, with the support of the control function.

The Firm has adopted a sustainability policy which establishes standards and principles to ensure that the Firm operates in a sustainable manner and meets fundamental human rights, labour, environmental and anti-corruption responsibilities. Sustainability is incorporated into the business strategy and policy risk management and internal control, and are reflected in the Group's annual ESG report, which describes the company's management of climate-related risks and reduction of the company's environmental footprint. The company's ESG report, ethical principles, sustainability policy, anti-corruption policy, diversity and inclusion policy, and human rights policy are published on the company's website www.paretosec.com.

The capital requirement (Pillar 2 add-on) for sustainability risk is assessed in relation to all risk categories described above. In light of this, no capital requirement for sustainability risk has been identified.

8. Remuneration

The Firm's remuneration policy complies with chapter 15 of Regulations of 9 December 2016 regarding financial institutions which implements CRD IV requirements for a sound remuneration policy ('the Remuneration Regulations'). The requirements are intended to reduce excessive risk taking and promote sound and efficient management of risk and control of risk-taking behaviour by

individuals in financial institutions. The regulation applies to all financial institutions, regardless of the individual firm's size and complexity. On 1 January 2023, changes to the regulation of 9 December 2016 on financial undertakings and financial groups (the "Regulation"), chapter 15, entered into force. The Firm is not a large enterprise according to the regulations of 22 August 2014 on capital requirements and national adaptation of CRR/CRD IV ("CRR/CRD IV regulations"), and the Firm has, on a non-consolidated basis, had assets under management of EUR 5 billion or less the last four years prior to 2024. The Firm is thus not subject to the requirements in the Regulations regarding (i) withholding of variable remuneration for Special employees or (ii) that at least half of variable remuneration must consist of shares or other instruments.

The intentions behind the Firm's remuneration arrangements are to attract and retain skilled and highly qualified personnel, as well as to provide incentive arrangements focused on promoting a long-term perspective, responsibility and effective and sound risk management, not encouraging excessive risk taking and obtaining a sound balance between fixed and variable remuneration. The arrangements do not curtail the scope of the Firm for maintaining adequate own funds or, if necessary, to expand such funds.

The Board decides (i) the total amount to be paid in variable remuneration in respect of each financial year, (ii) the remuneration of senior executives and executives with overall responsibility for control functions, as well as (iii) measures to follow up the implementation of the remuneration arrangements.

Under the remuneration scheme of the company, partners and employees receive a fixed remuneration and may in addition receive a discretionary remuneration. The discretionary remuneration is based on the earnings of the company as a whole, as well as within the department of the employee, key role in revenue-generating assignments, externally or internally focused work of significant value to the company, extraordinary work effort, extensive client/employee responsibility or similar performance indicators.

Personnel identified as "material risk takers" pursuant to the qualitative or quantitative criteria as defined in Commission delegated regulation (EU) No 604/2014 of 4 March 2014 as amended by Commission delegated regulation (EU) 2016/861 are governed by the Norwegian Regulations on Remuneration in Investment Firms (No: Finansforetaksforskriften) as amended by the Regulation 1 January 2023⁴. For the year 2023, these employees have received TNOK 40 683 as fixed remuneration and TNOK 38 242 as variable remuneration. The aggregate remuneration for 2023 has been fully accrued in the financial statements for 2023. The remaining contingent capital TNOK 55 407, for material risk takers for the years 2021, 2020 and 2019 withheld by the company in the form

⁴ Please note that Commission delegated regulation (EU) No 604/2014 of 4 March 2014 in EU is replaced with Commission Delegated Regulation 2021/923. Commission delegated regulation (EU) No 604/2014 of 4 March 2014 and Commission Delegated Regulation 2021/923 have similar definitions of "material risk taker", however with some minor differences. Commission Delegated Regulation 2021/923 is not applicable for investment firms as investment firms shall comply with Directive (EU) 2019/2034 of the European Parliament and of the Council ("IFD"), cf preamble 12 of Commission Delegated Regulation 2021/923. IFD is not yet implemented in Norway and the Firm will until implementation of IFD comply with Commission delegated regulation (EU) No 604/2014 of 4 March 2014.

of a subordinated loan was paid out in full in 2023 without any effect on the Firm's income statement.

The Firm is exempted from certain of the requirements pursuant to Finansforetaksforskriften, cf. section 15-5 (2) and the variable remuneration for 2023 is comprised of 100 % cash. The cash is paid after the financial statement has been approved.

The yearly remuneration to the Chairperson of the Board is TNOK 475. Members of the Board employed in the Pareto AS Group do not receive remuneration for their services as board members. Paid remuneration to CEO Christian Jomaas in 2023 amounted to TNOK 20 056, consisting of fixed remuneration for 2023, variable remuneration for 2022 and paid contingent remuneration from 2021, 2020 and 2019. Christian Jomaas participates in the company's remuneration scheme, and he holds 2.44 % of the shares of Pareto Securities AS through Klevsund AS.

APPENDIX A

Consolidated and parent company own funds and capital adequacy as per 31 December 2023:

<i>Company</i>	Pareto Securities Group	Pareto Securities AS (mother)
Amounts in thousands	NOK	NOK
Paid-up capital instruments	90 000	90 000
Share premium	66 400	66 400
Own CET1 instruments	-13 202	-13 202
Retained earnings and other reserves	567 562	438 029
Minority interest given recognition in CET1 capital	41 119	-
Adjustments to CET1 due to prudential filters	- 827	- 14
Other intangible assets	-3 559	-1 349
Tier 1 capital (CET1)	747 493	579 864
Tier 2 capital	0	0
Own funds	747 493	579 864
Total risk weighted exposure amount	6 587 368	4 420 694
Capital Adequacy - Ratios		
CET1 Capital ratio	11,35%	13,12%
Surplus(+)/Deficite(-) of CET1 capital	451 061	380 933
T1 Capital ratio	11,35%	13,12%
Surplus(+)/Deficite(-) of T1 capital	352 251	314 622
Total capital ratio	11,35%	13,12%
Surplus(+)/Deficite(-) of total capital	220 503	226 208
Risk weighted exposure amount		
Credit risk	680 562	821 402
Settlement risk	724	724
Market risk	49 816	24 278
Foreign exchange risk	928 622	761 398
CVA risk	6 631	6 631
Operational risk	4 921 013	2 806 261
Total risk weighted exposure amount	6 587 368	4 420 694
Capital requirement		
Credit risk	54 445	65 712
Settlement risk	58	58
Market risk	3 985	1 942
Foreign exchange risk	74 290	60 912
CVA risk	530	530
Operational risk	393 681	224 501
Total minimum capital requirement	526 989	353 656
Risk weighted exposure amount per exposure class creditrisk		
Regional governments or local authorities	104 988	56 905
Institutions	208 723	51 088
Corporates	63 257	6 422
Retail	13 334	1876
Other items	290 261	705 111
Total risk weighted exposure amount	680 562	821 402
Exposure amount credit risk for significant geographic areas		
Norway	518 980	314 131
Sweden	66 441	253 498
Finland	12 538	25 989
Great Britian	13 167	37 767
Singapore	1 837	75 453
Switzerland	32 187	30 093
USA	32 223	73 359
Total risk weighted exposure amount	677 373	810 290
Leverage ratio		
Exposure amount leverage ratio	4 277 636	2 235 308
Leverage ratio	17,47%	25,94%

APPENDIX B

The own funds and capital adequacy for subsidiaries as per 31 December 2023:

Company	Pareto Securities Ltd*	Pareto Securities Inc**	Pareto Securities Pte Ltd***	Pareto Securities AB****	Pareto Securities Oy*****
Amounts in thousands	GBP	USD	SGD	SEK	EUR
Paid-up capital instruments	4 701	360	4 000	47 500	730
Share premium	0	0	0	42 794	0
Previous years retained earnings	-2 622	3 851	0	154 259	387
Other reserves	0	0	0	8 160	770
Value adjustments	0	-2187	0	- 803	0
Intellectual property	0	0	0	-2 077	0
Tier 1 capital (CET1)	2 079	2 024	4 000	249 833	1 887
Tier 2 capital	0	3 918	0	40 000	0
Own funds	2 079	5 942	4 000	289 833	1 887
Capital Adequacy - Ratios					
CET1 Capital ratio	540%	810 %	801%	14,50%	252%
T1 Capital ratio	540%	810 %	801%	14,50%	252%
Total capital ratio	540%	810 %	801%	16,82%	252%
Risk weighted exposure amount					
Credit risk	0	n/a	0	222 974	0
Settlement risk	0	n/a	0	0	0
Market risk	0	n/a	0	24 865	0
Foreign Exchange risk	0	n/a	0	67 428	0
Operational risk/ fixed costs/ FOR	4 813	n/a	6 243	1 407 711	9 375
Total risk weighted exposure amount	4 813	n/a	6 243	1 722 978	9 375
Capital requirement					
Credit risk	0	n/a	0	17 838	0
Settlement risk	0	n/a	0	0	0
Market risk	0	n/a	0	1 989	0
Foreign Exchange risk	0	n/a	0	5 394	0
Operational risk	385	n/a	499	112 617	750
Total minimum capital requirement	385	250	499	137 838	750
Risk weighted exposure amount per exposure class creditrisk					
Regional governments or local authorities	n/a	n/a	n/a	6 519	n/a
Institutions	n/a	n/a	n/a	100 235	n/a
Corporates	n/a	n/a	n/a	56 252	n/a
Retail	n/a	n/a	n/a	11 310	n/a
Other items	n/a	n/a	n/a	48 658	n/a
Total risk weighted exposure amount	n/a	n/a	n/a	222 974	n/a
Leverage ratio					
Exposure amount leverage ratio	n/a	n/a	n/a	2 556 276	n/a
Leverage ratio	n/a	n/a	n/a	9,77 %	n/a
Process for assessing the overall capital requirement					
	ICARA	n/a	n/a	ICAAP	ICARA

*Capital requirement pursuant to the UK Investment Firm Prudential Regime ("IFPR").

**Capital requirement pursuant to Rule 15c3-1 of the Securities and Exchange Commission.

***Capital requirement pursuant to Chapter 289, Regulations 27(3)(b) and (9)(e) of the Securities and Futures Act.

****Capital requirement pursuant to CRR II/CRD5. *****Capital requirement pursuant to IFR/IFD.