

 Pareto

Pareto Annual Report 2020

# CONTENTS

This is the Pareto group .....	3	Eiendomsmegler Krogsveen AS .....	21
The Pareto group in 2020 .....	4	Pareto Bank .....	22
Financial markets and the economy in 2020 .....	6	Optimism and resilience .....	23
Pareto Securities .....	12	Financial Statements 2020 .....	24
Pareto Asset Management .....	14	Directors' Report .....	25
Pareto Alternative Investments .....	16	Income Statement .....	27
Pareto Wealth Management .....	17	Balance Sheet .....	28
Pareto Shipbrokers .....	18	Cash Flow Statement .....	30
Pareto Bassøe Shipbrokers .....	19	Notes to the accounts .....	31
Pareto Forsikringsmegling .....	20	Auditor's report .....	38

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

# THIS IS THE PARETO GROUP

*Pareto is a leading, independent operator in the Nordic market for financial services. The company has offices in Oslo, Stavanger, Trondheim, Kristiansand, Stockholm, Malmö, Helsinki, Copenhagen, London, Aberdeen, Zürich, Frankfurt, Singapore, Perth, New York and Houston. Pareto was founded in late 1985 and has since grown into a corporate group offering a wide array of products. The group has 1 030 employees and shareholders' equity of some NOK 2.3 billion.*

## BUSINESS SECTORS

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

## DIVERSITY AND A STRONG LOCAL PRESENCE

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

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

## PARETO'S GOALS AND STRATEGIES

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

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

## The Pareto Group - what we do

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

# THE PARETO GROUP IN 2020

## **SOLID PERFORMANCE IN A DEMANDING YEAR**

Despite the COVID-19 pandemic and all the challenges it brought in the form of market abruptions and the need to adapt how we conducted and organized our business, 2020 turned out to be a strong year for most financial markets and for the Pareto group. Consolidated revenues of the Pareto group amounted to NOK 3.7 billion (2019: 3 billion). Operating profit totalled NOK 1.1 billion (569 million) and pretax profit was NOK 1.1 billion (534 million). Profit for the year amounted to NOK 825 million (401 million).

Activity and productivity levels were high and the results for the group must be described as very satisfactory. At yearend, consolidated book equity amounted to NOK 2.3 billion and the personnel count stood at 1 030 employees.

## **SECURITIES BROKERAGE, CAPITAL RAISING AND PROJECT FINANCING**

The majority of the group's revenue comes from financial advisory, securities brokerage and project financing in Pareto Securities, which in 2020 registered revenues of approximately NOK 2.3 billion and a profit before tax of NOK 785 million.

Pareto Securities was involved in more than 100 equity capital market transactions in 2020 with a combined value of approximately NOK 35.5 billion. Activity levels were high in many sectors in 2020, including technology, power and renewables, healthcare, shipping, E&P, financials and seafood. Pareto Securities advised on a total of 19 stock exchange listings in 2020: 16 in Norway and 3 in Sweden. Pareto Securities also acted as adviser on several large and prominent M&A transactions in 2020, including Antin Infrastructure Partners' acquisition of DESS Aquaculture Shipping, the sale of Neptune Properties to Profier Gruppen and the sale of a majority stake in Lefdal Mine Datacenter to Columbia Threadneedle European Sustainable Infrastructure Fund.

On the DCM side Pareto Securities was involved in 69 new issuances totalling NOK 31 billion during 2020. Pareto Securities arranged bonds for a wide range of different industries, leading to a diversified revenue base.

Pareto Securities acted as sole manager more often than any other arranger in the Nordic high yield market with 25 sole deals in 2020.

The Project Finance division had a very strong year, with high levels of activity in both real estate and shipping/offshore. The division was involved in property related transactions with a total value of over NOK 13.8 billion, and in shipping/offshore related transactions with a value of over NOK 2.9 billion.

## **ASSET MANAGEMENT**

For Pareto Asset Management it was a challenging year, but still a year of strong returns for our clients. With the onset of the pandemic and the ensuing lockdowns in March, assets under management fell by some 20 per cent in the space of just a couple of weeks. From there, however, asset values rose steadily. At the end of the year, group assets under management – including fully owned subsidiary Enter Fonder in Stockholm – had reached a record-high NOK 58.5 billion.

Similarly, the year turned out to produce record-high combined earnings, in part due to fund returns triggering performance fees.

Once again, our top return was recorded by Enter Småbolagsfond, a Swedish small-cap stock fund, which returned an impressive 65.5 per cent to its share class A unitholders – following a full 49 per cent the preceding year. Also our fixed income funds performed well and experienced strong net inflows.

Pareto Alternative Investments reported an increase in assets under management and good returns in most funds and discretionary mandates. At yearend, the firm managed NOK 22.5 billion allocated to real estate, credit, infrastructure and maritime investments.

Pareto Wealth Management provides investment advice and wealth management for companies and high-net-worth individuals. Assets under management totalled NOK 20.3 billion at yearend.

In total, operating revenues from asset management operations amounted to NOK 636 million and the profit before tax was NOK 178 million. Net assets under management for these companies (after elimination of internal volume) amounted to NOK 96 billion at year end.

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

Notwithstanding the continuing gloom in the offshore and renewable energy markets in 2020, Pareto Shipbrokers AS and its subsidiary Pareto Shipbrokers Ltd succeeded in reporting satisfactory profits.

The first half of 2020 proved to be challenging in the dry bulk sector as a consequence of the COVID-19 outbreak. Rates were under massive pressure; and we need to go back to 2016 to see similar levels. Second half of the year turned out better, with rates improving gradually throughout. The year in total did not meet expectations set out in 2019 but Pareto Dry Cargo still managed to navigate through and report healthy profits.

In the first few months of the pandemic the low oil price fuelled activity in the tanker market. In May, however, freight rates collapsed and remained under pressure for the rest of the year. P.F. Bassøe still achieved profits in line with the year before.

Eiendomsmegler Krogsveen reported increased activity and strong results in 2020. The real estate broker sold about 8 500 homes and vacation homes worth NOK 37 billion in 2020.

Pareto Forsikringsmegling delivered stable profits in the face of stiff competition in its market. The company purchased insurance cover on behalf of its clients worth NOK 1.5 billion in 2020.

Revenues from these companies amounted to NOK 770 million. Profits before tax were NOK 74.5 million.

### **PARETO BANK**

Pareto Bank's profits after taxes ended the year at NOK 428.4 million, up from the NOK 397.6 million reported in the previous year, the highest result in the bank's history, despite the unique challenges brought on by the pandemic. Return on equity was of 13.0 per cent (14.3 per cent). Total lending grew by 1.5 billion and amounted to NOK 14.7 billion at year end. At year end Pareto AS owned 19.2 per cent of Pareto Bank ASA.

### **PARETO AS**

The Pareto group is a decentralised organization, 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 598 million (268 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 2 billion, up from NOK 1.4 billion in 2019.

# FINANCIAL MARKETS AND THE ECONOMY IN 2020

## Heaven to hell, roundtrip

*A year of unprecedented declines and record rises provided some very useful lessons in investing.*

What a year this was! Going into 2020, financial markets were characterised by restrained optimism, as rate cuts in the preceding year had triggered a bull market in stocks and tightening credit spreads. Then came a turn of events that must be very close to the economic definition of an external shock.

At the end of January, the World Health Organization (WHO) declared a global health crisis due to a new virus that had appeared in China. A few weeks later it became clear that the fight against this virus would require drastic, comprehensive measures in all affected countries – which soon turned out to be more or less the entire world.

On March 12, the Norwegian government introduced the strictest measures ever in peacetime, banning a number of events, introducing limited quarantines, partial travel bans and much more. And Norway was by no means alone. Within a few weeks, more than half of the world's population was subject to some kind of lockdown.

As investors quickly realized that this would have significant economic consequences, stock markets plummeted. In little more than a month, both the MSCI World Index and the Oslo

Stock Exchange benchmark index fell by exactly 33 percent. The bottom was reached on March 23.

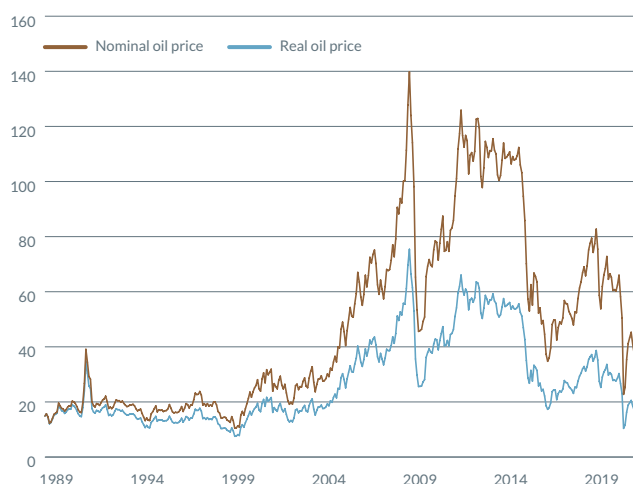
Now, be as honest as you can be with the benefit of hindsight: At that point, where would you expect the markets to be on New Year's Eve?

### THE ANATOMY OF PANIC

One may certainly be excused for describing the March 2020 market situation as a state of panic. Not only did stock markets plunge; all risk assets fell in value, from corporate bonds to commodities.

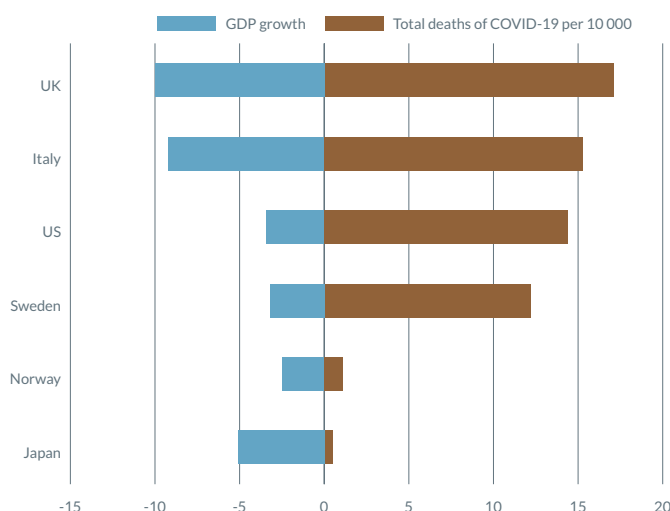
In late March, Nordic high-yield corporate bonds were quoted some 25-30 per cent below their value at the end of February. From a midwinter peak of \$59/bbl, the Brent Blend crude oil price hit \$19/bbl towards the end of April. And currency markets experienced wild swings, with the somewhat typical risk-off movement out of small currencies. In less than two weeks, US dollars shot up by more than 23 per cent versus Norwegian kroner. You would be excused for thinking that the magnitude of fall was not fully unrelated to the plunging oil price; versus Swedish kroner, the dollar appreciation was less than half.

Oil hit real bottom this millennium



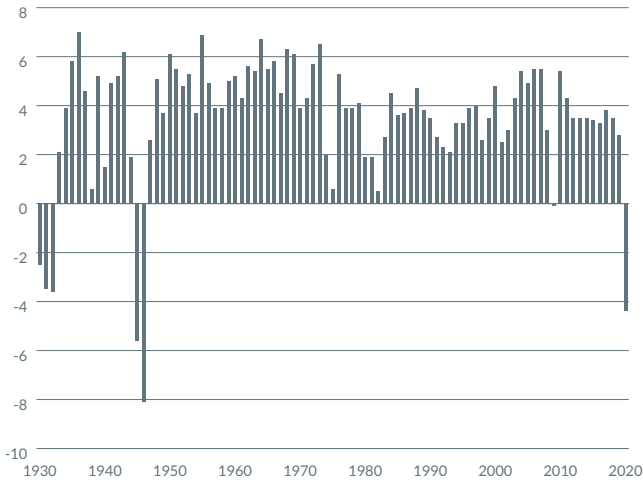
Oil price (Brent Blend), current quotes and adjusted for American CPI.  
Source: FactSet, US Bureau of Labor Statistics, Pareto Asset Management

Uneven toll



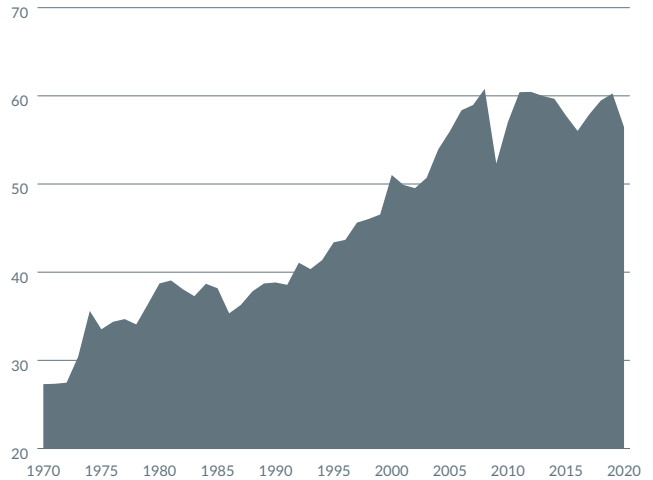
Source: IMF, OECD, OurWorldInData.org, Statistics Norway and Norges Bank

Deeper than 1932



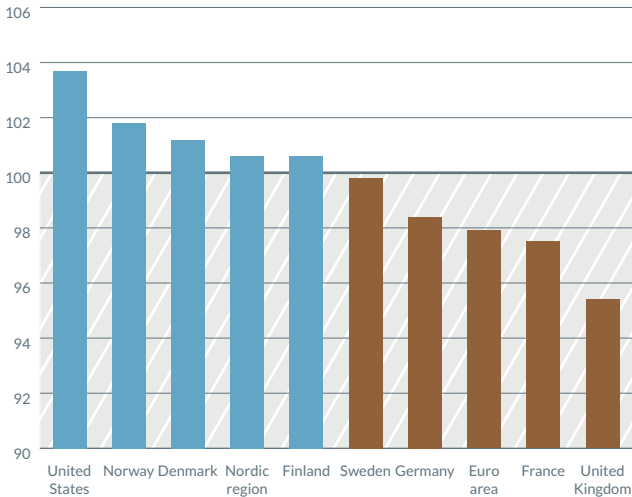
Annual real global GDP growth in per cent. Source: IMF, World Bank, IEA

Stagnating world trade



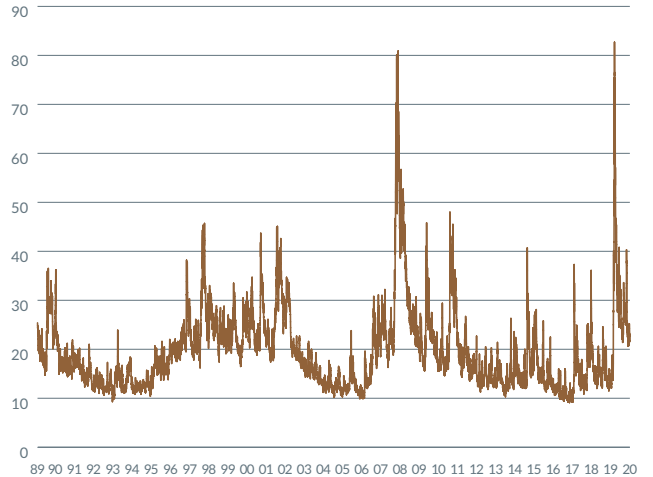
World trade to GDP ratio in per cent. Source: World Bank, IMF, own estimates (2020)

Backpedalling economies



Estimated 2021 GDP in per cent of 2018 GDP. Source: IMF WEO January 2021 update, Pareto Asset Management

Unprecedented fear



VIX - the CBOE Market Volatility Index - a.k.a. the Fear Index. Source: FactSet

Market fears had a logical rationale: the global economy would come to a halt. In fact, estimates of dramatically negative GDP growth soon appeared, only to be fully confirmed – and more – as the year progressed. The United Kingdom, being one of the worst affected countries, is now believed to have experienced a contraction of as much as 10 per cent in 2020. For the Norwegian mainland economy, it was the worst drop since 1944.

THE LOGIC OF PANIC

And then we had a classical knee-jerk reaction, exacerbating the fall. Please allow me a bit of a detour through behavioural economics. We all have different psychological discount rates, meaning that we have different time preferences for capital. A dollar tomorrow is worth less than a dollar today, but how much less?

Here’s the quirk: it depends. Our psychological discount rate is not a given. It fluctuates, depending on e.g. your mood. When you are depressed, it may increase dramatically. The clinically depressed have a hard time imagining the day after tomorrow or perhaps next year.

Back to 2020: The coronavirus was (and is) scary. We became insecure, discouraged by the torrent of bad news. The psychological discount rate increased. And we all know the implication: falling prices on stocks and other risk assets. We don’t specify any particular rate, but collectively, we act as if we did.

This time, the VIX index, popularly known as the fear index, spiked to record levels. One might surmise that the ensuing, swift recovery would go some way towards inoculating the

### Currency movements for the history books



Norwegian kroner per US dollar. Source: FactSet

### The almighty ... euro?



Euro per US dollar. Source: FactSet

market from similar declines in the future. Given the role of human psychology, I strongly doubt it. There will be more market panics like 2020 – only to be succeeded, of course, by new price climbs.

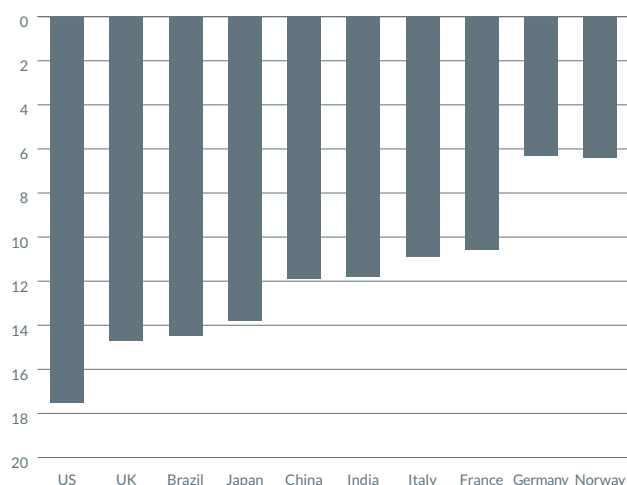
In the short run, though, the rapid recovery may certainly have boosted confidence, reinforcing the magnitude of the recovery.

#### A PARTICULAR FOREX SIDE EFFECT

The sharp currency appreciation in March was not limited to the dollar. The euro rose almost as quickly and, in a longer-term perspective, the euro has in fact been stronger, having appreciated through the presidency of the former US president Donald J. Trump.

For Nordic investors in foreign securities, the sharp fall in the value of the local currencies certainly cushioned the blow,

### Fiscal profligacy?



Total fiscal deficit in per cent of GDP. Source: IMF, Norges Bank

demonstrating the advantages of unhedged diversification in foreign currency. For Norwegian investors in bond funds, however, there was an unusual side effect.

Many funds hedge bonds quoted in a foreign currency to Norwegian kroner, in order to eliminate the currency risk for their unitholders. The funds then have to put up a margin as collateral for the counterparty bank. With the precipitous fall in Norwegian kroner, these funds had to increase their collateral at a time when, collectively, redemptions dwarfed subscriptions. Their only source of liquidity was thus selling bonds, which of course aggravated the falls.

In Sweden, which did not suffer similar margin call problems, there was nevertheless a liquidity crunch in the market for corporate bonds, forcing a number of funds to suspend trading. It is a fair conjecture that many of their unitholders were surprised by the actual risk of their investments.

During the worst market panic in March, many Nordic high-yield corporate bond funds fell by some 25-30 per cent, although it must be noted that this development was not sustained by a matching increase in defaults.

And it didn't last long. A prompt and fairly concerted global government response to the crisis ensured that confidence soon began picking up.

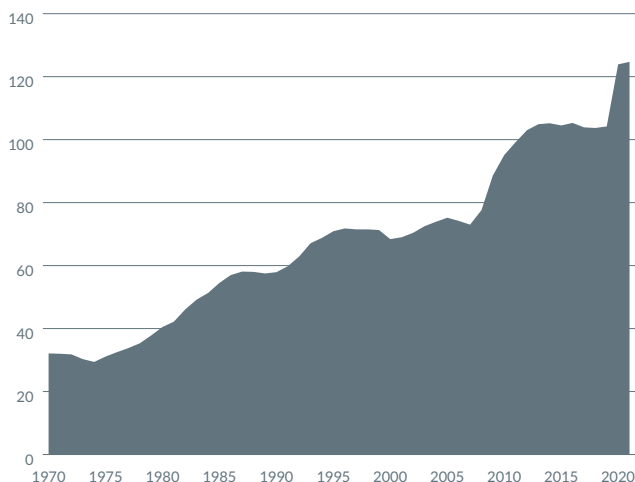
#### FISCAL CAUTION TO THE WIND

There was little hesitation. In a matter of days, key rates were cut in most of the developed world. Quantitative measures were expanded or reinstated, as was the case in Norway, where the Government Bond Fund was rekindled with a starting capital of NOK 50 billion.

Market rates of course responded immediately to the crisis, with short-term rates falling deeper – producing a distinctly more positive yield curve. Long-term rates fell too, though.



### Growing mountain of public debt



Public debt as a share of GDP in per cent, advanced economies, actual and estimates (2020 and 2021). Source: IMF, Norges Bank

The yield on 10-year US government bonds, having ended the previous year at more than 1.9%, briefly dipped to 0.5%. In the euro area, the corresponding rate almost went down to -0.9%.

As for fiscal policy, the last decade's call for more restraint and better balanced budgets was noticeably absent. The government deficit in the US, with no lack of vocal fiscal hawks, is now estimated at a record-high 17.5 per cent of GDP – and that's before president Joe Biden's \$1.9 trillion stimulus plan has been put before the vote. Given the size of the US economy, and of US imports, this provides a powerful stimulus to the entire world economy. Even in Germany, normally a model economy for the prudent-minded, the deficit probably reached 6.3 per cent of GDP – more than 12 times the limit in the European fiscal compact.

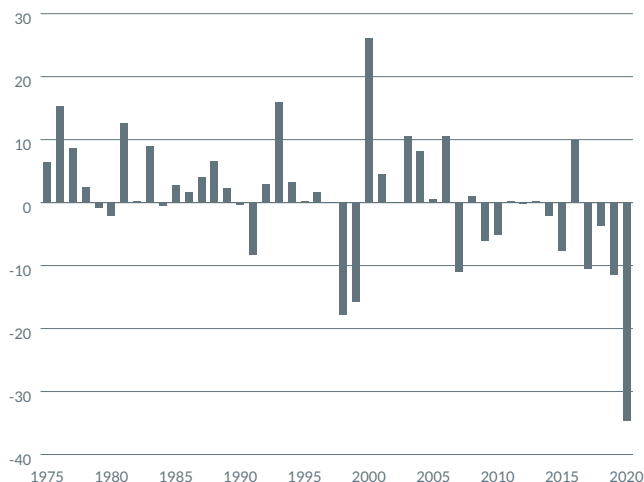
In terms of economic policies, then, 2020 was a powerful reminder that authorities were indeed not out of policy tools. To some extent, the very manifestation of a forceful reaction may have been just as important as the details of the measures taken. In Norway, the news of the re-establishment of the Government Bond Fund was probably more important than the fund itself. At the beginning of July, only NOK 3.6 billion had been invested. Confidence is a central, if nebulous factor in financial markets.

Of course, the highly expansionary fiscal policies are not without side effects. After deep concern in the years following the global financial crisis, public debt is again shooting up most everywhere. At some point, this will reappear in the worry spotlight. For now, with the extremely low government bond yields – long euro bonds are still in negative territory – it is not that difficult to finance.

### FUELLING THE STOCK MARKET

Low interest rates also affect the structure of stock prices. In particular, so-called growth stocks – with high expected future earnings growth and similarly high pricing in the stock market – appreciate in value relative to more moderately priced value

### Worst value year ever



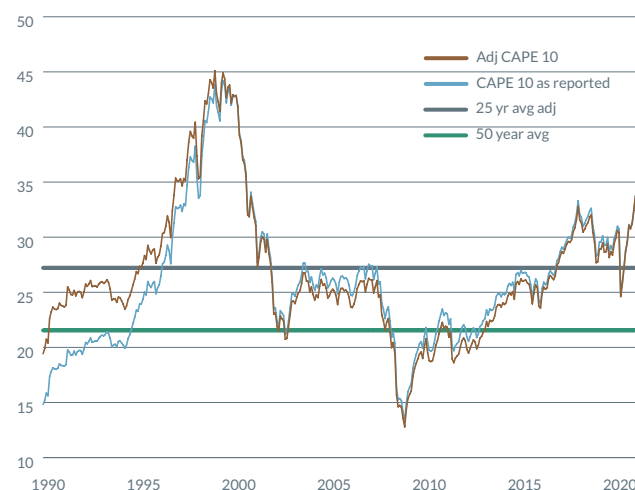
Difference in annual total return, MSCI Value less MSCI Growth, percentage points. Source: MSCI

stocks. The low interest rates imply that future earnings have a higher present value.

If you ever wondered whether this was merely a theoretical construct, 2020 delivered an unmistakably clear useful lesson. The MSCI World Growth Index rose an impressive 34.2 per cent in dollar terms. The MSCI World Value index, on the other hand, actually fell by 0.4 per cent. Put differently, relative to growth stocks, 2020 was the worst value year ever since the inception of these indices in 1975.

Of course, there may be other possible explanations. With a limited number of large-cap stocks looming large in the return calculations of even the world index, company-specific factors cannot be discounted. Still ... a difference of this magnitude? One would be hard-pressed to state that interest rates don't enter into the equation.

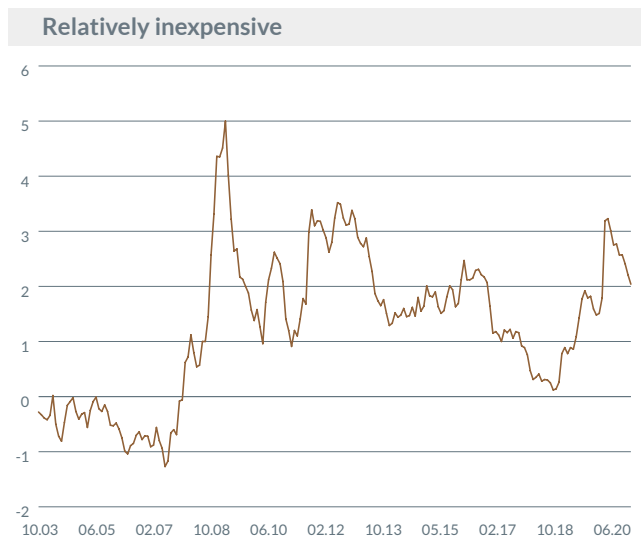
### Looks expensive?



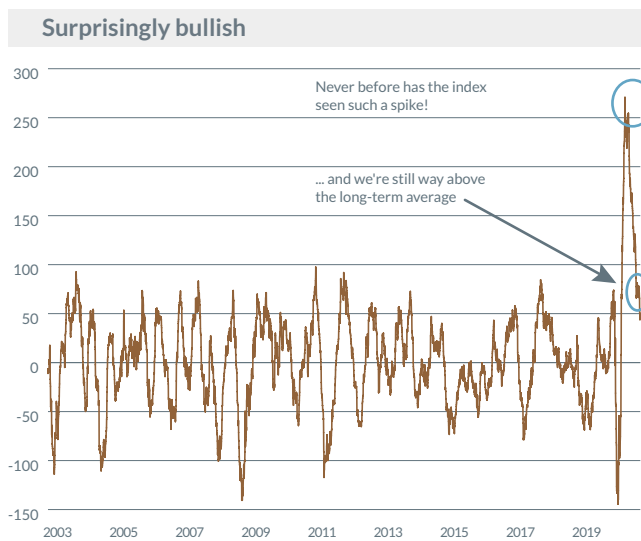
CAPE adjusted for changing dividend payout ratios. Source: Robert Shiller / S&P Dow Jones Indices / Pareto Asset Management

Mega-cap stocks getting more expensive is also part of the explanation for the apparently higher pricing of the wider stock market. In December 2020, the cyclically adjusted P/E ratio (CAPE) in the US stock market almost reached 34, only surpassed by the years leading up to the dot-com bubble bursting.

This, too, can be easily explained by the behaviour of interest rates – or at least be made to look more sensible. During 2020, the yield spread on US equities (the CAPE earnings yield relative to the yield on 10-year government bonds) increased, which many would take to represent an increased margin of safety. The same holds for other stock markets, although long-term interest rates have climbed a bit after the end of 2020.



Yield spread: Earnings yield as defined by the adjusted CAPE 10 less the current yield on 10 yr Treasuries. Source: Robert Shiller, Pareto Asset Management



The Citi Economic Surprise Index. Source: FactSet

## FUNDAMENTAL FUEL

As the year progressed, positive news on vaccines bolstered optimism, while a seemingly calm US presidential election calmed nerves. Markets had been expecting the worst and kept getting good news, as evidenced by the surprisingly bullish Citi Economic Surprise Index.

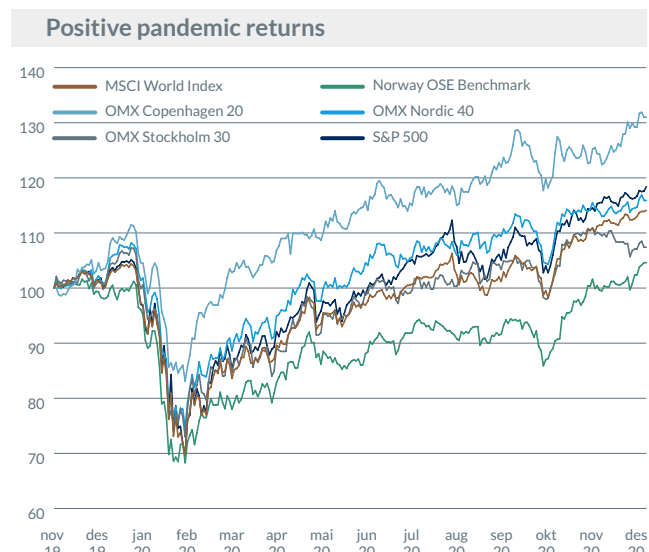
Whereas monetary stimuli may produce immediate results, fiscal stimuli take a bit more time to work their way through the economy. Hence, despite the disastrous GDP estimates for 2020, it seemed obvious that 2021 would be far better.

A similar argument can be made for private consumption; there is more to come. With a lot of goods and services suspended or practically unavailable, the savings rate increased substantially in economies under some degree of lockdown. In Norway, the savings rate has tended to oscillate between 6 and 8 per cent. Now, Statistics Norway estimates last year's savings rate at almost 15 per cent. That's a lot of consumption waiting to happen.

Good news in the pipeline is generally appreciated right away by financial markets. So too in 2020. Towards the end of the year, we had a string of all-time highs in a number of stock markets around the world. With the possible exception of typical value stocks, and disregarding the extreme turbulence en route, 2020 can be summarised as a good year for stocks.

## FOOLED BY THE GDP GROWTH?

Upon entering 2021, the outlook is decidedly upbeat. The copper price, a traditional business cycle indicator, has reached levels not seen for eight years. The oil price has risen further. The IMF has raised its 2021 global GDP growth forecast.



Total return indices, rebased 31 December 2019 = 100. Source: FactSet

### Dr. Copper in a festive mood



Copper cash official LME, \$/t. Source: FactSet

That being said, we are still in a phase with steadily improving fundamentals and more to come from further stimuli and suspended consumption, while key interest rates are expected to remain low for some time to come. That's usually a good environment for risk assets.

And remember: Risk is all about your time perspective. If you have the solvency and the patience to hold on, well diversified investments in risk assets pay off. Sometimes, as in the months following the 2020 March plunge, you don't even have to wait for long. You just need to have the confidence that comes from understanding financial markets.

Risk assets, from stocks to corporate bonds, have appreciated further. The pandemic is far from over, but there seems to be a more credible timeline for vaccines in most countries.

A caveat is in place, though. Among the lessons learnt in 2020, this one seems indisputable: There is no clear contemporaneous relationship between economic growth and the stock market. After all, the market ended up doing pretty well in a year that was disastrous to the real economy. And, in case you have forgotten, the very same development took place in 2009.

### 2020 in a nutshell

OSEBX	4.6%
S&P 500 return	18.4%
MSCI World net (USD)	15.9%
3-month NIBOR	from 1.84 to 0.49%
3-month STIBOR	from 0.149 to -0.046%
10-year Norwegian Treasury	from 1.55 to 0.96%
10-year Swedish Treasury	from 0.15 to 0.03%
10-year US Treasury	from 1.92 to 0.92%
Brent Blend	from USD 66.00 to USD 51.80
USD/NOK	from 8.78 to 8.53
EUR/NOK	from 9.86 to 10.47
GDP growth, global	-3.5%
GDP growth, Norway	-0.8%
GDP growth, Sweden	-2.8%
GDP growth, Mainland Norway	-2.5%

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 placing power.*

Headquartered in Oslo, Norway and with 13 offices in ten countries, Pareto Securities raises equity and debt capital for a wide range of industries in the international capital markets. In the energy, maritime and aquaculture industries the company has become a major global player. In recent years the company has especially grown presence within TMT, healthcare, cleantech and energy transition. Pareto Securities is also a leading player in project financing and the syndication of real estate and vessels in the Nordics.

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

Pareto Securities provides financial advisory services in connection with corporate financing, mergers and acquisitions (investment banking), project financing and the management of real assets, as well as equity, bond and currency broking services. We also offer rig broking and investment company management services through subsidiary companies.

The personnel in all our departments have first-hand knowledge of the industries and companies with which we work.

## **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 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 Pareto Securities' placement power in the equity and bond markets.

## **EQUITY AND BOND BROKERAGE SERVICES**

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

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

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

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

## **CASE-BASED RESEARCH PRODUCTS**

The bedrock of our research is thorough and detailed knowledge of and a long-term commitment to the industries we cover. Because of this approach, our research products have become valued by an international community of investors, on both the equity and the debt side.

Our equities research team consists of research analysts in Norway, Sweden and Germany. Our ability to service our clients depends upon the research team having a thorough understanding of the industries in which they specialize. The findings 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 the maintenance of analyses and 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 renewables and technology becoming sectors of greater importance across our home countries. In 2020 we initiated coverage on 45 new companies, mainly within renewables, healthcare and cleantech.

Our credit research team is present in Norway, Sweden and Germany. This team monitors 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. Due to COVID-19 we had to adapt, and conferences and roadshows have to a great extent been held on a digital basis in 2020. Every autumn, Pareto Securities hosts a two-day energy conference in Oslo. This event is one of Europe's leading investment forums for oil and energy-related companies. The digital 2020 seminar was no exception and attracted 2 400 attendees – primarily international investors and representatives of the 120 companies making presentations.

Other notable conferences include our Nordic bond conference in Stockholm, a power & renewable energy

conference in Oslo, an iGaming conference in Stockholm, the North Atlantic Seafood Forum in Bergen, a healthcare conference in Stockholm, an E&P conference in London, a cleantech conference hosted in cooperation with Oslo Børs, and two very popular TechSaaS conferences.

Pareto Securities organized a total of 334 road shows in 2020.

### A COMPREHENSIVE RANGE OF INVESTMENT BANKING SERVICES

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

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

The investment banking team is made up of more than 140 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 within 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. Over the last five years, Pareto has carried out real estate transaction with a total gross real estate value of approximately NOK 85 billion. The total value of the real estate portfolio is approximately NOK 50 billion.

### SHIPPING

The Project Finance department has long experience of and extensive expertise in syndicating and managing shipping investment projects. Through our subsidiaries Pareto Business Management AS and Pareto Maritime Services AS, we manage a maritime portfolio of 45 vessels at year end. Our primary focus is on projects involving long-term charters and charterers of high repute, although we also arrange asset play projects.

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 five 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 120 investment companies with a combined value of NOK 51 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

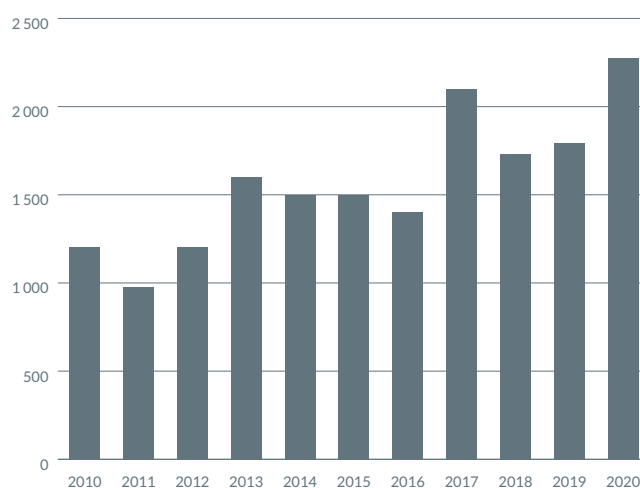
At the outset of the year, the personnel count was 465, compared with 450 at the end of the year. Of these, more than half work outside Norway.

Pareto Securities recruits young talent, mainly through our graduate recruitment program which focuses on students from the best universities. The company offers new recruits a flat organizational 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 2020: NOK 2 272 million  
 Equity 2020: NOK 616 million  
 Number of employees: 450  
 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.



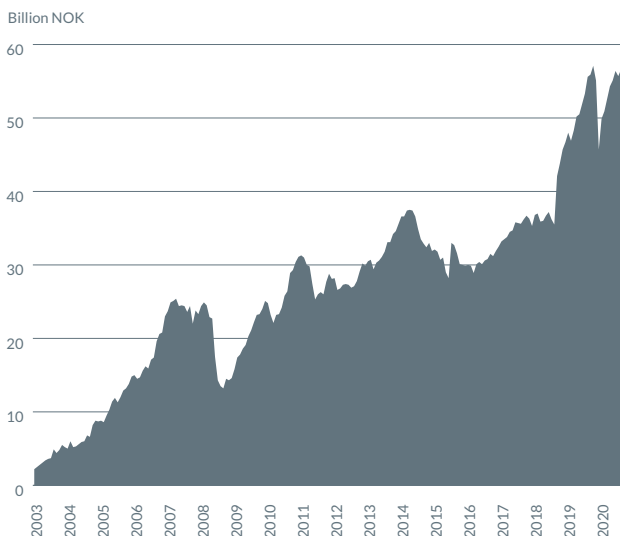
# PARETO ASSET MANAGEMENT AS

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

Two years ago, Pareto Asset Management acquired Stockholm-based Enter Fonder AB. Enter Fonder is an independent asset manager specialising in Swedish equities and fixed income. The acquisition underscored our Nordic ambitions and provided added competence in managing Nordic securities. Including our offices in Stockholm and Frankfurt, the Pareto Asset Management group now has 67 employees.

In 2020, our combined assets under management (AUM) increased by NOK 2.5 billion to NOK 58.5 billion, through a combination of positive local currency returns across the board and persistent sales efforts. In particular, strong performance and a successful sales drive increased AUM at Enter Fonder.

## Record-high AUM



Following our international sales expansion over the preceding years, primarily in fixed income, almost half of our total AUM is now owned by foreign investors. The split is roughly 60 per cent in equities and 40 per cent in fixed income.

A new crossover bond fund, Pareto Nordic Cross Credit, was launched in November 2019. The following year, bringing unprecedented pandemic lockdowns, was a tough test – which we dare say the fund passed with flying colours.

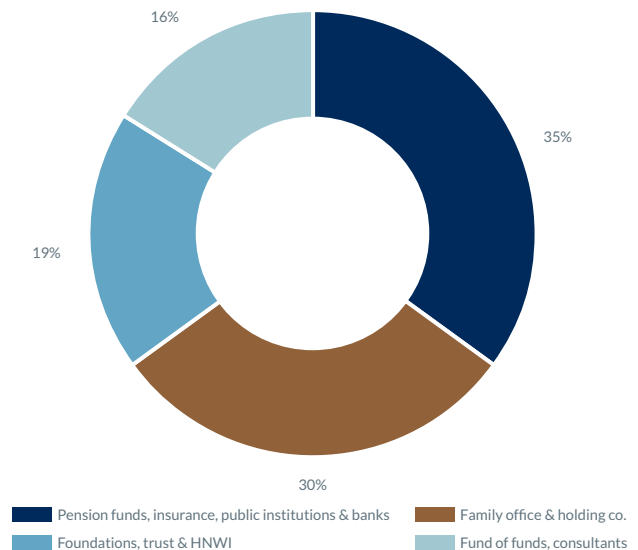
This year, Pareto Global Corporate Bond was renamed Pareto ESG Global Corporate Bond, to better reflect the sharpened focus on sustainability in the portfolio.

For the second year in a row, the company arranged summer internships for highly competent students. Again, their main focus was evaluating sustainability performance in several of our funds.

## THE IN-HOUSE ASSET MANAGER

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

## Client distribution



Taken as a whole, companies and personnel in the Pareto group constitute our biggest “client”, accounting for more than NOK 5 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 choices and deviating from the index by a wide margin. We are index-independent and have a high active share.
- We are company focused. Our concern is the individual security, based on the properties of each company. In the case of fixed-income instruments, 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 sum constituting a sensible portfolio. 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.

The recently renamed Pareto ESG Global Corporate Bond was the first fixed income fund in Sweden and Norway to receive the Nordic Swan Ecolabel. 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.

## STRONG LONG-TERM EXCESS RETURNS

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

Our very first product, discretionary management of Norwegian equities, now has a track record of more than 25 years. Over these years, an average annual return of 12.5% has compounded to a total return of 1903%, delivering an excess return of 3.5 percentage points annually and – through the powerful force of compounding – a total excess return of 1101 percentage points (the 0.5% fee class).

Once again, our top return was recorded by Enter Småbolagsfond, a Swedish small-cap stock fund, which returned an impressive 65.5 per cent to its share class A unitholders – following a full 49 per cent the preceding year.

In fixed income, our focus has been on controlling risk through diversification, balancing maturities and not least thorough credit analysis. The meltdown in March provided an added challenge, as the sharp drop in the Norwegian krone forced many funds to provide further collateral in their currency hedging arrangements, leading to added sales pressure in the bond market at the worst conceivable time. However, all our fixed income funds handled this situation in a good manner and all ended the year with a positive return in Norwegian kroner.

### Pareto Asset Management AS

Dronning Mauds gate 3  
P.O. Box 1810 Vika  
0123 Oslo, Norway  
Telephone: +47 22 87 87 00  
Turnover 2020: NOK 525 million  
Equity 2020: NOK 39 million  
Number of employees: 67  
CEO: Eric von Koss Torkildsen  
Eric.Torkildsen@paretoam.com  
Chairman: Lasse Ruud  
[paretoam.com](http://paretoam.com)

# PARETO ALTERNATIVE INVESTMENT AS

*Pareto Alternative Investment AS (PAI) is an independent alternative investments fund manager (AIFM). PAI focuses on illiquid investments in real assets across industries including real estate, infrastructure, shipping, offshore /oil services and renewables. At yearend, PAI had assets under management totalling NOK 22.5 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.

2020 proved to be a good year for the firm, with an increase in assets under management and good returns in most funds and discretionary mandates. Net revenues recorded by the company in 2020 amounted to NOK 67 million, up from NOK 49 million in 2019.

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

## CUSTOMERS AND SALES

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

In 2020 PAI established its first sustainability-linked real estate credit fund, Pareto Real Estate Credit Fund IS. The fund's strategy is to invest in first lien unlisted real estate bonds in the Nordic region with an aim to improve the sustainability performance of the borrowers. A successful first closing with top-tier institutional investors was held towards the end of the year.

## 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 within real estate, while the credit mandates continue to capture meaningful illiquidity premiums.

In 2020 the unleveraged real estate funds Pareto Eiendomsfelleskap IS and Pareto Eiendomsfelleskap II IS delivered returns of 11.8 per cent and 9.0 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 2020: NOK 67million  
Equity 2020: NOK 27 million  
Number of employees: 10  
CEO: Johan Anker-Rasch  
johan.anker-rasch@pareto.no  
Chairman: Sigurd Opedal  
[www.paretoai.no](http://www.paretoai.no)



# PARETO WEALTH MANAGEMENT AS

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

## STEERING A STEADY COURSE

Pareto Wealth Management AS is a proficient operator with great expertise in our area of business. Our primary product is investment advice on the selection and composition of mutual fund portfolios. 2020 was the first full year of operation also with discretionary mandates. The ambition and expectations are that this area of business will grow further in the coming years.

2020 was a special year in many ways. The outbreak of COVID-19, followed by a massive market fall and turbulence in the currency market, marked the first months of the year. Due to the pandemic we had to adapt the way we work. We managed to serve our clients well from the new home office set-up and with a strong market comeback throughout the year, the clients who held their positions through the turbulent first months ended the year with a positive return on their investment portfolios.

The year also created new possibilities and the company set a record in raising new capital to our investment solutions. Net sales ended at about NOK 400 million. This, combined with positive net returns on the clients' investment portfolios, lead to an increase in total assets under management of some NOK 2 billion. At year end our total assets under management amounted to NOK 20.3 billion.

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

## STRATEGY

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

A substantial portion of our clients' capital is placed in Norwegian and international mutual funds through the

firm's carefully selected strategic portfolios or in the form of independent fund solutions. The company also builds bespoke products to suit the needs of larger investors.

We offer a wide range of investment products from external suppliers, both in and outside Norway. We also work with other Pareto companies in order to take full advantage of the group's expertise, products and steadily expanding network. This enables us to build a well-balanced investment portfolio for each client, ensuring that Pareto's own products are benchmarked to the competition. Our goal is that the client should always receive the best products available, irrespective of supplier.

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

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

## Pareto Wealth Management AS

Dronning Mauds gate 3  
P.O. Box 1418 Vika  
0115 Oslo, Norway  
Telephone: +47 23 23 99 00  
Turnover 2020: NOK 70.7 million  
Equity 2020: NOK 21 million  
Number of employees: 32  
CEO: Rune Wassum  
rune.wassum@pareto.no  
Chairman: Cathrine Lofterød Feght  
[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 108 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. Another sector with increased activity is brokering of medium to long term contracts for accommodation vessels and rigs, both in the North Sea region and globally. Brokering of newbuilds vessel projects is an important part of our business even in the current challenging market. Sale and purchase of vessels, new and used, as well as valuation of individual vessels and fleets are also contributing business areas.

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

Over the years, PSAS has developed extensive expertise in specification analysis and design of future supply vessels and

special units for offshore operations. Working in collaboration with marine architects, designers and shipowners, we have been involved in a range of new vessel projects and contracted a number of newbuilds.

The current COVID-19 situation has had major impact on almost all markets we operate in. The oil and gas markets have been adversely affected which has reduced the requirement for vessels in these markets. The result is cancellation of long-term contracts where we have been involved, and reduced spot market activity. In order to mitigate these effects, we have increased our focus on the offshore wind energy market as well as sales and purchase of assets. Another market where we have been a leader is in developing autonomous vessels, which has resulted in numerous newbuilds at Norwegian yards. Looking forward, we are focused on helping the industry developing new concepts for ships with low carbon emission footprint through various technology advancements.

## COLLABORATION

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

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

## Pareto Shipbrokers AS

Dronningens gate 3  
4610 Kristiansand, Norway  
Telephone: +47 38 12 31 11  
Turnover 2020: NOK 52 million  
Equity 2020: NOK 22 million  
Number of employees: 24  
CEO: Karsten Christensen  
karsten@pareto-ship.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.

## **P.F. Bassøe AS**

Dronning Mauds gate 3  
P.O. Box 1723 Vika  
0121 Oslo, Norway  
Telephone: +47 24 02 81 80  
Turnover 2020: NOK 6.3 million  
Equity 2020: NOK 4 million  
Number of employees: 2  
CEO: Bjørn Erik Løkken  
crude@pfbassoe.no  
Chairman: Trine Charlotte Høgås-Ellingsen  
[www.pareto.no](http://www.pareto.no)

## **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 Dry Cargo AS**

Dronning Mauds gate 3  
P.O. Box 1411 Vika  
0115 Oslo, Norway  
Telephone: +47 24 02 81 90  
Turnover 2020: NOK 16.7 million  
Equity 2020: NOK 3 million  
Number of employees: 5  
CEO: Hans Martin Lie  
dry@pareto.no  
Chairman: Trine Charlotte Høgås-Ellingsen  
[www.pareto.no](http://www.pareto.no)

# PARETO FORSIKRINGSMEGLING AS

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

## **INSURANCE BROKERAGE AND ADVISORY SERVICES**

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

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

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

## **NON-LIFE INSURANCE**

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

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

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

## **PENSION AND LIFE INSURANCE**

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

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

The pension market for the public sector has been influenced by Storebrand entering the market once again. 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, claims frequency and secure optimum premium pricing for insurance solutions. Our damage-prevention concept involves both general advice and services specifically related to life and pension insurance and non-life insurance. Our damage-prevention advice encompasses risk assessment and damage prevention analyses related to risk management, safety culture and preparedness.

## **Pareto Forsikringsmegling AS**

Dronning Mauds gate 3  
P.O. Box 1527 Vika  
0117 Oslo, Norway  
Telephone: +47 22 87 87 00  
Turnover 2020: NOK 69 million  
Equity 2020: NOK 26 million  
Number of employees: 30  
CEO: Vegard Mjelva Finsæther  
vmf@pareto.no  
Chairman: Trine Charlotte Høgås-Ellingsen  
[www.pareto.no](http://www.pareto.no)

# EIENDOMSMEGLER KROGSVEEN AS

*Real estate broker Eiendomsmegler Krogsvveen AS (Krogsvveen) has, since its founding in 1975, primarily operated as an intermediary of residential real estate in the Norwegian market. In 2020, Krogsvveen sold 8 500 homes and vacation homes worth NOK 37 billion.*

## HISTORY

Krogsvveen has a history that can be traced back to 1975, when Gunnar Krogsvveen 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

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

## A UNIQUE CUSTOMER EXPERIENCE

Krogsvveen has always given priority to providing unique experiences to its customers. In two out of the four past years we have ranked highest in customer satisfaction among real estate agents in the Norwegian Customer Barometer. Through our 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 Krogsvveen housing search engine has been an important service that has differentiated the company from our competitors.

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

## BUSINESS TODAY

The company currently has 384 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 in the company’s headquarters at Fornebu in Bærum county.

Krogsvveen’s primary geographic market is Eastern Norway with 36 offices, 13 of which are located in Oslo. Additionally, the company has strong market positions in Western Norway, including the three largest cities Bergen, Stavanger and Ålesund. Furthermore, a brokerage office was established in Trondheim at the end of 2018. Krogsvveen has a 7.5 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. Krogsvveen facilitates sales of new developments of single family homes and condominiums. At the leisure market by the sea, from Oslo to Kragerø – Krogsvveen is among the market leaders.

In recent years, we have expanded our service range to include rentals which operates through a separate company – Utleiemegler Krogsvveen AS. This company operates from three offices co-located with the sales brokerage business.

## Eiendomsmegler Krogsvveen

Martin Linges vei 17  
P.O. Box 1 Fornebu  
Norway  
Telephone: +47 67 52 95 50  
Turnover 2020: NOK 626 million  
Equity 2020: NOK 163 million  
Number of employees: 384  
CEO: Stian Kløfta  
Stian.klofta@krogsvveen.no  
Chairman: Leif J. Laugen  
[www.krogsvveen.no](http://www.krogsvveen.no)

# PARETO BANK ASA

## NORWAY'S LEADING PROJECT BANK

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

## OUTLOOK

Pareto Bank's primary ambition has always been to deliver high profitability to its shareholders. A new framework for risk-weighting of real estate exposure requires more capital to be set aside for a portion of the lending portfolio. In addition, interest rates are low and there is continued uncertainty regarding the ongoing coronavirus pandemic. The bank has therefore adjusted its profitability target to 14 per cent return on equity. This ambition will be achieved through credit quality, customer focus, risk adjusted pricing and operational efficiency.

Pareto Bank is well positioned within its core markets. The customer is central to our corporate culture, where close relationships and personal service are highly valued. Working in specialized teams contributes to our ability to quickly provide precise feedback to the customer. We expect growth in all of the bank's business areas in the coming year.

## OPERATIONS IN 2020

Pareto Bank had post-tax profits in 2020 of NOK 428.4 million (NOK 397.6 million in 2019). The bank's profits corresponded to a return on equity of 13.0 per cent (14.3 per cent). This was the best result in the bank's history, despite the unique challenges brought on by the coronavirus pandemic.

Net interest income increased to NOK 746.9 million (NOK 680.5 million) despite falling interest rates. Lending volume grew by NOK 1 500 million (NOK 1 508 million) to a record-high NOK 14 661 million (NOK 13 161 million). Other income contributed NOK 7.6 million (NOK 11.8 million), for a total income of NOK 754.5 million (NOK 692.3 million).

Total operational costs amounted to NOK 144.5 million (NOK 138.0 million) in 2020. This corresponded to a cost/income ratio of 19.2 per cent (19.9 per cent).

Impairments amounted to NOK 44.9 million (NOK 29.7 million), corresponding to 0.32 per cent of net lending by yearend. Model based write-downs have increased due to risk associated with COVID-19, but there were no individual impairments or write-offs directly related to COVID-19 in 2020.

The common equity Tier 1 capital ratio at yearend 2020 was 16.8 per cent (17.4 per cent). CET1 fell partially due to increased risk weighting of exposure related to property development with the intention of reselling for profit. The minimum requirement for CET1 was 14.2 per cent.

The Board has proposed that the AGM authorize the Board to pay a dividend of up to NOK 1.50 per share at a later time, and no later than the next ordinary AGM in 2022. This is in line with dividend restrictions in place in Norway and in the EU.

Pareto Bank ASA is listed on the Oslo Stock Exchange.

## The largest shareholders of Pareto Bank as of 3 January 2021:

Name	Stake
Pareto AS	19.2%
AF Capital Management AS	8.4%
Hjellegjerde Invest AS	3.7%
Tycoon Industrier AS	3.7%
K11 Investor AS	3.7%
Rune Bentsen AS	3.7%

*Senior staff of Pareto Bank ASA hold a total of 1.1 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 2020: NOK 19 478 million  
Equity 2020: NOK 3 536 million  
Number of employees: 52  
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%

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

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

# FINANCIAL STATEMENTS 2020

Directors' Report .....	25
Income Statement .....	27
Balance Sheet .....	28
Cash Flow Statement .....	30
Notes to the accounts .....	31
Auditor's report .....	38



# THE DIRECTORS' REPORT

## 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, 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. 2020 was an extraordinary year, with the outbreak of the coronavirus (COVID-19) pandemic causing unprecedented disruption of our daily lives and the global economy. The pandemic outbreak significantly increased market uncertainty and had adverse impact on the stock, bonds and commodities markets. Despite this, the group maintained high levels of activity and group revenues ended at an all-time high. The income statement must be described as very satisfactory, both for the group as a whole and for the majority of its business activities.

Group operating revenues in 2020 amounted to NOK 3 679 million, compared with NOK 3 010 million in 2019. Operating profit was NOK 1 072 million, NOK 569 million in 2019. Pre-tax profit totalled NOK 1 069 million, NOK 534 million in 2019. Profit after tax amounted to NOK 825 million in 2020, versus NOK 401 million in 2019.

Profit in 2019 was to some extent influenced by non-recurring costs related to Pareto Securities' restructuring of its Frankfurt branch and legal disputes. Adjusted for non-recurring costs in 2019 operating profit was up 51% in 2020.

The financial strength and liquidity of the group are good. Book equity at yearend stood at NOK 2 335 million. Bank deposits totalled NOK 2 409 million.

The parent company's after-tax profit is NOK 598 million, NOK 268 million in 2019. At yearend, equity in the parent company amounts to NOK 1 979 million, up from NOK 1 383 million in 2019.

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

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

## PARETO'S STRATEGY

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

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

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

## OUTLOOK

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

The ongoing COVID-19 pandemic created turbulence and uncertainty in the global financial markets and economy.

The pandemic also made us adapt the way we work, to be careful, proactive and accessible. The group maintained high levels of client activity during 2020 and we served our clients and other stakeholders through virtual meetings and other digital solutions. We expect this to continue also after returning to normal office life.

Even though the group has built sources of income that offer a greater level of stability and has expanded internationally, we remain vulnerable to major, long-term fluctuations in the oil price and to the development of the Scandinavian economies in general.

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

#### KEY RISK FACTORS AND OTHER MATTERS

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

The working environment in the companies of the group is good. COVID-19 and the restrictions put in place by our government to reduce the spread of the virus, made it necessary to work from home most of the year. Thanks to digital solutions that were already in place in the group, the group was successful in making this somewhat strenuous transition. Work commitment and productivity was high throughout the year. The level of absence due to sickness in the group is low and no injuries or accidents were reported during the reporting year.

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

The company is not involved in research and development activities. The company'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 employees for their effort, sacrifices and excellent work in the past demanding year and the group's clients for the trust they have continued to place in us.

Oslo, 14 April 2021

*Sign.*

Svein Støle  
(Chair)

*Sign.*

Bjørn Gabriel Reed

*Sign.*

Christian Jomaas

*Sign.*

Eric von Koss Torkildsen

*Sign.*

Stian Kløfta

*Sign.*

Karsten Christensen

*Sign.*

Vegard Finsæther

*Sign.*

Johan Anker-Rasch

*Sign.*

Rune Wassum

*Sign.*

Trine C. Høgås-Ellingsen  
(CEO)

# INCOME STATEMENT

Parent company (NOK '000)				Group (NOK '000)	
2019	2020		Notes	2020	2019
<b>OPERATING REVENUES</b>					
1 155	288	Operating revenues	2	3 678 684	3 010 015
<b>1 155</b>	<b>288</b>	<b>Total operating revenues</b>		<b>3 678 684</b>	<b>3 010 015</b>
<b>OPERATING EXPENSES</b>					
-5 561	-5 226	Personnel costs	3	-1 766 134	-1 578 100
-2 906	-1 607	Sundry other operating costs		-791 775	-807 224
-294	-185	Ordinary depreciation & amortisation	4	-48 705	-55 789
<b>-8 761</b>	<b>-7 018</b>	<b>Total operating expenses</b>		<b>-2 606 614</b>	<b>-2 441 112</b>
<b>-7 606</b>	<b>-6 730</b>	<b>Operating profit/loss</b>		<b>1 072 070</b>	<b>568 903</b>
<b>FINANCIAL INCOME/EXPENSES</b>					
53 350	123 570	Financial income		49 518	40 554
276 371	494 284	Share dividends		27 162	6 773
0	0	Adjustments, securities	10	4 079	5 660
976	6 054	Share of associated companies	5	6 054	976
-512	-79	Interest paid		-7 061	-8 811
-42 830	0	Other financial expenses		-82 771	-80 509
<b>287 354</b>	<b>623 830</b>	<b>Total financial income/expenses</b>		<b>-3 020</b>	<b>-35 357</b>
<b>279 748</b>	<b>617 100</b>	<b>Income before tax</b>		<b>1 069 050</b>	<b>533 547</b>
-11 798	-19 038	Tax expense	13	-243 686	-132 760
<b>267 950</b>	<b>598 062</b>	<b>Profit for year</b>		<b>825 364</b>	<b>400 787</b>
<b>ALLOCATIONS:</b>					
0	0	- Minority's share of profit		-44 633	-16 737
-2 963	-2 197	- Provision for dividend		-210 152	-93 300
-264 988	-595 865	- Transferred to other equity		-570 579	-290 749
<b>-267 950</b>	<b>-598 062</b>	<b>Net</b>		<b>-825 364</b>	<b>-400 787</b>

# BALANCE SHEET

## ASSETS

Parent company (NOK '000)				Group (NOK '000)	
31.12.2019	31.12.2020		Notes	31.12.2020	31.12.2019
<b>FIXED ASSETS</b>					
<b>Intangible assets</b>					
0	0	Goodwill acquired	4	31 803	49 104
0	0	Deferred tax assets	13	91 058	94 776
<b>0</b>	<b>0</b>	<b>Total intangible assets</b>		<b>122 861</b>	<b>143 880</b>
<b>Property, plant &amp; equipment</b>					
978	794	Fixtures, fittings, machinery etc.	4	66 182	60 439
<b>Financial fixed assets</b>					
614 034	612 314	Shares in subsidiaries	5	0	0
37 297	38 724	Shares in associated companies	5	38 724	37 297
283 414	291 530	Other securities	6	316 636	303 921
0	0	Loans to group companies	9	0	0
0	0	Other non-current receivables	7	300	1 921
77	77	Premium fund	8	377	388
<b>934 822</b>	<b>942 645</b>	<b>Total financial fixed assets</b>		<b>356 037</b>	<b>343 528</b>
<b>935 800</b>	<b>943 439</b>	<b>Total fixed assets</b>		<b>545 080</b>	<b>547 847</b>
<b>CURRENT ASSETS</b>					
<b>Receivables</b>					
178	3 105	Trade receivables		2 226 436	1 644 076
329 447	594 076	Other receivables	7,9	834 766	590 644
<b>329 624</b>	<b>597 181</b>	<b>Total receivables</b>		<b>3 061 202</b>	<b>2 234 720</b>
<b>Investments</b>					
7 345	397 532	Securities	10	684 861	292 239
<b>7 345</b>	<b>397 532</b>	<b>Total investments</b>		<b>684 861</b>	<b>292 239</b>
<b>132 917</b>	<b>70 701</b>	<b>Bank deposits</b>	<b>11</b>	<b>2 408 549</b>	<b>1 654 027</b>
<b>469 886</b>	<b>1 065 414</b>	<b>Total current assets</b>		<b>6 154 612</b>	<b>4 180 986</b>
<b>1 405 686</b>	<b>2 008 852</b>	<b>Total assets</b>		<b>6 699 692</b>	<b>4 728 832</b>

# BALANCE SHEET

## EQUITY AND LIABILITIES

Parent company (NOK '000)			Group (NOK '000)	
31.12.2019	31.12.2020	Notes	31.12.2020	31.12.2019
<b>EQUITY</b>				
<b>Paid-in capital</b>				
6 394	6 394	Share capital	6 394	6 394
7 096	7 096	Share premium reserve	0	0
103 464	103 464	Other paid-in equity	103 464	103 464
<b>116 954</b>	<b>116 954</b>	<b>Total paid-in capital</b>	<b>109 858</b>	<b>109 858</b>
<b>Retained earnings</b>				
1 265 836	1 861 701	Other equity	1 973 490	1 389 565
<b>1 265 836</b>	<b>1 861 701</b>	<b>Total retained earnings</b>	<b>1 973 490</b>	<b>1 389 565</b>
<b>Minority interests</b>				
			<b>251 834</b>	<b>216 290</b>
<b>1 382 790</b>	<b>1 978 655</b>	<b>Total equity</b>	<b>2 335 182</b>	<b>1 715 713</b>
<b>LIABILITIES</b>				
<b>Provision for commitments</b>				
0	0	Pension liabilities	8	2 355
8	9	Deferred tax	13	252
<b>8</b>	<b>9</b>	<b>Total provision for commitments</b>	<b>2 607</b>	<b>3 844</b>
<b>Non-current liabilities</b>				
0	0	Other non-current liabilities	63 906	46 592
0	0	Deposits from silent partners	37 518	35 848
<b>0</b>	<b>0</b>	<b>Total non-current liabilities</b>	<b>101 424</b>	<b>82 440</b>
<b>Current liabilities</b>				
3 122	5 572	Other current liabilities	9	3 715 574
16 113	19 037	Tax payable	13	200 893
2 965	5 224	Dividends		253 426
689	356	Government charges and special taxes payable		90 587
<b>22 888</b>	<b>30 188</b>	<b>Total current liabilities</b>	<b>4 260 479</b>	<b>2 926 836</b>
<b>22 896</b>	<b>30 197</b>	<b>Total liabilities</b>	<b>4 364 510</b>	<b>3 013 120</b>
<b>1 405 686</b>	<b>2 008 852</b>	<b>Total liabilities and equity</b>	<b>6 699 692</b>	<b>4 728 832</b>

Oslo, 14 April 2021

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)	
2019	2020		2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
279 748	617 100	Ordinary profit before tax expense	1 069 050	533 547
-95 969	-16 113	Tax paid in period	-154 721	-289 151
294	185	Ordinary depreciation and amortisation	31 582	33 841
0	0	Securities adjustments	-4 079	-5 660
4	0	Net change in pensions without cash effect	-454	551
42 011	0	Other items without cash effect	32 916	9 387
-976	-6 054	Share of profits of associated company	-6 054	-976
3 211	-267 556	Change in receivables	-826 482	-403 325
-10 516	2 179	Change in other liability items	1 102 826	234 240
<b>217 807</b>	<b>329 740</b>	<b>Net cash flow from operating activities</b>	<b>1 244 583</b>	<b>112 454</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
-441	0	Net cash from purchases/disposals/sale of tangible assets	-37 326	-36 523
-7 345	-390 187	Net cash flow, short-term investments	-388 544	31 995
-138 812	-6 396	Payments for purchases of financial fixed assets	-12 715	-138 567
32 006	4 627	Net cash flow, financial fixed assets	6 249	17 995
<b>-114 592</b>	<b>-391 956</b>	<b>Net cash flow from investment activities</b>	<b>-432 335</b>	<b>-125 100</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
0	0	Dividend paid	-108 626	-139 638
0	0	Payment purchase of treasury shares	0	0
0	0	Change non-current commitments and liabilities	18 984	-13 348
0	0	Payments of equity to/from minority interests	31 916	-11 086
<b>0</b>	<b>0</b>	<b>Net cash flow from financing activities</b>	<b>-57 726</b>	<b>-164 072</b>
103 215	-62 216	Net change in bank deposits	754 522	-176 717
29 701	132 917	Bank deposits in hand at 1 Jan.	1 654 027	1 830 744
<b>132 917</b>	<b>70 701</b>	<b>Bank deposits in hand at 31 Dec.</b>	<b>2 408 549</b>	<b>1 654 027</b>

# NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

## NOTE 1 | General

### Group structure

Pareto AS owns 65% of Pareto Securities AS, 87.3% of Pareto Asset management AS, 100% of Pareto Bassøe Shipbrokers AS, 100% of Pareto Shipbrokers AS, 100% of Pareto Wealth Management AS, 100% of Pareto Forsikringsmegling AS, 100% of Pareto Invest AB, 100% of Pareto Alternative Investments AS and 100 % of Pareto Bolig AS.

Pareto Securities AS owns 100% of Pareto Securities Pte Ltd, 100% of Pareto Securities Inc., 83.88% of Pareto Securities AB, 88.3% of Aktieinvest FK AB, 88.3% 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) and Boligflyt AS. Krogsvæen owns 100% of Utleiemegler Krogsvæen AS, 100% of Krogsvæen Trøndelag AS, 70% of Krogsvæen Moss AS, 70% of Krogsvæen Sørlandet AS and 100% of Krogsvæen Utvikling AS. Boligflyt AS owns 56.3% of KE Forsikring AS.

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

### General info

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

### Consolidation principles

Investments in subsidiaries are valued at procurement 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 procurement 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 procurement 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 procurement 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	2020	2019
Brokerage/Corporate finance	2 969 405	2 422 998
Management/Business management	709 279	587 017
<b>Total operating revenues</b>	<b>3 678 684</b>	<b>3 010 015</b>

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

	Parent company		Consolidated	
	2020	2019	2020	2019
Wages and salaries, holiday pay, nat. insurance	5 132	5 419	1 697 328	1 494 675
Pensions and other personnel costs	94	142	68 805	83 425
<b>Total</b>	<b>5 226</b>	<b>5 561</b>	<b>1 766 134</b>	<b>1 578 100</b>
Number of man-years	2	2	981	970

Paid remuneration to the CEO in 2020 amounted to NOK 2 043, including bonus. Remuneration to the directors of the parent company amounted to NOK 550. A provision of NOK 2 093 has been made for fees for the directors of the group.

Deloitte AS received fees of NOK 89 (2019: 271) for auditing the parent company and NOK 4 927 (2019: 4 818) for the group. Payment for other assurance engagements totalled NOK 7 (2019: 31) for the parent company and NOK 1 850 (2019: 2 636) for the group. Payments to other auditors to the group amount to NOK 78.

Payments to Deloitte Advokatfirma DA for legal services amount to NOK 0 (2019: 0) for the parent company and NOK 559 (2019: 506) for the group. These figures are exclusive of VAT.

**NOTE 4 | Tangible fixed assets**

	Parent company	Group	
	Fixtures & fittings, IT	Fixtures & fittings, IT	Goodwill
Procurement cost 01.01.	2 264	186 020	221 852
Additions in year	-	40 853	-10 654
Disposals/sale	-	19 215	-10 477
<b>Procurement cost 31.12.</b>	<b>2 264</b>	<b>207 658</b>	<b>221 674</b>
Acc. depreciation 01.01.	1 285	125 512	172 748
Disposals/sale	-	15 619	-
Depreciation this year	185	31 582	17 123
<b>Acc. depreciation 31.12.</b>	<b>1 470</b>	<b>141 475</b>	<b>189 871</b>
<b>Book value 31.12.</b>	<b>794</b>	<b>66 182</b>	<b>31 803</b>
Economic life	3-6 years	2-7 years	3-5 years
Depreciation plan	Straight-line	Straight-line	Straight-line

The Pareto group has a lease on the premises at Dronning Mauds gate 1-3, which expires in 2031. The annual rent excluding common expenses was approximately NOK 26.5 million in 2020.

**NOTE 5 | Shares in subsidiaries**

Subsidiary	Office	% stake and votes	Book value 31.12
Pareto Securities AS	Oslo	65.0%	67 563
Pareto Asset Management AS	Oslo	87.3%	24 433
Pareto Bassøe Shipbrokers AS	Oslo	100%	40 600
Pareto Shipbrokers AS	Kristiansand	100%	108 500
Pareto Wealth Management AS	Oslo	100%	64 739
Pareto Forsikringsmegling AS	Oslo	100%	20 423
Pareto Alternative Investments AS	Oslo	100%	75 429
Pareto Invest AB	Stockholm	100%	34 714
Pareto Bolig	Oslo	100%	175 914
			612 314

**Shares in associated companies**

Company Office in Pareto's stake	Fondsforvaltning Oslo 35.0%	Odin Marine New York 27.5/50%	Total associated comps.
Procurement cost	40 001	30 906	
Equity at time of purchase	23 939	10 540	
Goodwill at time of purchase	16 062	20 366	
Opening balance 1 Jan.	7 669	29 629	37 297
Share of year's profit	1 120	4 935	6 054
Dividends received	-1 300	-3 327	-4 627
Aquisition	-	-	-
Closing balance 31 Dec.	7 489	31 236	38 724

**NOTE 6 | Other shares/bonds**

Other securities, parent company:	Number	Cost price	Book value
Pareto Bank ASA	13 623 610	291 530	291 530
Total other securities, parent company		291 530	291 530
The shares have an estimated value at least equal to book value			
Other securities, subsidiaries		24 867	25 106
Total other securities, group		316 397	316 636

**NOTE 7 |**

The parent company has granted employees/partners of the subsidiaries interest-bearing loans on which the outstanding balance as of 31 December 2020 is NOK 3 032.

**NOTE 8 | Pensions**

The group has a defined contribution pension scheme as required under the Norwegian Mandatory Occupational Pensions Act. Premium paid in 2020 totalled NOK 30 for the parent company and NOK 10 396 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 2020 at NOK 2 343 through actuarial valuations based on commonly applied assumptions.

NOK '000

### NOTE 9 |

Receivables from group companies amounted to NOK 594 076 as at 31 December 2020.

Other current liabilities to group companies as at 31 December 2020 amounted to NOK 122.

### NOTE 10 | Securities

	Parent company	Group
	Book value	Book value
Shares and partnership interests	147 715	175 597
Bonds and certificates		27 664
Fixed income funds		209 577
Equity funds	249 817	272 023
<b>Total securities</b>	<b>397 532</b>	<b>684 861</b>

### NOTE 11 | Bank deposits

The parent company has a non-distributable deposit of NOK 172 lodged in an account for tax withholdings. The group's bank deposits include NOK 216 687 in non-distributable accounts, of which NOK 25 007 in accounts for tax withholdings.

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

### NOTE 12 | Equity

Parent company	Share capital	Share premium account	Other paid-in equity	Other equity	Total
Equity at 1 Jan.	6 394	7 096	103 464	1 265 836	1 382 790
Year's profit				598 062	598 062
Provision for dividends				-2 197	-2 197
<b>Total equity as of 31 Dec.</b>	<b>6 394</b>	<b>7 096</b>	<b>103 464</b>	<b>1 861 701</b>	<b>1 978 655</b>

Group	Share capital	Other paid-in equity	Other reserves	Total
Equity at 1 Jan.	6 394	103 464	1 605 855	1 715 713
Provision for dividends			-253 426	-253 426
Translation differences, subsidiaries			15 615	15 615
Net minority interests			31 916	31 916
Year's profit after tax			825 364	825 364
<b>Total equity as of 31 Dec.</b>	<b>6 394</b>	<b>103 464</b>	<b>2 225 324</b>	<b>2 335 182</b>

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

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

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

**NOTE 13 | Taxes**

Parent company			Consolidated	
2019	2020		2020	2019
279 748	617 100	Profit before income tax	1 069 050	533 547
0	0	Group contribution	45 547	0
-228 959	-540 947	Permanent differences	-65 838	47 268
15	-3	Change in temporary differences	128 749	81 369
0	0	Change in deficits carried forward	-104 615	1 542
50 804	76 150	Year's tax base	1 072 894	663 725
12 701	19 037	Tax payable	256 149	156 816
3 412	0	Correction previous year(s)	0	3 412
0	0	Tax payable, withholding	-55 256	-45 586
16 113	19 037	Total tax payable	200 893	114 641
		<b>Specification of temporary differences</b>		
0	0	Current assets	-13 904	-6 839
59	56	Tangible fixed assets	-16 676	-18 599
-26	-21	Intangible assets	-10 488	-11 751
0	0	Other items	-265 853	-190 283
0	0	Remaining loss for carrying forward	-68 444	-180 884
33	35	Basis for calculating deferred tax benefit/tax	-375 365	-408 357
8	9	22 - 25% deferred tax benefit (-)/tax(+)	-90 806	-93 752
		<b>Year's tax expense</b>		
12 701	19 037	Tax payable	256 150	156 815
-900	0	Tax correction for earlier years	-14 836	4 714
-4	1	Change in deferred tax benefit/tax	2 372	-28 770
11 798	19 038	Tax expense	243 686	132 760
4%	3%	Effective rate of taxation	22%	25%
		<b>Reconciliation from nominal to true tax expense</b>		
69 937	154 275	Anticipated tax expense at nominal rate	253 635	132 426
-57 240	-135 237	Permanent differences	-16 494	11 631
0	0	Change in tax rates	8 674	-7 855
-900	0	Correction previous year(s)	-3 212	-3 045
0	0	Other items	1 083	-399
11 798	19 038	Tax expense	243 686	132 760

NOK '000

#### **NOTE 14 |**

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

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

#### **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	4 998
Purchases of services from other group companies	5 505

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Pareto AS showing a profit of NOK 598 062 000 in the financial statements of the parent company and profit of NOK 825 364 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Pareto AS (the Company), which comprise the balance sheet as at 31 December 2020, 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 2020, 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 are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and 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

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of the Board of Directors and the Managing Director for the Financial Statements***

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance 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.

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (*ISAE*) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 14 April 2021  
Deloitte AS

**Jørn Borchgrevink**

State Authorised Public Accountant (Norway)



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**Jørn Olav Borchgrevink**

Statsautorisert revisor

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