



ANNUAL REPORT 2017

PARETO SECURITIES

DIRECTORS' REPORT 2017

The business activities

Pareto Securities AS has business activities within primary and secondary brokerage of equities and fixed income instruments, corporate finance advisory services and project financing and syndication of real estate and shipping/offshore assets. The company has its head office in Oslo, a regional office in Stavanger, and branch offices in Denmark, France and Germany. The company has security-licensed subsidiaries in Sweden, Finland, UK, USA, Singapore and Australia and a representative office in Switzerland. Norwegian subsidiaries have activities in rig brokering and commercial and maritime management of project companies.

Pareto Securities AS was established in 1992 and is part of the Pareto Group with Pareto AS as its parent company.

The number of employees in the Pareto Securities Group as of 31 December 2017 was 400 persons.

Financial developments and profits

Financial developments and profits are presented in Norwegian kroner (NOK) in thousands.

The group's operating revenues increased from NOK 1 365 000 in 2016 to NOK 2 065 000 in 2017. Pre-tax profit shows an increase from NOK 377 000 to NOK 715 000. The group's equity, excluding minority interests, is at NOK 561 094.

The parent company's operating revenues has increased from NOK 728 400 in 2016 to NOK 1 157 000 in 2017. Pre-tax profit shows an increase from NOK 335 500 to NOK 636 200. The parent company's equity increased from NOK 458 150 to NOK 479 318.

Going concern

The annual financial reports have been prepared under the going concern assumption. This is based on the financial situation at year-end and the profit forecast for 2018.

Key risks in the business activities, risk management and capital coverage

The company and its subsidiaries are exposed to market risks related to their holding of financial instruments. The company is also indirectly exposed to fluctuation in the capital markets. Weak capital markets lead to fewer transactions and lower revenues. The company's operating cost base is low, which strengthens our ability to face periods with reduced activity.

Furthermore, the company has exposure to settlement risk linked to unsettled transactions, securities financing, counterparty risk, currency exchange risk and litigation risk related to alleged errors in the facilitation of capital raisings and project financing projects.

The company does not trade equities and bonds for its own account as part of its general investment management, but takes to a limited degree positions in relation to capital raising projects. Surplus liquidity is deposited in financially sound banks. These factors limit the company's financial risk.

The company's risk is governed by regulations in the Norwegian Companies Act, the Securities Trading Act with regulations and directives for risk management and internal control. Same kind of risk management requirements apply to subsidiaries abroad, subject to and in accordance with the laws for the applicable country.

Internal routines have been established for adherence to applicable laws. The quality of the deal facilitation work is secured through teamwork with experienced project leaders and established routines for capital raising projects, hereunder a thorough assessment of potential new corporate finance assignments in the internal "Deal Committee". The business activities are subject to critical board and management reviews on an on-going basis.

The company has met the authorities' capital requirements throughout 2017.

Outlook for 2018

The Group income has over the last years become more diversified, both geographical, product and industry wise. Diversification has made the Group less dependent on the energy prices, and also constitutes a stable platform for further growth.

The Board of Directors expect a satisfactory result in 2018.

Working environment, equality and influence of the external environment

There are no reports of work-related injuries or accidents among the employees in 2017. The company has established work-environment committees that meet regularly, and has appointed safety representatives in Oslo and Stavanger.

During 2017 the work-environment committee had two meetings, and safety inspections were conducted for the purpose of maintaining a healthy and safe work environment in the company. Absence due to sick leave is consistently low.

The company does not discriminate between women and men. The portion of women in the company is relatively low, but has increased over time. The company is working actively to attract qualified female staff. The company does not discriminate due to disabilities, ethnicity, national origin, race or religion.

The company does not pollute the external environment, beyond emissions resulting from travel activities. Modern communication equipment, including video conferencing equipment, contributes towards reducing travel activities.

Oslo, 16 March 2018



Morten Goller
Chairman



Svein Støle
Board member



Inge Edvardsen
Board member



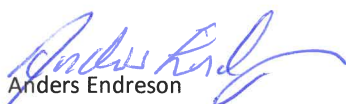
Arild Hille
Board member



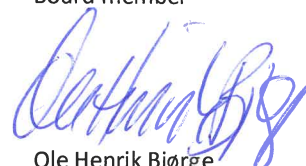
Lars Buin
Board member



Christian Jomaas
Board member



Anders Endreson
Board member



Ole Henrik Bjørge
Chief Executive Officer

PARETO SECURITIES

COMPANY		INCOME STATEMENT		GROUP	
2017	2016	Notes	Amounts in NOK 1 000	2017	2016
1 157 000	728 400	2	Operating revenues	2 065 000	1 365 000
556 448	367 743	3	Personnel expenses	1 024 048	729 242
8 184	8 398	5	Depreciation	14 827	15 663
180 724	138 808		Other operating expenses	315 594	251 594
745 356	514 949		Total operating expenses	1 354 469	996 499
411 644	213 451		Operating profit	710 531	368 501
5 261	10 724		Interest income	8 755	13 123
226 193	138 098		Other financial income	10 662	15 451
-1 740	-2 974		Interest expenses	-4 195	-5 477
-5 158	-23 799		Other financial expenses	-10 753	-14 598
224 556	122 049		Net financial result	4 469	8 499
636 200	335 500		PROFIT BEFORE TAXES	715 000	377 000
107 200	56 700	16	Tax expense	159 000	95 500
529 000	278 800		NET PROFIT FOR THE YEAR	556 000	281 500
		6	Net profit allocated to minority interests	588	520
			Net profit allocated to majority interests	555 412	280 980
			Allocation of net profit		
-567 911	-261 740		Proposed dividend		
38 911	-17 060		Transferred to/from other equity		
-529 000	-278 800	14	Total allocations		

PARETO SECURITIES

COMPANY		BALANCE SHEET AS OF 31 DECEMBER			GROUP	
2017	2016	Notes	Amounts in NOK 1 000	2017	2016	
NON-CURRENT ASSETS						
7 207	8 425	16	Deferred tax assets	17 702	18 325	
2 603	2 979	5	Software	4 717	8 145	
9 810	11 404		Total intangible assets	22 419	26 470	
10 377	14 979	5	Office equipment and fittings	19 487	21 723	
267 589	238 117	6	Shares in subsidiaries	0	0	
32 147	39 424		Loans to subsidiaries	0	0	
299 736	277 541		Total financial assets	0	0	
319 923	303 924		TOTAL NON-CURRENT ASSETS	41 906	48 193	
CURRENT ASSETS						
249 005	250 836	8	Receivables from clients	767 439	487 524	
54 660	33 207		Receivables from financial institutions	54 660	33 207	
160 984	151 969		Receivables from group companies	0	0	
225 899	119 714		Other receivables	340 509	262 962	
690 547	555 726		Total receivables	1 162 607	783 693	
19 094	6 140	9	Financial instruments	67 738	27 704	
920 434	504 210	10	Bank deposits	2 037 748	1 870 410	
1 630 076	1 066 076		TOTAL CURRENT ASSETS	3 268 094	2 681 807	
1 950 000	1 370 000		TOTAL ASSETS	3 310 000	2 730 000	



PARETO SECURITIES

COMPANY				BALANCE SHEET AS OF 31 DECEMBER		GROUP	
2017	2016	Notes	Amounts in NOK 1 000		2017	2016	
EQUITY							
90 000	80 000	13	Share capital		90 000	80 000	
-225	0		Treasury shares		-225	0	
66 400	13 900		Share premium		66 400	13 900	
156 175	93 900		Total paid-in capital		156 175	93 900	
323 143	364 250		Retained earnings		404 919	406 100	
479 318	458 150		Total paid-in capital and retained earnings		561 094	500 000	
			Minority interest		1 863	1 475	
479 318	458 150	14	TOTAL EQUITY		562 957	501 475	
LIABILITIES							
2 740	3 182	7	Pension liabilities		2 740	3 182	
0	0		Deposits from silent partners		540	420	
25 406	17 776	20	Other liabilities		49 741	38 510	
28 146	20 958		Total long-term liabilities		53 021	42 112	
133 837	168 231		Payables to financial institutions		133 837	168 231	
170 417	106 647	11	Payables to clients		1 180 317	1 217 555	
17 169	5 950		Payables to group companies		0	0	
106 198	44 089	16	Income tax payable		125 387	64 529	
17 747	15 825		Public dues payable		40 881	23 378	
567 911	261 740		Proposed dividends		568 291	262 204	
429 257	288 410	12	Other liabilities		645 310	450 516	
1 442 536	890 892		Total short-term liabilities		2 694 022	2 186 413	
1 470 682	911 850		TOTAL LIABILITIES		2 747 043	2 228 525	
1 950 000	1 370 000		TOTAL EQUITY AND LIABILITIES		3 310 000	2 730 000	

Oslo, 16 March 2018



Morten Goller
Chairman

Svein Støle
Board member

Inge Edvardsen
Board member



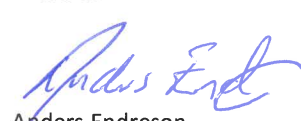
Arild Hille
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Lars Buin
Board member



Christian Jomaas
Board member



Anders Endreson
Board member



Ole Henrik Børge
Chief Executive Officer

PARETO SECURITIES

COMPANY		CASH FLOW STATEMENT	GROUP	
2017	2016	Amounts in NOK 1 000	2017	2016
636 200	335 500	Profit before taxes	715 000	377 000
-43 881	-70 505	Taxes paid	-96 962	-122 064
8 184	8 398	Depreciation	14 827	15 663
-127 544	142 005	Change in receivables	-378 914	67 991
190 556	-150 175	Change in current liabilities	163 772	-5 491
663 515	265 224	Net cash flow from operating activities	417 723	333 099
-3 205	-2 808	Purchase of fixed assets	-8 532	-8 493
-42 426	115 025	Net cash flow from investments	-40 034	169 135
-45 631	112 217	Net cash flow from investment activities	-48 567	160 642
62 500	0	Capital increase	62 500	0
0	0	Change in deposits from silent partners	120	-2 080
-2 421	2 290	Purchase/sale of own shares	-2 421	2 290
0	0	Capital investment from minority	181	-330
-261 740	-385 478	Dividend paid	-262 198	-387 810
-201 661	-383 188	Net cash flow from financing activities	-201 818	-387 930
416 223	-5 747	Net change in cash during the year	167 338	105 811
504 210	509 956	Cash and cash equivalents 1.1	1 870 410	1 764 599
920 434	504 210	Cash and cash equivalents 31.12	2 037 748	1 870 410

PARETO SECURITIES

NOTES TO THE ACCOUNTS 2017

NOTE 1 ACCOUNTING POLICIES

General information

Pareto Securities AS is a private limited company headquartered in Oslo in Norway ("the company"). The company together with its subsidiaries ("the group") is an independent full service investment firm.

The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the company. Except if indicated, the amounts presented have been rounded to the nearest thousand.

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

Basis of preparation

The annual accounts have been prepared in accordance with the Norwegian Accounting Act, Norwegian Accounting Standards and the Regulations on the Annual Accounts of investment firms in Norway.

Consolidation principles

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

Revenue recognition

Income from corporate finance engagements for which the company receives fee contingent upon the outcome of the final transaction, is recognised upon completion of the transaction. Brokerage fees are recognised at trade date.

Estimates

The preparation of the financial statements is based on estimates and presumptions. Future events may involve a change in estimates. Changes in the estimates are accounted for in the period in which they occur.

Tangible assets

Tangible assets are recognized at historical cost adjusted for accumulated depreciation. Fixed assets are depreciated on a straight line base, based on their estimated economic life.

Receivables/write-downs of bad debts

Receivables include balances with other financial institutions and other companies. Receivables and payables are reported gross in the balance sheet in accordance with the Regulations on the Annual Accounts of investment firms in Norway. Trades that are closed at year-end with settlement after year-end are recorded as receivables from customers/receivables from financial institutions and payables to customers/payables to financial institutions. Receivables are measured at fair value at transaction date. Earned, not paid, fees related to corporate finance engagements are included in other receivables. Provisions for bad debt are based on a case-by-case assessment.

PARETO SECURITIES

NOTES TO THE ACCOUNTS 2017

NOTE 1 ACCOUNTING POLICIES CONT.

Financial investments

Marketable financial instruments are measured at fair value on the balance sheet date. The fair value for quoted financial instruments is based on the latest transaction price. Other financial instruments are measured using valuation techniques based on observable market values. When applying valuation techniques, the value is adjusted for credit- and liquidity risk.

Financial derivatives

Financial derivatives are presented as an asset if the value is positive and as a liability if the value is negative.

Taxes

Tax expenses are matched with profit before tax. The tax expenses consists of current income tax and change in deferred taxes.

Liabilities

Liabilities are recognized at their nominal value at the time they arise.

Foreign currencies

Monetary items in the balance sheet in foreign currencies are translated into NOK at exchange rate at the balance-sheet date.

NOTE 2 OPERATING REVENUES

	Company		Group	
	2017	2016	2017	2016
Corporate finance and Project finance	925 141	498 981	1 509 273	869 320
Securities brokerage and Alternative investments	231 859	229 419	430 127	389 980
Business management	0	0	84 800	82 700
Offshore rigs brokerage	0	0	40 800	23 000
Total operating revenues	1 157 000	728 400	2 065 000	1 365 000

NOTE 3 PERSONNEL EXPENSES

	Company		Group	
	2017	2016	2017	2016
Wages and performance-related bonus	461 076	305 840	832 189	586 346
Social security tax	68 867	43 783	134 802	99 895
Pension costs including social security tax	3 019	2 859	11 551	8 744
Other personnel costs	23 487	15 262	45 506	34 258
Total personnel expenses	556 448	367 743	1 024 048	729 242
Number of employees at year end	195	187	400	365

NOTE 4 REMUNERATION

Fees to Deloitte AS for the statutory audit of the parent company were NOK 497. Fees for other assurance services amounted to NOK 107, fees for tax services amounted to NOK 129 and other non-audit services fees amounted to NOK 0. Corresponding fees for the group amounted to NOK 1 740 for the statutory audit, NOK 122 for other assurance services, NOK 209 for tax-related services and NOK 0 for other non-audit services. Fees to Deloitte Advokatfirma AS (law firm) amounted to NOK 398. All amounts presented are excluding VAT.

Remuneration to the Chairman of the Board, Morten Goller amounted to NOK 375. Members of the Board, employed in the Pareto AS Group do not receive remuneration.

The company has a remuneration scheme where all employees have a fixed remuneration and may in addition receive a discretionary remuneration. The discretionary remuneration is based on earnings for the company as a whole as well as within the department of the employee, participation in considerable acquisitions, externally or internally focused work of significant value for the company, extraordinary work effort, large client-/employee responsibility or similar.

The remuneration to the Chief Executive Officer, Chief Financial Officer, Head of Compliance, Head of Risk Management, Head of Corporate Finance, Head of Equities, Head of Fixed Income and Head of Project Finance are regulated by the Norwegian regulation for remuneration in investment firms. For 2017 these employees have received NOK 26 013 as fixed remuneration. Final variable remuneration for these employees is decided by the Board of Directors after the Annual Report is adopted. The aggregate remuneration for 2017 has completely been accrued in the financial accounts for 2017. More specified information will be published in the company's Pilar 3 reporting on www.paretosec.com. The variable remuneration is allocated with 50 % cash and 50 % in contingent capital. The cash part is paid out after the financial statement has been approved. The contingent capital is withheld in the company in the form of a subordinated loan bearing a market interest rate. The contingent capital is risk adjusted yearly and is paid out over a three-year period.

Paid remuneration to CEO Ole Henrik Bjørge in 2017 amounted to NOK 12 096, consisting of fixed remuneration for 2017, 50 % bonus for 2016 and paid out contingent remuneration from 2015, 2014 and 2013. He is a participant in the company's remuneration scheme. He owns 2,44 % of the shares in Pareto Securities AS through Nes Invest AS.

NOTE 5 FIXED ASSETS	Office equipment and fittings		Software	
	Company	Group	Company	Group
Acquisition cost 1.1	81 873	140 821	7 244	16 954
Additions in year	1 658	6 861	1 564	1 671
Disposals	0	-3 136	0	0
Acquisition cost 31.12	83 531	144 547	8 808	18 625
Accumulated depreciation 1.1	66 895	119 098	4 265	8 808
Depreciation	6 243	9 728	1 941	5 099
Disposals	17	-3 766	0	0
Accumulated depreciation 31.12	73 154	125 060	6 206	13 908
Net book value 31.12	10 377	19 487	2 603	4 717
Economic life	3-5 years	3-5 years	3-5 years	3-5 years
Depreciation plan	Linear	Linear	Linear	Linear

NOTE 6 SHARES IN SUBSIDIARIES

Company name	Equity	Registered Office	Ownership
Pareto Securities Pte Ltd	25 104	Singapore	100,00 %
Pareto Securities Inc	21 842	New York	100,00 %
Pareto Securities AB	199 918	Stockholm	100,00 %
Pareto Securities Oy	14 819	Helsinki	100,00 %
Pareto Securities Ltd	31 343	London	100,00 %
Pareto Securities Pty Ltd	7 201	Perth	100,00 %
Pareto Securities AG	5 003	Zurich	100,00 %
Pareto Holding GmbH	12 281	Hamburg	50,00 %
Pareto Offshore AS	10 006	Oslo	87,01 %
North Atlantic Seafood Forum AS	1 108	Oslo	75,00 %
Pareto Business Management AS	9 202	Oslo	100,00 %
Pareto Business Management AB	858	Stockholm	100,00 %
Pareto Business Management A/S	1 131	Copenhagen	100,00 %
Pareto Maritime Services AS	11 302	Oslo	100,00 %
Pareto Eiendom AS	65	Oslo	100,00 %
Pareto Investorservice AS	969	Oslo	100,00 %

NOTE 7 PENSIONS

The company has a defined contribution pension scheme as required under the act concerning Mandatory Occupational Pensions. The defined contribution plan is administered by Storebrand. Pension contributions for 2017 amount to NOK 2 690.

The company has two unfunded pension plans for which the obligation is recorded in the balance sheet as of 31 December 2017 at NOK 2 740 as a result of actuarial valuations based on commonly used assumptions within insurance.

PARETO SECURITIES**NOTES TO THE ACCOUNTS 2017****NOK 1 000****NOTE 8 RECEIVABLES FROM CLIENTS**

	Company	Group
Receivables from securities financing clients	0	472 260
Receivables from secondary trading	249 005	295 179
Total receivables from clients	249 005	767 439

Loans to clients for securities financing is secured through securities in custody. There have been no material realized or unrealized losses in 2016 or 2017.

NOTE 9 FINANCIAL INSTRUMENTS

	Company		Group	
	Aquisition cost	Book value	Aquisition cost	Book value
Shares	6 290	6 290	40 807	36 522
Bonds and certificates	12 804	12 804	31 617	31 217
Total financial instruments	19 094	19 094	72 424	67 739

NOTE 10 BANK DEPOSITS

	Company	Group
Restricted in respect of payroll taxes deducted at source	6 791	8 567
Restricted in respect of margin security etc	91 272	91 272
Total restricted deposits	98 063	99 839

Funds on client accounts and equity issue accounts that belong to clients (client funds) amounts to NOK 721 796 and are not recognized in the company's balance sheet. The corresponding client debt is NOK 721 454. Net funds of NOK 342 is a result of timing differences on transfers and interest on client deposits. These are included in bank deposits in the financial statement.

The parent company has a settlement credit facility of NOK 200 000 and an uncommitted intraday credit facility. The company's liquidity situation is satisfactory.

NOTE 11 PAYABLES TO CLIENTS

	Company	Group
Client deposits	0	969 211
Payables to clients from secondary trading	170 417	211 106
Total payables to clients	170 417	1 180 317

Client deposits are measured at acquisition cost. Received deposits is due on demand.

NOTE 12 OTHER LIABILITIES

	Company		Group	
	2017	2016	2017	2016
Bonus to partners and employees	396 031	281 179	605 495	399 032
Accrued costs and other short-term liabilities	33 226	7 231	39 814	51 484
Total other liabilities	429 257	288 410	645 310	450 516

NOTE 13 SHAREHOLDER INFORMATION

The company has 900 000 shares with a face value of NOK 100 held as follows:

	Number of shares	Ownership
Pareto AS (owned 100 % directly and indirectly by Board Member Svein Støle)	600 000	66,67 %
Nes Invest AS (owned 100 % by CEO Ole Henrik Bjørge)	22 000	2,44 %
Dragesund Invest AS	18 000	2,00 %
Bakkejord Invest AS (owned 100 % by Board Member Inge Edvardsen)	18 000	2,00 %
Emis AS (owned 100 % by Board Member Arild Hille)	15 000	1,67 %
Skoghøy Invest AS (owned 96,41 % by Board Member Anders Endreson)	15 000	1,67 %
Klevsund AS (100 % owned by board member Christian Jomaas)	13 000	1,44 %
Bielkenvägeninvest AB	11 000	1,22 %
Pawa Invest AS	10 580	1,18 %
Veøy Invest AS	10 000	1,11 %
Sempra AS	10 000	1,11 %
Obelix Capital AS	9 000	1,00 %
Other shareholders with holdings below 1 %	148 420	16,49 %
Total	900 000	100,00 %

NOTE 14 EQUITY

Company	Share capital	Treasury shares	Share premium	Other equity	Total equity
Equity 1.1	80 000	0	13 900	364 250	458 150
Capital increase	10 000	0	52 500	0	62 500
Treasury shares	0	-225	0	-2 196	-2 421
Net profit for the year	0	0	0	529 000	529 000
Proposed dividend	0	0	0	-567 911	-567 911
Total equity 31.12	90 000	-225	66 400	323 143	479 318

Group	Share capital	Treasury shares	Share premium	Other equity	Minority interest	Total equity
Equity 1.1	80 000	0	13 900	406 100	1 475	501 475
Capital increase	10 000	0	52 500	0	0	62 500
Treasury shares	0	-225	0	-2 196	0	-2 421
Translation differences	0	0	0	13 513	0	13 513
Net profit for the year	0	0	0	555 412	588	556 000
Proposed dividend	0	0	0	-567 911	-380	-568 291
Change minorities	0	0	0	0	181	181
Total equity 31.12	90 000	-225	66 400	404 919	1 863	562 957

NOTE 15 GUARANTEES

Guarantees provided by DNB in favour of Norges Bank for participation in security settlement amounts to NOK 100 000. These guarantees are secured through a first factoring charge on the company's receivables and a charge on securities held as current assets.

Pareto Securities AS is a member of Norwegian Investor Compensation Scheme (Verdipapirforetakenes Sikringsfond), established in 2006.

Pareto Securities AS has, in relation to the granting of licence to the subsidiary Pareto Securities Pte Ltd, issued a statement to the Monetary Authority of Singapore which states that they will cover any obligation less than SGD 12 000 000.

NOTE 16 TAXES

	Company		Group	
	2017	2016	2017	2016
Taxes payable				
Profit before tax	636 200	335 500	715 000	377 000
Permanent differences	-206 533	-109 707	-47 336	10 750
Change in temporary differences	-4 873	-49 438	2 322	-45 155
Losses carried forward	0	0	-27 731	21 328
Taxable income for the year	424 794	176 355	642 255	363 923
Taxes payable	106 198	44 089	158 022	94 312
Prepaid taxes	0	0	-32 641	-29 783
Current income tax payable in the balance sheet	106 198	44 089	125 387	64 529
Specification of temporary differences				
Fixed assets	-5 857	-8 313	-7 491	-11 407
Shares & bonds	0	-329	0	-329
Receivables	5 764	-15 382	-10 181	-22 661
Provisions	-28 740	-9 682	-41 048	-22 000
Losses carried forward	0	0	-25 706	-53 438
Basis for calculation of deferred tax	-28 833	-33 706	-84 425	-109 834
Net deferred tax assets	-7 207	-8 425	-17 702	-18 325
Tax expense				
Tax payable for the year	106 198	44 089	158 022	94 312
Change in deferred tax	1 218	11 871	623	11 658
Adjustments from previous years	-158	749	-195	-10 154
Other Items	-58	-9	551	-316
Tax expense on ordinary profit	107 200	56 700	159 000	95 500
Reconciliation from nominal to actual tax rate				
Expected tax expense based on nominal tax rate (25 %)	159 050	83 875	178 750	94 250
Permanent differences	-51 634	-27 427	-11 834	2 687
Losses carried forward	0	0	-3 458	4 266
Other tax rates on the group	0	0	-5 571	-696
Changes (%) in deferred tax assets	0	0	-666	-1 548
Adjustments from previous years	-158	251	-195	-3 285
Other items	-58	1	1 975	-175
Tax expense	107 200	56 700	159 000	95 500

NOTE 17 RISK MANAGEMENT AND INTERNAL CONTROL

The company and its subsidiaries are exposed to market related risks in respect of own account holdings in securities, counterparty risk and foreign currency risk. The company's interest risk is limited. Furthermore, the company is exposed to credit risk and operational risk. The main categories of credit risk are securities financing (note 8) and settlement risk. The settlement risk is considered low, and no significant loss has been booked in 2017.

The company works systematically to identify, analyze, measure, monitor, prevent and limit risks related to the business. The Board of Directors makes sure that the company has appropriate risk management systems and internal control in accordance with Norwegian regulations regarding risk management and internal controls in investment firms. PWC is appointed as internal auditor. The Chief Executive Officer provides a yearly report regarding the company's risk situation which is reviewed by the internal auditor before it is presented to the Board of Directors. The internal auditor has confirmed that the internal control assessment in 2017 is according to the requirements in the relevant regulations.

NOTE 18 REPORTED CAPITAL RATIO

Capital adequacy is calculated based on the provisions in the Norwegian Securities Trading Act with regulations. The figures are as reported to the Norwegian FSA by deadline 11 February the following year.

Spesification of tier 1 capital (CET1)	Company		Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Share capital	90 000	80 000	90 000	80 000
Share premium	66 400	13 900	66 400	13 900
Retained earnings & other reserves	364 250	345 135	406 100	406 335
Total equity	520 650	439 035	562 500	500 235
Adjustments to CET1 due to prudential filters				
Minority interests	0	0	0	0
Share of deferred tax assets	0	0	0	-2 000
Other intangible assets	-2 857	-2 979	-4 840	-7 606
Value adjustments (prudent valuation)	-124	-77	-612	-849
Tier 1 capital	517 669	435 979	557 048	489 780
Tier 2 capital	0	0	0	0
Own funds	517 669	435 979	557 048	489 780
Spesification of risk weighted exposure amounts				
Balance sheet exposures	824 938	652 143	881 464	591 713
Off balance sheet exposures (in the portfolio)	0	0	0	0
Off balance sheet exposures (outside the portfolio)	36 846	35 786	0	0
Credit risk	861 784	687 929	881 464	591 713
Foreign exchange risk	393 478	369 196	595 683	467 352
Position risk	58 068	9 354	137 742	89 098
Market risk	451 546	378 550	733 425	556 451
Operational risk	1 744 361	2 056 118	2 982 145	3 362 358
Settlement risk	1 648	3 429	1 648	3 429
Credit valuation risk (CVA)	3 693	3 634	3 693	3 634
Total risk weighted exposure amount	3 063 032	3 129 659	4 602 375	4 517 585
Total capital ratio (minimum requirement of 8 %)	16,9 %	13,9 %	12,1 %	10,8 %
Initial capital requirement (EUR 730 000)	7 183	6 633	7 183	6 633

NOTE 19 RELATED PARTIES

Pareto Securities AS is a part of the Pareto Group. Transactions with related parties are based on market terms and conditions. The group is controlled by Pareto AS which owns 66,67 % of the shares in Pareto Securities AS. Svein Støle is the 100 % owner of Pareto AS. There are no transactions with the controlling owner Svein Støle.

The company's transactions with related parties:	2017	2016
Parent company (Pareto AS)	407	387
Other group companies	63 034	52 643
Total sales of services	63 441	53 030
Parent company (Pareto AS)	1 763	2 853
Other group companies	9 402	9 607
Total bought services	11 165	12 460

Pareto Securities AS has sold all shares in Pareto Alternative Investments AS to Pareto AS in 2017.

Amounts include internal group allocation of costs from external suppliers.

NOTE 20 LIQUIDITY RISK

Agreed rest maturity assets	1-30 days	30 days-1y	1-5 years	Total value
Receivables from clients	767 439			767 439
Receivables from financial institutions	54 660			54 660
Other receivables	248 009	92 500		340 509
Financial instruments		67 738		67 738
Bank deposits	2 037 748			2 037 748
Total	3 107 856	160 238	0	3 268 094

Agreed rest maturity liabilities	1-30 days	30 days-1y	1-5 years	Total value
Payables to financial institutions	133 837			133 837
Payables to clients	1 180 317			1 180 317
Income tax payable		125 387		125 387
Public dues payable		40 881		40 881
Proposed dividends		568 291		568 291
Pension liabilities		442	2 298	2 740
Deposits from silent partners			540	540
Other liabilities	173 597	471 713	49 741	695 051
Total	1 487 751	1 206 713	52 579	2 747 043

To the General Meeting of Pareto Securities AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pareto Securities AS showing a profit of TNOK 529 000 in the financial statements of the parent company and profit of TNOK 556 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and 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 financial statements of the group, which comprise the balance sheet as at 31 December 2017 and 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 parent company as at 31 December 2017, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2017, 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 the Board of Directors' report, but does not include 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 fair presentation 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 International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- 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, the going concern assumption, and the proposal for the allocation of the profit 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2018
Deloitte AS



Jørn Borchgrevink
State Authorised Public Accountant (Norway)