

# SCANDINAVIA AS

## Financial Statements and Supplementary Data

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# SCANDINAVIA AS

## Consolidated Statement of Income

(In Millions, Except Per Share Amounts)

| Year Ended December 31,   | 2018           | 2017           | 2016           |
|---|----------------|----------------|----------------|
| <b>Revenues</b>   |                |                |                |
| Asset management and administration fees  | kr 2,091       | kr 1,832       | kr 1,753       |
| Commissions   | 936            | 1097           | 1135           |
| Interest revenue  | 1213           | 968            | 1156           |
| Interest expense  | (277)          | (240)          | (331)          |
| Net interest revenue  | 936            | 728            | 825            |
| Principal transactions  | 89             | 93             | 102            |
| Other   | 150            | 146            | 129            |
| Total   | 4202           | 3896           | 3944           |
| <b>Expenses Excluding Interest</b>  |                |                |                |
| Compensation and benefits   | 1877           | 1665           | 1755           |
| Occupancy and equipment   | 389            | 430            | 446            |
| Professional services   | 245            | 175            | 168            |
| Depreciation and amortization   | 226            | 277            | 309            |
| Communications  | 223            | 228            | 245            |
| Advertising and market development  | 184            | 139            | 207            |
| Commissions, clearance and floor brokerage                                      | 39             | 40             | 46             |
| Restructuring charges   | 214            | 76             | 343            |
| Impairment charges  | 0              | 5              | 37             |
| Other   | 160            | 144            | 139            |
| Total   | 3557           | 3179           | 3695           |
| Income from continuing operations before taxes on income and extraordinary gain | 645            | 717            | 249            |
| Taxes on income   | 231            | 241            | 100            |
| Income from continuing operations before extraordinary gain                     | 414            | 476            | 149            |
| Loss from discontinued operations, net of tax                                   | (128)          | (4)            | (52)           |
| Extraordinary gain on sale of corporate trust business, net of tax              | 0              | 0              | 12             |
| <b>Net Income</b>   | <b>kr 286</b>  | <b>kr 472</b>  | <b>kr 109</b>  |
| <b>Weighted-Average Common Shares Outstanding — Diluted</b>                     | <b>1365</b>    | <b>1364</b>    | <b>1375</b>    |
| <b>Earnings Per Share — Basic</b>   |                |                |                |
| Income from continuing operations before extraordinary gain                     | kr 0.31        | kr 0.35        | kr 0.11        |
| Loss from discontinued operations, net of tax                                   | (kr 0.10)      | kr 0.00        | (kr 0.04)      |
| Extraordinary gain, net of tax  | kr 0.00        | kr 0.00        | kr 0.01        |
| Net income  | kr 0.21        | kr 0.35        | kr 0.08        |
| <b>Earnings Per Share — Diluted</b>   |                |                |                |
| Income from continuing operations before extraordinary gain                     | kr 0.30        | kr 0.35        | kr 0.11        |
| Loss from discontinued operations, net of tax                                   | (kr 0.09)      | kr 0.00        | (kr 0.04)      |
| Extraordinary gain, net of tax  | kr 0.00        | kr 0.00        | kr 0.01        |
| Net income  | kr 0.21        | kr 0.35        | kr 0.08        |
| <b>Dividends Declared Per Common Share</b>                                      | <b>kr 0.07</b> | <b>kr 0.05</b> | <b>kr 0.04</b> |

See Notes to Consolidated Financial Statements

# SCANDINAVIA AS

## Consolidated Balance Sheet

(In Millions, Except Share and Per Share Amounts)

| December 31,  | 2018             | 2017             |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| Cash and cash equivalents   | kr 2,778         | kr 2,785         |
| Cash and investments segregated and on deposit for regulatory purposes (1) (including resale agreements of kr 12,901 in 2018 and kr 16,824 in 2017) | 19,019           | 21,341           |
| Securities owned — at market value (including securities pledged of kr 8 in 2018 and kr 131 in 2017)  | 5,335            | 3,934            |
| Receivables from brokers, dealers and clearing organizations  | 482              | 476              |
| Receivables from brokerage clients — net  | 9,841            | 8,581            |
| Loans to corporate clients — net  | 6,822            | 5,736            |
| Loans held for sale   | 20               | 29               |
| Equipment, office facilities and property — net   | 903              | 943              |
| Goodwill — net  | 811              | 810              |
| Intangible assets — net   | 153              | 141              |
| Other assets  | 969              | 829              |
| Assets of discontinued operations   | 0                | 261              |
| <b>Total</b>  | <b>kr 47,133</b> | <b>kr 45,866</b> |
| <b>Liabilities and Stockholders' Equity</b>   |                  |                  |
| Deposits from institutional clients   | kr 11,118        | kr 8,308         |
| Drafts payable  | 363              | 152              |
| Payables to brokers, dealers and clearing organizations   | 1,468            | 2,633            |
| Payables to brokerage clients   | 27,154           | 27,184           |
| Accrued expenses and other liabilities  | 1,396            | 1,216            |
| Short-term borrowings   | 663              | 996              |
| Long-term debt  | 585              | 772              |
| Liabilities of discontinued operations  | 0                | 144              |
| <b>Total liabilities</b>  | <b>42,747</b>    | <b>41,405</b>    |
| Stockholders' equity:   |                  |                  |
| Preferred stock — 9,940,000 shares authorized; kr .01 par value per share; none issued  | 0                | 0                |
| Common stock — 3 billion shares authorized; kr .01 par value per share;<br>1,392,091,544 shares issued  | 14               | 14               |
| Additional paid-in capital  | 1,769            | 1,749            |
| Retained earnings   | 3,258            | 3,125            |
| Treasury stock — 61,434,850 and 34,452,710 shares in 2018 and 2017, respectively, at cost   | (591)            | (319)            |
| Unamortized stock-based compensation  | (59)             | (95)             |
| Accumulated other comprehensive loss  | (5)              | (13)             |
| <b>Total stockholders' equity</b>   | <b>4,386</b>     | <b>4,461</b>     |
| <b>Total</b>  | <b>kr 47,133</b> | <b>kr 45,866</b> |

(1) Amounts included represent actual balances on deposit, whereas cash and investments required to be segregated for regulatory purposes were kr 19,004 million at December 31, 2018, excluding kr 200 million of intercompany repurchase agreements, and kr 21,004 million at December 31, 2017. On January 4, 2019 and January 5, 2018, the Company deposited kr 426 million and kr 221 million, respectively, into its segregated reserve bank accounts.

See Notes to Consolidated Financial Statements.

# SCANDINAVIA AS

## Consolidated Statement of Cash Flows

(In Millions)

| Year Ended December 31,  | 2018     | 2017     | 2016     |
|--|----------|----------|----------|
| <b>Cash Flows from Operating Activities</b>  |          |          |          |
| Net income   | kr 286   | kr 472   | kr 109   |
| Adjustments to reconcile net income to net cash provided by operating activities:          |          |          |          |
| Loss from discontinued operations, net of tax  | 128      | 4        | 52       |
| Depreciation and amortization  | 226      | 277      | 309      |
| Impairment charges   | 0        | 5        | 37       |
| Tax benefits from, and amortization of, stock-based awards                                 | 64       | 29       | 31       |
| Deferred income taxes  | (4)      | 5        | 19       |
| Non-cash restructuring charges   | 16       | 12       | 37       |
| Extraordinary gain on sale of corporate trust business, net of tax                         | 0        | 0        | (12)     |
| Other  | 2        | (26)     | 27       |
| Originations of loans held for sale  | (956)    | (1,606)  | 0        |
| Proceeds from sales of loans held for sale   | 870      | 1,585    | 0        |
| Net change in:   |          |          |          |
| Cash and investments segregated and on deposit for regulatory purposes                     | 2,321    | (1,065)  | (3,302)  |
| Securities owned (excluding securities available for sale)                                 | 32       | (117)    | 87       |
| Receivables from brokers, dealers and clearing organizations                               | (7)      | (278)    | 218      |
| Receivables from brokerage clients   | (1,261)  | (1,741)  | 2,745    |
| Other assets   | (51)     | (72)     | (5)      |
| Drafts payable   | 210      | 19       | (259)    |
| Payables to brokers, dealers and clearing organizations                                    | (1,165)  | 1,184    | 646      |
| Payables to brokerage clients  | (31)     | 1,479    | (527)    |
| Accrued expenses and other liabilities   | 111      | (110)    | (18)     |
| Net cash provided by operating activities  | 891      | 56       | 194      |
| <b>Cash Flows from Investing Activities</b>  |          |          |          |
| Purchases of securities available for sale   | (3,387)  | (3,264)  | (1,147)  |
| Proceeds from sales of securities available for sale                                       | 686      | 397      | 636      |
| Proceeds from maturities, calls and mandatory redemptions of securities available for sale | 1,154    | 819      | 415      |
| Net increase in loans to corporate clients   | (2,112)  | (1,538)  | (705)    |
| Proceeds from sales of corporate client loans  | 1,026    | 355      | 196      |
| Purchase of equipment, office facilities and property — net                                | (194)    | (147)    | (154)    |
| Cash payments for business combinations and investments, net of cash received              | (2)      | (374)    | 0        |
| Proceeds from sales of subsidiaries and investments  | 271      | 70       | 26       |
| Net cash used for investing activities   | (2,558)  | (3,681)  | (733)    |
| <b>Cash Flows from Financing Activities</b>  |          |          |          |
| Net change in deposits from banking clients  | 2,810    | 3,077    | (217)    |
| Net change in short-term borrowings  | (333)    | 488      | (55)     |
| Proceeds from long-term debt   | 136      | 0        | 100      |
| Repayment of long-term debt  | (315)    | (100)    | (214)    |
| Dividends paid   | (101)    | (68)     | (60)     |
| Purchase of treasury stock   | (383)    | (32)     | (299)    |
| Proceeds from stock options exercised and other  | 51       | 34       | 34       |
| Net cash provided by (used for) financing activities                                       | 1,865    | 3,399    | (711)    |
| Net cash (used for) provided by discontinued operations                                    | (205)    | 33       | (142)    |
| <b>Decrease in Cash and Cash Equivalents</b>   | (7)      | (194)    | (1,392)  |
| <b>Cash and Cash Equivalents at Beginning of Year</b>                                      | 2,785    | 2,979    | 4,371    |
| <b>Cash and Cash Equivalents at End of Year</b>  | kr 2,778 | kr 2,785 | kr 2,979 |

See Notes to Consolidated Financial Statements

# SCANDINAVIA AS

## Consolidated Statement of Stockholders' Equity

(In Millions)

|   | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Treasury<br>Stock | Unamortized<br>Stock-based<br>Compensation | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total       |
|---|-----------------|----------------------------------|----------------------|-------------------|--|--|-------------|
| Balance at December 31, 2015  | kr 14.00        | kr 1,726.00                      | kr 2,794.00          | (kr 295.00)       | (kr 39.00)                                 | (kr 37.00)   | kr 4,163.00 |
| Comprehensive income:   |                 |                                  |                      |                   |  |  |             |
| Net income  | -               | -                                | 109                  | -                 | -  | -  | 109         |
| Net loss on cash flow hedging instruments, net of tax of kr 3   | -               | -                                | -                    | -                 | -  | (6)  | (6)         |
| Net unrealized gain on securities available for sale,<br>net of reclassification adjustment, and tax of kr 11 | -               | -                                | -                    | -                 | -  | 17   | 17          |
| Foreign currency translation adjustment   | -               | -                                | -                    | -                 | -  | 8  | 8           |
| Total comprehensive income  |                 |                                  |                      |                   |  |  | 128         |
| Dividends declared on common stock  | -               | -                                | (60)                 | -                 | -  | -  | (60)        |
| Purchase of treasury stock  | -               | -                                | -                    | (299)             | -  | -  | (299)       |
| Stock options exercised, and shares and stock options<br>issued under stock-based compensation plans          | -               | 5                                | (74)                 | 129               | (22)                                       | -  | 38          |
| Non-cash stock-based compensation expense<br>related to restructuring   | -               | 9                                | -                    | -                 | 1  | -  | 10          |
| Issuance of shares for acquisitions   | -               | 4                                | -                    | -                 | -  | -  | 4           |
| Amortization of stock-based compensation awards   | -               | -                                | -                    | -                 | 27   | -  | 27          |
| Balance at December 31, 2016  | 14              | 1,744                            | 2,769                | (465)             | (33)                                       | (18)   | 4,011       |
| Comprehensive income:   |                 |                                  |                      |                   |  |  |             |
| Net income  | -               | -                                | 472                  | -                 | -  | -  | 472         |
| Net gain on cash flow hedging instruments, net of tax of kr 13  | -               | -                                | -                    | -                 | -  | 19   | 19          |
| Net unrealized loss on securities available for sale,<br>net of reclassification adjustment, and tax of kr 13 | -               | -                                | -                    | -                 | -  | (19)   | (19)        |
| Foreign currency translation adjustment   | -               | -                                | -                    | -                 | -  | 5  | 5           |
| Total comprehensive income  |                 |                                  |                      |                   |  |  | 477         |
| Dividends declared on common stock  | -               | -                                | (68)                 | -                 | -  | -  | (68)        |
| Purchase of treasury stock  | -               | -                                | -                    | (32)              | -  | -  | (32)        |
| Stock options exercised, and shares and stock options<br>issued under stock-based compensation plans          | -               | (4)                              | (47)                 | 174               | (97)                                       | -  | 26          |
| Non-cash stock-based compensation expense<br>related to restructuring   | -               | 8                                | -                    | -                 | 1  | -  | 9           |
| Issuance of shares for acquisitions   | -               | 1                                | (1)                  | 4                 | -  | -  | 4           |
| Amortization of stock-based compensation awards   | -               | -                                | -                    | -                 | 34   | -  | 34          |
| Balance at December 31, 2017  | 14              | 1,749                            | 3,125                | (319)             | (95)                                       | (13)   | 4,461       |
| Comprehensive income:   |                 |                                  |                      |                   |  |  |             |
| Net income  | -               | -                                | 286                  | -                 | -  | -  | 286         |
| Net gain on cash flow hedging instruments, net of tax of kr 10  | -               | -                                | -                    | -                 | -  | 15   | 15          |
| Net unrealized loss on securities available for sale,<br>net of reclassification adjustment, and tax of kr 5  | -               | -                                | -                    | -                 | -  | (8)  | (8)         |
| Foreign currency translation adjustment   | -               | -                                | -                    | -                 | -  | 1  | 1           |
| Total comprehensive income  |                 |                                  |                      |                   |  |  | 294         |
| Dividends declared on common stock  | -               | -                                | (101)                | -                 | -  | -  | (101)       |
| Purchase of treasury stock  | -               | -                                | -                    | (383)             | -  | -  | (383)       |
| Stock options exercised, and shares and stock options<br>issued under stock-based compensation plans          | -               | 17                               | (52)                 | 111               | (47)                                       | -  | 29          |
| Non-cash stock-based compensation expense<br>related to restructuring   | -               | 3                                | -                    | -                 | 3  | -  | 6           |
| Amortization of stock-based compensation awards   | -               | -                                | -                    | -                 | 80   | -  | 80          |
| Balance at December 31, 2018  | kr 14.00        | kr 1,769.00                      | kr 3,258.00          | (kr 591.00)       | (kr 59.00)                                 | (kr 5.00)  | kr 4,386.00 |

See Notes to Consolidated Financial Statements.